

Act Number: 09-208

Bill Number: 950

Senate Pages: 2445-2449, 2585-2588

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House Pages: 9944-9949

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Committee: Banks: 285-286, 294, 297,
346-351, ~~352-357~~, 438 - 439

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**CONNECTICUT
GENERAL ASSEMBLY
SENATE**

**PROCEEDINGS
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the Consent Calendar. Mr. Clerk. I'm sorry, Senator
Looney.

SENATOR LOONEY:

Yes, thank you, Mr. President. Mr. President,
the Clerk might call next on Calendar page 27,
Calendar 207, Senate Bill 950.

THE CHAIR:

Mr. Clerk.

THE CLERK:

Calendar page 27, Calendar Number 207, File
Number 233, Substitute Senate Bill 950, AN ACT
CONCERNING CONSUMER CREDIT LICENSEES, Favorable Report
out of Banks and Judiciary.

THE CHAIR:

Senator Duff.

SENATOR DUFF:

Thank you, Mr. President. Mr. President, I move
acceptance of the Joint Committee's Favorable Report
and passage of the bill.

THE CHAIR:

Questions on passage? Senator Duff, would you
like to comment?

SENATOR DUFF:

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Thank you, Mr. President. Mr. President, the Clerk is in possession of LCO number 7421, I ask that he call that and I be allowed to summarize.

THE CHAIR:

Mr. Clerk, would you please call the Amendment?

THE CLERK:

LCO 7421, which will be designated Senate Amendment, Schedule "A" offered by Senator Duff, 25th District, et al.

THE CHAIR:

Senator Duff.

SENATOR DUFF:

Thank you, Mr. President. Mr. President, I move adoption.

THE CHAIR:

Questions on adoption. Senator Duff.

SENATOR DUFF:

Thank you, Mr. President. Mr. President, this is another bill that I believe is a part of the Banks Committee this year. Again, responding to the foreclosure crisis and the financial crisis and the economic crisis that's throughout this state and this nation. And what we want to do here in this bill is,

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really, to help protect consumers and to give them a level of disclosure that they need, and the ability to make the right choices for them as they deal with the economic hardships in today's reality. What we're doing today is we're helping to license debt adjusters and debt settlers and debt negotiators and make sure that, again, consumers can make the choices that they need and that they think are right for them. Many times, our constituents will see notices on telephone poles that say that they can call a number and it will adjust their debts for them or it will help make their debts go away. And the Attorney General's office and others, our offices, I know many others in the Circle as well, do receive a lot of complaints about the fact that people and companies will make promises that they cannot keep. And many times, people will spend a lot of money to end up in the exact place that they are in when they first started, except for the fact that they may be a little bit poorer for trying. So, Mr. President, what we have done here today, is we are making sure that we are licensing and putting regulations on debt negotiators and debt adjusters. We've changed some of the laws around and we're

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allowing the Banking Commissioner to establish some rules and some regulations so that when consumers do make the choices, they're not hung out to dry as they may be, especially these days with the economy that we have.

The rest of the bill is fairly technical. It is a -- most of it is a department bill, but I do, again, want to thank Members of the Circle; our ranking Member, Senator Kane, and others who worked real hard. The Attorney General's office, as well, and the advocates at the same time. We think we have a good bill that's going to protect consumers in the State of Connecticut, that will help them, again, make those choices that they need to make, based on their own financial story that they have at the moment. Thank you, Mr. President.

THE CHAIR:

Thank you Senator Duff. Is there further comment on the Amendment? Senator Kane.

SENATOR KANE:

Thank you, Mr. President. I, too, rise in favor of this Amendment. I do want to thank Senator Duff and our entire Banks Committee for putting this bill

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together. I do believe that this is a very important piece of legislation, that will tackle what we've been going through as an economy and, especially, for those consumers who are affected by it. So I urge adoption from the entire Chamber. Thank you, Mr. President.

THE CHAIR:

Thank you, Senator. Any further comment on the Amendment? If there's no further comment, we'll move to a vote on the adoption of the Amendment. All those in favor, please signify by saying Aye.

