Unpacking the CFPB's Proposal to Regulate the Debt Collection Industry

August 8, 2019, 2:00-3:00pm ET
Welcome

Tupa Hoveka
Program Associate, Field Engagement
Prosperity Now
Housekeeping

• This webinar is being recorded and will be mailed to registrants and available online within one week

• All webinar attendees are muted to ensure sound quality

• Ask a question or share your thoughts anytime by typing into the text box of your GoToWebinar Control Panel

• If you experience any technical issues, email gotomeeting@prosperitynow.org
Prosperity Now’s mission is to ensure everyone in our country has a clear path to financial stability, wealth and prosperity.
Today’s Agenda

✓ Impact of the Debt Collection Industry
✓ Overdue: Addressing Debt in Black Communities
✓ Core Elements of the CFPB's Proposal
✓ Advocating for a Strong Final Rule
✓ Questions & Answers
✓ Next Steps & Close
Background – Debt in Collections

Prevalence of Debt
• More than 71 Million Americans - Debt in Collections
• One out of Every Three Consumers - Contacted by Collectors
  • Most for More than One Debt
• Medical Debt – 60% (3rd Party Collections)

Low-Income Households
• <$20,000 - Half are Contacted
  • $70,000+ - Three X Less Likely

Communities of Color
• 66% More Likely – Debt in Collections
• 40% Non-White Vs 29% White – Contacted by Collectors
Debt Collection – Leading Source of Consumer Complaints

- 2018 - >550,000
  - CFPB – 81,500
  - FTC – 475,517

- Debt Reported by Collections Agencies -- Highest Dispute Rates -- 40%

Source: CFPB
## FDCPA Violations – Complaints Reported to FTC

<table>
<thead>
<tr>
<th>Law Violation</th>
<th>Percent of Complaints</th>
<th>Number of Complaints</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calls After Getting ‘Stop Calling’ Notice</td>
<td>37%</td>
<td>227,917</td>
</tr>
<tr>
<td>Calls Repeatedly</td>
<td>34%</td>
<td>210,238</td>
</tr>
<tr>
<td>Makes False Representation about Debt</td>
<td>31%</td>
<td>192,704</td>
</tr>
<tr>
<td>Fails to Identify as Debt Collector</td>
<td>14%</td>
<td>84,364</td>
</tr>
<tr>
<td>Tells Someone Else About Consumer’s Debt</td>
<td>6%</td>
<td>39,760</td>
</tr>
<tr>
<td>Falsely Threatens Illegal or Unintended Act</td>
<td>5%</td>
<td>31,519</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
<td>3,638</td>
</tr>
</tbody>
</table>

Source: NCLC calculations of 2017 CSN data from FTC
Debt Collection Industry

Highly Profitable
- In 2018 - $12 Billion in Revenues
- > 8,000 Debt Collection Agencies

Debt Purchasers
- Cost - Less than a Penny Per Dollar of Debt
- Older Debt – Less Expensive

Court System
- State of Washington – 20,000 Collections Cases
- 80% Default Judgments
- 1.2% Consumers Represented by Attorney
About the Project

**Purpose:** Identify and test strategies and tools to support nonprofit financial coaching and counseling organizations in working with Black community members to address debt.
By the numbers

46 African Americans with low- to moderate-incomes in Brownsville, Baltimore and Ft. Lauderdale

19 to 55 with a median of 30

2 out of 3 interviewees are women

Median estimated income: $27,378

3 out of 4 have savings (median estimated savings of $1000)

24 reported being recently contacted by debt collectors
African Americans more than 3x as likely as White Americans to experience debt-related fraud

Community members express skepticism that collectors are trustworthy

(Have debt collectors contacted you to ask that you make payments?)
I think one but I believe it’s a scam because they want me to confirm certain information. I’m like if you believe who it is, you should have this information – so I don’t really entertain the calls because I haven’t gotten the email or anything in the mail.

