**JIM DOYLE**
**GOVERNOR**
**STATE OF WISCONSIN**

May 18, 2010

TO THE HONORABLE MEMBERS OF THE SENATE:

I have approved Senate Bill 530 as 2009 Wisconsin Act 405 and have deposited it in the Office of the Secretary of State. I have exercised the partial veto in a number of areas.

Wisconsin is one of the few states in the nation that had not enacted meaningful payday lending reform. While it has taken several legislative sessions to pass a bill to address this issue, I am pleased to sign Senate Bill 530 into law to protect Wisconsin consumers from the debt cycle of repetitive rollover loans, excessive interest charges and predatory lending practices of the payday lending industry.

Senate Bill 530 caps the maximum loan amount at $1,500 or 35 percent of a customer's gross monthly income; allows only one loan rollover per customer; establishes a rate cap of 2.75 percent per month on the outstanding balance after the maturity date of the loan; establishes a real-time database to prevent multiple loans at one time; allows customers to repay an outstanding balance in four equal payments coinciding with the customer's pay schedule; allows the customer to rescind a loan until close of business the next day; prohibits wage garnishments; promotes financial literacy; requires lenders to disclose certain information like the annual percentage rate of interest charged; creates a new license specifically for payday lenders and gives the Department of Financial Institutions (DFI) regulatory powers; requires an annual report from DFI to the Legislature regarding payday loan transactions; and prohibits lenders from locating within 1,500 feet of another lender and within 150 feet of certain residential areas.

Senate Bill 530 prohibits auto title lending by a licensed lender unless the loan is no more than 50 percent of the value of the vehicle being used as collateral, as determined by DFI; and the vehicle does not have another security interest. Generally, an auto title loan is defined as a loan of $25,000 or less with a term of not more than 6 months where the vehicle is used as collateral on the loan. Further, the bill establishes a rate cap of 2.75 percent per month on the outstanding balance after the maturity date of the loan; allows the customer to rescind a loan until close of business the next day; prohibits the licensed lender from requiring the customer to provide a key to the vehicle at the time of the loan; and makes requirements related to repossession of a vehicle used as collateral on an auto title loan.

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The provisions of Senate Bill 530 take effect on the first day of the 7th month after publication.

I applaud the Legislature's efforts to protect consumers from unfair lending practices. I also believe the state should go further to protect consumers. Therefore, I have partially vetoed the bill to strengthen consumer protection while retaining short-term borrowing for individuals who need that option.

I am partially vetoing sections 8 and 14, as these sections relate to the exemption of an affiliate of a financial institution from regulation under the payday lending provisions. Any affiliates of financial institutions that engage in payday lending should be licensed and required to follow the provisions of this bill.

I am also partially vetoing section 14, as it relates to the definition of a payday loan, to remove the loan term cap of 90 days or less. The bill may inadvertently create a loophole where, as an example, a lender could offer a payday loan of 91 days and escape the regulations set forth in this legislation. By removing the 90 day loan term cap, my intent is to ensure that all payday lenders are fully covered by this law and I am directing the Secretary of DFI to establish administrative rules that accomplish this objective.

I am further partially vetoing section 14, as it relates to interest that may be charged after the maturity date of a payday loan. I object to allowing a licensed payday lender to charge interest after maturity on loans. Since the bill includes no cap on the interest rate that may be charged on a payday loan, allowing an interest charge on loans after their maturity date is excessive. By partially vetoing this provision, lenders may not charge interest on loans after the maturity date which will protect customers from excessive interest rate charges and help to break the debt cycle.

The bill creates a repayment option if a customer fails to repay a payday loan in full after the term of the loan. Under this option, a lender must give the customer the option to pay the loan balance in four equal installments corresponding with the customer's pay schedule. The bill specifies that a lender is not required to give this option more than one time in a 12-month period. I object to this limitation because consumers should have this right with every payday loan and am therefore partially vetoing section 14, as it relates to repayment after the term of a loan, to require that a lender provide this repayment option with every loan.

Under the bill, a database must be created to track payday loans in order to ensure that customers have only one payday loan outstanding at any one time. The bill would require that the database mark every loan as closed if the lender had not contacted the database administrator within five days following the maturity date. I object to this automatic notation in the database of a closed loan and am therefore partially vetoing section 14, as it relates to the database requirement, to remove the automatic designation of loans as paid five days after the maturity date of the loan. To accomplish the intent of the bill to allow customers to have only one payday loan at a

time, I believe all loans in the statewide database should be considered as open transactions until the payday lender notifies the database provider that the loan is closed.

The bill limits to $1 the per transaction fee that DFI may charge for establishing and administering the database and requires that the fee be set by administrative rule or order. I am partially vetoing section 14, as it relates to the database transaction fee, to remove the $1 limit and the requirement to set the fee through administrative rule or order so that DFI has flexibility in managing the database and promoting financial literacy.

I am partially vetoing section 14, as it relates to procedures for issuing payday loans if the database is nonfunctional. The bill provides for a secondary option if the database is nonfunctional and further gives an option if both the database and secondary source are nonfunctional. To help ensure the accuracy of the database and that payday lenders are following the requirements of this bill, I am partially vetoing the provision to remove the option to issue a payday loan if both the database and the secondary system are simultaneously nonfunctional. Removing this option will ensure that there is no confusion regarding a customer's eligibility for a payday loan.

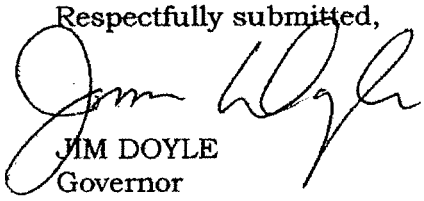
Sections 14m and 23 relate to regulation of auto title lending by licensed lenders in Wisconsin. An auto title loan is generally defined as a loan of $25,000 or less with a term of not more than 6 months where the vehicle is used as collateral on the loan. The bill prohibits auto title lending by a licensed lender unless the loan is no more than 50 percent of the value of the vehicle being used as collateral, as determined by DFI; and the vehicle does not have another security interest. I object to these exceptions from the bill's prohibitions on auto title lending. Therefore, I am partially vetoing sections 14m and 23, as they relate to auto title lending, to remove exceptions to the prohibitions, to remove the 6 month maximum loan term from the definition of an auto title loan, and to delete subsequently unnecessary references to regulation of these loans since the bill, as vetoed, would prohibit the issuance of auto title loans. The effect of these partial vetoes is to prohibit auto title lending by licensed lenders.

