

Vote **YES** on Proposition **111**



*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. **Proposition #111 prevents a 200% APR on payday loans by capping interest and fees.***

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.
- Alternative lending products are available to consumers across Colorado. A review of the credit market for households with lower credit scores and the experience of states that have addressed payday lending show that many alternatives are available. They are all far better than the long strings of repeated high-cost loans that trap payday borrowers in unmanageable and ultimately devastating debt.

Capping rates on payday loans means payday lenders must play by the same rules as other lenders.

- Payday lenders can currently charge an interest rate of 45 percent **plus fees** because these loans are exempt from state usury laws—the laws that prevent excessively high interest rates. 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 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 many other 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 APR of 129%³ costing Coloradans \$50 million in interest and fees annually and trapping people in a cycle.

www.YesOnProp111.org

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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%

- Monthly maintenance fee (**\$49**)
- Origination fee (**\$38**)
- Interest (**\$32**)

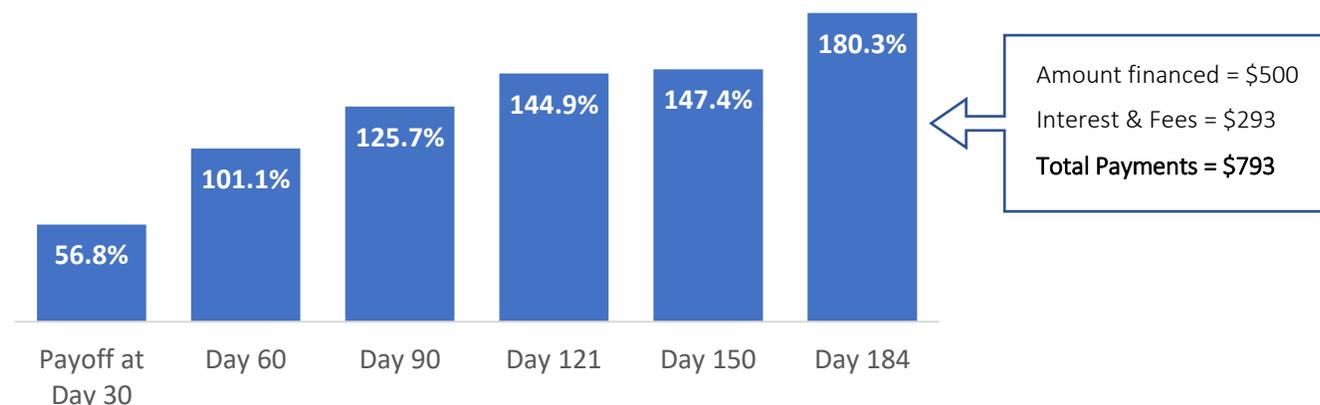
Source: Colorado Attorney General's Office, 2016 Deferred Deposit/Payday Lenders Annual Report

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



Source: APR estimates based on \$500 loan example detailed in Appendix 1 of the Demographic and Statistical Report, 2015, Colorado Attorney General's Office available at <https://coag.gov/uccc/info>

Notes

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>