

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

REENGROSSED

*This Version Includes All Amendments
Adopted in the House of Introduction*

LLS NO. 23-0766.01 Josh Schultz x5486

HOUSE BILL 23-1229

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A BILL FOR AN ACT

101 **CONCERNING CHANGES TO CONSUMER LENDING LAWS TO LIMIT**
102 **CHARGES TO CONSUMERS.**

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 amends the Colorado "Uniform Consumer Credit Code" to change the terms and interest rates that a lender may charge in a consumer credit transaction.

The bill amends the calculation of the total amount of the finance charge that a supervised lender or seller may contract for and receive to include the total cost of specific additional charges in connection with a

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.

HOUSE
3rd Reading Unamended
April 11, 2023

HOUSE
Amended 2nd Reading
April 10, 2023

consumer credit transaction.

The bill modifies the requirements for alternative charges for loans not exceeding \$1,000 as follows:

- Reduces the permissible acquisition charge on the original loan or any refinanced loan to 5% of the amount financed;
- Reduces the permissible amount for a monthly installment account handling charge;
- Increases the minimum loan term;
- Eliminates delinquency charges for the loan;
- Amends the conditions upon which an acquisition charge must be refunded to the consumer;
- Details the requirements for an application for the loan and specifies how the loan application requirements impact a determination of unconscionability of the loan; and
- Limits the number of times a lender may refinance a consumer loan to once in a year.

The bill also opts Colorado out of the amendments to the "Federal Deposit Insurance Act", the federal "National Housing Act", and the "Federal Credit Union Act" and specifies that rates established in the Colorado "Uniform Consumer Credit Code" apply to consumer credit transactions in this state.

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

2

3 **SECTION 1.** In Colorado Revised Statutes, 5-2-214, **amend** (1),
4 (2), (3), (5), and (8); **repeal** (4); and **add** (5.5) as follows:

5 **5-2-214. Alternative charges for loans not exceeding one**
6 **thousand dollars.** (1) For a consumer loan where the amount financed
7 is not more than one thousand dollars, a supervised lender may charge, in
8 lieu of the loan finance charges permitted by section 5-2-201, the
9 following finance charges:

10 (a) An acquisition charge for making the original loan OR ANY
11 REFINANCED LOAN, not to exceed ~~ten~~ **EIGHT** percent of the amount
12 financed; AND

13 ~~(a.5) An acquisition charge for making any refinanced loan, not~~

1 ~~to exceed seven and one-half percent of the amount financed; and~~

2 (b) A monthly installment account handling charge, not to exceed
3 the following amounts:

4 Amount financed	Per month charge
5 \$100.00 - \$300	\$12.50 \$8.50
6 \$300.01 - \$500	\$15.00 \$11.50
7 \$500.01 - \$750	\$17.50 \$14.50
8 \$750.01 - \$1,000	\$20.00 \$17.50

9 (2) The minimum term of a loan made pursuant to this section
10 ~~shall be ninety days~~ IS SIX MONTHS. The maximum term of a loan made
11 pursuant to this section ~~shall be~~ IS twelve months. All loans shall be
12 scheduled to be payable in substantially equal installments at equal
13 periodic intervals.

14 (3) On a loan subject to the alternative charges authorized by this
15 section, no other finance charge or any other charge or fee is permitted
16 except as specifically provided for in this section and except for ~~the~~
17 ~~delinquency charges provided for in section 5-2-203~~, reasonable attorney
18 fees provided for in section 5-5-112 and the fee for a dishonored check
19 provided for in section 5-2-202 (1)(e)(II).

20 (4) ~~The acquisition charge authorized in this section shall be fully~~
21 ~~earned at the time the loan is made and shall not be subject to refund;~~
22 ~~except that, if the loan is prepaid in full, refinanced, or consolidated~~
23 ~~within the first sixty days, the first ten dollars of the acquisition charge~~
24 ~~shall be retained by the lender and the remainder of the acquisition charge~~
25 ~~shall be refunded at a rate of one-sixtieth of the remainder of the~~
26 ~~acquisition charge per day, beginning on the day after the date of the~~
27 ~~prepayment, refinancing, or consolidation and ending on the sixtieth day~~

1 ~~after the loan was made.~~

2 (5) Upon ~~the~~ prepayment of a loan made pursuant to this section,
3 the unearned portion of the ~~installment account~~ ACQUISITION CHARGE AND
4 THE TOTAL MONTHLY INSTALLMENT handling charge shall be refunded to
5 the consumer. The unearned portion of ~~the installment account handling~~
6 ~~charge that is refunded~~ THESE CHARGES shall be calculated pursuant to the
7 provisions on rebate upon prepayment contained in section 5-2-211 on the
8 date of refinancing; except that, for the purpose of computing this
9 amount, ~~no~~ A minimum FINANCE charge described in section 5-2-201
10 ~~shall be~~ OF NO MORE THAN TEN DOLLARS IS allowed IF CONTRACTED WITH
11 THE CONSUMER IN THE LOAN AGREEMENT.