I believe that auto title loans are an example of some of the worst predatory lending practices. Auto title loans can result in individuals losing their vehicles due to failure to make timely payments on relatively small loan amounts, putting at high risk an asset that is essential to the well-being of working families. The intent of this partial veto is to ensure that all auto title loans are covered by this prohibition and I am directing the Secretary of DFI to establish administrative rules that accomplish this objective.

Payday lending is strictly regulated in most states so that citizens are protected from predatory lending practices. I am very grateful to the Legislature for their commitment in adding Wisconsin to the list of states that protects its citizens from these practices. The partial vetoes I have made to Senate Bill 530 are consistent with and build upon

the Legislature's considerable efforts to provide short-term financing options for individuals while strengthening protections for consumers utilizing those options.

Respectfully submitted,



JIM DOYLE
Governor

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# State of Wisconsin

**2009 Senate Bill 530**

Date of enactment:
Date of publication*:

# 2009 WISCONSIN ACT

AN ACT *to amend* 20.144 (1) (g), 49.857 (1) (d) 12., 73.0301 (1) (d) 6., 138.04, 138.09 (1m) (a), 138.09 (3) (f), 138.10 (2m), 138.10 (15), 220.02 (2) (b), 220.04 (10), 220.285 (1), 321.60 (1) (a) 12., 403.414 (7), 422.201 (3) and 425.301 (4); and *to create* 20.144 (1) (j), 59.69 (4h), 62.23 (7) (hi), 138.09 (1a), 138.09 (3) (e) 1. g., 138.14, 138.16 and 812.35 (1a) of the statutes; **relating to:** regulating payday loans and motor vehicle title loans, limiting the areas in which a payday lender may operate, granting rule–making authority, making an appropriation, and providing a penalty.

***The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:***

**SECTION 1.** 20.144 (1) (g) of the statutes is amended to read:

20.144 (**1**) (g) *General program operations.* The amounts in the schedule for the general program operations of the department of financial institutions. Except as provided in pars. (a), (h), (i), (j), and (u), all moneys received by the department, other than by the office of credit unions and the division of banking, and 88% of all moneys received by the department's division of banking shall be credited to this appropriation, but any balance at the close of a fiscal year under this appropriation shall lapse to the general fund. Annually, $200,000 of the amounts received under this appropriation account shall be transferred to the appropriation account under s. 20.575 (1) (g).

**SECTION 2.** 20.144 (1) (j) of the statutes is created to read:

20.144 (**1**) (j) *Payday loan database and financial literacy.* All moneys received under s. 138.14 (14) (h), for developing, implementing, maintaining, or contracting for operating, the database under s. 138.14 (14), and for promoting financial literacy.

**SECTION 3.** 49.857 (1) (d) 12. of the statutes, as affected by 2009 Wisconsin Act 2, is amended to read:

49.857 (**1**) (d) 12. A license or certificate of registration issued under ss. 138.09, 138.12, 138.14, 217.06, 218.0101 to 218.0163, 218.02, 218.04, 218.05, 224.72, 224.725, 224.93 or subch. IV of ch. 551.

**SECTION 4.** 59.69 (4h) of the statutes is created to read:

59.69 (**4h**) PAYDAY LENDERS. (a) *Definitions.* In this subsection:

1. "Licensee" has the meaning given in s. 138.14 (1) (i).

2. "Payday lender" means a business, owned by a licensee, that makes payday loans.

3. "Payday loan" has the meaning given in s. 138.14 (1) (k).

(b) *Limits on locations of payday lenders.* Except as provided in par. (c), no payday lender may operate in a county unless it receives a permit to do so from the county zoning agency, and the county zoning agency may not

* Section 991.11, WISCONSIN STATUTES 2007–08 : Effective date of acts. "Every act and every portion of an act enacted by the legislature over the governor's partial veto which does not expressly prescribe the time when it takes effect shall take effect on the day after its date of publication as designated" by the secretary of state [the date of publication may not be more than 10 working days after the date of enactment].

issue a permit to a payday lender if any of the following applies:

1. The payday lender would be located within 1,500 feet of another payday lender.

2. The payday lender would be located within 150 feet of a single–family or 2–family residential zoning district.

(c) *Exceptions.* 1. Paragraph (b) only applies in the unincorporated parts of the county which have not adopted a zoning ordinance as authorized under s. 60.62 (1).

2. A county may regulate payday lenders by enacting a zoning ordinance that contains provisions that are more strict than those specified in par. (b).

3. If a county has enacted an ordinance regulating payday lenders that is in effect on the effective date of this subdivision .... [LRB inserts date], the ordinance may continue to apply and the county may continue to enforce the ordinance, but only if the ordinance is at least as restrictive as the provisions of par. (b).

4. Notwithstanding the provisions of subd. 3., if a payday lender that is doing business on the effective date of this subdivision .... [LRB inserts date], from a location that does not comply with the provisions of par. (b), the payday lender may continue to operate from that location notwithstanding the provisions of par. (b).

**SECTION 5.** 62.23 (7) (hi) of the statutes is created to read:

62.23 (**7**) (hi) *Payday lenders.* 1. In this paragraph:

a. "Licensee" has the meaning given in s. 138.14 (1) (i).

b. "Payday lender" means a business, owned by a licensee, that makes payday loans.

c. "Payday loan" has the meaning given in s. 138.14 (1) (k).

2. Except as provided in subds. 3., 4., and 5., no payday lender may operate in a city unless it receives a permit to do so from the city council, and the city council may not issue a permit to a payday lender if any of the following applies:

a. The payday lender would be located within 1,500 feet of another payday lender.

b. The payday lender would be located within 150 feet of a single–family or 2–family residential zoning district.

3. A city may regulate payday lenders by enacting a zoning ordinance that contains provisions that are more strict than those specified in subd. 2.

4. If a city has enacted an ordinance regulating payday lenders that is in effect on the effective date of this subdivision .... [LRB inserts date], the ordinance may continue to apply and the city may continue to enforce the ordinance, but only if the ordinance is at least as restrictive as the provisions of subd. 2.

5. Notwithstanding the provisions of subd. 4., if a payday lender that is doing business on the effective date of this subdivision .... [LRB inserts date], from a location that does not comply with the provisions of subd. 2., the payday lender may continue to operate from that location notwithstanding the provisions of subd. 2.

**SECTION 6.** 73.0301 (1) (d) 6. of the statutes, as affected by 2009 Wisconsin Act 2, is amended to read:

73.0301 (**1**) (d) 6. A license or certificate of registration issued by the department of financial institutions, or a division of it, under ss. 138.09, 138.12, 138.14, 217.06, 218.0101 to 218.0163, 218.02, 218.04, 218.05, 224.72, 224.725, 224.93 or under subch. IV of ch. 551.

