



August 25, 2020

The Honorable Gavin Newsom, Governor  
 California State Capitol  
 Sacramento, CA 95814

**RE: AB 2524 (Wicks) – Proraters. – REQUEST FOR SIGNATURE**

Dear Governor Newsom:

The California Low-Income Consumer Coalition (sponsor) and the organizations noted above urge you to sign AB 2524 (Wicks), which will protect Californians from being taken advantage of by unscrupulous debt settlement companies. In the current pandemic-related recession, coupled with the impact of the disastrous fires our state is now facing, it has never been more important to protect vulnerable Californians who may be struggling to handle their debts.

AB 2524 will remove the limitation that the Department of Business Oversight may license only debt settlement companies that are incorporated in California and will allow the Department to license *all* debt settlement companies doing business in California. Removal of this limitation will improve regulation and enforcement against unfair and deceptive actors in the debt settlement industry.

Radio, direct mail, and online advertisements by unlicensed debt settlement companies, also known as “proraters,” target people at their most vulnerable and promise to settle debts for significantly less than the full amount owed. These advertisements provide unrealistic and impossible promises. Consumers who have not yet defaulted on their debts are typically advised to stop paying their creditors and instead send their monthly payments directly to the debt settlement companies. Consumers are often unaware that their accounts will go into default or that entering a debt settlement program will not stop collection calls and negative credit reporting. In addition, entering a debt settlement plan does not restrict a creditor’s right to sue a consumer on defaulted debts.

Consumers who look to debt settlement companies for help in getting out of debt often find themselves in more trouble, with damaged credit scores and few, if any, accounts settled. They also may be facing lawsuits from creditors who, as a result of the debt settlement program, have not been paid. But when consumers contact the debt settlement companies to cancel the program and ask for their money back, they find that most of the money paid into the program has gone to fees rather than to paying down their debts. Research reveals that the median consumer who is delinquent on her debts sees no improvement in her finances after three years of participating in a debt settlement program unless the program manages to settle more than two-thirds of her total debt. Well over half of all consumers do not reach that goal.

Debt settlement is a long and arduous process, and is – by the industry’s own admission – not suitable for most consumers who have debt. It is essential that California be able to regulate the players in this high-risk industry that is marketing itself to some of the most vulnerable of

California's residents. AB 2524 will empower the state to more fully protect low-income Californians from predatory debt settlement companies.

The organizations listed below urge your signature on AB 2524. If you have any questions, please contact Dani Kando-Kaiser at [dani@corbinandkaiser.com](mailto:dani@corbinandkaiser.com).

Respectfully,

Ted Mermin  
Director  
California Low-Income Consumer Coalition



California Low Income-Consumer Coalition, Ted Mermin, Director – Sponsor

National Consumer Law Center, Lauren Saunders, Associate Director  
Consumer Federation of California, Robert Herrell, Executive Director

Center for Responsible Lending, Marisabel Torres, Director of California Policy  
Californians for Economic Justice, Suzanne Martindale, Member, Steering Committee  
American Financial Services Association and California Financial Services Association,  
Danielle Fagre Arlowe, Vice President

Centro Legal de la Raza, Carolina Martin Ramos, Director of Programs & Advocacy

California Asset Building Coalition, Andrea Luquetta, Managing Director

California Reinvestment Coalition, Kevin Stein, Deputy Director

Housing and Economic Rights Advocates, Natalie Lyons, Senior Staff Attorney

New Economics for Women, Maggie Cervantes, Executive Director

University of California, Irvine, Consumer Law Clinic, Stacey Tutt, Director

Public Law Center, Leigh Ferrin, Director of Litigation and Pro Bono

Public Counsel, Stephanie Carroll, Senior Staff Attorney

East Bay Community Law Center, Sharon Djemal, Director, Consumer Justice Center

Bet Tzedek, Jenna Miara, Directing Attorney

Elder Law & Advocacy, Jaime Levine, Supervising Staff Attorney

Legal Society of San Bernardino, Michael White, Supervising Staff Attorney

Riverside Legal Aid, Ernie Reguly, Staff Attorney

Justice & Diversity Center of the Bar Association of San Francisco, Desiree Nguyen-Orth,  
Supervising Attorney

cc: The Honorable Buffy Wicks (author)