

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

**PREAMENDED**

*This Unofficial Version Includes Committee  
Amendments Not Yet Adopted on Second Reading*

LLS NO. 23-0703.01 Christopher McMichael x4775

**HOUSE BILL 23-1162**

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**HOUSE SPONSORSHIP**

**Woodrow,**

**SENATE SPONSORSHIP**

**Rodriguez,**

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**House Committees**

Business Affairs & Labor  
Finance

**Senate Committees**

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**A BILL FOR AN ACT**

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

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**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.

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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 TWO HUNDRED FIFTY THOUSAND DOLLARS AND  
7 IN 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, SHALL BE IN AN AMOUNT DETERMINED BY THE ATTORNEY  
25 GENERAL AND MUST INCLUDE A MANDATORY TWO-HUNDRED-DOLLAR  
26 SURCHARGE. THE ATTORNEY GENERAL SHALL TRANSMIT THE  
27 TWO-HUNDRED-DOLLAR SURCHARGE TO THE STATE TREASURER FOR

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