**SECTION 7.** 138.04 of the statutes is amended to read:

**138.04 Legal rate.** The rate of interest upon the loan or forbearance of any money, goods or things in action shall be $5 upon the $100 for one year and according to that rate for a greater or less sum or for a longer or a shorter time; but parties may contract for the payment and receipt of a rate of interest not exceeding the rate allowed in ss. 138.041 to 138.056, 138.09 to ~~138.12~~ 138.14, 218.0101 to 218.0163, or 422.201, in which case such rate shall be clearly expressed in writing.

**SECTION 8.** 138.09 (1a) of the statutes is created to read:

138.09 (**1a**) This section does not apply to any of the following:

(a) Banks, savings banks, savings and loan associations, trust companies, credit unions, or any of their affiliates.

(b) Payday loans made under s. 138.14.

**SECTION 9.** 138.09 (1m) (a) of the statutes is amended to read:

138.09 (**1m**) (a) Before any person may do business under this section ~~or~~, charge the interest authorized by sub. (7) ~~and before any creditor other than a bank, savings bank, savings and loan association or credit union may,~~ or assess a finance charge on a consumer loan in excess of 18% per year, that person shall first obtain a license from the division. Applications for a license shall be in writing and upon forms provided for this purpose by the division. An applicant at the time of making an application shall pay to the division a nonrefundable $300 fee for investigating the application and a $500 annual license fee for the period terminating on the last day of the current calendar year. If the cost of the investigation exceeds $300, the applicant shall upon demand of the division pay to the division the amount by which the cost of the investigation exceeds the nonrefundable fee.

**SECTION 10.** 138.09 (3) (e) 1. g. of the statutes is created to read:

138.09 (**3**) (e) 1. g. A payday loan licensee under s. 138.14.

**SECTION 11.** 138.09 (3) (f) of the statutes is amended to read:

138.09 (**3**) (f) Every licensee shall make an annual report to the division for each calendar year on or before March 15 of the following year. The report shall ~~cover~~

include business transacted by the licensee under the provisions of this section and shall give all reasonable and relevant information that the division may require. The reports shall be made ~~upon forms furnished~~ in the form and manner prescribed by the division ~~and shall be signed and verified by the oath or affirmation of the licensee if an individual, one of the partners if a partnership, a member or manager if a limited liability company or an officer of the corporation or association if a corporation or association~~. Any licensee operating under this section shall keep the records affecting loans made pursuant to this section separate and distinct from the records of any other business of the licensee.

**SECTION 12.** 138.10 (2m) of the statutes is amended to read:

138.10 **(2m)** PAWNBROKING BY LICENSED LENDERS. The division of banking may promulgate rules regulating the conduct of pawnbroking by persons licensed under s. 138.09 or 138.14.

**SECTION 13.** 138.10 (15) of the statutes is amended to read:

138.10 **(15)** EXCEPTION. This section does not apply to any person that is licensed under s. 138.09 or 138.14.

**SECTION 14.** 138.14 of the statutes is created to read:

**138.14 Payday loans. (1)** DEFINITIONS. In this section:

(a) "Affiliate" means, with respect to a person, another person who owns or controls, is owned or controlled by, or is under common ownership or control with, such person. In this paragraph "control" means any of the following:

1. For a corporation, direct or indirect ownership of, or the right to control, 10 percent or more of the voting shares of the corporation, or the ability of a person to elect a majority of the directors or otherwise effect a change in policy.

2. For any entity other than a corporation, the ability to change the active or passive principals of the organization.

(b) "Check" has the meaning given in s. 403.104 (6).

(bm) "Customer" means an individual who enters into a payday loan with a licensee.

(c) "Database" means the statewide database described in sub. (14).

(d) "Database provider" means a 3rd–party provider with whom the department contracts to operate the database or, if the division elects to operate the database, the division.

(e) "Department" means the department of financial institutions.

(f) "Division" means the division of banking.

(g) "Financial establishment" means any organization that is authorized to do business under state or federal law and that holds a demand deposit, savings deposit, or other asset account belonging to an individual.

(h) "General order" means an order that is not a special order.

(i) "Licensee" means a person holding a license issued by the division under sub. (5).

(j) "Maturity date" means the date specified when originating a payday loan on which the loan is required to be paid in full.

(k) "Payday loan" means any of the following:

1. A transaction between an individual with an account at a financial establishment and another person, including a person who is not physically located in this state, in which the person agrees to accept from the individual one or more checks, to hold the check or checks for a period of time before negotiating or presenting the check or checks for payment, and to loan to the individual, for a term of 90 days or less, before negotiating or presenting the check or checks for payment, an amount that is agreed to by the individual.

2. A transaction between an individual with an account at a financial establishment and another person, including a person who is not physically located in this state, in which the person agrees to accept the individual's authorization to initiate one or more electronic fund transfers from the account, to wait a period of time before initiating the electronic fund transfer or transfers, and to loan to the individual, for a term of 90 days or less, before initiating the electronic fund transfer or transfers, an amount that is agreed to by the individual.

(L) "Special order" means an order against a person.

**(2)** LICENSE REQUIRED. A person may not originate or service a payday loan involving a Wisconsin resident without first having obtained from the division a license under sub. (5) for each place of business at which the person originates or services payday loans involving Wisconsin residents. Such a license is required for, and this section applies to, all payday loans made to a Wisconsin resident, regardless of whether the loan is made by face–to–face contact, mail, telephone, Internet, or any other means.

**(3)** EXEMPTIONS. This section does not apply to banks, savings banks, savings and loan associations, trust companies, credit unions, or any of their affiliates.

**(4)** APPLICATIONS; FEES; BOND. (a) 1. Application for licenses under sub. (5) shall be made to the division in writing in the form and manner prescribed by the division and shall include all of the following:

a. Except as provided in subd. 3., if the applicant is an individual, the applicant's social security number.

b. If the applicant is not an individual, the applicant's federal employer identification number.

c. A statement signed by or on behalf of the applicant that acknowledges that the applicant is subject to the debt collection requirements under ch. 427 with respect to payday loans.

2. The division may not disclose any information received under subd. 1. a. or b. to any person except as follows:

a. The division may disclose information under subd. 1. a. or b. to the department of revenue for the sole purpose of requesting certifications under s. 73.0301.

b. The division may disclose information under subd. 1. a. to the department of workforce development in accordance with a memorandum of understanding under s. 49.857.

