COLORADO PAYDAY LENDING – DEMOGRAPHIC AND STATISTICAL INFORMATION

JULY 2000 THROUGH DECEMBER 2012

Summary Information from the Ongoing
Colorado UCCC Study of Payday Lenders, Payday Loans, and Borrowing Consumers

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INTRODUCTION

Since 2000, with the enactment of Colorado's Deferred Deposit Loan Act, examiners from the Office of the Colorado Attorney General, Uniform Consumer Credit Code, have been gathering information in conjunction with supervised lender compliance examinations as part of an ongoing study of the deferred deposit, also known as "payday," loans, lenders and deferred deposit loan consumers in Colorado.[1] Sections 5-2-305(1) and 5-3.1-117, C.R.S., require periodic examinations of the loans, business, and records of licensed supervised lenders, including deferred deposit/payday lenders.

This report presents findings and trends concerning DDLA loans, the practices of the payday lenders, and the consumers who borrow money from these businesses.

Many of this report's figures report are taken from the entire study to-date. Other figures concentrate on the single calendar year of 2012, the most recent complete year for which information is currently available. These 2012 figures, where used, are intended to help give a perspective on the most current practices and trends. [2] [3]

With the enactment in 2010 of HB10-1351 extensive changes were made to Colorado's deferred deposit loan statutes, and subsequently the manner in which deferred deposit loans have been transacted since August 11, 2010. This is our second report for which a full calendar year (i.e., 2012) of data is now available reflecting post-HB10-1351 lending.

<u>NOTE</u>: The notation -- "<u>2010*</u>" -- (i.e., 2010 with an asterisk) is used in this report to indicate information for that portion of the year 2010 through August 10, 2010, or the DDLA prior to the enactment of HB10-1351. The notation -- "<u>2010+</u>" -- (i.e., 2010 with a plus sign) is used to indicate information from that portion of the year 2010 after August 10, 2010, post-HB10-1351.

April 10, 2014

Julie Ann Meade, Administrator
Uniform Consumer Credit Code
Colorado Department of Law

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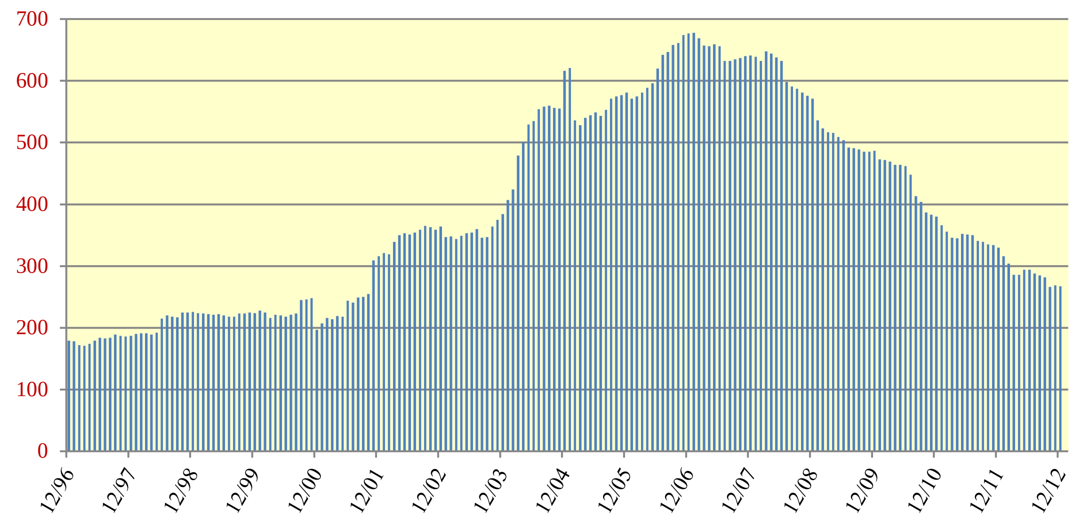
[1] The words "consumer" and "borrower" are used interchangeably in this report.

[2] 2011 is the first full calendar year for which data from Colorado's most recent DDLA lending statute revisions (contained in HB10-1351) are available. Because of the significant changes in Colorado DDLA lending practices brought about by enactment of HB10-1351, this report separates much of the pre-HB10-1351 data reporting (i.e., between the period July 1, 2000, and August 10, 2010), from the reporting of data reflecting the most current legislation (i.e., after August 10, 2010).

[3] Occasional references are made to "annual report" data. This is the calendar-year report, required by law, that all licensed lenders must file. Each calendar-year report is due the following July and a composite report is issued in the fall. Annual report data for 2012 has been included in this report.

I. Industry Overview -- The Lenders

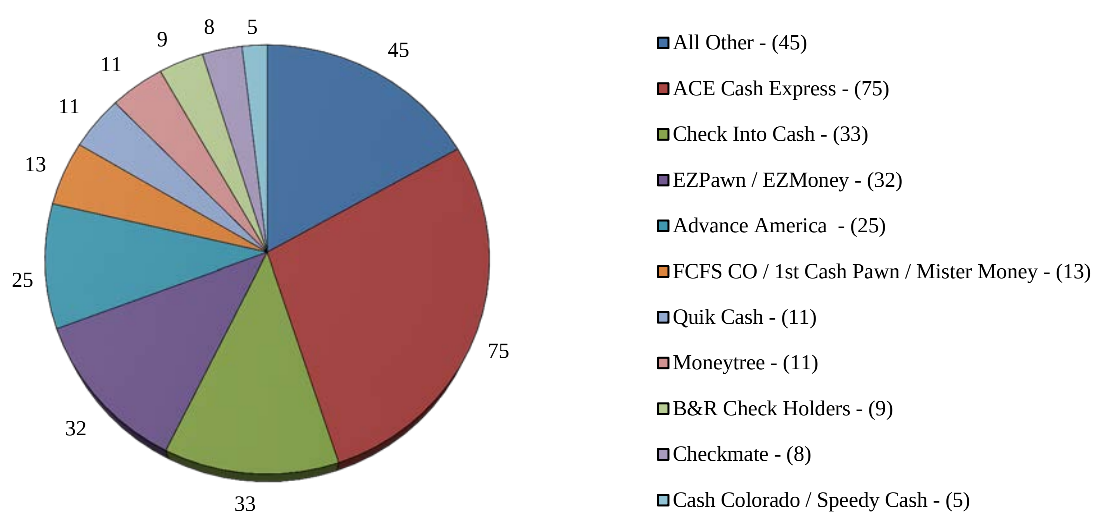
Number of UCCC Licensees Making DDLA Loans (November 1996 - December 2012)



The graph above illustrates the number of Colorado licensees making payday loans over the past sixteen years.

Of the 267 payday loan locations licensed in Colorado as of December 31, 2012, the ten largest companies (222 total locations) in terms of the number of locations licensed, accounted for 83% of all UCCC license locations making payday loans.

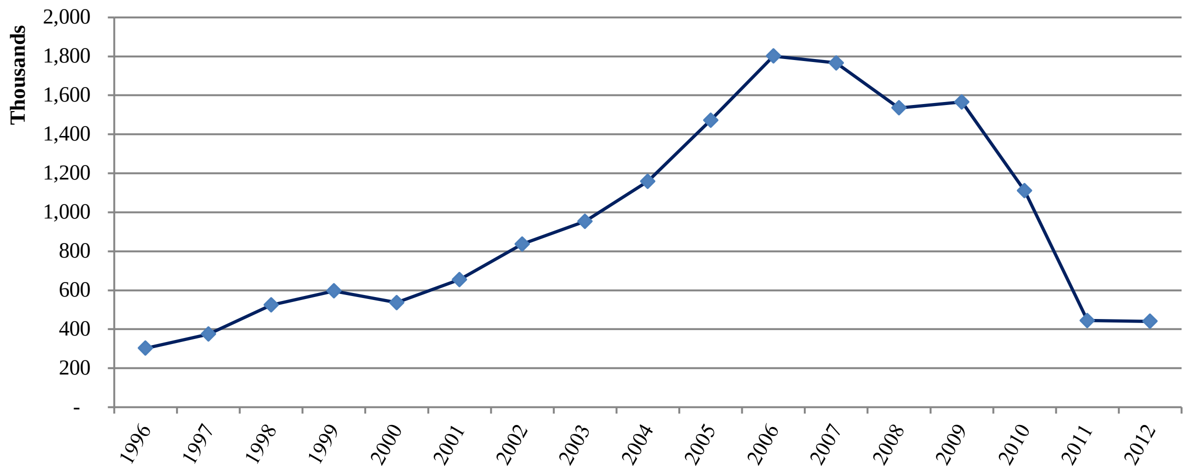
The Ten Largest Companies* Licensed to Make DDLA Loans -- # of UCCC License Locations as of 12/31/2012 – by numbers of Colorado UCCC licenses held



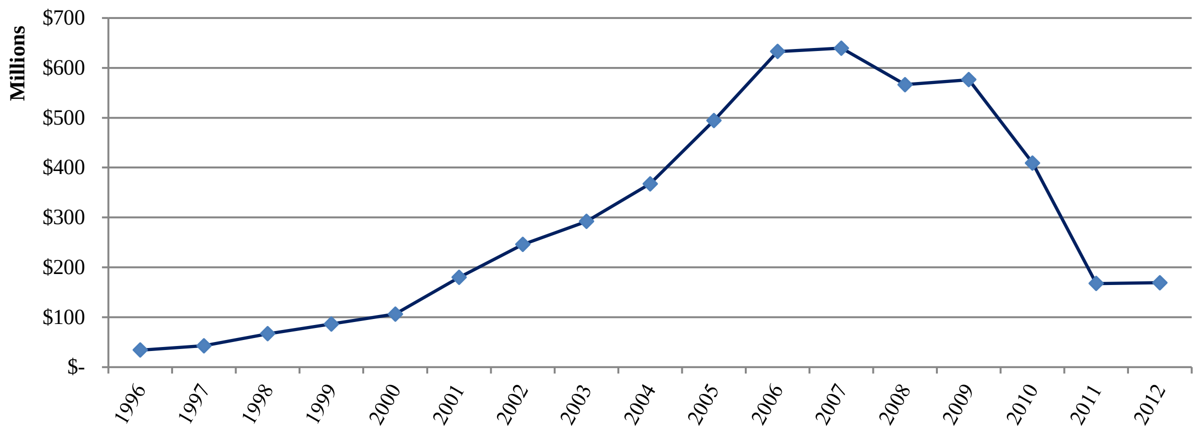
In contrast, the remaining 45 payday loan licenses (the "all others" in the pie chart) were held by 31 different entities.

The overall trend in the number of UCCC licensees is mirrored in both of the following graphs which show the number of payday loans, and the total dollar amounts of payday loans, written between 1996 and 2012 (as reported by payday loan licensees who filed Annual Reports).

Number (in Thousands) of Colorado DDLA Loans Transacted (1996 - 2012)



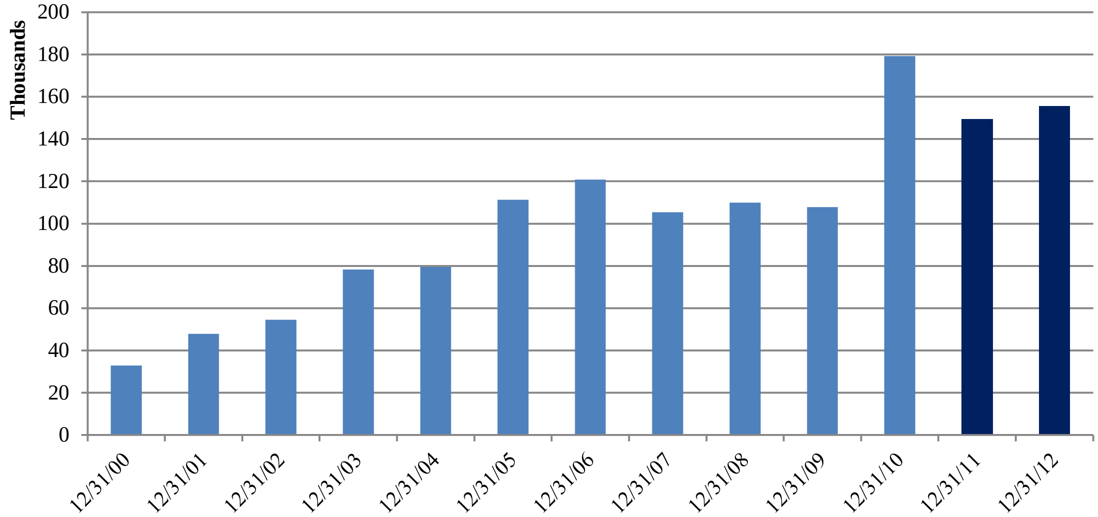
Amount (in Millions) of Colorado DDLA Loans Transacted (1996-2012)



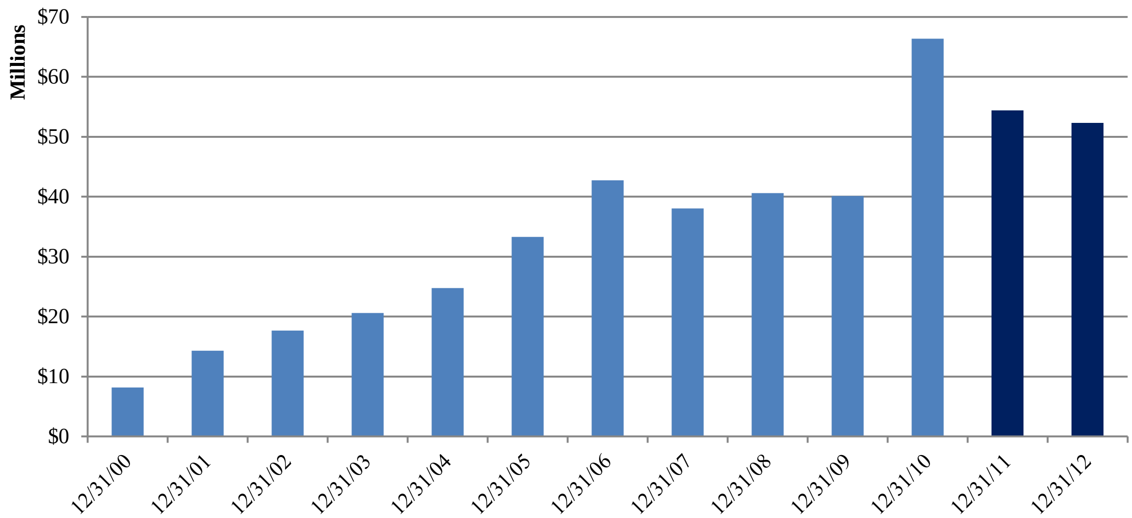
The preceding two graphs show a substantial drop off in the number and dollar volume of DDLA loans transacted post-HB10-1351. The next two graphs show the year-end DDLA loan outstandings information (i.e., information reported on 12/31/yyyy by payday loan licensees who filed Annual Reports). These provide a somewhat different picture.

The difference in "volume" trends versus "outstandings" trends is due to the borrowing-frequency changes that resulted between pre-HB10-1351 and post-HB10-1351 lending/borrowing activity. Details of the borrowing-frequency differences are provided in further in this report.

