

**PREPARED STATEMENT OF
THE FEDERAL TRADE COMMISSION**

on

THE DEBT SETTLEMENT INDUSTRY: THE CONSUMER'S EXPERIENCE

Before the

**SENATE COMMITTEE ON COMMERCE,
SCIENCE, AND TRANSPORTATION**

Washington, D.C.

April 22, 2010

I. Introduction

Chairman Rockefeller, Ranking Member Hutchison, and members of the Committee, I am Julie Brill, a Commissioner of the Federal Trade Commission (“FTC” or “Commission”).¹ I appreciate the opportunity to appear before you today, and the Commission thanks this Committee for its interest in the work of the FTC to protect consumers from deception and abuse in the sale of debt relief services.

The Commission has long been active in protecting consumers of financial products and services offered by entities within the agency’s jurisdiction. With Americans continuing to feel the effects of the recent economic downturn, the Commission has stepped up its efforts to stop fraudulent financial schemes that exploit consumers who are particularly vulnerable as a result of financial distress. Stopping deceptive debt relief practices is one of our highest consumer protection priorities. Providers of debt relief services purport to help people who cannot pay their debts by negotiating on their behalf with creditors. Debt settlement companies, for example, market their ability to dramatically reduce consumers’ debts, often by making claims to reduce debt by specific and substantial amounts, such as “save 40 to 60% off your credit card debt.” To be sure, some debt relief services do help consumers reduce their debt loads. In too many instances, however, consumers pay hundreds or thousands of dollars for these services but get nothing in return.

The FTC utilizes its four principal tools to protect consumers of debt relief services: law enforcement, rulemaking, consumer education efforts, and research and policy development. To halt deceptive and abusive practices and return money to victimized consumers, the Commission

¹ The views expressed in this statement represent the views of the Commission. My oral presentation and responses to any questions you may have are my own, however, and do not necessarily reflect the views of the Commission or any other Commissioner.

has brought 20 lawsuits in the last seven years against sham nonprofit credit counseling firms, debt settlement services, and debt negotiators, including six in the past year alone.² These cases have helped over 475,000 consumers who have been harmed by deceptive and abusive practices.³ The Commission continues to actively investigate debt relief companies and will continue aggressive enforcement in this arena. As the Commission's law enforcement experience has shown, victims of these schemes often end up *more* in debt than when they began. Especially in these difficult economic times, when so many consumers are struggling to keep their heads above water, this is unacceptable.

Below, this testimony provides an overview of the three common types of debt relief services, as well as the Commission's law enforcement efforts with respect to each. The testimony then describes the Commission's proposal to amend its Telemarketing Sales Rule ("TSR")⁴ to strengthen the agency's ability to stop deception and abuse in the provision of debt relief services. Finally, the testimony addresses the FTC's ongoing efforts to educate consumers about debt relief options and how to avoid scams.⁵

² A list of the Commission's law enforcement actions against debt relief companies is attached as Appendix A.

³ In addition to consumers who lost money from fraudulent debt relief companies, hundreds of thousands, if not millions, of consumers have been harassed by automated robocalls pitching services in violation of the Do Not Call provisions of the Telemarketing Sales Rule. The Commission has charged companies engaging in these robocalls with violations of the rule. *See, e.g., FTC v. Economic Relief Techs., LLC*, No. 09-CV-3347 (N.D. Ga., preliminary injunction issued Dec. 17, 2009); *FTC v. 2145183 Ontario, Inc.*, No. 09-CV-7423 (N.D. Ill., preliminary injunction issued Dec. 17, 2009); *FTC v. JPM Accelerated Servs. Inc.*, No. 09-CV-2021 (M.D. Fla., preliminary injunction issued Dec. 31, 2009).

⁴ 16 C.F.R. § 310.1 et seq.

