

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 59

(Chair, Economic Matters Committee)(By Request -
 Departmental - Labor, Licensing and Regulation)

Economic Matters

Finance

Financial Institutions - Commissioner of Financial Regulation - Debt Settlement Services

This departmental bill requires debt settlement services licensees to register with the Nationwide Multistate Licensing System and Registry (NMLS). Licensees must obtain and maintain a valid unique identifier and transfer existing licensing information to NMLS on or after July 1, 2019. The bill also establishes that licenses are valid for one-year terms and sets the annual registration fee at \$400. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: Special fund revenues decrease by \$8,400 in FY 2020 and by \$2,800 in subsequent years. Expenditures are not affected.

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
SF Revenue	(\$8,400)	(\$2,800)	(\$2,800)	(\$2,800)	(\$2,800)
Expenditure	0	0	0	0	0
Net Effect	(\$8,400)	(\$2,800)	(\$2,800)	(\$2,800)	(\$2,800)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: The Department of Labor, Licensing, and Regulation has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: “Unique identifier” means a number or another identifier assigned by NMLS.

Each licensee or applicant must apply for a license or renewal and obtain a valid unique identifier issued by NMLS when forming an account with the system on or after July 1, 2019, or if the Office of the Commissioner of Financial Regulation (OCFR) has yet to join the system by July 1, 2019, on the date specified by the commissioner. The bill requires OCFR to establish a time period of at least two months within which registrants are required to transfer their registration information to NMLS.

A person registering as a debt settlement services provider must pay a nonrefundable annual fee in the amount of \$400 for an initial registration and \$400 for a renewal registration. In addition to the registration fee, a registrant must pay directly to NMLS any fees that NMLS imposes in connection with the issuance of the registration (or registration renewal).

Current Law/Background: The Maryland Debt Settlement Services Act prohibits a person from offering, providing, or attempting to provide debt settlement services unless the person (1) is registered with OCFR or (2) is exempt from registration. A person registering as a debt settlement services provider must pay OCFR a \$1,000 fee for an initial registration and \$1,000 for a renewal registration. Registrations are valid for two years.

Recent History of Debt Settlement Services in Maryland

Chapters 280 and 281 of 2011 enacted the Maryland Debt Settlement Services Act to regulate the business of providing debt settlement services in the State. A debt settlement service is defined as any service or program represented, directly or by implication, to renegotiate, settle, reduce, or in any way alter the terms of payment or other terms of a debt between a consumer and one or more unsecured creditors or debt collectors, including a reduction in the balance, interest rate, or fees. The Act establishes a registration process, exemptions from registration, various consumer protections including limits on the fees that may be charged for services and disclosures that must be included in a debt settlement services agreement, and penalties for violations.

Chapters 280 and 281 of 2011 required registration of debt settlement services providers through June 30, 2015. However, Chapters 276 and 277 of 2014 extended the registration requirement through June 30, 2016, among other actions. Chapters 392 and 393 of 2016 repealed the termination date of the Maryland Debt Settlement Services Act, making the registration of debt settlement services providers a permanent requirement in the State.

Use of Nationwide Multistate Licensing System and Registry by the Office of the Commissioner of Financial Regulation

OCFR advises that, consistent with the nationwide trend among state financial regulatory agencies, it has been moving all licensing processing to NMLS. To migrate the licensing of debt settlement services licensees to NMLS, however, OCFR notes that Maryland law needs to be modified to conform to the NMLS registration scheme.

State Revenues: According to OCFR, 28 debt settlement services providers are licensed with the State, with half due for registration renewal in fiscal 2020 and the other half due in fiscal 2021. Because the bill requires licensees to renew annually, rather than biennially, special fund revenues decline by about \$8,400 in fiscal 2020 (as 14 licensees pay a lower fee for an annual registration). In fiscal 2021, the other 14 providers also pay a reduced annual registration fee; however, that revenue loss is partly offset by the registration fee revenues from fiscal 2020 registrants who are required to register again in fiscal 2021. Thus, beginning in fiscal 2021, special fund revenues decrease by \$2,800.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - January 28, 2019
mm/kdm Third Reader - March 20, 2019
Revised - Amendment(s) - March 20, 2019

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Financial Institutions - Commissioner of Financial Regulation - Debt Settlement Services

BILL NUMBER: HB0059

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PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed change in licensing process is not anticipated to have an effect on small businesses because while businesses will be required to pay the Commissioner for the processing fees charged by the Nationwide Mortgage Licensing System, the cost of those nominal fees should be offset by the efficiency to be gained from utilizing an automated System to process license renewals.