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Contacts:
Spiros Protopsaltis, (303) 521-7400, spiros@c-pe.org
Mark Eddy, (720) 201-4251, marke@markeddycomm.com

**Sponsors Kill Payday Lending Reform Bill
Senate Amendments Protect Industry Profits, Not Hardworking Coloradans
Coalition vows: "We'll be back"**

DENVER – Sponsors of House Bill 1310, a bill that in its original form would have protected Coloradans from predatory lending, said today they will kill the legislation.

"We are killing this bill because as amended it no longer protects hardworking Coloradans," said Senate President Peter Groff. "The bill as it sits now protects industry profits that are garnered with interest rates that average more than 350 percent. That just isn't right."

"We began this effort to rein in excessive fees earned on the backs of hardworking Coloradans," said Rep. Mark Ferrandino. "The amendments to the bill actually make the situation worse for Coloradans."

"As a former payday loan consumer, I am disappointed that the Senate failed to pass a reasonable reform bill," said ACORN leader Linda Medlock. "I was trapped in a cycle of debt for year. These loans are marketed as short-term, emergency access to cash. After paying \$7,800 in fees over four years on a \$500 loan, I know from personal experience they are anything but that."

The Colorado Payday Lending Reform Initiative – the broad-based coalition that is pushing reform of an industry that takes advantage of people in dire straits and traps them in a cycle of debt – agreed with the move.

"The Senate amendments put profits above working people," said Spiros Protopsaltis, President of the Center for Policy Entrepreneurship. "Before it was hijacked by the industry and its allies, House Bill 1310 would have closed a loophole created by the Legislature in 2000. That loophole, which exempts the payday lending industry from Colorado interest caps, lures and traps borrowers into an unanticipated and costly cycle of long-term debt they cannot easily escape. Clearly, these amendments protect the industry's profits through endless loan rollovers."

“The members of the coalition want to thank Senator Groff and Rep. Ferrandino for their hard work on this issue,” Protopsaltis said. “While we didn’t get as far as we had hoped this year everyone now knows about the outrageous and predatory interest and fees charged by this industry. The cat is out of the bag.”

“We’ll be back,” Protopsaltis pledged.

House Bill 1310 sought to protect consumers and still allow the payday loan industry to make a profit by capping the interest rate at 45 percent, reducing the fees lenders can charge and setting a 30-day minimum repayment period. In contrast, the amendments create an even costlier cycle of debt by allowing endless loan fees and specifically setting a 7-day repayment period, making it even harder for borrowers to get out of the cycle of debt.

“The amendments are good for the industry, not the consumers,” said Rich Jones, Director of Policy and Research at the Bell Policy Center. “House Bill 1310 intended to put back into the pockets of hardworking Coloradans the \$75 million spent each year on excessive payday loan interest and fees. It’s disappointing that the amendments are in opposition to the bill’s intent and make things worse for borrowers, but we’ll be back next year.”

A report released in February by CPE and the Bell Policy Center showed that a law passed by the Legislature in 2000 creating the payday loan industry in Colorado had far-reaching unintended consequences. Also known as deferred deposit loans, payday loans are short-term, typically two weeks and secured with a post-dated check signed by the borrower. Payday loans cannot exceed \$500 and the maximum finance charge is \$75. But instead of serving as one-time emergency loans, the terms make it nearly impossible for them to be paid back on time and lead to continuous borrowing. Among the report’s findings:

- Borrowers took out an average of 9 loans;
- The average payday loan annual interest rate (APR) was 353 percent;
- The average borrower paid \$544 to borrow \$343;
- Almost 2 out of 3 payday loans (65 percent) were either refinanced loans or loans given to a borrower the same day as the previous loan was paid off (“rollover loans”);
- During 2000-2006, 70 percent of all loans went to borrowers who had 11 or more loans in the past 12 months.

“The industry may have won a one-year extension of its gold rush at the expense of working families, but its time is running out both nationally and in Colorado,” said Jones.

“House Bill 1310 provided reasonable reform,” Protopsaltis said. “Reigning in the payday lending industry is a national trend. Presidential candidates Senators Obama and Clinton support a national payday loan APR cap of 36% and 30% respectively and a growing number of states are taking action. It’s a matter of time before the interests of consumers overcome the industry’s massive lobbying and advertising expenditures in Colorado as well.”

The federal government and several states have taken action to place reasonable restrictions on the interest and fees payday lenders can charge and to protect consumers from unfair and predatory repayment terms. In 2007, the U.S. Department of Defense determined that payday loans were a

harmful product and Congress mandated a 36 percent rate cap on payday loans for military personnel and their dependents. Twelve states have taken a variety of approaches in regulating payday lending, from criminalizing it to capping the interest rate, while several others are currently considering legislation, including Virginia, South Carolina, Ohio and Kentucky.

“Two out of three Coloradans support protecting consumers from predatory payday loans and reducing the amount of fees and interest rate lenders can charge,” Protopsaltis said. “A poll of active voters CPE commissioned in January showed overwhelming support among respondents regardless of political affiliation, region, gender, income, education level, ethnicity and age.”

The Colorado Payday Lending Reform Initiative includes AARP of Colorado, ACORN, Bell Policy Center, Center for Policy Entrepreneurship, Colorado Progressive Coalition, Colorado Public Interest Research Group, Colorado Women’s Agenda, Colorado Women’s Lobby, FRESC, Greater Metro Denver Ministerial Alliance, LARASA, Latina Initiative, Lutheran Advocacy Ministry, Mile High United Way, Metro Organizations for People, SEIU Local 105, Women’s Foundation of Colorado and 9 to 5 National Organization of Working Women.

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