⁵ With respect to its research and policy development in this area, in September 2008, the Commission held a public workshop entitled "Consumer Protection and the Debt Settlement Industry," which brought together stakeholders to discuss consumer protection concerns associated with debt settlement services. Workshop participants also debated the merits of possible solutions to those

II. The Commission's Authority

The Commission enforces Section 5 of the FTC Act, which prohibits unfair or deceptive acts or practices in or affecting commerce,⁶ as well as the Telemarketing and Consumer Fraud and Abuse Prevention Act (“Telemarketing Act”),⁷ and the associated TSR that prohibit certain deceptive and abusive telemarketing practices.⁸ The Commission has used this authority to challenge debt relief providers within its jurisdiction⁹ who have engaged in deceptive or abusive practices. In addition, the Commission works to protect consumers from a wide range of other unfair, deceptive, and abusive practices in the marketplace, such as credit-related and government grant scams, mortgage loan modification scams, deceptive marketing of health care products, deceptive negative option marketing, and business opportunity and work-at-home schemes.¹⁰ The FTC works closely with many state attorneys general and state banking

concerns. An agenda and transcript of the Workshop are available at www.ftc.gov/bcp/workshops/debtsettlement/index.shtm. Public comments associated with the Workshop are available at www.ftc.gov/os/comments/debtsettlementworkshop/index.shtm.

⁶ 15 U.S.C. § 45.

⁷ 15 U.S.C. §§ 6101-6108. Pursuant to the Telemarketing Act’s directive, the Commission promulgated the original TSR in 1995 and subsequently amended it in 2003 and in 2008.

⁸ The Commission also has law enforcement authority and, in some cases, regulatory powers under a number of other consumer protection statutes specifically related to financial services, including the Truth in Lending Act, 15 U.S.C. §§ 1601-1666j; the Consumer Leasing Act, 15 U.S.C. §§ 1667-1667f; the Fair Debt Collection Practices Act, 15 U.S.C. §§ 1692-1692o; the Fair Credit Reporting Act, 15 U.S.C. §§ 1681-1681x; the Equal Credit Opportunity Act, 15 U.S.C. §§ 1691-1691f; the Credit Repair Organizations Act, 15 U.S.C. §§ 1679-1679j; the Electronic Funds Transfer Act, 15 U.S.C. §§ 1693-1693r; the privacy provisions of the Gramm-Leach-Bliley Act, 15 U.S.C. §§ 6801-6809; and the Omnibus Appropriations Act of 2009, Pub. L. No. 111-8, § 626, 123 Stat. 524 (Mar. 11, 2009).

⁹ The FTC Act exempts banks and other depository institutions and bona fide nonprofits, among others, from the Commission’s jurisdiction. 15 U.S.C. §§ 44 and 45(a)(2). These exemptions apply to the Telemarketing Act and the TSR as well.

¹⁰ Since the beginning of 2009, the FTC has brought 40 cases against defendants engaged in deceptive practices targeting financially-distressed consumers.

departments to leverage resources in consumer protection.

III. Overview of Debt Relief Services and FTC Law Enforcement Efforts

Debt relief services have proliferated over the past few years as greater numbers of consumers are struggling with debts they cannot pay. A range of nonprofit and for-profit entities – including credit counselors, debt settlement companies, and debt negotiation companies – offer to help consumers facing debt problems. As detailed below, consumers have complained of deceptive and abusive practices in all of these services, resulting in the FTC and state enforcement and regulatory bodies bringing numerous cases.¹¹

A. Credit Counseling Agencies

Credit counseling agencies (“CCAs”) historically were nonprofit organizations that worked as liaisons between consumers and creditors to negotiate “debt management plans” (“DMPs”). DMPs are monthly payment plans for the repayment of credit card and other unsecured debt that enable consumers to repay the full amount owed to their creditors but under renegotiated terms that make repayment less onerous.¹² Credit counselors typically also provide educational counseling to assist consumers in developing a manageable budget and avoiding

