

### Fiscal Estimate - 2005 Session

Original       Updated       Corrected       Supplemental

LRB Number **05-4081/1**      Introduction Number **SB-674**

**Description**  
Payday loan providers and providing a penalty

**Fiscal Effect**

**State:**

No State Fiscal Effect

Indeterminate

Increase Existing Appropriations       Increase Existing Revenues       Increase Costs - May be possible to absorb within agency's budget

Decrease Existing Appropriations       Decrease Existing Revenues       Yes       No

Create New Appropriations       Decrease Costs

**Local:**

No Local Government Costs

Indeterminate

1.  Increase Costs      3.  Increase Revenue

Permissive  Mandatory       Permissive  Mandatory

2.  Decrease Costs      4.  Decrease Revenue

Permissive  Mandatory       Permissive  Mandatory

5. Types of Local Government Units Affected

Towns       Village       Cities

Counties       Others

School Districts       WTCS Districts

**Fund Sources Affected**      **Affected Ch. 20 Appropriations**

GPR     FED     PRO     PRS     SEG     SEGS 20.144(1)(g)

Agency/Prepared By	Authorized Signature	Date
DFI/ Susan Dietzel (608) 267-0399	Susan Dietzel (608) 267-0399	3/28/2006

## Fiscal Estimate Narratives

DFI 3/28/2006

LRB Number	05-4081/1	Introduction Number	SB-674	Estimate Type	Original
<b>Description</b> Payday loan providers and providing a penalty					

### Assumptions Used in Arriving at Fiscal Estimate

This bill creates a maximum finance charge of 5% (60% APR) of the amount of a loan for loans defined as payday loans. It also provides for a minimum loan term of 30 days.

Currently, payday loan providers charge over 500% APR. Based on information from other states, it is likely that, given the parameters of this bill, these lenders would either 1) partner with an out-of-state chartered bank, 2) discontinue operations, or 3) 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 438 lenders would no longer be licensed with an annual renewal rate of \$500 and an estimated additional \$32,000 associated with fees not received from potential new licensees, the total annual revenue reduction would be \$251,000.

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

### Long-Range Fiscal Implications