



# **Installment *Payday Loans*: Colorado Experience**

Rich Jones  
The Bell Policy Center

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# Overview

- Where we started out
- Where we ended up
- Effects to date
- Historic Payday Data
- Small Installment Loan Data



# Where We Started

## 1. Payday Loans:

- Maximum \$500 loan
- Fees set at \$20 per \$100 for the first \$300 loaned and \$7.50 per \$100 up to a maximum of \$500
- No minimum loan term but maximum 40 days
- APR of 521% on a \$300 loan and 391% on a \$500 loan

## 2. Small Installment Loans:

- Maximum \$1,000 loan
- Acquisition charge of maximum 10% on new loan and 7.5% on refinanced
- Monthly account handling charge based on loan amount –
  - Up to \$300 - \$12.50
  - \$300.01 - \$500 - \$15.00
  - \$500.01 - \$750 - \$17.50
  - \$750.01 - \$1,000 - \$20.00
- 90 day minimum and maximum 12 month loan term
- Average APR in 2010 - 100%



# Where We Started

- **Recent Reform Efforts:**
  - Focused on payday loans
  - 2008 - 45 percent APR cap passed the house, killed in Senate
  - 2009 – Loan limit; never was introduced
- **What we wanted:**
  - The legislature to refer a proposal to the 2010 ballot
  - Set a maximum 36 percent APR on all payday loans



# Where We Ended Up

## ■ House Changes

- Statutory change by the legislature – no ballot question
- 45 percent APR maximum limit on payday loans

## ■ Senate Changes

- Six month minimum loan term
- One finance charge – \$20 per \$100 up to \$300 and \$7.50 per \$100 up to \$500
- 45 percent interest
- Maintenance Fee - \$7.50 per \$100 capped at \$30; max of 5 fees on a 6 month loan
- Prorated refund if loan paid off early based on APR
- Language that said the finance charge was earned when loan was made



# Where We Ended Up

- 2010 AG Ruling
  - All fees to be refunded on prorated basis if loan is paid off early based on APR
  - Finance charge is refundable
  - Limits on Maintenance Fees
    - Charge for full 30 day periods only and only after the loan is outstanding for 30 days.
    - Charges based only on the full \$100 of loan amount; For example can charge max of \$22.50 on a \$360 loan
  
- 2011 Payday Lenders Amendment
  - Would have made the finance charge nonrefundable
  - Defeated in Senate Committee
  - Attempt to repeal AG rules defeated on House floor



# Effects to Date

## Jan 1 – August 10

- 887 K payday loans
- 291 K rolled over, refi
- Average loan term – 18 days
- Average loan - \$369
- Average total fees - \$59.63
- Average APR – 326%
- Estimated Rev. - \$51.7 million

