



Assessing the Social Impact of Freedom Debt Relief

Study by the L. William Seidman Research Institute at the W.P. Carey School of Business, Arizona State University

Since the financial crisis 10 years ago, the composition of consumer debt has changed dramatically. Then, excessive debt was tied to mortgages. Now, Americans owe nearly five percent more to creditors than they did at the onset of the financial crisis¹. This increase in overall consumer indebtedness is driven by increases in student loan debt, auto loan debt and credit card debt.

Unsecured debts like credit card debt are eligible for debt settlement programs, which involve a company negotiating with a creditor on its client's behalf to reduce the amount that client owes to the creditor. The negotiated settlement payment is processed to the creditor from the client's dedicated special purpose account, into which the client consistently deposits funds throughout the duration of their program. Each debt the client has enrolled in the program is negotiated one at a time, until all the client's debts are resolved.

Freedom Debt Relief (FDR) is the largest debt settlement company in the U.S. Freedom Debt Relief has enrolled over 600,000 clients since its inception in 2002, and the company has settled over \$10 billion in debt. On average, each FDR client enrolls about \$32,000 in debt and deposits \$525.00 monthly to their special purpose account. All debts that are enrolled in the program are typically resolved within 24-48 months. Freedom Debt Relief graduates are those clients who have completed their FDR program and resolved all their enrolled debt.

The principal objective of the study titled "***Assessing the Social Impact of Freedom Debt Relief***" was to measure the impacts of the Freedom Debt Relief program on clients' financial and emotional health using two established academic measures: The Financial Capability Scale and the Perceived Stress Scale. The Financial Capability Scale (FCS) was used to measure financial capability of individuals with consumer debt and The Perceived Stress Scale (PSS) was used to measure the perception of stress in individuals with consumer debt. The study compared results from graduates of the Freedom Debt Relief program with results from individuals with debt hardship who qualified for the FDR program, but who chose not to enroll.

The data point to three key findings. Compared to those who never enrolled in the program:

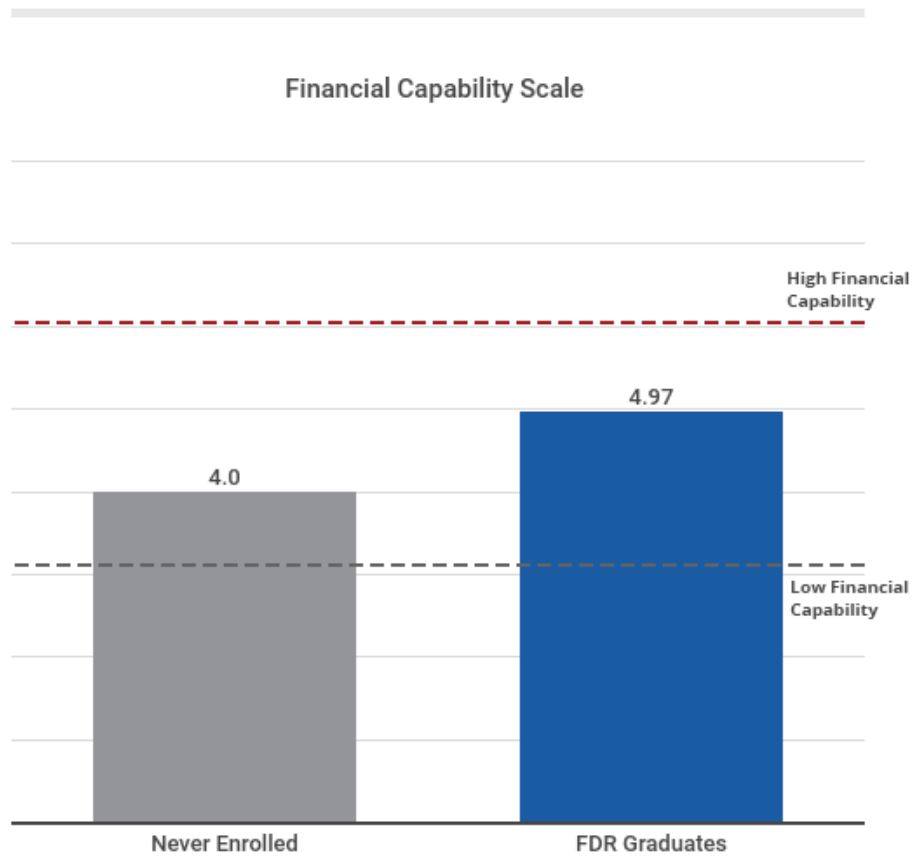
1. Freedom Debt Relief graduates are **significantly healthier financially**.
2. Freedom Debt Relief graduates are **significantly less stressed** about their finances.
3. Freedom Debt Relief graduates **feel significantly better** about their personal lives.

