



TASC General Response to Question Cards from FTC Workshop

In reviewing the list of unanswered questions submitted by the audience at the FTC Debt Settlement Workshop on September 25, 2008, there appear to be four main areas of inquiry:

- (1) what types of disclosures are made to consumers and how does TASC self regulate its members to make sure such disclosures are made;
- (2) what fees are charged by debt settlement companies and how are they earned;
- (3) what types of education is provided to consumers prior to entering a service agreement and during the program;
- (4) how are the consumer's funds used for settlement escrowed?

Below we discuss each of these areas of inquiry. In addition, TASC filed some position papers with the FTC prior to the workshop that are also responsive to many inquiries.

1. Types of disclosures to consumers and TASC standards and self regulation.

TASC has extensive operating and service standards that it requires its members to commit to and abide by. A copy of the standards is attached hereto as *Exhibit A*. One of these standards is a requirement that disclosures be made to consumers regarding the potential impact a debt settlement plan can have on an individual prior to the consumer entering a service agreement. A copy of the disclosures that must be made to the consumer is attached to the back of *Exhibit A*. These disclosures include the following:

- No specific results can be predicted or guaranteed.
- The consumer needs to set aside savings for settlements.
- The debt settlement company does not make payments to creditors.
- Creditors may continue collection efforts on delinquent accounts including phone calls, letters, hiring collection agencies, filing lawsuits or even garnishing wages.
- Debt settlement companies cannot force a creditor to negotiate or settle a debt.
- Fees paid to a debt settlement company are not funds to be used for settlement.
- Creditors may not be contacted immediately.
- Not paying creditors may result in negative credit reporting, increased interest rates and penalties. Interest and charges may continue to accrue until a settlement is reached.
- Settlement savings may be considered a taxable benefit.

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.

2. Fees charged by debt settlement companies

There are two basic fee models: a settlement savings fee model and a flat fee model. The **settlement savings fee model** bases the majority of the fee on a percentage of the savings realized by the consumer. In most instances the fees for this model equate to around 20%. Companies using the settlement savings model generally charge an initial fee collected over the first one to three months followed by a lower monthly fee over the life of the program. These monthly fees help cover some administrative costs until the final negotiation with the creditor and the agreement to settlement terms. At the time of settlement the company will earn a final fee based on the amount of savings to the client.

The **flat fee model** is now the predominant model and is calculated based on a percentage of debt enrolled into the program. The approximate median flat fee is 14-18% of the debt brought onto the program depending on the amount of debt enrolled. The flat fee model has become the predominant fee model for three reasons. First, it is easy to calculate and understand. Second, clients like knowing upfront exactly what their fee will be. Third, in most instances, it results in a lower fee to the client. With this model the fee is collected either over the estimated life of the program or over a shorter time frame, but seldom less than half the life of the program. Companies that have offered both fee models report that nine out of ten consumers choose the flat fee model.

Some contend that the fees charged by settlement companies are excessive when compared to a Debt Management Program administered by non-profit credit counseling companies. Below are three responses to this claim showing that: a. Costs of administering a debt settlement program are higher. b. The "effective interest rate" of such fees is much lower than creditors charge, and c. Non profit debt management companies earn comparable fees

a. Costs of administering the program.

TASC maintains that the cost of acquiring and administering a debt settlement program is greater than that of a DMP under the consumer credit counseling model. Listed below are typical activities involved in executing a debt settlement plan:

- Initial consumer contact: gathering of consumer data, including contact, financial, creditor and hardship information. Review of consumer options, review of consumer budget and explanation of the debt settlement program.
- Evaluation of gathered information to determine appropriateness for the program. This often includes review of the information by an underwriting department or a manager.

