



The Commonwealth of Massachusetts

Office of the Commissioner of Banks

One South Station

Boston, Massachusetts 02110

JANE SWIFT
GOVERNOR

January 9, 2002

THOMAS J. CURRY
COMMISSIONER

Issam Ramey, Program Director
Consumer Debt Management Northeast, Inc.
P.O. Box 148
Methuen, Massachusetts 01844

Dear Mr. Ramey:

This letter is in response to your correspondence dated December 17, 2001 to the Division of Banks (the "Division") in which you request regulations which govern credit counseling agencies in the Commonwealth.

In your letter you state that Consumer Debt Management Northeast, Inc. ("Consumer Debt") is a nonprofit organization which assists customers to regain control of their credit and spending habits. Consumer Debt collects a one-time application fee from its customers, a handling fee for each monthly payment and a fee from creditors. It provides household budget and educational materials to the clients.

In return for fees paid by the customers, you negotiate interest, late fees, and over-limit fees with the creditors and submit payments to the creditors on behalf of your clients. You ask what bonding requirements exist based on the business activities of Consumer Debt.

Although not regulated by the Division, the activities being performed by Consumer Debt would meet the definition of a credit services organization under Massachusetts General Laws chapter 93, section 68A. As a credit services organization, Consumer Debt must operate under the statutory provisions of chapter 93, section 68B through 68F. These sections set forth the requirements for the operation of a credit services organization in the Commonwealth.

You or your counsel should take particular note of section 68B which requires a surety bond of \$10,000 and the establishment of a trust account at a federally insured bank for funds collected from a consumer prior to performing credit services. These statutes are within the jurisdiction of the Office of the Attorney General.

The conclusions reached in this letter are based solely on the facts presented. Fact patterns which vary from that presented may result in a different position statement by the Division.

Sincerely,

Joseph A. Leonard, Jr.
Deputy Commissioner of Banks
and General Counsel

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