

Fact: Debt Settlement Offers Vital Lifeline to Consumers

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

Myth



The debt resolution industry is unregulated, allowing predatory companies to operate without any consumer protections in place.



The debt resolution industry is highly regulated by the U.S. Federal Trade Commission (FTC). In 2010, the FTC strengthened its regulation through revisions to the Telemarketing Sales Rule (TSR). Several states also provide strong oversight of the industry. In addition, the AADR holds its member companies to the highest standards, going beyond federal regulations to ensure individuals are protected throughout the debt resolution process.



Debt resolution 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.



AADR members offer an option to consumers who are in severe financial distress by negotiating with their creditors to pay a lower amount than what they owe. Under FTC guidelines embraced and adhered to by AADR members, debt resolution clients pay no fees until they agree and make a payment towards a negotiated settlement. According to a 2020 report, on average debt resolution saves consumers \$2.64 for every \$1.00 in fees assessed.



There is no way to track whether a debt resolution company is following the rules or negotiating in the best interest of the consumer.



AADR members are required to adhere to all FTC consumer protection guidelines, which: 1) Prohibits a fee being charged until a consumer's debt has been successfully negotiated; 2) Requires companies to disclose fundamental aspects of their services, including how long it may take to get results and how much it will cost; and 3) Prevents companies from misrepresenting their services. AADR members also must agree to semi-annual assessments for compliance by an independent auditor.



Customers are forced to turn over their private financial information, trust, and future well-being to the debt resolution company before their program begins and then have almost no power to back out of a debt resolution program.



Consumers are always in control during their debt resolution program including controlling any funds contributed to their dedicated account and the ability to leave the program at any time, for any reason.



Debt resolution is just a scam that does not improve consumers' financial well-being.



Debt resolution companies provide considerable benefits to consumers, and relatively quickly. Consumers generally see initial account settlements within four to six months of starting a debt resolution program. According to a 2020 study, consumers see their overall debt reduced by nearly 32% on settled accounts.