



State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

RESEARCH APPENDIX -

PLEASE DO NOT REMOVE FROM DRAFTING FILE

Date Transfer Requested: 06/19/2013

(Per: CMH)

A ☞ The 2013
drafting file for
LRBa0676

H ☞ The 2013
drafting file for
LRBb0484

O ☞ The 2013
drafting file for
LRBb0667

B ☞ The 2013
drafting file for
LRBb0418

I ☞ The 2013
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LRBb0546

P ☞ The 2013
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LRBb0670

C ☞ The 2013
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LRBb0461

J ☞ The 2013
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Q ☞ The 2013
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LRBb0673

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K ☞ The 2013
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R ☞ The 2013
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E ☞ The 2013
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LRBb0483

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LRBb0664

U ☞ The 2013
drafting file for
LRBb0694

☞ Compile Draft – Appendix R ←

has been copied/added to the drafting file for

2013 LRBb0702

2013 DRAFTING REQUEST

Assembly Amendment (AA-ASA1-AB40)

Received: 6/18/2013

Received By: agary

Wanted: As time permits

Same as LRB:

For: Robin Vos (608) 266-9171

By/Representing: Jenny Toftness

May Contact:

Drafter: agary

Subject: Fin. Inst. - int. rates/loans

Addl. Drafters:

Extra Copies:

Submit via email: YES
Requester's email: Rep.Vos@legis.wisconsin.gov
Carbon copy (CC) to: aaron.gary@legis.wisconsin.gov
vicki.holten@legis.wisconsin.gov
Sean.Moran@legis.wisconsin.gov

Pre Topic:

No specific pre topic given

Topic:

Payday loans; WCA

Instructions:

See attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/P1	agary 6/18/2013	scalvin 6/18/2013	rschluet 6/18/2013	_____	sbasford 6/18/2013		

FE Sent For:

<END>

2013 DRAFTING REQUEST

Assembly Amendment (AA-ASA1-AB40)

Received: 6/18/2013 Received By: agary
 Wanted: As time permits Same as LRB:
 For: Robin Vos (608) 266-9171 By/Representing: Jenny Toftness
 May Contact: Drafter: agary
 Subject: Fin. Inst. - int. rates/loans Addl. Drafters:
 Extra Copies:

Submit via email: YES
 Requester's email:
 Carbon copy (CC) to: aaron.gary@legis.wisconsin.gov
 vicki.holten@legis.wisconsin.gov
 Sean.Moran@legis.wisconsin.gov

Pre Topic:

vos:.....Jenny Toftness -

Topic:

Payday loans; WCA ✓

Instructions:

See attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/P1	agary	/P1 SAC 06/18/2013		==			

FE Sent For:

<END>

Gary, Aaron

From: Hanaman, Cathlene
Sent: Tuesday, June 18, 2013 11:17 AM
To: Gary, Aaron
Subject: FW: payday loan provision

You?

From: Toftness, Jenny
Sent: Tuesday, June 18, 2013 11:12 AM
To: Hanaman, Cathlene; Champagne, Rick
Cc: Reinhardt, Rob; Moran, Sean; Ottman, Tad
Subject: payday loan provision

We would like to make the following change to the payday loan provision:

Section 2178f. 425.103 (2) (am) of the statutes is created to read:

425.103 (2) (am) With respect to an installment loan not secured by a motor vehicle made by a licensee under s. 138.09 **or with respect to a payday loan not secured by a motor vehicle made by a licensee under s. 138.14;** to have outstanding an amount

Thank you,
Jenny Toftness

Gary, Aaron

From: Hanaman, Cathlene
Sent: Tuesday, June 18, 2013 11:34 AM
To: Gary, Aaron
Subject: FW: PLS_ Amendment to Default Standard (May 20 Version)
Attachments: PLS_ Amendment to Default Standard (May 20 Version).doc

From: Toftness, Jenny
Sent: Tuesday, June 18, 2013 11:33 AM
To: Champagne, Rick; Hanaman, Cathlene
Cc: Reinhardt, Rob; Moran, Sean; Ottman, Tad
Subject: FW: PLS_ Amendment to Default Standard (May 20 Version)

Here is a memo on the change to the pay day language that I sent in the last hour.

