creditsolutions™ empowering debt-free living

October 26, 2009

Federal Trade Commission
Office of the Secretary
Room H-135 (Annex T)
600 Pennsylvania Avenue, NW
Washington, DC 20580

RE: Telemarketing Sales Rule – Debt Relief Amendments, R411001

To Whom It May Concern:

CSA - Credit Solutions of America, Inc. ("CSA") submits these comments pursuant to the Notice of Proposed Rulemaking ("Proposed Rule") to amend the Telemarketing Sales Rule (the "TSR") published in the Federal Register on August 19, 2009.

We would like to thank the Federal Trade Commission ("FTC") for allowing us the opportunity to comment on the Proposed Rule. We believe the Proposed Rule will, in general, bring a positive and beneficial change to the industry. We anticipate that the required disclosures and civil penalties for misrepresentation will level the playing field, making it harder for fraudulent companies to operate.

Our comments, while generally supportive of the Proposed Rule, focus on our opposition to any rule that limits our ability to establish an appropriate and reasonable fee structure for our services. We urge the FTC to consider the following points regarding the Proposed Rule:

- The debt settlement industry provides valuable services to indebted consumers seeking to avoid bankruptcy.
- Prohibiting pay-as-you-go fee arrangements will result in higher costs for consumers and reduced competition in the market.
- A strict liability ban on pay-as-you-go fees could result in unintended consequences, such as expansion of liability to unintended service providers.
- The FTC has not shown that it needs a strict liability ban on reimbursement of fees in the debt settlement industry to effect its law enforcement goals. We do not believe that it would be in the public interest to bring a law enforcement action against a debt settlement firm absent strong evidence of fraud or misrepresentation. Payment regulation of this sort will do little to dissuade the bad actors in the industry, while it will make it much more difficult for legitimate companies to compete.
- If the FTC wishes to engage in this sort of substantive regulation of the debt relief industry, it should do so under the Magnuson-Moss rulemaking provisions of the FTC Act, rather than by using the abbreviated procedures of the Telemarketing Sales Rule.
- Optimal consumer protection can be accomplished by the approach taken by the 118-year-old Uniform Law Commission ("ULC"), which has done extensive research on debt settlement and has drafted model legislation to eliminate bad players and hold legitimate settlement

companies accountable. The ULC's model law requires refunds, insurance and bonding, licensing and registration, and fee caps. The ULC's model law has been enacted in several states and will be introduced in many others. Most critically, the ULC model represents the reasoned conclusion of the legislatures in the several states that have enacted it. We believe that the ULC and these state legislatures are much closer to the ground than is the FTC, and are in as good or even better a position to assess the best interests of their citizens. We believe that the FTC should consider these state enactments and the ULC's model law very seriously and should not interfere with the legitimate policy choices of state legislatures by imposing an inconsistent standard on legitimate debt settlement firms.

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THE DEBT SETTLEMENT INDUSTRY PROVIDES A VALUABLE SERVICE

Debt Settlement Is A Necessary Alternative for Debt-Strapped Consumers

As noted by FTC Commissioner Rosch, "[d]ebt settlement, even at a cost, can play an important role in solving what may seem like insurmountable problems of indebtedness faced by many consumers."[1] In addition, New York courts have found that, even where consumers were charged pay-as-you go fees for debt settlement services, these services "have undeniably furnished monetarily quantifiable 'value' to a demonstrable number of their New York consumers."[2] Debt settlement provides consumers who have documentable hardships such as job loss, divorce and medical crises with a critical alternative to the other options available to indebted consumers today: bankruptcy and credit counseling.

Bankruptcy is a drastic step that has the ability to severely impact a person's credit history and, as many employers will screen potential employees for past or current bankruptcy filings, it can impact the person's employment possibilities as well. There are two types of bankruptcy that apply to consumers, Chapter 7 and Chapter 13, and both methods of declaring bankruptcy were substantially changed by the 2005 Bankruptcy Abuse Prevention and Consumer Protection Act (BAPCPA).[3] Traditionally Chapter 7 discharged most of the consumer's debts completely, allowing a debtor to secure a "fresh start" after filing. However, the BAPCPA added hurdles to this relief by requiring individual debtors to undergo credit counseling and a means test to determine whether the debtor is unable to repay his or her debts.[4] Research suggests that as many as 800,000 households have been prevented from entering bankruptcy due to the means test. Additionally, once a consumer has filed for bankruptcy under Chapter 7, the debtor is precluded from filing again for 8 years, and the bankruptcy filing remains on the debtor's credit report for 10 years. In the event that a debtor does not qualify for a Chapter 7 filing, the debtor is funneled into a Chapter 13 plan. A Chapter 13 filing has problems as well. When a person enters into a Chapter 13 filing, typically the person will work with a credit counselor to create a plan that, if completed, would result in the person paying off his or her debts in three to five years. However, a Chapter 13 filing will not discharge significant debts. Moreover, these plans have costs of their own, with attorney and trustee fees taking approximately 14% of the debt, and creditors averaging recovery of about 35% of the debt.[5] Not all consumers are able to stay on the plan either; it has been reported that as many as 75 to 80% of those persons who start a plan do not complete it.[6] Finally, some consumers do not see bankruptcy as an option because of the social stigma associated with filing for bankruptcy. For these consumers, debt settlement is a more satisfying alternative because it allows them to pay off their debt while avoiding the stigma associated with bankruptcy.

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[1] *Consumer Protection and Debt Settlement Industry*, Federal Trade Commission Workshop, 14, (2008) (statement of J. Thomas Rosch, Commissioner, Federal Trade Commission).
[2] People of the State of New York v. Nationwide Asset Services, Inc., et al., Index No. 5710/2009, 2009 N.Y. Misc. LEXIS 2774,*39 (N.Y. Sup. Ct. Oct. 15, 2009)
[3] Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, Pub. L. 109-8, 119 Stat. 23 (codified as amended in sections of 11 U.S.C.).
[4] Tara Siegel Bernard and Jenny Anderson, *Downturn Drags More Consumers Into Bankruptcy*, N.Y. Times, Nov. 15, 2008.
[5] Richard A. Briesch, Economic Factors and the Debt Management Industry 9 (Aug. 2009).
[6] Briesch (Aug. 2009) at 9.

Consumer Credit Counseling Services ("CCCSs") work with consumers to reduce the interest rate and repay their debt over five to seven years. Reputable credit counseling organizations offer educational materials and workshops and advise consumers on managing their money and debts and developing a budget. CSA recognizes the value of credit counseling and supports the companies that are helping individuals make good decisions about their debt. CSA also recognizes that different individuals have different needs. Thus, some of those who turn to credit counseling wisely choose to enter into a traditional debt management plan. Others, however, cannot afford this option and would be better served by engaging in debt settlement. Thus, CSA believes that debt settlement companies and tax-exempt credit counselors perform different, but complementary, roles. Both are part of a broader solution to the problems faced by individuals who are overwhelmed by debt.

Debt Management Plans ("DMPs") are created by credit counseling agencies for consumers whose financial problems stem from too much debt or are unable to repay their debts, and, as noted by the FTC, "are not for everyone."[7] Under a DMP, a consumer deposits money each month with a credit counseling organization which uses the deposited funds to pay the consumer's unsecured debts according to a payment schedule. Creditors may agree to lower the consumer's interest rates or waive certain fees, but the principal amount owed is not reduced. A successful DMP typically requires regular, timely payments, and can take 60 months or more to complete. Moreover, not all consumers will qualify for participation in debt management plans. It has been noted that as many as 40% of consumers who seek a DMP cannot meet the income requirements.[8] Not only do DMPs exclude some consumers, but even for those consumers who qualify, there is an inherent conflict of interest in the DMP business model. Credit counseling agencies, in return for organizing the DMP, receive "fair share" payments from credit card companies which can make up as much as 50% of the funding of these organizations.[9]

Debt Settlement Provides Tangible Results

CSA has settled over $1 billion for consumers in hardship situations since the founding of our company. On average, our clients settle $1,036,800 of debt each day. We have satisfaction rates that are competitive with other service industries.

In fact, according to Dr. Richard Briesch who recently completed a lengthy study of settlement, "the consumer welfare analysis suggests debt settlement plans create the greatest consumer welfare of any approach" to debt relief. The professor went on to say that, in his analysis, debt settlement "may be the only means to keep a growing number of consumers out of bankruptcy."[10]

In a recent case brought by the New York Attorney General's office against a debt settlement company, the court specifically recognized the value that debt settlement provides to consumers,

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[7] Federal Trade Commission, Facts for Consumers, *available at* http://www ftc.gov/bcp/edu/pubs/consumer/credit/cre19.shtm.

[8] Federal Trade Commission Workshop, at 6 (statement by Lydia Parnes, "non-profit credit counselors have reported that although the number of consumers contacting them about debt has increased by about 33%, the percentage of consumers who meet the income requirement for debt management plans is down 40%.")

[9] Briesch (Aug. 2009) at 11.

[10] Briesch (Aug. 2009) at 2.

even when they fail to follow the recommended path to completion.[11] Even though the court refused to admit into evidence the respondent debt settlement company's uncontroverted record of consumer successes, it nonetheless found that, even among the clients who only partially completed the debt settlement program, "a demonstrable" number of consumers who had benefited from the debt settlement program offered by the company.[12] Debt settlement programs can offer significant benefits to consumers who have nowhere else to turn, even if consumers are unable to successfully complete their programs.

Success Should be Measured by Offers Presented

The FTC has requested that the industry provide data regarding rates of success, which the FTC interprets to mean the number or percentage of consumers who "pay for the offered goods or services that then fully achieve the represented results."[13] This formulation, however, depends on what results were promised or represented by the each provider of services, and seems to be somewhat subjective, or, at the very least, to vary from provider to provider. For example, under this formulation, CSA, which represents that consumers can settle their debts in 12 to 36 months should not be judged by the same metric as a company that promises "Debt reduction of 75% within 12 months" or similar claims.

