

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-0898/1dn
MDK:kjf:jf

January 12, 2007

Sen. Hansen:

Please note the following about this bill, which is based on 2005 SB 328:

1. The bill imposes an 18 percent per year finance charge limit on all consumer credit transactions (i.e., transactions of \$25,000 or less for personal, family, or household purposes) made by financial institutions or "licensed lenders" (i.e., lenders that are not financial institutions).
2. The federal law you provided includes charges associated with any ancillary product sold with an extension of credit under its definition of "finance charge." I added comparable language to the definition in the Wisconsin Consumer Act. "Ancillary product" is not defined under the federal law. However, if questions arise, federal court and agency interpretations (if any) of the federal term might be used as a guide to interpreting its meaning under state law.
3. I also included a reference to "penalties" in the definition of "finance charge."
4. Note that certain charges that are permitted under the Wisconsin Consumer Act are not included in the definition of "finance charge" under the bill. As a result, those charges are not counted when determining whether a creditor has complied with the 18 percent limit. The charges are described in detail in ss. 422.202 (official fees, taxes, insurance charges for certain collateral and leased property, and a \$15 bounced check fee), 422.203 (certain delinquency charges), and 422.204 (certain deferral charges).
5. The language regarding federal preemption is eliminated.

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