March 8, 2010

Federal Trade Commission
600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580
ATTN: Evan Zullow, Esq.

Re: Supplemental Response & Data

Dear Evan:

Thank you for your follow up questions on the TASC survey. Below find my answers to your questions (with your questions repeated at the start of every answer for ease of reference), as well as a detailed description of how the data was collected and analyzed.

1. Q: On page 10, the comment states that consumers included in the survey received a total of $245-million in debt reduction. On the telephone, you noted that this represents the total amount of debt reduction out of the total debt at the time of settlement (as opposed to at the time of enrollment). Could you provide a calculation as to how much of this $245-million constitutes interest and other fees that have accumulated between the time of the consumers' enrollment and their settlements? Similarly, out of the total $444-million of "total debt settled" (pg.10), how much of this debt was originally enrolled in the programs?

   A: Our industry generally tracks settlement percentages at of the time of settlement, rather than the time of enrollment, and thus the TASC survey asked for the settlement data in this way. However, based on data from the last 46,000 settlements by Freedom Debt Relief ("FDR"), the average difference between the balances at the time of settlement versus balances at time of enrollment (what we call the "accretion rate") is 21.9%. This translates into about a 9 to 10-point difference in the settlement percentage rate (i.e., a settlement of, say, 42% of debt owed at the time of settlement generally means a 51% to 52% settlement of debt based on the enrolled amount).

   We believe this outcome represents a tremendous consumer benefit. Keep in mind that any other option available to consumers trying to pay off their debts (credit counseling or minimum payments) invariably results in much greater payments of interest and fees over a much longer period of time. Therefore, the savings offered to consumers by debt settlement programs relative to other options is, in fact much, much more than the $245 million of absolute dollar savings listed above.

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That said, applying a 21.9% accretion rate to the TASC data, the estimated $444 million in total debt settled would have been approximately $364 million at time of enrollment. The total paid by consumers would be the difference between $444 million of debt settled and $245 million in debt reduction at time of settlement, or $199 million of actual payments. Therefore, the total debt reduction off enrolled balances is $364 million minus $199 million of actual payments, or $165 million, which is a 45.5% reduction off the debt originally enrolled.

2. Q: The comment says that "the total debt for consumers was approximately $444-million, while the total fees collected . . . was approximately $126-million." (pg. 10). Does the total debt of $444-million include the $126-million in fees the consumer has paid (or owes) to the debt settlement company?

   A: No. The $444 million is the amount that consumers owed to banks on their accounts at the time of settlement. Consumers paid the banks approximately $199 million of this amount in their debt settlements. Separately, they paid $126 million in fees to debt settlement companies for their services, which reduced the consumers' debts by $245 million (at time of settlement) or approximately $165 million (at time of enrollment).

3. Q: The comment, again on page 10, states that 34.4% of consumers included in the survey have either "completed" or remained active in their programs. In the next sentence, the comment notes that 9.8% of consumers in the survey remained active in their programs. Is it correct that 24.6% (34.4 – 9.8) have "completed" their programs?

   A: Correct. 24.6% have completed the program and another 9.8% are still active in the program. Given our experience the attrition rate after 36 months in the program is statistically insignificant. Therefore, we think it a reasonable assumption that the vast majority of those 9.8% will go on to complete the program. In fact, as indicated on page 10 of our comment letter, over 70% of debts enrolled for those 9.8% active clients had already been settled as of the time of the settlement.

4. Q: In order to be reported as having "completed" a debt settlement program, must a consumer achieve a minimum debt reduction consistent with her company's marketing statements? For example, if a TASC member advertises that it can reduce consumers' debts by 40%, will that member limit its definition of "completed" to those consumers who have not only settled all of their accounts, but also achieved at least a 40% reduction on those accounts?

   A: A completed client is defined as one that has settled debts representing 75% to 100% of his enrolled debt balances, and is not still actively enrolled in the program. The TASC survey did not include data on how many of these have debts reduced by

40% or more. However, we suspect that most of them would have been reduced by that amount. According to FDR's data on its last 46,000 settlements, 92.4% of the settlements achieved debt reduction for the consumer of 40% or more of the balance at time of settlement. As noted in our comment letter, in the TASC survey, the average account settled in 2008 was reduced by 55.3%, and the average account settled in 2009 was reduced by 58.4% of debt at time of settlement.

We also note that, as described in our comment letter, TASC members are required to have substantiation for any advertising claims that the member can reduce a consumer's debt by a particular percentage. We believe that any concerns about potential savings are traditional "truth in advertising" issues that are best addressed through guidance on advertising success rates, rather than through the draconian step of imposing a so-called "advance fee ban."

5. Q: On page 11, the comment reports that the "debt reduction achieved for consumers was 55% of outstanding balances in 2008." From our conversation, I would assume that this refers to 55% of outstanding balances *at the time of settlement*. Is that accurate? What was the debt reduction achieved in 2008 when stated as a percentage of the debt consumers placed in the programs *at the time of enrollment*?