12 (5.5) (a) A LENDER SHALL REQUIRE A CONSUMER TO FILL OUT A
13 LOAN APPLICATION FOR EVERY LOAN UNDER THIS SECTION AND SHALL
14 MAINTAIN THE APPLICATION ON FILE. THE APPLICATION MUST BE SIGNED
15 AND DATED BY THE CONSUMER.

16 (b) A LENDER SHALL REQUIRE THE CONSUMER TO PROVIDE A PAY
17 STUB OR OTHER EVIDENCE OF INCOME IN EVERY APPLICATION FOR A LOAN
18 UNDER THIS SECTION AND SHALL MAINTAIN THIS APPLICATION ON FILE.
19 THE PAY STUB OR OTHER EVIDENCE OF INCOME MUST HAVE BEEN ISSUED
20 OR DATED WITHIN FORTY-FIVE DAYS BEFORE THE DATE OF THE
21 APPLICATION. IF A LENDER REQUIRES A CONSUMER TO PRESENT A BANK
22 STATEMENT TO SECURE A LOAN, THE LENDER SHALL ALLOW THE
23 CONSUMER TO DELETE FROM THE STATEMENT THE INFORMATION
24 REGARDING TO WHOM THE DEBITS LISTED ON THE STATEMENT WERE
25 PAYABLE. IF THE AMOUNT BORROWED IS NOT MORE THAN TWENTY-FIVE
26 PERCENT OF THE CONSUMER'S MONTHLY GROSS INCOME AND BENEFITS, AS
27 EVIDENCED BY A PAYCHECK STUB OR OTHERWISE SUBSTANTIATED, A

1 LENDER IS NOT OBLIGATED TO INVESTIGATE THE CONSUMER'S CONTINUED
2 DEBT POSITION, AND THE CONSUMER'S ABILITY TO REPAY THE LOAN NEED
3 NOT BE FURTHER DEMONSTRATED.

4 (c) IF A LENDER COMPLIES WITH THE REQUIREMENTS OF
5 SUBSECTIONS (5.5)(a) AND (5.5)(b) OF THIS SECTION, AND THE LOAN
6 OTHERWISE COMPLIES WITH THIS ARTICLE 2 AND OTHER APPLICABLE LAW,
7 NEITHER THE CONSUMER'S INABILITY TO REPAY THE LOAN NOR THE
8 LENDER'S DECISION TO OBTAIN OR NOT OBTAIN ADDITIONAL INFORMATION
9 CONCERNING THE CONSUMER'S CREDITWORTHINESS SHALL BE CAUSE TO
10 DETERMINE THAT A LOAN IS UNCONSCIONABLE.

11 (8) A lender may not refinance a loan made pursuant to this
12 section more than ~~three times~~ ONCE in one year.

13 **SECTION 2.** In Colorado Revised Statutes, **add** 5-13-106 as
14 follows:

15 **5-13-106. Other loans - legislative declaration.** IN ACCORDANCE
16 WITH SECTION 525 OF THE FEDERAL "DEPOSITORY INSTITUTIONS
17 DEREGULATION AND MONETARY CONTROL ACT OF 1980", PUB.L. 96-221,
18 THE GENERAL ASSEMBLY DECLARES THAT THE STATE OF COLORADO DOES
19 NOT WANT THE AMENDMENTS TO THE "FEDERAL DEPOSIT INSURANCE
20 ACT", 12 U.S.C. SEC. 1811 ET SEQ.; THE FEDERAL "NATIONAL HOUSING
21 ACT", 12 U.S.C. SEC. 1701 ET SEQ.; AND THE "FEDERAL CREDIT UNION
22 ACT", 12 U.S.C. SEC. 1757, MADE BY SECTIONS 521 TO 523 OF THE
23 FEDERAL "DEPOSITORY INSTITUTIONS DEREGULATION AND MONETARY
24 CONTROL ACT OF 1980", PUB.L. 96-221, PRESCRIBING INTEREST RATES
25 AND PREEMPTING STATE INTEREST RATES TO APPLY TO CONSUMER CREDIT
26 TRANSACTIONS IN THIS STATE. THE RATES ESTABLISHED IN ARTICLES 1 TO
27 9 OF THIS TITLE 5 CONTROL CONSUMER CREDIT TRANSACTIONS IN THIS

1 STATE.

2 **SECTION 3. Effective date - applicability.** This act takes effect
3 upon passage and applies to loans made or renewed on or after the
4 applicable effective date of this act; except that section 1 of this act takes
5 effect January 1, 2024, and applies to loans made or renewed on or after
6 January 1, 2024.

7 **SECTION 4. Safety clause.** The general assembly hereby finds,
8 determines, and declares that this act is necessary for the immediate
9 preservation of the public peace, health, or safety. ■