

12-7-2022

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Issac Hernandez-Alcaraz

University of Nevada, Las Vegas, issac.hernandez-alcaraz@unlv.edu

Vanessa M. Booth

University of Nevada, Las Vegas, vanessa.booth@unlv.edu

Katie M. Gilbertson

University of Nevada, Las Vegas, katelin.gilbertson@unlv.edu

Caitlin J. Saladino

Brookings Mountain West & The Lincy Institute, caitlin.saladino@unlv.edu

William E. Brown Jr.

Brookings Mountain West, william.brown@unlv.edu

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Repository Citation

Hernandez-Alcaraz, I., Booth, V. M., Gilbertson, K. M., Saladino, C. J., Brown, W. E. (2022). Payday Loans in the Mountain West, 2022. *Economic Development & Workforce Fact Sheet No. 55* 1-2.

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PAYDAY LOANS IN THE MOUNTAIN WEST, 2022

Economic Development & Workforce Fact Sheet No. 55 | December 2022

Prepared by: Issac Hernandez-Alcaraz, Vanessa M. Booth, Katie M. Gilbertson, Caitlin J. Saladino, and William E. Brown, Jr.

PURPOSE:

This fact sheet examines data on payday loans, produced by the Pew Charitable Trusts.¹ We examine payday lending costs, most common loan type, and the average annual percentage rate in the Mountain West (Arizona, Colorado, Nevada, New Mexico, and Utah), and include specific analysis on differences between the states by regulatory category.

ABOUT THE DATA:

Pew Charitable Trusts collects payday loan data to examine consumer credit protection in the United States. In response to individual states enacting comprehensive payday reforms, the original report gathers 2022 data from the 32 states that allow payday lending, including the Mountain West states of Colorado, Nevada, and Utah.² Arizona and New Mexico are included in this report, but there are no specific data presented for these two states, since they do not allow payday lending. Pew combined data from regulators in each of the 32 states along with pricing from the nation's six largest payday lenders to create the original dataset. Loan advertisements revealed the types of loans available in each state, their associated costs, and any consumer protections that apply.

This fact sheet examines four criteria: average costs to borrow, average annual percentage rate, availability of credit safeguards, and types of loans offered. Average cost to borrow is calculated based on the average annual percentage rate (APR) of a loan.³ For instance, over a 4-month period in Nevada, a borrower of \$500 accrues a cost of \$924 at an APR of 602 percent. Availability of credit safeguards refers to the state's restriction on permissible APRs, types of loans offered, and frequency of using a payday loan lender. Finally, types of loans offered refers to the most common type of loan in each state, which is either an installment loan or a single-payment loan.

KEY FINDINGS:

1. Washington, D.C. and 18 states – including Arizona and New Mexico in the Mountain West – have legislation prohibiting or restricting high-cost small loans.
2. Nevada has the highest average cost in the Mountain West (\$924) to borrow \$500, or the maximum amount allowed for a four-month single-payment loan. Colorado has the lowest average cost (\$110).
3. Colorado's most common loan type is an installment loan. Colorado is the only state in the Mountain West with reformed consumer protections for payday loans. Nevada and Utah's most common loan type is single-payment loans with fewer safeguards than some states.

Table 1 displays each Mountain West state, the type of consumer protection available, the average cost to borrow \$500 or the maximum loan allowed for four months, and the average annual percentage rate. If such information is not available, the most common loan product in a state is determined by using the loan volume or using the most

¹ The Pew Charitable Trusts "Payday Loans Cost 4 Times More in States With Few Consumer Protection's," 2022. www.pewtrusts.org/en/research-and-analysis/issue-briefs/2022/04/payday-loans-cost-4-times-more-in-states-with-few-consumer-protections

² Ibid.

³ The annual percentage rate (APR), which adds up to the overall cost of the loan, is the percentage of interest that the borrower must pay on the loan.

recent regulatory data. If a state has not released any regulatory data in the previous three years, the most popular loan product is determined by identifying the type of loan offered by the greatest number of payday lenders. The average cost of a payday loan is calculated using the advertised pricing of the most popular product by the same group of payday lenders.

Table 1: Regulatory Category, Most Common Loan Type, Average Cost to Borrow, & Average APR Charged for Payday Loans in the Mountain West, 2022

State	Consumer Protection Category	Most Common Loan Type	Average cost to borrow \$500 or max. loan allowed for 4 months	Average APR Charged
Arizona	Restrictive	N/A	N/A	N/A
Colorado	Reformed	Installment Loan	\$110	114%
Nevada	Few Safeguards	Single-Payment Loan	\$924	602%
New Mexico	Restrictive	N/A	N/A	N/A
Utah	Few Safeguards	Single-Payment Loan	\$850	554%

* Adapted from *The Pew Charitable Trusts*, "Payday Loans Cost 4 Times More in States With Few Consumer Protections," 2022. www.pewtrusts.org/en/research-and-analysis/issue-briefs/2022/04/payday-loans-cost-4-times-more-in-states-with-few-consumer-protections

Table 2 explains the differences between consumer protection categories and which Mountain West states fall within those categories. Arizona and New Mexico are the only two states in the Mountain West with strong laws prohibiting high-cost small loans or set low-rate limits and are placed in the "restrictive" category; New Mexico enacted a change in state law that will take effect January 1, 2023 making it a restrictive state. In Colorado, voters approved a ballot proposal in 2018 that changed the law governing payday lenders, resulting in slightly lower fees than from 2010 to 2018, which were in turn nearly three times cheaper than before 2010. Loans are still repayable in equal installments under Colorado's new law.

Table 2: Consumer Protections Category Definitions and Mountain West States, 2022

Consumer Protection Category	Mountain West State	Description
Reformed	Colorado	The state has prices that are meaningfully lower than average, credit is widely available, and rules to ensure that borrowers have adequate time to repay in affordable installments.
Some Safeguards	N/A	The state requires lower-than-average prices and provides some protections against high costs or repeated usage.
Few Safeguards	Nevada	The state allows: lending without meaningful protections to ensure affordable payments; APRs over 250%; some single-payment loans; and repeat usage of single-payment loans.
	Utah	
Restrictive	Arizona	The state has strong laws that bar payday lender from operating.
	New Mexico	

* Adapted from *The Pew Charitable Trusts*, "Payday Loans Cost 4 Times More in States With Few Consumer Protections," 2022. www.pewtrusts.org/en/research-and-analysis/issue-briefs/2022/04/payday-loans-cost-4-times-more-in-states-with-few-consumer-protections