

A snapshot of debt collection complaints submitted by older consumers

Office for Older Americans

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1. Introduction

Older Americans, like many of their younger counterparts, increasingly have debts in collection. From 2002 to 2012, the percentage of American consumers with at least one account in collection increased from less than 9 percent to a record 14.6 percent (approximately 30 million adults).¹ Older Americans are likely to continue being part of this trend as many of them hold debt and struggle to stay current on their obligations.²

Since September 2013, consumers have submitted more complaints with the Consumer Financial Protection Bureau (CFPB or Bureau) about debt collection than about any other product or service.³ Older consumers are no exception to this trend. This snapshot provides an

¹ See Fed. Reserve Bank of N.Y., *Quarterly Report on Household Debt and Credit* (Aug. 2014), at 15, available at http://www.newyorkfed.org/householdcredit/2014-q2/data/pdf/HHDC_2014Q2.pdf (referring to collection actions predominantly associated with medical and utility bills).

² See generally, Fed. Reserve Bd., 2013 Survey of Consumer Finances Chartbook (2013), at 837, available at <http://www.federalreserve.gov/econresdata/scf/files/BulletinCharts.pdf> (showing the percentage of families with debt by age from 1989-2013); see generally, Fed. Reserve Bd., *Insights into the Financial Experiences of Older Adults: A Forum Briefing Paper* (July 2013), at 49, available at <http://www.federalreserve.gov/newsevents/conferences/older-adults-forum-paper-20130717.pdf> (showing that 14 percent of consumers age 60 to 69 and 11 percent of consumers age 70 and older needed help covering the costs of bills and expenses in 2013).

³ Complaints are submissions that express dissatisfaction with, or communicate suspicion of wrongful conduct by, an identifiable entity related to a consumer's personal experience with a financial product or service. The CFPB accepts, responds to and analyzes consumer complaints. 12 U.S.C. § 5493(b)(3). Since July 2011, the CFPB has continued to work toward expanding its complaint handling to include new products and services under its authority. For more information about the CFPB complaint handling process, visit: <http://www.consumerfinance.gov/complaint/process/>.

overview of the debt collection complaints that older consumers submitted to the CFPB from July 2013 to September 2014.⁴

⁴ The CFPB's Office of Financial Protection for Older Americans prepared this snapshot. The Office, among other things, works with other offices throughout the Bureau to protect individuals 62 and older from unfair, deceptive, and abusive practices. 12 U.S.C. § 5493(g)(1) and (g)(3)(E).

2. One-third of complaints from older consumers are about debt collection

Between July 10, 2013 and September 30, 2014, the CFPB handled approximately 25,800 complaints from older consumers about a range of products and services.⁵ Over one-third of those complaints were about debt collection.⁶ (Figure 1)

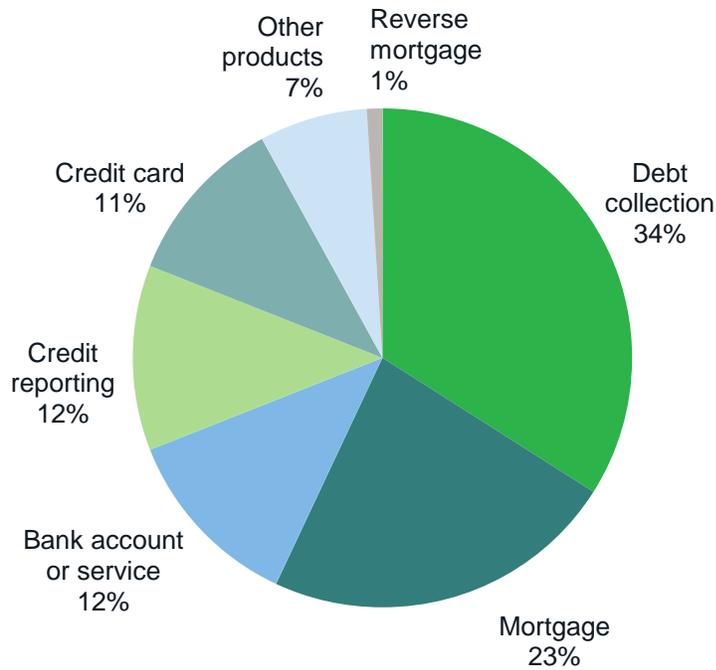
Since September 2013, older consumers, like their younger counterparts, have consistently submitted more complaints each month about debt collection than about any other financial product or service.

