CFPB Fails to Protect Consumers from
Abusive Collection of Time-Barred Debts
(Again)

FOR IMMEDIATE RELEASE: February 24, 2020

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Washington, D.C. – The Consumer Financial Protection Bureau (CFPB) released a proposed debt collection rule late last Friday to supplement the proposed debt collection rule it released in May.

The supplemental rule states that debt collectors must provide consumers with specific disclosures when collecting debt that is beyond the statute of limitations (time-barred debt).

“Unfortunately, disclosures cannot adequately protect vulnerable consumers from abusive practices related to the collection of time-barred debt” said April Kuehnhoff, an attorney at the National Consumer Law Center who focuses on debt collection. “Consumers pressured to pay old debts will not understand why they are being contacted if the debt is too old to sue on, or how a $25 payment might restart the statute of limitations on the debt.”

“To truly protect consumers,” said Linda Jun, senior policy counsel at Americans for Financial Reform Education Fund, “the CFPB should ban collection of time-barred debt in and out of court because these debts are so old that records are lost, the collector may have the wrong person or wrong amount, and the debt cannot be collected without mistakes or deception.”

The proposed disclosures would be in addition to the CFPB’s proposal announced in May to prohibit collectors from filing or threatening a lawsuit on a time-barred debt, but only if the collector “knows or should know” that the legal time limit to sue has expired. “The CFPB took what should have been a simple prohibition and watered it down,” said Kuehnhoff.

The public will have 60 days to submit comments on the proposed rule after it is published in the Federal Register.

Related Resources about the May 2019 Proposed Debt Collection Rule

- **Summary:** [CFPB Debt Collection Rule Must Protect Consumers, Not Abusive Collectors, May 2019](#)
- **Press Release:** [Consumer Watchdog’s Proposed Debt Collection Rule Bites Consumers: Authorizes Harassment by Debt Collectors, May 7, 2019](#)
- [Coalition (234 national, state, and local groups) comments to the CFPB re: proposed debt collection rule, Sept. 18, 2019](#)
- [Group long comments to the CFPB re: proposed debt collection rule, Sept. 18, 2019](#)
- **Report:** [Zombie Debt: What the CFPB Should Do about Attempts to Collect Old Debt, January 2015](#)

For more information on NCLC’s extensive body of work on fair debt collection, see
Defrauded Borrowers Sue U.S. Department of Education Contractor for Seizing Funds While They Wait in Limbo for Borrower Defense Relief

FOR IMMEDIATE RELEASE: February 12, 2020

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Download the complaint

Boston- The National Consumer Law Center, Justice Catalyst Law, and Flitter Milz, P.C. today served Maximus Federal Services, Inc. (Maximus) with a class action lawsuit, alleging that the company is engaging in illegal collection activity against thousands of federal student loan borrowers who submitted Borrower Defense to repayment claims to the U.S. Department of Education (Department).

Plaintiff Jaimaria Bodor borrowed federal student loans to attend a program run by the now defunct for-profit Corinthian Colleges, Inc. (Corinthian). Like many other Corinthian students, Bodor incurred debt to attend a program that wasted her time and provided no value. Because she alleges that Corinthian misled her about the value of its program, she filed a Borrower Defense application with the Department to have her loans canceled. Defendant Maximus unlawfully continued to process wage garnishments, tax refund offsets, and Social Security offsets against Bodor and members of the prospective class, when Maximus was supposed to cease all collection activity during the pendency of the Borrower Defense applications.

“The ability to seize wages and tax refunds is an extraordinary collection power that causes borrowers terrible harm,” said Persis Yu, director of the National Consumer Law Center’s Student Loan Borrower Assistance Project. “Using this power against borrowers who were misled by their schools adds insult to injury and is inexcusable.”