Success in a debt settlement program should be measured on services delivered for the customer. Specifically, success in debt settlement is based on settlement offers negotiated within the contractual terms agreed to by the customer and within the advertising representations made by the company. Consideration should also be made for customers who are satisfied with the services they receive, which include those services received before the final settlement offer.[14]

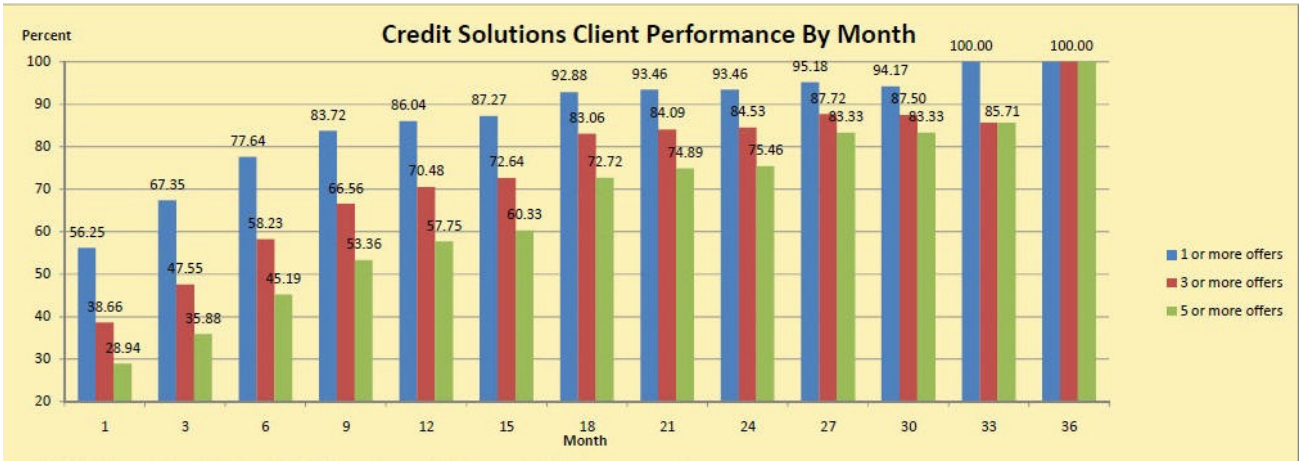
As Figure 1 shows, of the entire universe of customers who have made a minimum of one payment, more than half received negotiated offers and more than a quarter received five or more offers. More than three-quarters of our customers who stay in the program have received at least one offer within six payments. These figures show that we begin working immediately on behalf of our customers, and that we are delivering tangible results, even in the first couple of weeks after enrollment. Moreover, these figures show that we deliver value even for customers who cancel their service.

(The numbers in Figure 1 represent the entire universe of customers who have enrolled with CSA and made at least one payment within the last 36 months. The offer figures are for those customers still remaining in the program at each time interval. For example, a consumer who enrolled, made a payment, but cancelled after 10 payments would be reflected in the figures for

[11] The complaint filed by the New York Attorney General in this matter was cited by the FTC in its rulemaking notice as evidence of pervasive abuse in the debt settlement industry.
[12] Nationwide Asset Services, 2009 N.Y. Misc. LEXIS at *38-39.
[13] Telemarketing Sales Rule, 74 Fed. Reg. 41,988, 41,995 (proposed Aug. 19, 2009).
[14] We also disagree with several of the other statistics cited by the FTC in its rulemaking notice, including the citation to the unsubstantiated statistics from the investigation by the New York Attorney General. As stated above, this case was just recently resolved, and the court held that "[respondent debt settlement companies] through their program have undeniably furnished monetarily quantifiable 'value' to a demonstrable number of their" customers. 2009 N.Y. Misc. LEXIS 2774, at *39. In addition, "significant sums paid to respondents were ultimately devoted to settlement of consumer's debts. . . . [M]any consumers who did not cancel their participation within the first several months of their enrollment appear to have received some value from the program in exchange for their payment of fees." *Id.* at *47.

payment months 1, 3, 6 and 9, but would be removed from the dataset for payments 12 and beyond. In addition, the high numbers of offers (*e.g.*, five or more) experienced by some customers can be explained by the high numbers of credit card accounts that some of our customers maintain. Our customers, on average, have 4.8 credit card accounts upon enrollment.)

FIGURE 1



As further examples of our success, we have attached to this letter are consumers who have commented to the FTC on the proposed rule. Below are some excerpts from those letters (see Appendix A):

- "Without [CSA's] help in negotiating with companies and paying off my debt at a reduced percentage of overall debt owed, I don't know where I would have ended up. . . . Debt negotiation companies provide a real and necessary service in acting as a knowledgeable go-between when average people are in financial trouble and need someone knowledgeable to counsel them. I did not want to use consumer counseling, nor did I see bankruptcy as an option. Debt negotiation worked for me to fairly and quickly, over a two year period, reduce my debt and satisfy my creditors."
- "I am so thankful that I had the option of debt settlement, because my financial situation had changed so drastically and I fear that if debt settlement had not been an option I would have had to file bankruptcy."
- "Credit Solutions didn't just settle my debts for me. [T]hey educated me on how to be more aware of my spending habits. . . . My experiences with Credit Solutions were completely positive and life-changing."
- "[CSA] helped me budget and the credit card companies were willing to work with me through them so that I could get out of debt and get back on a better financial standing. I find this service invaluable and truly human and caring."
- "Even though the program was 3 years, I was out of the debt in just less than 2 years. They helped me a lot. During this time when the economy is bad, worst thing for one to do is file bankruptcy."
- "[I]n less than 1 year I was able to become debt free."
- "Without Credit Solutions I would have not been out of debt as fast as I am."
- "Our financial situation was wreaking havoc on our young family and it was completely out of our control. . . . Credit Solutions gave us a life line and has been helping us settle our debt by

allowing us to save our money in our bank and paying our creditors directly from our bank. We have control of our money and finally feel like we are making progress to be financially stable once again. . . . We are truly thankful there was a program available when we had no other option except bankruptcy."

- "Credit Solutions was able to negotiate extremely fair settlement payoffs for several high interest credit cards and credit lines that would have eventually forced bankruptcy."
- "They taught me how to manage my money so that I was able to save money and pay off my debts at the same time. The program was such a success for me that I was able to clear my debt in less than a year."
- "Credit Solutions . . . was a godsend and through their help I was able to get myself out of debt with in just a few years."
- "Two years after settlement, I am debt free and homeowner."
- "If it wasn't for [the] Credit Solutions program, we probably would have defaulted on that credit card, or gone into bankruptcy."
- "Credit Solutions assisted my family to settle debts that had accumulated due to severe illness within the family. The only other option would have been filing for bankruptcy."
- "I'm very thankful for Credit Solutions. They offered me a viable solution that has changed my financial outlook forever. . . . I thank Credit Solutions for helping me out. They lived up to their end of the bargain and I lived up to my end."
- "[T]he interest had compounded so much that the balance was $10,735.00. Credit Solutions was able to settle with Providian for $3,221.00. . . . Today, I no longer depend on credit cards. . . . Would I recommend Credit Solutions to family and friends? In a heart beat!"
- "Considering my debt and the fact that I just lost my health insurance to boot, I was going to declare bankruptcy. Thanks to settling this debt LEGALLY I am getting back on track."
- "Credit Solutions saved my financial future. I was $15,000 in debt before I called Credit Solutions. They worked with me and helped me pay off my bills. I'm now getting married, own a property and a car, and will be debt free."
- "Credit Solutions staff was kind, thorough, helpful, and supportive at a time when anyone else would have said to declare bankruptcy or forget about the medical care not covered by insurance. I made a choice to work with this program and to entrust communications with my creditors to Credit Solutions staff, and within less than a year, I paid off four accounts in full, two which were several thousands of dollars."
- "Total savings: $18,946.63! Hallelujah! In 10 months I am absolutely debt free! How could that happen without the help of Credit Solutions? I am absolutely grateful to you, Credit Solutions! From the customer service department, marketing, settlement, accounting, you are all excellent professionals!"
- "Credit Solutions assisted me by negotiating with my creditors and creating a re-payment program."
- "My experience with other debt settlement companies was unsatisfactory until Credit Solutions."
- "Credit Solutions was able to settle my accounts for 50% of the total."

Debt Settlement Process

Debt settlement can be a challenging and time-consuming process. Ira Rheingold, the executive director of the National Association of Consumer Advocates commented that "[i]t's not

easy."[15] The settlement of one account with one creditor may require more than 30, 40, or 50 phone calls.[16]

Some have criticized debt settlement firms because they provide a service that individuals can perform for themselves.[17] Of course, debtors have the option of calling their creditors and attempting to negotiate their debt. The reality, however, is that it can be very difficult for consumers to work with their creditors to reduce their debt.[18] As recognized by the FTC, sometimes consumers are reluctant, embarrassed, or even afraid to contact their creditors directly.[19] Additionally, not all consumers possess the financial savvy or confidence to effectively negotiate the best terms of a debt settlement. A recent survey found that 57% of households do not have a budget, and that 41% give themselves a grade of C, D, or F in financial knowledge.[20] In addition, consumers are faced with the clear conundrum of asymmetrical information – the bank knows how much it will accept in settlement, but the consumer does not. The consumer also does not necessarily understand how creditors operate or their business pressures and incentives. In short, professionals can level the playing field for consumers with expert assistance, counsel and advocacy. Financially unsophisticated debtors need the assistance of experienced and aggressive consumer advocates like CSA in order to negotiate the best terms possible while protecting consumers from hard-ball collections tactics.

We are experts in this field, and we offer an effective and valuable service to our customers, some of whom are too afraid, or feel too helpless, to be able to actively negotiate the terms of a debt settlement on their own.

It is important to note for the purposes of this section that several industries provide personal services that customers can perform for themselves – such as tax preparation, lawn care, child care or housekeeping. Provided that customers understand the services that they are purchasing, it makes no sense to suggest that the service provides no value because consumers can do the work themselves. A landscaping firm cannot be said to have taken unfair advantage of a consumer who hired the landscaper to mow the consumer's lawn simply because the consumer could have done it on his or her own.

PROHIBITING PAYMENT AS SERVICES ARE RENDERED IS NOT APPROPRIATE

The CSA business model is built around a fee structure that ultimately benefits customers when compared with other possible fee models. Customers pay their fees while we are providing our services. A ban on pay-as-you-go fees would require debt settlement providers to potentially

[15] Dana Dratch, *Credit Card Debt Negotiation in 3 (Not) Easy Steps*, *available at* http://www.creditcards.com/credit-card-news/help/step-by-step-credit-card-debt-negotiation-6000.php.
[16] Federal Trade Commission Workshop, at 113.
[17] 74 Fed. Reg. at 42,001, n. 168.
[18] Federal Trade Commission Workshop, at 113 (statement by Jack Craven, President, Debt Settlement USA, "these people come to us because they can't work with the creditors, even though they try to. And that's a very common statement we hear from people.")
[19] J. Thomas Rosch, Commissioner, Federal Trade Commission, Remarks at the Meeting of the 4th Annual Credit and Collections News Conference (April 2, 2009) at 5.
[20] Briesch (Aug. 2009) at 6.

