
SUBSTITUTE HOUSE BILL 1311

State of Washington

68th Legislature

2023 Regular Session

By House Consumer Protection & Business (originally sponsored by Representatives Reeves, Corry, Chapman, Reed, and Cheney)

READ FIRST TIME 02/16/23.

1 AN ACT Relating to credit repair services performed by a credit
2 services organization; amending RCW 19.134.010, 19.134.020,
3 19.134.040, 19.134.050, 19.134.060, 19.134.070, and 19.134.080; and
4 creating new sections.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 19.134.010 and 1989 c 303 s 1 are each amended to
7 read as follows:

8 As used in this chapter:

9 (1) (~~"Buyer" means any individual who is solicited to purchase~~
10 ~~or who purchases the services of a credit services organization.~~

11 ~~(2)(a))~~ "Collection agency" has the same meaning as in RCW
12 19.16.100.

13 (2) "Communication" means the conveyance of any information
14 regarding a debt, credit record, credit history, or credit rating,
15 including submitting a dispute or requesting information, directly or
16 indirectly, to any person by any means or through any medium.

17 (3) "Consumer" means any natural person who is solicited to
18 purchase or who purchases the services of a credit services
19 organization.

20 (4) "Consumer reporting agency" has the same meaning as in RCW
21 19.182.010.

1 (5) "Creditor" has the same meaning as in RCW 62A.1-201.

2 (6)(a) "Credit services organization" means any person who
3 ~~with respect to the extension of credit by others,~~) sells, provides,
4 performs, or represents that ~~((he or she))~~ the person can or will
5 sell, provide, or perform, in return for the payment of money or
6 other valuable consideration any of the following services:

7 (i) Improving, saving, or preserving a ~~((buyer's))~~ consumer's
8 credit record, history, or rating;

9 (ii) Obtaining an extension of credit for a ~~((buyer))~~ consumer;

10 (iii) Stopping, preventing, or delaying the foreclosure of a deed
11 of trust, mortgage, or other security agreement; or

12 (iv) Providing advice or assistance to a ~~((buyer))~~ consumer with
13 regard to either (a)(i), ~~((a))~~(ii), or ~~((a))~~(iii) of this
14 subsection.

15 (b) "Credit services organization" does not include:

16 (i) Any person authorized to make loans or extensions of credit
17 under the laws of this state or the United States who is subject to
18 regulation and supervision by this state or the United States or a
19 lender approved by the United States secretary of housing and urban
20 development for participation in any mortgage insurance program under
21 the national housing act;

22 (ii) Any bank, savings bank, or savings and loan institution
23 whose deposits or accounts are eligible for insurance by the federal
24 deposit insurance corporation or the federal savings and loan
25 insurance corporation, or a subsidiary of such bank, savings bank, or
26 savings and loan institution;

27 (iii) Any credit union, federal credit union, or out-of-state
28 credit union doing business in this state under chapter 31.12 RCW;

29 (iv) Any nonprofit organization exempt from taxation under
30 section 501(c)(3) of the internal revenue code;

31 (v) Any person licensed as a real estate broker by this state if
32 the person is acting within the course and scope of that license;

33 (vi) Any person licensed as a collection agency pursuant to
34 chapter 19.16 RCW if acting within the course and scope of that
35 license;

36 (vii) Any person licensed to practice law in this state if the
37 person renders services within the course and scope of his or her
38 practice as an attorney: PROVIDED, That the principal purpose of the
39 attorney's practice is not to regularly provide the services
40 described in (a)(i) and (ii) of this subsection, nor regularly

1 provide advice or assistance described in (a)(iv) of this subsection
2 as it pertains to (a)(i) and (ii) of this subsection, and that the
3 attorney is not providing those services in connection with a
4 qualified nonprofit legal aid provider;

5 (viii) Any broker-dealer registered with the securities and
6 exchange commission or the commodity futures trading commission if
7 the broker-dealer is acting within the course and scope of that
8 regulation;

9 (ix) Any consumer reporting agency as defined in the federal fair
10 credit reporting act, 15 U.S.C. Secs. 1681 through 1681t; or

11 (x) Any mortgage broker as defined in RCW 19.146.010 if acting
12 within the course and scope of that definition.

13 ~~((3))~~ (7) "Extension of credit" means the right to defer
14 payment of debt or to incur debt and defer its payment offered or
15 granted primarily for personal, family, or household purposes.

