

State of Wisconsin



DEPARTMENT OF
FINANCIAL INSTITUTIONS

www.wdfi.org

**345 West Washington Avenue
Madison, WI 53703**

Office of the Secretary	608-264-7800
Banking	608-261-7578
Mortgage Banking	608-261-7578
Corporations	608-261-7577
Credit Unions	608-261-9543
Savings Institutions	608-261-4335
Securities	608-266-1064
Uniform Commercial Code	608-261-9548
Wisconsin Consumer Act	608-264-7969
 Financial Education	608-261-9555
Madison Center 345 West Washington Avenue Madison, WI 53703	608-261-9555
Milwaukee Center 101 West Pleasant Street, Suite 211 Milwaukee, WI 53212	414-220-5311

Financing

Payday Loans





Payday Loans

You've probably heard the advertisements on the radio or seen them in the newspaper:

NEED CASH UNTIL PAYDAY?

**YOU CAN GET \$50 TO \$500
WITHIN 15 MINUTES!**

NO CREDIT CHECKS.

SOUND APPEALING? Today there are many companies offering to make "**payday loans**," "**check loans**," or "**payroll advance loans**." These are all different terms for the same type of short term loan transaction.

If you are considering a "**payday loan**," keep reading...

Before You Begin...

These Loans are Not an Effective Solution for your Long Term Monetary Needs!

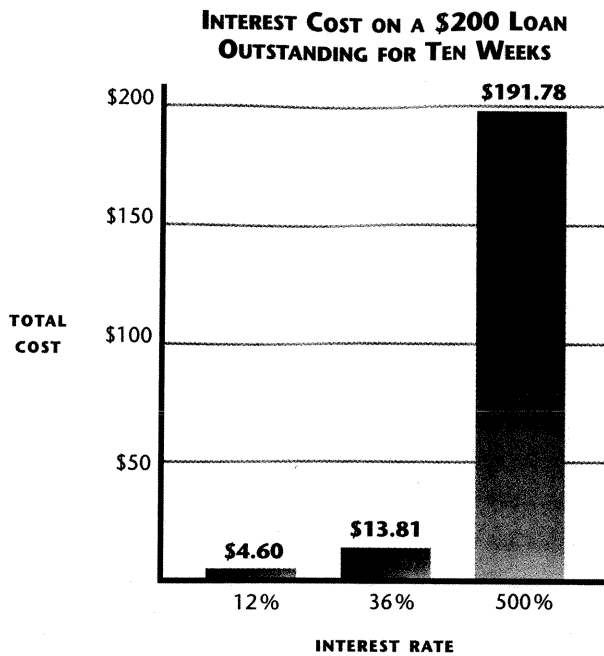
Payday loans may be helpful when you are having temporary cash flow problems or are facing a financial emergency and need money on a short term basis. You should attempt to pay your loan in full when it matures. If you are unable to do that, you should make every effort to pay at least part of the amount financed before you renew the transaction.

Interest Costs You Money!

It's important to pay particular attention to the interest rate on payday loans. The rate on a payday loan may be 500% per year or more. Borrowing \$200 for 2 weeks at 500% will cost you \$38.36. Compare this to borrowing \$200 for 2 weeks at 36% (\$2.76) or 12% (\$.92).

If this loan is refinanced four times, the cost difference

increases dramatically! In fact, it will cost you nearly \$200 to borrow \$200 for ten weeks:



You Should Avoid Taking Out Multiple Payday Loans!

If you already have one payday loan outstanding, you should avoid taking out another such loan. When you have more than one payday loan outstanding, you may find it very difficult to pay the required finance charge payments, much less to pay all or a portion of the amount financed when the loan comes due. If you need a larger, longer term loan, you should seek other, more traditional, lending sources.



Payday Loans: How They Work

Payday loans work like this:

- You fill out an application and provide the lender with items such as paycheck stubs and a photo ID.
- You sign a loan agreement, write a postdated check to the lender, and receive your money.
- Your postdated check is held until your loan payment is due - usually two weeks. The lender then deposits your check - unless you have replaced the check or have already repaid the loan.

The loan agreement that you are required to sign is a legal document that obligates you to repay the loan. It also sets

forth a lot of important information. Be sure to take note of the following items:

Amount Financed:

The amount of credit provided to you or on your behalf. (This is typically the amount of cash you will receive.)

Finance Charge:

The dollar amount the credit will cost you, or the amount of interest you pay for receiving the credit.

Annual Percentage Rate (APR):

The cost of your credit expressed as a yearly rate. Because these loans are small, short term transactions, the APR is typically quite high. In Wisconsin, there are no laws which limit the interest rate that a lender can charge.

