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January 26, 2022

TO: The Honorable C.T. Wilson
Chair, Economic Matters Committee

The Honorable Maggie McIntosh, Chair
Appropriations Committee

FROM: Philip Ziperman, Deputy Chief - Consumer Protection Division

RE: House Bill 128 – Debt Settlement Services – Student Education Loan Debt Relief –
Disclosures and Prohibitions
LETTER FOR INFORMATION PURPOSES

The Consumer Protection Division of the Office of the Attorney General (the “Division”) believes that House Bill 128, sponsored by Delegate Lopez, while well intentioned, is largely unnecessary because the protections it provides to consumers largely already exist under Maryland law.

HB 128 clarifies that debt settlement services regulated by the Debt Settlement Services Act also include student education loan debt relief services. Debt settlement services are already broadly defined by the Debt Settlement Services Act to include “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”¹ Accordingly, a student loan debt relief services provider that is offering services to either settle or alter the payments that a consumer must make to satisfy a student loan should already be considered a debt settlement services provider. Alternatively, if the student loan debt relief services provider is offering the consumer services designed to assist the consumer in either re-financing or re-characterizing their student loans, the services are likely already regulated by the Credit Services Businesses Act, which regulates services that include “[o]btaining an extension of credit for a consumer, or providing advice or assistance to a consumer with regard to obtaining an extension of credit for the consumer.”²

HB 128 Bill also requires that companies that offer and sell student education loan debt relief services must disclose when they are private entities and not affiliated with either the U.S. Department of Education; any academic entity; any government agency; or any lender, guarantor, or servicer of federal student loans. Student loan debt relief agencies have been the target of law enforcement,

¹ See Md. Code Ann., Fin. Inst § 12-101(d)(1).

² See Md. Code Ann., Com. Law § 14-1901(e)(ii).

including for holding themselves out as being affiliated with the U.S. Department of Education.³ The Consumer Protection Act already makes it an unfair, deceptive or abusive trade practice for a business to hold itself out as having “a sponsorship, approval, status, affiliation, or connection which [it] does not have. . . .”⁴ In March 2021, the Consumer Protection Division prosecuted a tax debt relief company for violating this provision of the Consumer Protection Act when it held itself out to consumers as a government agency.⁵ Requiring student loan debt relief services providers to be transparent and disclose that they are not related to government agencies, lending institutions, and academic institutions, should help inform consumers when deciding whether to utilize their services.

cc: Members, Economic Matters and Appropriations Committees
Honorable Lesley Lopez

³ See e.g., FTC Sends Refunds to Students Charged Upfront Fees for Student Loan Debt Relief. (“According to the FTC, these companies tricked people into thinking they were affiliated with the Department of Education, charged illegal upfront fees for free government programs, and collected monthly fees they falsely claimed would be credited toward student loans.”)

(<https://www.ftc.gov/enforcement/cases-proceedings/refunds/student-debt-relief-group-refunds>)

⁴ Md. Code Ann., Com. Law § 13-301(2)(ii).

⁵ Attorney General Frosh Charges Tax Debt Relief Company with Deceiving Consumers. <https://www.marylandattorneygeneral.gov/press/2021/031621.pdf>