

American Association of Credit Counselors
14781 Memorial Drive, Suite 2176
Houston, TX 77079

6/14/11

Standby Committee for the Uniform Debt Management Services Act Uniform Law Commission
111 N. Wabash Ave, Suite 1010
Chicago, IL 60602

Dear Committee Members,

The American Association of Credit Counselors (AACC) is the first industry association to embrace both Debt Management Plan (DMP) providers and Debt Settlement Program (DSP) providers as members. The AACC is formed of veteran service providers whose primary goal is working together to promote truth and transparency in the debt relief industry. One method of accomplishing this goal is through consumer education and awareness. A byproduct of our education and awareness effort encourages our participation and comment regarding policy and legislative efforts.

This comment is submitted on the behalf of AACC members offering debt settlement services.

The AACC supports the Uniform Debt Management Services Act (UDMSA). Our member companies embrace effective regulation and consumer protection. The UDMSA provides a comprehensive framework that will benefit consumers, companies and state regulators alike.

An area of great concern regarding the proposed amendments to the 2011 UDMSA is the excluding of a DSP's ability to settle debts utilizing a limited power of attorney (LPOA). This departure from the current version of the UDMSA is problematic for the following reasons:

Successful debt settlement is often a function of timing. In many instances, timing is critical to settlement success and avoiding and/or limiting known consumer risks.

Early settlement opportunities:

Settlements accomplished with original creditors and issuers are often performed just prior to charge off. DSP providers utilizing an LPOA are consistently able to maximize settlement savings to our customers by timing and funding offers a mere days prior to charge off. If pre-charge off opportunities are missed due to the inability to connect with a customer, a higher cost to the consumer will be the result.

Charge off accounts are placed with an assignee collection agency, attorney debt collector, or sold to a debt buyer. These three "collection buckets" represent the predominant treatment of charge off accounts over the last several decades. Each of these buckets has its own specific characteristics when

seeking balance concession through settlement. Each can cause there to be higher resolution costs to the consumer. This fact is primarily due to the bar for balance reduction being set at a higher threshold.

Charge off is an accounting function. The account charge off event also has an effect on individual credit reports and credit scoring. When consumers are spared a charge off being reported to the major credit bureaus, they are able to limit negative credit damage. For example:

Credit reporting agencies utilizing a scale of 1 through 9 will rate a revolving consumer credit card account that is paid on time, all the time, as an "R-1". When an account is charged off the account is reflected as an "R-9". By obtaining settlements prior to a charge off, account reporting damage can often be limited to an "R-5".

The ability to act on behalf of our DSP customers in a manner consistent with their expectations and our representations, and where utilizing an LPOA often provides us the ability to maximize consumer savings while also limiting credit damage where and whenever possible, supports the fact that LPOA's are an important function in daily work flow.

Post charge off settlements:

When accounts are charged off they are either placed with outside third party collection agencies that act as the creditor's assignee, or are liquidated in portfolio sales to debt purchasers. Accounts placed with assignees are generally limited to a specific time frame for collection. Settlement arrangements with assignees are often maximized for savings either at the end of a calendar month or near the end of the assignment contract. Without the benefits of an LPOA allowing the service provider the latitude to accept and fund offers consistent with consumer expectations and company representations, these timing benefits cannot be used as effective tools to better reduce the overall debts of consumers.

Furthermore, if an account is placed for 90 days with a specific agency, optimal settlement arrangements will sometimes not be available until just days before the 90 day contract for collection expires. Without the ability to accept and fund offers consistent with consumer expectations and company representations, the account will wind up being placed with another agency, sold to a purchaser or placed with an attorney who may be authorized to sue in its collection efforts, thereby limiting settlement savings potential and creating a situation that can lead to additional costs to the consumer.

The timing of the settlement process will vary based on many factors. Each different customer, creditor, assignee collector and debt buyer, will have an impact on what happens and when. Without the ability to navigate the fluctuating landscape of the settlement process through the approved use of an LPOA, consumers and service providers will face disadvantages that have proven detriments to the debt relief process.

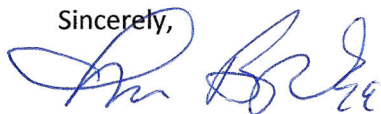
Requiring DSP's to connect with their customers each and every time a settlement is to be consummated creates unnecessary delays. These delays will increase costs and risks to the already struggling consumer.

The implications of not being able to act quickly to resolve accounts on behalf of debt settlement customers creates higher overall costs that extend program completion time lengths. Creating a regulatory environment that will extend program lengths that then lead to increased litigation risks, and where settlements with accounts in litigation are done at a premium, is fostering an environment that further limits economic recovery at the personal, local and national levels. Consumers struggling to get back on sound financial footing are better prepared to return to, or to develop, responsible spending habits. Responsible spending leads to local and national job creation. The economic benefits that relate to debt relief should not be ignored.

Utilizing an LPOA that empowers a service provider to act within a set range of suitable settlement acceptance and funding parameters, which are clearly outlined and approved by customers at the time they engage DSP services, is necessary. Requiring verbal or written authorization when settlement terms are outside of the original parameters that were preapproved by the consumer would provide sufficient consumer participation and protections.

On behalf of all AACC member companies offering debt settlement services, thank you for your consideration of this critical issue when adopting changes to the UDMSA that will carry forward in many states for many years to come.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael Bovee", written over the word "Sincerely,".

Michael Bovee

AACC Member Company - Consumer Recovery Network

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