

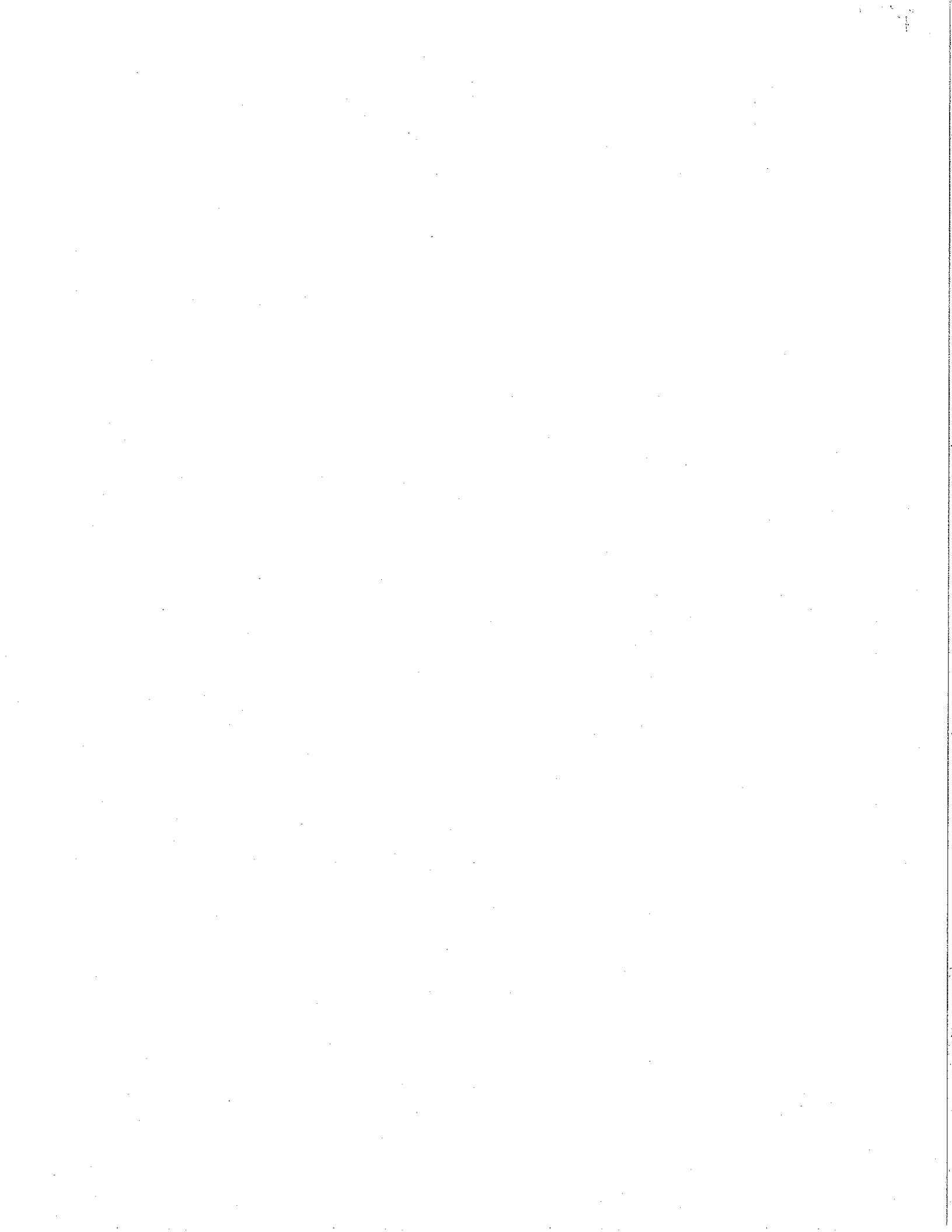
SUPPORT PAYDAY LENDING REFORM

Proposed Amendments to HB 1351

1. The amendments are being offered today in response to the concerns raised by the lenders and legislators while still providing real reform for the borrowers. While the payday lenders may object to these amendments, we are trying to find a balance between the interests of the borrowers and the lenders.
2. These amendments provide the lenders with a fee for processing the borrower's first loan in a year and raise the interest rate allowed to be charged on all the other loans to 45% which is the current criminal usury rate. The first loan takes the most time and expense to set up. Rollover and refinanced loans require limited additional processing.
3. As the attached chart indicates, the increased interest rate and origination fee provides the industry with twice as much revenue per loan over the first four loans than they would have received under HB 1351 as originally introduced. On a \$500 loan over six weeks, the lenders will receive \$84.52 compared to \$27.60 under the original bill. Plus, \$58.63 of this will be paid up front on the first loan.
4. For the average loan, payday lenders will receive almost twice as much revenue on a \$500 loan under the amendments than under HB 1351 as originally introduced. According to the AG's Demographic report, payday loans were paid off over 20 weeks on average. Under the amendments payday lenders will receive \$136.30 compared to \$69 under HB 1351 as introduced. While providing more revenue to the payday lenders the amendments represent a savings of \$614 for borrowers over what they would pay under current law.

Coloradans for Payday Lending Reform

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Comparison of Current Payday Loan Conditions with Conditions Under Versions of HB-1351

Payday Loan Legislation	Start	2 weeks	4 weeks	6 weeks
