

## **Prepared Remarks of Graciela Aponte-Diaz, Center for Responsible Lending**

### **CFPB Field Hearing on Debt Collection**

**July 28, 2016  
Sacramento, CA**

Good morning, and thank you for the opportunity to participate in today's panel.

The Center for Responsible Lending is a research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices. Debt collection concerns us due to unfair or abusive practices in the market that can take advantage of financially-distressed consumers or unfairly strip families of wealth.

The Great Recession made this financial distress inevitable for many U.S. households. Each year, tens of millions of Americans are pursued by creditors, debt collectors, debt buyers, or attorneys for an overdue bill. And while debt collection plays a role in our economy, it may also expose U.S. households to unnecessary abuses. Debt collection is the leading cause for complaints to state and federal regulators, alike. The largest number of complaints come from consumers hounded over debts they do not owe.

One particular concern is the sale and purchase of old consumer debts. Debt collectors, known as debt buyers, purchase billions of dollars of stale debt at a steep discount – often pennies on the dollar – and then attempt to collect the debts themselves. Debts are often sold with limited (and inaccurate or incomplete) information about the consumers and the debts. This, along with the collection tactics used, results in people being harassed and wrongly pursued for debts they don't owe, have already paid, or are too old to be subject of a lawsuit. Debt buyers also operate as lawsuit factories clogging the courts often with frivolous lawsuits to collect on the debts they purchase, often resulting in garnished wages, damaged credit scores, and other financial harms.

We know from research and enforcement actions in the states that over the past decade debt buyers and other debt collectors have extracted millions of dollars in payments and court judgments from U.S. households for debts that are too old to be sued on, can't be backed up with basic documentation like a contract or other proof someone actually owes a debt, or where the debt buyers or their attorneys filed false documents in court. Reports have shown that these debt collection activities have a disproportionate impact on communities of color – majority black neighborhoods are hit twice as hard by debt collection court judgments as majority white neighborhoods, even adjusting for differences in income.

Because of these illegal debt collection practices, states have taken note over the years and have enacted reforms. These reforms – in states like North Carolina, California, Maryland, and New York – seek to ensure that people are pursued and sued for legitimate debts that they actually owe by requiring debt collectors to use full and accurate information and documentation when collecting debts. These efforts help, and despite debt collectors' claims, research shows that these kinds of reform do not dry up consumer credit.

We commend the CFPB for seeking reforms to this issue that harms millions of people, particularly low-income consumers without access to legal representation to defend against these abuses and communities of color which are also disproportionately targeted by unfair lending practices. The

proposal announced today endorses the uncontroversial idea that people should not be harassed for debts they do not owe. In order to ensure that, debt collectors must have complete and accurate information before pursuing someone for a debt. However, we are concerned that some of the provisions in the proposal will not do enough to protect consumers from unwarranted collection attempts. Specifically, the proposal does not go far enough to require that debt collectors adequately document that they are pursuing the right person for the right debt.

Moreover, several states have enacted strong protections to address these abuses. The CFPB rules should, at minimum, be improved to match these protections, rather than setting weaker standards as outlined in the proposal.

In conclusion, though debt collection plays a critical role in a functioning economy, abusive debt collection practices have no place in our financial marketplace.