"work for free for a year or more in service to debt challenged consumers."[21] Because fees collected prior to settlement ensure that services may be rendered immediately, a ban on pay-as-you-go fees is inappropriate.

Generally, our fees are 15% of enrolled debt, which is comparable to debt management programs and similar debt relief options. However, unlike debt management programs or credit counseling, our fees can be recouped from forgiven debt. Our fees are also more competitive than consumer credit counseling services, whose fees, once "fair share" payments are taken into account, can exceed 29% of consumer debt.[22]

Fees Are Charged as Services Are Rendered

Our services provide tangible benefits to consumers. Further, pay-as-you-go fee arrangements allow us to begin work immediately to provide our customers with debt settlement results.

Our fee structure is similar to the fee system used by other professionals, including accountants, architects, and attorneys. These professionals collect fees while rendering service to their clients. For the most part, payment to persons in these professions is not contingent on the delivery of a successful resolution to the client for approval (e.g., a tax refund, a completed building, a verdict). While some professionals may on occasion be paid on a contingent basis, such a system is the exception rather than the rule.

We charge our clients fees as we render our services in order to provide for timely reimbursement for preparing a settlement, advising the client, and for our other out-of-pocket expenses. The FTC has stated that the reason it seeks to ban pay-as-you-go fees is because it believes that the record reveals that customers "pay in advance for services that it appears are only rarely rendered."[23] We would like to correct the record. We start working for our clients immediately when a consumer contacts us, and we provide continuous services until the day the consumer receives a debt settlement offer.

Forcing debt settlement companies to shoulder substantial out-of-pocket costs, potentially for years, before reimbursement will serve as a barrier to other companies entering the market, thus eliminating competition, especially if this means that customers will have the right to walk away from a debt settlement company that has worked diligently and provided them with valuable settlement offers simply by refusing the settlement or failing to save money. Additionally, such a requirement would make it difficult, if not impossible, to satisfy state bonding or letter of credit requirements.[24] Charging fees upon completion of the settlement would ultimately result in a higher cost for the consumer and would reduce competition in the market.

[21] United States Organizations for Bankruptcy Alternatives, Inc., Recommendations to the House Committee on Financial Services, Amendments to H.R. 3126, Discussion Draft of the Consumer Financial Protection Agency Act of 2009, Oct. 13, 2009, at 3.
[22] Briesch (Aug. 2009) at 29.
[23] 74 Fed. Reg. at 42,007.
[24] Some states require performance bonds or letters of credit to be filed. *See*, *e.g.*, Kan. Stat. Ann § 50-116.

Payment Ban May Put Reputable Companies at a Disadvantage

The Proposed Rule's pay-as-you-go fee ban could put a legitimate company out of business. A recent survey conducted by one of the debt settlement industry representatives, United States Organizations for Bankruptcy Alternatives ("USOBA"), found that a ban on pay-as-you-go fees will certainly or likely force 84% of respondents to shut down their debt settlement services.[25] Many firms' business models require the charging of fees while service is rendered. While other debt settlement companies may have other fee structures, such structures typically result in charging higher fees to consumers. Ultimately, alternative pricing should be encouraged, not restricted, as such freedom in establishing pricing encourages and facilitates competition.

Should the FTC finalize the proposed fee ban, we believe that reputable debt settlement companies who provide valuable services will be forced to leave the business. In the absence of such companies, unethical companies, or those indifferent to complying with the obligations set forth in the proposed rule, will enter to fill the void. Consumers, with no other options, would be left to rely on the services of these bad actors.

The National Conference of Commissioners on Uniform State Laws ("NCCUSL") echoes these sentiments: "A regulation that prohibits advance fees entirely risks driving some firms out of business, resulting in less competition in the industry, and fewer choices for consumers. The committee believes that the UDMSA protects consumers from excessive fees while allowing legitimate debt relief providers to cover initial expenses."[26]

Non-Profit Credit Counseling Services Cannot Fill the Void Left by Debt Settlement Providers Without Jeopardizing Their Tax-Exempt Status

The FTC has stated that its proposed ban on reimbursement would not apply to non-profit entities. While we appreciate the important services that non-profit credit counselors provide for consumers, we do not believe that they could offer debt settlement services in a manner that is consistent with their tax-exempt status. As a result, the FTC's payment ban could work to deprive consumers of the valuable option of debt settlement.

Offering debt settlement services would jeopardize these credit counselors' tax-exempt status for a number of reasons. First, a non-profit credit counseling agency can only provide substantial debt settlement services if those services are "an integral part of the [agency's] counseling function," such that the services are charitable and educational undertakings.[27] However, providing debt settlement services is neither inherently charitable nor educational. The Internal Revenue Service has already noted that "[n]o court or Internal Revenue Service ruling has indicated that the sale of debt management plans and debt settlement services is a charitable activity."[28] The goal of credit

[25] United States Organization for Bankruptcy Alternatives, Survey Results, Sept. 28, 2009, at 1.
[26] Letter from the National Conference of Commissioners on Uniform State Laws to the Federal Trade Commission, Oct. 14, 2009, at 6 ("NCCUSL Letter").
[27] *See* Consumer Credit Counseling Service of Alabama, Inc., et al. v. United States, 44 A.F.T.R. 2d 79-5122 (D.D.C. 1978) (debt management and creditor intercession activities of the credit counseling agency which were *incidental* to the agency's primary functions were charitable and educational undertakings that did not disturb the agency's 501(c)(3) status) (emphasis added).
[28] Department of Treasury, Internal Revenue Service, Private Letter Ruling 200450039, dated Sep. 14, 2004, *available at* http://www.unclefed.com/ForTaxProfs/irs-wd/2004/0450039.pdf.

counseling is to help consumers learn to budget and spend appropriately in order to make prudent borrowing decisions. There is a clear and distinct difference between a principal reduction in overall debt as offered by debt settlement and the consumer budgeting education provided by credit counseling services.

Second, Section 501(q) of the Internal Revenue Code places additional limitations on credit counseling organizations that seek exemption under Section 501(c)(3). For example, Section 501(q) of the Internal Revenue Code prohibits credit counseling organizations from negotiating loans for a client or basing a fee on a percentage of enrolled debt, unless explicitly allowed by state law.[29] Finally, a non-profit credit counseling agency that began offering substantial debt settlement services would necessarily be competing with commercial firms offering the same services. Such competition would be evidence of non-exempt purposes and thus the debt settlement services offered by competing credit counseling agencies would "acquire a commercial hue."[30] Because of the limitations placed on non-profit credit counseling organizations, these organizations are unable to offer debt settlement services.

Strict Liability Provisions Can Have Unintended Consequences

As the history of the Credit Repair Organization Act ("CROA")[31] reveals, strict liability rules can have unforeseen collateral consequences. CROA prohibits the payment of fees for "credit repair" before services are rendered. Because the statute defines "credit repair" very broadly, this payment prohibition has been expanded to apply to products and services, never intended by Congress, such as credit monitoring and similar educational services. The FTC has formally opposed this expansion of liability,[32] but because of the breadth of the statute and the strict liability nature of its terms (*i.e.*, liability is imposed solely on the basis of the technical violation, without any evidence of misrepresentation, fraud or bad intent), the Commission has been powerless to stop it.

Thus, a court found that the sale of a popular credit report kit, one that was well received by consumer advocates and news organizations, was in fact covered by CROA and CROA's strict liability payment regulation. Due to the strict liability standard in CROA, the defendants were found liable for failing to comply with a statute that arguably Congress would have never intended to have apply to the defendants' product. In that case the Court noted that "[i]ronically, the fact that the Plaintiff's credit score went down is not at the heart of this case. Instead, Plaintiff alleges that in selling [the credit report product], Defendants failed to comply with various *technical* requirements that are enumerated in the Credit Repair Organizations Act."[33] We are concerned that the Proposed Rule could ultimately also be mistakenly broadened to cover unintended service providers; and that

[29] 26 U.S.C. § 501(q) (2006).
[30] American Institute for Economic Research v. U.S., 302 F.2d 934 (Ct. Cl. 1962) (providing investment advisory services to the public in exchange for money "places plaintiff in competition with other commercial organizations providing similar services. Plaintiff has chosen to compete in this manner and, as a consequence, plaintiff's activities acquire a commercial hue."); *see also* Easter House v. U.S., 60 A.F.T.R. 2d 87-5119 (Cl. Ct. 1987) (adoption agency in competition with for-profit agencies held not exempt).
[31] 15 U.S.C. §§ 1679 *et seq.* (2006).
[32] *Oversight of Telemarketing Practices and the Credit Repair Organizations Act*, 110th Cong. 19 (2007) (statement of Lydia Parnes, Director, Bureau of Consumer Protection of the Federal Trade Commission: "The Commission sees little basis on which to subject the sale of legitimate credit monitoring and similar educational products and services to CROA's specific prohibitions and requirements…").
[33] Hillis v. Equifax Consumer Services, Inc., 237 F.R.D. 491, 493 (N.D. Ga. Aug. 18, 2006) (emphasis added).

under the strict liability regime, such an expansion could be used to exploit innocent companies for failing to comply with a technicality.

Debt Settlement Can Be Distinguished from Other Payment Regulations Under the TSR

The debt settlement industry is distinguishable from other industries that the FTC has targeted for abusive practices under the TSR.[34] Throughout the proposed Rule, the FTC compares pay-as-you-go fees for debt relief services to: 1) advance fees for credit repair services, 2) recovery services, and 3) advance fee loans.[35] These comparisons are inappropriate. The FTC claims that, like these services, pay-as-you-go fees for debt relief services should be subject to a ban because "the job [of debt relief] is incomplete" unless and until all enrolled debt is settled "and it is therefore unfair for a provider to request or receive a fee."[36] However, unlike other services currently subject to payment negotiation under the TSR, we do not believe that debt relief services are "fundamentally bogus."[37] Even the uncharitable assessments of consumer advocates at the FTC's hearing indicate that "[i]t's not like settlement doesn't occur"[38] – the disagreement is not over *whether* settlement occurs, but rather is over how often it occurs and to what degree and whether consumers understand the risks and likelihood of success before enrolling in a debt settlement program.

