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UNIFORM CONSUMER CREDIT CODE

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Administrative Interpretation No. 5.204-8007

The Administrator of the Colorado Uniform Consumer Credit Code has been asked whether a loan finance charge may be imposed by a lender during the three days within which a borrower has the right to rescind certain transactions under C.R.S. 1973, 5-5-204. It is the opinion of the Administrator that a loan finance charge may be imposed during that time period, but that the charge may not be collected when the debtor properly exercises the right to rescind.

C.R.S. 1973, 5-5-204 states that, with regard to transactions covered by that section, "...the debtor shall have the right to rescind the transaction until midnight of the third business day following the consummation of the transaction..." The statute thus presupposes the existence of an agreement (since the "transaction" has been "consummated") which may later be rescinded at the option of the borrower. Such a statutory interpretation is consistent with the general concept of rescission of contracts, which requires the existence of a contract which can then be terminated by rescission.

Section 5-204 of the Uniform Consumer Credit Code, therefore, assumes that a transaction already exists. This transaction is a loan, which is the creation of a debt by the lender's agreement to pay money to the debtor [C.R.S. 1973, 5-3-106(1)]. Since the lender has so agreed when the transaction is consummated, it is the interpretation of the Administrator that the loan agreement has been consummated prior to the running of the three day period and that a finance charge may accrue during that period, even if no disbursement has been made (it should be noted that pursuant to Rule I of the Administrator, effective December 1, 1972, no disbursement is permitted prior to the expiration of the three day rescission right).

The above interpretation is supported by C.R.S. 1973, 5-5-204(2) which provides that when the debtor exercises the right to rescind he is not liable for any loan finance charge. Section 5-204(2) thus assumes that a loan finance charge has accrued during the rescission period and such an assumption is consistent with the interpretation.

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This administrative interpretation is intended to be an
"interpretation" as that term is used in C.R.S. 1973, 5-6-104(4).

DATED: May 14, 1980


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Uniform Consumer Credit Code