



Clarity is Key to Helping Consumers in Debt

This document aims to educate media, lawmakers, and business leaders about the importance of ensuring access to debt resolution programs for consumers facing financial hardship.

NationalDebtRelief.com



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Summary

Consumer debt is a significant issue for millions across the United States, affecting both their financial and emotional well-being. Unfortunately, the stigma around debt, widespread misconceptions about the debt relief industry, and regulatory restrictions prevent many individuals from seeking the help they need. Policymakers must work together to eliminate barriers and ensure access to effective debt resolution services that support borrowers on their journey toward financial stability.



Consumer Debt in the U.S.

According to the Federal Reserve Bank of New York's Household Debt and Credit Report, overall household debt in America is approaching \$18 trillion, with the total amounts of secured debts (e.g., mortgages, auto loans) and unsecured debts (e.g., credit cards, medical bills) both continuing to rise. Credit card balances now total \$1.17 trillion, up 8% year-over-year.ⁱ

In April 2024, National Debt Relief, a leader in the debt resolution industry, worked with YouGov to conduct a survey of the general

population and found that more than half of U.S. adults (53% or ~136.7M people) carry an unsecured debt balance from month to month.ⁱⁱ

As Americans struggle with stagnant wages and the rising cost of living, interest rate increases have exacerbated the debt crisis, leading to more missed payments, delinquencies, and bankruptcies. Perhaps unsurprisingly, data shared by the American Bankruptcy Institute show that bankruptcy filings have jumped 14% from September 2023 to September 2024.ⁱⁱⁱ

National Debt Relief's April survey revealed that roughly a fifth of U.S. adults (20% or ~51.6M people) carry \$7,500 or more in unsecured debt, which is enough to qualify for most debt resolution programs. Yet, despite reporting an average total debt of ~\$30,000 and a greater awareness of National Debt Relief, consumers in this category were no more likely than the general population to be actively seeking debt relief as a solution. Instead, their responses indicated higher levels of shame and stress, lower trust in the debt relief industry, and a greater prevalence of the view that debt relief is a "last resort." These responses suggest that those who need the help most are not being made aware of debt relief's benefits, but are instead being driven away from it.



1 in 5
U.S. adults
carry \$7,500 or more
in unsecured debt

Source: National Debt Relief/YouGov April 2024 survey



Understanding Debt Resolution

Despite the magnitude of financial distress among consumers and the clear need for solutions, many Americans remain confused about their options, resistant to seeking help, or entirely unaware of debt resolution as a potential path out of debt.

Debt resolution – also known as debt settlement – refers to the process of negotiating with a creditor to reduce the balance owed on an unsecured debt in exchange for a lump-sum payment or a series of installment payments. Debt resolution differs from other familiar debt relief options such as debt consolidation, credit counseling, or bankruptcy, and in many cases may be a borrower's best option to get out of debt permanently. Every approach to debt relief has benefits and drawbacks, so ensuring consumers can find clear information is essential to helping them make the right choice for their unique situation.

While the concept of debt resolution is straightforward, negotiating directly with creditors can often prove to be too difficult, time-consuming, or stressful for many consumers to manage on their own. Legitimate debt resolution companies support these borrowers by negotiating with creditors on their behalf in exchange for a fee – typically a percentage of the enrolled debt amount.

In order to do this, providers work closely with each client to review their budget and determine a manageable recurring deposit that the client can afford. The client sends their deposits to a dedicated savings account – which the client owns and controls – until enough funds have accumulated to enable good-faith negotiations with creditors. As debts are settled, the funds are used to pay the settlements and program fees. The process repeats until all of the client's debts have been settled and the settlements are paid in full.



Debt Resolution Program Benefits

The primary function of debt resolution programs is to help borrowers who are experiencing financial hardship settle and pay off their unsecured debts. The obvious benefits to clients are the lower overall cost and shorter timeline to getting out of debt, especially when compared to making minimum payments. In addition to reducing the balance owed on a debt, a settlement provides a borrower with a clear path to pay off the debt once and for all.

Debt resolution programs also provide crucial emotional benefits to clients by alleviating some of the stress and shame associated with debt. Quality providers support their clients by speaking to them without judgment, explaining their options clearly, and working together to keep things on track throughout the program. Many providers also include resources to build financial literacy skills intended to help individuals prepare for their future and avoid returning to the cycle of debt.

