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HOUSE BILL 1311

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State of Washington

68th Legislature

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By Representatives Reeves, Corry, Chapman, Reed, and Cheney

Read first time 01/13/23. Referred to Committee on Consumer Protection & Business.

1 AN ACT Relating to credit repair services performed by a credit  
2 services organization; amending RCW 19.134.010, 19.134.020,  
3 19.134.040, 19.134.050, 19.134.060, 19.134.070, and 19.134.080; and  
4 creating new sections.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 19.134.010 and 1989 c 303 s 1 are each amended to  
7 read as follows:

8 As used in this chapter:

9 (1) (~~"Buyer" means any individual who is solicited to purchase~~  
10 ~~or who purchases the services of a credit services organization.~~

11 ~~(2)(a))~~ "Collection agency" has the same meaning as in RCW  
12 19.16.100.

13 (2) "Communication" means the conveyance of any information  
14 regarding a debt, credit record, credit history, or credit rating,  
15 including submitting a dispute or requesting information, directly or  
16 indirectly, to any person by any means or through any medium.

17 (3) "Consumer" means any natural person who is solicited to  
18 purchase or who purchases the services of a credit services  
19 organization.

20 (4) "Consumer reporting agency" has the same meaning as in RCW  
21 19.182.010.

1 (5) "Creditor" has the same meaning as in RCW 62A.1-201.

2 (6)(a) "Credit services organization" means any person who  
3 ~~with respect to the extension of credit by others,~~) sells, provides,  
4 performs, or represents that ~~((he or she))~~ the person can or will  
5 sell, provide, or perform, in return for the payment of money or  
6 other valuable consideration any of the following services:

7 (i) Improving, saving, or preserving a ~~((buyer's))~~ consumer's  
8 credit record, history, or rating;

9 (ii) Obtaining an extension of credit for a ~~((buyer))~~ consumer;

10 (iii) Stopping, preventing, or delaying the foreclosure of a deed  
11 of trust, mortgage, or other security agreement; or

12 (iv) Providing advice or assistance to a ~~((buyer))~~ consumer with  
13 regard to either (a)(i), ~~((a))~~(ii), or ~~((a))~~(iii) of this  
14 subsection.

15 (b) "Credit services organization" does not include:

16 (i) Any person authorized to make loans or extensions of credit  
17 under the laws of this state or the United States who is subject to  
18 regulation and supervision by this state or the United States or a  
19 lender approved by the United States secretary of housing and urban  
20 development for participation in any mortgage insurance program under  
21 the national housing act;

22 (ii) Any bank, savings bank, or savings and loan institution  
23 whose deposits or accounts are eligible for insurance by the federal  
24 deposit insurance corporation or the federal savings and loan  
25 insurance corporation, or a subsidiary of such bank, savings bank, or  
26 savings and loan institution;

27 (iii) Any credit union, federal credit union, or out-of-state  
28 credit union doing business in this state under chapter 31.12 RCW;

29 (iv) Any nonprofit organization exempt from taxation under  
30 section 501(c)(3) of the internal revenue code;

31 (v) Any person licensed as a real estate broker by this state if  
32 the person is acting within the course and scope of that license;

33 (vi) Any person licensed as a collection agency pursuant to  
34 chapter 19.16 RCW if acting within the course and scope of that  
35 license;

36 (vii) Any person licensed to practice law in this state if the  
37 person renders services within the course and scope of his or her  
38 practice as an attorney: PROVIDED, That the principal purpose of the  
39 attorney's practice is not to regularly provide the services  
40 described in (a)(i) and (ii) of this subsection, nor regularly

1 provide advice or assistance described in (a)(iv) of this subsection  
2 as it pertains to (a)(i) and (ii) of this subsection, and that the  
3 attorney is not providing those services in connection with a  
4 qualified nonprofit legal aid provider;

5 (viii) Any broker-dealer registered with the securities and  
6 exchange commission or the commodity futures trading commission if  
7 the broker-dealer is acting within the course and scope of that  
8 regulation;

9 (ix) Any consumer reporting agency as defined in the federal fair  
10 credit reporting act, 15 U.S.C. Secs. 1681 through 1681t; or

11 (x) Any mortgage broker as defined in RCW 19.146.010 if acting  
12 within the course and scope of that definition.

13 ~~((+3))~~ (7) "Extension of credit" means the right to defer  
14 payment of debt or to incur debt and defer its payment offered or  
15 granted primarily for personal, family, or household purposes.

