

# Fair Debt Collection Practices Act

BCFP Annual Report 2019



# Message from Kathleen L. Kraninger

Director of the Bureau of Consumer  
Financial Protection



The Bureau of Consumer Financial Protection (the Bureau) and the Federal Trade Commission (FTC) are pleased to present the 2019 Fair Debt Collection Practices Act (FDCPA) Annual Report. In 1977, Congress passed the FDCPA “to eliminate abusive debt collection practices by debt collectors.”<sup>1</sup> The Bureau engages in a wide range of supervision, enforcement, rulemaking, guidance, consumer education, and other activities to implement the FDCPA.

The Bureau is statutorily required under 15 U.S.C. § 1692m(a) to provide this annual report to Congress regarding its administration of its FDCPA and other consumer protection-related debt collection responsibilities. Under 15 U.S.C. § 1692m(b), the Bureau is allowed to obtain the views of other agencies with enforcement functions under section 1692(l) of Dodd-Frank, and so discussion of the Federal Trade Commission’s debt collection activities in 2018 is integrated throughout this report. The Bureau and the FTC share authority to enforce the FDCPA, and the two agencies work closely together to coordinate our respective debt collection efforts.

The Bureau received approximately 81,500 complaints about first-party and third-party debt collection in 2018, making debt collection one of the most prevalent topics of consumer complaints about financial products and services received by the Bureau. In 2018, the Bureau engaged in six public enforcement actions arising from alleged FDCPA violations. The Bureau brought an action that resulted in an \$800,000 civil penalty. It also accepted a judgment in favor of the defendant in a second case. Four other FDCPA cases remain in active litigation. The Bureau also filed briefs *amicus curie* in two cases arising under the FDCPA: one in the Supreme Court and the other in a federal court of appeals.

In the area of financial education, the Bureau offers consumers a variety of information, tools, and programs about debt collection, as well as about major financial choices and other money decisions. As of the end of 2018, the Bureau trained over 26,535 staff and volunteers in social

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<sup>1</sup> 15 U.S.C. § 1692(e).

service organizations on *Your Money Your Goals*—a financial empowerment toolkit. The Office of Servicemember Affairs launched a new debt collection-themed chapter in its *Misadventures in Money Management* virtual financial learning experience, addressing topics such as understanding the FDCPA, dealing with debt collectors, and understanding different strategies for dealing with high levels of credit card debt.

The Bureau continued research projects, market monitoring efforts, and outreach activities to improve its understanding of the debt collection market and its impact on consumers and credit markets, publishing a report on the collection of telecommunications debt in August, 2018. In fulfillment of the Bureau's mandate to monitor the debt collection industry, the Bureau is also conducting a survey of major credit card issuers' collection practices as part of the forthcoming 2019 Credit Card Market Report. These research and market monitoring activities have aided in the ongoing development of Bureau positions and policies relating to debt collection, including assisting in the agency's rulemaking work.

The Bureau will issue a Notice of Proposed Rulemaking relating to debt collection in spring 2019. The Notice of Proposed Rulemaking will address such issues as communication practices and consumer disclosures.

The Bureau understands that the debt collection industry, by and large, wants to comply with consumer protection laws. However, where there are bad actors who violate the law, we will take enforcement actions to protect consumers. The Bureau is committed to vigorously enforcing all consumer financial laws under its statutory authority, including the FDCPA, as well as to educating and empowering consumers to make better-informed financial decisions. We will continue to work to make sure that American consumers are treated fairly, that debt collectors can compete on a level playing field, and that all stakeholders can benefit from new developments in business practices and technology.

Sincerely,



Kathleen L. Kraninger

# Message from Joseph J. Simons



## Chairman of the FTC

As part of its broad mandate to protect consumers from unfair, deceptive, and fraudulent practices in the marketplace, the Federal Trade Commission (FTC) works vigilantly to combat unlawful debt collection practices. Although debt collection has important benefits for the availability and cost of credit in the marketplace, illegal debt collection practices harm consumers on a daily basis. Some of these practices include attempts to collect phantom debts—debts that do not exist or are not owed to the debt collector—and the use of aggressive tactics such as false threats of arrest or imprisonment. Indeed, of the millions of complaints fielded by the FTC on an annual basis, debt collection remains a top consumer complaint category year after year.

Accordingly, the FTC has made it a priority to protect and educate consumers on debt collection, employing a multi-pronged approach. Given that the FTC is primarily a law enforcement agency, investigating and bringing legal actions against bad actors in the debt collection industry is at the core of the FTC's efforts. In 2018 alone, the FTC filed or resolved 7 cases against 52 defendants and obtained more than \$58.9 million in judgments. Moreover, the FTC secured permanent bans against 32 companies and individuals who engaged in serious and repeated violations of law, barring them from ever working in the debt collection industry again.

