# Reps. Allen, Drake, Sen. Cabral-Guevara: Bipartisan payday loan reform bill

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Madison, WI – Today, Rep. Scott Allen (R), along with Sen. Rachael Cabral-Guevara (R) and Rep. Dora Drake (D), released a bill that would adjust the terms of payday loans to lessen the harmful effects of predatory lending.

"Too many people get trapped in an endless cycle of debt after taking out payday loans. It's important that we tackle this problem so that everyone can have a chance to flourish economically in Wisconsin," stated the bill authors.

Currently, the average Wisconsin payday loan comes with an effective annual interest rate of 536%.

Payday loans are particularly high-risk due to the need to repay the loan in full at the end of a short term. With astronomically high interest rates, it can lead to situations where lenders pay enormous sums of money without paying down their principal loan.

The bill would transition payday loans to short-term loans with a payment plan whereupon both principal and interest are a part of each payment. Payday lenders would also have to disclose the amount of interest that will be paid over the course of the loan term and how much each payment would be. This would allow consumers to know the true cost of taking out a payday loan, leading to better financial decisions.

Mortgages, car loans, boat loans, home equity lines of credit, and other loans all have payment plans where part of your payment goes towards paying down your principal. This holds payday loans to a similar standard.

This bill would remove the worst of the predatory aspect of payday loans while still leaving a viable business that can serve those who cannot take out traditional bank loans.

Many of the features of this bill were part of a successful payday loan revision in Ohio law, and this bill could help many Wisconsinites currently trapped in a cycle of poverty.