



Consumer Federation of America

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Consumer Groups Applaud FTC's Proposed Rules for Debt Relief Services

Debt-strapped consumers would get relief from unscrupulous industry practices

Consumer Federation of America (CFA) and 18 other consumer organizations filed joint comments with the Federal Trade Commission (FTC) supporting amendments to the Telemarketing Sales Rule that would protect debt-strapped consumers from unscrupulous practices by companies that offer to arrange payment plans with their creditors, get their interest rates or fees reduced, or settle their debts for pennies on the dollar. In their comments, the consumer groups agreed with the FTC that some debt relief companies mislead consumers about the results they can expect and the impact that such services can have on their credit.

"These changes are crucial to prevent deception and ensure that consumers don't pay for false promises rather than real results," said Susan Grant, CFA's Director of Consumer Protection. Ms. Grant and Travis Plunkett, Legislative Director for CFA, are participating in a Public Forum that the FTC will hold in Washington, DC on November 4, 2009 to discuss the proposed amendments.

The rules would apply to solicitations by for-profit debt counseling, debt negotiation, and debt settlement services and would include:

- A ban on requesting or taking fees in advance of achieving documented results for consumers. Currently, consumers are often asked to pay most or all of the fees upfront, leaving them in even worse financial shape if their debt problems are not resolved. Some companies have been accused by the FTC and state agencies of failing to produce any results for the most of the consumers who enrolled in their programs.
- A requirement to disclose important information to consumers such as how much the service will cost, the amount of time necessary to achieve results, that not all creditors will necessarily cooperate, that consumers may be pursued by debt collectors or sued for the debt pending a resolution, and that their credit worthiness might be negatively affected.

- A ban on misrepresentations about the how the service works and the results that consumers can expect.

Another important aspect of the proposed rules is that they would apply to both sales calls from debt relief services and calls that consumers make to debt relief services in response to advertisements on television and radio, in newspapers, on Web sites, and in other forms of general media.

To make the rules even stronger, the consumer groups recommended that the FTC should prohibit debt relief services from:

- Telling consumers not to have any further contact with their creditors and to stop making payments to them directly.
- Changing the addresses on consumers' accounts so that the debt relief company receives the bills and notices, not the consumer.
- Making any representations about the percentage or dollar amount by which debts or interest rates may be reduced.

The consumer groups also called for a 90-day “money-back” cancellation period so that consumers can assess whether the program meets their needs, plus more time to cancel if there has been a material breach of the contract or a material violation of law.

Joining CFA in the comments are Consumers Union, Consumer Action, the National Consumer Law Center on behalf of its low income clients, the Center for Responsible Lending, the National Association of Consumer Advocates, the National Consumers League, U.S. PIRG, the Privacy Rights Clearinghouse, the Arizona Consumers Council, the Chicago Consumer Coalition, the Consumer Assistance Council, the Community Reinvestment Association of North Carolina, the Consumer Federation of the Southeast, Grassroots Organizing, Jacksonville Area Legal Aid, Inc., the Maryland Consumer Rights Coalition, Mid-Minnesota Legal Assistance, and the Virginia Citizens Consumer Council.

“We believe that these rules will protect not only consumers but creditors who are owed money and legitimate debt relief services that actually provide real benefits to consumers,” said Mr. Plunkett.

**For the full comments go to Testimony and Comments on
http://www.consumerfed.org/finance/credit_counseling.asp**

CFA is a non-profit association of nearly 300 consumer groups that was established in 1968 to advance the consumer interest through research, advocacy, and education.