Gray – indicates new material added
to New Mexico HB 313 Comment

March 18, 2011

Introduction to TASC and Debt Settlement Issues and Comment to Standby Committee's Proposed Amendments to the Uniform Debt Management Services Act

Introduction

TASC respectfully submits this additional comment letter to the Standby Committee's proposed amendments to the Uniform Debt Management Services Act (hereinafter referred to as Proposed Act). TASC supports strong consumer protection provisions in the bill, but the fee caps for debt settlement in the Proposed Act are significantly less than what nonprofit credit counselors may charge even though debt settlement is much more costly of a service to provide, so the fees will not sustain the service. TASC recommends using the recently adopted FTC rule language in lieu of the fee cap language in the Proposed Act. The FTC rule permits the charging of fees only when an individual has approved and accepted a settlement on his behalf which provides extremely strong protection, especially when combined with all of the other protections offered by the Proposed Act including licensing, bonding, operational requirements, prohibitions, and strong enforcement provisions. Without the changes described below, this proposed regulation will function simply to drive debt settlement businesses out of whatever state adopts the bill. The below comment provides greater detail about the industry and support for TASC's position.

Summary of Comment

A. Introduction to TASC
B. Introduction to Debt Settlement
C. General Industry Comment
    1. The fee provisions in the Proposed Act are unfair.
        a. The FTC Rule regarding fees for debt settlement companies provides significant protection.
        b. It is too early to make a determination as to what an appropriate fee cap should be.
        c. The Proposed Act eliminates one option of charging fees that the FTC Rule expressly allows.
        d. The Proposed Act is more restrictive on fee caps than the original UDMSA when it should be less restrictive.
        e. The fee cap in the Proposed Act for debt settlement providers is much lower than what nonprofit credit counselors may charge in the bill.

f. Debt settlement is a much more costly service to provide than credit counseling and should be paid more, not less than nonprofit credit counselors.
g. The benefit to an individual in debt settlement should be measured by comparing the total cost of the consumer's other options. Under such comparison, debt settlement compares very favorably without the need for the fee cap in the Proposed Act.
h. A fee structure mandating fees as a percent of savings frequently fails to consider what would be in a consumer's best interest.
i. The Proposed Act further restricts the ability to collect fees even when deemed earned by the FTC Rule to the detriment of both consumer and provider.
j. The Proposed Act's fees are not comparable to an attorney's contingency fee.

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D. Specific Comment and proposals regarding bill language

A. Introduction to TASC

TASC is the leading national association of settlement companies. It was formed to provide operating standards for member companies and to promote effective and fair legislation affecting the industry. TASC's goals are to promote good business practice in the debt settlement industry, protect the interests of consumer debtors, and educate legislators and regulators at all levels of government with respect to the issues involved in the debt settlement industry. The mission of TASC is to encourage debt settlement companies to provide services in accordance with the highest professional and ethical standards in order to retain the confidence of the public, the credit industry and local, state, and federal government. The standards TASC upholds and promotes nationwide are available on its website at www.tascsite.org.

To help ensure that the above guidelines are in fact being followed by our members, TASC started two programs of self regulation – one is a secret shopping program performed by a third party company wherein the company calls each TASC member debt settlement company posing as a consumer. The shopper makes certain inquiries and evaluates the responses on a check list to gauge whether the company is abiding by TASC standards. The second program is also performed by a third party and involves an examination of each debt settlement company member's website to ensure that the advertising and statements made on the website are consistent with TASC standards. Companies who do not pass the examinations satisfactorily are notified of the issues and are shopped again shortly afterwards. Continued failure to meet TASC standards will result in revocation of that company's membership in TASC. TASC has terminated the membership of non-compliant companies as well as imposed discipline on other members for various violations of its standards.

TASC has supported stringent regulation for debt settlement companies on the state level that provides significant consumer protections including bills that have passed and become law in more than 10 states. The most comprehensive of these bills are the Uniform Debt Management Services Act (UDMSA), which has so far passed, with TASC's support, in 5 states: Tennessee, Utah, Nevada, Colorado, and Delaware; Rhode Island has enacted the UDMSA but given the limitation in the legislation to only the percent of savings model, not a single debt settlement company operates in that state.

B. Introduction to Debt Settlement

Debt settlement is an effective and needed debt relief option for consumers at a time when they need more options in managing their unsecured debt, not fewer options. Debt settlement does not involve mortgages, loan modification, foreclosure, or any other secured debt issues. Debt settlement serves those who cannot qualify for or afford other options such as bankruptcy[1] and traditional credit counseling[2]. Debt settlement is also effective when compared to these other debt relief options. The national rate of completion for confirmed Chapter 13 bankruptcy plans is 33%.[3] Nonprofit credit counseling companies historically have an approximate success rate of 21-26%[4]. Debt settlement completion rates for TASC members prior to the FTC Rule were higher – approximately 34.5%[5] and with the implementation of the ban on fees before settlement, may rise further still. Moreover, unlike credit counseling, even those who only complete part of the debt settlement program often benefit – for example, someone who had 10 debts coming into the program and now has 5 may leave the program comfortable that his debt is now at a manageable level. Nonprofit credit counselors often cite similar benefits of partial completion and have recently even used "completion rates" that are based on consumers completing 60% of the credit counseling program, however a failure of credit counseling programs often leads to a charge back of the concessions granted at the start of the program.

Another difference between debt settlement and credit counseling is that debt settlement is a reduction in principal of the debt, not just a reduction in the interest rate. TASC companies settled over $1 billion of debt nationwide in 2009 alone for approximately $400 million saving consumers approximately $600 million. In other words, these consumers paid creditors approximately $400 million in total satisfaction of $1 billion of debt owed.

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[1] Demographic data provided by Freedom Debt Relief shows the average household income for its clients was $70,000 which is greater than the means test requirement for Chapter 7 bankruptcy.

[2] Credit counseling monthly payments are often approximately 2.5% of the debt – the same amount as many individuals' minimum payments.

[3] "Bankruptcy by the Numbers: Measuring Performance in Chapter 13" by Gordon Bermant and Ed Flynn, Executive Office for the U.S. Trustees.

[4] *Credit Counseling in Crisis: The Impact on Consumers of Funding Cuts, Higher Fees and Aggressive New Market Entrants*, Consumer Federation of America and National Consumer Law Center, April 2003.

[5] TASC Comment Letter to FTC, October 2009.

C. General Industry Comment

1. The fee provisions in the Proposed Act are unfair.

The consumer protections offered by the 60+ pages of the UDMSA together with the prohibition against advance fees by the FTC rule are substantial protections for consumers even without the extra fee restrictions imposed by the Proposed Act. Restricting the fees so drastically for debt settlement providers is unnecessary and, as shown below, are unfair compared to the fees for other debt relief providers. If the Proposed Act is unchanged, consumers in states where it is enacted will not have debt settlement as an option to manage their debts.

a. The FTC Rule regarding fees for debt settlement companies provides material and substantial protection.

TASC proposes that the FTC regulation on fees is appropriate and that no fee cap is needed in light of the complete consumer protection offered by the FTC language for the following reasons:

i. The FTC rule provides the following protections:
   (1) The fees must be clearly and conspicuously disclosed prior to the consumer entering into an agreement with the provider.
   (2) No fees are chargeable until a settlement is reached.
   (3) The consumer has another opportunity to reject the fees by rejecting the settlement. Until a satisfactory settlement accepted by the consumer is reached, the consumer pays no fees.
   (4) The consumer not only must approve of the settlement, but must affirm that approval by making a payment towards the settlement.

ii. The FTC rule imposes a fee structure that is limited in the timing of when a provider may collect fees. It also requires that fees must be proportionate to the debt settled, thus, protecting against fees being front-loaded in the program.

iii. Consumers using debt settlement services in unregulated states actually pay less than the fee caps in regulated states. Market forces do work especially when it comes to pricing. While critics may claim otherwise, when limited to the specific price of a product or service, it is hard to refute the evidence that competition sets the market price. As such, requiring a specific fee cap is unnecessary and concerns that fees will be unfairly high is unfounded.

b. It is too early to make a determination as to what an appropriate fee cap should be.

Debt settlement programs are typically approximately three (3) years in length but the new Rule has only been in effect for just over four (4) months. The fee structure is completely untested and insufficient time has passed to fully evaluate the model and what an appropriate fee cap would be. No data exists to evaluate the programs yet and there are many variables that affect the fee and the cost of providing the service that have yet to be measured. For example, individuals may stay in the program if they see better success in settling their debt. However, they may also cancel at a more frequent rate because they have nothing vested in the program. Another potential variable is that creditors may be more willing to settle with providers who operate according to the new federal rule. However, they may also realize that providers are not getting paid and make it even harder to survive by refusing to settle. Other variables include changing creditor policies/settlement rates or individuals "working the system" to deal directly with creditors after the individual has received significant benefit from the provider's services without paying for them.

c. The Proposed Act eliminates one option of charging fees that the FTC Rule expressly allows.

The Proposed Act only permits fees to be charged as a percent of savings. The FTC Rule expressly permits a provider to calculate compensation based on either a percent of savings or a flat-fee model, requiring only that the same mechanism be employed for all debts in each consumer's program. In its initial Notice of Proposed Rule Making issued on approximately August 9, 2009, the FTC originally proposed only permitting the percent of savings model. Its Final Rule, released a year later, specifically allowed for the flat fee. This change from the original proposal acknowledges, among other things, that some certainty of cash flow is necessary for a business to survive, as well as recognizing the role and value of the marketplace in allowing consumers to choose the model which best suits their goals.

The requirement that fees be clearly and conspicuously disclosed at the time an agreement is executed, the ability to cancel an agreement at anytime, and the restriction on charging any fee until a settlement is obtained and accepted by the consumer means that the consumer always gets to choose what is in his or her best interests, regardless of which fee model is used. Consumer choice is a real protection especially when you are dealing with educated consumers[6].

[6] Demographic data from Freedom Debt Relief shows that 60% of its clients have at least some college level education.

d. The Proposed Act is more restrictive on fee caps than the original UDMSA when it should be less restrictive

The Proposed Act restricts the fees beyond what fees were allowed in the UDMSA prior to the FTC Rule even though the FTC Rule placed significant constraints on how and when fees could be collected for debt settlement services. With the extra constraints imposed by the FTC, the amount of the fee permitted should be relaxed, not further restricted.

One Commissioner, in discussing the Proposed Act's fee caps with TASC recently, expressed that the FTC Rule did not change any aspect of the amount of the fee, just the timing of it, and therefore should not have a great impact on providers. This reflected a fundamental misunderstanding of how the service is performed and how a business finances its operations - the change affects <u>everything</u>. Significant work is performed before settlement offers are obtained and before a client accepts the settlement (See point 1.f. for more detail). Pre-FTC Rule, debt settlement providers would be paid as services were rendered. Now, providers will perform significant services at a cost to the provider without being paid. A substantial number of clients will inevitably cancel after receiving services and without paying for them, and that loss must be made up by higher fees. TASC has lost 70% of its membership since the FTC Rule was finalized even with no fee cap. The Proposed Act's fee cap would put the rest out of business.

e. The fee cap in the Proposed Act for debt settlement providers is much lower than what nonprofit credit counselors may charge under the Act.

Under the fees permitted in the bill *nonprofit* credit counseling companies can charge up to almost three (3) times more than debt settlement. Presumably, nonprofit fees just cover the cost of operations since they should not make any profits. That is why they get tax-exemptions. It follows that it is not possible for debt settlement companies to sustain operations at the fee caps in the Proposed Act[7].

