AFCC
American Fair Credit Council

FACT: Debt Settlement Offers Vital Lifeline to Consumers

Confronting Myths about the Industry that Helps Families Restore Their Financial Future

MYTH	FACT
The debt settlement industry is unregulated, allowing predatory companies to operate without any consumer protections in place.	The debt settlement industry is highly regulated by the U.S. Federal Trade Commission. In 2010, the FTC strengthened its regulation through revisions to the Telemarketing Sales Rules (TSR). Several states also provide strong oversight of the industry.[1]
Debt settlement companies are only concerned with making a profit, charging consumers exorbitant fees without any consideration for the client's welfare or guarantee of a resolution.	AFCC members work on behalf of consumers, standing up to creditors and representing the interests of their clients. Under FTC guidelines embraced and adhered to by AFCC members, debt settlement clients pay no fees until settlements are completed and, according to a 2018 report, on average debt settlement saves consumers $2.64 for every $1 in fees paid.[2]
There is no way to track whether a debt settlement company is following the rules or negotiating in the best interest of the consumers.	AFCC Members are required to adhere to all Federal Trade Commission consumer protection guidelines, which: 1) Prohibit upfront fees; 2) Require companies to disclose fundamental aspects of their services, including how long it will take to get results and how much it will cost; and 3) Prevent companies from misrepresenting services. AFCC members also must agree to be audited for compliance through the AFCC's anonymous "Secret Shopper" program.[3]
Customers are forced to turn over their private financial information, trust and future well-being to the debt settlement companies before a case will be considered and then, leave customers with almost no power to backout.	Consumers can withdraw from their engagement with debt settlement companies at any time, because debt settlement companies never have custody of consumers' funds. Once engaged with a customer, AFCC members have access to necessary information in order to work with creditors to design affordable settlements. Clients have the right to reject or withdraw from these agreements at any time, for any reason. AFCC members work diligently to protect the privacy of clients.[4]
Debt settlement is just a scam that does not improve consumers' financial well-being.	Debt settlement companies provide considerable benefits to consumers, and relatively quickly. Consumers generally see initial account settlements within 4-6 months of starting a debt settlement program. More than 96 percent of settlements result in debt reduction that is greater than consumers' related fees. On average, consumers receive $2.64 in debt reduction for every $1 spent in fees, and the average debt settlement client resolves their debt for 65 cents on the dollar relative to what they initially owed, inclusive of any fees assessed.[2]

About Us: The American Fair Credit Council (AFCC) is the leading association of professional consumer credit advocates. Founded in 2011, the AFCC advocates for the right of consumers to pursue debt settlement to resolve unmanageable unsecured debt. The AFCC supports legislation at the state and federal levels that will ensure consumers have access to debt settlement services as a private sector alternative to bankruptcy.

[1] FTC Rules https://www.ftc.gov/enforcement/rules/rulemaking-regulatory-reform-proceedings/fair-debt-collection-practices-act-text

[2] Regan Reports | American Fair Credit Council https://americanfaircreditcouncil.org/regan-reports/

[3] Who We Are | American Fair Credit Council https://americanfaircreditcouncil.org/who-we-are/

[4] American Fair Credit Council Code of Conduct https://americanfaircreditcouncil.org/who-we-are/