119TH CONGRESS
2D SESSION

H. R. ______

To require clear and conspicuous disclosures in advertising and consumer-facing communications for debt settlement services, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. FRY introduced the following bill; which was referred to the Committee on ______________________________

A BILL

To require clear and conspicuous disclosures in advertising and consumer-facing communications for debt settlement services, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Debt Settlement Consumer Disclosure Act of 2026''.

SEC. 2. RULES FOR ADVERTISING.

(a) REQUIRED ADVERTISING DISCLOSURES.—A debt settlement company shall clearly and conspicuously disclose in any advertisement of the debt settlement company the following:

(1) The debt settlement company is a for-profit business.

(2) The debt settlement company charges fees for the debt settlement services of the debt settlement company.

(3) The debt settlement company cannot guarantee that any creditor will accept a settlement offer or that any debt will be settled for less than the full amount owed.

(4) Use of a debt settlement service may adversely affect the credit history of a consumer and the ability of a consumer to obtain future credit.

(5) A consumer who stops making payments on any outstanding debt may be subject to late fees, penalty interest, collection activity, and legal action.

(b) PROHIBITED ADVERTISING PRACTICES.—A debt settlement company may not, in any advertisement of the debt settlement company, do any of the following:

(1) Misrepresent the likelihood or amount of savings of a consumer by using a debt settlement service of the debt settlement company.

(2) Misrepresent that any debt settlement service of the debt settlement company is government-endorsed, nonprofit, or free.

(3) Use the term ''debt consolidation'' or any other similar term in a manner that would mislead a reasonable consumer into believing any debt settlement service of the debt settlement company is a loan, debt refinancing product, or credit counseling service if such service is a debt settlement service.

(4) State or imply that participation in any debt settlement service of the debt settlement company will improve the credit profile of a consumer.

SEC. 3. PRE-AGREEMENT DISCLOSURES.

(a) REQUIRED INFORMATION.—Before a debt settlement company enters into any agreement with a consumer with respect to a debt settlement service of the debt settlement company, the debt settlement company shall provide to the consumer any material information described in section 310.3(a)(1)(viii) of title 16, Code of Federal Regulations, relevant to the agreement.

(b) FORMAT.—Any information provided pursuant to subsection (a) shall meet the formatting requirements described in section 6.

(c) AFFIRMATIVE CONSENT.—A debt settlement company shall obtain affirmative consent from a consumer that the consumer received and reviewed the information required by subsection (a) before the debt settlement company enters into any agreement described in subsection (a) with the consumer.

SEC. 4. PERIODIC DISCLOSURES.

(a) IN GENERAL.—Not later than 30 days after the date on which a consumer enters into an agreement with a debt settlement company with respect to a debt settlement service of the debt settlement company, and not less frequently than once every 30 days thereafter during the period that such agreement is in effect, the relevant debt settlement company shall provide a periodic disclosure to the consumer.

(b) CONTENTS.—Each periodic disclosure required by subsection (a) shall include the following:

(1) With respect to each outstanding debt of the consumer relevant to the debt settlement service, the following information:

(A) The creditor or debt owner.

(B) An account identifier sufficient for the consumer to identify the debt.

(C) The most recent known balance, obtained not earlier than 5 days before the statement date, where reasonably available.

(D) Any change in balance since the prior statement and, where known, the transactions relevant to such change.

(2) Any material change in the status of each such outstanding debt since the prior statement for the debt, including with respect to any settlement offer made, accepted, rejected, expired, or pending.

(3) The balance of any dedicated or escrow-style account associated with the debt settlement service.

(4) An itemization of each fee charged by the debt settlement company—

(A) during the period of time covered by the periodic disclosure; and

(B) during the preceding 12 months.

(5) Any fee charged by the debt settlement company scheduled to become due not later than 30 days after the date on which the debt settlement company provides the periodic disclosure.

(6) A warning that nonpayment of any outstanding debt may lead to additional charges, collection activity, legal action, and reporting of negative consumer credit information.

(7) Notice of the ongoing right of the consumer to terminate the relevant agreement and any method available for such termination.

(c) FORMAT.—Each periodic disclosure required by subsection (a) shall meet the formatting requirements described in section 6.

SEC. 5. FINAL STATEMENTS.

(a) REQUIREMENT.—Not later than 30 days after the date on which an agreement between a consumer and a debt settlement company with respect to a debt settlement service of the debt settlement company is concluded, canceled, or otherwise terminated, the debt settlement company shall provide a final statement to the consumer with respect to such agreement.

(b) CONTENTS.—Each final statement required by subsection (a) shall include the following:

(1) Each outstanding debt and the balance of such debt at the time that the consumer entered into the relevant agreement.

(2) Each outstanding debt and the final known balance of such debt at the time that the relevant agreement is concluded, canceled, or otherwise terminated.

(3) A summary of any settlement obtained during the relevant agreement, including the amount accepted and the date of settlement, where applicable.