3. If an applicant who is an individual does not have a social security number, the applicant, as a condition of applying for a license, shall submit a statement made or subscribed under oath or affirmation to the division that the applicant does not have a social security number. The form of the statement shall be prescribed by the department of workforce development. Any license issued in reliance upon a false statement submitted by an applicant is invalid.

(b) At the time of making application, an applicant for a license shall pay to the division a nonrefundable $300 fee for investigating the application and a $500 annual license fee. If the cost of the investigation exceeds $300, the applicant shall upon demand of the division pay to the division the amount by which the cost of the investigation exceeds the nonrefundable fee.

(c) The division shall require any applicant or licensee to file and maintain in force a bond in a sum not to exceed $5,000 for each place of business at which the applicant or licensee makes payday loans to a Wisconsin resident. The bond shall be in a form prescribed by and acceptable to the division.

(5) LICENSES. (a) Upon the filing of an application under sub. (4) and the payment of the required fees, the division shall investigate the relevant facts. Except as provided in par. (b), if the division finds that the character and general fitness and the financial responsibility of the applicant, and the members thereof if the applicant is a partnership, limited liability company, or association, and the officers and directors thereof if the applicant is a corporation, warrant the belief that the business will be operated in compliance with this section, the division shall issue a license to the applicant. If the division does not make such finding, the division shall deny the application.

(b) The division may not issue a license to an applicant if any of the following applies:

1. The applicant fails to provide any information required under sub. (4) (a).

2. The department of revenue certifies under s. 73.0301 that the applicant is liable for delinquent taxes.

3. The applicant fails to comply, after appropriate notice, with a subpoena or warrant issued by the department of workforce development or a county child support agency under s. 59.53 (5) and related to paternity or child support proceedings.

4. The applicant is delinquent in making court–ordered payments of child or family support, maintenance, birth expenses, medical expenses, or other expenses related to the support of a child or former spouse, as provided in a memorandum of understanding entered into under s. 49.857.

(c) A license shall remain in force and effect until suspended or revoked in accordance with this section or surrendered by the licensee, and a licensee shall, on or before each December 10, pay to the division the annual license fee for the next succeeding calendar year.

(d) A license is not assignable and permits operation under it only at or from the place of business specified in the license.

(e) A licensee shall conspicuously post a license at the place of business where the licensee makes payday loans, or if conducting business through the Internet, on the licensee's Web site so that the license is easily viewed by a consumer.

(6) RELOCATION; OTHER BUSINESS. (a) Whenever a licensee changes the address of its place of business to another location within the same city, village, or town, the licensee shall give written notice thereof, in a form and manner prescribed by the division, to the division within 10 business days of the relocation and the division shall replace the original license with an amended license showing the new address. No change in the place of business of a licensee to a different city, village, or town is permitted under the same license.

(b) 1. Except as provided in subd. 2., a licensee may conduct, and permit others to conduct, at the place of business specified in its license, one or more of the following businesses not subject to this section:

a. A currency exchange under s. 218.05.

b. A seller of checks business under ch. 217.

c. A loan business under s. 138.09.

d. A sales finance company under ss. 218.0101 to 218.0163.

2. A licensee may not sell merchandise or conduct other business at the place of business specified in the license unless written authorization is granted to the licensee by the division.

(7) RECORDS; REPORTS. (a) Except as provided in par. (b), a licensee shall keep such books and records in the licensee's place of business that, in the opinion of the division, will enable the division to determine compliance with this section. A licensee shall preserve the records of final entry used in such business for a period of at least 2 years after the making of any loan recorded therein.

(b) A licensee may keep the books and records specified in par. (a) at a single location inside or outside of this state if the books and records are kept at a place of business licensed under this section. A licensee shall organize the books and records by the place of business where the records originated.

(c) A licensee shall keep the books and records affecting loans made pursuant to this section separate and distinct from the records of any other business of the licensee.

(d) A licensee shall make an annual report to the division for each calendar year on or before March 15 of the following year. The report shall include business transacted by the licensee under this section and shall give all reasonable and relevant information that the division may require, including the information required for the division's reports under par. (e). The reports shall be made in the form and manner prescribed by the division.

(e) The division shall submit an annual report to the appropriate standing committees of the legislature in the manner provided under s. 13.172 (3) that includes all of the following:

1. The number of payday loans made by all licensees during the preceding year.

2. The average principal amount for all payday loans made during the preceding year.

3. The average interest, fees, and other charges for all payday loans made during the preceding year.

4. Based on subd. 3., the average annual percentage rate for all payday loans made during the preceding year.

5. The number of payday loans made during the preceding year that were paid in full on the maturity date.

6. The number of payday loans made during the preceding year that resulted in repayment under sub. (11g) (a).

7. The number of payday loans made during the preceding year that were repaid with the proceeds of a subsequent payday loan.

8. The number of payday loans made during the preceding year that resulted in default.

9. The number of payday loans made during the preceding year for which a customer's payment method was dishonored or denied due to insufficient funds.

**(8)** POWERS OF THE DIVISION. (a) The division may issue any general or special order in execution of or supplementary to this section.

(b) The division may promulgate such rules as it considers necessary for the administration of this section, including rules establishing database transaction fees under sub. (14) (h) and other fees considered reasonable and necessary by the division.

(c) The division shall have the same power to conduct hearings, take testimony, and secure evidence as is provided in ss. 217.17 and 217.18.

(d) The division for the purpose of discovering violations of this section may investigate the business of a licensee transacted under this section, and shall investigate convictions reported to the division by any district attorney for violation by a licensee of this section. The place of business, books of account, papers, records, safes, and vaults of a licensee shall be open to inspection and examination by the division for the purpose of such investigation and the division may examine under oath all persons whose testimony the division may require relative to such investigation.

(e) The cost of any investigation, examination, or hearing, including witness fees or any other expenses, conducted by the division under this section involving a licensee shall be paid by the licensee within 30 days after demand therefore by the division, and the state may maintain an action for the recovery of such costs and expenses.

(f) Actual costs incurred by the division to examine books and records maintained outside of this state shall be paid by the licensee.

**(9)** REVOCATION AND SUSPENSION OF LICENSES. (a) The division may suspend or revoke any license issued under this section if the division finds any of the following:

1. That the licensee has violated any provision of this section, any rule promulgated thereunder, or any lawful order of the division made thereunder.

