

**Payday Lending Demographic and  
Statistical Information**

**July 2000 through December 2009**

Summary Information from the Ongoing UCCC Study  
of Colorado's Payday Loan Industry and Consumers

March 2, 2010  
(Revised March 8, 2010)

Prepared by staff of the  
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Since the enactment of Colorado's Deferred Deposit Loan Act in 2000, 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 loan, also known as "payday loan" industry and deferred deposit loan consumers in Colorado.<sup>1</sup> 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 identifies trends concerning payday loans, the practices of the payday lending industry, and consumers who borrow money these businesses.

Many of the figures in this report are taken from the entire study to-date. Other figures concentrate on the single calendar year of 2009, the most recent complete year for which information is currently available. These 2009 figures, where used, are intended to help give a perspective on the most current practices and trends<sup>23</sup>.

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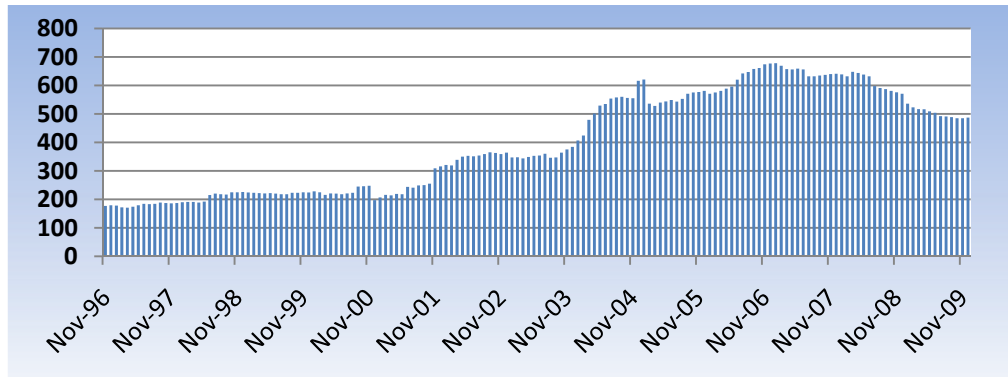
<sup>1</sup> This report uses the words "consumer" and "borrower" interchangeably.

<sup>2</sup> Occasionally this report refers 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 2009 will be available in the fall of 2010.

<sup>3</sup> The only revision in this report is the addition of the last paragraph on page 4 regarding average income.

## I. Industry Overview -- The Lenders

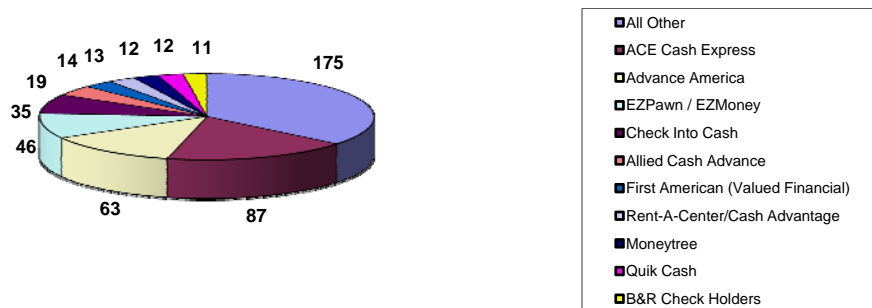
Number of UCCC Licensees making DDLA Loans (November 1996 - December 2009)



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

Of the 487 payday loan licensed locations operating in Colorado as of December 31, 2009, the ten largest companies (312 locations) in terms of the number of locations licensed, account for 64% of all UCCC license locations making payday loans.

The Ten Largest Companies\* Making DDLA Loans -- # of UCCC License Locations

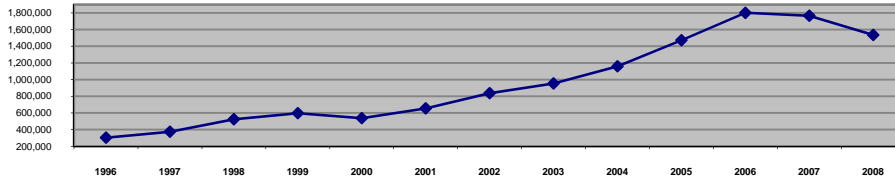


\* by numbers of Colorado UCCC licenses held

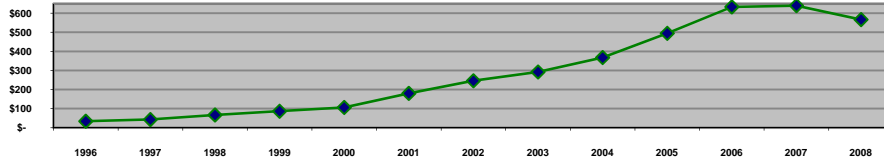
In contrast, the remaining 175 payday loan licenses (the "all others" in the pie chart) were held by 94 different entities.

The 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 amounts of payday loans, written between 1996 and 2008 (as reported by payday loan licensees who filed Annual Reports).

