AADR
American Association for Debt Resolution

Debt Resolution 101

Debt resolution is a process regulated by the U.S. Federal Trade Commission (FTC), allowing consumers in financial distress to put their debt in the past.

STEP 1: A consumer applies to a debt resolution program.

A consumer who is experiencing financial difficulty contacts a debt resolution company and speaks with an experienced consultant. The typical client owes over $25,000 in unsecured debt and is already behind on at least one and, in many cases, most of the seven or more accounts they hold. Many debt resolution consumers are suffering severe financial hardship, such as a medical event or a household loss of income, through no fault of their own. Under FTC rules, the consumer pays nothing to enroll in a debt resolution program.

STEP 2: The consumer is accepted into a debt resolution program.

Following an underwriting process, the debt resolution provider creates a personalized plan for the consumer based on their unique financial position. The client creates a separate savings account, dedicated to addressing their debts, with a debt resolution payment processor; this account is not affiliated with the debt resolution provider and is always under the complete control of the consumer. Debt resolution companies never touch client funds.

STEP 3: The debt resolution company negotiates with the consumer's creditors.

Once the consumer has set aside sufficient funds in their dedicated account, debt resolution specialists negotiate with the client's creditors to settle their unsecured debt for less than what they owe.

STEP 4: The debt resolution company communicates a proposed settlement offer to the consumer.

When the debt resolution company obtains a settlement offer from a consumer's creditor, the consumer has the right to choose whether to accept it or not. Consumers are not obligated to accept any settlement and, under FTC rules, can reject it without being charged a fee by the debt resolution provider. The average client's first account is settled four to six months after enrollment.

STEP 5: The consumer's debt decreases.

If the consumer accepts a settlement that has been negotiated with their creditor, payment to that creditor will be made from the consumer's dedicated account. Only when the consumer has made at least one payment in furtherance of a settlement offer will the consumer be charged a fee, and that fee may only be assessed for the one accepted settlement.

STEP 6: Repeat the process with the consumer's other creditors.

The process restarts for each of the consumer's creditors until each account is settled. No fees are charged until the customer agrees to each settlement. Consumers can withdraw from the debt resolution process at any time, for any reason, without a penalty.