- Emailing, faxing, postal mail, or by other means of transmission of the proposed client agreement for review and approval.
- Upon return receipt of the client agreement, a review of the agreement and all accompanying information including accuracy of creditor listing and account statements.
- Sending the welcome package to the client.
- Making a quality assurance call to the client to provide an overview the program, confirm client and creditor data and answer any questions.
- Monthly calls to the client to provide status reports, answer questions, and address other concerns. Often times, clients will contact the debt settlement company each time they receive a call or letter from a creditor. This results in several calls per month per client for the debt settlement company.
- Some companies call creditors on a monthly basis on each account. Creditors and the collection companies also contact the debt settlement companies each time the account changes hand.
- Reviewing monthly creditor account statements, updating information, filing or otherwise storing these statements for each account.
- Monthly recording and verifying of client savings.
- On-going written and/or telephonic negotiation between the client and the creditor for each account.
- In all instances, accurate recording of the information regarding each call or email between the company and the client and/or creditor.
- Accurate, written documentation for the client, the debt settlement company and the creditor, of each final settlement.
- Assisting with ensuring the settlement is properly funded to finalize and execute on the settlement.

In comparing debt settlement to debt management plans, there is a substantially greater cost in administering a debt settlement plan. For instance, a debt settlement company with the same number of clients can have up to 10 times the staff of a comparable debt management company. This is necessitated by the increased demand and need for customer service debt settlement companies provide throughout the term of a client's contract. The number of hours required to service, negotiate, and administer the accounts for the duration of the program far exceeds what is expected and provided by credit counseling agencies. Debt settlement companies do not

simply set up a fixed payment plan at the beginning of the contract and act as a repayment collection clearinghouse for the creditors, as is the case with most debt management plans. Debt settlement companies must negotiate and actively monitor the creditor's activities with respect to their client's accounts throughout the length of the program. Additional contacts regarding the client's account are needed each time the account is transferred from the original creditor to a third party collection agency. All of these activities result in a higher number of active hours per account and consequently a higher cost to a debt settlement company.

One credit counseling company reports that in 2005, they serviced 130,000 debt management plans and received 520,000 calls from clients and creditors. This averages to four calls per year per client. TASC's data indicates yearly client contact to be in excess of ten times that of this credit counseling company.

Another reason for the greater need for client service is the manner in which debts progress through the collection process. The following examples show the progression of three accounts through the creditor cycle.

Monitoring accounts through the collection process	
One account for the first client	
<u>Creditor</u>	<u>Date</u>
First USA	12/10/2001
Surpas	01/06/2003
Creditors Interchange	08/09/2003
Financial Asset Mgmt	04/28/2004
Commonwealth	09/20/2004
NCC	11/03/2004
Commonwealth	11/23/2004
One account for a second client	
Wells Fargo	08/28/2001
Central Credit	11/07/2002
Professional	
Recovery	11/20/2003
Plaza Assoc	08/18/2003
MNK Law Office	01/29/2004
Risk Mgmt	
Alternatives	12/08/2004
One account for a third client	
Citi	02/04/2002
James West, PC	08/28/2002
Associated Recovery	12/31/2002
Lake Valley	
Retrievals	10/02/2003
Unifund	05/30/2006

It is noteworthy that one account passes through several collection agencies which requires the debt settlement company to initiate dialogue on multiple occasions for the same account.

b. The “effective interest rate” of such fees is significantly lower than what creditors charge.

Credit card companies often charge over 30% per annum. Pay day lenders charge effective rates of hundreds of percent per annum. Debt settlement companies charge fees equivalent to less than 7% per annum.

As an example of a debt settlement program charging a maximum 20% fee based on the enrolled debt for a 36 month program, over three years, the fee averages less than 7% per annum. Even when collected over the first 18 months of a 36 month program, approximately 13% is collected in the first 12 months, and the remainder collected over the next 6 months. That equates to an effective interest rate of just 13% during the first year, and just over 7% for the second year and nothing in the third year. In many instances these consumers are paying creditors over 20% or even over 30% interest PER YEAR. Even in a debt management plan, the creditors’ concession interest rate averages 13% per annum. The fee charged by settlement companies is a huge break over what the creditors are demanding. Further, actual fees are usually even less than the above example as most companies charge a total fee of 15% or less for a three year program.

c. Earnings to the companies.

