Let’s Make Sure the Rule for Regulating the Debt Collection Industry is as Strong as Possible.

The debt collection industry is a leading source of consumer complaints about financial products and market practices, outpacing complaints about credit cards, student loans, and mortgages. In 2018, the CFPB and the Federal Trade Commission (FTC) received more than 550,000 complaints (in total) about the debt collection industry, outpacing complaints about credit cards, student loans, and mortgages. Many of these complaints revolve around consumers not owing the debt or owing an amount that is different than what collectors claim, as well as reporting on the use of abusive language and strong-armed tactics like threatening to sue to pressure a consumer into paying.

In May of this year, the Consumer Financial Protection Bureau (CFPB) released a set of proposed rules to regulate this industry, which each year generate approximately $12 billion in revenues by purchasing debt for rock bottom prices, that it then collects on it fully without establish its validity beforehand or returning any of the collected debt to the original creditor.

While Prosperity Now is happy to see the Bureau taking the need for such regulations seriously, we do not think what is proposed is strong enough to significantly curb predatory debt collection practices and have written a comment letter that suggests ways to make the rules stronger.

Below is a summary of our core recommendations to improve the debt collection regulations:

- **Attempts to Contact Consumers about Debt by Phone or Electronic Communications Should be Stricter.** Under the proposal, debt collectors can attempt to contact consumers about debt by phone up to seven (7) times each week per debt and there are no limits on the number of attempts by an electronic medium like email or text messaging. We are recommending the number of attempts by phone be capped at no more than three (3) each week per consumer rather than per debt, and that consumers must expressly consent to receive communications electronically.

- **Attorneys Should be Required to Consult Original Account-Level Documents before Bringing a Suit Against a Consumer for Debt Payment.** The proposal would allow attorneys to sue in court to collect on an outstanding debt by reviewing undefined information and determining to the best of the attorney’s knowledge that a claim has merit. We think this is too lax and are recommending that before attorneys are allowed to file a suit, they must consult original account-level documents that establish the validity of the debt.

- **Collectors Should be Prohibited from Collecting Time-Barred Debt.** There are debts that are so old that a consumer is no longer legally required to pay them, but collectors can still make a request for payment. The Bureau is proposing a prohibition on suing or threatening to sue a consumer for expired debt, but we think the rule should go further and prohibit the collection of this time-barred debt outright.
• **Notices of Important Information about Debt Should be Sent Clearly and Safely.** Important information that must be shared with a consumer about debt, such as the amount owed broken down by principal, interest, and fees and a consumer’s right to dispute the debt must be shared in written form – not orally – and if communicated electronically, they should not be accessed by hyperlink, which is an unsafe method of sharing such critical information.

• **A Statement of Consumer Rights Should Accompany the Required Notification of Information Regarding Debt.** Consumers have rights beyond the ability to dispute a debt and the right to ask for the name and address of the original creditor. We think a more thorough list of consumer rights should be provided in written form along with the notice that contains information about the debt (the ‘validation notice’) for every consumer contacted by a collector.

Prosperity Now believes that if these changes are made to the rule, consumers will be safer and more financially secure. Please show your support for these recommendations by signing your organization onto our comment letter.

[Click here](#) to read the full version of the letter.