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Colorado Secretary of State

2017-2018 Initiative #126 Final Clean

*Be it Enacted by the People of the State of Colorado:*

**SECTION 1.** In Colorado Revised Statutes, **add** 5-3.1-101.5 as follows:

**5-3.1-101.5. Legislative declaration.** THE PEOPLE OF THIS STATE FIND AND DECLARE THAT PAYDAY LENDERS ARE CHARGING UP TO TWO HUNDRED PERCENT ANNUALLY FOR PAYDAY LOANS AND THAT EXCESS CHARGES ON SUCH LOANS CAN LEAD COLORADO FAMILIES INTO A DEBT TRAP OF REPEAT BORROWING. IT IS THE INTENT OF THE PEOPLE TO LOWER THE MAXIMUM AUTHORIZED FINANCE CHARGE FOR PAYDAY LOANS TO AN ANNUAL PERCENTAGE RATE OF THIRTY-SIX PERCENT.

**SECTION 2.** In Colorado Revised Statutes, **amend** 5-3.1-105 as follows:

**5-3.1-105. Authorized charges.** A lender may charge a finance charge for each deferred deposit loan or payday loan that ~~may~~ **MUST** not exceed ~~twenty~~ AN ANNUAL PERCENTAGE RATE OF THIRTY-SIX percent. ~~of the first three hundred dollars loaned plus seven and one half percent of any amount loaned in excess of three hundred dollars. Such charge shall be deemed fully earned as of the date of the transaction. The lender may also charge an interest rate of forty five percent per annum for each deferred deposit loan or payday loan.~~ If the loan is prepaid prior to the maturity of the loan term, the lender shall refund to the consumer a prorated portion of the ~~annual percentage rate~~ FINANCE CHARGE based upon the ratio of time left before maturity to the loan term. ~~In addition, the lender may charge a monthly maintenance fee for each outstanding deferred deposit loan, not to exceed seven dollars and fifty cents per one hundred dollars loaned, up to thirty dollars per month. The monthly maintenance fee may be charged for each month the loan is outstanding thirty days after the date of the original loan transaction. The~~ A lender shall **MAY** charge only those charges EXPRESSLY authorized in this article in connection with a deferred deposit loan OR PAYDAY LOAN.

**SECTION 3.** In Colorado Revised Statutes, 5-3.1-108 **amend** (2) as follows:

**5-3.1-108. Renewal – new loan – consecutive loans – payment plan – definitions.** (2) Upon renewal of a deferred deposit loan OR PAYDAY LOAN, the lender may assess ~~additional~~ A finance charge ~~not to~~ THAT MUST NOT exceed an annual percentage rate of ~~forty five~~ THIRTY-SIX percent. If the deferred deposit loan OR PAYDAY LOAN is renewed prior to the maturity date, the lender shall refund to the consumer a prorated portion of the finance charge based upon the ratio of time left before maturity to the loan term.

**SECTION 4.** In Colorado Revised Statutes, 5-3.1-121 **amend** (2) as follows:

**5-3.1-121. Unfair or deceptive practices.** (2) ~~A person violates the requirements of this article by engaging in any act that limits or restricts the application~~ NO PERSON MAY ENGAGE IN ANY DEVICE, SUBTERFUGE, OR PRETENSE TO EVADE THE REQUIREMENTS of this article, including making loans disguised as A personal property, ~~personal~~ sale, and leaseback transaction; ~~or by~~ disguising loan proceeds as A cash rebate for the pretextual installment sale of goods ~~and~~ OR services; OR MAKING, OFFERING, GUARANTEEING, ASSISTING, OR ARRANGING A CONSUMER TO

OBTAIN A LOAN WITH A GREATER RATE OF INTEREST, CONSIDERATION, OR CHARGE THAN IS PERMITTED BY THIS ARTICLE THROUGH ANY METHOD INCLUDING MAIL, TELEPHONE, INTERNET, OR ANY ELECTRONIC MEANS REGARDLESS OF WHETHER THE PERSON HAS A PHYSICAL LOCATION IN THE STATE.

**SECTION 5. Effective date.** This initiative takes effect on February 1, 2019.