16 (8) "Person" shall include, where applicable, natural persons,
17 corporations and other limited liability companies and associations,
18 trusts, unincorporated associations, and partnerships.

19 (9) "Regulatory entity" means any city, state, or federal agency,
20 department or entity that has the authority to regulate a consumer
21 reporting agency, creditor, or collection agency, or the authority to
22 assist a consumer with submitting, processing, or resolving a
23 complaint, inquiry, or information request concerning a consumer
24 reporting agency, creditor, or collection agency.

25 **Sec. 2.** RCW 19.134.020 and 1989 c 303 s 2 are each amended to
26 read as follows:

27 (1) A credit services organization, its salespersons, agents, and
28 representatives, and independent contractors who sell or attempt to
29 sell the services of a credit services organization may not do any of
30 the following:

31 ~~((1))~~ (a) Charge or receive any money or other valuable
32 consideration prior to full and complete performance of the services
33 the credit services organization has agreed to perform for the
34 ~~((buyer))~~ consumer, unless the credit services organization has
35 obtained a surety bond of ~~((ten thousand dollars))~~ \$10,000 issued by
36 a surety company admitted to do business in this state and
37 established a trust account at a federally insured bank or savings
38 and loan association located in this state. The surety bond shall run
39 to the state of Washington and the ~~((buyers))~~ consumers. The surety

1 bond shall be issued on the condition that the principal comply with
2 all provisions of this chapter and fully perform on all contracts
3 entered into with ~~((buyers))~~ consumers. The surety bond shall be
4 continuous until canceled and shall remain in full force and
5 unimpaired at all times to comply with this section. The surety's
6 liability for all claims in the aggregate against the continuous bond
7 shall not exceed the penal sum of the bond. An action on the bond may
8 be brought by the state or by any ~~((buyer))~~ consumer by filing a
9 complaint in a court of competent jurisdiction, including small
10 claims court, within one year of cancellation of the surety bond. A
11 complaint may be mailed by registered or certified mail, return
12 receipt requested, to the surety and shall constitute good and
13 sufficient service on the surety;

14 ~~((+2))~~ (b) Charge or receive any money or other valuable
15 consideration solely for referral of the ~~((buyer))~~ consumer to a
16 retail seller who will or may extend credit to the ~~((buyer))~~ consumer
17 if the credit that is or will be extended to the ~~((buyer))~~ consumer
18 is upon substantially the same terms as those available to the
19 general public;

20 ~~((+3))~~ (c) Fail to provide a monthly statement to the consumer
21 detailing the services performed including an accounting of any funds
22 paid by a consumer and held or disbursed on the consumer's behalf and
23 copies of any letters sent by the credit services organization on the
24 consumer's behalf;

25 (d) Make or counsel or advise any ~~((buyer))~~ consumer to make any
26 statement that is untrue or misleading or that should be known by the
27 exercise of reasonable care to be untrue or misleading, to a
28 ~~((credit))~~ consumer reporting agency ~~((or)),~~ creditor, collection
29 agency, or regulatory entity, including submitting, or counseling, or
30 advising a consumer to submit, a dispute without a good faith belief
31 in the accuracy of the dispute ~~((to any person who has extended~~
32 credit to a buyer or to whom a buyer is applying for an extension of
33 credit with respect to a buyer's creditworthiness, credit standing,
34 or credit capacity));

35 ~~((+4))~~ (e) Make or use any untrue or misleading representations
36 in the offer or sale of the services of a credit services
37 organization or engage, directly or indirectly, in any act, practice,
38 or course of business that operates or would operate as fraud or
39 deception upon any person in connection with the offer or sale of the
40 services of a credit services organization;

1 (f) Send any communication to a consumer reporting agency,
2 creditor, collection agency, or regulatory entity without the prior
3 written authorization of the consumer. A relevant authorization in
4 the agreement or contract between a consumer and a credit services
5 organization is sufficient for the purpose of this subsection;

6 (g) Fail to make a written communication sent on behalf of a
7 consumer to any consumer reporting agency, creditor, collection
8 agency, or regulatory entity, or legal counsel for any of the
9 foregoing available to the consumer; or

10 (h) Fail to provide along with its first written communication to
11 a consumer reporting agency, creditor, debt collector, or regulatory
12 entity information sufficient to permit the consumer reporting
13 agency, creditor, debt collector, or regulatory entity to investigate
14 the account or accounts that are the subject of the written
15 communication.

