Fiscal Estimate - 2009 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **09-2564/4**	Introduction Number **SB-530**

Description
Regulating consumer small loans, limiting the areas in which a payday lender may operate, granting rule-making authority, 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
☐ Yes ☒ No

☐ Decrease Existing Appropriations
☐ Decrease Existing Revenues

☐ Create New Appropriations
☐ 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	Affected Ch. 20 Appropriations
☐ GPR ☐ FED ☒ PRO ☐ PRS ☐ SEG ☐ SEGS	20.144(1)(g)

Agency/Prepared By	Authorized Signature	Date
DFI/ Bill Morrissey (608) 267-1707	Bill Morrissey (608) 267-1707	2/18/2010

LRB Number 09-2564/4	Introduction Number **SB-530**	Estimate Type **Original**
Description Regulating consumer small loans, limiting the areas in which a payday lender may operate, granting rule-making authority, and providing a penalty		

Assumptions Used in Arriving at Fiscal Estimate

This bill creates a new license type for payday lenders, defined as a business that makes "consumer small loans" to Wisconsin residents. Currently, businesses who engage in these services are licensed as "Licensed Lenders". The bill limits the total amount that a borrower may have outstanding to all licensees at $900.

The legislation requires a state wide database, which the Department will contract with a third-party provider for, to enable lenders to access data and verify that a customer is eligible to enter into a consumer small loan, given the parameters of the bill. When entering into a new loan, the licensee is required to submit specified information into the database.

By rule, the Department may establish a database transaction fee to be charged to licensees. The fee would be collected by the database administrator and transferred to the Department. Based upon the terms of the contract, the Department would then pay the database administrator a fee to cover the cost of running the system. Assuming the number of transaction fees correlates to the number of loans made; there will be approximately 1,750,000 individual transaction fees.

Fees paid by licensees in Michigan (for a similar service) are $0.45 per transaction. Additionally, by statute, in Wisconsin 12% of all monies received by the Division are deposited to the general fund. Therefore, the fee charged would need to accommodate the 12% revenue requirement and the contractor fee. Total estimated receipts would be $894,500 with $107,400 going to the General Fund. Assuming the fees paid by the licensees and the fees due to the General Fund and the database administrator are matching, the net effect is $0. In order to pay the contractor, the Department would require an appropriated amount to pay their fee.

The license fees for the new license type of Payday Lender are the same as they are currently paying for being a Licensed Lender. While there may be a reduction in the number of licensees when this legislation is effective, it is not expected to be significant.

The Department is required to promulgate rules and will have work associated with procuring and implementing the database contract, responding to inquiries from the industry, creating new forms, and following up on issues and complaints. It is anticipated these costs may be covered by current staff.

Long-Range Fiscal Implications

The Department will have continuing revenues and the cost of payments to the contractor on a long term basis. Whether there would be increases in the long term cost of contractor services is not known at this point in time.