“A collection agency called repeatedly to collect on a debt that is not mine. I told them it is not mine. Consequently, they put a lien against my property.”

⁵ The data and analysis presented in this snapshot is based on the complaints submitted by or on behalf of consumers who voluntarily reported their age as 62 and older.

⁶ Debt collection complaints accounted for 35 percent of all of the complaints submitted to the Bureau during the same period.

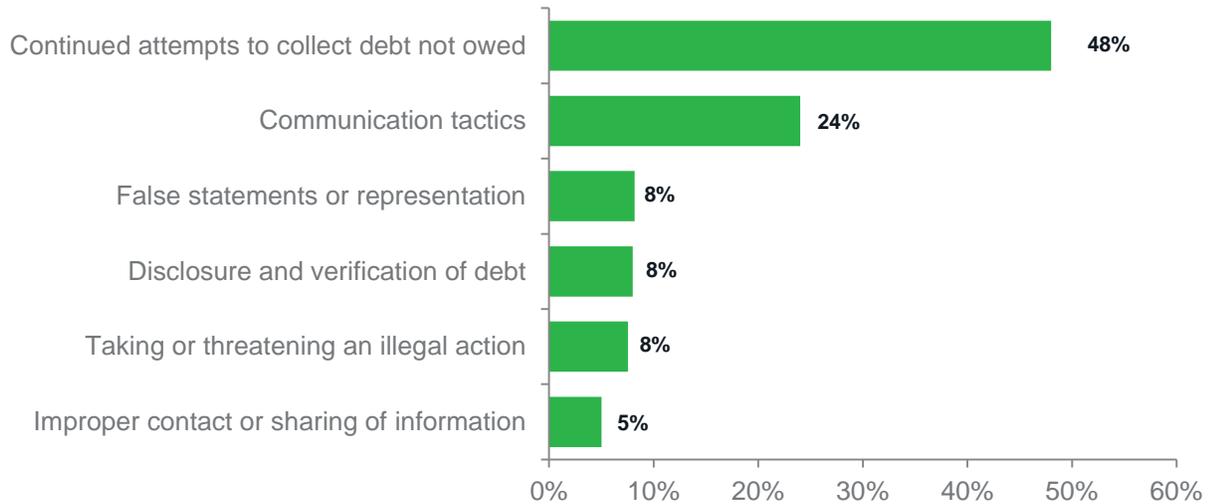
FIGURE 1: OLDER CONSUMERS' COMPLAINTS – BY PRODUCT (JULY 2013 – SEPTEMBER 2014)⁷



Source: CFPB Complaints

⁷ Figure 1 shows the distribution of complaints submitted to the CFPB by older consumers from July 10, 2013 to September 30, 2014 by product. The category “other products” includes consumer loans (3 percent), money transfers (1 percent), student loans (1 percent), and other products and services (1 percent).

FIGURE 2: OLDER CONSUMERS' DEBT COLLECTION COMPLAINTS – BY ISSUE (JULY 2013 – SEPTEMBER 2014)⁸



Source: CFPB Complaints

2.1 Older consumers complain of misidentification

Older consumers' most frequent debt collection complaint is that collectors demand payment of a debt not owed. (Figure 2) Many report that although they may have the same name as the actual consumer alleged to owe a debt, they are not the correct consumer. Older consumers also report that collectors reject or ignore their attempts to correct instances of mistaken identification.

⁸ The percentages in this figure are similar with complaints submitted by consumers of all ages. Percentages may not sum up to 100 percent due to rounding.

“I am receiving a large volume of telephone calls from [debt collection company] regarding an apparent debt owed by my ex-wife from whom I have been divorced for 15 years. [The debt collection company] acknowledged receipt of my email protest. I also wrote to their CEO. In response, the communications from [the debt collection company] have increased.”

