

**Department of Legislative Services**  
Maryland General Assembly  
2022 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

House Bill 128

(Delegate Lopez)

Economic Matters and Appropriations

Finance

---

**Debt Settlement Services – Student Education Loan Debt Relief – Disclosures  
and Prohibitions**

---

This bill requires a debt settlement services provider engaged in the business of student education debt relief to provide a statement with a debt settlement services agreement and a disclosure on a service advertisement that the company is not affiliated with the U.S. Department of Education and is not a lender, among other things. The bill also prohibits debt settlement services providers engaged in student education loan debt relief from (1) advising (expressly or by implication) that a consumer stop making payments to (or stop communicating with) the consumer’s student loan servicer or (2) accessing or obtaining a consumer’s student aid information in violation of federal law. Violation of the Maryland Debt Settlement Services Act, and hence the bill’s new provisions, is an unfair, abusive, or deceptive trade practice under the Maryland Consumer Protection Act (MCPA), subject to MCPA’s civil and criminal penalty provisions.

---

**Fiscal Summary**

**State Effect:** The bill’s imposition of existing penalty provisions does not have a material impact on State finances or operations. The Office of the Attorney General, Consumer Protection Division, can handle the bill’s requirements with existing resources.

**Local Effect:** The bill’s imposition of existing penalty provisions does not have a material impact on local government finances or operations.

**Small Business Effect:** Minimal.

---

## Analysis

### Current Law:

#### *Maryland Debt Settlement Services Act*

“Debt settlement services” 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 owed by a consumer to an unsecured creditor or debt collector. “Debt settlement services” explicitly does not include debt management services, which are regulated under a separate provision of State law.

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 the Office of the Commissioner of Financial Regulation (OCFR) or (2) is exempt from registration. A person registering as a debt settlement services provider must pay OCFR a \$400 fee for an initial registration and \$400 for a renewal registration. Registrations are valid for one year.

#### *Debt Settlement Services Agreement*

A “debt settlement services agreement” is a written contract, plan, or agreement between a debt settlement services provider and a consumer for the performance of debt settlement services. A “debt settlement services provider” is a person that provides (or offers to provide) debt settlement services for a consumer (regardless of whether the person provides the services on a for-profit or not-for-profit basis).

A debt settlement services agreement must be signed and dated by the registrant and the consumer and include specified information in a clear and conspicuous manner, such as:

- the name, address, and telephone number of both the consumer and the registrant;
- a description of the debt settlement services to be provided to the consumer;
- any debt settlement services fees to be charged to the consumer and a statement that the registrant may not perform specified actions;
- information regarding each individual creditor or debt collector owed and the principal amount of the total debt;
- a good faith estimate as to when specified actions may occur; and
- a statement that the consumer may be required to pay taxes on the amount by which the consumer’s debt is reduced.

A registrant must allow a consumer to withdraw from a debt settlement services agreement at any time. If the consumer withdraws, a registrant may not charge the consumer a penalty but may collect debt settlement services fees earned by the registrant. The debt settlement services agreement must include a statement notifying the consumer of his or her right to withdraw at any time and the possible consequences of a withdrawal.

Furthermore, if the registrant requests or requires the consumer to deposit funds in a dedicated account, the debt settlement services agreement must include a statement confirming that (1) the consumer owns the funds and any accrued interest and (2) if the consumer requests to withdraw from the debt settlement services agreement, within seven days after the request, all funds in the account, including accrued interest but less any debt settlement services fees, must be paid to the consumer.

#### *Debt Settlement Services Advertisements*

An advertisement for debt settlement services must include (clearly and conspicuously) a disclosure that, to the extent that any aspect of the debt settlement services relies on (or results in) the consumer's failure to make timely payments to the consumer's creditors or debt collectors, the use of debt settlement services (1) will likely adversely affect the consumer's creditworthiness; (2) may result in the consumer being subject to collections or being sued by creditors or debt collectors; and (3) may increase the amount of money the consumer owes due to the accrual of fees and interest by creditors or debt collectors.

#### *Maryland Consumer Protection Act*

An unfair, abusive, or deceptive trade practice under MCPA includes, among other acts, any false, falsely disparaging, or misleading oral or written statement, visual description, or other representation of any kind which has the capacity, tendency, or effect of deceiving or misleading consumers. The prohibition against engaging in any unfair, abusive, or deceptive trade practice encompasses the offer for or actual sale, lease, rental, loan, or bailment of any consumer goods, consumer realty, or consumer services; the extension of consumer credit; the collection of consumer debt; or the offer for or actual purchase of consumer goods or consumer realty from a consumer by a merchant whose business includes paying off consumer debt in connection with the purchase of any consumer goods or consumer realty from a consumer.

The Consumer Protection Division is responsible for enforcing MCPA and investigating the complaints of aggrieved consumers. The division may attempt to conciliate the matter, issue a cease and desist order, or file a civil action in court. A merchant who violates MCPA is subject to a fine of up to \$10,000 for each violation and up to \$25,000 for each repetition of the same violation. In addition to any civil penalties that may be imposed, any person

who violates MCPA is guilty of a misdemeanor and, on conviction, is subject to a fine of up to \$1,000 and/or imprisonment for up to one year.

---

### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Office of the Attorney General (Consumer Protection Division); Judiciary (Administrative Office of the Courts); Maryland Department of Labor; Department of Legislative Services

**Fiscal Note History:** First Reader - January 25, 2022  
fnu2/mcr Third Reader - March 23, 2022  
Revised - Amendment(s) - March 23, 2022

---

Analysis by: Eric F. Pierce

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510