



**JIM DOYLE**  
GOVERNOR  
STATE OF WISCONSIN

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April 15, 2004

TO THE HONORABLE MEMBERS OF THE ASSEMBLY:

I am vetoing Assembly Bill 665 in its entirety. This bill modifies provisions relating to consumer loans commonly referred to as payday loans. Under the bill, a payday lender must provide notice prior to disbursement of funds that compares the cost of the loan if paid in full to the cost if refinanced three times. The lender must also notify the loan recipient that a payday loan is not intended for long-term financial needs, that it should be used only for financial emergencies, and that consecutive payday loans will require additional interest and can cause financial hardship. Required notifications must also inform a payday loan recipient that he/she shall have no obligation to pay interest or fees if the loan principal is returned by the close of business the day following disbursement of funds. In addition to required notifications, the bill limits payday loans to four consecutive transactions, terms not to exceed 35 days and a disbursement not to exceed \$5,000. The \$5,000 limitation on a payday loan shall be adjusted annually for inflation under rules to be promulgated by the Department of Financial Institutions. Finally, the bill prohibits a payday lender from initiating or threatening to initiate criminal prosecution for failure of a recipient's check or electronic transfer to be paid by the financial institution from which it was drawn.

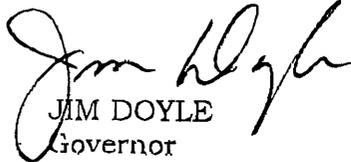
In 2003, Wisconsin's payday consumers paid nearly \$85 million in payday lending fees and more than 90 percent of those fees went directly to out-of-state companies. This industry has a huge economic impact on our communities and we need to seriously address this issue. A study by the Department of Financial Institutions showed that the average annual net income of payday borrowers is less than \$19,000 and that over half of the loans analyzed were refinanced. Too often these loans come at a very high price to those who can least afford to pay it. The intent of this bill is to strengthen laws regulating payday loans to protect Wisconsin consumers. Unfortunately, this legislation does not go far enough.

The provisions of this bill do little to change the current practices of payday lenders or to improve on current consumer protection laws. Consumers who turn to payday lenders in times of financial need are often vulnerable and not in a position to fully consider the terms of the agreement in the few minutes it takes to process these transactions. Current law already limits fees and interest paid on consumer loans for which principal is returned within one day. In addition, the department's authority has already been interpreted to protect payday loan recipients from prosecution under

worthless check statutes. Finally, without a means of tracking payday loans, provisions limiting the number of consecutive transactions will be unenforceable.

I encourage the Legislature to work with my administration and other concerned groups to draft legislation that will make real changes in the regulation of payday lending and that will ensure the protection of Wisconsin consumers.

Respectfully submitted,

  
JIM DOYLE  
Governor