Number of Colorado DDLA Loans Made (1996 - 2008)



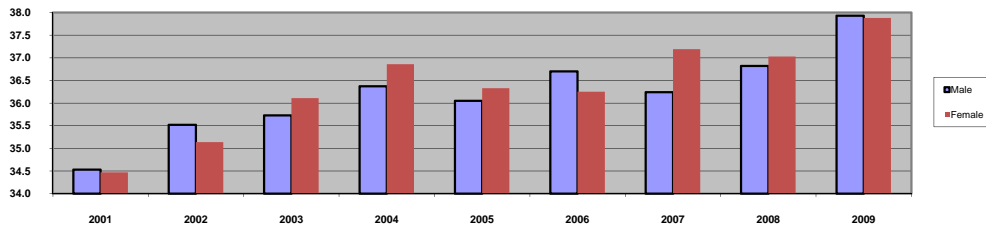
Amount (in Millions) of Colorado DDLA Loans (1996-2008)



**II. DDLA Consumer Demographics -- The Borrowers**

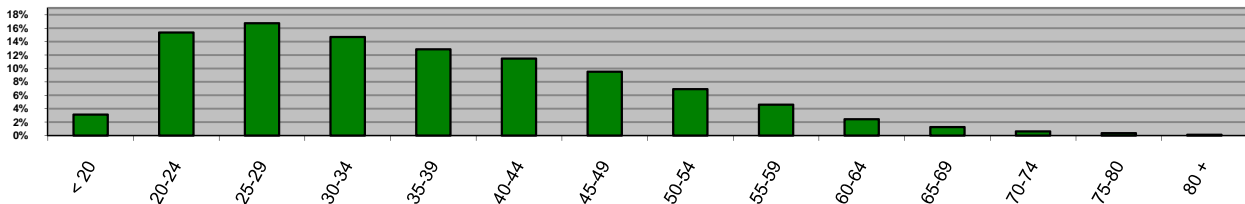
As of December 31, 2009, the demographics database consisted of 31,762 separate entries gathered during 2,153 examinations. The picture of the "average" consumer obtained from this database includes:

- Study-to-date, an average age of 37 years.

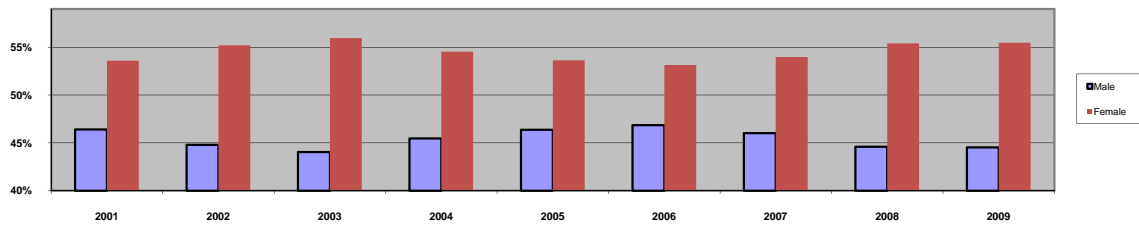


Payday lending borrowers are predominantly between the ages of twenty and thirty-nine (59.64% of all borrowers). Consumers over 55 years of age make up about 9.35% of all borrowers with 2.32% of all payday loan consumers 65 or older.

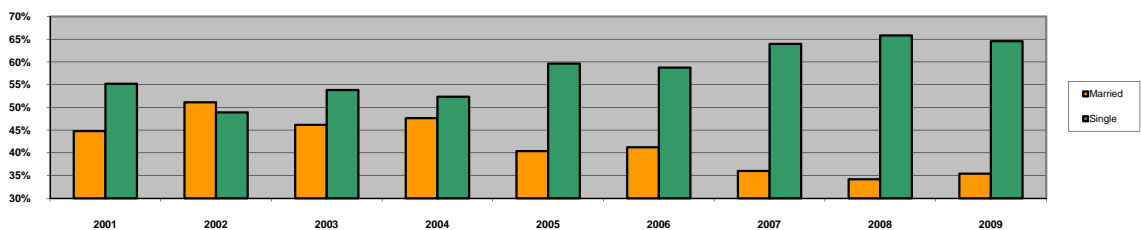
DDLA Consumers' -- Distribution by Age (Study-to-Date)



- Study-to-date, women predominate in terms of payday loan consumers.

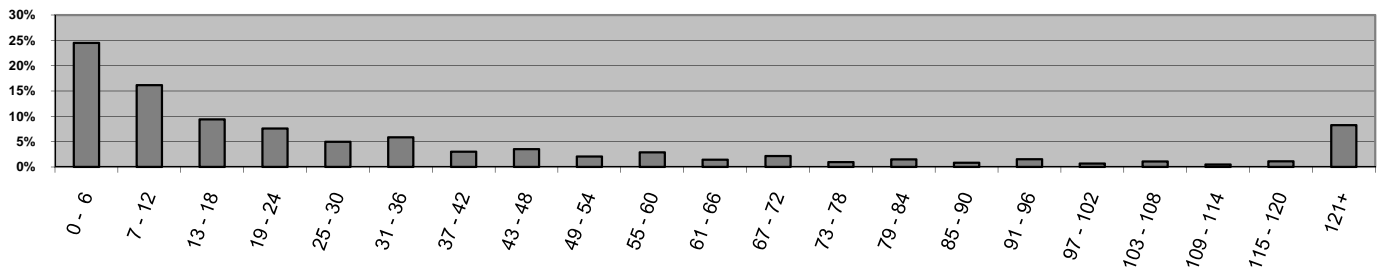


- Study-to-date, single borrowers outnumber married borrowers.