This multifaceted approach leads to desirable outcomes and long-term impacts. In post-graduation surveys running since 2021, three-quarters of National Debt Relief clients report feeling increased financial confidence after

completing the program, with many stating that they are better able to manage unexpected expenses and save part of their income each month.^{iv}



3 out of 4
report feeling
increased
financial
confidence
after completing National
Debt Relief's debt
resolution programs

Source: National Debt Relief post-graduation surveys (2021-present)



The Regulatory Landscape

While debt resolution offers significant benefits to consumers, regulatory and public perception challenges continue to create barriers for those seeking help.

In a July 2024 survey of active and graduated clients, National Debt Relief found that 69% of clients wish they had enrolled sooner and 40% reported hesitating due to a concern that the company, service, or both might not be a legitimate enterprise.^v

69% wish they had enrolled sooner
in National Debt Relief's debt resolution program

Source: National Debt Relief July 2024 stigma survey

Unfortunately, fraudulent debt relief schemes have targeted vulnerable consumers at times by taking advantage of early gaps in regulation, or by working outside of the law entirely. In response, several states have implemented regulations broadly limiting access to *all* debt resolution programs. These regulations, meant to protect consumers from predatory practices, inadvertently block access to the very services that would support their financial recovery.

Today, the debt resolution industry is tightly regulated, with the Federal Trade Commission overseeing practices to ensure fairness and protect consumers. By law, companies must disclose service fees in advance, communicate clear and realistic timelines, and wait to collect fees until after a debt has been successfully settled. Government agencies and large private organizations such as the Better Business Bureau each play a role in monitoring for problematic behavior.

Similarly, the American Association for Debt Resolution works to ensure that debt resolution companies operate ethically and comply with federal and state laws. Its members must adhere to stringent operational standards such as disclosing the potential impacts of not paying debts in full. Member companies also participate in annual audits to ensure they are following industry best practices.

While regulations against fraud are crucial, blanket prohibitions on debt resolution services only serve to heighten stigma and prevent those in need from finding help. Regulators should instead focus on distinguishing between legitimate companies and fraudulent ones, and ensuring consumers have access to support when they need it.



Social Media and Advertising

Another obstacle preventing consumers from seeking assistance is misinformation, often fueled by negative portrayals on social media.

The July survey by National Debt Relief revealed that roughly a fifth of clients who delayed enrollment due to concerns about legitimacy attributed those concerns to something they saw on social media. Depictions of the debt resolution industry often focus on scams and fraud while overlooking the value of legitimate debt resolution programs. Consumers' resulting skepticism is exacerbated by advertising restrictions – particularly on social media platforms – which prevent even accredited providers from dispelling misinformation and reaching those who may have a genuine need for their services.

One key finding from the July survey is that three-quarters of surveyed clients believe social media platforms should not restrict advertising for legitimate debt resolution programs. By maintaining indiscriminate barriers to advertising through these channels, social media companies perpetuate the stigma around debt, undermine the effectiveness of debt resolution programs, and make it harder for borrowers to find trustworthy service providers.



**75% believe
social media
platforms
should not
restrict ads
for legitimate debt
resolution programs**

Source: National Debt Relief July 2024 stigma survey



A Path Forward

Debt resolution is a proven, effective solution that offers both financial and emotional relief for struggling Americans.

However, counterproductive regulations and a lack of clear, unbiased information hinder access to this service for millions of borrowers.

To combat the growing debt crisis and address the underlying stigma that keeps consumers from seeking help, regulators, media companies, and business leaders must work together to educate themselves and the public about all debt relief options – including debt resolution programs.

Rather than imposing broad restrictions that prevent consumers from accessing this valuable resource, efforts should focus on distinguishing ethical companies that adhere to established rules and standards. By fostering an informed public and recognizing reputable service providers, policymakers and other stakeholders can empower individuals struggling with debt as they work to take back control of their finances.





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(i) <https://www.newyorkfed.org/microeconomics/hhdc>

(ii) National Debt Relief/YouGov general population survey (April 2024)

(iii) <https://www.abi.org/newsroom/bankruptcy-statistics>

(iv) National Debt Relief ongoing post-graduation surveys (2021 - present)

(v) National Debt Relief stigma survey of active/graduate clients (July 2024)