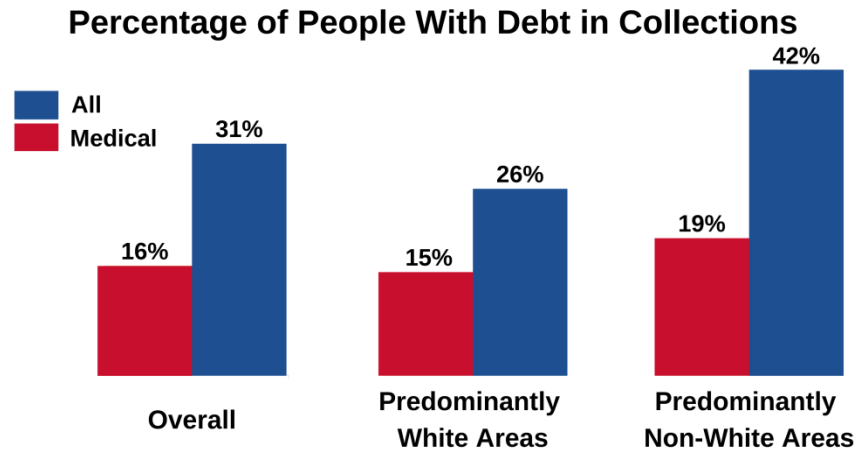


Racial Disparities in Consumer Debt Collection

A strong rule from the Consumer Financial Protection Bureau (CFPB) is needed to protect consumers from abusive debt collection tactics, especially people of color, who are disproportionately subject to debt collection.

Residents of predominantly Black and Latinx communities are more likely to have debt in collections.

The Urban Institute [found](#) that 42% of borrowers in predominantly non-White areas had a debt in collections, compared to just 26% of borrowers in predominantly white areas. (see chart)



Borrowers in majority Black areas are less likely to have debts discharged in bankruptcy. A [study of national bankruptcy data](#) found that, controlling for income and other factors, debtors living in majority Black areas **were twice as likely** to have their bankruptcy case dismissed as debtors living in majority White areas.



Borrowers of color are more likely to be contacted by debt collectors. A FINRA Investor Education Foundation [survey](#) found that **borrowers of color were called nearly twice as often** than White borrowers despite similar rates of default and late payments. **Debt collectors estimate contacting consumers more than a billion times a year.**

Collection lawsuits, judgments, and wage garnishments are more common in communities of color. A [ProPublica analysis](#) of collection actions in three major cities found **the risk of judgment is twice as high in majority Black census tracts.** Borrowers in majority Black census tracts in one city were also **20% more likely** to have their wages garnished after a judgement.



The CFPB should protect all borrowers from abusive debt collection practices by: stopping telephone harassment, banning collection of time-barred “zombie” debt, and protecting consumer privacy.