Non-profit companies administering a Debt Management Program commonly charge a \$50 set up fee, and a monthly fee of anywhere from \$25 to \$80 a month. In addition, they receive a payment from the creditors averaging approximately 6-8% of the client debt. Using an average monthly fee of \$35 plus a creditor payment of 7%, on a \$20,000 debt, the non-profit company will receive fees for its 60 month program of \$3,990, while the settlement company could receive \$4,000 if they charged a 20% fee but in most instances, due to market competition, most charge closer to 15% and earn just \$3,000.

3. Education

TASC standards (Exhibit A) require that members review a consumer’s debts and perform a budget analysis for the consumer. TASC standards also require the debt settlement program be reviewed with the consumer to ensure he or she can make an informed decision on whether debt settlement is viable and affordable option for the consumer. Many debt settlement companies further provide resources via consultants, websites and printed materials that provide financial education.

Further, the program itself is a hands-on education; much like a personal trainer provides assistance in building good habits, discipline and continued affirmation of basic principles necessary for success. Debt settlement companies provide continued accountability to follow the savings plan and to stay on budget, regular follow up to encourage financial discipline, and

support to meet the plan goals. Due to the regular contact the debt settlement company has with the consumer as explained in detail in paragraph 2 above, the debt settlement company has more opportunity to provide repeated and more lasting education than a credit counseling company.

Post program interviews indicate that 75% of consumers do not wish to use credit cards after completing the program. Further, 50% of consumers will use the money once being set aside for settlements for sound financial plans such as retirement savings, emergency savings, down payments on a house and other types of investments.

4. Where consumer funds used for settlement are held

Most debt settlement companies and all TASC members do not receive or hold consumer funds that are ultimately to be used for funding settlements – see TASC standards attached as Exhibit A. Consumers hold or save these funds in bank accounts that are wholly owned and controlled by the consumer. Some providers have the consumers hold the funds in a separate savings account in the individual's home bank. Others recommend the use of third party services who offer FDIC insured accounts separate from the individual's home bank. These third party services have gained increased popularity due to the benefits such separate accounts provide. Companies report greater settlement success due to the greater separation of the funds from the consumer's usual "spending" account and thus less risk of draining that account.

A more detailed discussion of the manner in which one third party service operates is provided in the documents originally submitted by TASC in a paper written by Global Client Solutions entitled "Overview of Accounts and Global System". In addition, NoteWorld Servicing Center has on its web site (www.noteworld.com), in its Personal Account Servicing section, a good overview of its service to settlement companies and their clients.

In closing, this brief hopefully covers most of the broad topics of questions submitted at the workshop by the question cards. Otherwise, TASC welcomes any additional inquiries or specific questions. TASC further looks forward to working with interested parties in maintaining standards for the debt settlement industry.

Exhibit A



The Association of Settlement Companies

TASC™ Standards for Preferred & Accredited Members

I. SCOPE

The goal of this document is to establish Industry Standards for members of The Association of Settlement Companies (TASC™). With this goal in mind, TASC™ recognizes the differences in the practices of potential TASC™ member companies and specifically includes Principal Members as the following:

- a) a member company who markets and sells a debt settlement program;
- b) a member company who provides customer service and negotiation; and
- c) a member company who provides markets and sells a debt settlement program and provide customer service and negotiation.

In addition, TASC™ also recognizes as Associate Members vendors who sell, provide or offer to provide goods or services to Principal Members.

The following Standards apply to all Principal Members. These Standards include the TASC™ Member Licensing Agreement, the TASC™ Disclosure Document and the TASC™ Web Disclosure Document, all of which are attached. Member adherence to these Standards will be noted by one of two designations; Preferred or Accredited. The designations are defined below in Section II, Definitions.

All Preferred and Accredited Members and their Representatives shall adhere to the standards required of their designation at all times while engaging in the business of providing Debt Settlement Services to consumers. Failure to do so can result in the cancellation of the TASC™ membership.

II. DEFINITIONS

Accreditation:

A process conducted by an independent third party accreditation and/or certification company approved by TASC™ to demonstrate a member's adherence to these Standards. Members must comply with a minimum yearly accreditation review process by the above mentioned independent third party accreditation and/or certification company.

