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October 23, 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

Dear Commissioners:

This comment is submitted in connection with, and in support of, the Federal Trade Commission's proposed debt relief amendments referenced above.

On January 1, 2008, Colorado's Uniform Debt Management Services Act took effect. The Colorado Attorney General's office enforces that law, including its registration requirement for credit counseling and debt settlement providers. As part of the annual registration renewal process, providers completed a questionnaire and provided data on their activities for the years 2006-2008. That data was compiled into the attached report. I have also enclosed a copy of the press release issued in connection with the release of the report. This information may be helpful to the Commission in providing background on the industry.

Please contact me if you have any questions.

Sincerely,

FOR THE ATTORNEY GENERAL

LAURA E. UDIS
First Assistant Attorney General
Consumer Credit Unit
Consumer Protection Section
(303) 866-4494

Enclosure

PRESS RELEASE

Colorado Department of Law
Attorney General John W. Suthers

FOR IMMEDIATE RELEASE

Oct. 15, 2009

CONTACT

Mike Saccone, Communications Director
303-866-5632

**ATTORNEY GENERAL UNVEILS FIRST ANNUAL REPORT
ON DEBT SETTLEMENT, CREDIT COUNSELING BUSINESS PRACTICES**

DENVER — Colorado Attorney General John Suthers has released his office's first annual report on debt management activity, which details the success rates, failure rates and fees of Colorado's debt settlement and credit counseling businesses between 2006 and 2008. The data, collected from 42 Colorado debt settlement and credit counseling companies, reveals that less than 10 percent of consumers contracting with these companies since 2006 completed their agreements by either paying off or settling all of their debts.

"Colorado consumers in financial distress may be tempted by numerous advertisements from companies claiming to lower and eliminate debt," Suthers said. "As our data shows, debt settlement and credit counseling are not quick fixes. Consumers should carefully consider all of their options, including directly reaching out to their creditors, before making any decisions to sign up with debt settlement or credit counseling companies."

The data, gathered and published by the Office of the Attorney General's Consumer Protection Section, is required by the Colorado Uniform Debt Management Services Act, which took effect Jan. 1, 2008. The law required that companies entering into debt management contracts with Colorado consumers register with the state by July 1, 2008, comply with applicable state laws and file annual reports with the Office of the Attorney General. The Uniform Debt Management Services Act also caps the fees credit counseling and debt settlement companies can collect from consumers, provides consumers with a three-day window to cancel their contract, and prohibits companies from engaging in false or misleading business practices.

Credit counselors negotiate with creditors to waive or lower interest, fees and payments. Consumers make monthly payments to the counselors that are distributed to creditors. Debt settlement companies contract with consumers to set up regular payments into a bank or trust account rather than directly paying creditors. The debt settlement company then uses consumers' contributions to negotiate a lump-sum settlement of the debts.

"If consumers contract with a debt settlement provider or credit counselor, they should ensure that the company is registered and complying with Colorado law," Suthers said. "Consumers should be leery of any debt management plan that encourages them to stop paying their creditors altogether."

The report also revealed that more than 10,000 Colorado consumers entered into debt management contracts during 2008. The average amount of debt owed by consumers was \$21,050 for those in credit counseling and \$30,788 for those in debt settlement plans. The average contract term was nearly 41 months for credit counseling and more than 32 months for debt settlement.

In 2008, consumers paid an average fee of \$495 for credit counseling and \$1,666 for debt settlement. (This amount does not reflect total contract fees as they are typically paid during the entire term for credit counseling and during the first half of the term for debt settlement.) By law, credit counseling fees may not exceed \$50 per month and an initial \$50 setup fee. Debt settlement fees are limited to 18 percent of the total principal amount of the debt at the time of the agreement.

"I am concerned with the high debt settlement fees allowed under the law," Suthers said. "By paying a fee of 18 percent of the original debt amount, whether or not any settlements are achieved, consumers could end up paying substantial sums of money for little or no services. To better protect consumers, I favor legislation amending the law to allow collection of minimal monthly fees but no settlement fees until settlements are actually reached."

The 2008 debt management report, a list of registered credit counselors and debt settlement providers, and consumer information and complaint forms are available at: www.coloradoattorneygeneral.gov/dm.

Since the Uniform Debt Management Services Act took effect, the Office of the Attorney General has investigated and settled with 23 debt management companies and required them to refund more than \$1.1 million dollars to Colorado consumers. The Office of the Attorney General continues to investigate and prosecute debt management companies that have failed to register with the state in accordance with Colorado law. Consumers with complaints about debt settlement or credit counseling companies should contact the Office of the Attorney General at 303-866-4494.



State of Colorado
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Uniform Debt Management Services Act
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2008 Annual Report - Colorado Debt Management Services Providers

This is a composite of all reports made to the Administrator of the Uniform Consumer Credit Code, pursuant to 12-14.5-211(c)(8), C.R.S., from registered Debt Management Providers. This information has not been independently verified.

2008 GENERAL INFORMATION

Number of Providers reporting data for 2008: 42

Total Number of Agreements Colorado Consumers Entered Into During 2008: 10,189

Total Activity for 2008 by Provider Type	Credit Counseling ¹	Debt Settlement ²
Total Number of Agreements	7,342	2,847
Average Amount of Debt per Consumer	\$21,050	\$30,788
Average Term of Agreement	40.8 Months	32.3 Months
Average Fees Collected ³	\$495	\$1,666

2008 CREDIT COUNSELING ACTIVITY

Money received from Colorado Consumers \$ 90,907,711

Money paid to Creditors \$ 86,313,005

2008 2007 2006

Total Number of Agreements	7,342	8,005	8,459
Percent of Completed Agreements	1.92%	4.02%	8.35%
Percent of Active Agreements	73.20%	54.13%	43.87%
Percent of Terminated Agreements	24.88%	41.85%	47.78%

¹ Credit Counseling providers work with a consumer's creditors to establish a debt management plan that may include interest rate reductions, lower fees, and lower monthly payments. Plans typically provide full repayment of the principal amount of debt enrolled in the plan. Consumers make monthly payments to credit counseling providers. This money is held in the provider's trust account. Funds are then disbursed monthly to creditors on behalf of the consumer.

² Debt Settlement providers negotiate with a consumer's creditors to settle debts for less than the full balance owed. Debt settlement providers do not make regular payments to creditors. Instead, consumers make monthly deposits into savings or special purpose accounts. Once a certain balance in the account has been achieved, the debt settlement provider attempts to reach a settlement with each creditor for less than the full balance owed.

³ Maximum allowable charges for Credit Counseling Providers may not exceed \$50 for a monthly service fee and a one time \$50 initial set up fee. Maximum allowable charges for Debt Settlement Providers may not exceed 18% of the total principal amount of the debt at the time of enrollment.

2008 DEBT SETTLEMENT ACTIVITY

Total Amount of Debt Covered Under Debt Settlement Agreements \$ 72,551,619

For Debt Settled in 2008:

Original balance at time of enrollment: \$ 17,983,083

Balance of debt at the time of settlement: \$ 21,624,265

Settlement amount paid: \$ 11,184,895

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total Number of Agreements	2,847	2,528	1,357
Percent of Completed Agreements	0.84%	4.31%	7.81%
Percent of Active Agreements	70.78%	43.91%	38.91%
Percent of Terminated Agreements	28.38%	51.78%	53.28%