

Tuesday, August 9, 2011

Kay Sarlin / Abigail Lootens, (212) 487-4283

DEPARTMENT OF CONSUMER AFFAIRS (DCA) LAUNCHES INVESTIGATION INTO DEBT SETTLEMENT COMPANIES

DCA Issues Targeted Subpoenas to 15 Companies That Claim To Settle Debt

Department of Consumer Affairs (DCA) Commissioner Jonathan Mintz announced today that DCA is issuing subpoenas to 15 debt settlement companies, all of which were the subjects of complaints by New Yorkers and/or are based in the New York City area. The subpoenas are targeted to reveal the extent to which these companies have fraudulently lured New York City consumers with illegal advertising claims and charged them additional upfront fees, and to examine to what extent anyone has actually been helped, rather than harmed, by their "settlement" services. DCA identified these companies after examining consumer complaints filed with DCA and other consumer protection partners, as well as by companies' local and online advertisements that make such promises as to "cut your debt in half." This investigation is the next step in DCA's ongoing efforts to protect consumers from the predatory practices of debt collectors, process servers and other key industries, and follows Commissioner Mintz's announcement in March that the debt settlement industry represented the single greatest consumer fraud of the year.

"These so-called 'debt settlement' companies bombard New Yorkers with ads that fraudulently offer false hope, but instead deliver nothing but added fees and long-lasting financial ruin," said Commissioner Jonathan Mintz. "Today we are issuing subpoenas to 15 debt settlement companies that are using such aggressive and deceptive tactics to prey on vulnerable consumers here in New York so that we can reveal the full extent of their wrongdoing and harm. I urge those struggling with debt to resist these too-good-to-be-true offers and instead take advantage of the City's free, professional one-on-one financial counseling at one of more than 20 Financial Empowerment Centers."

The 15 debt settlement companies subpoenaed by DCA are:

America Debt Free
CF Capital Financial Group
Cooperative Credit Union Management
Credit 911
Debt Remedy Advice
Debt Rx USA, LLC
Diamond Financial Group
Global Debt Management
iCorpFunding
Life Coach, Inc.
New Path Financial
Right Start Financial
Square One Debt Settlement
United Debt Resolution Group
The Resolution Group

The majority of the companies have been the subject of consumer complaints filed with DCA or the Better Business Bureau and advertise in local newspapers or on television, radio or online. Five of the companies are based in New York City or have New York City locations and one is located in Nassau County.

According to DCA's Office of Financial Empowerment (OFE)'s [Citywide Financial Services Study](#), nearly one in five (18 percent) New York City households has credit card balances of more than \$10,000. Nationally, about one in eight (13 percent) households has balances in that range. DCA licenses more than 1,600 debt collectors and last year received more than 620 complaints against debt collectors, making wrongful debt collection the Department's number one complaint for the fourth consecutive year. Last year alone, DCA

erased more than \$1 million in debt that New Yorkers didn't legally owe but were pressed to pay anyway. Last March, DCA declared debt settlement the top fraud of the year and created a [downloadable guide to Debt Settlement Services](#) and, this summer, warned consumer about it in the 2011 [Protect Your Money](#) public awareness campaign. DCA has since received 60 debt settlement complaints and was able to secure more than \$28,500 in restitution. DCA has continued to advocate at local, State, and Federal levels for comprehensive bans on fee-based debt settlement and related predatory services.

New York City offers a better solution for those struggling with debt: free financial counseling available at the City's network of more than 20 Financial Empowerment Centers. The Centers provide free, one-on-one, confidential, counseling in English, Spanish, Chinese and French. Nearly 60 percent of the Centers' clients seek help with debt. Counselors also help clients with money management, budgeting, credit counseling, negotiating with creditors, finding affordable banking services, debt management, government benefits screenings and more. Since the first Financial Empowerment Center opened in June 2008, the Centers' financial counselors have helped more than 11,200 clients pay down more than \$4.8 million in debt. For a complete list of Financial Empowerment Centers, visit nyc.gov/ProtectYourMoney or call 311.

DCA enforces the Consumer Protection Law and other related business laws throughout New York City. Empowering consumers and businesses to ensure a fair and vibrant marketplace, DCA licenses more than 78,000 businesses in 55 different industries. Through targeted outreach, partnerships with community and trade organizations, and informational materials, DCA educates consumers and businesses alike about their rights and responsibilities. DCA's Office of Financial Empowerment (OFE) is the first local government initiative in the nation with a mission to educate, empower, and protect New Yorkers with low incomes so they can build assets and make the most of their financial resources. Toward that end, OFE seeks to increase access to high-quality, low-cost financial education and counseling; improve access to income-boosting tax credits; connect households to safe and affordable banking and asset-building products and services; and enforce and improve consumer protections to enhance financial stability. For more information, call 311 or visit DCA online at nyc.gov/consumers. Follow us on [Twitter](#) and find us on [Facebook](#).

Know Your Rights about Debt Settlement

As of October 27, 2010, debt settlement companies that sell their services over the phone must comply with new consumer protections:

- Up-front fees may be illegal. For-profit debt settlement companies that sell their services by phone cannot legally charge a fee before they settle or reduce a debt. (Sales by phone include calls to you through direct telemarketing and calls by you in response to an advertisement.) Debt settlement companies that charge up-front fees may be breaking the law.
- The money you pay into a settlement account is yours! Money that a debt settlement company asks you to set aside in an "escrow" or "settlement" account belongs to you. You may cancel the account at any time, and the escrow company must refund all of your money minus any fees the settlement company legally earned.

Tips to Protect Your Money

- Get free help with debt. Visit an NYC Financial Empowerment Center for free one-on-one professional financial counseling. Call 311 or visit nyc.gov/ProtectYourMoney.
- Don't pay up-front fees. Walk away from any company that tries to charge fees before services are performed. If a debt settlement

company tries to charge you before achieving a settlement, file a complaint with the Federal Trade Commission (FTC). Go online to [ftc.gov](https://www.ftc.gov) or call 877-FTC-HELP (877-382-4357).

- Be wary if you are directed to enroll for debt settlement services online or in person. Debt settlement companies that use these tactics may be trying to evade the ban on charging fees upfront.
- Don't assume that debt settlement companies are acting in your best interest—or are legitimate. Companies will claim to be nonprofits, or to be affiliated with the government or claim to use lawyers to try to lure you in.
- Know that debt settlement plans initially will increase your debt and are extremely unlikely to reduce any of your debt in the end.
- Beware of damage to your credit score and the risk to you of legal action. Debt settlement can do long-lasting damage to your credit score, affecting your ability to get a loan, a credit card, or even housing or a job in the future. Your creditors may take legal action against you, such as legal judgments, lawsuits, collection activities, and freezing your bank accounts.
- Save your paperwork. If you've been in contact with a debt settlement company, save any advertisements, letters, contracts, statements, or other documents you receive. And take notes about your phone calls.