

**First Regular Session
Seventy-fourth General Assembly
STATE OF COLORADO**

INTRODUCED

LLS NO. 23-0703.01 Christopher McMichael x4775

HOUSE BILL 23-1162

HOUSE SPONSORSHIP

Woodrow,

SENATE SPONSORSHIP

Rodriguez,

House Committees
Business Affairs & Labor

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING THE REGULATION OF CONSUMER LEGAL FUNDING**
102 **TRANSACTIONS.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov>.)

The bill establishes the "Colorado Consumer Legal Funding Act" (act). A consumer legal funding transaction occurs when a consumer legal funding company (company) purchases, for an amount not to exceed \$500,000, an interest in an individual's (consumer) associated legal claim. The money provided by the company must be repaid from the proceeds, if any, resulting from the settlement or judgment of the consumer's

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
*Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.*

associated legal claim. The company may also receive a funding fee as part of the contract. The funding fee may not exceed 36% of the funded amount. The money provided to a consumer is meant to cover living expenses while the consumer awaits resolution of the associated legal claim.

The bill provides the requirements for a consumer legal funding contract. A consumer legal funding contract is satisfied when a consumer's associated legal claim has been resolved or settled. The consumer must pay the company a predetermined amount, as specified in the contract, and the amount may not be calculated as a percentage of the judgment or settlement. The consumer is not required to repay the company if the consumer does not prevail on or settle the consumer's associated legal claim. The bill also details disclosures that are required as part of a consumer legal funding contract.

The bill prohibits certain actions of consumer legal funding companies and describes how these companies are regulated by the attorney general's office, including registration requirements and associated registration fees and surcharges. The registration fees are credited to a new consumer legal funding cash fund and used to pay the attorney general's costs to implement and administer the bill. The surcharges are credited to the Colorado identity theft and financial fraud cash fund for use in enforcing the "Identity Theft and Financial Fraud Deterrence Act".

The attorney general may fine a company, suspend or revoke a company's license, or prohibit a company from recovering funding fees for violating the bill.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1. Legislative declaration.** (1) The general assembly
3 finds and declares that:

4 (a) Coloradans faced with lengthy legal battles as a result of an
5 accident or injury often encounter difficulties in paying for rent, bills,
6 groceries, and other everyday living expenses. Court cases and legal
7 settlements can take years to resolve, and Coloradans in these situations
8 often need funds immediately in order to pay their everyday living
9 expenses.

10 (b) Traditional lending and loan products fail to address this need

1 because the consumer's credit history, current compensation, and job
2 history are used as deciding factors for approval. These products also
3 require a consumer to make periodic payments during the course of
4 litigation.

5 (c) As a result, throughout litigation, many Coloradans who do not
6 qualify for traditional lending products are forced to rely on public
7 assistance for support. It is critical that Coloradans have access to a
8 nonrecourse source of funding in advance of a legal settlement.

9 (d) Consumer legal funding allows Coloradans in litigation as a
10 result of an accident or injury to immediately access funds to support their
11 everyday needs while the litigation is pending. Consumer legal funding
12 would be available only to consumers who are in litigation, and these
13 funds may not be used to pay for any costs or fees associated with the
14 consumer's litigation.

15 (2) Therefore, the general assembly declares that it is prudent for
16 the state to regulate consumer legal funding to ensure its availability to
17 Coloradans and to create adequate consumer protections for Coloradans
18 that use the product.

19 **SECTION 2.** In Colorado Revised Statutes, **add** article 9.6 to title
20 5 as follows:

21 **ARTICLE 9.6**

22 **Consumer Legal Funding Transactions**

23 **5-9.6-101. Short title.** THE SHORT TITLE OF THIS ARTICLE 9.6 IS
24 THE "COLORADO CONSUMER LEGAL FUNDING ACT".

25 **5-9.6-102. Definitions.** AS USED IN THIS ARTICLE 9.6, UNLESS THE
26 CONTEXT OTHERWISE REQUIRES:

27 (1) "ADVERTISE" MEANS TO PUBLISH, DISPLAY, OR DISSEMINATE

1 INFORMATION, SIGNS, OR MARKINGS IN PUBLIC; IN ANY NEWSPAPER,
2 MAGAZINE, DIRECTORY, OR OTHER PRINTED COMMUNICATION; OR ON
3 RADIO, TELEVISION, THE INTERNET, OR OTHER COMMUNICATIONS MEDIA
4 FOR THE PURPOSE OF INDUCING A CONSUMER TO ENTER INTO A CONSUMER
5 LEGAL FUNDING CONTRACT.

6 (2) "ASSOCIATED LEGAL CLAIM" MEANS A BONA FIDE CIVIL CLAIM
7 OR CAUSE OF ACTION, THE POTENTIAL PROCEEDS OF WHICH ARE THE
8 SUBJECT OF A CONSUMER LEGAL FUNDING TRANSACTION.

9 (3) "CONSUMER" MEANS A NATURAL PERSON WHO HAS A PENDING
10 ASSOCIATED LEGAL CLAIM AND WHO RESIDES OR IS DOMICILED IN
11 COLORADO.

12 (4) (a) "CONSUMER LEGAL FUNDING COMPANY" OR "COMPANY"
13 MEANS A PERSON THAT ENTERS INTO A CONSUMER LEGAL FUNDING
14 TRANSACTION WITH A CONSUMER.

