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## New Research Shows Payday Lending Would **Not** be Missed Council Urges Action on Predatory Payday Lending Legislation Currently in Committee

**Madison** – A recent report from the University of North Carolina’s Center for Community Capital shows that former and potential payday lending customers in North Carolina, where these high-interest loans have now been effectively banned, have gotten along just fine without payday lending, and are in fact glad it’s gone.

A discussion of payday lending can stir up strong debate. Industry executives tout how they provide a valuable service to community members in need of quick cash, while others talk of the exorbitant fees (interest rates in the hundreds of percent) and the cycle of debt that many customers work themselves into. The average payday loan recipient takes out 13 such loans per year.

“This report helps debunk the myth that payday lending is necessary,” said John Keckhaver, a research analyst at the Wisconsin Council on Children and Families. “We’re all aware of the high costs. We’re now seeing increasingly that those high costs are unnecessary, and that people are able to find other, better ways to deal with their financial needs.”

Three bills pertaining to payday lending are currently pending in the Wisconsin Legislature. All currently are in the Assembly Committee on Financial Institutions, chaired by Representative Scott Newcomer. They are:

**AB 4** – Introduced by Representatives Schneider and Vruwink.

This bill prohibits payday loan providers from assessing a finance charge on payday loans that exceeds 2 percent per month.

**AB 211** – Introduced by Representatives Nelson, Mason, Seidel, Van Akkeren, Kessler, Pocan, Berceau, Travis, Boyle, Sheridan, Vruwink, Sinicki, Pope-Roberts, Hebl, Smith, Hixson, Hraychuck, A. Williams, Hintz., cosponsored by Senators Hansen, A. Lasee and Carpenter.

This bill prohibits payday loan providers from assessing a finance charge on payday loans in excess of 36 percent per year. It also makes other minor administrative changes.

**AB 574** – Introduced by Representatives Zepnick, A. Williams, Berceau, Steinbrink and Schneider.

This bill limits payday loans to \$800 or 50 percent of the applicant's next paycheck, whichever is greater. The bill also limits "rollovers" (defined as the refinancing, renewal, amendment, or extension of a payday loan).

The North Carolina Commission of Banks commissioned this report, which takes a close look at whether payday lending customers miss the payday lending options that no longer exist in their communities. It also explores what people are doing instead of turning to traditional payday lenders. Among their conclusions:

- **More than twice as many former payday borrowers reported that the absence of payday lending has had a positive rather than negative effect on their household.**
- **Nearly 9 out of 10 surveyed thought payday lending was a bad thing.**
- **The absence of storefront payday lending has had no significant impact on the availability of credit for households in North Carolina.** Households reported using an array of options to manage financial shortfalls, and few are impacted by the absence of a single option – in this case payday lending.

"The report out of North Carolina shows us, once again, that payday lending has no redeeming qualities. People get by and are better off without it," Keckhaver said. "Among other options, credit unions have been stepping up to the plate and are offering better alternatives through their *Real Solutions* program. Those efforts should be expanded and we should finally get rid of predatory payday lending in Wisconsin."

The full report can be found at:

[http://www.nccob.org/NR/rdonlyres/4BB13853-F3B0-48E2-9A2B-1A59177018CF/0/NC\\_After\\_Payday.pdf](http://www.nccob.org/NR/rdonlyres/4BB13853-F3B0-48E2-9A2B-1A59177018CF/0/NC_After_Payday.pdf)

A statement by the North Carolina Commission of Banks can be found at:

<http://www.nccob.org/NR/rdonlyres/1D3C8641-B108-4AB9-B9DB-F470B97BCCF5/0/NCCOBpaydaypr.pdf>

*The Wisconsin Council on Children and Families is a multi-issue, statewide, non-profit, non-partisan advocacy organization.*