AARP Montana

EXHIBIT 6
DATE 1-25-05
HB 140

January 25, 2005

Representative Jim Keane
House Standing Committee on Business and Labor
Room 172 State Capitol Building
Helena MT 59601

Support of HB 140: AN ACT CREATING A MONTANA CONSUMER DEBT MANAGEMENT SERVICES ACT

Mr. Chairman and members of the committee, my name is Alex Ward, Associate State Director for AARP Montana. As a matter of background I was a law enforcement officer for 25 years and served as a Crime Prevention Detective for 17 years.

AARP is a non-profit, non-partisan membership organization with more than 143,000 members in Montana. A recent AARP Montana Member Survey (published in January 2005) indicated that a majority of those surveyed thought that consumer protection against business fraud should be viewed as Montana's top legislative priority.

Recent years have shown that after peaking in 1986 at more than 17 percent of disposable personal income, consumer debt payments began to drop in the early 1990's. In 1992, they bottomed out at 14.5 percent of personal income, but they increased to 19.3 percent in 2002 – the highest in more than three decades. As a result, there was a record high of almost 1.5 million personal bankruptcy filings in 2002. According to a 2003 survey of consumer finances, the average credit card balances of households of those 65 years old and older increased 149 percent from $1,626 in 1989 to $4,041 in 2001. An AARP survey of persons age 50-59 in April 2001 indicated that many felt that debt management was very important.

According to FTC Chairman Thomas Leary in testimony before the Congress on March 24, 2004:

"... [T]he credit counseling industry has experienced dramatic growth, attributable in large part to ballooning consumer debt and the resulting demand for credit counseling to prevent default on that debt."

"Whereas it was once composed mainly of small, local credit counselors, the last decade has seen the rise of large, high-tech organizations that aggressively market their services to consumers via telemarketing, broadcast and print advertising, and the internet. These organizations, many of which claim non-profit status, represent a new breed in this

30 West 14th Street, Suite 301 | Great Northern Addition | Helena, MT 59601 | toll-free 866-295-7278 | 406-441-2230 fax | toll-free 877-434-7598 TTY
Marie F. Smith, President | William D. Novelli, Chief Executive Officer | www.aarp.org/mt

industry. Many appear to offer little or no individualized credit counseling, but rather urge all of their clients to enroll in a Debt Management Plan without consideration of their particular financial situations."

"The Commission is concerned about deceptive and other illegal practices in which some Credit Counseling Agencies (CCA) may be engaging. Our greatest concern is deception by CCA's about the nature and costs of the services they offer to consumers."

The unfortunate reality of these practices is that many people who deal with these companies and who are devastated by there practices are consumers who thought they were taking the right steps to get out of debt and avoid bankruptcy. Many of these people, as a result of dealing with these so called consumer counseling organizations end up with a far higher amount of debt and in worse shape with their creditors than before dealing with these organizations.

AARP Montana urges your committee to vote favorably for this bill to better protect consumers from bad practices of consumer counseling services. We also support the sponsor's amendments that were recommended by our national office for the purpose of strengthening this all important piece of consumer protection legislation.