Number (in Thousands) of Colorado DDLA Loans Outstanding as of YE (2000 - 2012)



Amount (in Millions) of Colorado DDLA Loans Outstanding as of YE (2000-2012)



II. DDLA Consumer Demographics -- The Borrowers

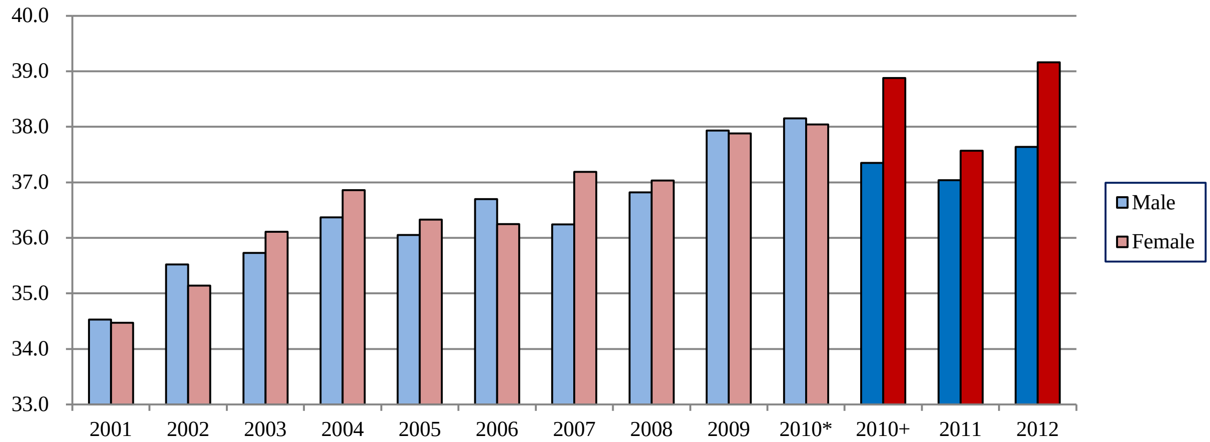
Our office began gathering demographic information from DDLA loan applications in 2001. Since the enactment of HB10-1351, in August 2010, we have continued to gather this same demographic information.

As of December 31, 2012, the combined demographics databases consisted of information from 40,764 entries (i.e., DDLA loan consumers).[4] This information was gathered during a total of 2,679 examinations.[5]

[4] 34,512 entries from the timeframe between 2001 through August 10, 2010, and 6,252 entries from August 11, 2010, through the end of 2012.

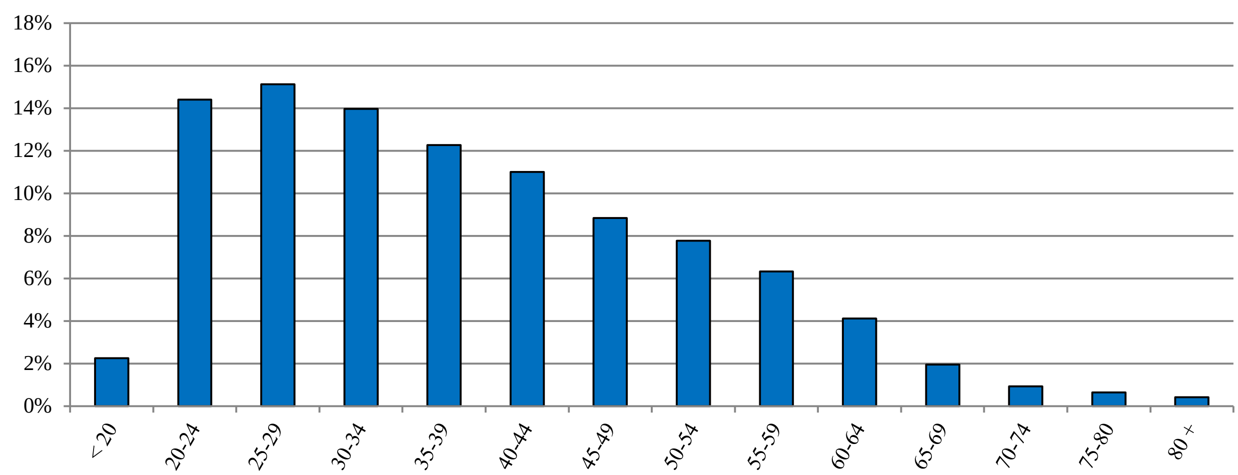
In 2012, an average age of almost 38½ years.

DDLA Consumers' – Average Age (2001 – 2012)



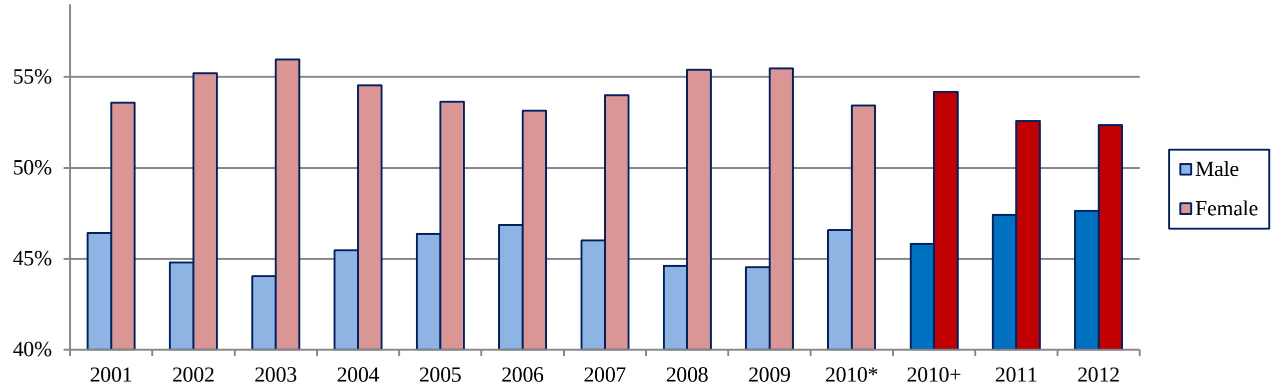
DDLA borrowers are predominantly between the ages of twenty and thirty-nine (55.75% of all borrowers in 2012). Consumers over 55 years of age made up about 14.39% (in 2012) of all borrowers, with about 3.95% aged 65 or older (in 2012).

DDLA Consumers' -- Distribution by Age (2012)

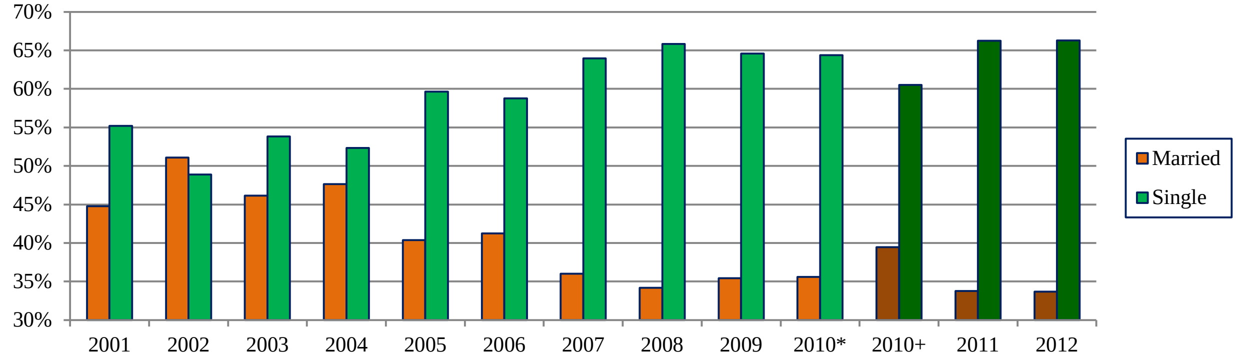


[5] 2,326 examinations from the timeframe between 2001 through August 10, 2010, and 353 examinations from August 11, 2010, through the end of 2012.

DDLA loan consumers continue to be predominately women.

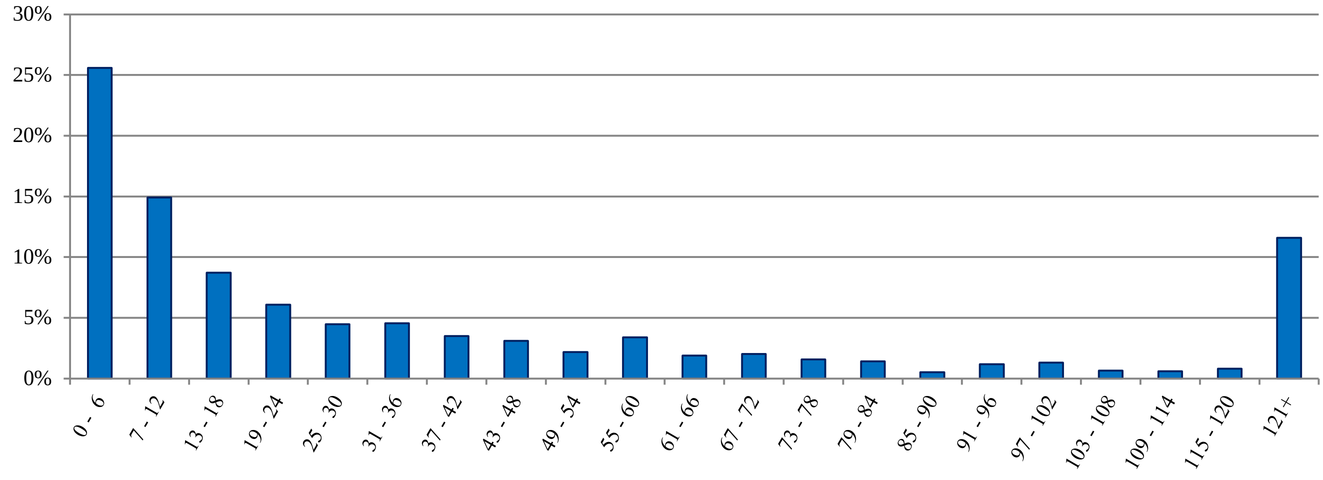


Single borrowers markedly outnumber married borrowers.



In 2012, DDLA loan consumers had been at their current job on average 3.86 years; 25.58% of those consumers had been at their current jobs for six months or less.

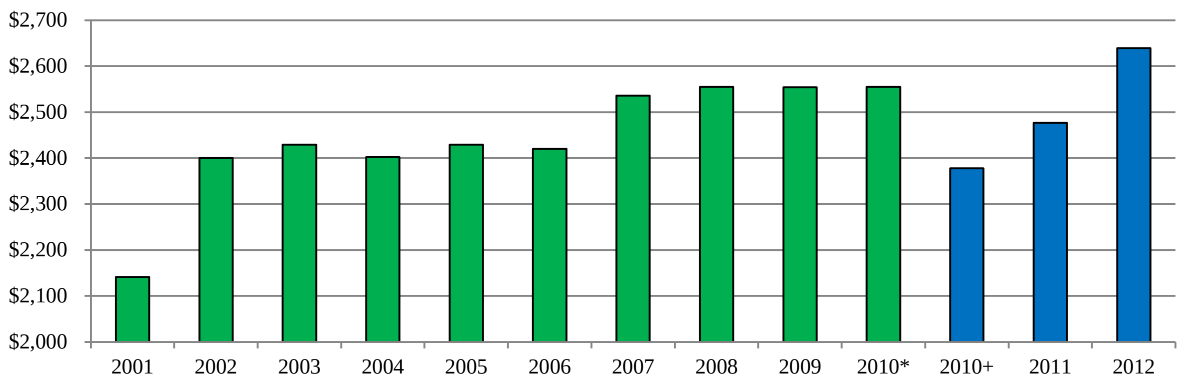
DDLA Consumers' -- Distribution by Time at Current Employer (in months) (2012)



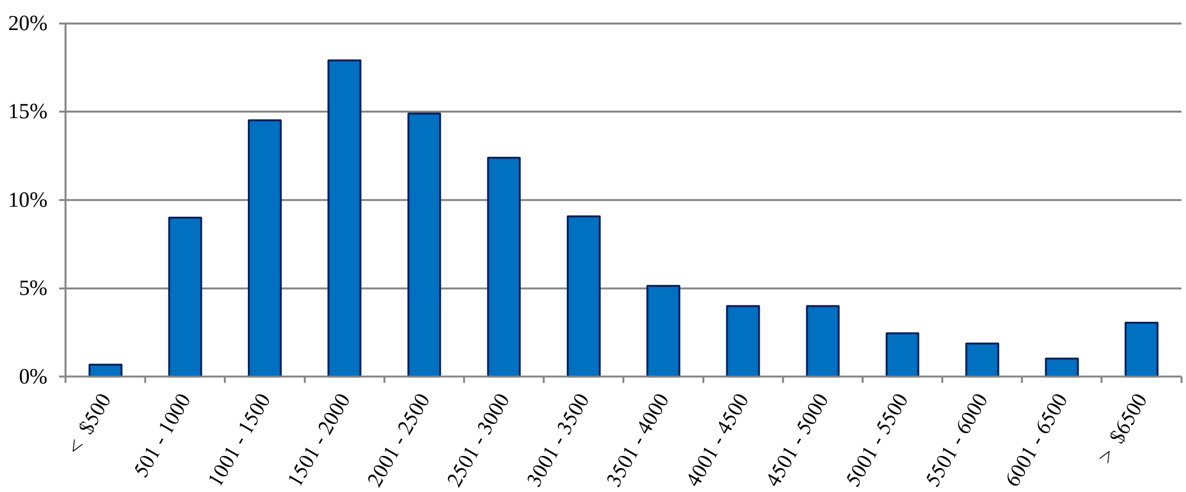
DDLA Consumers' – Average Time at Current Employer (in years)

In 2012, the (mean) average (gross) income of all consumers was $2,639 per month ($2,826 monthly for men and $2,471 monthly for women). Borrowers earning $2,500 (gross) monthly, or less, accounted for 56.92% of all borrowers. The median monthly (gross) income for all borrowers was $2,252.

