

*Colorado Legislative Council Staff Fiscal Note*  
**NO FISCAL IMPACT**

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<b>Drafting Number:</b> LLS 10-0284	<b>Date:</b> March 1, 2010
<b>Prime Sponsor(s):</b> Rep. Ferrandino Sen. Romer	<b>Bill Status:</b> House Judiciary
	<b>Fiscal Analyst:</b> Harry Zeid (303-866-4753)

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**TITLE:** CONCERNING THE MAXIMUM AUTHORIZED INTEREST RATE FOR A PAYDAY LOAN.

**Summary of Legislation**

Under current law, a lender may charge a finance charge for each deferred deposit loan (payday loan) up to 20 percent of the first \$300 lent plus 7.5 percent of any amount lent in excess of \$300. This bill refers a question to the voters at the November 2010 general election to limit the finance charge to a maximum annual percentage rate of 36 percent.

**Background**

Payday loans are limited by law to \$500 or less, and are due to the lender on the consumer's next payday, typically in two weeks. The typical annual percentage rate on a two-week \$500 payday loan, at the maximum \$75 finance charge, is 391 percent. In 1998, 303,462 Colorado residents obtained 1,534,976 payday loans from the state's 610 licensed lenders. Over \$566 million in loans were made during 2008. The average payday loan was \$369, with a 317 percent average annual percentage rate.

**Assessment**

Limiting the maximum annual percentage rate on payday loans to 36 percent is assessed at having no state or local fiscal impact. Currently, the Department of Law licenses payday lenders and conducts compliance examinations of their loans. Upon approval by the voters, examinations will be modified to reflect the new rates established by statute. The department currently investigates and litigates cases involving payday lenders. Existing resources are sufficient to continue to litigate these types of cases in the future. Therefore, no further state expenditures are required.

**Election Expenditure Impacts (For Informational Purposes Only)**

The bill refers a measure to the voters at the November 2010 general election. This measure will be published in newspapers and an analysis of the measure will be included in the Blue Book mailed to all registered voter households prior to the election. Under current law, costs for these functions will be paid through a General Fund line item in the Long Appropriations Bill. Table 1 below identifies the anticipated costs for the 2010 Blue Book.

<b>Table 1. Cost to Produce and Distribute the 2010 Blue Book to All Registered Voter Households</b>	
Printing	\$400,000
Postage	\$450,000
Translation	\$20,000
Newspaper Publication (English & Spanish)	\$700,000
<b>Total Cost (14 issues)</b>	<b>\$1,570,000</b>
<b>Average Cost per Issue</b>	<b>\$112,143</b>

**Departments Contacted**

Law

Secretary of State

Legislative Council Staff