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Thank you for the opportunity to provide the Commission with follow up comments regarding the Telemarketing Sales Rule - Debt Relief Amendments.

The questions below request answers be provided in two parts wherever possible, separated by the “Do It Yourself” (DIY) and full service settlement offered to consumers through CRN membership. When possible I will do so. It is important to note that CRN does not offer either option separate of the other.

In this effort I will provide a few abbreviated CRN member case studies that exemplify the consumer benefits when using the DIY approach.

## **Questions From FTC Staff Following Up on Public Comment**

### **1. Company Background**

#### **(a) How long have you been enrolling consumers in debt settlement programs?**

Consumer Recovery Network officially formed in April of 2006. CRN has been suggesting settlement as a method of debt relief since that time.

The Commission may also wish to note that while CRN’s individual file work with each of our members predominantly focuses on settlement as a means to deal with an over burdensome debt load, we frequently encourage consumers to seek hardship plans offered by creditors. Hardship plans vary from creditor to creditor, but generally described they afford the consumer a reduced monthly payment plan and interest rate concessions, either temporarily or for the lifetime of the full account balance.

These programs can be effectuated by the consumer themselves and are often solicited by the creditor through direct to the consumer phone calls or letters.

When hardship plans can fit into the consumers overall capacity to service their debt, we encourage them. Direct to the consumer hardship plans currently being offered by many major creditors are frequently similar to the concessions obtained by non profit and for profit DMP providers. We often see creditor hardship plans offer interest rate and payment concessions that exceed those obtained on a consumer’s behalf through DMP providers.

Because CRN, at no time, interrupts the flow of communication between our members and their creditors (we in fact encourage our members communicate directly with their creditors) all options are on the table and open for consideration.

**(b) Have you made significant changes in your programs since you began offering settlement programs?**

The only substantive change would be the education CRN provides to consumers in their efforts to manage their debt.

CRN's focus has always started with educating consumers on their ability to deal with their creditors directly through the implementation of DIY settlement educational materials and one on one individualized support backed up by our full service settlement guarantee.

**2. Number of Accounts and Consumers**

**For each question, state the specific time period.**

**The comment states that Consumer Recovery Network offers both a "Do It Yourself" and a full service settlement program (pages 8-9). If you can provide answers to the questions below for the "Do It Yourself" and the full service programs separately, please do so.**

It is difficult to separate the DIY from full service as CRN does not make a distinction at the time of enrollment. Every CRN member receives the DIY material even if they enroll with the intention of CRN handling all negotiations. We believe, and are often proven correct, that if a consumer knew implicitly how to do what we would do on their behalf, they will see the benefit of DIY and save themselves the percentage of savings fee CRN would charge for full service settlement (where applicable). Some members will accomplish DIY settlement on a portion of their accounts and ask CRN to negotiate others. I will provide answers and detail for DIY and full service separately wherever possible.

**(a) How many total accounts have consumers enrolled with the company?**

3570 total reported accounts since 2007

**(b) How much total debt have consumers enrolled with the company?**

This is difficult to determine as up until April 2007 we did not utilize a centralized database nor require detailed information about accounts where settlement was being pursued through DIY until October 2008.

Current totals for 2009 are:  
\$16,370,065 designated full service.

**(c) How much total debt have consumers settled through the company?**

Of the \$16,370,065 designated full service above, \$3,814,566.54 has been settled thus far by CRN.

The DIY answer to this question is difficult to determine due to lack of success reporting by consumers. The majority of debt is settled by CRN members using the DIY approach.

**(d) How many total consumers have enrolled with the company?**

\*1218

**“Enrolled” is defined as consumers who have made at least one payment.**

\*Approximately 224 of these made one membership payment, received our materials and after a few brief consultations neither initiated nor returned our attempts to communicate.

### **3. Debt reductions**

**(a) What is the average percentage reduction of settled debt that consumers who completed your program received? Please calculate this percentage reduction using the amount owed at enrollment.**

67.069%

**“Completed” is defined as having had 95%-100% of the consumer’s total amount of debt settled.**

File is only designated as complete when all accounts are resolved.

**(b) What is the average percentage reduction of settled debt that consumers who completed your program received? Please calculate this percentage reduction using the amount owed at settlement.**

62.45% - Full Service  
63.58% - DIY that are reported.

**(c) If you can provide answers to the questions below for the “Do It Yourself” and the full service programs separately, please do so.**

### **4. Accretion**

**The comment states that account balances increase due to late payments, increased interest rates and potential over the limit fees (page 7). What is the average rate of increase in amounts that consumers owe to creditors between enrollment and settlement?**

A useful and reliable number would take some time to generate due to how we store data. I will commit to providing this answer to the commission at a later date.