- Study-to-date, the average payday loan consumer has been at their current job for 3.46 years; 24.50% of consumers have been at their current jobs for six months or less.

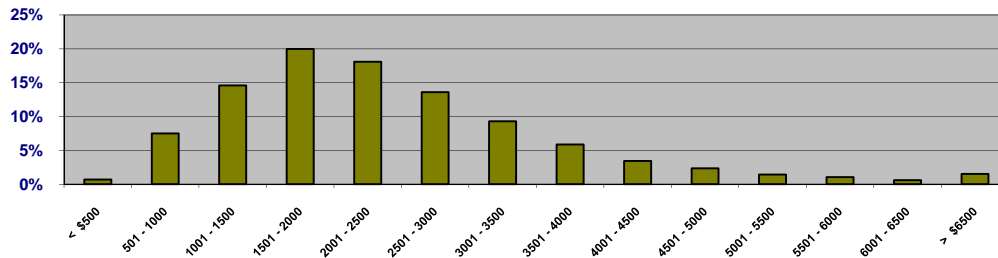
DDLA Consumers' -- Distribution by Time at Current Employer (in Months)



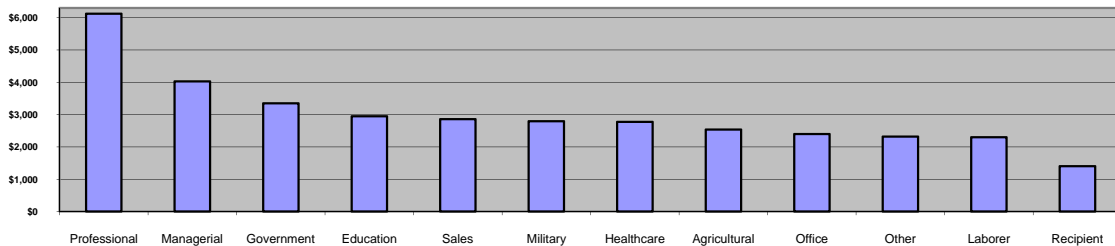
- Study-to-date, the (mean) average (gross) income of all consumers is \$2,458 per month (\$2,691 monthly for men and \$2,266 monthly for women). Borrowers earning \$2,500 (gross) monthly, or less, account for 60.88% of all borrowers. The median monthly (gross) income for all borrowers is \$2,199.<sup>4</sup>

<sup>4</sup> The initial version of this report posted on March 2, 2010 inadvertently omitted this paragraph.

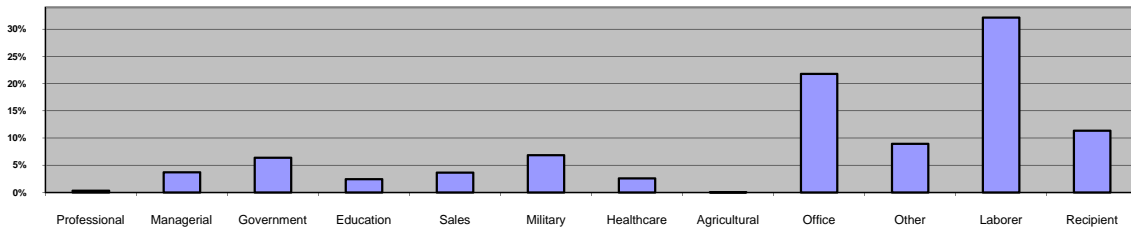
DDLA Consumers' -- Distribution by Monthly Income (Gross)



