

# HOUSE BILL 392

I4, I3

0lr1070  
CF 0lr1199

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By: **Delegates Vaughn, Barkley, Bobo, Bronrott, Gutierrez, Hecht, Heller, Huckler, James, Jameson, Kaiser, Kirk, Kramer, Krysiak, Kullen, Lee, Levy, Manno, Minnick, Reznik, and Waldstreicher**

Introduced and read first time: January 29, 2010

Assigned to: Economic Matters

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## A BILL ENTITLED

1 AN ACT concerning

2 **Commercial Law – Debt Settlement Services**

3 FOR the purpose of prohibiting a person from offering, providing, or attempting to  
4 provide debt settlement services in the State except as allowed under this Act;  
5 prohibiting a debt settlement services provider from receiving certain funds or  
6 payments or imposing certain fees or charges on a consumer, except for certain  
7 fees for certain services, until a debt settlement services agreement is executed  
8 and the debt settlement services are completed; limiting to a certain amount the  
9 fee that a debt settlement services provider may charge for debt settlement  
10 services; prohibiting a debt settlement services provider from charging a fee for  
11 certain services or to rescind a debt settlement services agreement; prohibiting  
12 a debt settlement services provider from making a certain representation,  
13 requiring or advising a consumer to stop making certain payments, or requiring  
14 a consumer to make a certain contribution; requiring that a debt settlement  
15 services agreement be signed and dated by the debt settlement services provider  
16 and the consumer and include certain information and disclosures; requiring  
17 that an advertisement for debt settlement services include certain disclosures;  
18 providing that a violation of this Act is an unfair or deceptive trade practice  
19 within the meaning of the Maryland Consumer Protection Act and is subject to  
20 certain enforcement and penalty provisions; providing for the application of this  
21 Act; establishing a certain short title; defining certain terms; and generally  
22 relating to debt settlement services and debt settlement services providers.

23 BY repealing and reenacting, with amendments,  
24 Article – Commercial Law  
25 Section 13–301(14)(xxvi)  
26 Annotated Code of Maryland  
27 (2005 Replacement Volume and 2009 Supplement)

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 BY repealing and reenacting, without amendments,  
 2 Article – Commercial Law  
 3 Section 13–301(14)(xxvii)  
 4 Annotated Code of Maryland  
 5 (2005 Replacement Volume and 2009 Supplement)

6 BY adding to  
 7 Article – Commercial Law  
 8 Section 13–301(14)(xxviii); and 14–3801 through 14–3811 to be under the new  
 9 subtitle “Subtitle 38. Debt Settlement Services Act”  
 10 Annotated Code of Maryland  
 11 (2005 Replacement Volume and 2009 Supplement)

12 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
 13 MARYLAND, That the Laws of Maryland read as follows:

14 **Article – Commercial Law**

15 13–301.

16 Unfair or deceptive trade practices include any:

17 (14) Violation of a provision of:

18 (xxvi) Title 6, Subtitle 13 of the Environment Article; [or]

19 (xxvii) Section 7–405(e)(2)(ii) of the Health Occupations Article; or

20 **(XXVIII) TITLE 14, SUBTITLE 38 OF THIS ARTICLE; OR**

21 **SUBTITLE 38. DEBT SETTLEMENT SERVICES ACT.**

22 14–3801.

23 **(A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS**  
 24 **INDICATED.**

25 **(B) “CONSULTATION FEE” MEANS A FEE PAID BY A CONSUMER TO A**  
 26 **DEBT SETTLEMENT SERVICES PROVIDER IN CONNECTION WITH THE**  
 27 **PROCESSING OF ANY APPLICATION THAT THE CONSUMER MAKES FOR DEBT**  
 28 **SETTLEMENT SERVICES.**

29 **(C) “CONSUMER” MEANS AN INDIVIDUAL WHO:**

30 **(1) RESIDES IN THE STATE; AND**

1           **(2) IS SEEKING DEBT SETTLEMENT SERVICES OR HAS ENTERED**  
2 **INTO A DEBT SETTLEMENT SERVICES AGREEMENT.**

3           **(D) “DEBT MANAGEMENT SERVICES” HAS THE MEANING STATED IN §**  
4 **12-901 OF THE FINANCIAL INSTITUTIONS ARTICLE.**

5           **(E) (1) “DEBT SETTLEMENT SERVICES” MEANS ACTING OR OFFERING**  
6 **OR ATTEMPTING TO ACT FOR CONSIDERATION AS AN INTERMEDIARY BETWEEN**  
7 **A CONSUMER AND THE CONSUMER’S CREDITORS FOR THE PURPOSE OF**  
8 **SETTLING OR IN ANY WAY ALTERING THE TERMS OF PAYMENT OF ANY DEBT.**