In addition, when the debt is transferred or sold to another collector, older consumers find themselves trying to explain the same problem to a new collector.

2.2 One-third of older consumers could not identify the debt being collected

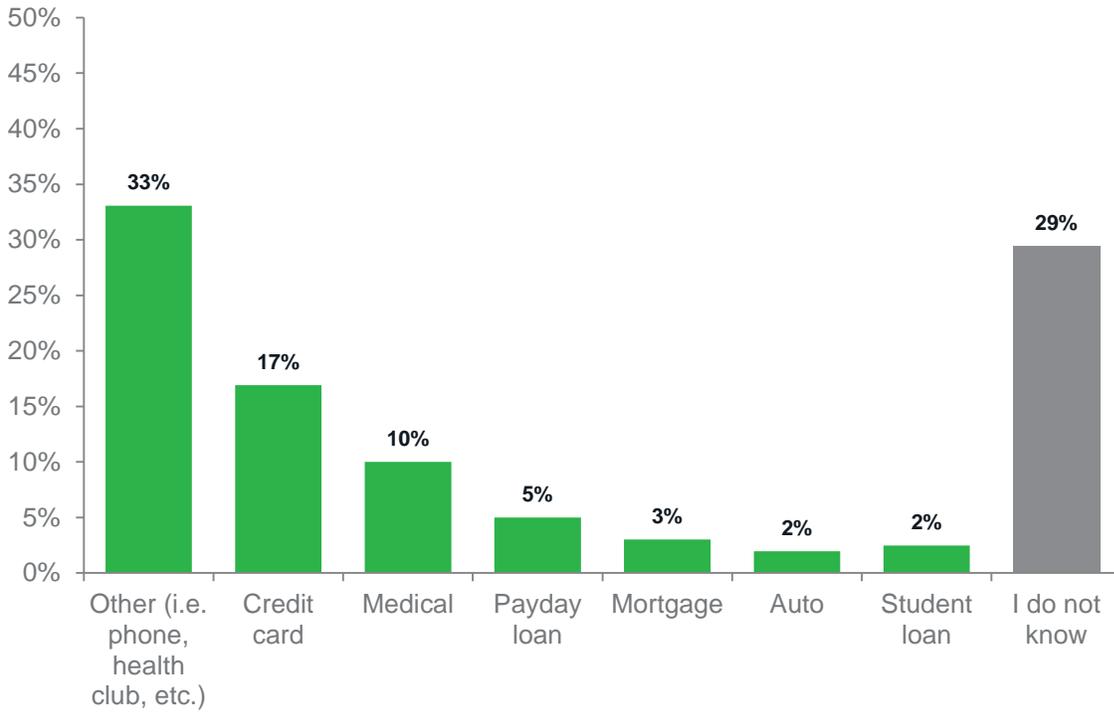
Nearly one-third (29 percent) of the older consumers who submitted debt collection complaints were unable to identify the debt being collected.⁹ This suggests that many older consumers may have insufficient information about debts that are in collection. (Figure 3)

Of the consumers who identified a specific type of debt, 17 percent reported that credit card debt was the original debt. Medical debt accounted for ten percent of the original debts and payday loans accounted for five percent.

The final 33 percent of older consumers reported that the debt originated from a variety of other sources such as rent, homeowners’ association fees and utility bills.

⁹ Similarly, 29 percent of those who self-identify as being under 62 were unable to identify the debt being collected.

FIGURE 3: UNDERLYING DEBTS IDENTIFIED IN OLDER CONSUMERS' DEBT COLLECTION COMPLAINTS (JULY 2013 – SEPTEMBER 2014)¹⁰



Source: CFPB Complaints

¹⁰ Percentages do not equal 100 percent due to rounding.

2.3 Older consumers report that debt collectors have inaccurate or inadequate information about debts they are collecting

Older consumers report that it is difficult to obtain accurate and trustworthy information about alleged debts from collectors. For example, many older consumers report that they inform collectors that they do not owe the debt, do not recognize it, or believe the amount that debt collectors demand is wrong. They also report that collectors fail to provide additional information to help them identify the debt. These complaints often express strong feelings of frustration or confusion.

