Payday Lender Vacancies and Energy Assistance Participation in Wisconsin

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Wisconsin is one of the few states that imposes no interest rate limits on payday loans and currently upholds one of the highest limits on the maximum amount one can borrow. Within the past 5 years, neighboring states Illinois and Minnesota have prohibited payday lending via 36% APR interest rate caps. Contrarily, the average Annual Percentage Rate (APR) for payday loans in Wisconsin during 2024 was 696.71%, which is $27 per $100 borrowed (Wisconsin Department of Financial Institutions [DFI], 2025). Despite these lender-friendly parameters, licensed payday lender operations have declined nearly 90% over the past decade in Wisconsin. The number of payday loans issued to borrowers has also declined from 603 loans per payday lender in 2011 to five loans per payday lender in 2024 (DFI, 2012; DFI, 2025).

While payday loans are designed to cover emergencies, consumers often borrow payday loans to cover basic, ongoing expenses such as groceries, housing, and utilities (Bhutta et al., 2016; Bourke et al., 2012; Nuñez et al., 2016). Considering that utilities are a common reason consumers borrow payday loans, I examine the effects of payday lender vacancy on energy assistance participation by leveraging cross-county variation in licensed payday lender vacancies by fiscal year. I employ unique administrative data on licensed payday lender branch operations in Wisconsin since 2011, and I employ data on counties' energy assistance participation from DEHCR's (2024) Direct Benefits Caseload Comparison Reports. For controls, I furthermore merge publicly available Census data on counties' demographics, socioeconomic characteristics, and business censuses. I particularly focus on Wisconsin, given its persistently generous resource limits for energy assistance throughout the study period, allowing a clearer understanding of the effects of payday lending on energy assistance participation.

I preliminarily find that licensed payday lender vacancies increase energy assistance participation, although such effects are delayed. If this holds upon further investigation, then we may consider that such delayed effects are due to the seasonal nature of energy assistance access or the plausibility of exhausting other financing alternatives before seeking energy assistance. A completed paper will further discuss results, robustness checks, limitations, and implications for both Alternative Finance Services (AFS) regulations and safety net policies.

References

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