9           **(2) “DEBT SETTLEMENT SERVICES” DOES NOT INCLUDE DEBT**  
10 **MANAGEMENT SERVICES.**

11           **(F) “DEBT SETTLEMENT SERVICES AGREEMENT” MEANS A WRITTEN**  
12 **CONTRACT, PLAN, OR AGREEMENT BETWEEN A DEBT SETTLEMENT SERVICES**  
13 **PROVIDER AND A CONSUMER FOR THE PERFORMANCE OF DEBT SETTLEMENT**  
14 **SERVICES.**

15           **(G) “DEBT SETTLEMENT SERVICES FEE” MEANS A FEE EARNED BY A**  
16 **DEBT SETTLEMENT SERVICES PROVIDER FOR PERFORMING DEBT SETTLEMENT**  
17 **SERVICES FOR A CONSUMER.**

18           **(H) “DEBT SETTLEMENT SERVICES PROVIDER” MEANS A PERSON THAT**  
19 **PROVIDES OR OFFERS TO PROVIDE DEBT SETTLEMENT SERVICES TO A**  
20 **CONSUMER.**

21 **14-3802.**

22           **THE PROVISIONS OF THIS SUBTITLE ARE IN ADDITION TO AND NOT IN**  
23 **SUBSTITUTION FOR ANY OTHER PROVISION OF LAW.**

24 **14-3803.**

25           **THIS SUBTITLE DOES NOT APPLY TO:**

26           **(1) THE FOLLOWING PERSONS WHEN ENGAGED IN THE REGULAR**  
27 **COURSE OF THEIR RESPECTIVE BUSINESSES AND PROFESSIONS:**

28                   **(I) AN ATTORNEY AT LAW WHO IS ADMITTED TO PRACTICE**  
29 **IN THE STATE AND IS NOT PRINCIPALLY ENGAGED IN PROVIDING DEBT**  
30 **SETTLEMENT SERVICES;**

31                   **(II) AN ESCROW AGENT;**

1                   **(III) A CERTIFIED PUBLIC ACCOUNTANT;**

2                   **(IV) A BANKING INSTITUTION, OTHER-STATE BANK,**  
3 **NATIONAL BANKING ASSOCIATION, CREDIT UNION, OR SAVINGS AND LOAN**  
4 **ASSOCIATION;**

5                   **(V) A PERSON THAT:**

6                   **1. PROVIDES A BILL PAYER SERVICE, AS DEFINED IN**  
7 **§ 12-401 OF THE FINANCIAL INSTITUTIONS ARTICLE;**

8                   **2. DOES NOT INITIATE ANY CONTRACT WITH**  
9 **INDIVIDUAL CREDITORS OF A DEBTOR TO COMPROMISE A DEBT OR ARRANGE A**  
10 **NEW PAYMENT SCHEDULE; AND**

11                   **3. DOES NOT PROVIDE ANY DEBT COUNSELING**  
12 **SERVICES;**

13                   **(VI) A PERSON THAT PROVIDES AN ACCELERATED**  
14 **MORTGAGE PAYMENT SERVICE, AS DEFINED IN § 12-401 OF THE FINANCIAL**  
15 **INSTITUTIONS ARTICLE;**

16                   **(VII) A TITLE INSURER, TITLE INSURANCE AGENCY, OR**  
17 **ABSTRACT COMPANY; OR**

18                   **(VIII) A JUDICIAL OFFICER OR A PERSON ACTING UNDER A**  
19 **COURT ORDER;**

20                   **(2) A PERSON WHILE PERFORMING SERVICES INCIDENTAL TO**  
21 **THE DISSOLUTION, WINDING UP, OR LIQUIDATION OF A PARTNERSHIP,**  
22 **CORPORATION, OR OTHER BUSINESS ENTERPRISE;**

23                   **(3) A TRADE OR MERCANTILE ASSOCIATION ACTING IN THE**  
24 **COURSE OF ARRANGING THE ADJUSTMENT OF DEBTS WITH A BUSINESS**  
25 **ESTABLISHMENT; OR**

26                   **(4) A MORTGAGE LENDER, AS DEFINED IN § 11-501 OF THE**  
27 **FINANCIAL INSTITUTIONS ARTICLE;**

28                   **(I) THAT IS LICENSED BY THE COMMISSIONER OF**  
29 **FINANCIAL REGULATION; AND**

1                   **(II) WHILE ENGAGED IN THE MORTGAGE LENDING**  
2 **BUSINESS AS DEFINED IN § 11-501 OF THE FINANCIAL INSTITUTIONS ARTICLE.**

