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Testimony of Timothy J. Karsky, Commissioner, before the Judiciary Committee on Uniform Debt-Management Services Act Study

Chairman Griffin and members of the Committee, my name is Tim Karsky, Commissioner for the Department of Financial Institutions. I am here this morning to give you an update on the Uniform Debt-Management Services Act. I have discussed this issue with Parrell Grossman from the Consumer Fraud Department of the Office of the Attorney General. We both feel that better oversight is needed for debt management services and that the appropriate agency to regulate this type of activity may be the Department of Financial Institutions. Please be advised that the Department has not looked into the budget ramifications if this additional supervision of the debt-management services is placed within our agency.

Furthermore, you should also be aware that this Department has not talked with anyone from the debt-management services industry to discuss concerns by this Department.

If the Committee decides to go forward with regulating this industry and placing it within this Department, I believe additional amendments to the uniform law will be needed.

Without going into a lot of detail on the uniform act, some of the major concerns I would have are whether or not we would adopt the requirement to license for profit and non-profit companies. I believe if we are going to regulate the industry that both profit and non-profit companies should be regulated.

Furthermore, I think the collection of fees will also have to be addressed as to what can be collected in advance prior to any services being provided to the ultimate debtor and how those fees could be collected going forward.

In addition, I want to make sure that our ability to issue enforcement action is consistent with the other entities that we license.

Also, an appropriate fee structure will have to be developed to ensure that the industry will pay its share of the regulatory costs associated with this industry, as this Department is a self-funded agency.

I believe this type of industry, from talking with my counterparts, will generate a substantial number of complaints and that the Department would have to investigate these complaints and also have to examine these entities for compliance with rules and regulations and to ensure that proper payments have been made according to the agreements.

Mr. Chairman and members of the Committee, I would be happy to answer any questions you may have concerning the proposed Uniform Debt-Management Services Act.