Credit repair services are distinguishable from debt settlement services in key ways. Credit repair services typically promise consumers that, for a fee paid in advance, they will improve the consumer's credit record by removing negative accurate information from the consumer's record.[39] Abusive practices in the credit repair services industry were pervasive enough to prompt Congress to pass CROA, which also expressly prohibits any credit repair organization from charging or receiving fees before services are fully performed.[40] Thus, the ban on pay-as-you go fees for credit repair services has already been addressed by Congress. Debt settlement services, on the other hand, offer real benefits to consumers. CSA has settled over $1 billion in debt and continues to assist consumers in need.

Recovery room services are thoroughly fraudulent and bear no relation to debt settlement services. Recovery room services involve deceptive telemarketers falsely promising to recover lost money, or obtain a promised prize, in exchange for a fee paid in advance.[41] The FTC has stated that

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[34] *See* 16 C.F.R. § 310.4(a)(2) (prohibiting any seller or telemarketer from requesting or receiving advance fees in the credit repair service industry); 16 CFR § 310.4(a)(3) (prohibiting any seller or telemarketer from requesting or receiving advance fees in the recovery service industry); 16 C.F.R. § 310.4(a)(4) (prohibiting any seller or telemarketer from requesting or receiving advance fees in connection with a loan or other extension of credit)

[35] 74 Fed. Reg. at 42,005 ("It appears that requesting or receiving payment of a fee for any debt relief service before the seller has provided the customer with documentation that promised services have been rendered meets the criteria for unfairness, as is the case with credit repair services, recovery services, and advance fee loans, each of which is subject to an advance fee ban under the TSR."); 74 Fed. Reg. at 42,009 ("[T]he Commission seeks input regarding an advance fee ban for the debt relief industry that parallels the advance fee loan ban."); 74 Fed. Reg. at 42,010 ("[Excepting debt relief service from the general media and direct mail exemptions] would parallel the existing exceptions for . . . credit repair services, recovery services, and advance fee loans.").

[36] 74 Fed. Reg. at 42,006.

[37] Telemarketing Sales Rule, Jan. 29, 2003, 68 Fed. Reg. 4,615 (internal quotations omitted) ("An important characteristic common to credit repair services, recovery services, and advance fee loan services is that in each case the offered service is fundamentally bogus.").

[38] 74 Fed. Reg. at 42,004 n.185 (Travis Plunkett testimony).

[39] Telemarketing Sale Rule, Aug. 23, 1995, 60 Fed. Reg. at 43,853.

[40] 15 U.S.C. § 1679b(b) (2006).

[41] 60 Fed. Reg. at 43,854.

recovery room services are "especially abusive, targeting particularly vulnerable victims, including the elderly."[42] Recovery room services have no intention of providing the promised service. In fact, a key component of recovery room schemes is that "the promised services are never performed."[43] Recovery room services provide no benefit to consumers and should not be compared with debt settlement services.

Finally, advance fee loan services are rarely, if ever, legitimate and should not be compared to debt settlement services. Advance fee loans involve a false promise to obtain a loan or other extension of credit when the seller or telemarketer has guaranteed or represented a high likelihood of success in obtaining or arranging a loan or other extension of credit for a person.[44] By definition, advance fee loans require a misrepresentation regarding the likelihood of success without any intention of providing the services being offered. By contrast, pay-as-you-go fees in the debt settlement industry allow us to begin working with our customers immediately to provide tangible benefits.

Our results demonstrate that, unlike other services targeted by the TSR for their advance fee policies, debt settlement services provide significant and well documented benefits to consumers. Given the legitimate nature of our services and the relative benefits our services provide to consumers, the FTC should not impose a ban on pay-as-you-go fees for debt settlement services. Rather, the FTC should consider the fee structures as presented by the Uniform Law Commission.[45]

THE FTC HAS NOT SHOWN THAT IT NEEDS A STRICT LIABILITY BAN ON REIMBURSEMENT TO COMBAT FRAUD IN THE DEBT SETTLEMENT INDUSTRY

With the current tools at their disposal, the FTC and state Attorneys General are already able to bring cases against disreputable debt settlement companies. Such actions provide the necessary enforcement to protect consumers. We believe that an additional ban on fees will only bring more unscrupulous actors into the industry, as legitimate companies will be forced to exit the market.

Moreover, while the CROA has a strict liability ban against the pre-payment of fees, the FTC has not needed this ban to bring a case against unscrupulous companies. Specifically, under "Operation Clean Sweep," the FTC charged 33 credit repair companies with violating CROA by making false and misleading statements that the company could remove accurate, negative information from the consumer's credit report. The violation of the ban on up-front fees was not necessary to bring these cases. We believe that the public interest would not be served were the FTC to bring an action against a credit repair company in the absence of evidence of misrepresentation.[46]

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[42] *Id*.
[43] *Id*.
[44] *Id*.
[45] Letter from the National Conference of Commissioners on Uniform State Laws to the Federal Trade Commission, Oct. 14, 2009, at 5 ("NCCUSL Letter").
[46] We have reviewed the cases brought by the FTC under CROA and have not found any that do not allege fraud. *See*, *e.g.*, Federal Trade Commission v. Better Budget Fin. Serv FTC File No. 032-3185 Civ. No. SACV04-0474CJC(JWJX); FTC v. Debt-Set Inc. Civil Action No.: 1:07-cv-00558-RPM; FTC File No.: 062-3140; FTC v. Edge Solutions Civil Action, No.CV 07-4087-JG-AKT FTC File No: 072-3025; Federal Trade Commission v. Jubilee Financial Services, Inc. et al, Civil. No. 02-6468 Abc (Ex) (Central Dist. of Ca., Western Div.), No. 02-6468 ABC (Ex) (C.D. Cal. 2002); FTC v. National Credit Council, FTC File No. 032-3185 Civ. No. SACV04-0474CJC (JWJX). Thus, the FTC already has a basis for addressing what is perceives to be fraudulent practices in the debt relief industry if it chooses to do so.

Similarly, the public interest would not be served by enforcing a similar payment ban in the debt settlement industry, in the absence of fraud or misrepresentation.

STATE REGULATION IS EFFECTIVE

We believe that additional FTC regulation of payment bans and prohibitions in this area is unnecessary. Although CSA is by no means stating that CSA itself falls within each states' laws, given their differing approaches to regulation and various definitions of covered entities, presently, 27 states regulate debt settlement, negotiation and/or management services.[47] Of these states, only four states have determined that payment bans are necessary,[48] and only one state has banned charging pay-as-you-go fees.[49] The majority of states who regulate in this area have chosen not to ban fees, but to regulate them. These states have limitations on fees, but allow them to be charged before settlement, and several expressly permit initial fees and the payment for services as they are rendered. The state laws typically involve an assortment of the following: licensing and bond requirement, insurance, disclosures, recordkeeping, reporting/audit, requirements for disbursing funds, an establishment of a trust account, and the right to cancel enrollment.

We believe that the FTC should follow the path of a majority of states and rather than banning all set-up fees and fees before settlement of debt, apply some restrictions. We believe that if the FTC chooses to regulate the fees charged for debt settlement services, it should follow the template established by the Uniform Debt-Management Services Act ("UDMSA") drafters and approved by NCCUSL.[50] The UDMSA has been adopted by 6 states.[51] This law, like many state laws, requires registration, has a bonding requirement, requires the disclosure to the customer of fees (including set-up, monthly service, settlement and other goods and services), a right to cancel, the establishment of a trust account, and a section detailing the fees permitted. The UDMSA limits a debt settlement company's fees to 30% of the excess of the principal amount of the debt over the amount paid to the creditor pursuant to the agreement, less (a) fees relating to consultation, obtaining a credit report, and setting up an account[52] and (b) a monthly service fee.[53] The UDMSA specifically recognizes the need of a debt settlement company to have cash flow pending receipt of the settlement fee.[54]

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[47] *See* Ariz. Rev. Stat. Ann. § 6-709; Colo. Rev. Stat. § 1214.5201; Conn. Gen. Stat. § 36a-655; Del. Code. Ann. Tit. 6 § 2401A; 205 Ill. Comp. Stat. Ann. 665/1; Ind. Code § 28-1-29-1; Iowa Code § 533A.1; Kan. Stat. Ann. § 50-1116; La. Rev. Stat. § 14:331; Me. Rev. Stat. Ann. Tit. 17-A § 701; Md. Code Ann. Financial Institutions § 12-901; Mich. Comp. Laws § 451.411; Miss. Code Ann. § 81-22-1; Mont. Code Ann. § 30-14-2101; Nev. Rev. Stat. § 676.010; N.H. Rev. Stat. Ann. § 399-D:1, N.C. Gen. State. § 14-423; N.D. Cen. Code § 13-06-01; 63 Pa. Cons. Stat. § 2401; R.I. Gen. Laws § 19-14.8-1l; S.C. Code Ann. § 37-7-101; Tenn. Code Ann. § 47-18-5401; Tex. Fin. Code Ann. § 394.202; Utah Code Ann. § 53B-13a-102; Va. Code Ann. § 6.1-363.2; Wash. Rev. Code § 18.28.010; Wyo. Stat. Ann. § 33-14-101.

[48] *See* Conn. Gen. Stat. § 36a-655; La. Rev. Stat. § 14:331; N.D. Cen. Code § 13-06-01; Wyo. Stat. Ann. § 33-14-101.

[49] N.C. Gen. Stat. § 14-423.

[50] We also would be willing to support an approach that is similar to the law recently passed in Tennessee. *See* Tenn. Code Ann. §§ 47-18-5501 *et seq*.

[51] *See* Colo. Rev. Stat. § 1214.5201; Del. Code. Ann. Tit. 6 § 2401A; Nev. Rev. Stat. § 676.010; R.I. Gen. Laws § 19-14.8-1l; Tenn. Code Ann. § 47-18-5401; Utah Code Ann. § 53B-13a-102.

[52] The UDMSA provides that companies are permitted to charge up to $400 for consultation, obtaining a credit report, setting up an account "and the like."

[53] The UDMSA provides that companies are permitted to charge a monthly fee, not to exceed $10 times the number of creditors remaining in the plan at the time the fee is assessed, but not more than $50 in any month.