16 (8) "Person" shall include, where applicable, natural persons,  
17 corporations and other limited liability companies and associations,  
18 trusts, unincorporated associations, and partnerships.

19 (9) "Regulatory entity" means any city, state, or federal agency,  
20 department or entity that has the authority to regulate a consumer  
21 reporting agency, creditor, or collection agency, or the authority to  
22 assist a consumer with submitting, processing, or resolving a  
23 complaint, inquiry, or information request concerning a consumer  
24 reporting agency, creditor, or collection agency.

25 **Sec. 2.** RCW 19.134.020 and 1989 c 303 s 2 are each amended to  
26 read as follows:

27 (1) A credit services organization, its salespersons, agents, and  
28 representatives, and independent contractors who sell or attempt to  
29 sell the services of a credit services organization may not do any of  
30 the following:

31 ~~((+1))~~ (a) Charge or receive any money or other valuable  
32 consideration prior to full and complete performance of the services  
33 the credit services organization has agreed to perform for the  
34 ~~((buyer))~~ consumer, unless the credit services organization has  
35 obtained a surety bond of ~~((ten thousand dollars))~~ \$10,000 issued by  
36 a surety company admitted to do business in this state and  
37 established a trust account at a federally insured bank or savings  
38 and loan association located in this state. The surety bond shall run  
39 to the state of Washington and the ~~((buyers))~~ consumers. The surety

1 bond shall be issued on the condition that the principal comply with  
2 all provisions of this chapter and fully perform on all contracts  
3 entered into with ~~((buyers))~~ consumers. The surety bond shall be  
4 continuous until canceled and shall remain in full force and  
5 unimpaired at all times to comply with this section. The surety's  
6 liability for all claims in the aggregate against the continuous bond  
7 shall not exceed the penal sum of the bond. An action on the bond may  
8 be brought by the state or by any ~~((buyer))~~ consumer by filing a  
9 complaint in a court of competent jurisdiction, including small  
10 claims court, within one year of cancellation of the surety bond. A  
11 complaint may be mailed by registered or certified mail, return  
12 receipt requested, to the surety and shall constitute good and  
13 sufficient service on the surety;

14 ~~((+2))~~ (b) Charge or receive any money or other valuable  
15 consideration solely for referral of the ~~((buyer))~~ consumer to a  
16 retail seller who will or may extend credit to the ~~((buyer))~~ consumer  
17 if the credit that is or will be extended to the ~~((buyer))~~ consumer  
18 is upon substantially the same terms as those available to the  
19 general public;

20 ~~((+3))~~ (c) Fail to provide a monthly statement to the consumer  
21 detailing the services performed including an accounting of any funds  
22 paid by a consumer and held or disbursed on the consumer's behalf;

23 (d) Make or counsel or advise any ~~((buyer))~~ consumer to make any  
24 statement that is untrue or misleading or that should be known by the  
25 exercise of reasonable care to be untrue or misleading, to a  
26 ~~((credit))~~ consumer reporting agency ~~((or)),~~ creditor, collection  
27 agency, or regulatory entity, including submitting, or counseling, or  
28 advising a consumer to submit, a dispute without a good faith belief  
29 in the accuracy of the dispute ~~((to any person who has extended~~  
30 credit to a buyer or to whom a buyer is applying for an extension of  
31 credit with respect to a buyer's creditworthiness, credit standing,  
32 or credit capacity));

33 ~~((+4))~~ (e) Make or use any untrue or misleading representations  
34 in the offer or sale of the services of a credit services  
35 organization or engage, directly or indirectly, in any act, practice,  
36 or course of business that operates or would operate as fraud or  
37 deception upon any person in connection with the offer or sale of the  
38 services of a credit services organization;

39 (f) Send any communication on behalf of a consumer to a consumer  
40 reporting agency, creditor, collection agency, or regulatory entity

1 by impersonating the consumer or without disclosing the sender's  
2 identity, street address, telephone number, facsimile number if any,  
3 and, if applicable, the name and street address of any parent  
4 organization of the sender;

5 (g) Send any communication to a consumer reporting agency,  
6 creditor, collection agency, or regulatory entity without the prior  
7 written authorization of the consumer. A relevant authorization in  
8 the agreement or contract between a consumer and a credit services  
9 organization is sufficient for the purpose of this subsection;

10 (h) Fail to make a written communication sent on behalf of a  
11 consumer to any consumer reporting agency, creditor, collection  
12 agency, or regulatory entity, or legal counsel for any of the  
13 foregoing available to the consumer; or

14 (i) Fail to provide along with its first written communication to  
15 a consumer reporting agency, creditor, debt collector, or regulatory  
16 entity information sufficient to permit the consumer reporting  
17 agency, creditor, debt collector, or regulatory entity to investigate  
18 the account or accounts that are the subject of the written  
19 communication.