## August 11 – December 31

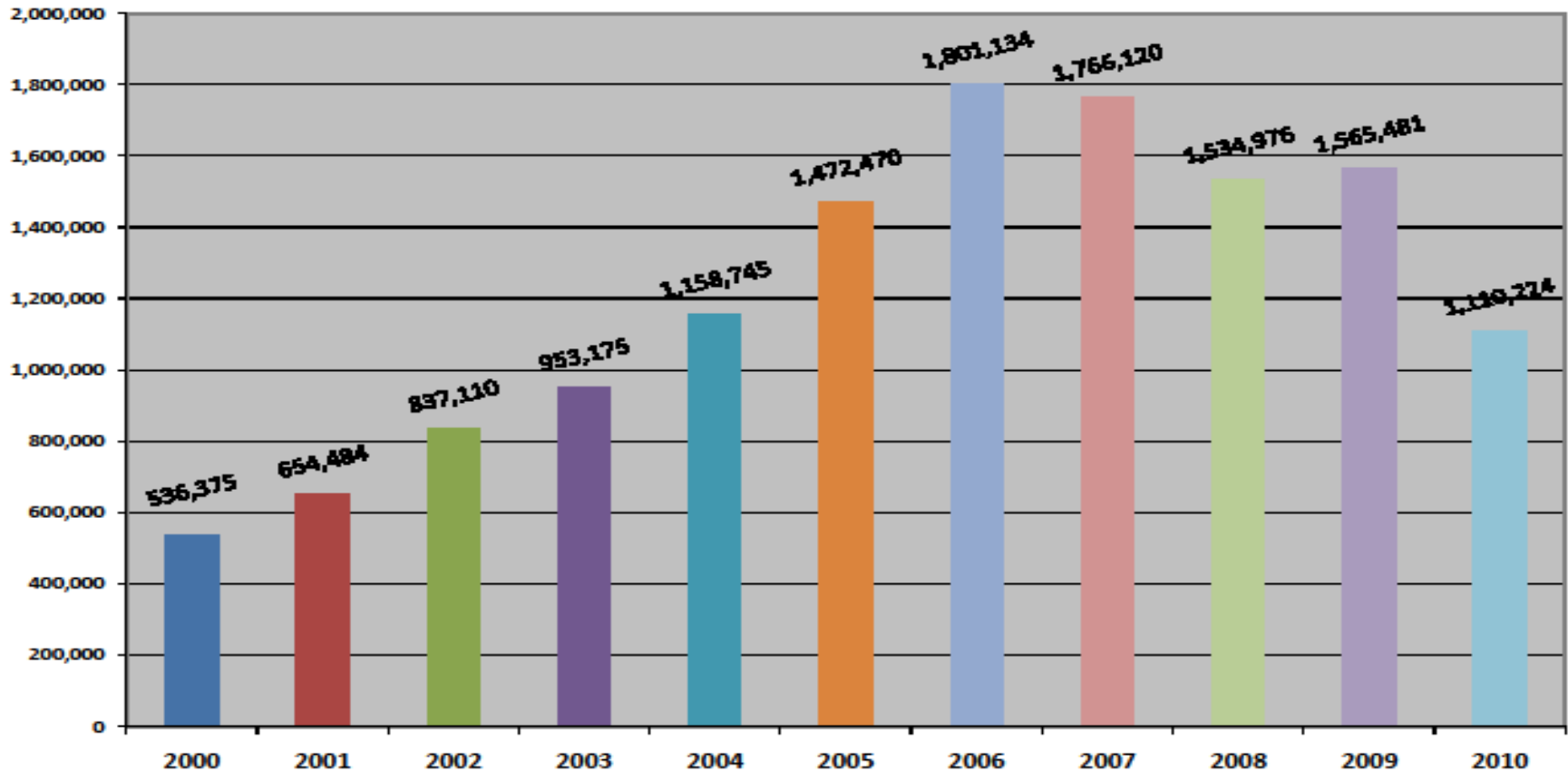
- 224 K payday loans
- 0 rolled over, refi
- Average loan term – 64 days
- Average loan - \$368
- Average total fees - \$60.84
- Average APR – 95%
- Estimated Rev. - \$13.6 million

