



Debt Buyers Hound Coloradans in Court for Debts They May Not Owe

Research Report

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Executive Summary

- Debt buyers purchase bad debts that were written off by the original creditor. They pay pennies on the dollar and try to collect the full amount. But they have so little information about the underlying transactions and payment history that they frequently pursue the wrong person, or try to collect the wrong amount or pursue a debt that is not owed, or was already paid.
- Debt collectors generate more complaints by consumers than any other industry, both at the national level and in Colorado. The most common complaint is for continued attempts to collect debts not owed. The most commonly complained about debt collectors are debt buyers.
- Debt buyers flood the courts with lawsuits, though they have limited information about the claims they make. They count on the fact that most people will not hire a lawyer or defend the suits for themselves. When this occurs, they get “default judgments”—meaning a judgment in their favor without the person sued having mounted a defense. A review of 375 randomly selected cases filed by four debt buyers in the county courts in five Colorado counties from 2013 through 2015 revealed that 71 percent of the cases resulted in default judgments against the individuals sued. It is exceedingly rare for an individual to be represented by a lawyer in these cases—and the consequences can be severe. Of the 375 cases in our sample, 38 percent resulted in the garnishment of the individual’s wages to satisfy the alleged debt.
- Debt buyers burden the Colorado courts with these cases. State-wide, cases filed by four large debt buyers alone accounted for over eight percent of all civil cases filed. The taxpayers thus end up footing the bill for a large part of the debt buyers’ collection strategies.
- States are increasingly implementing policies by statute or court rules to address this problem. These include requiring debt buyers to provide more thorough and accurate information to the individual pursued for collection, and when the debt buyer sues, provide the court with documentation from the original creditor to support the debt. Colorado has not yet done so, but recently released findings by the Colorado Department of Regulatory Agencies support the possibility of doing so in the coming year.

Overview

Six years after the Great Recession, American households continue to struggle with consumer debt. According to data reported by the Urban Institute, approximately 77 million Americans – 35 percent of adults with credit files – have debt in collections reported on their credit files.¹ These Americans carry about \$1,349 in debt.² About 31 percent of Colorado residents have debt in collections.³

Debt collectors may use legitimate ways to collect debts, but unscrupulous firms use illegal tactics such as threatening consumers, refusing to verify disputed debts, and more. Debt collectors generate more complaints to the Federal Trade Commission (FTC) and the Consumer Financial Protection Bureau (CFPB) than any other industry.⁴ The most complained-about debt collectors are companies known as “debt buyers.”⁵ Debt buyers are companies that purchase delinquent debt—commonly credit card and medical debt. They pay pennies on the dollar, and then try to collect the full amount.

The problem with debt buyers is the severely limited information they have about the debts they collect. Debt buyers typically have little more than a spreadsheet listing the name and last known address of the person whose account was purchased, and the amount allegedly owed on the account.⁶ Sometimes debt buyers acquire further documentation, but often the sale contract between the debt buyer and the creditor expressly limits the debt buyer’s ability to obtain such documentation.⁷ These limitations make it difficult or impossible for the debt buyer or the person pursued to know whether the debt is actually owed, and whether the person being pursued is the one who owes it.

Moreover, as noted in a recent report by the Colorado Department of Regulatory Agencies, further problems occur when one debt buyer sells the debt to another buyer:

¹ Caroline Ratcliff, et al, *Delinquent Debt in America* 7 (2014) available at http://www.urban.org/research/publication/delinquent-debt-america/view/full_report. This number underestimates the number of consumers in collection, as 22 million Americans do not have credit files.

² This is the median amount of debt in collection per person. *Id.*

³ Caroline Ratcliff, et al, *Delinquent Debt in America* 9 (2014) available at http://www.urban.org/research/publication/delinquent-debt-america/view/full_report.

