

[First Reprint]

SENATE CONCURRENT RESOLUTION No. 103

STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED MARCH 16, 2020

Sponsored by:

Senator RONALD L. RICE

District 28 (Essex)

Assemblywoman VERLINA REYNOLDS-JACKSON

District 15 (Hunterdon and Mercer)

Assemblywoman ANGELA V. MCKNIGHT

District 31 (Hudson)

Assemblywoman VALERIE VAINIERI HUTTLE

District 37 (Bergen)

Co-Sponsored by:

Senators Addiego and Cruz-Perez

SYNOPSIS

Urges efforts at state and federal levels to protect minority communities through better regulation of debt settlement companies.

CURRENT VERSION OF TEXT

As reported by the Assembly Consumer Affairs Committee on January 13, 2021, with amendments.



(Sponsorship Updated As Of: 3/1/2021)

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1 **A CONCURRENT RESOLUTION** urging efforts at the state and federal
2 levels to protect minority communities ¹**["from certain practices]**
3 through better regulation¹ of debt settlement companies.
4
5 **WHEREAS**, The General Assembly recognizes that debt settlement
6 companies, which ¹**["claim to"]** settle, renegotiate, or in some way
7 change the terms of a person's debt to a creditor, ¹**["cause"]** can
8 offer¹ significant ¹**["problems for borrowers, often increasing debt**
9 while complicating the process of becoming"] benefits to consumers
10 wishing to become¹ debt free; and
11 **WHEREAS**, Debt settlement companies ¹**["suggest that they are**
12 "negotiating"] negotiate¹ with creditors to settle ¹**["delinquent"]** debt
13 for less than what is ¹**["owed"]** and can require that consumers stop
14 making payment, ¹**["owed, a process that"]** usually ¹**["for"]** takes¹ two
15 to three years ¹**["while they negotiate a settlement"]**¹; and
16 **WHEREAS**, Stopping payments causes accounts to default, resulting in
17 additional late payments, late fees, and other penalties that will be
18 added to the amount already owed; and
19 **WHEREAS**, ¹**["Debt settlement"]** Stopping payments¹ will have a
20 negative impact on consumers' credit scores and make it more
21 difficult to access affordable credit, since ¹**["debt settlement**
22 remains"] delinquencies remain¹ on a credit report for ¹**["seven"]**
23 several¹ years and not paying the full amount owed or missing
24 payments ¹**["while negotiating a settlement lowers"]** can result in
25 lower¹ credit scores; and
26 **WHEREAS**, A fee is normally charged by debt settlement companies to
27 negotiate on a consumer's behalf and can be as much as ¹**["20"]** 18¹
28 to 25 percent of the ¹**["final settlement"]** original amount¹ owed,
29 which means a consumer with a \$5,000 settlement ¹**["of a \$10,000**
30 debt¹ may have an additional ¹**["\$1,000 to \$1,250"]** \$1,800 to
31 \$2,500¹ in fees to pay; and
32 **WHEREAS**, Lenders are under no obligation to accept settlement offers
33 and in fact, some lenders refuse to work with debt settlement
34 companies; and
35 **WHEREAS**, There can be negative tax consequences from using a debt
36 settlement company, as whatever amount of debt is forgiven may be
37 considered as income and require that the consumer list this amount
38 as income on their tax returns; and
39 **WHEREAS**, ¹**["These companies often disproportionately operate in"]** It
40 is important to protect¹ minority communities, where individuals
41 and families often have fewer resources to draw on when they come
42 under financial pressure; now, therefore,
43
44 **BE IT RESOLVED** *by the Sente of the State of New Jersey (the*
45 *General Assembly concurring):*

EXPLANATION – Matter enclosed in bold-faced brackets **["thus"]** in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹Assembly ACO committee amendments adopted January 13, 2021.

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1 1. The Legislature supports efforts at the state and federal
2 levels that ensure debt settlement companies are subject to basic
3 consumer protections, including licensing, regular examination, and
4 prominent mandatory disclosure.

5
6 2. The Legislature recognizes that these services do not release
7 a consumer from existing debt, and that ceasing to make payments
8 without the consent of the creditor may damage the consumer's
9 credit score and may subject the borrower to collections activities,
10 additional fees, and interest.

11
12 3. The Legislature urges states, including New Jersey, to
13 consider legislation restricting **'[debt settlement companies']** the
14 making of¹ unsafe or unsustainable loans directly or indirectly to
15 consumers.

16
17 4. The Legislature encourages the federal government to
18 conduct a comprehensive review of its oversight of debt
19 **'[servicing] settlement'** companies, to include a review of federal
20 bankruptcy rules; how debt settlement companies act as credit
21 counseling services; the status of these companies as money
22 servicing businesses; and a review of the enforcement of current
23 laws and regulations by the Consumer Financial Protection Bureau
24 and Federal Trade Commission.

25
26 5. Copies of this resolution, as filed with the Secretary of State,
27 shall be transmitted by the Clerk of the General Assembly or the
28 Secretary of the Senate to the President of the United States, the
29 Vice President of the United States, members of the United States
30 House of Representatives and United States Senate, the United
31 States Secretary of the Treasury, and to other federal and State
32 government officials as appropriate.