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of Attorneys General

July 6, 2010

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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
Matter No. R411001

Dear Secretary Clark:

The Attorneys General of Alaska, Arkansas, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Vermont, Washington, West Virginia, and Wyoming submit the following supplemental comments on the Proposed Rulemaking to amend the Federal Trade Commission's ("FTC") Telemarketing Sales Rule ("TSR"), 16 C.F.R. Part 310, to address the sale of debt relief services.

We previously submitted comments on October 23, 2009 on behalf of the attorneys general of 41 jurisdictions in support of the proposed amendments to the TSR to protect consumers of debt relief services. In those comments the States made the following recommendations regarding the proposed rules:

- **A prohibition on advance fees for debt settlement services is the most essential element of the proposed Rule.** An advance fee ban will prevent debt settlement companies from profiting even when they obtain no benefit for consumers, an all too common practice in the debt settlement industry. Moreover, consumers seeking the assistance of a debt settlement company can ill-afford the significant up-front fees charged by these companies. Much of the harm alleged by consumers complaining to the States is due to consumers' inability to save significant amounts of money in the first several months of the program as a result of advance fees. As a result, consumers experience the increased collection efforts, lawsuits, etc., that would be

diminished if they were allowed to save money for settlements on the front end through an advance fee ban. An advance fee ban is consistent with State and Federal regulation of other debt-related services that have been characterized by abusive consumer practices, such as credit repair, loan brokering and foreclosure relief. We see no reason to treat debt relief services differently.

- The TSR should be amended to cover inbound calls to debt relief companies.
- The TSR should be amended to prohibit deceptive telemarketing acts or practices by debt relief companies.

Our brief comments below are intended to provide additional information as well as reiterate our strong support for comprehensive and effective regulation of debt relief services. Since the rulemaking was announced in July 2009, debt settlement companies have continued to propagate their misleading and unsubstantiated claims of debt relief. Our citizens have diverted millions of dollars to debt settlement companies and have too often ended up deeper in debt with no relief in sight. We urge the Commission to act promptly and to put into effect a final rule substantially similar to the proposed rule as soon as is reasonably possible.

RECENT DEVELOPMENTS, INCLUDING CONSUMER COMPLAINTS AND ENFORCEMENT ACTIONS SINCE THE ORIGINAL COMMENTS WERE FILED, DEMONSTRATE THAT UNFAIR AND DECEPTIVE PRACTICES WITHIN THIS INDUSTRY ARE NOT ABATING.

We previously commented that the number of consumer complaints the States have received against debt relief companies, particularly debt settlement companies, have consistently risen. This trend has continued. For example, in Illinois complaints against debt settlement companies increased by 55% between 2008 and 2009.

The consumer complaints have highlighted some of the deceptive marketing practices employed by the debt settlement industry. Some of the advertisements suggest an affiliation with purported government programs, using terms like “stimulus act” or “credit relief” act, and even using the FTC seal. Attached as Exhibit 1 are examples of some recent debt settlement advertising materials.

As consumer complaints continue to rise, enforcement actions continue to be filed. For example, on February 10, 2010 Illinois brought four actions against debt settlement companies located in Texas, Arizona, Florida, and California. Later that same month, Minnesota brought seven actions against debt settlement companies. Over the past 7 months since our original comments were filed, states have brought an additional 42 enforcement actions against 36 debt relief companies alleging unfair and deceptive practices and violations of state debt settlement licensing statutes.¹

¹Attached hereto as Exhibit 2 is a list highlighting enforcement actions that have been brought by State Attorneys General against debt relief companies since October 23, 2009. It is not a comprehensive list of all cases filed and does not include investigations that have not been

States have also recognized the need for enhanced regulation of the debt settlement industry and have responded with legislation similar to the FTC's proposed amendments to the TSR. For example, Illinois recently passed HB 4781, the Debt Settlement Consumer Protection Act, a collaborative effort of the Office of the Attorney General and the Illinois Treasurer's Office. This bill now awaits the Governor's signature. HB 4781 will protect consumers by:

- Prohibiting debt settlement companies from charging up-front fees, except a one-time \$50 enrollment fee;
- Prohibiting monthly fees;
- Allowing debt settlement companies to collect a success fee, of up to 15% of the savings achieved for the consumer, when the company delivers on its promise;
- Prohibiting deceptive advertising;
- Requiring written disclosures and warnings; and
- Requiring licensing and bonding.

