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LEGISLATORS INTRODUCE PAYDAY LENDING CONSUMER PROTECTION ACT

MADISON -- In three events around the state today, legislators announced the introduction of the Payday Lending Consumer Protection Act, a measure that will provide protections against predatory lending by limiting interest rates for consumer loans to 36% annually. Currently in Wisconsin, the average rate on a two-week payday loan amounts to an annual percentage rate of 525%, and in 2005 it was estimated that Wisconsin consumers paid \$124 million in predatory fees.

The erosion of consumer protection laws has led to a significant growth in the number of payday lending operations in Wisconsin. In 1995, two licensed payday lenders operated seventeen offices in the state. In 2004, there were 346 licensed payday lenders in Wisconsin. By 2008, the number of licensed payday lenders jumped to 530, and there are currently more payday lending storefronts in Wisconsin than McDonald's.

“At a time when more and more families are living paycheck to paycheck, we can’t stand by while Wisconsinites get trapped in a cycle of debt,” said Representative Gordon Hintz (D-Oshkosh), Chairman of the Assembly Committee on Consumer Protection and lead author of the bill. **“Wisconsin families deserve basic consumer protections, and right now there is no bigger consumer protection issue than limiting the ability of predatory loan operations to take advantage of our citizens.”**

After the Pentagon reported that widespread abuse by predatory lenders was hurting military families and undermining military readiness, Congress enacted the Military Lending Act in 2007. A 36 % cap, twice the limit for federally chartered credit unions, is the same rate cap that protects our military service members and their families. Fifteen states and the District of Columbia either prohibit payday lending completely or have established two-digit limits on interest rates. Wisconsin is currently the only state in the country where there is no rate cap for licensed lenders.

“Over the past decade we watched the number of payday lenders in our city and our state grow exponentially,” said Mayor Tom Barrett. **“Predatory lending has taken a serious toll on our community, and this legislation is long overdue. I look forward to swift passage of the Payday Lending Consumer Protection Act on behalf of Wisconsin families.”**

At this early stage in the legislative process, the Predatory Lending Consumer Protection Act has an impressive amount of support from local officials, community organizations, ecumenical groups, consumer groups, business groups, labor groups, senior groups, and legislators on both sides of the aisle. Even before circulation for co-sponsorship, the bill had 36 Assembly authors and 8 Senate authors.

President Obama proposed extending the same 36% cap included in the Military Lending Act to all payday lenders as a part of his plan to strengthen our nation's economy and help working families.

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