



Fed Investigation of Debt Settlement Finds 'Fraudulent, Abusive and Deceptive' Practices

Senate Committee Releases Names of Six Most Problematic Companies

By ELISABETH LEAMY

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You've seen the ads claiming you can [settle your debts for just pennies on the dollar](#), but Congress wanted to know what is really behind those commercials and ordered an undercover investigation of the industry to find out.

Government accountability office investigators posed as consumers and called 20 companies to ask for help with their debts, and say they ran into abusive, deceptive and even fraudulent activities, which were recorded on tape.

Some companies claimed they could settle your [debts for 60 percent of what you owe](#), while others posed as government programs.

"We help 100 percent of the people who enter this program eliminate their debt," said one debt settlement operator recorded on the Government Accountability Office tape.

"When you are in our program you will not pay any of your creditors anymore," said another debt settlement operator.

When investigators called some sample companies they found exaggerated claims, dangerous advice and misrepresentations.

"The banks received, you know, bailout money last year, I'm sure you saw it on the news," a debt settlement operator said. "There has to be some type of assistance for people on a consumer level also."

William and Holly Haas came to Washington to tell Congress, and other consumers, not to fall for it. The Haas' were looking for credit counseling, but instead a company charged them \$3,800 for debt settlement.

Holly Haas said the debt settlement company did "absolutely nothing" for her and testified at a Senate Commerce Committee hearing Thursday that her family is now \$16,000 in deeper debt.

"The debt settlement plan does extreme damage to your credit and in our opinion they don't work and shouldn't exist," Haas said.

Haas said she lost more than just money.

"To have somebody take that away, take that trust away, to ruin somebody's credit, to ruin somebody's life. I don't think I'll ever trust like I did," Haas said.

Investigation Into Debt Settlement Companies

Investigators say debt settlement companies charge thousands in non-refundable, up-front fees but only end up settling debts for a fraction of their customers. That's why the government is considering a ban on advance fees.

"My thought is if doing away with advance fees does away with these companies, then that's probably a good thing," Missouri Sen. Claire McCaskill said during the hearing.

An industry representative testified that advance fees would put debt settlement companies out of business and offered to help come up with other solutions.

"We will continue to join as best we are able to do if you allow us that," John Ansbach, from the United States Organization of Bankruptcy Alternatives, said.

"That was a touching closing statement," Sen. Jay Rockefeller, D-W.V., said just before adjourning the meeting. "I guess mine would be, I don't know how you sleep at night."

The Senate Commerce Committee released the names of six companies investigators found most misleading:

- A New Beginning Financial & Ministries
- Credit Solutions Of America
- Freedomdebt.com.
- Freedom Fidelity Management
- Procorp Debt Solutions
- Web Credit Advisors

We contact all six companies for comment.

Click here to read [Web Credit Advisors' statement](#).

Click here to read [Credit Solutions of America's statement](#).

The other companies did not respond by air time.

Regulators at the Federal Trade Commission are expected to take action to address the debt settlement issue in the next six weeks.

Web Extra Tips to Help Eliminate Debt:

Some consumers have had success approaching their credit card companies directly and offering settlements for less than the total amount they owe.

Some banks have been approaching consumers themselves, offering settlements of up to 70 percent off the amount owed.

One less-drastic alternative is to try to negotiate with your card company to lower your interest rate and drop any fees and penalties that have accrued, rather than reducing the actual principal owed.

There's another lesser-known risk to settling your debts: The card company may report the amount forgiven to the IRS as income you have earned. You will then have to pay income tax on that amount, reducing the cash benefit of your settlement.

[Click here for additional tips on how you can pay off your credit card debt smarter and faster.](#)

[CLICK HERE](#) for the Federal Trade Commission's advice on settling your credit card debt.

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