Melville D. Miller, Jr.
President and General Counsel
Dawn K. Miller
Executive Vice President
and Assistant General Counsel
Claudine M. Langrin
Senior Vice President
and Assistant General Counsel
Leighton A. Holness
Vice President and Senior Counsel
Connie Pascale
Kristin A. Mateo
Jo Anne T. Mantz
Rita E. Robles-Navas
Harold L. Rubenstein
Vice Presidents and
Assistant General Counsel

Senior Attorneys
Mary J. Acevedo
Andrea Auerbach
Deborah Fennelly
Stephanie Setzer
Timothy R. Block
David McMillin
Maura Sanders
James Treanor
Rosendo R. Socarras
Carrie Ferraro
Keith Talbot
Mary M. McManus-Smith
Sherril Reckord
Marcie Harrison
Joshua Spielberg
Margaret Lambe Jurow
Rebecca Schore

Supervising Attorneys
Rachel R. Elkin
Shifra Rubin
Monica C. Gural

Assistant Supervising Attorneys
Samir Lone
Milva L. Diaz
Gail A. Spence
Linda Babecki
Engy Abdelkader
Nicole A. Palmieri
Lynette Siragusa

Staff Attorneys
Dan Florio
Danielle Joseph
Marcia E. Suarez
Elliot Harris
Alice Kwong
Anne Cralle
Kathleen Peterson
Lazlo Beh
Kevin Liebkemann
Sarah Hymowitz
Rachel E. Salazar
Jocelyn Pridgen
Annie Mok Rawson
Jeyanthi Rajaraman
Margaret Cargioli
Anisa Rahim
Raquiba Huq
Maura A. Caroselli
Shannon McGinn
Stacey Bussel*
Akil S. Roper
Marjorie Jean Cary
Sarah Dubinsky
Whitney Elliott
Wajeeha Malik
Marisa Defazio
James Lubrich
* Pursuant to R.1:21-3(c)

Legal Services of New Jersey
100 Metroplex Drive at Plainfield Avenue
Suite 402, P.O. Box 1357
Edison, New Jersey 08818-1357
Phone: (732) 572-9100
Fax: (732) 572-0066
E-mail: lsnj@lsnj.org
www.lsnj.org

November 5, 2010

VIA E-MAIL (njlrc@njlrc.org) AND FIRST CLASS MAIL

Laura Tharney, Esq., Deputy Director
New Jersey Law Revision Commission
153 Halsey Street, 7th Fl., Box 47016
Newark, New Jersey 07101

Re: Comments on Certain Aspects of the NJLRC Revised Tentative Report Dated October 11, 2010, on the Proposed New Jersey Debt-Management Services Act

Dear Ms. Tharney:

Thank you for the invitation to submit comments, on behalf of LSNJ's low-income clients, on the Revised NJLRC Tentative Report, dated October 11, 2010, regarding the Proposed New Jersey Debt-Management Services Act. We provide our comments below, addressing two overarching points that are of primary importance to New Jersey consumers, commenting on four of the specific subjects identified in your e-mail of October 28. 2010, and reserving our rights to submit further comments in the future.

The proposal under consideration is a version of the Uniform Debt Management Services Act (the "UDMSA"). The UDMSA has not, to date, been widely adopted. In the five-plus years since NCCUSL (the National Conference of Commissions on Uniform State

Coordinating New Jersey's Legal Services System

Laws) completed its work on the UDMSA, it has been adopted in only six states. LSNJ is aware of no additional states that have adopted, or are likely to adopt, the UDMSA in 2010.

This hesitancy among the states is hardly surprising. The primary advocates for the UDMSA have been for-profit debt settlement companies and their trade associations (including but not limited to The Association of Settlement Companies ("TASC")) – which have engaged in a heavily-funded nationwide lobbying campaign to convince states to enact versions of the UDMSA that explicitly permit for-profit debt settlement companies to operate, and allow them to charge the high fees they like to collect from consumers duped by the deceptive debt settlement ads that have become ubiquitous on television, radio, and the internet.

