



May 26, 2011

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

Dear Standby Committee Members:

CareOne Services, Inc. previously provided comments regarding proposed revisions to the Uniform Debt Management Services Act (UDMSA). We appreciate the committee's consideration of CareOne's suggested changes. However, I am writing again to express continued concern about a proposed change that we believe will harm consumers.

CareOne has been a participant in the UDMSA drafting process since its inception. We are licensed and operating in all jurisdictions that have adopted the Act. Additionally, we have been actively engaged in the legislative process in numerous states supporting the adoptions of the Act. The UDMSA represents a strong and comprehensive framework for regulating the debt relief industry, and while in general the majority of suggested changes improve the Act, the removal of language permitting debts to be settled under a limited power of attorney is of great concern. We have analyzed the impact of such a change on consumers and summarized our experience below.

Currently, UDMSA Section 19 (e) permits debt settlement providers to use a power of attorney to settle a debt if the settlement is 50% or less of the principal amount of the debt, i.e., 50 cents on the dollar or less. Any settlement greater than 50% requires the assent of the consumer. In accord is UDMSA Section 28 (a) (4).

These provisions were included in the UDMSA to ensure that consumers have control over settlements that may not be as beneficial as expected. Many settlements are reached for amounts half or less than the consumer's principal balance at time of enrollment. Permitting the acceptance of a settlement through the use of a power of attorney for offers of half or less than what is owed established a standard that permitted an efficient settlement process and reduced the risk that an offer would expire before the consumer could assent to the agreement.

The proposed amendments remove the ability to use a power of attorney to settle any debt at any level. New prefatory language in the UDMSA draft states the reason for the change as being, *"[t]o avoid any inconsistency between this Act and the newly revised federal law, in 2011 the Conference approved changes in the provisions that address the timing of collection of fees and the use of powers of attorney."*

The changes to the power of attorney language is intended to reflect the last year's Federal Trade Commission (FTC) Telephone Sales Rule (TSR) amendments covering the debt relief industry, however, it does not. The TSR does not prohibit the use of a power of attorney to settle a debt. Furthermore, use of a power of attorney for this purpose was not raised as a concern by commenting parties or the FTC in their multi-year review of the industry and its practices. Nor has use of a power of attorney in UDMSA states been raised as an issue of concern.

The standby committee misinterpreted TSR Section 310.4(5) (i) (A) to prohibit any use of a power of attorney to settle a debt. In fact, that section only prohibits a debt relief provider from receiving its fee without consumer assent to the terms of a settlement. Specifically, the TSR prohibits:

"Requesting or receiving payment of any fee or consideration for any debt relief service until and unless:

(A) the seller or telemarketer has renegotiated, settled, reduced, or otherwise altered the terms of at least one debt pursuant to a settlement agreement, debt management plan, or other such valid contractual agreement executed by the customer;"

This safeguard is included as part of the TSR's advance fee ban protections. This provision in no way prohibits use of a power of attorney to settle a debt and is consistent with current UDMSA Section 19 that permits the inclusion of a power of attorney in a debt management services agreement.

In short, the TSR prohibits the receipt of fees by the provider prior to obtaining a properly executed settlement agreement from the consumer and in no way prohibits the use of

a power of attorney to settle the debt. The combination of the existing UDMSA safeguards limiting use of a power of attorney for settlements of 50% or better, and the TSR requirement for consumer assent to the payment of settlement fees, increase consumer protection without jeopardizing the ability to settle for the best terms.

Removal of the power of attorney language from the UDMSA presents a practical problem for consumers who do not assent to a settlement agreement in a time manner. Based on analysis of CareOne settlement data in UDMSA states, this problem will negatively impact a significant number of consumers.

In UDMSA states, CareOne settles debts using a power of attorney, provided that the settlement is less than the amount specified by the UDMSA as adopted and then obtains assent from the customer to the specific settlement before payment of its fee. This approach is consistent with the requirements of both the TSR and the UDMSA.

The following demonstrates our experience with customer satisfaction and response time for assent to a settlement agreement:

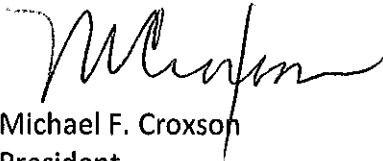
- 99.4% of customers assent to the settlement agreements as negotiated via the power of attorney granted by the customer.
- On average, settlement agreements require funds to be disbursed to creditors within 4.3 days.
- Only 64% of customers are reached before funds are required to be paid to their creditors.
- 36% of customers are not reached within the required time frame – this means that under the UDMSA amendments, the customer will lose a valid settlement of 50% or less than the principal amount owed.

We believe the UDMSA's existing power of attorney authority is not inconsistent with the TSR. Totally prohibiting the use of powers of attorney is not only unnecessary for compliance with FTC requirements - it is detrimental to consumers of debt settlement services.

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We respectfully request that the UDMSA retain the current power of attorney language in the amendments proposed for adoption in July.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Croxson", written over a horizontal line.

Michael F. Croxson
President