



**Testimony of CareOne Service, Inc.
concerning S.B. 362
March 15, 2012**

Chairman Duff, Chairman Tong and members of the Banks Committee, my name is Doug Miskew and I am representing CareOne Services. I am here today to speak in favor of S.B. 362, an Act Concerning Debt Negotiators.

CareOne is a national debt relief services company. Founded in 2002, CareOne provides credit counseling and debt adjusting in 40 states, and debt settlement services in 23 states. CareOne is licensed and/or authorized to provide these services under state law and is compliant with the requirement of the Federal Trade Commission rule on debt relief services. We are a licensed debt adjuster in Connecticut. CareOne maintains an "A" rating with the Better Business Bureau.

CareOne has been active for many years in supporting the adoption of state laws that establish a strong regulatory environment for the entire debt relief industry – credit counseling, debt management/adjusting and debt settlement services.

In 2009, we worked in support of Public Act 09-208. Section 32 (b) of that act defined debt negotiation, which includes debt settlement, and created a new license for debt negotiators that tracks the same licensing requirements as debt adjusters with regard to application procedures, requirements, and enforcement. We viewed this law as a positive change that would effectively regulate debt settlement services in Connecticut.

The Act prohibits collection of any fees for debt negotiation services until such services have been fully provided. A provider of such services may receive reasonable periodic payments for services as long as such payments are clearly stated in the contract. Additionally, the commissioner of the Department of Banking was granted authority to establish a schedule of maximum fees for specific services.

The fee requirements in the statute that limit collection until the service is provided and ensure clear disclosure in the contract are important protections for consumers. However, the fee level established by the regulator for debt negotiating services is set at such a low level that it effectively prohibits us and other providers from offer debt negotiating services in the state.

To our knowledge, there are no licensed debt negotiators in Connecticut. However, it is clear that services are being advertised and provided to Connecticut residents. Those consumers are not being protected by the sound requirements established by the legislature for licensed debt

negotiators. Unfortunately, many struggling consumers fall victim to unscrupulous provider who ignore the requirements of the law.

We support this legislation because it will enable providers to operate under the statutory structure and regulatory requirements established to protect consumers of these services. The regulator and consumers will know which providers offering services are duly licensed and compliant with state requirements. This legislation will effectively put into practice the protections the legislature sought to establish when this law was originally enacted.

The bill sets the maximum fee for debt negotiating services at 30 percent of the savings realized by the consumer through a settlement agreement. The current regulatory fee is limited to ten percent of savings.

In the past five years, 20 states and the U.S. Virgin Islands have enacted legislation specifically intended to regulate the modern debt settlement industry. Nearly three-quarters (71%) of these states have fee levels higher than 30 percent. One-third has no fee cap at all. Only four states including Connecticut have fee limits lower than 30 percent (see attached table). To our knowledge, no settlement providers are licensed and operating in those states. This legislation would more closely align maximum fees with the overwhelming majority of states that have enacted debt settlement legislation and enjoy a competitive market of licensed or otherwise compliant providers serving consumers in need.

While we believe CareOne can operate under the proposed legislation, we know that others in this industry who are interested in becoming licensed debt negotiators utilize different fee models at different fee levels. It should be the objective of the legislature to foster a vibrant and competitive market for consumers to engage the best licensed provider to meet their needs. In that regard, consideration should be given to providers seeking alternative approaches to the current structure in this bill.

CareOne supports strong regulation of debt negotiators in Connecticut and believes that adjusting fee levels in alignment with the majority of states that have enacted similar legislation will foster a competitive industry and offer a well regulated service to Connecticut consumers.

Thank you.

States with Modern* Settlement Laws	Max Settlement Fee	Max Fee vs. 30% of savings**
Colorado	Fair and Reasonable. Fees cannot be charged until service is delivered	Higher
Connecticut	10% of savings	Lower
Delaware	18% of enrolled debt	Higher
Idaho	20% of enrolled debt	Higher
Illinois	15% of savings	Lower
Iowa	18% of enrolled debt	Higher
Kentucky	No cap. Fee cannot be charged until service is delivered	Higher
Maine	15% of savings	Lower
Maryland	No cap. Fees cannot be charged until service is delivered	Higher
Minnesota	15% of enrolled debt	Same
Missouri	No cap. Fees cannot be charged until service is delivered	Higher
Montana	20% of enrolled debt	Higher
Nevada	20% of enrolled debt	Higher
North Carolina	No Cap. Fees cannot be charged until service is delivered	Higher
North Dakota	30% of savings	Same
Oregon	15% of funds provider receives from consumer for payment to creditors, not exceeding \$65 a month. Plus, 7.5% of savings	Lower
Rhode Island	30 % of savings	Same
Tennessee	20% of enrolled debt. 30% on a percentage of savings basis	Higher
Texas	Fair and Reasonable if compliant with FTC Rule-like requirements. For entities not following FTC Rule-like requirements, 17% of preplan if based on flat fee model or 30% of savings for savings model.	Higher
Utah	No Cap. Fees cannot be charged until service provided.	Higher
US Virgin Islands	20% of enrolled debt	Higher

*Settlement laws enacted in the past five years that distinguish between debt settlement and debt management services

**Settlements average 50 cents on the dollar. Therefore, a fee of 15% of enrolled debt is equivalent to 30% of savings

81% of these states have fee levels at or above 30% of savings