⁴ See, e.g., Fed. Trade Comm’n, *Consumer Sentinel Network Data Book for Jan.-Dec. 2015* 6 (2016) [hereinafter *Consumer Sentinel*], available at <https://www.ftc.gov/system/files/documents/reports/consumer-sentinel-network-data-book-january-december-2015/160229csn-2015databook.pdf> (debt collection complaints comprised 29% of all complaints to the FTC in 2015, reaching almost 900,000 complaints); Consumer Financial Protection Bureau, *Semi-Annual Report: Spring 2016* 22 (2016), available at <http://www.consumerfinance.gov/data-research/research-reports/semi-annual-report-spring-2016/> (debt collection complaints, totaling almost 90,000, made up 31% of all complaint to the CFPB from April 1, 2015 to March 31, 2016)

⁵ Alliance for a Just Society, *Unfair, Deceptive & Abusive: Debt Collectors Profit from Aggressive Tactics* 9 (2016), available at http://allianceforajustsociety.org/wp-content/uploads/2016/01/2016.01_Debt.Collectors_FINAL.pdf.

⁶ See Fed. Trade Comm’n, *The Structure and Practices of the Debt Buying Industry* 35-37 (2013), available at <https://www.ftc.gov/sites/default/files/documents/reports/structure-and-practices-debt-buying-industry/debtbuyingreport.pdf>.

⁷ *Id.* at 26 (detailing limitations put on debt buyers’ ability to obtain account documents, including inability to obtain documents, prices, and limitations on the time period in which a debt buyer may request documentation).

Problems tend to follow when the first debt buyer cannot collect the debt and subsequently sells it to another debt buyer...This may be repeated a number of times. With each subsequent sale, less documentation concerning the original transaction and creditor survives.⁸

The report goes on to note that when a debt has been bought and re-sold multiple times, the debt collector “may not be aware of any of the debt’s history, when or where the debt originated or whether the debt has been paid.”⁹

The problems caused by debt buyers are significant because of the sheer volume of debt that debt buyers currently own. The country’s largest debt buyer, Encore Capital Group, claims that one in five U.S. consumers either owes it money or has owed it money in the past.¹⁰ The top three publicly-traded debt buyers together collected over \$1 billion annually in revenues from litigation alone in each of the past three years.¹¹

Debt buyers generate more consumer complaints than any other industry

Lacking important information about the debts they pursue, debt buyers frequently end up hounding the wrong person, or trying to recover the wrong amount or for a debt already repaid.

“Portfolio Recovery [Associates] is relentlessly calling my home...The calls have come in the morning and at night, and it appears to be a different person each time. They do not identify themselves, and do not say why they are calling, but I understand from doing online research that PRA is a collection agency. I do not have any outstanding debt, my credit is in good standing, and I do not know why they are calling me, but it has gotten to the point of harassment.”

- Colorado resident in complaint to CFPB
Source: CFPB Complaint Database

“Midland Credit Management has been repeatedly harassing my elderly parents...to collect a credit card debt that I do not recognize and refute. I...have not lived with them in 22 years. Even after my parents said repeatedly that I don't live there, the agency continued to call incessantly. The collection agency disclosed the amount of debt and debt history (which again I don't recognize). They threatened to publish my name and parent’s name in the papers...I don't want to give in to such bullying and I believe they have acted illegally. I want them stopped.”