THE SENATORS:

Aye.

THE CHAIR:

Opposed? The Amendment is adopted. Senator Duff.

SENATOR DUFF:

Thank you, Mr. President. If there's no objection, I request to place this on the Consent Calendar.

THE CHAIR:

Seeing no objection, the item will be placed on the Consent Calendar. Senator Looney.

SENATOR LOONEY:

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that it be placed on the Consent Calendar.

THE CHAIR:

Without objection, so ordered. Mr. Clerk, would you please return to the call of the Calendar. Mr. Majority Leader.

SENATOR LOONEY:

Thank you, Mr. President. Mr. President, if the Clerk might call the first Consent Calendar.

THE CHAIR:

Mr. Clerk.

THE CLERK:

The roll call has been ordered in the Senate on the Consent Calendar. Will all Senators please return to the Chamber? An immediate roll call has been ordered in the Senate on the Consent Calendar. Will all Senators please return to the Chamber? Mr. President, those items placed on the first Consent Calendar begin on Calendar page 5. Calendar Number 392, House Bill 6433.

Calendar 397, Substitute for House Bill 5915.

Calendar 405, House Bill 5536.

Calendar page 6, Calendar 406, House Bill 5873.

Calendar 457, substitute for House Bill 6264.

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Calendar page 12. Calendar Number 599,
substitute for House Bill 6463.

Calendar page 13, Calendar 608, House Bill 6640.

Calendar page 14, Calendar 611, substitute for
House Bill 6341.

Calendar 612, substitute for House Bill 6286.

Calendar 620, substitute for House Bill 5664.

Calendar page 15, Calendar 622, substitute for
House Bill 6496.

Calendar page 16, Calendar 628, House Bill 5809.

Calendar 630, substitute for House Bill 5519.

Calendar page 23, Calendar Number 284, substitute
for Senate Bill 290.

Calendar page 24, Calendar 103, Senate Bill 754.

Calendar 120, Senate Bill 818.

Calendar 136, Senate Bill 789.

Calendar page 26, Calendar 179, substitute for
Senate Bill 951.

Calendar page 27, Calendar 207, substitute for
Senate Bill 950.

Calendar page 29, Calendar 252, substitute for
Senate Bill 1068.

Calendar page 34, Calendar Number 420, Senate

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Bill 325.

And Calendar page 40, Calendar Number 541, House
Bill 6076.

Mr. President, that completes the items placed on
the first Consent Calendar.

THE CHAIR:

On the first Consent Calendar, the machine is
open.

THE CLERK:

The Senate is now voting by roll call on the
Consent Calendar. Will all Senators please return to
the Chamber? The Senate is now voting by roll call on
the Consent Calendar. Will all Senators please return
to the Chamber?

THE CHAIR:

Have all the Senators voted? Seeing that all
Senators have voted, the machine will be closed.
Clerk, please announce the tally.

THE CLERK:

Motions on adoption to the Consent Calendar,
number 1.

Total Number Voting	36
Those voting Yea	36

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Those voting Nay 0

Those absent and not voting 0

THE CHAIR:

The Consent Calendar is adopted. Mr. Majority
Leader.

SENATOR LOONEY:

Thank you, Mr. President. Mr. President, a few
more items to be marked "go." First, Calendar page
29, Calendar 249, House Bill 6185. Calendar page 35,
Calendar 424, Senate Bill 1045. Calendar page 36,
Calendar 429, Senate Bill 940. Thank you, Mr.
President.

THE CHAIR:

Thank you, sir. Mr. Clerk.

THE CLERK:

Turning to Calendar page 29, Calendar Number 249,
Files number 49 and 285, House Bill 6185, AN ACT
CONCERNING PENALTIES FOR VIOLATIONS OF CERTAIN
PERSONNEL FILE STATUTES as amended by House Amendment,
Schedule "A". Favorably Reported, Committee on Labor
and Judiciary.

THE CHAIR:

Senator Prague.

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HOUSE OF REPRESENTATIVES

June 3, 2009

Representative Merrill.

