

First Regular Session
Seventy-fourth General Assembly
STATE OF COLORADO

ENGROSSED

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

LLS NO. 23-0703.01 Christopher McMichael x4775

HOUSE BILL 23-1162

HOUSE SPONSORSHIP

Woodrow,

SENATE SPONSORSHIP

Rodriguez,

House Committees

Business Affairs & Labor
Finance

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING THE REGULATION OF CONSUMER LEGAL FUNDING**
102 **TRANSACTIONS, AND, IN CONNECTION THEREWITH,**
103 **AUTHORIZING THE ADMINISTRATOR OF THE "UNIFORM**
104 **CONSUMER CREDIT CODE" TO ADOPT RULES REGULATING**
105 **CREDITOR-IMPOSED CHARGES FOR CERTAIN CONSUMER CREDIT**
106 **TRANSACTIONS THAT ARE SECURED BY A CONSUMER'S**
107 **POTENTIAL PROCEEDS FROM A SETTLEMENT OR JUDGMENT**
108 **OBTAINED IN AN ASSOCIATED LEGAL CLAIM.**

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

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
Amended 2nd Reading
April 17, 2023

<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 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.** In Colorado Revised Statutes, 5-2-204, **add** (6) as
3 follows:

4 **5-2-204. Deferral charges - rules.** (6) THE ADMINISTRATOR MAY
5 ADOPT RULES REGARDING DEFERRAL CHARGES FOR NONRECOURSE

1 CONSUMER CREDIT TRANSACTIONS THAT HAVE NO PERIODIC PAYMENTS
2 AND ARE SECURED BY AN UNVESTED, CONTINGENT FUTURE INTEREST IN
3 THE POTENTIAL NET PROCEEDS OF A SETTLEMENT OR JUDGMENT OBTAINED
4 FROM THE CONSUMER'S ASSOCIATED LEGAL CLAIM.

5 **SECTION 2. 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.