15 (b) "CONSUMER LEGAL FUNDING COMPANY" DOES NOT INCLUDE:

16 (I) AN IMMEDIATE FAMILY MEMBER OF THE CONSUMER;

17 (II) A FINANCIAL INSTITUTION THAT DOES NOT PROVIDE CONSUMER
18 LEGAL FUNDING TRANSACTIONS;

19 (III) A BANK, A LENDER, A FINANCING ENTITY, OR OTHER SPECIAL
20 PURPOSE ENTITY:

21 (A) THAT PROVIDES FINANCING TO A CONSUMER LEGAL FUNDING
22 COMPANY; OR

23 (B) TO WHICH A CONSUMER LEGAL FUNDING COMPANY GRANTS A
24 SECURITY INTEREST OR TRANSFERS ANY RIGHTS OR INTEREST IN A
25 CONSUMER LEGAL FUNDING TRANSACTION; OR

26 (IV) AN ATTORNEY OR ACCOUNTANT WHO PROVIDES SERVICES TO
27 A CONSUMER.

1 (5) "CONSUMER LEGAL FUNDING CONTRACT" OR "FUNDING
2 CONTRACT" MEANS A CONTRACT THAT ESTABLISHES MUTUALLY BINDING
3 TERMS BETWEEN PARTIES TO A CONSUMER LEGAL FUNDING TRANSACTION.

4 (6) "CONSUMER LEGAL FUNDING TRANSACTION" OR "FUNDING
5 TRANSACTION" MEANS A NONRECOURSE TRANSACTION IN AN AMOUNT
6 THAT DOES NOT EXCEED FIVE HUNDRED THOUSAND DOLLARS AND IN
7 WHICH A COMPANY PURCHASES AND A CONSUMER TRANSFERS TO THE
8 COMPANY AN UNVESTED, CONTINGENT FUTURE INTEREST IN THE
9 POTENTIAL NET PROCEEDS OF A SETTLEMENT OR JUDGMENT OBTAINED
10 FROM THE CONSUMER'S ASSOCIATED LEGAL CLAIM.

11 (7) (a) "FUNDED AMOUNT" MEANS THE AMOUNT OF MONEY
12 PROVIDED TO, OR ON BEHALF OF, A CONSUMER PURSUANT TO A CONSUMER
13 LEGAL FUNDING CONTRACT.

14 (b) "FUNDED AMOUNT" DOES NOT INCLUDE A FUNDING FEE.

15 (8) "FUNDING DATE" MEANS THE DATE ON WHICH A FUNDED
16 AMOUNT IS:

17 (a) TRANSFERRED TO A CONSUMER BY A CONSUMER LEGAL
18 FUNDING COMPANY BY PERSONAL DELIVERY OR VIA WIRE, ELECTRONIC
19 FUND TRANSFER, OR OTHER ELECTRONIC MEANS; OR

20 (b) MAILED TO THE CONSUMER BY INSURED, CERTIFIED, OR
21 REGISTERED UNITED STATES MAIL.

22 (9) "FUNDING FEE" MEANS A FEE CHARGED BY A CONSUMER LEGAL
23 FUNDING COMPANY IN ASSOCIATION WITH A FUNDED AMOUNT.

24 (10) "IMMEDIATE FAMILY MEMBER" MEANS AN INDIVIDUAL WHO
25 IS RELATED TO A CONSUMER BY BLOOD, MARRIAGE, CIVIL UNION, OR
26 ADOPTION.

27 (11) "RESOLUTION AMOUNT" MEANS A FUNDED AMOUNT PLUS THE

1 AMOUNT OF THE ASSOCIATED FUNDING FEE.

2 (12) "RESOLUTION DATE" MEANS THE DATE UPON WHICH A
3 RESOLUTION AMOUNT IS DELIVERED TO A CONSUMER LEGAL FUNDING
4 COMPANY.

5 **5-9.6-103. Registration required - application - fees -**
6 **surcharge - forms - hearing.** (1) (a) ON OR AFTER FEBRUARY 1, 2024,
7 A COMPANY SHALL NOT ENGAGE IN THE BUSINESS OF ADVERTISING OR
8 SELLING CONSUMER LEGAL FUNDING TRANSACTIONS IN THIS STATE UNLESS
9 IT IS REGISTERED PURSUANT TO THIS ARTICLE 9.6.

10 (b) A CONSUMER LEGAL FUNDING COMPANY THAT IS REGISTERED
11 WITH THE ATTORNEY GENERAL AS A SUPERVISED LENDER PURSUANT TO
12 SECTION 5-2-302 PRIOR TO FEBRUARY 1, 2024, MAY ENGAGE IN CONSUMER
13 LEGAL FUNDING TRANSACTIONS WHILE THE COMPANY'S REGISTRATION IS
14 AWAITING APPROVAL BY THE ATTORNEY GENERAL.

15 (2) (a) A COMPANY MUST APPLY FOR REGISTRATION IN THE
16 MANNER PRESCRIBED BY THE ATTORNEY GENERAL BY RULE PURSUANT TO
17 SECTION 5-9.6-114. EACH APPLICATION MUST CONTAIN THE INFORMATION
18 THE ATTORNEY GENERAL REQUIRES TO MAKE AN EVALUATION OF THE
19 FINANCIAL RESPONSIBILITY AND THE CHARACTER AND FITNESS OF THE
20 APPLICANT COMPANY. A COMPANY THAT OPERATES MULTIPLE LOCATIONS
21 MUST APPLY FOR A SEPARATE REGISTRATION FOR EACH LOCATION. A
22 REGISTRATION IS VALID FOR TWO YEARS.

