

## **New Study Finds Debt Settlement Offers Consumers ‘The Most Immediate Form of Debt Relief Available Today’**

*“We are sponsoring this white paper, not because we agree with everything in it, but because USOBA is dedicated to adding important information and knowledge to the ongoing dialogue and discussion regarding debt settlement,” USOBA Legislative Chairperson John Ansbach said. “This paper does that in a way that should assist legislators and regulators at both the state and federal levels.”*

(Vocus) September 23, 2009 -- A new academic white paper released today finds that the debt resolution practice known as ‘debt settlement’ offers “the most immediate form of debt relief available to consumers in today’s tenuous economy,” and may even improve the odds for a sustainable economic recovery.

Written by Dr. Bernard Weinstein of Southern Methodist University and Dr. Terry Clower of the University of North Texas, “Debt Settlement: Fulfilling the Need for an Economic Middle Ground” is the second study of its kind released in recent months documenting the consumer benefits of debt settlement, a form of debt relief that offers financially struggling consumers an alternative to filing for bankruptcy.

[The United States Organizations of Bankruptcy Alternatives](#), a leading trade association that promotes the availability of debt resolution options for consumers, sponsored this new study and plans to make it available to the public and to policy makers.

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Other key findings in the Weinstein/Clower paper include:

- The main advantage of debt settlement over other alternatives is that consumers can satisfy outstanding obligations while paying less than the full amount of their unpaid balances.
- Since debt settlement companies are labor intensive and incur substantial ongoing costs while helping clients through the payoff process, restrictions on the imposition or collection of fees could drive legitimate firms out of business.
- Debt settlement companies can help correct some of the nation’s financial imbalances, improve access to credit, and thereby contribute to the process of economic recovery.
- Debt settlement companies can help consumers avoid a bankruptcy filing, which can impair credit scores for many years. And unlike bankruptcy, the consumer does not have to turn over all of the household’s nonexempt assets to a bankruptcy trustee.
- Creditors who work with debt settlement companies find that their liquidation rates improve while their overall expenses to work accounts decline
- As with credit counseling, debt consolidation does not reduce the total amount outstanding. A consolidation loan probably isn’t a viable option for most households with high levels of difficult-to-service debt obligations



because these consumers lack a decent credit rating for home equity loan access.

- Debt settlement can be viewed as part of the healing process to get distressed U.S. households back on a sound financial footing and thereby improve the odds for a sustainable economic recovery in the years ahead.

#### About the Authors

Bernard L. Weinstein is the Associate Director of the Maguire Energy Institute and an Adjunct Professor of Business Economics in the Cox School of Business at SMU in Dallas. From 1989 to 2009 he was Director of the Center for Economic Development and Research at the University of North Texas, a position now held by Dr. Terry Clower.

An Associate Professor of Applied Economics at UNT, Dr. Clower was employed in private industry, working in logistics and site location management positions prior to joining UNT in January 1992. He has served as project manager, staff researcher, and statistical analyst on numerous projects reflecting experience in labor relations, economic and community development, public utility issues, transportation, and economic impact analyses.

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