

ASSEMBLY CONSUMER AFFAIRS COMMITTEE

STATEMENT TO

SENATE CONCURRENT RESOLUTION No. 103

with committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 13, 2021

The Assembly Consumer Affairs Committee reports favorably and with committee amendments for Senate Concurrent Resolution No. 103.

As amended and reported by the committee, this resolution urges efforts at the state and federal levels to provide protection to minority communities through better regulation of debt settlement companies.

Debt settlement companies can settle, renegotiate, or in some way change terms of a person's debt to a creditor, which can offer significant benefits to consumers wishing to become debt free. These companies also negotiate with creditors to settle delinquent debt for less than what is owed, a process that usually takes two to three years. Stopped payments can lead to a default on an account and the consumer will have to make late payments with additional fees and other penalties attached.

Stopping payments also will have a negative impact on a consumer's credit score and remains on the consumer's credit report for several years, which makes it more difficult for that consumer to access and afford credit. Additionally, debt settlement companies typically charge the consumer a fee that can be up to 18 to 25 percent of the original amount owed. There is also no guarantee that lenders will accept a settlement from a debt settlement company or even work with the company. In addition, any forgiven amount of debt may be considered as income and require consumers to list that amount as income on their tax returns. It is important to protect minority communities, where individuals and families often have fewer resources to draw on when they come under financial pressure.

This resolution urges support for efforts at the state and federal levels to subject debt settlement companies to consumer protection laws, including licensing, regular examination, and prominent mandatory disclosure. The resolution also states that the Legislature acknowledges that debt settlement services do not release a consumer from their debt obligations and that ceasing to make payments without the consent of the creditor can damage a consumer's credit score and lead to collection activities, additional fees, and interest payments. The resolution urges the consideration of legislation that restricts the making of unsafe or unsustainable loan practices that are either

directly or indirectly provided to consumers. Lastly, the resolution encourages the federal government to conduct a comprehensive review of its oversight of debt settlement companies, which would include a review of federal bankruptcy rules; how debt settlement companies act as credit counseling services; the status of these companies as money servicing businesses; and a review of the enforcement of current law and regulations by the Consumer Financial Protection Bureau and Federal Trade Commission.

As reported by the committee, Senate Concurrent Resolution No. 103 is identical to Assembly Concurrent Resolution No. 126, which also was amended and reported by the committee on this same date.

COMMITTEE AMENDMENTS

The committee amended the concurrent resolution to better clarify its intent and the role of debt settlement companies. Under the committee amendments, the concurrent resolution urges efforts at state and federal levels to protect minority communities through better regulation of debt settlement companies. Additionally, the amendments provide technical corrections.