

WISCONSIN GUIDE TO PAYDAY LOANS

A PAYDAY LOAN IS NOT INTENDED TO MEET LONG-TERM FINANCIAL NEEDS. YOU SHOULD ONLY USE A PAYDAY LOAN TO PROVIDE FUNDS IN A FINANCIAL EMERGENCY.

THE COST OF A PAYDAY LOAN

Payday loans may be helpful when you have a temporary cash flow problem or are facing a financial emergency; however, they are typically a very high cost form of credit. It is not unusual to see payday loans with annual percentage rates in excess of 500%. Before entering into a payday loan, you may want to consider a lower cost alternative, such as:

- a short-term loan from a local financial institution
- a loan from a relative, friend, religious institution, or social service agency
- a salary advance from your employer
- a credit card cash advance

The following chart identifies the amount of interest that would be due on a \$400, 14-day loan at varying rates.

Annual Percentage Rate (APR)	Interest
500%	\$76.71
36%	\$5.52
12%	\$1.84

CONSUMER RIGHTS & PROTECTIONS

- You may not borrow more than \$1,500 or 35% of your gross monthly income, whichever is less.
- You may rescind a payday loan by returning the proceeds before the close of business on the next business day after the loan is made. If the lender is open 24 hours, you may rescind the loan before 5 p.m. on the next business day after the loan is made. The lender may not charge a fee for rescinding a payday loan.
- If you fail to repay a payday loan in full at the end of its loan term, the lender that made the loan shall offer you the opportunity to repay the loan in 4 equal installments with due dates coinciding with your pay period schedule. The interest rate after the maturity date would be lowered to 2.75% per month. You are entitled to only one offer for a repayment plan within any 12 month period.
- You may only pay off a payday loan with the proceeds of another payday loan once.
- If you pay the loan in full prior to its due date you are entitled to a partial refund of the finance charge.
- The lender may only present your check for payment once.
- The lender may only initiate an electronic fund transfer from your account once for each authorization that you have given them to initiate an electronic fund transfer.
- The lender cannot charge you a fee to cash the proceeds check from a payday loan.
- If you are married and your spouse does not have actual knowledge of the loan, the lender is required to give your spouse a written notice that you obtained the loan.
- If a payday lender makes a payday loan to you that is in violation of Section 138.14, Wisconsin Statutes, you may bring action against the lender for damages of \$250 or the amount of the payday loan, whichever is greater, plus costs, and notwithstanding Section 814.04(1), Wisconsin Statutes, reasonable attorney fees.

CONSUMER RESPONSIBILITIES

- Read your loan agreement carefully before signing it. The loan agreement legally obligates you to repay the loan according to the terms set forth in the loan agreement. If you don't understand something in the loan agreement, ask the lender to explain it.
- Borrow only as much money as you can afford to repay on the repayment date(s).
- Know when each payment is due and make sure you have enough money in your bank account on the payment due date(s) to ensure that your check or electronic fund transfer clears your account.

WHAT THE LENDER CAN DO IF YOUR CHECK IS DISHONORED OR YOUR ELECTONIC FUND TRANSFER IS DENIED

If your check is dishonored or your electronic fund transfer is denied, the lender:

- may charge you a \$15 fee.
- may attempt to collect the debt through phone calls, letters or personal visits as long as these actions do not harass you.
- may report your account as past due with a credit reporting agency.
- may assign the debt to a collection agency to collect.
- may file a small claims action in court in pursuit of a judgment; however, the lender may NOT garnish your wages or threaten to pursue criminal action against you.

WHAT THE LENDER CAN DO IF YOU FAIL TO REPAY YOUR LOAN IN FULL ON THE MATURITY DATE

If you fail to repay your loan in full on the maturity date, the lender:

- must offer you the opportunity to enter into a repayment plan if you have not been offered one in the past 12 months. Your total outstanding balance plus interest after the maturity date at a rate of 2.75% per month would be divided into 4 equal installments that would be due on each of your next four pay dates.
- may offer you the opportunity to refinance your loan; however, you may only pay off a payday loan with the proceeds of another payday loan once.
- may attempt to collect the debt through phone calls, letters or personal visits as long as these actions do not harass you.
- may report your account as past due with a credit reporting agency.
- may assign the debt to a collection agency to collect.
- may file a small claims action in court in pursuit of a judgment; however, the lender may NOT garnish your wages or threaten to pursue criminal action against you.

QUESTIONS REGARDING PAYDAY LOANS

This form was created by the Wisconsin Department of Financial Institutions (DFI). DFI is a state agency that licenses and regulates companies that make payday loans in Wisconsin.

DFI also licenses and regulates adjustment service companies, which are commonly referred to as debt counselors or consumer credit counselors. These companies help debtors set up and stay on a budget. A list of the adjustment service companies licensed by DFI is available at www.wdfi.org.

Wisconsin Department of Financial Institutions

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