DDLA Consumers' Gross Monthly Incomes -- by Occupation<sup>5</sup>



DDLA Consumers' -- Distribution by Occupation

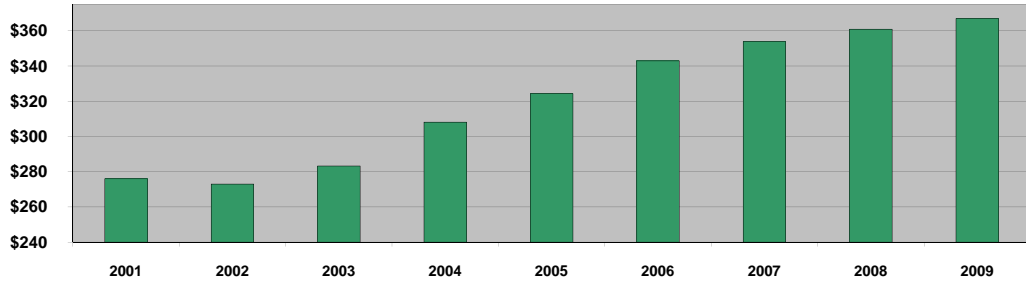


**III. DDLA Statistical Information -- The Loans**

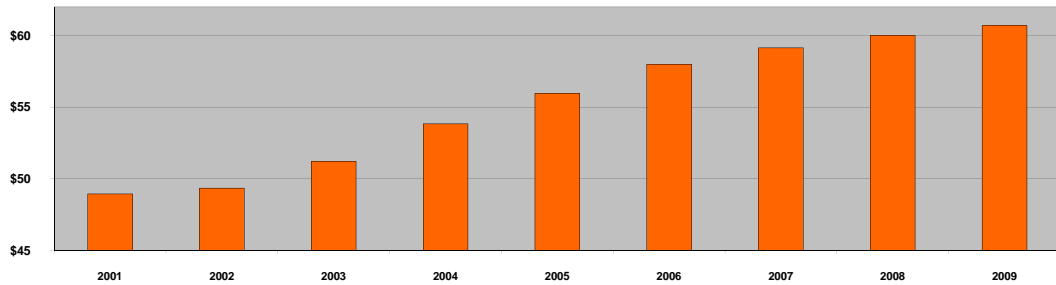
As of December 31, 2009, the "statistical" database consisted of 66,804 separate entries gathered during 2,296 examinations.

- The average Amount Financed ("borrowed") during 2009 was \$366.96.

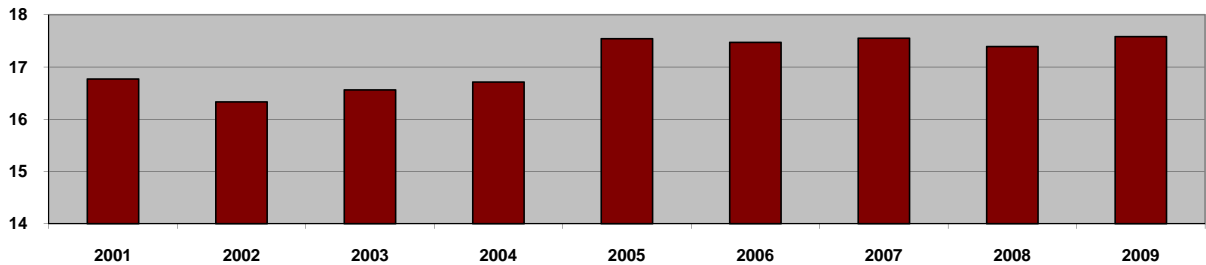
<sup>5</sup> In prior years, this report included the category of "military." There were, however, no "military" category payday loan consumers during calendar year 2008 or 2009 due to a 2007 federal law and regulations that cap interest rates at no more than 36% "military annual percentage rate (MAPR)" for payday loans, "auto title loans," and "tax refund anticipation loans" made to active-duty military service members and their dependants. Since October 2007, Colorado licensed payday lenders have not made payday loans to military service members rather than making them at the permitted maximum federal rates.



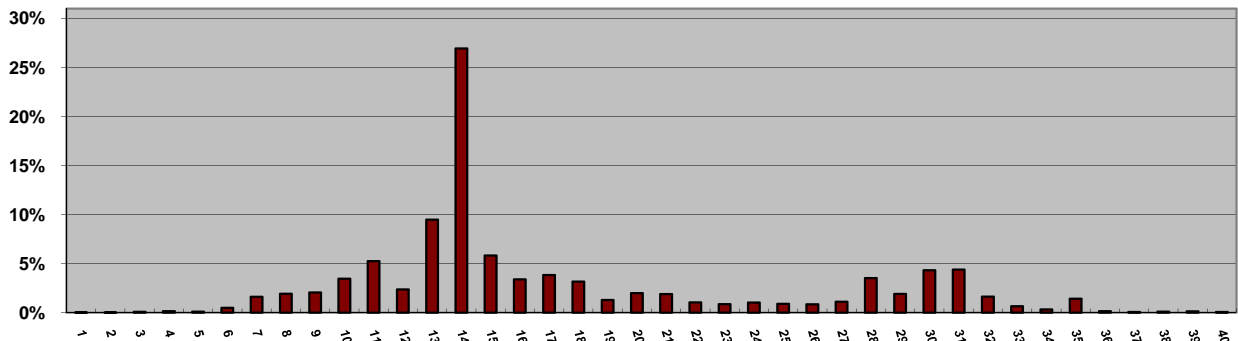
- The average Finance Charge during 2009 was \$60.68.



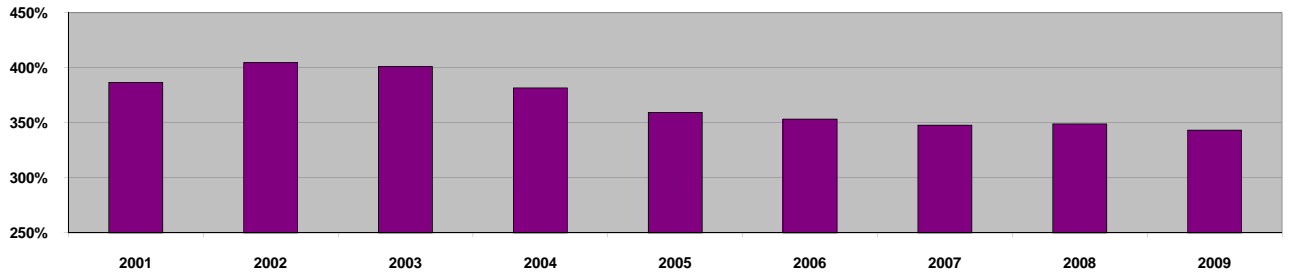
- The average loan Term during 2009 was 17.58 days. In 2009 54.01% of all loans were written for terms of fourteen days or less.