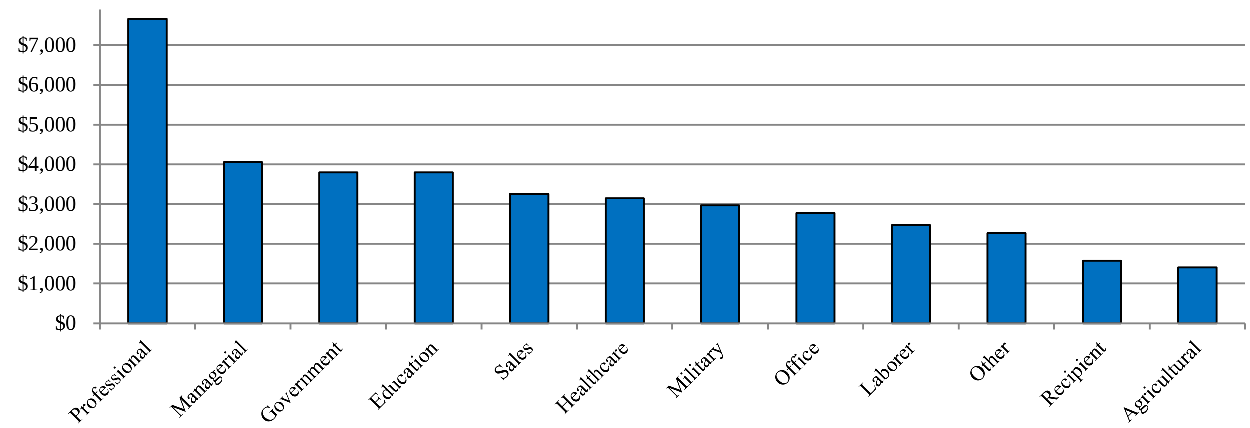
DDLA Consumers' – Gross Monthly Income (by year)



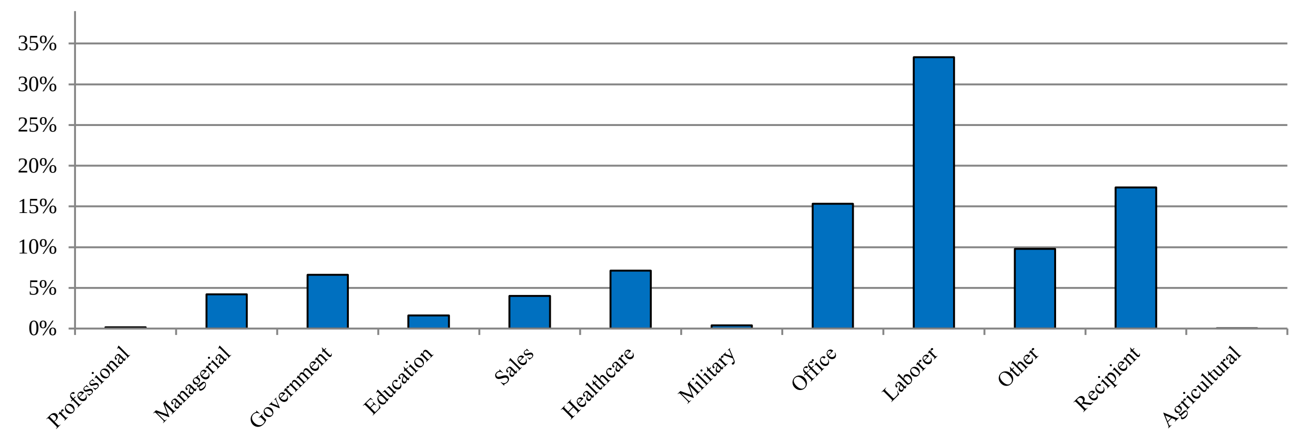
DDLA Consumers' -- Distribution by Gross Monthly Income (2012)



DDLA Consumers' Gross Monthly Incomes -- by Occupation[6] (2012)



DDLA Consumers' -- Distribution by Occupation[7] (2012)



[6] On loans to Military Members (and their dependants): There were no "military" category payday loan consumers during calendar year 2008, 2009 or 2010 (up through August 10, 2010) due to a 2007 federal law and DOD regulations (commonly referred to as the "Military Lending Act") that, in part, capped interest rates at no more than 36% "military annual percentage rate (MAPR)" for payday loans, "auto title loans," and "tax refund anticipation loans" made to active-duty military service members and their dependants. Beginning October 2007, Colorado licensed payday lenders did not make payday loans to military service members rather than making those loans subject to the permitted maximum federal rates.

Colorado Deferred Deposit Loans have been written with a minimum loan term of "six months" since the August 11, 2010 effective date of HB10-1351. Because the 2007 "Military Lending Act" in part defined "payday loans" as loans having terms of "91 days or less," the prohibitions and interest rate caps of that Act regarding "payday loans" to military service members and their dependants do not apply to Colorado DDLA loans written since August 11, 2010.

[7] Total sample size for 2012 = 1,938 consumers. By category: Professional* (3); Managerial (82); Government (128); Education (31); Sales (78); Healthcare (138); Military* (8); Office (297); Laborer (646); Other (190); Recipient (336); Agricultural* (1)

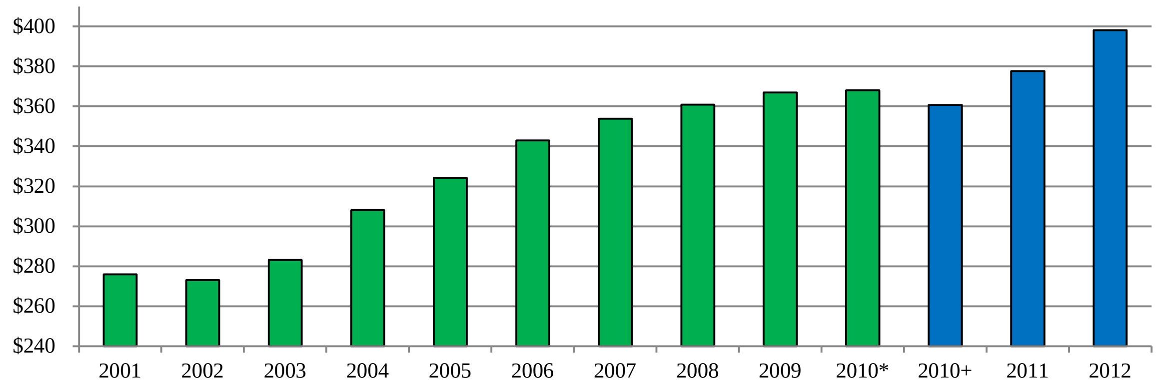
*Based on the 2012 sampling size and distribution, for these three smallest categories (i.e., Professional, Military, and Agricultural) the accuracy of the "average" income information is statistically uncertain.

III. DDLA Statistical Information -- The Loans

Our office began gathering statistical information with the enactment of the original Deferred Deposit Loan Act in July 2000. Since the enactment of HB10-1351 in August 2010, we have continued to gather pertinent statistical information. Because of the structural changes contained in HB10-1351 some of information is, however, of a markedly different nature than previous.

As of December 31, 2012, our combined statistical databases consisted of information from 83,306 entries (i.e., DDLA loan transactions).[8] This information was gathered during a total of 2,851 examinations.[9]

The average Amount Financed ("borrowed") during 2012 was $398.



Prior to HB10-1351, the DDLA permitted a single Finance Charge, up to a maximum of $75 (on a $500.00 loan amount), which depended solely on the Amount Financed of any given loan.[10] Loans were permitted to be written for any dollar amount, up to a maximum of $500.00 Amount Financed. So, for example, on a loan amount of $100.00, the maximum permitted Finance Charge was $20.00; a $200.00 loan amount had a maximum permitted Finance Charge of $40.00; for a $300.00 loan amount the maximum permitted was $60.00; for a $400 loan amount, $67.50; and, for a $500.00 loan amount, $75.00.

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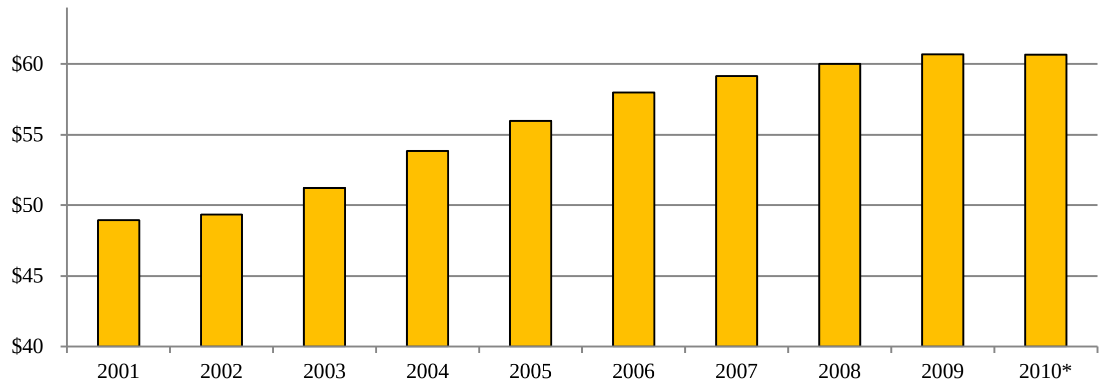
[8] 72,735 entries from the timeframe between July 2000 through August 10, 2010; and 10,571 entries from August 11, 2010, through the end of 2012.

[9] 2,495 examinations from between July 2000 through August 10, 2010; and 356 from August 11, 2010, through the end of 2012.

[10] UCCC section **5-3.1-105. Authorized finance charge.** -- (pre-HB10-1351) -- "A lender may charge a finance charge for each deferred deposit loan that may not exceed twenty 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 shall charge only those charges authorized in this article in connection with a deferred deposit loan."

The average Finance Charge contracted for DDLA loans written prior to August 10, 2010, was:



The pre-HB10-1351 Finance Charge amount contracted was a close measure of the amount of actual earnings for DDLA loans, because this Finance Charge was, either:

(1) fully earned by the lender at inception and non-refundable, even in the event of prepayment, or

(2) partially rebated on a pro-rata basis, over the typically short term of these previous loans (having an average contracted loan term of only about 17 days) if the loan was directly refinanced prior to maturity[11].

Because of (1) and (2) above, the earnings that could be anticipated from a DDLA loan that paid in full was, by and large, the full amount of the Finance Charge contracted.

Since the enactment of HB10-1351, the total Finance Charge amount contracted on any single DDLA loan consists of a combination of three component charges:[12]

(1) A component, using the term "finance charge"[13], that uses the same Finance Charge formula (i.e., statutory language) used for the calculation of charges on pre-HB10-1351 loans,

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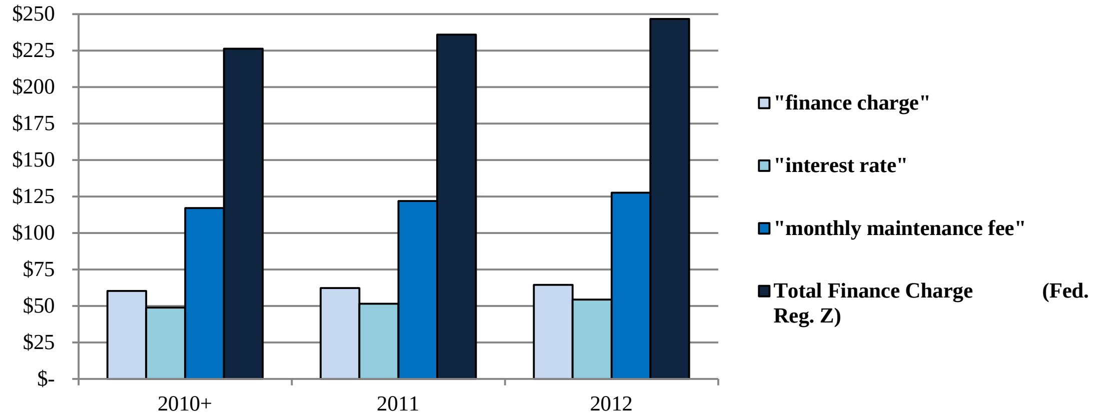
[11] 25.78% of all pre-HB10-1351 DDLA loans written were ever directly refinanced. Only a portion of those direct refinances were refinanced at some point prior to maturity, requiring any rebate.

[12] UCCC section **5-3.1-105. Authorized finance charge.** (since HB10-1351) -- "A lender may charge a finance charge for each deferred deposit loan or payday loan that may not exceed twenty 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 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 lender shall charge only those charges authorized in this article in connection with a deferred deposit loan." (emphasis added).

(2) A second component, using the term "interest rate"[14], of a maximum of "forty-five percent per annum" (upon the Amount Financed), and

(3) A third component, using the term "monthly maintenance fee", the amount of which for any given month is dependent upon the original amount financed.[15]

The average Finance Charge amount contracted for DDLA loans written since August 10, 2010, is (by each component charge):



For 2012, those average component charge numbers were:

"finance charge"	$ 64.57
"interest rate"	55.54
"monthly maintenance fee"	127.60
Total Finance Charge	$ 246.71

[13] This "finance charge" component of the total (federal Regulation Z) Finance Charge contracted is often commonly referred to by DDLA lenders as an "origination charge" or an "origination fee." Regardless of the terminology chosen, this charge is but one component of the total (federal Regulation Z) Finance Charge amount contracted on a DDLA loan.

[14] This "forty five per cent per annum" "interest rate" is one of three components of the total (federal Regulation Z) Finance Charge contracted for HB-1351 loans, and is not the required Annual Percentage Rate (APR) disclosure prescribed by federal Regulation Z, Truth-In-Lending.

[15] For loans amounts (Amount Financed) between $100.00 and $199.99 the maximum permitted monthly maintenance fee is $7.50/month; for loan amounts between $200.00 and $299.99 -- $15.00/month; for loan amounts between $300.00 and $399.99 -- $22.50/month; and, for loan amounts over $400.00 (up to and including the maximum permitted DDLA loan amount of $500.00) -- $30.00/month.

The post-HB10-1351 Finance Charge amount contracted should not be used as a measure of the actual earnings from post-HB10-1351 loans or lending activity. Both the "finance charge" component and the "interest rate" component of every post-HB10-1351 DDLA loan are now required to be refunded on a pro-rata basis,[16] and any monthly maintenance fee is earned after each (full) "…month the loan is outstanding thirty days after the date of the original loan transaction." (We will discuss post-HB10-1351 loan earnings more, later in this report.)

As a case to illustrate several points in this report, please consider a $500.00 (Amount Financed) example loan: Our example loan, written on May 1, 2013, has the minimum required 6-month loan term[17] and will reach maturity on November 1, 2013 –- in 184 days. Our example loan is scheduled for repayment in six monthly installments, due on the first of each month, beginning with the first installment on June 1, 2013. This $500.00 example loan has the following permitted (and disclosed) component charges:

"finance charge"	$ 75.00	(20% of $300, plus 7.5% of $200)
"interest rate"	68.21	(45% per annum)
"monthly maintenance fee"	150.00	(5 monthly fees of $30.00 each)
Total Finance Charge	$ 293.21	

The required federal Regulation Z, Truth-In-Lending disclosures for our example loan would be, in part:

Annual Percentage Rate (APR):	**180.28 %**
Finance Charge:	**$ 293.21**
Amount Financed:	$ 500.00
Total of Payments:	$ 793.21

Payment Schedule:

5 monthly payments of	$132.20 beginning on June 1, 2013, and
1 final payment of	$132.21 due on November 1, 2013.

IF our example loan went to its full term maturity, and IF each payment were made on time as scheduled, the DDLA lender would earn the full amount of the $293.21 Finance Charge on this $500.00 loan over the six-month term of the loan.

IF, however, the consumer prepays this example loan in full on May 16, the lender would be allowed to retain an amount of no more than 15 days (May 1 –to– May 16) worth of the originally contracted earnings (of the 184-day loan), or:

[16] UCCC section **5-3.1-105. Authorized finance charge.** (since HB10-1351) -- "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 based upon the ratio of time left before maturity to the loan term."
UCCC section **5-3.1-102. Definitions.** (since HB10-1351) – "(1.5) "Annual Percentage Rate" means an annual percentage rate as determined pursuant to section 107 of the federal "Truth in Lending Act", 15 U.S.C. sec. 1601 et seq. All finance charges shall be included in the calculation of the annual percentage rate." (emphasis added)

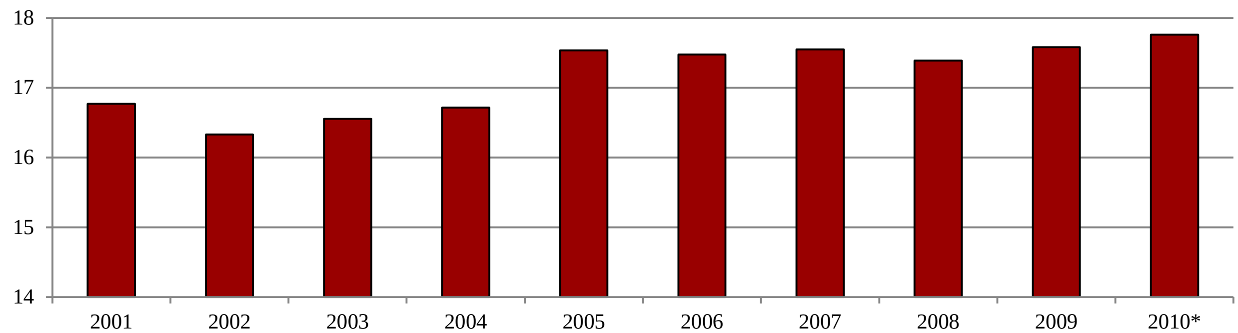
[17] UCCC section **5-3.1-103. Written agreement requirements.** (since HB10-1351) -- "… There shall be no maximum loan term or minimum finance charge. The minimum loan term shall be six months from the loan transaction date. …"

"finance charge"	$ 6.11	(15/184ths of $75.00)
"interest rate"	5.56	(15/184ths of $68.21)
"monthly maintenance fee"	0.00	(0 full months after first 30 days, at $30.00 each)
Total Finance Charge	$ 11.67	

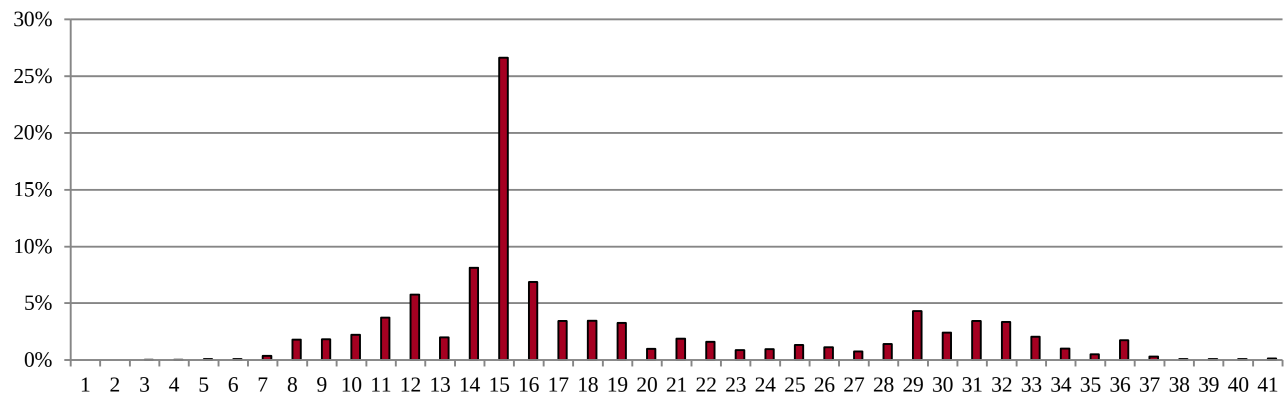
In brief, the earnings on any particular post-HB10-1351 loan are highly dependent upon how long a consumer keeps that loan open[18], and are not particularly foreseeable at the time the loan is transacted.