The FTC's robust law enforcement efforts are complemented by extensive education and public outreach. Consumers who are well informed about their rights under the FDCPA are better equipped to combat abusive tactics employed by debt collectors. The FTC's public outreach also educates businesses about their obligations under the law. Using multiple formats and channels—such as print and online materials, blog posts, speeches, and presentations—the FTC reaches tens of millions of consumers. Moreover, the online Business Center, which houses the FTC's business education resources for industry members, logged more than 4.4 million page views in 2018.

The FTC also engages in other initiatives that spotlight important issues in the debt collection industry. For example, last year the FTC published a paper on the various financial issues that military servicemembers face, as a follow on to an FTC workshop. The paper highlights the

unique challenges confronted by military consumers, including how debts in collection can endanger a servicemember's security clearance and how debt collectors can employ uniquely coercive tactics such as threatening to tell servicemembers' commanding officers about alleged debts.

As partners in our consumer protection mission, the FTC and CFPB work closely to coordinate our parallel efforts in the debt collection space. We share debt collection complaints, cooperate on consumer education efforts, and consult on debt collection rulemaking and guidance initiatives. Furthermore, FTC and CFPB staff meet on a regular basis to confer regarding ongoing and upcoming law enforcement against scofflaw collectors.

As illustrated by this Report, the FTC has an unwavering commitment to protect consumers from illegal debt collection tactics, promote lawful practices in the market, and collaborate with law enforcement partners on this important issue. We will continue to monitor the industry and combat unlawful debt collection practices that harm consumers and businesses.

Sincerely,

A handwritten signature in blue ink that reads "Joseph J. Simons". The signature is written in a cursive, flowing style.

Joseph J. Simons

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# 1. Introduction

The Bureau of Consumer Financial Protection is pleased to submit to Congress its annual report summarizing activities to administer the Fair Debt Collection Practices Act (“FDCPA”), 15 U.S.C. § 1692 *et seq.* The Bureau of Consumer Financial Protection (“Bureau”) and the Federal Trade Commission (“FTC” or “Commission”) share government enforcement responsibility for the FDCPA. The Commission’s activities during the past year are included in this report. The Bureau and the Commission work closely to coordinate debt collection enforcement actions and other matters related to debt collection.<sup>2</sup>

This report provides background on the debt collection market; contains an overview of consumer complaints submitted to the Bureau and the FTC in 2018; summarizes the Bureau’s supervisory activities in the debt collection market; describes the Bureau’s and the Commission’s enforcement actions; describes *amicus curiae* briefs filed in cases related to the FDCPA; presents the Bureau’s and the FTC’s consumer education and outreach initiatives; and discusses developments in the Bureau’s research, market monitoring, and rulemaking activities and the FTC’s policy and research initiatives.

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<sup>2</sup> See Memorandum of Understanding between the Consumer Financial Protection Bureau and the Federal Trade Commission (Feb. 2019), available at [https://www.ftc.gov/system/files/documents/cooperation\\_agreements/ftc-cfpb\\_mou\\_225\\_0.pdf](https://www.ftc.gov/system/files/documents/cooperation_agreements/ftc-cfpb_mou_225_0.pdf). As part of this coordination, the CFPB and FTC staff regularly meet to discuss ongoing and upcoming law enforcement, rulemaking, and other activities, share debt collection complaints, cooperate on consumer education efforts in the debt collection arena, and consult on debt collection rulemaking and guidance initiatives.



## 2. Background

Debt collection is an \$11.5 billion industry that employs nearly 118,500 people across approximately 7,700 collection agencies in the United States.<sup>3</sup> The debt collection industry affects millions of Americans. According to the Bureau’s Consumer Credit Panel<sup>4</sup>, about 28 percent of consumers with a credit file have a trade line listed for a debt a third party is collecting. Additionally, the Bureau’s survey on consumers’ experiences with debt collection found that about one-in-three consumers with a credit file indicated that they had been contacted by at least one creditor or collector trying to collect one or more debts in 2014.<sup>5</sup> On average, these consumers had about 3.2 collection tradelines listed on their credit reports.

Debt collection efforts can include calls, letters, emails, filing lawsuits, and other methods to collect alleged debts from consumers. In the course of attempting to collect debts, debt collectors must adhere to a variety of laws and regulations, which govern topics as diverse as telephone communications (*e.g.*, the Telephone Consumer Protection Act, or “TCPA”) and furnishing information to credit reporting agencies (*e.g.*, the Fair Credit Reporting Act, or “FCRA”) as well as various state statutes. The primary federal law that governs the conduct of debt collectors is the FDCPA,<sup>6</sup> which establishes consumer protections in the debt collection process, including the rights to dispute an alleged debt and instruct a collector to stop communication about an alleged debt. The FDCPA prohibits debt collectors from engaging in certain types of conduct in connection with the collection of a debt and imposes certain affirmative obligations on collectors.