REP. MERRILL: (54th)

Thank you, Mr. Speaker. For purposes of an announcement.

DEPUTY SPEAKER ALTOBELLO:

Please proceed. Please listen.

REP. MERRILL (54th):

Yes. I would ask that Members sit close to the Chamber. We will be trying to get a lot of business moved very quickly today, so if everyone could stay close, because we will not be leaving the votes open as long as we have previously. Thank you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Thank you, Representative Merrill.

Representative Barry. Please prepare yourself. Will the Clerk please call Calendar Number 648.

THE CLERK:

On Page 18, Calendar Number 648, Substitute for Senate Bill 950 AN ACT CONCERNING CONSUMER CREDIT LICENSEES. Favorable Report of the Committee on Judiciary.

DEPUTY SPEAKER ALTOBELLO:

Representative Wright, you have the floor, madam.

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REP. WRIGHT (41st):

Good afternoon, Mr. Speaker. I move for acceptance of the Joint Committee's Favorable Report and passage of the Bill in concurrence with the Senate.

DEPUTY SPEAKER ALTOBELLO:

The question before the Chamber is acceptance of the Joint Committee's Favorable Report and passage of the Bill in concurrence with the Senate. Please proceed, madam.

REP. WRIGHT (41st):

Mr. Speaker, the Clerk has an amendment, LCO Number 7421, Senate Amendment "A". I would ask the Clerk to please call the Amendment and that I be granted leave of the Chamber to summarize.

DEPUTY SPEAKER ALTOBELLO:

Will the Clerk please call LCO Number 7421, which has been previously designated Senate "A".

THE CLERK:

LCO Number 7421, Senate "A", offered by Senator Duff and Representative Barry.

DEPUTY SPEAKER ALTOBELLO:

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Representative Wright seeks leave of the Chamber to summarize. Without objection, please proceed, madam.

REP. WRIGHT (41st)

Thank you, Mr. Speaker. This Bill makes a number of changes regarding consumer credit licensees. It expands and strengthens the licensure enforcement powers of the Banking Department.

It specifies how licenses must be surrendered. It allows the Commissioner to deny an application for a period after a prior application has been withdrawn.

It also expands and strengthens the Commissioner's power by allowing for profit debt adjustment companies to engage in the business of debt adjustment, adding them to the regulatory scheme and it adds a new category of debt negotiation.

I move adoption.

DEPUTY SPEAKER ALTOBELLO:

The question before the Chamber is adoption. Further on Senate "A"? Representative Stripp of the 135th you have the floor, sir.

REP. STRIPP (135th):

Thank you, Mr. Speaker. Mr. Speaker, there's a lot of confusion about this particular area because it

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involves debt collectors. Some of them are profit, nonprofit debt settlers, which I didn't even know was a different category, and also debt negotiators, and let's not forget consumer collectors, all of whom I always viewed as maybe one group, but actually each group is quite different, and the regulations controlling them weren't quite clear.

Well, this Bill with the Amendment is actually specifying what kind of bonds they have to produce, how they're actually going to manage their activities, and gives the Banking Commissioner a great deal of additional power over them because apparently there were issues in their dealing with the consumer in a lot of situations regarding residential mortgages.

Well, this particular Bill will clarify a great deal of that and give the Commissioner the opportunity to make sure they're properly regulated over a period of time, Mr. Speaker.

So, Mr. Speaker, I think this is a good piece of legislation. It's one that in fact is going to make the consumer better protected, particularly if they may fall on hard times where they're dealing with debt adjusters, nonprofit and profit debt settlers and debt negotiators as well as consumer collectors.

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So, Mr. Speaker, I think this is going to update and increase the power of the Commissioner to try to protect people who find themselves in difficult times and dealing with these kinds of organizations.

Mr. Speaker, I would hope that my colleagues would go along with me and heartily approve this particular piece of legislation. Thank you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Thank you, Representative Stripp. Representative Alberts? No. Further on Senatè "A"? Further on Senate "A"? If not, I'll try your minds.