As LSNJ has described previously, the Debt Adjusters Act, N.J.S.A. 17:16G-1, *et seq.*, presently provides critical, and generally effective, consumer protections against debt settlement abuses in New Jersey. The Debt Adjusters Act requires that any person engaging in debt adjustment activities must be "a nonprofit social service agency or a nonprofit credit counseling agency" licensed by the Department of Banking, or an exempt provider such as a New Jersey-licensed attorney. *See* N.J.S.A. 17:16G-1(c), -2(a) and (b). Acting as a debt adjuster without a license is a criminal violation, N.J.S.A. 2C:21-19(f), and also gives rise to civil penalties and, in most circumstances, private remedies under the Consumer Fraud Act, N.J.S.A. 56:8-1, *et seq*., and other consumer protection laws. In addition, under the Debt Adjusters Act, payments received from consumers must be promptly disbursed to creditors, and fees for debt adjustment services are limited to one percent of a consumer's income, with a maximum of $25 per month. *See* N.J.A.C. 3:25-1.2(a)(1). The bottom line: **If enacted as proposed in the Tentative Report, the UDMSA would replace the Debt Adjusters Act – posing tremendous risks for New Jersey's most vulnerable consumers.**

1. Section 4A(d) of the Tentative Report Prematurely Recommends that For-Profit Debt Settlement Companies Be Permitted to Do Business in New Jersey – the Commission Has Not Reached a Decision on This Critical Issue, and Alternative Versions of Sections 4, 5, and 9 of the Tentative Report Should Be Included to Reflect Both Policy Options

For-profit debt settlement companies have compiled a frightening, industry-wide record deception and abuse that is extensively documented in recent federal and state government investigations. *See, e.g.,* United States Government Accountability Office, *Debt Settlement: Fraudulent, Abusive, and Deceptive Practices Pose Risks to Consumers* (April 22, 2010) (crediting "allegations of fraud, deception and other questionable activities that involve hundreds of thousands of consumers"); Federal Trade Commission, *Telemarketing Sales Rule; Final Rule*, 75 Fed. Reg. 48,458 (Aug. 10, 2010) ("[A] large proportion of consumers who enter into a debt settlement plan do not attain results close to those commonly represented. . . . [I]n a large percentage of cases, consumers are unable to continue making payments while their debts remain undiminished and drop out of the program, usually forfeiting all the payments they made towards the provider's fees."). For-profit debt settlement companies are presently prohibited from doing business in New Jersey, and for that reason are able to do far less damage to New Jersey's low-income consumers than would otherwise be the case.

NCCUSL recognized from the beginning that prohibiting for-profit debt settlement companies is a sensible choice for states to make, and included alternative versions of three key UDMSA provisions – sections 4, 5, and 9 – one version prohibiting for-profits, and the other allowing them. *See* Uniform Debt Management Services Act at 4 (2008 rev.) ("The Act is neutral on the question whether for-profit entities should be permitted to provide debt-management services."). A key strength of the Commission Staff's original UDMSA proposal in November 2009 was that it retained New Jersey's existing non-profit only requirement for debt

adjusters. In its next draft, Staff took another reasonable approach, setting forth both NCCUSL options from the UDMSA, as alternative sections 4 and 4A, 5 and 5A, and 9 and 9A. **Before** the first Commission meeting to discuss the UDMSA proposal, however, Staff released a Tentative Report that included only sections 4A, 5A, and 9A, thereby eliminating the option of recommending that New Jersey maintain its existing non-profit-only rule, and explicitly recommending a "significant proposed change in New Jersey to allow the participation of for-profit entities in debt management services." At the Commission's September 16, 2010, meeting, the Commissioners' comments clearly indicated that they had not reached a conclusion on this key point:

- "Commissioner Bertone said that she would like to see the statute drafted in the alternative, so that the Commission can consider the for-profit/not-for-profit issue in more detail."
- "Chairman Gagliardi asked Staff if it made sense to see what there was to be gleaned from the changing landscape. Ms. Tharney responded affirmatively, indicating that . . . even NCCUSL had been unable to provide any detailed guidance or suggestions regarding the impact of the [new FTC] Rule on their draft."
- "Commissioner Bunn . . . suggested that he wanted to wait for the FTC Rule implementation."
- "Commissioner Bell . . . suggested that if there is no state that successfully regulated for-profit entities . . . there is no point in allowing them to operate in New Jersey."

When Staff specifically asked the Commissioners if they were prepared to provide guidance on the issue of whether to recommend allowing for-profit debt settlement companies to do business in New Jersey, the clear response was that they had not reached a conclusion.

