

REVENUE: No revenue impact

FISCAL: Minimal fiscal impact, no statement issued

Action: Do Pass with Amendments to the A-Eng. Measure (Printed B-Eng.)

Vote: 3 - 2 - 0

Yeas: Burdick, Rosenbaum, Bonamici

Nays: George, Girod

Exc.: 0

Prepared By: Lori Brocker, Administrator

Meeting Dates: 5/19, 5/26

WHAT THE MEASURE DOES: Requires debt management service providers to register with Department of Consumer and Business Services (DCBS). Allows certain exemptions to registration. Defines debt management service and service provider. Specifies criteria for registration and renewal. Requires debt management service provider to maintain surety bond or irrevocable letter of credit. Requires certain recordkeeping by provider and department. Specifies that consumer funds be held in trust accounts. Requires written contract and specifies contract provisions, disclosures, and rights of cancellation for provider and consumer. Specifies provider fee structure, requires fee disclosures and defines fee maximum. Prohibits misrepresentation, misleading advertising, and entering into debt management contract without evaluating benefit to consumer. Grants department certain enforcement and rulemaking authority. Increases civil penalty for certain violations from \$1,000 to \$5,000. Clarifies statute of limitations for enforcement action. Provides award of attorney fees to prevailing party. Provides consumer right of action against bond. Specifies that provisions apply to contracts entered into on or after effective date of Act. Makes certain violations unlawful trade practices. Declares an emergency; effective on passage.

ISSUES DISCUSSED:

- Debt consolidation agencies
- Debt settlement statistics
- Debt settlement negotiations
- Retroactive application to current contracts
- Fees charged to consumers
- Loan modification specialists
- Regulation of lawyers working in debt management

EFFECT OF COMMITTEE AMENDMENT: Revises fee provisions. Revises attorney fees provisions. Clarifies provisions related to department's right to deny, suspend, revoke or refuse license. Clarifies application of Act to contracts entered into on or after effective date.

BACKGROUND: Increasing consumer debt in the current economic downturn has led to the proliferation of various forms of debt management services, including some that are not currently regulated. The DCBS requested House Bill 2191B to provide consistent regulation of debt management service entities and additional protection for consumers.