

Short-Term Consumer Loans and Earned Wage Access

Consumer loans of up to \$25,000 in this state are subject to the Wisconsin Consumer Act. In addition to banks and credit unions, there are currently three main types of businesses offering short-term loans or advances to Wisconsin consumers: loan companies, pawnbrokers, and “earned wage access” providers.

Loan Companies

Many loan companies in Wisconsin offer loans with terms ranging from three to 24 months or more, which are typically required to be repaid in monthly or biweekly installments¹. Some loan companies also require borrowers to provide collateral to help ensure repayment, such as a vehicle title.

Installment loans offered by loan companies are meant to serve short-term needs. Wisconsin law does not put any cap on the rates that loan companies can charge, and those rates can be very high - often ranging from 30 percent to more than 800% annually.

For that reason, it may be helpful to shop around for different loan options. State and federal laws require loan companies to disclose the total of all fees, interest, and other costs of the loan (known as the “finance charge”), and to provide them in the form of an annual percentage rate (known as “APR”). This information can be helpful when comparing the relative costs of loans with different terms². Wisconsin law also allows borrowers to pay off their loans early, with no prepayment penalty³.

If a borrower fails to make payments when due, the loan company can hold the borrower in “default” after a required waiting period. (The length of the waiting period depends on the type of loan and the amount of the deficiency⁴.) In most cases involving consumer loans, before proceeding with a lawsuit against the borrower for non-payment, the lender must provide the borrower with a notice of

their right to cure the default⁵. A default can be cured by paying all unpaid installments due and owing, plus any delinquency charges or deferral fees, within 15 days⁶. Delinquency charges are limited to \$10 or 5 percent of the unpaid amount of the installment, whichever is less, and the lender cannot charge more than a \$15 fee for checks or transfers returned for insufficient funds⁷. A borrower does not have a right to cure if the borrower previously cured a default twice within the past 12 months⁸.

Loan companies have the right to seek collection of unpaid installments, but Wisconsin law prohibits certain debt collection practices. Among other protections, parties seeking to collect a debt cannot use (or threaten to use) force or physical harm, cannot threaten criminal prosecution or the enforcement of legal rights they do not have, and cannot use obscene language or call the debtor at such unusual hours or with such frequency that it amounts to harassment⁹. Additional notice requirements and other protections apply before the loan company can take possession of any collateral the borrower provided to secure repayment of the loan, such as a motor vehicle¹⁰.

Pawnbrokers

Pawnbrokers lend money to borrowers who deposit or pledge personal property with them, typically jewelry or other items with resale value¹¹. The borrower has the right to “redeem” the items by paying back the loan plus interest on an agreed-upon loan maturity date. If the borrower does not redeem the item within 30 days of the maturity date, the items are forfeited to the pawnbroker and may be sold to someone else¹². The pawnbroker must give at least 30 days’ notice to the borrower prior to selling the pawned items¹³.

Pawnbrokers are required to cooperate with law enforcement investigations of thefts and other crimes, and to hold certain items if requested by a law enforcement agency¹⁴. Pawnbrokers are required to exercise reasonable care to protect pawned items prior to the maturity date, and they must compensate the borrower for the market value of any items that are lost or damaged while in their possession¹⁵.

Earned Wage Access Providers

Earned wage access providers offer wage advances to employed borrowers, with repayments made by payroll deduction or electronic transfer from the borrower's checking account on their next payday¹⁶. State law requires them to offer borrowers at least one no-fee option for obtaining advances, but providers may ask for "tips" or charge fees for same-day delivery of advanced funds¹⁷. Payment of any "tips" or gratuities to providers is voluntary, and earned wage access providers are prohibited from deceiving consumers into believing they are required or will benefit any specific individuals¹⁸.

Citations

1. Loans with terms of 90 days or less are considered “payday loans.” Wis. Stat. s. 138.14. Payday loans are subject to additional borrower protections in Wisconsin, and state lenders will only rarely make them: according to annual payday lending report from the Wisconsin Department of Financial Institutions, only 254 payday loans were made across the entire state in 2024.
2. Wis. Stat. s. 422.301; 12 CFR s. 1026.18.
3. Wis. Stat. ss. 422.208 & 422.209.
4. Wis. Stat. s. 425.103.
5. Wis. Stat. s. 425.104.
6. Wis. Stat. s. 425.105(2).
7. Wis. Stat. ss. 422.203, 422.202(1)(d). See also DFI Opinion Letter on Non-Sufficient Fund Fees (stating that the Consumer Act’s \$15 limitation applies to both paper checks and electronic ACH transactions).
8. Wis. Stat. s. 425.105(3).
9. Wis. Stat. s. 427.104.
10. Wis. Stat. ss. 425.205(1g), 425.206.
11. Wis. Admin. Code s. DFI-Bkg 77.02(2).
12. Wis. Admin. Code ss. DFI-Bkg 77.04, 77.07.
13. Wis. Admin. Code s. DFI-Bkg 77.06.
14. Wis. Admin. Code s. DFI-Bkg 77.05.
15. Wis. Admin. Code ss. DFI-Bkg 77.09(2), 77.10.
16. Wis. Stat. ch. 203.
17. Wis. Stat. ss. 203.01(9), 203.04(1)(b), (c).
18. Wis. Stat. s. 203.04(2)(g).

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