23 (b) THE APPLICATION FEE, INCLUDING THE FEE FOR A RENEWAL
24 APPLICATION, IS ONE THOUSAND FIVE HUNDRED DOLLARS PER LOCATION,
25 WHICH INCLUDES A MANDATORY TWO-HUNDRED-DOLLAR SURCHARGE.
26 THE ATTORNEY GENERAL SHALL TRANSMIT THE TWO-HUNDRED-DOLLAR
27 SURCHARGE TO THE STATE TREASURER FOR DEPOSIT IN THE COLORADO

1 IDENTITY THEFT AND FINANCIAL FRAUD CASH FUND ESTABLISHED IN
2 SECTION 24-33.5-1707 AND SHALL TRANSMIT THE REMAINDER OF THE
3 APPLICATION OR RENEWAL FEE TO THE STATE TREASURER FOR DEPOSIT IN
4 THE CONSUMER LEGAL FUNDING CASH FUND CREATED IN SECTION
5 5-9.6-113.

6 (3) THE ATTORNEY GENERAL SHALL NOT ISSUE A REGISTRATION TO
7 A COMPANY UNTIL THE ATTORNEY GENERAL FINDS, FOLLOWING AN
8 INVESTIGATION, THAT THE FINANCIAL RESPONSIBILITY AND THE
9 CHARACTER AND FITNESS OF THE APPLICANT COMPANY, AND OF THE
10 MANAGERS, PARTNERS, OFFICERS, AND DIRECTORS OF THE COMPANY,
11 WARRANT BELIEF THAT THE COMPANY WILL BE OPERATED HONESTLY AND
12 FAIRLY IN ACCORDANCE WITH THIS ARTICLE 9.6.

13 (4) THE ATTORNEY GENERAL MAY REQUIRE EACH APPLICANT TO
14 SUBMIT WITH ITS APPLICATION A BOND SATISFACTORY TO THE ATTORNEY
15 GENERAL IN AN AMOUNT NOT TO EXCEED FIFTY THOUSAND DOLLARS. THE
16 TERMS OF THE BOND MUST RUN CONCURRENT WITH THE PERIOD OF TIME
17 DURING WHICH THE REGISTRATION WILL BE IN EFFECT. THE BOND MUST
18 STIPULATE THAT THE REGISTRANT WILL FAITHFULLY COMPLY WITH THIS
19 ARTICLE 9.6 AND WITH ALL RULES PROMULGATED BY THE ATTORNEY
20 GENERAL PURSUANT TO SECTION 5-9.6-114.

21 (5) (a) UPON WRITTEN REQUEST TO THE ATTORNEY GENERAL, AN
22 APPLICANT IS ENTITLED TO A HEARING CONCERNING THE DENIAL OF THE
23 APPLICANT'S REGISTRATION AS PROVIDED IN SECTION 24-4-104 IF:

24 (I) THE ATTORNEY GENERAL HAS NOTIFIED THE APPLICANT IN
25 WRITING THAT THE APPLICATION HAS BEEN DENIED; OR

26 (II) THE ATTORNEY GENERAL HAS NOT ISSUED A REGISTRATION
27 WITHIN SIXTY DAYS AFTER THE APPLICATION FOR THE REGISTRATION WAS

1 FILED.

2 (b) A REQUEST FOR A HEARING MAY NOT BE MADE MORE THAN
3 SIXTY DAYS AFTER THE ATTORNEY GENERAL HAS NOTIFIED THE APPLICANT
4 IN WRITING THAT THE ATTORNEY GENERAL HAS DENIED THE APPLICATION.
5 THE ATTORNEY GENERAL SHALL INCLUDE IN THE NOTICE THE SUBSTANCE
6 OF THE FINDINGS SUPPORTING THE DENIAL OF THE APPLICATION.

7 **5-9.6-104. Consumer legal funding companies - prohibited**
8 **acts.** (1) A CONSUMER LEGAL FUNDING COMPANY SHALL NOT:

9 (a) PAY OR OFFER TO PAY A COMMISSION, REFERRAL FEE, REBATE,
10 OR OTHER FORM OF CONSIDERATION TO ANY ATTORNEY, LAW FIRM,
11 MEDICAL PROVIDER, CHIROPRACTOR, OR PHYSICAL THERAPIST OR TO ANY
12 EMPLOYEE OF AN ATTORNEY, LAW FIRM, MEDICAL PROVIDER,
13 CHIROPRACTOR, OR PHYSICAL THERAPIST IN EXCHANGE FOR REFERRING A
14 CONSUMER TO THE COMPANY;

15 (b) ACCEPT A COMMISSION, REFERRAL FEE, REBATE, OR OTHER
16 FORM OF CONSIDERATION FROM AN ATTORNEY, LAW FIRM, MEDICAL
17 PROVIDER, CHIROPRACTOR, OR PHYSICAL THERAPIST OR FROM ANY
18 EMPLOYEE OF AN ATTORNEY, LAW FIRM, MEDICAL PROVIDER,
19 CHIROPRACTOR, OR PHYSICAL THERAPIST;

20 (c) INTENTIONALLY ADVERTISE MATERIALLY FALSE OR
21 MISLEADING INFORMATION REGARDING THE COMPANY'S PRODUCTS OR
22 SERVICES;

23 (d) (I) EXCEPT AS PROVIDED IN SUBSECTION (1)(d)(II) OF THIS
24 SECTION, REFER A CONSUMER OR A POTENTIAL CONSUMER TO A SPECIFIC
25 ATTORNEY, LAW FIRM, MEDICAL PROVIDER, CHIROPRACTOR, OR PHYSICAL
26 THERAPIST OR TO ANY EMPLOYEE OF A SPECIFIC ATTORNEY, LAW FIRM,
27 MEDICAL PROVIDER, CHIROPRACTOR, OR PHYSICAL THERAPIST IN

1 FURTHERANCE OF AN INITIAL CONSUMER LEGAL FUNDING TRANSACTION.

2 (II) IF A CONSUMER NEEDS LEGAL REPRESENTATION, A COMPANY
3 MAY REFER THE CONSUMER TO A LOCAL OR STATE BAR ASSOCIATION
4 REFERRAL SERVICE.