- Colorado resident in complaint to CFPB
Source: CFPB Complaint Database

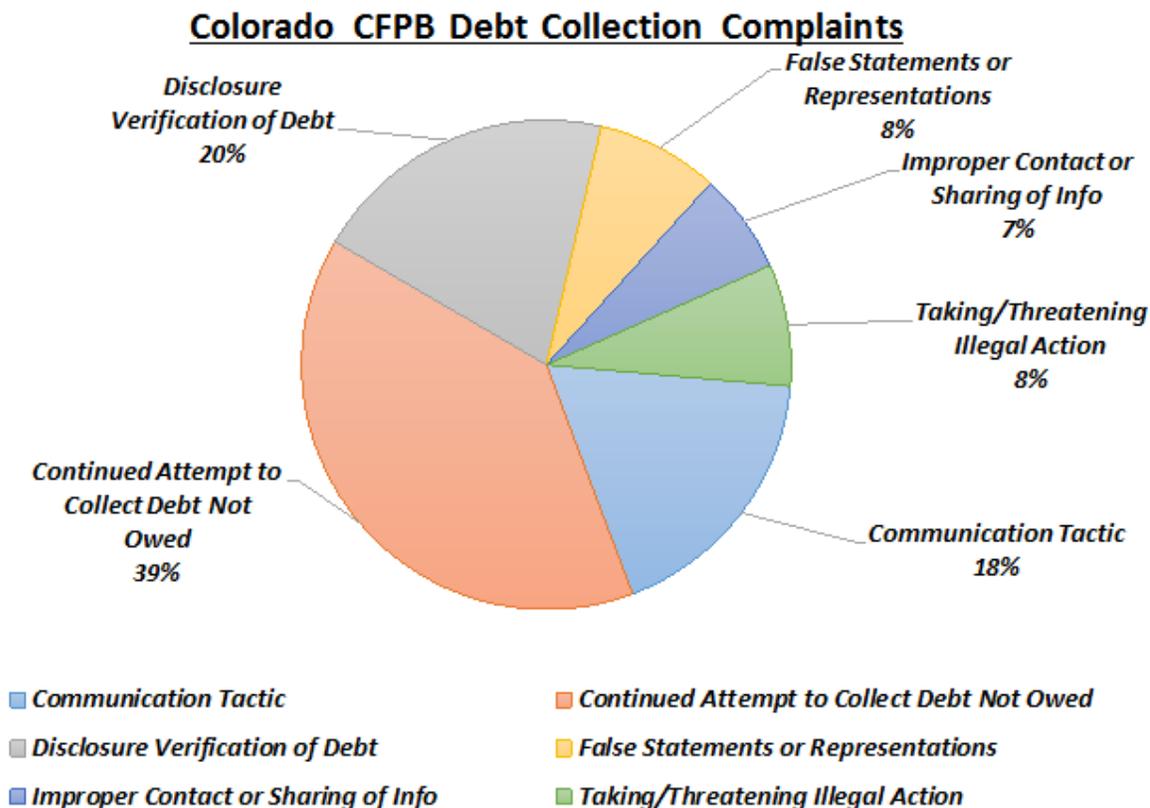
⁸ Colorado Department of Regulatory Agencies, *2016 Sunset Review: Colorado Fair Debt Collection Practices Act* (Oct. 14, 2016) (hereafter “2016 Sunset Review”) at 24.

⁹ 2016 Sunset Review at 25.

¹⁰ Chris Albin-Lackey, *Rubber Stamp Justice: US Courts, Debt Buying Corporations, and the Poor* 11 (2016), available at https://www.hrw.org/sites/default/files/report_pdf/us0116_web.pdf.

¹¹ Author’s analysis of litigation revenues for FY 2013, 2014, and 2015 as disclosed in 10-K filings for Encore Capital Group (including revenues for another large debt buyer, Asset Acceptance, which was purchased by Encore Capital Group in March 2013), Portfolio Recovery Associates, and SquareTwo Financial.

The most common complaint about debt collection is “continued attempt to collect debt not owed.” The chart below shows the distribution of complaints that Colorado residents made to the CFPB concerning debt collection-related abuses from 2013 to 2016.¹² Almost 40% of these complaints involve continued attempts to collect debts not owed by the person being pursued for collection. By a wide margin, this is Colorado residents’ biggest debt collection-related complaint to the CFPB.



Complaints filed with the Colorado Attorney General’s office reflect a similar pattern. In 2015, as in prior years, more complaints were filed against debt collectors than any other industry.¹³ The biggest category of such complaints—accounting for half of the 1,421 complaints filed in fiscal year 2014-15—involved attempts to collect an “Amount Not Due.”¹⁴

¹² Consumer Financial Protection Bureau. Complaint Database (July 2013 to September 30, 2016). Last accessed September 30, 2016. <https://data.consumerfinance.gov/dataset/Consumer-Complaints/s6ew-h6mp#column-men/>

¹³ 2016 Sunset Review at 23, citing Denver Post, *Top 10 Consumer Complaints of 2015* (March 8, 2016).

¹⁴ 2016 Sunset Review at 18.

