Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2011 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 11-1974/1	Introduction Number SB-099

Description
Interest rates on payday loans and loans by licensed lenders

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

s. 20.144(1)(g)

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DFI 5/26/2011

LRB Number **11-1974/1**	Introduction Number **SB-099**	Estimate Type **Original**
Description Interest rates on payday loans and loans by licensed lenders		

Assumptions Used in Arriving at Fiscal Estimate

This bill makes changes to the requirements for lenders licensed under s. 138.14 and s. 138.09. For loans made under s. 138.14 (payday loans), it limits the annual percentage rate to 36%. It also expands the definition of a licensed lender under s. 138.09 to include lenders (who are not otherwise exempt) who make consumer loans exceeding $5,000 and prohibits lenders from charging an annual percentage rate of interest greater than 36% on closed end loans.

There are currently 474 licensed payday lenders licensed under s. 138.14. These lenders typically make loans well above 36% . Additionally, there are an estimated 500 lenders licensed under s. 138.09 that have been identified as making shorter term, higher interest rate loans. It is possible these 974 licensees will either discontinue operations, operate illegally without a license, or change their business model to make loans that fall outside of the requirements of s. 138.09 or s. 138.14 (open end credit, for example).

Estimated revenue reduction:
974 x $500 annual renewal = $487,000
New licensees not licensed = $25,000
Total estimated reduction in revenue = $512,000

Costs associated with these lenders would not measurably be affected as the Department would still need to maintain a reasonable level of complaint resolution and enforcement activity.

Long-Range Fiscal Implications