5 (e) FAIL TO SUPPLY A COPY OF THE EXECUTED FUNDING CONTRACT
6 TO THE CONSUMER'S ATTORNEY IN THE ASSOCIATED LEGAL CLAIM, THE
7 POTENTIAL PROCEEDS OF WHICH ARE THE SUBJECT OF THE FUNDING
8 TRANSACTION;

9 (f) (I) EXCEPT AS PROVIDED IN SUBSECTION (1)(f)(II) OF THIS
10 SECTION, KNOWINGLY PROVIDE A CONSUMER LEGAL FUNDING
11 TRANSACTION TO A CONSUMER WHO HAS PREVIOUSLY ASSIGNED OR SOLD
12 TO ANOTHER CONSUMER LEGAL FUNDING COMPANY A PORTION OF THE
13 CONSUMER'S RIGHT TO PROCEEDS FROM THE ASSOCIATED LEGAL CLAIM
14 WITHOUT FIRST REIMBURSING THE OTHER CONSUMER LEGAL FUNDING
15 COMPANY FOR ITS ENTIRE FUNDED AMOUNT AND FUNDING FEE, UNLESS
16 ANOTHER AMOUNT IS AGREED TO IN WRITING BY THE CONSUMER LEGAL
17 FUNDING COMPANIES.

18 (II) MULTIPLE COMPANIES MAY BE PARTIES TO A CONSUMER LEGAL
19 FUNDING TRANSACTION IF THE CONSUMER AND THE CONSUMER'S
20 ATTORNEY CONSENT TO THE ARRANGEMENT IN WRITING.

21 (g) MAKE OR INFLUENCE ANY DECISIONS BY THE COURT OR BY THE
22 PARTIES WITH RESPECT TO A PENDING ASSOCIATED LEGAL CLAIM OR ANY
23 SETTLEMENT OR RESOLUTION OF AN ASSOCIATED LEGAL CLAIM;

24 (h) KNOWINGLY PAY OR OFFER TO PAY FOR COURT COSTS, FILING
25 FEES, ATTORNEY FEES, OR OTHER COSTS RELATED TO THE LITIGATION,
26 SETTLEMENT, OR RESOLUTION OF THE ASSOCIATED LEGAL CLAIM USING
27 FUNDS FROM THE CONSUMER LEGAL FUNDING TRANSACTION; OR

1 (i) REPORT A CONSUMER TO A CREDIT REPORTING AGENCY IF
2 INSUFFICIENT FUNDS REMAIN FROM THE NET PROCEEDS FROM THE
3 CONSUMER'S ASSOCIATED LEGAL CLAIM TO REPAY THE COMPANY.

4 **5-9.6-105. Contract requirements - right of rescision -**
5 **attestation by attorney - when contract void.** (1) A CONSUMER LEGAL
6 FUNDING CONTRACT MUST:

7 (a) NOT CONTAIN BLANK SPACES OR UNDETERMINED DETAILS
8 WHEN IT IS PRESENTED TO A CONSUMER FOR SIGNATURE;

9 (b) INCLUDE AND DISPLAY IN BOLD-FACED AND BOXED TYPE A
10 RIGHT OF RESCISSION THAT ALLOWS THE CONSUMER TO CANCEL THE
11 FUNDING CONTRACT WITHOUT PENALTY OR FURTHER OBLIGATION IF,
12 WITHIN FIVE BUSINESS DAYS AFTER THE FUNDING DATE, THE CONSUMER:

13 (I) RETURNS TO THE CONSUMER LEGAL FUNDING COMPANY THE
14 FUNDED AMOUNT BY DELIVERING THE COMPANY'S UNCASHED CHECK TO
15 THE COMPANY'S OFFICE IN PERSON; OR

16 (II) MAILES A NOTICE OF CANCELLATION BY INSURED, CERTIFIED, OR
17 REGISTERED UNITED STATES MAIL TO THE COMPANY AT THE ADDRESS
18 SPECIFIED IN THE CONTRACT, WHICH NOTICE INCLUDES A RETURN OF THE
19 FUNDED AMOUNT IN THE FORM OF THE COMPANY'S UNCASHED CHECK OR
20 A REGISTERED OR CERTIFIED CHECK OR MONEY ORDER;

21 (c) INCLUDE THE INITIALS OF THE CONSUMER ON EACH PAGE;

22 (d) INDICATE THAT THE CONSUMER HAS RETAINED AN ATTORNEY
23 TO REPRESENT THE CONSUMER IN THE ASSOCIATED LEGAL CLAIM AND
24 IDENTIFY THE CONSUMER'S ATTORNEY; AND

25 (e) CONTAIN A WRITTEN ACKNOWLEDGMENT BY THE ATTORNEY
26 RETAINED BY THE CONSUMER IN THE ASSOCIATED LEGAL CLAIM THAT
27 ATTESTS TO THE FOLLOWING:

1 (I) TO THE BEST OF THE ATTORNEY'S KNOWLEDGE, THE FUNDING
2 AMOUNT AND THE FUNDING FEE RELATING TO THE CONSUMER LEGAL
3 FUNDING TRANSACTION HAVE BEEN DISCLOSED TO THE CONSUMER;

