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## NEWS RELEASE

FOR IMMEDIATE RELEASE

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### Financial Literacy Tip of the Week Understanding Debt Settlement & Credit Repair Companies

**Boise, Idaho-** Managing debt and credit can be overwhelming, particularly when left untouched. Debt settlement and credit repair companies have long been part of the financial landscape, but understanding what they do, how to interact with them, and how they are regulated in Idaho is crucial for making informed financial decisions and maintaining healthy financial standings.

#### What Do These Companies Do?

**Debt Settlement Companies** work with creditors on behalf of consumers to reduce the amount owed on unsecured debt such as credit cards, medical bills, tax debt, or personal loans. However, debt settlement doesn't apply to secured debt like a mortgage or auto loan.

**Credit Repair Companies** offer services to help consumers address negative items on their credit reports by disputing inaccurate information with consumer reporting agencies, including Equifax, Experian, and TransUnion.

#### Key Considerations When Working with a Debt Settlement Company:

- These companies typically only enroll delinquent debt into settlement programs, which may lead to recommendations to stop making payments and the possibility of an affected credit score.
- Consumers may still incur late fees and face collections or legal action from creditors.
- Some creditors may not work with debt settlement companies, so the consumer may not be able to reduce or eliminate all their debts.
- Consumers may be able to negotiate lower interest rates with their creditors without the help of a debt settlement company.
- Third-party accounts used for settlement payments often involve additional fees, along with the company's service charges.

#### Key Considerations When Working with a Credit Repair Company:

- Credit repair companies may dispute negative but **accurate** information on credit reports, though legally accurate records cannot be removed.
- Consumers have the right to dispute inaccurate information on their credit reports for free. <sup>1</sup>

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<sup>1</sup> <http://consumerfinance.gov/ask-cfpb/how-do-i-dispute-an-error-on-my-credit-report-en-314/>

- Beware of being charged monthly subscription fees. If services were solicited through telemarketing, they must comply with the [Telemarketing Sales Rule \(TSR\)](#).<sup>2</sup>

### **How Are Debt Settlement and Credit Report Companies regulated in Idaho?**

Debt settlement and credit repair companies operating in Idaho must be licensed under the [The Idaho Collection Agency Act \(ICAA\)](#)<sup>3</sup> and comply with federal regulations, including the Federal Trade Commission's (FTC) [Credit Repair Organizations Act \(CROA\)](#).<sup>4</sup> Key regulations include:

- **CROA Regulations:**
  - Prohibit credit reporting companies from charging any fees before they've provided any services to consumers. ([§1679b. Prohibited practices](#))<sup>5</sup>
  - Prohibit debt settlement companies from charging any fees before they've provided any debt settlement services to consumers. ([§1679b. Prohibited practices](#))<sup>6</sup> This means consumers cannot be charged a fee until at least one of their debts has been renegotiated; the consumer has agreed to the settlement the company has made with their creditor(s) and; a payment has been made to at least one of the consumer's creditors.
- **ICAA Fee Limits in Idaho:**
  - Credit repair companies may charge a maximum of **15% of the consumer's monthly payment** ([26-2229 3\(a\)](#)).<sup>7</sup>
  - Debt settlement companies may charge a maximum of **20% of the consumer's monthly payment** ([26-2229 3\(b\)](#)).<sup>8</sup>

Debt settlement and credit repair services can be useful, but consumers should carefully consider their options, understand the potential risks, and ensure they are working with a **licensed and compliant** company. Visit [NMLS Consumer Access](#) to verify a financial services provider is licensed in the state of Idaho. More resources on collection agencies can be found on our website at [www.finance.idaho.gov/consumer-finance-bureau/collection-agencies/](http://www.finance.idaho.gov/consumer-finance-bureau/collection-agencies/).

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*Consumers can obtain information about financial firms, professionals or products, as well as view more Department press releases and other information on the Internet at <http://finance.idaho.gov> or by contacting the Department at (208) 332-8000 or Idaho toll-free at 1-888-346-3378.*

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<sup>2</sup> <https://www.ftc.gov/business-guidance/resources/complying-telemarketing-sales-rule#debtreliefservices>

<sup>3</sup> <https://legislature.idaho.gov/statutesrules/idstat/Title26/T26CH22/SECT26-2223/>

<sup>4</sup> <https://uscode.house.gov/view.xhtml?req=granuleid%3AUSC-prelim-title15-chapter41-subchapterII-A&num=0&edition=prelim>

<sup>5</sup> <https://uscode.house.gov/view.xhtml?req=granuleid%3AUSC-prelim-title15-chapter41-subchapterII-A&num=0&edition=prelim>

<sup>6</sup> <https://uscode.house.gov/view.xhtml?req=granuleid%3AUSC-prelim-title15-chapter41-subchapterII-A&num=0&edition=prelim>

<sup>7</sup> <https://legislature.idaho.gov/statutesrules/idstat/Title26/T26CH22/SECT26-2229/>

<sup>8</sup> <https://legislature.idaho.gov/statutesrules/idstat/Title26/T26CH22/SECT26-2229/>