Accredited Members:

Member companies will be known as Accredited Members and (subject to the terms and conditions of logo usage) will be able to display the TASC™ Accredited logo on informational and marketing materials once their materials and operations have been Accredited by an approved independent third party accreditation company. This Accredited status must be renewed annually.

Preferred Members:

Preferred Members are member companies (subject to the terms and conditions of logo usage) who will be able to display the TASC™ approved logo on informational and marketing materials upon joining TASC™ and who have agreed to submit written company materials to TASC™ representatives for verification within three months of membership. This review will determine if company written material adheres to these Standards. A member company who fails to submit information for such approval following three months of membership, or whose materials indicate non-compliance with these Standards, shall no longer be allowed to display the TASC™ approved logo.



Cancellation/Termination:

Used interchangeably, both "cancellation" and/or "termination" shall be collectively herein referred to as "cancel", "cancelled", or "cancellation". This refers to any point in time, following the right of rescission period, in which either the Member or its Client gives notice to the other of their intent to end the agreement or program.

Creditor:

A creditor or creditors is defined as a person or entity allegedly owed a debt by a consumer. This may include authorized representatives of the creditor, and any other person or entity that has lawful authority to collect such alleged debt or account.

Customer or Client:

Any consumer(s) that contracts with or otherwise agrees to obtain debt settlement services from a Debt Settlement Services Provider.

Debt Settlement Services:

Offering to negotiate or negotiate a compromise to reduce the unsecured debt obligations or the credit extended by others between a client and a creditor to less than the full principal amount owed. These services may also include financial educational materials, advice, and customer service throughout the term of the program.

Debt Settlement Services Provider:

Any individual or entity who advocates on behalf of consumers in financial distress by providing or offering to provide debt settlement services.

Fee or Fees:

The good and/or valuable consideration given to a Debt Settlement Service Provider by or on behalf of a Client.

Members:

All Principal or Associate Members who are current in their monthly TASC™ membership dues and are in compliance with all other membership requirements.

Principal Member:

Any TASC™ member, whether an individual or an entity, currently operating as a Debt Settlement Services Provider.

Standards, Policies, Procedures:

Written measures, conditions, actions and parameters of conduct adhered to by Preferred and Accredited Members and their Representatives to avoid any discrimination or disparity of provided services.

Principal Location:

The primary physical location which includes the Member's name, physical address, and telephone number associated with that physical address.

Program:

The system of Debt Settlement Services specific to a Client will be known as a Program. It shall not be called a Plan because neither the time nor the needed amount for settlement can ever be guaranteed.



Rescission Clause:

A clause that allows clients to cancel the program without financial penalty within three (3) days of signing the contract is called a Rescission Clause. This Clause should be located in the immediate proximity of the Client's signature block within the master contract. It should include the following statement; **"You may rescind this agreement without penalty or obligation at any time before midnight of the 3rd business day after the date on which you signed the agreement."**

Representatives:

All member officers, directors, employees, agents, affiliates, contractors and sub-contractors related to providing Debt Settlement Services.

Third Party Accreditation Company:

An entity that offers an accreditation program approved by TASC™.

Vendor:

Any individual or entity that markets, sells, provides or offers to provide goods or services to Principal Member entities or other entities in the debt settlement services industry.

III. BASIC REQUIREMENTS

- a) All Members and their Representatives shall comply with all Federal and State laws, regulatory opinions, rulings and determinations including, but not limited to the privacy of Client's personal confidential information and company registration as required by applicable State law.
- b) All Members shall maintain a fixed "brick and mortar" location.
- c) All Members shall make available on their websites a street address for their headquarters, a main telephone number, an email contact address and the TASC™ Web Disclosures Document.
- d) All Members shall have written agreements with all Clients which include the official and approved TASC™ Disclosure Document and the written requirements described under the CLIENT AGREEMENT section below
- e) All Members shall be open for business a minimum of 40 daytime business hours Monday through Friday and will post their hours of operation clearly on their website.
- f) All Members shall have formal and continual training for each of its applicable staff in Sales, Operation, Negotiation and Customer Service which will include access to a copy of the Fair Debt Collection Practices Act.
- g) No Member shall direct a potential or current client to stop making monthly payments to their creditors.
- h) All Members shall offer and apply Debt Settlement Services to all individuals in a nondiscriminatory manner.
- i) All Members shall advocate the needs on behalf of their clients while conducting themselves in the highest ethical standards and practices.