[54] In a comment, the drafters state that the fee structure "authorizes a debt-settlement entity to charge a settlement fee, but requires it to credit against the settlement fee all set-up and monthly fees. The underlying idea is that the settlement fee represents the real compensation of the provider, and the other fees provide cash flow pending receipt of the

NCCUSL has explained that UDMSA drafters recognized the importance of limiting pay-as-you-go fees rather than prohibiting them altogether.[55] Debt settlement providers incur significant costs prior to settlement. These include setup fees and fees associated with the provision of services. Therefore, rather than prohibiting debt settlement services from collecting fees while services are being provided, UDMSA and similar state statutes passed in its wake attempt to ensure that fees are not excessive.[56]

Moreover, we caution the FTC against inappropriate interference with state laws. In a footnote, the FTC states that "to the extent that state laws *permit*, rather than *mandate*, that fees for debt relief services be collected before the promised goods or services are documented as provided there is no conflict with the proposed Rule, and thus, no preemption."[57] While this analysis is technically correct, insofar as the TSR amendment would not make it *impossible* to comply with state law[58] (as long as debt settlement provider did not seek reimbursement before delivering settlement), the proposed amendment would effectively subvert the specific state law permission, by requiring any debt settlement provider to refrain from charging for its services as they are rendered. The National Association of Consumer Credit Administrators ("NACCA") recognized this potential interference with state law when it suggested in its September 14, 2009 letter to the FTC in response to the Proposed Rule that an outright ban on pay-as-you-go-fees might be inappropriate in some states.[59] NACCA recommends modifying the provision that prohibits all pay-as-you-go fees to allow fees at least where authorized by state laws as a charge for administering the education component of a debt relief program.[60]

State administrators are better equipped than the federal government to regulate certain aspects of the debt settlement industry. As NCCUSL has explained, "States are in a better position to enforce customer complaints about excessive fees, abusive practices, and non-disclosure of relevant contract terms."[61] Further, state administrators have a "wider range of remedies available to deter and punish fraudulent conduct" within the debt settlement industry and to provide the necessary restitution.[62]

State legislatures and NCCUSL have determined that debt settlement providers can serve consumers effectively when properly regulated, and, in a legitimate exercise of their police power have determined to regulate them in a certain way to protect their own citizens. State legislatures have chosen to permit the repayment of fees before settlement, and the FTC should not interfere with

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settlement fee. Hence, they are advances against settlement fees and are to be credited against the settlement fee. *This approach accommodates the providers' need for cash flow pending the first settlement and provides a simple way to effectuate the credit mechanism.*" Uniform Debt-Management Services Act, National Conference of Commissioners on Uniform State Laws, Nov. 10, 2005, at 64 (emphasis added).

[55] NCCUSL Letter at 5.

[56] *Id.*

[57] 74 Fed. Reg. at 42,007 n.225 (emphasis added).

[58] Conflict preemption may be found where the state law frustrates the purpose of the federal statutory scheme or where compliance with both the state and federal laws is physically impossible. *Crosby v. National Foreign Trade Council*, 530 U.S. 363, 372-73 (2000).

[59] Letter from the National Association of Consumer Credit Administrators to the Federal Trade Commission, Sep. 14, 2009, at 4.

[60] *Id.*

[61] NCCUSL Letter at 7.

[62] *Id.*

the legislative prerogative of these states. President Obama has recognized the importance of the states as legislative "laboratories," and on May 20, 2009 released a memorandum for the heads of the executive departments and agencies stating that the general policy of the Administration is that:

> preemption of State law by executive departments and agencies should be undertaken only with full consideration of the legitimate prerogatives of the States and with a sufficient legal basis for preemption. Executive departments and agencies should be mindful that in our Federal system, the citizens of the several States have distinctive circumstances and values, and that in many instances it is appropriate for them to apply to themselves rules and principles that reflect these circumstances and values. As Justice Brandeis explained more than 70 years ago, '[i]t is one of the happy incidents of the federal system that a single courageous state may, if its citizens choose, serve as a laboratory; and try novel social and economic experiments without risk to the rest of the country.'[63]

We recognize that the FTC, as an independent agency (rather than an executive department or agency), is not subject to President's Order. Nonetheless, the Order presents the policy choices more broadly than the strict "conflict preemption" analysis subscribed to by the FTC. While the FTC's proposed amendment would not *invalidate* state laws, it would effectively undermine the intent of the various state legislatures have determined to regulate debt settlement providers. For example, as explained above many states expressly permit the collection of a fee as services are rendered and before the delivery of a signed settlement to a consumer, on the theory that a debt settlement provider should have cash flow pending receipt of the settlement fee. The FTC's proposed amendment would effectively deprive the citizens of these states the ability "to apply to themselves rules and principles that reflect [their unique] circumstances and values."[64]

FTC SHOULD NOT ACT IN SUCH A WAY THAT WILL UPSET OR INTERFERE WITH A FUNCTIONING MARKETPLACE

CSA favors the additional disclosures that will be required by the Proposed Rule as we believe the market would function better if all companies (profit, non-profit, counselors, DMP, debt settlement) offered their services in a truthful and fair manner. The Proposed Rule, however, would blatantly favor one part of the industry (non-profit) over another part (for-profit), with potential anti-competitive consequences.[65] Much of the testimony that the FTC has received in favor of a strict liability ban on reimbursement is from non-profit companies and the FTC should weigh this testimony with a recognition that the non-profit companies believe that they stand to gain in the absence of debt settlement companies.[66] It is not in the public interest for the FTC to involve itself in what is essentially a commercial dispute, and the FTC should be wary of companies advocating increased regulation for their competitors.

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[63] 74 Fed. Reg. 24,693 (May 22, 2009).
[64] *Id*.
[65] *See* Fair and Reasonable Fee for Credit Score Disclosure, 69 Fed. Reg. 64,698, 64,700 (Nov. 8, 2004) (The Commission refused to interfere in a functioning market).
[66] In reality, most of the customers who enroll in a debt settlement plan simply do not have enough money to qualify for a standard DMP, which is the only product that these non-profits can offer to their customers.

MAGNUSON-MOSS RULEMAKING BETTER THAN TSR EXPANSION

The FTC Act would allow the FTC to engage in rulemaking regarding the debt settlement industry on its own initiative and would enable the FTC to enforce rule violations through civil penalties and consumer redress.[67]

The FTC's rulemaking authority stems from the Magnuson-Moss Act,[68] which was codified in 1975 and added Section 18 to the FTC Act. Magnuson-Moss requires the FTC to engage in specific rulemaking procedures. Under Magnuson-Moss, the FTC must first state "with specificity" the acts or practices that it deems unfair or deceptive and, second, the FTC must make a determination that the unfair or deceptive acts or practices are prevalent.[69] Finally, the FTC must engage in notice and comment procedures and provide an opportunity for an informal hearing. The process ensures that the FTC engages in the type of fact-finding and comment procedures that prevent the Commission from arbitrarily acting in a legislative capacity. Thus, Magnuson-Moss rulemaking, and not the TSR, is the appropriate vehicle for the FTC to use to address any consumer protection challenges in the debt settlement industry.

The FTC's use of the TSR to impose payment bans on the debt settlement industry attempts to make an end-run around the Magnuson-Moss Act by doing through TSR rulemaking what it should be doing through Magnuson-Moss rulemaking. In prior testimony before Congress, the FTC has stated that rules prohibiting or restricting unfair or deceptive acts and practices relating to consumer debt services would require either Magnuson-Moss rulemaking or some other grant of authority by Congress.[70] By passing the Omnibus Appropriations Act of 2009, Congress granted the FTC such additional authority with respect to mortgage servicing, loan modification and foreclosure rescue services, and other mortgage-related conduct.[71] Through the FTC's new authority under the Act, it may expeditiously promulgate rules prohibiting or restricting unfair or deceptive acts and practices in the aforementioned mortgage industries. Similar expansion of FTC authority to cover debt settlement services must rely on traditional rulemaking procedures or a grant of authority from Congress.

EVIDENCE RELIED UPON BY THE FTC DOES NOT JUSTIFY THE PAYMENT BAN

We believe that the FTC's Proposal relies on specious or unsubstantiated testimony and documents.[72] We recognize that there is a dearth of reliable information on the debt settlement industry, [73] and we appreciate the FTC's open-mindedness in soliciting information from us. We

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[67] Commissioner J. Thomas Rosch, Consumer Protection and the Debt Settlement Industry: A View From the Commission, before The 4th Annual Credit and Collection News Conference, Carlsbad, California, April 2, 2009, page 11.
[68] Pub. L. No. 93-637, § 202(a), 88 Stat. 2183 (1975).
[69] 15 U.S.C. § 57a(b)(1)(A).
[70] Prepared Statement of the Federal Trade Commission on "H.R. 2309, the Consumer Credit and Debt Protection Act," before the Committee on Energy and Commerce Subcommittee on Commerce, Trade, and Consumer Protection, United States House of Representatives, May 12, 2009; *see also* Rosch statement, *supra* n. 1, page 10.
[71] Omnibus Appropriations Act 2009, Pub. L. No. 111-8, § 626, 123 Stat. 524, 678 (Mar. 11, 2009).
[72] The Proposed Rule makes many unsupported statements that are not true or accurate representations of the industry or of the debt settlement process. *See* 74 Fed. Reg. 42,007 ("[f]urther, the record suggests that substantial fees – such as those commonly charged for debt settlement – are particularly onerous because they may actually impede the ultimate goal of attaining debt relief for the consumer.").
[73] *See* 74 Fed. Reg. at 41,995 nn.103-104.

trust that our responses are helpful. We hope that the FTC recognizes, however, that much of the information it has relied on to date has been anecdotal and untested. For example, the Cuomo figures are from a press release, and the matter is still alleged and still in litigation. In addition, the FTC needs to keep in mind the source of certain information – for example, nonprofit credit counselors may believe that they will be able to gain a competitive advantage if for-profit debt settlement companies are prohibited from charging pay-as-you-go fees.

We understand that the FTC staff has reviewed a sample of debt relief complaints received between April 1, 2008 and March 31, 2009, including the Commission's Consumer Sentinel database.[74] However, our review of the FTC's Consumer Sentinel debt management complaints ("Complaints") obtained through a FOIA request submitted between April 1, 2008 and March 31, 2009 does not appear to support the notion that "collecting up-front fees for debt relief services causes substantial injury to consumers."[75] (On the other hand, the FTC should consider CSA's demonstrated success on behalf of its customers, as evidenced by the negotiated offers of settlement for its customers shown in Figure 1 of this letter.)

