



**Colorado  
Legislative  
Council  
Staff**

**SB16-024**

**FINAL  
FISCAL NOTE**

**FISCAL IMPACT:**  State  Local  Statutory Public Entity  Conditional  No Fiscal Impact

**Drafting Number:** LLS 16-0638  
**Prime Sponsor(s):** Sen. Jones  
Rep. Moreno

**Date:** July 7, 2016  
**Bill Status:** Postponed Indefinitely  
**Fiscal Analyst:** Kate Watkins (303-866-3446)

**BILL TOPIC:** PRIVATE STUDENT LOAN CAP ACT

<b>Fiscal Impact Summary</b>	<b>FY 2016-2017</b>	<b>FY 2017-2018</b>
<b>State Revenue</b>		
<b>State Expenditures</b>	Workload Increase	
<b>Appropriation Required:</b> None.		
<b>Future Year Impacts:</b> None.		

**NOTE: This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.**

**Summary of Legislation**

The introduced bill caps the annual interest rate that a private or nongovernmental lender may charge for a student loan at two percentage points higher than the rate charged by the federal government for an unsubsidized loan made for the same purpose. The cap is imposed on loans made to students, their spouses, and to taxpayers claiming a student as a dependent.

**Background**

Both the federal government and private institutions offer loans to students, their spouses, and their parents for the purpose of financing postsecondary education. Interest rates on federal student loans are set by Congress each year. Federal subsidized and unsubsidized loans disbursed between July 1, 2015, and June 30, 2016, are offered to undergraduate students at 4.29 percent annual interest, and unsubsidized loans are offered to graduate or professional students at 5.84 percent annual interest.

**Existing lending requirements and enforcement.** The Colorado Uniform Consumer Credit Code (UCCC), which is administered under the Department of Law, regulates the terms and conditions of consumer credit in the state. It sets maximum rates and charges, requires disclosure of the cost of credit so consumers may identify the best rates, and provides services for consumers who default. The UCCC does not apply to first mortgage residential acquisition and refinance loans except for its sections on disclosures of the cost of credit, certain consumer remedies, and administrative powers. Most other consumer credit transactions such as payday loans, automobile loans, second mortgages, state-issued credit cards, and signature loans are subject to the UCCC.

The Colorado Attorney General's Office, through the Administrator of the UCCC, investigates complaints about lenders and creditors, licenses non-bank lenders such as finance companies and payday lenders, and takes appropriate disciplinary or legal action when a creditor violates the law. The Administrator does not give legal advice to or represent individual consumers in actions against creditors. Consumers may, however, bring legal action against creditors under the UCCC.

### **State Expenditure**

The rate cap established by the bill is not part of the UCCC, and the bill does not specify which state entity will enforce the cap. Additionally, it is not clear how the cap under this bill might interact with lending restrictions under current law. Therefore, this bill is assessed as having an indeterminate impact but is expected to increase workload in the Department of Law to the extent that consumers bring legal actions against lenders as a result of the bill. If complaints are sufficient to require additional FTE, an allocation can be addressed through the annual budget process.

### **Effective Date**

This bill was postponed indefinitely by the Senate State, Veterans, and Military Affairs Committee on February 10, 2016.

### **State and Local Government Contacts**

Law