
Business & Financial Services Committee

SSB 5485

Brief Description: Concerning debt adjusters.

Sponsors: Senate Committee on Financial Institutions & Insurance (originally sponsored by Senators Hobbs and Benton).

Brief Summary of Substitute Bill

- Permits debt adjusters regulated by the Debt Adjusting Act to receive contributions from creditors of their clients.
- Requires debt adjusters to report to the Department of Financial Institutions.
- Applies to both for-profit and nonprofit debt adjusters.

Hearing Date: 3/13/15

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 consumer's debt, 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 credit 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.

Summary of Bill:

Debt adjusters, whether nonprofit or for-profit, may accept contributions from the creditors of their debtor clients. Such contributions are called "fair share."

Fair share does not include grants received for services unrelated to debt adjusting and is not included in the 15 percent fee limitation.

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.