



Colorado Legislative Council Staff Fiscal Note
REVISED NO FISCAL IMPACT

(replaces fiscal note dated March 9, 2010)

Drafting Number: LLS 10-0284

Date: April 8, 2010

Prime Sponsor(s): Rep. Ferrandino
Sen. Romer

Bill Status: House Second Reading

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 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. As amended by the House Judiciary Committee on April 8, 2010, the bill limits the finance charge to a maximum annual percentage rate of 45 percent. In addition, the lender may also charge a finance charge of not more than \$10 for each \$100 loaned for the initial loan in a 12 month period.

The bill takes effect August 11, 2010, assuming the General Assembly adjourns May 12, 2010, as scheduled, and no referendum petition is filed. 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 \$10 per \$100 loaned 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