Debt buyers flood Colorado courts

Debt buyers rely heavily on state courts to collect the debts they purchase. The CFPB found that the country's two largest debt buyers, Encore Capital Group and Portfolio Recovery Associates, both active in Colorado, used illegal litigation tactics as part of their debt-collection strategy:

Without verifying the debt, the companies collected payments by pressuring consumers with false statements and churning out lawsuits using robo-signed court documents....The companies regularly attempted to collect on debts by suing consumers in state courts across the country.¹⁵

In the period 2013 to 2015, four large debt buyers,¹⁶ Encore Capital Group, Portfolio Recovery Associates, Sherman Financial Group, and SquareTwo Financial, alone flooded county courts across Colorado with close to 40,000 lawsuits against Colorado residents.¹⁷ These lawsuits accounted for over 8% of all civil cases filed in county courts statewide.¹⁸

¹⁵ CFPB Press Release, *CFPB Takes Action Against the Two Largest Debt Buyers for Using Deceptive Tactics to Collect Bad Debts* (Sept. 9, 2015), available at <http://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-the-two-largest-debt-buyers-for-using-deceptive-tactics-to-collect-bad-debts/>

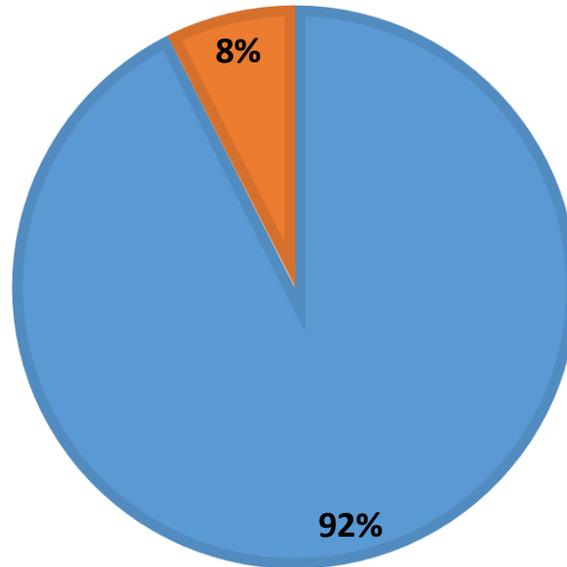
¹⁶ These four national companies were selected due to their size and their reliance on debt collection litigation to collect debts they purchase. These four debt buyers were ranked as the top four purchasers of credit card debt in 2013. See *Credit Card Debt Sales in 2013*, 1041 Nilson Rept. 5 (2014). In order, the top purchasers were: Sherman Financial Group, Portfolio Recovery Associates, SquareTwo Financial, and Encore Capital Group.

¹⁷ These four debt buyers filed lawsuits in Colorado under the following names: Midland (Encore Capital Group subsidiary), Asset Acceptance (Encore Capital Group subsidiary), Portfolio Recovery Associates, LVNV Funding (Sherman Financial Group subsidiary), and CACH, LLC (SquareTwo Financial subsidiary). They accounted for 38,246 cases in county courts statewide. An additional 2,065 cases were filed in District Court. Claims for amounts more than \$15,000 must be brought in District Court (though can include claims under \$15,000) while claims brought in County Court may not exceed \$15,000. See <https://www.courts.state.co.us/Courts/Index.cfm>. Though claims for amounts \$7,500 and more may be filed in Small Claims Court, a plaintiff may not file more than two cases per month in a county or 18 cases per calendar year in Small Claims Court, so debt buyers do not avail themselves of Colorado Small Claims Court with regularity. See C.R.S. § 13-6-411 (2016). Appendix 1 of this paper provides information about the research process and issues encountered when capturing statewide case totals.

¹⁸ From 2013 to 2015 there were 477,859 civil cases filed in Colorado County Courts. Annual Statistical Reports. Colorado Judicial Branch Research and Data. See <https://www.courts.state.co.us/Administration/Unit.cfm?Unit=annrep>. Cases filed by the four debt buyers represented 8% of the total cases.

