

## Questions for Freedom Debt Relief

(1) On page 3 of the comment, FDR states that it has settled more than 100,000 accounts for customers and more than \$467 million of consumer debt based on the amount owed at settlement.

- (a) How many total accounts have consumers enrolled with FDR?
- (b) How much total debt have consumers enrolled with FDR?
- (c) How much of the \$467 million constitutes interest and other fees that accumulated between the time of the consumers' enrollment and their settlements?

(2) On page 3 of the comment, FDR states that it has settled debt for an average reduction, based on the amount owed at settlement, of 55.3%.

- (a) Does this "debt reduction" figure take into account fees paid? If not, what portion of the debt reduction was paid to FDR in fees?
- (b) What is the average percentage reduction if you use the amount of debt at time of enrollment, rather than at time of settlement, as the base?

(3) On page 10 of the comment, FDR states that a "completed" client has had 75% or more of his or her debts settled.

- (a) Is the 75% figure based on number of debts or total amount of debt?
- (b) What is the number of clients that have had 75% or more of their total amount of debt settled?
- (c) What is the number of clients that have had 95% or more of their total amount of debt settled?
- (d) What is the number of clients that have had 100% or more of their total amount of debt settled?

(4) (a) Of the debts FDR has (i) enrolled, and (ii) settled, what percentage are debts of less than \$2,000?  
(b) Of the debts FDR has (i) enrolled, and (ii) settled, what percentage are debts between \$2,000 and \$5,000  
(c) Of the debts FDR has (i) enrolled, and (ii) settled, what percentage are debts between \$5,000 and \$10,000?  
(d) Of the debts FDR has (i) enrolled, and (ii) settled, what percentage are debts larger than \$10,000?

(5) On page 10 of your comment you show a total of 7,803 consumers who fall in one of the three categories – Active Clients, Completed Clients, or Terminated Clients. Do these 7,803 consumers include all consumers who signed up for your services prior to the cut-off date of August 31, 2006, or are there other consumers who are not included in these figures because none of their accounts were settled? If there are additional consumers, what is the total number of consumers who signed up with your firm before August 31, 2006? What is the total amount

of fees paid by these omitted consumers?

(6) For each of the three categories on page 10, can you please provide two additional pieces of information: (i) the value of settled debt based on the value at time of enrollment and (ii) the total amount of debt enrolled by consumers in that category, with values stated at the time of enrollment?

(7) Is it correct that *on average* each consumer who has enrolled with FDR has settled just under 1.4 accounts? This calculation is based the comment's statement that more than 72,000 (page 5) consumers have enrolled with FDR, and FDR has settled more than 100,000 accounts (page 3).

(8) On page 5, footnote 7 of the comment, FDR estimates that it manages between 6-8% of all debt currently enrolled in debt settlement programs. What is this estimate based on?

(9) Mr. Housser stated at the forum that "the people that were least successful in our program still got . . . debt reduction two cents more than their fees." (Transcript, page 62)

(a) Is this statement based on the TASC survey or Freedom Debt Relief data?

(b) What is the basis for the statement?

(c) Is debt reduction being calculated based on the amount of debt at the time of enrollment or settlement?

(d) If the calculation was done based on debt at the time of enrollment, what is the calculation for debt reduction based on the time of settlement?

## Questions for TASC

- (1) On page 10, the comment states that consumers included in the survey had their debts reduced, in total, by \$245 million.
  - (a) Is this the total amount of debt reduction based on the total debt at the time of settlement (as opposed to at the time of enrollment)?
  - (b) How much of the \$245 million constitutes interest and other fees that have accumulated between the time of the consumers' enrollment and their settlements?
  - (c) You state that the survey represents a total of \$444 million in debt settled, based on the debt at the time of settlement. What amount of this debt was originally enrolled in the programs?
- (2) On page 10, the comment states that "the total debt for consumers was approximately \$444-million, while the total fees collected . . . was approximately \$126-million." (pg. 10). Does the total debt of \$444-million include the \$126-million in fees the consumer has paid (or owes) to the debt settlement company?
- (3) On page 10, the comment states that 34.4% of consumers included in the survey have either "completed" or remained active in their programs. In the next sentence, the comment notes that 9.8% of consumers in the survey remained active in their programs. Is it correct, therefore, that 24.6% (34.4 – 9.8) have "completed" their programs?
- (4) On page 9, the comment states that the survey deems a program "completed" if the consumer settled at least 75% of the debts enrolled in the program.
  - (a) Is the 75% based on number of accounts enrolled or total amount of debt owed by the consumer?
  - (b) To be reported as having "completed" a debt settlement program, must a consumer achieve a minimum debt reduction consistent with the company's marketing statements?
    - For example, if a TASC member advertises that it can reduce consumers' debts by 40%, will that member limit its definition of "completed" to those consumers who have not only settled all of their accounts, but also achieved at least a 40% reduction on those accounts?
- (5) On page 11, the comment reports that the "debt reduction achieved for consumers was 55% of outstanding balances in 2008."
  - (a) Does the figure refer to 55% of outstanding balances at the time of settlement?
  - (b) What was the debt reduction achieved in 2008 when stated as a percentage of the debt consumers placed in the programs at the time of enrollment?
- (6) The comment states that consumers who terminated their debt settlement programs

before completion had \$105.1 million in debt settled (and paid \$55.6 million in fees). What was the amount of debt reduction for these consumers?

(7) As we have discussed, we would like to see copies of the surveys themselves, the responses received, information about the entity/firm which collected and analyzed the data, and any other data reviewed in analyzing the results.

(8) What percentage of TASC members use a “fixed fee” model, as described on page 12 of the Freedom Debt Relief comment?