



OFFICE OF GOVERNOR PAT QUINN

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Governor Quinn Signs Landmark Debt Settlement Law

New Law Establishes Strong Consumer Protections for Illinois Families Seeking Help with Overdue Bills

CHICAGO – August 3, 2010. Governor Pat Quinn today signed a bill into law that establishes stringent guidelines and enhances consumer protections for Illinois families seeking help to pay overdue bills. The Debt Settlement Consumer Protection Act also creates a fund to pay restitution to consumers who have lost money through a debt settlement provider.

“Too many people have been taken advantage of by unregulated companies making promises that debts will be eliminated, only to find out that their debts have grown and their credit ratings have worsened,” said Governor Quinn. “With this law, we will have real oversight and the ability to reimburse consumers who are taken in by unscrupulous companies.”

Debt settlement companies seek to settle a person’s debt for a lump sum that is less than they owe to their creditors. This differs from debt management companies which work to ease minimum payment requirements allowing consumers to pay their bills over a longer period of time.

House Bill 4781 establishes major consumer protections for families that utilize debt settlement companies. Major protections in the new law include: upfront fees are limited to \$50, settlement fees are capped at 15 percent of the savings made by the consumer; settlement agreement fees may not exceed the principal amount owed; and consumers may cancel contracts at any time and be eligible for a refund of fees. The new law also prohibits settlement providers from making false or misleading statements regarding their services. These terms must be disclosed before the consumer signs a contract.

The new law provides the state the ability to deny, revoke, suspend, investigate, fine, issue administrative penalties, or issue a cease and desist order to any debt settlement provider. The state will also be able to direct restitution payments from the Debt Settlement Consumer Protection Fund to consumers who have lost money through a debt settlement company. The fund will be supported by fines and penalties collected from debt settlement companies.

In recent years, as state and federal officials have regulated debt management companies, debt settlement has become a growing industry. At the same time, state and federal regulators have seen an increase in consumer complaints regarding debt settlement. According to a recent U.S. Government Accountability Office report, many debt settlement companies provided “fraudulent, deceptive, or questionable information” to their customers.

The new law was a joint initiative of Attorney General Lisa Madigan and Treasurer Alexi Giannoulias and will be enforced by the Illinois Department of Financial and Professional Regulation.

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“Turning to a debt settlement operator to help you pay off your credit cards is like turning to a cinderblock to help you learn how to swim,” said Attorney General Lisa Madigan. “Debt settlement operators take money from consumers and usually provide them with no services. With this new law, which is the toughest in the nation, Illinois sends a clear message to debt settlement operators: If you want to do business in Illinois, you have to provide real services to help consumers pay off their debts.”

“For far too long, debt settlement companies have operated like it’s the Wild West out there. This legislation will require that debt settlement companies play by the rules and not take advantage of Illinoisans who are struggling during these difficult times,” said State Treasurer Alexi Giannoulias. “It will rein in these unscrupulous practices and protect the financial health of Illinois residents.”

House Bill 4781 was sponsored by Rep. Marlow Colvin (D-Chicago) and Sen. Jacqueline Collins (D-Chicago) and takes effect immediately.

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