



# ROB STAFSHOLT

STATE SENATOR • 10<sup>th</sup> SENATE DISTRICT

(608) 266-7745  
Toll Free: (800) 862-1092  
Sen.Stafsholt@legis.wi.gov

P.O. Box 7882  
Madison, WI 53707-7882

**DATE: August 23, 2023**

**RE: Testimony on Senate Bill 259**

**TO: Members of the Senate Committee on Financial Institutions and Sporting Heritage**

**FROM: Senator Rob Stafsholt**

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Thank you members of the Senate Committee on Financial Institutions and Sporting Heritage for hearing Senate Bill 259.

This simple, bipartisan bill exempts from payday loan regulations any transaction in which no finance charge or fee is imposed against or accepted from the loan recipient.

As you will hear more about in this hearing, tech companies in the marketplace are offering new financing methods to consumers to obtain their products. To catch up to the innovation in the private sector, this bill will clarify that these companies and their financial offerings are not to be subjected to current payday loan regulations.

Current law already provides an exemption from the Wisconsin payday loan licensing requirement and all other payday loan requirements and restrictions for banks, savings banks, savings and loan associations, trust companies, credit unions, and their affiliates. This bill will add these transactions with no finance charges or fees to the current list.

Again, thank you for allowing me to submit testimony on Senate Bill 259. I would also like to thank Representative O'Connor for his work on this legislation. I would appreciate your support on this bill, and would be happy to answer any questions you may have.



August 23, 2023

## State Senate Committee on Financial Institutions and Sporting Heritage Testimony on SB 259 related to Payday Loan Amendment

This is a small yet needed amendment to clarify and exempt products that *could* be defined as payday loans (such as “Apple Pay Later”) to be offered legally in Wisconsin. This bill came about as the result of Apple reviewing Wisconsin statutes to make certain they would be compliant with Wisconsin law.

As competition in the marketplace creates new opportunities for consumers to access no-interest, no-fees and no-charges options when making purchases - we do not believe it was ever the intent of the payday loan statute to capture these types of transactions under the payday lending regulations.

**BACKGROUND:** A “payday loan” is defined as a transaction between (a) an individual with an account at a (b) financial establishment (tied to checking acct) and (c) another person (payday lender).

The payday lender agrees to accept a check or electronic fund transfer (EFT) authorization from the individual, to delay negotiating (depositing) the check or initiating the EFT payment(s) on an agreed-on schedule, and to extend a loan to the individual for a term of 90 days or less.

The governing statute (ss. 138.14) currently has existing exemptions from the payday loan-licensing requirement and all other payday loan requirements and restrictions for: banks, savings banks, savings and loan associations, trust companies, credit unions, and their affiliates.

**APPLE PAY LATER product:** This is a new product. Apple Pay Later (APL) allows consumers to use this product wherever Apple Pay and the Apple Wallet are accepted. The features of the APL product are as follows (also see attachment):

- APL is only available to customers invited to access a pre-release of the product
- The product operates on a MasterCard Platform that accepts Apple Pay or Apple Wallet
- Repayment is tied to a consumer’s Debit/Check Card account
- At the time of checkout, the customer can choose to click on [Pay In Full] or [Pay Later].
- Under the [Pay Later] APL option, the terms of repayment are as follows:
  - Payback calls for 4 equal payments over a six-week term
  - 0% interest charged
  - 0% fees to include no finance charge, and no other fees or charges of any kind
  - Past Due loan treatment: The consumer will not be able to make new APL loans
- Bottom Line: There are NO fees, interest rates or even collection costs in the event of default allowed under the APL terms

**AB 261:** This bill is written to amend, clarify and exempt from the payday lending regulations: “any transaction in which no finance charge, and no other fees or charges of any kind, are required or accepted, at any time, from the person receiving the loan (ss. 138.14 (3) (b)).”

In the event that a Google-Pay, Samsung-Pay or other similar platforms introduce similar products in the future. This bill will define how those products will act under Wisconsin law