



## HB 1351: Payday Lending Reform

HB 1351 will provide meaningful reform to payday lending products; ending the cycle of debt that is created by two week high interest loans. The legislation provides hardworking Colorado families with access to emergency cash that includes both a reasonable interest rate and realistic loan term.

### 1. Six month minimum loan terms

The minimum loan term of six months provides the borrower with a more reasonable period for which to repay their loan. It eliminates the unreasonable two week balloon payment which creates a debt cycle for borrowers who cannot pay back their loans in just two short weeks.

### 2. Revised Fee Structure

- Origination Fee
  - \$20 per \$100 up to \$300
  - \$7.50 for every \$100 up to a loan limit of \$500
  
- After 30 days the borrower will incur a monthly maintenance fee of \$7.50 per \$100
  - The fee is capped at \$30 per month
  - The maintenance fee provides the lender with funds to maintain their operations
  
- Interest rate = 45% APR
  - \$300 loan APR = \$11.25 per month
  - \$500 loan APR = \$18.75 per month
  - Consistent with the state's criminal usury limit
  
- The lender may not loan more than \$500 to an individual at any time
- There must be a 30 day waiting period between loans
- The origination fee is fully earned at date of transaction - monthly processing fees and interest are prorated at time of loan pay off.
- The borrower may renew the loan one time without incurring an additional finance charge. Since the lender does not have to process the loan a second time, they do not incur additional costs that would require additional funds. The 45% APR plus the monthly maintenance will continue to accrue for the next six month term.
- **These changes result in a 67% savings to the borrowers on a \$300 loan**

*Coloradans for Payday Lending Reform*  
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