



SENATE MAJORITY OFFICE

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Senate reins in unscrupulous debt settlement companies *HB 2191 lays ground rules for businesses operating in Oregon*

SALEM – With more and more Oregon families struggling to stay afloat in tough economic times, the Senate passed House Bill 2191 this morning. The bill addresses problems raised by the proliferation of debt management providers in the state – some of which do not have the consumer’s best interest at heart.

“Many of these companies are making a profit off of people who are already struggling in this challenging economy,” said Senator Suzanne Bonamici (D-Beaverton), chair of the Senate Consumer Protection Committee. “We need to set strong standards for these companies to ensure no more Oregonians are harmed by their misleading tactics.”

Some companies operating under the guise of debt management require high fees before delivering services and they usually advise consumers not to communicate with their creditors – which is often the worst advice. While the debt management company negotiates with creditors on a consumer’s behalf, late fees and penalties can continue to add up, sometimes resulting in legal action against the debtor.

“These are people who are trying to get out of debt and some companies out there are only making the problem worse,” said Senator Diane Rosenbaum (D-Portland). “The ads on the radio and signs you see on the road promise help, but there are sometimes really underhanded operations behind the promises.”

Specifically, HB 2191 requires that consumers be provided with specified disclosures and written contracts, including a three-day right of cancellation. The bill also prohibits misleading advertising. Costs for setup and counseling will both be capped at \$50 and the charge for any negotiated reduction in debt is limited to 7.5 percent.

“Some of these companies are legitimate and some are not, but Oregonians shouldn’t have to figure that out through trial and error,” said Senator Margaret Carter (D-Portland). “The consequences of ending up with a bad actor can put a person into a worse situation than when they started.”

Currently, there are several types of debt management providers operating in the state, some of which don’t fit into any established category. HB 2191 creates a new single category to cover all types of debt management services, known as “debt management service providers.” This legislation 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. All such companies will be required to register with the Department of Consumer and Business Services.

“A lot of Oregonians are only a hospital trip away from spiraling into overwhelming debt,” said Senate Majority Leader Richard Devlin (D-Tualatin). “We need to ensure that if they turn to someone to help, they aren’t being taken advantage of for the sake of profit.”

Enforcement of HB 2191 will be provided by DCBS through license suspension and revocation, by the Attorney General as unlawful trade practice, and by the consumer through private right of action. The bill will now go back to the House for concurrence.

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