(4) The total amount of any fee charged by the debt settlement company, itemized by debt, where applicable.

(5) A statement that the relevant agreement is concluded, canceled, or otherwise terminated and that the debt settlement company will no longer contact any creditor on behalf of the consumer, unless otherwise expressly agreed to in writing.

(c) FORMAT.—Each final statement required by subsection (a) shall meet the formatting requirements described in section 6.

SEC. 6. FORMATTING REQUIREMENTS.

The formatting requirements described in this section are the following:

(1) In writing and in a form that a consumer may keep.

(2) Written in plain language.

(3) In a clear and conspicuous manner.

SEC. 7. RECORDKEEPING.

A debt settlement company shall retain for not less than 5 years the following:

(1) Each advertisement of the debt settlement company for a debt settlement service.

(2) Any form or other document with respect to an agreement or a disclosure provided by the debt

settlement company to a consumer as required by this Act.

(3) Any evidence of affirmative consent provided by a consumer to the debt settlement company.

(4) Any final statement provided by the debt settlement company to a consumer as required by this Act.

(5) Any other record sufficient to substantiate the accuracy of any disclosure required by this Act.

(6) Any other information necessary to demonstrate compliance by the debt settlement company with this Act.

SEC. 8. ENFORCEMENT.

(a) ENFORCEMENT BY COMMISSION.—

(1) UNFAIR OR DECEPTIVE ACTS OR PRACTICES.—A violation of this Act shall be treated as a violation of a regulation under section 18(a)(1)(B) of the Federal Trade Commission Act (15 U.S.C. 57a(a)(1)(B)) regarding unfair or deceptive acts or practices.

(2) POWERS OF COMMISSION.—The Commission shall enforce this Act in the same manner, by the same means, and with the same jurisdiction, powers, and duties as though all applicable terms

and provisions of the Federal Trade Commission Act (15 U.S.C. 41 et seq.) were incorporated into and made a part of this Act, and any person who violates this Act shall be subject to the penalties and entitled to the privileges and immunities provided in the Federal Trade Commission Act.

(b) ACTIONS BY STATES.—

(1) IN GENERAL.—In any case in which the attorney general of a State, or an official or agency of a State, has reason to believe that an interest of the residents of such State has been or is threatened or adversely affected by an act or practice in violation of this Act, the State, as parens patriae, may bring a civil action on behalf of the residents of the State in an appropriate district court of the United States to—

(A) enjoin such act or practice;

(B) enforce compliance with this Act;

(C) obtain damages, restitution, or other compensation on behalf of residents of the State; or

(D) obtain such other legal and equitable relief as the court may consider to be appropriate.

(2) NOTICE.—Before filing an action under this subsection, the attorney general, official, or agency of the State involved shall provide to the Commission a written notice of such action and a copy of the complaint for such action. If the attorney general, official, or agency determines that it is not feasible to provide the notice described in this paragraph before the filing of the action, the attorney general, official, or agency shall provide written notice of the action and a copy of the complaint to the Commission immediately upon the filing of the action.

(3) AUTHORITY OF COMMISSION.—

(A) IN GENERAL.—On receiving notice under paragraph (2) of an action under this subsection, the Commission shall have the right—

(i) to intervene in the action;

(ii) upon so intervening, to be heard on all matters arising therein; and

(iii) to file petitions for appeal.

(B) LIMITATION ON STATE ACTION WHILE FEDERAL ACTION IS PENDING.—If the Commission or the Attorney General of the United States has instituted a civil action for violation of this Act (referred to in this subparagraph as the "Federal action"), no State attorney general, official, or agency may bring an action under this subsection during the pendency of the Federal action against any defendant named in the complaint in the Federal action for any violation of this Act alleged in such complaint.

SEC. 9. DEFINITIONS.

In this Act:

(1) CLEAR AND CONSPICUOUS.—The term "clear and conspicuous" has the meaning given that term in section 465.1 of title 16, Code of Federal Regulations.

(2) COMMISSION.—The term "Commission" means the Federal Trade Commission.

(3) DEBT SETTLEMENT COMPANY.—The term "debt settlement company" means a person that, for compensation and on behalf of a consumer, engages in the business of providing, offering to provide, or arranging for a debt settlement service.

(4) DEBT SETTLEMENT SERVICE.—The term "debt settlement service" means any program or service represented, directly or by implication, to have the primary purpose of renegotiating, settling,

or otherwise altering the terms of payment or other terms of a debt between a consumer and an unsecured creditor or a debt collector, including through a reduction in the balance, interest rate, fees, or other amount owed by the consumer.

SEC. 10. EFFECTIVE DATE; APPLICABILITY.

(a) EFFECTIVE DATE.—This Act shall take effect on the date that is 180 days after the date of the enactment of this Act.

(b) APPLICABILITY.—This Act shall apply with respect to an agreement between a consumer and a debt settlement company with respect to a debt settlement service of the debt settlement company entered into on or after the effective date described in subsection (a).