



## Fiscal Estimate Narratives

DFI 1/22/2007

LRB Number	07-0654/1	Introduction Number	AB-0004	Estimate Type	Original
<b>Description</b> Finance charges for payday loans					

### Assumptions Used in Arriving at Fiscal Estimate

This bill creates a maximum finance charge of 2% per month for loans defined as payday loans and requires the Department to enforce the provisions of the bill. Lenders covered by the provisions of this bill are currently licensed and regulated as licensed lenders.

Currently, licensed lenders that make payday loans charge over 500% APR. Based on information from other states, it is likely that, given the parameters of this bill, these lenders would either discontinue operations or operate without a license.

Based on this information, it is likely that these lenders may choose not to be licensed by the state, reducing revenue to the Department. Assuming 478 lenders would no longer be licensed with an annual renewal rate of \$500 and an estimated additional \$25,000 associated with fees not received from potential new licensees, annual license revenue would reduce by \$264,000. Additionally, there would be an estimated \$4,000 reduction in Wisconsin Consumer Act registration fees currently received from these lenders. The total estimated annual revenue reduction is \$268,000.

Costs associated with these lenders would not measurably be affected as the Department is given responsibility for enforcement of the provisions of this bill and would need to maintain a reasonable level of complaint resolution and enforcement activity.

### Long-Range Fiscal Implications