Defendant Maximus, based in Virginia, has a contract with the Department to service defaulted federal student loans, and is the largest student loan servicer in the federal student loan system, handling nearly 8 million (7.98M) student loan borrowers’ accounts. The Department is expected to pay Maximus over $848 million for this contract. Borrowers who submit Borrower Defense applications can choose to stop collections on their loans. Contrary to the explicit instructions of the Department, Maximus subjected Bodor, and the class that she seeks to represent, to continuing involuntary collection activity.

“Maximus is the sole contractor handling the Department of Education’s default loan system,” said Brian Shearer, legal director of Justice Catalyst Law. “If Maximus is allowed to ignore the rules
Cruel Cuts for Struggling Families in the President’s Proposed FY21 Budget

FOR IMMEDIATE RELEASE: February 10, 2020

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Trump again calls for elimination of Legal Services Corp and home energy assistance; supports drastic cuts and changes to weaken the Consumer Financial Protection Bureau

Washington – President Trump’s proposed budget once again seeks to eliminate funding for programs that have bipartisan support and help rural households, elders, struggling families and veterans, according to advocates at the National Consumer Law Center. Additionally, the Consumer Financial Protection Bureau would be severely weakened due to drastic cuts and changes to weaken its independence.

“Legal services programs serving urban and rural areas in every state around the country are there for veterans, seniors and struggling families when they need legal help to transition from military service, to save their homes from foreclosure, to protect the Social Security funds they need to buy food, or to stop domestic violence.” said Richard DuBois, executive director of the National Consumer Law Center. In the words of the late Justice Antonin Scalia, the Legal Services Program ‘pursues the most fundamental of American ideals, and it pursues equal justice in those areas of life most important to the lives of our citizens,’” he added.

The Legal Services Corporation (LSC) has broad bipartisan support, and the proposed elimination of LSC in previous Trump Administration budgets was opposed by the heads of over 150 law firms in all 50 states, 185 leaders of corporate legal departments, the Conference of Chief Justices, and the Conference of State Court Administrators.

“The budget also proposes drastic cuts to the Consumer Financial Protection Bureau and changes that would weaken its independence from Wall Street lobbyists,” added Lauren Saunders,
associate director of the National Consumer Law Center.

The proposed budget, once again, would also eliminate the Low Income Home Energy Assistance Program (LIHEAP), the low-income Weatherization Assistance Program (WAP) and the Community Service Block Grant (CSBG) program — three safety net programs that protect the health and safety of low-income families who have trouble paying their energy bills, and provide the core funding for the front-line community groups that deliver these programs in all 50 states.

“The President’s proposed budget for FY 2021 once again would leave poor older consumers, individuals with disabilities, and families with young children out in the cold by zeroing out funding for three critical health and safety programs,” said Olivia Wein, staff attorney with the National Consumer Law Center. “We urge Congress to stand up for struggling households and adequately fund these essential programs. The Administration’s characterization that “LIHEAP is no longer a necessity” does not reflect the experiences of working families.” LIHEAP and WAP are targeted to help vulnerable populations, including the elderly and families with young children, who are at risk from severe health complications, including death, from frigid winters and sweltering summers. LIHEAP provides bill assistance for families so they can afford essential home heating and cooling to stay safe. WAP provides cost-effective long-term measures to make drafty homes weather-tight and lower energy bills year after year. CSBG funds community action agencies that are the front-line service agencies that deliver LIHEAP and WAP assistance.

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**Consumer and Civil Rights Groups Strongly Oppose FDIC Rent-a-Bank Payday Proposal that Would Sidestep State Interest Rate Caps**

FOR IMMEDIATE RELEASE: February 5, 2020

National Consumer Law Center and Center for Responsible Lending Experts to Testify in Rent-a-Bank Hearing before U.S. House Today at 10am ET

Washington, D.C. - Eleven national consumer and civil-rights groups submitted a comment letter late yesterday to the Federal Deposit Insurance Corporation (FDIC) strongly opposing the federal banking regulator’s proposal, which risks green lighting triple-digit rent-a-bank schemes. High-cost lenders use these schemes to funnel their loans through rogue banks to try to avoid state limits on predatory loans.