Due to lack of data from DIY members, a reliable figure is not available.

### **5. Fee Structure**

**The comment discusses generally Consumer Recovery Network’s fee structure (pages 2-3). These questions seek additional detail about the fee structure. Please provide answers for the “Do It Yourself” and the full service program.**

CRN does not separate DIY from full service. All members receive DIY materials and ongoing support in its implementation. Consumers often enroll with CRN after researching other companies and comparing the fact that CRN, in large part, charges fees for our full service settlement based on results. Once the consumer enrolls, receives and reviews our

comprehensive educational materials and completes one or more strategy sessions with the specialist they are assigned to work with, consumers often recognize they can do for themselves what we would do on their behalf. We encourage this.

**(a) What is the total fee you charge to consumers for your services?**

There are too many variables that can have an effect on total fees charged over the lifetime of a consumers CRN membership. While answers provided below will give detail, total fees are best described as never more than 15% of savings or never more than cost of membership when contemplating all DIY aspects and/or state of residency.

**(b) Has this fee changed over time?**

Yes.

Our pricing model changes were primarily based on our attempts to gain public and market exposure of CRN's unique program features.

Under the mistaken and/or naïve belief that partnering with affiliates in the form of internet or call center based promotions, on multiple occasions CRN adjusted its pricing model to accommodate these relationships. These promotional efforts are now categorically defined as major mistakes in relation to our root efforts with consumers and as abjectly failing to accomplish the initial goal of increased market and public awareness.

Membership costs have evolved from absolutely no upfront fee whatsoever when we started (with only a success fee of 15%) to a peak of \$3000 if a member had \$100,000 in debt and back to the model we currently have.

Regardless of pricing changes, our fundamental premise of never charging more than 15% of savings has not been altered.

**(c) When do you charge the fee to consumers? If the fee is charged in parts over the course of a program, please explain when amounts are collected, and what amount is collected at each time.**

An initial membership fee of \$495.00 is a minimum standard. Member pricing is menu based from there. Consumers seeking full membership benefits will add \$100.00 per account they are seeking assistance with. Starting in the second month, full members pay an ongoing \$50.00 monthly membership fee. These initial membership costs can be split into 2 payments when totaling less than \$1000.00 and 3 payments when totaling more than \$1000.00.

Any other fee will be based on CRN having settled an account on a members behalf and will be based on 15% of the savings. A full credit of all membership costs (including the \$50.00 monthly) are applied as an offset to the contingent fee. In other words, CRN does not charge the 15% of savings fee on top of membership fees.

CRN contingent fees for full service settlement are not collected in 20 states. We request that in lieu of paying us 15% of savings for full service settlement work, consumers consider making voluntary donations to low income legal aid offices in their state or to a local food bank in the form of non perishable food items. These donations are strictly voluntary and are not tracked.

An unconditional refund minus \$50.00 shipping and handling is in place for a period of 2

weeks after consumers receive CRN's comprehensive educational materials. A refund of the \$100.00 per account menu pricing is available lifetime at the consumers request on any unresolved account. See member example 3 below for more detail.

A copy of our Membership Enrollment Form provides much greater detail and can be viewed at:

[http://www.consumerrecoverynetwork.com/worksheets/member\\_enrollment\\_costs](http://www.consumerrecoverynetwork.com/worksheets/member_enrollment_costs)

**(d) Has the timing of fee collection changed since you began offering debt settlement programs? If so, please describe how they have changed.**

Membership fees have been structured over as much as 6 month's time.

The contingency fee of 15% savings is not considered until the creditor is paid. Many creditors will offer the balance reduction and as much as 3 month terms. CRN contingent fees are only contemplated once the creditor is paid. This can often result in several months delayed payment to CRN.

**(e) What is the total amount of fees paid by consumers who have completed the program?**

This cannot be easily determined. It can be different for each file. The maximum fee ever paid to CRN has always been 15% of savings where applicable.

Also see member example 1 below for more detail on DIY.

**(f) For consumers who have dropped out of the program before completion, what is the total amount of fees paid by them?**

This cannot easily be determined. CRN since its inception has refunded membership fees to any consumer who requests it unless:

1. There were full service settlements performed that absorbed the initial membership fees we apply as an offset.
2. There were successful DIY settlements and/or other resolution on accounts in which case refunds were made using the following formula:
  - Prior pricing model:  
Total Amount paid for membership, divided by 24 (months of membership program length), times how many months in program, with the difference being refunded (individual refund amounts have often been in excess of this formula).