The Commissioners' statements reflect a key factor counseling against a quick decision on whether to allow for-profit debt settlement companies to do business in New Jersey. In response to the governmental findings of widespread abuse and deception, two major reforms in

the law have recently gone into effect: amendments to the Federal Trade Commission's Telemarketing Sales Rule that, among other things, prohibit collection of advance fees from many (though not all) for-profit debt settlement schemes (effective October 27, 2010), and an Illinois statute limiting debt settlement fees to amounts within the range generally recommended by consumer advocates. As discussed further below, there is no credible evidence of the existence of non-abusive for-profit debt settlement practices to date. It is possible that this will change in the future under the new laws – but that remains to be seen. LSNJ recommends that the best course would be to wait until the FTC advance fee rule has been in effect for at least a year before reviewing the market to determine whether debt settlement practices have sufficiently improved to warrant a significant change in New Jersey law.

A return to the Staff's earlier two-alternative drafting is also warranted because the reasons advanced for radically altering New Jersey law, at the request of the businesses that would benefit, are based on misunderstandings attributable at least in part to the misleading statements of those very businesses.

First, Staff indicated at a recent Commission meeting, in response to a discussion of widespread concerns about abusive and deceptive debt settlement company practices, that some "for-profit entities operating in other states . . . have an A rating from the Better Business Bureau." (9/16/10 Minutes at 6). With respect to for-profit debt settlement companies, however, this is not true – and indeed is impossible. The Better Business Bureau has identified for-profit debt settlement as an "inherently problematic" business, and, in light of that designation, does not give debt settlement companies ratings higher than C. At the October Commission meeting, a potential source for this misunderstanding became clear. The president of an entity called CareOne testified that his company has an A+ rating from the Better Business Bureau – and also

stated that while CareOne is in the debt settlement business, it actually provides debt settlement services in only a handful of the states in which it operates. What he did not explain is that CareOne is not a debt settlement company for BBB purposes because **CareOne refers much of its debt settlement business to a law firm know as Persels & Associates**. Persels & Associates has "lawyers in all 50 states and DC," and uses CareOne and/or CareOne corporate affiliates for back-office functions. A cursory search will demonstrate that the internet is rife with complaints against Persels & Associates, and that this law firm – through which the bulk of CareOne's debt settlement business is funneled – has a C- rating from the Better Business Bureau, with 142 complaints in the last 36 months filed with the BBB alone. *See* www.bbb.org/greater-maryland/business-reviews/lawyers/persels-and-associates-in-towson-md-90086987. CareOne's own website acknowledges (1) CareOne's relationship with Persels & Associates, (2) the law firm's C- rating, and (3) that no debt settlement company can receive a rating above C from the Better Business Bureau, on pages including www.careonecredit.com/aboutus/serviceproviders.aspx ("CareOne Services, Inc., provides administrative, technology and paralegal services to Persels & Associates. **Parts of [CareOne's] website are advertisements for Persels & Associates.**") (emphasis added); community.careonecredit.com/ask_careone/f/158/p/14513/47143.aspx#47143 (Q: "[W]hy would a BBB accredited A+ rated company like [CareOne] use a BBB non-accredited C- rated company like [P]ersels & [A]ssoc. to handle the debt settlement cases?" A [from "Coach Tammy" at CareOne]: "P&A does have a C- rating with the BBB. . . . Most settlement agencies have an F rating. . . . . Persels has and continues to work closely with CareOne."); and community.careonecredit.com/ask_careone/f/158/p/9845/31359.aspx#31359 (In response to customer queries about having their accounts transferred to a law firm with an unfavorable BBB

rating, "Persels and [A]ssociates is a settlement firm and currently the BBB does not rate settlement firms higher than a 'C.' Persels & Associates has a rating of C-."). There is simply no evidence of A-rated debt settlement companies with a record of few consumer complaints.

Second, Staff states in its comments to current section 4A of the Tentative Report that "it appears that the IRS does not allow tax-exempt not-for-profit entities to engage in debt settlement because such activity falls outside of the permissible charitable and educational goals," and suggests that this means that an important need is going unmet. *See* 10/11/10 Tentative Report at 8. A closer look, however, shows that non-profit debt counseling companies *can* provide principal reduction debt settlement plans in the limited number of circumstances in which they may be warranted. Nothing in section 501(q) of the Internal Revenue Code, which applies to non-profit credit counseling agencies, prohibits principal reduction or debt settlement plans – and the one scholarly examination of the question concludes that "a tax-exempt credit counseling organization could expand its activities to include a minimal amount of debt-settlement services, which might be considered incidental to the organization's principal activities," without jeopardizing its tax-exempt status. Ronald D. Kerridge and Robert E. Davis, *Tax-Exempt Credit Counseling Organizations and the Future of Debt-Settlement Services*, 14 Tex. Rev. of Law & Politics 343, 358 (2010). Indeed, according to the National Consumer Law Center, "There are . . . nonprofit agencies that will negotiate [debt] settlements for consumers, but those agencies generally do not hold or escrow consumers' monthly payments. Instead, the[y] attempt to negotiate lump-sum pay-offs of a consumer's debts based on funds the consumer already has . . . ." National Consumer Law Center, *Fair Debt Collection* (6th ed. 2008) §12.3 at 624 n.104.

