

October 9, 2025

The Honorable Ted Cruz
Chairman
Committee on Commerce, Science, and
Transportation
United States Senate
Washington, D.C. 20510

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

The Honorable Maria Cantwell
Ranking Member Committee on Commerce,
Science, and Transportation
United States Senate
Washington, D.C. 20510

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:

On behalf of the American Financial Services Association (AFSA),¹ I write regarding the growing prevalence and negative impact that for-profit debt settlement companies (DSCs) are having on consumers and financial institutions across the country. This misleading industry can leave consumers worse off than they started by damaging their credit score, charging enormous fees, and leaving consumers with unexpected income tax bills.²

As the Federal Trade Commission (FTC) has warned, DSCs typically target consumers with large balances of debt and claim to provide consumers with a quick way of negotiating existing debt with financial institutions at a fraction of the cost.³ To do this, a hallmark of the DSC industry is to instruct consumers to stop making payments to their creditors and terminate all contact, while paying into a special “dedicated account” with the DSC.⁴ Unfortunately, this strategic default that consumers are instructed to do by DSCs has a significant negative impact on the consumer’s credit score and their financial stability for years.

Most DSCs require a minimum debt of \$7,500 or higher for consumers to enter a “debt relief” program and charge consumers fees between 15% to 25% of the total enrolled debt.⁵ These fees

¹ Founded in 1916, the American Financial Services Association (AFSA) is the national trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA members provide consumers with many kinds of credit, including traditional installment loans, mortgages, direct and indirect vehicle financing, payment cards, and retail sales finance.

² WSJ, [That Offer to Make You Debt-Free? It Can Make You Worse Off](#) (2019)

³ FTC, [Debt Relief Service and Credit Repair Scams](#)

⁴ FTC, [How To Get Out of Debt](#)

⁵ [National Debt Relief](#)

can wipe out any potential savings for the consumers, which could be settled directly by the consumer for free. Consumers who enter a debt settlement program typically settle multiple accounts, which can take years to complete – if at all.⁶ However, what’s more troubling is that once a DSC has settled a portion of one debt, the likely deteriorating consumer – who has limited financial options – is then offered a new line of credit to consolidate the remaining debt amounts. These “debt swap” loans are the ultimate goal of the DSC, and consumers often find themselves right back where they started, or worse, but now have a new creditor with a new loan, trading their old debt for new debt under questionable terms.

FTC’s Telemarketing Sales Rule (TSR) is the single federal regulation that applies to DSCs and covers only a fraction of practices occurring within this industry today.⁷ While the FTC has recently taken action against the DSC industry and issued a “Consumer Alert” about debt relief scams in July,⁸ there is still a need for congressional action to regulate this industry, which has grown significantly over the past decade.⁹ In part due to marketing efforts aimed at attracting consumers in good standing, rather than only financially vulnerable consumers. In addition, DSCs have exploited the lack of federal oversight to establish local facade law firms, allowing them to sidestep many state laws.¹⁰

As your committees consider consumer protection and deceptive marketing policies, we encourage you to introduce bipartisan legislation to modernize the law. Specifically, restricting DSCs from instructing consumers to stop paying their bills, limiting "debt swapping" techniques, requiring DSCs to share settlement offers with consumers and respond to lender communications, and increasing accountability regarding the tax consequences of settled debt for the consumer will help provide basic protections for both consumers and financial institutions.

Thank you for your attention to this important issue. We welcome the opportunity to further engage on this important matter and look forward to working with you to modernize DSC practices in a bipartisan and meaningful way.

Sincerely,



Celia Winslow
President and CEO
American Financial Services Association

⁶ National Foundation for Credit Counseling: [The Short and Long-term Effects of Debt Settlement](#) (2020)

⁷ FTC: [Debt Relief Services & the Telemarketing Sales Rule Guide](#)

⁸ FTC: [FTC Halts Illegal Debt-Relief Operation](#) (July 2025) and [Spot scams while getting out of debt](#) (July 2025)

⁹ WSJ, [That Offer to Make You Debt-Free? It Can Make You Worse Off](#)

¹⁰ Law360: [The Law Firm Loophole: How Debt Cos. Snare NC Consumers](#) (June 2025)