

REVENUE: No revenue impact

FISCAL: Minimal fiscal impact, no statement issued

Action:	Do Pass as Amended and Be Printed Engrossed and Rescind the Subsequent Referral to the Committee on Ways and Means
Vote:	7 - 2 - 1
Yeas:	Cowan, Krieger, Matthews, Riley, Tomei, Wingard, Holvey
Nays:	Barton, Gilliam
Exc.:	Weidner
Prepared By:	Victoria Cox, Administrator
Meeting Dates:	2/9, 4/23, 4/24

WHAT THE MEASURE DOES: Requires persons who provide debt management services to register with the Department of Consumer and Business Services (DCBS), unless exempt, and maintain surety or fidelity bond. Caps fees and requires evaluation of consumer benefit and written contract with right of cancellation. Prohibits misleading advertising and makes violation an unlawful trade practice. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- Consumer credit issues
- Debt settlement model
- Fifty-five percent completion rate for debt settlement programs
- Costs and benefits of bankruptcy
- Availability of alternatives to bankruptcy

EFFECT OF COMMITTEE AMENDMENT: Defines “debt management service provider” to include debt consolidation agencies, credit service providers, debt settlers, mortgage modifiers and those who broker, facilitate and generate leads for such services, while exempting attorneys licensed in Oregon, specified education services, and nonprofits providing educational materials for a minimal fee. Establishes criteria for registration with DCBS. Requires debt management service providers to maintain surety or fidelity bonds based on client funds held. Specifies that consumer funds be held in separate trust accounts or insured institutions. Requires that consumers be provided with specified disclosures and written contracts that include a three day right of cancellation. Establishes fees for service as follows: A one-time fee to open a file not to exceed \$50; reasonable costs to provide educational counseling not to exceed \$50; up to 15 percent of funds consumers set aside or deposit in trust accounts not to exceed \$65 per month; up to 7.5 percent of difference between original debt and the amount paid in settlement at the end of the process. Prohibits misleading advertising, providing professional advice and entering into a debt management contract without evaluating benefit to the consumer. Allows for enforcement by DCBS through license suspension and revocation, by the Attorney General as unlawful trade practice, and by the consumer through private right of action.

BACKGROUND: Increasing consumer debt in the current economic downturn has led to the proliferation of various forms of debt management services. The Department of Consumer and Business Services requested the introduction of this legislation in order to regulate the providers of such services. A work group was formed to address appropriate regulation and achieved consensus on most issues with the exception of the caps on fees. HB 2191-A is the result of this process.

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This summary has not been adopted or officially endorsed by action of the committee.