4 (II) THE ATTORNEY IS BEING PAID ON A CONTINGENCY BASIS
5 PURSUANT TO A WRITTEN FEE AGREEMENT;

6 (III) ALL PROCEEDS OF THE ASSOCIATED LEGAL CLAIM WILL BE
7 DISBURSED TO THE ATTORNEY'S TRUST ACCOUNT OR TO AN ACCOUNT THAT
8 IS ESTABLISHED TO RECEIVE THE PROCEEDS OF THE ASSOCIATED LEGAL
9 CLAIM ON BEHALF OF THE CONSUMER;

10 (IV) THE ATTORNEY IS FOLLOWING THE WRITTEN INSTRUCTIONS
11 OF THE CONSUMER WITH REGARD TO THE CONSUMER LEGAL FUNDING
12 TRANSACTION; AND

13 (V) THE ATTORNEY HAS NOT RECEIVED A REFERRAL FEE OR OTHER
14 CONSIDERATION FROM THE CONSUMER LEGAL FUNDING COMPANY IN
15 CONNECTION WITH THE CONSUMER LEGAL FUNDING TRANSACTION, NOR
16 WILL THE ATTORNEY RECEIVE A FEE OR OTHER CONSIDERATION FROM THE
17 COMPANY IN THE FUTURE IN CONNECTION WITH THE CONSUMER LEGAL
18 FUNDING TRANSACTION.

19 (2) (a) A FUNDING CONTRACT THAT DOES NOT INCLUDE THE
20 ATTORNEY'S ATTESTATION DESCRIBED IN SUBSECTION (1)(e) OF THIS
21 SECTION IS VOID AND UNENFORCEABLE.

22 (b) IF A CONSUMER TERMINATES THE CONSUMER'S
23 REPRESENTATION BY THE ATTORNEY WHO MADE THE ATTESTATION
24 REQUIRED IN SUBSECTION (1)(e) OF THIS SECTION AND RETAINS A NEW
25 ATTORNEY TO REPRESENT THE CONSUMER IN THE ASSOCIATED LEGAL
26 CLAIM, THE FUNDING CONTRACT REMAINS VALID AND ENFORCEABLE
27 REGARDLESS OF WHETHER THE NEW ATTORNEY ALSO MAKES THE

1 ATTESTATION DESCRIBED IN SUBSECTION (1)(e) OF THIS SECTION.

2 **5-9.6-106. Resolution amounts to be predetermined -**
3 **repayment terms prohibited.** (1) A RESOLUTION AMOUNT MUST BE SET
4 AS A PREDETERMINED AMOUNT BASED UPON INTERVALS OF TIME FROM THE
5 DATE OF ORIGINATION OF THE CONSUMER LEGAL FUNDING TRANSACTION
6 THROUGH THE DATE OF RESOLUTION OF THE ASSOCIATED LEGAL CLAIM
7 AND MAY NOT BE DETERMINED AS A PERCENTAGE OF THE RECOVERY FROM
8 THE ASSOCIATED LEGAL CLAIM.

9 (2) A CONSUMER LEGAL FUNDING TRANSACTION SHALL NOT
10 REQUIRE A CONSUMER TO REPAY A COMPANY A FUNDED AMOUNT OR A
11 FUNDING FEE IF NO PROCEEDS ARE OBTAINED FROM THE CONSUMER'S
12 ASSOCIATED LEGAL CLAIM.

13 **5-9.6-107. Funding fee - maximum amount.** (1) A CONSUMER
14 LEGAL FUNDING COMPANY SHALL NOT:

15 (a) CHARGE A FUNDING FEE IN AN AMOUNT THAT EXCEEDS
16 THIRTY-SIX PERCENT OF THE FUNDED AMOUNT IN A TWELVE-MONTH
17 PERIOD;

18 (b) REQUIRE A CONSUMER TO PAY ANY FEE OTHER THAN A
19 FUNDING FEE; OR

20 (c) REQUIRE A CONSUMER TO PAY A FUNDING FEE MORE THAN
21 THREE TIMES IN ASSOCIATION WITH A CONSUMER LEGAL FUNDING
22 TRANSACTION.

23 **5-9.6-108. Required disclosures.** (1) A CONSUMER LEGAL
24 FUNDING CONTRACT MUST INCLUDE THE FOLLOWING DISCLOSURES AS
25 MATERIAL TERMS OF THE FUNDING CONTRACT AND, UNLESS OTHERWISE
26 SPECIFIED, MUST APPEAR IN AT LEAST TWELVE-POINT, BOLD-FACED TYPE
27 AND BE PLACED CLEARLY AND CONSPICUOUSLY WITHIN THE CONTRACT:

1 (a) THE FOLLOWING, ON THE FRONT PAGE, UNDER APPROPRIATE
2 HEADINGS:

3 (I) THE FUNDED AMOUNT TO BE PAID TO THE CONSUMER BY THE
4 CONSUMER LEGAL FUNDING COMPANY;

5 (II) AN ITEMIZATION OF THE FUNDING FEE;

6 (III) THE RESOLUTION AMOUNT TO BE PAID BY THE CONSUMER TO
7 THE COMPANY; AND

8 (IV) A PAYMENT SCHEDULE FOR THE CONSUMER TO PAY THE
9 RESOLUTION AMOUNT, INCLUDING DUE DATES AND THE AMOUNT DUE AT
10 THE END OF EACH SIX-MONTH PERIOD AFTER RESOLUTION OF THE
11 ASSOCIATED LEGAL CLAIM, UNTIL THE DATE THE RESOLUTION AMOUNT IS
12 DUE TO THE COMPANY BY THE CONSUMER PURSUANT TO THE FUNDING
13 CONTRACT;