2.4 Older consumers complain of frustrating problems involving collection of medical debts

Older consumers report problems in the collection of medical debt. These complaints describe frequent and repeated attempts to collect medical bills that are covered by insurance. Older consumers describe being confused and frustrated because debt collectors attempt to collect medical expenses while the consumer is simultaneously attempting to correct billing mistakes or waiting for providers and insurers to resolve disputes.

Another common complaint from consumers is that they first learn that a medical expense is considered unpaid when they review their credit report.¹¹ Older consumers report that they do not have the opportunity to correct misinformation and resolve billing matters before a medical

¹¹ See also CFPB, *Data Point: Medical Debt and Credit Scores* (May 2014), at 5, available at http://files.consumerfinance.gov/f/201405_cfpb_report_data-point_medical-debt-credit-scores.pdf.

or other type of debt is reported to the credit bureaus because they are not notified that the debt is in collection.¹²

“I am a 100% Disabled Veteran P&T, sc. On emergency room visits to the local hospital, [name of hospital] regional emergency dept., the VA was not billed properly or on time and this resulted in 12 claims on my credit bureau report. (9 claims from [company name] Radiology alone?) I was unaware of the extent of the claims until I recently sought financing to install a handicap ramp to my home. When I contacted [name of hospital] regional emergency dept. they said that I had no outstanding balance and that the VA had paid them.”

2.5 Older consumers complain that debt collectors attempt to collect the debts of deceased family members

Older consumers describe collectors’ repeated attempts to collect debts of deceased family members after telling collectors that they are not personally responsible for the debt, or that there is no money left in the deceased borrower’s estate. Many older consumers receive calls to collect a decedent’s debt after they ask collectors to stop contacting them. Older consumers also report that debt collectors continue to call or send letters to family members after informing debt collectors that the deceased’s estate is in probate. Some complaints describe collection attempts made years after probate is concluded.

Many consumers express confusion and frustration about collectors refusing to cease attempts to collect the debt of a deceased relative.

“My husband died ..., 2014. I received a letter on [date] from [name and address of debt collector], Minn. MN. I called today [date]. The first call a woman was asking where I was. I hung up on her. I called back and was referred to [name

¹² See also CFPB, *Consumer Response: A Snapshot of Complaints Received July 21, 2011 through June 30, 2014* (July 2014), at 17, available at http://files.consumerfinance.gov/f/201407_cfpb_report_consumer-complaint-snapshot.pdf.