Comparison of the fees using $10,000 of debt:

(i). The cost of a nonprofit credit counseling program under Uniform Debt Management Services Act (UDMSA) for a consumer who successfully completes the program:

(1) monthly fees of $3,050[8]
(2) payments to creditors at 15%[9] interest of $14,275[10]

[7] TASC is only aware of one provider who has publically stated it is able to sustain operations at the fee levels in the Proposed Act. However, this provider also performs debt management services and a client who ends up in its debt settlement program has likely already paid the provider significant fees for other services prior to starting in debt settlement.
[8] 60 mths x $50 + $50 set up per UDMSA
[9] Testimony of nonprofit credit counseling agency at a committee hearing in Salem, Oregon, February 9, 2009 – the credit counselor stated she was unable to obtain concession rates better than 16% for her consumers;

(3) fair share at 8%[11] of payments of $1,140
(4) total payment including fees = $17,325
(5) **total fees = $4,190**.

(ii). The fees and cost of a debt settlement program for a consumer who successfully completes the program using the fee cap of 30% of savings [assumes a 50% settlement based on the balance at time of enrollment]:

(1) fee at 30%[12] of savings = $1,500[13]
(2) payment to creditors = $5,000[14]
(3) total payment including fees = $6,500.
(4) **total fee of $1,500** is almost one-third of nonprofit fees.
(5) debt settlement will also perform significant work for consumers who cancel and do not pay the provider under the new FTC rule.

f. Debt settlement is a much more costly service to provide than credit counseling and should be paid more, not less than nonprofit credit counselors.

Debt management and debt settlement are two different services albeit both in the debt relief industry. Since debt settlement is a much more costly service to provide, the fees need to be greater to compensate for this extra expense. The Proposed Act does the reverse and as such does not allow sufficient fees to sustain operations for debt settlement providers.

Debt settlement is a much more labor intensive service than debt management in large part because debt management plans are prearranged, set payment plans that primarily involve making monthly payments. Debt management can be highly automated with the use of electronic payment systems. Debt settlement plans are very individualized plans involving individually negotiated deals with circumstances that change constantly throughout the plan. CareOne, who is not a member of TASC but is a company that performs both debt management and debt settlement, states that it takes more than four times as much work to perform debt settlement. TASC further knows of debt management providers who hire one-tenth of the staff required to administer debt settlement plans for the same number of clients. Additionally, at least with respect to nonprofit providers, credit counselors receive "fair share" subsidy payments from creditors. A more detailed list of services performed by debt settlement providers is

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Credit Counseling in Crisis: The Impact on Consumers of Funding Cuts, Higher Fees and Aggressive New Market Entrants, Consumer Federation of America and National Consumer Law Center, April 2003 – average of concession rates was approximately 13%.

[10] Based on module of $10,000 debt amortized at 15% interest for 60 months run on Bankrate.com

[11] Fair share payments are those paid by creditors to nonprofit credit counseling services as compensation for obtaining payments on their behalf. 8% rate was taken from page 2, lines 41-43 of H.P. 895, Legislative Document No. 1289, 124th Maine Legislature – comment by Uniform Law Commission.

[12] the Proposed Act 30% of savings

[13] ($10,000 - ($10,000 x 50%)) x 30% = $1,500

[14] ($10,000 x 50%) = $5,000

attached as **Exhibit A**. This list illustrates the labor intensive nature of debt settlement services.
Further, debt settlement providers often provide significant services to individuals who end up not paying for those services. Providers will have provided significant customer service, financial education, counseling and negotiation services without being paid. Individuals may cancel from programs at any time and reject settlement offers even if such offers are reasonable.

g. The benefit to an individual in debt settlement should be measured by comparing the total cost of the consumer's other options.

The way the Proposed Act defines an individual's "savings" in debt settlement skews the fee cap to look much higher than it actually is and the definition ignores the time value of money. The Proposed Act measures "savings" or the amount the consumer benefits from the program as the difference between the principal debt when the consumer comes into the program and the payment made at settlement. If the Proposed Act applied to the United States national debt, and if the U.S. could pay off its debt in three years at what it owed today, the Proposed Act would place zero value on that transaction stating that the U.S. received no benefit. But the U.S. pays $400 billion a year in interest. So really the U.S. would benefit by $1.2 trillion over those 3 years (and trillions in future interest).

The total cost of a credit counseling plan is likewise is much greater than just the principal amount of the debt because (1) there is no reduction in principal and (2) interest continues to accrue and is paid as part of the service. If the Proposed Act's treatment of debt settlement were applied to credit counseling, credit counseling would be providing a negative benefit. Because debt settlement involves a reduction in the amount owed, it provides significantly greater consumer benefit even including fees. For instance, if there was a 50% reduction in principal and a fee of 25% of principal (only paid if the consumer accepts settlement), the total consumer cost for debt settlement would equal $18,750 compared to $37,180 for credit counseling (see chart below). The below chart illustrates the cost of other debt relief options. The true benefit of debt settlement should be compared to these numbers and not to the balance of debt an individual enrolls at the beginning of a program.

(see chart below)

$25,000 debt	Debt Settlement	Credit Counseling	Debt Consolidation Home Equity Loan[1]	Pay Minimum Due @ 2.5% of Balance
Months to pay off debt	36	60	120	565 Mo | 47 Yrs
Interest Rate	0	13%[2]	9.00%[3]	21.00%
Monthly Fees	0	$3,050.00[5]	$1,500.00[6]	
Fair Share by Creditor to nonprofit CCCS		$2,730.00[7]		
Total fees	**$6,250.00[4]**	**$5,780.00**	**$1,500.00**	
Interest[8]	**0[10]**	**$9,130.00[8]**	**$13,000.00[8]**	**$57,377.37[8]**
Amount of Debt on Day 1	$25,000.00	$25,000.00	$25,000.00	$25,000.00
Total Cost:	**$18,750.00**	**$37,180.00[9]**	**$39,500.00**	**$82,377.37**

h. A fee structure mandating fees as a percent of savings frequently fails to consider what would be in a consumer's best interest.

Sometimes a lower settlement is NOT in the consumer's best interest. Because the consumer may not be able to afford to pay one lump sum, a lower settlement offer may not do the consumer any good. Sometimes the consumer is better off taking a higher settlement but that is paid over a longer period of time (because of the consumer's cash flow). Yet limiting fees to a percent of savings essentially tells providers NOT to explore these types of arrangements and thus are not in the consumer's best interest. Again, an

[1] Assumes good credit and sufficient home equity.
[2] Testimony of nonprofit credit counseling agency at a committee hearing in Salem, Oregon, February 9, 2009 – the credit counselor stated she was unable to obtain concession rates better than 16% for her consumers;
Credit Counseling in Crisis: The Impact on Consumers of Funding Cuts, Higher Fees and Aggressive New Market Entrants, Consumer Federation of America and National Consumer Law Center, April 2003 – average of concession rates was approximately 13%.
[3] Per Bankrate.com for Denver, Colorado area - Wells Fargo Bank – January 2011.
[4] Assumes a fee of 25% of debt ($25,000 x 0.25).
[5] 60 mths x $50 + $50 set up per UDMSA
[6] Assumes 10 year loan and total fees 6% of loan value.
[7] 8% of client payments fair share - See page 2, lines 41-43 of H.P. 895, Legislative Document No. 1289, 124th Maine Legislature.
[8] Interest calculated by using Bankrate.com or CNNMoney.com calculators; does not include potential late fees, penalties, other costs.
[9] $25,000 principal + $9,130 interest + $3,050 fees = $37,180. Fair share comes out of the principal/interest payment.
[10] The 50% settlement figure is based off of debt at time of enrollment and any interest accrued is factored into the settlement percentage for this example. Similar numbers can be calculated using accretion rates and corresponding settlement percentages.

individual can choose to accept or reject any settlement and thus accept or reject any fees that she has to pay under the FTC Rule which should be the best protection for the consumer: consumer choice.

i. The Proposed Act further restricts the ability to collect fees even when deemed earned by the FTC Rule to the detriment of both consumer and provider.

The FTC deems the fees for debt settlement services earned once an individual accepts a settlement and makes at least one payment towards that settlement. In contrast, the Proposed Act limits the collection of fees for installment payments to equal payments with each installment. For instance, if a $4000 debt was settled for $2,000 payable in 10 installments of $200, the fee must be collected one-tenth with each payment.

The FTC Rule recognizes that a debt settlement provider's work is fully performed at the time the settlement is finalized in having provided client service and support, negotiations and settlement work. The payment of the settlement itself after the first payment is very little work or may be entirely controlled by the individual himself. Unlike debt settlement, credit counseling/debt management plans involve very little advance work because the credit counselors have prearranged agreements with creditors that have predetermined sets of criteria. The main service provided by credit counseling debt management plans is sending out the monthly payment to creditors pursuant to the plan.

The Proposed Act restrictions prevent flexible arrangements that are to the benefit of both consumer and provider. If a provider made a settlement involving 2 payments and wanted to take the fee at the end of the 2nd payment the Proposed Act prohibits it. If a client was in month 3 of a 6 month ongoing installment settlement and wanted to take a settlement offer for a second installment settlement of 8 months, there would be an overlap of 3 months when the client was paying on two settlements. In order to take this deal, the provider may be willing to defer fees until the settlements no longer overlapped, but the Proposed Act would prohibit that kind of arrangement. Or the provider may settle a client's last debt for an installment of 12 months, and the client wants to pay the fees in two payments and be done with it. The Proposed Act also prohibits that arrangement. There are many examples of how providers work with the consumer's payment schedule that would be a win-win for both. This section prohibits these kinds of flexible arrangements even though the provider has done its job in getting a settlement the consumer wants. The result is providers might not explore settlement options that would otherwise be in the consumer's best interests. TASC recommends this language in the Proposed Act be stricken.

j. The fee structure is not comparable to an attorney's contingency fee.

(i) The attorney is paid costs in addition to fees.
(ii) The attorney is not forced to charge a contingency fee.

(iii) An attorney's fee is not capped.

(iv) An attorney may place a lien on any future recovery for work performed by that attorney. A debt settlement provider has no right to fees for work performed even if the work performed leads up to a settlement after termination of the agreement.

(v) An attorney charging a contingency fee takes a fee on the entire recovery, not just the incremental benefit the individual realizes. For instance, an attorney gets a cut of actual damages like lost wages, medical bills etc. that are "out of pocket" losses an individual may have suffered.

(vi) The fees are not only taken from damages as of the date the client signed up with the attorney. For instance, if the client continues to incur medical bills and/or lost wages during the representation, the attorney's fee is part of that as well.

(vii) An attorney collects his or her contingency fee from a recovery of money that is paid in trust to the attorney. A debt settlement provider must pursue fees from the client.

