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## **M E M O R A N D U M**

**TO:** Interested Parties

**FROM:** Uniform Consumer Credit Code  
Telephone: (303) 866-4527  
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**RE:** House Bill 04-1394 - Small Installment Loans

On August 4, 2004, a new law on small installment loans takes effect. That law, which will be printed as section 5-2-214 of the Uniform Consumer Credit Code (UCCC), sets alternative charges for small installment loans (SILs). Any licensed supervised lender or supervised financial organization may make such loans. A copy of the house bill is available at <http://www.ago.state.co.us/UCCC/UCCCHOME.htm> under the heading "New Laws." Lenders considering making SILs should be aware of the following:

- The amount financed may not exceed \$1,000.00 with a minimum loan term of 90 days and a maximum loan term of twelve months.
- Only the fees and charges listed in section 5-2-214, C.R.S. are permitted. Other fees found elsewhere in the UCCC do *not* apply to SILs.
- The annual percentage rate must include both the acquisition charge and the monthly installment account handling charge. The loan agreement should list both amounts. Because the installment account handling charge is a monthly fee, no charge may be collected for any period less than one month.
- Delinquency fees, if contracted for in the loan agreement, are permitted but must comply with section 5-2-203, C.R.S., are limited to a maximum of \$15, and can only be imposed when a scheduled payment is more than 10 days overdue. In addition, the lender must send written notice that a late fee has been assessed prior to the due date of the next payment. See section 5-2-203 for additional requirements.
- Certain amounts must be rebated upon prepayment. See section 5-2-214, C.R.S. for more details.
- Because a lender making SILs contracts for a finance charge, rather than an interest or note rate, interest does not accrue after default.
- If the amount financed exceeds \$1,000, the lender must use the finance charges provided in section 5-2-201, C.R.S.
- Before making a SIL, the lender must review and assess the consumer's ability to repay the loan as scheduled.
- The alternative finance charges for SILs do not apply to consumer credit sales. The finance charges on retail installment contracts and consumer credit sales must comply with section 5-2-201, C.R.S.