¹¹ The Commission has addressed similar problems with respect to companies offering to resolve consumers’ mortgage debts. The Commission has engaged in an aggressive, coordinated enforcement initiative to shut down companies falsely claiming the ability to obtain mortgage loan modifications or other relief for consumers facing foreclosure. In the past year, the FTC has brought 17 cases (against more than 90 defendants) targeting foreclosure rescue and mortgage modification frauds, with other matters under active investigation. In addition, state enforcement agencies have brought more than 200 cases against such firms. Further, as directed by Congress under the Omnibus Appropriations Act of 2009, Pub. L. No. 111-8, the Commission has initiated a rulemaking proceeding addressing the for-profit companies in this industry. Under the proposed rule, companies could not receive payment until they have obtained for the consumer a documented offer from a mortgage lender or servicer that comports with any promises previously made. *Mortgage Assistance Relief Services*, 75 Fed. Reg. 10707 (Mar. 9, 2010).

¹² To be eligible for a DMP, a consumer generally must have sufficient income to repay the full amount of his or her debts, provided that the terms are adjusted to make such repayment possible.

debt problems in the future. Beginning in the late 1990s, however, some CCAs registered as nonprofit organizations with the Internal Revenue Service, but in reality operated as for-profit companies and engaged in aggressive and illegal marketing practices. Other CCAs incorporated and openly operated as for-profit companies.

Since 2003, the Commission has filed six cases against for-profit credit counseling providers for deceptive and abusive practices.¹³ In one of these cases, the FTC sued AmeriDebt, Inc., at the time one of the largest CCAs in the United States.¹⁴ On the eve of trial, the FTC obtained a \$35 million settlement, and thus far has distributed \$12.7 million in redress to 287,000 consumers.¹⁵ In the various cases, the FTC charged that the credit counseling agencies engaged in several common patterns of deceptive conduct in violation of Section 5 of the FTC Act and the TSR, including:

- misrepresentations about the benefits and likelihood of success consumers could expect from the services, including the savings they would realize;¹⁶
- misrepresentations regarding CCA fees, including false claims that they did not

¹³ See Appendix A (items 10, 12, 13, 16, 18, and 20).

¹⁴ *FTC v. AmeriDebt, Inc.*, No. PJM 03-3317 (D. Md., final order May 17, 2006).

¹⁵ See FTC Press Release, *FTC's AmeriDebt Lawsuit Resolved: Almost \$13 Million Returned to 287,000 Consumers Harmed by Debt Management Scam* (Sept. 10, 2008), www.ftc.gov/opa/2008/09/ameridebt.shtm. A court-appointed receiver is continuing to track down the defendant's assets, and the FTC expects to make another distribution this year.

¹⁶ See *United States v. Credit Found. of Am.*, No. CV 06-3654 ABC(VBKx) (C.D. Cal., final order June 16, 2006); *FTC v. Integrated Credit Solutions, Inc.*, No. 06-806-SCB-TGW (M.D. Fla., final order Oct. 16, 2006); *FTC v. Debt Mgmt. Found. Servs., Inc.*, No. 04-1674-T-17-MSS (M.D. Fla., final order Mar. 30, 2005).

charge upfront fees;¹⁷ and

- deceptive statements regarding their purported nonprofit nature;¹⁸
- violations of the TSR's provisions that require certain disclosures and prohibit misrepresentations, as well as the requirements of the TSR's Do Not Call provisions.¹⁹

Over the last several years, in response to abuses such as these, the IRS also has challenged a number of purportedly nonprofit CCAs – both through enforcement of existing statutes and new tax code provisions – resulting in the revocation, or proceedings to revoke, the nonprofit status of 41 CCAs.²⁰ In addition, state authorities have brought at least 21 cases

¹⁷ See *FTC v. Express Consolidation*, No. 06-cv-61851-WJZ (S.D. Fla., final order May 5, 2008); *FTC v. AmeriDebt, Inc.*, No. PJM 03-3317 (D. Md. 2006).

