

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1013 - HB 1182

March 11, 2019

SUMMARY OF ORIGINAL BILL: Effective January 1, 2020, enacts the *Debt Resolution Services Act* by requiring licensure for providers of debt resolution services, with certain exceptions, under the *Consumer Protection Act of 1977*.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

IMPACT TO COMMERCE OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (005597): Adds and rewrites language of the bill such that the only substantive changes are exempting any public or governmental entity from this legislation and deleting the provision exempting non-profit businesses from licensure.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 47-18-5502(10), debt management services, currently regulated through licensure under the *Uniform Debt-Management Services Act*, are defined as any service as an intermediary between an individual and one or more creditors of the individual for the purpose of obtaining concessions, or agreement to repayment of debt on more favorable terms to an individual than originally contracted with the creditor.
- Debt resolution providers must already be licensed as a debt management provider under the *Debt-Management Services Act*.
- The proposed legislation removes the following requirements for registration for debt resolution providers currently licensed under the *Debt-Management Services Act*: (1) Evidence of accreditation or certification by an independent accrediting or certifying

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organization approved by the administrator pursuant to Tenn. Code Ann. § 47-18-5506(8); and (2) Evidence of insurance in the amount of \$250,000 pursuant to Tenn. Code Ann. § 47-18-5505(4).

- Based on review of actively licensed debt management providers in the state, a minimal number were found to only offer debt resolution services. It is presumed that a non-profit group or company that offers any services in addition to debt resolution, including but not limited to, debt counseling, consolidation, or general management, would be required to retain the debt management license.
- Debt management providers are issued two-year licenses with initial and renewal fees of \$4,000.
- It can reasonably be presumed that debt resolution providers issued a license pursuant to the proposed legislation would pay equivalent initial and renewal fees to debt management providers.
- It is presumed any business licensed under the *Debt Resolution Services Act* will be regulated under the Board of Debt Services Businesses (BDSB).
- Any non-profit group or company currently holding a debt management license that chooses to register as a debt resolution provider is not anticipated to result in any significant decrease in revenue for the BDSB.
- Less than two new businesses register with the BDSB as debt management providers annually based on a five-year average. The proposed legislation is not estimated to increase the amount of applicants or fee revenue by a significant amount.
- Pursuant to Tenn. Code Ann. § 4-29-121, all regulatory boards are required to be self-supporting over any two-year period. The BDSB experienced a surplus of \$53,704 in FY16-17, a surplus of \$77,719 in FY17-18, and a cumulative reserve balance of \$197,275 on June 30, 2018.
- Committing an unfair or deceptive practice under the Consumer Protection Act of 1977 is a Class B misdemeanor offense.
- There will not be a sufficient number of prosecutions for state or local government to experience any significant increase in revenue or expenditures.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- It is presumed any business registering as a debt resolution provider will pay the existing licensure fees as debt management providers.
- The proposed legislation is not estimated to have a significant impact to commerce or jobs in Tennessee.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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