The State Attorneys General participated in a hearing on the debt settlement industry conducted by the Senate Commerce Committee on April 22, 2010. We reported on the anti-consumer practices prevalent in the industry and reiterated our support for strong regulation at the national level. As part of the hearing, the Government Accountability Office (GAO) released an investigative report entitled "Debt Settlement: Fraudulent, Abusive, and Deceptive Practices Pose Risk to Consumers." The GAO's covert testing revealed that debt settlement companies frontloaded their fees, advised consumers to cease paying on their debts, guaranteed specific debt reduction percentages, represented unsubstantiated past success rates, and claimed affiliations with government programs. The GAO findings are consistent with our experience, based on consumer complaints we have received and investigations we have conducted.

In closing, we believe that the Federal Trade Commission's proposed changes to the TSR will provide much needed nationwide protections for consumers of debt relief services. We strongly support the proposed amendments as drafted in the NPRM and hope that the FTC finds our comments useful in achieving its consumer protection goals.

Very Truly Yours,

Bill McCollum
Attorney General of Florida

Lisa Madigan
Attorney General of Illinois

announced to the public, actions taken against industries that perform services similar to debt relief companies (e.g., credit repair, tax relief, etc.) and actions taken by other regulatory agencies responsible for the debt relief industry.

Douglas F. Gansler
Attorney General of Maryland

Rob McKenna
Attorney General of Washington

Daniel Sullivan
Attorney General of Alaska

Dustin McDaniel
Attorney General of Arkansas

John Suthers
Attorney General of Colorado

Richard Blumenthal
Attorney General of Connecticut

Joseph R. Biden, III
Attorney General of Delaware

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Attorney General of Georgia

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Lawrence G. Wasden
Attorney General of Idaho

Greg Zoeller
Attorney General of Indiana

Tom Miller
Attorney General of Iowa

Steve Six
Attorney General of Kansas

Jack Conway
Attorney General of Kentucky

Janet T. Mills
Attorney General of Maine

Martha Coakley
Attorney General of Massachusetts

Mike Cox
Attorney General of Michigan

Lori Swanson
Attorney General of Minnesota

Jim Hood
Attorney General of Mississippi

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Steve Bullock
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Attorney General of Nebraska

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Attorney General of Oklahoma

John Kroger
Attorney General of Oregon

Tom Corbett
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Patrick C. Lynch
Attorney General of Rhode Island

Henry McMaster
Attorney General of South Carolina

Marty J. Jackley
Attorney General of South Dakota

Robert E. Cooper, Jr.
Attorney General of Tennessee

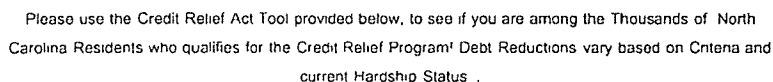
Greg Abbott
Attorney General of Texas

William H. Sorrell
Attorney General of Vermont

Darrell McGraw
Attorney General of West Virginia

Bruce A. Salzburg
Attorney General of Wyoming

EXHIBIT 1



PROGRAM

- Fill out the Form to the Right and answer the Three Questions, and find out if your Eligible for the State of North Carolina Credit Relief Program granting credit relief to North Carolina Residents.



- If you meet the eligibility requirements you will receive a security pin number with directions on how to access your Credit Relief Informational Package, please write down your Secure PIN Number for future reference.
- If your criteria does not match the necessary requirements you will be prompted to an explanation page for details of ineligibility.

- *Must be a Current North Carolina Resident
- *Must be over the Age of 18
- *Must be suffering from a Financial Hardship

Input Information Below...

What is your approximate Unsecured Debt amount?