“The FDIC’s proposal would encourage high-cost lenders to use banks as a fig leaf to create a tsunami of predatory and usurious loans up to 160% APR interest,” said National Consumer Law
**Center Associate Director Lauren Saunders.** “These longer-term high-cost loans put struggling families in an even bigger, deeper, and harder to escape debt trap than short-term payday loans, and the FDIC must stop them.”

“The FDIC should rescind this misguided proposed rule. If the rule is finalized, it would pull more people into debt trap loans and erode confidence in the banking system,” said **Center for Responsible Lending Senior Policy Counsel Rebecca Borné.**

The more than 60-page comment notes that nonbank predatory lenders are brazenly and publicly discussing plans to roll out unlawful rent-a-bank arrangements. The comments note that:

The proposal fails to consider that rent-a-bank schemes are already underway with several FDIC-supervised banks. With respect to consumer loans, five FDIC-regulated banks, **Republic Bank & Trust** (chartered in Kentucky) and **FinWise Bank** (chartered in Utah) are helping three high-cost lenders, OppLoans, Elevate, and Enova, make installment loans or lines of credit in excess of 100% APR in a total of at least 30 states and the District of Columbia (DC) that do not allow such high rates.

“If these bold efforts to flout the law succeed, rent-a-banking could explode, with every state seeing high-cost lenders to evade state usury laws,” said Saunders. “Rent-a-bank schemes jeopardize the states’ role under our federalist system in protecting consumers, and the FDIC’s proposed rules are unlawful, unnecessary, and harmful.”

**The FDIC proposal also fails to consider payday lenders’ explicit plans in California to broadly expand rent-a-bank schemes to dodge California’s new law,** which came into effect on January 1, 2020, as noted in the comments:

Three high-cost lenders [Elevate, Enova, and Curo Group], which were charging from 135% up to 199% APR on high-cost installment loans—rates illegal under the new law—indicated their plans to start or expand rent-a-bank arrangements into California, with the clear intent to evade the new interest rate cap.

Visit the National Consumer Law Center website to watch the testimony and read the statements.
Assistance Project, released the following statement on yesterday’s announcement of a Memorandum of Understanding (MOU) between the Consumer Financial Protection Bureau and the U.S. Department of Education on handling of complaints by student loan borrowers:

“Accepting complaints is a vital part of the Consumer Financial Protection Bureau’s (CFPB) role in helping to police the $1.6 trillion student loan market. It has been over two years since the Education Department under Secretary Betsy DeVos terminated its Memorandum of Understanding with the CFPB, which is statutorily mandated in Dodd Frank.

While it is important to have an MOU in place once again, an MOU alone is not sufficient to protect borrowers. Predatory and abusive practices remain rampant. With an MOU finally in place, we hope to see the CFPB step up its efforts to protect both federal and private student loan borrowers from predatory and abusive student lending, servicing, and debt collection practices.”

2020 Tax Season: More Delays and Higher Costs for Struggling Taxpayers

FOR IMMEDIATE RELEASE: January 30, 2020

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READ the full report, including a list of resources and free tax preparation resources for taxpayers.

Boston – As tax filing season begins, advocates from the National Consumer Law Center (NCLC) issued their annual consumer advisory on taxpayer consumer protection issues. These include:

- **Tax-time financial products.** Lenders and tax return preparers again team up to sell refund-related products and services to taxpayers. Interest rates on refund anticipation loans (RALs) have increased on several products.

- **Inability to comparison shop.** With one notable exception, tax preparers continue to ignore consumers’ preference for up-front pricing for tax preparation services. This secrecy stifles competition and results in higher fees all around.

- **Private debt collection:** The IRS private debt collection program continues to delivers vulnerable, elderly, and low-income taxpayers into the hands of private debt collectors. Some relief is coming but not fast enough for struggling families.