IV. CLIENT AGREEMENT

All Members shall provide the client a copy of the Client Agreement and maintain a copy of the agreement for a period of three (3) years after the client either completes or terminates the program. All Client Agreements shall include:

1. The TASC™ Disclosure Document.
2. A comprehensive list of every debt at the time of enrollment including the Creditors' names and identifying information.
3. The approximate total of all such debts.
4. The total amount of all fees, or the method for calculating such fees, to be paid by the Client to the Member or to any other person, over the term of the agreement.
5. The estimated amount of money needed to fund settlements.
6. The estimated number of installments necessary to fund the Program.
7. The name, physical address and telephone number of the Member.
8. A description of the services to be provided by the Member.
9. Clearly defined cancellation policies and procedures.
10. A clear and conspicuous rescission statement in the contract with the heading 'Notice of Rescission' and an accompanying form for such rescission. This form will contain instructions on how to communicate with ease the client's decision to rescind the agreement.
11. The full legal name and legal address of the Services Provider.
12. The Client Agreement containing all of the above terms must be reviewed by a company representative for appropriateness and completeness and signed by the Client.

V. MARKETING STANDARDS

- a) All Members shall publish on all websites owned by the Member the appropriate TASC™ logo with the link to the published TASC™ Web Disclosure Document and will ensure internally that the link is active.
- b) No Members shall engage in any sales or marketing that uses any unfair or deceptive representations including unsubstantiated performance or savings statements. Unsubstantiated statements are those that cannot be supported by objective and unbiased data for the industry and/or the Member.
- c) All Members and their Representatives shall only provide Debt Settlement Services to a Client who is qualified based upon the financial review of the information provided by the client.
- d) All Members shall disclose verbally to a prospective client all the prescribed TASC™ disclosures prior to any signing of a Client Agreement.



- e) All Members shall conduct an initial comprehensive review of a consumer's debts and his/her monthly budget.
- f) All Members shall describe the methodology of the Debt Settlement program to each potential client so that he/she can make an informed decision as to whether or not a debt settlement program is a viable and affordable option.
- g) All Member advertising content (and data supporting the claims made) shall be saved for a minimum of five years.
- h) TASC™ strongly recommends and encourages all Members to provide discounted and/or free debt settlement services to consumers who otherwise will not be able to afford their services.

VI. FEES

All Fees shall be in compliance with state law when applicable and in other instances shall be fair and reasonable.

VII. FINAL ACCEPTANCE

Members must fully evaluate prior to final acceptance of each Client Agreement that a Debt Settlement Program is an affordable and viable option for each potential client.

VIII. SERVICING THE CLIENTS AND SERVICE DELIVERY PROCEDURES

Members shall have written policies and procedures that include, but are not limited to, the following elements:

- a) Job descriptions for all hourly and supervisory personnel;
- b) Days and Hours of operation;
- c) Methods of communication with Clients;
- d) Guidelines for timeliness and accuracy of service;
- e) The maintenance of records in a retrievable format;
- f) The documentation of communications with Clients and actions taken on their behalf;
- g) An internal client dispute resolution policies and process that provides for prompt resolution of any Client dispute;
- h) The process to be used to measure the performance of client service and service delivery
- i) The acceptable benchmark for the above performance ;
- j) The feedback communication of the above performance to staff and managers
- k) The establishment of a performance improvement review process; and
- l) Written procedures to prevent unauthorized access to or misuse of a Client's confidential information.



IX. NEGOTIATION OF CLIENT DEBTS

All Principal Members except those involved solely in marketing or selling a debt settlement program shall demonstrate their ability to achieve settlements of consumer debt that are mutually agreeable to both Clients and Creditors if the Member has been in business for more than 1 year.

