

Representative James A. Dunnigan proposes the following substitute bill:

MAINTENANCE FUNDING PRACTICES ACT

2020 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: James A. Dunnigan

Senate Sponsor: Curtis S. Bramble

LONG TITLE

General Description:

This bill regulates maintenance funding practices under the Division of Consumer Protection within the Commerce Department.

Highlighted Provisions:

- This bill:
- ▶ defines terms;
 - ▶ requires a maintenance funding provider to register with the Division of Consumer Protection;
 - ▶ establishes operating requirements for a maintenance funding provider;
 - ▶ establishes reporting requirements for a maintenance funding provider and the division;
 - ▶ establishes requirements for maintenance funding agreements;
 - ▶ requires a maintenance funding provider to make certain disclosures;
 - ▶ grants rulemaking authority to the Division of Consumer Protection;
 - ▶ requires the Division of Consumer Protection to administer and enforce the Maintenance Funding Practices Act; and
 - ▶ addresses enforceability of a maintenance funding agreement.

Money Appropriated in this Bill:



26 None

27 **Other Special Clauses:**

28 None

29 **Utah Code Sections Affected:**

30 AMENDS:

31 **13-2-1**, as last amended by Laws of Utah 2019, Chapters 115, 423 and last amended by
32 Coordination Clause, Laws of Utah 2019, Chapter 115

33 ENACTS:

34 **13-57-101**, Utah Code Annotated 1953

35 **13-57-102**, Utah Code Annotated 1953

36 **13-57-201**, Utah Code Annotated 1953

37 **13-57-202**, Utah Code Annotated 1953

38 **13-57-203**, Utah Code Annotated 1953

39 **13-57-301**, Utah Code Annotated 1953

40 **13-57-302**, Utah Code Annotated 1953

41 **13-57-401**, Utah Code Annotated 1953

42 **13-57-402**, Utah Code Annotated 1953

43 **13-57-501**, Utah Code Annotated 1953

44 **13-57-502**, Utah Code Annotated 1953

45 **13-57-503**, Utah Code Annotated 1953



47 *Be it enacted by the Legislature of the state of Utah:*

48 Section 1. Section **13-2-1** is amended to read:

49 **13-2-1. Consumer protection division established -- Functions.**

50 (1) There is established within the Department of Commerce the Division of Consumer
51 Protection.

52 (2) The division shall administer and enforce the following:

53 (a) Chapter 5, Unfair Practices Act;

54 (b) Chapter 10a, Music Licensing Practices Act;

55 (c) Chapter 11, Utah Consumer Sales Practices Act;

56 (d) Chapter 15, Business Opportunity Disclosure Act;

- 57 (e) Chapter 20, New Motor Vehicle Warranties Act;
- 58 (f) Chapter 21, Credit Services Organizations Act;
- 59 (g) Chapter 22, Charitable Solicitations Act;
- 60 (h) Chapter 23, Health Spa Services Protection Act;
- 61 (i) Chapter 25a, Telephone and Facsimile Solicitation Act;
- 62 (j) Chapter 26, Telephone Fraud Prevention Act;
- 63 (k) Chapter 28, Prize Notices Regulation Act;
- 64 (l) Chapter 32a, Pawnshop and Secondhand Merchandise Transaction Information Act;
- 65 (m) Chapter 34, Utah Postsecondary Proprietary School Act;
- 66 (n) Chapter 34a, Utah Postsecondary School State Authorization Act;
- 67 (o) Chapter 39, Child Protection Registry;
- 68 (p) Chapter 41, Price Controls During Emergencies Act;
- 69 (q) Chapter 42, Uniform Debt-Management Services Act;
- 70 (r) Chapter 49, Immigration Consultants Registration Act;
- 71 (s) Chapter 51, Transportation Network Company Registration Act;
- 72 (t) Chapter 52, Residential Solar Energy Disclosure Act;
- 73 (u) Chapter 53, Residential, Vocational and Life Skills Program Act;
- 74 (v) Chapter 54, Ticket Website Sales Act; [~~and~~]
- 75 (w) Chapter 56, Ticket Transferability Act[-]; and
- 76 (x) Chapter 57, Maintenance Funding Practices Act.