1. [10 Years Later: How Has America's Consumer Debt Changed Since the Financial Crisis?](#)

Significantly Healthier Financially - Financial Capability Scale (FCS)

Overall, Freedom Debt Relief graduates scored **significantly better (24% higher)** on the FCS than those who never enrolled, indicating that **they are more financially capable**.

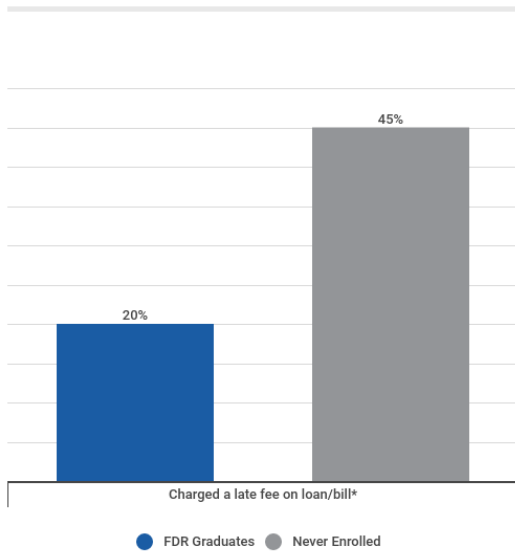
Freedom Debt Relief Graduates are Significantly Healthier Financially



FDR Graduates score significantly higher on the 8pt FCS Scale

Freedom Debt Relief graduates also scored **significantly better** on many individual items from the FCS.

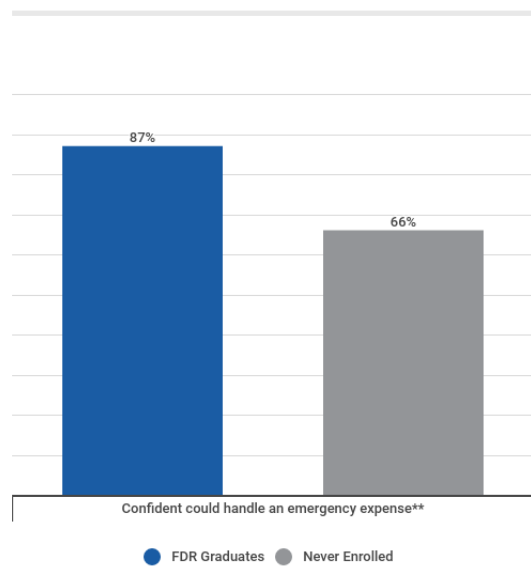
Freedom Debt Relief Graduates Are Less Likely To Have Incurred a Late Fee in the Last Two Months



*Percent saying Yes significantly different for FDR Graduates vs. Never Enrolled



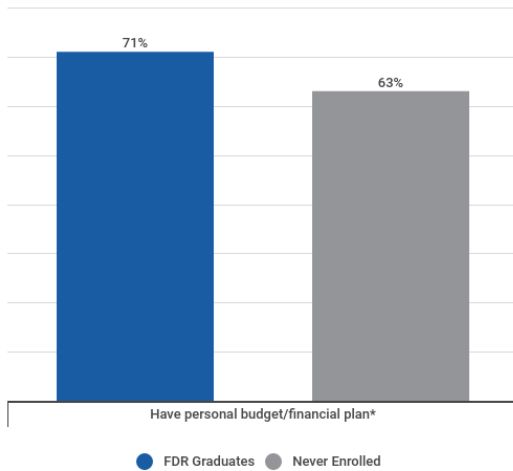
Freedom Debt Relief Graduates Are More Confident They Could Handle an Unexpected Expense



