



WISCONSIN LEGISLATURE

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For Immediate Release

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Preventing Harmful Lending

Madison, WI – Yesterday, Rep. Scott Allen (R), along with Rep. Amaad Rivera-Wagner (D) and Sen. André Jacque (R), released two bipartisan bills that would modify payday and installment loans to lessen the harmful effects of high-interest, short-term lending.

“Financial struggle does not belong to any political party or any one community, which is why this bipartisan fix matters,” said Rep. Rivera-Wagner. “By capping outrageous interest rates and creating a fair path forward, we are protecting people and promoting responsible lending.”

According to a report by the Department of Financial Institutions (DFI), many of these short-term licensed lenders charge as much as an 850% effective interest rate.

The bills would cap annual percentage rates (APR) at 36% for payday loans and short-term installment loans. This matches Federal law that limits rates for loans to veterans.

“If the Federal government recognizes that loans above 36% are harmful for veterans, then it makes sense to cap interest rates at the same level for everyone else,” said Sen. Jacque.

Payday loans are particularly challenging due to the need to repay the loan in full at the end of a short term. With astronomically high effective interest rates, it can lead to situations where borrowers pay enormous sums of money without paying down their principal loan.

LRB-2249 would transition payday loans to short-term loans with a payment plan whereupon both principal and interest are a part of each payment. Payday lenders would also have to disclose the amount of interest that will be paid over the course of the loan term and how much each payment would be. This would allow consumers to know the true cost of taking out a payday loan, leading to better financial decisions.

LRB-4308 would require short-term installment lenders to report to DFI the average APR of their loans and the number of loans that were refinanced or resulted in a money judgement or vehicle repossession. This reporting would provide greater transparency in the industry.

“Too many people get trapped in an endless cycle of debt after taking out short-term loans. These bills would remove the worst aspects while still leaving a viable business,” said Rep. Allen. “It’s important that everyone can have a chance to flourish economically in Wisconsin.”

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