2. The true story and statistics about complaints.

The industry's opponents have always cited significant complaint volume as support for their positions yet relied only on individual cases or anecdotal evidence. Recent statistical evidence shows the contrary.

a. An FOIA request made to the FTC regarding the volume of complaints against debt settlement companies reveals very few complaints. In response to the request, the FTC provided a breakdown of complaints by company for 2009 of the Top 100 complaint targets in the category of "debt negotiation/credit counseling" complaints. There are no debt settlement companies in the Top 20, and the highest number of complaints received by any debt settlement company is 47 compared to the 3209 complaints received by the highest listed company, HSBC. In fact, the top four listed companies were all large banks. Debt settlement companies appear to comprise less than 20% of the number of companies on the list and constitute approximately 5% of the total number of complaints. (See attached **Exhibit B** - FTC response to FOIA request).

b. Likewise, Maryland Attorney General statistics received pursuant to an FOIA request by another organization, USOBA, reveal that once the complaints against Richard Brennan and his law firms[15] are removed (who was shut down, disbarred and jailed after enforcement action was taken against him), only approximately 71 complaints over a <u>three (3) year period</u> were made against for profit debt settlement companies, or an average of 20 complaints a year. (See attached **Exhibit C** - summary of results of FOIA request by USOBA).

[15] Brennan would not be covered by the UDMSA as a licensed attorney at the time of his actions.

c. The BBB statistics also show relatively low numbers of complaints. According to the BBB's 2009 data, debt settlement ranked 117th in number of complaints. Industries rated worse include at #3 banks, #6 collection agencies, #15 credit card companies and #86 credit counseling. (See attached **Exhibit D** - 2009 BBB complaint statistics report).

So, even before the FTC rule was promulgated, there was not a significant complaint volume. Now with the FTC rule, there is significant protection in place. Thus, while TASC supports strong regulation, it is not necessary to impose overly burdensome restrictions.

3. Myths about debt settlement.

Critics have additionally attacked debt settlement by using the following arguments:

a. Debt settlement takes advantage of uneducated, low income individuals.
FACT: Debt settlement clients are not usually low income individuals. In order for an individual to need debt settlement services, the person generally has had a decent paying job to qualify for enough credit to get in trouble. Most companies do not take clients with less than $10,000 in debt and some have an even higher threshold. The average debt in a debt settlement program ranges from $20,000 to $30,000 usually comprised of 6-7 credit cards. Debt settlement clients often do not qualify for Chapter 7 bankruptcy because of the means test (that they make more than the median level of income for the State) and have usually experienced some financial hardship such as a divorce, job loss, or medical issue that created the financial problem

b. There is no reason to use a debt settlement provider since an individual can negotiate his or her own debt.
FACT: Ironically, this attack is usually posited by nonprofit credit counselors whose services usually consist of budget planning and a debt management plan involving, at best, concessions of reduced interest rates and a payment plan of equal monthly payments over 5 years. While debt settlement can be done by an individual himself, debt settlement clients usually are in a situation where they are seeking assistance with their debt and do not want to do it on their own. Further, negotiating down the principal of a debt is more difficult than asking for a reduction in interest and the process of debt settlement involving individual negotiations is much more complex than setting up a credit counseling payment plan. Debt settlement providers also provide an expertise and knowledge that helps provide an advantage in many ways including knowing who to contact, when to negotiate, tendencies of certain creditors and the many changing policies of creditors.

c. Debt settlement causes individuals who would otherwise pay their debts timely to default on their debt.

FACT: USA Today reported in March 2010 that creditors wrote off over $80 billion in credit card debt in 2009 alone. The reasons are many including job loss, health problems, divorce, and rising costs of other debts such as mortgages. However, some of the problems are a result of creditors own actions or changing policies. Increased interest rates or increased minimum payment requirements imposed by creditors often result in debts that were formerly affordable for a consumer to become overwhelming. For example, if a creditor lowers a consumer's credit limit, his debt to available credit ratio goes down which hurts his credit score. A creditor now uses this lower credit score as a basis for raising interest rates. Another creditor may also see the lower credit rating or adverse action by other creditors and follow suit. So it ends up being a domino effect and consumers cannot afford their debt payments anymore even though nothing much has changed in terms of their income or payment history. Whatever the reason, millions of Americans are unable to pay their debts and are dodging collection calls with or without debt settlement.

d. Debt settlement is not effective because interest and late fees continue to accrue.

FACT: Interest and late fees do accrue, but interest accrues with any debt relief option a consumer may choose. Some critics have misrepresented the problem – (See TASC Response to CRL). Interest and late fees do not continue to accrue for the life of the debt – once the debt is charged off (typically when debt has been 6 months late) the debt is written off and usually the contractual terms expire[16]. Again, the debtor would normally have experienced the same charges regardless of the debt settlement program. Further, critics demand the need to measure "success" of the client as of the time the client enrolls in a debt settlement program, and thus claim that fees should be reduced to a level so low that the consumer realizes significant savings off of his or her original balance. The problem is that position fails to consider the time value of money and the consumer's other options. In every option, interest is a significant cost. See chart in 1(d) above.

TASC continues to advocate that given the combination of (1) strong regulation of all other matters through licensing, and (2) the prohibition of charging fees until a settlement is reached that the consumer previously agreed to, together is comprehensive consumer protection that negates the need for a hard fee cap. Note in unregulated states, fees are actually lower because of competition.

4. Testimonials by consumers who have been helped by debt settlement.

TASC has numerous testimonials in favor of debt settlement and positive testimonials greatly outweigh the negative testimonials. As an example, the FTC

[16] The debtor may still incur collection charges.

sought comment on its proposed rule and received approximately 200 consumer testimonials regarding debt settlement of which only 4 were negative and of those, 3 of the negative comments focused on creditors. Attached as **Exhibit E** are just a few examples of positive testimonials. Also see www.consumercreditrights.org for video and audio recordings of consumers who have had positive experiences.

D. Specific Comment and proposals regarding the Proposed Act

TASC proposes the following amendments. Additions noted by underline and deletions by strikethrough.

1. Section 2, subsection (2)(B)(iv). Definition of "affiliate"

(iv) ~~subject to adjustment of the dollar amount pursuant to Section 32(f), a person that receives or received more than $25,000 from the entity in either the current year or the preceding year or~~ a person that owns more than 10 percent of, ~~or an individual who is employed by or is a director of, a person that receives or received more than $25,000 from~~ the entity in either the current year or the preceding year;

[TASC Comment: The definition of "Affiliate" in this subsection includes an entity that "receives or received more than $25,000 from the entity in either the current year or the preceding year or a person that owns more than 10% of, or an individual who is employed by or is a director of, a person that receives or received more than $25,000 from the entity in either the current year or the preceding year." The problem is that this broad definition of affiliate includes vendors, landlords, utility companies, phone companies, Google (for advertising) or any other third party that received more than $25,000 in a year. Thus, TASC proposes that the limits for this part of the definition be made similar to that of federal law. Section 13(d) of the Securities Exchange Act of 1934, and the rules under that section, define an affiliate as one who "controls, is controlled by or under common control with" another party. The Federal Reserve takes the position that any holder of more than 10% of the voting interests of another is an affiliate. So, TASC proposes that affiliates be limited to those who own 10% or more of the voting interests in an entity which would go to the real purpose of this provision: does the debt settlement entity "control" the "affiliate."]

2. Section 2, subsection (21). Return definition of "trust account" to original definition per the below:

"Trust account" means an account held by a provider that is:

(A) established in an insured bank;

(B) separate from other accounts of the provider or its designee;

(C) designated as a trust account or other account designated to indicate that the money in the account is not the money of the provider or its designee; and

(D) used to hold money of one or more individuals for disbursement to

creditors of the individuals.

[TASC Comment – this is the original language in the UDMSA which more accurately describes the functions and legal understanding of a trust account – an account that is controlled by the account holder to hold funds belonging to someone else. Dedicated accounts, as allowed by the FTC, should be separately defined. TASC proposes the dedicated account language be added to Section 22]

3. Section 6, subsection (7)

G. the applicant's financial statements, reviewed by an independent licensed accountant, ~~audited by an accountant licensed to conduct audits~~, for each of the two years immediately preceding the application or, if it has not been in operation for the two years preceding the application, for the period of its existence. If an applicant claims nonprofit or tax exempt status, or if an applicant's business practices involving holding, accessing, or directing the funds of an individual, the financial statement required by this paragraph shall be audited by an accountant licensed to conduct audits;

[TASC Comment – this is language adopted in most states that have enacted the UDMSA. An audit is an unnecessary, expensive and excessive examination to impose on a company that does not hold the debtor's money as there is no issue regarding the misappropriation or commingling of funds. Financial statements reviewed by a licensed accountant should provide any information the administrator seeks about a debt settlement company, such as the financial responsibility and financial security of the company.]

4. Section 6 subsection (17)

If an applicant claims nonprofit or tax exempt status, or if an applicant's business practices involve holding, accessing or directing the funds of an individual, a statement of the amount of compensation of the applicant's five most highly compensated employees for each of the three years immediately preceding the application or, if it has not been in operation for the three years preceding the application, for the period of its existence;

[TASC Comment - this is language adopted in all states that have enacted the UDMSA except Rhode Island. Debt settlement companies are privately held for profit companies that do not receive or hold any consumer funds. The requirement to disclose the amount of compensation of certain individuals is an overly broad requirement that is more suited to nonprofits and/or companies that have trust accounts that hold consumer funds. Debt settlement companies still must provide the last 2 years of a company's annual financial statements for the administrator to review.]

5. Section 11, subsection (b)(3)

(3) contain the matter required for initial registration as a provider by Subsections H and I of Section 6 of the Uniform Debt-Management Services Act and a financial statement; <u>if a provider claims nonprofit or tax exempt status, or if a provider's business practices involving holding, accessing, or directing the funds of an individual, the financial statement is to be</u> audited by an accountant licensed to conduct audits, for the applicant's fiscal year immediately preceding the application;

[TASC Comment -- this is language adopted in most states that have enacted the UDMSA. See TASC point number D.3. above.]

6. Section 17, subsection (b)3

If the individual is to make regular, periodic payments <u>to a creditor or provider</u>:

[TASC Comment -- This is a requirement designed for credit counseling plans. Creditors do not participate in debt settlement plans and there are no prearranged agreements with creditors. At the time the agreement is entered into between the provider and the individual, it is unknown how the program will proceed because the debts move so frequently between original creditors, debt collectors, and debt buyers. Negotiations with creditors are not part of a plan and involve individual offers and counter offers. As such there is no plan for a creditor to participate in or accept payment from.]

7. Section 17, subsection (c)(3)

(3) <u>If a plan contemplates that creditors will reduce finance charges or fees for late payment, default or delinquency, and the plan involves regular periodic payments to creditors</u>, with respect to all creditors identified by the individual or otherwise known by the provider to be creditors of the individual, provide the individual with a list of:

(a) creditors that the provider expects to participate in the plan and grant concessions;
(b) creditors that the provider expects to participate in the plan but not grant concessions;
(c) creditors that the provider expects not to participate in the plan; and
(d) all other creditors.

[TASC Comment - The process of a creditor participating or withdrawing from a plan is part of a credit counseling plan and is not relevant to a debt settlement plan. The credit counseling process involves a creditor accepting at the outset of the program an amortized schedule of payments in full payment of the debt. An individual knows at the time the agreement is entered into with the provider which creditors participate and what the concessions are. A creditor may withdraw from a credit counseling plan if the debtor misses one or more payments to be made to the creditor pursuant to the payment plan. Debt settlement is very

different. Creditors do not participate in debt settlement plans and there are no prearranged agreements with creditors. At the time the agreement is entered into between the provider and the individual, it is unknown how the program will proceed because the debts move so frequently between original creditors, debt collectors, and debt buyers. Negotiations with creditors are not part of a plan and involve individual offers and counter offers. As such there is no plan for a creditor to participate in or withdraw from.

