

SCS SB 216 -- DEBT SETTLEMENT PROVIDERS

(Vetoed by the Governor)

This bill changes the laws regarding debt settlement providers. In its main provisions, the bill:

- (1) Requires a debt settlement provider to only engage in debt settlement services for compensation under a debt settlement plan;
- (2) Defines "debt settlement service" as the negotiation, settlement, or alteration of the terms of payment of a consumer's unsecured debt with the consumer's creditor without receiving or holding money from a consumer for the purpose of distributing that money to the creditor;
- (3) Prohibits the provider from charging more than 4% of the principal amount of the debt for an enrollment or set-up fee and more than 20% of the principal amount of the debt in aggregate fees. The balance must be collected in equal payments over a period determined by the provider as long as the last payment is due no sooner than the median month in the plan. Upon completion of the plan, the aggregate fees cannot exceed the amount the plan reduces the principal amount of the debt originally enrolled in the plan. The debtor may voluntarily prepay fees, and the provider may collect fees on a pro-rata basis once the provider obtains reasonable offers of settlement from any creditors;
- (4) Requires a provider to carry aggregate liability insurance in the amount of at least \$1 million;
- (5) Authorizes the Attorney General to enforce the provisions of the bill; and
- (6) Authorizes a circuit court to enjoin any person from acting or offering to act as a debt settlement provider and to order a provider to correct any violation, including making restitution of money or property to a person aggrieved by a violation.