

Confidential
Not for Public Release without Notice to Submitter

Response of ACCORD
To FTC Staff Information Request
In Connection with
Debt Relief Services Amendments
To Telemarketing Sales Rule

February 5, 2010

ACCORD Response – TSR Debt Relief Services Rulemaking

1. Number of Accounts and Consumers

The responses to this question are based on information provided by Nationwide Asset Services, Financial Consulting Services, Advantage Debt Services, and Ultimate Debt Solutions (4 of the 7 ACCORD members). The beginning time period varies for each member, beginning with Nationwide Asset Services, which began business in 2002. The time periods end as of January 26, 2010.

(a) How many total accounts have consumers enrolled with debt settlement companies that are members of ACCORD?

Response: Consumers have enrolled approximately [REDACTED] credit accounts with these four ACCORD member companies.

(b) How much total debt have consumers enrolled with debt settlement companies that are members of ACCORD?

Response: The enrolled debt exceeds \$ [REDACTED] million.

(c) How much total debt have consumers settled through debt settlement companies that are members of ACCORD?

Response: These companies have settled about \$ [REDACTED] million in consumer debt. The companies are actively in the process of settling debts totaling about \$ [REDACTED] million. Consumers having about \$ [REDACTED] million withdrew from debt settlement programs. In many instances, these consumers settled these debts through direct negotiations with creditors after having gained experience with the settlement process while enrolled with ACCORD members.

(d) How many total consumers have enrolled with debt settlement companies that are members of ACCORD?

Response: Over [REDACTED] consumers signed contracts with ACCORD members and have made at least one deposit into a special purpose savings account for use toward debt settlements.

2. Debt Reductions

(a) For ACCORD members, what is the average percentage reduction of settled debt that consumers who completed the program received? Please calculate this percentage reduction using the amount owed at enrollment.

Response: The average discount from the amount enrolled is [REDACTED]% for all settlements negotiated by ACCORD members. This percentage is accurate both for consumers who have completed the program and for those who have experienced at least one settlement but who have not yet completed the program.

ACCORD Response – TSR Debt Relief Services Rulemaking

(b) For ACCORD members, what is the average percentage reduction of settled debt that consumers who completed the program received? Please calculate this percentage reduction using the amount owed at settlement.

Response: We do not have this information. ACCORD members only calculate settlement savings based on the amount of debt at the time of enrollment. We firmly believe that to do otherwise has a strong potential to mislead consumers and the public. Because the accretion in the amounts consumers owe during their enrollment has no business purpose, ACCORD members do not track it.

3. Accretion

For ACCORD members, what is the average rate of increase in amounts that consumers owe to creditors between enrollment and settlement?

Response: As we describe above, we do not record this information.

4. Fee Structure

(a) What percentage of ACCORD members use a “back-end model” in which the consumer pays all of the fee upon program completion, paying a fee equal to a percentage of total savings?

Response: It is important to note that ACCORD does not endorse a “back-end model,” to the extent that means fees are earned and paid only upon the completion of a debt settlement plan, as your question suggests. Rather, ACCORD believes that debt settlement firms should collect fees as each settlement is made. Specifically, ACCORD supports the collection of a fee after a creditor agrees to a negotiated settlement amount and when the consumer transmits the funds to the creditor. If the negotiated settlement calls for installment payments, a portion of the settlement fee is collected as the consumer makes each installment payment. Consumers derive a tangible economic benefit each time a debt is settled. Waiting to collect any fee until *all* debts are settled is impractical. Completing the program is largely within the consumer’s control. If consumers owed no fees as long as they did not complete the program – no matter how many debts the company settled for them – many would be understandably tempted to withdraw before the final settlement was complete.

(b) Do any ACCORD members use fee models other than the “back-end model”? If so, please explain for those fee models when amounts are collected, what amount is collected at each time, and how many members use the fee model.

Response: Yes. At present, all ACCORD members use a blended fee model. FCS offers both a blended fee model and The Simple Plan, which charges only a settlement fee as each debt is settled. The chart below contains additional information.

ACCORD Response – TSR Debt Relief Services Rulemaking

	FCS Blended Fee Program	The Simple Plan (FCS)	Nationwide Asset Services	Ultimate Debt Solutions
Setup Fee	\$299 or \$399	\$0	\$299 or \$399	\$0
Enrollment Fee	50% of first 6 payments	\$0	1st 3 payments	1 st 2 months payments
Admin Fee	\$49/month after 6 th payment	\$0	\$49/month after 3 rd payment	\$49/month after 2 nd payment
Settlement Fee	29% of savings from enrolled amount	50% of savings from enrolled amount	29% of savings from enrolled amount	Program fee collected as settlements are funded
Program Fee	\$0	\$0	\$0	15% of enrolled debt

(c) For consumers who have dropped out of ACCORD members’ programs before completion, what is the total amount of fees paid by them?

Response: ACCORD members do not define completion using the definition you provide, so that information is not readily available. We estimate, however, that about █% of all fees collected are paid by consumers who drop out before their first settlement.

5. Completion Rate

(a) Of consumers who enrolled in a ACCORD member program at least 36 months ago, what percentage have completed it? Please provide separate answers for each fee model.

Response: The Simple Plan was initiated in 2009, so we do not yet have data on accounts aged at least 36 months for a pure “settlement fee-only” model. Companies using a blended fee model have varied experiences with drop-out rates. In general, however, the more the fee structure is weighted toward the settlement fee, the higher the completion rate. Under a blended fee structure, ACCORD members have found that up to █% of customers drop out before completing a settlement.

(b) Of consumers who enrolled in a ACCORD member program at least 36 months ago, what percentage are still active? Please provide separate answers for each fee model.

Response: Under blended fee models, about █% to █% of customers enrolled before December 31, 2006 are still active. In many cases, the customers have experienced longer-than-expected completion periods due to continued financial difficulties that have delayed their savings programs.

ACCORD Response – TSR Debt Relief Services Rulemaking

6. Number of Settlements

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

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

Response:

Percent of Debt Settled in 1st Year & in 1st 2 Years				
	FCS	Simple Plan	NAS	Ultimate Debt Solutions
1st Year	■	■	■	■
1st 2 Years	■	■	■	■

(c) How many consumers who enrolled in a ACCORD member program dropped out before settling any debts?

Response: About ■% of consumers enrolled in a plan with a blended fee model have dropped out before settling a debt. About ■% of consumers enrolled in The Simple Plan have dropped out before their first settlement. The Simple Plan consumers have paid no fees.

7. ACCORD Membership

Please provide a list of ACCORD members and a brief description of their businesses.

Response:

Advantage Debt Services (PlanStar)
Marketing Debt Settlement Programs

DebtSmith
Marketing Debt Settlement Programs

Financial Consulting Services
Marketing and Administering Debt Settlement Programs

Financial Exchange Group
Marketing and Administering Debt Settlement Programs

ACCORD Response – TSR Debt Relief Services Rulemaking

Nationwide Asset Services
Administering Debt Settlement Programs

Select Benefits
Marketing Debt Settlement Programs

Ultimate Debt Solutions
Marketing and Administering Debt Settlement Programs