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### **CPE Praises Legislative Action That Closes Payday Loan Loopholes House Bill 1310 Protects Hardworking Coloradans from Predatory Lending**

DENVER – The Center for Policy Entrepreneurship praised legislators today for taking action to protect Coloradans from predatory lending. The Colorado House of Representatives passed House Bill 1310, which provides reasonable reform for the payday lending industry. The bill now moves to the Senate.

**“We applaud the Legislature for taking decisive action to protect hardworking Coloradans from predatory payday loans,” said Spiros Protopsaltis, President of the Center for Policy Entrepreneurship. “House Bill 1310 provides reasonable reform for the payday lending industry and closes a loophole that traps borrowers into an unanticipated and costly cycle of long-term debt they cannot easily escape.”**

House Bill 1310, sponsored by Representative Mark Ferrandino (D-Denver) and Senate President Peter Groff (D- Denver) protects consumers while still allowing the payday loan industry to make a profit.

**“The legislation is a reasonable, simple, cost-efficient and effective means of regulating the payday loan industry and improving payday loans to make them more affordable and easier to repay by subjecting all payday loans to the state’s usury cap of 45% APR, allowing a one-time origination fee, and extending the loan term to a minimum of 31 days,” Protopsaltis said.**

A report released recently 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.

**“The report shows that payday lending, which was supposed to help people who needed a one-time emergency loan, has grown into an industry that trapped people in debt,” Protopsaltis said.**

Among the reports 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 Colorado payday loan industry has exploded in recent years, enabled by a 2000 state law that the industry has used as a special pass to take advantage of the growing credit crunch and financial hardship facing working Coloradans,” Protopsaltis said. “The result is that in just six years, their number grew to 661 — or three payday lenders for every McDonald's in Colorado. And each year Colorado’s working families spend \$75 million on exorbitant payday loan fees that they could be using instead to catch up on bills, pay off debt and get back on their feet.”**

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.”**

CPE is part of a broad and growing coalition of groups supporting legislation to protect borrowers from predatory payday loans that includes Colorado AARP, Mile High United Way, Bell Policy Center, Metro Organizations for People, Colorado Progressive Coalition, LARASA, Front Range Economic Strategy Center, Latina Initiative, Lutheran Ministries, Colorado Coalition for the Homeless, ACORN and many more. The *Denver Post* and the *Durango Herald* have editorialized in favor of HB 1310.

You can read the full report, titled, “The Truth About Payday Loans: How Hardworking Coloradans Take the Bait and Get Caught in A Cycle of Debt,” at [www.c-pe.org](http://www.c-pe.org)

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**About the Center for Policy Entrepreneurship**

**The Center for Policy Entrepreneurship (CPE)** is a private, non-profit public policy research and advocacy organization dedicated to identifying, developing and bringing to life creative and effective solutions to critical challenges facing Colorado. For more information please visit [www.c-pe.org](http://www.c-pe.org)