20 (2) Seeking to obtain, or the obtaining of, a consumer's credit  
21 report and the performance of other services necessary to determine  
22 the needs of a consumer for the reinvestigation of any accounts shall  
23 not constitute services of a credit services organization for which a  
24 contract is required pursuant to RCW 19.134.060 if that activity is  
25 undertaken with the consumer's prior written, electronic, or recorded  
26 oral consent.

27 NEW SECTION. Sec. 3. (1) Unless otherwise required by law, a  
28 consumer reporting agency, creditor, or collection agency that has  
29 been provided with the credit services organization's name and  
30 address by the consumer or the credit services organization shall  
31 communicate with the credit services organization unless either of  
32 the following circumstances apply:

33 (a) The credit services organization fails to respond within 30  
34 days to a communication from a consumer reporting agency, creditor,  
35 or collection agency; or

36 (b) The consumer expressly directs the consumer reporting agency,  
37 creditor, or collection agency not to communicate with the credit  
38 services organization.

1 (2) Notwithstanding subsection (1) of this section, a consumer  
2 reporting agency, creditor, or collection agency shall not be  
3 required to communicate with a credit services organization  
4 concerning an account that is subject to a dispute if any of the  
5 following apply:

6 (a) The account subject to the dispute has been paid, settled, or  
7 otherwise resolved and has been reported as paid, settled, or  
8 otherwise resolved on the consumer's credit report;

9 (b) The account subject to the dispute has been removed from the  
10 consumer's credit report;

11 (c) The debt collector has provided to the credit services  
12 organization or to the consumer the verification information or  
13 documentation described in 15 U.S.C. Sec. 1692(g)(b) regarding the  
14 account subject to dispute;

15 (d) The debt collector is a debt buyer as defined in RCW  
16 19.16.100 and has provided to the credit services organization or to  
17 the consumer the information or documentation described in RCW  
18 19.16.260(2) (a) and (b) regarding the account subject to the  
19 dispute;

20 (e) The consumer reporting agency, creditor, or collection agency  
21 reasonably determines that the dispute is frivolous or irrelevant  
22 pursuant to 15 U.S.C. Secs. 1681(i)(3) or 1681s-2(a)(1)(f).

23 NEW SECTION. **Sec. 4.** To protect against fraud and identity  
24 theft, when a credit services organization sends a written  
25 communication by facsimile, electronic mail, United States mail,  
26 overnight courier, or other means that contains personal information  
27 of a consumer, the credit services organization shall redact the  
28 personal information to include only the last four digits of the  
29 social security number, taxpayer identification number, or state  
30 identification number, the last four digits of the financial account  
31 number, credit card number, or debit card number, or the month and  
32 year of the consumer's date of birth, unless the inclusion of the  
33 full number or date is otherwise required by law, or is legally  
34 permissible and required to achieve the desired objective. Redacting  
35 information pursuant to this section shall not be considered a  
36 violation of RCW 19.134.020(1)(i).

37 **Sec. 5.** RCW 19.134.040 and 1986 c 218 s 5 are each amended to  
38 read as follows:

1 Before the execution of a contract or agreement between the  
2 ((~~buyer~~)) consumer and a credit services organization or before the  
3 receipt by the credit services organization of any money or other  
4 valuable consideration, whichever occurs first, the credit services  
5 organization shall provide the ((~~buyer~~)) consumer with a statement in  
6 writing, containing all the information required by RCW 19.134.050.  
7 The credit services organization shall maintain on file for a period  
8 of ~~((two years an exact copy of the statement, personally signed by  
9 the buyer, acknowledging receipt of a))~~ four years following the  
10 completion or termination of the credit services organization  
11 agreement with the consumer an exact copy of the statement.