**Percent saying Very Confident significantly higher for FDR Graduates vs. never enrolled

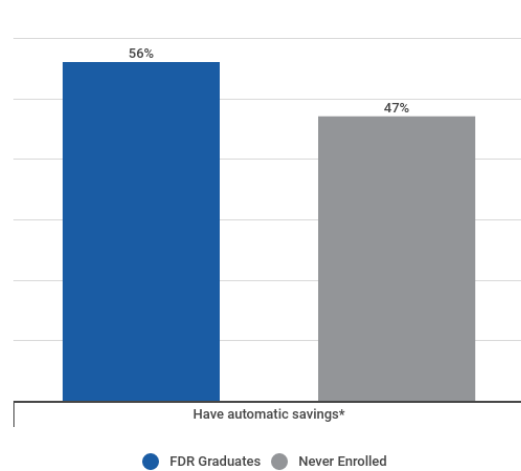


Freedom Debt Relief Graduates Are More Likely to Have a Personal Budget



*Percent saying Yes significantly different for FDR Graduates vs. Never Enrolled

Freedom Debt Relief Graduates Are More Likely to Have Automatic Savings

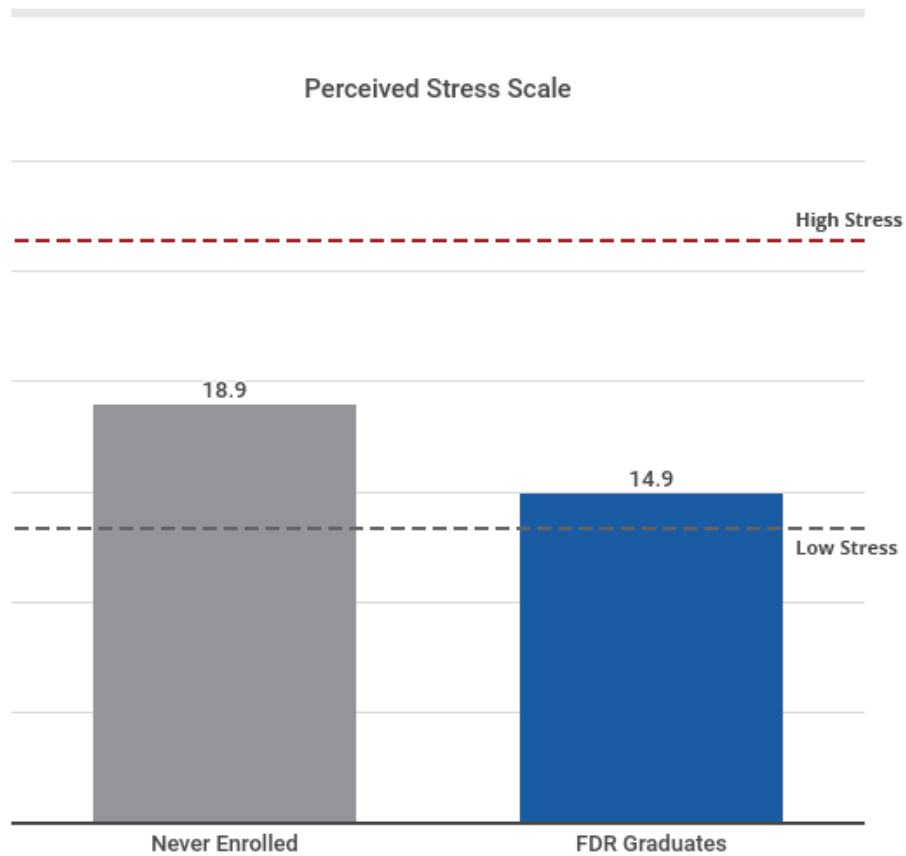


*Percent saying Yes significantly different for FDR Graduates vs. Never Enrolled

Significantly Less Stressed - Perceived Stress Scale (PSS)

Freedom Debt Relief graduates scored **significantly better (21% lower)** on the PSS than those who never enrolled in the program, indicating **they feel less stressed**.