Advocates warn that consumers need to be on guard as they navigate this filing season. “Tax time is such a challenge for low-income and other vulnerable taxpayers,” said Michael Best, staff attorney at the National Consumer Law Center. “Taxpayers just trying to get refunds they are owed face an obstacle course starting with incomprehensible forms and tax laws and ending with profit-seeking preparers and lenders looking to intercept a piece of their refunds.”
Report Assesses the Value of Smart Thermostats in Low-Income Weatherization Programs

FOR IMMEDIATE RELEASE: January 30, 2020

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Download the full report

The National Consumer Law Center Finds that Customer Behavior is Key to Success

Boston – Smart thermostats are promoted as a measure to produce substantial household energy savings and increased comfort and convenience for residential utility customers, but actual energy savings achieved vary widely, according to a new report by the National Consumer Law Center (NCLC).

“The experience of low-income energy efficiency program administrators interviewed has shown that smart thermostats should not be automatically and widely deployed by low-income weatherization programs,” said National Consumer Law Center energy and utilities attorney Karen Lusson, and author of Smart Thermostats: Assessing Their Value in Low-Income Weatherization Programs.

Selecting the most appropriate, cost-effective energy efficiency measures to install in low-income homes is important for program administrators, who must maximize energy savings by efficiently investing the government and ratepayer dollars that fund the programs. NCLC’s review of smart thermostat installation data in low-income households in California, Colorado, Illinois, Indiana, Massachusetts, New York, and Oregon revealed significant variances in energy savings tied to occupant behavior, thermostat temperature settings, the type of HVAC system in the home, accompanying customer education, overall customer energy usage levels, and customer demographics.

For example, maximum energy savings from a smart thermostat’s automatic temperature setbacks depend on the customer being frequently and predictably out of the home. This feature will not produce energy savings for a low-income elder who leaves the home only rarely or manually adjusts the thermostat for comfort. Elderly or ill customers who alter a thermostat’s default settings for health reasons can also diminish expected energy savings.

Moreover, the most significant savings estimated for smart thermostats presume broadband wifi in the home as well as access to smartphones or tablets to enable remote interaction with the thermostat. U.S. Census Bureau data shows that, among households with an annual income below $20,000, a full 40% — more than double the national average and representing 7 million households — have no internet subscription through any mechanism, while more than 25% of all older consumers are without internet access.

Weatherization administrators who were interviewed concur on the need for field specialists to
carefully assess each client’s need and the home’s characteristics before choosing which thermostat to install. Brendan Delaney, technical manager of energy services for Action, Inc., a community action agency in Gloucester, MA that implements low-income energy programs, states that “the conversations by the field specialist with the client are key to determine whether a smart thermostat is both right for the residence and to ensure that savings are achieved.”

**Key Findings**

Installation of smart thermostats will **not** be cost-efficient nor appropriate in low-income homes unless:

1. broadband wifi exists in the home;
2. clients demonstrate specific interest in advanced thermostat installation;
3. no technical issue arises that would significantly increase labor costs associated with thermostat installations as compared to less advanced thermostat models;
4. the client is sufficiently technology savvy;
5. access to critical product education information and troubleshooting is promptly and readily available; and
6. clients spend regular blocks of time outside of the home.

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**Consumer Advocates Praise Passage of Landmark Bill in U.S. House to Reform Credit Reporting Industry**

FOR IMMEDIATE RELEASE: January 30, 2020

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Boston – National Consumer Law Center advocates (NCLC) applaud last night’s passage of the Comprehensive CREDIT (Credit Reporting Enhancement, Disclosure, Innovation, and Transparency) Act of 2020 (H.R. 3621) by the U.S. House of Representatives. “For too many years, indeed decades, the Big Three credit bureaus – Equifax, Experian and TransUnion – have used and abused consumers by profiting from our information while allowing errors to run rampant,” said National Consumer Law Center attorney Chi Chi Wu. “The credit bureaus have frustrated consumers’ efforts to dispute those errors, and have carelessly exposed our sensitive data to thieves. Finally, the credit bureaus are being held accountable for the harm they inflict on millions of American consumers who have no choice but to have their information sold and mangled by these for-profit corporations.”

