

SENATE COMMERCE COMMITTEE

STATEMENT TO

SENATE, No. 2989

STATE OF NEW JERSEY

DATED: DECEMBER 19, 2022

The Senate Commerce Committee reports favorably Senate Bill No. 2989.

This bill would allow certain for-profit debt adjustment companies to conduct business in the State. A debt adjuster means a person or entity who: acts or offers to act for a consideration as an intermediary between a debtor and his creditors for the purpose of settling, compounding, or otherwise altering the terms of payment of any debts of the debtor; or receives money or other property from the debtor, or on behalf of the debtor, for payment to, or distribution among, the creditors of the debtor.

Under New Jersey's current "debt adjusters law," which is administered and enforced by the Department of Banking and Insurance, only nonprofit social service agencies and nonprofit consumer credit counseling agencies may operate debt adjustment services in the State.

The bill would create an exception to the current law to allow for-profit debt adjustment companies to conduct business in the State provided the company (1) does not receive or hold, actually or constructively, consumer funds; and (2) is regulated by the Federal Trade Commission pursuant to the commission's "Telemarketing Sales Rule."

The bill would generally subject for-profit debt adjuster companies to the same rules and restrictions as non-profit entities licensed to operate debt adjustment services, but with certain exceptions. Under the bill, a for-profit debt adjuster would not be required to provide a certification about salaries and expenses as part of its annual audit. The commissioner would be authorized to establish maximum fees that may be charged by for-profit debt adjusters. The bill further provides that the provisions of the debt adjuster act are only applicable to for-profit debt adjusters to the extent that they do not conflict with the federal "Telemarketing Sales Rule" at 16 C.F.R. 310.4.

The bill would provide that for-profit debt adjusters shall not be subject to the bonding requirements that apply to nonprofit social service agencies and nonprofit consumer credit counseling agencies that perform debt adjuster services in the State.