MYTHS vs FACTS
SB16-185

Myths vs. Facts

Myth: Supervised consumer loans are predatory lenders

Fact: Supervised consumer loans are alternatives to predatory lenders. The Center for Responsible Lending (CRL) has identified five (5) specific characteristics that they believe, must be included in any loan product to be considered a "Responsible Small Loan" product and a viable alternative to payday lending (http://www.responsiblelending.org/state-of-lending/reports/10-Payday-Loans.pdf Page 2). The companies that will operate under this bill adhere to CRL's characteristics.

Myth: SB16-185 will increase interest rates on consumers by $9.5 million

Fact: While SB16-185 will adjust amounts under the rate brackets, it will also allow companies to dive deeper into the risk, providing MORE people an affordable alternative to predatory lending. In addition, the interest rate is determinant upon the credit score and allowed amount. The number the opponents are using assumes that in every case, consumers would get the maximum rate. That is not how these companies determine loan rates.

Myth: There is no need for this change as the industry is thriving and profitable.

Fact: Opponents try to fudge national profit numbers to correlate to the state of Colorado. Colorado is the lowest yielding state for Springleaf Financial, as it was for both Springleaf and One Main Financial last year before the acquisition. In today's economic system, a profitable state elsewhere does not subsidize another non- or minimally profitable state. Over the past nine years, Springleaf and One Main have closed 24 branches. This is in addition to a number of companies completely leaving the Colorado market. In 2000, the total number of supervised loans (closed end/fixed term) was 95,289 totaling $1,079,584,616. In 2014, the total number of supervised loans was 35,307 totaling $282,698,698. Per the number of loans, this is a decrease of approximately 63%, and per number of dollars loaned, it is a decrease of approximately 74%.

Myth: Coloradans do not have a problem accessing these loans

Fact: Colorado residents with weaker credit scores have 22% less access to installment loan options compared to the rest of the U.S. Because rates haven't been adjusted in close to twenty years, less people qualify for these safe lending alternatives because the risk is too high. By updating these amounts, SB16-185 will allow these companies to loan to more people.

Myth: Updating the amounts under the interest rate brackets is bad for Coloradans.

Fact: Too many Colorado communities face financial deserts. By not updating the statute, the safe, financial lending alternatives is further limited. If companies such as Springleaf and One Main are driven from the market (as most of the industry has been), the only alternatives for consumers is predatory, unfixed, high-interest rate loans, which will further perpetuate consumers into debt treadmills. These companies offer secure loans and allow consumers to build their credit, working their way back into banks and credit unions. Expanding these lending options help Coloradans escape debt cycles and provides them alternatives to predatory lending.

Myth: Lobbyists are trying to "sneak" through the legislation

Fact: Opponents of the legislation last year were invited and attended a stakeholders meeting in January. At that meeting, they were informed that legislation would be introduced this year and were asked for ideas on alternatives and a compromise. Even though they offered no support or input, the proponents of the legislation worked to introduce different legislation that only asks for cost of living adjustments. There is no other industry that is not allowed cost of living adjustments.