



Ethics Watch

\$HARK ATTACK

**Predatory Lender Influence
in Colorado Politics**

\$hark Attack

Predatory Lender Influence in Colorado Politics

April 2016

Subprime lenders, including payday lenders and lenders called “supervised lenders” because they are non-bank lenders regulated by the Colorado Attorney General, charge above-market interest on small short-term loans. Consumer installment loans, payday loans, and other short-term, high-interest loans have been shown to trap consumers in a cycle of debt. Fees, credit insurance charges and high interest lead people to continue taking out loans of ever-increasing size with unfavorable terms, giving rise to the term “predatory lender” to describe the lenders engaged in this industry. In 2010, state lawmakers took steps to protect Coloradans by passing laws that “reduced the fees on payday loans; extended the length of the loans to a minimum of six months; authorized installment payments allowed borrowers to repay them early without penalty; and required all fees to be refunded on a pro-rated bases, depending on how long the loan was outstanding”.¹ As reported by the Colorado Attorney General and Pew Charitable Trust, fewer Coloradans are being sucked into the cycle of debt as a result of the consumer protection reforms.²

Subprime lenders are seeking new ways to roll back consumer protections in Colorado (Appendix). With one week remaining in the 2015 legislative session, Colorado state legislators passed [House Bill 15-1390²](#), which would have increased the scope of loans subject to high interest rates. House Bill 15-1390, introduced on a fast track late in the session, would have changed the sliding scale to allow 36% interest rates up to the first \$3,000 instead of the current \$1,000 limit, with corresponding increases for loans up to \$5,000. The effect of this bill would have been to raise the blended interest rate applicable to loans of more than \$1,000.

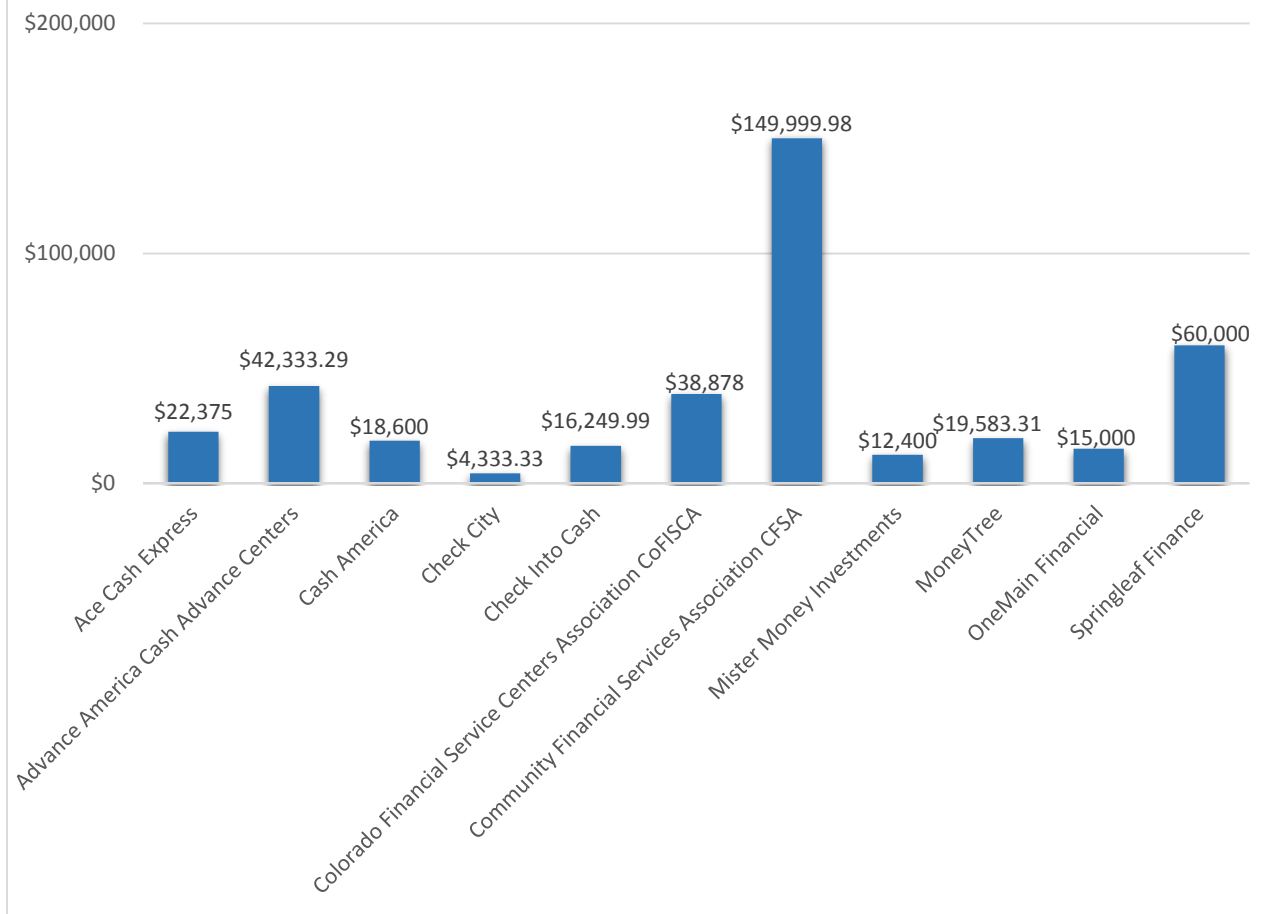
The legislation sailed through the House with little debate, narrowly passed the Senate, and ultimately was vetoed by Governor John Hickenlooper. Governor Hickenlooper’s [veto message](#) noted the “time and resource pressures on the legislature, especially at the end of our