16 (2) Seeking to obtain, or the obtaining of, a consumer's credit
17 report and the performance of other services necessary to determine
18 the needs of a consumer for the reinvestigation of any accounts shall
19 not constitute services of a credit services organization for which a
20 contract is required pursuant to RCW 19.134.060 if that activity is
21 undertaken with the consumer's prior written, electronic, or recorded
22 oral consent.

23 NEW SECTION. Sec. 3. (1) Unless otherwise required by law, a
24 consumer reporting agency, creditor, or collection agency that knows
25 a consumer is represented by a credit services organization and also
26 has knowledge of, or can readily ascertain, the credit services
27 organization's name and address shall communicate with the credit
28 services organization unless either of the following circumstances
29 apply:

30 (a) The credit services organization fails to respond within 30
31 days to a communication from a consumer reporting agency, creditor,
32 or collection agency; or

33 (b) The consumer expressly directs the consumer reporting agency,
34 creditor, or collection agency not to communicate with the credit
35 services organization.

36 (2) Notwithstanding subsection (1) of this section, a consumer
37 reporting agency, creditor, or collection agency shall not be
38 required to communicate with a credit services organization

1 concerning an account that is subject to a dispute if any of the
2 following apply:

3 (a) The account subject to the dispute has been paid, settled, or
4 otherwise resolved and has been reported as paid, settled, or
5 otherwise resolved on the consumer's credit report;

6 (b) The account subject to the dispute has been removed from the
7 consumer's credit report;

8 (c) The debt collector has provided to the credit services
9 organization or to the consumer the verification information or
10 documentation described in 15 U.S.C. Sec. 1692(g)(b) regarding the
11 account subject to dispute;

12 (d) The debt collector is a debt buyer as defined in RCW
13 19.16.100 and has provided to the credit services organization or to
14 the consumer the information or documentation described in RCW
15 19.16.260(2) (a) and (b) regarding the account subject to the
16 dispute;

17 (e) The consumer reporting agency, creditor, or collection agency
18 reasonably determines that the dispute is frivolous or irrelevant
19 pursuant to 15 U.S.C. Secs. 1681(i)(3) or 1681s-2(a)(1)(f).

20 NEW SECTION. **Sec. 4.** To protect against fraud and identity
21 theft, when a credit services organization sends a written
22 communication by facsimile, electronic mail, United States mail,
23 overnight courier, or other means that contains personal information
24 of a consumer, the credit services organization shall redact the
25 personal information to include only the last four digits of the
26 social security number, taxpayer identification number, or state
27 identification number, the last four digits of the financial account
28 number, credit card number, or debit card number, or the month and
29 year of the consumer's date of birth, unless the inclusion of the
30 full number or date is otherwise required by law, or is legally
31 permissible and required to achieve the desired objective. Redacting
32 information pursuant to this section shall not be considered a
33 violation of RCW 19.134.020(1)(h).

34 **Sec. 5.** RCW 19.134.040 and 1986 c 218 s 5 are each amended to
35 read as follows:

36 Before the execution of a contract or agreement between the
37 (~~buyer~~) consumer and a credit services organization or before the
38 receipt by the credit services organization of any money or other

1 valuable consideration, whichever occurs first, the credit services
2 organization shall provide the ((buyer)) consumer with a statement in
3 writing, containing all the information required by RCW 19.134.050.
4 The credit services organization shall maintain on file for a period
5 of ~~((two years an exact copy of the statement, personally signed by~~
6 ~~the buyer, acknowledging receipt of a))~~ four years following the
7 completion or termination of the credit services organization
8 agreement with the consumer an exact copy of the statement.

9 **Sec. 6.** RCW 19.134.050 and 1986 c 218 s 6 are each amended to
10 read as follows:

11 The information statement required under RCW 19.134.040 shall
12 include all of the following:

13 (1)(a) A conspicuous statement in boldface 10-point type at the
14 top of the statement that clearly outlines to a consumer how the
15 credit services organization will act on behalf of the consumer,
16 including that with explicit approval, the credit services
17 organization may use the consumer's signature;

18 (b) A complete and accurate statement of the ((buyer's))
19 consumer's right to review any file on the ((buyer)) consumer
20 maintained by any consumer reporting agency, as provided under the
21 federal Fair Credit Reporting Act, 15 U.S.C. Secs. 1681 through
22 1681t;

23 ~~((b))~~ (c) A statement that the ((buyer)) consumer may review
24 his or her consumer reporting agency file at no charge if a request
25 is made to the consumer ~~((credit))~~ reporting agency within ~~((thirty))~~
26 30 days after receiving notice that credit has been denied; ~~((and~~

27 ~~-(e))~~ (d) The approximate price the ((buyer)) consumer will be
28 charged by the consumer reporting agency to review his or her
29 consumer reporting agency file; and

30 (e) The following notice:

31
32 "If you have a complaint about the services provided by this
33 credit services organization or the fees charged by this credit
34 services organization, you may submit that complaint to the
35 Washington state Attorney General's Office electronically at [https://](https://www.atg.wa.gov/file-complaint)
36 www.atg.wa.gov/file-complaint or by mail to Attn:, 800 5th
37 Avenue, Suite 2000, Seattle, WA 98104-3188."

