



CREDIT JUSTICE SERVICES

PROTECTOR OF CONSUMERS' CREDIT RIGHTS

Beware Debt Settlement Company Promises

With unemployment high and many families struggling with their finances, debt settlement firms are aggressively advertising on the radio, television, and the Internet that they can help by “eliminating your debts”. Debt settlement companies claim to help consumers pay settle debts by paying less than what is owed. They typically instruct consumers to pay into a special account until they save enough to make a settlement offer to creditors. But first, settlement companies grab significant fees from the account, and keep the fees even if they never settle the consumers’ debts. The fees are usually very high, ranging from 14 to 18 percent of the total debt, payable within the first half of the contract. For debts totaling \$20,000 to \$30,000, the fees would be from \$2,800 to as much as \$5,400.

To make matters worse, as consumers wait for their debt settlements, interest and late fees pile up on their accounts, their bills may be turned over to collection agencies, their credit reports are damaged, and they may even be sued for nonpayment. “The promises that debt settlement companies make are not born out by the facts,” said Gail Hillebrand, Financial Services Campaign Manager at Consumers Union. A recent Government Accounting Office (“GAO”) study found the debt settlement companies’ claims of success to be “suspiciously high” and “significantly higher than is suggested by evidence obtained by federal and state agencies.” According to the GAO study, governmental investigations have typically found that less than 10 percent of consumers successfully complete these programs.

Before signing an agreement to use a debt settlement firm, we recommend that you consult with your Pre-Paid Legal Services provider law firm and have any such agreement reviewed by an attorney.

If you have any questions about debt settlement firms or any other legal matter please contact us at 1.800.375.3089

Your Legal Shield membership is a valuable tool. We encourage you to use your membership and get the most out of it. Please remember that your membership provides you with a standard Will for no additional charge. A Will might be the most important document you'll sign in your lifetime. Please call today to have it prepared.

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