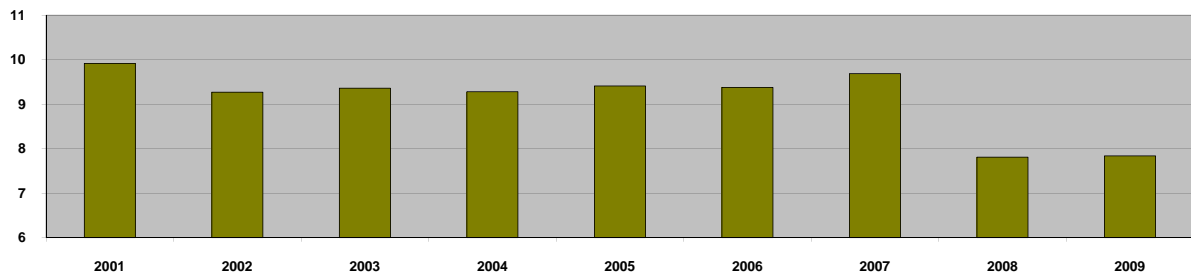
Distribution by Loan Term (number of Days) (Calendar Year 2009)



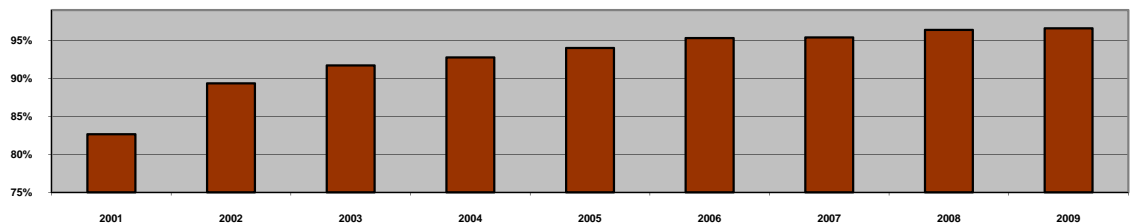
- In 2009, the above three factors (average Amount Financed, average Finance Charge, and Average Term) resulted in an average Annual Percentage Rate (APR) of 343.31% for payday loans.



- In 2009 consumers borrowed, on average, 7.84 loans (from the same lender) during the previous twelve months.



- In 2009, 96.59% of payday loans were written (contracted) at the maximum amount permitted in terms of the finance charge allowed by the law.

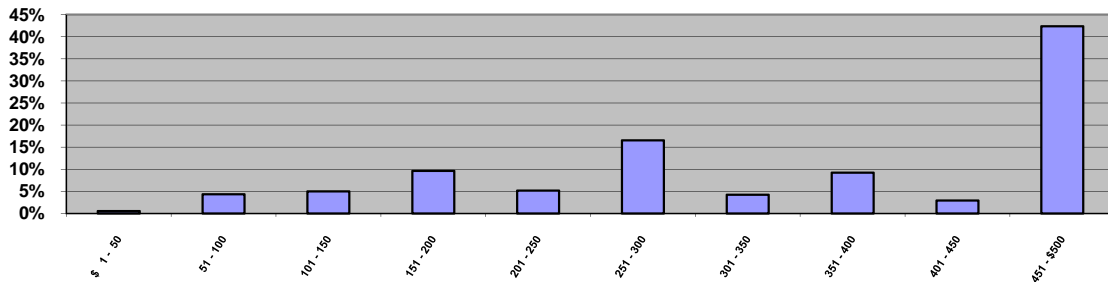


- Using the information above (average Amount Financed, average Finance Charge, average Term, and average Number of Loans) it can be calculated that during 2009 the "average" borrower paid about \$475.73 in total finance charges (7.84 x \$60.68) to have borrowed \$366.97 for a period of a little more than 4½ months (137.83 days -or- 7.84 x 17.58) at each location with which that consumer did business.



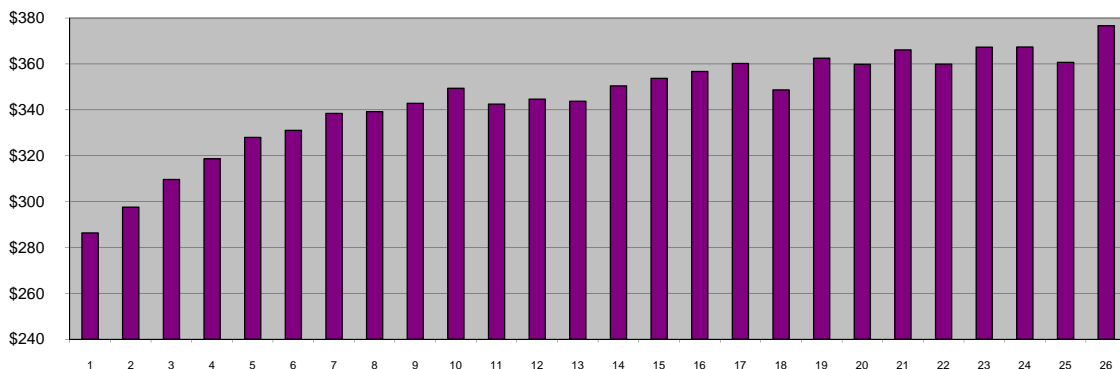
- The distribution of loan amounts is highly asymmetric. That is, the loan amounts written do not fit a "bell-curve-distribution model" around the average amount financed. For the most current year of 2009, the distribution of loan amounts graphs as follows:

