



State of Wisconsin
2023 - 2024 LEGISLATURE

LRB-0030/1
ARG:emw

2023 SENATE BILL 842

December 26, 2023 - Introduced by Senators JACQUE, CABRAL-GUEVARA and SPREITZER, cosponsored by Representatives PENTERMAN, MADISON, SINICKI and EMERSON. Referred to Committee on Financial Institutions and Sporting Heritage.

1 **AN ACT** *to renumber and amend* 138.14 (10) (a) 1.; *to amend* 138.14 (13) (d)
2 and 422.201 (3); and *to create* 138.14 (10) (a) 1g. of the statutes; **relating to:**
3 interest rates on payday loans.

Analysis by the Legislative Reference Bureau

This bill limits the maximum interest rate that may be charged on a payday loan.

Under current law, a person must be licensed by the Division of Banking in the Department of Financial Institutions to originate or service a payday loan involving a Wisconsin resident. Current law does not impose a limit on the interest that a payday loan licensee may charge, before the maturity date, on a payday loan. If a payday loan is not paid in full by the maturity date, current law prohibits a licensee from charging interest after the maturity date in excess of 2.75 percent per month. A payday loan under which a greater rate of interest is charged after the maturity date is not enforceable.

The bill limits the interest rate that a payday loan licensee may charge, before the maturity date, on a payday loan to an annual percentage rate of 36 percent. A payday loan on which a greater rate of interest is charged is not enforceable.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SENATE BILL 842**SECTION 1**

1 **SECTION 1.** 138.14 (10) (a) 1. of the statutes is renumbered 138.14 (10) (a) 1r.
2 and amended to read:

3 138.14 **(10)** (a) 1r. ~~Except as provided in~~ Subject to subd. 2. and sub. (12) (b),
4 ~~this section imposes no limit on the interest that a licensee may not charge before the~~
5 ~~maturity date of~~ an annual percentage rate of interest greater than 36 percent on a
6 payday loan.

7 **SECTION 2.** 138.14 (10) (a) 1g. of the statutes is created to read:

8 138.14 **(10)** (a) 1g. For purposes of this paragraph, “annual percentage rate”
9 shall be determined consistent with the provisions of section 107 of the federal Truth
10 in Lending Act, 15 USC 1606, and federal Regulation Z adopted under that act, 12
11 CFR 226.

12 **SECTION 3.** 138.14 (13) (d) of the statutes is amended to read:

13 138.14 **(13)** (d) No payday loan, wherever made, for which a greater rate or
14 amount of interest than is allowed under sub. (10) (a) ~~2.~~ has been contracted for or
15 received, may be enforced in this state, and every person in any way participating
16 therein in this state shall be subject to this section. If a licensee makes an excessive
17 charge of such interest as the result of an unintentional mistake, but upon demand
18 makes correction of such mistake, the loan shall be enforceable and treated as if no
19 violation occurred at the agreed rate. Nothing in this paragraph shall limit any
20 greater rights or remedies afforded in chs. 421 to 427 to a customer in a consumer
21 credit transaction.

22 **SECTION 4.** 422.201 (3) of the statutes is amended to read:

23 422.201 **(3)** ~~For~~ Notwithstanding sub. (2), for licensees under s. 138.09 or
24 138.14 or under ss. 218.0101 to 218.0163, the finance charge or rate of interest,

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1 calculated according to those sections, may not exceed the maximums permitted in
2 ss. 138.09, 138.14, and 218.0101 to 218.0163, respectively.

3 **SECTION 5. Initial applicability.**

4 (1) This act first applies to loans made, refinanced, or consolidated on the
5 effective date of this subsection.

6 **SECTION 6. Effective date.**

7 (1) This act takes effect on the first day of the 3rd month beginning after
8 publication.

9 (END)