For example, the majority of the consumer complaint data ostensibly relied upon for the Proposed Rule fails to allege any violation of law or describe the conduct complained of.[76] Further, less than 1% of complaints referenced problems with fees.[77] Additionally, the FTC has asserted that consumer complaints "routinely allege that debt relief providers fail to give dissatisfied consumers refunds."[78] However, only 3 of the complaints obtained through the aforementioned FOIA request mentioned problems with refunds during the relevant time period. We note in this regard that the ULC's UDMSA imposes a specific and stringent refund requirement, requiring, among other things, that a debt settlement agreement "must provide that [t]he individual has a right to terminate the agreement at any time, without penalty or obligation . . . in which event [t]he provider will refund all unexpended money that the provider or its agent has received from or on behalf of the individual for the reduction or satisfaction of the individual's debt."[79]

In addition, many, if not most, of the complaints filed in 2008 were not against debt settlement companies: thousands of complaints were filed against banks and other creditors, mortgage and loan servicers, collection agencies, or entities that appear to be banks, creditors or loan servicers (e.g., "cardmember services," "card services," or cardholder services"). Moreover, approximately 1,500 of the complaints filed were one-off complaints filed against a single entity.

[74] 74 Fed. Reg. at 42,001 n.166.
[75] 74 Fed. Reg. at 42,007.
[76] Out of 8,879 complaints between April 1, 2008 and March 31, 2009, 5,184 complaints lacked data in the "Complaint Info Law Violation Code" field. A small number of these complaints listed "FTC Act Sec 5 (BCP)" or "Telemarketing Sales Rule" in the "Complaint Info Statute Description" field.
[77] Only 24 of the complaints submitted between April 1, 2008 and March 31, 2009 referred to "fee," "fees," "advance fee," or "advance fees," in the "Complaint Info Law Violation Description" field. Most complaints that referred to fees did so in connection with advance fee loans.
[78] 74 Fed. Reg. at 42,001 n.166.
[79] *See*, *e.g.*, Tenn. Code Ann. §§ 47-18-5519(d), 47-18-5522.

POSSIBLE ALTERNATIVES

Self-Regulation

We believe self-regulation can play an important role in enforcing standards in the debt settlement industry. First, self-regulation can supplement the FTC's law enforcement actions by allowing the FTC to "focus more efficiently on the activities of those who don't comply with the self-regulatory regime."[80] Second, organizations devoted to promoting best practices in the debt settlement industry have the judgment and experience to craft rules that address problems faced on a daily basis by debt settlement companies and the consumers they serve. Finally, the debt settlement industry has already had some success using self-regulation to address problems in the debt settlement industry.

Two key organizations devoted to promoting best practices in the debt settlement industry demonstrate the benefits of self-regulation. USOBA and The Association of Settlement Companies ("TASC") have addressed problems in the debt settlement industry through self-regulation. Both organizations offer guidelines for best practices. Further USOBA, has worked with legislators and regulators to encourage responsible conduct among debt settlement companies. USOBA also requires member companies to pledge strict allegiance to bylaws governing business practices and ethics. USOBA reserves the right to revoke a company's membership if it learns of that company's non-compliance. Organizations like USOBA and TASC continue to help rid the debt settlement industry of the bad apples that persist in the industry while ensuring that debt settlement remains a viable alternative for consumers who need it. Through self-regulation, these organizations can achieve many of the same standards the FTC seeks to impose on the industry through the proposed amended TSR.

State Law Option

Rather than imposing an outright ban on pay-as-you-go fees, we believe a better alternative would be to defer to state law. As explained above, 27 states regulate debt settlement, debt management or credit counseling. Of the 24 states that allow pay-as-you-go fees, most impose restrictions on pay-as-you-go fees rather than outright bans. For instance, Montana[81] and Tennessee[82] debt settlement laws place certain restrictions on fees rather than banning fees altogether. Restrictions on pay-as-you-go fees in Montana and Tennessee provide two examples of the types of restrictions on fees CSA would support.

Montana's debt settlement law prohibits debt settlement providers from collecting fees for services until a written contract has been executed by the debtor containing a fee schedule in the actual amount to be charged to the debtor and stating when those fees will be charged.[83] Further, under Montana law, debt settlement companies cannot receive or charge fees, other than setup fees, in an aggregate amount exceeding 20% of the principal amount of the debt and no more than 5% of the principal amount of the debt may be charged as a setup fee.[84] Montana also requires debt

[80] Rosch, *supra* note 20, at 15-16.
[81] Mont. Code Ann. §§ 30-14-2101 *et seq*.
[82] Ten. Code Ann. §§ 47-18-5501 *et seq.* (effective July 1, 2010).
[83] Mont. Code Ann. § 30-14-2103(1)(k).
[84] Mont. Code Ann. § 30-14-2103(1)(b).

settlement services to refund 50% of any collected but un-refunded service fee on a pro rata basis if the consumer cancels the contract prior to receiving a settlement offer.[85] But, the state does not require that fees associated with setup of a debt settlement service contract be refunded.[86]

Similarly, Tennessee prohibits debt management providers from imposing charges or receiving payment for services until the provider and the individual have signed an agreement with respect to those services that complies with the law.[87] Tennessee caps both set-up fees and monthly service fees. Further, Tennessee caps the total fees paid for set-up, monthly service fees and settlement fees at 17% of the customer's enrolled debt.[88]

The FTC should avoid imposing a complete ban on pay-as-you-go fees and should instead allow such fees unless prohibited by state law. The Montana and Tennessee laws are examples of viable alternatives to an outright ban that should either be adopted by the FTC or should not be overridden by federal law.

UDMSA Strikes the Right Balance

CSA strongly supports the ULC in their efforts to regulate the debt relief industry, via the UDMSA, which has met the approval of industry state regulators, associations, consumer groups and industry alike and has now been adopted in more than a half dozen states and is being lobbied or pending in over 15 more states.

The UDMSA provides expansive and comprehensive regulation of all current debt counseling and management services options that exist for consumers today via Registration, Agreements, and Enforcement Provisions. We support the ULC in their extensive multi-year study that culminated in the promulgation of the UDMSA and concur that for-profit and not-for-profit debt resolution activities must be regulated equally in order to create regulated consumer options.

The drafters of the UDMSA understand that debt settlement providers, unlike most DMP providers, receive no income from creditors (called the "fair share" revenue). Accordingly, while the act applies the same registration, bonding, disclosure, and relief provisions to both kinds of firms, it differentiates between the two with regard to fees. They have proven in multiple states that passing strong legislation requiring external audited financials, bonding, licensing, insurance and consumer disclosures – all key components of the UDMSA - successfully eliminates companies who should not be operating in the debt relief services arena.[89]

UDMSA successfully eliminates bad actors in a state, leaving only superior companies to service their consumers. The legislation serves to not only protect consumers, it punished those

[85] Mont. Code Ann. § 30-14-2103(2).
[86] *Id*.
[87] Tenn. Code Ann. § 47-18-5523(b).
[88] Tenn. Code Ann. § 47-18-5523(f)(1).
[89] Various states have fee caps in place, oftentimes contained in statutes that are decades old and were formed prior to debt settlement becoming a viable, mainstream alternative to bankruptcy. The states with fee caps originally intended for debt management firms who typically receive "fair share" funds from creditors also are programs do not require the same level of constant client and creditor interaction as properly run debt settlement companies. Adverse limitation of reasonable fees eliminates debt settlement as an option for consumers, as ethical companies cannot afford to do business there.

companies that do not comply with the new regulations and/or operated illegally in their states – in one state alone it was to the tune of over $1 million in noncompliance fees, consumer refunds and fines within the first year after legislative enactment.

We further believe that the FTC offers an effective vehicle through which the issue of "Fees" and required consumer "Disclosures" can be addressed. We respectfully suggest the addition of the fee language from the UDMSA. We recommend that the FTC consider the addition of language that will regulate all debt relief and lead providers fairly and equitably.

CSA operates in strict compliance with all state laws. CSA is also committed to compliance within industry and ISO certifications, third-party secret-shopping quality control, and third-party underwriting at the point of sale to ensure enrollment best practices.

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We would like to thank the FTC staff for taking the time to consider our comments. If you have any questions regarding these comments, please feel free to contact Andrew M. Smith, attorney for CSA, at Morrison & Foerster LLP, 202-887-1558.

Attachments

dc-577570

Appendix A

Confidential [redacted]
State: CA
Rule: Telemarketing Sales Rule - Debt Relief Amendments, R411001

Consumers should absolutely be allowed representation from companies, such as CreditSolutions. Why? Let's looked at the two sides of the equation. One side, we have the big banks lured average tax payer into a credit card with 20 page of carefully drafted legal fine print. Once trapped inside, the bank will use all the clauses defined by them to squeeze and pray on innocent consumers who don't have time and can't understand the 20 page fine print plus additional 40 page of amendments.
After some hugh bonus to top executives, if the bank is still short on cash, they can go to the congress or their representation in the government for more cash, as they are "TOO BIG TO FAIL". What about average JOE? After 8 hours from work, what can he do if he is behind on his end? Obviously , they are not "TOO BIG TO FAIL". When this average JOE fail, who is there to help him? Companies, such as "Credit Solutions". Average JOE needs somebody to be on their side.

Appendix A

State: PA
Rule: Telemarketing Sales Rule - Debt Relief Amendments, R411001

this is very simple to say.
in less than 1 year i was able to become dept free,with the great profesional work the staff at credit solutions were able to do for me.
i tried several times with loans to get out of dept,i was only to greate a deeper hole.and i know (now) there was no other way.
there are company's out there that gave credit company's a bad name.
credit solutions is not one of theme.
i recomend this company to any body that talks to me about being in that same boat that i was in.

Appendix A

State: IL
Rule: Telemarketing Sales Rule - Debt Relief Amendments, R411001

Without Credit Solutions I would have not been out of debt as fast as I am. I would have had creditors calling and sending me letters all the time. I had already been sent to a lawyer for one credit card, and that was very scary for me. I could not imagine if it would have been worse. Credit Solutions was always willing to work with me and help me with questions and concerns.
Being in debt and not having money is a scary thing for anyone to go through, luckly I am in my mid 20's and I am now out of credit card debt, so I make the right choice to go with Credit Solutions to get my finances back on track.

Thank you

Appendix A

State: MA
Rule: Telemarketing Sales Rule - Debt Relief Amendments, R411001

I think the once again debt settlement is a very important option to keep viable in this economy. The Government does not need to be accruing to itself anymore additional powers or responsibilities. Let the Free market work !!