3 **14-3804.**

4           **A PERSON MAY NOT OFFER, PROVIDE, OR ATTEMPT TO PROVIDE DEBT**  
5 **SETTLEMENT SERVICES IN THE STATE EXCEPT AS ALLOWED UNDER THIS**  
6 **SUBTITLE.**

7 **14-3805.**

8           **(A) EXCEPT AS PROVIDED IN SUBSECTIONS (B) AND (C) OF THIS**  
9 **SECTION, A DEBT SETTLEMENT SERVICES PROVIDER MAY NOT IMPOSE ANY FEES**  
10 **OR OTHER CHARGES ON A CONSUMER, OR RECEIVE ANY FUNDS OR OTHER**  
11 **PAYMENTS ON BEHALF OF A CONSUMER, IN CONNECTION WITH THE PROVISION**  
12 **OF DEBT SETTLEMENT SERVICES UNTIL AFTER:**

13                   **(1) THE DEBT SETTLEMENT SERVICES PROVIDER AND THE**  
14 **CONSUMER HAVE EXECUTED A WRITTEN DEBT SETTLEMENT SERVICES**  
15 **AGREEMENT; AND**

16                   **(2) THE DEBT SETTLEMENT SERVICES HAVE BEEN COMPLETED.**

17           **(B) (1) A DEBT SETTLEMENT SERVICES PROVIDER MAY CHARGE A**  
18 **CONSULTATION FEE NOT EXCEEDING \$50.**

19                   **(2) THE COST OF A CREDIT REPORT ON A CONSUMER SHALL BE**  
20 **PAID FROM THE CONSULTATION FEE PAID BY THE CONSUMER.**

21           **(C) A DEBT SETTLEMENT SERVICES PROVIDER MAY CHARGE A**  
22 **CONSUMER A FEE NOT EXCEEDING \$50 FOR A COUNSELING SESSION, AN**  
23 **EDUCATIONAL PROGRAM, OR MATERIALS AND SUPPLIES IF THE CONSUMER**  
24 **DOES NOT ENTER INTO A DEBT SETTLEMENT SERVICES AGREEMENT WITH THE**  
25 **DEBT SETTLEMENT SERVICES PROVIDER.**

26           **(D) (1) ON COMPLETION OF DEBT SETTLEMENT SERVICES PROVIDED**  
27 **UNDER A DEBT SETTLEMENT SERVICES AGREEMENT, A DEBT SETTLEMENT**  
28 **SERVICES PROVIDER MAY CHARGE A DEBT SETTLEMENT SERVICES FEE IN**  
29 **ACCORDANCE WITH PARAGRAPH (2) OF THIS SUBSECTION.**

30                   **(2) THE DEBT SETTLEMENT SERVICES FEE MAY NOT EXCEED 15%**  
31 **OF THE TOTAL AMOUNT BY WHICH THE CONSUMER'S DEBT TO THE CONSUMER'S**  
32 **CREDITORS, AS SPECIFIED IN THE DEBT SETTLEMENT SERVICES AGREEMENT,**

1 WAS REDUCED DUE TO THE DEBT SETTLEMENT SERVICES PROVIDED UNDER  
2 THE DEBT SETTLEMENT SERVICES AGREEMENT.

3 **14-3806.**

4 EXCEPT AS PROVIDED IN § 14-3805(B) AND (C) OF THIS SUBTITLE, A DEBT  
5 SETTLEMENT SERVICES PROVIDER MAY NOT CHARGE A FEE TO:

6 (1) PREPARE A FINANCIAL ANALYSIS OR AN INITIAL BUDGET  
7 PLAN FOR A CONSUMER;

8 (2) COUNSEL A CONSUMER ABOUT DEBT MANAGEMENT OR DEBT  
9 SETTLEMENT;

10 (3) PROVIDE A CONSUMER WITH A CONSUMER EDUCATION  
11 PROGRAM; OR

12 (4) RESCIND A DEBT SETTLEMENT SERVICES AGREEMENT.

13 **14-3807.**

14 A DEBT SETTLEMENT SERVICES PROVIDER MAY NOT:

15 (1) MAKE A REPRESENTATION THAT A CONSUMER'S DEBT WILL  
16 BE SETTLED FOR A SPECIFIC AMOUNT OR REDUCED BY A SPECIFIC  
17 PERCENTAGE;

18 (2) REQUIRE OR ADVISE A CONSUMER TO STOP MAKING  
19 PAYMENTS TO A CREDITOR OF THE CONSUMER; OR

20 (3) REQUIRE A VOLUNTARY CONTRIBUTION FROM A CONSUMER  
21 FOR ANY SERVICE PROVIDED TO THE CONSUMER BY THE DEBT SETTLEMENT  
22 SERVICES PROVIDER.

