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Dear Governor Murphy:

The Consumers League of New Jersey¹ and the National Association of Consumer Advocates² write to oppose A4598/S1310. As legislation from the final session reaches your desk, we respectfully urge you to veto—or leave unsigned—A4598/S1310, which would for the first time legalize for-profit debt settlement companies to operate in New Jersey.

This bill is fundamentally indistinguishable from legislation you previously declined to enact, and the concerns that animated that decision remain not only valid, but heightened. At stake is whether New Jersey will maintain its longstanding position as a national leader in consumer financial protection—or instead open the door to an industry with a documented history of abuse,

¹ CLNJ is a nonprofit, membership organization that was founded in 1900. CLNJ has for over 100 years educated consumers about the opportunities and dangers in the marketplace, and has advocated for the rights of consumers. See Suzanne Nussbaum & James Boskey, *The Consumers League of New Jersey and the Development of Occupational Disease Legislation*, 4 *Seton Hall Legis. J.* 109, 111 (1979). The Supreme Court of New Jersey has agreed with amicus brief suggestions of CLNJ. See, *Perez v. Rent-a-Center*, 186 N.J. 188 (2006), and further cases cited at www.consumersleaguenj.org.

² NACA is a nonprofit association whose members are private and public sector attorneys, legal services attorneys, law professors, and law students whose primary focus is the protection and representation of consumers. As a national organization fully committed to promoting justice for consumers, NACA and its members and their clients are actively engaged in promoting a fair and open marketplace that forcefully protects the rights of consumers, particularly those of modest means. See <https://www.consumeradvocates.org/about-naca/>.

deception, and deemed by the National Consumer Law Center to be “inherently harmful to consumers.”

New Jersey has long restricted debt adjustment services to nonprofit social service agencies and nonprofit consumer credit counseling organizations for good reason. These entities are mission-driven, subject to strict oversight, and designed to assist consumers in financial distress—not to profit from it. By contrast, the for-profit debt settlement model is structurally misaligned with consumer interests.

These companies typically market heavily on television, via mail, and the internet, targeting vulnerable and financially distressed individuals with claims that they can provide consolidation loans to save them. Desperate consumers then call them only for these companies to *refer* them to these debt settlement schemes. This is a clear bait and switch; these consolidation loans never existed.

They then trick consumers into signing up for these debt settlement plans, extracting every last dollar from individuals already on the brink. They often instruct consumers to stop paying their creditors entirely while instead depositing money into reserve accounts. This strategy frequently fails to bring creditors to the table and instead ruins a consumer's credit score, triggers excessive late fees and penalty interest, and exposes the individual to debt collection lawsuits. If any debts are settled at all, the savings promised by these adjusters are often completely wiped out by these penalties and high fees the companies charge for services that many consumers could perform themselves.

Federal and state authorities have repeatedly documented these failures. The U.S. Government Accountability Office observed in a 2010 report that “FTC and state investigations have typically found that less than 10 percent of consumers successfully complete these programs.”³ The Federal Trade Commission has concluded that deception in the for-profit debt settlement industry is “widespread,” and that a large proportion of consumers drop out of programs with their debts undiminished, forfeiting payments made toward company fees.⁴ The Consumer Financial Protection Bureau has similarly warned consumers that these services often result in higher overall debt and increased exposure to collection actions.⁵

³ <https://www.gao.gov/assets/gao-10-593t-highlights.pdf>

⁴ <https://www.federalregister.gov/documents/2010/08/10/2010-19412/telemarketing-sales-rule> (“a large proportion of consumers who enter a debt settlement plan do not attain results close to those commonly represented.”)

⁵ <https://www.consumerfinance.gov/ask-cfpb/what-are-debt-settlementdebt-reliefservices-and-should-i-use-them-en-1457/>

Even when settlements occur, any apparent savings are frequently erased by accumulated penalties, interest, fees, and tax consequences—since forgiven debt may be treated as taxable income. The long-term damage to a consumer’s credit profile can persist for years, affecting access to housing, transportation, employment, and affordable credit. These are not theoretical risks; they are predictable outcomes of a business model that has consistently failed the very people it purports to help.

Equally troubling, A4598/S1310 would dismantle core consumer protections embedded in current New Jersey law. Existing statutes impose strict fee caps, bonding requirements, audit obligations, and enforcement mechanisms—protections that would not apply equally to for-profit debt settlement companies under this bill. At the same time, the bill was enacted without incorporating meaningful safeguards repeatedly proposed by consumer advocates and practitioners, including fee caps tied to actual debt reduction, prohibitions on referral fees, enhanced reporting requirements, and explicit coverage under the Consumer Fraud Act.

None of these proposals were adopted.

This is particularly concerning given that New Jersey consumers already have safer, more effective alternatives. Nonprofit credit counseling agencies provide budgeting assistance and debt management plans with proven outcomes. Bankruptcy—administered under court supervision and ethical obligations—offers comprehensive relief, immediate cessation of collection activity, and predictable results without the tax consequences unique to debt settlement. These systems work. For-profit debt settlement does not improve upon them; it undermines them.

Your administration has consistently demonstrated a commitment to protecting economically vulnerable residents, especially at a moment when federal consumer-protection enforcement is being weakened. Allowing for-profit debt settlement companies to operate in New Jersey would represent a significant retreat from that leadership—and would expose struggling families to unnecessary risk at precisely the moment they are least able to absorb it.

For these reasons, we respectfully urge you to stand firm and veto A4598/S1310, or allow it to lapse without signature. Doing so would preserve New Jersey’s strong consumer-protection framework and reaffirm the principle that financial distress should not be a profit opportunity.

Indeed, our laws are meant to protect the weakest among us, and they must continue to safeguard the most financially vulnerable New Jerseyans from the very industry that is continuing to operate illegally in our State.

Thank you for your continued leadership and consideration.

Respectfully,

NATIONAL ASSOCIATION OF CONSUMER ADVOCATES

Ira Rheingold

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Executive Director

CONSUMERS LEAGUE OF NEW JERSEY

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