Freedom Debt Relief Graduates are Significantly Less Stressed



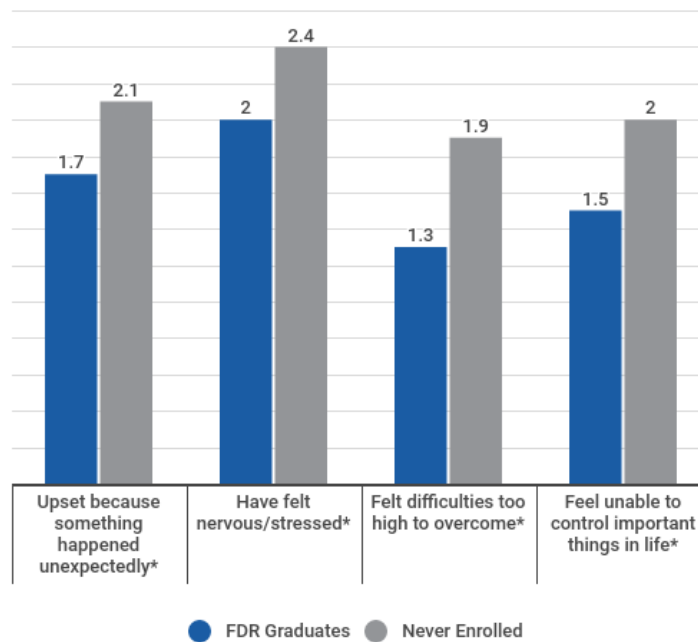
FDR Graduates score significantly lower on the 40pt Perceived Stress Scale

Freedom Debt Relief graduates also scored **significantly better** than those who never enrolled on **all** individual stress factors in the PSS including:

Freedom Debt Relief graduates **feel significantly less**:

- upset because of something that happened unexpectedly
- nervous or stressed
- that difficulties are piling up too high to overcome
- that they are unable to control the important things in their lives

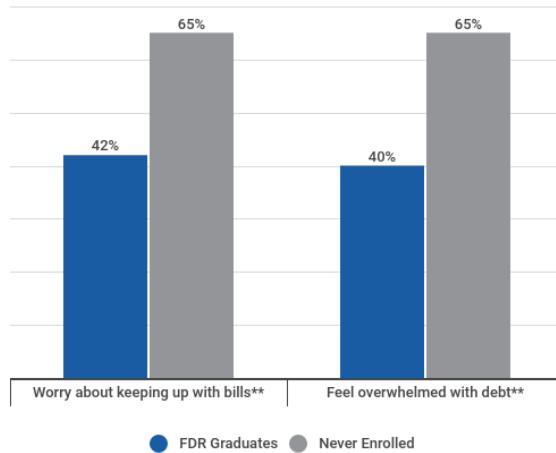
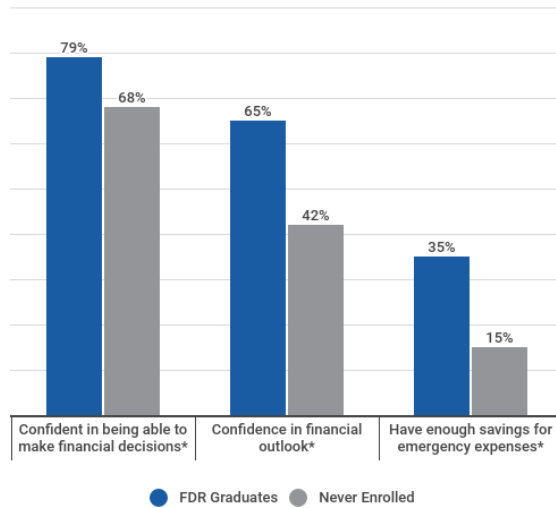
Freedom Debt Relief Graduates are Significantly Less Stressed



*FDR Graduates were significantly less stressed

Freedom Debt Relief graduates **feel significantly better about their personal financial situation** versus those who never enrolled in the program.