12 **Sec. 6.** RCW 19.134.050 and 1986 c 218 s 6 are each amended to  
13 read as follows:

14 The information statement required under RCW 19.134.040 shall  
15 include all of the following:

16 (1)(a) A complete and accurate statement of the ((~~buyer's~~))  
17 consumer's right to review any file on the ((~~buyer~~)) consumer  
18 maintained by any consumer reporting agency, as provided under the  
19 federal Fair Credit Reporting Act, 15 U.S.C. Secs. 1681 through  
20 1681t;

21 (b) A statement that the ((~~buyer~~)) consumer may review his or her  
22 consumer reporting agency file at no charge if a request is made to  
23 the consumer ((~~credit~~)) reporting agency within ((~~thirty~~)) 30 days  
24 after receiving notice that credit has been denied; ~~((and))~~

25 (c) The approximate price the ((~~buyer~~)) consumer will be charged  
26 by the consumer reporting agency to review his or her consumer  
27 reporting agency file; and

28 (d) The following notice:

29  
30 "If you have a complaint about the services provided by this  
31 credit services organization or the fees charged by this credit  
32 services organization, you may submit that complaint to the  
33 Washington state Attorney General's Office, Attn: ....., P.O. Box  
34 40100, Olympia, WA 98504-0100."

35  
36 The information statement shall be printed in at least 10-point  
37 boldface type and shall include the following statement:

38  
39 "CONSUMER CREDIT FILE RIGHTS UNDER STATE AND FEDERAL LAW

1  
2 You have a right to obtain a free copy of your credit report from  
3 a consumer reporting agency. You may obtain this free copy of your  
4 credit report one time per year by visiting  
5 www.AnnualCreditReport.com. You will be able to view your credit  
6 report, dispute alleged inaccuracies, and obtain additional  
7 information at no fee. If requested, the consumer reporting agency  
8 must provide someone to help you interpret the information in your  
9 credit file.

10 You have a right to dispute inaccurate information by contacting  
11 the consumer reporting agency directly. However, neither you nor any  
12 credit repair company or credit services organization has the right  
13 to have accurate, current, and verifiable information removed from  
14 your credit report. Under the Federal Fair Credit Reporting Act, the  
15 consumer reporting agency must remove accurate, negative information  
16 from your report only if it is over seven years old. Bankruptcy  
17 information can be reported for 10 years.

18 If you have notified a consumer reporting agency in writing that  
19 you dispute the accuracy of information in your credit file, the  
20 consumer reporting agency must then reinvestigate and modify or  
21 remove inaccurate information. The consumer reporting agency may not  
22 charge a fee for this service. Any pertinent information and copies  
23 of all documents you have concerning an error should be given to the  
24 consumer reporting agency.

25 If the reinvestigation does not resolve the dispute to your  
26 satisfaction, you may send a brief statement to the consumer  
27 reporting agency to keep in your file, explaining why you think the  
28 record is inaccurate. The consumer reporting agency must include your  
29 statement about disputed information in any report it issues about  
30 you.

31 You have a right to cancel the contract with the credit services  
32 organization for any reason before midnight on the fifth working day  
33 after you signed it. If for any reason you cancel the contract during  
34 this time, you do not owe any money.

35 You have a right to take legal action against a credit services  
36 organization if it misleads you.";

37 (2) A complete and accurate statement of the ((buyer's))  
38 consumer's right to dispute the completeness or accuracy of any item  
39 contained in any file on the ((buyer)) consumer maintained by any  
40 consumer reporting agency;



1 (3) A complete and detailed description of the services to be  
2 performed by the credit services organization for the ((~~buyer~~))  
3 consumer and the total amount the ((~~buyer~~)) consumer will have to  
4 pay, or become obligated to pay, for the services;

5 (4) A statement asserting the ((~~buyer's~~)) consumer's right to  
6 proceed against the bond or trust account required under RCW  
7 19.134.020; and

8 (5) The name and address of the surety company that issued the  
9 bond, or the name and address of the depository and the trustee and  
10 the account number of the trust account.

11 **Sec. 7.** RCW 19.134.060 and 1986 c 218 s 7 are each amended to  
12 read as follows:

13 (1) Each contract between the ((~~buyer~~)) consumer and a credit  
14 services organization for the purchase of the services of the credit  
15 services organization shall be in writing, dated, signed by the  
16 ((~~buyer~~)) consumer, and include all of the following:

17 (a) A conspicuous statement in bold face type, in immediate  
18 proximity to the space reserved for the signature of the ((~~buyer~~))  
19 consumer, as follows: "You, the ((~~buyer~~)) consumer, may cancel this  
20 contract at any time prior to midnight of the fifth day after the  
21 date of the transaction. See the attached notice of cancellation form  
22 for an explanation of this right";

23 (b) The terms and conditions of payment, including the total of  
24 all payments to be made by the ((~~buyer~~)) consumer, whether to the  
25 credit services organization or to some other person;