JUST 4 DEBT COLLECTION COMPANIES FILED OVER 8% OF CASES FILED IN COUNTY COURTS IN COLORADO

■ County Court: Civil Cases ■ Debt Collection Cases



Debt-buyer lawsuits exact a heavy toll on individuals and communities in Colorado and nationwide

Debt buyers use litigation to gain leverage against individuals who might not actually owe any money at all, but are unlikely to hire a lawyer to represent them in court or take the time and effort needed to handle the litigation for themselves. The CFPB described the litigation tactics used nationwide by Encore Capital and Portfolio Recovery Associates:

In numerous cases, the companies had no intention of proving these debts. They placed tens of thousands of debts with law firms staffed by only a handful of attorneys and in many cases made no effort to obtain the documents to back up their claims. Instead, the companies relied on

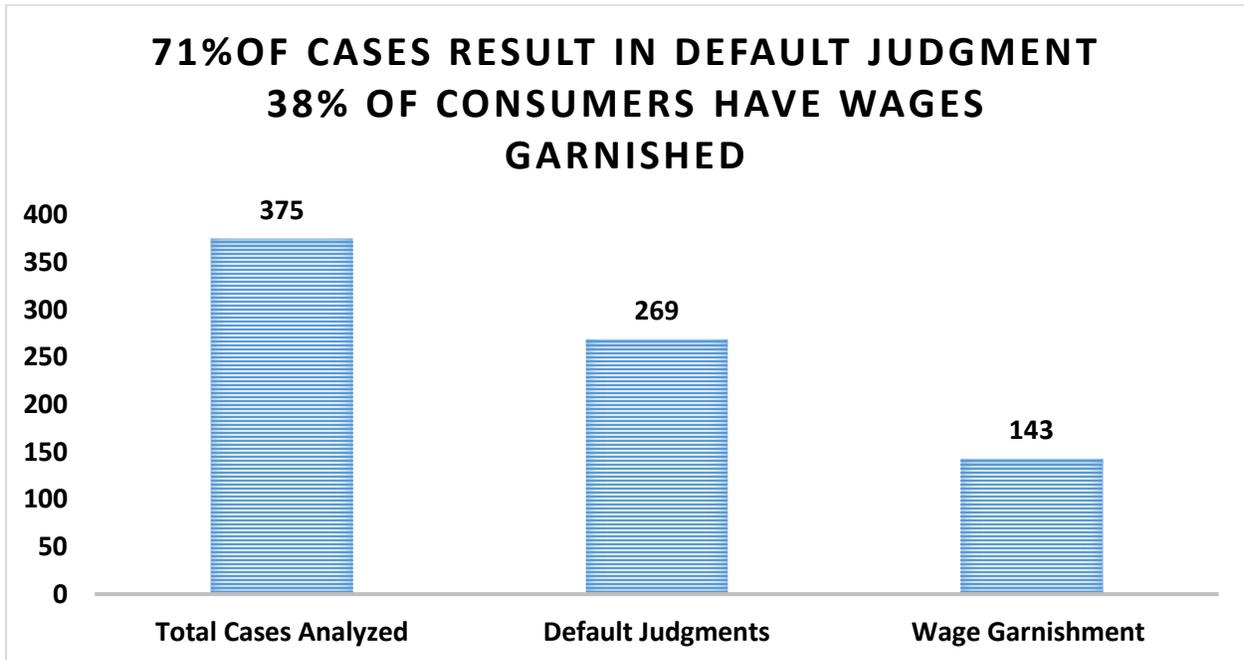
“90% of our cases are default judgments. We show the judge the math and if no one disputes we get our judgment. Debtor has the right to defend and prove us wrong.”

-Portfolio Recovery Associates Vice President for Collections

Source: CFPB Consent order with PRA (2015)

consumers not filing a defense and winning the lawsuits by default.¹⁹

A review of recent case filings by four debt buyers revealed similar outcomes in Colorado. In Colorado, as occurs across the United States, the people sued by debt buyers rarely were represented by counsel. A review of 375 cases randomly selected from Colorado county courts turned up exactly *none* in which the consumer had a lawyer.²⁰ The result was a large proportion of cases ending in default judgments and wage garnishment, as shown in the chart below.



In the 375 cases sampled, the four debt buyers were awarded a total of \$869,425 through default judgments.²¹

Because debt buyers often have out-of-date information concerning the alleged debtor's last known address, many individuals never receive actual notice of the lawsuit against them, and only learn of the suit once a default judgment is entered and enforced.²² Once a judgment is entered, however, it is exceedingly difficult to reverse it, even if the underlying claim was inaccurate or meritless.