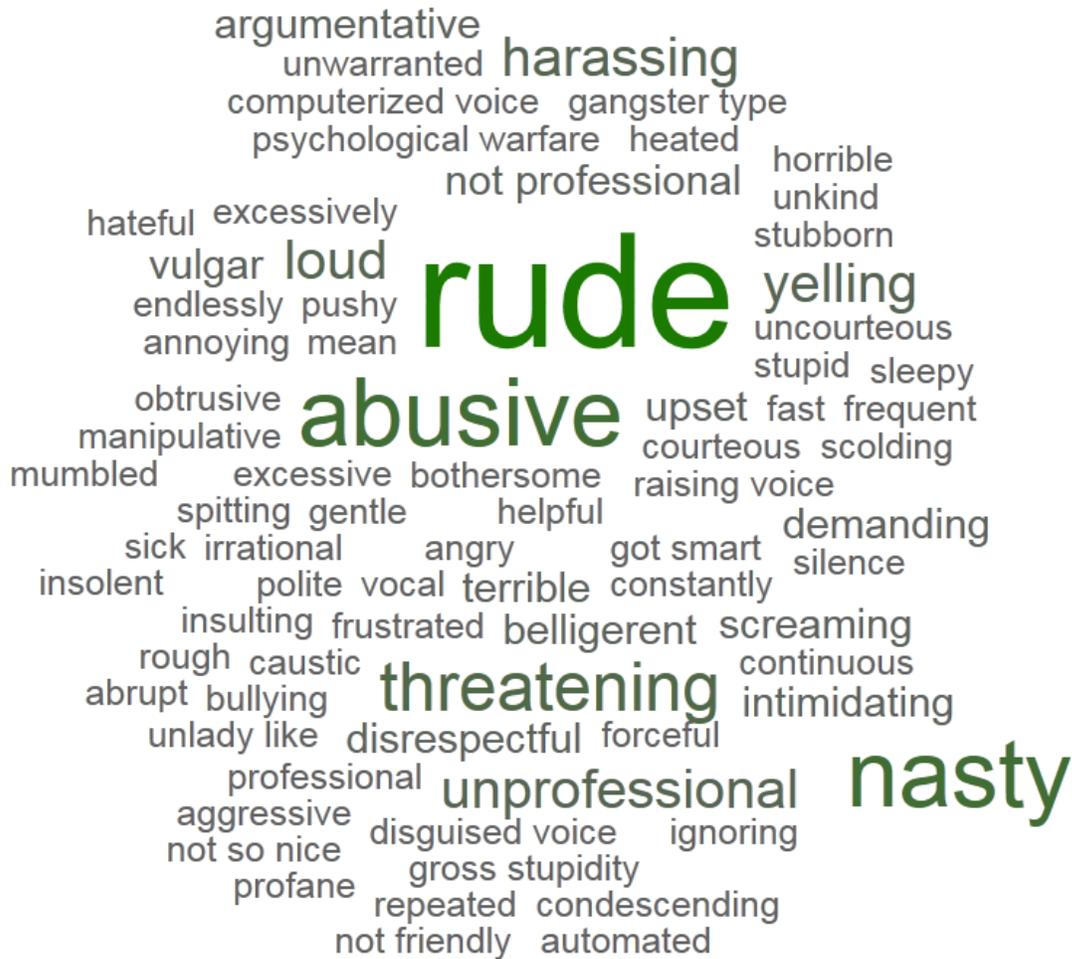
of collector]. After my crying through the whole conversation, he offered for me to pay [three quarters of the balance due on the] doctors' bills of my husband. No one told me I was not responsible for the debt. He was asking what assets my husband had and if I went to probate court on the estate. He told me [that my husband's insurance] never paid anything on the bill. ... I am now reliving watching my husband suffer years of sickness"

2.6 Older consumers complain that debt collectors harass them with repeated calls and offensive language

The second most common debt collection complaint the Bureau receives from consumers involves collectors' communication tactics. Older consumers specifically complain that debt collectors use abusive communication tactics to intimidate, aggravate or coerce them into making payments. Older consumers complain that debt collectors make successive calls using profanity, condescension, indignation or rage, including calling the consumer derogatory names, such as "deadbeat," "liar," or "fraud." When consumers spoke with collectors, many described collectors' voice, tone and attitude negatively, using words such as "rude," "nasty," and "abusive," among others. (Figure 4)

Some older consumers are unable to afford to make debt payments especially when they are retired and live on a small fixed income. Older consumers state that collectors sometimes refuse to take "no" for an answer, criticize their financial choices, and demand that the consumer pay the debt over other expenses, such as rent, utilities or medical expenses.

FIGURE 4: WORDS OLDER CONSUMERS USED TO DESCRIBE COLLECTION CALLS – BY FREQUENCY (JULY 2013 – SEPTEMBER 2014)¹³



Source: CFPB Complaints

¹³ Staff from the Office for Older Americans read approximately 1,200 debt collection complaints submitted by older consumers who complained about communications with collectors. We systematically identified and listed (positive and negative) adjectives, adverbs and phrases used to describe the style, language, and tone used by debt collectors in their verbal communications. Words in Figure 4 appear larger relative to the frequency that they appear in older consumers' complaints.

2.7 Older consumers complain that debt collectors threaten dire consequences for non-payment

Older consumers report that debt collectors threaten dire consequences for non-payment, such as garnishment of wages and federal benefits, arrest, and criminal prosecution.

