



*Payday lenders trap Coloradans in outrageously high-cost debt. Triple-digit rates and multiple fees strip millions of dollars annually from the pockets of people across the state. **Initiative 126 would cap the interest rate and fees on payday loans at 36% APR.***

Interest and fees on payday loans strip nearly \$50 million annually from Coloradans.¹

- Payday loans are short-term loans for up to \$500. The average payday loan in 2016 was for \$392 and cost customers an average of \$119 in interest and fees.
- In 2016, payday lenders originated 414,284 loans in Colorado. These high-cost payday loans drained nearly \$50 million in fees and interest payments from financially-strapped Coloradans.
- This is a significant drain on Colorado's economy, diverting dollars that otherwise would be spent in the local economy on everyday necessities.

Capping rates on payday loans will bring these loans in line with usury rates in Colorado.

- Payday lenders can currently charge an interest rate of 45 percent **plus fees** because these loans are exempt from state usury laws. By capping the APR (annual percentage rate) at 36% inclusive of fees, this ballot measure would make payday loans subject to the same top interest rate allowable for all other installment loans in Colorado.
- Over a decade ago, Congress capped the interest rate on payday loans offered to active-duty military and their families at 36%. Currently, 15 states and the District of Columbia have also passed laws capping payday lending rates and fees at 36%. Former payday customers in these states are relieved to be out of the payday debt trap and report a variety of less costly ways of meeting financial shortfalls.²

Despite legislative reforms, payday loans are still very costly, carrying an average APR of 129%.

- In 2010, the Colorado legislature took steps to reform payday loans, lowering the fees and creating a minimum loan term of six months. The law also allowed prepayment of the loan balance without penalty.
- Despite these important reforms, Coloradans are still paying too much for these loans. In 2016, the average payday loan had an average annual interest rate of 129%.³ Rates can exceed 200%.

This Initiative is being proposed by a coalition of community, consumer, veterans, civil rights, and faith organizations including: the Bell Policy Center, CoPIRG, Colorado Peoples Alliance, the Colorado Center for Law and Policy, Together Colorado, the Interfaith Alliance of Colorado, the NAACP, the Colorado AFL-CIO, the Community Wealth Building Network, Colorado Interfaith Power and Light, the Center for Responsible Lending, the Colorado Coalition for the Homeless, ProgressNow Colorado, the National Consumer Law Center, Colorado Catholic Network, Enterprise Community Partners, Lutheran Advocacy Ministries, and the Consumer Federation of America. For more information contact Corrine Rivera Fowler corrinefowler@gmail.com 720-296-8389

¹ Center for Responsible Lending. (2018). *Payday Lenders Continue to Put Coloradans into High-Cost Debt*. Available at http://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-colorado-payday-highcost-feb2018_0.pdf

² Center for Responsible Lending. (2017). *Shark-Free Waters: States are Better Off without Payday Lending*. Available at <http://responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-shark-free-waters-aug2016.pdf>

³ Colorado Attorney General's Office. *2016 Deferred Deposit/Payday Lenders Annual Report*. Available at <https://coag.gov/uccc/info>

Payday Loans in Colorado

| Table 1. Average payday loan amounts, costs, and terms in 2016 | |
|---|---------|
| Average loan amount | \$392 |
| Average total costs (interest + fees) | \$119 |
| Average loan term | 97 days |
| Average APR | 129% |
| Total payday loans originated | 414,284 |
| Default rate | 23% |

Source: Colorado Attorney General's Office, 2016 Deferred Deposit/Payday Lenders Annual Report

| Table 2. Interest rates published by three large payday lenders in Colorado, 2018 | | | | | |
|--|-------------|--------|--------|--------|--------|
| Lender | Loan Amount | | | | |
| | \$100 | \$200 | \$300 | \$400 | \$500 |
| ACE Cash Express | 211.2% | 211.2% | 211.3% | 202.8% | 177.3% |
| Check into Cash | 214.8% | ** | 214.8% | ** | 180.2% |
| Speedy Cash | 196.2% | 208.2% | ** | 199.5% | ** |

Source: Company website advertising for a 6-month loan. ** means no information was reported for that loan amount.

Figure 1. APR on \$500 payday loan by payoff date

Notes