Please Select

How many dependents did you claim on your 2008 North Carolina State Tax Return?

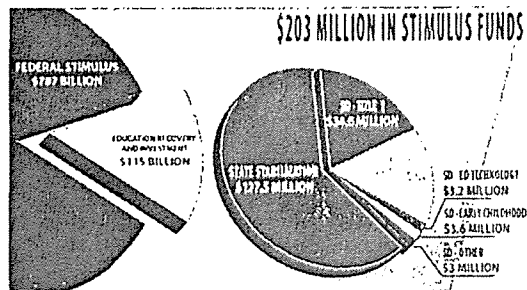
Please Select

Are You Experiencing Financial Hardship?

☐ Yes ☐ No

*By clicking below, you certify the above content is true and you have answered the question. *truthfully and accurately

Find out if you are eligible



[HOME](#) | [INFORMATION](#) | [ELIGIBILITY](#) | [MEDIA](#) | [RESOURCES](#) | [FAQS](#) | [PROGRAM](#) | [PRIVACY POLICY](#) | 800.965.3620

www.usa.gov | www.ftc.gov | www.usa.gov | www.faircreditability.gov



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[illegible]

| | | | |
|---|--|---|---------------------------------|
| Revolving Credit - Payment Reduction | | CODE US1 | |
| a. ID Number [REDACTED] | b. Debt Reduction Hotline 1-800-481-5922 | Account Type: REVOLVING - CONSUMER | |
| c. ECONOMIC STIMULUS ACT 213 EXECUTIVE PARK ASHEVILLE, NC 28801 | | Notice Type: 009-S | Subject: NOTIFICATION |
| | | RE: HR5140 Economic Stimulus Act of 2008 | |
| d. Addressee's Personal ID Number ST110888 | State SC | BUY OUT PROGRAM PROGRAM DIRECTOR | |
| e. Number, address, and Zip code [REDACTED] | | | |
| | | ESTIMATED TOTAL DEBT* \$25,000 | |

Form **009-S** Payment Reduction Notification

2009

FORM 009
BALANCE REDUCTION NOTIFICATION
PLEASE READ ENTIRE DOCUMENT CAREFULLY

Dear [REDACTED]

Your Revolving Consumer Debt and Credit Card Payments are eligible for debt settlement programs created in response to the Governmental Economic Stimulus Act of 2008.

These new programs enable the Debt Service Center to reduce your existing consumer debt of **\$25,000** and receive a significantly reduced monthly payment, without the traditional restrictions on credit, income, or employment status.

If you have experienced financial hardship, have late payments, or would like to significantly reduce your monthly payments, call **1-800-481-5922**. When calling please reference file number **ST110888**.

YOU MAY BE ELIGIBLE FOR DEBT RELIEF UP TO

\$12,500

HR5140 Economic Stimulus Act of 2008 was designed to provide economic stimulus through recovery rebates to individuals, incentive for business investment, and increase in conforming and loan limits. This Act became Public Law No: 110-185 on February 13, 2008. HR 5140 information is available to anyone at:
www.govtrack.us/congress/bill.xpd?bill=h110-5140.

Call U.S. Debt Relief:

1-800-481-5922

(press option 1)

Monday-Friday 9:00-9:00 EST. Saturday 11:00-4:00 EST.



This product or service has not been approved or endorsed by any government agency and this offer is not being made by an agency of the government. This is not a promise to lend. Rates and terms are subject to change. *Existing consumer debt and settlement amounts are estimated and may vary based on individual situations.

