

**CYNTHIA H. COFFMAN**  
Attorney General  
**MELANIE J. SNYDER**  
Chief Deputy Attorney General  
**LEORA JOSEPH**  
Chief of Staff  
**FREDERICK R. YARGER**  
Solicitor General



**STATE OF COLORADO**  
**DEPARTMENT OF LAW**

**RALPH L. CARR**  
**COLORADO JUDICIAL CENTER**  
1300 Broadway, 6th Floor  
Denver, Colorado 80203  
Phone (720) 508-6012  
Email [dm@coag.gov](mailto:dm@coag.gov)  
**Consumer Protection Section**  
**Consumer Credit Unit**

**COLORADO UNIFORM DEBT MANAGEMENT SERVICES ACT**

EFFECTIVE JANUARY 1, 2008

**INFORMATION FOR CONSUMERS**

The Colorado Uniform Debt Management Services Act (DMSA) regulates companies that offer and provide debt management services to Colorado residents. It also provides consumer protections.

Under Colorado law, Debt Management Services Providers (Providers) include non-profit and for-profit Credit Counseling and Debt Settlement companies. Providers typically work with unsecured debt such as credit card debt.

The law also applies to law firms and attorneys unless the attorney is licensed to practice law in Colorado and is providing legal services in an attorney-client relationship.

**CREDIT COUNSELING**

**Credit Counseling** providers, also known as **Debt Management** providers, work with consumers' creditors to establish a debt management plan that may include interest rate reductions, lower fees, re-aging of delinquent accounts, and lower monthly payments. Plans typically provide for full repayment of the principal amount of debt enrolled in the plan.

Consumers make monthly payments to Credit Counseling providers. This money is held in the provider's trust account. Funds are then disbursed monthly to creditors on behalf of the consumer.

**DEBT SETTLEMENT**

**Debt Settlement** providers, also known as **Debt Arbitrators** or **Debt Negotiators**, negotiate with consumers' creditors to settle debts for less than the full balance owed.

Debt settlement providers do not make regular payments to creditors. Instead, consumers make monthly deposits into savings or special purpose accounts, which may be a savings account at the consumer's bank, a trust account owned by the provider, or a special purpose account managed by a third party.

Negotiations with creditors usually do not begin until consumers have accumulated at least 50% of the amount of debt to be settled. The savings process may take months or years, depending on the plan, and creditors may attempt to collect the debt during that time.

**IMPORTANT INFORMATION TO CONSIDER:**

- You may be able to negotiate a favorable settlement yourself, without paying fees to debt settlement providers, by contacting your creditors directly.
- Creditors are not required to participate in or cooperate with a debt management or settlement plan.
- Plans may negatively affect your credit score and ability to obtain credit.
- Providers cannot stop collection activity, including collection calls, wage garnishment, judgments, and litigation.

**REGISTRATION REQUIRED**

**Providers must be registered with the Colorado Attorney General's Office before entering into agreements with Colorado residents.** A list of registered providers is available at [www.coag.gov/dm](http://www.coag.gov/dm).

**PROVIDERS MUST DISCLOSE IN WRITING:**

- All fees, including those charged by third parties, conditions of payments, and a full and detailed description of the services to be performed;
- That plans are not right for everyone and may hurt your credit score or ability to obtain credit;
- That nonpayment of debt may lead creditors to increase finance charges, take collection activity, or sue you;
- That settlement of a debt may result in taxable income reportable to the IRS;
- If true, that the provider receives compensation from creditors; and
- Your right to cancel within three days of signing the agreement for a full refund, and your right to cancel later without a penalty.

**PROVIDERS MUST SUPPLY:**

- Free education about the management of personal finance;
- A financial analysis and budget;
- A copy of the agreement; and
- Monthly accounting statements.

**ALLOWABLE FEES**

**Credit Counseling** providers may charge an enrollment fee of \$50.00 and a monthly fee of \$10.00 times the number of debts remaining in the plan at the time the fee is assessed, but not more than \$50.00 in any month. Donations or voluntary contributions are "fees" subject to these limitations.

**Debt Settlement** providers may charge total fees of up to 18% of the amount of debt enrolled in the plan, which may include an enrollment fee not exceeding 4% of the amount of debt enrolled in the plan. The maximum applies to all fees and includes third party charges such as banking fees. Fees must be spread out over at least half the length of the plan.

**PROVIDERS MAY NOT:**

- Charge fees for cancelling an agreement or for financial education;
- Provide membership in a club or advocacy program or coupons for goods or services;
- Guarantee or promise any particular result;
- Represent they can settle debts for a certain amount or range;
- Represent they can stop collection calls or other collection activity; and
- Offer a gift, bonus, reward or other compensation for signing an agreement.

**HANDLING PROBLEMS**

If a debt management provider is violating your rights under the DMSA, you may sue the company, and may be entitled to recover damages.

To file a complaint or for more information, please visit our website at [www.coag.gov/dm](http://www.coag.gov/dm).