¹⁹ CFPB Press Release, *CFPB Takes Action Against the Two Largest Debt Buyers for Using Deceptive Tactics to Collect Bad Debts* (Sept. 9, 2015), available at <http://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-the-two-largest-debt-buyers-for-using-deceptive-tactics-to-collect-bad-debts/>.

²⁰ See Appendix 1 for a detailed discussion of how our case analysis was conducted.

²¹ See Appendix 2.

²² Claudia Wilner & Nasoan Sheftel-Gomes, *Debt Deception: How Debt Buyers Abuse the Legal System to Prey on Lower-Income New Yorkers* 7 (2010), available at http://www.neweconomynyc.org/wp-content/uploads/2014/08/DEBT_DECEPTION_FINAL_WEB-new-logo.pdf (detailing a client's situation involving six debt buyer default judgments obtained against the client, where none of the lawsuits were served on the client and where the client first learned of the suits after her wages were being garnished).

Some individuals first learn of the judgment when their wages are garnished.²³ Garnishment brings on further problems beyond the loss of wages; by informing the individual's employer of the employee's legal trouble, wage garnishment may strain the individual's relationship with his or her employer. At a minimum it imposes an administrative burden on the employer, and discloses the financial instability of the employee.

All of these problems disproportionately impact individuals and communities of color. African-American and Latino communities are hit harder by debt collection²⁴ and debt collection litigation.²⁵ Likewise, military service-members complain more about debt collection to the CFPB than any other issue and at twice the rate of the general public.²⁶

All in, lawsuits based on insufficient documentation, brought by four large debt buyers drain an estimated \$25,774,388 per year from Colorado residents.²⁷ This estimate likely undercounts the annual cost to Coloradans as it reflects cases brought by four large debt buyers alone; lawsuits filed by other debt buyers operating in the state are not included in the calculation.

Conclusion and Recommendations

The facts highlighted here and abusive tactics used by debt buyers illustrate the need for targeted reforms. These reforms include the following:

- **Ensure debt collectors prove that the debt is actually owed.** Debt collectors should be prohibited from attempting any collection action, including lawsuits against consumers, unless they first meet a "proof of debt" documentation standard. "Proof of debt" can be established by detailed information about the consumer and the debt (e.g. full name, account numbers, original creditor's name, itemized interest and fees); documentation establishing the consumer's liability for the debt (e.g. contract or account document indicating the consumer agreed to the debt); and documentation establishing the debt buyer's ownership of the debt (e.g. purchase and sale agreement).

"Portfolio Recovery Associates has entered a fraudulent record of judgement onto my credit bureau reports. They have no such judgement against me. This has affected my credit score and the item's presence on my report is delaying a pending loan application."

-Colorado resident in complaint to CFPB (Apparently having learned of judgment after it was entered)

²³ *Id.*

²⁴ Breno Braga, et al, *Local Conditions and Debt Collection* (2016), available at <http://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000841-Local-Conditions-and-Debt-in-Collections.pdf>

²⁵ Paul Kiel & Annie Waldman, *The Color of Debt: How Debt Collection Suits Squeeze Black Neighborhoods* (2015), available at <https://www.propublica.org/article/debt-collection-lawsuits-squeeze-black-neighborhoods>; Claudia Wilner & Nasoan Sheftel-Gomes, *Debt Deception: How Debt Buyers Abuse the Legal System to Prey on Lower-Income New Yorkers* 6 (2010), available at http://www.neweconomynyc.org/wp-content/uploads/2014/08/DEBT_DECEPTION_FINAL_WEB-new-logo.pdf.

²⁶ Bur. Consumer Financial Protection, Office of Servicemember Affairs, *Servicemembers 2015: A Year in Review* 1-2, 8-10 (2016), available at http://files.consumerfinance.gov/f/201603_cfpb_snapshot-of-complaints-received-from-servicemembers-veterans-and-their-families.pdf.

²⁷ Set out in Appendix 3 to this paper is a detailed explanation of the calculation that produced this estimate.