EXHIBIT 2
STATE ATTORNEYS GENERAL ENFORCEMENT ACTIVITY

Settlements

Colorado

In the Matter of Debt Regret, Inc. (2010)

In the Matter of Nationwide Support Services, Inc. (2009)

In the Matter of Pacific Debt, Inc. (2009)

In the Matter of SDS West Corp. (2010)

Florida

State of Florida v. Hacker, et al. (2010)

<http://myfloridalegal.com/852562220065EE67.nsf/0/88F8CB5271C651A1852573F600713592?Open&Highlight=0,hacker>

Georgia

Joseph B. Doyle, Administrator, Fair Business Practices Act v. Solve Debts, Inc. (2009) Case No. 2009-CV-1777490

Joseph B. Doyle, Administrator, Fair Business Practices Act v. The Credit Exchange Corp. (2009) Case No. 2009-CV-179467

Joseph B. Doyle, Administrator, Fair Business Practices Act v. Beacon Debt Solutions, Inc. (2010) Case No. 2010-CV-185216

Joseph B. Doyle, Administrator, Fair Business Practices Act v. Johnson Law Group (2010) Case No. 2010-CV- TBD

Kansas

State of Kansas, ex rel. Six v. Blue Harbor Financial, LLC (2010)

State of Kansas, ex rel. Six v. Equity First Financial Corp. & Keith Bourkney (2009)

Minnesota

State of Minnesota v. Pathway Financial Management, Inc. (2010)

<http://www.ag.state.mn.us/Consumer/PressRelease/100222UnLicDebtSett.asp>

State of Minnesota v. FH Financial Service, Inc. (2010)

<http://www.ag.state.mn.us/Consumer/PressRelease/100222UnLicDebtSett.asp>

State of Minnesota v. State Capital Finance, Inc. (2010)

<http://www.ag.state.mn.us/Consumer/PressRelease/100222UnLicDebtSett.asp>

State of Minnesota v. American Debt Solutions, Inc. (2010)

<http://www.ag.state.mn.us/Consumer/PressRelease/100222UnLicDebtSett.asp>

State of Minnesota v. One Source Inc. (2010)

<http://www.ag.state.mn.us/Consumer/PressRelease/100222UnLicDebtSett.asp>

Oregon

In the Matter of Credit Solutions of America, Inc. (2010)

<http://www.doj.state.or.us/releases/2010/rel050710.shtml>

Vermont

State of Vermont v. Debt Settlement USA, Inc., (2009)

<http://www.atg.state.vt.us/news/attorney-general-settles-consumer-claims-with-two-more-debt-settlement-companies.php>

State of Vermont v. Financial Freedom of America, Inc. (2009)

<http://www.atg.state.vt.us/news/attorney-general-settles-consumer-claims-with-two-more-debt-settlement-companies.php>

State of Vermont v. Debt Settlement America, Inc. (2010)

<http://www.atg.state.vt.us/news/attorney-general-settles-consumer-claims-with-debt-settlement-company.php>

West Virginia

In the Matter of the Investigation of Chris Miano and Accelerated Financial Centers, LLC (2010)

In the Matter of the Investigation of Christopher S. Rubini and CSTR Solutions, Inc. dba Clear Financial Solutions (2009)

<http://www.wvago.gov/press.cfm?ID=500&fx=more>

In the Matter of the Investigation of E-limidebt, Inc. (2010)

In the Matter of the Investigation of Lynch Financial Solutions, Inc. D/b/a Financial Solutions Legal Center and Financial Solutions Consumer Center (2009)

<http://www.wvago.gov/press.cfm?ID=500&fx=more>

In the Matter of the Investigation of United Debt Services, LLC (2010)

State of West Virginia ex rel. Darrell V. McGraw, Jr., Attorney General v. Elimidebt Management Services, Inc. and Thomas Roland (2010)

Investigations

Florida

Christian Crossroads

<http://myfloridalegal.com/85256309005085AB.nsf/0/3BEE2927780BC9468525765D0044C534?Open&Highlight=0,christian,crossroads>

Clear Financial Solutions

<http://myfloridalegal.com/85256309005085AB.nsf/0/C0634690070A696285257585005670EB?Open&Highlight=0,clear,financial>

Clearview Credit, Inc.

<http://myfloridalegal.com/85256309005085AB.nsf/0/7FAE8CB0EA0BCE5F852575BD0066D4BD?Open&Highlight=0,debt,services>

Debt Settlement USA

<http://myfloridalegal.com/85256309005085AB.nsf/0/21B6A5099EFC61FE852576A500751189?Open&Highlight=0,debt,services>

Genesis Capital Management Inc.

