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Forced Arbitration: Harming Mississippi's Consumers, Servicemembers, and Veterans

Forced arbitration clauses take away Mississippians' constitutional right to a day in court when companies break the law. Instead of a judge, a private arbitrator, often chosen and paid by the company, decides cases in a secretive proceeding with no appeal. Forced arbitration clauses often prevent people from joining together in class actions to fight widespread wrongdoing, giving lawbreakers a get-out-of-jail free card, as few people can afford to fight big companies by themselves.

Forced arbitration clauses harm Mississippi consumers of all stripes:

Servicemembers and veterans: Banks and lenders use forced arbitration clauses in loans issued to **Mississippi's 27,837 active-duty servicemembers and reservists and to Mississippi's veterans.** Forced arbitration blocks servicemembers' access to the courts for violations of the Servicemembers Civil Relief Act and other misconduct, including illegal repossessions of active-duty servicemembers' vehicles. Wells Fargo also has arbitration clauses in many of the auto loan contracts that included illegal fees for unneeded auto insurance, including those of active duty servicemembers.

Bank account holders: Wells Fargo opened up to 3.5 million fake accounts – including **2,355 or more in Mississippi** – without customers' consent. Wells Fargo has tried since 2013 to use forced arbitration to block lawsuits, including a class action that would help those 2,355 or more Mississippians. Wells Fargo has also repeatedly tried to use forced arbitration to avoid justice for people in 49 states – **including Mississippi** – who were charged excess overdraft fees when their accounts were not overdrawn.

Consumers with inaccurate credit reports: **Thousands of Mississippians** have filed complaints with the CFPB about problems with credit reporting agencies and errors in credit reports, which can increase the cost of a loan or result in a denial of credit. **Mississippians falsely matched with a terrorist watch list** will get $7,337 in relief from a class action against Transunion. But Transunion and other credit bureaus have tried to use forced arbitration to block class actions.

Payday loan borrowers: Over 98% of storefront payday lenders use forced arbitration clauses in their loan agreements. Annually, **Mississippians pay more than $229 million** in fees associated with payday loans that put them in a cycle of debt. Payday lenders have engaged in abusive lending and illegal debt collection practices.

Families subject to illegal and abusive debt collection practices: Debt collectors are #1 among **Mississippians' and servicemembers' complaints** to the CFPB, and Mississippians filed 4,138 complaints against debt collectors with the FTC in 2017. Out-of-state debt buyers often use illegal harassment and violate state law by adding illegal fees, but use forced arbitration clauses to block people from court to challenge those practices. Debt buyers also frequently sue the wrong person or seek the wrong amount but prevent people from suing back.

College students: **Mississippians** are among those harmed by predatory for-profit colleges, such as Corinthian Colleges, that for years have used forced arbitration clauses to block class actions over their fraudulent conduct. **Mississippian students also average $29,942** in public and private student loan debt and may be impacted by abuses by Navient (formerly Sallie Mae), the largest servicer of private student loans. Navient, which uses forced arbitration, allegedly failed to allocate payments properly and deceived borrowers about how to release co-signers. Mississippians may also fall prey to rampant abuses by sketchy student loan debt relief companies, which also use forced arbitration clauses to take away students' day in court.

Prepaid card users: Nearly **two in five Mississippians are unbanked or underbanked**, and many rural and low-income **Mississippians rely on prepaid cards** to manage their money. RushCard holders, **including 15,191 Mississippians, and servicemembers serving overseas,** were among those harmed when cards were frozen and people could not access their money for weeks. A class action will give class members up to $500 for losses and fees they suffered. The case could have been blocked by a forced arbitration clause, found in 92% of prepaid card contracts.

Forced arbitration harms Mississippians. Congress must restore Mississippians' day in court when big banks and bad actors violate the law.