120-day session” and the fact that “the legislation moved very quickly before many interested parties could fully consider the implications of this bill.”³ Governor Hickenlooper’s words were diplomatic. House Bill 15-1390 was a giveaway to lenders, tripling the size of loans that could carry the maximum 36% APR interest rate. Its rush through the legislature in the waning days of the session seemed to indicate that lobbyists and legislators understood the bill would not be popular if it was subjected to a full hearing on a regular schedule.

In 2016, the industry took a different approach. [Senate Bill 16-185](#)⁴ also raises the blended interest rate on subprime loans by increasing loan sizes subject to high interest rates. While the initial increase that would be permitted if SB 16-185 passes is smaller than the increase House Bill 15-1390 would have authorized, lenders would be able to continually increase loan sizes subject to 36% APR because the cap number would be indexed to inflation. As a result, the effective interest rate for loans greater than \$1,000 would continue to increase as inflation increases, trapping greater numbers of Coloradans in the cycle of debt.

Spurred by these incidents, Colorado Ethics Watch investigated lobbying spending and campaign contributions by the major proponents of House Bill 15-1390, Springleaf Finance and Independent Bankers of Colorado, along with other organizations known to be involved in subprime lending from their participation in lobbying on the 2010 payday lending reforms. These lenders and their associated PACs spent more than \$730,000 on lobbying from fiscal year 2012 through 2015. Independent Bankers of Colorado, an organization representing small local banks throughout the state, spent the most on lobbying, followed by the political arm of the national subprime lending industry, Community Financial Services Association. The Independent Bankers of Colorado, however, appear to have lobbied during the relevant time period on only one bill related to predatory lending – House Bill 15-1390. Therefore, Independent Bankers of Colorado, which spent approximately \$330,000 on lobbying according to Secretary of State records, is omitted from the chart below.

What Predatory Lenders Paid Lobbyists in Colorado from 2012-2015



In addition to lobbying, subprime and payday lenders gave \$126,925.01 in contributions to various candidates and committees between 2012 and 2015. For example, industry participants and associated groups such as political action committees gave \$32,526.32 in contributions to legislators in the 2016 Colorado General Assembly. Even though political contribution amounts were not large due to Colorado’s strict campaign contribution limits, they were widely distributed among members of the 2016 legislature. More than two-thirds of the 2016 legislature, including 37 Democrats and 31 Republicans, received contributions from industry participants or their associated PACs. Democrats received \$16,565.02 while Republicans received \$15,961.30. Democratic Senator Mary Hodge received the most contributions from predatory lenders, \$2,433.33, followed by Democratic Senator Linda Newell

at \$2,416.67. Interestingly, Senator Hodge voted No on industry-friendly HB 15-1390. Thirty-two legislators did not receive any contributions from predatory lenders.