Total of Payments:

The amount you will have paid after you have made all payments as scheduled. (This will typically be the amount of your postdated check.)

Your Responsibilities

The loan agreement you sign legally obligates you to repay the loan. Make sure to read the con-

tract before signing it and retain your copy for your records.

If you have not renewed the loan or paid it in full, make sure you have sufficient funds in your checking account on the due date of the loan so your check clears when the lender deposits it.

If you cannot or do not repay the loan, the lender can seek a money judgment against you for the face amount of the check and court costs; and, if they were disclosed in the contract, also for late charges, interest after maturity, and any NSF fees. Once a money judgment is obtained, a lender may attempt to garnish your wages.

Many lenders also list past due accounts with the credit bureau. This may affect your ability to get credit in the future.

Other Considerations

If you pay the loan in full prior to its due date you are entitled to a partial refund of the finance charge.

If you are married and your spouse is not signing the loan agreement, the lender is required by law to

provide your spouse with a copy of the agreement you sign.

If You Have Questions

The Department of Financial Institutions (DFI) is a state agency that licenses and regulates companies that make consumer loans in Wisconsin where the annual percentage rate (APR) is over 18%. This includes the payday loan companies. You may contact DFI Licensed Financial Services at 608-261-9555.

DFI also licenses and regulates adjustment service companies, commonly referred to as debt counselors or consumer credit counselors. These companies help debtors set up and keep on a budget. A list of the adjustment service companies licensed by DFI is available on our Website at www.wdfi.org. You may also contact DFI at 608-261-9555 for the name of the adjustment service company nearest you.



About the State of Wisconsin Department of Financial Institutions

DFI provides financial education through our Your Money Matters program including:

- Speakers for meetings and seminars, conventions, professional and civic groups, high school and college classes, and other audiences of 30 or more.
- Presentations for the public on current financial topics.
- Education Centers featuring on-line access.
- Informational brochures on Investing, Credit, Financing and Entrepreneurship.

DFI regulates the following:

Division of Banking - regulatory responsibility for state-chartered banks, mortgage bankers and licensed financial service providers.

Division of Corporate and Consumer Services - responsible for the Uniform Commercial Code (UCC) filings, and maintaining the state-wide data base of UCC lien filings for secured transactions, and for organizing or licensing domestic and foreign corporations, limited partnerships, limited liability companies, and limited liability partnerships.

Office of Credit Unions - supervision of state-chartered credit unions.

Division of Savings Institutions - supervision of savings and loans, and savings banks.

Division of Securities - regulates offerings of securities including mutual funds; franchise offerings; broker-dealers and securities agents; investment advisers and investment adviser representatives.

Wisconsin Consumer Act - Counsels consumers and merchants regarding their rights and responsibilities under the Act, which governs consumer credit transactions and the collection of consumer debt.



More About DFI

DFI is a self-supporting agency funded by fees charged to those it regulates.

DFI is here to serve you!
Visit us at:

**345 West Washington Avenue,
Madison, Wisconsin.**

Office hours are Monday through Friday, 7:45 a.m. to 4:30 p.m.

DFI To learn more about us
visit our Website at:

www.wdfi.org

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Financial Education 414-227-4181

Milwaukee Financial Education Center
Governor's Central City Initiative
101 West Pleasant Street, Suite 211
Milwaukee, WI 53212

You can file a complaint by writing to:

Department of Financial Institutions
Wisconsin Consumer Act Section
PO BOX 8041
Madison, WI 53708-8041

DFI/SEC/303P (C 03/00)

Financing

Rent-to-Own





Rent-to-Own

It sounds like a great deal! Only \$8.50 a week for 78 weeks for a brand new television. Who can't afford \$8.50 a week for a new TV?

Before you jump at this offer, there are some things that you, the consumer, need to know first. This great offer may actually cost you almost three times more than the price you would pay at a department or appliance store. If you are considering purchasing or renting merchandise through a rent-to-own company make sure you read the following to know if it is a "good deal" for you.

What is Rent-to-Own?

Rent-to-own companies rent and sell appliances, furniture and electronic goods to consumers. In a typical rent-to-own transaction a customer agrees to rent something for a week or a month at a time. If the customer rents the product for a specified period of time, commonly 18 months, the customer will become the owner of the product either automatically or by making an additional payment. Most customers rent-to-own with the intent of eventually becoming the owner of the merchandise and are seldom interested in renting the product for a short period.

Why Rent-to-Own?

Many consumers rent-to-own because they do not have enough cash on hand to pay the full purchase price all at once or cannot obtain financing from the merchant or other sources, such as banks or credit unions. Rent-to-own transactions can also be appealing because they allow low weekly or monthly payments, the ability to cancel the transaction at any time and they provide immediate use of a product.