To date CRN has given full and partial refunds as far out as 18 months after enrollment.

The maximum fee by design would never be more than 15% of savings.

With our current pricing model the total amount of fees paid by a consumer who later is unable to complete their program and accomplished no settlements would be \$495.00 plus \$50.00 for every month in the program starting in month two. See CRN Member Example 3 below for total fees paid by consumers under current pricing model.

The vast majority of inactive/frozen files in our system paid one payment of \$250.00, received our materials and consultation then subsequently “fell off the planet”.

## **6. Completion Rate**

**The comment provides certain information about success rates of consumers who enroll in Consumer Recovery Network’s program (page 3). These questions seek additional detail about the completion rate.**

**(a) Of consumers who enrolled in the program at least 36 months ago, what percentage have completed it?**

CRN did not begin using a central database until April 2007.

In an attempt to answer this meaningfully; Using the same measures\* that were used in my prior comments and not allowing for new members that have enrolled since September 2009 the completion rate has increased to 39%.

This percentage is difficult to determine for DIY members who do not report success.

\* figure is exclusive of consumers who have requested and received a refund or who have not followed up with our multiple attempts to communicate and who are tagged as inactive or frozen in our system until communication is reestablished.

**(b) Of consumers who enrolled in the program at least 36 months ago, what percentage are still active?**

None. CRN makes every effort to structure program lengths that will not exceed 24 months.

**(c) If you can provide answers to the questions above for the “Do It Yourself” and the full service programs separately, please do so.**

## **7. Number of Settlements**

**(a) What percentage of consumers who enrolled in your program settled at least one debt in the first year after enrolling?**

When subtracting consumers we have refunded or whose file in our system has been labeled inactive/frozen 90% have obtained a minimum of one settlement within 12 months of enrollment.

This is difficult to determine for DIY where success is not reported, but for those that do report: 90%

**(b) What percentage of consumers in your program settled at least one debt in the first two years after enrolling?**

See 7(a).

**(c) How many consumers who enrolled in your program dropped out before settling any**

## **debts?**

This is more a reflection of refunds issued or the “fell of the planet” comment in 5(f) which I do not define as having dropped out.

The best measure I can provide is that a total of 33 members have reported filing bankruptcy due to a change in their personal finances (such as job loss or a reduction of income) where settlement would no longer be a legitimate option to pursue.

An answer cannot easily be determined for DIY.

**(d) If you can provide answers to the questions below for the “Do It Yourself” and the full service programs separately, please do so.**

## **8. Documentation**

**The comment states that documentation of any agreed upon settlement should always come from the creditor (page 10).**

**(i) Do all creditors provide consumers with this type of documentation? If all do not, what percentage do so?**

In CRN’s experience, all creditors and their assignees provide documentation of settlement and/or payment agreements. Whether CRN obtains documentation of a settlement as a result of our full service guarantee, or the consumer reaches satisfactory arrangements through the utilization of all CRN DIY resources, the consumer is instructed to never release their funds in satisfaction of any payment terms until they have it in writing.

**(ii) Please submit sample documentation that your clients have received from creditors.**

The results page of the CRN website currently has 33 examples of settlement documentation available. These provide for a diverse sampling of different ways settlements are documented at different stages of collection. There are direct creditor letters as well as assignee, law firm and purchaser settlement examples. The 33 letter sampling is representative of results obtained by CRN as part of our full service guarantee as well as consumers efforts using our DIY resources. Please see: [http://www.consumerrecoverynetwork.com/debt\\_settlement.html](http://www.consumerrecoverynetwork.com/debt_settlement.html)

## **Further Comment:**

I would like to take this opportunity to provide the Commission with a few recent CRN member cases. I believe doing so will provide further color to this, and prior commentary submitted in October 2009.

## **CRN Member Example 1:**

Consumer enrolled after having researched several companies in the debt relief service industry. His research led to the CRN web site and his subsequent request for a no cost consultation. It was determined he would be successful with a settlement approach. The consumer enrolled 3 accounts with CRN on 9/13/2009 in anticipation that CRN would do all

negotiations on his behalf and he would pay a total of 15% of the savings after the settlements were complete. The fee based on results was why he chose CRN over others he had consulted with.

Consumer received our DIY course material and consulted one on one with his assigned specialist. He determined shortly after following the details in our material, fielding a few creditor calls and subsequent consults with his specialist that he would try to accomplish the settlements through the DIY process.