Prior to HB10-1351 the maximum loan term permitted to be contracted on any DDLA loan was 40 days. Since the enactment of HB10-1351, DDLA loans have a minimum permitted contractual loan term of six months, and there is no maximum loan term.[19]

Average Contracted Loan Term (# of days) – pre-HB10-1351



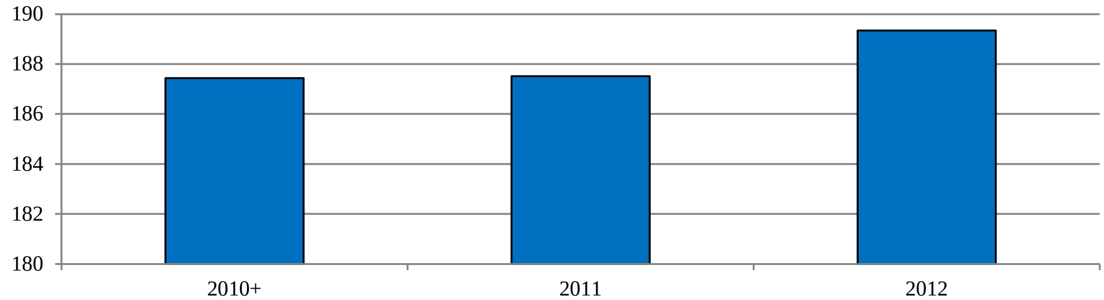
Distribution by Loan Term (# of days) (2010*)



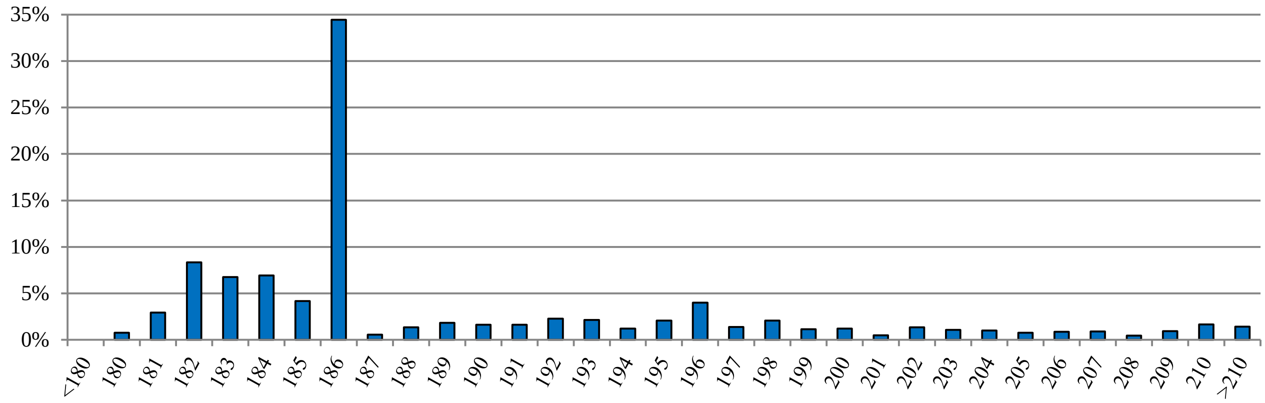
[18] See Appendix 1, pages 26 – 29, for a table showing the total cumulative permitted earnings, by day, for each day of the loan term of our example loan.

[19] UCCC section **5-3.1-105. Authorized finance charge** (since HB10-1351) "…There shall be no maximum loan term or minimum finance charge. The minimum loan term shall be six months from the loan transaction date…"

Average Contracted Loan Term (# of days) – post-HB10-1351



Distribution by Loan Term (# of days) (2012)



Although the statutory minimum contractual loan term for DDLA loans written since the enactment of HB10-1351 is simply "six months," there is no statutory requirement as to how these loans must be structured for repayment (i.e., single payment or multiple installments).

While single-payment loans are permitted, 99.9% of all post-HB10-1351 loans have been scheduled to be repaid in regular installments.[20]

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[20] UCCC section **5-2-308. Regular schedule of payments – maximum loan term.**

"(1) Supervised loans not made pursuant to a revolving credit account and in which the principal is three thousand dollars or less shall be scheduled to be payable in substantially equal installments at equal periodic intervals except to the extent that the schedule of payments is adjusted to the seasonal or irregular income of the debtor and:

(a) Over a period of not more than thirty-seven months if the principal is more than one thousand dollars; or

(b) Over a period of not more than twenty-five months if the principal is one thousand dollars or less."

Also, **UCCC Administrator's Rule 17,** Deferred Deposit/Payday Loans:

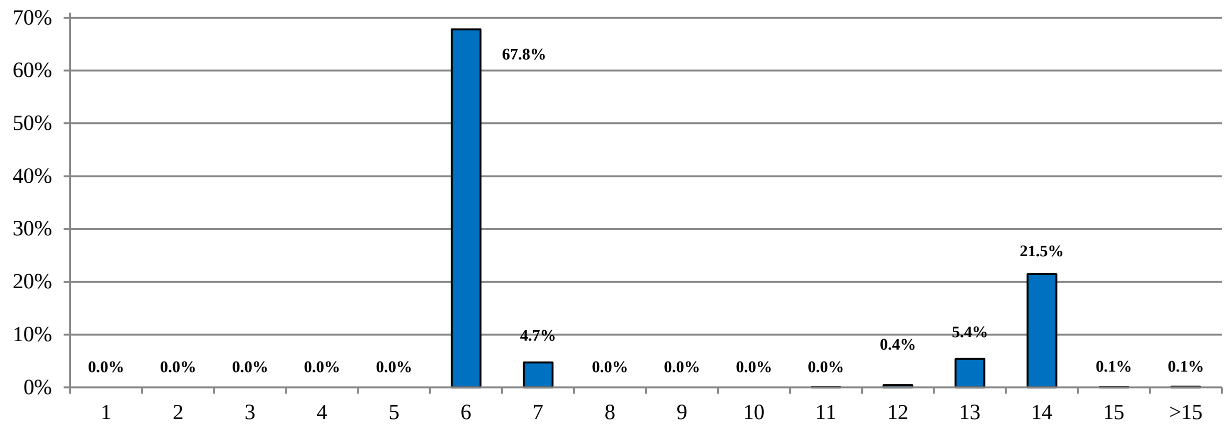
"(B) Installments

1. The lender and consumer may contract for payments to be made in a single installment or multiple installments of substantially equal amounts due at equal periodic intervals.
2. All applications for payday loans and payday loan agreements shall clearly and conspicuously disclose that under Colorado law, loans may be structured to be repaid in a single installment or multiple installments. If a lender does not offer both installment options, it shall also clearly and conspicuously disclose in its applications and loan agreements the option it provides."

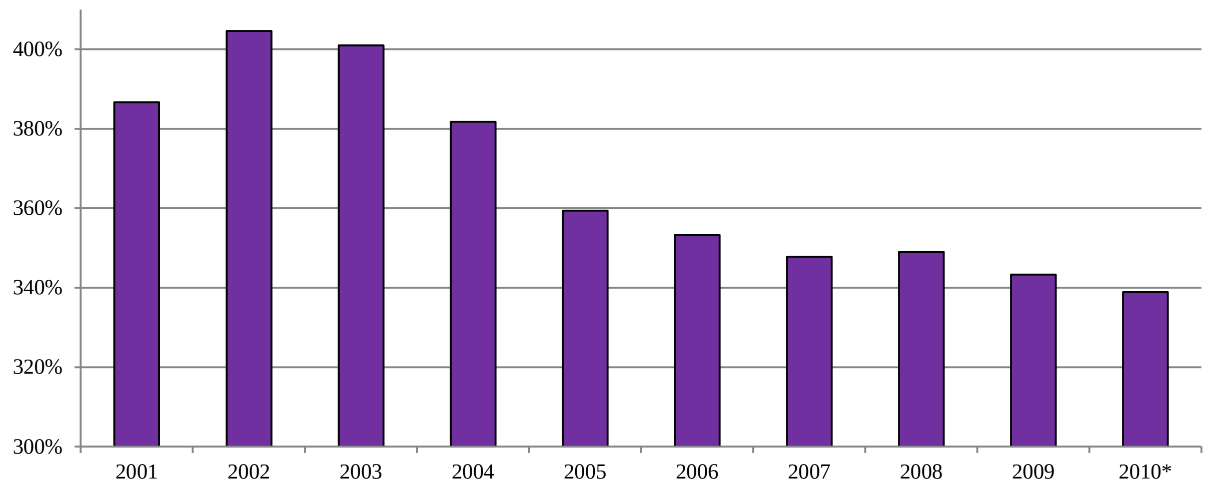
Although it is permitted for post-HB10-1351 loans to be scheduled for repayment in one single payment (due and payable at the maturity date of those loans), less than 0.1% of all the post-HB10-1351 loans in our study have been structured in this manner.

DDLA lenders are free to choose the repayment terms, and have variously written their loans for monthly payments, semi-monthly payments, or bi-weekly payments. The actual number of installment payments on any particular loan depends on the contractual loan term and the repayment schedule selected by the lender/consumer. Some lenders have chosen to write their loans for the range of installment scheduling options (monthly, semi-monthly, or bi-weekly installments) depending upon when and how often the individual consumer receives their pay check or other income. Other lenders simply write all of the loans they transact for a single repayment schedule option (e.g., all of their loans are written to be repayable in six monthly installments).

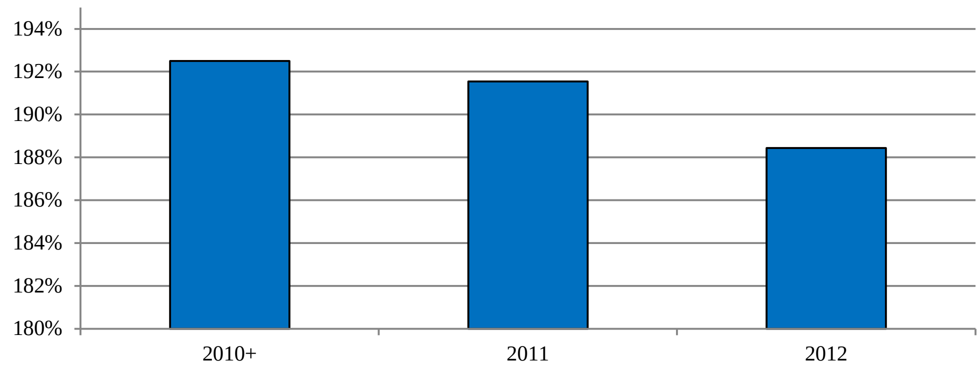
Distribution by # of Contractual Installment Payments (2012)



In 2010*, (pre-HB10-1351), the average contracted Amount Financed, Finance Charge, and Term resulted in an average contracted Annual Percentage Rate (APR) (federal Regulation Z, Truth-In-Lending Disclosure) of 338.90% for DDLA loans.



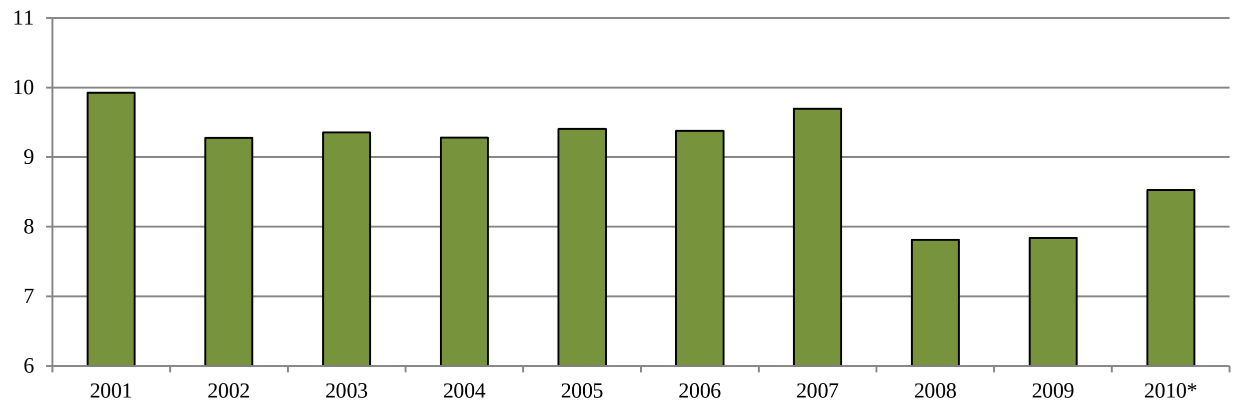
In 2012, (post-HB10-1351), the average contracted Annual Percentage Rate (APR) (federal Regulation Z, Truth-In-Lending Disclosure) for Colorado DDLA loans was 188.43%.



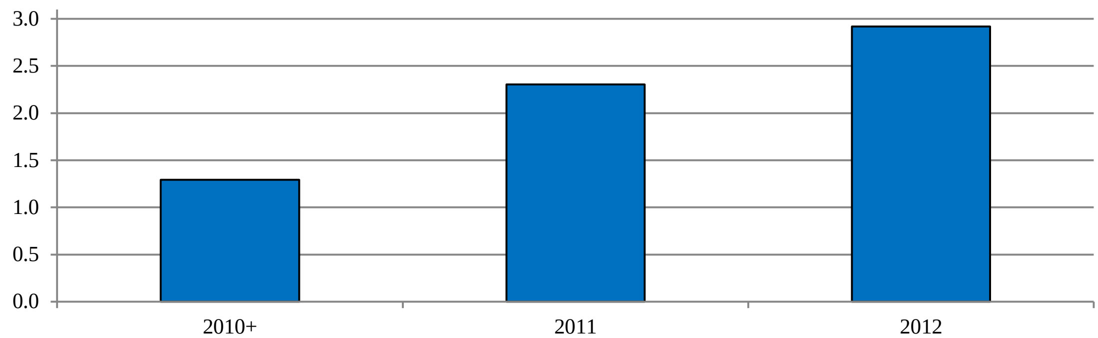
This disclosure APR is what is provided to consumers on their loan documents as prescribed by federal Regulation Z, Truth-In-Lending. The disclosure APR is based upon the Amount Financed, total Finance Charge, and the repayment terms of each loan; it presupposes repayment of the loan, as scheduled, according to the repayment terms contracted over the full term contracted.