The Comprehensive CREDIT Act is a landmark bill that amends the federal Fair Credit Report Act (FCRA) to make wholesale needed reforms to the credit reporting system. The bill addresses the high error rates in credit reports – the FTC found that 20% of consumers have verified errors in their credit reports and 5% have serious errors that could cause them to be denied or pay more for credit – by directing the Consumer Financial Protection Bureau (CFPB) to issue accuracy regulations. NCLC supported the bill on behalf of its low income clients.
The Comprehensive CREDIT Act also addresses the Kafka-esque system for credit reporting disputes, which NCLC documented in 2009 and again in its updated 2019 report, *Automated Injustice Redux*, by giving consumers a new right to appeal. The bill reduces the punitive impact of negative information by reducing the time limit for information on credit reports from 7 to 4 years (for bankruptcies, reducing from 10 to 7 years) – a recommendation that NCLC made in its report *Solving the Credit Conundrum: Helping Consumers’ Credit Records Impaired by the Foreclosure Crisis and Great Recession*.

Other key provisions of the bill include:

- restrictions on the use of credit reports by employers;
- strict limitations on the reporting of medical debt, delaying reporting for one year and prohibiting reporting for medically necessary procedures;
- giving struggling private student loan borrowers a second chance to rehabilitate impaired credit records;
- credit reporting relief for extended active duty uniformed consumers; and
- the right to a free annual credit score for consumers.

Wu and Lauren Saunders, associate director of the National Consumer Law Center, commend Congresswoman Maxine Waters, chair of the U.S. House Financial Services Committee, for her leadership in getting the bill passed, and the bill’s sponsors. “Chairwoman Waters has worked tirelessly for many years to protect consumers from the abuses of the credit bureaus,” said Saunders. “We thank Representative Waters and the bill’s sponsors, including Representatives Ayanna Pressley, Alma Adams, Joyce Beatty, Al Lawson, Stephen Lynch, and Rashida Tlaib. The U.S. Senate should introduce and pass the bill quickly to help the over 200 million people in the United States with a credit report.”

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**Advocates Decry Consumer Agency’s Narrowing of Abusive Standards Which Will Protect Dishonest Businesses Instead of Cheated Consumers**

FOR IMMEDIATE RELEASE: January 24, 2020

Washington, D.C. – Today, the Consumer Financial Protection Bureau (CFPB) announced a policy statement limiting the circumstances under which it will act to protect consumers when companies engage in abusive practices.

“The CFPB’s new abusive policy limits the protection of consumers in ways Congress did not intend, curbs the CFPB’s ability to pursue lawbreakers in court, and undercuts the incentives that companies have to ensure they are complying with the law,” said Linda Jun, senior policy counsel at Americans for Financial Reform Education Fund. “The CFPB’s decision to hamstring its pursuit of abusive conduct is deeply disturbing. Congress defined ‘abusive’ and specifically gave the CFPB flexibility to enforce it because scammers are creative in the ways that
they abuse consumers.”

While the statement purports to clarify the standard for abusiveness under the law, in fact it inserts a great deal of vagueness, and signals that the CFPB is prepared to give companies a pass when they commit abusive acts.

The CFPB states it will only address abusive conduct in supervision or enforcement “when the harm to consumers outweighs the benefit.” “Congress specifically required weighing of costs and benefits in the definition of ‘unfair’ but not ‘abusive’ but not every case is conducive to the quantifying of costs and benefits,” explained Lauren Saunders, associate director of the National Consumer Law Center. “Should the CFPB have to measure and weigh the costs and benefits before it stops companies from scamming 9/11 firefighter heroes and NFL concussion victims out of millions of dollars in compensation funds, or when debt collectors use illegal tactics to file lawsuits in states where servicemembers do not live and contact their commanding officers?” Saunders added.