All those in favor please signify by saying Aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER ALTOBELLO:

Opposed? The ayes have it. Further on the Bill as amended? If not, staff and guests please retire to the Well of the House. Members take your seats. The machine will be opened.

THE CLERK:

The House of Representatives is voting by Roll Call. Members to the Chamber.

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The House is voting by Roll Call. Members to the Chamber.

DEPUTY SPEAKER ALTOBELLO:

Have all Members voted? Have all Members voted?
Please check the board to make sure your vote has been properly cast. If all Members have voted, the machine will be locked. Will the Clerk please take a tally.

Will the Clerk please announce the tally.

THE CLERK:

Senate Bill Number 950 as amended by Senate "A"
in concurrence with the Senate.

Total Number Voting	140
Necessary for Passage	71
Those voting Yea	140
Those voting Nay	0
Those absent and not voting	11

DEPUTY SPEAKER ALTOBELLO:

The Bill as amended by Senate "A" passed in
concurrence with the Senate.

Would the Clerk please call Calendar Number 376.

THE CLERK:

Calendar 376, Substitute for House Bill Number
6467 AN ACT CONCERNING SMART GROWTH AND THE STATE PLAN

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they've -- that were in desperate need of help and they donated \$1000 to each family.

So, in conclusion, we are opposed to Bill 6366 and 5907 not because it regulates our industry but because it takes away the right for Connecticut consumers to choose debt settlement as an option when they need it most. Right now is a time when they need more options, not less. We have engaged the Department of Banking and we discussed with them some language based on our own members standards that we think would accomplish both, allow us to operate as well as protect the consumer, and we would just appreciate the opportunity to continue to do that and to draft a bill that would better serve Connecticut -- Connecticut consumers.

Thank you.

SENATOR DUFF: Thank you, very much.

Have you shared any of that information? You said you had -- your -- presented some language clarification to the Department of Banking?

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WESLEY YOUNG: Yes. We've -- I met --

SENATOR DUFF: (Inaudible) --

WESLEY YOUNG: -- with the --

SENATOR DUFF: -- debt adjusters' --

WESLEY YOUNG: -- Department of Banking.

SENATOR DUFF: -- bill? On the debt adjuster bill?

WESLEY YOUNG: On --

SENATOR DUFF: On Bill --

WESLEY YOUNG: Yes, on --

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SENATOR DUFF: -- 950?

WESLEY YOUNG: -- the debt -- on the Governor's
Bill.

SENATOR DUFF: On the Governor's Bill, okay. How
about Bill 950?

WESLEY YOUNG: We talked generally about debt
(inaudible) and what we do, and the fact that
we don't handle the secured debt, and I think
that addressed both.

SENATOR DUFF: Okay. Very good. Whatever
information you're sending over to the
department, we'd appreciate too, as the policy
making body and so that we can look at that,
look at it also and determine whether or not
we'll -- we'll be incorporating some of those
changes, recommended changes or changes that
you may -- we may like in the -- in the bill
as -- as it goes forward. I don't have any
other questions.

Any questions?

Representative Wright.

REP. WRIGHT: Just a quick point of information.
You mentioned that the Internal Revenue
Service has ruled that debt adjustment is not
a nonprofit activity within the meaning of how
-- reach of 501(c)(3) status; is that correct?

WESLEY YOUNG: That's correct. In two --

REP. WRIGHT: Do you have a citation for that? Is
that in regulation -- is it a revenue ruling
or -- or what is the authority for that?
Have --

WESLEY YOUNG: There have been, recently, a number
of cases that have come out from tax courts
that --

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in my case, and I always find time and again, I think it's I'm an exception or -- or -- or -- and now I find out it's very typical.

The lender, in this case Countrywide, gives you a modification -- they call it modification but it actually increased the amount you pay. They expected me to pay more than 20 percent -- I mean 90 percent of my monthly income to them, so I couldn't agree to that. Also, a proposal from NACA that was much more reasonable was not even allowed to be discussed, only the one from the Countrywide.

