HB10-1351

Colorado Legislative Council Staff Fiscal Note

FINAL FISCAL NOTE

Drafting Number:	LLS 10-0284	**Date:**	July 1, 2010
Prime Sponsor(s):	Rep. Ferrandino Sen. Romer	**Bill Status:**	Signed into Law
		Fiscal Analyst:	Harry Zeid (303-866-4753)

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

Summary of Legislation

Under current law, a lender may impose 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. HB10-1351 limits the finance charge to a maximum annual percentage rate of 45 percent. A minimum loan term of six months is required with no prepayment penalty. The bill provides that a lender may charge a monthly maintenance fee for each outstanding loan, not to exceed $7.50 per $100 loaned, up to a maximum of $30 per month. Although multiple loans may be made to the same consumer, the total amount financed cannot exceed $500 at any one time. A 30-day waiting period between loans is required.

The Governor signed the bill into law on May 25, 2010, and unless a referendum petition is filed, the bill will take effect August 11, 2010. The bill applies to loans made or renewed on or after that date.

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 45 percent plus $7.50 per $100 loaned with a $30 monthly cap 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. 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.

Departments Contacted

Law — Secretary of State — Legislative Council Staff