8. Section 17, subsection D

D. Before an individual assents to an agreement, the provider shall inform the individual, in a separate record ~~that contains nothing else, that is given separately and~~ that the individual may keep whether or not the individual assents to the agreement:

[TASC Comment: this is language adopted in most states that have enacted the UDMSA.]

9. Section 19, subsection (a)(6)(e)

(d) if a plan provides for regular periodic payments to creditors:

1) each creditor of the individual to which payment will be made, the amount owed to each creditor and any concessions the provider reasonably believes each creditor will offer; ~~and~~

2) the schedule of expected payments to each creditor, including the amount of each payment and the date on which it will be made; <u>and</u>

~~(e)~~ 3) each creditor that the provider believes will not participate in the plan and to which the provider will not direct payment;

[TASC Comment - The process of a creditor participating or withdrawing from a plan is part of a credit counseling plan and is not relevant to a debt settlement plan. The credit counseling process involves a creditor accepting at the outset of the program an amortized schedule of payments in full payment of the debt. An individual knows at the time the agreement is entered into with the provider which creditors participate and what the concessions are. A creditor may withdraw from a credit counseling plan if the debtor misses one or more payments to be made to the creditor pursuant to the payment plan. Debt settlement is very different. Creditors do not participate in debt settlement plans and there are no prearranged agreements with creditors. At the time the agreement is entered into between the provider and the individual, it is unknown how the program will proceed because the debts move so frequently between original creditors, debt collectors, and debt buyers. Negotiations with creditors are not part of a plan and involve individual offers and counter offers. As such there is no plan for a creditor to participate in or withdraw from.]

10. Section 22, subsections (b) – (d)

~~(b). A provider may request or require an individual to place money in a trust account instead of paying money to the provider.~~

~~(c). The trust account shall be in a bank account that is fully insured by the federal deposit insurance corporation and, unless the individual owns the account, shall:~~

~~(i) be designated as a trust account or other account designated to indicate that the money in the account is not the money of the provider or its designee;~~

~~(ii) be administered by an entity that is not:~~

~~(A) the provider; or~~

~~(B) an affiliate of the provider; and~~

~~(iii) provide that any interest accruing on the individual's funds in the account is credited to the individual.~~

~~(d). A person administering a trust account shall not give or accept any compensation from the provider in exchange for referrals of business involving debt-management services.~~

[TASC Comment – this language, while it appears to be based on the FTC Rule, creates confusion because it differs from longstanding legal precedence regarding what constitutes a trust account. TASC proposes that the actual FTC language be inserted at the bottom of this section 22 to distinguish the third-party accounts from provider-held trust accounts. See TASC proposed amendment below.]

11. Section 22, Add a new subsection with this language.

For a plan that contemplates that creditors will settle debts for less than the principal amount of the debt, nothing in this act prohibits a provider from requesting or requiring an individual to place funds in an account, separate from the individual's then-existing bank account, to be used for the provider's fees and for payments to creditors or debt collectors in connection with the debt management services provided that:

(1) the funds are held in an account at an insured financial institution;

(2) the individual owns the funds held in the account and is paid accrued interest on the account, if any;

(3) the entity administering the account is not owned or controlled by, or in any way affiliated with, the provider;

(4) the entity administering the account does not give or accept any money or other compensation in exchange for referrals of business involving the debt management provider or plan; and

(5) the individual may withdraw from the debt management plan at any time without penalty, and must immediately receive all funds in the account, other than fees earned in compliance with this act.

[TASC comment – this is the FTC rule language and it helps distinguish between traditional trust accounts and the requirements for those accounts from the third-party accounts described in the FTC language.]

12. Section 23, Subsection (d)(4)

(4) except as otherwise provided in Subsection (c), if an agreement contemplates that creditors will settle an individual's debts, including any interest accrued to the date of settlement for less than the principal amount of the debt:

~~(A) compensation for services in connection with settling a debt shall not exceed, with respect to each debt, thirty percent of the excess of the principal amount of the debt over the amount paid the creditor pursuant to the agreement; and~~
~~(B) if the debt is to be settled by installment payments: (i) the provider may receive this compensation in installments, made simultaneously with the individual's installment payments to the creditor; but (ii) any such installment of the compensation shall not be a greater percentage of the provider's total compensation for settlement of that debt than the ratio of the settlement payment to the total settlement amount for that debt;~~

(a) A provider may not request or receive payment of any fee or consideration until and unless:

(i) the provider has settled the terms of at least one debt pursuant to a settlement agreement or other such valid contractual agreement executed by the individual;
(ii) the individual has made at least one payment pursuant to that settlement agreement or other valid contractual agreement between the individual and the creditor or debt collector; and
(iii) the fee or consideration either:

(1) bears the same proportional relationship to the total fee for settling the terms of the entire debt balance as the individual debt amount bears to the entire debt amount. the individual debt amount and the entire debt amount are those owed at the time the debt was enrolled in the service; or
(2) is a percentage of the amount saved as a result of the settlement. the percentage charged cannot change from one individual debt to another. the amount saved is the difference between the amount owed at the time the debt was enrolled in the plan and the amount actually paid to satisfy the debt.

[TASC Comment: Combined with the extremely strong consumer protections in the UDMSA, prohibiting any fees until the settlement of each debt results in such strong consumer protection that a specific cap is not needed. See also TASC Comment C.1. above.]

13. Section 28, Subsection (a)(11)

(11) settle a debt or lead an individual to believe that a payment to a creditor is in settlement of a debt to the creditor unless, at the time of settlement, the individual receives a certification by the creditor that the payment is in full settlement of the debt,

or is part of a payment plan, the terms of which are included in the certification, that upon completion, will lead to full settlement of the debt.

[TASC Comment-- this is language adopted in most states that have enacted the UDMSA. Sometimes, settlements are negotiated to be paid out over time in addition to receiving concessions on the principal. This language will clarify that this type of settlement is permitted as well.]

14. Section 28, Subsection (a)(12)

(12) make a representation that:

(a) the provider will furnish money to pay bills or prevent attachments;

(b) payment of a certain amount will ~~permit~~ guarantee satisfaction of a certain amount or range of indebtedness; or

[TASC Comment – per FTC Rule, we are required to give individuals estimates on what payments are needed to try to settle debts.]

In closing, TASC believes the FTC Rule alone provides sufficient and significant protection for consumers, and addresses the key concern, the charging and collection of advance fees. Together with the other protections offered by the Proposed Act including licensing, bonding, operational requirements, prohibitions, and strong enforcement provisions, consumers under the UDMSA would be amongst the strongest protected in the country. However, without changes, the Proposed Act would result in no licensed debt settlement providers, which seems contrary to its purpose, as providers simply could not afford to provide services. Consumers today need more options to help manage their debts, not fewer options. Further, consumer protection involves not only preventing harm, but providing help. TASC's changes would accomplish both of these goals.

Respectfully submitted,

Wesley Young
Legislative Director

Exhibit A

Summary of work performed by a debt settlement provider

Once the consumer is determined to be qualified for the program and after all of the consultations, disclosures and "front-end" work is done and the consumer has signed an agreement and is enrolled in the debt settlement program, the following preliminary tasks are performed at the start of the consumer's program:

1. Gather additional necessary personal and account information from consumer for placement into database.
2. Mail program packet to consumer, containing company contact information, etc.
3. Contact consumer by phone to welcome them to the program, answer any questions they may have, go over again significant aspects of the program, ensure that client contact information is complete and accurate.

During the typical two to three-year program length:

1. Receive, review and process into database monthly account statements received from consumer.
2. Discuss with client needed changes to program, such as payment amounts or dates, banking information, personal contact or employment information, etc., and process into database.
3. Contact and locate creditors, collectors and debt buyers to maintain information on the accounts.
4. Consult with consumer regarding particular settlement offers, often working out exact timing and, if needed, number of monthly payments, and then coordinating final arrangements with the creditor. This often takes a significant number of calls back and forth between the settlement company, the consumer and the creditor.
5. Field calls from creditors, collectors and debt buyers who want to discuss possible settlement scenarios.
6. Obtain and process settlement documentation and terms.
7. Audit settlement terms for accuracy, verify funds available, and payment method.
8. Maintain official settlement documents, sending copy to consumer.
9. At the end of each day send updated consumer, account and settlement information to third-party payment processing company, and each day receive downloads from same.
10. Ensure that creditor receives funds from client
11. Address and resolve issues dealing with previously settled accounts.
12. Obtain satisfaction/zero balance letters when necessary.
13. Provide guidance to consumer regarding the handling of creditor calls, an on-going process, especially as accounts progress through the collection process with additional creditors.
14. Contact creditors in regards to possible harassment of the consumer, at times having the creditor call a different number or at a different time.

15. Educate consumers regarding their rights in regards to dealings with creditors.
16. Direct consumers to sources of legal assistance when needed.
17. Pro-actively call consumers on a regular basis (every 30) days to go over progress of program.
18. Comfort consumers who may be feeling overwhelmed, pressured, depressed or otherwise agitated by various aspects of the program or even generally what is going on in their lives at the moment.
19. Provide coaching and support to the consumer in regards to staying on budget with the program.
20. Provide needed educational information to the consumer.
21. Build, maintain and nurture relationships between the company and creditors, collections agencies and debt buyer/holders- these relationships are critical to securing favorable results.
22. Utilize technology to keep client data secure.

Aspects of specific negotiations:

1. Identify the proper creditor, collector or debt buyer that has the account.
2. Prepare for negotiation by verifying account balance, savings balance, status of the account and who now is holding the account.
3. Communicate hardship to the creditor, collector or debt buyer, especially as a means of advocating for the consumer the best possible settlement.
4. Propose settlement offer.
5. Entertain counter offer, consulting with consumer as necessary.
6. Document finalized settlement with creditor.
7. Communicate finalized settlement documents with consumer and with third party payment processor.

Exhibit B

FOIA-2010-00701

Database: Consumer Sentinel Network
Purpose of search: To find the top 100 companies who have received the highest number of complaints under the product service code "Debt negotiation/ Credit Counseling"

The search included all records available through April 28, 2010.