Account Results:

1. \$11,000.00 settled for \$3,660.00
2. \$14,000.00 settled for \$4,700.00
3. \$32,000.00 settled for \$12,000.00

Estimated fee had CRN provided full service (based on 15% of saving): \$5,496.00

Actual Total fees paid to CRN due to DIY implementation: \$995.00

Here are excerpts of an email sent to me by this consumer on 1/12/10:

**“So I was scouring the internet and I came across a company called CRN. I had a talk with them and I knew within 15 minutes of talking to Michael that this was the way to go. There are three main reasons that helped me steer me towards CRN:**

- 1) Their fee is based on the debt amount that was reduced;**
- 2) I do not have to set up a bank account thru them.**
- 3) They offered a DIY option as well.”**

**“Their fee being the most reasonable made sense to me too. Most everybody wanted 20% of the total debt load; CRN wanted 15% of the debt reduced.**

**Also, CRN sent me a whole debt settlement packet which included good information on DS as well as very infomative CD's; count 9 of them! That information in the packet along with Michael's acute consultation helped me settle my debt of \$60K in 6 months!**

**Nobody I talked to was even close. Thanks to CRN, I have settled all 3 of my accounts for 30~35% on a total balance of almost \$60K! And I started this process in August of 2009! I couldn't not have done so well in such short time had it not been for CRN.**

**Their model is transparent and to the point.”**

**Status: File closed 1/2010**

**CRN Member Example 2:**

This consumer enrolled after having researched several companies in the debt relief service industry. His research led to the CRN web site and his subsequent request for a no cost consultation. It was determined he would be successful with a settlement approach. The consumer enrolled 4 accounts with CRN on 7/2/2009 in anticipation that CRN would do all



negotiations on his behalf and he would pay a total of 15% of the savings after the settlements were complete. The fee based on results was why he chose CRN over others he had consulted with.

Consumer received our DIY course material and consulted one on one with his assigned specialist. He determined shortly after following the details in our material, fielding a few creditor calls and subsequent consults with his specialist that he would try to accomplish the settlements through the DIY process.

**Account Results:**

1. \$19,783.17 settled for \$6924.11
2. \$22,563.84 Active – Not settled yet
3. \$45,468.20 settled for \$10,386.67
4. \$48,711.10 settled for \$14,613.33

Estimated fee had CRN provided full service to date (based on 15% of saving): \$12,305.00

Actual Total fees paid to CRN to date due to DIY implementation: \$1,195.00

**Status: Active**

**CRN Member Example 3:**

This consumer enrolled after having researched several companies in the debt relief service industry. Her research led to the CRN web site and her subsequent request for a no cost consultation. It was determined she would be successful with a settlement approach. The consumer enrolled 4 accounts with CRN on 10/18/2009 in anticipation that CRN would do all negotiations on her behalf and she would pay a total of 15% of the savings after the settlements were complete. The fee based on results was why she chose CRN over others she had consulted with.

Consumer received our DIY course material and consulted one on one with her assigned specialist. She determined shortly after following the details in our material, fielding a few creditor calls and subsequent consults with her specialist that she would try to accomplish the settlements through the DIY process.

This member, who enrolled to have CRN provide full service settlement, contacted me via phone on 1/18/10 indicating that she is confident she can proceed with her goals without us. She requested and has been sent a refund of \$300.00 which is the per account menu pricing which has a lifetime refund policy.

1. \$ 5,155.36 settled for \$1546.00
2. \$7,694.97 – Inactive  
(Indicated in her 1/18/10 telephone call that she is only waiting on documentation for the 25% settlement offer already verbally agreed upon with creditor)

3. \$13,833.03 - Inactive

4. \$19,738.79 – Inactive

Actual Total fees paid to CRN due to DIY implementation: \$695.00

Here are excerpts of an email sent to me by this consumer on 1/18/10:

**“Mr. Michael,**

**I want to thank you and all members of CRN for helping me gain the knowledge to get through my debt situation. Thanks to the cds and the advice of my debt specialist I have closed one out of four accounts and now have the confidence to face the other three accounts I still have to settle. I just want to add that the service is exceptional since all my calls and emails were answered the same day as well as all the questions I had. I would definitely recommend my friends and family to obtain the cds and materials.**

**I also want to remind you, as per our discussion, that I want to cancel my membership so that the \$50 monthly fee will not be charged anymore and that a refund of the three accounts that have not been settled yet needs to be applied to my checking account.”**

**Status: Refund**

I selected these CRN member files solely for the reason that they were recent phone calls and emails that I personally received while preparing to submit this commentary. They represent what DIY can do for the consumer and why CRN approaches the work we do with the Do It Yourself option first and foremost. Similar results are dominant in our files.

Sincerely,

Michael Bovee  
CRN President