“[Debt collection company] of [name of city in] IN, has called twice at my work place regarding collection of a federal student loan debt that I do not owe. They say that someone with my same name and same year and month of birth owes \$67,286.86 on a student loan to [...] University. No one in my family has ever attended [that university]. The name of the street for the person’s address that they are seeking does not match mine and the last four numbers of the Social Security Number of the person they are seeking are different from mine. I informed them of this the first time they called a couple of months ago. A person called Ms. [...] called my workplace again on October [...], 2013, asserting the same claim and said that they would be sending an order to my employer to [garnish] my wages. When I told them that what they were doing was illegal, they said that if, “the social security number was not right, then my employer would probably ignore it.””

Debt collectors sometimes threaten to garnish older consumers’ Social Security, Supplemental Security Income (SSI) or Veterans’ benefits, even though these funds ordinarily are not subject to garnishment by the collectors.¹⁴ Older consumers report that these threats cause them significant distress, especially when they rely on these federal benefits to pay essential living

¹⁴ Many federal benefits are generally protected from garnishment. See, e.g., 42 U.S.C. § 407(a); 42 U.S.C. § 1383(d)(1). Some laws, however, authorize exceptions to this rule, for instance for the collection of federal debts. See, e.g., 38 U.S.C. § 5301. See also <http://www.consumerfinance.gov/askcfpb/1157/can-creditor-garnish-my-social-security-benefits-pay-debt.html>; and <https://faq.ssa.gov/link/portal/34011/34019/Article/3731/Can-my-Social-Security-benefits-be-garnished-for-alimony-child-support-or-restitution>.

costs. Consumers also express concern that this distress aggravates existing medical conditions, and thereby endangers their health.

In addition, older consumers report that debt collectors threaten to arrest them at work or in front of their family members and send them to jail.

Older consumers also report receiving suspicious calls from individuals who claim to be debt collectors. In many cases, these callers claim to be working with local police, and threaten consumers with arrest if they refuse to authorize payment by phone.¹⁵ Many of these complaints may be describing a perennial scam in which imposters defraud consumers by falsely claiming that they owe a debt.¹⁶

¹⁵ See, e.g., FTC, Press Release, *Court Halts Alleged Fake Debt Collector Calls from India, Grants FTC Request to Stop Defendants Who Often Posed as Law Enforcement* (Feb. 21, 2012), at <http://www.ftc.gov/news-events/press-releases/2012/02/court-halts-alleged-fake-debt-collector-calls-india-grants-ftc>.

¹⁶ See, e.g., FBI, Press Release, *New Variation on Telephone Collection Scam Related to Delinquent Payday Loans* (February 22, 2012), at <http://www.fbi.gov/scams-safety/e-scams>.

3. Referrals of and company responses to older consumers' debt collection complaints

Of the approximately 8,700 debt collection complaints that the Bureau has received from older consumers, it has forwarded approximately 3,800 to 650 companies for review and response. Since July 2013, CFPB has sent complaints to more debt collection companies than any other type of company, including mortgage and credit card companies. (Table 1)

TABLE 1: NUMBER OF COMPANIES OLDER CONSUMERS HAVE COMPLAINED ABOUT (JULY 2013 – SEPTEMBER 2014) ¹⁷

| Products | Number of companies | Number of complaints sent to companies |
|-------------------------|---------------------|--|
| Debt collection | 650 | 3,800 |
| Mortgage | 220 | 5,400 |
| Bank account or service | 100 | 2,000 |
| Consumer loan | 100 | 500 |
| Credit card | 70 | 2,100 |