¹⁸ See *FTC v. Integrated Credit Solutions, Inc.*, No. 06-806-SCB-TGW (M.D. Fla. 2006); *FTC v. Express Consolidation*, No. 06-cv-61851-WJZ (S.D. Fla. 2008); *United States v. Credit Found. of Am.*, No. CV 06-3654 ABC(VBKx) (C.D. Cal. 2006); *FTC v. Debt Mgmt. Found. Servs., Inc.*, No. 04-1674-T-17-MSS (M.D. Fla. 2005); *FTC v. AmeriDebt, Inc.*, No. PJM 03-3317 (D. Md. 2006). Although the defendants in these cases had obtained IRS designation as nonprofits under Section 501(c)(3) of the Internal Revenue Code, they allegedly funneled revenues out of the CCAs and into the hands of affiliated for-profit companies and/or the principals of the operation. Thus, the FTC alleged that the defendants were “operating for their own profit or that of their members” and fell outside the nonprofit exemption in the FTC Act. 15 U.S.C. § 44.

¹⁹ See *FTC v. Express Consolidation*, No. 06-cv-61851-WJZ (S.D. Fla. 2007); *United States v. Credit Found. of Am.*, No. CV 06-3654 ABC(VBKx) (C.D. Cal. 2006).

²⁰ Eileen Ambrose, *Credit firms' status revoked; IRS says 41 debt counselors will lose tax-exempt standing*, Baltimore Sun, May 16, 2006; see generally *TSR Proposed Rule*, 74 Fed. Reg. 41988, 41992 (Aug. 19, 2009). To enhance the IRS's ability to oversee CCAs, Congress amended the IRS Code in 2006, adding Section 501(q) to provide specific eligibility criteria for CCAs seeking tax-exempt status as well as criteria for retaining that status. See Pension Protection Act of 2006, P.L. 109-280, § 1220 (Aug. 2006) (codified at 26 U.S.C. § 501(q)). Among other things, Section 501(q) of the Code prohibits tax-exempt CCAs from refusing to provide credit counseling services due to a consumer's inability to pay or a consumer's ineligibility or unwillingness to agree to enroll in a DMP; charging more than “reasonable fees” for services; and, unless allowed by state law, basing fees on a percentage of a client's debt, DMP payments, or savings from enrolling in a DMP. In addition, as a result of changes in the federal bankruptcy code, 158 nonprofit CCAs, including the largest entities, have been subjected to rigorous screening by the Department of Justice's Executive Office of the U.S. Trustee. Finally,

against CCAs under their own statutes and rules.

B. Debt Settlement Services

For-profit debt settlement companies purport to obtain lump sum settlements for consumers with their unsecured creditors for significantly less than the full outstanding balance of the debts. Unlike a traditional DMP, the goal of a debt settlement plan is to enable the consumer to repay only a portion of the total owed. Debt settlement providers heavily market through Internet, television, radio, and print advertising. The advertisements typically make claims about the company's supposed ability to reduce consumers' debts to a fraction of the full amount owed, and then encourage consumers to call a toll-free number for more information.²¹ During the calls, telemarketers repeat and embellish many of these claims.

Most debt settlement companies charge consumers hundreds, or even thousands, of dollars in upfront fees, in many cases with the entire amount of fees due within the first few months of enrollment and before any debts are settled. An increasing number of providers spread their fees over a longer period – for example, 12 to 18 months – but consumers generally still pay a substantial portion of the fees before any of their payments are used to pay down their debt. And most consumers drop out of these programs before completion because they cannot afford, as many of the plans require, to simultaneously (1) pay the provider's fees, (2) save money for the settlements, and (3) continue making their monthly payments to creditors to avoid

nonprofit credit counseling agencies must comply with state laws in 49 states, most of which specify particular fee limits.

²¹ See, e.g., *FTC v. Debt-Set, Inc.*, No. 1:07-cv-00558-RPM (D. Colo., final order Apr. 11, 2008); *FTC v. Edge Solutions, Inc.*, No. CV-07-4087 (E.D.N.Y., final order Aug. 29, 2008); *FTC v. Connelly*, No. SA CV 06-701 DOC (RNBx) (C.D. Cal., final order Oct. 2, 2008); *FTC v. Jubilee Fin. Servs., Inc.*, No. 02-6468 ABC (Ex) (C.D. Cal., final order Dec. 12, 2004).

late charges and additional interest. Consumers who drop out typically forfeit all of the money they paid to the debt settlement company, regardless of whether they received any settlements from their creditors.