Appendix A

State: PA
Rule: Telemarketing Sales Rule - Debt Relief Amendments, R411001

My husband had a debt over 30,000 when we were married. I tried to get a handle on it myself, and soon found I was unable to do so. Credit card balances soared, my cedit became affected. We took out a consolidation loan, and still were unable to handle it. More debt kept coming in. There was an additional IRS debt that Credit Solutions was not able to help with of nearly 20,000. When I contacted credit solutions, we were down to one income, as my daughter was just born. It was the best thing I ever did. The plan was so simple. I was told they couldn't help with the IRS, but at any point in time, we could stop the current plan if need be. No pressure. The late fees, interest rates etc stopped, and we were able to start paying things off. 5 years later, we don't owe a penny. I dealt with the IRS on my own, and when the time came to start making payments to them, I simply called Credit Solutions and told them I needed to take a break in my plan. When we were ready to re-start, I called back. Our credit is banged up, but we bought a house. Bankruptcy wouldn't have let us do that. We are debt free. I really don't know anyone else who is! I hope this helps to keep Credit Solutions around, I have recommended them several times. It saved my sanity!

Appendix A

[redacted]

State: CA
Rule: Telemarketing Sales Rule - Debt Relief Amendments, R411001

Due to my husband's hours being cut and ultimately being laid off and having a small baby to care for we found ourselves in a financial position we had never been in before. For almost two years we struggled to pay bills, medical expenses and buy the basic groceries and family care items. The summer of 2008 was our breaking point. We had exhausted our savings and found ourselves using our credit cards for groceries in hopes of my husband working more than 20 hours a week. By the end of the summer we couldn't do it any longer. We tried to get consolidation loans, but were continually denied because our debt to income ratio was too high. We were denied even though we had never missed a payment and tried to pay more than the minimum due each month. We looked into credit card consolidation through various companies, but the amount we would save each month was very little and would not have helped our financial strain much at all. We looked into bankruptcy and qualified under the new rules, but we really didn't want to file for bankruptcy. We owed our creditors and wanted to pay them, but our unexpected financial hardship prevented us from doing that. We knew we could default on our credit cards and overtime save enough to pay them off one by one but that would only alleviate the financial strain. The stress of creditor phone calls, letters and threats would replace the financial strain and continue even though it was impossible to meet our obligations. Our financial situation was wreaking havoc on our young family and it was completely out of our control. As a last hope we called Credit Solutions. Credit Solutions gave us a life line and has been helping us settle our debt by allowing us to save our money in our bank and paying our creditors directly from our bank. We have control of our money and finally feel like we are making progress to be financially stable once again. By allowing us to save each month until we have enough to pay a creditor has enabled us to make arrangements to settle five of our credit cards since August of 2008. We are truly thankful there was a program available when we had no other option except bankruptcy. Our finances are still very tight because we put aside as much money as we can each month to pay our debts, but in a couple years we will be debt free with a new respect for the abundance of things that can go wrong that you never expect to go wrong. We lived within our means before we found ourselves where we are, but a job loss is more than idle hands. A job loss meant our whole world was turned upside down and we had to make really hard decisions. We did not go to the doctor or dentist even when we should have so that we could pay for our daughter's visits to the doctor and dentist. We are seeing the light at the end of the long, dark tunnel and it is thanks to Credit Solutions.

Appendix A

[redacted]
State: OH
Rule: Telemarketing Sales Rule - Debt Relief Amendments, R411001

Hello, my name is [redacted] A few years ago I had a huge debt and could not do much because I had lost my job. One of the credit card companies I had a protection plan with and they did not honor it. So I went to credit solutions for help. I found them when I was looking up bankruptcy on the internet. I decided to give them a try. Even though the program was 3 years, I was out of the debt in just less than 2 years. They helped me alot. During this time when the economy is bad, worst thing for one to do is file bankruptcy. That would make the economy worse when credit solutions can just help fix the problem and get the credit companies their money and keep the economy going better. This is all I have to say. Thank you.

Appendix A

State: CA
Rule: Telemarketing Sales Rule - Debt Relief Amendments, R411001

Credit Solutions was able to negotiate extremely fair settlement payoffs for several high interest credit cards and credit lines that would have eventually forced bankruptcy. Direct contact with creditors failed to produce a fair payoff even after consistent years of 25% plus interest only payments. I am thankful for Credit sSolution's knowledge and skill in representing me. Thank you!
Sincerely,

Appendix A

State: MD
Rule: Telemarketing Sales Rule - Debt Relief Amendments, R411001

About a year and a half ago I managed to rack up almost $20,000.00 in credit card debt. I decided that I needed to take action to get myself out of debt without having to file for bankruptcy so I got in touuch with Credit Solutions. The taught me how to manage my money so that I was able to save money and pay off my debts at the same time. The program was such a success for me that I was able to clear my debt in less than a year. In fact, the credit card companies ended up offering me reduced payments instead of Credit Solutions having to make offers to the credit card companies on my behalf. I ended up paying off $20,000.00 worth of debt for only about $8,000.00, this includes the tax money that I had to pay at the end of the year. I have also been able to still maintain a fair credit score even after having so much debt. I feel that without Credit Solutions I would still be in debt and have credit card agencies calling me non-stop to this day.

Appendix A

State: CA
Rule: Telemarketing Sales Rule - Debt Relief Amendments, R411001

Dear Sirs at the FTC:

When I was young and immature (college years) I got a credit card. I bought things I shouldn't have and paid for college classes with it and as a result I became heavily in debt. With such a large outstanding balance combined with a very high interest rate it became difficult to make the basic monthly payment. I was drowning. I contemplated filing for bankruptcy but at 23 years old that seemed like a scary alternative. Then I found out about debt settlement companies such as Credit Solutions. This was a godsend and through their help I was able to get myself out of debt with in just a few years. With out their help i don't know what I would have done.

Appendix A

State: CO
Rule: Telemarketing Sales Rule - Debt Relief Amendments, R411001

Debt settlement helped me to get back back on track after divorce. It had scared my credit score a little, but bankruptcy would never allow me to be where I am now - my credit score would`ve been totally ruined and fresh start would be difficult.

NOW Two years after settlement, I am debt free and homeowner.

Debt settlement should still exist as an debt solution alternative and it should be customer`s choice (by situation and personal preference) to decide the best lawful solution.

Appendix A

State: ND
Rule: Telemarketing Sales Rule - Debt Relief Amendments, R411001

We were good standing Bank of America cardholders for approximately 7 years, when we were accidentally late on our monthly payment twice in 6 months. Bank of America automatically raised our interest rate from 7.9% to an outrageous 35%, which put our minimum payment to over $300 per month, which we couldn't afford.

If it wasn't for Credit Solutions program, we probably would have defaulted on that credit card, or gone into bankruptcy. What Bank of America did should be criminal in ALL states.

Appendix A

State: AR
Rule: Telemarketing Sales Rule - Debt Relief Amendments, R411001

Credit Solutions assisted my family to settle debts that had accumilated due to severe illness within the family. The only other option would have been filing for bankruptcy.

State: AK

Appendix A

Rule: Telemarketing Sales Rule - Debt Relief Amendments, R411001

I would like to offer my support for companies like Credit Solutions. There are definite concerns when one forms an agreement like this with a company because you have to be prepared to accept a settlement offer with the credit card company when the offer arises. As long as this is spelled out clearly during the contract stage, I don't see a problem with companies like Credit Solutions. In fact, I'm very thankful for Credit Solutions. They offered me a viable solution that has changed my financial outlook forever.

In my situation the credit card company had jacked up my interest rates to the max due to me being late by one day on my payment(in fairness this did happen multiple times). As a result, I could no longer make the minimum payment and on top of this, the interest rates kept me going over my maximum credit limit. I was caught in a catch-22 each month where I saw an additional "over the limit" charge added to my credit card even though I had made the minimum payment (due to interest rates). Nearly two years after I had last used my card I still had not made any progress on the principle debt.

My credit card company would not work with me personally and in fact they said some pretty harsh things to me (accused me of being a thief and a dead beat). I had just finished graduate school and was only partially employed. I needed a little leniency and the credit card company wouldn't work with me. Thus, I took my debt to Credit Solutions. I didn't want to do it and I was scared that it might not work, but I was desperate.

Their plan for me was simple and I followed it. I paid a small sum to a savings account each month which I watched grow for several months. I stopped payment with the credit card companies while negotiations took place. This gave me some breathing room in my life. Credit Solutions negotiated a great settlement with my credit card company and I paid the debt with borrowed money from a friend which I paid back in 14 months following the same plan credit solutions initially set up for me. I also paid Credit Solutions a fair rate for their services.

Over the years, that credit card company took so much in interest that they made it difficult for me to pay them back. They didn't really want me to pay them back. They wanted me to be in this catch-22. I take responsibility for the debt but I thank Credit Solutions for helping me out. They lived up to their end of the bargain and I lived up to my end and I think both parties came out great.

As for the credit card company goes....if this government continues to allow credit card companies to treat consumers the way that they do (jacking up minimum payments and interest rates while still allowing the consumer to use the credit card) we're going to continue to see families hurt by these practices. Meanwhile the CEOs continue to collect ridiculous bonuses off the broken backs of consumers. It is government sanctioned loan sharking.

I realize that I have to pay back my debts, but when a lender won't work with you and won't understand that you might have job and medical issues...you have to turn to someone who will listen. That's what Credit Solutions did for me. This experience taught me a lesson in finance and I no longer carry credit card debts. I've got a great job and I don't spend what I don't have anymore. Credit Solutions didn't teach me this, I knew this is what I needed to do, but I couldn't get out from under that debt. Credit Solutions gave me the opportunity to live by these standards and I thank them.

Any legislation against companies like Credit Solutions is almost certainly being lobbied for by the crooks that run those credit card companies. If there has to be any legislation it should be to further protect the consumer, not the credit card companies. The proposed legislation has the smell of government protecting the CEOs, not the average Joe.

Thanks in advance for your consideration of this message.

Sincerely,

Anchorage, Alaska.

Appendix A

State: LA
Rule: Telemarketing Sales Rule - Debt Relief Amendments, R411001

My name is [redacted]

In 1999, I applied for a credit card after my husband and I separated. Between then and 2003, I used the card for various things and always tried to stay ahead of my payments. And if my balance got a little high, I would pay it off at tax time.

In Jan. 2003, I had major surgery to remove a massive tumor from my stomach, which turned out to be ovarian cancer. Soon as I was able, I contacted my creditors to let them know I would be having chemo. And because I had some type of disability with them my bills would be covered. However, when I contacted Providian, I was told I had no such coverage and would be expected to continue my payments.

In May of 2003, I received a letter from Providian informing me that my credit protection payment was due and a charge of 149.00 would be added to my account. I immediately contacted Providian and was informed that I had had coverage since 1999 and I would be sent some forms to fill. By the time I got the forms and had them filled out and sent them back, I was told that I had missed the 6 month deadline for filing. So I continued to pay.

