

# IN THE KNOW:

## New Protections for Colorado Consumers



As of July 1, 2024, Colorado consumers will have important new protections thanks to state legislators who took action to uphold voter preferences for strong consumer protections by passing HB23-1229. This legislation closed a loophole that allowed out-of-state lenders to charge higher rates and fees than allowed by Colorado law. By passing HB23-1229, Colorado lawmakers protected our state's ability to create the lending rules and regulations that are right for Coloradans.

### What HB23-1229 Does

The federal Depository Institutions Deregulation and Monetary Control Act (DIDMCA) was passed in 1980. This federal law allows any state-chartered, federally-insured bank to charge out-of-state customers the same APR (annual percentage rate) as is allowed in the bank's home state. By way of example, under DIDMCA, a bank chartered in Utah but lending in Colorado could use Utah's, instead of Colorado's, lending rates.

DIDMCA, however, allows states to opt out of the above-mentioned provision – which is what Colorado did through HB23-1229. As a result, beginning in July 2024, out-of-state lenders will still be allowed to make loans in Colorado, but when doing so, they must follow our state's lending laws.

### Why HB23-1229 Matters

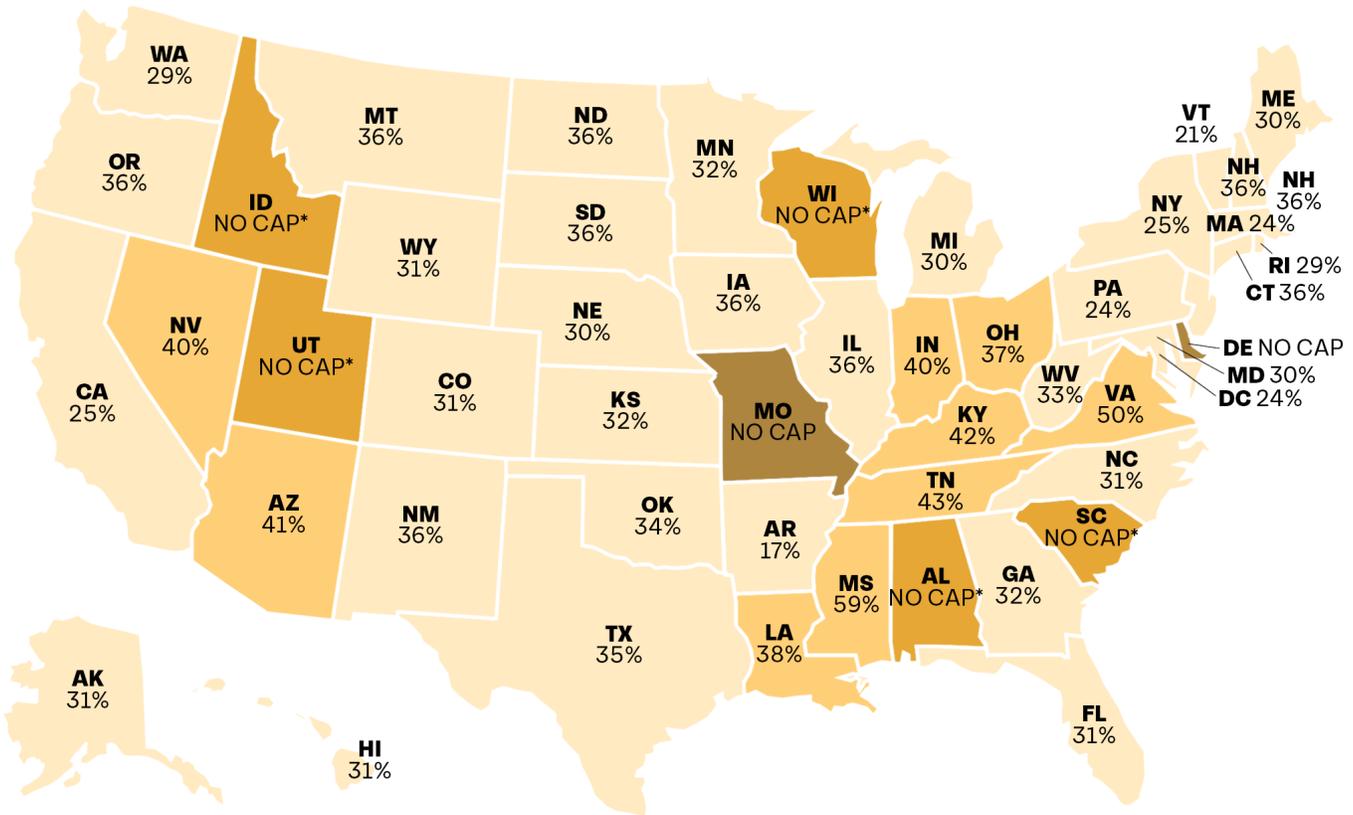
Prior to HB23-1229, out-of-state lenders could – and often did – offer loans at rates higher than allowed under Colorado law. For example, in 2022 the [National Consumer Law Center](#) found that companies like EasyPay were partnering with out-of-state banks to charge interest rates of up to 189 percent. For a two-year, \$2,000 loan, this led to total loan repayment amounts that were nearly three times higher than allowed by Colorado law.

Importantly, as seen below, even relatively small differences in a loan's APR can result in significantly higher repayment costs, particularly for larger loans.

Colorado's Lending Laws Save People Money						
Loan Amount and Term	Out-of-State Flat 36% APR			Colorado Law: Lenders can charge the larger of 21% or the rates generated by applying Colorado's blended rates to outstanding loan balances		
	Total Repayment Costs	Finance Charges (Includes Interest, Fees, & Charges)	APR	Total Repayment Costs	Finance Charges (Includes Interest, Fees, & Charges)	APR
\$3,000 / 3 years	\$4,900	<b>\$1,900</b>	36%	\$4,500	<b>\$1,500</b>	28.8%
\$5,000 / 3 years	\$8,200	<b>\$3,200</b>	36%	<b>\$7,100</b>	<b>\$2,100</b>	24.7%
\$8,000 / 3 years	\$13,200	<b>\$4,200</b>	36%	\$10,900	<b>\$2,900</b>	21.5%
\$20,000 / 5 years	\$43,400	<b>\$23,400</b>	36%	\$32,500	<b>\$12,500</b>	21%

# How Colorado Lending Laws Compare to Other States

HB23-1299 requires lenders to comply with Colorado rules and regulations. This change is valuable because Colorado has some of the strongest consumer protection laws in the country, as seen below:



- No stated cap on finance charges (2 states)
- No cap other than unconscionability (no cap\*) (5 states)
- Allowable full APR over 60% (no states)
- Allowable full APR between 36% and 60% (9 states)

## APRs Allowed for Two-Year \$2,000 Installment Loan

Source: [National Consumer Law Center](#)

Colorado's lending laws are both long-standing and have received bipartisan support over the years. For example, [Proposition 111](#), which was passed in 2018 and capped total APR on payday loans, was supported by [over three-quarters of voters](#) - making it one of the most popular measures in the state's history.

Colorado has robust, intentionally crafted lending laws that are right for the people of our state. HB23-1229 does not prevent out-of-state lenders from operating in Colorado. It simply requires lenders to follow our state's laws if they want to serve Coloradans. The preservation of HB23-1229 is an important step for Colorado that upholds the lending protections our residents deserve.