From: Annie Early [<mailto:annie@martinschreiber.com>]
Sent: Tuesday, June 18, 2013 11:29 AM
To: Toftness, Jenny
Subject: PLS_ Amendment to Default Standard (May 20 Version)

Annie Early Reinhard
Principal
Martin Schreiber & Associates, Inc.
608.259.1212 ext. 3
www.martinschreiber.com

Please note that the Madison office of Martin Schreiber & Associates, Inc. has moved. Our new address is:

***Martin Schreiber & Associates, Inc.
111 S. Hamilton Street, Suite 200
Madison, WI 53703***

Please update your records accordingly

“DEFAULT” IN THE INSTALLMENT AND PAYDAY LOAN CONTEXT

Under current law, the default period for an installment or payday loan is the same as it would be for other financial products regulated under the Wisconsin Consumer Act. However, given the short duration of an installment or payday loan, the standard “default” definition is not beneficial for consumers or lenders of these specialized financial products. Instead, both the consumer and lender are placed at a greater risk of hardship in having to abide by the generic default standard.

Under current law, the Wisconsin Consumer Act has a right to cure provision that allows a consumer borrower who is in default with 15 days to get back on track with payments. A lender, however, must wait 40 days before contacting a consumer to alert him or her that the loan is entering default and before the right to cure period would begin.

Both installment and payday loans are generally for a loan term of much less than 40 days. As a result, it makes no sense to wait 40 days until a default notice can be given and the 15 day right to cure period may begin. Consumer borrowers need to be contacted by a lender before a significant amount of time has passed. To that end, the proposal below would shorten the default time period for installment and payday loans to 10 days while maintaining the 15 day right to cure time period.

In sum, the proposed legislation would:

- Maintain the application of the Wisconsin Consumer Act to installment and payday loans;
- Create new ten day “default” standard specifically for installment and payday loans; and,
- Limit the application of the new exception to installment loans that are not secured by a motor vehicle.

Wis. Stat. § 425.103(2) would be amended to read:

(2) “Default”, with respect to a consumer credit transaction, means without justification under any law:

(a) With respect to a transaction other than one pursuant to an open-end plan or an installment loan made by a licensed lender under 138.09 that is not a loan secured by a motor vehicle or a loan made by a payday lender under 138.14; if the interval between scheduled payments is 2 months or less, to have outstanding an amount exceeding one full payment which has remained unpaid for more than 10 days after the scheduled or deferred due dates, or the failure to pay the first payment or the last payment, within 40 days of its scheduled or deferred due date; if the interval between scheduled payments is more than 2 months, to have all or any part of one scheduled payment unpaid for more than 60 days after its scheduled or deferred due date; or, if the transaction is scheduled to be repaid in a single payment, to have all or any part of the payment unpaid for more than 40 days after its scheduled or deferred due date. For purposes of this paragraph the amount outstanding shall not include any delinquency or deferral charges and shall be computed by applying each payment first to the installment most delinquent and then to subsequent installments in the order they come due;

(b) With respect to an open-end plan, failure to pay when due on 2 occasions within any 12-month period;

(bm) With respect to a motor vehicle consumer lease or a consumer credit sale of a motor vehicle, making a material false statement in the customer's credit application that precedes the consumer credit transaction; ~~or~~

(c) To observe any other covenant of the transaction, breach of which materially impairs the condition, value or protection of or the merchant's right in any collateral securing the transaction or goods subject to a consumer lease, or materially impairs the customer's ability to pay amounts due under the transaction; ~~or~~ or

(d) With respect to an installment loan made by a licensed lender under 138.09 that is not secured by a motor vehicle or a loan made by a payday lender under 138.14, to have outstanding an amount of one full payment or more which has remained unpaid for more than 10 days after its scheduled or deferred due date. For purposes of this paragraph the amount outstanding shall not include any delinquency or deferral charges and shall be computed by applying each payment first to the installment most delinquent and then to subsequent installments in the order they come due.

9564824.1



State of Wisconsin
2013 - 2014 LEGISLATURE

in
6/18



LRBb0674/P1
ARG:/:....
sac

vos:.....Jenny Toftness – Payday loans; WCA

**FOR 2013-2015 BUDGET – NOT READY FOR INTRODUCTION
ASSEMBLY AMENDMENT ,
TO ASSEMBLY SUBSTITUTE AMENDMENT 1,
TO ASSEMBLY BILL 40**

1 At the locations indicated, amend the substitute amendment as follows:

2 1. Page 1146, line 17: after “or” insert “with respect to a payday loan not
3 secured by a motor vehicle made by a licensee under s.”

4 (END)