And the last thing about that is the -- the law provision says that the lender must be available, at least electronically at these sessions. They chose not to participate, so there was really nothing to discuss. When I brought up that objection, it's like, well, the time table is over.

SENATOR DUFF: Okay. Thank you, very much.

JOSE RUBERO: Thank you.

SENATOR DUFF: Appreciate your time.

Heather Carmichael, followed by Gabriel Tavaraz.

HEATHER CARMICHAEL: Thank you, Chairperson Barry and -- and committee members for allowing me to address you today regarding a bill that we barely heard about, so hopefully it's a little bit new, 6482, the Uniform Debt Settlement Manage -- Debt Services Management Act.

SB 950
HB 5907
HB 6366

So I'm the Legislative Chair for the 140 members nationwide that belong to USOBA which is the United States Organizations for Bankruptcy Alternatives. If HB 6482 passes in its current form, thousands of Connecticut

and contrary to a lot of practices out there, we do not advertise on TV. We do not advertise on the radio. We do not escrow customer's money. We have clients that graduate debt free in the average of 22 months in our program and do a lot of financial education training too. We're ISO 9000 certified, USOBA accredited, I DAPA platinum certified. We've won JD Powers. We've won the Stevie Awards for customer service. We believe and that to do good, ethical business is expensive but this is the right way to do it.

So there is no one, perfect solution to those ubiquitous little credit cards out there, and the question becomes at hand, what do you do to help constituents in your state today? So just declaring bankruptcy is essentially the new "A" that gets stamped on your forehead, and that's, you know the inability to buy a home for ten years will not help prop up our economy at all. And if you have any questions, we'll be happy to help or if you have a lot of consumer disclosure requirements and consumer protections.

And I will mirror also Mr. Young's sentiments on House Bill 950, 5907, and 6366. So if we can help or assist in passing legislation that will bring good, strong regulation to this industry, we would love to help.

Thank you.

SENATOR DUFF: Thank you, very much.

Any questions?

REP. WRIGHT: Thank you, Mr. Chairman.

I -- I gather there's -- there's several -- there's several options in -- in the regulation of -- of this general industry and

Testimony by TASC (The Association of Settlement Companies) regarding
Raised Bill No. 950 – February 24, 2009

My name is Wesley Young and I am the Legislative Director of TASC (The Association of Settlement Companies). TASC is the predominant national association of settlement companies with over 180 members. We support high operating standards for member companies, consumer protection, and fair legislation consistent with those goals. TASC self regulates its membership to ensure that its standards are followed by using a third party company to “secret shop” every member on a regular basis by posing as a consumer. The third party company further visits each member company’s website to ensure that statements made are fair, accurate and consistent with TASC standards. Debt settlement can and is being performed in a fair manner by companies such as our members. Bill No. 950, however, restricts this service to nonprofits which will have the effect of removing completely the ability for Connecticut consumers to use debt settlement as a form of debt relief. As such, TASC opposes Raised Bill No. 950 as written, but supports regulation and a licensing requirement for the industry consistent with standards TASC already has in place.

(1) What is debt settlement?

Debt settlement is an alternative to other debt resolution programs such as debt consolidation and credit counseling. Debt settlement plans differ in that the amount of the debt anticipated to be paid is ultimately less than the amount owed yet accepted as full satisfaction of the debt. The company negotiates, on behalf of the debtor, a settlement of the debt in exchange for short term payment plans. In other words, the creditors accept less money in exchange for a quicker payment. Credit counseling/debt management plans are usually payments made in full over a long period of time. Debt settlement companies deal only with unsecured debt.

(2) Why Consumers need access to debt settlement as an option to help deal with debt.