1 The information statement shall be printed in at least 10-point
2 boldface type and shall include the following statement:

3
4 "CONSUMER CREDIT FILE RIGHTS UNDER STATE AND FEDERAL LAW

5
6 You have a right to obtain a free copy of your credit report from
7 a consumer reporting agency. You may obtain this free copy of your
8 credit report one time per year by visiting
9 www.AnnualCreditReport.com. You will be able to view your credit
10 report, dispute alleged inaccuracies, and obtain additional
11 information at no fee. If requested, the consumer reporting agency
12 must provide someone to help you interpret the information in your
13 credit file.

14 You have a right to dispute inaccurate information by contacting
15 the consumer reporting agency directly. However, neither you nor any
16 credit repair company or credit services organization has the right
17 to have accurate, current, and verifiable information removed from
18 your credit report. Under the Federal Fair Credit Reporting Act, the
19 consumer reporting agency must remove accurate, negative information
20 from your report only if it is over seven years old. Bankruptcy
21 information can be reported for 10 years.

22 If you have notified a consumer reporting agency in writing that
23 you dispute the accuracy of information in your credit file, the
24 consumer reporting agency must then reinvestigate and modify or
25 remove inaccurate information. The consumer reporting agency may not
26 charge a fee for this service. Any pertinent information and copies
27 of all documents you have concerning an error should be given to the
28 consumer reporting agency.

29 If the reinvestigation does not resolve the dispute to your
30 satisfaction, you may send a brief statement to the consumer
31 reporting agency to keep in your file, explaining why you think the
32 record is inaccurate. The consumer reporting agency must include your
33 statement about disputed information in any report it issues about
34 you.

35 You have a right to cancel the contract with the credit services
36 organization for any reason before midnight on the fifth working day
37 after you signed it. If for any reason you cancel the contract during
38 this time, you do not owe any money.

39 You have a right to take legal action against a credit services
40 organization if it misleads you.";

1 (2) A complete and accurate statement of the (~~buyer's~~)
2 consumer's right to dispute the completeness or accuracy of any item
3 contained in any file on the (~~buyer~~) consumer maintained by any
4 consumer reporting agency;

5 (3) A complete and detailed description of the services to be
6 performed by the credit services organization for the (~~buyer~~)
7 consumer and the total amount the (~~buyer~~) consumer will have to
8 pay, or become obligated to pay, for the services;

9 (4) A statement asserting the (~~buyer's~~) consumer's right to
10 proceed against the bond or trust account required under RCW
11 19.134.020; and

12 (5) The name and address of the surety company that issued the
13 bond, or the name and address of the depository and the trustee and
14 the account number of the trust account.

15 **Sec. 7.** RCW 19.134.060 and 1986 c 218 s 7 are each amended to
16 read as follows:

17 (1) Each contract between the (~~buyer~~) consumer and a credit
18 services organization for the purchase of the services of the credit
19 services organization shall be in writing, dated, signed by the
20 (~~buyer~~) consumer, and include all of the following:

21 (a) A conspicuous statement in bold face type, in immediate
22 proximity to the space reserved for the signature of the (~~buyer~~)
23 consumer, as follows: "You, the (~~buyer~~) consumer, may cancel this
24 contract at any time prior to midnight of the fifth day after the
25 date of the transaction. See the attached notice of cancellation form
26 for an explanation of this right";

27 (b) Explicit written approval from the consumer that the credit
28 services organization may use the consumer's signature in order to
29 facilitate credit repair services;

30 (c) The terms and conditions of payment, including the total of
31 all payments to be made by the (~~buyer~~) consumer, whether to the
32 credit services organization or to some other person;