As explained previously in this report, just as the Finance Charge disclosures are not necessarily an indicator of the actual "earnings" on any particular loan, likewise the Annual Percentage Rate (APR) disclosures are not necessarily an indicator of the lender "earnings" or "yields" from these loans.

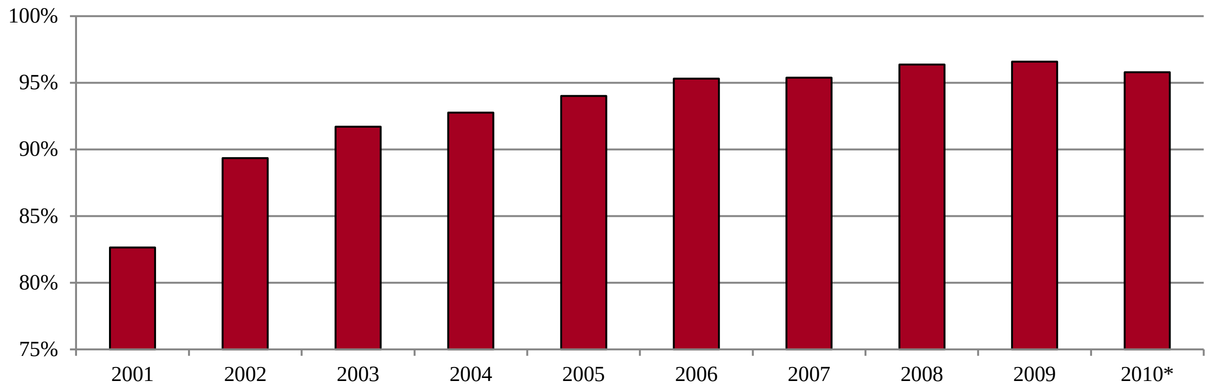
In 2010*, (pre-HB10-1351), consumers transacted, on average, 8.53 loans (from the same lender) during the previous twelve months.



In 2012, (post-HB10-1351), consumers transacted, on average, 2.92 loans (from the same lender) during the previous twelve months.



In 2010*, (pre-HB10-1351), 95.80% of DDLA loans were written (contracted) at the maximum amount of Finance Charge permitted by the law.



Since the enactment of HB10-1351, the UCCC no longer has any maximum permitted Finance Charge for any allowed DDLA loan amount. Because there is no maximum term limitation for these loans, the total dollar amounts of the "interest rate" and "monthly maintenance fee" components of the total Finance Charge are dependent on the loan's contractual term as agreed upon by the lender and the consumer.

For post-HB10-1351 loans, an important piece of information essential to now understanding a consumer's cost of borrowing is the length of time that their DDLA loan stays open. As mentioned previously, for post-HB10-1351 loans, the actual dollar earnings for a lender or dollar cost for the consumer is now dependent upon the length of time a loan is open before it is paid in full. When looking at a group of loans, we must now, therefore, consider the average length of time that group of loans stayed open.

In 2011, our office began gathering information on the length of time DDLA loans remained open before paying in full. As of December 31, 2012, we had gathered time-until-payout information from 7,973 loans during 266 UCCC lender examinations. While much of this information is still preliminary in scope, the following picture of post HB10-1351 DDLA loan repayment is beginning to form:

<u>77.22</u>% of all DDLA loans transacted in 2012 paid in full within the six-month time period after having been transacted. The average time-until-payout for this group of DDLA loans was 101.04 days.

<u>13.34</u>% of all DDLA loans transacted in 2012 remained open, outstanding, and paying on a more or less "as agreed" basis at the six-month mark after having been transacted.

<u>3.67</u>% of all DDLA loans transacted in 2012 were charged-off as losses by their respective lenders* by the time that six months from the date of the loan transaction had elapsed.

<u>5.77</u>% of all DDLA loans transacted in 2012 remained open, in some state of delinquency* (but had not yet been paid in full by the consumers or charged off by the lenders) at the six-month since inception mark.

(***NOTE**: The specific charge-off practices, and delinquency policies, of DDLA lenders vary widely from lender to lender and company to company.)

Using the following givens, and making the following assumptions:

<u>(1) Given</u>: The average time until payout for 77.22% of all DDLA loans is the known 101.04 days (in 2012).
<u>(2) Assumption</u>: The 13.34% of loans that are open at the six-month mark will continue to perform and pay out as agreed over the relatively short remaining contractual loan term. And, that the average time until payout of this group of loans is the same as the average loan term contracted (i.e., 189.34 days in 2012) for all DDLA loans.
<u>(3) Assumption</u>: Ignoring the effects on the time until payout of charge-off and delinquency.

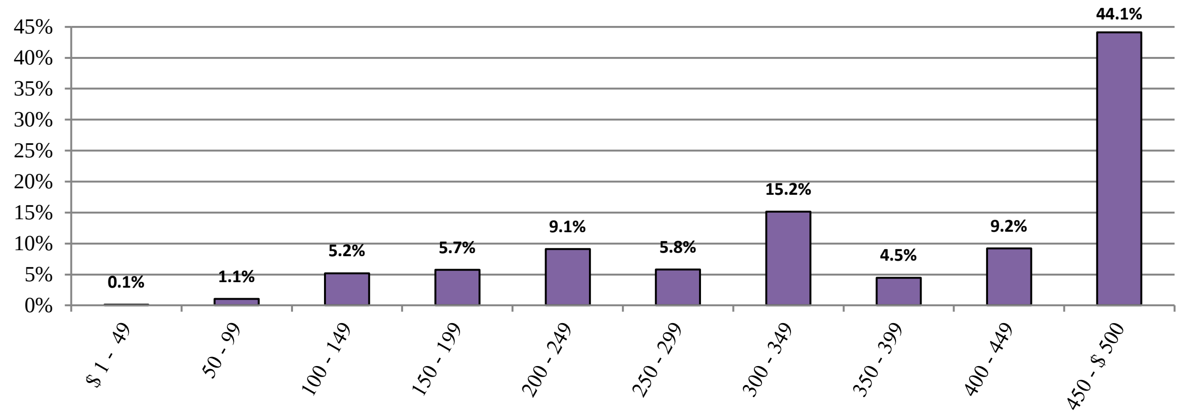
We can calculate that for loans that performed as agreed, or paid in full, the average time until payout for HB10-1351 DDLA loans, in 2012, was about 114.05 days.

Using the preceding information for pre-HB10-1351 2010* (i.e., average Amount Financed, average Finance Charge, average Term, and average Number of Loans) it can be calculated that the "average" borrower paid about $517.52 in total finance charges (8.53 x $60.67) to have borrowed $367.98 for a period of about 5 months (151.49 days -or- 8.53 x 17.76) at each location with which that consumer did business.

Using the similar preceding information for post-HB10-1351 2012 (i.e., average Amount Financed, average Finance Charge, average Term contracted, average Time Until Payout, and average Number of Loans) it can be calculated that the "average" borrower paid about $340.88 in total charges (2.92 **x** $116.74 . . . $116.74 being the cumulative retained earnings at day 114.05, or the average time to payout, on an the 2012 average HB10-1351 loan amount of $398.10 having the 2012 average total Finance Charge of $246.71) to have borrowed $398.10 for a period of about 11 months (333.03 days -or- 2.92 x 114.05) at each location with which that consumer did business.

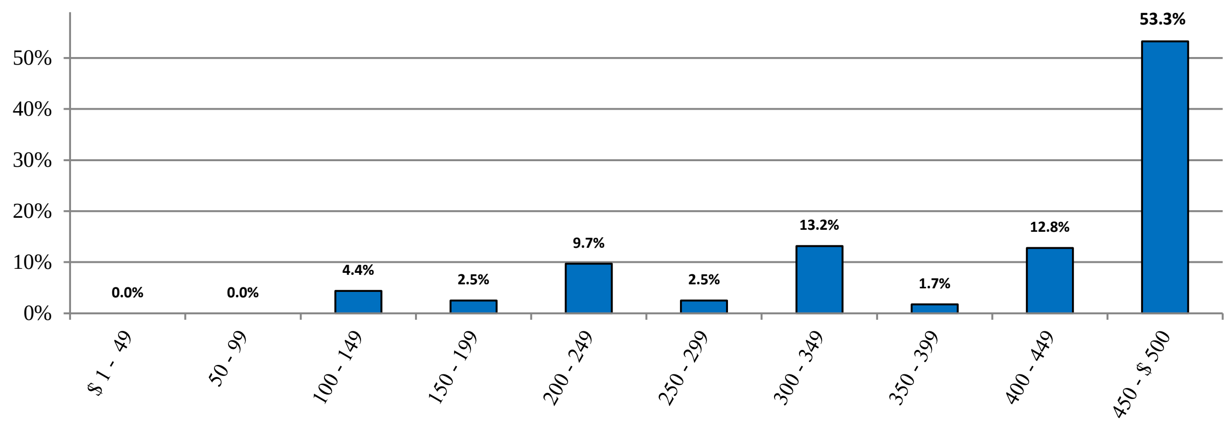
The distribution of loan amounts written is mostly towards the larger dollar-amounts permitted for loans under the DDLA. For the last pre-HB10-1351 year of 2010*, the distribution of loan amounts was:

DDLA Loans (pre-HB10-1351), Distribution -by- Loan Amount Ranges (2010*)



For the post-HB10-1351 year of 2012, the distribution of loan amounts was:

Post-HB10-1351 DDLA Loans, Distribution -by- Loan Amount Ranges (2012)

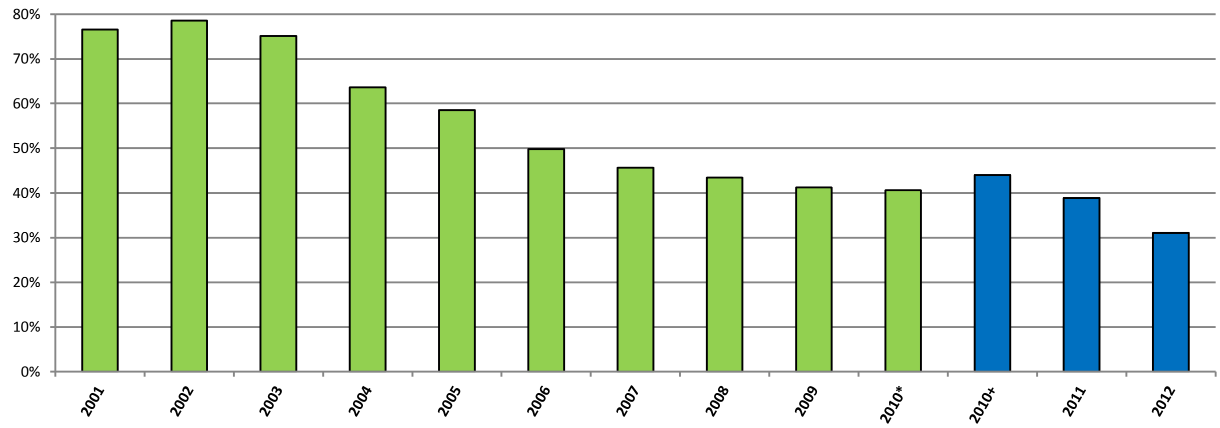


Over the entire course of our study period, the smaller loans (i.e., loan amounts of $300 or less) that were once the predominant loan amounts have steadily diminished in prevalence, and the larger loan amounts (i.e., loan amounts of $400 or more) have been written with increasing frequency.

During 2010* (pre-HB10-1351) loans of $400 or more accounted for 53.33% of the deferred deposit loans written in Colorado, with the maximum loan amount permitted (of $500) accounting for 40.45% of those loans written.

During 2012 (post-HB10-1351) loans of $400 or more accounted for 66.05% of the deferred deposit loans written in Colorado, with the maximum loan amount permitted (of $500) accounting for 51.55% of those loans written.

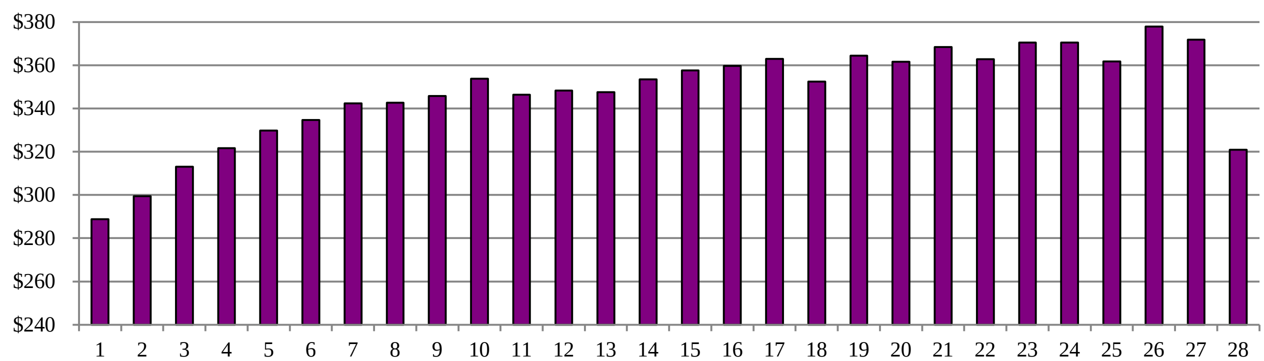
% of all DDLA Written for $300 (Amount Financed) or Less -by- Year



IIIa. DDLA Statistical Information -- Loan Frequency

Prior to HB10-1351, consumers who borrowed most frequently from any particular payday lender received, on average, larger loans in comparison to those consumers who borrowed less frequently.

Average Amounts Financed -vs.- Consumer Frequency (# of loans transacted) during the Prior 12 Months (Study-to-Date through 08/10/2010 – pre-HB10-1351)



Consumer Frequency (# of loans transacted) Over the Prior 12 Months -vs.- Loan Amount and Cost (study-to-date through 08/10/2010 – pre-HB10-1351)

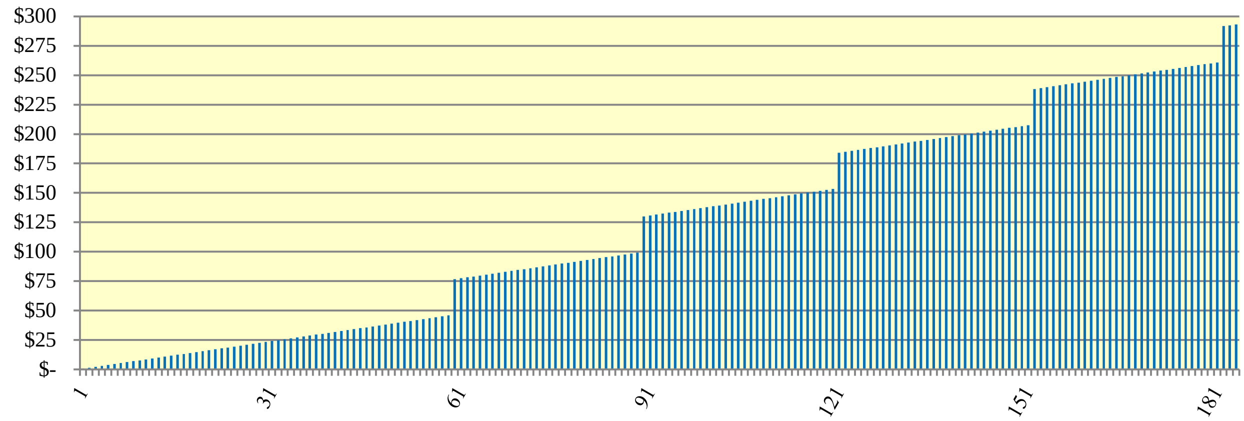
# of Loans Prior 12 Months	# of All Borrowers	Average Amount Financed ($)	Average Finance Charge ($)
1 – 5 Loans	28,804	307.24	53.35
6 – 10 Loans	18,680	343.43	58.18
11 – 25 Loans	13,367	349.59	58.90
16 – 20 Loans	5,987	360.15	59.94
21 – 25 Loans	4,204	367.03	60.81
26+ Loans	1,693	337.97	55.92

Appendix 3 (beginning on Page 32) contains some of our information regarding how borrowing frequency and continuous indebtedness impacted consumers transacting DDLA loans prior to HB10-1351.

