



# **Credit Repair and Debt Relief Merchants**

**Complete Merchant Solutions  
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# Credit Repair and CROA

Credit repair merchants must comply with the [Credit Repair Organizations Act](#) (“CROA”).

- Effective September 30, 1996
- Enforced by the Federal Trade Commission

CROA aims to ensure that prospective buyers of credit repair services are provided with information about the services and can make an informed decision. It intends to protect the public from unfair or deceptive advertising and business practices by credit repair organizations.

CROA prohibits credit repair merchants from “charg[ing] or receiv[ing] any money or other valuable consideration for the performance of any service which the credit repair organization has agreed to perform for any consumer before such service is fully performed.” CROA’s advanced fee ban is ***tied to the completion of services*** that the merchant agreed to perform 15 U.S.C. § 1679b(b).

# Credit Repair Fees

- **Set-up or enrollment fees:** one-time set-up or enrollment fees are likely impermissible.
- **Upfront fees:** paying for the services at time of enrollment or the time the consumer signs the contract is impermissible.
- **Periodic fees:** monthly (bi-monthly, etc.) fees may be permissible *but only* if billed in arrears for completed services identified in the contract and in accordance with the time estimate provided in the contract for those services.
- **Pass-through fees:** passing on charges for materials (such as a credit report) to consumers is permissible; *however*, if the merchant marks up and makes a profit, such charge is likely impermissible.

# Credit Repair and the TSR

The federal Telemarketing Sales Rule, which is enforced by the Consumer Financial Protection Bureau, Federal Trade Commission, and state attorneys general, applies to telemarketing calls that cross state lines. Telemarketing means using the telephone to induce the purchase of goods or services or charitable donations.

**HOWEVER, INBOUND CALLS TO CREDIT REPAIR MERCHANTS IN RESPONSE TO GENERAL ADVERTISING ARE STILL SUBJECT TO THE TSR.**

Among other things, the TSR prohibits merchants that engage in credit repair from requesting or receiving payment for those services until certain requirements are met (so-called “advance fee restrictions”).

# Credit Repair and consumer contract

The contract with the consumer must include:

- The terms and conditions of payment, including total amount of all payments to be made
- A full and detailed description of the services that will be provided
- All guarantees of performance
- An estimate of the date by which the services will be complete **or** the length of period necessary to perform the services
- The entity's name and business address
- The following statement in bold face, in immediate proximity to the space reserved for the consumer's signature:

**"You may cancel this contract without penalty or obligation at any time before midnight of the 3d business day after the date on which you signed the contract. See the attached notice of cancellation form for an explanation of this right."**

A **separate** notice of cancellation form must be attached to the contract and signed by the consumer.

# Debt Relief

A debt relief service is a program that claims directly, or implies, that it can renegotiate, settle, or in some way change the terms of a person's debt to an unsecured creditor or debt collector. That includes reducing the balance, interest rates or fees a person owes. These services include debt settlement, debt negotiation, and credit counseling.