



CONSUMER FINANCIAL PROTECTION BUREAU TO OVERSEE DEBT COLLECTION MARKET

The Consumer Financial Protection Bureau (CFPB) published a rule today that will allow the agency to supervise the larger consumer debt collectors for the first time at the federal level. The CFPB also released the field guide that examiners will use to ensure that firms engaging in debt collection are following the law.

Debt Collection by the Numbers

- **30 Million:** approximate amount of American consumers currently subject to debt collection
- **\$1,500:** 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 will be subject to CFPB supervision

Overview

The consumer debt collection market covered by the rule includes three main types of debt collection: first, firms that may buy defaulted debt and collect the proceeds for themselves; second, firms that may collect defaulted debt owned by another company in return for a fee; and third, there are debt collection attorneys that collect through litigation. A single company may be involved in any or all of these activities. By expanding the supervision program to oversee the nonbanks that are larger participants in the consumer debt collection market, the Bureau will now have a window into every stage of the process – from the origination of credit to debt collection.

Debt collectors often report consumers' collection status to the credit bureaus. If they get the information wrong, this can be the difference between getting approved or denied for such financial products as a mortgage or a car loan.

The CFPB's supervision authority over these entities will begin when the rule takes effect on Jan. 2, 2013. Under the rule, any firm that has more than \$10 million in annual receipts from consumer debt collection activities will be subject to the CFPB's supervisory authority. This authority will extend to about 175 debt collectors, which represents over 60 percent of the debt collection industry's annual receipts.

Areas of Focus for the CFPB

Pursuant to the CFPB's supervision authority, examiners can assess potential risks to consumers and whether debt collectors are complying with requirements of federal consumer financial law. Among other things, examiners will be evaluating whether debt collectors:

- **Provide Required Disclosures:** Examiners will evaluate whether debt collectors are properly identifying themselves and properly disclosing the amount of debt owed. The CFPB intends to ensure that debt collectors are upfront and clear with consumers.
- **Provide Accurate Information:** Examiners will assess whether debt collectors are using accurate data in their pursuit of debt. Inaccurate information can lead to collectors attempting to collect debt that consumers do not owe or have already paid.

- **Have a Consumer Complaint and Dispute Resolution Process:** As part of the CFPB's compliance management review, examiners will assess whether complaints are resolved adequately and in a timely manner, whether the complaints highlight violations of federal consumer financial law, and whether the debt collector has a process in place to address consumer disputes.
- **Communicate Civilly and Honestly with Consumers:** Examiners will be assessing whether debt collectors have harassed or deceived consumers in pursuit of debt. For example, debt collectors should not be using obscene or profane language with consumers. Nor should they be engaging the consumer in telephone conversations repeatedly or continuously with intent to annoy, abuse, or harass. Debt collectors cannot threaten to imprison consumers who do not pay their debt or threaten to tell the consumer's employer about the debt.