

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2025

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HOUSE PRINCIPAL CLERK

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HOUSE BILL DRH10302-MU-33

Short Title: Modernize Debt Settlement Prohibition. (Public)

Sponsors: Representative Howard.

Referred to:

1 A BILL TO BE ENTITLED  
2 AN ACT TO MODERNIZE AND EXPAND THE PROHIBITION OF DEBT SETTLEMENT  
3 BY MAKING DEBT SETTLEMENT AN UNFAIR TRADE PRACTICE, CLARIFYING  
4 THE DEFINITION OF DEBT SETTLEMENT, EXPANDING CIVIL REMEDIES  
5 AVAILABLE TO DEBTORS, AND LIMITING DEBT SETTLEMENT ACTS THAT ARE  
6 AUTHORIZED AND TO MAKE OTHER ADMINISTRATIVE AND TECHNICAL  
7 CHANGES.

8 The General Assembly of North Carolina enacts:

9 SECTION 1.(a) Article 56 of Chapter 14 of the General Statutes is recodified as  
10 Article 9 of Chapter 75 of the General Statutes as follows:

<u>Former G.S. Citation</u>	<u>New G.S. Citation</u>
G.S. 14-423	G.S. 75-151
G.S. 14-424	G.S. 75-153
G.S. 14-425	G.S. 75-154
G.S. 14-426	G.S. 75-155

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17 SECTION 1.(b) Article 9 of Chapter 75 of the General Statutes, as created by  
18 subsection (a) of this section, reads as rewritten:

19 "Article 9.

20 "~~Debt Adjusting-Adjusting and Debt Settlement Prohibited.~~

21 "§ 75-151. Definitions.

22 As used in this Article, the following definitions apply:

- 23 (1) "~~Debt adjuster~~" means a person who engages in, attempts to engage in, or  
24 offers to engage in the practice or business of debt adjusting.  
25 (1) Affiliate. – Any person that controls, is controlled by, or is under common  
26 control with any other person.  
27 (2) "~~Debt adjusting~~" means entering Debt adjusting. – Entering into or making a  
28 contract, express or implied, with a ~~particular~~ debtor whereby the debtor  
29 agrees to pay a certain amount of money periodically to the person engaged  
30 in the debt adjusting business and that person, for consideration, agrees to  
31 distribute, or distributes the same among ~~certain specified one or more~~  
32 creditors in accordance with a plan agreed upon. ~~Debt adjusting includes the~~  
33 ~~business or practice of any person who holds himself out as acting or offering~~  
34 ~~or attempting to act for consideration as an intermediary between a debtor and~~  
35 ~~his creditors for the purpose of settling, compounding, or in any way altering~~  
36 ~~the terms of payment of any debt of a debtor, and to that end receives money~~



or other property from the debtor, or on behalf of the debtor, for the payment to, or distribution among, the creditors of the debtor.

(3) ~~Debt adjusting also includes the business or practice of debt settlement or foreclosure assistance whereby Debt settlement.~~ – The business whereby any person holds ~~himself or herself~~ themselves out as acting for consideration as an intermediary between a debtor and one or more of the debtor's creditors for the purpose of reducing, settling, or altering the terms of the payment of any debt of the debtor, ~~whether or not the person distributes the debtor's funds or property among the creditors, and receives a fee or other consideration for reducing, settling, or altering the terms of the payment of the debt in advance of the debt settlement having been completed or in advance of all the services agreed to having been rendered in full.~~ debtor.

~~(3)(4)~~ "Debtor" means an Debtor. – An individual who resides in North Carolina, and includes two or more individuals who are jointly and severally, or jointly or severally, indebted to a creditor or creditors.

~~(3a)~~ "Nominal consideration" means a fee or a contribution to cover the cost of administering a debt management plan not to exceed forty dollars (\$40.00) for origination or setup of the debt management plan and ten percent (10%) of the monthly payment disbursed under the debt management plan, not to exceed forty dollars (\$40.00) per month.

~~(4)(5)~~ "Person" means an Person. – An individual, firm, partnership, limited partnership, corporation, ~~or association.~~ association, or other entity.

**"§ 75-152. Debt adjusting and debt settlement prohibited.**

No person, directly or through affiliates, shall engage in, offer to engage in, or attempt to engage in debt adjusting or debt settlement.

**"§ 75-153. Engaging, etc., in business of debt adjusting Debt adjusting and debt settlement a misdemeanor.**

If any Any person shall engage that engages in, or offer offers to engage in, or attempt to, attempts to engage in the business or practice of debt adjusting, or if any person shall hereafter act, offer to act, or attempt to act as a debt adjuster, he shall be adjusting or debt settlement is guilty of a Class 2 misdemeanor.

**"§ 75-154. Enjoining practice of debt adjusting; appointment of receiver for money and property employed. Jurisdiction of the superior court to enjoin debt adjusting or debt settlement.**

(a) The superior court ~~shall have~~ has jurisdiction, in an action brought in the name of the State by the Attorney General or the district attorney of the prosecutorial district as defined in G.S. 7A-60, to enjoin, as an unfair ~~or deceptive~~ trade practice, the continuation of any debt adjusting or debt settlement business or the offering of any debt adjusting ~~services.~~ or debt settlement services in violation of this Article.