~ Maryland Interviewee
The Feelings of Debt

Community members often conveyed how their experiences with debt made them feel. Here are words they used to express themselves.
Limits on Phone Communications

Proposal

- 7 Attempts Per Week
- One Communication
- Per Debt
- Prohibitions - Inconvenient Times and Places and Workplace
- Limits Apply to Third Parties – Location Information and Limited Content Messages (LCM)
- Consumer Opt-Out Allowed

Problems

- Per Debt Rather than Per Consumer – Could Lead to Dozens of Attempts Per Week
- LCM Phone Messages to Third Parties are an Invasion of Privacy
- Opt-Out – in Writing

Recommendation

- Three Attempts Per Week
- One Conversation
- Per Consumer
- Prohibit LCM Phone Messages Left with Third Parties
- Opt-Out that Could be Provided Orally

@ProsperityNow
prosperitynow.org
Electronic Communications

Proposal
- Unlimited
- Includes Texts, Emails, Private Social Media Messaging, and LCMs
- Option to Opt-Out
- Prohibitions – Inconvenient Times & Places, Workplace and Public Facing Social Media

Problems
- No Caps Encourages Collectors to Send an Excessive Number of Communications
- Form of Opt-Out Determined by Collector

Recommendations
- No Communications Unless Consumer Expressly Consents to Receive Them
- Without Express Consent – Need More Clearly Defined Opt-Out by Bureau

@ProsperityNow
prosperitynow.org
The Court System

Attorney “Safe Harbor”
- Proposal – Allowed to File Suit After Reviewing Undefined Information
- Recommendation – Before Filing Claim, Must Consult Original Account-Level Documentation

Expired Debt
- Proposal – Prohibition on Suing or Threatening to Sue for Old Debt
- Recommendation – Complete Prohibition on Collecting Time-Barred Debt
Disclosures

Required Notice

1. Important Background Information – Name of Consumer, Amount Owed Broken Down by Principal, Interest and Fees, Etc.
2. Right to Dispute Debt
3. Right to Request Original Creditor Name and Address
Proposed Notices and Consumer Rights

**Oral Notice**
- **Proposal**
  - Allows During Initial Conversation
- **Recommendation**
  - Should be Required to Send Written Notice

**Electronic Notice**
- **Proposal**
  - Allows With Opportunity to Opt Out
  - Can Send Via Hyperlink
- **Recommendation**
  - Require Express Consent
  - Prohibit Notice by Hyperlink

**Statement of Rights**
- **Proposal**
  - Provides Link to Bureau’s website with List of Additional Protections
- **Recommendation**
  - Must Accompany Other Required Disclosures in Writing
  - Prohibit by Hyperlink if Electronic
Debt Collection Proposal

Comments Due -- September 18, 2019

Sign On to Prosperity Now’s Comment Letter: https://prosperitynow.quorum.us/campaign/22094/
Advocacy Matters

- Influence the CFPB
- Demonstrate Public Opposition to Weak Rule
- Create Media Interest in Issue and Rule
- Push Decision Makers outside the CFPB to Push for a Stronger Rule

Sept. 18 is Deadline to Submit Comments
Four Core Ways to Advocate on Rule Organizational Grasstops Comments, Sign-on Letters, Network Activation

Grassroots Comments—share stories from community

Communications work—LTEs, Twitter Storms

Stories from Communities impacted by Debt Collection
Grasstops Comments

Even a Single Page Will Have Impact


Easy to Submit at Regulations.gov

Put CFPB-2019-0022 in the Subject line of any communication

ROADMAP: Help Strengthen the CFPB’s Debt Collection Rule! Comments Due September 18, 2019

The Consumer Financial Protection Bureau (CFPB) has proposed a new rule governing debt collectors. In many ways, the rule does more to protect abusive collectors than consumers. You can help push for a strong rule that protects consumers by submitting a comment by August 19 and spreading the word to encourage others to do so.

Tell CFPB how debt collectors impact your community and what you think of the proposed rule. The comment does not need to be technical or long. Even a one-page letter highlighting the issues that are important to you will help push the CFPB towards a stronger final rule.

Below is a roadmap with some ideas on how to craft a comment with links to materials, instructions for submission, and a link to a grassroots comment card to distribute to your network.

STEP 1

Why do you care about debt collection?
Describe your organization and how current debt collection practices affect people in the communities you care about. Frame this with state specific data available here: http://bit.ly/StateDebtFactSheets. If your organization has its own reports or state specific statistics, number of clients represented in debt collection matters for instance, even better.

STEP 2

Individual stories are key!
Once you have set the stage with background on your group, your work, and debt collection in your state, tell the story of the affects of debt collection in your community through individual stories. For example: How does it impact people when the phone rings every day from a debt collector? Are they being sued or threatened for debts they do not owe or old debts they do not remember? Are debt collection lawyers bringing lawsuits with faulty information? Is paper mail about legal notices important to your clients with limited electronic access?