14 (b) A DESCRIPTION OF THE CONSUMER'S RIGHT TO CANCEL THE
15 FUNDING CONTRACT AS REQUIRED IN SECTION 5-9.6-105 (1)(b), AS
16 FOLLOWS:

17 **CONSUMER'S RIGHT TO CANCELLATION:**

18 **YOU MAY CANCEL THIS FUNDING CONTRACT WITHOUT**
19 **PENALTY OR FURTHER OBLIGATION WITHIN FIVE**
20 **BUSINESS DAYS AFTER THE FUNDING DATE IF YOU RETURN**
21 **TO THE CONSUMER LEGAL FUNDING COMPANY THE**
22 **FUNDED AMOUNT BY EITHER DELIVERING THE**
23 **COMPANY'S UNCASHED CHECK TO THE COMPANY'S**
24 **OFFICE IN PERSON OR MAILING TO THE COMPANY AT THE**
25 **ADDRESS SPECIFIED IN THE CONTRACT, VIA INSURED,**
26 **CERTIFIED, OR REGISTERED UNITED STATES MAIL, A**
27 **NOTICE OF CANCELLATION AND A RETURN OF THE**

1 **FUNDED AMOUNT IN THE FORM OF THE COMPANY'S**
2 **UNCASHED CHECK OR A REGISTERED OR CERTIFIED**
3 **CHECK OR MONEY ORDER.**

4 (c) THE FOLLOWING DISCLOSURE:

5 **THE CONSUMER LEGAL FUNDING COMPANY HAS NO ROLE**
6 **IN DECIDING WHETHER OR WHEN AN ASSOCIATED LEGAL**
7 **CLAIM IS SETTLED OR FOR HOW MUCH MONEY AN**
8 **ASSOCIATED LEGAL CLAIM IS SETTLED. YOU OR YOUR**
9 **ATTORNEY MUST NOTIFY THE COMPANY OF THE**
10 **OUTCOME OF THE ASSOCIATED LEGAL CLAIM BY**
11 **SETTLEMENT OR ADJUDICATION PRIOR TO THE**
12 **RESOLUTION DATE. THE COMPANY MAY SEEK UPDATED**
13 **INFORMATION ABOUT THE STATUS OF THE ASSOCIATED**
14 **LEGAL CLAIM, BUT THE COMPANY MAY NOT INTERFERE**
15 **WITH THE INDEPENDENT PROFESSIONAL JUDGMENT OF**
16 **YOUR ATTORNEY IN THE HANDLING OF THE ASSOCIATED**
17 **LEGAL CLAIM OR IN ANY SETTLEMENT RELATING TO THE**
18 **ASSOCIATED LEGAL CLAIM.**

19 (d) THE FOLLOWING DISCLOSURE, IN ALL CAPITAL LETTERS AND IN
20 BOXED TYPE:

21 **THE FUNDED AMOUNT AND THE FUNDING FEE**
22 **SHALL BE PAID ONLY FROM THE PROCEEDS OF**
23 **YOUR ASSOCIATED LEGAL CLAIM, AND SHALL**
24 **BE PAID ONLY TO THE EXTENT THAT THERE**
25 **ARE AVAILABLE PROCEEDS FROM YOUR**
26 **ASSOCIATED LEGAL CLAIM. YOU WILL NOT**
27 **OWE [INSERT NAME OF THE CONSUMER LEGAL**

1 **FUNDING COMPANY] ANYTHING IF THERE ARE**
2 **NO PROCEEDS FROM YOUR ASSOCIATED**
3 **LEGAL CLAIM, UNLESS YOU OR YOUR**
4 **ATTORNEY HAS VIOLATED ANY MATERIAL**
5 **TERM OF THIS FUNDING CONTRACT OR YOU**
6 **HAVE COMMITTED FRAUD AGAINST THE**
7 **CONSUMER LEGAL FUNDING COMPANY.**

8 (e) LOCATED IMMEDIATELY ABOVE THE PLACE ON THE FUNDING
9 CONTRACT WHERE THE CONSUMER'S SIGNATURE IS REQUIRED, THE
10 FOLLOWING DISCLOSURE:

11 **DO NOT SIGN THIS FUNDING CONTRACT BEFORE YOU**
12 **READ IT COMPLETELY OR IF IT CONTAINS ANY BLANK**
13 **SPACES. YOU ARE ENTITLED TO A COMPLETELY FILLED-IN**
14 **COPY OF THE FUNDING CONTRACT. YOU SHOULD OBTAIN**
15 **THE ADVICE OF AN ATTORNEY. DEPENDING ON THE**
16 **CIRCUMSTANCES, YOU MAY WANT TO CONSULT A TAX,**
17 **PUBLIC OR PRIVATE BENEFITS PLANNING, OR FINANCIAL**
18 **PROFESSIONAL. BY SIGNING THIS DOCUMENT, YOU**
19 **ACKNOWLEDGE THAT YOUR ATTORNEY IN THE**
20 **ASSOCIATED LEGAL CLAIM HAS PROVIDED NO FINANCIAL**
21 **ADVICE OR ADVICE CONCERNING TAXES OR PUBLIC OR**
22 **PRIVATE BENEFIT PLANNING IN REGARD TO YOUR**
23 **CONSUMER LEGAL FUNDING TRANSACTION.**

