

Colorado & Sub. H.B. 123

	Colorado's Payday Loan Law	Sub. H.B. 123
Maximum Loan Size	\$500	\$1,000
Income-based Limit on <u>Loan Size</u>	25% of Gross Monthly Income (GMI)	No income-based limit
Monthly <u>payment size</u> as share of avg. gross paycheck for \$500 loan	5% of GMI	6% of GMI if term is 90 days or shorter. No limit if more than 90 days
Minimum term	6 months	91 days, or shorter if borrower can afford it based on income
Loan Examples and Maximum Costs	Cost in Dollars and APR	
	Colorado	Sub. H.B. 123*
\$100 for 30 days	\$6 (73% APR)	\$12 (148% APR)
\$100 for 2 months	\$11 (87% APR)	\$24 (184% APR)
\$200 for 45 days	\$17 (74% APR)	\$36 (161% APR)
\$200 for 2 months	\$22 (89% APR)	\$47 (184% APR)
\$300 for 3 months	\$76 (146% APR)	\$104 (198% APR)
\$300 for 6 months	\$212 (214% APR)	\$180 (184% APR)
\$400 for 3 months	\$91 (132% APR)	\$109 (157% APR)
\$400 for 4 months	\$141 (159% APR)	\$144 (162% APR)
\$400 for 6 months	\$273 (203% APR)	\$213 (165% APR)
\$500 for 45 days	\$35 (61% APR)	\$71 (126% APR)
\$500 for 3 months	\$99 (99% APR)	\$124 (143% APR)
\$500 for 4 months	\$153 (125% APR)	\$160 (145% APR)
\$500 for 6 months	\$293 (180% APR)	\$232 (145% APR)
\$600 for 6 months	prohibited	\$242 (128% APR)
\$600 for 8 months	prohibited	\$317 (126% APR)
\$700 for 6 months	prohibited	\$252 (115% APR)
\$700 for 8 months	prohibited	\$329 (114% APR)
\$800 for 8 months	prohibited	\$342 (104% APR)
\$800 for 10 months	prohibited	\$422 (104% APR)
\$900 for 10 months	prohibited	\$437 (95% APR)
\$1,000 for 10 months	prohibited	\$453 (89% APR)
\$1,000 for 12 months	prohibited	\$538 (88% APR)

Source for Colorado Pricing: Administrator of the Colorado Consumer Credit Unit, Office of the Colorado Attorney General

Source for Ohio Pricing: Sub. H.B. No. 123

*Pricing excludes optional \$10 check-cashing fee, which would be permitted in Sub. H.B. 123 but is prohibited in Colorado.

Note: Red Shading Indicates Which Law Has Higher Pricing

Colorado Share of Loans Repaid Each Month

Repaid In:	Share of Loans	Costs More in...
< 1 month*	21.4%	Sub. HB 123
1 > 2 months*	17.2%	Sub. HB 123
2 > 3 months	13.0%	Sub. HB 123
3 > 4 months	13.1%	Slightly more under Sub. HB 123
4 > 5 months	11.6%	Slightly more in Colorado
5+ months	23.6%	Colorado

Note: For loans up to \$500, the approximately 65% of loans repaid by the end of month four would cost more under Sub. H.B. 123, and the 35% of loans repaid in months 5 and 6 would cost more in Colorado. Loans of \$501-\$1,000 would be permitted under Sub. H.B. 123 but prohibited in Colorado.

*These loans carry no monthly maintenance fees in Colorado and have APRs of 56-85%.

Gross Monthly Income & Loan Size

Certain states use income to limit loan size but do not limit payment size. Sub. H.B. 123 would not place any income-based limit on loan size. Instead, it would make loans affordable by limiting payment sizes to 6% of each paycheck on loans with short terms (up to 90 days), and would not limit payment sizes for loans longer than that. Colorado sets a hard limit on payments, so average loans (\$392) carry a payment that consumes 4% of a borrower's average income. \$500 loans, the maximum allowed there, have payments that consume 5% of an average borrower's income. Some states set a limit on loan size (not payment size) using 25-35% of Gross Monthly Income, such as Idaho, Illinois, Nevada, Washington, and Wisconsin. Adding such a restriction to Sub. H.B. 123 would reduce the size of loans available to low and moderate-income borrowers. Under the current amendment, there is no such restriction. The affordability protections in Sub. H.B. 123 are around payment size to end the current practice of lenders taking one-third of a borrower's next paycheck, leading borrowers to take another loan quickly and beginning a cycle of debt. They do not restrict loan size and would give lenders and borrowers more flexibility on loan size than is available in states that restrict loans based on income.