

Testimony of Jake Agron

**On Behalf of
The American Association for Debt Resolution
to the
Colorado General Assembly Judiciary Committee
Regarding HB24-1251 (Sunset Debt-Management Service Providers)
February 21, 2024**

Chairman Weissman, Vice Chair Bacon, and Members of the Judiciary Committee:

I am pleased to provide testimony on behalf of the American Association for Debt Resolution, the leading national trade association for the debt resolution industry, in support of HB 24-1251 as introduced and extending the Debt Management Services Act, as recommended by the Department of Regulatory Agencies.

The AADR is the nation's leading trade association for the debt resolution industry, defending access to debt resolution services and ensuring the ethical treatment of consumers seeking to resolve their unsecured debts through debt resolution. Amidst a growing debt crisis, AADR members negotiate with creditors on behalf of financially challenged consumers across the country who have experienced a financial hardship to achieve reductions in the amount that they owe, not simply reducing their interest rates. This service provides debt resolution clients with much-needed relief and peace of mind. In 2022, Colorado residents had 15,584 debts settled through participation in debt resolution programs. That equates to \$50,571,187 in total debt settled for Coloradans. Debt resolution should be seen as the opportunity for consumers in financial crisis to restructure their debt obligations in a dignified and efficient manner, in all cases with the participation and consent of their creditors.

Based on an independent analysis, by the time a consumer reaches out to a debt resolution provider, they are typically delinquent on at least one – and, frequently, most – of their credit cards, and owe tens of thousands of dollars to multiple unsecured creditors, including credit card issuers, medical debt servicers and private student loan providers. Our members' customers are not looking for an easy way to skip their bills: In the midst of significant financial hardship, they are committed to resolving their obligations with what they are able to afford. Debt resolution offers a way of meeting what many regard as a moral obligation: the opportunity to pay something, if not everything, in a dignified and economically reasonable manner.

An independent study published last year found that debt resolution, on average, saves consumers \$2.64 for every \$1 in fees they pay for debt resolution services. The majority of debt resolution customers see their first account settled within four to six months of starting their debt resolution program. And, importantly, under Federal Trade Commission ("FTC") rules enacted during the Obama administration, debt resolution customers have the right to reject any proposed resolution

at any time, for any reason, or to withdraw from their debt resolution program whenever they choose, without any penalty.

The debt resolution industry has been federally regulated by the FTC since 2010, under the FTC's amendments to the Telemarketing Sales Rule ("TSR"). Under the revisions to the TSRs, to which the AADR actively contributed and which our organization supported, debt resolution companies are barred from assessing their customers any fees whatsoever until: a resolution on an account has been reached for a consumer; the consumer has accepted the resolution; and the consumer has made a payment to the creditor towards the resolution. Debt resolution is therefore one of the only products in the financial marketplace whose providers, by federal law, must deliver a resolution to their customers before they are legally permitted to collect a fee.

We thank this committee for considering the bill and DORA for their thorough review of the Colorado DMSA and their recommendation to extend the Act for an additional 11 years. AADR is supportive of the bill as introduced and offers our assistance and subject matter expertise in the consumer unsecured debt resolution industry to this committee and the full Legislature in passing a continuation bill.

Thank you for the opportunity to testify before the committee today.