Rank	Subject Name	Responsive Complaints
1	HSBC Finance Corp	3,209
2	Unknown	1,651
3	Capital One	460
4	CARD Services	421
5	Green Tree Servicing LLC	207
6	Debt Solutions	184
7	UNKNOWN	175
8	Mortgage Help Services	151
9	America's Servicing Company	150
10	Citifinancial Service Inc.	149
11	Mutual Consolidated Savings	129
12	ACCOUNT services	122
13	Peak5	97
14	Sears Roebuck & Company	83
15	Alternative Funding	72
16	Chrysler Financial	68
17	Clear Breeze Solutions	67
18	INC Credit Services	67
19	Direct Capital Corporation	63
20	Real Talk Radio Network	59
21	Prestige Financial Services Inc.	57
22	Express Debt Elimination	51
23	Credit Solutions	47
24	Debt Relief USA	47
25	Credit Consultants	43
26	Ideal Wealth Builder Club	43
27	Careone Services, Inc.	39
28	AMS Financial	38
29	Chase Health Advance	36
30	Card Holder Services	35
31	Innovative Wealth Builders, Inc.	34
32	Allegro Law, LLC	32
33	Money Works	32
34	Consumer Services	29
35	National Deed Service, Inc.	29

36	Amscot	28
37	Card Member Services	28
38	Financial Freedom Resources, Inc.	28
39	TD Ameritrade, Inc.	28
40	Blue Harbor Financial	27
41	CardHolder Services	27
42	United First Financial, LLC	27
43	DEBT Relief	26
44	Federal Loan Modification Law Center	26
45	Freedom Financial Management	25
46	Lifeguard Financial	25
47	Wells Fargo	24
48	Vericrest Financial	22
49	Consumer Financial Advisory Board	21
50	Morgan Drexen	20
51	Premier Credit Services, Inc.	20
52	Wells Fargo Financial	20
53	Consumer Education Services, Inc.	19
54	Phoenix Debt Management	19
56	World Financial Group	19
57	Aqua Finance, Inc.	18
58	Credit Card Reduction	18
59	Debtscape	18
60	Nationwide Bi-weekly Administration, Inc.	18
61	Suburban Debt Solutions	18
62	Clear Financial Solutions	17
63	Credit Answers	17
64	FINANCIAL Services	17
65	Freedom Debt Relief	17
66	GE Financial Assurance	17
67	Money Express Pos Solutions Inc.	17
68	Sales Department	17
69	21st Century Legal Services	16
70	Commercial Debt Counseling Corporation	16
71	Credit Attorney Pc	16
72	Debtyz	16
73	Financial Solutions	16
74	Ranger Financial Services Inc.	16
75	Bank of America	15
76	Citi Financial Services	15
77	Consumer Relief	15
78	Express Consolidation	15
79	Federal Debt Relief System	15

80	Geneva-Roth Ventures	15
81	JK Harris	15
82	Northside Services	15
83	Allegro Law	14
84	Authorize.net	14
85	Consumer Finance Services LLC	14
86	Platinum Advantage	14
87	Real Talk Network	14
88	Unkown	14
89	Wachovia Bank, Na	14
90	Ameridebt	13
91	Client Services	13
92	DELL Financial Services	13
93	GHS Solutions	13
94	National Foreclosure Relief	13
95	Web Transaction Services	13
96	Clear Debt Solution	12
97	Financial Consulting Services	12
98	Financial Freedom	12
99	Global Client Solutions LLC	12
100	Pioneer Services, A Division of Midcountry Bank	12

Exhibit C

Summary of Complaint Information for debt settlement received from AG's office per FOIA request for period 2007-2009

320	Total Complaints
85	Misclassified/non debt settlement
164	Total Complaints for Richard Brennan/Frederick Law Group
71	**Remaining complaints against debt settlement co.'s**

Exhibit D

US BBB
2009 Statistics
Sorted by Complaint

Industry Description	Inquiries	Rank by Inquiries	Complaints	Complaint Rank	Complaints Settled	%	Complaints Not Settled	%	Complaints Unable to Pursue	%
TOTAL	**62,165,457**		**948,305**		**700,194**	**73.8%**	**215,973**	**22.8%**	**32,138**	**3.4%**
Cellular Telephone Service, Equipment & Supplies	198,662	61	36,086	1	34,358	95.2%	1,585	4.4%	143	0.4%
Television - Cable, CATV & Satellite	183,908	68	32,158	2	31,382	97.6%	729	2.3%	47	0.1%
Banks	400,201	29	29,824	3	29,131	97.7%	637	2.1%	56	0.2%
Auto Dealers - New Cars	1,087,755	5	26,019	4	21,646	83.2%	4,105	15.8%	268	1.0%
Internet Shopping	528,481	20	21,154	5	14,541	68.7%	5,727	27.1%	886	4.2%
Collection Agencies	374,994	33	15,628	6	13,315	85.2%	2,051	13.1%	262	1.7%
Auto Dealers - Used Cars	817,480	10	13,235	7	9,121	68.9%	3,752	28.3%	362	2.7%
Telephone Companies	73,491	160	13,166	8	12,595	95.7%	516	3.9%	55	0.4%
Auto Repair & Service	949,500	7	12,410	9	8,032	64.7%	4,139	33.4%	239	1.9%
Furniture - Retail	421,312	28	12,313	10	9,341	75.9%	2,556	20.8%	416	3.4%
Not Elsewhere Classified	382,931	32	12,106	11	5,269	43.5%	5,666	46.8%	1,171	9.7%
Internet Services	393,841	30	11,454	12	8,005	69.9%	3,271	28.6%	178	1.6%
Computers - Dealers	185,625	66	10,775	13	8,090	75.1%	2,603	24.2%	82	0.8%
Herbs	31,760	332	10,275	14	5,191	50.5%	5,009	48.7%	75	0.7%
Credit Cards & Plans	122,397	107	9,741	15	9,310	95.6%	345	3.5%	86	0.9%
Financial Services	502,672	21	9,079	16	8,207	90.4%	619	6.8%	253	2.8%
Mortgage Brokers	1,271,259	3	8,102	17	6,119	75.5%	1,638	20.2%	345	4.3%
Movers	1,055,881	6	7,850	18	5,743	73.2%	1,890	24.1%	217	2.8%
Department Stores	51,103	218	7,204	19	7,056	97.9%	134	1.9%	14	0.2%
Health Clubs	117,419	109	7,139	20	5,873	82.3%	1,125	15.8%	141	2.0%
Roofing Contractors	2,168,635	1	7,050	21	4,298	61.0%	2,291	32.5%	461	6.5%
Electronic Equipment & Supplies - Dealers	117,075	110	6,997	22	5,234	74.8%	907	13.0%	856	12.2%
Insurance Companies	635,243	15	6,620	23	5,882	88.9%	668	10.1%	70	1.1%
Credit Reporting Agencies	52,942	213	6,495	24	6,390	98.4%	99	1.5%	6	0.1%
Health & Diet Products - Retail	122,500	106	6,310	25	5,109	81.0%	1,164	18.4%	37	0.6%
Contractors - General	1,416,329	2	6,175	26	2,990	48.4%	2,819	45.7%	366	5.9%
Consumer Finance & Loan Companies	193,832	63	5,971	27	5,274	88.3%	633	10.6%	64	1.1%
Computers Software & Services	235,007	52	5,888	28	5,124	87.0%	681	11.6%	83	1.4%
Apartments	142,868	94	5,751	29	3,757	65.3%	1,878	32.7%	116	2.0%
Travel Agencies & Bureaus	384,967	31	5,598	30	4,424	79.0%	961	17.2%	213	3.8%
Airlines	21,277	439	5,581	31	5,143	92.2%	419	7.5%	19	0.3%
Work-At-Home Companies	462,351	24	5,446	32	2,068	38.0%	2,194	40.3%	1,184	21.7%
Fulfillment Services	30,965	339	5,369	33	1,916	35.7%	1,539	28.7%	1,914	35.6%
Property Management	303,969	40	5,297	34	4,001	75.5%	1,220	23.0%	76	1.4%
Telephone Communications	89,122	136	5,182	35	4,732	91.3%	384	7.4%	66	1.3%
Real Estate Loans	248,905	47	4,920	36	1,249	25.4%	3,589	72.9%	82	1.7%
Construction & Remodeling Services	1,114,625	4	4,876	37	2,329	47.8%	2,178	44.7%	369	7.6%
General Merchandise - Retail	98,652	126	4,784	38	2,905	60.7%	1,766	36.9%	113	2.4%
Mail Order & Catalog Shopping	93,292	130	4,710	39	3,940	83.7%	716	15.2%	54	1.1%
Hotels	87,129	138	4,519	40	3,114	68.9%	1,357	30.0%	48	1.1%
Appliances - Major - Dealers	142,863	95	4,512	41	3,878	85.9%	544	12.1%	90	2.0%
Plumbing Contractors	905,924	8	4,505	42	3,335	74.0%	1,078	23.9%	92	2.0%
Auto Parts & Supplies - New	169,364	73	4,458	43	2,825	63.4%	1,575	35.3%	58	1.3%
Business Services - General	198,965	60	4,363	44	2,429	55.7%	1,660	38.0%	274	6.3%

Industry Description	Inquiries	Rank by Inquiries	Complaints	Complaint Rank	Complaints Settled	%	Complaints Not Settled	%	Complaints Unable to Pursue	%
Auto Warranty Processing Service	171,202	72	4,214	45	2,854	67.7%	875	20.8%	485	11.5%
Magazine Sales	43,960	255	4,189	46	3,086	73.7%	883	21.1%	220	5.3%
Electric Companies	92,300	133	4,103	47	3,870	94.3%	228	5.6%	5	0.1%
Health & Medical Products - Scientifically Unproven	22,897	413	4,053	48	2,649	65.4%	1,329	32.8%	75	1.9%
Restaurants	242,229	50	4,036	49	2,375	58.8%	1,477	36.6%	184	4.6%
Dentists	320,140	36	3,783	50	2,939	77.7%	801	21.2%	43	1.1%
Home Builders	768,911	11	3,723	51	2,374	63.8%	1,198	32.2%	151	4.1%
Air Conditioning Contractors & Systems	714,126	13	3,659	52	2,858	78.1%	726	19.8%	75	2.0%
Attorneys	602,083	16	3,643	53	2,175	59.7%	1,411	38.7%	57	1.6%
Heating & Air Conditioning	870,854	9	3,550	54	2,625	73.9%	807	22.7%	118	3.3%
Vitamins & Food Supplements	71,049	165	3,546	55	2,509	70.8%	887	25.0%	150	4.2%
Security Control Equipment & System Monitors	283,154	43	3,485	56	3,132	89.9%	307	8.8%	46	1.3%
Internet Marketing Services	219,066	57	3,450	57	2,693	78.1%	676	19.6%	81	2.3%
Loans	244,740	48	3,432	58	1,896	55.2%	1,223	35.6%	313	9.1%
Real Estate	467,806	23	3,426	59	2,281	66.6%	1,011	29.5%	134	3.9%
Auto Renting & Leasing	66,570	171	3,417	60	2,898	84.8%	493	14.4%	26	0.8%
Dry Cleaners	81,907	145	3,368	61	1,672	49.6%	1,604	47.6%	92	2.7%
Buying Clubs & Group Purchasing Service	54,914	210	3,349	62	3,093	92.4%	138	4.1%	118	3.5%
Computers - Supplies & Parts	80,912	148	3,230	63	2,583	80.0%	633	19.6%	14	0.4%
Manufacturers & Producers	165,612	77	3,224	64	2,879	89.3%	326	10.1%	19	0.6%
Marketing Programs & Services	181,367	70	3,134	65	1,280	40.8%	1,685	53.8%	169	5.4%
Home Improvements	647,917	14	3,097	66	2,019	65.2%	951	30.7%	127	4.1%
Tax Return Preparation	158,878	83	3,095	67	2,196	71.0%	824	26.6%	75	2.4%
Vacation Time Share	134,288	99	3,069	68	1,953	63.6%	1,003	32.7%	113	3.7%
Timeshare Companies	202,586	58	3,048	69	1,982	65.0%	911	29.9%	155	5.1%
Vacation Certificates & Vouchers	83,405	143	2,959	70	1,562	52.8%	886	29.9%	511	17.3%
Extended Warranty Contract Service Companies	168,522	74	2,951	71	2,458	83.3%	350	11.9%	143	4.8%
Burglar Alarm Systems - Dealers, Monitoring & Service	135,081	98	2,916	72	2,657	91.1%	240	8.2%	19	0.7%
Collection Systems	40,052	281	2,833	73	2,035	71.8%	767	27.1%	31	1.1%
Computers - Networks	56,099	202	2,785	74	2,702	97.0%	78	2.8%	5	0.2%
Jewelers - Retail	328,264	35	2,771	75	1,851	66.8%	826	29.8%	94	3.4%
Tire Dealers	167,720	76	2,752	76	2,023	73.5%	707	25.7%	22	0.8%
Magazines - Subscription Agents	25,673	384	2,747	77	1,957	71.2%	665	24.2%	125	4.6%
Information Bureaus	155,988	85	2,724	78	2,365	86.8%	342	12.6%	17	0.6%
Towing - Automotive	80,068	150	2,723	79	1,575	57.8%	1,097	40.3%	51	1.9%
Transmissions - Automobile	181,861	69	2,663	80	1,840	69.1%	754	28.3%	69	2.6%
Landscape Contractors	544,493	19	2,662	81	1,338	50.3%	1,217	45.7%	107	4.0%
Pharmacies	64,867	172	2,627	82	735	28.0%	1,867	71.1%	25	1.0%
Auto Body Repair & Painting	486,775	22	2,526	83	1,570	62.2%	902	35.7%	54	2.1%
Pest Control Services	425,709	27	2,523	84	2,055	81.5%	429	17.0%	39	1.5%
Business Opportunity Companies	197,681	62	2,484	85	1,569	63.2%	663	26.7%	252	10.1%
Credit & Debt Counseling	714,683	12	2,483	86	1,790	72.1%	518	20.9%	175	7.0%
Services - General	97,363	127	2,483	86	1,297	52.2%	928	37.4%	258	10.4%
Swimming Pool Contractors, Dealers, Design	442,034	26	2,442	88	1,741	71.3%	636	26.0%	65	2.7%
Dating Service	72,242	161	2,430	89	2,052	84.4%	314	12.9%	64	2.6%
Amusement Parks & Places	55,113	207	2,377	90	2,044	86.0%	324	13.6%	9	0.4%

