

Banking and Finance Law Daily Wrap Up, DEBT COLLECTION—Trades urge Congress to examine debt settlement industry, (Mar. 3, 2026)

Banking and Finance Law Daily Wrap Up

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Comprehensive legislation is needed to address gaps in the current regulation of debt settlement companies, seven financial trade associations said in a letter to Congressional leaders.

The American Bankers Association and six other financial industry associations have [written to](#) the leaders of the Senate and House commerce committees expressing concerns regarding the debt settlement industry. “We, and our members, have seen the negative effects of this industry, which typically misleads millions of Americans into financial jeopardy with false promises of a quick way to negotiate existing debt at a fraction of the cost,” the organizations said in their joint [letter](#). Joining the ABA in the letter were ACA International, America’s Credit Unions, American Financial Services Association, Consumer Bankers Association, National Bankers Association, and the Payments Leadership Council.

The trade associations expressed particular concern with the industry’s “strategic default” model” which instructs consumers to stop making payments on their consumer debt and, instead, make monthly payments to an account operated by the debt settlement company to be used for negotiating settlements with a consumer’s creditors. “This ‘strategic default’ model, which encourages consumers to default intentionally in order to generate settlement leverage is well documented by financial regulators and is considered the trademark of the debt settlement industry,” the letter said. However, according to the associations, “[a]vailable data suggest that a significant portion of consumers fail to settle any debts.”

Debt settlement companies are primarily regulated by the Federal Trade Commission’s (FTC) Telemarketing Sales Rule (TSR), the letter noted. According to the associations, however, a “comprehensive statutory framework” is needed to address gaps in the TSR and establish additional consumer protections. They urged each committee “to examine the debt settlement industry and consider enacting legislation to modernize federal oversight.”

Companies: ACA International; American Bankers Association; America’s Credit Unions; American Financial Services Association; Consumer Bankers Association; National Bankers Association; Payments Leadership Council

LegislativeActivity: BankingOperations ConsumerCredit DebtCollection Loans OversightInvestigations