STEP 3

Link individual stories and your work to the rule.
Now that you have drawn the reader in with a consumer story, relate that story to the need for a stronger rule. NCLC’s Issue Brief on the rule http://bit.ly/DebtRuleSummary outlines several problems with rule including allowing collectors to:
1. Ring you 7 times per week, per debt. Consumers with 8 medical debts could receive 56 calls a week!
2. Contact you by text, email or direct message without your permission, and sending legally required notice through hyperlinks in email or texts.
3. Sue you without their attorneys reviewing original account documents to make sure you are the right person and the debt is the right amount.
4. Collect debt that is so old that the deadline for a lawsuit has passed and records of who owes the debt and for how much may be lost.

You may also want to support elements of the proposal that are positive, such as the limit of one conversation per week, but urge that it be strengthened to be one conversation per consumer, not per debt. What will the proposed rule mean for your community?

STEP 4

Submit your comment and ask your network to comment!
You must put CFPB-2019-0022 in the subject line of any communication. You can submit your comment via: NCLC’s Comment portal: http://bit.ly/CfcbCommPortal the Regulations.gov portal; email to 2019 NPRM DebtCollections@cfpb.gov or mail to Comment Intake, Bureau of Consumer Financial Protection, 1700 G Street NW, Washington, DC 20552. Encourage individuals to use the grassroots comment card: http://bit.ly/GsCommCard (which they can even email by taking a picture of it with their smartphone). Please forward this document to anyone you think may be interested in commenting.

Questions? Contact Michael Best at mbest@nclc.org
Grasstops Sign-On & Network Activation

Prosperity Now Sign-on: https://prosperitynow.quorum.us/campaign/22094/


Please send Roadmap and sign-ons to Grasstops and Grassroots Networks
Grassroots Comments

Distribute Cards at Events: https://www.nclc.org/issues/comment-card.html

Folks can even take a picture of the card and email to CFPB


Ask folks to relate one of the 4 points on card to a story form their community

Put CFPB-2019-0022 in the Subject line of any Communication
Communications

Letters to Editor Ready to be Placed


Thursday 8/8: Older Consumers and Debt Collection

Friday 8/9: Racial Disparities in Debt Collection

Older Consumers Engage in Harmful Debt Coping Strategies
- skip meals
- miss medical appointments
- forgo home and auto repairs
- discontinue medications

Communities of Color Experience Higher Rates of Debt in Collections
- Predominantly White: 27%
- Predominantly Non-White: 45%
- Overall: 33%
The More we Ground our Advocacy in Lifting up the Voices of those being Harmed by Debt Collectors the More Effective it Will be


- Collection or Lawsuits on Old, Time-Barred (Zombie) Debt
- Harassment and Threats
- Excessive Phone Calls
- Misleading and/or Confusing Disclosures

Questions? Need Links to Resources?
Email: mbest@NCLC.org
Q & A
This is a group discussion! However, all webinar attendees are muted at the start to ensure sound quality.

Share comments or ask questions at any time by typing the question into the text box on the control panel.

If you experience any technical issues, email gotomeeting@prosperitynow.org
Next Steps

- Visit our **Advocacy Center** to stay up to date with advocacy efforts.
- Sign up for other **Networks and Campaigns** to stay in the know about issues you care about.
- Let us know your **suggestions** for future call topics.
Take action with Prosperity Now Campaigns!

Sign up to stay informed about the latest developments and opportunities to take action by joining one of our four federal policy campaigns.

**HOMEOWNERSHIP**
Homeownership is key to building wealth. Together, we will advocate for products and policies that provide more affordable homes to more people.

**CONSUMER PROTECTIONS**
Consumer protections create fairer, more transparent financial markets. Together, we will ensure consumers keep the safeguards they deserve.

**FINANCIAL SECURITY**
Safety net programs help protect vulnerable individuals and families from falling deep into poverty. Together, we will protect programs like SNAP, IDAs and more to help those in need when they need it most.

**TAX REFORM**
The vast majority of tax incentives go to those at the top, not to those who need it most. Together, we will turn our upside-down tax code right-side up.

Visit any of the Campaigns above at https://prosperitynow.org/take-action to learn more and join.
Thank You!

Please complete our survey!