



May 24, 2023

**State Assembly Committee on Financial Institutions
Testimony for AB 261 related to Payday Loan Amendment**

This is a small yet needed amendment to clarify and exempt products that *could* be defined as payday loans (such as “Apple Pay Later”) to be offered legally in Wisconsin. This bill came about as the result of Apple reviewing Wisconsin statutes to make certain they would be compliant with Wisconsin law.

As competition in the marketplace creates new opportunities for consumers to access no-interest, no-fees and no-charges options when making purchases - we do not believe it was ever the intent of the payday loan statute to capture these types of transactions under the payday lending regulations.

BACKGROUND: A “payday loan” is defined as a transaction between (a) an individual with an account at a (b) financial establishment (tied to checking acct) and (c) another person (payday lender).

The payday lender agrees to accept a check or electronic fund transfer (EFT) authorization from the individual, to delay negotiating (depositing) the check or initiating the EFT payment(s) on an agreed-on schedule, and to extend a loan to the individual for a term of 90 days or less.

The governing statute (ss. 138.14) currently has existing exemptions from the payday loan-licensing requirement and all other payday loan requirements and restrictions for: banks, savings banks, savings and loan associations, trust companies, credit unions, and their affiliates.

APPLE PAY LATER product: This is a new product. Apple Pay Later (APL) allows consumers to use this product wherever Apple Pay and the Apple Wallet are accepted. The features of the APL product are as follows (also see attachment):

- APL is only available to customers invited to access a pre-release of the product
- The product operates on a MasterCard Platform that accepts Apple Pay or Apple Wallet
- Repayment is tied to a consumer’s Debit/Check Card account
- At the time of checkout, the customer can choose to click on [Pay In Full] or [***Pay Later***].
- Under the [***Pay Later***] APL option, the terms of repayment are as follows:
 - Payback calls for 4 equal payments over a six-week term
 - 0% interest charged
 - 0% fees to include no finance charge, and no other fees or charges of any kind
 - Past Due loan treatment: The consumer will not be able to make new APL loans

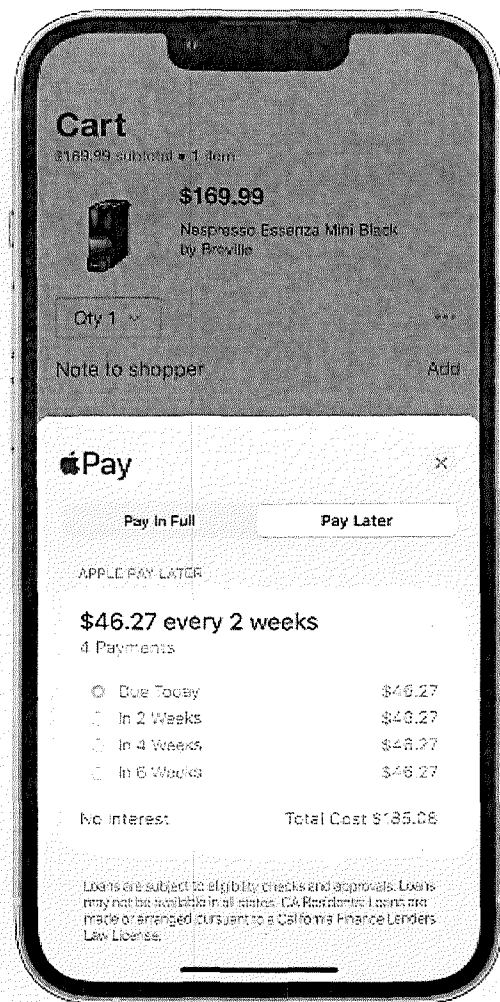
AB 261:

This bill is written to amend, clarify and exempt from the payday lending regulations: “any transaction in which no finance charge, and no other fees or charges of any kind, are required or accepted, at any time, from the person receiving the loan (ss. 138.14 (3) (b).”

Apple Pay Later

Apple Pay Later lets customers split a purchase into four equal payments over six weeks, with no interest or fees to pay. Apple Pay Later is available for purchases in apps and online when customers check out with Apple Pay.² And it's built into Wallet so customers can easily track what they owe and when they owe it.

By using the Mastercard network, Apple Pay Later just works with Apple Pay and requires no integration for merchants.



If your Apple Pay Later loan goes past due

Catch up on payments to resume making purchases using Apple Pay Later.

Apple Pay Later is currently only available to customers invited to access a prerelease version.