The stress and despair that consumers face, here in Connecticut and nationwide, is real and often overwhelming. The debt settlement industry offers a solution when other debt management methods may not be a viable solution. Benefits provided to consumers by debt settlement include the following:

1. A method with which to pay back their debt at an affordable monthly payment level. Our typical client cannot afford a traditional debt management program and either does not qualify for or does not want to file for bankruptcy. In other debt management plans the consumer pays back his or her entire debt with fees and interest although creditors may grant concessions such as lower interest rates, fees and/or charges so that the entire balance may be paid over a period of approximately 5 years. In order to accelerate the payment into those 5 years, even with the concessions, a debtor must usually make monthly payments equal to or greater than the minimum payments required under the credit card agreements prior to the debt management plan. There are many consumers who, for hardship reasons such as the loss of a job, divorce, medical emergency, or unexpected increases of interest rates and fees, are now behind in their payments and/or are no longer able to afford their payments. As such, these individuals are often unable to afford traditional debt management plans.

2. Assistance with setting up a workable plan. While creditors claim that they can work directly with the consumer, they fail to consider that the typical consumer is dealing with 6 or 7 creditors, each of whom have no interest in a plan that works towards paying the others. Each creditor is concerned only about their own collections. Debt settlement plans are for most or all unsecured debt that the consumer owes.

3. Guidance to stay disciplined to stay with the plan. Whether the consumer exercised poor money skills or experienced a hardship, it is difficult to stay disciplined and on track with a long term program. Much like a personal trainer helps a person stay on track with an exercise or diet program, we help keep the client accountable and improve their success rate in completing the program; and

4. Consistent education throughout the plan to improve financial habits. In a survey of completed clients, 75% of respondents indicated that they were not interested in obtaining another credit card, and 50% said they were going to continue to save and invest the money that they had previously been setting aside for settlements.

Because of the change in bankruptcy law, many consumers are now also unable to qualify for Chapter 7 bankruptcy. Under the alternative, Chapter 13 bankruptcy, a debtor is placed on a plan to repay the debt in full over an extended period of time, and for reasons ranging from affordability to long term adverse effects, bankruptcy is often not

an appropriate or feasible alternative for the consumer either. The national rate of completion for confirmed Chapter 13 bankruptcy plans is only 33%.¹ Credit counseling companies historically have an approximate success rate of 21-26%.² Debt settlement completion rates are reported to be higher – between 40-55%.³

Thus, debt settlement companies serve a need for consumers that is not met by other means. Debt settlement is a necessary debt relief option for consumers especially in this economic environment when even Fortune 500 companies and state governments are unable to meet their financial obligations. Consumers do not receive direct governmental “bailouts” and thus debt settlement often is their best hope. Other options such as credit counseling/debt management or bankruptcy are often either unaffordable or unavailable. Mr. J. Thomas Rosch, Commissioner of the Federal Trade Commission, recognized last year that debt settlement is a viable and needed service for consumers. He recounted a talk show host’s comments about debt settlement⁴:

“But she also acknowledged that debt settlement even at a cost can play an important role in solving what may seem like insurmountable problems of indebtedness faced by many consumers. I thought those remarks were right on.”

(3) Raised Bill No. 950 appears to take away debt settlement as an option for consumers

Raised Bill No. 950 amends the definition of “debt adjustment” to include the activity of “arranging or assisting a debtor to arrange for the distribution of one or more payments to or among one or more creditors of the debtor in full or partial payment of the debtor’s obligations.” This potentially covers the activities of debt settlement companies who deal with unsecured consumer debt even if the company does not receive, hold or distribute money of the consumer to creditors.

¹ “Bankruptcy by the Numbers: Measuring Performance in Chapter 13” by Gordon Bermant and Ed Flynn, Executive Office for the U.S. Trustees.

² *Credit Counseling in Crisis: The Impact on Consumers of Funding Cuts, Higher Fees and Aggressive New Market Entrants*, Consumer Federation of America and National Consumer Law Center, April 2003.

