

**PROPOSED ORDER OF THE  
WISCONSIN DEPARTMENT OF FINANCIAL INSTITUTIONS  
DIVISION OF BANKING  
TO ADOPT RULES**

The Department of Financial Institutions, Division of Banking proposes an order to create ch. DFI—Bkg 78 relating to auto title loans.

**Analysis Prepared by the  
Department of Financial Institutions, Division of Banking**

**Statutes interpreted**

Section 138.16, Stats.

**Statutory authority and explanation of statutory authority**

The statutory authorities for the rule are the following:

Section 138.16(2), Stats., which states that “[t]he division shall promulgate rules for determining the retail value of a motor vehicle for purposes of this paragraph, including rules specifying nationally recognized pricing guides that may be used for determining retail value at the time of loan origination.”

**Related statutes or rules**

Section 138.09, Stats.

**Plain language analysis**

As a result of the passage of 2011 Wisconsin Act 32, a licensed lender that holds the proper certificate of authorization may make title loans. However, no licensed lender may make a title loan to a borrower that results in the borrower having liability for the loan, in principal, of more than 50 percent of the retail value of the motor vehicle used as security for the loan.

The objective is to promulgate a rule for determining the retail value of a motor vehicle, including specifying nationally recognized pricing guides that may be used for determining retail value at the time of loan origination.

**Summary of and comparison with existing or proposed federal regulations**

DFI is unaware of any existing or proposed federal regulation that is intended to address the activities to be regulated by the rule.

## **Comparison with rules in adjacent states**

Michigan and Iowa have no title lending rules.

Illinois has rules on title lending; however they do not address determining the retail value of a motor vehicle.

Minnesota does not have rules specific only to title lending.

## **Summary of factual data and analytical methodologies**

In developing these rules, the department reviewed title lending laws in states across the country. The department is engaged in outreach with title lenders and consumer organizations to gather input. Because the department regulates licensed financial services for the state, the division could rely on extensive staff expertise and experience in drafting regulations for these entities.

## **Analysis and supporting documents used to determine effect on small business**

The division anticipates that any economic impact of implementing the rule would be minimal. The rule provides clarity and guidance to auto title lenders in order to comply with the terms of 2011 Wisconsin Act 32. Overall, the requirements of this rule are straight-forward and were drafted to be both easy to follow and to limit any expenses and time required for compliance.

## **Effect on small business**

The proposed rule will require auto title lenders to spend time researching the value of a vehicle using nationally recognized vehicle valuation guides (Black Book, National Automobile Dealers Association, and Kelley Blue Book, or any other nationally recognized vehicle valuation guide approved by DFI). Such guides are readily available both online and in print, and require minimal time and minimal, if any, expense.

As a result, the effect on small business will be minimal.

## **Agency contact person**

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**TEXT OF PROPOSED RULE**

Section 1. Ch. DFI – Bkg 78 is created to read:

CHAPTER DFI—BKG 78

TITLE LOANS

**DFI – Bkg 78.01 Scope.** This chapter applies to any title loan made pursuant to s. 138.16, Stats.

**DFI – Bkg 78.02 Definition.** In this chapter: (1) “division” has the meaning set forth in s. 138.16(1)(a), Stats.

(2) “licensed lender” has the meaning set forth in s. 138.16(1)(b), Stats.

**DFI – Bkg 78.03 Determining retail value of motor vehicle.** (1) A licensed lender shall use any of the following nationally recognized vehicle valuation guides to determine the retail value of a motor vehicle at the time of loan origination:

- (a) Black Book.
- (b) National Automobile Dealers Association.
- (c) Kelley Blue Book.
- (d) Other nationally recognized vehicle valuation guides as approved in writing by the division.

(2) A licensed lender shall take all of the following vehicle criteria into consideration when it determines the retail value of a motor vehicle at the time of loan origination:

- (a) Location.
- (b) Year, make and model.
- (c) Trim or body type.
- (d) Mileage.
- (e) Engine size.
- (f) Transmission type.
- (g) Options.
- (h) Condition.
- (i) Other criteria used by the nationally recognized vehicle valuation guide when determining the retail value of a motor vehicle.

**DFI – Bkg 78.04 Records.** Documentation detailing how the retail value of the motor vehicle was determined shall be retained by the licensed lender in the customer’s file.

Section 2. This rule shall take effect on the first day of the month following publication in the Wisconsin administrative register, pursuant to s. 227.22(2), Stats.

Wisconsin Department of Financial Institutions, Division of Banking

Date: \_\_\_\_\_, 201\_

By: \_\_\_\_\_

Michael J. Mach, Administrator  
Department of Financial Institutions  
Division of Banking