   A: The 55.3% reduction in 2008 (and 58.4% reduction in 2009) is based on debt settled at time of settlement. Using the 21.9% average accretion rate we used in Question 1 above, we estimate that the debt reduction at the time of enrollment was approximately 45.5% in 2008, and 49.4% in 2009.

6. Q: The comment states that consumers who terminated their debt settlement programs before completion had $105.1-million in debt settled (and paid $55.6-million in fees). What was the aggregate debt reduction for these consumers?

   A: The aggregate debt reduction for these terminated consumers was $58.1 million.

<u>Details on the TASC Data Request (the Survey)</u>

Background In September, in order to be able to properly respond to the proposed amendments to the TSR, TASC began a concerted effort to collect industry data from its members. Given the severe time limitations imposed by the Agency's comment period, we designed the data request to get to the heart of the issues with as few data points as possible. What that meant was there were 31 data fields that companies were asked to provide.

The four main sections of the survey were meant to address four different areas of concern:

1. What is the current size of the market in terms of market demand?
2. What is the current size of the market in terms of settlement activity?

3. To what extent are consumers screened out before entering a debt settlement program?
4. For consumers that enrolled in a debt settlement program 36+ months ago, what is the status of these consumers (Active, Completed, Terminated), what are the settlement results and debt reduction, and how does debt reduction compare to the fees paid by the consumers?

Also in consideration of the time limitations, the surveys were sent out only to the 20 largest TASC members. These companies represented approximately 80% of the debt settlement consumers served by TASC members.

In order to maintain anonymity of the respondents and thus increase the response rate while minimizing the risk of inadvertent disclosure or proprietary information, the accounting firm of Bergman Hirsch & Associates, LLC ("Bergman") in Florida agreed to compile and aggregate the data for TASC.

While the accounting firm coordinated the collection of the data, TASC Board Member Andrew Housser took the lead by following up with the companies to answer any questions they had about the data request and encouraging the companies to participate. Part of this was a scheduled conference call to walk through the data request and clarify any points of confusion.

Ultimately, 15 of the 20 companies responded to the data request and submitted data (including all of the largest 5 TASC member companies).

Data Reasonability Testing Bergman blinded the data to make each company's submission anonymous and forwarded the results to Andrew Housser for analysis.

The first step of the analysis was analyzing the company submissions to see if any data points did not seem reasonable. Ratios that were off by more than a standard deviation from averages of respondents to the TASC survey were followed up on by Andrew Housser, who forwarded the questions to Bergman, who followed up with the companies directly to see if the data was in fact accurate. There were four companies that, upon verification, corrected the erroneous data points after this double-checking process was complete.

After the data testing was complete, one company's data was excluded entirely because of missing data together with several ratios that were between 2 and 9 standard deviations off averages of respondents to the TASC survey, which seriously called into question the reliability of the data. The excluded company was one of the smaller companies to participate in the survey.

After excluding this one company from our pool, we were left with 14 companies, representing over 75% of all TASC debt settlement consumers.

Data Completeness Not every one of the 14 companies provided data for all categories. The following summarizes the extent to which we had partial data:

Two companies were in existence less than 3 years at the time of the survey, and thus had no "3 Year Pool" data. These companies were included in the Survey for Sections 1-3 of the Survey, but excluded for Section 4, the analysis of the 3 Year Pool.

2 companies submitted partial 3 Year Pool data. They had complete data relating to client statuses (Active, Terminated, Completed), but incomplete data on Debt Reduction and Fees. These companies were included in the analysis for all categories except the comparison of Debt Reduction and Fees in the 3 Year Pool (this was described in footnote 7 of the TASC comment letter).

5 companies submitted partial or no data in Section 3 of the Survey. These companies were excluded from all calculations related to Section 3 of the Survey, but included in all other Survey calculations. Please note, the data in Section 3 of the Survey was mentioned only once in the TASC comment letter at the bottom of page 8.

Data Analysis and Assumptions The data analysis was relatively straightforward. The 14 companies' data was summed, averaged or weighted averaged as appropriate.

There were only two assumptions that needed to be made to complete our analysis:

1. We collected data in Sections 1 and 2 of the TASC Survey on settlement activity from TASC members accounting for approximately 75% of TASC consumers. In the letter (for example on page 11), we provided the number for the TASC Survey (i.e. 75% of TASC Consumers) and then indicated we were providing an estimate or extrapolation for the entire TASC customer base using that data. We determined these estimates or extrapolations by taking the numbers obtained in the TASC Survey and dividing by 0.75.

2. We collected data in Section 4 of the TASC Survey (the 3 Year Pool) on the dollar amount of debt reduction for consumers that enrolled in their debt reduction program at least three years earlier. In the letter (for instance on page 10), we provide an approximation of $444 million for the aggregate amount of debt settled (as of date of settlement). We determined this approximation by taking the debt reduction amount from the TASC Survey ($245 million) and dividing it by the average debt reduction rate (100% minus the settlement rate) reported by TASC members for 2008 (55.3%).

Please let us know if you have any other questions about the data.

Sincerely,

//s//

Andrew Housser
Member of the Executive Board
The Association of Settlement Companies