³ TASC Position Paper, September 11, 2006

⁴ J. Thomas Rosch opening address, FTC Debt Settlement Workshop, Washington D.C., September 25, 2008

Raised Bill No. 950 restricts debt adjustment services to IRS 501(c)(3) nonprofit organizations. The activity of debt settlement does not qualify as a tax exempt activity under IRS rules. Frankly, neither does most the activity of most credit counselors who use debt management plans for their clients. The IRS has revoked the nonprofit status of at least 50% of the credit counseling industry based on revenue over the last few years and is continuing to audit the nonprofit status of virtually every company in the industry. A report released by the IRS in 2006 revealed that only 3 of 100 new applications for tax exempt status for credit counseling programs was approved. The IRS holds that debt adjusting is not a tax exempt activity. Thus, restricting debt settlement to performance by 501(c)(3) nonprofits will result in Connecticut consumers not being given the choice to use debt settlement to resolve otherwise unmanageable financial debts. Especially in these economic times, consumers need more options to help deal with their debt, not less.

Just because debt settlement providers are for-profit companies does not imply that they are not good companies or are not interested in providing good services for the purpose of helping consumers. In fact, many in the industry strongly feel that we are the only true advocates for consumers who are struggling in dealing with large creditors and collectors since we receive no compensation from creditors. Many of our members are also active in community service and provide pro bono or discounted services to those who cannot otherwise afford debt settlement services. See attached Exhibit A as an example of a company that has started a program to identify and help those most in need. The company identified 10 individuals who needed the assistance most and donated \$1,000 to each family to help with serious financial needs. For profit debt settlement companies can and do provide consumer friendly, useful and needed services and they do care about the people they are helping.

(4) Raised Bill No. 950 can be amended to add regulations specific to debt settlement that gives them the choice of using debt settlement while providing additional protections to consumers.

TASC has met with the Department of Banking to discuss regulation of the debt settlement industry in Connecticut and has proposed some language based on its own standards that provide consumer protections specifically targeted at debt settlement plans. The protections being proposed by TASC include requirements for the debt settlement

providers to do the following:

1. only deal with unsecured debt;
2. not receive or hold consumer funds that are to be paid to creditors;
3. perform a financial analysis to ensure suitability for the debt settlement plan;
4. make mandatory disclosures to ensure the consumer understands the plan, the fees, and the risks of the plan;
5. enter a written contract before services can be provided;
6. abide by prohibitions of certain activity such as taking an overly broad power of attorney, agreeing to unauthorized settlements, making deceptive statements; and
7. only initiate payments from a consumer's account that are pre-authorized or in payment of an authorized settlement.

Conclusion

Debt settlement is an important option for consumers in managing their debt and an option that helps consumers when other options are not viable. Regulation of the industry should both allow access to debt settlement while appropriately regulating the industry for consumer protection. Limiting the performance of debt settlement services to nonprofit organizations will result in taking away from Connecticut consumers the choice to use debt settlement. Instead, regulations specific to the debt settlement industry should be adopted that provide specific protections such as disclosures to consumers. TASC, while opposing Raised Bill No. 950, supports regulations that accomplish our stated goals.

**Exhibit A****Debt Settlement Firm Gives "The Gift of Change" To 10 Worthy Families**

A nationwide debt settlement company, headed by a woman who once worried about paying her own bills, has given 10 families \$1,000 each. The "Gift of Change" awards assisted worthy families struggling to meet their financial needs in a tough economy.

Irvine, CA (PRWEB) February 22, 2009 -- A 28-year-old blind woman who needs software to enable her computer to speak and a 91-year-old widow who can only afford one meal per day were recipients of a \$1,000 "Gift of Change" award from an Irvine debt settlement company.

The two recipients were among 10 people who received the checks from Nationwide Support Services, Inc., one of the oldest and largest debt settlement processing companies. Other recipients include families having difficulty feeding their children, paying medical bills or making a deposit on an apartment. The purpose of the program is to assist worthy families who are struggling to meet financial obligations.

"These individuals were nominated by our employees and then selected by a committee that reviewed each family's needs," said Joanne Gameau, the firm's president. "I understand the feelings of stress and worry their financial situations can cause. At one time in my life, I worried about how to pay my bills. That's why our company motto 'We Change People's Lives' is so important to us."

One of the recipients, Heather Handing, is a Huntington Beach single mother working to support her two daughters. "I was extremely surprised and blessed to be considered. This gift enables me to provide clothes for my girls," she said.

