



# Consumer Protection and Unfair Competition Law

**ALERT**  
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## New Indiana Law Applies “Credit Services Organization” Provisions to Debt Settlement

By: Michael Mallow and Michael A. Thurman

Indiana has enacted new legislation, effective on July 1, 2010, that will require debt settlement companies to obtain a \$25,000 surety bond, file a copy of the bond with the state’s attorney general, and make certain disclosures to consumers before doing business in the state or entering into contracts with state residents.

HB 1332 was signed by Indiana Governor Mitch Daniels on March 24, 2010. The new law subjects debt settlement companies to the same requirements and restrictions that previously governed credit repair, loan modification and loan consolidation companies.

The statute redefines the term “credit services organization” to include a person or entity that sells, provides or performs debt settlement services for compensation on behalf of a buyer. “Debt settlement services” are defined as performing or offering to perform a “renegotiation of the debt,” a “settlement of the debt” or an “alteration of the terms of payment or other terms of the debt, including a reduction of the balance . . .”

In addition to obtaining and filing a copy of the \$25,000 surety bond with the state attorney general, the law requires that, before executing a contract or agreement with a buyer or receiving any money, debt settlement providers must deliver a written disclosure to the buyer that includes:

- (1) A complete detailed description of the services to be performed for the buyer and the total cost of the services;
- (2) A statement explaining the buyer’s right to proceed against the bond or surety account;
- (3) The name and address of the surety company that issued the bond and the account number of the surety account;
- (4) A complete and accurate statement of the buyer’s right to review any file on the buyer maintained by a consumer reporting agency as provided under the Fair Credit Reporting Act (15 U.S.C. 1618, et seq.);
- (5) A statement that the buyer’s file is available for review pursuant to the terms of 15 U.S.C. 1681(j);
- (6) A complete and accurate statement of the buyer’s right to dispute the completeness or accuracy of an item contained in a file on the buyer maintained by a consumer reporting agency;
- (7) A statement that accurate information cannot be permanently removed from the files of a consumer reporting agency;

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(8) A complete and accurate statement indicating when consumer information becomes obsolete and when consumer reporting agencies are prevented from issuing reports containing obsolete information; and

(9) A complete and accurate statement of the availability of non-profit credit counseling services.

Any knowing or intentional violations of the new law will subject the violator to a class A misdemeanor and will constitute a deceptive act that is actionable by the attorney general.

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