Members shall have in place and written documentation of:

- a) A process to obtain a Client's approval for each settlement unless the authority to settle a client's debt is provided for by contract or by statute.
- b) An internal procedure for the periodic review of a Client's progress through its Program.
- c) The procedure to obtain written settlement agreements that contains language of final debt forgiveness or satisfaction before payment is made to the Creditor.
- d) A written procedure describing the necessary steps for handling an account in which the creditor is represented by an attorney.
- e) The process to notify the Client or to ensure Creditors are paid on or before the due date(s) set forth in the settlement terms.
- f) The internal procedure to provide Clients with copies or access to copies of each settlement agreements achieved and if applicable, proof of payment.

X. CREDITORS

Principal Members shall:

- a) Establish Creditor Policies and Procedures and adhere to their own set of systems of communications with creditors. This system shall include standards for response time to communications from various creditor inquiries.
- b) Be open to creditor inquiries and have readily available by phone and in writing an explanation on how debt settlement works.
- c) Not receive compensation in any form or manner from a Client's creditors for handling that particular client's creditor account.

XI. CLIENT FUNDS

No Principal Member shall receive money directly from a client or exercise direct control over funds of a client for the purpose of distributing payments to or among one or more creditors of the client in full or partial payment of the client's obligations. If the client has entered into an agreement with a third party as part of his/her savings program, any funds held, escrowed or distributed by a third party will be for the purpose of settling the debts of the client with the intended creditor(s) or for the payment of certain fees (i.e. settlement savings fees) specified in the Client Agreement.



XII. INSURANCE COVERAGE

Members shall maintain reasonable insurance coverage or surety bond to protect the Member, its employees, and Clients as required by the applicable state law.

XIII. RESELLER AND SUBCONTRACTING REQUIREMENTS

Members shall adopt policies and procedures to ensure that subcontractors, with whom they contract, comply with all applicable standards and take appropriate action to remedy any non-compliance.

XIV. RECORD KEEPING REQUIREMENTS

All Members shall:

- a) follow a record retention policy that ensures records of all Client contracts and transactions including those stored electronically are preserved for a minimum of three (3) years from the date the Client completes or otherwise terminates the Member's Program;
- b) maintain a record keeping system to account for all client contacts and transactions;
- c) prevent records from being altered or destroyed;
- d) provide policies and procedures for correcting erroneous information in records;
- e) safeguard records from damage or deterioration;
- f) recover or reconstruct damaged or deteriorated records; and
- g) protect records from unauthorized access.

XV. PERIODIC REVIEW

- a) Members shall be reviewed for compliance with approved Standards at a time and place at the discretion of TASC™.
- b) Membership status shall be reviewed annually by TASC™.



The Association of Settlement Companies

Attachment "A" TASC™ Disclosure Agreement

This company is a Member of The Association of Settlement Companies and as such has agreed to publicly disclose the following on each of our websites and as part of our contract with consumers. Should you wish to comment on our use or avoidance of this disclosure please email ClientCare@tascsite.org with your contact information and the nature of the complaint. A TASC™ board member will get in touch with you in short order.

Disclosure Statement *(Review this attachment carefully)*

<Company Name> provides consumers with a method of debt resolution known as debt settlement. Debt settlement is an aggressive method of debt management, which depends on the negotiation of mutually agreeable settlements between the consumers and the creditors. <Company Name> wants you to understand both the potential benefits and pitfalls that may arise out of the debt settlement process and to have reasonable expectations regarding the outcome.

BY SIGNING BELOW, YOU ARE STATING <COMPANY NAME> HAS EXPLAINED TO YOU, AND YOU UNDERSTAND ALL THE ISSUES BELOW:

1. You are enrolling into a debt settlement program after voluntarily seeking the assistance of <Company Name>. The goal you have set is to negotiate mutually agreeable settlements between you and your creditor(s) for payment of certain unsecured debt(s) described as Enrolled Debts. No specific results can be predicted or guaranteed.

2. You will be responsible for saving sufficient funds that you control to fund debt settlements that <Company Name> will endeavor to negotiate on your behalf. You and only you will be in control of all settlement funds and under no circumstances will <Company Name> have custody or control of the funds you set aside to fund debt settlements.

