CIRCUMSTANCES LEADING TO LEGISLATION

Complaints to the Better Business Bureau, the National Legal Aid Society, and court cases in several of the States have indicated that unscrupulous debt poolers, instead of helping the debt-ridden, have actually created additional problems for them. Freqeuntly, creditors have refused to participate in the debt-pooler's plan but the debtor has not been notified of this fact. Sometimes the debt-poolers have paid themselves their entire fee first, and it has been some time before money was available to pay the creditors. Accepting the services of the debt-pooler has not prevented garnishment or repossession of merchandise although contrary promises had been made or implied. Because of these and other abuses the States found it necessary to take legislative action.

EARLY LAWS

The first two laws dealing with debt pooling as a commercial business were enacted in Minnesota in 1935 and in Wisconsin in 1937. These laws regulate the business by requiring operators to obtain a license, post a bond, and meet other specified requirements. However, until 1955, debt-pooling firms were generally free to operate unhampered. Numerous abuses by some of these firms, followed by indictments in several instances, led to pressure for enactment of laws curbing their activities. That year, Maine, Massachusetts, and Pennsylvania enacted laws prohibiting the business of debt pooling. Similar laws were enacted in Georgia, New York, and Virginia the following year.

PRESENT STATUS

There are now 34 States with laws prohibiting or regulating the business of debt pooling. The following 22 States prohibit debt pooling as a commercial business[2]:

State	*Year enacted*	*State*	*Year enacted*
Arkansas	1967	New York	1956
Delaware	1966	North Carolina	1963
Florida	1959	Ohio	1957
Georgia	1956	Oklahoma	1957
Hawaii	1967	Pennsylvania	1961
Kansas	1961	Rhode Island	1964
Maine	1955	South Carolina	1963
Massachusetts	1955	Texas	1965
Missouri	1966	Virginia	1956
New Jersey	1963	West Virginia	1957
New Mexico	1965	Wyoming	1957

The following 12 States regulate this type of business:

State	*Year enacted*	*State*	*Year enacted*
California	1957	Minnesota	1935
Colorado	1965	Nebraska[4]	1967
Connecticut[3]	1967	Oregon	1963
Idaho	1963	Utah	1963
Illinois	1957	Washington	1967
Michigan	1961	Wisconsin	1937

LAWS PROHIBITING THE BUSINESS OF DEBT POOLING

Most of the 22 State laws prohibiting the business of debt pooling outlaw debt-pooling activities, as defined, and provide penalties for violations. The laws of Massachusetts, South Carolina, and Virginia differ from the majority in that they provide that the furnishing of advice or services for a debtor in connection with a debt-pooling plan is deemed the practice of law. Thus, debt

[2] In addition, the city of Baltimore, Maryland has an ordinance prohibiting the business of debt pooling.
[3] In Connecticut a regulatory provision enacted in 1955 as an amendment to the collection agency law was repealed in 1967 and replaced by a separate law, which becomes effective Jan. 1, 1968.
[4] The Nebraska law is not effective until Jan. 1, 1969. By addendum subsequently filed with the committee, Iowa should be added to this list. (See p. 168 hereof.)