Industry Description	Inquiries	Rank by Inquiries	Complaints	Complaint Rank	Complaints Settled	%	Complaints Not Settled	%	Complaints Unable to Pursue	%
Real Estate Maintenance Protection Plan	24,094	403	2,325	91	1,285	55.3%	376	16.2%	664	28.6%
Lawn Maintenance	231,801	53	2,312	92	1,778	76.9%	480	20.8%	54	2.3%
Mailing Services	57,785	190	2,283	93	2,019	88.4%	254	11.1%	10	0.4%
Advance Fee Brokers	62,330	184	2,247	94	223	9.9%	910	40.5%	1,114	49.6%
Data Communications Equipment & Systems	15,022	541	2,245	95	2,217	98.8%	27	1.2%	1	0.0%
Health & Medical - General	158,009	84	2,200	96	1,770	80.5%	394	17.9%	36	1.6%
Office Supplies - Sale by Deceptive Telemarketing	22,097	427	2,149	97	1,504	70.0%	642	29.9%	3	0.1%
Business Consultants	230,814	54	2,111	98	1,456	69.0%	639	30.3%	16	0.8%
Exercise & Physical Fitness Programs	46,868	240	2,048	99	1,393	68.0%	595	29.1%	60	2.9%
Florists - Retail	56,817	197	2,033	100	1,602	78.8%	389	19.1%	42	2.1%
Video Production Services	43,191	264	2,012	101	1,627	80.9%	364	18.1%	21	1.0%
Electronic Equipment & Supplies - Wholesale & Manufacturers	14,325	557	2,001	102	1,925	96.2%	60	3.0%	16	0.8%
Advertising Agencies & Counselors	143,969	93	1,997	103	1,176	58.9%	765	38.3%	56	2.8%
Insurance Services	220,643	56	1,928	104	1,720	89.2%	190	9.9%	18	0.9%
Auto Manufacturers & Distributors	9,905	690	1,924	105	1,756	91.3%	159	8.3%	9	0.5%
Natural Gas Companies	40,303	276	1,924	105	1,803	93.7%	110	5.7%	11	0.6%
Web Design	164,599	79	1,923	107	1,220	63.4%	645	33.5%	58	3.0%
Advertising - Direct Mail	49,657	227	1,909	108	1,700	89.1%	195	10.2%	14	0.7%
Publishers - Book	64,693	174	1,906	109	1,596	83.7%	286	15.0%	24	1.3%
Carpet & Rug Dealers - New	306,826	39	1,904	110	1,461	76.7%	382	20.1%	61	3.2%
Advertising - Directory & Guide	27,873	366	1,900	111	1,465	77.1%	413	21.7%	22	1.2%
Motorcycles - Dealers	75,758	159	1,885	112	1,207	64.0%	633	33.6%	45	2.4%
Newspapers	40,274	277	1,873	113	1,698	90.7%	168	9.0%	7	0.4%
Computers - Service & Repair	130,510	100	1,838	114	1,297	70.6%	488	26.6%	53	2.9%
Carpet & Rug Cleaners	317,258	37	1,810	115	1,152	63.6%	592	32.7%	66	3.6%
Credit Card Processing Service	84,833	141	1,802	116	1,628	90.3%	156	8.7%	18	1.0%
Debt Settlement Companies	283,623	42	1,794	117	1,378	76.8%	349	19.5%	67	3.7%
Business Forms & Systems	52,679	215	1,758	118	784	44.6%	904	51.4%	70	4.0%
Audio-Visual Equipment - Dealers	50,608	220	1,749	119	1,398	79.9%	339	19.4%	12	0.7%
Photographers - Portrait	71,250	163	1,742	120	687	39.4%	900	51.7%	155	8.9%
Publishers - Directory & Guide	60,975	187	1,735	121	1,350	77.8%	348	20.1%	37	2.1%
Ticket Sales - Events	77,080	157	1,727	122	1,459	84.5%	240	13.9%	28	1.6%
Windows - Installation & Service	445,442	25	1,716	123	1,293	75.3%	336	19.6%	87	5.1%
Radio Stations & Broadcast Companies	14,333	555	1,712	124	1,586	92.6%	107	6.3%	19	1.1%
Loans - Small Business	104,893	119	1,697	125	1,249	73.6%	434	25.6%	14	0.8%
Motels	24,285	399	1,664	126	1,061	63.8%	583	35.0%	20	1.2%
Telecommunications Equipment - Disability	21,696	433	1,663	127	1,093	65.7%	564	33.9%	6	0.4%
Posters	6,732	853	1,655	128	1,629	98.4%	26	1.6%	0	0.0%
Billing Service	42,980	265	1,648	129	1,329	80.6%	307	18.6%	12	0.7%
Building Materials	114,648	111	1,634	130	1,467	89.8%	161	9.9%	6	0.4%
Painting Contractors	586,231	17	1,619	131	815	50.3%	695	42.9%	109	6.7%
Telephone Pre-Paid Card Sales & Distribution	17,210	492	1,602	132	1,492	93.1%	97	6.1%	13	0.8%
Office Supplies	54,972	209	1,577	133	1,373	87.1%	185	11.7%	19	1.2%
Discount Stores	61,889	186	1,569	134	1,179	75.1%	359	22.9%	31	2.0%
Concrete Contractors	307,668	38	1,567	135	682	43.5%	804	51.3%	81	5.2%
Taxes - Consultants & Representatives	123,850	105	1,551	136	874	56.4%	654	42.2%	23	1.5%
Beauty Salons	102,053	122	1,538	137	943	61.3%	482	31.3%	113	7.3%

Exhibit E

Consumer Testimonials for Debt Settlement

1. Lisa Haight, Mobile, Alabama
2. Tracey Bowlds, Denver, Colorado
3. Christina Thomas, Pocola, Oklahoma
4. Joseph Walker, Suitland, Maryland
5. Sherry McNeil, Texas
6. Gary Ross, Harwood Heights, Illinois
7. Deborah Williams, Hazelcrest, Illinois
8. Ella Watson, Copiague, New York
9. Rick Comer, Alma, Michigan
10. Gabriel Mora, Bishop, California
11. Timothy Brown, Bardstown, Kentucky
12. Tracey Dalton, Grass Lake, Michigan
13. Rob Krueger, New York, NY
14. Eleanor Zimmel, Texas

TESTIMONIAL

CLIENT NAME:	Lisa Haight
ADDRESS:	8191 Pine West Court East, Mobile, AL 36695
DATE:	5/18/09
PHONE NUMBER:	251-639-5255

Please describe below, in your own words, your experience with DEBT SETTLEMENT:

I had extreme financial problems as I was diagnosed with cancer and lost my job. I was completely out of work and spent months trying to get disability. I was refused disability pay. To add to the problem I went through a difficult divorce. So I went from two incomes down to no other income other than child support. I had to use my credit cards to provide for me and my children. The child support couldn't even cover the monthly expenses so I found myself using credit cards to pay for everything else including the mortgage payment.

After talking to the debt settlement agents I learned that I actually could find a way to get out of this debt without bankruptcy. Based on my minimal income I could not qualify for a loan and I couldn't make payments in consumer credit counseling. The settlement agents really worked with me to find a solution with a payment I actually could afford. They also gave me great advice on how to deal with the creditors and kept me on schedule to keep me in the p0lan to work towards a final goal.

I am more than satisfied with the results. My credit card debt would have taken my life to pay off and it took less than 3 years. I don't use credit cards anymore. I use my debit card for any purchases I need as I refuse to use credit cards. I simply won't get one. I am much more comfortable now without all that debt. Thank you for showing me the way and coming through on your promises to help get me out of debt and help me move on with my life.

Thank you,

SIGNATURE: Lisa Haight [mailto:pixiefrog64@yahoo.com]

Dear Debt Remedy Solutions,

I would like to take a moment to thank you and all your associates for helping me gain my financial freedom. As a recently divorced, single mother with two children, working full time while attending college the heavy burden of paying off the debt accrued jointly unexpectedly fell on my shoulders. While struggling to decide between buying groceries to feed my children or answer collection calls, I felt like I was in a losing battle with no end in sight.

Within one year of starting the program with Debt Remedy Solutions, I was able to settle my debt which reached over $10,000 in debt owed. I was able to have a much lower monthly charge to enroll in the program (versus meeting multiple minimum credit card balances), and in return the collection calls stopped immediately, harassing correspondence ended, and I was able to settle all of my accounts for cents on the dollar because of the excellent negations on my behalf from Debt Remedy Solutions Associates.

Thank you Debt Remedy Solutions for helping me regain my financial independence and giving me the ability to start rebuilding my credit so I can buy a home down the road.

Sincerely,

Tracey Bowlds
Denver, Colorado

June 2, 2009

My name is Christina, and we financially were sinking in debt. We thought that we could handle it ourselves but my husband had switched jobs with a lower pay and we have three children. We didn't want to file bankruptcy and ruin what we credit we did have and we came across the Debt Remedy program while researching our options. We started with about $16,000 in debt and we saved a little over $10,000 with this program.

We were a little hesitant at first because the last thing we needed was for someone to take what little bit of money we had and still leave us with our debt, but that wasn't the case with Debt Remedy. I am very impressed with the representatives that we talked to on the phone. When we first started the program my husband and I kept Mike Angells on the phone for over an hour and he was very descriptive, very informative and answered every little question that we could think of without getting impatient and short with us. We want to thank Nathan Preslar also for being patient with our questions and making sure we were fully informed. He gave us the option to skip a monthly payment and add it to the end of our monthly fees to pay one of our debtors off sooner. We are also great full to Bryan Dilgard in the settlement department because he kept us informed every step of the way through phone and email while he negotiated with our creditors and worked really hard for us. We are grateful for the compassion shown by the above mentioned. We had representatives call us once a month to get an update and check to see that we were doing our part. We were able to complete our program in seven months with our determination. It is not Debt Remedy's place to make you save and do your part, so you have to be committed to completing this program.