Payday Loans, Distribution -by- Loan Amount Ranges (2009)



- Over the course of our review, smaller loans (i.e., loans of \$300 or less), that were once the predominant loan amounts, have been steadily diminishing while the larger loans (i.e., loans of \$400 or more) are being written with steadily increasing frequency. During 2009 loans of \$400 or more accounted for 52.75% of all payday loans written in Colorado, with the maximum loan amount permitted (of \$500) accounting for 40.58% of all payday loans written. (2006 was the first year since the adoption of the DDLA in which loans written for amounts of \$300 or less fell below 50% as a proportion of all loans written -- to 49.83%. In 2007 the percentage of loans written for amounts of \$300 or less was 45.62%. In 2008 the percentage of loans written for amounts of \$300 or less was 43.41%. In 2009 the percentage of loans written for loan amounts of \$300 or less continued to fall -- to 41.22% as a portion of all loans written.)
- Consumers who borrow most frequently from any particular payday lender receive, on average, larger loans in comparison to those consumers who borrow less frequently.

Average Amounts Financed -vs.- Consumer Frequency (number of loans) during the Prior 12 Months (Study-to-Date)



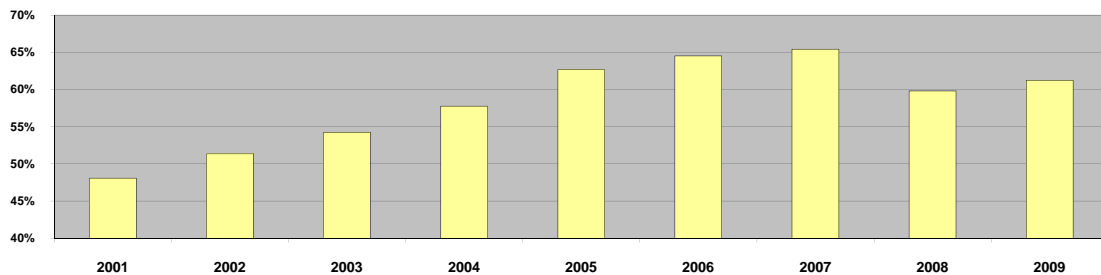
Consumer Frequency (number of loans) Over the Prior 12 Months -vs.- Loan Amount and Cost (Study-to-Date)

<u># of Loans, Prior 12 Months</u>	<u># of All Borrowers</u>	<u>Average Amount Financed</u>	<u>Average Finance Charge</u>
1 - 5 loans	26,664	\$ 304.68	\$ 53.05
6 - 10 loans	16,882	339.71	57.76
11 - 15 loans	12,139	345.96	58.51
16 - 20 loans	5,544	357.49	59.61
21 - 25 loans	3,966	364.49	60.61
26 + loans	1,629	335.58	55.64

**IIIa. DDLA Statistical Information -- Refinancing & Loan Frequency**

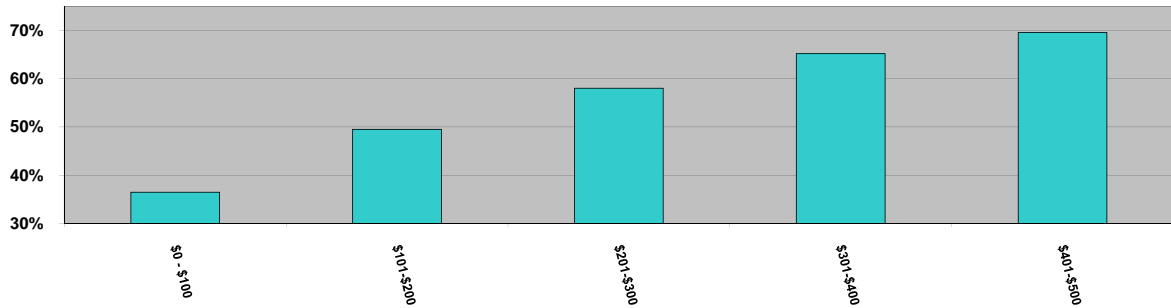
- In 2009 31.41% of all payday loan transactions were "true" refinances, while an additional 29.81% of all payday loan transactions were "same-day-as-payoff" loans (made by the very same lender, on the very same day that these same consumers paid a previous loan in full). "Same-day-as-payoff" loans are functionally similar to "refinance" transactions in so far as the financial impact to consumers and lenders is concerned. The combination of "true" refinance loans and "same-day-as-payoff loans" means that, in 2009 61.22% 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