The CFPB’s statement also says that, as a general rule, it will no longer charge companies with using abusive practices when the practices are also unfair or deceptive. “A good litigator always includes alternative, overlapping legal violations when pursuing lawbreakers. The CFPB is taking an arrow out if its quiver,” Saunders said. And the Bureau plans to let companies that have used abusive practices off the hook for civil penalties and disgorgement if they acted in good faith—a standard that will be in the eye of the beholder, that will encourage ignorance of the law, and that will require the CFPB to prove a negative.

“Companies that abuse consumers do not limit the predatory tactics they use and the CFPB should not adopt self-imposed restraints on the authority Congress gave it to protect consumers,” Saunders emphasized.

“The CFPB is deliberately tying the hands of its enforcement and supervision of abusive acts practices. In giving the CFPB authority to enforce the prohibition against abusive acts, Congress—through the Dodd-Frank Act—meant to expand consumer protections, not simply duplicate the unfairness prohibition—nor did Congress intend for bad actors to only be cited for a violation of one law at a time. Kathy Kraninger and CFPB leadership should stick to enforcing the law and not trying to rewrite it,” said Will Corbett, director of litigation at the Center for Responsible Lending.

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Consumer and Civil Rights Groups Urge Federal Banking Regulator to Stop Rent-a-Bank Payday Loan Schemes

FOR IMMEDIATE RELEASE: January 22, 2020

Groups Strongly Oppose OCC Proposal that Would Bypass State Rate Caps to Allow High-Cost Predatory Loans

Washington, D.C. - The Center for Responsible Lending, National Consumer Law Center, Leadership Conference on Civil and Human Rights, NAACP, National Association for Latino Community Asset Builders, Americans for Financial Reform, Consumer Federation of America, Public Citizen, and U.S. PIRG, sent a strong message late yesterday to a federal bank regulator, the Office of the Comptroller and Currency (OCC), opposing a proposed rule that would encourage rent-a-bank schemes that enable loans of 100% APR or higher in states that prohibit high-cost loans and even mortgages up to 138% that drive small business owners into foreclosure. The groups argued that the proposal could make it easier for non-bank lenders to launder money through banks and unleash a flood of predatory loans.

The 55-page comment states that the OCC lacks authority under the National Bank Act to authorize non-banks to charge usurious rates, and that the OCC has failed to follow the requirements of the 2010 Dodd-Frank Act before preempting state law. The comments also criticize the agency for failing to consider the risks the proposal poses to consumers and small businesses, especially those who are financially vulnerable. Additionally, the OCC is already failing to stop a rent-a-bank scheme by an OCC-supervised federal savings association, Axos Bank, which is enabling predatory loans by World Business Leaders. The comment states in part:

“The proposed rule would allow predatory non-bank lenders to launder their loans through banks to evade state interest rate caps. The proposal is outside the OCC’s statutory authority; it is not justified by any evidence of problematic impact on legitimate bank operations; and the OCC has failed to consider the strong likelihood that the proposal will unleash a torrent of predatory lending. The proposal will take away powers that states have had since the time of the American Revolution to protect their residents.

“Our concerns are not speculative. The OCC has directly supported the claim that a predatory non-bank lender, World Business Lenders, can charge 120% APR on a $550,000 loan despite Colorado law to the contrary. In that context, the OCC used the same Chicken Little claims and revisionist history it uses to justify this proposal. The OCC has failed to restrain Axos Bank, a federal savings bank, from fronting for WBL on horrific loans—often personal loans disguised as business loans—including a 138% APR $90,000 mortgage, a 92% APR $175,000 mortgage, and a 73% APR $28,000 mortgage. In the consumer space, predatory rent-a-bank lending is happening through FDIC-regulated banks. More OCC-supervised banks are likely to follow if this proposal is finalized.

“The OCC’s direct support for World Business Lenders on the same grounds used to justify the proposed rule shows exactly what should be expected to happen if the rule is finalized: predatory lending, which not only may leave people in financial ruin but jeopardizes their homes and businesses.”
The comment also notes that the OCC fails to consider the risks the proposal poses to the safety and soundness of national banks, and that the OCC fails to consider the proposal’s impact on market participants that comply with state law.