In addition, as LSNJ explained in its initial comment letter, there is no evidence of any significant unmet demand for debt settlement services in New Jersey, aside from the generalized, self-serving claims of debt settlement companies themselves. To the contrary, the demographic for debt settlement as an economically sensible strategy is very small. A consumer must have excess income or available assets, but not enough income to make a debt management a better alternative, *and* must prefer the debt settlement route to a much less expensive and generally more effective bankruptcy filing (an option that for-profit debt settlement companies do not adequately present to their customers). There are alternative ways to meet this small demand that do not entail debt settlement companies that charge fees that can reach $10,000 and more. Creditors readily acknowledge that consumers can get debt settlement terms for themselves that are the same as those available to debt settlement companies, *without* paying additional fees. We are also aware of New Jersey bankruptcy practitioners who can and do provide debt settlement services, consistent with their exemption from the Debt Adjusters Act, N.J.S.A. 17:16G-1(a)(2)(a), for clients who wish to pay a paralegal at his or her hourly rate – a much more reasonable proposition than the percentage-based fees imposed by for-profit debt settlement companies. To the extent debt settlement companies claim to engage in a large volume of business nationwide (based on their own calculations), the most sensible explanation is that this is the result of their extensive deceptive advertising campaigns, rather than an indication that their services are actually better than non-profit debt management plans, bankruptcy, self-help that costs nothing, and other alternatives that are more favorable for virtually all consumers.

2. Fee Caps For Debt Settlement Services Should Be Provided By Statute, at the Same Levels Recently Approved By Statute in Illinois

The Federal Trade Commission's recent amendments to its Telemarketing Sales rule to address abuses in the debt settlement industry, including the advance fee prohibition effective

October 27, 2010, will be a great benefit to consumers nationwide. There are, however, two major respects in which limitations of the scope of the FTC's rule could still leave consumers vulnerable to upfront fee demands. The first is that the FTC rules only cover debt-settlement services sold by phone. The Tentative Report endeavors to address that limitation by adding section 16(e), which applies the FTC advance-fee rule to all debt settlement plans – a very strong aspect of the current Tentative Report. As Gail Hillebrand of Consumers Union pointed out in a recent edition of *American Banker*, however, there is another significant loophole in the FTC rule.

> [The FTC rule] won't stop debt-settlement companies from setting an unfairly high fee. These companies typically charge consumers a fee based on the total amount of debt that is owed instead of how much the settlement saves for the consumer. . . .
>
> Some states are already considering ways to better protect consumers. Illinois this year passed legislation that caps fees at 15% of the savings achieved by the settlement — not the total amount owed by the consumer. The law applies to all debt-settlement contracts regardless of whether consumers sign up by phone, in person or online.
>
> The FTC's new rules are a big step forward, but clearly more comprehensive protection is needed. . . . [S]tate lawmakers should finish the job by extending the new protections to all debt-settlement contracts *and capping fees* so consumers don't get gouged in order to get a fair settlement.

Gail Hillebrand, *Viewpoint: Debt Settlement Rules Have Gaps*, American Banker (Nov. 3, 2010). The current version of the Tentative Report leaves the promulgation of regulations establishing fees to the Department of Banking and Insurance. The better approach by far would be to address the issue legislatively, as was the case in Illinois, in order to provide consumers with assurance that their interests will be protected.