<http://myfloridalegal.com/85256309005085AB.nsf/0/ACF49525909A2F3585257632005F0071?Open&Highlight=0,genesis>

M & J Life Management

<http://myfloridalegal.com/85256309005085AB.nsf/0/A2F454A33AEC8213852574DA0066174E?Open&Highlight=0,m,j,life>

Sapphire Marketing Inc. d/b/a Sapphire Financial Services

<http://myfloridalegal.com/85256309005085AB.nsf/0/CF68D500F2C776FD85257633004B8AE6?Open&Highlight=0,debt,services>

Litigation

Colorado

State of Colorado ex rel. John W. Suthers, Attorney General for the State of Colorado, v. ADA Tampa Bay, Inc., d/b/a American Debt Arbitration, FGL Clearwater, Inc., d/b/a American Debt Arbitration, and Glenn P. Stewart (2010)

State of Colorado ex rel. John W. Suthers, Attorney General for the State of Colorado, v. Johnson Law Group, Anan Mark Eldredge, Advanced Client Solutions, LLC, and Kenneth M. Kestenbaum (2009)

Florida

State of Florida v. CSA-Credit solutions of America (2009)

<http://myfloridalegal.com/852562220065EE67.nsf/0/1F9C0F9B7626952A8525765400536D22?Open&Highlight=0,october,19,2009>

State of Florida v. Nationwide Asset Services, Inc., Servicestar, LLC. Universal Debt Reduction LLC, ADA Tampa Bay Inc., d/b/a American debt Arbitration, and Glenn P. Stewart (2009)
<http://myfloridalegal.com/852562220065EE67.nsf/0/1F9C0F9B7626952A8525765400536D22?Open&Highlight=0,october,19,2009>

Illinois

People of the State of Illinois v. Endebt Solutions d/b/a DebtOne Financial (2010)
http://www.illinoisattorneygeneral.gov/pressroom/2010_02/20100210.html

People of the State of Illinois v. Debt Consultants of America, Inc. and Robert Creel (2010)
http://www.illinoisattorneygeneral.gov/pressroom/2010_02/20100210.html

People of the State of Illinois v. Clear Your Debt, LLC, SwiftRock Financial, Inc., Orion Processing, LLC, Derin Scott, and Shannon Scott (2010)
http://www.illinoisattorneygeneral.gov/pressroom/2010_02/20100210.html

People of the State of Illinois v. American Debt Arbitration, Glenn Stewart, Nationwide Asset Services, Inc., William Anderson and Gray Brown (2010)
http://www.illinoisattorneygeneral.gov/pressroom/2010_02/20100210.html

Kansas

State of Kansas, ex rel. Six v. Genesis Capital Management, Inc. and David Allen (2009)

State of Kansas, ex rel. Six v. Philip Manger, Robert Lock, Jr. And CCDN, LLC d/b/a Credit Collection Defense Network (2010)

Maine

State of Maine v. CSA-Credit Solutions of America, Inc. and Douglas Van Arsdale (2009)

Minnesota

State of Minnesota v. Morgan Drexen, Inc. (2010)
<http://www.ag.state.mn.us/Consumer/PressRelease/100222UnLicDebtSett.asp>

State of Minnesota v. Debt RX USA, Inc. (2010)
<http://www.ag.state.mn.us/Consumer/PressRelease/100222UnLicDebtSett.asp>

West Virginia

State of West Virginia ex rel. Darrell V. McGraw, Jr., Attorney General v. National Credit Solutions (2010)

State of West Virginia ex rel. Darrell V. McGraw, Jr., Attorney General v. CCDN LLC, Robert Lock and Philip Manger (2010)
<http://www.wvago.gov/press.cfm?ID=521&fx=more>

State of West Virginia ex rel. Darrell V. McGraw, Jr., Attorney General v. Sherman Enterprises, L.C. d/b/a Nationwide Credit Solutions, GSV Limited, and Glen S. Vondielingen (2009)