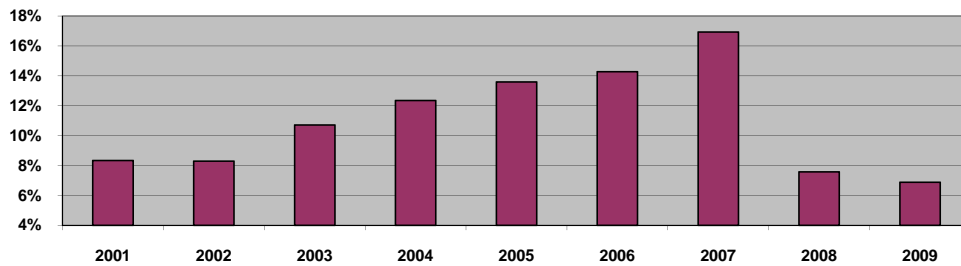
- There is a direct correlation between the amount borrowed and the chances that a loan will be "refinanced." Larger loans are more likely to be refinanced than smaller loans.

Percentage of loans (study to date) that were “Refinance-Type” Transactions, by Amount Financed



- In 2009, 6.88% of all payday lending consumers were in debt to the same lender every day of the preceding six months. These consumers accounted for 13.29% of the total payday loan volume (written during the prior twelve months).

Percentage of Consumers Indebted (to the Lender Being Examined) Every Day of the Prior 6 Months

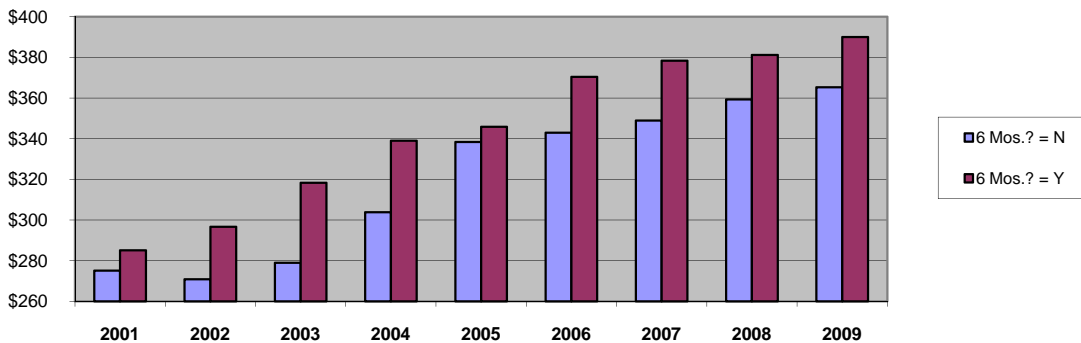


- Consumers who have been indebted every day of the prior six months transacted, on average, 18.08 separate loans during the previous twelve months with that same payday lender. These consumers also transact, on average, significantly larger loans than those consumers who have not been indebted every day of the prior six months.

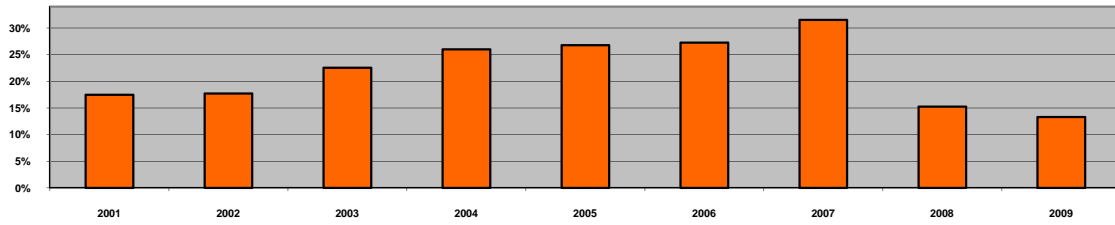
Average Amount Financed of Consumers Indebted Every Day of the Prior 6 Months

vs.

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

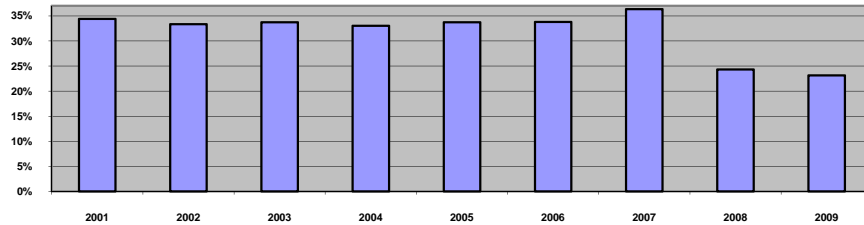


Percentage of Total DDLA Loan Volume Attributable to Consumers Indebted Every Day of the Prior 6 Months

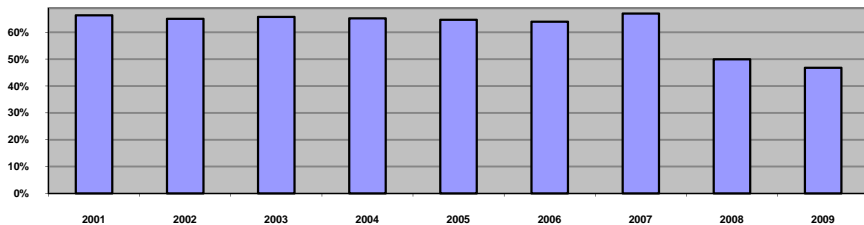


- In 2009 consumers with 12 or more loans in the preceding twelve months accounted for 46.79% of the total payday loan (unit) volume; consumers with 16 or more loans accounted for 23.91% of the total payday loan volume.

