



## The United States Organizations for Bankruptcy Alternatives

5405F T.C. Jester Blvd, #3310 • Houston • Texas • 77091 • 281-820-0666

Housing Committee  
February 24, 2009

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Chairperson Bob Duff  
Chairperson Ryan Barry  
Banks Committee  
State Capitol

RE: HB 6482 -- *AN ACT CONCERNING THE UNIFORM DEBT-MANAGEMENT SERVICES ACT*

Dear Chairpersons Duff and Barry and Committee Members,

Please include the present statements by the United States Organizations for Bankruptcy Alternatives ("USOBA") as testimony regarding HB 6482.

### USOBA Background

As the oldest active trade association representing more than 140 member companies, USOBA was founded by members of the industry seeking representation specifically for debt settlement and outside of credit counseling and bankruptcy law. USOBA represents and advocates for the fair regulation of the industry and for the protection of consumers.

With record numbers of consumers filing for bankruptcy last year, and the credit counseling industry under fire from the IRS, FTC, U.S. Senate and House, consumer advocates and the state legislatures, USOBA members are the last line of help to aid consumers before turning to bankruptcy.

### Need for Debt Settlement

USOBA will not attempt to repeat the statistics related to the immense problem of consumer debt, of which the Committee is well aware. However, we will state that consumers are left with only three options when unfortunate circumstances arise and they are left unable to pay their debt amounts when they come due.

Debt Settlement is the option that lies on the continuum between credit counseling and bankruptcy. This is the best solution for approximately 30% of consumers seeking assistance who cannot qualify for credit counseling because they have either missed payments while enrolled in a credit counseling program; they can no longer make close to their monthly minimum payments to unsecured creditors; they do not qualify under the new rules of bankruptcy; or they prefer to honor their debts to the best of their ability rather than declare bankruptcy.

According to a report entitled *Credit Counseling in Crisis*, co-authored by National Consumer Law Center and the Consumer Federation of America, from data collected through 2003, the NFCC reported completion rates of only about 26%, as compared to Debt Settlement industry polling, which show over a 50% successful program completion rate.



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Alternatively, bankruptcy can now be used only as a last resort for those who still qualify, and when consumers' debt is completely insurmountable and they can no longer afford to pay any bills.

### Support of Fair and Reasonable Regulation

USOBA strongly advocates for regulation for the Debt Settlement industry; however, our directive is to ensure that fair and reasonable regulation includes ample consumer protections; is clear and concise; and reflects accurate expectations and requirements.

USOBA would like to offer support for a bill that provides for Debt Settlement service providers to operate and become registered or licensed, while still maintaining the highest degree of consumer protection. At this time, HB 6482 does not meet our support requirements.

### Summary

USOBA members would like nothing more than to be regulated and allowed licensure. However, HB 6482 as drafted today will do nothing more than decrease the amount of options available to Connecticut consumers and increase bankruptcy filings. Moreover, it will have a negative fiscal impact for the state of Connecticut.

We welcome the opportunity to work closely with the Committee to ensure that Connecticut consumers are protected and afforded a choice when seeking debt relief assistance. We believe HB 6482 in its current form is not the appropriate vehicle to accomplish this goal.

If you have any questions, comments or concerns, please do not hesitate to contact the undersigned.

Sincerely,

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