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The State of Colorado

UNIFORM CONSUMER CREDIT CODE

DEPARTMENT OF LAW

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Administrative Interpretation 3.508-8002

THE 18% MAXIMUM RATE OF SECTION 5-3-508 APPLIES TO EACH PERIOD FOR WHICH A FINANCE CHARGE IS ASSESSED ON AN INTEREST BEARING LOAN.

A question has arisen with respect to the method for calculation of maximum finance charges on interest bearing variable rate loans. The question, specifically, is whether on a variable rate loan where interest is assessed monthly, may a daily rate be charged in excess of the 18% limit of Section 5-3-508 for some days during the month, so long as the overall charge for the month does not exceed 18% on an annualized basis.

The charge may, in fact, be made at an annualized rate in excess of 18% for a portion of the period for which the finance charge is assessed, so long as the rate for the entire period for which it is assessed does not exceed 18%. For example, if the finance charge is assessed every thirty days, it could be calculated for fifteen days at 18 1/4% and for the remaining fifteen days of that period at 17 1/2% and not violate the 18% ceiling of Section 5-3-508.

If, however, despite the frequency of payment, the finance charge is calculated more frequently than payment intervals and the finance charge is added to the outstanding principal with the sum then becoming the new base for the assessment of finance charges (the finance charge is, thus, compounded), then the annualized rate of finance charge may not exceed 18% for any one of those periods, and no averaging would be permitted.


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This is an official interpretation of the Uniform Consumer Credit Code as contemplated in Section 5-6-104, C.R.S. 1973, as amended.