26 (c) A full and detailed description of the services to be  
27 performed by the credit services organization for the ((~~buyer~~))  
28 consumer, including a list of the information appearing on the  
29 consumer's credit report that the credit services organization will  
30 seek a reasonable reinvestigation of, as described in 15 U.S.C.  
31 1681(i), including all guarantees and all promises of full or partial  
32 refunds, and the estimated date by which the services are to be  
33 performed, or estimated length of time for performing the services,  
34 not to exceed 180 days, or a shorter period consistent with the  
35 purposes of this section as may be prescribed by the attorney  
36 general;

37 (d) The credit services organization's principal business  
38 address, mailing address if different, email address, facsimile  
39 number if applicable, website address if applicable, and the name and

1 address of its agent in the state authorized to receive service of  
2 process;

3 (2) The contract shall be accompanied by a completed form in  
4 duplicate, captioned "Notice of Cancellation" that shall be attached  
5 to the contract, be easily detachable, and contain in bold face type  
6 the following statement written in the same language as used in the  
7 contract.

8 "Notice of Cancellation

9 You may cancel this contract, without any penalty or  
10 obligation (~~within five days from the date the contract is~~  
11 ~~signed~~) before midnight on the fifth working day after you  
12 sign it.

13 If you cancel any payment made by you under this  
14 contract, it will be returned within ten days following  
15 receipt by the (~~seller~~) credit services organization of  
16 your cancellation notice.

17 To cancel this contract, mail or deliver (~~a signed~~  
18 ~~dated~~) (including through electronic means) not later than  
19 midnight . . . . (date) . . . . , a copy of this cancellation  
20 notice, or any other written notice ((to \_\_\_\_\_ (name of  
21 seller) \_\_\_\_\_ at \_\_\_\_\_ (address of seller) \_\_\_\_\_ (place of  
22 business) \_\_\_\_\_ not later than midnight \_\_\_\_\_ (date) \_\_\_\_\_) of  
23 cancellation, to . . . . (name of credit services  
24 organization) . . . . at any of the following: . . . . (Credit  
25 services organization to list physical address, mailing  
26 address if different, email address, website address if  
27 applicable, and facsimile number if applicable) . . . .

28 I hereby cancel this transaction,  
29 . . . . (date) . . . .  
30 \_\_\_\_ (~~(purchaser's signature)~~) . . . . (consumer's name) . . . . "

31 It is not necessary that the consumer use the sample form to  
32 cancel a contract. The credit services organization shall give to the  
33 (~~buyer~~) consumer a copy of the completed contract and all other  
34 documents the credit services organization requires the (~~buyer~~)  
35 consumer to sign at the time they are signed. The credit services  
36 organization shall provide easily understood and easily exercised  
37 cancellation instructions on its website if a website is maintained  
38 by the credit services organization.

1       **Sec. 8.** RCW 19.134.070 and 1986 c 218 s 8 are each amended to  
2 read as follows:

3       (1) Any waiver by a ((buyer)) consumer of any part of this  
4 chapter is void. Any attempt by a credit services organization to  
5 have a ((buyer)) consumer waive rights given by this chapter is a  
6 violation of this chapter.

7       (2) In any proceeding involving this chapter, the burden of  
8 proving an exemption or an exception from a definition is upon the  
9 person claiming it.

10       (3) Any person who violates this chapter is guilty of a gross  
11 misdemeanor. Any district court of this state has jurisdiction in  
12 equity to restrain and enjoin the violation of this chapter.

13       (4) This section does not prohibit the enforcement by any person  
14 of any right provided by this or any other law.

15       (5) A violation of this chapter by a credit services organization  
16 is an unfair business practice as provided in chapter 19.86 RCW.

17       **Sec. 9.** RCW 19.134.080 and 1986 c 218 s 9 are each amended to  
18 read as follows:

19       (1) Any ((buyer)) person injured by a violation of this chapter  
20 may bring any action for recovery of damages. Judgment shall be  
21 entered for actual damages, (~~but in no case less than the amount~~  
22 ~~paid by the buyer to the credit services organization,~~) plus  
23 reasonable attorney's fees and costs. In the case of an action by a  
24 consumer, damages shall be awarded in an amount not less than the  
25 amount paid by the consumer to the credit services organization. An  
26 award may also be entered for punitive damages.

27       (2) The remedies provided under this chapter are in addition to  
28 any other procedures or remedies for any violation or conduct  
29 provided for in any other law.

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