Gloria Camareno of Santa Ana works for minimum wage and struggles to pay bills and feed her children. "This gift will help provide some extra meals for us," she said.

NWSS provides debt negotiation and customer support services to thousands of individuals and families throughout the U.S. The firm's goal is to assist people in achieving a lifestyle that is not burdened by unnecessary debt. They also offer "DebtTalk"™ an online education program teaching consumers about living within their means, the basics of budgeting, spending plans and financial goals to help them achieve financial freedom. NWSS is a charter member of The Association of Debt Settlement Companies (TASC) and has met the "TASC Best Practice Standards" which are nationally recognized standards of quality, service and integrity.

<http://www.nationwidesupportservices.com>

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February 24, 2008

TO: Banks Committee

FROM: The Connecticut Mortgage Bankers Association, Inc.

RE: Statement Concerning Raised Bill No. 950, (LCO No. 3513), An Act Concerning the Department of Banking's Proposal For Consumer Credit Licensees and Governor's Bill No. 6366 (LCO No. 3032), An Act Concerning Consumer Credit Licensees

The Connecticut Mortgage Bankers Association, Inc. ("CMBA"), which numbers over one hundred twenty organizations and 575 individuals, is a non-profit association formed in 1984. The two principal purposes of the CMBA are to promote the welfare of the mortgage lending industry in Connecticut and to improve its service to the citizens of Connecticut. The CMBA is Connecticut's only trade association dedicated exclusively to the mortgage banking industry in the State of Connecticut.

The CMBA recognizes the challenges facing many Connecticut residents and the need to ensure the proper functioning of the credit markets to serve current and prospective borrowers. The CMBA has had the opportunity to review Raised Bill No. 950 and Governor's Bill No. 6366 (the "Consumer Credit Bills") and other legislative proposals. The CMBA supports measures to maintain credit availability for the citizens of Connecticut.

The CMBA generally supports the Consumer Credit Bills to ensure the meaningful regulation of the consumer credit industry in the State of Connecticut. The CMBA proposes modifications to the Consumer Credit Bills, which are discussed below. (For ease of reference, the comments below refer to Sections in Bill 950 but not to the comparable Sections in Bill 6366.)

- Specific Exclusion from "Debt Adjustment" for Activities of Mortgage Lenders, Brokers, Servicers and Title Companies. Section 22 of Raised Bill No. 949 would amend and broaden the definition of "debt adjustment" (for which a license is needed and can only be issued to non-profit entities). The definition would include negotiating the terms of a debtor's obligations with a creditor, including the terms of a loan on property securing the debtor's obligation. The CMBA supports the regulation of persons who act or who claim to act on behalf of a debtor to negotiate the terms of a debtor's debts. The proposed amendments to the definition could, however, be construed as also encompass within the term "debt adjustment" the activities of persons who are mortgage lenders, mortgage brokers, mortgage loan servicers (or any one else acting on behalf of a creditor) as well as title insurance companies and settlement agents that close loans which repay or restructure a debtor's debts. To avoid that unintended result, the CMBA supports modifications to Bill No. 950 to add a specific exclusion for such persons.

- Exclusion from Small Loan Law for Licensed Mortgage Loan Originators and Second Mortgage Lenders. Connecticut General Statutes Sections 36a-555 et seq. (Connecticut's Small

Loan Law) generally prohibits persons from making "small loans" (loans of less than \$15,000 at interest rates in excess of 12% per annum) unless the person is licensed. Exemptions currently apply to banks and licensed lenders when making first mortgage loans and, prior to 2008, secondary mortgage loans. To correct what appears to have been an unintended change in 2008, the CMBA proposes that Raised Bill No. 949 re-institute an exemption for licensed mortgage lenders when making secondary mortgage loans. Raised Bill No. 949 would also prohibit a person from offering, brokering or assisting a borrower in obtaining a "small loan" unless licensed or exempt. Accordingly, the CMBA proposes that the list of exemptions be expanded to also exempt licensed mortgage loan originators when originating a mortgage loan for a licensed mortgage lender.