

FISCAL ESTIMATE

DOA-2048 N(R10/98)

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

Subject

Establishing a maximum interest rate

Fiscal Effect

State: No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

- Increase Costs - May be possible to Absorb Within Agency's Budget Yes No
 Decrease Costs

Local: No local government costs

- | | | |
|---|---|---|
| <p>1. <input type="checkbox"/> Increase Costs
 <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</p> <p>2. <input type="checkbox"/> Decrease Costs
 <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</p> | <p>3. <input type="checkbox"/> Increase Revenues
 <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</p> <p>4. <input type="checkbox"/> Decrease Revenues
 <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</p> | <p>5. Types of Local Governmental Units Affected:
 <input type="checkbox"/> Towns <input type="checkbox"/> Villages <input type="checkbox"/> Cities
 <input type="checkbox"/> Counties <input type="checkbox"/> Others _____
 <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts</p> |
|---|---|---|

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

This bill, which establishes a maximum interest rate of 26% for any loan entered into by a licensed lender, may reduce license revenue by approximately \$107,500 annually.

The businesses primarily affected by this bill would be payday lenders and pawn lenders. It is likely they may not seek license renewal under the terms of this bill. The types of loans these lenders enter into are for a small dollar amount and of short duration. Many payday lenders charge \$20 per \$100 for a 14-day loan. This equates to an APR of approximately 521%. At 26%, interest earned on a 14 day loan would be about \$1.00 per \$100. With that level of revenue, it is likely that these lenders may choose not to do business in this State. The Wisconsin Consumer Act permits a slightly higher return, in that a lender can contract for a minimum Finance rate of \$7.50, but it is still possible this may not be sufficient for them to choose to maintain their business in Wisconsin.

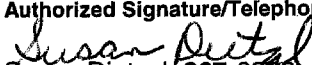
Assuming the 191 licensed payday lenders and pawn brokers do not renew their licenses and that 15 new entities do not become licensed, annual revenue would decrease by approximately \$107,500

191 renewals x \$500 fee	=	\$ 95,500
15 new licenses x \$800 fee	=	12,000
Total	=	\$107,500

Costs associated with these licenses would not measurably be reduced. While there are 191 licensees, they represent only 33 separate companies with various locations. These entities do not require substantial staff time as there have been few complaints against this type of company and while processing new applications is time-consuming, renewals are straightforward and do not take long to process.

Long-Range Fiscal Implications

Agency/Prepared by: (Name & Phone No.)
 Department of Financial Institutions
 Jean Plale 266-0447

Authorized Signature/Telephone No.

 Susan Dietzel 267-0399

Date
 April 15, 1999

FISCAL ESTIMATE WORKSHEET

1999 Session

Detailed Estimate of Annual Fiscal Effect
DOA-2047 (R10/98)

ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB or Bill No./Adm. Rule No. SB 96 LRB-2294/3	Amendment No.
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Subject
Establishing a maximum interest rate

I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$ -
(FTE Position Changes)	(FTE)	(- FTE)
State Operations - Other Costs		-
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$	\$ -
B. State Costs by Source of Funds		
GPR	\$	\$ -
FED		-
PRO/PRS		-
SEG/SEG-S		-
State Revenues Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)	Increased Rev.	Decreased Rev.
GPR Taxes	\$	\$ -
GPR Earned		- 11,500
FED		-
PRO/PRS		- 96,000
SEG/SEG-S		-
TOTAL State Revenues	\$	\$ -107,500

NET ANNUALIZED FISCAL IMPACT

STATE

LOCAL

NET CHANGE IN COSTS	\$ _____	\$ _____
NET CHANGE IN REVENUES	\$-107,500 _____	\$ _____

Agency/Prepared by: (Name & Phone No.) Department of Financial Institutions Jean Plale 266-0447	Authorized Signature/Telephone No. <i>Susan Dietzel</i> Susan Dietzel 267-9399	Date April 15, 1999
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