

Testimony of Steven Boms

**On Behalf of
The American Association for Debt Resolution
to the
Massachusetts Joint Committee on Financial Services
Regarding H. 956**

October 24, 2023

Chairmen Feeny and Murphy, Vice Chairs Moore and Ayers, and Members of the Joint Committee:

I am pleased to submit testimony on behalf of the American Association for Debt Resolution, the leading national trade association for the debt resolution industry, in support of H. 956, which would enact a strong regulatory framework in the Commonwealth of Massachusetts for the provision of debt resolution services.

The AADR is the nation's leading trade association for the debt resolution industry, fighting for consumer rights, defending access to debt resolution services and ensuring the ethical treatment of consumers seeking to resolve their debts through debt resolution. Amidst a growing debt crisis – national credit card debt eclipsed \$1 trillion for the time in history last year – 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. 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 in 2021 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, 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.

H. 956 is the latest version of debt resolution legislation in Massachusetts that has been considered over the last 13 years. Following the 2010 adoption during the Obama administration by the FTC of strict federal rules governing the debt resolution industry, representatives of the AADR opened a dialogue with the Division of Banks ("Division"). We pointed out that, because the federal rules require a nexus with interstate commerce, Massachusetts consumers remained vulnerable to abusive practices by unscrupulous providers offering services on a face-to-face basis outside the jurisdiction of the FTC. We offered to work with the Division to create legislation that would mirror the federal rules within Massachusetts. The output of those discussions is reflected, with minor changes, in H. 956.

Previous versions of H. 956 have had a number of hearings in the legislature and have drawn wide support from both sides of the aisle. The bill has passed several times, unanimously, through multiple committees. The legislation has, in its prior iterations over the course of the past 13 years, been thoroughly vetted by the Division, representatives of the Attorney General's office and members of both this committee and the House Ways and Means Committee. H. 956 will close a loophole that allows inter-state transactions to escape the stringent regulations enacted by the FTC at the federal level and will provide the Division of Banks the tools needed to regulate debt resolution activity in the Commonwealth.

Thank you for your consideration.