Since 2004, the Commission has brought eight actions against debt settlement providers, alleging that they failed to deliver the results promised to consumers and deceived consumers about key aspects of their programs.²² The defendants' misrepresentations included claims that

- the provider will, or is highly likely to, obtain large reductions in debt for enrollees, e.g., a 50 percent reduction or elimination of debt in 12 to 36 months;²³
- the provider will stop harassing calls from debt collectors as well as collection lawsuits;²⁴
- the provider has special relationships with creditors and is expert in inducing creditors to grant concessions;²⁵
- the consumer will not have to pay substantial upfront fees,²⁶ and

²² See Appendix A (items 1, 7, 8, 11, 15, 16, 17, 19).

²³ See, e.g., *FTC v. Edge Solutions, Inc.*, No. CV-07-4087 (E.D.N.Y. 2008); *FTC v. Innovative Sys. Tech., Inc.*, No. CV04-0728 GAF JTLx (C.D. Cal., final order July 13, 2005).

²⁴ See, e.g., *FTC v. Debt-Set, Inc.*, No. 1:07-cv-00558-RPM (D. Colo. 2008); *FTC v. Better Budget Fin. Servs., Inc.*, No. 04-12326 (WG4) (D. Mass., final order Mar. 28, 2005); *FTC v. Jubilee Fin. Servs., Inc.*, No. 02-6468 ABC (Ex) (C.D. Cal. 2004).

²⁵ See, e.g., *FTC v. Debt-Set, Inc.*, No. 1:07-cv-00558-RPM (D. Colo. 2008); *FTC v. Better Budget Fin. Servs., Inc.*, No. 04-12326 (WG4) (D. Mass. 2005). Some providers are also misrepresenting that their service is part of a government program through the use of such terms as “government bailout” or “stimulus money.” See, e.g., Steve Bucci, *Settle Credit Card Debt For Pennies?*, Feb. 2, 2010, www.bankrate.com/finance/credit-cards/settle-credit-card-debt-for-pennies-1.aspx; see also FTC, Press Release, *FTC Cracks Down on Scammers Trying to Take Advantage of the Economic Downturn* (July 1, 2009), available at www.ftc.gov/opa/2009/07/shortchange.shtm.

²⁶ See, e.g., *FTC v. Debt-Set*, No. 1:07-cv-00558-RPM (D. Colo. 2008).

- the consumer will be able to obtain a refund if the provider is unsuccessful.²⁷

The Commission also has alleged that debt settlement companies represented that consumers can, and should, stop paying their creditors, while not disclosing that failing to make payments to creditors may actually increase the amount consumers owe (because of accumulating fees and interest) and would adversely affect their credit rating.²⁸ In addition to the FTC cases, state attorneys general and regulators have filed over 117 law enforcement actions against debt settlement providers under state statutes that, among other things, ban unfair or deceptive practices.²⁹

C. Debt Negotiation

For-profit debt negotiation companies assert that they can obtain interest rate reductions or other concessions from creditors to lower consumers' monthly payments. Such companies often market debt negotiation services through so-called automated "robocalls." Like debt settlement companies, many debt negotiation providers charge significant upfront fees and promise specific results, such as a particular interest rate reduction or amount of savings.³⁰ In

²⁷ See, e.g., *FTC v. Innovative Sys. Tech., Inc.*, No. CV04-0728 GAF JTLx (C.D. Cal. 2005).

²⁸ See, e.g., *FTC v. Connelly*, No. SA CV 06-701 DOC (RNBx) (C.D. Cal. 2008); *FTC v. Jubilee Fin. Servs., Inc.*, No. 02-6468 ABC (Ex) (C.D. Cal. 2004).

