

Article 56.

Debt Adjusting.

**§ 14-423. Definitions.**

As used in this Article, the following definitions apply:

- (1) "Debt adjuster" means a person who engages in, attempts to engage in, or offers to engage in the practice or business of debt adjusting.
- (2) "Debt adjusting" means entering into or making a contract, express or implied, with a particular debtor whereby the debtor agrees to pay a certain amount of money periodically to the person engaged in the debt adjusting business and that person, for consideration, agrees to distribute, or distributes the same among certain specified creditors in accordance with a plan agreed upon. Debt adjusting includes the business or practice of any person who holds himself out as acting or offering or attempting to act for consideration as an intermediary between a debtor and his creditors for the purpose of settling, compounding, or in any way altering 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. Debt adjusting also includes the business or practice of debt settlement or foreclosure assistance whereby any person holds himself or herself out as acting for consideration as an intermediary between a debtor and 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.
- (3) "Debtor" means 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) "Person" means an individual, firm, partnership, limited partnership, corporation, or association. (1963, c. 394, s. 1; 2005-408, s. 2; 2007-79, s. 1.)

**§ 14-424. Engaging, etc., in business of debt adjusting a misdemeanor.**

If any person shall engage in, or offer to or attempt 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 guilty of a Class 2 misdemeanor. (1963, c. 394, s. 2; 1969, c. 1224, s. 6; 1993, c. 539, s. 290; 1994, Ex. Sess., c. 24, s. 14(c).)

**§ 14-425. Enjoining practice of debt adjusting; appointment of receiver for money and property employed.**

The superior court shall have 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 business or the offering of any debt adjusting services. 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 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. The court may also assess civil penalties under G.S. 75-15.2 and award attorneys' fees to the State under G.S. 75-16.1. (1963, c. 394, s. 3; 1973, c. 47, s. 2; 1987 (Reg. Sess., 1998), c. 1037, s. 49; 2005-408, s. 3; 2007-79, s. 1.)

**§ 14-426. Certain persons and transactions not deemed debt adjusters or debt adjustment.**

The following individuals or transactions shall not be deemed debt adjusters or as being engaged in the business or practice of debt adjusting:

- (1) Any person or individual who is a regular full-time employee of a debtor, and who acts as an adjuster of his employer's debts.
- (2) Any person or individual acting pursuant to any order or judgment of a court, or pursuant to authority conferred by any law of this State or of the United States.
- (3) Any person who is a creditor of the debtor, or an agent of one or more creditors of the debtor, and whose services in adjusting the debtor's debts are rendered without cost to the debtor.
- (4) Any person who at the request of a debtor, arranges for or makes a loan to the debtor, and who, at the authorization of the debtor, acts as an adjuster of the debtor's debts in the disbursement of the proceeds of the loan, without compensation for the services rendered in adjusting such debts.
- (5) An intermittent or casual adjustment of a debtor's debts, for compensation, by an individual or person who is not a debt adjuster or who is not engaged in the business or practice of debt adjusting, and who does not hold himself out as being regularly engaged in debt adjusting.
- (6) An attorney-at-law licensed to practice in this State who is not employed by a debt adjuster.
- (7) An organization that provides credit counseling, education, and debt management services to debtors if the organization also does all of the following:
  - a. Provides individualized credit counseling and budgeting assistance to the debtor without charge prior to the debtor's enrollment in a debt management plan provided by the organization.
  - b. Determines that the debtor has the financial ability to make payments to complete the debt management plan and that the plan is suitable for the debtor.
  - c. Disburses the debtor's funds to creditors pursuant to a debt management plan that the debtor has paid for with no more than nominal consideration and has agreed to in writing.

- d. Provides to the debtor, periodically and on no less than a quarterly basis, an individualized accounting for the most recent period of all of the debtor's payments and disbursements under the debt management plan and all charges paid by the debtor.
- e. Does not directly or indirectly require the debtor to purchase other services or materials as a condition to participating in the debt management plan.
- f. Does not receive a payment, commission, or other benefit for referring the debtor to a provider of services.
- g. Is accredited by an accrediting organization that the Commissioner of Banks approves as being independent and nationally recognized for providing accreditation to organizations that provide credit counseling and debt management services. (1963, c. 394, s. 4; 2005-408, s. 1; 2007-79, s. 1.)