

DEBT MANAGEMENT SERVICES

Understanding Debt Management Services

Debt management providers offer services to assist consumers with budgeting and paying off debt. In general, if you hire a debt management service, you will pay them a set amount of money each month, and they will distribute that money to your creditors.

The debt management provider will negotiate with your creditors to establish a payment plan and the amount of the payments. The debt management provider may be able to negotiate a lower interest rate, a lower monthly payment, or other more favorable terms for you. However, you must make the monthly payments arranged by the debt management provider to benefit from the negotiated terms.

Your Protection Under Maryland Law

In Maryland, providers who offer debt management services must be licensed by the Commissioner of Financial Regulation. Consumers should only work with a Maryland-licensed debt management service. To verify whether a debt management provider is licensed, visit www.nmlsconsumeraccess.org.

The debt management provider is permitted to charge you an initial, one-time consultation fee not to exceed \$50 and a monthly fee of \$8 per creditor. The monthly fee may not be more than \$40 per month.

Before you pay or sign any documents with the debt management provider, they must give you a one-on-one financial counseling session, which will include a discussion of your debts, income, expenses, and savings. The debt management counselor may obtain a copy of your credit report and create a budget for you. They must also give you a written notice that pre-bankruptcy credit counseling is required if you elect to file for bankruptcy, information on counseling options, and a debt management agreement.

Tips for Using a Debt Management Plan

- If you sign a plan with a debt management provider and consolidate your bills into one payment, do not apply for more credit or try to open a new credit card.
- Stick with your budget plan and make the payments to pay off your debt, even though it may seem like a long time before you will be debt-free.
- Compare the payment amounts on your quarterly statement from the debt management provider to the monthly statements you receive from your creditors to make sure the payment amounts are the same.
- If your financial situation changes, whether good or bad, contact your debt management provider to discuss how the changes will affect your plan.



About Our Office

The Office of Financial Regulation is the primary regulator for state-chartered financial institutions and state-licensed financial service providers.

The Office's mission is to protect Marylanders through the operation of a modern financial regulatory system that promotes respect for consumers, safety and compliance, fair competition, responsible business innovation, and a strong state economy.

Wes Moore, *Governor*

Aruna Miller, *Lt. Governor*

Portia Wu, *Secretary, Maryland Department of Labor*

Antonio P. Salazar, *Commissioner of Financial Regulation*



Maryland
DEPARTMENT OF LABOR
Office of Financial Regulation

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Debt Management Agreement and Prohibited Practices

The debt management agreement must be signed by you and the debt management provider. Important provisions include:

- The name, address, and phone number of both you and the debt management provider.
- A description of all the debt management provider's services and the cost of those services.
- A disclosure that signing the agreement may impact your credit rating and credit scores.
- A notice of your right to cancel the agreement at any time without a penalty.
- A list of the creditors that the debt management provider reasonably expects will not participate in the payment plan.
- A schedule of the payments you must make to the debt management provider, including the amounts and due dates.
- The name and address of the financial institution where your payments to the debt management provider will be held before the debt management provider sends the payments to your creditors.
- A disclosure that the debt management provider is properly insured in the event that they violate Maryland law and you are financially harmed.

A debt management provider MAY NOT:

- Purchase any of your debts or obligations, lend money, or provide credit to you.
- Obtain a mortgage or other security interest in property owned by you.
- Require a voluntary contribution from you for any of the debt management provider's services.
- Make any false, misleading, or deceptive statements to you regarding the debt management provider's services.
- Structure an agreement that would result in you owing a higher principal amount (the original amount of debt that does not include interest) than when you originally signed the agreement.
- Offer you money, gifts, bonuses, premiums, rewards, or other compensation for signing the agreement or for referring a prospective customer to the debt management provider.
- Charge for or provide credit insurance.
- Submit a proposal to any of your creditors to lower the amount you owe without your written approval to the debt management provider.

Questions & Concerns

If you believe a debt management provider has violated Maryland law, file a complaint with our Office by visiting www.labor.maryland.gov/finance/consumers.

Call 410-230-6077 or email CSU.Complaints@maryland.gov for assistance.

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Maryland Department of Labor
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Visit us at
www.labor.maryland.gov/finance

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