

HB 1909 -- Uniform Debt-Management Services Act

Sponsor: Burnett

This bill establishes the Uniform Debt-Management Services Act to regulate debt-management services. In its main provisions, the bill:

- (1) Requires a debt-service company to register with the Attorney General by submitting detailed information including its financial condition, the identity of its principals, locations at which the service will be offered, a copy of the form used for agreements with debtors, and its business history in other jurisdictions;
- (2) Requires a debt-service company to carry an insurance policy against fraud, dishonesty, and theft in an amount no less than \$250,000 and provide a security bond of a minimum of \$50,000 which has the Attorney General as a beneficiary;
- (3) Requires a debt-service company to renew its registration annually;
- (4) Requires a debt-service company to disclose any fees and services to be offered and any risks or benefits of entering into the debt-management service agreement;
- (5) Allows for a penalty-free, three-day right of cancellation of the agreement by the debtor and cancellation, subject to specified fees, by the debtor within 30 days;
- (6) Allows a debt-service company to terminate the agreement if the required payments are more than 60 days late;
- (7) Requires a debt-service company to keep any debtor payments in a separate trust account that may not be used to hold any other company funds;
- (8) Prohibits a debt-service company from misappropriating trust funds, settling for more than 50% of a debt with a creditor without a debtor's consent, or representing that a settlement has occurred without certification from the creditor;
- (9) Authorizes the Attorney General to investigate debt-service companies, to order an individual to cease and desist debt counseling services, to bring civil actions, and to assess civil penalties up to \$10,000;
- (10) Allows an individual to bring a civil action for compensatory damages, including triple damages, if a debt-service

company obtains payments not authorized in the bill; and

(11) Specifies that the statute of limitations regarding an action brought by the Attorney General will be four years and two years for an action brought by an individual.

The bill will become effective August 28, 2007.