



Department of Consumer and Business Services

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HB 2191

Debt Management Services Organizations

During these uncertain economic times, financially vulnerable Oregonians are increasingly turning to consumer debt counseling and debt management services for assistance. Some of these entities provide legitimate and valuable help to consumers. Their activities can include negotiating with creditors to reduce a debtor's obligations or lower the interest rates on debt, accepting funds from a debtor to make payments to creditors in accordance with a creditor-approved plan, obtaining extensions of credit for a consumer, or providing credit counseling and advice on how to improve credit. But some companies claim they can eliminate or renegotiate various types of consumer debt, including mortgages, credit card balances, and auto loans, even though they do not actually work with creditors. They may require up-front fees, and may advise debtors not to communicate with their creditors – which is often the worst advice.

Under current law, the state registers these service providers under two different regulatory structures (“credit service organizations” and “debt consolidation agencies”) that both overlap and leave gaps. A growing number of providers of debt management service organizations do not fit into either category.

The bill is intended to create a new, single regulatory structure to cover both currently regulated and unregulated activities and ensure better consumer protections. Specifically, the bill would:

- Require all types of providers of debt management services to be registered.
- Require registration by companies that broker or solicit other companies to provide these services.
- Require debt management service organizations to provide increased and updated reporting to consumers on their debt repayment.
- Require a surety or fidelity bond or trust account for debt management service providers.
- Limit up-front fees and cap the dollar amount of monthly fees.
- Specify the protections to be provided in any contract for services and require that a paper copy is provided to the client.
- Give debtors the means to cancel contracts with debt management service providers.
- Specify improper advertising practices.
- Prohibit misleading advertising, including the use of emblems or logos that infer the advertisement is being sent by an official or governmental agency.
- Allow enforcement against unregistered companies by the Department of Justice under the Unfair Trade Practices Act.
- Allow consumers a private right of action and provide them with access to surety bonds.
- Provide the Department of Consumer and Business Services rulemaking authority to implement and enforce these new protections.