24 (f) DEFINITIONS OF THE TERMS "ASSOCIATED LEGAL CLAIM",
25 "CONSUMER LEGAL FUNDING COMPANY", "CONSUMER LEGAL FUNDING
26 TRANSACTION", "FUNDED AMOUNT", "FUNDING CONTRACT", "FUNDING
27 DATE", "FUNDING FEE", "RESOLUTION AMOUNT", AND "RESOLUTION DATE"

1 IN ACCORDANCE WITH SECTION 5-9.6-102.

2 **5-9.6-109. Penalties - attorney general authority.** (1) NOTHING
3 IN THIS ARTICLE 9.6 RESTRICTS THE EXERCISE AND PERFORMANCE OF THE
4 POWERS AND DUTIES OF THE ATTORNEY GENERAL. THE ATTORNEY
5 GENERAL MAY ENFORCE THIS ARTICLE 9.6 AND PURSUE LEGAL ACTION
6 AGAINST CONSUMER LEGAL FUNDING COMPANIES UNDER THIS ARTICLE 9.6
7 OR OTHER STATE LAWS AND RULES AS NECESSARY.

8 (2) (a) (I) A CONSUMER LEGAL FUNDING COMPANY THAT
9 KNOWINGLY VIOLATES THIS ARTICLE 9.6 IS SUBJECT TO A CIVIL PENALTY
10 NOT TO EXCEED FIVE THOUSAND DOLLARS FOR EACH VIOLATION, AND
11 PENALTIES MAY INCLUDE REVOCATION OR SUSPENSION OF THE CONSUMER
12 LEGAL FUNDING COMPANY'S REGISTRATION AND ABILITY TO OFFER
13 CONSUMER LEGAL FUNDING TRANSACTIONS IN THE STATE.

14 (II) IF THE ATTORNEY GENERAL DETERMINES THAT A CONSUMER
15 LEGAL FUNDING COMPANY HAS INTENTIONALLY VIOLATED THIS ARTICLE
16 9.6 WITH REGARD TO A CONSUMER LEGAL FUNDING TRANSACTION, THE
17 ATTORNEY GENERAL SHALL ORDER THAT THE CONSUMER LEGAL FUNDING
18 COMPANY IS ONLY ENTITLED TO RECOVER THE FUNDED AMOUNT PROVIDED
19 TO THE CONSUMER IN THE CONSUMER LEGAL FUNDING TRANSACTION AND
20 IS NOT ENTITLED TO RECOVER ANY PORTION OF THE FUNDING FEE.

21 (b) IF THE ATTORNEY GENERAL, AFTER A FULL INVESTIGATION,
22 DETERMINES THAT A CONSUMER LEGAL FUNDING COMPANY HAS
23 KNOWINGLY OR INTENTIONALLY VIOLATED THIS ARTICLE 9.6 AND IMPOSES
24 PENALTIES AS SPECIFIED IN SUBSECTION (2)(a) OF THIS SECTION, THE
25 COMPANY IS ENTITLED TO A HEARING PURSUANT TO SECTION 24-4-104.

26 (c) IF THE ATTORNEY GENERAL IMPOSES A PENALTY AS SPECIFIED
27 IN SUBSECTION (2)(a) OF THIS SECTION AGAINST A CONSUMER LEGAL

1 FUNDING COMPANY, THE ATTORNEY GENERAL SHALL NOTIFY THE
2 COMPANY OF THE DISCIPLINARY ACTION. THE NOTIFICATION SHALL BE
3 GIVEN BY PERSONAL SERVICE OR BY MAIL TO THE LAST-KNOWN ADDRESS
4 OF THE CONSUMER LEGAL FUNDING COMPANY AS SHOWN ON THE
5 COMPANY'S REGISTRATION.

6 (3) THE ATTORNEY GENERAL SHALL TRANSMIT ALL PENALTIES
7 COLLECTED PURSUANT TO SUBSECTION (2) OF THIS SECTION TO THE STATE
8 TREASURER FOR DEPOSIT IN THE GENERAL FUND.

9 **5-9.6-110. Assignment - liens.** (1) (a) A CONSUMER MAY ASSIGN
10 THE CONTINGENT RIGHT TO RECEIVE AN AMOUNT OF THE POTENTIAL
11 PROCEEDS OF AN ASSOCIATED LEGAL CLAIM.

12 (b) AN ASSIGNMENT DESCRIBED IN SUBSECTION (1)(a) OF THIS
13 SECTION DOES NOT CONSTITUTE AN ASSIGNMENT OF THE ASSOCIATED
14 LEGAL CLAIM OR CHOSE IN ACTION.

15 (c) AN ASSIGNMENT DESCRIBED IN SUBSECTION (1)(a) OF THIS
16 SECTION IS NOT AN ASSIGNMENT OF ANY PRESENT RIGHT. THE ASSIGNMENT
17 IS THE TRANSFER OF AN INVESTED, CONTINGENT FUTURE INTEREST IN AN
18 AMOUNT OF THE POTENTIAL PROCEEDS OF AN ASSOCIATED LEGAL CLAIM
19 OR CAUSE OF ACTION.

20 (2) A LIEN RELATED TO THE ASSOCIATED LEGAL CLAIM, INCLUDING
21 AN ATTORNEY'S LIEN, A MEDICARE CLAIM, OR ANY OTHER STATUTORY
22 LIEN, HAS PRIORITY OVER ANY LIEN OF THE CONSUMER LEGAL FUNDING
23 COMPANY. ALL OTHER LIENS HAVE PRIORITY BY NORMAL OPERATION OF
24 LAW.