In May of 2004, I again had surgery due to complications and decided to refile my claim. Providian accepted my disability, but claimed that instead of paying off the acct. they would put a hold on it. Although my contract said it should have been paid out, they declined to do so. For six months, after receiving that letter, I tried to talk to a supervisor at Providian. I was insulted, lied to, hung up on, and left on hold till I was disconnected. I gave up.

In 2006 the calls for money started. I did try to pay, but with only 550.00 a month in disability, i just couldn't. They were never satisfied with what I could send. Than in Feb. 2007, I was talking to my sister and she led me to Credit Solutions.

I contacted them and spoke to Dave. He e-mailed me all I needed to get started in the program. I was told to tell my creditor to contact them instead of harassing me.

By Aug. 2007, the inetrest had compounded so much that the balance was 10,735.00. Credit Solutions was able to settle with Providian for 3221.00. With my brother's help I was able to pay it off and get them off my back.

Today, I no longer depend on credit cards. They are a boon to mankind. As a matter of fact I have actually gotten insulted by a telemarketer for not using them.

Would I ever get another credit card? When hell freezes over!..

Would I recommend Credit Solutions to family and friends? In a heart beat!

Providian should have wrote off my debt as was promised in my credit protection plan. Instead they lied and got away with it. And I was in the position that I could nothing about it if it weren't for Credit solutions.

In my opinion, Debt solution companies are as necessary as the air we breathe. As long as there are blood-sucking credit card companies who promise you the world and sell your soul out from under you, the public will need protection from them by companies like Credit Solutions.

Appendix A

[redacted]
State: CO
Rule: Telemarketing Sales Rule - Debt Relief Amendments, R411001

Credit Solutions helped me settle a debt that got out of hand when my credit card company decided to up my interest rate from 9.99% to a whopping 29.99%!!! My payments would have just barely covered the new interest rate and I was struggling to make even those. Considering my debt and the fact that I just lost my health insurance to boot, I was going to declare bankruptcy. Thanks to settling this debt LEAGALLY I am getting back on track. PLEASE don't take this opportunity for people to settle their debts away from us!

Appendix A

State: CA
Rule: Telemarketing Sales Rule - Debt Relief Amendments, R411001

Credit Solutions saved my financial future. I was $15,000 in debt before I called Credit Solutions. They worked with me and helped me pay off my bills. I'm now getting married, own a property and a car, and will be debt free as a married woman. Thank you Credit Solutions! I would recommend them to ANYONE in the same situation as me.

Appendix A

[redacted]
State: IL
Rule: Telemarketing Sales Rule - Debt Relief Amendments, R411001

Credit Solutions gave me an alternative that no other could at a time when I just knew I could not go on paying interest for the rest of my life on loans and credit cards that kept raising the interest at a moment's notice. I was paying health care costs out of pocket to the tune of $400 to $500 a month, not covered by insurance, and saw no end in sight for my bills. I had a horrible interest-only home mortgage from a refinance with an irreputable company that went wrong, and my rate was about to adjust. Credit Solutions staff were kind, thorough, helpful, and supportive at a time when anyone else would have said to declare bankruptcy or forget about the medical care not covered by insurance. I made a choice to work with this program and to entrust communications with my creditors to Credit Solutions staff, and within leass than a year, I paid off four accounts in full, two which were several thousands of dollars. Now, I have proof that those debts have been settled, in full, and I can notify the credit reporting agencies that this has occurred. I can work toward restoring my credit faster, with relief. I have a paper trail of all promises and proof of payment from all creditors. This was a better way, in my opinion, of handling the situation, rather than declare bankruptcy or use a credit counseling service. Because I completed the program so quickly, I even received a refund of the up-front monthly costs I'd paid Credit Solutions to work for for me. I am satisified with their work and would use this organization again. I also would recommend this debt payment alternative to others. Thank you, Credit Solutions, for your personal attention and support.

Last Name: _____
State: New York, NY

Appendix A

To Whom It May Concern:

I have a degree in Economics when I came in this country, but jobs in Economics didn't come handy ever since. Jobs in healthcare, however, such as direct patient care for the sick and the elderly have always been available for me. It became a steady source of income for many years, and it gives me an enormous amount of satisfaction and fulfillment. Then I started to develop a desire to become a registered nurse. That was the start of my nursing school in the fall of 2003. That time I had savings and still able to work part time.

Two years past, I was able to complete nursing requirements with 3.8 GPA. Financially shaky, savings were gone. The school put me on the wait list. My 85 year old mother started to get sick which needed a big help financially. With my desire to continue hoping to graduate, I decided to transfer in one of the senior colleges in New York City which charged me double, but accepted me right away. I moved on even without sure funding.

Credit score was excellent; hence credit companies' offers were left and right. I succumbed to their offers in 2005 and 2006. With financial trouble lurking in my head every day, coupled with tedious nursing school work requirements, my health began to falter. I found difficulty concentrating and grades began to fall. I ended up three subjects left to graduate in 2007.

Meantime, although I was not been late once with any of my five credit card companies, seeing no way out with the minimum payments I had been doing. I plan to pay double, but still would take years to complete each of them.

Then in 2007 I began considering credit help from companies such as Credit Solutions. It took me eight months to decide which company to handle these credits. There are companies out there that require opening up an account with a designated bank of their own; sounds very complicated and scary; some almost harassed me with calls every day.

Credit Solution's has given me clarifications and encouragement. We closed the deal in August of 2008. With still some amount of uncertainty, I moved along and been able to save money, settle one of the biggest among the three accounts in February of 2009. Amazing very low and an excellent deal! Then the two accounts followed subsequently. I wrapped up all the deals including Credit Solution's fee in June of 2009. Total savings: $18,946.63! Hallelujah! In 10 months I am absolutely debt free!

How could that happen without the help of Credit Solutions? I am absolutely grateful to you, Credit Solutions! From the customer service department, marketing, settlement, accounting, you are all excellent professionals!

But most of all, I am forever thankful to GOD for this lifelong learning experience. Though I did not complete my nursing degree, I still able to work, free from financial stress, pray not to be caught up with debts at anytime at all. For the next chapter, let God decide it.

Appendix A

[redacted] Confidential
State: MD
Rule: Telemarketing Sales Rule - Debt Relief Amendments, R411001

Debt settlement really helped with managing my credit debt by reducing amount owed. Credit solutions assisted me by neogitating with my creditors and creating re-payment program.

Appendix A

State: IL
Rule: Telemarketing Sales Rule - Debt Relief Amendments, R411001

I feel that debt settlement companies are not all the same. I personally like Credit Solutions best because of their honestly in dealing with people, especially elderly people. Yes, I would recommend Credit Solutions to a family member or friend. I feel it is important to keep the debt settlement industry alive. My experience with other debt settlement companies was unsatisfactory until Credit Solutions.

Appendix A

State: IL
Rule: Telemarketing Sales Rule - Debt Relief Amendments, R411001

This may not be a success story. I enjoyed working with Credit Solutions, however, in order to settle my credit accounts I had to use my 401K money. This of course was my choice. I wanted out of debt now not later. Credit Solutions was able to settle my accounts for 50% of the total.

The debate about Credit Settlement and the effects on the economy. There is one simple solution, but the biggest problem is the banks will not loan the money to consumers. When someone applies for a Bill Consilidation Loan, they are denied because of bad credit. I was one of these people. I applied for a bill consolidation loan, but was denied due to my credit report being bad. If I had been given a consolidation loan, I would not have needed the services of Credit Solutions.

Appendix A

Credit Solutions didn't just settle my debts for me.... they educated me on how to be more aware of my spending habits. Keyword? EDUCATION regarding my finances and spending. Something I failed to obtain from my parents or my high school education. My experiences with Credit Solutions were completely positive and life-changing. Not an over-statement. I have recommended them to friends and will continue to do so. Credit Solutions really did change my life, for the better!!
Sincerely,

Montana

Appendix A

State: OR
Rule: Telemarketing Sales Rule - Debt Relief Amendments, R411001

I want to share how Credit Solutions was so helpful to me in regard to getting me back in track in regard to credit card debt. They helped me budget and the credit card companies were willing to work with me through them so that I could get out of debt and get back on a better financial standing.
I find this service invaluable and truly human and caring. Considering that credit card companies make money out of thin air and don't have any real capital or risk of their own resources, this kind of service is what needs to supported when economic downturns happen.
Thanks you Credit Solutions!

Appendix A

State: NV
Rule: Telemarketing Sales Rule - Debt Relief Amendments, R411001

I am so thankful that I had the option of debt settlement, because my financial situation had changed so drastically and I fear that if debt settlement had not been an option I would have had to file bankruptcy. It is important to have as many options as possible because everyone's situation is different.

Appendix A

State: MT
Rule: Telemarketing Sales Rule - Debt Relief Amendments, R411001

Dear Sirs:

I feel that it is necessary to maintain the availablility of legitimate companies that specialize in debt settlement for the public. In 2002-2003, my income dropped frighteningly and I was unable to meet my monthly obligations, auto, boat, credit cards. It only took a couple of months of drastically reduced income to put me in a position of real financial trouble, especially with credit card debt. I lost a car and a boat, but was able to find help with my $25,000 credit card debt through Credit Solutions of Dallas, Texas. Without their help in negotiating with companies and paying off my debt at a reduced percentage of overall debt oweed, I don't know where I would have ended up. One of the credit card companies, Citibank, refused to negotiate and took me to court and won a judgement against me. All of the other credit card companies, thanks to the help I had in negotiating debt through Credit Solutions, worked with me and I paid back the debt and settled it completely. I think the debt settlement industry is an extremely valuable factor in our economy, providing help and advice to the general public when they find themselves in financial trouble. I strongly feel that this important part of our financial services industry must be protected and encouraged. Most of the credit card debt I found myself faced with was not made up of the actual cost of goods and services purchased with credit cards, but most of that debt was created, over time, through the exhorbitant interest rates that federal and state governments allow these credit card companies to charge for their services. In all instances the companies who negotiated with me through Credit Solutions received back the money actually lent, in full and, in most instances, with a great amount of additional interest. Debt negotiation companies provide a real and necessary service in acting as a knowledgeable go-between when average people are in financial trouble and need someone knowledgeable to counsel them. I did not want to use consumer counseling, nor did I see bankruptcy as an option. Debt negotiation worked for me to fairly and quickly, over a two year period, reduce my debt and satisfy my creditors. Thanks to their efforts in my behalf, at a very reasonable rate, I now am debt free and still working and purchasing and paying taxes. This industry needs to be encouraged and validated and retained and I support any legislation or action that will give them that support.

Sincerely,