33 (~~(e)~~) (d) A full and detailed description of the services to be
34 performed by the credit services organization for the (~~buyer~~)
35 consumer, including a list of the information appearing on the
36 consumer's credit report that the credit services organization will
37 seek a reasonable reinvestigation of, as described in 15 U.S.C.
38 1681(i), including all guarantees and all promises of full or partial
39 refunds, and the estimated date by which the services are to be

1 performed, or estimated length of time for performing the services,
2 not to exceed 180 days, or a shorter period consistent with the
3 purposes of this section as may be prescribed by the attorney
4 general;

5 ~~((d))~~ (e) The credit services organization's principal business
6 address, mailing address if different, email address, facsimile
7 number if applicable, website address if applicable, and the name and
8 address of its agent in the state authorized to receive service of
9 process;

10 (2) The contract shall be accompanied by a completed form in
11 duplicate, captioned "Notice of Cancellation" that shall be attached
12 to the contract, be easily detachable, and contain in bold face type
13 the following statement written in the same language as used in the
14 contract.

15 "Notice of Cancellation

16 You may cancel this contract, without any penalty or
17 obligation ~~((within five days from the date the contract is~~
18 ~~signed))~~ before midnight on the fifth working day after you
19 sign it.

20 If you cancel any payment made by you under this
21 contract, it will be returned within ten days following
22 receipt by the ~~((seller))~~ credit services organization of
23 your cancellation notice.

24 To cancel this contract, mail or deliver ~~((a signed~~
25 ~~dated))~~ (including through electronic means) not later than
26 midnight (date) , a copy of this cancellation
27 notice, or any other written notice ((to _____ (name of
28 seller)_____ at _____ (address of seller)_____ (place of
29 business)_____ not later than midnight _____ (date)_____)) of
30 cancellation, to (name of credit services
31 organization) at any of the following: (Credit
32 services organization to list physical address, mailing
33 address if different, email address, website address if
34 applicable, and facsimile number if applicable).

35 I hereby cancel this transaction,
36 . . . (date). . .
37 ____ ((~~purchaser's signature~~)) . . . (consumer's name). . . "

38 It is not necessary that the consumer use the sample form to
39 cancel a contract. The credit services organization shall give to the

1 ((~~buyer~~)) consumer a copy of the completed contract and all other
2 documents the credit services organization requires the ((~~buyer~~))
3 consumer to sign at the time they are signed. The credit services
4 organization shall provide easily understood and easily exercised
5 cancellation instructions on its website if a website is maintained
6 by the credit services organization.

7 **Sec. 8.** RCW 19.134.070 and 1986 c 218 s 8 are each amended to
8 read as follows:

9 (1) Any waiver by a ((~~buyer~~)) consumer of any part of this
10 chapter is void. Any attempt by a credit services organization to
11 have a ((~~buyer~~)) consumer waive rights given by this chapter is a
12 violation of this chapter.

13 (2) In any proceeding involving this chapter, the burden of
14 proving an exemption or an exception from a definition is upon the
15 person claiming it.

16 (3) Any person who violates this chapter is guilty of a gross
17 misdemeanor. Any district court of this state has jurisdiction in
18 equity to restrain and enjoin the violation of this chapter.

19 (4) This section does not prohibit the enforcement by any person
20 of any right provided by this or any other law.

21 (5) ~~((A violation of this chapter by a credit services~~
22 ~~organization is an unfair business practice as provided in chapter~~
23 ~~19.86 RCW.))~~ The legislature finds that the practices covered by this
24 chapter are matters vitally affecting the public interest for the
25 purpose of applying the consumer protection act, chapter 19.86 RCW. A
26 violation of this chapter is not reasonable in relation to the
27 development and preservation of business and is an unfair or
28 deceptive act in trade or commerce and an unfair method of
29 competition for purposes of applying the consumer protection act,
30 chapter 19.86 RCW.

31 **Sec. 9.** RCW 19.134.080 and 1986 c 218 s 9 are each amended to
32 read as follows:

33 (1) Any ((~~buyer~~)) person injured by a violation of this chapter
34 may bring any action for recovery of damages. Judgment shall be
35 entered for actual damages, ~~((but in no case less than the amount~~
36 ~~paid by the buyer to the credit services organization,))~~ plus
37 reasonable attorney's fees and costs. In the case of an action by a
38 consumer, damages shall be awarded in an amount not less than the

1 amount paid by the consumer to the credit services organization. An
2 award may also be entered for punitive damages.

3 (2) The remedies provided under this chapter are in addition to
4 any other procedures or remedies for any violation or conduct
5 provided for in any other law.

--- **END** ---