

### The Case Against Abusive Debt Collection

**A**lthough debt collection plays an important role in how credit markets function, it can also expose households to unnecessary abuses, harassment, and other illegal conduct. Unscrupulous debt collectors sometimes use incorrect data and illegal collection tactics to file lawsuits or pressure consumers into making payments on debt they may not owe.

Even worse, millions of consumers become aware of lawsuits having been filed against them only after courts have reached judgments on cases frequently based on inaccurate information. Court judgments can result in wage garnishment and can remain active for decades, imposing a significant financial and emotional burden on borrowers. Communities of color as well as low- and middle-income communities are hit much harder by these collection lawsuits.

Today, debt collection represents an industry of more than \$11 billion that generates profits each year from financially-distressed consumers.



#### Fast Facts

Debt collection is one of the top complaints to the Federal Trade Commission (FTC) and the Consumer Financial Protection Bureau (CFPB). In 2016, nearly 900,000 consumers filed complaints with the FTC. The CFPB in 2016 returned \$39 million to consumers wronged by unlawful debt collection practices and collected \$20 million in civil penalties.

Approximately 71 million Americans with active credit files—32% of adults—are affected by debt collection. The median amount of this debt, according to the Urban Institute, is \$1,349.

In 2016 alone, more than 1 billion consumer debts accounts were placed with debt collectors, ranging from debts related to credit cards, student loans, utilities, health care, and others.

Debt collectors file hundreds of thousands of lawsuits in state courts every year to collect debts. In New Jersey alone, debt collectors obtained more than 1 million court judgments over a 10-year period.

#### Reform Remedies

Debt collectors should be required to possess and review full documentation about a borrower and the borrower's obligations before pursuing collections or a lawsuit.

- Court rules should be strengthened to ensure adequate evidence is presented for a debt collector to prevail in court.
- State and federal governments should continue to strengthen the rules and laws for debt collection to better protect consumers.
- States and the Consumer Financial Protection Bureau should increase protections related to the collection of debt beyond the statute of limitations.



“Every consumer should be free from abusive and harassing debt collection. When people are being wrongly pursued for debts they do not owe, it is time for action and reforms.” - Lisa Stifler, CRL Deputy Director of State Policy



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