

### Fiscal Estimate – 2009 Session

Original     Updated     Corrected     Supplemental

|  |  |  |                        |
|--|--|--|------------------------|
| <b>LRB Number</b>  |  | <b>Introduction Number</b>   |                        |
| <b>Description</b><br>Payday Lending   |  |  |                        |
| <b>Fiscal Effect</b>   |  |  |                        |
| <b>State:</b>  |  |  |                        |
| <input type="checkbox"/> No State Fiscal Effect<br><input type="checkbox"/> Indeterminate  |  |  |                        |
| <input type="checkbox"/> Increase Existing Appropriations<br><input type="checkbox"/> Decrease Existing Appropriations<br><input type="checkbox"/> Create New Appropriations   | <input checked="" type="checkbox"/> Increase Existing Revenues<br><input type="checkbox"/> Decrease Existing Revenues  | <input checked="" type="checkbox"/> Increase Costs- May be possible to absorb within agency's budget<br><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No<br><input type="checkbox"/> Decrease Costs   |                        |
| <b>Local:</b>  |  |  |                        |
| <input checked="" type="checkbox"/> No Local Government Cost<br><input type="checkbox"/> Indeterminate   |  |  |                        |
| 1. <input type="checkbox"/> Increase Costs<br><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory<br>2. <input type="checkbox"/> Decrease Costs<br><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 3. <input type="checkbox"/> Increase Revenue<br><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory<br>4. <input type="checkbox"/> Decrease Revenue<br><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 5. Types of Local Government Units Affected<br><input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities<br><input type="checkbox"/> Counties <input type="checkbox"/> Others<br><input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts |                        |
| <b>Fund Sources Affected</b>   |  | <b>Affected CH. 20 Appropriations</b>  |                        |
| <input type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> Pro <input type="checkbox"/> SEC <input type="checkbox"/> SEGS s.  |  |  |                        |
| <b>Agency/Prepared By</b><br>Susan Dietzel   |  | <b>Authorized Signature</b><br>Susan Dietzel   | <b>Date</b><br>7/28/10 |

## Fiscal Estimate Narratives

|                                      |                     |
|--------------------------------------|---------------------|
| LRB Number                           | Introduction Number |
| <b>Description</b><br>Payday Lending |                     |

### Assumptions Used in Arriving at Fiscal Estimate

2009 Wisconsin Act 405, related to payday lending reforms, requires the Division of Banking to operate a database for licensees to access to verify whether a customer is eligible for a loan, under the new requirements. The Act created a program revenue appropriation for that purpose and for promoting financial literacy. Under the new Act, the Division may contract with a 3rd party provider to operate the database. The Division of Banking is to specify a database transaction fee that is charged to payday lenders to cover the costs of the database. This rule specifies that the Division will establish the fee on an annual basis.

### Expenditures

The Department is in the process of contracting with a 3rd party vendor for the operation of the payday lending database. The contract will establish a transactional fee to be paid by the Department to the vendor to operate the database. The fee to be paid has not yet been determined. A review of other states shows a range of fees of approximately \$0.40 to \$0.50 per transaction.

During the past year, approximately 1.6 million payday loans were reported as being made to Wisconsin citizens. Because of the restriction in the number of roll-overs and other new regulations, the Division is estimating a reduction in loans. If the per transaction fee paid to the vendor is \$0.45 and the annual number of loans is 800,000, the estimated annual cost to the department for operating the database is \$360,000. First year costs would be \$180,000.

### Revenue

A per transaction fee charged to licensees to access the database will be established by the Division annually and posted on its website by December 1 of each year for the following calendar year. The fee will be established to cover the costs of the operation of the payday lending database, preparation of the informational materials and reports required by the Act, as well as promote financial literacy.

While a contract has not yet been established for the operation of the database, a review of other states, shows transaction fees generally ranging from \$0.43 to \$1.00. It is expected the fee set by the Division will fall within that range.

### Long-Range Fiscal Implications