

Advocates Applaud CFPB Proposed Debt Collection Rules but Additional Provisions Are Needed

FOR IMMEDIATE RELEASE: JULY 28, 2016 || Contacts:: April Kuehnhoff, Margot Saunders or Jan Kruse, 617-542-8010

(WASHINGTON) New proposed debt collection rules outlined today by the Consumer Financial Protection Bureau (CFPB) will significantly strengthen consumer protections against debt collection abuses, but even stronger action is needed due to the rampant debt collection abuses prevalent today, according to advocates at the National Consumer Law Center (NCLC).

“Nearly 40 years after Congress passed the Fair Debt Collection Practices Act, too many debt collectors pursue the wrong person or the wrong amount. Instead of simply requiring collectors to have full and accurate information, the CFPB proposal sets up a complicated and inadequate system that lets collectors rely on information that may be inaccurate,” said Margot Saunders, an attorney with the National Consumer Law Center.

Collection of time-barred “zombie debts” is addressed in the proposal, but imperfectly. The CFPB’s proposal would prohibit lawsuits on stale debt, require collectors to tell consumers that the consumer can no longer be sued, and prohibit revival of the time-barred debt if the consumer makes a payment. But collectors can still mislead consumers into paying debts that are not legally enforceable and can still improperly collect default judgments against consumers who don’t have attorneys to navigate complicated laws. “Killing off zombie debt once and for all by banning all collection of time-barred debt remains the most effective way to protect consumers,” said National Consumer Law Center attorney April Kuehnhoff.

Consumers continue to be overwhelmed with harassing collection phone calls. Credit card companies “limit” their collectors to 4-15 calls per account per day and collectors want the right to call you 6 times a day – up to 186 times a month. “Most people who owe debts simply do not have the money to pay due to unexpected illness, unemployment, or divorce,” explained Saunders. “Abusive collectors should not be allowed to add to families’ stress with multiple harassing calls each week.” She applauded the proposal to clearly limit the number of calls each week, but noted that the six calls per week should be much lower and, “it is essential that consumers are told that they have the right to tell an abusive collector: ‘Stop calling!’”

“We are also disappointed that the proposal does nothing to increase penalties for abusive collectors,” added Kuehnhoff. She urged the CFPB to clarify that courts can impose multiple penalties for collectors who break the law multiple times and can order the collector to obey the law. “Stronger penalties are essential to stop especially abusive collectors from continuing business as usual,” she explained.

The proposed rules outlined by the CFPB only address third-party debt collectors; a second proposal to address abusive collection by first-party creditors, such as credit card companies and payday lenders, is expected at a later date.

NCLC has published a summary of Rules Needed to Stop Debt Collection Abuses. For more

information on NCLC's body of work on fair debt collection, visit:
<https://www.nclc.org/issues/debt-collection.html>

National Consumer Law Center Resources

Debt Collection Rulemaking at the CFPB:

- Issue Brief: Consumer Debt Collection Facts, July 2016
- Group Comments to the CFPB re: Advance Notice of Proposed Rulemaking re: Debt Collection, Feb. 28, 2014
- Report: Debt Collection Communications: Protecting Consumers in the Digital Age, June 2015
- Report: Zombie Debt: What the CFPB Should Do about Attempts to Collect Old Debt, January 2015
- Report: Strong Medicine Needed: What the CFPB Should Do to Protect Consumers from Unfair Collection and Reporting of Medical Debt, Sept. 2014

###

Since 1969, the nonprofit National Consumer Law Center® (NCLC®) has used its expertise in consumer law and energy policy to work for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the United States. www.nclc.org