

## **“Telemarketing Sales Rule - Debt Relief Amendments, R411001”**

### **Comment**

My name is Ted Brauer and I am the founder of Debt Settlement USA, a debt settlement company located in Scottsdale, Arizona. The company was founded in 2003 and has operated under the same name since its inception. It currently employs 130 people. I am writing this as a formal response to the proposal of the FTC to regulate the debt settlement industry. From the outset, I want to make clear that I am in support of germane industry specific regulation of the debt settlement industry; however the proposal of the FTC will make it impossible for ours and many other reputable companies to survive.

The most troubling aspect of the proposed new rules is the prohibition of charging fees prior to “work being completed” for a client. This one aspect alone would effectively put my company out of business for the following reasons: first and foremost, the debt settlement business, when done correctly, is labor intensive. We do not put our clients into “cookie cutter plans”; each person has a unique program set up for them based on their ability to save money. Given this approach, our “back-end” staff, made up of employees who service our clients, is more than two times the size of our “consultant” staff”, i.e. those who assist clients in signing up for the program. We do not subcontract any of our work, nor do we have any outside sales forces; all of our work is done in-house. From our consultants who speak to prospective clients and our negotiations staff which has settled close to 200 million dollars of debt since inception, to our customer service representatives who answer questions throughout the program,

our staff is located under one roof. Given this set up, our business needs to be compensated from the start of a client's enrollment and as we move along the process to settlement in order to sustain a high level of customer service and contact throughout the entire program. When a client has funds to pay an account, our negotiators discuss settlement options with the client and obtain authority to make a settlement offer.

Thereafter, the negotiator contacts the client's creditors to negotiate a settlement in full, confirms settlement agreements in writing and consults with the client to ensure payment is made before a settlement agreement expires. In addition to negotiating settlements, we make it a point to speak to each and every client at least once a month in order to follow-up with them, encourage them to save money and to alert them to any settlement opportunities which we may have become aware of through other creditor contact. In addition, many clients call in due to the harassment they receive from debt collectors, which if I'm not mistaken is the number one complaint made to the FTC in 2008. If we are unable to charge fees until the completion of a client's program, we will not be able to properly service our clients.

Second, our inability to receive compensation prior to a client completing a program would prevent us from providing a unique program we have for some of our clients. Being both a veteran and senior citizen, I decided to initiate a plan to help these two vulnerable groups. Our "Sterling Program" aims to assist these people. If a client who is either a veteran or senior citizen can no longer afford to pay our fees, we complete their program pro bono. By taking away the ability to charge consumers when they start our program, we would no longer be able to offer this valuable service.

Third, an often overlooked fact is that the debt settlement industry can advocate solely for the consumer when negotiating with a creditor because unlike the credit counseling industry, we are not paid by the credit card companies. While debt settlement providers need to charge consumers from the beginning of their program, we are able to truly advocate for the consumer because we negotiate solely in the consumer's best interest without being indebted to the credit card companies.

Finally, by requiring that fees cannot be paid until a debt settlement program is complete, you will drive the good debt settlement companies out of business leaving only those who have no interest in servicing consumers. It would be naïve to think that a network of bad operators would not open taking advantage of the people who need help the most. There are countless people who do not want to do credit counseling or do not have the ability to negotiate on their own and you are effectively taking away the debt settlement option from them.

We invite regulators to come to our office, see our people, review our operations and make their own judgment about the validity of our business.