- **Discourage debt collectors from acting as “lawsuit factories” by holding them accountable for initiating unwarranted legal actions.** Debt collectors should not be able to obtain judgments in cases where they bring unsubstantiated legal actions. They should further face monetary penalties if they pursue collection actions, including court cases against consumers, without first meeting the proof of debt standard. Finally, debt collectors should be prohibited from filing lawsuits on debts past the statute of limitations.
- **Require that debt collectors be transparent with consumers.** Debt collectors should be prohibited from pursuing consumers if they do not have information establishing the “proof of debt.” They should further be required to cease collection if they cannot provide consumers with the documents supporting the claimed “proof of debt” upon request.

Appendix 1

Process for Statewide Case Volume Analysis and Issues Encountered

The Colorado Courts Records Search website²⁸ was used to determine the total number of cases filed by debt collection companies. Our research was conducted in two distinct phases. The first phase involved determining the total number of cases filed by four of the largest debt collection companies for the years 2013, 2014, and 2015. These four national companies were selected due to their size and their reliance on debt collection litigation to collect debts they purchase. These four debt buyers were ranked as the top four purchasers of credit card debt in 2013.²⁹ Additionally, the companies were actively filing cases themselves or through subsidiaries during the three-year time period. These four debt buyers filed lawsuits in Colorado through the following companies: Midland Funding, LLC (Encore Capital Group subsidiary), Asset Acceptance (Encore Capital Group subsidiary), Portfolio Recovery Associates, LVNV Funding (Sherman Financial Group subsidiary), and CACH, LLC (SquareTwo Financial subsidiary).

The Colorado Courts Records Search website is a paid site that is available to the general public. It provides access to cases filed in Colorado's County and District Courts. In order to file a debt collection lawsuit in County Court the claim must not exceed \$15,000, while cases for claims exceeding \$15,000 must be filed in District Court. Searches can be run by using party names, business name, and case numbers. The system allows users to search for criminal, civil, domestic, small claims, and traffic cases. Searches can be delineated by searching for specific counties or the whole state of Colorado.

When conducting the statewide search for the number of cases filed by each of the debt collection companies, we utilized the search by business name option. Initially we discovered that we were unable to run a statewide search for all the cases filed by the companies due to the system's inability to generate the voluminous case filings by each of the companies. As a result, we had to run a separate search for all 64 counties in Colorado for each of the debt collection companies.

Our search determined that Midland Funding, LLC, Asset Acceptance, CACH, LLC, Portfolio Recovery Associates, and LVNV Funding filed 40,311 cases throughout the whole state for the years 2013, 2014, and 2015. This figure underreports the total number of cases filed because Denver County did not upload any cases for 2013 into the Colorado Courts Records Search website, and the cases uploaded for 2014 and 2015 are incomplete. There may be other counties where all cases were not uploaded as well. See Appendix 2 for a more robust discussion about searching for Denver County Court cases.

²⁸ <https://www.cocourts.com/cocourts/>.

²⁹ See *Credit Card Debt Sales in 2013*, 1041 Nilson Rept. 5 (2014). In order, the top purchasers were: Sherman Financial Group, Portfolio Recovery Associates, SquareTwo Financial, and Encore Capital Group.

The breakdown of statewide case filings by company, per year is as follows:

	2013	2014	2015	Total Cases Per Company
Midland Funding	6,288	7,082	8,751	22,121
Portfolio	3,923	2,290	2,861	9,074
CACH, LLC	1,853	1,384	682	3,919
Asset Acceptance	1,826	772	189	2,787
LVNV Funding	994	617	799	2,410
Total Cases Per Year	14,884	12,145	13,282	40,311