77 Section 2. Section 13-57-101 is enacted to read:

78 **CHAPTER 57. MAINTENANCE FUNDING PRACTICES ACT**

79 **Part 1. General Provisions**

80 **13-57-101. Title.**

81 This chapter is known as the "Maintenance Funding Practices Act."

82 Section 3. Section 13-57-102 is enacted to read:

83 **13-57-102. Definitions.**

84 As used in this chapter:

- 85 (1) "Business entity" means a sole proprietorship, partnership, limited partnership,
- 86 limited liability company, corporation, or other entity or association used to carry on a business
- 87 for profit.

88 (2) "Director" means the director of the Division of Consumer Protection.

89 (3) "Division" means the Division of Consumer Protection of the Department of
90 Commerce established in Section 13-2-1.

91 (4) "Health care provider" means the same as that term is defined in Section
92 78B-3-403.

93 (5) "Individual" means a person who:

94 (a) resides in this state; and

95 (b) has or may have a pending legal action in this state.

96 (6) "Legal funding" means a payment to an individual in exchange for the right to
97 receive an amount out of the potential proceeds of any realized settlement, judgment, award, or
98 verdict the individual may receive in a civil legal action.

99 (7) "Maintenance funding agreement" means an agreement between an individual and a
100 maintenance funding provider under which the maintenance funding provider provides legal
101 funding to the individual.

102 (8) (a) "Maintenance funding provider" means a business entity that engages in the
103 business of legal funding.

104 (b) "Maintenance funding provider" does not include:

105 (i) an immediate family member of an individual;

106 (ii) an accountant providing accounting services to an individual; or

107 (iii) an attorney providing legal services to an individual.

108 Section 4. Section 13-57-201 is enacted to read:

109 **Part 2. Maintenance Funding Providers**

110 **13-57-201. Maintenance funding provider registration and registration renewal.**

111 (1) Except as provided in Subsection (4), a business entity may not act as a
112 maintenance funding provider in this state without registering with the division.

113 (2) To register as a maintenance funding provider, a business entity shall submit to the
114 division an application for registration:

115 (a) in the manner the division determines; and

116 (b) that includes:

117 (i) an application fee in an amount determined by the division in accordance with

118 Sections 13-1-2 and 63J-1-504; and

119 (ii) anything else the division requires as established in rule made in accordance with
120 Title 63G, Chapter 3, Utah Administrative Rulemaking Act.

121 (3) (a) Each year a maintenance funding provider shall renew the maintenance funding
122 provider's registration by submitting to the division an application for registration renewal:

123 (a) in the manner the division determines; and

124 (b) that includes:

125 (i) an application fee in an amount determined by the division in accordance with
126 Sections [13-1-2](#) and [63J-1-504](#); and

127 (ii) anything else the division requires as established in rule made in accordance with
128 Title 63G, Chapter 3, Utah Administrative Rulemaking Act.

129 (4) A business entity who acts as a maintenance funding provider in the state between
130 May 12, 2019, and May 12, 2020, is permitted to continue to act as a maintenance funding
131 provider:

132 (a) if the person:

133 (i) applies for registration in accordance with this section; and

134 (ii) complies with the requirements of this chapter; and

135 (b) until the division makes a determination regarding the person's application for
136 registration under this section.

137 Section 5. Section **13-57-202** is enacted to read:

138 **13-57-202. Maintenance funding provider operations.**

139 (1) A maintenance funding provider may only provide legal funding to an individual if
140 the maintenance funding provider and the individual enter into a maintenance funding
141 agreement that meets the requirements of Section [13-57-301](#).

142 (2) Before executing a maintenance funding agreement, a maintenance funding
143 provider shall file with the division a template of the maintenance funding agreement.

144 (3) A maintenance funding provider may not:

145 (a) pay or offer to pay a commission, referral fee, or any other form of consideration to
146 the following for referring an individual to the maintenance funding provider:

147 (i) an attorney authorized to practice law;

148 (ii) a health care provider; or

149 (iii) an employee, independent contractor, or other person affiliated with a person

150 described in Subsection (3)(a)(i) or (ii);

151 (b) accept a commission, referral fee, or any other form of consideration from a person
152 described in Subsection (3)(a) for referring an individual to the person;

153 (c) refer an individual or potential individual to a person described in Subsection
154 (3)(a), unless the referral is to a local or state bar association referral service;

155 (d) intentionally advertise materially false or misleading information about the
156 maintenance funding provider's services;

157 (e) make or attempt to influence a decision relating to the conduct, settlement, or
158 resolution of a legal action for which the maintenance funding provider provides legal funding;
159 or

160 (f) knowingly pay or offer to pay court costs, filing fees, or attorney fees using legal
161 funding.