3. Attorneys Should Not Be Required to Become Separately Licensed to Provide Debt Adjustment Services, But Should Be Subject to the Same Consumer Protection Provisions as Other Providers

As noted above, under current law, New Jersey licensed attorneys can, and occasionally do, provide debt settlement services to clients who prefer this alternative to the usually more favorable results available through a bankruptcy filing. LSNJ has not observed problems stemming from New Jersey attorneys actually providing such debt settlement services. Out-of-state debt settlement companies and law firms such as Persels & Associates, however, sometimes "retain" New Jersey attorneys in what appears to be an effort to evade the requirements of the Debt Adjusters Act. In LSNJ's experience, in these circumstances the New Jersey attorneys provide little, if anything, in the way of actual debt settlement services. *See, e.g.,* www.complaintsboard.com/complaints/persels-amp-associatesarthur-malkin-c290744.html ("Persels &Associates took an initial fee, and then $330/mo. and subcontracted the legal work to Arthur Malkin (here) in New Jersey for debt resolution/consolidation. . . . Persels/Malkin did NOT do any legal work as we received notices to appear in court regarding debts. Apparently they didn't do any negotiations and we had to do all the 'leg work.'"). In addition, some out-of-state law firms have developed extensive debt settlement practices that are as abusive as the practices on non-attorney for-profit debt settlement companies.

Accordingly, although there is no need to require separate DOBI licensing for attorneys who are already licensed in New Jersey (a step that would likely be problematic for a number of reasons), the substantive consumer protections under the laws and regulations governing debt adjusters should apply equally to attorneys, paralleling the applicability of the substantive provisions of the Fair Debt Collection Practices Act, 15 U.S.C. § 1691, *et seq.*, to attorneys.

4. "Parity" Between Provisions Applicable to Debt Management and Debt Settlement Should Not Be A Policy Priority – They Pose Very Different Consumer Protection Concerns, and In Most Respects Should Be Regulated Differently

Debt management and debt settlement plans are quite different from one another, in ways that have only begun to be explored in the record of the Commission's consideration of the proposed UDMSA. As an example, there has been diametrically opposing testimony by for-profit debt settlement providers that debt settlement plans are more expensive to implement, and by non-profit credit counseling providers that debt management plans are more expensive to implement. There is no basis for concluding that "parity" of fees or any other provisions with respect to these two very different activities is appropriate or beneficial from a consumer protection perspective. *See* Deanne Loonin and Elizabeth Renuart, *The Life and Debt Cycle: The Growing Debt Burdens of Older Consumers and Related Policy Issues*, 44 Harv. J. on Legis. 167, 195 (2007) (recommending separate regulation of debt management and debt settlement practices).

5. Consumer Protection Provisions Enacted In Other States Must Be Considered Individually; LSNJ Has Proposed A List of Consumer Protection Provisions That Would Be Right For New Jersey

In its initial comments on the Commission's UDMSA proposal in April, LSNJ recommended the following consumer protection provisions should be added to those already in place under the Debt Adjusters Act:

- Except for a small enrollment/set-up fee not exceeding $50, prohibit debt settlement companies from charging or collecting any fees until after debts have been settled;
- Limit additional debt settlement fees to 5-15% of the net savings following successful settlements;
- Prohibit all advertising claims about the percentage(s) or dollar amount(s) by which debts or interest rates may be reduced – this has been an area of widespread abuse; results are so rarely successful, and so dependent on individual

circumstances and factors beyond either party's control, that ads making claims about prospective results are inherently misleading;

- Allow cancellation of debt management and debt settlement contracts at any time, with prompt refund of fees;
- Provide substantive standards for a written suitability/tangible net benefit analysis for each customer based on that customer's individual financial circumstances;
- Explicitly preserve consumer remedies available under all other laws, including but not limited to the New Jersey Consumer Fraud Act and the federal Credit Repair Organizations Act;
- Clarify that debt adjusters act as fiduciaries for their clients;
- Enhance the enforceability of the New Jersey's consumer protections against out-of-state violators by increasing the Attorney General's remedial powers (for instance, to seek multiple damages on behalf of New Jersey consumers, and to enjoin misleading advertising in media directed at New Jersey consumers); and
- Apply regulations equally to lead generators and to providers of debt adjustment services.

If there are other consumer protection provisions that the Staff is considering from the laws of other states, it would be most appropriate to propose these provisions for comment on a case-by-case basis – LSNJ notes, however, that the recently-enacted Illinois statutory fee provisions are consistent with the first two of LSNJ's recommendations above.