²⁹ See, e.g., *Minnesota v. American Debt Settlement Solutions, Inc.*, No. 70-CV-10-4478 (Minn., 4th Dist., filed Feb. 18, 2010); *Illinois v. Clear Your Debt, LLC*, No. 2010-CH-00167 (Ill. 7th Cir., filed Feb. 10, 2010); Colorado Attorney General Press Release, *Eleven Companies Settle with the State Under New Debt-Management and Credit Counseling Regulations* (Mar. 12, 2009), available at [www.ago.state.co.us/press_detail.cfm?pressID=957.html](http://www.ago.state.co.us/press_detail.cfm?pressID=957); *Texas v. CSA-Credit Solutions of Am., Inc.*, No. 09-000417 (Dist. Travis Cty, filed Mar. 26, 2009); *Florida v. Boyd*, No. 2008-CA-002909 (Cir. Ct. 4th Cir. Duval Cty, filed Mar. 5, 2008).

³⁰ See *FTC v. Economic Relief Techs., LLC*, No. 09-CV-3347 (N.D. Ga. 2009); *FTC v. 2145183 Ontario, Inc.*, No. 09-CV-7423 (N.D. Ill. 2009); *FTC v. JPM Accelerated Servs. Inc.*, No. 09-CV-2021 (M.D. Fla. 2009); *FTC v. Group One Networks, Inc.*, No. 8:09-cv-352-T-26-MAP (M.D. Fla.

some cases, the telemarketers of debt negotiation services refer to themselves as “card services” or a “customer service department” during calls with consumers in order to mislead them into believing that the telemarketers are associated with the consumer’s credit card company.³¹

The FTC has brought six actions against defendants alleging deceptive debt negotiation practices.³² In each case, the Commission alleges that defendants (1) misrepresented that they could reduce consumers’ interest payments by specific percentages or minimum amounts, (2) falsely purported to be affiliated, or have close relationships, with consumers’ creditors,³³ and (3) violated the TSR’s Do Not Call provisions, among other TSR violations.³⁴

Our law enforcement colleagues at the state level also have focused attention on bogus debt negotiation companies. The states have brought at least ten cases against such firms, and the FTC will continue to work closely with our state partners on these and related issues.

IV. The Commission’s Rulemaking Proceeding

In August 2009, the Commission published in the Federal Register proposed amendments to the TSR to address abuses in the debt relief industry.³⁵ Congress authorized the

2009); *FTC v. Select Pers. Mgmt.*, No. 07- 0529 (N.D. Ill., final order May 15, 2009); *FTC v. Debt Solutions, Inc.*, No. 06-0298 JLR (W.D. Wash., final order June 18, 2007).

³¹ See cases cited *supra*, note 30.

³² See Appendix A (items 2, 3, 4, 5, 6, and 14).

³³ See *FTC v. Economic Relief Techs., LLC*, No. 09-cv-3347 (N.D. Ga. 2009); *FTC v. 2145183 Ontario, Inc.*, No. 09-cv-7423 (N.D. Ill. 2009); *FTC v. Group One Networks, Inc.*, No. 8:09-cv-352-T-26- MAP (M.D. Fla. 2009); *FTC v. Select Pers. Mgmt.*, No. 07- 0529 (N.D. Ill. 2009); *FTC v. Debt Solutions, Inc.*, No. 06-0298 JLR (W.D. Wash. 2007).

³⁴ See *FTC v. Economic Relief Techs., LLC*, No. 09-CV-3347 (N.D. Ga. 2009); *FTC v. 2145183 Ontario, Inc.*, No. 09-CV-7423 (N.D. Ill. 2009); *FTC v. JPM Accelerated Services Inc.*, No. 09-CV-2021 (M.D. Fla. 2009).

³⁵ *TSR Proposed Rule*, 74 Fed. Reg. 41988 (Aug. 19, 2009).

FTC to conduct rulemaking proceedings under the Telemarketing Act using the Administrative Procedure Act's "notice-and-comment" procedures,³⁶ and this proceeding has moved expeditiously and is nearing completion.

The TSR amendments proposed last August would, among other things:

- extend the existing protections of the TSR to inbound debt relief calls, *i.e.*, those where consumers call a telemarketer in response to a general media or direct mail advertisement;³⁷
- mandate certain additional disclosures and prohibit misrepresentations in the telemarketing of debt relief services; and
- prohibit any debt relief service from requesting or receiving payment until it produces the promised services and documents this fact to the consumer.