162 (4) A maintenance funding provider shall provide an individual who enters a
163 maintenance funding agreement a copy of the executed maintenance funding agreement.

164 Section 6. Section **13-57-203** is enacted to read:

165 **13-57-203. Annual reports.**

166 (1) On or before April 1 of each year, a maintenance funding provider registered in
167 accordance with Section [13-57-201](#) shall file a report:

168 (a) under oath;

169 (b) with the director; and

170 (c) in a form the director prescribes.

171 (2) The report described in Subsection (1) shall include, for the preceding calendar
172 year:

173 (a) the number of maintenance funding agreements entered into by the maintenance
174 funding provider;

175 (b) the total dollar amount of legal funding the maintenance funding provider provided;

176 (c) the total dollar amount of charges under each maintenance funding agreement,
177 itemized and including the annual rate of return;

178 (d) the total dollar amount and number of maintenance funding transactions in which
179 the realized profit to the company was as contracted in the maintenance funding agreement;

180 (e) the total dollar amount and number of maintenance funding transactions in which

181 the realized profit to the company was less than contracted; and

182 (f) any other information the director requires concerning the maintenance funding
183 provider's business or operations in the state.

184 Section 7. Section **13-57-301** is enacted to read:

185 **Part 3. Maintenance Funding Agreements**

186 **13-57-301. Maintenance funding agreements.**

187 (1) A maintenance funding agreement shall:

188 (a) be in writing;

189 (b) contain a right of rescission permitting the individual to cancel the agreement
190 without penalty or further obligation, if the individual returns to the maintenance funding
191 provider the full amount of the disbursed funds:

192 (i) within five business days after the day on which the individual and maintenance
193 funding provider enter the agreement; and

194 (ii) (A) in person by delivering the maintenance funding provider's uncashed check to
195 the maintenance funding provider's office; or

196 (B) by insured, certified, or registered United States mail to the address specified in the
197 maintenance funding agreement in the form of the maintenance funding provider's uncashed
198 check or a registered or certified check or money order;

199 (c) contain the disclosures described in Section [13-57-302](#);

200 (d) include the amount of money the maintenance funding provider provides to the
201 individual;

202 (e) include an itemization of one-time charges;

203 (f) include a payment schedule that:

204 (i) includes the funded amount and all charges; and

205 (ii) lists the total amount of any realized settlement, judgment, award, or verdict to be
206 paid to the maintenance funding provider at the end of each six-month period, if the contract is
207 satisfied during that period; and

208 (g) include a provision that the maintenance funding agreement includes no charge or
209 fee other than the charges and fees disclosed in the maintenance funding agreement; and

210 (h) include a provision that:

211 (i) if there are no available proceeds from the legal action, the individual will owe the

212 maintenance funding provider nothing; and

213 (ii) the maintenance funding provider's total charges will be paid only to the extent
214 there are available proceeds from the legal action after the settlement of all liens, fees, and
215 other costs.

216 (2) A maintenance funding agreement may not require an individual to make a
217 payment to the maintenance funding provider in an amount determined as a percentage of the
218 recovery from the legal action.

219 Section 8. Section **13-57-302** is enacted to read:

220 **13-57-302. Required disclosures.**

221 A maintenance funding provider shall disclose in a maintenance funding agreement:

222 (1) that the maintenance funding provider may not participate in deciding whether,
223 when, or the amount for which a legal action is settled;

224 (2) that the maintenance funding provider may not interfere with the independent
225 professional judgment of the attorney handling the legal action or any settlement of the legal
226 action;

227 (3) the following statement in substantially the following form, in all capital letters and
228 at least a 12-point type: "THE FUNDED AMOUNT AND AGREED-TO CHARGES SHALL
229 BE PAID ONLY FROM THE PROCEEDS OF YOUR LEGAL CLAIM, AND SHALL BE
230 PAID ONLY TO THE EXTENT THAT THERE ARE AVAILABLE PROCEEDS FROM
231 YOUR LEGAL CLAIM. YOU WILL NOT OWE (INSERT NAME OF THE
232 MAINTENANCE FUNDING PROVIDER HERE) ANYTHING IF THERE ARE NO
233 PROCEEDS FROM YOUR LEGAL CLAIM, UNLESS YOU HAVE VIOLATED A
234 MATERIAL TERM OF THIS AGREEMENT OR YOU HAVE COMMITTED FRAUD
235 AGAINST THE MAINTENANCE FUNDING PROVIDER.";