We kept focus and put everything we could towards this program. This program has helped us pay our debts, while we control the money. We were able to put money into an account and see what we have accumulated and tell Debt Remedy when we had enough money to settle with a debtor. We had control the whole time.

I don't believe we could have accomplished bettering ourselves without Debt Remedy. We are breathing easier since we have finished this program. I believe that the fee was excellent in exchange for late fees, over the limit fees, and high interest rates we would be paying struggling to do these ourselves. I would recommend this program to anyone, and I will back this up!! We thank you from us and our children!!

Christina Thomas
Pocola, OK

TESTIMONIAL

CLIENT NAME:	Joseph Walker
ADDRESS:	6334 Maxwell Drive, Suitland, MD 20746
DATE:	5/14/09
PHONE NUMBER:	301-792-4060

Please describe below, in your own words, your experience with DEBT SETTLEMENT:

I had suddenly lost my job and the debts quickly piled up. I could not make the minimum payments and fall behind. To make things worse the bank that I owed increased the interest rate from 3% up to 14% after I went late. There simply was no way to pay on all this debt. I was getting bombarded with calls from the collection people at all hours of the day and they were extremely rude and demanding. I was more than concerned with their threats so I knew I needed to do something. The only problem was I did not know where to turn.

Checking around I came across debt settlement and ended up making the best call I ever made in my life. In talking with your company I was immediately put at ease when it was explained to me the process of debt collection. Your debt counselors took the time to answer all my questions and were available to me during the entire process. The debt settlement materials sent to me were extremely helpful. After being told what my options were and how your company could help me out of this hole I finally felt like I could take control of my situation. Your company explained what the creditors would do and how I could respond to them.

I am more than excited to say that due to your program I now do not have any unsecured debt which I NEVER would have been able to do without you! I was so happy with the settlement you got me, but I also learned valuable lessons that have changed my lifestyle. Due to the counseling you gave me in the debt settlement program I have a much better idea of how to budget so that I never have to be in that position ever again. I thank your entire organization for the job they did and the support they offered me.

Thank you,

Joseph Walker

Joseph Walker

Sherry McNeil, Texas

In September 2006, I signed up with FDR and I successfully completed FDR's debt settlement program eighteen months later, in March 2008. The program helped me eliminate what had become just overwhelming credit card debt, and saved me over $40,000 ($23,000 looking at my balances when I joined the program). I will be sixty in July and have been an extremely responsible person my entire life. I am a former school teacher, attended college and graduate school, and was married for twenty-five years to my first husband. Together, we built a very successful insurance business. I was leading an incredible life. In 1992, that all ended. My husband filed for divorce that year and, because he was so powerful, I just got lost in the process. It's almost like I poured everything into my marriage for twenty-five years and I was then put out on the street. Ultimately, I had to start completely over, with two teenagers, by myself. I was forty five years old, hadn't taught in years, and I was so emotionally devastated that I often felt I couldn't even go on. I did not adjust well to that new life. I had such guilt over wanting my kids to keep having the same lifestyle that, over the next seven or eight years, I ended up using my credit cards to supplement our way of life.

For some of those years, I found a job making about $10 an hour, but because of the kids, I could only do it part time, twenty or so hours a week. For a couple years I also tried to start a home repair and renovation business, but it only brought in around $10,000, and you really need money to start a business. Things were not easy for us. My son, unfortunately, got on drugs and I had to pay thousands of dollars for therapy and rehab, trying to get him off of them. So, there I was, making $10 an hour, but paying psychologists $300 an hour to try to save him. You just know that your child needs this help and pretty soon you are in thousands and thousands of dollars of debt. Then my daughter had terrible scoliosis, and needed back surgery. It was just one thing after another. Meanwhile, my ex-husband was fighting me and had us on just $1,500 a month. There were weeks where I felt like I cannot even afford to buy milk during the divorce. It was a life that was just shattered, my son's problems, the medical expense for my daughter, and me being out of the work force until age forty-five and having to start over. My debt just kind of snowballed.

By 2001, I had remarried. My new husband was a wonderful and responsible man, and I didn't feel right having him pay off my debt, because he didn't create it. My husband also wasn't really in a financial position to help me. After many years abroad, he was just starting a law practice here in Texas, so he had no clients yet. He was also paying his ex-wife alimony and child support. So, we were starting out our marriage with pretty much nothing. For five years I tried to pay the debt off on my own. Because of late charges, though, I was facing interest rates of 18-22 percent or so, making it impossible to pay it off.

By 2006, my debt had reached $76,000 and I couldn't afford to make monthly payments anymore. Creditors were calling all the time. They scared me. I'd say, "I'm sorry, I am handling it, and I'm doing what I can do…". I knew about traditional credit counseling from the internet and I'd also heard people talk about how it doesn't really help you. I just didn't want counseling. I just needed somebody to take this debt off my back, put it together, and rescue me. I also didn't want to file for bankruptcy. I was raised where no one would ever do that, and I desperately didn't want people to find out about my debt. I thought bankruptcy would ruin me for life. I even tried to negotiate

with the credit card companies on my own but they wouldn't have any part of it. Back two or three years ago, they just weren't willing to deal with me. They'd just say "Tough, that's the way it is," but they weren't willing to help or do anything for me. They wouldn't even lower the interest.

Knowing I could not make payments anymore, I can almost cry thinking about how I felt and that no one could save me. So, to me, finding FDR was just a wonderful thing. I had heard an advertisement for FDR and I thought, with FDR at least I was trying to do what I could do. I still felt that morally it was a sounder approach than wiping out all the debt through bankruptcy. Also, to this day, no one in my family knows. The privacy of the FDR program was really a salvation to me. So, I signed up for the program, and I remember feeling like "I think I can live now." It was like taking a mountain off of my back, I can't describe what it meant to have this help from FDR. I almost think I could cope with sickness or anything better than my debt.

The woman that signed me with FDR was very thorough. I seriously was in crisis, and she was so compassionate and sweet and understanding. She told me I shouldn't be embarrassed, that there were doctors in the same situation, and that FDR would try to help me. FDR not only helps figure a way out of your debt, it saves people's lives. You have someone, like me, who is at their lowest, and FDR's representative showed such compassion. I don't think creditors really understand how this kind of debt affects people. FDR is like saving someone's life; it's so much deeper than writing a check. When I started the program, I set up a bank account, in my name, with Rocky Mountain Bank & Trust. FDR explained the program totally, including the amount of time the program would take, depending on different amounts of monthly savings. FDR was very thorough, laid it all out for me, put no pressure on me, and allowed me to decide on what I could save honestly. And, if I could save enough to pay my debts off earlier, even better.

I also understood how the fees worked, and that they were billed over the first eighteen months of the program. There was never any question in my mind about how the program was working. I would see the statements and they even helped me settle a couple of my accounts early on. FDR kept me well informed on the settlements. Because there was no penalty for saving to pay off my debt early, I was able to save so that FDR could negotiate and settle everything in under two years.

By the end of the program, FDR had saved me about $40,000 dollars on my debt. Things are much better now. I've reclaimed my life. I think my story is really a good one because it shows that this kind of debt can happen to anyone. Lives can be ruined. I was not a bad person; I was a teacher, a mother. But it can happen to people and they need protection. I am one of them.

TESTIMONIAL

Gary Robert Ross
4725 North Odell Avenue
Hawood Heigths, Illinois 60706

708-867-6631

Please describe below, in your own words, your experience with DEBT SETTLEMENT:

I had always made it a point to pay my debts on time. It gave me a feeling of security. I'm a very conservative person, a trustee on my local library district board.

Five years ago, I was terminated from my position at Marshall Field's after thirty-nine years of service. After using all of my 401K and savings, I was able to secure a job. During my period of unemployment, I accrued a great deal of debt. Although I was working again, my expenses, mortgage, utilities, groceries, credit card payments, etc. were greater than my income. The high interest and late fees seemed so unfair. I felt desperate. I wanted to pay my debts, but I was not able to pay them each month. I considered my options. I did not want to file for bankruptcy. I did not want to lose my house. But I did want to pay my bills.

After researching the problem, I came upon SDS West, my salvation!!!

Upon contacting SDS West, I felt a sense of relief. All of the personnel with whom I spoke were polite, understanding and professional. They explained the program, what was required of me and what I could expect. I was told the importance of good communication and keeping current with my monthly payment. They explained that while I was accumulating money in my NoteWorld account for SDS West to make settlements with my creditors, I might be sued by one or more of my creditors. During my time with SDS West, I was sued by some of my creditors, but SDS West was able to guide me through the process. I was able to complete paperwork and appear in court. SDS West gave me the knowledge and courage to handle court appearances.

Now I am DEBT FREE, yes DEBT FREE!!! What a beautiful feeling.

Thank you SDS West for a new beginning.

Thank you,

SIGNATURE: Gary Robert Ross [mailto:garyrobertross@aol.com]

TESTIMONIAL

CLIENT NAME:	Deborah Williams
ADDRESS:	3406 Cannes Court, Hazelcrest, IL 60429
DATE:	5/21/09
PHONE NUMBER:	773-257-6504

Please describe below, in your own words, your experience with DEBT SETTLEMENT:

I was caring full time for my ailing mother and took on a lot of additional expenses. Once my mother passed I lost her income and assumed her debts. Things were tight already and now with this additional debt I fell short on making the minimum payments. I started looking around for a way to get out of debt. I had gone through bankruptcy before so that was not an option as I knew how long that would hurt my credit. I talked to a close friend and she referred me to debt settlement.

When I called the people were very good, very informative. The information sent to me helped. I learned that the credit card companies would say and do anything to get me to make payments. It was comforting to know how to talk to them and how to get the calls to slow down.

The costs of the plan were more than fair compared to the settlements I have received. Three of my four credit cards have been settled and I am just one payment away from getting rid of the last card. I am so excited that I am almost through with all of this and will never have to worry about credit cards again. I now know to not have credit cards and I budget a lot better than I ever did before. Thank you for all your help in this and I will be sure to refer friends who might need this program just as my friend referred me.

Thank you,

SIGNATURE: Deborah Williams [mailto:bora_d2001@yahoo.com]

Ella M. Watson
95 Cedar Ct #5
Copiague NY 11726

This is my testimony of 5/14/2009

I was on the verge of declaring bankrupcy.
I had recently become a widow and was told that I was responsible for all my late husbands debts.
This left me no recourse but to declare bankrupcy.
I was being harrassed by all my creditors.
I had over $12,000 in debt. I had no job and was at an age that no one wanted to hire me.
I was living on a small retirement, and my social security.
I was afraid to answer the phone knowing that it would be a creditor wanting..demandng payment.
Then while searching the internet, I came across the ad for Prosper Finance Co.
They promised to relieve me of harrassing phone calls from my creditors.
They promised to get my debts paid off with a smaller portion of monies that I could afford.
They promised to give me back my life.
SOUNDS TOO GOOD TO BE TRUE!

