

STATE OF COLORADO

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John W. Hickenlooper
Governor

June 4, 2015

The Honorable Colorado House of Representatives
State Capitol
200 E. Colfax Ave.
Denver, CO 80203

Dear Members of the Colorado House of Representatives:

Today, I vetoed House Bill 15-1390, "Concerning an Increase in the Allowable Finance Charge for Certain Consumer Credit Transactions," at 12:25pm

House Bill 15-1390 would raise the maximum amount of interest charged for a supervised loan or a consumer credit sale from 21 percent to 36 percent for loans between \$1,000 and \$3,000. HB 15-1390 would also increase, from 15 percent to 21 percent, the interest rate charged for loans and consumer credit sales between \$3,000 and \$5,000. These changes would result in a 200 percent increase in the loan amount allowed in the 36 percent interest rate tier and a two-thirds increase in the 21 percent interest rate tier. As a comparison, if an increase were made to reflect inflation over the last 15 years since the last rate adjustment, the increase would be estimated to be 41 percent for both tiers.

Over the past four years, Colorado emerged from an economic recession that had significant impacts on countless Colorado families. During that time, access to credit and capital became difficult; while many found themselves without steady income or the means to make ends meet. The Great Recession had lasting effects on the ability to borrow for many individuals. As Colorado families continue to recover from the the recession, we understand that a diverse offering of credit products provides viable options to help those who may still be improving their credit-worthiness.

While we certainly see the benefits of offering the loan and credit products that are considered in this legislation, it has not been clearly demonstrated that access to such loans is under threat. We are particularly struck by testimony from the Colorado Attorney General's office: "nothing in [the Attorney General's Office's] analysis has indicated that [this type of

consumer credit] is a product that is not available, or by changing the step rates will become available.”

Still, we are sensitive to the argument that there is a need to adjust the amount of interest charged for such loans after 15 years; however, we are not certain that the increase allowed in the legislation is the most appropriate. It is not unreasonable to expect that profits would be made from offering these loans and as noted, they can serve as an important resource for those with constrained credit.

Prior to approving any increase in the allowable amount of interest charged, we believe it is necessary to more fully explore and substantiate the claim that a change in the law is necessary for these products to be accessible. Colorado’s consumers deserve this clarity as they will ultimately carry the expense that would result from this legislation. After reviewing how many other states manage interest charged on similar loans in their states, we found that rate caps vary across states, and some, including Texas, have unique approaches to capping rates while allowing for adjustments based on widely accepted economic indicators such as the Consumer Price Index.

We understand the time and resource pressures of the legislature, especially at the end of our 120-day session, and we realize that the legislation moved very quickly before many interested parties could fully consider the full implications of this bill. After discussing this matter with sponsors of this legislation, we strongly encourage all stakeholders and the General Assembly to further review the problem that this legislation seeks to solve and, if necessary, contemplate a reasoned approach to determining any merited increase in interest rates that would ultimately affect the bottom line of Colorado families.

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Hickenlooper", written in a cursive style.

John W. Hickenlooper
Governor