

# Debt Service Providers

## Vote NO on SB 336

SB 336 legitimates the debt service industry, an industry that decreases personal responsibility, sinks consumers deeper into debt, and negatively impacts individuals attempting to attain and maintain self-sufficiency. Among others:

**People should pay their debts** – Debt settlement providers require their clients to stop paying on bills they owe. Instead, they pay into an escrow account held by the debt service provider. After several months, the provider uses the accumulated funds to offer creditors a settlement.

**Credit scores plunge and debt increases** – Because they are not paying their creditors, and are instead paying into the debt service provider's escrow account, clients' credit ratings plunge up to 120 points, on average, and they sink further into debt as interest, late fees, and other costs of default add up.

**"Debt service" works less than half the time** - More than **40 percent** of debt settlement clients have no debt settled by their debt settlement provider, and the vast majority of clients end up significantly worse off even if some debt is settled because other debts have increased and their credit scores have plummeted.

**Current Florida law allows reasonable fees for debt service providers** – Current law (Chapter 817, F.S.) allows debt service providers to charge a \$50.00 set up fee plus an additional \$35.00 each month. SB 336 authorizes fees of up to 30 percent of the amount by which a debt is reduced. These fees can be charged once a single debt is "altered" and the consumer has made only one payment on this debt.

**The disclosures are a veneer** – The bill requires debt service providers to disclose their fees and costs to debtors. Unfortunately, experience shows that consumers under enormous financial stress are not able to reasonably consider these disclosures in the face of the hope that is offered and the often unreasonable promises that are made by debt settlers to lure their customers.

**Cancellation provisions do not protect the debtor** - Even though the bill allows the consumer to cancel at any time, research shows that once the consumer is "hooked" it takes five to six months, on average, for the consumer to realize his debt is growing and the "service" is not working. Once he or she cancels, debt collectors and law suits often await them because they have not been paying on their debts.

In this difficult economy, Floridians need all the help they can get as they struggle to keep their heads above water, financially. Debt service providers plunge most of their clients deeper into debt; a situation that should not be supported by the Legislature.

**Please support Florida's struggling residents..... maintain current law and  
Vote against SB 336**

For additional information, please contact  
the United Way of Florida at: (850) 488-8276.

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