In response to this proposal, the Commission received written comments from 314 stakeholders, including representatives of the debt relief industry, creditors, law enforcement, consumer advocates, and individual consumers.³⁸ In November 2009, Commission staff hosted a public forum on the proposed TSR amendments, at which participants representing all of the major stakeholders discussed the key consumer protection issues and problems that are present in the debt relief industry and possible solutions for them.³⁹ After the forum, Commission staff

³⁶ 15 U.S.C. § 6102(b).

³⁷ Outbound calls to solicit the purchase of debt relief services are already subject to the TSR.

³⁸ These public comments are available at www.ftc.gov/os/comments/tsrdebtrelief/index.shtm.

³⁹ A transcript of this forum is available at www.ftc.gov/bcp/rulemaking/tsr/tsr-debtrelief/index.shtm.

sent letters to industry trade associations and individual debt relief providers that had submitted public comments, soliciting follow-up information in connection with certain issues that arose at the forum.⁴⁰ Sixteen trade associations and companies responded and provided data. At this time, the Commission staff is reviewing the entire record in this proceeding and drafting a final rule for the Commission's consideration.

V. Efforts to Educate Consumers

To complement its law enforcement and rulemaking, the Commission has made significant efforts to educate consumers about debt relief services and alert them to possible deceptive practices. Most recently, the agency released a brochure entitled "Settling Your Credit Card Debts," which offers struggling consumers tips on seeking assistance with their debts and spotting red flags for potential scams.⁴¹ This brochure, along with additional educational materials on debt relief,⁴² is available at a new FTC web page, www.ftc.gov/MoneyMatters.⁴³

In addition, the Commission has conducted numerous education campaigns designed to help consumers manage their financial resources, avoid deceptive and unfair practices, and become aware of emerging scams. For example, the FTC has undertaken a major consumer education initiative related to mortgage loan modification and foreclosure rescue scams,

⁴⁰ The letters are posted at www.ftc.gov/os/comments/tsrdebtrelief/index.shtm.

⁴¹ The brochure is available at www.ftc.gov/bcp/edu/pubs/consumer/credit/cre02.shtm.

⁴² *Fiscal Fitness: Choosing a Credit Counselor* (2005), available at www.ftc.gov/bcp/edu/pubs/consumer/credit/cre26.shtm; *For People on Debt Management Plans: A Must-Do List* (2005), available at www.ftc.gov/bcp/edu/pubs/consumer/credit/cre38.shtm; *Knee Deep in Debt* (2005), available at www.ftc.gov/bcp/edu/pubs/consumer/credit/cre19.shtm. In the last year and a half, the FTC has distributed more than 248,000 print versions of these three publications combined, and consumers have accessed them online more than 760,000 times.

⁴³ Over the last six months, the Money Matters website has received approximately 50,000 hits per month.

including the release of a suite of mortgage-related resources for homeowners.⁴⁴ Moreover, the agency has focused outreach efforts on a number of other issues faced by people in economic distress, including stimulus scams, rental scams, church “opportunity” scams, offers for bogus auto warranties, and solicitations for phony charities that exploit the public’s concern for the welfare of our troops and public safety personnel in a time of crisis.

The Commission encourages wide circulation of all of its educational resources and makes bulk orders available free of charge, including shipping. We provide FTC materials to state attorneys general and other local law enforcement entities, consumer groups, and nonprofit organizations, who in turn distribute them directly to consumers. In addition, media outlets – online, print, and broadcast – routinely cite our materials and point to our guidance when covering debt-related news stories.

VI. Conclusion

The FTC appreciates the opportunity to describe to this Committee its work to protect vulnerable consumers from deceptive and abusive conduct in the marketing of debt relief services. Stopping the purveyors of empty promises who prey on consumers facing financial hardship is among the FTC’s highest priorities, and we will continue our aggressive law enforcement and educational programs in this area.