6. Sections 25 and 26 Should Largely Be Replaced With A Much Simpler Provision Providing for Consumer Fraud Act Remedies In Order to Prevent Unintended Remedy Limitations and Maximize Protection for New Jersey Consumers

The remedy provisions in the Tentative Report need substantial improvement – and simplification. There is a standard provision, ensuring that violations of consumer protection laws clearly give rise to damages under New Jersey's Consumer Fraud Act, that appears in numerous New Jersey statutes and bills: "It is an unlawful practice and a violation of P.L. 1960, c.39 (C.56:8-1 et seq.) to violate any provision of P.L. , c. (C.) (pending before the legislature as this bill.)" This concisely provides that New Jersey's Consumer Fraud Act,

including its trebling of economic damages, is always available for violations. The only provisions of sections 25 and 26 that go beyond the remedies already provided under the Consumer Fraud Act are those providing compensatory damages for noneconomic harm, minimum statutory damages, and punitive damages. The other provisions of sections 25 and 26 have considerable potential to harm consumers by leading to confusion resulting from inconsistent provisions and the creation of defenses not otherwise available under the Consumer Fraud Act. LSNJ recommends the following formulation of the remedies provisions:

Section 25.

(a) It is an unlawful practice and a violation of P.L. 1960, c.39 (C.56:8-1 et seq.) to violate any provision of P.L. , c. (C.) (pending before the legislature as this bill.)

(b) In addition to all other available remedies, subject to subsection (c), an individual with respect to whom a provider violates this act may recover in a civil action from the provider and any person that caused the violation:

(1) compensatory damages for noneconomic injury caused by the violation;

(2) except as otherwise provided in subsection (c), and subject to adjustment of the dollar amount pursuant to Section 22(f), the greater of the amount recoverable under paragraph (a), or $5,000;

(3) punitive damages; and

(4) reasonable attorney's fees and costs.

(c) In a class action, except for a violation of Section 28(a)(5), the minimum damages provided in subsection (c)(2) do not apply.

Another crucial change is that Section 27 of the Tentative Report should be deleted, or should provide for the six-year statute of limitations applicable to claims under the Consumer Fraud Act.

Finally, because it affects the statutory damages amount in section (2)(b) above, section 22(f) of the Tentative Report should provide for mandatory triennial CPI adjustments to dollar

amounts specified under the Act, rather than making adjustments contingent on an application from a "provider . . . for good cause shown."

7. Conclusion

LSNJ continues to urge the Commission to recommend that New Jersey's strong consumer protections under the Debt Adjusters Act be maintained. In particular:

- **Don't open the door to "inherently problematic" for-profit debt settlement companies.** The track record of consumer abuses is far too extensive to ignore – and there is no basis to conclude that the door should be opened to for-profit debt settlement companies, while for-profit foreclosure rescue activities continue to be prohibited.

- **Keep the 10-day disbursement requirement in place.** The most recent LRC Tentative Report proposes to eviscerate the existing New Jersey rule requiring debt adjusters to disburse funds received for payment to creditors within 10 days, by providing an exception that would appear to apply to all debt settlement activities. The prompt disbursement rule is an important consumer protection, and a blanket exception for debt settlement companies is unwarranted.

- **Don't undermine the Federal Trade Commission's advance fee ban.** The new amendments to the Telemarketing Sales Rule apply to virtually all for-profit debt settlement contracts under current practices. Permitting advance fees under state law would encourage subterfuge to evade the reach of the TSR, the FTC's most effective vehicle for regulating an activity characterized by "widespread deception" that provides no benefit to paying customers "in a large percentage of cases."

- **Don't allow exorbitant fees.** New Jersey law now sets simple and reasonable limits on debt adjustment fees: up to $60 for a credit counseling session (CCCSNJ only charges $50), and no more than $25 a month for a debt management plan thereafter. There is no evidence of unmet demand in New Jersey under the current fee structure. In addition, Illinois, the most recent state to enact significant statutory provisions applicable to debt settlement practices, limits debt settlement fees to an enrollment fee of no more than $50, and a settlement fee not greater that 15% of savings actually achieved. Some UDMSA proposals in New Jersey would allow many times this amount – a change LSNJ believes is unwarranted, and harmful to low-income consumers. The Illinois approach has much greater promise.

If the Commission is ultimately inclined to recommend adoption of a version of the UDMSA in New Jersey, its recommendations should leave existing consumer protections under

the Debt Adjusters Act intact, and include enhanced consumer protections compatible with and strengthening the Federal Trade Commission's recent amendments to the Telemarketing Sales Rule.

LSNJ thanks the Commission and its Staff for their attention to this important matter. We look forward to continuing to work with the Commission to craft a legislative proposal, if such a proposal is ultimately deemed necessary, that will significantly enhance protections in this vital area for New Jersey's low-income consumers.

Very truly yours,

LEGAL SERVICES OF NEW JERSEY, INC.

By: ________________________________
David McMillin