With the enactment of HB10-1351 and its changed structural provisions, borrowing frequency, continuous indebtedness, and those impacts upon consumers are significantly different.

To begin, one should again consider our example $500.00 loan, please return to page 13 (and/or see also Appendix 1, Pages 26 - 29) for details. This $500.00 Amount Financed example loan, with a total maximum-permitted Finance Charge of $293.21 is scheduled (contracted) to be repaid over a 184-day loan term. The cumulative total Finance Charge earnings for this loan (provided numerically in table form in Appendix 1) are, in chart form:

Total Cumulative Permitted Finance Charge Earnings (in dollars) by Day
($500 Amt. Fin. Loan / $293.21 Fin. Chg. / 184-day term)



Shown graphically, this earnings curve is markedly different from the very simple earnings curve for pre-HB10-1351 DDLA loans (i.e., a horizontal line of the full Finance Charge amount regardless of the time elapsed, because the Finance Charge on those loans was earned at inception, and was non-refundable in the event of prepayment). A noticeable feature of this, or any, earnings curve for post-HB10-1351 loans are the "stair steps" (resulting from the timing, and the method of earning, of these loans' monthly maintenance fees).

Whereas prior to HB10-1351 loan frequency (as measured by the number of loans a consumer transacted over any twelve-month period) correlated directly with, and was roughly indicative of, the amount of money a consumer would pay in combined loan charges over that same period. This loan-frequency/dollar-cost correlation no longer holds for post-HB10-1351 DDLA loans.

To illustrate this point further, let's look at two post-HB10-1351 DDLA consumers, Mr. Smith and Ms. Jones, who remain continuously indebted to a DDLA lender over every day of a one-year period. Both consumers are borrowing $500.00, and both consumers are transacting our report's example loan ($500.00 Amount Financed, $293.21 total Finance Charge, 184-day term -- the details for which have been provided on Page 13 and in Appendix 1 of this report) each time they borrow.

<u>**Consumer #1** -- Mr. Smith</u> transacts only <u>two loans</u> over his one-year (approximately) period of unbroken continuous indebtedness. He takes out his first loan which he repays according to the loan schedule, making each of the loan's scheduled installment payments on the due date exactly as contracted. 184 days after that first loan was initiated it is completely paid in full, and Mr. Smith immediately transacts his second 184-day loan which he also repays entirely according to the loan schedule.

At the end of one year (368 days), Mr. Smith would have paid a total of $586.42 in combined total loan Finance Charges. (2 **x** $293.21 = $586.42) for his two $500.00 loans.

<u>**Consumer #2** -- Ms. Jones</u> transacts <u>twelve loans</u> over her one-year (approximately) period of unbroken continuous indebtedness. She takes out the first loan which she repays in full at the end of just thirty days. She then transacts her second loan immediately, which she again repays in full at the end of the next thirty days. Her third loan is transacted immediately and again repaid in full in another thirty days . . . and, so on and so forth for a total of twelve consecutive loan transactions each occurring every thirty days for one year. (For simplicity sake, in these illustrations "one year" can equal two-times-184 days or it can equal twelve-times-thirty days.)

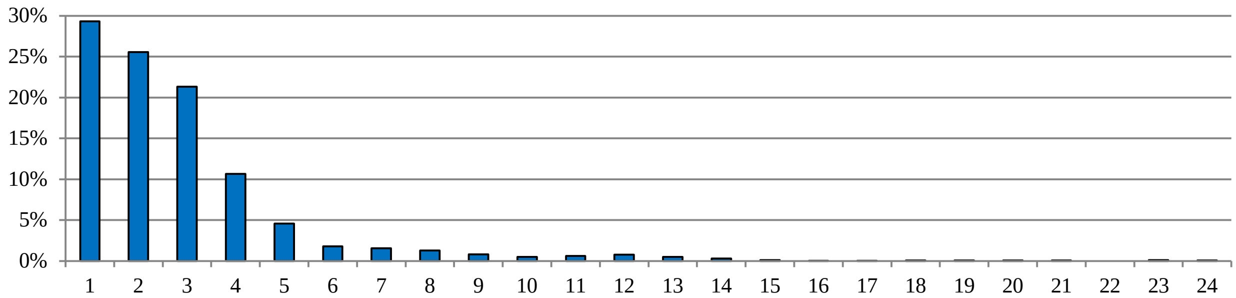
Each time when Ms. Jones repays her twelve example loans at the end of thirty days, she pays the DDLA lender $523.34 -- the $500.00 Amount Financed (or "principal") that she borrowed, plus the combined $23.34 in component Finance Charges ("finance charge" and "interest rate") that are due at thirty days.

At the end of one year (12 x 30 days), Ms. Jones would have paid a total of $280.08 in combined total loan Finance Charges (12 **x** $23.34 = $280.08), or less than half the amount of Mr. Smith for his two loans -- saving by comparison over $300.00, for her twelve $500.00 loan transactions.

As shown by these two simplistic illustrations, for post-HB10-1351 loans there is no longer a certain measurable direct correlation between borrowing frequency and consumer total borrowing costs. This, we can say:

- In 2012, the (post-HB10-1351) DDLA consumers in our study transacted an average of 2.92 loans over the preceding twelve months.
- 29.3% of the 2012 DDLA consumers transacted only 1 loan in the prior twelve months.
- 25.54% of 2012 DDLA consumer transacted 2 loans in the prior twelve months.
- 8.64% of 2012 DDLA consumers transacted 6 or more loans in the prior twelve months.
- 3.23% of 2012 DDLA consumers transacted 10 or more loan in the prior twelve months.

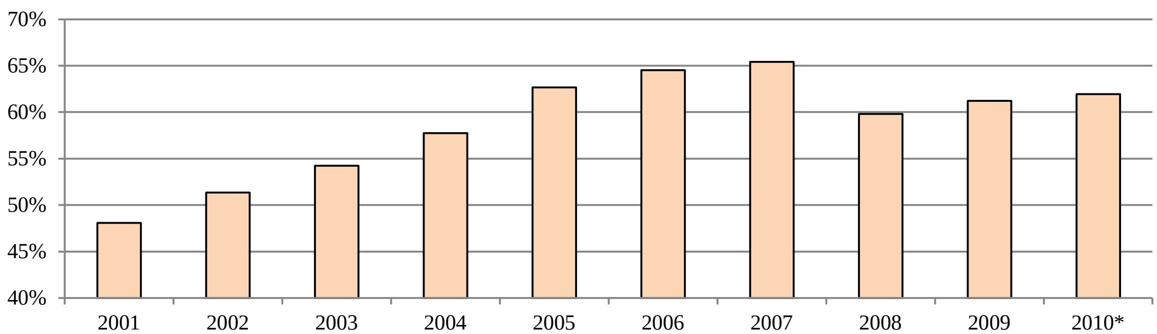
Consumer Borrowing Frequency (# of loans transacted during the prior twelve months) (2012)



IIIb. DDLA Statistical Information -- Refinancing

In 2010* (the last year of pre-HB10-1351 DDLA lending), 30.06% of all payday loan transactions were "true" refinances, while an additional 31.87% of all payday loan transactions were "same-day-as-payoff" loans (made by the very same lender, on the very same day that these same consumers paid a previous loan in full). "Same-day-as-payoff" loans are/were functionally similar to "refinance" transactions in so far as the financial impact to consumers and lenders is/was concerned. The combination of "true" refinance loans and "same-day-as-payoff loans" means that, in 2010* 61.93% of all payday loans written were "refinance-type" transactions where the consumers remained indebted to the lender.

Percentage of Loans that were "Refinance-Type" Transactions



HB10-1351 does permit direct refinancing (one time) of a DDLA loan into another DDLA loan.[21] UCCC section 5-3.1-108(2) limits the Finance Charge on any directly refinanced (renewed) DDLA loan to "an annual percentage of forty-five [percent]." On any refinanced loans the component "finance charge" and the component "monthly maintenance fees" that were permitted on the original loan are not permitted again on the renewal loans. As a result, there are virtually no post-HB10-1351 lenders that directly refinance ("renew") any DDLA loan into another refinanced DDLA loan.

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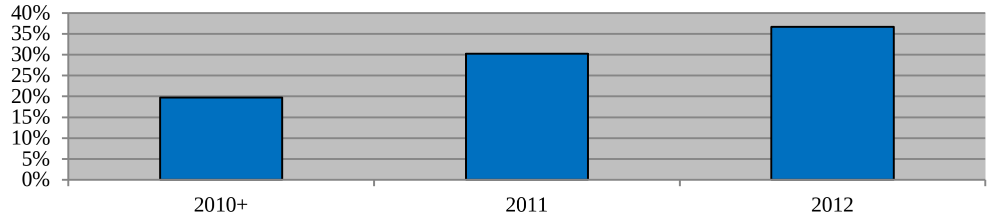
[21] UCCC section **5-3.1-108. Renewal-new loan-consecutive loans-payment plan-definitions.** (since HB10-1351)
"(1) A deferred deposit loan shall not be renewed more than once. After such renewal, the consumer shall pay the debt in cash or its equivalent. If the consumer does not pay the debt, then the lender may deposit the consumer's instrument.

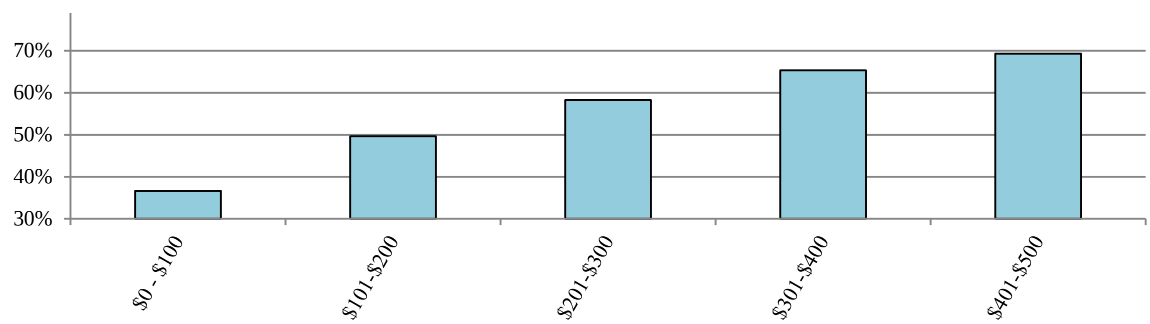
The practice of "same-day-as-payoff" loans has continued since the enactment of HB10-1351 (see UCCC section 5-3.1-108(3) found in footnote 21). In 2012 (post-HB10-1351), 36.68% of all DDLA were "same-day-as-payoff" loans (made by the very same lender, on the very same day that these same consumers paid a previous loan in full).

Percentage of Post-HB10-1351 DDLA Loans that were "Same-Day-As-Payoff" Transactions



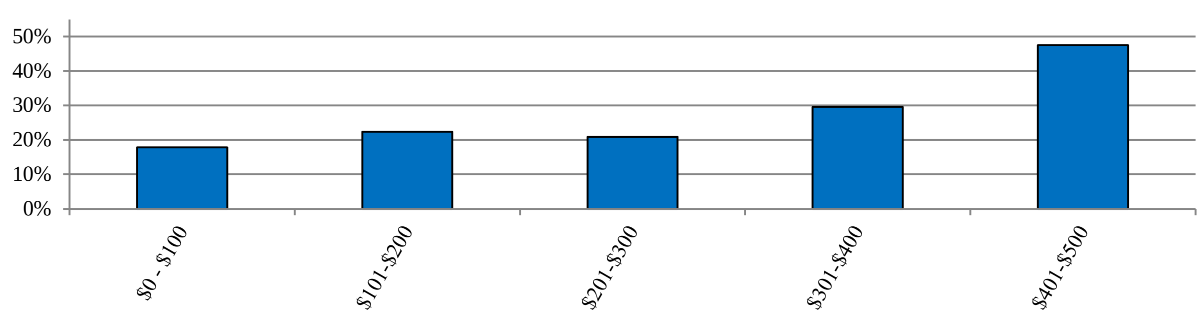
Prior to the enactment of HB10-1351 there was a direct correlation between the amount borrowed and the chances that a loan would be "refinanced." Larger DDLA loans were much more likely to be refinanced than smaller loans.

Percentage of DDLA Loans that were "Refinance-Type" Transactions, by Amount Financed (2001 – 08/10/2010)



Since the enactment of HB10-1351, a similar correlation continues to exist between the amount borrowed and the chances that a loan will be a "same-day-as-payoff" transaction. Post-HB10-1351, larger loans are still more likely to be re-transacted again immediately than smaller loans.

Percentage of DDLA Loans that were "Same-Day-As-Payoff" Transactions, by Amount Financed (2012)



Appendix 1.

Example Loan Information and Earnings Schedule (post-HB10-1351)

Pages 27 – 29 provide a chart listing the maximum (cumulative) total permitted earnings, by day, for each day of the 184-day loan term for the following ($500.00 Amount Financed) example loan:

Loan Date:	May 1, 2013
Maturity (Final Payment) Date:	November 1, 2013

Federal regulation Z, Truth-In-Lending Disclosure Information

- **Annual Percentage Rate (APR):** **180.28 %**
- **Finance Charge:** **$ 293.21**

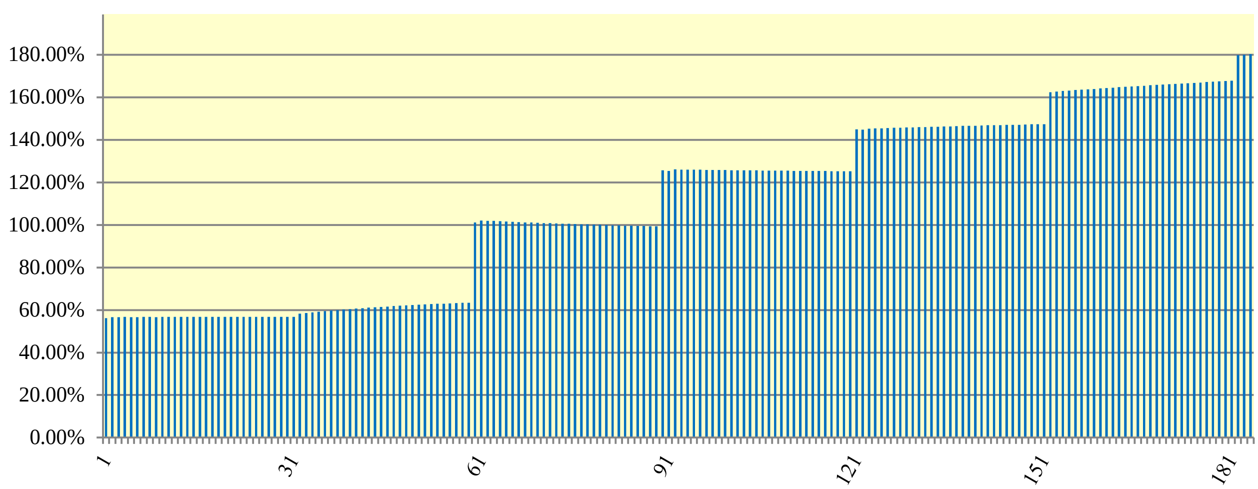
(HB10-1351 Component Charges of the total Finance Charge)

"finance charge"	75.00
"interest rate"	68.21
"monthly maintenance fees"	150.00

- Amount Financed: $ 500.00
- Total of Payments: $ 793.21

- Payment Schedule: 5 monthly payments of $132.20 beginning on June 1, 2013, and 1 monthly payment of $132.21 due on November 1, 2013.

