



MISSOURI SENATE
JEFFERSON CITY

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Legislation Working Its Way Through the Legislature Regulates Debt Settlement Providers

Missourians who are having trouble making ends meet might have considered using a debt settlement company in their area, especially with our current economic climate. These providers can work to help you reduce your credit card bills. However, you should understand the debt settlement process before deciding to use a debt settlement service provider.

Debt settlement providers use different methods of debt management. In most instances, businesses that offer their debt management services attempt to negotiate with your creditors in order to reduce your interest rates and late fees on your debt. In this instance, you make payments to the provider who in turn makes payments on your behalf to your creditors. Other businesses offer their debt settlement services by negotiating with your creditors in order to settle a debt for less than the full amount owed. In this case, no payments are made on your account by the provider until a specific settlement is reached. Your account is made delinquent unless you continue making the payments yourself. In both scenarios, you are charged fees for these types of services.

Sadly, there are some debt settlement businesses operating that do not serve in your best interest. That's why I have filed [Senate Bill 216](#).

My legislation requires debt settlement providers to only offer their services under a debt settlement plan when charging a fee for their service — and most do charge a fee. According to the bill, a debt settlement service is a negotiation, settlement, or alteration of the terms of payment regarding a client's debt with the client's creditor, or in most cases, multiple creditors.

Senate Bill 216 would also:

- Prohibit the debt settlement provider from charging more than 4 percent of the
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principal amount of the debt in enrollment fees, and 20 percent of the principal amount of the debt in accumulated fees.

- Require the balance to be collected in equal payments in a timeframe determined by the debt settlement provider.
- Allow the client to prepay fees voluntarily. However, the debt settlement provider may accelerate collection of fees once the provider has obtained offers of settlement from the client's creditor(s) for at least half of the debt in the plan.
- Require debt settlement providers to carry insurance of at least \$1 million.

If Senate Bill 216 is delivered to the governor's desk and signed into law, the state's attorney general would be charged with enforcement of the provisions in the legislation. The bill was voted out of the [Senate Financial and Governmental Organizations and Elections Committee](#) and has been sent to the full Senate for debate.

If you decide to use a debt settlement provider, you should first talk with a certified credit counselor who can help you decide the best plan to tackle your debt. And there are other steps you can take on your own to rein in on your debt. You can reduce your monthly spending by reworking your budget, or consider taking a part-time job to increase your monthly income to pay off your debt. You can also talk with your creditors directly to see if they can reduce your interest rate and/or lower your monthly payments.

Visit www.debtadvice.org or the [National Foundation for Credit Counseling's](http://www.nfcc.org) website (www.nfcc.org) to find helpful information about debt management service providers so you can make an informed decision about your credit future. Debt settlement companies can provide a good service to the individuals who use them. However, safeguards and regulations need to be in place in order to ensure consumer protections in our state.

If you have comments or questions about this week's column or any other matter involving state government, please feel free to contact me at (573)751-8793 or by e-mail at: delbertscott@senate.mo.gov.

Senator Delbert Scott represents the people of Barton, Benton, Cedar, Dallas, Henry, Hickory, Pettis, Polk and St. Clair counties in the Missouri Senate.

