

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 330

SPONSOR: Senator King

SUBJECT: Credit service organizations

DATE: November 2, 2001 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Wiehle	Caldwell	RI	Favorable
2.	_____	_____	CM	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

Currently, the statutes prohibit a credit service organization from charging or receiving any money before full and complete performance of the contracted services, but allow it to do so if it obtains a \$10,000 surety bond and establishes a trust account, and if it deposits all money received in its trust account until full and complete performance of the services. The bill deletes this exception, preserving the general prohibition. The bill also requires all credit service organizations to obtain a \$10,000 surety bond.

The bill substantially amends the following sections of the Florida Statutes: 817.7005, 817.701, 817.702, and 817.703.

II. Present Situation:

Part III, ch. 817, F.S., relates to fraudulent practices by credit service organizations. A credit service organization is any person who, with respect to the extension of credit by others and in return for the payment of money or other valuable consideration, provides services to: improve a customer's credit record, history, or rating; obtain an extension of credit for a customer; or provide advice or assistance to a customer with regard to credit services. s. 817.7001(2)(a), F.S.

Section 817.7005, F.S., prohibits a credit service organization, or its salespersons, agents, representatives, and independent contractors, from charging or receiving any money or other valuable consideration before full and complete performance of the services the credit service organization has agreed to perform. There is an exception to this general prohibition, allowing a credit service organization to receive money prior to full and complete performance of services if it obtains a \$10,000 surety bond and establishes a trust account and if it deposits all money or

other valuable consideration received in its trust account until full and complete performance of the services.

Section 817.701, F.S., waives the surety bond and trust account requirement of s. 817.7005, F.S., for salespersons, agents, or representatives of a credit service organization that has obtained the surety bond and established the trust account.

III. Effect of Proposed Changes:

Currently, s. 817.7005, F.S., prohibits a credit service organization, or its salespersons, agents, representatives, and independent contractors, from charging or receiving any money or other valuable consideration before full and complete performance of the services the credit service organization has agreed to perform. There is an exception to this general prohibition, allowing a credit service organization to receive money prior to full and complete performance of services if it obtains a \$10,000 surety bond and establishes a trust account and if it deposits all money or other valuable consideration received in its trust account until full and complete performance of the services. The bill deletes this exception from the general prohibition on receiving money before full and complete performance, preserving the prohibition.

The bill amends s. 817.701, F.S., to expressly require a credit service organization or any salesperson, agent, or representative of a credit service organization to obtain a \$10,000 surety bond issued by a surety company admitted to do business in this state. However, if a credit service organization obtains such a surety bond, this requirement is waived as to its salespersons, agents, and representatives.

The bill amends ss. 817.702 and 817.703, F.S., to make technical and conforming changes.

The bill takes effect upon becoming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Credit service organizations that have not already done so will be required to obtain a \$10,000 surety bond.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
