

# **Resolution 15: The Debt Settlement Reform and Consumer Protection Act**

**Sponsored by Rep. Kim Schofield, Georgia**

## **The Debt Settlement Reform and Consumer Protection Act**

### **A RESOLUTION**

Urging stronger state and federal oversight of debt settlement practices to protect minority and economically disadvantaged communities; and for other purposes.

**WHEREAS**, debt settlement companies claim to offer relief to consumers overwhelmed by debt; and

**WHEREAS**, a growing body of evidence demonstrates that these services often leave consumers, especially in minority and low-income communities, in worse financial conditions; and

**WHEREAS**, the National Organization of Black Elected Legislative Women recognizes that these for-profit firms frequently charge excessive fees, provide misleading information, and fail to deliver on their promises; and

**WHEREAS**, debt settlement firms disproportionately target Black, Latino, and economically disadvantaged neighborhoods, exploiting communities with limited access to traditional financial resources and making them more susceptible to high-risk debt relief schemes; and

**WHEREAS**, harmful business practices include instructing consumers to stop paying creditors—leading to defaults, increased fees, and long-term credit damage—as well as failing to disclose that forgiven debt may be treated as taxable income by the Internal Revenue Service; and

**WHEREAS**, fees charged by these firms often range from 20 to 30 percent of the original debt, and some companies also receive payments for referring consumers to high-cost lenders, and some even make loans themselves, creating harmful conflicts of interest; and

**WHEREAS**, creditors are under no obligation to accept settlement offers, leaving consumers vulnerable to continued collection efforts; and

**WHEREAS**, without intervention, these practices will continue to undermine the financial stability of populations already facing systemic barriers to wealth-building; and

**WHEREAS**, the National Organization of Black Elected Legislative Women urges the adoption of reforms to curb deceptive practices and restore consumer protections.

**NOW, THEREFORE, BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES** that this body urges:

**State-Level Reform:**

Require licensing and routine audits for debt settlement firms.

Mandate clear, standardized disclosures outlining risks, fees, credit implications, and tax consequences.

Prohibit debt settlement companies from issuing loans or accepting payment for loan referrals.

**Federal Oversight Enhancements:**

Direct agencies such as the Consumer Financial Protection Bureau, Federal Trade Commission, and Financial Crimes Enforcement Network to evaluate enforcement gaps, coordinate on consumer protection strategies, and examine the role of debt settlement in the broader regulatory framework of consumer finance and bankruptcy.

**BE IT FURTHER RESOLVED** that the Clerk of the House of Representatives is authorized and directed to make an appropriate copy of this resolution available for distribution to the National Organization of Black Elected Legislative Women, the Georgia Congressional Delegation, and relevant state and federal regulatory agencies.