2. That the licensee has violated any of the provisions of chs. 421 to 427.

3. That any fact or condition exists which, if it had existed at the time of the original application for such license, would have warranted the division in refusing to issue such license.

4. That the licensee made a material misstatement in an application for a license or in information furnished to the division.

5. That the licensee has failed to pay the annual license fee or to maintain in effect the bond required under sub. (4) (c).

(b) The division shall restrict or suspend a license issued under this section if the division finds that the licensee is an individual who fails to comply, after appropriate notice, with a subpoena or warrant issued by the department of workforce development or a county child support agency under s. 59.53 (5) and related to paternity or child support proceedings or who is delinquent in making court–ordered payments of child or family support, maintenance, birth expenses, medical expenses, or other expenses related to the support of a child or former spouse, as provided in a memorandum of understanding entered into under s. 49.857. A licensee whose license is restricted or suspended under this paragraph is entitled to a notice and hearing only as provided in a memorandum of understanding entered into under s. 49.857 and is not entitled to any other notice or hearing under this section.

(c) The division shall revoke a license issued under this section if the department of revenue certifies under s. 73.0301 that the licensee is liable for delinquent taxes. A licensee whose license is revoked under this paragraph for delinquent taxes is entitled to a notice under s. 73.0301 (2) (b) 1. b. and a hearing under s. 73.0301 (5)

(a) but is not entitled to any other notice or hearing under this section.

(d) Except as provided in pars. (b) and (c), no license shall be revoked or suspended except after a hearing under this section. A complaint stating the grounds for suspension or revocation together with a notice of hearing shall be delivered to the licensee at least 5 days in advance of the hearing. In the event the licensee cannot be found, complaint and notice of hearing may be left at the place of business stated in the license,which shall be considered the equivalent of delivering the notice of hearing and complaint to the licensee.

**(9g)** DISCLOSURE REQUIREMENTS. (a) Before any licensee enters into a payday loan with an applicant, the licensee shall do all of the following:

1. Disclose to the applicant the total amount of all fees and costs, in dollars, to be paid by the applicant for the loan assuming that the loan is paid in full at the end of the loan term.

2. Disclose to the applicant the annual percentage rate to be paid by the applicant on the loan assuming that the loan is paid in full at the end of the loan term.

3. Provide to the applicant a copy of the written informational materials specified in sub. (9r).

4. Disclose to the applicant that he or she has the right to rescind the loan transaction as provided in sub. (11r).

5. Disclose to the applicant the service charge that may apply under sub. (10) (b) 2.

6. Disclose to the applicant the payment requirements that may apply under sub. (11g) (a) if the loan is not paid in full at the end of the loan term.

(b) A licensee shall retain, for at least 3 years after the origination date of any payday loan, a record of compliance with par. (a) with respect to the loan.

**(9r)** INFORMATIONAL MATERIALS. (a) The division shall develop written informational materials on payday loans and the payday loan industries. These informational materials shall be designed to educate individuals regarding the operation and potential costs of payday loans and of other options for borrowing funds that may be available.

(b) The informational materials under par. (a) shall include a clear and conspicuous notice that a payday loan is not intended to meet long–term financial needs and that a payday loan applicant should use a payday loan only to provide funds in a financial emergency.

(c) The informational materials under par. (a) shall include all of the following information, based upon aggregated information from reports submitted under sub. (7) (d) for the most recent reporting period:

1. The average annual percentage rate for payday loans.

2. The percentage of customers originating payday loans who defaulted on the loan.

3. The percentage of customers originating payday loans whose payment method was dishonored or denied for insufficient funds.

4. The percentage of customers originating payday loans that resulted in repayment under sub. (11g) (a).

(d) The informational materials under par. (a) shall include a summary of all actions that the licensee may take against a payday loan customer if the customer defaults on the payday loan or if the customer's check or electronic fund transfer is dishonored or denied for insufficient funds.

(e) The division shall annually update the informational materials under par. (a), based upon the division's analysis of reports received under sub. (7) (d).

(f) The division shall make copies of the informational materials under par. (a) available, upon request, to licensees and to the public, including making these informational materials available on the Internet site of the department of financial institutions. The division may charge licensees a reasonable fee for printed copies of informational materials supplied under this paragraph.

**(10)** INTEREST, PENALTIES, AND FEES. (a) *Interest.* 1. Except as provided in sub. (12) (b), this section imposes no limit on the interest that a licensee may charge before the maturity date of a payday loan.

2. If a payday loan is not paid in full on or before the maturity date, a licensee may charge, after the maturity date, interest at a rate not exceeding 2.75 percent per month, except that if a licensee makes a subsequent payday loan to the customer under sub. (12) (a), and the customer does not pay the subsequent loan in full on or before the maturity date of the subsequent loan, the licensee may charge, after the maturity date of the subsequent loan, interest at a rate not exceeding 2.75 percent per month on the subsequent loan and the licensee may not charge any interest under this subdivision on the prior loan. Interest earned under this subdivision shall be calculated at the rate of one–thirtieth of the monthly rate charged for each calendar day that the balance of the loan is outstanding. Interest may not be assessed on any interest earned under this subdivision.

(am) *Penalties.* Except as provided in par. (b) 2., no licensee may impose any penalty on a customer arising from the customer's prepayment of or default or late payment on a payday loan, including any payment under sub. (11g) (a).

(b) *Fees.* 1. A licensee may not assess a customer any fee or charge for database access or usage.

2. A licensee may present a customer's check for payment no more than once. For each customer authorization to initiate an electronic fund transfer from the customer's account, a licensee may initiate an electronic fund transfer no more than once. The only charge that a licensee may impose for dishonor of a customer's check

or denial of the licensee's instruction to execute an electronic fund transfer is a service charge that does not exceed $15.

**(11)** PREPAYMENT. (a) A customer may pay a payday loan in whole or in part prior to the maturity date of the loan.

(b) Upon prepayment in full, a refund of the unearned portion of any interest assessed by the licensee must be allowed. The amount of such refund shall not be less than the difference between the interest charged and the interest earned at the agreed rate computed upon the unpaid principal balance of the loan from time to time outstanding prior to repayment in full.

**(11g)** REPAYMENT AFTER TERM OF LOAN. (a) Except as provided in par. (b), if a customer fails to repay a payday loan in full at the end of the loan term, the licensee that made the loan shall offer the customer the opportunity to repay the outstanding balance of the loan in 4 equal installments with due dates coinciding with the customer's pay period schedule.

(b) If a licensee offers a customer the opportunity to make repayment under par. (a), then, during the 12–month period following the offer, no licensee, including the licensee making the offer, is required to offer the customer another opportunity to repay a payday loan under par. (a).

