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MEMORANDUM

TO: Deferred Deposit Lenders

FROM: Uniform Consumer Credit Code Telephone: (303) 866-4527 E-mail: uccc@state.co.us

RE: New Laws

Colorado's Deferred Deposit Loan Act was amended by House Bill 04-1069 and takes effect July 1, 2004. Some of the changes are described below. The bill (and House Bill 04-1394, a new law on small installment loans of \$1,000 or less with a minimum 90-day loan term) can be found on the [Colorado General Assembly's Website](http://www.colorado.gov/legislature).

- The instrument you hold, whether a check or authorization to debit an account, is collateral and no other collateral may be taken. You must disclose the collateral correctly in your disclosure and loan agreement.
- The loan due date must be on or after the consumer's next payday or scheduled benefits receipt date unless: (1) the consumer voluntarily requests a shorter loan term, (2) the consumer's request is in writing, (3) you maintain a copy of the written request in your records, and (4) these shorter-term loans cannot be renewed at all.
- Loan proceeds may be issued in the form of a stored value card or an ACH credit, but the consumer cannot be charged for cashing or negotiating the proceeds.
- The returned instrument fee can be contracted for and collected if the consumer's instrument is returned unpaid for any reason except bank error.
- Certain violations of the law can be corrected without penalties or refunds except if the violation results in an overcharge or excess charge to the consumer.
- At least every 12-months, lenders must obtain a new signed and dated loan application and a pay stub or other proof of income that is no more than 45-days old.
- To establish a consumer's ability to repay the loan, a lender cannot loan an amount more than 25% of the consumer's monthly gross income and benefits, whether in a single loan or combined outstanding loans from that lender.
- To avoid "loan splitting," lenders must document separate loans to individual spouses in a written, signed statement from the spouse stating they want a loan separate from their spouse and that their choice is voluntary. The lender must keep the statement in its records