Current Conditions \$75 max fee, 2 week loan term	Loan #1 Borrower takes out a \$500 loan and pays a \$75 fee	Loan #2 Borrower cannot pay the loan in full, so she "rolls over" the loan and pays another \$75 fee	Loan #3 Borrower cannot pay the loan back in full, so she writes a check for \$575, the lender marks her off as "paid," and then makes her a new loan right after.	Loan #4 She still cannot afford to pay off the full \$500 loan. She has the option of using the payment plan. Total fees with payment plan: \$225 Total fees with no payment plan and a "rolled over" loan: \$300
	Total fees: \$75	Total fees: \$150	Total fees: \$225	Total fees with no payment plan and a "rolled over" loan: \$300
HB 1351 as Introduced 2 week loan term, 36% interest	Loan #1 Borrower takes out a \$500 loan and pays a \$6.90 fee	Loan #2 Borrower cannot pay the loan in full, so she "rolls over" the loan and pays another \$6.90 fee	Loan #3 Borrower cannot pay the loan back in full, so she writes a check for \$513.80, the lender marks her off as "paid," and then makes her a new loan right after.	Loan #4 She still cannot afford to pay off the full \$500 loan. She has the option of using the payment plan. Total fees with payment plan: \$20.70 Total fees with no payment plan and a "rolled over" loan: \$27.60
	Total fees: \$6.90	Total fees: \$13.80	Total fees: \$20.70	Total fees with no payment plan and a "rolled over" loan: \$27.60

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Payday Loan Legislation	Start	2 weeks	4 weeks	6 weeks
<p>Proposed Amendment \$50 max. fee ONCE A YEAR, 45% interest</p>	<p>Loan #1 Borrower takes out a \$500 loan and pays a \$50 fee, plus 45% interest</p> <p>Total fees: \$58.63</p>	<p>Loan #2 Borrower cannot pay the loan in full, so she "rolls over" the loan and pays another \$8.63 fee</p> <p>Total fees: \$67.26</p>	<p>Loan #3 Borrower cannot pay the loan back in full, so she writes a check for \$567.26, the lender marks her off as "paid," and then makes her a new loan right after.</p> <p>Total fees: \$75.89</p>	<p>Loan #4 She still cannot afford to pay off the full \$500 loan. She has the option of using the payment plan.</p> <p>Total fees with payment plan: \$75.89</p> <p>Total fees with no payment plan and a "rolled over" loan: \$84.52</p> <p>Note: totals fees if taken out all year would equal \$275</p>

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