

February 27, 2026

The Honorable Ted Cruz  
Chairman  
Committee on Commerce, Science, and Transportation  
U.S. Senate  
Washington, DC 20510

The Honorable Maria Cantwell  
Ranking Member  
Committee on Commerce, Science, and Transportation  
U.S. Senate  
Washington, DC 20510

The Honorable Brett Guthrie  
Chairman  
Committee on Energy and Commerce  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Frank Pallone  
Ranking Member  
Committee on Energy and Commerce  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Cruz, Ranking Member Cantwell, Chairman Guthrie, and Ranking Member Pallone:

The undersigned trade associations and organizations write to express our growing concern about the practices of too many members of the debt settlement industry. We, and our members, have seen the negative effects of this industry, which typically misleads millions of Americans into financial jeopardy with false promises of a quick way to negotiate existing debt at a fraction of the cost.<sup>1</sup>

While some debt settlement companies (DSCs) operate in compliance with the Federal Trade Commission's (FTC) Telemarketing Sales Rule (TSR),<sup>2</sup> enforcement actions and consumer complaints demonstrate that certain DSCs continue to engage in deceptive and harmful practices. In many cases, DSCs require consumers to have a minimum debt of \$7,500 or more to enter a debt relief program and charge fees of 15% to 25% of the total enrolled debt.<sup>3</sup> Consumers who enter a debt relief program generally seek to settle multiple debts from various lenders (the median amount of enrolled debt was \$27,500 across seven accounts),<sup>4</sup> which can take years to complete, if at all.<sup>5</sup>

In the most concerning cases, consumers are instructed to stop paying their monthly credit card bills and personal loans, and to end all contact with each financial institution. The DSC then directs the consumer to make monthly payments to a special "designated account" operated by the DSC; if a sufficient balance is accrued in that account, it will be used to negotiate with each financial institution separately.<sup>6</sup> Available data suggest that a significant portion of consumers fail to settle any debts. One study estimated that approximately 25% of enrollees did not resolve a single account.<sup>7</sup> This "strategic default" model, which encourages consumers to default intentionally in order to generate settlement leverage is well documented by financial regulators and is considered the trademark of the debt settlement industry.<sup>8</sup>

Recent advertising and marketing efforts have expanded the industry's reach beyond financially distressed consumers to individuals who are current on their obligations. DSCs are engaging in new marketing strategies using data analytics and personalization to design campaigns to reach a large pool of prospective consumers based on characteristics such as unsecured debt, income, or credit profiles – rather than focusing exclusively on individuals who are already delinquent.<sup>9</sup> With this expanded customer base, this industry is growing rapidly and

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<sup>1</sup> FTC: [Debt Relief Service and Credit Repair Scams](#).

<sup>2</sup> FTC: [Debt Relief Services & the Telemarketing Sales Rule](#) (2010).

<sup>3</sup> [National Debt Relief](#).

<sup>4</sup> [Financial Outcomes for Debt Settlement Programs: Estimates for 2011–2020](#) (2021)

<sup>5</sup> National Foundation for Credit Counseling: [The Short and Long-term Effects of Debt Settlement](#) (2020).

<sup>6</sup> FTC: [How to Get Out of Debt: Debt Settlement](#).

<sup>7</sup> [Financial Outcomes for Debt Settlement Programs: Estimates for 2011–2020](#) (2021).

<sup>8</sup> Wall Street Journal: [That Offer to Make You Debt-Free? It Can Make You Worse Off](#) (August 2019); U.S. GAO: [Debt Settlement: Fraudulent, Abusive, and Deceptive Practices Pose Risk to Consumers](#), GAO-10-593T (2010).

<sup>9</sup> [Frankline Madison Direct: Innovative Mail Strategies for Debt Relief Brands](#) (2024).

is the only one that intentionally directs customers to default on their debt, which exposes consumers to worsened credit scores, increased collection activity, higher balances due to fees and interest, and potential legal action. A 2021 report indicated that approximately 1.6 million consumers enrolled 11.7 million accounts at ten large DSCs between 2011 and 2020, with two-thirds of enrollments occurring in the final three years of that period, underscoring the rapid expansion of this market.<sup>10</sup>

In 2025, the BBB National Programs' National Advertising Division recommended that a leading debt settlement company discontinue certain advertising claims, including representations regarding guaranteed timelines to become "debt-free within 24–48 months" and overstated savings projections.<sup>11</sup> Additionally, the National Black Caucus of State Legislators adopted a resolution warning consumers about the negative impacts of the debt settlement industry and is urging federal regulators to enhance oversight and "examine the role of debt settlement in the broader regulatory framework."<sup>12</sup>

Currently, the TSR is the primary federal regulation applicable to debt settlement companies. While the TSR plays an important role by prohibiting advance fees, defining covered entities, and requiring certain telemarketing disclosures, it does not comprehensively regulate all debt settlement practices or advertising. The FTC has used its authority under the TSR and other statutes to initiate numerous enforcement actions against DSCs.<sup>13</sup> Indeed, the FTC has a webpage<sup>14</sup> dedicated to listing hundreds of entities and individuals who are permanently banned from participating in the debt relief business due to deceptive and unlawful practices. The FTC also continues to caution the public about the risks and consequences of using a DSC on its website and through consumer alerts.<sup>15</sup>

While FTC enforcement and consumer education are critical, they cannot substitute for a comprehensive and modern statutory framework. Enforcement is inherently reactive and is resource dependent. As a result, it does not address structural gaps in the TSR or prevent problematic practices before they take root. Proactive legislation is needed to fill those gaps and prevent consumer harm before it occurs.

Accordingly, we urge your committee to examine the debt settlement industry and consider enacting legislation to modernize federal oversight, such as legislation to codify key protections currently found in the TSR as well as establishing additional safeguards to ensure that consumers receive accurate information, understand the risks involved, and are protected from practices that may exacerbate—rather than alleviate—their financial hardship.

We support your committees' goal of addressing affordability and ensuring consumer protection in today's challenging economic environment. We welcome the opportunity to further engage on this matter and look forward to working with you on bipartisan solutions to update the TSR's regulatory framework to reflect modern advertising practices and ensure consumers are fully informed before engaging with these companies.

Sincerely,

ACA International (ACA)  
America's Credit Unions (ACU)  
American Bankers Association (ABA)  
American Financial Services Association (AFSA)

Consumer Bankers Association (CBA)  
National Bankers Association (NBA)  
Payments Leadership Council (PLC)

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<sup>10</sup> [Financial Outcomes for Debt Settlement Programs: Estimates for 2011–2020](#) (2021).

<sup>11</sup> [BBB Programs: National Debt Relief](#).

<sup>12</sup> National Black Caucus of State Legislators: [Policy Resolution BED-26-01](#) Debt Settlement Reform and Consumer Protection (2026)

<sup>13</sup> For example, in [July 2025](#), the FTC obtained a federal court order halting the operations of a debt settlement company after alleging deceptive marketing and telemarketing practices, including false claims regarding the ability to substantially reduce consumers' unsecured debts and impersonation of banks, credit card companies, and government agencies. In [January 2025](#), the FTC also distributed more than \$5 million in refunds to consumers harmed by a deceptive credit card debt relief scheme in which the company allegedly made misleading claims about its ability to reduce or settle credit card debt and collected advance fees for services not delivered as promise.

<sup>14</sup> [FTC: Banned Debt and Mortgage Relief Providers](#).

<sup>15</sup> FTC: [Spot scams while getting out of debt](#) (July 2025). The FTC recommends consumers use a credit counselor or agency to help create a repayment plan or contact the financial institution directly (for free). Both options do not require consumers to default on their debt.