But it was true.
I spoke with a real person on the phone.
Everytime I called the company I was able to speak with a representative.
This gave me trust in their company.
I was sent a contract allowing me choices of how I wanted to pay my debts.
I was given a time frame when my debt would be paid.
I was given specific instuctions on how to approach the harrassing phone calls.
I finally could say "Please call my representative, they are handling my finances now"
This gave me peace of mind.
Being a widow, living on a limited budget is a scarey thing.
Prosper Finance gave me assurance that I could finally sleep at night, knowing my finances were in good hands.
I would recommend this option to anyone in need of financial assistance.

Ella M. Watson

[egoldy69@hotmail.com]

TESTIMONIAL

CLIENT NAME:	Rick Comer
ADDRESS:	254 S. Grover Avenue, Alma, MI 48801
DATE:	5/14/09
PHONE NUMBER:	989-463-1731

Please describe below, in your own words, your experience with DEBT SETTLEMENT:

I was very skeptical about debt settlement due to all the ads I had seen on the news and in the papers. I must say I was leery to start the program because I didn't know if it was a scheme or what, but due to the difficult time I was having financially I called in for more information. I went through a divorce which saddled me with the majority of the combined debt but with only one paycheck instead of two to pay for it. The way I saw it I could either file Bankruptcy or try debt settlement. I absolutely did not like the idea of bankruptcy so I called to find out more about a settlement program.

After my first conversation I felt a lot better about settlement. The counselors were always available to answer my calls and emails and they explained to me that my credit would rebound quicker and that they would get settlements between 40% to 60%. I entered into the plan and as time went by I felt more comfortable. Your company always took the time to explain things so I never felt like I was on my own.

Once the settlements were complete I was very pleased. They settled all 5 of my credit cards between 50% to 60% so they were good on their word. I only have 1 credit card now and I have learned my lesson. I have learned to live within my means which gives me a good feeling as I am positive I will never have to go that route again. Debt settlement not only saved me a lot of money, but it taught me how not to get into trouble again.

Sincerely,

Rick Comer

TESTIMONIAL

CLIENT NAME:	GABRIEL MORA
ADDRESS:	2373 GALLOWAY AVENUE, BISHOP, CA93514
DATE:	5/15/09
PHONE NUMBER:	760-937-6584

Please describe below, in your own words, your experience with DEBT SETTLEMENT:

I had to live on my credit cards for a period of time after I lost my job and was waiting for my retirement benefits to start. I had to use the cards for my monthly obligations like food, clothing, and home. My credit cards went over limit and as soon as that happened the credit card companies tacked on additional fees. There was no way for me to get caught up. The only way I could get by is if I found a way to pay less than my minimum payments, but until I found debt settlement there was no way to get this done.

Debt settlement and your people were the only ones available to help. Your agents took the time to listen to my situation and made a payment plan that I could afford on my new retirement income. While the creditors kept calling demanding more money, you found a way to get me a payment I could afford and still move forward to getting me out of debt. I was told that the calls would still come but you taught me how to handle them. You even showed me how to handle the creditors when they tried to sue me.

I am satisfied with the results I got in debt settlement. It was great and helped on my behalf, your company really helped me get out of debt. I now have payments I can handle with my retirement and social security income. I don't know what I would have done without you.

Thank you,

Gabriel Mora 5/20/09

2373 Galloway Bishop, Calif. 93514

Gabriel Mora

TESTIMONIAL

CLIENT NAME:	Timothy Brown
ADDRESS:	1002 Simmental Creek Ridge,Bardstown,KY 40004
DATE:	5/18/09
PHONE NUMBER:	270-268-2578

Please describe below, in your own words, your experience with DEBT SETTLEMENT:

Due to the economic times I went through a job change and had to take a significant drop in pay. To make things worse we were having some medical issues so we were over running our credit cards. With the minimum payments, interest rate jumps and late fees the payments were killing us. We had no choice but to look for answers to get rid of this debt.

When I called the debt settlement company I was told everything up front. I received a packet up front so there were no surprises going into the process. The calls eventually stopped and I was able to go through arbitration with one of my creditors. I would say the best part of the process was the education they gave me of the collection process. I knew what the credit card companies would say and when they would say it. Best of all I knew how to handle it. Regarding my payments, it was comforting to know that the money was being drafted from our account and we didn't have to worry about making those monthly payments or forgetting to make those monthly payments.

The results matched what I was promised. They settled on all my cards except one that went through arbitration and now has a garnishment. Even with the garnishment from my wages I now have money freed up to take care of other medical bills that otherwise I couldn't take care of. It truly is amazing that we can operate without credit cards and not be dependent on them. The fact that I never have to get another credit card is comforting. Thank you for all your help in settlement. I recommend it to anyone that is in a difficult position like I was.

Thank you,

SIGNATURE: Timothy Brown [mailto:Tim.Brown@dana.com]

TESTIMONIAL

CLIENT NAME: Tracey Dalton
ADDRESS: 2460 Craft Rd., Grass Lake, Michigan 49240
DATE: May 15, 2009
PHONE NUMBER: 517 812 9407

Please describe below, in your own words, your experience with DEBT SETTLEMENT:

To Whom It May Concern, we ended up choosing Debt Settlement, because our daughter was going off to College which was costly, and we had some other family issues that caused us to use our credit cards. The fees just kept going up and up! My past job started cutting back, and I had to find another job which I did, but with a cut in salary. This added to more charges on our cards!

We did not want to do a BK, and SDS West contacted us and we decided to get into the Debt Settlement program. Since I have a background with the Banks I knew some of the questions that they asked me and felt I could trust them.

We were scared with the phone calls and summons, but were relieved when we were told what to do and how to handle things.

We are doing fine now, and we are working on getting our credit reports corrected. It would have been difficult or even impossible to get out of our situation without Debt Settlement.

Thank you,

Tracey Dalton

To: Stephanie Ferretti

From: snoopster57@aol.com [mailto:snoopster57@aol.com]
Sent: Thursday, August 07, 2008 5:44 PM
To: Stephanie Ferretti
Subject: "Debt Regret Letter"

Hey Stephanie,

Just wanted to drop you a note regarding my experience with Debt Regret so far and how I came to your company:

In the late Spring of 2007, I realized that I needed help with my finances, mainly my credit card situation. I started doing some research on the Internet and came across something called debt settlement. I had never heard of it before, so I started looking into it further. I know that I did not ever want to go bankrupt, and saw debt settlement as the most viable option.

The Internet had tons and tons of companies, but since I didn't know anyone who had gone through it, I had to find a company on my own. I had made many calls to different ones that I found. Some seemed helpful, but others, I just didn't trust. Some wanted you to send them money monthly that they would keep, but I didn't think that was safe. What if they went bankrupt or took off? They would have had all of the money that I saved. I spoke with one company that asked me how much money I had already saved? She told me that you needed to have saved enough money *before* you started to work with them. She said the moment she settles your accounts, the money must be ready to be sent to the creditors. That obviously was not a good situation for me.

I even called and emailed commentators on some prominent financial radio and TV shows to get answers, but no one could really help me. By mid summer of 2007, I had a handful of companies that I was checking on with the BBB. I was shocked at how many complaints were listed on some of these settlement companies! I went back to the Internet to see if I could find some more companies and found, Debt Regret. I went on their web site, then checked their file with BBB; they only had about 3 complaints. I decided to call them and spoke with Brett Cotten who helped me further understand my situation and what Debt Regret could do for me. We had several conversations back and forth. He sent me all the paper work to fill out and I submitted it back to him for review. I was nervous that I would not get approved b/c I thought, maybe I had too much credit card debt. A few days later he called me and said that I approved; I was really happy!!

I was given a debt specialist, Stephanie Ferretti, who has been my main point person as well as a good friend. She has talked me through all the various situations that have come up such as: collectors calling you 30 times a day, nasty letters in the mail, etc. Five months into the program, I got a call from my Debt Arbiter Marc Leonard, who told me he had a really great settlement with 3 of my 4 BOA accounts. He said it was for just about 20%!! He helped me to understand how good this was, so I trusted him and took the settlement and just made my last payment to them in June 2008! I also had dealt with another analyst, Lee Williams, who called me the moment I got my first settlement with BOA to congratulate me!

I couldn't be more pleased with Debt Regret!! I just finished one complete year with them and have settled almost half of my original debt!! I can't believe how quickly the process has been going. I know I still have a long road ahead, but Debt Regret has been there with me through it all and will till the very end!

Thanks to the whole gang for making my bad financial situation such a great experience!

Best regards,

Rob Kreuger
New York, NY

Eleanor Zimmel, Texas

FDR's program helped us to eliminate our debt, and saved us almost $27,000 (about $20,000 looking at my balances when we started the program). The savings was almost 69% of our debt.

My husband and I have lived in Texas for twenty-five years. Before I retired, I taught third and fourth graders at a day-care center, worked at a nursing home for a time, and had a little craft shop of my own. My husband, who is seventy-five, still works at the airport here in San Antonio. Over the years, my husband and I had managed to get into quite a bit of credit card debt. For the most part, the build up was the result of my husband's medical problems. In the early nineties, he was in a terrible accident and very badly burned. In the late nineties, he had two bypass surgeries and a series of angioplasties. Although we had health insurance, the medical problems meant that he was out of work for quite some time. Although we were never late on our payments on our credit cards, I could never pay more than I was supposed to pay because there was just not enough to get around. Many months, it was touch and go, and we were down to the last penny. Our interest rates on the credit cards were very high. And, even though you'd pay the cards on time, still the interest rates would go up. You just never got ahead.

By 2006, our credit card debt had grown to over $32,000. A lot ran through our minds, and we did talk about bankruptcy, but my husband just wasn't for that. So, we just kept going. My husband and I were both getting Social Security at the time, and he was taking home about $2,400 a month from his job. But my husband was already in his seventies, and wanted to retire soon. At that point we'd be on a fixed income and it would be even more difficult to pay off our debt. We knew something had to be done before he retired, or we'd never be able to do it. In December 2006, I saw a show on one of the local television channels talking about FDR's debt settlement program. I listened closely and said to my husband, "I'm just about willing to try," so that's what we did. I admit I was skeptical, but I called, had a nice long talk with an FDR representative, and decided to get started. The program was very clear. I opened a bank account in my own name with Rocky Mountain Bank & Trust and saved money into that account every month. I understood that when my savings got to a certain point, FDR could negotiate with my creditors. FDR also explained and sent us information on the fees, as well as information on what to say to creditors. Everything was all laid out for us.

Whenever FDR was able to negotiate a settlement offer on our behalf, they would send us a letter or email telling us the details of the settlement. I also logged on to our account with FDR on the internet to see how things were progressing. If an account was already paid off, it would show as settled, and the web site would tell us how much the debt was originally and how much it settled for. If an account was not settled, it would show as open still. It was very clear. I also had the number for the bank in which we were saving our money. In the very beginning of the program, when I just got started, I would call and they would tell me what our total was in the account. Everybody at FDR was very nice. Whenever I had a problem with a creditor, I would call FDR and give them all the information, and they'd say not to worry, that they'd take care of it. And they always did. FDR told me to call them whenever anything bothered me. All in all, we were in the program a little over two years, and saw just a tremendous reduction. Although FDR hadn't made us any promises, they were able to settle all of our debts and

save us tens of thousands of dollars in the process.

You hear people talk about it on television when they are debt free and I often thought, "Oh, am I ever going to be like that?" You just don't know, but it's the most wonderful feeling to finally be there. In January 2009, we got a letter from FDR congratulating us and letting us know that we had successfully settled all our accounts. That sentence was very, very nice to read.