3. The savings program you have made to reach your debt settlement goal is detailed in your Client Agreement. Summaries of the total settlement amount, monthly savings, and the period needed to reach your goal were prepared based on the goal you selected. Those summaries reflect the minimum amount that we have estimated you will need to save to put yourself in a position to reach your goals. Actual settlement amounts, necessary savings and the period required to reach your goal may vary based on creditors actions and other factors that may affect or prevent the realization of your goals.

4. Most creditors and collectors negotiate with Debt Settlement Service Providers, <Company Name> cannot force the negotiations and cannot force creditors to accept a settlement. <Company Name> does not make regular monthly payments to your creditors. Your creditors may continue collection efforts on delinquent accounts while you are enrolled in a Debt Settlement Program. Such collection efforts can include phone calls and letters to you, charging off the account, sending accounts to collection agencies or attorneys, lawsuits and even garnishments of your wages if a judgment has been obtained. <Company Name> no claim that it will be able to stop these collection activities. These activities may continue while <Company Name> is making its best efforts to negotiate your debt.

5. Your Debt Settlement Program assumes an effort that will continue for many months. The time needed to produce a settlement depends on a number of factors. These may include: (a) your financial hardship, (b) the age and balance of the accounts that you owe your creditors, and (c) the funds you have available to pay for a settlement; and (d) the willingness of individual creditors to enter into debt settlement negotiations. While no guarantees can be given, generally the quicker you save money the sooner you will be in a position to reach your goals. Increased savings will provide you with the option to accept lesser discounts and will also enable you to accumulate funds to reach your debt settlement goals more



quickly. However, any settlement must be acceptable to both you and your settling creditor.

6. The fees paid to <Company Name> are intended to compensate them for its efforts and will only be refundable to the extent they have not been deemed to have been earned in the manner described in the Client Agreement. Those fees are not being set aside or held in escrow to fund debt settlements. Fees paid to a Debt Settlement Services Provider such as The Company's Name for its services will not be available to pay creditors.

7. Communications with creditors are handled on a case by case basis. In some instances creditors may not be contacted until several months after you enroll.

8. You have stated that, because of circumstances beyond your control (hardship), you are unable to meet the minimum payments required by your creditors. If you do not make required minimum payments to your creditors you may be breaking the terms of your agreements with them and your actions will probably be reported to consumer reporting agencies as late, delinquent, charged-off or past due balances. Your creditor may also raise the interest rate on your account and impose other penalties. Your account balance may continue to grow as your creditor adds accrued interest, late fees, over-limit fees and penalties. Your balance may continue to grow until a settlement is reached with your creditor; and, if negotiations are unsuccessful, you could be called upon to pay the entire balance. After settlement your creditor may comment that the account was "settled for less than the full amount" on your credit report. A

Debt Settlement Program may have an adverse effect on your credit report and credit score.

9. When your creditor settles your debt, a savings of \$600 or more off what you owed may be reported by your creditor to the IRS as Discharge of Indebtedness income. You may wish to consult your tax advisor to determine whether your individual circumstances may permit you to exclude any such Discharge of Indebtedness Income from your reportable income due to insolvency. For more information on tax ramifications to you personally you may also wish to consult a CPA or Tax Attorney and to refer to the IRS website www.irs.gov IRS Publication 908- "Bankruptcy Tax Guide" and IRS Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness available on the IRS website.

10. You acknowledge that the company is not a law firm and cannot provide legal advice.

11. You understand that you have the responsibility and the right to communicate my comments directly to the company's management using the information provided below:

Company: _____

Address: _____

Phone Number: _____

Email: _____

Upon request, you will receive from the Company the refund procedure and grievance policy. Finally, you have a right to report directly any concerns to TASC™ via email: Clientcare@tascsite.org

To summarize, Each case is unique and results may vary: A Debt Settlement Program can be a very effective way to resolve your debt, but it is not a painless process and no guarantees can be given because the process is subject to factors that neither you nor your service provider may be able to control. As with any type of debt repayment plan, failure to complete a Debt Settlement Program is likely to have negative consequences on your financial situation.

Client's Signature

Date

Co-Client's Signature

Date