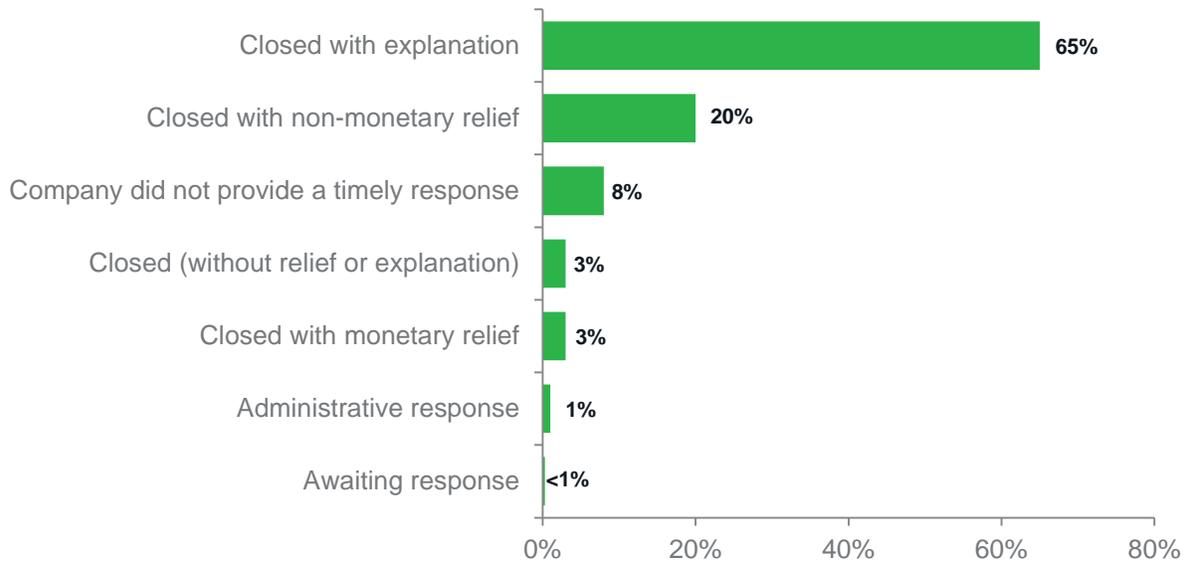
Source: CFPB Complaints

Companies have responded to over 92 percent of the complaints sent.¹⁸ The majority of these complaints were ‘closed with explanation,’ which includes an explanation describing the company’s response to the complaint. In other instances, companies provided monetary or non-monetary relief to the consumer. (Figure 5)

¹⁷ The table shows the number of companies older consumers have complained about and the number of complaints sent for the top five complaint categories. The number of complaints is rounded to the nearest 100.

¹⁸ After the CFPB forwards complaints to companies, the company has 15 days to respond and 60 days to provide a final response, where applicable. Company responses provided outside of these windows are deemed untimely. However, consumers eventually receive a response in 60 percent of cases where companies did not respond in a timely manner.

FIGURE 5: COMPANIES' RESPONSES TO DEBT COLLECTION COMPLAINTS BY OLDER CONSUMERS (JULY 2013 – SEPTEMBER 2014)



Source: CFPB Complaints

The remaining 4,900 debt collection complaints were sent to other regulatory agencies or were incomplete or pending at the time of publication. In many of the incomplete or pending complaints, the debt collector's identity was unknown, or the debt collector was unresponsive to the consumer's request for information about its identity. Determining the identity of collectors is often difficult due to the large number of debt collectors and the frequent sale and transfer of debts from one company to another.¹⁹

¹⁹ See FTC, *The Structure and Practices of the Debt Buying Industry* (Jan. 2013), at 11, available at <http://www.ftc.gov/sites/default/files/documents/reports/structure-and-practices-debt-buying-industry/debtbuyingreport.pdf>.

4. Conclusion

Older consumers submit more complaints about debt collection than about any other product or service. According to complaints, older consumers experience a range of problems – from the dearth of basic information about the debts being collected, and collection attempts that target the wrong consumer, to collectors’ use of coercive, offensive or misleading communications.

Consumers often tell us that these practices lead to confusion about how to respond to collection attempts and some say it causes them severe distress and anxiety.

As a rising number of older consumers carry debts into retirement,²⁰ informed debt management and protection from collector misconduct are increasingly critical to older consumers’ long-term financial security and well-being. This holds especially true for those older consumers who live on a fixed income, derive their income primarily from federal benefits, or lost significant assets and savings in the recent recession.

²⁰ See footnote 1, *supra*.