**(11r)** RESCISSION. A customer may rescind a payday loan, before the close of business on the next day of business after the loan is made, or, if the place of business where the loan is made is open 24 hours, before 5 p.m. on the next day of business after the loan is made, by returning to the licensee the proceeds of the payday loan. The licensee may not charge the customer any fee for rescinding the payday loan as provided in this subsection.

**(12)** PROHIBITIONS. (a) A customer may repay a payday loan with the proceeds of a subsequent payday loan made by the same or another licensee or an affiliate of the same or another licensee, but if the customer does so, the customer may not repay the subsequent payday loan with the proceeds of another payday loan made by the same or another licensee or an affiliate of the same or another licensee. A repayment of a subsequent payday loan and the origination of a new payday loan from the same or another licensee or an affiliate of the same or another licensee within a 24–hour period shall be considered proof of violation of the prohibition under this paragraph.

(b) No licensee may make a payday loan to a customer that results in the customer having an outstanding aggregate liability in principal, interest, and all other fees and charges, to all licensees who have made payday loans to the customer of more than $1,500 or 35 percent of the customer's gross monthly income, whichever is less.

(c) No licensee may make a payday loan to a customer if the licensee determines, knows, or should have known, that the customer identification number of the customer is invalid.

(d) No licensee may take a note, promise to pay, or any other instrument, in which blanks are left to be filled in after the payday loan has been made.

(e) No licensee may advertise, print, display, publish, distribute, or broadcast, or cause to be printed, displayed, published, distributed, or broadcast, in any manner, any statement with regard to the rates, terms, or conditions of a payday loan that is false or calculated to deceive. With respect to matters specifically governed by s. 423.301, compliance with such section satisfies the requirements of this paragraph.

(f) If a check held by a licensee as a result of a payday loan is dishonored, or an instruction to execute an electronic funds transfer authorized as the result of a payday loan is denied, the licensee may bring an action to collect the amount of the check or electronic funds transfer, but may not threaten or pursue criminal action against a debtor as a result of the debtor's dishonored check or denied electronic funds transfer or the debtor's payday loan not being paid.

**(13)** OTHER PROVISIONS. (a) All payday loans shall be governed by chs. 421 to 426, but to the extent that chs. 421 to 426 are inconsistent with this section, this section shall govern. All payday loans shall be governed by ch. 427.

(b) A licensee shall deliver to the customer, at the time a payday loan is made, a statement in the English and Spanish languages including all the disclosures required by the federal Consumer Credit Protection Act. The statement shall disclose that the customer may prepay the customer's loan in whole or in part and that if the loan is prepaid in full the customer will receive a refund of interest as provided by this section. The statement shall also clearly and conspicuously indicate the percentage per year of interest charged for the payday loan.

(c) A licensee shall give to the customer a plain and complete receipt for all cash payments made on account of any payday loan at the time such payments are made.

(d) No payday loan, wherever made, for which a greater rate or amount of interest than is allowed under sub. (10) (a) 2. has been contracted for or received, may be enforced in this state, and every person in any way participating therein in this state shall be subject to this section. If a licensee makes an excessive charge of such interest as the result of an unintentional mistake, but upon demand makes correction of such mistake, the loan shall be enforceable and treated as if no violation occurred at the agreed rate. Nothing in this paragraph shall limit any greater rights or remedies afforded in chs. 421 to 427 to a customer in a consumer credit transaction.

**(14)** DATABASE. (a) The division or a database provider shall develop, implement, and maintain a single statewide database that has real–time access through an

Internet connection, is accessible at all times to licensees and the division, and otherwise meets the requirements of this section.

(b) The division may operate the database or may contract with a single 3rd–party provider to operate the database. If the division contracts with a 3rd–party provider for the operation of the database, the division shall do all the following:

1. Ensure that the 3rd–party provider operates the database according to the provisions of this section.

2. In selecting a 3rd–party provider, consider the cost of providing the service and the 3rd–party provider's ability to meet all the requirements of this section.

3. In selecting a 3rd–party provider, give strong consideration to all of the following:

a. The 3rd–party provider's ability to prevent fraud, abuse, and other unlawful activity associated with payday loan transactions, and to provide additional tools for the administration and enforcement of this section.

b. Whether the provider is currently providing a similar service for another state.

(c) The database shall do all of the following:

1. Allow a licensee accessing the database to check a customer's unique identification number that is assigned to the customer in a manner specified by the division. A customer's unique identification number may not be based on the customer's social security number.

2. Allow a licensee accessing the database to determine if making a new payday loan would cause a violation of this section.

3. Provide information necessary to aid a licensee in complying with any requirements imposed under federal law by the office of foreign assets control of U.S. department of the treasury.

4. Provide any other information that the division determines is necessary and requires by rule or contract with the database provider.

(d) The database provider shall do all the following:

1. Use the data collected under this section only as prescribed in this section and, in the case of a 3rd–party provider, as prescribed in the contract with the division, and for no other purpose.

2. Establish and maintain an alternate process for responding to transaction authorization requests necessary because of technical difficulties occurring with the database that prevent a licensee from accessing the database through the Internet.

3. Upon receiving notification that a payday loan is paid, designate the transaction as closed in the database no later than 11:59 p.m. on the day that such notification is received.

4. Automatically designate a payday loan as paid in the database 5 days after the maturity date of the loan unless a licensee reports to the database provider before that time that the loan remains open because of the customer's failure to make payment; that the loan is open because the customer's check or an electronic redeposit is in the process of clearing the banking system; that the loan remains open because the customer's check is being returned to the licensee for insufficient funds, a closed account, or a stop payment order; or that any other factors determined by the division are applicable. If a licensee makes such a report, the database provider shall designate the payday loan as an open transaction until the database provider is notified that the transaction is closed.

5. If a licensee stops making payday loans, designate all open transactions with that licensee as closed in the database 60 days after the date on which the licensee stops making payday loans, unless the licensee reports to the database provider before the expiration of the 60–day period which of its transactions remain open and the specific reason each transaction remains open.

6. In response to an inquiry from a licensee, state only that a person is eligible or ineligible for a new payday loan and describe the reason for that determination. Only the person seeking the loan may make a direct inquiry to the database provider to request a more detailed explanation of an ineligibility determination.

(e) If at any time the division determines that a licensee that has stopped making payday loans is not updating the database in accordance with a plan approved under par. (o), the division shall immediately close or instruct the database provider to immediately close all remaining open transactions of that licensee.

