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New Payday Loan Rate Cap Goes into Effect in Colorado

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As discussed in an earlier [post](#), on November 6, 2018, Colorado's voters passed [Proposition 111](#), seeking to limit interest rates and fees charged on payday loans in Colorado to an annualized percentage rate of thirty-six percent. Effective February 1, 2019, the proposition amends Colorado's Deferred Deposit Loan Act (C.R.S. § 5-3.1-101., et seq.), and pertains to all consumer loans originated for Colorado consumers where the lender: (1) accepts a dated instrument – typically a check or debit authorization – as sole security for a loan; (2) agrees to hold the instrument for a period of time; and then, (3) pays or credits the consumer an amount equal to the instrument, less finance charges, interest, and fees.

While payday loans originated prior to February 1, 2019 are not affected, the amendment marks significant changes for those deferred deposit loans originated for Colorado consumers on or after February 1, 2019. In addition to lowering the amount that can be charged by lenders to a thirty-six percent cap, the amendment also eliminates the prior availability of monthly maintenance fees and other charges lenders could traditionally utilize.

Lenders who originate payday loans should be mindful of the application of Colorado's new rate cap. An overwhelming majority of the electorate favored Proposition 111, with it carrying over 77% of the vote. As a result, Colorado's new Attorney General, Phil Weiser is likely to take a strong interest in its enforcement. Lenders should ensure their deferred deposit loan transactions are compliant, and pay close attention to eliminate those monthly maintenance fees and other charges they may have historically employed.

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