Rent-to-Own is Very Expensive

Purchasing merchandise from a rent-to-own company usually costs two to five times as much as purchasing the merchandise from a department or appliance store. If the difference between the total payments and the fair market value of the product was expressed as an interest rate, the rate is commonly over 100%, and at times over 300%. Besides the normal weekly or monthly payments, other fees that may be charged on rent-to-own agreements include:

- Processing fees
- Delivery fees
- Set-up/installation fees
- In-home collection fees
- Sales tax
- Home pick-up fees
- Damage waiver fees (similar to property insurance)
- Reinstatement fees (charged if a payment is late or missed and the customer wants to continue renting)

Alternatives to Rent-to-Own

If you can do without the product until you save enough money to pay the full purchase price, you will save a lot of money and will actually own the merchandise earlier than what is possible in a rent-to-own transaction. After saving up the full purchase price look for sales at conventional stores. Garage sales, auctions, second-hand stores and the classified ads are also good places to look for bargains.

Another option is to try to purchase the merchandise on an installment or layaway plan at another store, or to apply for a loan at a lending institution, such as a credit union, loan company or bank. Having a savings or checking account at the lending institution will increase your chances of having your loan request approved. Making a large down payment will also increase your chances of getting credit.

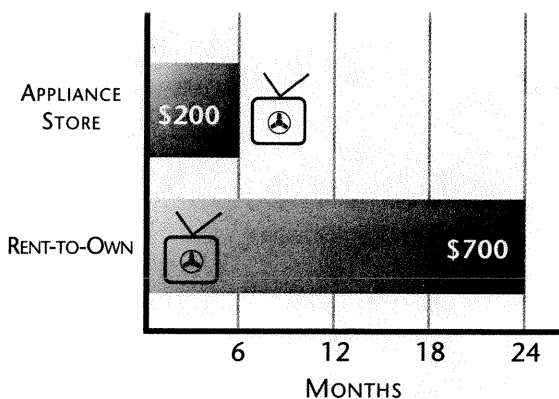
Purchase Comparison

Take a look at the difference between buying a TV at a rent-to-own store, versus a traditional appliance store:

Appliance store: one \$200 payment.

-versus-

Rent-to-own store: 78 weekly payments of \$8.50 each plus one additional payment of \$37 for a total of \$700.



The difference between \$700 and \$200 – \$500 – is what you save by not purchasing the TV at a rent-to-own store. If you can do without the TV for 24 weeks and save \$8.50 each week, you will have enough money at the end of the 24 weeks to purchase the TV at an appliance store. In other words, it will take you only six months to own the same product that it takes a year-and-a-half to own through a rent-to-own purchase.

Other Considerations

- When making rental payments you are in a way building “equity” in the rented merchandise. In other words, as you make payments you are getting closer to obtaining the right to purchase the item for a relatively small amount. If you want to protect that equity you must continue to make all rental payments on time. If you are late with a payment the rental agreement can be canceled and your equity is lost. In some cases, you may be able to reinstate the agreement by paying a fee.
- Rent-to-own companies handle both new and used merchandise. Be sure you know which type you will be renting.
- Renting merchandise for a short period, such as a week or a month, is not a bad deal. Renting for a longer period, however, is very expensive.
- Rent-to-own companies also sell merchandise outright; however, their “cash prices” are also significantly higher than prices at department, appliance or discount stores.

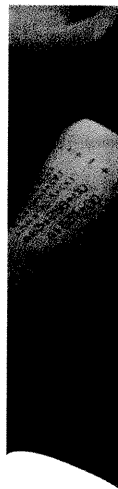
- As with any contract, a customer should read the entire contract and make sure it is fully understood.

If You Have Questions

The Wisconsin Consumer Act is administered by the Department of Financial Institutions. People who have questions or believe a merchant has violated the Wisconsin Consumer Act should contact the agency by phone or in writing at:

**Dept. of Financial Institutions
Wisconsin Consumer Act Section
PO Box 8041
Madison, WI 53708-8041**

**800-452-3328 (WI Residents)
or 608-264-7969**



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- Seminars for the public on current financial topics.
- Speakers for meetings and seminars, conventions, professional and civic groups, high school and college classes, and other audiences of 30 or more.
- E-News automated e-mail notification system that informs subscribers of activities or developments relating to specified areas of interest.

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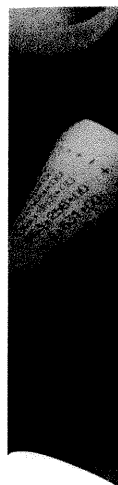
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