Annualized Earnings Percent ("Yields") for Appendix 1 Example Loan (by Each Day of the Loan Term)



Date	Day	"finance charge"	"interest rate"	"Monthly Maintenance"	Total to date		Annualized Yield
2-May	1	$ 0.40	$ 0.37	$ -	$ 0.77		56.21%
3-May	2	0.81	0.74	0.00	1.55		56.58%
4-May	3	1.22	1.11	0.00	2.33		56.70%
5-May	4	1.63	1.48	0.00	3.11		56.76%
6-May	5	2.03	1.85	0.00	3.88		56.65%
7-May	6	2.44	2.22	0.00	4.66		56.70%
8-May	7	2.85	2.59	0.00	5.44		56.73%
9-May	8	3.26	2.96	0.00	6.22		56.76%
10-May	9	3.66	3.33	0.00	6.99		56.70%
11-May	10	4.07	3.70	0.00	7.77		56.72%
12-May	11	4.48	4.07	0.00	8.55		56.74%
13-May	12	4.89	4.44	0.00	9.33		56.76%
14-May	13	5.29	4.81	0.00	10.10		56.72%
15-May	14	5.70	5.18	0.00	10.88		56.73%
16-May	15	6.11	5.56	0.00	11.67		56.79%
17-May	16	6.52	5.93	0.00	12.45		56.80%
18-May	17	6.92	6.30	0.00	13.22		56.77%
19-May	18	7.33	6.67	0.00	14.00		56.78%
20-May	19	7.74	7.04	0.00	14.78		56.79%
21-May	20	8.15	7.41	0.00	15.56		56.79%
22-May	21	8.55	7.78	0.00	16.33		56.77%
23-May	22	8.96	8.15	0.00	17.11		56.77%
24-May	23	9.37	8.52	0.00	17.89		56.78%
25-May	24	9.78	8.89	0.00	18.67		56.79%
26-May	25	10.19	9.26	0.00	19.45		56.79%
27-May	26	10.59	9.63	0.00	20.22		56.77%
28-May	27	11.00	10.00	0.00	21.00		56.78%
29-May	28	11.41	10.37	0.00	21.78		56.78%
30-May	29	11.82	10.75	0.00	22.57		56.81%
31-May	30	12.22	11.12	0.00	23.34		56.79%
1-Jun	31	12.63	11.49	0.00	24.12		56.80%
2-Jun	32	13.04	11.86	0.00	24.90		58.24%
3-Jun	33	13.45	12.23	0.00	25.68		58.57%
4-Jun	34	13.85	12.60	0.00	26.45		58.86%
5-Jun	35	14.26	12.97	0.00	27.23		59.16%
6-Jun	36	14.67	13.34	0.00	28.01		59.45%
7-Jun	37	15.08	13.71	0.00	28.79		59.72%
8-Jun	38	15.48	14.08	0.00	29.56		59.95%
9-Jun	39	15.89	14.45	0.00	30.34		60.20%
10-Jun	40	16.30	14.82	0.00	31.12		60.44%
11-Jun	41	16.71	15.19	0.00	31.90		60.66%
12-Jun	42	17.11	15.56	0.00	32.67		60.86%
13-Jun	43	17.52	15.94	0.00	33.46		61.09%
14-Jun	44	17.93	16.31	0.00	34.24		61.28%
15-Jun	45	18.34	16.68	0.00	35.02		61.48%
16-Jun	46	18.75	17.05	0.00	35.80		61.66%
17-Jun	47	19.15	17.42	0.00	36.57		61.82%
18-Jun	48	19.56	17.79	0.00	37.35		61.99%
19-Jun	49	19.97	18.16	0.00	38.13		62.15%
20-Jun	50	20.38	18.53	0.00	38.91		62.31%
21-Jun	51	20.78	18.90	0.00	39.68		62.44%
22-Jun	52	21.19	19.27	0.00	40.46		62.59%
23-Jun	53	21.60	19.64	0.00	41.24		62.73%
24-Jun	54	22.01	20.01	0.00	42.02		62.87%
25-Jun	55	22.41	20.38	0.00	42.79		62.99%
26-Jun	56	22.82	20.75	0.00	43.57		63.11%
27-Jun	57	23.23	21.13	0.00	44.36		63.25%
28-Jun	58	23.64	21.50	0.00	45.14		63.37%
29-Jun	59	24.04	21.87	0.00	45.91		63.47%

Date	Day	"finance charge"	"interest rate"	"Monthly Maintenance"	Total to date		Annualized Yield
30-Jun	60	$ 24.45	$ 22.24	$ 30.00	$ 76.69		101.14%
1-Jul	61	24.86	22.61	30.00	77.47		102.12%
2-Jul	62	25.27	22.98	30.00	78.25		101.98%
3-Jul	63	25.67	23.35	30.00	79.02		101.84%
4-Jul	64	26.08	23.72	30.00	79.80		101.71%
5-Jul	65	26.49	24.09	30.00	80.58		101.59%
6-Jul	66	26.90	24.46	30.00	81.36		101.47%
7-Jul	67	27.30	24.83	30.00	82.13		101.34%
8-Jul	68	27.71	25.20	30.00	82.91		101.23%
9-Jul	69	28.12	25.57	30.00	83.69		101.12%
10-Jul	70	28.53	25.94	30.00	84.47		101.01%
11-Jul	71	28.94	26.32	30.00	85.26		100.91%
12-Jul	72	29.34	26.69	30.00	86.03		100.80%
13-Jul	73	29.75	27.06	30.00	86.81		100.69%
14-Jul	74	30.16	27.43	30.00	87.59		100.60%
15-Jul	75	30.57	27.80	30.00	88.37		100.50%
16-Jul	76	30.97	28.17	30.00	89.14		100.39%
17-Jul	77	31.38	28.54	30.00	89.92		100.30%
18-Jul	78	31.79	28.91	30.00	90.70		100.21%
19-Jul	79	32.20	29.28	30.00	91.48		100.12%
20-Jul	80	32.60	29.65	30.00	92.25		100.03%
21-Jul	81	33.01	30.02	30.00	93.03		99.94%
22-Jul	82	33.42	30.39	30.00	93.81		99.86%
23-Jul	83	33.83	30.76	30.00	94.59		99.78%
24-Jul	84	34.23	31.13	30.00	95.36		99.69%
25-Jul	85	34.64	31.51	30.00	96.15		99.62%
26-Jul	86	35.05	31.88	30.00	96.93		99.55%
27-Jul	87	35.46	32.25	30.00	97.71		99.47%
28-Jul	88	35.86	32.62	30.00	98.48		99.40%
29-Jul	89	36.27	32.99	30.00	99.26		99.32%
30-Jul	90	36.68	33.36	60.00	130.04		125.73%
31-Jul	91	37.09	33.73	60.00	130.82		125.41%
1-Aug	92	37.50	34.10	60.00	131.60		126.07%
2-Aug	93	37.90	34.47	60.00	132.37		126.03%
3-Aug	94	38.31	34.84	60.00	133.15		125.99%
4-Aug	95	38.72	35.21	60.00	133.93		125.96%
5-Aug	96	39.13	35.58	60.00	134.71		125.92%
6-Aug	97	39.53	35.95	60.00	135.48		125.88%
7-Aug	98	39.94	36.32	60.00	136.26		125.85%
8-Aug	99	40.35	36.69	60.00	137.04		125.81%
9-Aug	100	40.76	37.07	60.00	137.83		125.79%
10-Aug	101	41.16	37.44	60.00	138.60		125.75%
11-Aug	102	41.57	37.81	60.00	139.38		125.72%
12-Aug	103	41.98	38.18	60.00	140.16		125.69%
13-Aug	104	42.39	38.55	60.00	140.94		125.66%
14-Aug	105	42.79	38.92	60.00	141.71		125.62%
15-Aug	106	43.20	39.29	60.00	142.49		125.59%
16-Aug	107	43.61	39.66	60.00	143.27		125.57%
17-Aug	108	44.02	40.03	60.00	144.05		125.54%
18-Aug	109	44.42	40.40	60.00	144.82		125.50%
19-Aug	110	44.83	40.77	60.00	145.60		125.48%
20-Aug	111	45.24	41.14	60.00	146.38		125.45%
21-Aug	112	45.65	41.51	60.00	147.16		125.42%
22-Aug	113	46.05	41.88	60.00	147.93		125.39%
23-Aug	114	46.46	42.26	60.00	148.72		125.37%
24-Aug	115	46.87	42.63	60.00	149.50		125.35%
25-Aug	116	47.28	43.00	60.00	150.28		125.32%
26-Aug	117	47.69	43.37	60.00	151.06		125.30%
27-Aug	118	48.09	43.74	60.00	151.83		125.27%
28-Aug	119	48.50	44.11	60.00	152.61		125.24%
29-Aug	120	48.91	44.48	60.00	153.39		125.22%

Date	Day	"finance charge"	"interest rate"	"Monthly Maintenance"	Total to date		Annualized Yield
30-Aug	121	$ 49.32	$ 44.85	$ 90.00	$ 184.17		144.94%
31-Aug	122	49.72	45.22	90.00	184.94		144.77%
1-Sep	123	50.13	45.59	90.00	185.72		145.26%
2-Sep	124	50.54	45.96	90.00	186.50		145.34%
3-Sep	125	50.95	46.33	90.00	187.28		145.45%
4-Sep	126	51.35	46.70	90.00	188.05		145.53%
5-Sep	127	51.76	47.07	90.00	188.83		145.62%
6-Sep	128	52.17	47.45	90.00	189.62		145.71%
7-Sep	129	52.58	47.82	90.00	190.40		145.80%
8-Sep	130	52.98	48.19	90.00	191.17		145.88%
9-Sep	131	53.39	48.56	90.00	191.95		145.96%
10-Sep	132	53.80	48.93	90.00	192.73		146.05%
11-Sep	133	54.21	49.30	90.00	193.51		146.13%
12-Sep	134	54.61	49.67	90.00	194.28		146.20%
13-Sep	135	55.02	50.04	90.00	195.06		146.28%
14-Sep	136	55.43	50.41	90.00	195.84		146.36%
15-Sep	137	55.84	50.78	90.00	196.62		146.44%
16-Sep	138	56.25	51.15	90.00	197.40		146.52%
17-Sep	139	56.65	51.52	90.00	198.17		146.59%
18-Sep	140	57.06	51.89	90.00	198.95		146.66%
19-Sep	141	57.47	52.26	90.00	199.73		146.74%
20-Sep	142	57.88	52.64	90.00	200.52		146.82%
21-Sep	143	58.28	53.01	90.00	201.29		146.88%
22-Sep	144	58.69	53.38	90.00	202.07		146.95%
23-Sep	145	59.10	53.75	90.00	202.85		147.02%
24-Sep	146	59.51	54.12	90.00	203.63		147.09%
25-Sep	147	59.91	54.49	90.00	204.40		147.12%
26-Sep	148	60.32	54.86	90.00	205.18		147.23%
27-Sep	149	60.73	55.23	90.00	205.96		147.29%
28-Sep	150	61.14	55.60	90.00	206.74		147.36%
29-Sep	151	61.54	55.97	90.00	207.51		147.42%
30-Sep	152	61.95	56.34	120.00	238.29		162.37%
1-Oct	153	62.36	56.71	120.00	239.07		162.75%
2-Oct	154	62.77	57.08	120.00	239.85		162.96%
3-Oct	155	63.17	57.45	120.00	240.62		163.16%
4-Oct	156	63.58	57.83	120.00	241.41		163.37%
5-Oct	157	63.99	58.20	120.00	242.19		163.57%
6-Oct	158	64.40	58.57	120.00	242.97		163.77%
7-Oct	159	64.80	58.94	120.00	243.74		163.96%
8-Oct	160	65.21	59.31	120.00	244.52		164.16%
9-Oct	161	65.62	59.68	120.00	245.30		164.35%
10-Oct	162	66.03	60.05	120.00	246.08		164.54%
11-Oct	163	66.44	60.42	120.00	246.86		164.73%
12-Oct	164	66.84	60.79	120.00	247.63		164.91%
13-Oct	165	67.25	61.16	120.00	248.41		165.09%
14-Oct	166	67.66	61.53	120.00	249.19		165.27%
15-Oct	167	68.07	61.90	120.00	249.97		165.45%
16-Oct	168	68.47	62.27	120.00	250.74		165.63%
17-Oct	169	68.88	62.64	120.00	251.52		165.80%
18-Oct	170	69.29	63.02	120.00	252.31		165.98%
19-Oct	171	69.70	63.39	120.00	253.09		166.15%
20-Oct	172	70.10	63.76	120.00	253.86		166.32%
21-Oct	173	70.51	64.13	120.00	254.64		166.48%
22-Oct	174	70.92	64.50	120.00	255.42		166.65%
23-Oct	175	71.33	64.87	120.00	256.20		166.81%
24-Oct	176	71.73	65.24	120.00	256.97		166.97%
25-Oct	177	72.14	65.61	120.00	257.75		167.13%
26-Oct	178	72.55	65.98	120.00	258.53		167.29%
27-Oct	179	72.96	66.35	120.00	259.31		167.45%
28-Oct	180	73.36	66.72	120.00	260.08		167.60%
29-Oct	181	73.77	67.09	120.00	260.86		167.75%
30-Oct	182	74.18	67.46	150.00	291.64		179.89%
31-Oct	183	74.59	67.83	150.00	292.42		179.97%
1-Nov	184	75.00	68.21	150.00	293.21		180.28%

Appendix 2.

DDLA Statistical Information – Payment Plans (July 2007 – August 10, 2010)

NOTE: The 2010 legislation, HB10-1351, removed the requirements for payment plans from the UCCC. (Since the enactment of HB10-1351 consumers must now be allowed to repay their deferred deposit loans over a minimum term of "six months.")

Beginning in 2007, Colorado payday lenders were required to offer consumers extended repayment plans on certain payday loans. That new law, section 5-3.1-108(5), C.R.S., contained in HB07-1261, took effect July 1, 2007. It required payday lenders to provide consumers with a written offer to repay their single installment payday loan in multiple installments. The written offer was required at the time of a fourth, or subsequent, consecutive payday loan. If the consumer elected a payment plan, the loan balance was repaid in at least six equal installments that coincided with the consumer's periodic pay dates. No additional fees were permitted to be charged for a payment plan.

Lenders were prohibited from engaging in collection activities while consumers made payments in accordance with a payment plan. Lenders, and their affiliates, were also prohibited from making any additional deferred deposit loans to consumers prior to completion of the payment plan.

Due to the payment plan legislation's effective date and the four-consecutive-loan trigger, payment plan offers were generally required no earlier than September 1, 2007. Calendar year 2008 was, therefore, the first year in which the impact of HB07-1261 could be measured.

