



2005 SENATE BILL 236

June 9, 2005 - Introduced by Senators HANSEN, ERPENBACH, LASSA, TAYLOR and JAUCH, cosponsored by Representatives SEIDEL, SHERIDAN, GIELOW, AINSWORTH, GRIGSBY, BERCEAU and YOUNG. Referred to Committee on Housing and Financial Institutions.

1 **AN ACT** *to amend* 138.09 (1m) (a); and *to create* 138.09 (8) (f) and 138.15 of the
2 statutes; **relating to:** interest and fees for motor vehicle title loans.

Analysis by the Legislative Reference Bureau

Under current law, a lender other than a bank, savings bank, savings and loan association, or credit union must obtain a license from the Division of Banking in the Department of Financial Institutions (DFI) to assess a finance charge greater than 18 percent. With certain limited exceptions, current law provides no maximum finance charge on a loan made by such a lender.

This bill imposes a maximum finance charge on a "motor vehicle title loan" made in the ordinary course of business by such a lender. The bill defines a motor vehicle title loan as a loan secured by a nonpurchase money security interest in the borrower's motor vehicle. Under the bill, a person, other than a bank, savings bank, savings and loan association, or credit union, who makes such a loan may not assess fees or interest for a loan that, in the aggregate, exceed 5 percent of the amount of the loan. Also, such a person cannot make such a loan unless the person is licensed by DFI.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

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

SENATE BILL 236**SECTION 1**

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

2 138.09 **(1m)** (a) Before any person may do business under this section or s.
3 138.15 or charge the interest authorized by sub. (7) and before any creditor other
4 than a bank, savings bank, savings and loan association or credit union may assess
5 a finance charge on a consumer loan in excess of 18% per year, that person shall first
6 obtain a license from the division. Applications for a license shall be in writing and
7 upon forms provided for this purpose by the division. An applicant at the time of
8 making an application shall pay to the division a nonrefundable \$300 fee for
9 investigating the application and a \$500 annual license fee for the period
10 terminating on the last day of the current calendar year. If the cost of the
11 investigation exceeds \$300, the applicant shall upon demand of the division pay to
12 the division the amount by which the cost of the investigation exceeds the
13 nonrefundable fee.

14 **SECTION 2.** 138.09 (8) (f) of the statutes is created to read:

15 138.09 **(8)** (f) When making a motor vehicle title loan, as defined in s. 138.15
16 (1) (a), comply with s. 138.15.

17 **SECTION 3.** 138.15 of the statutes is created to read:

18 **138.15 Motor vehicle title loans. (1) DEFINITIONS.** In this section:

19 (a) "Motor vehicle title loan" means a loan obtained for personal, family, or
20 household purposes that is secured by an interest, other than a purchase money
21 security interest, in the borrower's motor vehicle.

22 (b) "Motor vehicle title loan provider" means a person, other than a bank,
23 savings bank, savings and loan association, or credit union, who makes motor vehicle
24 title loans in the ordinary course of business.

