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CONSUMER GROUPS PROVIDE ADVICE ON HOW TO GET REAL DEBT HELP, NOT EMPTY PROMISES

Washington, D.C. – It may be tempting to respond to ads from companies offering to help if you are struggling with credit card debts or making your mortgage payments, but consumer groups warn that it could be a trap that will leave you worse off than you were before. Consumer Action, Consumer Federation of America, Consumers Union, and the National Consumer Law Center[®] have issued new tips, *Get Real Debt Help, Not Empty Promises*, that explain how people can avoid scams and get real help with their debt problems.

Federal rules governing for-profit debt relief and mortgage assistance relief services now require these companies to give consumers disclosures explaining how their services work – before consumers enroll. The rules also forbid abusive practices such as requesting up-front fees for these services. There are some loopholes, however. For instance, the Federal Trade Commission's rules concerning for-profit debt relief services only apply to situations that involve telemarketing. In-person or online sales of debt relief services do not come under the rules, if no phone call was used in the sale of these services. Mortgage assistance relief services, on the other hand, are not allowed to collect fees upfront regardless of whether they use telemarketing.

“Not all companies play by the rules, so it’s important for consumers to know what to watch out for when they are considering debt relief or mortgage assistance relief services,” says Susan Grant, CFA’s director of consumer protection. “No one, especially debt-strapped consumers, can afford to lose money to scurrilous companies that don’t deliver on their promises.”

“Consumers may not realize that debt settlement programs don’t stop debt collectors from hounding you. For real relief, consumers should start by contacting their creditors directly to try to arrange for reduced payments, reduced interest rates, and forgiveness of late fees,” says Consumer Action’s Ruth Susswein.

“It’s a danger sign if the debt relief program advises you to stop communicating with your creditors once you’ve signed up,” says Suzanne Martindale, a staff attorney at Consumers Union. “That increases the risk of being turned over to collections, damaging your credit score, or even being sued for your debts.”

The consumer groups point out that consumers have other options for help with their debts, including nonprofit credit counseling services and government-certified housing counselors. “Consumers should be wary of anyone who claims to have a special system or scheme for dealing with legally valid debts. In fact, many want to charge for help that is available for free from nonprofit groups,” says Andrew Pizor, a staff attorney at the National Consumer Law Center.

Some states also have laws concerning debt relief and mortgage assistance relief services. State and local consumer protection agencies can provide information about applicable state laws and give consumers advice about what to do if they believe that they do not owe the debts.

Get Real Debt Help, Not Empty Promises provides links to additional resources concerning credit and debt. The tips are available in [English](#) and [Spanish](#) on the Consumer Federation’s website at www.consumerfed.org/financial-services/credit-and-debt/credit-counseling.

You can also find additional information and the tips on the National Consumer Law Center’s website at www.nclc.org/for-consumers/brochures-by-topic.html, Consumers Union’s debt-related website at www.defendyourdollars.org/topic/debt_loans/, and on Consumer Action’s website at www.consumer-action.org/alerts/articles/get_real_debt_help/.

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