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To: Editorial Page Editors, Editorial Board Members, Capitol Reporters & Columnists

From: Mark Price, Labor Economist, Keystone Research Center

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Re: Bill to regulate debt settlement fails to protect economy from dangerous financial products

The House Commerce Committee is set to vote on June 24th on SB 622 the Debt Settlement Services Act. This legislation covers the licensing and regulation of [debt settlement companies](#) in Pennsylvania.

Debt settlement companies run radio and television ads offering to cut the debt of cash-strapped consumers by up to 50%. The reality is, as the Consumer Financial Protection Bureau puts bluntly, that "[Some debt settlement companies promise more than they can deliver.](#)"

Debt settlement companies require consumers to default on ALL their debts before they will begin negotiations with a consumer's creditors. Two-thirds of consumers that have used this product failed to have all of their debts settled, exposing consumers to legal action even as they still pay substantial fees (22% on the consumers outstanding debt balance) to the debt settlement company.

The bottom line is, this is a financial product that frequently leaves the consumers who use it worse off than they were before.

SB 622 fails to regulate the fees charged and does not require debt settlement companies to provide an assessment to consumers of whether or not they will have reduced their outstanding debt after paying fees.

Debt settlement companies target and attract consumers that have accumulated an unsustainable debt with promises of easy solutions. The failure of SB 622 to prohibit predatory financial terms and practices is a recipe for growing consumers' debts, an outcome that will lead only to more unpaid bills in the local economy.

For more on the dangers of debt settlement products see:

- *A Roll of the Dice: Debt Settlement Still a Risky Strategy for Debt-Burdened Households*, which is available online <http://goo.gl/n71JSc>
- *An Investigation of Debt Settlement Companies: An Unsettling Business for Consumers*, National Consumer Law Center available online <http://goo.gl/cA9MvJ>
- *Fraudulent, Abusive, and Deceptive Practices Pose Risk to Consumers*, United States Government Accountability Office, <http://goo.gl/jRdTq9>

For more on the coalition of consumer groups opposed to SB 622 <http://goo.gl/dq0Q51>

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