23 **14-3808.**

24 A DEBT SETTLEMENT SERVICES AGREEMENT SHALL:

25 (1) BE SIGNED AND DATED BY THE DEBT SETTLEMENT SERVICES  
26 PROVIDER AND THE CONSUMER;

27 (2) INCLUDE, IN AT LEAST 12 POINT TYPE:

1                   (I)    THE NAME, ADDRESS, AND TELEPHONE NUMBER OF  
2 THE CONSUMER;

3                   (II)   THE NAME, ADDRESS, AND TELEPHONE NUMBER OF  
4 THE DEBT SETTLEMENT SERVICES PROVIDER;

5                   (III)  A DESCRIPTION OF THE DEBT SETTLEMENT SERVICES  
6 TO BE PROVIDED TO THE CONSUMER AND, SUBJECT TO THE PROVISIONS OF  
7 THIS SUBTITLE, ANY FEES TO BE CHARGED TO THE CONSUMER FOR THE DEBT  
8 SETTLEMENT SERVICES;

9                   (IV)  THE IDENTITY OF EACH CREDITOR WHOSE DEBTS ARE  
10 TO BE SETTLED UNDER THE DEBT SETTLEMENT SERVICES AGREEMENT AND  
11 THE AMOUNT OF THE DEBT OWED TO EACH CREDITOR;

12                  (V)    THE NAME AND ADDRESS OF THE FINANCIAL  
13 INSTITUTION, IF ANY, IN WHICH FUNDS, DEPOSITED BY OR ON BEHALF OF THE  
14 CONSUMER FOR DISBURSEMENT TO THE CONSUMER'S CREDITORS, WILL BE  
15 HELD;

16                  (VI)  A DISCLOSURE THAT ENTERING INTO A DEBT  
17 SETTLEMENT SERVICES AGREEMENT WILL NOT STOP COLLECTION EFFORTS BY  
18 THE CONSUMER'S CREDITORS;

19                  (VII) A DISCLOSURE THAT A DEBT SETTLEMENT SERVICES  
20 PROVIDER IS PROHIBITED BY LAW FROM REPRESENTING THAT IT CAN SETTLE A  
21 CONSUMER'S DEBT FOR A SPECIFIED AMOUNT OR REDUCE A CONSUMER'S DEBT  
22 BY A SPECIFIED PERCENTAGE;

23                  (VIII) A DISCLOSURE THAT EXECUTION OF A DEBT  
24 SETTLEMENT SERVICES AGREEMENT MAY IMPACT THE CONSUMER'S CREDIT  
25 RATING AND CREDIT SCORES;

26                  (IX)  A DISCLOSURE THAT A DEBT SETTLEMENT SERVICES  
27 PROVIDER MAY NOT REQUIRE OR ADVISE A CONSUMER TO STOP MAKING  
28 PAYMENTS TO ANY CREDITOR OF THE CONSUMER;

29                  (X)   A DISCLOSURE THAT THE CONSUMER MAY BE  
30 REQUIRED TO PAY TAXES ON THE AMOUNT BY WHICH THE CONSUMER'S DEBT IS  
31 REDUCED; AND

32                  (XI)  A DISCLOSURE THAT A DEBT SETTLEMENT SERVICES  
33 PROVIDER MAY NOT REQUIRE A VOLUNTARY CONTRIBUTION FROM A CONSUMER

1 FOR ANY SERVICE PROVIDED TO THE CONSUMER BY THE DEBT SETTLEMENT  
2 SERVICES PROVIDER.

3 **14-3809.**

4 AN ADVERTISEMENT FOR DEBT SETTLEMENT SERVICES SHALL CLEARLY  
5 AND CONSPICUOUSLY INCLUDE THE DISCLOSURES SET FORTH IN §  
6 14-3808(2)(VI) THROUGH (X) OF THIS SUBTITLE.

7 **14-3810.**

8 A VIOLATION OF THIS SUBTITLE IS:

9 (1) AN UNFAIR OR DECEPTIVE TRADE PRACTICE WITHIN THE  
10 MEANING OF TITLE 13 OF THIS ARTICLE; AND

11 (2) SUBJECT TO THE ENFORCEMENT AND PENALTY PROVISIONS  
12 OF TITLE 13 OF THIS ARTICLE.

13 **14-3811.**

14 THIS SUBTITLE MAY BE CITED AS THE DEBT SETTLEMENT SERVICES ACT.

15 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
16 October 1, 2010.