

# Legislators to take another crack at a payday-loan law

## They want bill that would set limits and please governor

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**Madison** - Lawmakers will make another attempt to beef up regulation of Wisconsin's growing payday loan industry, a state official said Thursday.

A Republican bill that would have imposed limits on payday lending was vetoed last year by Gov. Jim Doyle, who contended the legislation was too weak. But state Rep. Jean Hundertmark (R-Clintonville), chairwoman of the Assembly's Committee on Financial Institutions, said she hopes to craft a new bill that will win the governor's signature.

With that goal, Hundertmark held a hearing at the Capitol on Thursday in which invited industry and government representatives spelled out the merits and drawbacks of payday lenders. The number of such lenders has grown from 64 in 1996 to 393 now.

"We're going to take a look at the testimony that's been given today and try and put together a good piece of legislation for Wisconsin," Hundertmark said after the three-hour hearing.

"I think something needs to be done. It was disappointing that the governor vetoed legislation last time, but we are looking for a way to make sure that it gets through his desk this time. We need to have consensus from everyone at the table."

Some of those concerned that payday lenders take advantage of needy consumers suggested the state impose a fee cap or interest-rate limit on loans. They'd also like to restrict the number of times a loan can be extended, or rolled over, by paying another fee.

Kathryn Carlson, executive assistant for the Department of Financial Institutions, said the state should consider setting up an electronic monitoring system to enforce limits on the number of loans any consumer could have at one time. She said that because payday loans, which in theory are short-term loans to tide people over until their next payday, are being rolled over for months by many customers, they need more regulation than they now get from the state.

"If it's a long-term product, we need to look at it differently," Carlson said.

James Walrath, a lawyer with Legal Aid Society of Milwaukee Inc., said users of the loans typically cannot pay them back on time. With payday loans, a customer writes a post-dated check to the lender for the amount of the loan plus a fee. The lender agrees not

to cash the check for a short period, often two weeks. Usually the fee is \$20 for each \$100 borrowed.

Walrath said one client who borrowed \$550 ended up paying finance charges of nearly \$1,200 over 13 months.

"Why would someone who needs a loan go into a place where the rates are so high unless they are desperate?" Walrath said.

Peggy Partenfelder-Moede, representing the Wisconsin Deferred Deposit Association, countered that payday lenders largely serve "America's middle class" and that customers must have a checking account and a recent pay stub even to get such a loan.

Market researcher Pat Cirillo told the committee a study she conducted on the industry showed that customers who use payday loans understand the cost.

"This is a product of convenience," she said.

Hundertmark said she didn't know when a new bill for the Legislature to consider would emerge.

"We have to have agreement and make sure that it's done correctly, and sometimes that takes a little more time. But hopefully we'll have something yet this session," she said.