(b) The Attorney General or the district attorney who brings an action under this section may appoint a receiver for the property and money employed in the transaction of business by ~~such the person as a debt adjuster,~~ to ensure, so far as may be possible, the return to debtors of so much of their money and property as has been received ~~by the debt adjuster,~~ and has not been paid to the creditors of the debtors.

(c) The court in an action under this section may also assess civil penalties under G.S. 75-15.2 and award attorneys' fees to the State under G.S. 75-16.1.

(d) This section is in addition to any other remedies available under this Chapter or other laws.

**"§ 75-155. Certain persons and transactions not deemed debt adjusters or debt adjustment. Acts authorized.**

1 The following ~~individuals or transactions shall persons are not be deemed debt adjusters or~~  
2 ~~as being engaged in the business or practice of debt adjusting; adjusting or debt settlement:~~

- 3 (1) Any ~~person or individual~~ who is a regular full-time employee of a ~~debtor,~~  
4 ~~debtor~~ and who acts as ~~an adjuster of his~~ with respect to an employer's debts.
- 5 (2) Any ~~person or individual~~ acting pursuant to ~~any order or judgment of a court,~~  
6 ~~or a court order.~~
- 7 (3) Any person acting pursuant to authority conferred by any a law of this State  
8 or of the United States.
- 9 ~~(3)(4)~~ (4) Any person ~~who that~~ is a creditor of the debtor, ~~or an agent of one or more~~  
10 ~~creditors of the debtor, including the creditor's agent, and whose services in~~  
11 ~~adjusting the debtor's debts are rendered that acts~~ without cost to the  
12 ~~debtor.~~ debtor with respect to debts owed to the creditor.
- 13 ~~(4)(5)~~ (5) Any person ~~who that~~ at the request of a ~~debtor,~~ debtor arranges for or makes  
14 a loan to the ~~debtor,~~ debtor and who, at the authorization of the debtor, acts as  
15 ~~an adjuster of the debtor's debts engages in debt adjusting~~ in the disbursement  
16 of the proceeds of the ~~loan,~~ loan without ~~compensation~~ cost to the debtor for  
17 the services rendered in adjusting ~~such debts.~~ the debts, except interest and fees  
18 authorized by law.
- 19 (5) ~~An intermittent or casual adjustment of a debtor's debts, for compensation, by~~  
20 ~~an individual or person who is not a debt adjuster or who is not engaged in the~~  
21 ~~business or practice of debt adjusting, and who does not hold himself out as~~  
22 ~~being regularly engaged in debt adjusting.~~
- 23 (6) An attorney-at-law licensed to practice in this State ~~who is not employed by a~~  
24 ~~debt adjuster.~~ and acting within the attorney-client relationship with the debtor  
25 or creditor, excluding services provided to a debtor by an attorney, or in the  
26 name of an attorney, who has entered into any arrangement with a person  
27 engaged, directly or through affiliates, in debt adjusting or debt settlement.
- 28 (7) An organization that provides credit counseling, education, and debt  
29 management services to debtors if the organization also does all of the  
30 following:
- 31 a. Provides individualized credit counseling and budgeting assistance to  
32 the debtor without charge prior to the debtor's enrollment in a debt  
33 management plan provided by the organization.
- 34 b. Determines that the debtor has the financial ability to make payments  
35 to complete the debt management plan and that the plan is suitable for  
36 the debtor.
- 37 c. Disburses the debtor's funds to creditors pursuant to a debt  
38 management plan that the debtor ~~has paid for with no more than~~  
39 ~~nominal consideration and~~ has agreed to in writing.
- 40 d. Charges no fee or a fee to cover the cost of administering a debt  
41 management plan not to exceed forty dollars (\$40.00) for origination  
42 or setup of the debt management plan and ten percent (10%) of the  
43 monthly payment disbursed under the debt management plan not to  
44 exceed forty dollars (\$40.00) per month.
- 45 d.e. Provides to the debtor, periodically and on no less than a quarterly  
46 basis, an individualized accounting for the most recent period of all of  
47 the debtor's payments and disbursements under the debt management  
48 plan and all charges paid by the debtor.
- 49 e.f. Does not directly or indirectly require the debtor to purchase other  
50 services or materials as a condition to participating in the debt  
51 management plan.

- 1                    ~~f.g.~~    Does not receive a payment, commission, or other benefit for referring
- 2    the debtor to a provider of services.
- 3                    ~~g.h.~~    ~~Is accredited~~ Accredited by an ~~accrediting~~ organization that the
- 4    Commissioner of Banks approves as being independent and nationally
- 5    recognized for providing accreditation to organizations that provide
- 6    credit counseling and debt management services.

7    **"§ 75-156. Contracts void.**

8                    Contracts for debt adjusting or debt settlement are void as against public policy.

9    **"§ 75-157. Unfair trade practice.**

10                    A violation of this Article is an unfair trade practice under G.S. 75-1.1."

11                    **SECTION 2.** This act becomes effective July 1, 2025, and applies to offenses

12 committed on or after that date.