25 **5-9.6-111. Attorneys - no interest in consumer legal funding.**
26 NEITHER AN ATTORNEY OR LAW FIRM RETAINED BY A CONSUMER IN AN
27 ASSOCIATED LEGAL CLAIM NOR AN ATTORNEY WHO HAS REFERRED A

1 CONSUMER TO THE ATTORNEY REPRESENTING THE CONSUMER IN AN
2 ASSOCIATED LEGAL CLAIM SHALL HAVE A FINANCIAL INTEREST IN A
3 CONSUMER LEGAL FUNDING COMPANY THAT OFFERS OR SELLS A
4 CONSUMER LEGAL FUNDING TRANSACTION TO THAT CONSUMER IN
5 RELATION TO THE ASSOCIATED LEGAL CLAIM.

6 **5-9.6-112. Communications privileged.** COMMUNICATIONS
7 BETWEEN A CONSUMER'S ATTORNEY AND A CONSUMER LEGAL FUNDING
8 COMPANY PERTAINING TO AN ASSOCIATED LEGAL CLAIM FOR WHICH THE
9 COMPANY IS PROVIDING FUNDING ARE PRIVILEGED AND CONFIDENTIAL. A
10 CONSUMER'S ATTORNEY MAY NOT BE EXAMINED REGARDING ANY SUCH
11 COMMUNICATIONS WITHOUT THE CONSENT OF THE CONSUMER.

12 **5-9.6-113. Consumer legal funding cash fund - created.**

13 (1) THE CONSUMER LEGAL FUNDING CASH FUND, REFERRED TO IN THIS
14 SECTION AS THE "FUND", IS HEREBY CREATED IN THE STATE TREASURY.
15 THE FUND CONSISTS OF MONEY FROM THE REGISTRATION APPLICATION
16 AND RENEWAL FEES COLLECTED FROM CONSUMER LEGAL FUNDING
17 COMPANIES PURSUANT TO SECTION 5-9.6-103 (2) AND ANY OTHER MONEY
18 THAT THE GENERAL ASSEMBLY MAY APPROPRIATE OR TRANSFER TO THE
19 FUND.

20 (2) THE STATE TREASURER SHALL CREDIT ALL INTEREST AND
21 INCOME DERIVED FROM THE DEPOSIT AND INVESTMENT OF MONEY IN THE
22 FUND TO THE FUND.

23 (3) ANY UNEXPENDED AND UNENCUMBERED MONEY REMAINING
24 IN THE FUND AT THE END OF A FISCAL YEAR REMAINS IN THE FUND.

25 (4) SUBJECT TO ANNUAL APPROPRIATION BY THE GENERAL
26 ASSEMBLY, THE ATTORNEY GENERAL MAY EXPEND MONEY IN THE FUND
27 FOR THE IMPLEMENTATION AND ADMINISTRATION OF THIS ARTICLE 9.6.

1 **5-9.6-114. Rules.** THE ATTORNEY GENERAL SHALL PROMULGATE
2 RULES FOR THE IMPLEMENTATION AND ADMINISTRATION OF THIS ARTICLE
3 9.6.

4 **5-9.6-115. Applicability.** THIS ARTICLE 9.6 APPLIES TO A
5 CONSUMER LEGAL FUNDING CONTRACT EXECUTED ON OR AFTER
6 FEBRUARY 1, 2024. A CONSUMER LEGAL FUNDING CONTRACT EXECUTED
7 PRIOR TO FEBRUARY 1, 2024, IS NOT SUBJECT TO THIS ARTICLE 9.6.

8 **SECTION 3.** In Colorado Revised Statutes, 24-33.5-1707,
9 **amend** (1)(a); and **add** (2)(d) as follows:

10 **24-33.5-1707. Funding - cash fund created - donations - repeal.**

11 (1) (a) The department of public safety ~~is authorized to~~ MAY accept gifts,
12 grants, or donations, including in-kind donations from private or public
13 sources, for the purposes of this part 17. All private and public funds
14 received through gifts, grants, or donations by the department of public
15 safety or by the board shall be transmitted to the state treasurer, who shall
16 credit the same to the Colorado identity theft and financial fraud cash
17 fund, which fund is hereby created and referred to in this part 17 as the
18 "cash fund". The cash fund ~~shall also include~~ INCLUDES the ~~moneys~~
19 MONEY collected OR DEPOSITED pursuant to subsection (2) of this section.
20 Any ~~moneys~~ MONEY in the cash fund not expended for the purpose of this
21 part 17 shall be invested by the state treasurer as provided in section
22 24-36-113. All interest and income derived from the investment and
23 deposit of ~~moneys~~ MONEY in the cash fund shall be credited to the cash
24 fund. Any unexpended and unencumbered ~~moneys~~ MONEY remaining in
25 the cash fund at the end of any fiscal year shall remain in the cash fund
26 and shall not be credited or transferred to the general fund or any other
27 fund.

1 (2) (d) THE ATTORNEY GENERAL SHALL TRANSFER THE CONSUMER
2 LEGAL FUNDING COMPANY REGISTRATION SURCHARGE DESCRIBED IN
3 SECTION 5-9.6-103 (2) TO THE STATE TREASURER, WHO SHALL DEPOSIT
4 THE MONEY IN THE CASH FUND.

5 **SECTION 4. Act subject to petition - effective date.** This act
6 takes effect at 12:01 a.m. on the day following the expiration of the
7 ninety-day period after final adjournment of the general assembly; except
8 that, if a referendum petition is filed pursuant to section 1 (3) of article V
9 of the state constitution against this act or an item, section, or part of this
10 act within such period, then the act, item, section, or part will not take
11 effect unless approved by the people at the general election to be held in
12 November 2024 and, in such case, will take effect on the date of the
13 official declaration of the vote thereon by the governor.