



Debt Buyer Lawsuits Expected to Drain Over \$7 Million from Mainers, including \$1.4 Million through Wage Garnishment

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Debt buyers purchase old debts from creditors for pennies on the dollar and then hire debt collectors or attorneys to force consumers to pay up, often by suing them in court. Recent enforcement actions by state and federal regulators show widespread abuse and improper lawsuits brought to try to collect the old debt.¹ Abuses include things like robo-signing affidavits in support of collection lawsuits and illegally suing residents for time-barred debt.

We estimate that just one debt buyer, Encore Capital Group, through its subsidiaries such as Midland Funding and Midland Credit Management, stands to extract millions of dollars from the Maine economy and Mainers' pockets. The debt buyer owns the debt of 91,000 Mainers² and the majority (51%) of its collections revenue nationally is generated by taking people to court.³

Thousands of Mainers and millions of dollars are at risk of being collected through Maine courts by out-of-state debt buyers. Strong protections in state law are needed to ensure that debt buyers are not suing the wrong Mainer for a debt they do not owe.

Estimating Cost of Debt Buyer Lawsuits to Mainers

	Estimates of Debt Buyer Lawsuit Outcomes⁴	Estimates based on 91,000 Maine Accounts
Estimated lawsuits ⁵	5% of accounts in portfolio	4,550
Lawsuits that result in default judgments	55%	2,501
Lawsuits that result in ruling in favor of debt buyer	10%	449
Total lawsuits that result in reward to debt buyer	65%	2,590
Estimated amount extracted from Mainers through litigation⁶	\$2,467 average per case that results in reward to debt buyer	\$7,278,706 (\$2,467 x 2,950)
Estimated amount to be extracted through Wage Garnishment	20% of lawsuits that result in reward to debt buyer	\$1,455,741

¹ Lisa Stifler and Caryn Becker, Center for Responsible Lending, "State, Federal Regulator Actions Highlight Widespread Debt Buyer Abuses," April 21, 2015, <http://www.responsiblelending.org/other-consumer-loans/debt-settlement/research-analysis/state-federal-regulator.html>.

² Testimony of Encore Capital Group to Maine Committee on Insurance and Financial Services , April 14, 2015, (stating "Purchasing primarily charged-off credit card receivables, we currently own an account for over 91,000 Maine consumers..."), <http://legislature.maine.gov/legis/bills/getTestimonyDoc.asp?id=27464>

³ Encore Capital Group, Annual Report, Form 10-K (Feb. 26, 2015). Retrieved from U.S. Securities and Exchange Commission website.

⁴ These estimates are based on an investigation on the debt buying industry by the *Washington Post*, which examined the court filings of 16,878 collection lawsuits by debt buying company, Encore Capital Group's affiliate Midland Funding. The lawsuits were filed between 2003 and 2013 in five counties in Northern Virginia. The estimates here are based on the *Washington Post*'s findings of the analysis of these 16,878 lawsuits. The analysis estimates that Encore was awarded \$27 million in these lawsuits. See Danielle Douglas, "Taking on the Nation's Largest Debt Buyer," *Washington Post*, May 19, 2014. The *Washington Post* The outcomes of these lawsuits are shown here: http://www.washingtonpost.com/business/economy/a-breakdown-of-midland-fundings-collected-debt/2014/05/09/331f723e-d790-11e3-95d3-3bcd77cd4e11_graphic.html

⁵ Danielle Douglas, "Taking on the Nation's Largest Debt Buyer," *Washington Post*, May 19, 2014. ("[Encore] said it files lawsuits in fewer than 5 percent of the open accounts in its total portfolio...")

⁶ The *Washington Post* analysis estimates that Encore was awarded \$27 million through its 16,878 lawsuits. Of those lawsuits, 65% (10,943) could have resulted in recovery either through default judgment (55%) or a ruling in Encore's favor (10%). The remaining (35%) were dismissed by the judge or abandoned by Encore (23%), could not locate the defendant (9%), still pending (3%), or the borrower won (.0001%). The average amount owed to debt buyer per case which results in a default judgement or ruling in favor of debt buyer is estimated by dividing the \$27 million by 10,943 cases, totaling \$2,467.