

HOUSE RESEARCH

Bill Summary

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Subject: Role of attorneys in debt management and debt settlement services
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Overview and Background

This bill clarifies the status of attorneys in regard to their provision of debt management and debt settlement services. The clarification is that an attorney needs to be licensed by the state as a provider of those services (in addition to having an attorney license), unless the attorney provides those services only as an ancillary part of the attorney's representation of a client. (Debt **management** services (regulated under chapter 332A) involve an arrangement with a debtor in which the debt management services provider ("DMSP") enters into a contract with a debtor to receive regular payments from the debtor which the DMSP sends to the debtor's creditors under a payment plan agreed to by the creditors, with the goal of fully paying the debts over an extended period of time. Debt **settlement** services (regulated under chapter 332B) involve an arrangement with a debtor under which the debt settlement services provider ("DSSP") negotiates with some or all of the debtor's creditors to accept a partial payment of the debt as full satisfaction of the debt, often over a period of time in which the debtor makes the partial payments to the DSSP for distribution to the creditors based on the partial payment agreements.) Both types of businesses are allowed to charge the debtors fees for these services, which are limited by law.

- 1 **Debt management services provider.** Limits the exclusion of attorneys from this definition to exclude only debt management services provided by exempt "attorneys at law" as defined in section 2.
- 2 **Exempt attorney at law.** Defines "exempt attorney at law" for purposes of section 1.
- 3 **Debt settlement service provider.** Provides the same limit on the exclusion of attorneys from this definition as is provided in section 1 for debt management services providers.
- 4 **Exempt attorney at law.** Defines "exempt attorney at law" for purposes of section 3.