

**The FTC Telephone Sales Final Rule
Debt Relief Services
Fall 2010**

The Federal Trade Commission has issued a final rule regulating the debt settlement industry.

Advance Fee Prohibition- Effective October 27, 2010

A debt settlement service may not charge a fee or receive any payment until the following conditions have been met:

- The terms of at least one debt have been renegotiated or reduced pursuant to a settlement agreement.
- The customer has made at least one payment pursuant to the settlement agreement.

If one portion of the debt is settled prior to the entire debt, the fee must be:

- Proportional to what the total fee would be if the total debt was settled.

OR

- A percentage of the amount saved by the settlement

Other protections

- Applies to inbound calls made by a consumer to a debt settlement service responding to an advertisement.
- Prohibits specific material misrepresentations.
- Requires specific disclosures about how the service works and other important information.

Required Disclosures- Effective September 27, 2010

A debt settlement service must disclose the following pieces of information before a consumer consents to a service agreement:

- The time necessary to achieve the represented results.
- The specific time by which offers will be made to each creditor.

- The dollar amount or percentage of the debt which the consumer must save before offers can be made to each creditor.
- The adverse effect of not making payments to outstanding creditors, including being subject to collections or lawsuits, decreased creditworthiness, and increased debt.
- If the debt settlement service requires the consumer to place funds in an escrow account, it must disclose the consumer's rights regarding such account, including the following:
 - the consumer owns the funds in the account,
 - the consumer may withdraw the funds without penalty at any time
 - the consumer must receive all of the funds except those earned by the debt settlement company pursuant to the restrictions contained in the advance fee prohibition detailed above.