CFPB Moves Forward with Flawed Debt Collection Rules

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Nearly One-Third of U.S. Adults with a Credit Report Have Debt in Collection

WASHINGTON, D.C. – On Friday, July 30th, the Consumer Financial Protection Bureau (CFPB) announced that it would not delay the effective date of its debt collection regulations as it had originally proposed this spring.

Instead, the CFPB will be moving forward with implementation of debt collection regulations containing many elements that will be harmful for consumers.

“The CFPB indicated that it can still revisit the rules in the future, and we urge them to do so,” said National Consumer Law Center staff attorney April Kuehnhoff. “In the meantime, we call on states to enact additional protections to prevent vulnerable families still recovering from the pandemic from harassing and abusive debt collection practices.”

Consumer advocates raised concerns about practices that may be allowed under the rules and urged the CFPB to address them. Concerning practices that might be allowed include:

- **Phone Calls.** Collectors might harass consumers by making up to seven attempted calls per week per debt, either to the consumer or to friends and family to ask for the consumer’s contact information. A consumer with 5 medical accounts in collection could receive 35 attempted calls per week.

- **Electronic Communications without Consumer Consent.** Collectors can use electronic communications to contact consumers unless the consumer opts out. Requiring an opt-out rather than requiring collectors to obtain consumer consent is more likely to result in missed messages – including critical required disclosures – if collectors use old contact information or communications are sent to spam. Privacy may also be violated if messages are viewed by others, including employers. Procedures to reduce third-party disclosures are currently optional for debt collectors.

- **Oral Collection Notices.** The CFPB has said that collectors can provide required collection disclosure notices orally despite the increased amount of information required in the notice under the regulations. This will make it difficult for consumers to understand or remember important disclosures about the alleged debts and their debt collection rights.

- **Time-Barred Debt Collection.** Collectors can still pressure consumers to pay debts that are beyond the statute of limitations. They are prohibited from suing or threatening to sue on time-barred consumer debts, but they can pressure people to make payments using tactics that are likely to confuse people, and collectors may still be able to sue if a consumer inadvertently revives the statute of limitations through a partial payment or acknowledgment made after pressure from collectors.

The debt collection rule will impact at least 68 million people in the United States. The Urban Institute has documented that, during the COVID-19 pandemic, 29% of adults in the United States with credit reports have debt in collection. That number goes up to 39% for those residing in communities of color.
Related Links

- NCLC’s Debt Collection Rulemaking at the CFPB webpage
- Group comments supporting CFPB’s Proposed 60-day Delay in Finalizing Debt Collection Regulations, May 19, 2021
- Letter to CFPB Acting Director Uejio re: Additional Modifications to Debt Collection Rule to Better Protect Consumers, Mar. 3, 2021
- Letter to CFPB Acting Director Uejio re: Non-Regulatory Actions Needed on Debt Collection, Feb. 1, 2021