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UNIFORM CONSUMER CREDIT CODE



The State of Colorado

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Administrative Interpretation No. 3.105-8004

The Administrator of the Colorado Uniform Consumer Credit Code has been asked whether a particular set of circumstances set forth in your letter constitutes a "refinancing" as that term is used in Senate Bill 20 (Second Regular Session, Fifty-Second General Assembly, State of Colorado), amending Section 3-105 of the Colorado Uniform Consumer Credit Code. The factual situation set forth in your letter is the renewal or extension of a construction loan accomplished by means of a modification agreement amending the original note to extend the maturity date. Your question is whether such a transaction is considered a "refinancing" under Senate Bill 20 such that the lender could exceed the 18% annual percentage rate ceiling of the Code upon making the extension or renewal. For the purpose of this letter, I assume that no additional advances are made pursuant to this transaction for purposes other than construction, and that the original transaction fell within the requirements of Senate Bill 20.

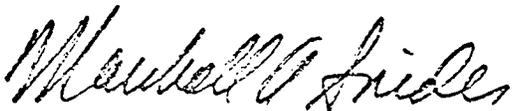
It is my opinion that a transaction such as you describe constitutes a "refinancing" as long as the lender modifies the rate of the loan finance charge or any other material terms of the original obligation. The staff of the Federal Reserve Board has, on several occasions, stated that a refinancing under Regulation Z does not occur upon the mere deferral of payments or extension of the maturity date of the obligation. Rather, a refinancing occurs only if some material terms of the original obligation are modified. See staff letters numbered 244, 415, 441 and 658, found in Truth in Lending Special Releases-Correspondence, April, 1969 to October, 1978, paragraphs 30,227, 30,604, 30,637 and 30,928, respectively.

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Accordingly, by merely extending the maturity date of the loan, no refinancing occurs under Regulation Z, and I have adopted that position for defining a "refinancing" under the Colorado Uniform Consumer Credit Code. However, if in the course of extending the maturity date the rate of the loan finance charge is increased by agreement, a material term of the original obligation is modified and a "refinancing" exists. Accordingly, the increase in the loan finance charge may exceed 18%, and the renewal constitutes a "refinancing" within the meaning of the Senate Bill 20. It is my opinion that such an interpretation is consistent with the intent of Senate Bill 20.

This letter is intended as an interpretation of the Uniform Consumer Credit Code, as that term is used in C.R.S. 1973, 5-6-104(4), as amended.

Very truly yours,



Marshall A. Snider
Administrator
Uniform Consumer Credit Code

MAS/gs