(f) The division may, without cost, access the database for the purposes of enforcing this section.

(g) The division shall, by order or rule, stipulate the period for which data is to be retained in the database only as required to ensure licensee compliance with this act or for enforcement or compliance purposes. The division may require that any identifying customer information be deleted from the database when data is archived. The division may maintain access to archived data for future legislative or policy review.

(h) The division shall, by order or rule, specify a database transaction fee of no more than $1 that the database provider shall charge to licensees to cover the costs of developing and implementing the database, and accessing the database to verify that a customer does not have any payday loans with the licensee or others that in combination with a new transaction will create a violation of this section. The database fee is payable directly to the division in a manner prescribed by the division and, if the department has contracted with a 3rd–party provider to operate the database, the division shall remit the fee to the 3rd–party provider as specified in the contract.

(i) A licensee shall verify a customer's eligibility to enter into a payday loan by doing one of the following, as applicable:

1. If the database, as determined by the division, is not implemented or is not fully operational, verifying that

the customer does not have an open payday loan with the licensee that in conjunction with a new payday loan would cause a violation of this section. The licensee shall maintain a database of all of the licensee's payday loans at all of its places of business and search that database to meet its obligation under this subdivision.

2. If the database, as determined by the division, is implemented and fully operational, accessing the database and verifying that the customer does not have an outstanding payday loan with the licensee and does not have open payday loans with other licensees that in conjunction with a new payday loan would cause a violation of this section.

(j) If the database, as determined by the division, is not fully operational, or the licensee is unable to access the database and, as determined under rules promulgated by the division, the alternate process established under par. (d) 2. is also unavailable, a licensee may rely upon the written verification of the customer in a statement provided in substantially the following form in at least 12–point type:

"I DO NOT HAVE ANY OUTSTANDING PAYDAY LOANS WITH THIS LICENSEE AND I DO NOT HAVE MORE PAYDAY LOANS WITH ANY OTHER LICENSED PAYDAY LOAN PROVIDER IN THIS STATE."

(k) If, as determined by the division, a licensee is unable to access the database due to technical difficulties occurring with the database, the licensee shall utilize the alternate process established under par. (d) 2.

(L) A licensee may rely on the information contained in the database as accurate and is not subject to any administrative forfeiture as a result of relying on inaccurate information contained in the database.

(m) Before entering into a payday loan, a licensee shall submit to the database provider the customer's name; unique identification number that is assigned in a manner specified by the division; address; driver license number or other method of state identification; the amount of the transaction; the customer's check number, if applicable; the date of the transaction; the maturity date of the loan; and any other information reasonably required by the division, in a format approved by the division.

(n) When a payday loan is closed, the licensee shall designate the transaction as closed and notify the database provider no later than 11:59 p.m. on the day on which the transaction is closed. The division shall assess an administrative forfeiture of $100 for each day that the licensee fails to notify the database provider that the payday loan has been closed. It is a defense to the assessment of an administrative forfeiture that notifying the database provider was not possible due to temporary technical problems with the database or to circumstances beyond the licensee's control.

(o) If the licensee stops making payday loans, the licensee shall provide to the division a plan acceptable to the division that outlines how the licensee will continue to update the database after it stops making payday loans. The division shall approve or disapprove the plan and within 5 business days notify the licensee of the decision. If a plan is disapproved, the licensee may submit a new or modified plan for the division to approve or disapprove.

(p) Any information in the database regarding any person's transactional history is confidential and is not subject to public copying or inspection under s. 19.35 (1).

**(14m)** CUSTOMER INFORMATION. No licensee or person with whom the division contracts for operation of the database under sub. (14) (b) may sell to another person any information regarding a customer or a payday loan made to a customer.

**(15)** PENALTIES. (a) Any person, partnership, or corporation, or the officers or employees thereof, who violates this section is guilty of a misdemeanor and shall be fined not more than $500 or imprisoned for not more than 6 months or both.

(b) If a person who is not licensed under this section makes a payday loan to a customer, the loan is void, the customer is not obligated to pay any amounts owed on the loan, and the customer may recover from the person all amounts the customer has paid to the person. An action to recover such amounts shall be commenced within one year after the date of the last scheduled payment on the loan or shall be barred.

**(16)** PRIVATE CAUSE OF ACTION. If a person makes a payday loan to a customer in violation of this section, the customer may bring an action against the person for damages of $250 or the amount of the payday loan, whichever is greater, plus costs, and, notwithstanding s. 814.04 (1), reasonable attorney fees.

**SECTION 14m.** 138.16 of the statutes is created to read:

**138.16 Title loans. (1)** DEFINITIONS. In this section:

(a) "Division" means the division of banking attached to the department of financial institutions.

(b) "Licensed lender" means a person licensed under s. 138.09.

(c) "Title loan" means a loan of $25,000 or less to a borrower, who obtains or seeks to obtain the loan for personal, family, or household purposes, that is, or is to be, secured by an interest, other than a purchase money security interest, in the borrower's motor vehicle, and that has an original term of not more than 6 months.

**(2)** LOAN PRINCIPAL AND INTEREST. (a) No licensed lender may make a title loan to a borrower that results in the borrower having liability for the loan, in principal, of more than 50 percent of the value of the motor vehicle used as security for the loan. The division shall promulgate rules for determining the value of a motor vehicle for

purposes of this paragraph, including rules specifying pricing guides that may be used for determining value.

(b) 1. This section imposes no limit on the interest that a licensed lender may charge before the maturity date of a title loan.

2. If a title loan is not paid in full on or before the maturity date, a licensed lender may charge, after the maturity date, interest at a rate not exceeding 2.75 percent per month. Interest earned under this subdivision shall be calculated at the rate of one–thirtieth of the monthly rate charged for each calendar day that the balance of the loan is outstanding. Interest may not be assessed on any interest earned under this subdivision.

**(3)** RESCISSION. A borrower may rescind a title loan, before the close of business on the next day of business after the loan is made, or, if the place of business where the loan is made is open 24 hours, before 5 p.m. on the next day of business after the loan is made, by returning to the licensed lender the proceeds of the loan. The licensed lender may not charge the borrower any fee for rescinding the title loan as provided in this subsection.

**(4)** OTHER REQUIREMENTS. (a) A licensed lender may not make a title loan to a borrower that is secured by an interest in a motor vehicle if the motor vehicle is subject to another security interest under another title loan made by the licensed lender or another licensed lender and the borrower is liable for repayment on the other title loan.

