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July 20, 2009

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Ms. Lori Swanson  
Attorney General  
State of Minnesota  
1400 Bremer Tower  
445 Minnesota Street  
St. Paul, MN 55101

Dear Attorney General Swanson:

I have received your letter dated July 19, 2009 and would like to respond to the very important issues raised and concerns you have expressed about consumer debt arbitration programs. Like you, the American Arbitration Association ("AAA") is deeply committed to providing access to justice for consumers, and we have worked with great dedication over the years to develop widely respected protocols, codes of ethics and other procedures to ensure that arbitrations administered under the auspices of the AAA are handled fairly and efficiently.

The AAA is unique with respect to our governance structure in that other ADR providers are almost exclusively organizations that operate for a profit, whereas the AAA is an 83 year old not-for-profit organization with a mission dedicated to developing the widespread, effective and ethical use of alternative dispute resolution. As part of our governance structure, we have a Board of Directors that provides divergent representative viewpoints of former judges, government and union officials, and the plaintiff and corporate bars. Fortunately, the AAA is able to draw on those varied experiences, in addition to our own, in developing dispute resolution processes that accommodate the needs of parties not only for a cost effective and efficient method of resolving disputes, but more importantly dispute resolution processes that are fair and which accommodate the particular characteristics of the parties.

Regarding some of the specific points you have raised, I would like to first make you aware that the AAA is not currently administering any large debt collection programs of the type described in your letter, and in fact, the AAA has only administered one such program which ended in June of this year. After the

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conclusion of the AAA's administration of that caseload, the AAA engaged in a significant effort to identify and consider many of the aspects of debt collection arbitration programs that give rise to legitimate concerns.

Those concerns include issues related to matters such as the notice that is provided to consumers, arbitrator neutrality, the amount and type of evidence that a business is required to submit when they file a demand for arbitration against a consumer, and other matters such as a consumer's ability to defend an arbitration in light of claims such as of identity theft. You have also expressed some thoughts about consumers' knowledge of the arbitration process and their perceived ability to obtain access to the arbitral forum, which are concerns shared by the AAA.

It is the AAA's view that each of these issues must be studied individually to determine whether the arbitration process can be accommodated to address the concerns raised. An AAA representative will be presenting various ideas about how it might be possible to do so at the July 22<sup>nd</sup> hearing of the Domestic Policy Subcommittee of the House Committee on oversight and Government Reform. I understand that you will be a witness at that hearing as well and we look forward to sharing our views in detail with you at that time. In the meantime, and until such that there is some consensus on how concerns about the administration of debt collection arbitrations might be successfully addressed, the AAA has implemented a moratorium on the administration of any consumer debt collection arbitration programs.

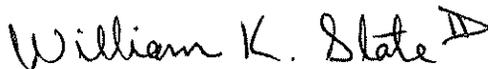
However, I would also like to note that an important distinction should be made between consumer debt collection caseloads that are filed in large numbers almost exclusively by a single business claimant on the one hand, and individual consumer arbitrations on the other. In connection with individual consumer arbitration filings, it is the view of the AAA that considerable success has been achieved in creating an arbitral forum that is accessible and fair to consumers. More specifically, the Searle Civil Justice Institute at Northwestern University recently completed an in depth examination of consumer arbitrations administered by the AAA that found that consumer arbitration is an inexpensive and quick way to resolve consumer disputes, that the "repeat-player" effect was not statistically significant, and that attorneys' fees are granted to consumers in the majority of cases where the consumer sought such an award.

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In addition, the Searle Institute found that the AAA's fidelity to the Consumer Due Process Protocol was effective in identifying and responding to consumer arbitration agreements that did not meet the AAA's minimum standards of fairness and due process. Finally, for consumer arbitrations other than debt collection arbitrations administered by the AAA, the vast majority of cases (72% of consumer cases filed with the AAA in 2008) are filed by the *consumer* party. This evidence would suggest that AAA arbitration provides a meaningful avenue for the resolution of consumer disputes. While the Searle study did not investigate consumer debt arbitration caseloads which can fairly be viewed as a subset of consumer arbitration, the Searle institute has now commenced a study of consumer debt collection arbitrations which will also be informative with respect to improvements that might be implemented into the arbitration process.

I hope that this letter adequately explains the AAA's current position and practices with the administration of consumer and debt collection arbitrations. To the extent that you have any additional questions or concerns, we would welcome the opportunity to discuss it with you further.

Sincerely yours,

A handwritten signature in black ink that reads "William K. Slate II". The signature is written in a cursive style with a small arrow-like flourish at the end.

William K. Slate II