The payment plan law resulted in significant changes to the policies and procedures of most payday lenders in Colorado. Many payday lenders implemented new operating policies including "cooling-off" or "waiting" periods after a third consecutive payday loan or after every payday loan. Those policies restricted consumers from reaching the required four-consecutive-loans trigger before a payment plan was required to be offered. Other lenders required a cooling-off period upon completion of a payment plan, or limited or prohibited entirely new loans after a consumer chose a payment plan.

Because of the changes in the law and lender's operating policies, the statistics beginning with 2008 were markedly different that those from previous years (See Also Appendix 3, Pages 32 - 35).

For example, the percentage of consumers indebted to the lender being examined every day of the prior 6 months, which had been increasing every year over the study, dropped substantially in 2008, and fell a bit more in 2009 before rising in 2010*. Other measures of long-term indebtedness were also been similarly impacted (e.g., "refinance type" transactions, percentage of consumers transacting more than 12 or 16 loans during the calendar year, average number of loans transacted, etc., etc.).

Payment plan data from compliance examinations in 2010* shows:[22]

- 38.69% of all payday loans written by Colorado payday lenders were eligible for a payment plan (i.e. were a fourth or greater consecutive loan)

- 11.63% of those eligible loans were converted into payment plans

- 4.50% of all payday loans made by Colorado payday lenders were converted into payment plans

- 24.84% of all payday loan consumers elected to convert one or more payday loans into payment plans

- 9.04% of all payday loan consumers elected to convert two or more payday loans into payment plans

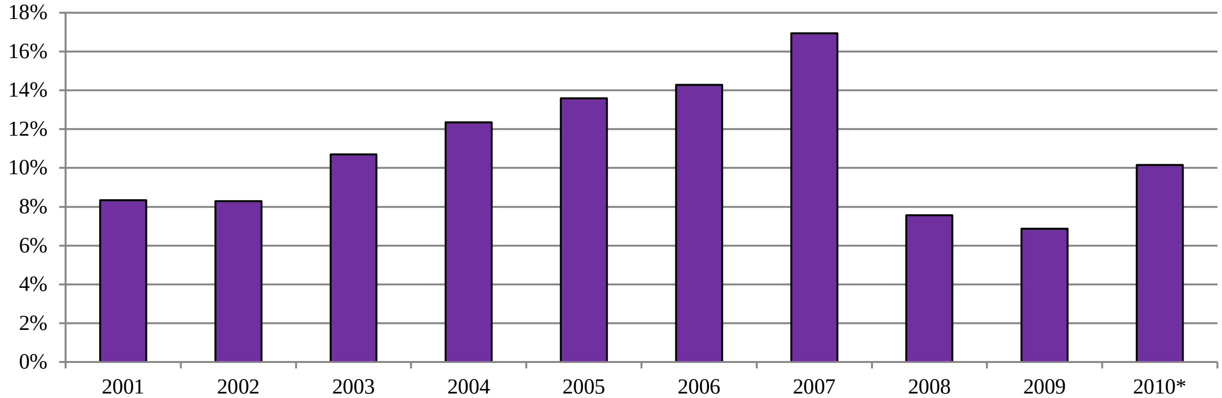
[22] Data gathered from compliance examinations is similar to the annual report data. Examination data include only payment plans required by section 5-3.1-108, C.R.S. Payment plans offered when not required by then state law, such as those offered in compliance with best practices of industry trade associations, are not included.

Appendix 3.

DDLA Statistical Information – Loan Frequency and Continuous Indebtedness Pre-HB10-1351 (2001 – August 10, 2010)

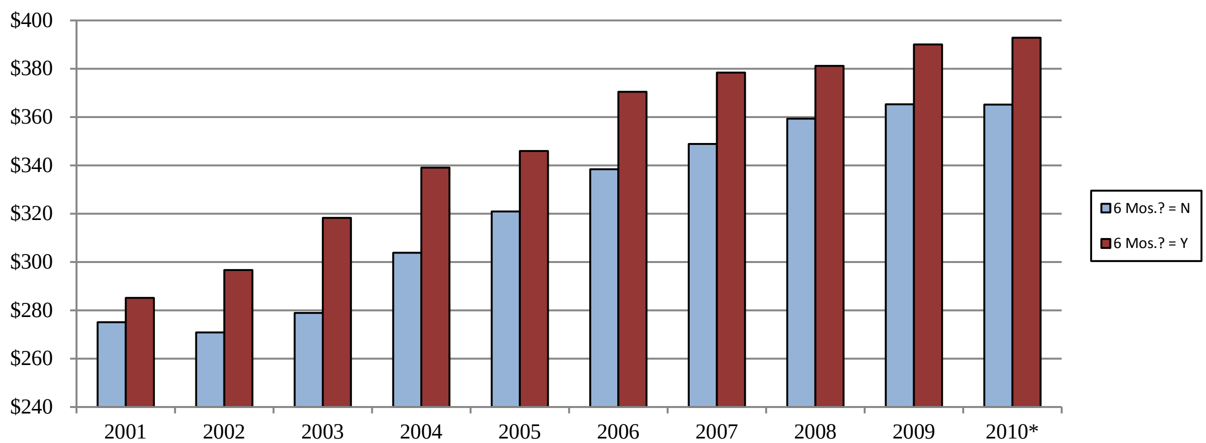
In 2010*, 10.15% of all payday lending consumers were in debt to the same lender every day of the preceding six months. These consumers accounted for 18.18% of the total payday loan unit volume (written during the prior twelve months).

Percentage of Consumers Indebted (to the lender being examined) Every Day of the Prior 6 Months

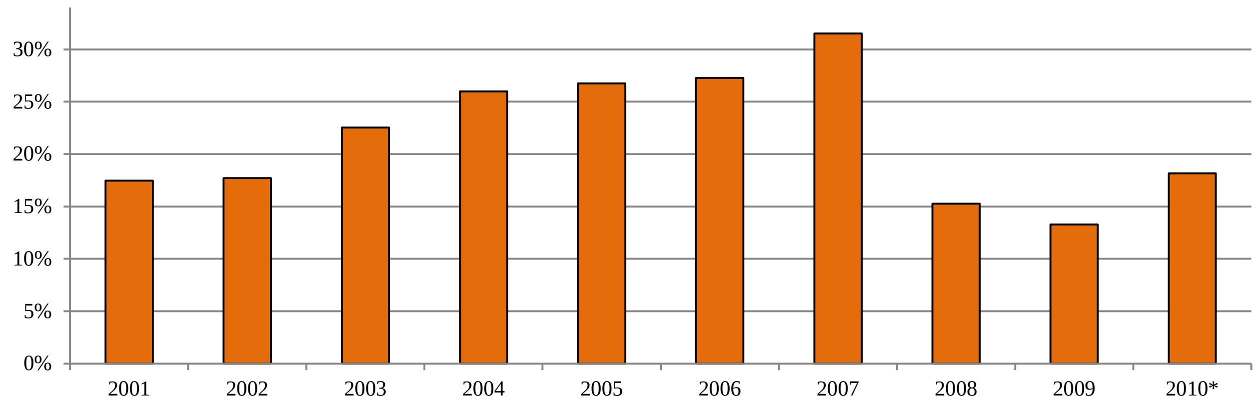


In 2010*, consumers who were indebted every day of the prior six months transacted, on average, 15.27 separate loans during the previous twelve months with that same payday lender. Those consumers also transacted, on average, significantly larger loans ($392.77 average Amount Financed –versus- $365.18 average amount financed) than those consumers who had not been indebted every day of the prior six months.

Average Amount Financed of Consumers Indebted Every Day of the Prior 6 Months versus Average Amount Financed of Consumers Not Indebted Every Day of the Prior 6 Months

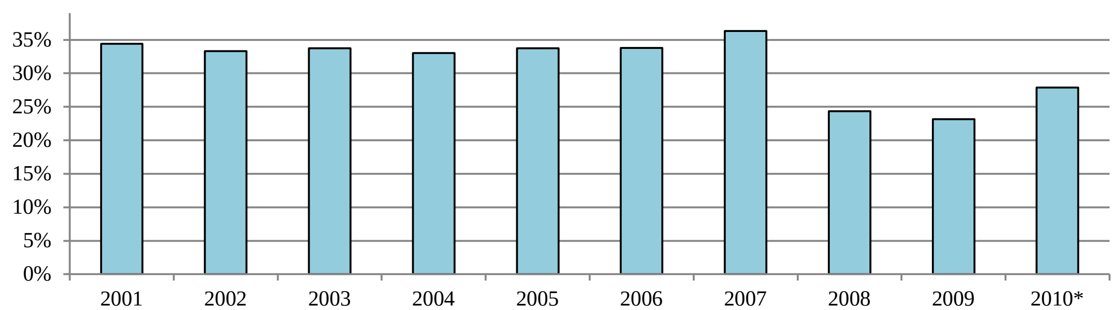


Percentage of Total DDLA Loan Volume Attributable to Consumers Indebted Every Day of the Prior 6 Months

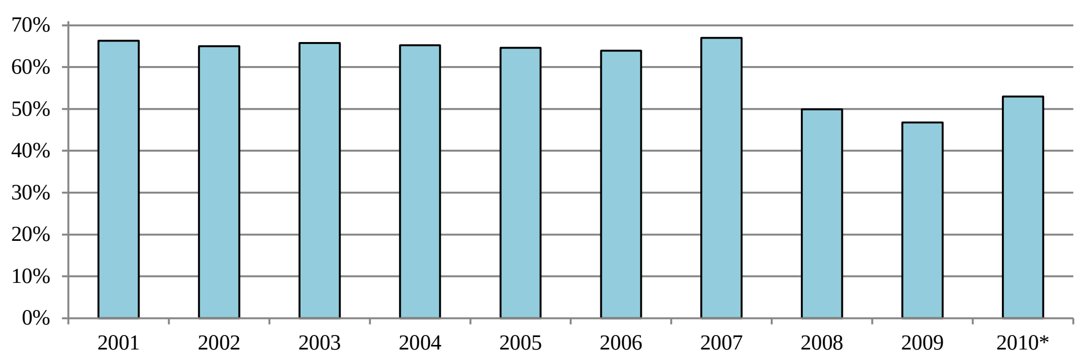


In 2010*, consumers with 12 or more loans in the preceding twelve months accounted for 53.01% of the total payday loan (unit) volume; consumers with 16 or more loans accounted for 29.66% of the total payday loan volume.

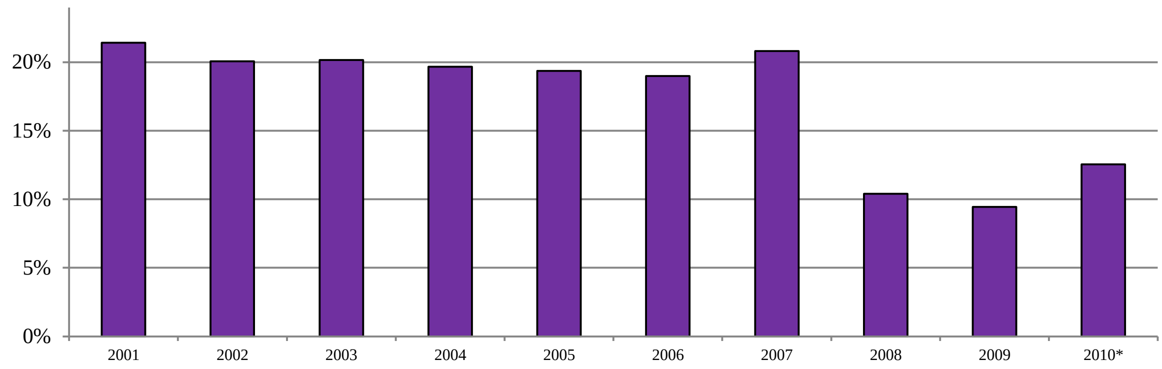
Percentage of Payday Loan Consumers Transacting 12 or More Loans During the Prior 12 Months



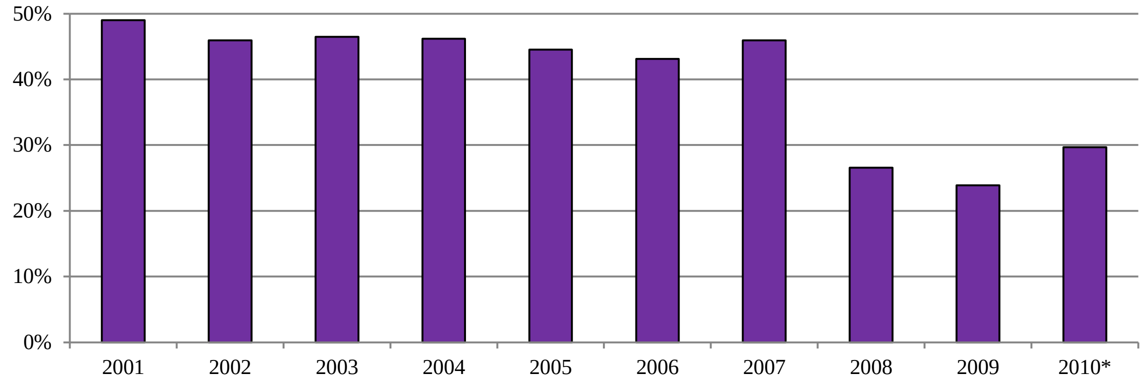
DDLA Loan Volume Attributable to Consumers Transacting 12 or More Loans During the Prior 12 Months



Percentage of Payday Loan Consumers Transacting 16 or More Loans During the Prior 12 Months

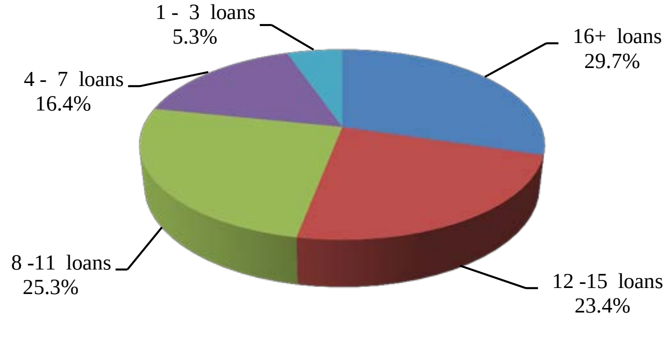


DDLA Loan Volume Attributable to Consumers Transacting 16 or More Loans During the Prior 12 Months



Prior to 2008 nearly half of the total annual payday loan volume was attributable to consumers who transacted sixteen or more loans with the same lender during the previous twelve months. Consumers who borrowed twelve or more times a year accounted for nearly two-thirds of the typical payday lender's unit volume. Beginning in 2008 and continuing in 2009 and 2010* these proportions were significantly smaller, primarily due to the impact of "payment plans" (discussed in Appendix 2, pages 30 – 31, of this report).

(2010*) Percentage of Total DDLA Loan Unit Volume by Consumer Frequency (# of loans transacted) Over the Prior 12 Months



DDLA Loan Unit Volume by Consumer Frequency (# of loans transacted) Over the Prior 12 Months (study-to-date: 2001 – 08/10/2010)

# of Loans, Prior 12 Months	# of All Borrowers	Total # of all Loans Transacted During Prior 12 months
1 – 5 Loans	28,804	77,493
6 – 10 Loans	18,680	147,350
11 – 25 Loans	13,367	169,199
16 – 20 Loans	5,987	106,881
21 – 25 Loans	4,204	96,305
26+ Loans	1,693	48,902

Note: The data contained in this Appendix 3 comes from consumer records at the lender location being examined. Neither the UCCC nor the DDLA prohibits or limits loans to the same consumer from different lenders. The data regarding consumer frequency does not capture information pertaining to consumers who may frequent more than one lender.