

### Fiscal Estimate - 2001 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>01-2494/1</b>	<b>Introduction Number</b> <b>SB-84</b>
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**Subject**  
 Payday loan providers

**Fiscal Effect**

**State:**

No State Fiscal Effect  
 Indeterminate  
      Increase Existing Appropriations     
      Increase Existing Revenues     
      Increase Costs - May be possible to absorb within agency's budget  
      Decrease Existing Appropriations     
      Decrease Existing Revenues     
      Yes       No  
      Create New Appropriations     
      Decrease Costs

**Local:**

No Local Government Costs  
 Indeterminate

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<b>5. Types of Local Government Units Affected</b> <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input checked="" type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	20.144(1)(g)

<b>Agency/Prepared By</b> DFI/ Susan Dietzel (608) 267-0399	<b>Authorized Signature</b> Susan Dietzel (608) 267-0399	<b>Date</b> 3/20/01
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## Fiscal Estimate Narratives

DFI 3/20/01

LRB Number 01-2494/1	Introduction Number SB-84	Estimate Type Original
<b>Subject</b> Payday loan providers		

### Assumptions Used in Arriving at Fiscal Estimate

This bill limits the fees and interest for a payday loan to 5% (60% APR) of the amount of the loan. It also provides for a minimum loan term of 30 days.

Currently, these lenders charge an average of 542.2% APR. Based on information from other states, it is likely that, given the parameters of this bill, these payday lenders would either 1) partner with a national or out-of-state state chartered bank so they can import interest rates and other fees and avoid state caps, 2) discontinue operations, or 3) operate without a license.

In a February 2000 report, the Consumer Federation of America, a consumer advocacy organization, found that among the states that prohibit payday loans due to small loan interest rate caps, usury law, or other specific prohibitions, the average rate of interest for payday loans was between 390% and 988% despite the caps. The report indicates that, "In some cases, lack of enforcement resources may be the problem. In other cases, out-of-state banks export deregulated loan rates into these states."

Based on these assumptions, it is likely that these lenders may choose not to be licensed by the state. Therefore, our fiscal estimate for this bill is a reduction in revenue of approximately \$100,000 (200 licensees x \$500 annual fee).

Costs associated with these licenses would not measurably be affected. With the potential for unlicensed activity, the Department would need to maintain a level of enforcement associated with this activity.

### Long-Range Fiscal Implications