

Please Support HB23-1229 (Reps. Weissman & Mabrey)
Concerning changes to consumer lending laws to limit charges to consumers

WHAT THE BILL DOES

- Amend the “alternative charge loan” statute to reduce the effective annual percentage rate [APR] on these types of loans, which right now can approach or even exceed 100%.¹
- Prevent out of state banks from stepping around Colorado lending laws – under a provision of a 1980 federal law, the “Depository Institutions Deregulation and Monetary Control Act,” out-of-state state-chartered banks can lend into Colorado under the interest rate caps from their home states – even if those caps are higher than Colorado’s caps. However, this same federal law gives states the ability to opt out of these provisions. A few other states do this, and Colorado did this until the 1990s. The bill would again exercise this opt out so that borrowers are protected by Colorado’s own lending laws.

BRIEF HISTORY RELEVANT TO THIS BILL

- In 2018, Colorado voters passed Proposition 111, limiting payday loans to a 36% APR². Prop. 111 passed overwhelmingly, with 77%.³
- Prior to the passage of Prop 111, APRs on payday loans sometimes reached 180%.⁴
- Prop. 111’s passage showed strong, bipartisan support for limitations on interest rates and other finance costs for consumer loans. However, Prop. 111 was written only to impact payday loans – not other types of higher interest loan products like “alternative charge loans” or “supervised loans.”

BACKGROUND ON CONSUMER FINANCIAL WELL-BEING

- *“As the nation entered the COVID-19 pandemic, Colorado ranked amongst the top ten states across a variety of outcome measures related to residents’ financial security and health. Yet, disaggregating these measures by race revealed that Colorado had one of the more pronounced racial wealth divides across the country.”⁵*
- *“According to the most recent data available, 9.7% of Coloradans are experiencing poverty....The certain non-bank financial services used most prevalently by low- income communities often come at a higher cost as compared to having a low-cost bank account and using a credit card as a cash-flow management tool. This further depletes already limited incomes.”⁶*
- *“Colorado now has one of the higher rates of unbanked households across the country. Only five other states have higher percentages of unbanked consumers...An additional 9% of Coloradans are underbanked.”⁷*

¹ <https://www.bellpolicy.org/2023/02/07/alternative-charge-loans/>

² https://leg.colorado.gov/sites/default/files/2018_english_final_for_internet_updated_language_73_0.pdf

³ <https://coloradosos.gov/pubs/elections/Results/Abstract/2018/general/amendProp.html#p111>

⁴ <https://coloradosun.com/2018/10/22/proposition-111-colorado-2018-explained/>

⁵ Office of Financial Empowerment January 2023 SMART Act Report p. 2

⁶ Office of Financial Empowerment January 2023 SMART Act Report p. 3

⁷ Office of Financial Empowerment January 2023 SMART Act Report p. 4