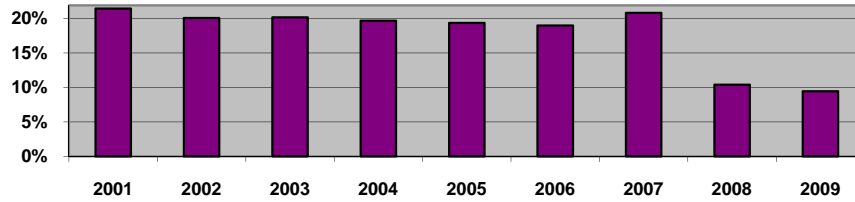
Percentage of Payday Loan Consumers Transacting 12 or More Loans During the Prior 12 Months



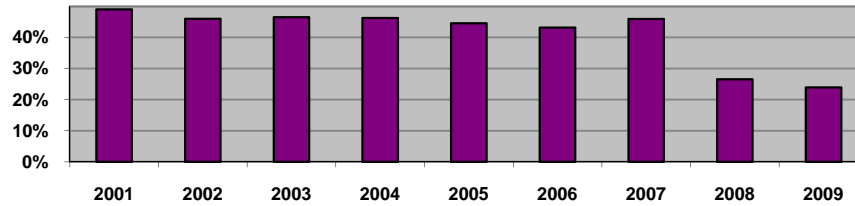
DDLA Loan Volume Attributable to Consumers Transacting 12 or More Loans During the Prior 12 Months



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

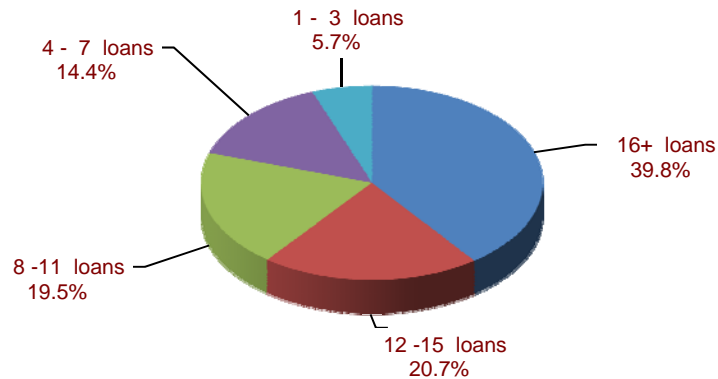


DDLA Loan Volume Attributable to Consumers Transacting 16 or More Loans During the Prior 12 Months



- 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 these proportions were significantly smaller, primarily due to the impact of "payment plans" discussed later in this report.

Percentage of Total DDLA Loan Unit Volume by Consumer Frequency (number of loans) Over the Prior 12 Months



<u># of Loans, Prior 12 Months</u>	<u># of All Borrowers</u>	<u>Total # of all Loans Transacted During the Prior 12 Months</u>
1 - 5 loans	26,644	71,528
6 - 10 loans	16,882	133,082
11 - 15 loans	12,139	153,862
16 - 20 loans	5,544	99,023
21 - 25 loans	3,966	90,861
26 + loans	1,629	47,206

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

### **IIIb. DDLA Statistical Information -- Payment Plans**

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

The law prohibits a lender from engaging in collection activities while a consumer make payments in accordance with a payment plan. It also prohibits the same lender or its affiliates from making any additional deferred deposit loans to the consumer prior to completion of the payment plan.

Due to the law's effective date and the four consecutive loan trigger, payment plan offers were generally required no earlier than September 1, 2007. Calendar year 2008 is, therefore, the first year in which the impact of HB 07-1261 could be measured.

The payment plan law resulted in significant changes to the policies and procedures of most payday lenders in Colorado. The majority of payday lenders have implemented new operating policies. These include "cooling-off" or "waiting" periods after a third consecutive payday loan or after every payday loan. These policies restrict a consumer from reaching the required four consecutive loans trigger before a payment plan must be offered. Other lenders require a cooling-off period upon completion of a payment plan or limit or prohibit entirely new loans after a consumer chooses a payment plan.

Because of the changes in the law and operating policies, the statistics beginning with 2008 are markedly different from previous years. 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 then fell a bit more in 2009. Other measures of long-term indebtedness have 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 2009 shows:<sup>6</sup>

- 33.2% of all payday loans written by Colorado payday lenders were eligible for a payment plan (i.e. were a fourth or greater consecutive loan)
- 13.7% of those eligible loans were converted into payment plans
- 4.6% of all payday loans made by Colorado payday lenders were converted into payment plans
- 24.0% of all payday loan consumers elected to convert one or more payday loans into payment plans
- 8.8% of all payday loan consumers elected to convert two or more payday loans into payment plans

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<sup>6</sup> Data gathered from compliance examinations is similar to the annual report data. Both the annual report and examination data include only payment plan data required by section 5-3.1-108, C.R.S. Payment plans offered when not required by state law such as those offered in compliance with best practices of industry trade associations, were not included.