



Why We Need the Debt Collection Fairness Act

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In support of An Act Relative to Fairness in Debt Collection (S663/H1168) or the Debt Collection Fairness Act (DCFA)

As of December 2020, 19% of Bay Staters had a debt in collection — rising to [35% in communities of color](#). The economic strain of the pandemic will inevitably result in a tsunami of increased debt collection that will disproportionately impact low-income families and communities of color. Consumer protections like those in the DCFA are powerful and necessary economic and racial justice reforms that do not require a state expenditure and will help address other systemic problems, like housing and racial equity issues, by keeping more money in the pockets of disadvantaged families.

What the DCFA Does

The DCFA is a comprehensive overhaul of many of the Commonwealth's debt collection laws. Three of the key reforms:

- **Reduce the interest rate on judgments on consumer debt**—Rates are currently the highest in the nation at 12%, making it impossible for many to ever pay off judgments even as they make good faith payments.
- **Protect more wages from seizure by creditors**—Protecting adequate wages keeps families from falling into poverty. Under present law, any income over \$712.50 per week is subject to wage garnishment, even though MIT's Living Wage Calculator indicates that a living wage for two adults (one working) with one child in MA is \$1,252.40 per week. The DCFA gives additional protection from garnishment to those lower income workers and increases protected income to \$997.50 of wages per week.
- **Ensure that no one in the Commonwealth shall be imprisoned for failure to pay a consumer debt**—In 2016, four Massachusetts small-claims courts issued 1,325 civil arrest warrants for alleged debtors. The use or threat of use of such warrants can terrify consumers into making payments, even if all of their income is exempt.

The DCFA has Broad Support

- **50 consumer, labor, civil rights and other organizations in Massachusetts support the DCFA.** Groups ranging from the [ACLU of Massachusetts to the Massachusetts AFL-CIO to the Union of Minority Neighborhoods Citizens Congress on Poverty's Unemployment Project](#) support the reforms in the DCFA.
- **The bill has been rigorously examined at the committee level.** Last session, and continuing this session, the DCFA went through a rigorous process in the Financial Services Committee, led by the House and Senate Chairs, where advocates compromised on their initial proposal, committee staff spent copious time analyzing the bill, and the debt collection industry was brought to the table to give their perspective. The bill was thoroughly vetted, and the Financial Services Committee determined that it was worthy to move forward.

Client Stories Illustrate the Need for Debt Collection Reforms

Many court judgements are decided [against consumers by default](#), meaning that the consumer is not in court to defend themselves, often because they never received notice that they are being sued. When low income consumers are represented by legal services, consumers often win their cases or are able to reach settlements that significantly reduce their debt. But most consumers are unable to secure representation and need the changes to law that the DCFA provides to protect their interests.

- **J.G. lost her job due to COVID-19 and had multiple debt collection lawsuits brought against her for small debts she fell behind on.** After she lost her job, J.G. had serious medical problems and had to have three surgeries and was unable to work for a period of time. She had to use a credit card to pay for necessities, but because she was unable to work she couldn't afford to pay the bills. What little money she had went to pay for rent and food. Despite the fact that she was very low income, she got sued multiple times and in one case agreed to a judgment even though she knew she would probably never be able to afford to pay it. She did not fully understand that the amount of the debt will only go up with interest being added.
- **D.C., an immigrant from Haiti and caretaker to her disabled daughter, had her wages garnished for an old debt that she didn't not know about.** D.C. works as a nursing aide at a hospital and earns approximately \$900 a week gross and has a disabled daughter. At one point, 15% of her wages were being deducted for an old debt. She never appeared before a judge in this case. After the garnishment, she only brought home \$500 a week – not enough to meet rent and other expenses. This situation caused great anxiety and depression because she could not possibly support herself on those reduced wages. She did not think it was fair that she worked so hard yet can lose her pay without even being able to explain the situation to a judge.
- **J.N., a disabled constituent of Rep. Murphy, received a letter from a company he had never heard of stating that he owed over \$12,000.** Judgment Acquisitions Unlimited (“JAU”), sent J.N. a letter stating that he owed over \$12,000 on an old debt because of a judgment in Brockton District Court. The letter confused him because he did not recognize anything about this supposed debt and knew nothing about the 2006 Brockton District Court case. The letter also frightened him greatly. It threatened civil arrest, seizure of his automobile, wage attachment, bank account attachment, and property liens.

He knew federal disability benefits are protected from debt collection and he owned no property, but he was extremely worried that his bank account (with my very limited funds) would be seized and that he would be unable to pay rent or other bills as a result. J.N. was also terrified that his car would be taken without his knowledge during the night. Finally, he was worried that he could be arrested for this debt he knew nothing about. He had severe insomnia and was unable to sleep as a result of all of this anxiety.

Many consumers, like the people above, would be greatly helped by the common sense reforms proposed in the DCFA.