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**Business & Financial Services Committee**

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**HB 1283**

**Brief Description:** Concerning nonprofit organizations engaged in debt adjusting.

**Sponsors:** Representatives Parker, Kirby and Vick.

**Brief Summary of Bill**

- Changes the exemption for nonprofit organizations engaging in debt adjusting to allow such organizations to charge a fee per payment rather than per month.
- Raises the rate nonprofit organizations engaging in debt adjusting may charge a debtor to \$50 per payment, adjusted for inflation annually.
- Retains exemption from the Debt Adjusting Act for nonprofit organizations charging not more than the new rate.

**Hearing Date:** 1/21/15

**Staff:** David Rubenstein (786-7153).

**Background:**

Debt Adjusting Act.

Washington's Debt Adjusting Act (DAA) regulates the provision of debt adjusting services, which are defined as managing, counseling, settling, adjusting, pro-rating, or liquidating a debtor's indebtedness, or receiving funds for distribution among creditors in payment of a debtor's obligations. A "debt adjuster" is a person who engages in debt adjusting for compensation and includes creditor counselors and debt settlement providers.

The contract between the debt adjuster and the debtor must contain various disclosures, including the debt adjuster's fees, and must require the debt adjuster to notify the debtor if a creditor refuses to accept payment. The total fee for debt adjusting services is capped at 15 percent of the debtor's total debt; excess fees void the contract. The fee retained by a debt adjuster from any one payment made by a debtor may not exceed 15 percent of the payment. Before retaining the

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fee, the debt adjuster must notify all creditors that the debtor has engaged the debt adjuster's services.

A debt adjuster may not receive any cash, bonus, reward, or other compensation from a person other than a debtor or a person acting on the debtor's behalf in connection with his or her activities as a debt adjuster.

Violation of the DAA constitutes a misdemeanor offense, as well as an unfair or deceptive act or practice under the Consumer Protection Act. The Office of the Attorney General may investigate debt adjusting businesses and examine their books and records.

#### Exemptions from the DAA.

Numerous entities are exempt from regulation under the DAA. Among them are nonprofit organizations engaged in debt adjusting that charge debtors a fee of not more than \$15 per month.

Also exempt from the DAA are attorneys, escrow agents, accountants, investment advisors, banks, and consumer loan companies, among others.

#### **Summary of Bill:**

Nonprofit organizations charging debtors a fee of not more than \$50 per payment are exempt from the DAA. The maximum fee must be adjusted annually with the consumer price index for the Seattle area.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.