236 (4) in accordance with Section [13-57-301](#), the following statement in substantially the
237 following form and at least a 12-point type: "CONSUMER'S RIGHT TO CANCELLATION:
238 You may cancel this agreement without penalty or further obligation within five business days
239 after the day on which you enter into this agreement with the maintenance funding provider if
240 you either: 1. return to the maintenance funding provider the full amount of the disbursed funds
241 by delivering the maintenance funding provider's uncashed check to the maintenance funding
242 provider's office in person; or 2. send, by insured, certified, or registered United States mail, to

243 the maintenance funding provider at the address specified in this agreement, a notice of
244 cancellation and include in the mailing a return of the full amount of disbursed funds in the
245 form of the maintenance funding provider's uncashed check or a registered or certified check or
246 money order"; and

247 (5) immediately above the line for the individual's signature, the following statement in
248 at least a 12-point type: "Do not sign this agreement before you read it completely or if it
249 contains any blank spaces. You are entitled to a completed copy of the agreement. Before you
250 sign this agreement, you should obtain the advice of an attorney. Depending on your
251 circumstances, you may want to consult a tax, benefits planning, or financial professional."

252 Section 9. Section 13-57-401 is enacted to read:

253 **Part 4. Division Duties**

254 **13-57-401. Rulemaking.**

255 The division shall make rules in accordance with Title 63G, Chapter 3, Utah
256 Administrative Rulemaking Act, to:

257 (1) establish an application process for a business entity to register with the division as
258 a maintenance funding provider, in accordance with Section 13-57-201;

259 (2) establish a filing process for a maintenance funding provider to file a maintenance
260 funding agreement with the division;

261 (3) establish a filing process for annual reports required under Section 13-57-203; and

262 (4) carry out the provisions of this chapter.

263 Section 10. Section 13-57-402 is enacted to read:

264 **13-57-402. Public education regarding legal funding -- Reporting to Legislature.**

265 (1) The director shall help educate the general public regarding legal funding in the
266 state by:

267 (a) analyzing and summarizing data maintenance funding providers submit under
268 Section 13-57-203; and

269 (b) publishing the analysis and summary described in Subsection (1)(a) on the
270 division's web page.

271 (2) Before October 1, 2022, the director shall report to the Business and Labor Interim
272 Committee on the status of legal funding in the state and make any recommendation the
273 director decides is necessary to improve the regulatory framework of legal funding, including a

274 recommendation on whether to limit charges a maintenance funding provider may impose
275 under a maintenance funding agreement.

276 Section 11. Section 13-57-501 is enacted to read:

277 **Part 5. Miscellaneous**

278 **13-57-501. Enforceability.**

279 If a maintenance funding provider violates a provision of this chapter, a maintenance
280 funding agreement associated with the violation is unenforceable by the maintenance funding
281 provider or any successor-in-interest to the maintenance funding agreement.

282 Section 12. Section 13-57-502 is enacted to read:

283 **13-57-502. Penalties -- Enforcement.**

284 (1) After notice and an opportunity for an administrative hearing in accordance with
285 Title 63G, Chapter 4, Administrative Procedures Act, the division may, in addition to
286 exercising the division's enforcement powers under Section 13-2-6, enforce the provisions of
287 this chapter by:

- 288 (a) revoking or suspending a maintenance funding provider's registration;
- 289 (b) ordering a maintenance funding provider to cease and desist from further legal
290 funding;
- 291 (c) imposing a penalty of up to:
 - 292 (i) \$1,000 per violation; or
 - 293 (ii) \$10,000 per violation that the division finds willful; or
 - 294 (d) ordering the maintenance funding provider to make restitution to an individual.
- 295 (2) The division's enforcement powers under this section and Section 13-2-6 do not
296 affect an individual's legal claim against a maintenance funding provider.

297 Section 13. Section 13-57-503 is enacted to read:

298 **13-57-503. Applicability.**

299 The requirements of this chapter for a maintenance funding provider do not apply to:

- 300 (1) a bank while in the course of conducting a banking business as described in Section
301 7-3-1;
- 302 (2) a deferred deposit lender, as defined in Section 7-23-102, while engaged in the
303 business of deferred deposit lending;
- 304 (3) a title lender, as defined in Section 7-24-102, while engaged in the business of

305 extending a title loan; or

306 (4) a creditor, as defined in Section [70C-1-302](#), subject to the provisions of Title 70C,

307 Utah Consumer Credit Code.