

Senate Bill 327

Sponsored by Senator MORSE, Representative OLSON (at the request of Jan Amling, Consumer Credit Counseling Service of Linn-Benton, Inc.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Prohibits debt consolidating agency from receiving fee from client until first installment is paid to creditor. Authorizes nonprofit debt consolidating agency to charge credit counseling fee under specified conditions. Requires agency to disclose in writing maximum charge for services and client responsibilities.

A BILL FOR AN ACT

1
2 Relating to debt consolidating agencies; creating new provisions; and amending ORS 697.662 and
3 697.692.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 697.692 is amended to read:

6 697.692. *[(1) This section specifies fees that a debt consolidating agency may charge.]*

7 *[(2)]* (1) A debt consolidating agency:

8 (a) May charge a client an initial set-up fee of not more than \$25.

9 *[(3)]* (b) *[A debt consolidating agency]* May charge for services performed for the client in an
10 amount of not more than 15 percent of the amount actually received by the debt consolidating
11 agency on behalf of a client for payment to creditors. **A debt consolidating agency may not re-**
12 **ceive an amount from the client under this paragraph until the first installment under the**
13 **contract or agreement with the client is paid to any creditor of the client.**

14 *[(4)]* (c) *[Except as provided in subsection (5) of this section, a debt consolidating agency shall]*
15 **May** not charge a person for any discussion with that person that may or may not result in an
16 agreement for services of a debt consolidating agency.

17 *[(5)]* (d) *[A debt consolidating agency]* **Notwithstanding paragraph (c) of this subsection,** may
18 charge a fee to cover the expenses for education classes if:

19 *[(a)]* (A) The classes are approved by the Director of the Department of Consumer and Business
20 Services, or the classes are required by rule or order of a federal or state agency and the debt
21 consolidating agency is certified by the federal or state agency to provide the education; and

22 *[(b)]* (B) A request to charge the fee has been approved in writing by the director.

23 (2) **Notwithstanding subsection (1)(c) of this section, a debt consolidating agency that is**
24 **a nonprofit organization may charge a fee in an amount set by the director by rule to cover**
25 **the expenses of credit counseling if:**

26 (a) **The debt consolidating agency demonstrates to the director the need for the fee or**
27 **the credit counseling is required by rule or order of a federal or state agency and the debt**
28 **consolidating agency is certified by the federal or state agency to provide the credit coun-**
29 **seling; and**

30 (b) **A request to charge the fee has been approved in writing by the director.**

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted.
New sections are in **boldfaced** type.

1 [(6)] (3) A debt consolidating agency that charges a fee not authorized under this section is
 2 subject to ORS 697.752, 697.762, 697.832 and 697.990 (3).

3 (4) **As used in this section, “nonprofit organization” means an organization described in**
 4 **section 501(c)(3) of the Internal Revenue Code that is exempt from income tax under section**
 5 **501(a) of the Internal Revenue Code.**

6 **SECTION 2. Section 3 of this 2005 Act is added to and made a part of ORS 697.602 to**
 7 **697.842.**

8 **SECTION 3. (1) Before a debt consolidating agency provides any credit counseling to a**
 9 **person, the debt consolidating agency shall disclose in writing to the person on a separate**
 10 **form:**

11 (a) **The maximum amount the debt consolidating agency may charge for services per-**
 12 **formed for the person; and**

13 (b) **That the person is responsible for payment of the amount charged.**

14 (2) **The form described in subsection (1) of this section must contain a space for the**
 15 **person to sign the form indicating that the person has read and understands the information**
 16 **disclosed on the form.**

17 **SECTION 4. ORS 697.662 is amended to read:**

18 697.662. (1) A debt consolidating agency commits an improper debt consolidating practice when
 19 the debt consolidating agency does any of the following:

20 (a) Takes a contract, promise to pay or other instrument that has any blank spaces when it is
 21 signed by a client.

22 (b) Takes a negotiable instrument, other than a check or draft, as payment or security for the
 23 charges of the debt consolidating agency.

24 (c) Takes a wage assignment, real estate mortgage, purchase money security interest or other
 25 security, all or any part of which is an amount greater than that provided in ORS 697.692, to secure
 26 the charges of the debt consolidating agency.

27 (d) Takes a confession of judgment or a power of attorney to confess judgment against the client
 28 or to appear for the client in a judicial proceeding.

29 (e) Takes a release from a client of an obligation to be performed on the part of the debt con-
 30 solidating agency.

31 (f) Makes any contract or agreement with a client that provides for later charges or reserves
 32 for liquidated damages.

33 (g) Commingles a client’s wages, salaries, income, credits or property held by the debt consol-
 34 idating agency with the property or funds of the debt consolidating agency.

35 (h) Except as authorized in ORS 697.712, cancels a debt consolidating contract or agreement
 36 without a client’s written authorization.

37 (i) **Provides credit counseling to a person without first providing the form required under**
 38 **section 3 of this 2005 Act.**

39 (2) A person commits an improper debt consolidating practice if the person advertises, prints,
 40 displays, publishes, distributes or broadcasts, or causes to be advertised, printed, displayed, pub-
 41 lished, distributed or broadcasted, any false or misleading statement or representation with regard
 42 to the rates, terms or services of a debt consolidating agency.

43 (3) A debt consolidating agency that commits an improper debt consolidating practice under this
 44 section is subject to ORS 697.752, 697.762, 697.832 and 697.990 (3).

45 (4) A person other than a debt consolidating agency that commits an improper debt consolidat-

1 ing practice under subsection (2) of this section is subject to ORS 697.762, 697.832 and 697.990 (3).

2 **SECTION 5. (1) The amendments to ORS 697.692 by section 1 of this 2005 Act apply to**
3 **fees charged for credit counseling that occurs on or after the effective date of this 2005 Act.**

4 **(2) Section 3 of this 2005 Act and the amendments to ORS 697.662 by section 4 of this 2005**
5 **Act apply to credit counseling provided on or after the effective date of this 2005 Act.**

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