***Top Twelve Legislators & Associated Leadership PACs
Receiving Contributions From Predatory Lenders***

2016 Colorado State Legislators	Party	Vote HB15-1390	Contributions from Predatory Lenders
Mary Hodge	Democrat	No	\$2,433.33
Linda Newell	Democrat	Yes	\$2,416.67
Lang Sias	Republican	Yes	\$1,766.67
Owen Hill	Republican	Yes	\$1,600.00
Angela Williams	Democrat	Yes	\$1,523.33
Crisanta Duran	Democrat	Yes	\$1,458.33
Kevin Priola	Republican	Yes	\$1,383.33
Polly Lawrence	Republican	Yes	\$1,016.67
Daniel Nordberg	Republican	Yes	\$933.34
Chris Holbert	Republican	Yes	\$900.00
Millie Hamner	Democrat	Yes	\$783.33
J Paul Brown	Republican	Yes	\$708.32

Businesses spend money on lobbying and campaigns as an investment to help their bottom line. In the case of subprime and payday lenders, the potential return from these investments is large. Coloradans and their legislators need to be informed about ongoing attempts of lenders to undermine hard-won Colorado consumer protection laws and increase the number of Coloradans brought into the cycle of debt.

^{1,2} Jones, R. & Fowler, C., “Colorado’s payday loan reforms seem to be working,” *The Denver Post*, November 22, 2013, http://www.denverpost.com/opinion/ci_24582759/colorados-payday-loan-reforms-seem-to (Accessed April 18, 2016)

³ 70th Colorado General Assembly, House Bill 15-1390 http://www.leg.state.co.us/clics/clics2015a/csl.nsf/fsbillcont/9218D5A831E576B487257DFF0059156D?Open&file=1390_enr.pdf (Accessed April 18, 2016)

⁴ Governor Hickenlooper’s HB15-1390 veto message, https://www.colorado.gov/pacific/sites/default/files/atoms/files/VetoLetter_HB15-1390.pdf (Accessed April 18, 2016)

⁵ 70th Colorado General Assembly, Senate Bill 16-185 http://www.leg.state.co.us/CLICS/CLICS2016A/csl.nsf/fsbillcont3/C0E0ED6E753420EF87257F8600563B0A?Open&file=185_01.pdf (Accessed April 18, 2016)

Appendix
Subprime Lenders & Lobbyists Involved in Colorado Politics 2012-2015

Predatory Lender	Political Entity	Hired Lobbyist	Associated individual who made political contributions
<i>Ace Cash Express</i>	N/A	Axiom Strategies Inc	N/A
<i>Advance America Cash Advance Centers</i>	Advance America Cash Advance Centers Inc PAC Community Financial Services of America	Brandberry McKenna Public Affairs EIS Solutions Inc	Lindsey Zimmerman (State Director) Abby Jones
<i>Cash America</i>	Cash America International Inc PAC	Axiom Strategies Inc	N/A
<i>Check City</i>	Community Financial Services of America	Brandberry McKenna Public Affairs	Todd Rawle (Vice President)
<i>Check Into Cash</i>	Community Financial Services of America	Brandberry McKenna Public Affairs EIS Solutions Inc.	William Jones (Founder) Abby Jones John Jones Courtney Pendergrass
<i>EZCorp Inc</i>	EZCorp Inc PAC	None	N/A
<i>Mister Money Investments</i>	N/A	Ralph Will (Lobbyist & CEO)	N/A
<i>MoneyTree</i>	Community Financial Services of America	Brandberry McKenna Public Affairs EIS Solutions Inc	Dennis Bassford (Founder)
<i>OneMain Financial</i>	N/A	Axiom Strategies Inc	N/A
<i>QC Holdings Inc</i>	QC Holdings Inc PAC Community Financial Services of America	N/A	N/A
<i>Speedy Cash/ Tiger Financial</i>	Community Financial Services of America	N/A	Doug Rippel (Founder) Thomas Steele (CEO)
<i>Springleaf Finance</i>	N/A	Colorado Communique Inc Megan Dubray (Lobbyist)	N/A
<i>Various Financial Institutions in Colorado</i>	Colorado Financial Service Centers Association (CoFISCA)	Capitol Focus LLC Colorado Communique Inc Roberta Kirscht Robinette Inc	N/A
<i>Various Financial Institutions in Colorado</i>	Independent Bankers of Colorado Colorado Independents PAC (COINPAC)	Barbara Walker (Lobbyist & Executive Director) The Capstone Group LLC Mary Marchun (Lobbyist)	N/A
<i>Various Financial Institutions around the nation</i>	Community Financial Services Association (CFSA)	Brandberry McKenna Public Affairs EIS Solutions Inc High Point Public Affairs	N/A