



July 10, 2013

CONSUMER FINANCIAL PROTECTION BUREAU PUTS COMPANIES ON NOTICE ABOUT HARMFUL DEBT COLLECTION PRACTICES

The Consumer Financial Protection Bureau (CFPB) published two bulletins today that put companies on notice about harmful debt collection practices. The CFPB also announced that it is publishing action letters for consumers to consider using in corresponding with debt collectors and is now accepting debt collection complaints.

Debt Collection by the Numbers

- **30 Million:** Almost 15 percent of all credit reports – covering an estimated 30 million consumers – show items in collection
- **\$1,400:** Average amount of debt subject to collection
- **4,500:** Approximate number of debt collection firms in the United States
- **\$12.2 billion:** Approximate amount of industry’s annual receipts
- **63 percent:** Percentage of industry’s annual receipts generated by firms that are subject to CFPB supervision

Overview

The CFPB established its authority to supervise firms with more than \$10 million in annual receipts from consumer debt collection activities in January 2013. The Bureau’s supervision authority extends to about 175 debt collectors, which represents more than 60 percent of the debt collection industry’s annual receipts. Through the CFPB’s broad supervisory authority, the Bureau has a window into every stage of the credit process – from the origination of credit to debt collection.

Many collection firms play by the rules and treat consumers fairly, but those that do not can cause financial harm to consumers and undermine the financial marketplace. Banks and other creditors may collect their own debt. They also may sell off debt to third parties. Those third-party debt buyers may collect the debt themselves or sell it off again for collection. Any entity that is subject to the Consumer Financial Protection Act of 2010 is legally required to refrain from committing unfair, deceptive, or abusive acts or practices that would violate the Act.

CFPB Releases Bulletins on Practices in the Debt Collection Market

The Bureau published two bulletins on debt collection today. The first makes clear that any entity subject to the Consumer Financial Protection Act of 2010 can be held accountable for any unfair, deceptive, or abusive practices in collecting a consumer’s debts—regardless of who is collecting the debt. The second warns companies to avoid deceptive statements concerning the impact of paying a debt on a consumer’s credit score, credit report, or creditworthiness.

According to today’s first bulletin the following practices, among others, may be illegal:

- **Threatening action that the debt collector does not have the authority to pursue.** Debt collectors and creditors should not make false threats of lawsuits, arrest, prosecution, or imprisonment for non-payment of debt.
- **Falsely representing the character, amount, or legal status of the debt.** Debt collectors and creditors should not falsely represent who owns the debt, the amount of debt that is owed, or the debt's legal status.
- **Misrepresenting that a consumer's debt would be waived or forgiven.** Debt collectors and creditors should not misrepresent that a debt would be waived or forgiven if a consumer accepted a settlement offer when the company is not, in fact, forgiving or waiving the debt.
- **Failing to properly post payments or credit to a consumer's account with payments.** Debt collectors and creditors should not fail to properly post payments or credit to a consumer's account and then charge late fees to that customer if the customer paid on time.

The bulletin on unfair, deceptive, and abusive practices is available at:

http://files.consumerfinance.gov/f/201307_cfpb_bulletin_unfair-deceptive-abusive-practices.pdf

According to today's second bulletin, companies need to be careful whenever they make statements concerning the impact of paying a debt on a consumer's credit score, credit report, or creditworthiness. The Bureau is concerned that some of these statements, like telling consumers that paying a debt would improve their credit score, may be deceptive. The bulletin highlights examples of potentially deceptive claims debt collectors may be making to consumers about their credit reports and credit scores.

The bulletin on debt collectors discussing consumers' credit is available at:

http://files.consumerfinance.gov/f/201307_cfpb_bulletin_collections-consumer-credit.pdf

Action Letters for Consumers

The CFPB is also publishing five action letters that consumers can consider using when corresponding with debt collectors. These letters may help consumers get valuable information about claims being made against them or protect themselves from inappropriate or unwanted collection activities. The letters address the following situations when the consumer:

- **Needs more information on the debt:** The first letter is for consumers who need more information about a debt the collector has told them that they owe. The letter states that the consumer is disputing the charges until the debt collector answers specific questions about what is owed. This letter may be useful, for example, for a consumer who may not immediately recognize the debt as their own or for those who want to find out more about the debt before they pay it.
- **Wants to dispute the debt and for the debt collector to prove responsibility or stop communication:** This letter tells the collector that the consumer is disputing the debt and instructs the debt collector to stop contacting the consumer until they provide evidence that the consumer is responsible for that debt. For example, consumers who do not want to discuss the debt until they have additional information verifying the debt might use this template.
- **Wants to restrict how and when a debt collector can contact them:** The Fair Debt Collection Practices Act prohibits debt collectors from contacting a consumer about a debt at a time or place they should know is inconvenient. With this letter, the consumer is able to tell the debt collector how they would like to be

contacted. This may be a useful option for a consumer who wants to work with a collector to resolve their debt.

- **[Has hired a lawyer](#)**: If a consumer has hired a lawyer, generally, the debt collector should be contacting the lawyer instead of the consumer. This letter template provides a way for the consumer to give the debt collector the lawyer's information and instruct the collector to contact only the lawyer.
- **[Wants the debt collector to stop any and all contact](#)**: Consumers have the right to tell a debt collector to stop all communication. It is important, however, to note that stopping contact from a debt collector does not cancel the debt or prohibit the collector from potentially pursuing other remedies, such as filing a lawsuit. This letter template could be beneficial for those consumers who feel they are being harassed by a collector's communications.

Debt Collection Complaints

The CFPB also announced that it is taking complaints about debt collection as of 9 a.m. Wednesday. The CFPB can accept complaints from consumers experiencing debt collection problems related to any consumer debt, including credit card debt, mortgages, auto loans, medical bills, and student loans.

Consumers can submit a complaint to the CFPB against any company collecting a consumer debt from them. Consumers can choose to also file a second, separate complaint against the company with which they had the original account. If consumers submit their debt collection complaint through the CFPB website, they will be using an intake system that is newly designed to improve the user's experience.

The CFPB has been taking consumer complaints since launching on July 21, 2011, beginning with credit card complaints, and also accepts complaints about mortgages, bank accounts and services, private student loans, consumer loans, credit reporting, and money transfers. The Bureau requests that all companies respond to complaints within 15 days with the steps they have taken or plan to take, and expects all but the most complicated complaints to be closed in 60 days. Consumers are given a tracking number after submitting a complaint and can check the status of their complaint by logging on to the CFPB website.

To submit a debt collection complaint, consumers can:

- Go online at www.consumerfinance.gov/Complaint:
- Call the toll-free phone number at (855)411-CFPB (2372) or TTY/TDD phone number at (855) 729-CFPB (2372);
- Fax the CFPB at (855) 237-2392 or
- Mail a letter to Consumer Financial Protection Bureau, P.O. Box 4503, Iowa City, Iowa 52244

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.