Legislative Council Staff

Research Note

Version: Final

Date: 8/8/2016

Bill Number

Senate Bill 16-185

Sponsors

Senator Scott
Representative Melton

Short Title

Consumer Finance Charges Inflation Adjustment

Research Analyst

Kori Donaldson (x4976)

Status

This research note reflects the introduced version of the bill. The bill was postponed indefinitely by the House State, Veterans, & Military Affairs Committee on May 4, 2016.

Summary

This bill would have required the administrator of the Consumer Credit Code to adjust the financed dollar amounts for supervised loans and consumer credit sales issued by a Colorado lender based on the consumer price index for the Denver-Boulder-Greeley metropolitan statistical area. The administrator would have been required to adjust these amounts for inflation no later than January 1, 2017, and each January 1 thereafter.

Background

Under current law, annual finance charge limits are tiered as follows:

- 36 percent on an unpaid balance of $1,000 or less;
- 21 percent on an unpaid balance of more than $1,000 to less than $3,000; and
- 15 percent on an unpaid balance that is more than $3,000.

Supervised loans and consumer credit sales issued by a Colorado lender must comply with the Colorado Uniform Consumer Credit Code (UCCC), which is administered by the Attorney General's Office within the Department of Law. The UCCC program regulates approximately 1,500 entities per year, including payday lenders, mortgage companies, finance companies, and small installment and other lenders. The program conducts an average of 460 compliance examinations and investigates 450 to 500 complaints each year.

The Federal Bureau of Labor Statistics in the U.S. Department of Labor administers the consumer price index program.

House Bill 15-1390. During the 2015 session, the General Assembly adopted HB 15-1390, which was later vetoed by the Governor. The bill would have increased the unpaid balance limit for the current tiered maximum finance charges allowed on certain supervised loans and consumer credit sales. Under the bill, the unpaid balance limit for each tier of annual finance charge limits was increased as follows:

- finance charges of 36 percent on an unpaid balance of $3,000 or less (increased from $1,000 or less);
- finance charges of 21 percent on an unpaid balance of more than $3,000 and less than $5,000 (increased from more than $1,000 to less than $3,000); and
- finance charges of 15 percent on an unpaid balance that is more than $5,000 (increased from more than $3,000).

Senate Action

Senate Finance Committee (April 19, 2016). Several individuals testified in opposition to the bill, including representatives of agencies such as the Colorado Latino Leadership, Advocacy, and Research Organization and the Small Business Majority. An individual representing OneMain, Springleaf Financial Services testified in support of the bill and a representative of the Colorado Attorney Generals Office answered questions from the committee. The committee referred the bill to the Senate Committee of the Whole.

Senate second reading (April 25, 2016). The Senate passed the bill on second reading with no amendments.

Senate third reading (April 27, 2016). The Senate passed the bill on third reading with no amendments.

House Action

House State, Veterans, & Military Affairs Committee (May 4, 2016). Several individuals testified in opposition to the bill, including representatives of agencies such as AARP Colorado and the Bell Policy Center. An individual representing OneMain, Springleaf Financial Services testified in support of the bill and a representative of the Colorado Attorney Generals Office answered questions from the committee. The committee considered amendment L.001, which would have struck everything below the enacting clause and substituted language creating a new Consumer Credit Task Force charged with making recommendations for administrative and statutory changes to increase access to consumer loans and encourage growth in the consumer loan industry. The amendment was not adopted and the committee voted to postpone the bill indefinitely.