



Legislation Text

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000797
ORIGINAL

ALL MEMBERS OF THE COMMON COUNCIL

Resolution authorizing and directing the Intergovernmental Relations Division - Department of Administration to lobby for introduction and passage of state legislation establishing a maximum interest rate that may be charged by payday loan agencies and other businesses that make precomputed consumer loans. This resolution authorizes and directs the Intergovernmental Relations Division - Department of Administration to lobby for introduction and passage of state legislation establishing a maximum interest rate that may be charged by payday loan agencies and other businesses that make precomputed consumer loans. Whereas, The City of Milwaukee has witnessed a recent proliferation of payday loan agencies and similar businesses that make non-traditional, short-term consumer loans; and

Whereas, While payday loan agencies and similar businesses are required to be licensed by the State of Wisconsin if they charge interest rates that exceed 18% on an annual basis (s. 138.09(1m), Wis. Stats.), there is no statutory limit on the interest rate they may charge (s. 138.09(7)(bp), Wis. Stats.); and

Whereas, According to the Wisconsin Department of Financial Institutions, payday loan businesses typically charge interest rates that compound to 350% to 500% on an annual basis; and

Whereas, Because of these high interest rates, the payday loan borrower often has difficulty repaying the loan when payday arrives, and will either take out another loan or "roll over" the loan by paying another loan fee to defer repayment for 2 additional weeks, thereby pushing the borrower deeper into debt; and

Whereas, According to a recent report by the Chicago-based Woodstock Institute, more than half of Illinois consumers with payday loans have had 11 or more loan "rollovers"; and

Whereas, The high interest rates charged by payday loan businesses and the frequently-occurring cycle of refinancing they produce suggest that payday loan agencies and their unregulated interest rates have great potential to wreak havoc on the personal lives of Milwaukee residents and to ultimately harm the economic well-being of the Milwaukee neighborhoods in which such businesses are located; now, therefore, be it

Resolved, By the Common Council of the City of Milwaukee, that the Intergovernmental Relations Division - Department of Administration is authorized and directed to lobby state legislators for introduction and passage of state

legislation establishing a maximum interest rate that may be charged by payday loan agencies and other businesses that make precomputed consumer loans.

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