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Consumer Credit Amendments
2026 GENERAL SESSION
STATE OF UTAH
Chief Sponsor: Brady Brammer
House Sponsor: Calvin Roberts

LONG TITLE

General Description:

This bill modifies the Utah Consumer Credit Code.

Highlighted Provisions:

This bill:

- defines terms;
- clarifies that a creditor may not charge a prepayment penalty and removes the existing exception;
- clarifies that the debtor is not entitled to a third party rebate unless the creditor becomes entitled to a rebate result from the prepayment; and
- makes technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

70C-3-101, as last amended by Laws of Utah 2005, Chapter 162

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

Section 1. Section **70C-3-101** is amended to read:

70C-3-101 . Prepayment of debt.

~~[(1)(a) Subject to the other provisions of this section, a debtor may prepay the unpaid balance of a closed-end consumer credit debt at any time without penalty.]~~

~~[(b) Notwithstanding Subsection (1)(a), a debtor may be required to pay a prepayment~~

- 28 fee for prepaying a closed-end extension of credit secured by a subordinate lien on a
 29 dwelling that is not subject to Section 32 of Regulation Z, 12 C.F.R., Sec. 226.32 if:]
 30 [(i) the creditor offers the debtor the option of entering into either:]
 31 [(A) a contract that does not contain a prepayment fee; or]
 32 [(B) a contract containing:]
 33 [(I) a prepayment fee; and]
 34 [(H) a rate of finance charge or fee that is lower than the rate of finance charge
 35 or fee under the contract described in Subsection (1)(b)(i)(A); and]
 36 [(ii) the debtor enters into the contract described in Subsection (1)(b)(i)(B).]
 37 (1) As used in this section:
 38 (a) "Prepaid finance charge" means the same as that term is defined in 12 C.F.R. Sec.
 39 1026.2.
 40 (b)(i) "Prepayment penalty" means a contingent fee that a creditor assesses against a
 41 debtor for paying all or any portion of an outstanding debt before the debt's
 42 scheduled due date.
 43 (ii) "Prepayment penalty" does not include a prepaid finance charge.
 44 (2) A debtor may prepay the unpaid balance of a closed-end consumer credit debt without a
 45 prepayment penalty.
 46 [(2)] (3) [For purposes of this section:]
 47 (a) The unpaid balance of a closed-end consumer credit debt [at any point in time] shall
 48 consist only of:
 49 (i) any unpaid earned finance charge;
 50 (ii) the unpaid principal of the debt; and
 51 (iii) any delinquency or deferral and other allowable charges that may have been
 52 assessed [~~prior~~] before to prepayment.
 53 (b) Except as provided in Subsection [(2)(e)] (3)(c), the earned finance charge and unpaid
 54 principal shall be calculated only by the actuarial or United States Rule method from
 55 the date the credit is first extended to the debtor, but the creditor may accrue finance
 56 charges during any delay period pertaining to a right of rescission.
 57 (c)[(i) ~~Any prepaid finance charge not exceeding 5% of the original principal amount~~
 58 ~~of the debt which the parties expressly agree is nonrefundable in the event of~~
 59 ~~prepayment shall be fully earned on the date the credit is extended.] A prepaid
 60 finance charge that the creditor charges on closed-end consumer credit debt is
 61 nonrefundable if the debtor prepays unless the parties expressly agree otherwise.~~

62 ~~[(ii) Any prepaid finance charges in addition to the prepaid finance charges described~~
63 ~~in Subsection (2)(c)(i) are considered to be earned proportionally over the entire~~
64 ~~term of the agreement, and in that event of prepayment, any unearned portion of~~
65 ~~such charge, calculated on a pro rata basis according to the remaining term of the~~
66 ~~agreement, shall be rebated.]~~

67 ~~[(iii) Notwithstanding Subsections (2)(c)(i) and (ii), on a closed-end extension of~~
68 ~~credit secured by a subordinate lien on a dwelling that is not subject to Section 32~~
69 ~~of Regulation Z, 12 C.F.R., Sec. 226.32 any prepaid finance charge shall be fully~~
70 ~~earned on the date the credit is extended.]~~

71 (d) Any costs, charges, or fees paid to third parties in connection with setting up the
72 credit are not subject to rebate to the borrower unless the creditor becomes entitled to
73 a rebate of any part of the cost, charge, or fee as a result of the prepayment.

74 ~~[(3)] (4)(a) [If the maturity of a closed-end consumer credit debt is accelerated for any~~
75 ~~reason and judgment is obtained, the debtor is entitled to have the unpaid balance of~~
76 ~~the debt calculated, less any legal offset, as if payment in full had been made on the~~
77 ~~date judgment was entered. Interest on the judgment shall be the rate agreed on by~~
78 ~~the parties with respect to the debt.] If a creditor accelerates the maturity of a~~
79 ~~closed-end consumer credit debt for any reason and obtains a judgment, the creditor~~
80 ~~shall calculate the unpaid balance of the debt, less any legal offset, as if the debtor~~
81 ~~had paid the debt in full on the date the court entered the judgment.~~

82 ~~(b) The judgment shall accrue interest at the rate the parties agreed to for the debt.~~

83 ~~[(4) The provisions of this section for calculating the unpaid balance of a debt apply to all~~
84 ~~prepayments of closed-end consumer credit debts after September 1, 1985, unless a~~
85 ~~different method for calculating the unpaid balance on prepayment is expressly provided~~
86 ~~for in a consumer credit contract which was entered into prior to July 1, 1985, and was~~
87 ~~lawful when made.]~~

88 Section 2. **Effective Date.**

89 This bill takes effect on May 6, 2026.