(b) A licensed lender may not require a borrower to provide the licensed lender with a key or copy of a key to a motor vehicle used as security for a title loan as a condition for making the title loan to the borrower.

(c) A licensed lender or person acting on behalf of a licensed lender may not take possession of a motor vehicle used as security for a title loan to a borrower without serving notice on the borrower at least 15 days prior to taking possession. The notice shall state the intent to take possession and describe the basis for the right to take possession. This paragraph does not apply to possession that is obtained by a borrower's voluntary surrender of a motor vehicle.

(d) A licensed lender or other person may charge a borrower a reasonable storage fee for a motor vehicle of the borrower of which the licensed lender or person acting on behalf of the licensed lender has obtained possession, including possession that is obtained by voluntary surrender.

(e) A licensed lender shall return to a borrower the amount of any proceeds from the disposition of a motor vehicle used as security for a title loan to the borrower that exceed the borrower's liability to the licensed lender for the loan.

(f) A borrower is not liable to a licensed lender for any deficiency resulting from the licensed lender's disposition of a motor vehicle used as security for a title loan, unless the borrower has done any of the following:

1. Impaired the licensed lender's security interest by intentionally damaging or destroying the motor vehicle.

2. Intentionally concealed the motor vehicle.

3. Pledged to the licensed lender a motor vehicle that is already encumbered by an undisclosed prior lien.

4. Subsequent to obtaining the title loan, pledged or sold to a third party a motor vehicle used as security for a title loan without the licensed lender's written consent.

**SECTION 15.** 220.02 (2) (b) of the statutes is amended to read:

220.02 **(2)** (b) The lending of money under s. 138.09 <u>or 138.14,</u> or those relating to finance companies, motor vehicle dealers, adjustment service companies, community currency exchanges and collection agencies under ch. 218.

**SECTION 16.** 220.04 (10) of the statutes is amended to read:

220.04 **(10)** If it appears to the division that a person has engaged or is about to engage in an act or practice constituting a violation of the laws of this state relating to banks and banking, including this chapter, chs. 217, 218 and 221 to 224 and ss. 138.09 ~~and~~, 138.12, <u>and 138.14,</u> or a rule promulgated or order issued under those laws, the division may bring an action in the name of the state in the circuit court of the appropriate county to enjoin the acts or practices and to enforce compliance with the laws, rules or orders, or the division may refer the matter to the district attorney of the appropriate county or, if the alleged violation may be enforced by the attorney general under sub. (12) or s. 220.12, 221.1005 or 224.06 (7) or is statewide in nature, to the attorney general. Upon a proper showing, the court may grant a permanent or temporary injunction or restraining order, appoint a receiver for the defendant or the defendant's assets or order rescission of any acts determined to be unlawful. The court may not require the division to post a bond.

**SECTION 17.** 220.285 (1) of the statutes, as affected by 2009 Wisconsin Act 2, is amended to read:

220.285 **(1)** Any state bank, trust company bank, licensee under ss. 138.09, 138.12, <u>138.14,</u> 218.0101 to 218.0163, 218.02, 218.04, 218.05, 224.72, or 224.725 or ch. 217 may cause any or all records kept by such bank, licensee, or registered person to be recorded, copied or reproduced by any photostatic, photographic or miniature photographic process or by optical imaging if the process employed correctly, accurately and permanently copies, reproduces or forms a medium for copying, reproducing or recording the original record on a film or other durable material. A bank, licensee, or registered person may thereafter dispose of the original record after first obtaining the written consent of the division. This section, excepting that part of it which requires written consent of the division, is applicable to national banking associations insofar as it does not contravene federal law.

**SECTION 18.** 321.60 (1) (a) 12. of the statutes, as affected by 2009 Wisconsin Act 2, is amended to read:

321.60 (**1**) (a) 12. A license or certificate of registration issued by the department of financial institutions, or a division of it, under ss. 138.09, 138.12, 138.14, 217.06, 218.0101 to 218.0163, 218.02, 218.04, 218.05, 224.72, 224.725, or 224.93 or subch. IV of ch. 551.

**SECTION 19.** 403.414 (7) of the statutes is amended to read:

403.414 (**7**) A person who issues a check or other draft that is not honored upon presentment, because the drawer does not have an account with the drawee or because the drawer does not have sufficient funds in his or her account or sufficient credit with the drawee, is liable for all reasonable costs and expenses in connection with the collection of the amount for which the check or draft was written, except recovery is not permitted under this section if a person licensed under s. 138.09 or 138.14 or any other person collected or could have collected a charge for that check or other draft under s. 422.202 (1) (d) or (2m).

**SECTION 20.** 422.201 (3) of the statutes is amended to read:

422.201 (**3**) For licensees under s. 138.09 ~~and~~ or 138.14 or under ss. 218.0101 to 218.0163, the finance charge, calculated according to those sections, may not exceed the maximums permitted in ss. 138.09, 138.14, and 218.0101 to 218.0163, respectively.

**SECTION 21.** 425.301 (4) of the statutes is amended to read:

425.301 (**4**) The liability of a merchant under chs. 421 to 427 is in lieu of and not in addition to any liability under the federal consumer credit protection act and ss. 138.09, 138.14, or 218.0101 to 218.0163. An action by a person alleging a violation under chs. 421 to 427 may not be maintained if a final judgment has been rendered for or against that person with respect to the same violation under the federal consumer credit protection act or ss. 138.09, 138.14, or 218.0101 to 218.0163. If a final judgment is entered against any merchant under chs. 421 to 427 and the federal consumer credit protection act or ss. 138.09, 138.14, or 218.0101 to 218.0163 for the same violation, the merchant has a cause of action for appropriate relief to the extent necessary to avoid double liability.

**SECTION 22.** 812.35 (1a) of the statutes is created to read:

812.35 (**1a**) No earnings garnishment action may be brought to recover the amount owed by a debtor for the payment of a payday loan, as defined in s. 138.14 (1) (k).

**SECTION 23. Initial applicability.**

(1) The treatment of section 812.35 (1a) of the statutes first applies to payday loans, as defined in section 138.14 (1) (k) of the statutes, as created by this act, made on the effective date of this subsection.

(2m) The treatment of section 138.14 of the statutes first applies to payday loans, as defined in section 138.14 (1) (k) of the statutes, as created by this act, made on the effective date of this subsection.

(3m) The treatment of section 138.16 of the statutes first applies to title loans, as defined in section 138.16 (1) (c) of the statutes, as created by this act, made on the effective date of this subsection.

**SECTION 24. Effective date.**

(1) This act takes effect on the first day of the 7th month beginning after publication.