⁴⁴ NeighborWorks America, the Homeowners Preservation Foundation (a nonprofit member of the HOPE NOW Alliance of mortgage industry members and U.S. Department of Housing and Urban Development-certified counseling agencies), and other groups are distributing FTC materials directly to homeowners at borrower events across the country, on their websites, in their statements, and even on the phone. The nation’s major mortgage servicers now provide to consumers, while they are on hold, information derived from FTC materials about the tell-tale signs of a mortgage foreclosure scam.

APPENDIX A

FTC Law Enforcement Actions Against Debt Relief Companies

1. *FTC v. Credit Restoration Brokers, LLC*, No. 2:10-cv-0030-CEH-SPC (M.D. Fla., complaint issued Jan. 20, 2010) (debt settlement and credit repair)
2. *FTC v. 2145183 Ontario, Inc.*, No. 09-CV-7423 (N.D. Ill., preliminary injunction issued Dec. 17, 2009) (debt negotiation)
3. *FTC v. Econ. Relief Techs., LLC*, No. 09-CV-3347 (N.D. Ga., preliminary injunction issued Dec. 14, 2009) (debt negotiation)
4. *FTC v. JPM Accelerated Servs. Inc.*, No. 09-CV-2021, (M.D. Fla., preliminary injunction issued Dec. 31, 2009) (debt negotiation)
5. *FTC v. MCS Programs, LLC*, No. 09-CV-5380 (W.D. Wash. preliminary injunction issued July 13, 2009) (debt negotiation)
6. *FTC v. Group One Networks, Inc.*, No. 09-CV-00352 (M.D. Fla., preliminary injunction issued March 25, 2009) (debt negotiation)
7. *FTC v. Edge Solutions, Inc.*, No. CV 07-4087-JG-AKT (E.D. N.Y., final order Aug. 29, 2008) (debt settlement)
8. *FTC v. Debt-Set*, No. 1:07-cv-00558-RPM (D. Colo., final order Apr. 11, 2008) (debt settlement)
9. *FTC v. Select Pers. Mgmt., Inc.*, No. 07C 0529 (N.D. Ill., final order May 15, 2009) (debt negotiation)
10. *FTC v. Express Consolidation*, No. 0:06-CV-61851-WJZ (S.D. Fla., final order May 5, 2007) (credit counseling)
11. *FTC v. Connelly*, No. SA CV 06-701 DOC (RNBx) (C.D. Cal., final order Oct. 2, 2008) (debt settlement)
12. *United States v. Credit Found. of Am.*, No. CV06-3654 ABC(VBKx) (C.D. Cal., final order June 16, 2006) (credit counseling)
13. *FTC v. Integrated Credit Solutions, Inc.*, No. 8:06-CV-00806-SCB-TGW (M.D. Fla., final order Oct. 16, 2006) (credit counseling)
14. *FTC v. Debt Solutions, Inc.*, No. CV06-0298 (W.D. Wash., final order June 18, 2007) (debt negotiation)

15. *FTC v. Jubilee Fin. Servs., Inc.*, No. 02-6468 ABC(Ex) (C.D. Cal., final order Dec. 12, 2004) (debt settlement)
16. *FTC v. Nat'l Consumer Council, Inc.*, No. ACV04-0474CJC (JWJX) (C.D. Cal., final order Apr. 1, 2005) (credit counseling and debt settlement)
17. *FTC v. Better Budget Fin. Servs., Inc.*, No. 04-12326 (WG4) (D. Mass., final order Mar. 28, 2005) (debt settlement)
18. *FTC v. Debt Mgmt. Found. Servs., Inc.*, No. 8:04-CV-1674-T-17MSS (M.D. Fla., final order Mar. 30, 2005) (credit counseling)
19. *FTC v. Innovative Sys. Tech., Inc.*, No. CV04-0728 (C.D. Cal., final order July 13, 2005) (debt settlement)
20. *FTC v. AmeriDebt, Inc.*, No. PJM 03-3317 (D. Md., final order May 17, 2006) (credit counseling)