Freedom Debt Relief Graduates Feel Better About Their Financial Outlook

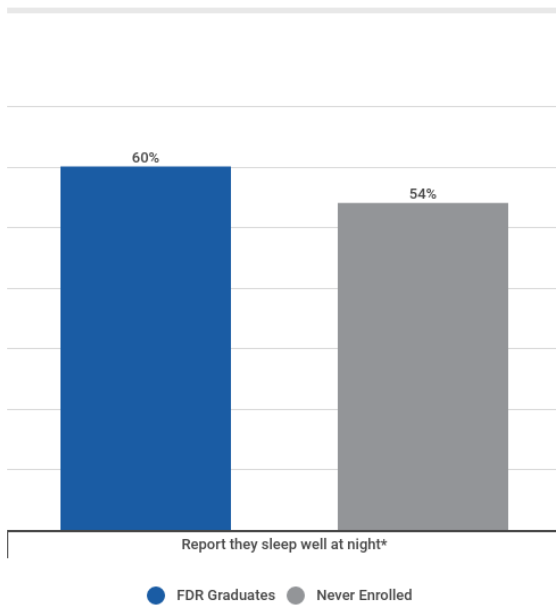


*Percent saying 5/4 on 5pt scale significantly higher for FDR Graduates

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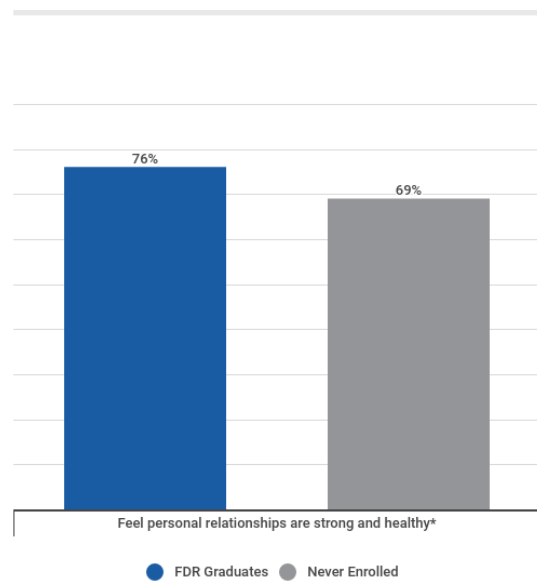
Finally, Freedom Debt Relief graduates **feel significantly better about their personal lives** versus those who never enrolled in the program.

Freedom Debt Relief Graduates Report They Sleep Well At Night



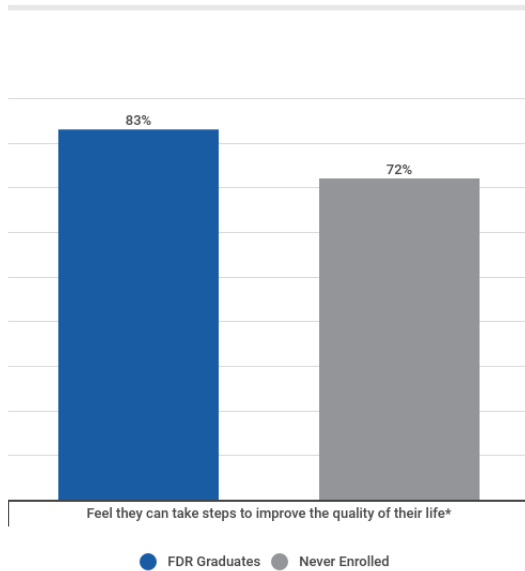
*Percent saying 5/4 on 5pt scale significantly higher for FDR Graduates

Freedom Debt Relief Graduates Feel Their Personal Relationships Are Stronger



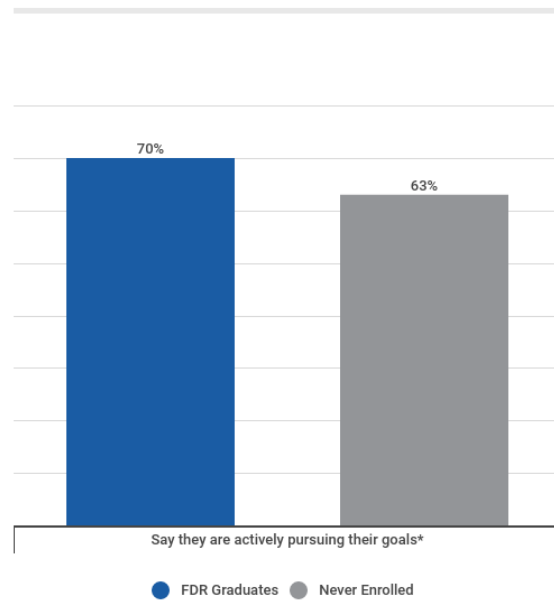
*Percent saying 5/4 on 5pt scale significantly higher for FDR Graduates

Freedom Debt Relief Graduates Feel They Can Take Steps to Improve Their Quality of Life



*Percent saying 5/4 on 5pt scale significantly higher for FDR Graduates

Freedom Debt Relief Graduates Feel They Are Actively Pursuing Goals



*Percent saying 5/4 on 5pt scale significantly higher for FDR Graduates

The results of “*Assessing the Social Impact of Freedom Debt Relief*” gives us comprehensive data on the financial and emotional health of individuals who enroll and complete the Freedom Debt Relief program. Freedom Debt Relief graduates are **more financially capable**, **feel less stressed**, and **feel better about their personal lives** than those who qualified but never enrolled in the program. These test results, combined with the reduction of all the debt they enrolled in the program, clearly show that Freedom Debt Relief clients benefit from debt settlement.