If your Apple Pay Later account is past due you won't be approved to make new purchases using Apple Pay Later.¹ You can still make payments on your existing loans.

1. On your iPhone, open the Wallet app. On your iPad, go to Settings and tap Wallet & Apple Pay.
2. Tap Apple Pay Later.
3. Tap the purchase that's past due, then tap Pay Now.
4. Select or add the payment method that you want to use to make a payment, then follow the on-screen instructions.
5. Double click the side button to confirm the payment with Face ID, Touch ID, or your passcode.

When the payment is processed and none of your existing loans are past due, you can reapply to use Apple Pay Later.²

Apple Pay Later doesn't charge any fees or interest, even if your loan account goes past due.

If you experience a hardship that prevents you from paying your loan installments on time, you may qualify for assistance and should contact an Apple Pay Later Specialist.



ROB STAFSHOLT

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DATE: May 24, 2023

RE: Testimony on Assembly Bill 261

TO: Members of the Assembly Committee Financial Institutions

FROM: Senator Rob Stafsholt

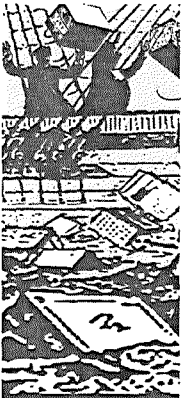
Thank you Chairwoman Duchow and members of the Assembly Committee on Financial Institutions for hearing Assembly Bill 261.

This simple, bipartisan bill exempts from payday loan regulations any transaction in which no finance charge or fee is imposed against or accepted from the loan recipient.

As you will hear more about in this hearing, tech companies in the marketplace are offering new financing methods to consumers to obtain their products. To catch up to the innovation in the private sector, this bill will clarify that these companies and their financial offerings are not to be subjected to current payday loan regulations.

Current law already provides an exemption from the Wisconsin payday loan licensing requirement and all other payday loan requirements and restrictions for banks, savings banks, savings and loan associations, trust companies, credit unions, and their affiliates. This bill will add these transactions with no finance charges or fees to the current list.

Again, thank you for allowing me to submit testimony on Assembly Bill 261. I would also like to thank Representative O'Connor for his work on this legislation. I would appreciate your support on this bill.



AMERICANS *for* TAX REFORM

May 23, 2023

To: Members of the Assembly Committee on Financial Institutions
From: Americans for Tax Reform

Re: Assembly Bill 261

Dear Chair Duchow, Vice Chair O'Connor, and members of the committee,

I thank you for your public service and applaud the considerable progress you and your colleagues have made in reducing the state tax burden in recent years. **I write today to urge your support for Assembly Bill 261**, legislation pending before this committee.

Americans for Tax Reform (ATR) is a nonprofit, 501(c)(4) taxpayer advocacy organization that opposes all tax increases and supports limited government, free-market policies. ATR also opposes heavy and unnecessary regulation of financial services. As such, **ATR supports passage of AB 261** and we commend the Assembly Committee on Financial Institutions' work to tailor regulations to promote private sector offerings of short-term lines of credit for consumers.

If enacted, **AB 261 will significantly reduce compliance costs** currently imposed on certain buy now, pay later (BNPL) products under Section 138.14 of the Wisconsin Statutes and Annotations. The current registration and regulatory framework for "payday lending" under Wisconsin law applies an interest rate cap of 2.75 percent per month in the event of a delinquent payment. However, many BNPL products offer short-term lines of credit with no interest if the loan is paid back in a certain amount of time. The regulatory framework for payday lending was not meant for bespoke BNPL products. As such, these products should be exempted from these burdensome rules.

Moreover, recent academic research points to the negative effects of interest rate caps on consumers' availability of credit. Freeing consumer financial products from this de facto government price control could allow consumers to access more options for short-term lines of credit when they need it most.

As inflation remains above the Federal Reserve's average target of 2 percent, consumers are still finding prices for gas and groceries to be at elevated levels. BNPL is essential for consumers to afford everyday goods and services.

As the Assembly Committee on Financial Institutions meets for a hearing on May 24 to deliberate the provisions of AB 261, we ask that you consider the benefits this bill will impart on Wisconsin consumers. **ATR supports AB 261 and encourages lawmakers to vote in favor of this reform.** I thank you for your public service and the time you have sacrificed this session. If I or ATR can be of assistance, you can reach me or Patrick Gleason, ATR's Vice President of State Affairs, at 202-785-0266.

Sincerely,

Grover G. Norquist
President, Americans for Tax Reform

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