Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2005 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **05-2860/2**	Introduction Number **SB-328**

Subject

Interest rates for consumer loans

Fiscal Effect

State:

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

Local:

☐ No Local Government Costs
☐ Indeterminate
1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory
5. Types of Local Government Units Affected
☐ Towns ☐ Village ☐ Cities
☐ Counties ☐ Others
☐ School Districts ☐ WTCS Districts

Fund Sources Affected

☐ GPR ☐ FED ☒ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

20.144(1)(g)

Agency/Prepared By	**Authorized Signature**	**Date**
DFI/ Susan Dietzel (608) 267-0399	Susan Dietzel (608) 267-0399	9/23/2005

Fiscal Estimate Narratives

DFI 9/26/2005

LRB Number **05-2860/2**	Introduction Number **SB-328**	Estimate Type **Original**
Subject Interest rates for consumer loans		

Assumptions Used in Arriving at Fiscal Estimate

Currently, a lender who charges a finance charge at a rate greater than 18% must be licensed by the Department of Financial Institutions. This bill caps finance rates charged for consumer credit loans at the greater of 18% per year or a rate of 6% in excess of the rate of a six-month Treasury bill, beginning with the effective date of the bill.

Nearly all of the loans made by approximately half of the 883 currently licensed lenders are at rates in excess of the cap amounts in the bill. Therefore, those lenders would no longer be licensed by the Department. Assuming 442 lenders would no longer be licensed with an annual renewal rate of $500, the Department would experience a revenue reduction of $221,000 each year. Additionally, the Department estimates revenue reduction of approximately $32,000 associated with fees from potential new licensees would would not become licensed, for a total of $253,000.

The bill recognizes that businesses would continue to operate in the state as they may associate with an out-of-state financial institution with pre-emption privileges. Others may operate illegally as unlicensed entities. The bill provides for certain administrative activities for the Department. Consequently, costs associated with these licensees would not measurably be affected as the Department would need to maintain a level of complaint resolution and enforcement associated with this activity.

Long-Range Fiscal Implications