Appendix 2
Process for Detailed Case Analysis and Issues Encountered

The second phase of the research involved a more detailed analysis of the individual cases. Analysis was conducted through the Colorado Courts Records Search site, the same website that was used for the first phase of the research. For our detailed case analysis, we gathered case data on a sample of cases filed by Midland Funding, LLC, Asset Acceptance, CACH, LLC, Portfolio Recovery Associates, and LVNV Funding in Arapahoe, Douglas, Jefferson, Mesa, and Pueblo counties in 2013, 2014, and 2015. This detail case data consisted of capturing default judgment, motions for wage garnishment, principle amounts, attorney fees, attorney representation, interest, and court costs from the court documents of each case. There were a total of 13,503 cases filed by these debt buyers in the five counties. Of this total, we drew a smaller sample of 375 cases for our detailed case analysis. Five cases were randomly selected per each plaintiff debt-collection company in each of the five counties for a three-year period (2013, 2014, and 2015). Each year of the analysis consisted of 125 cases and each county and company had 75 cases respectively. Data points that were captured consisted of rates of default judgment, rates of wage garnishment, principle amounts, attorney fees, attorney representation, interest, and court costs. Results are current as of August 30, 2016.

Total Cases Analyzed	375 cases (docket numbers on file with CRL)
Description of Sample	<p>5 cases were randomly selected for each of the 5 counties for 4 debt collection firms suing as 5 plaintiff companies, for the years 2013, 2014, and 2015.</p> <p>Cases per plaintiff company: 75</p> <p>Years: 2013, 2014 and 2015</p> <p>Cases per year: 125</p> <p>Counties: Arapahoe, Douglas, Jefferson, Mesa, and Pueblo</p> <p>Cases per county: 75</p>
Cases with Default Judgments for Debt Buyers	269 cases or 71% (.7173)
Cases with Writs of Garnishment Filed	143 cases or 38% (.3813)
Total Amount Awarded to Debt Buyers, All Cases	\$912,008
Total Amount Awarded, Default Judgment Cases	\$869,425

A Note about Denver County

An initial attempt was made to conduct detailed case analysis on the cases filed in Denver County. However, like the Statewide Volume Data search, we were unable to obtain a sufficient sample of cases for the county as there were no cases uploaded to the court system database for 2013, and the cases uploaded for 2014 and 2015 are incomplete. In total, Denver County reported only 538 cases for the 3-year period. As a result, we decided not to include Denver County cases in our Detailed Case Analysis.

Appendix 3

Estimating the Cost of Debt-Buyer Lawsuits Based on Insufficient Documentation

**Estimating Cost to Colorado Residents of Debt-Buyer Lawsuits
Resulting in Default Judgments Based on Insufficient Documentation
2013-2015**

	Amount
# Cases in Case Sample	375
# Cases won by Default Judgment in Case Sample	269 (71%)
Total Amount Won by Default Judgment	\$869,425
Average Amount Won by Default Judgment Per Case³⁰	\$3,232
# Cases Filed by 4 Debt Buyers, Statewide	38,246
Estimate of # Cases Won by Default Judgment³¹	27,155
Estimate of Total Amount Won by Default Judgment, Statewide³²	\$87,764,960
Estimate of % of Accounts that Lack Documentation³³	88%
Estimate of Total Amount Won by Default Judgment in Cases Lacking Documentation, Statewide³⁴	\$77,233,165
Estimate of Total Amount Won by Default Judgment in Cases Lacking Documentation Per Year, Statewide³⁵	\$25,744,388

³⁰ (Total amount won by default judgment by 4 debt buyers, case sample) ÷ (# of cases won by 4 debt buyers by default judgment, case sample)

³¹ (# Cases filed by 4 debt buyers, statewide) x 71% (Percent of cases won by default judgment, case sample)

³² (Estimate of # of cases won by default judgment, statewide) x (Average amount won by default judgment per case, case sample)

³³ A study by the Federal Trade Commission (FTC) of a sample of 3.9 million accounts purchased by debt buyers found that debt buyers received account documents (e.g. account statements, account applications, or terms and conditions) for only 12% of accounts at the time of sale. The FTC further estimated that of the almost 90 million accounts the agency reviewed, only 6% of accounts were sold with any sort of documentation to support the account. See Federal Trade Commission, *The Structure and Practices of the Debt Buying Industry* at 35 (2014), available at <https://www.ftc.gov/sites/default/files/documents/reports/structure-and-practices-debt-buying-industry/debtbuyingreport.pdf>.

³⁴ (Estimate of total amount won by default judgment, statewide) x 88% (Estimate of accounts that lack documentation)

³⁵ (Estimate of total amount won by default judgment in cases lacking documentation, statewide) ÷ 3 (Number of years)