Annual estimated savings to borrowers - \$52 million



# Historic Payday Data

Number of Deferred Deposit/Payday Loans 2000-2010

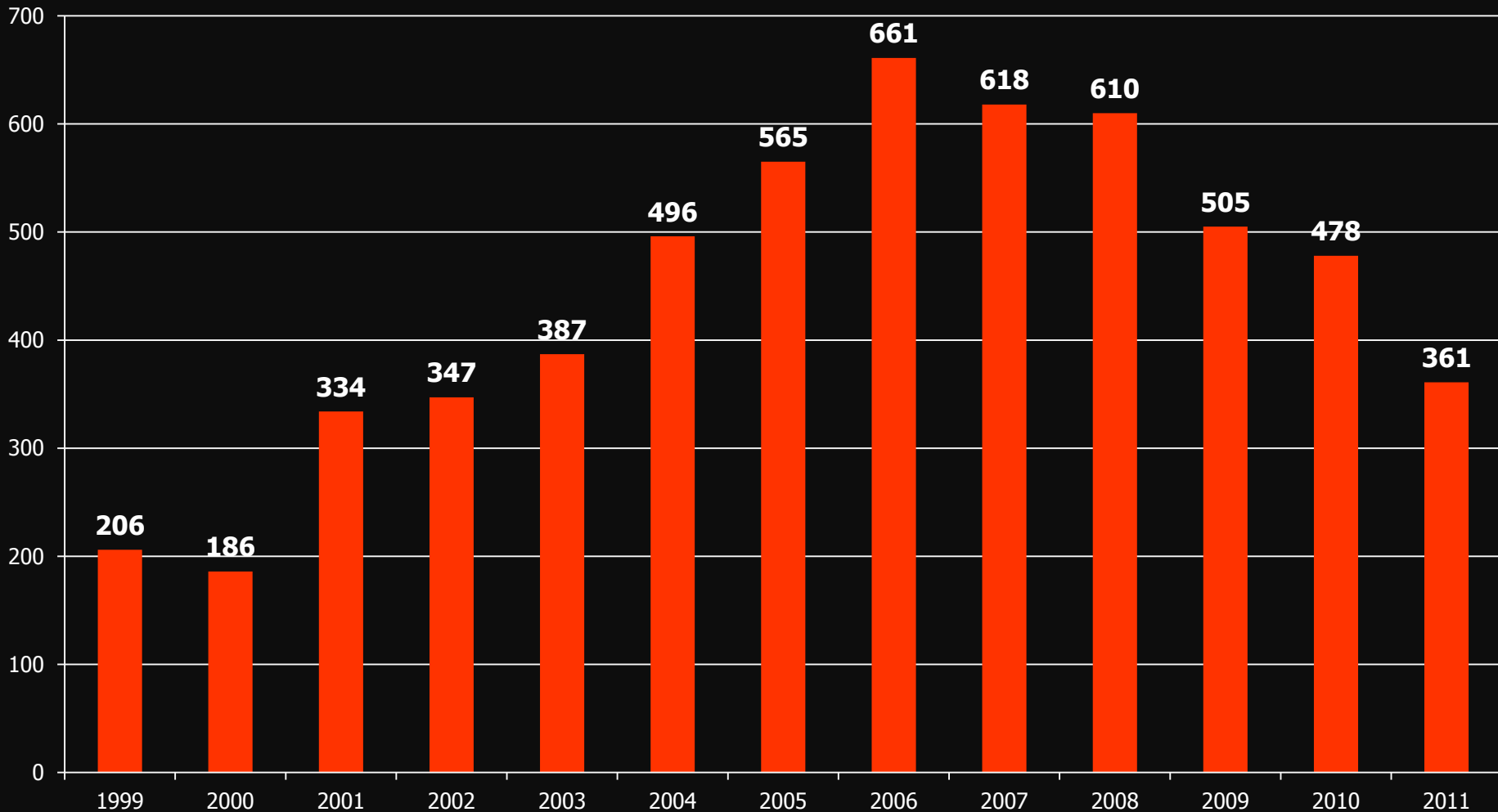






# Historic Payday Data

## Number of Payday Stores





# Small Installment Loan Data

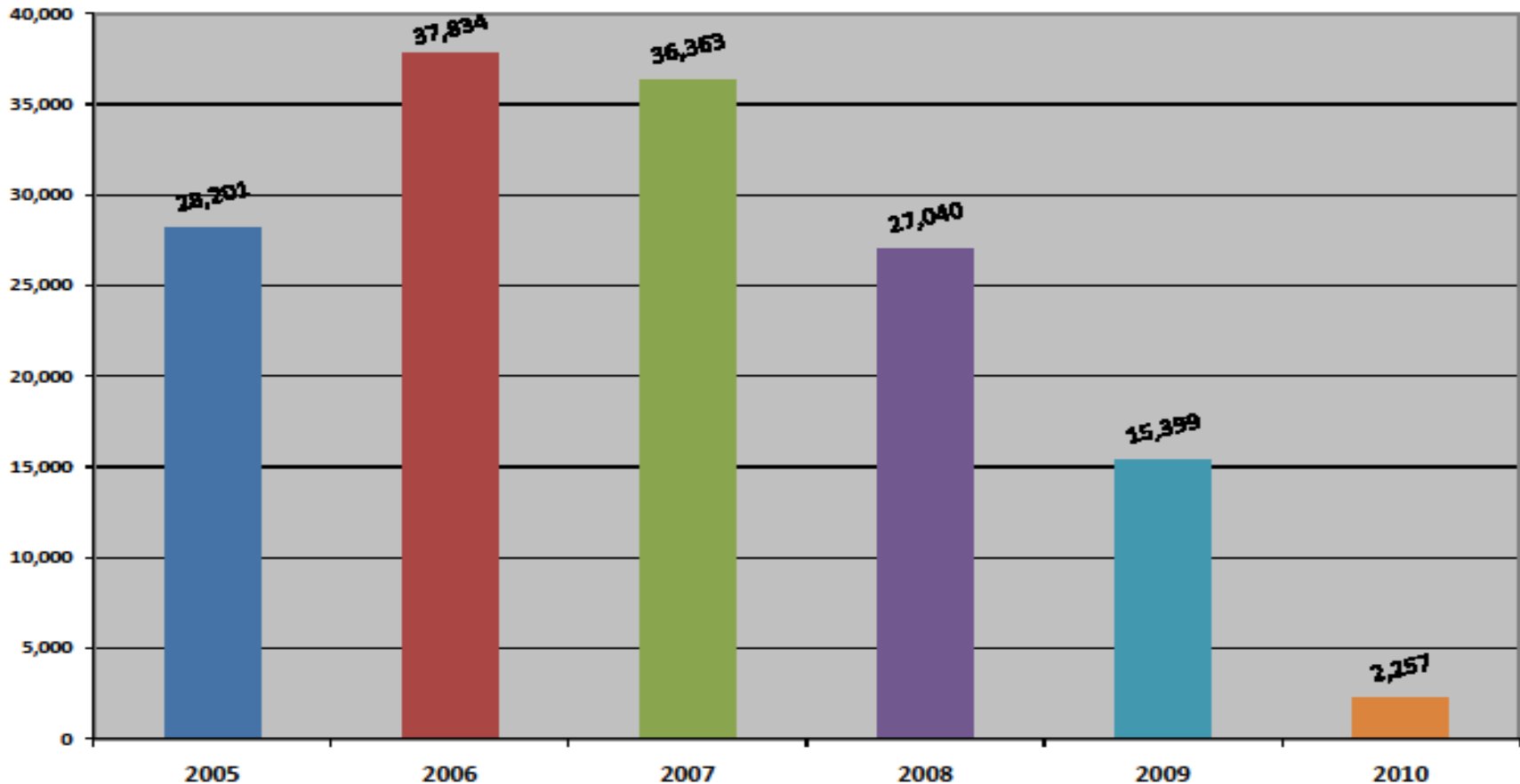
- Average amount financed - \$382
- Average finance charge - \$81.64
- Average actual loan term – 78 days (2.55 months)
- Average actual APR – 100%
- Number of loans by amount financed:
  - \$100-\$300 – 825
  - \$301 - \$500 – 1,328
  - \$501 - \$750 – 66
  - \$751 - \$1,000 – 38
- Number of licensed locations – 12

Data from the AG's 2010 Small Installment Lenders Annual Report



# Historic Small Installment Loan Data

Number of Small Installment Loans 2005-2010





# Historic Small Installment Loan Data





**Thank you!**

**Rich Jones**

**Director of Policy and Research**

**The Bell Policy Center**

**1905 Sherman Street, Suite 900**

**303.297.0456**

**[www.bellpolicy.org](http://www.bellpolicy.org)**

**[jones@bellpolicy.org](mailto:jones@bellpolicy.org)**