The FDCPA empowers the Bureau and the FTC to enforce its provisions and establishes a private right of action against any debt collector who fails to comply with the FDCPA. The FDCPA also requires the Bureau to submit this report on “the administration of its functions”

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<sup>3</sup> Anna Amir, Debt Collection Agencies in the US, IBIS World, (Dec. 2018).

<sup>4</sup>The Bureau’s Consumer Credit Panel is a longitudinal, nationally-representative sample of approximately five million de-identified credit records maintained by one of the three nationwide credit reporting companies.

<sup>5</sup> Bureau of Consumer Fin. Prot., Consumer Experiences with Debt Collections: Findings from the CFPB’s Survey of Consumer Views on Debt, (Jan 2017), *available at* [https://www.consumerfinance.gov/documents/2251/201701\\_cfpb\\_Debt-Collection-Survey-Report.pdf](https://www.consumerfinance.gov/documents/2251/201701_cfpb_Debt-Collection-Survey-Report.pdf)

<sup>6</sup> 15 U.S.C. § 1692 et seq.

under the FDCPA and enables it to “obtain ... the views” of other agencies that enforce the FDCPA, such as the FTC.<sup>7</sup>

## 2.1 Industry breakdown

Most consumers with collection tradelines on their credit files had medical, telecommunications, or banking and financial services debt.<sup>8</sup> Financial services debt is the largest source of revenue for the debt collection industry: it was estimated to account for nearly 40 percent of debt collection revenue in 2018.<sup>9</sup> However, telecommunications debt also accounts for a large share of industry revenue—approximately one-fifth in 2018. Medical, retail, and government debt (including student loan debt) are also significant drivers of industry revenue.

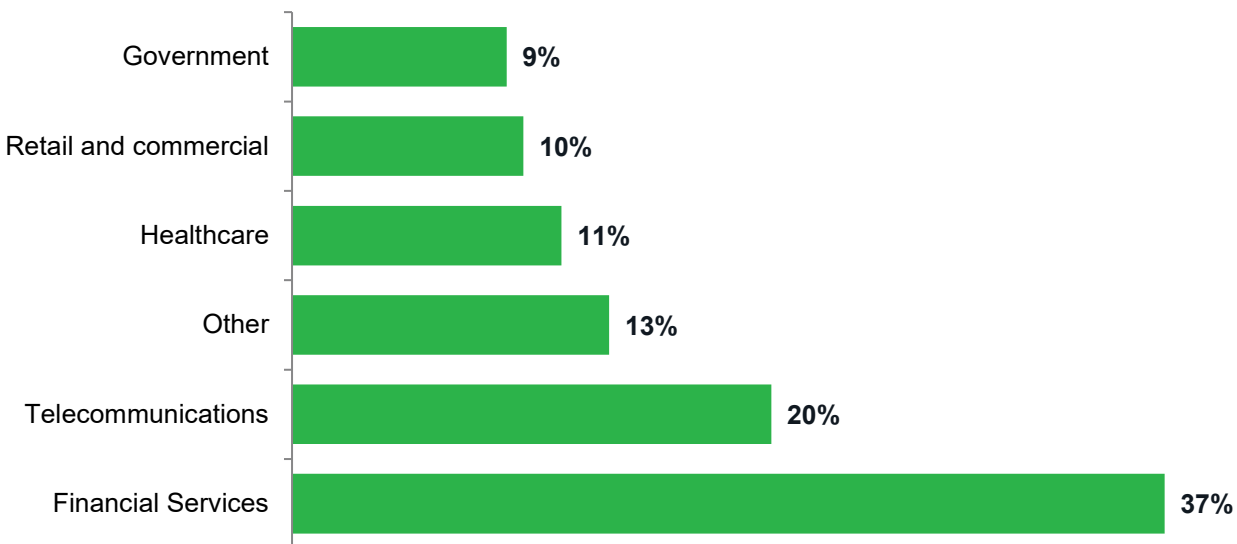
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<sup>7</sup> 15 U.S.C. § 1692m

<sup>8</sup> This data was retrieved from the Bureau’s Consumer Credit Panel, a longitudinal, nationally-representative sample of approximately five million de-identified credit records maintained by one of the three nationwide credit reporting companies.

<sup>9</sup> Anna Amir, Debt Collection Agencies in the US, IBIS World, (Dec. 2018).

**FIGURE 1:** DEBT COLLECTION MARKET SEGMENTS BY SHARE OF REVENUE, 2018 (IBIS WORLD)



A large majority of the industry’s revenue is generated by firms contracting with creditors to collect their debts on a contingency fee basis. In contingency fee collections, the creditor and the collector each receive a share of the amount collected. The Bureau’s survey of mass market issuers for the 2017 Credit Card Market Report found that most surveyed issuers placed between a third and a half of their charged-off balances from 2015 and 2016 with third-party collectors, with the majority employing a contingency fee model.<sup>10</sup>

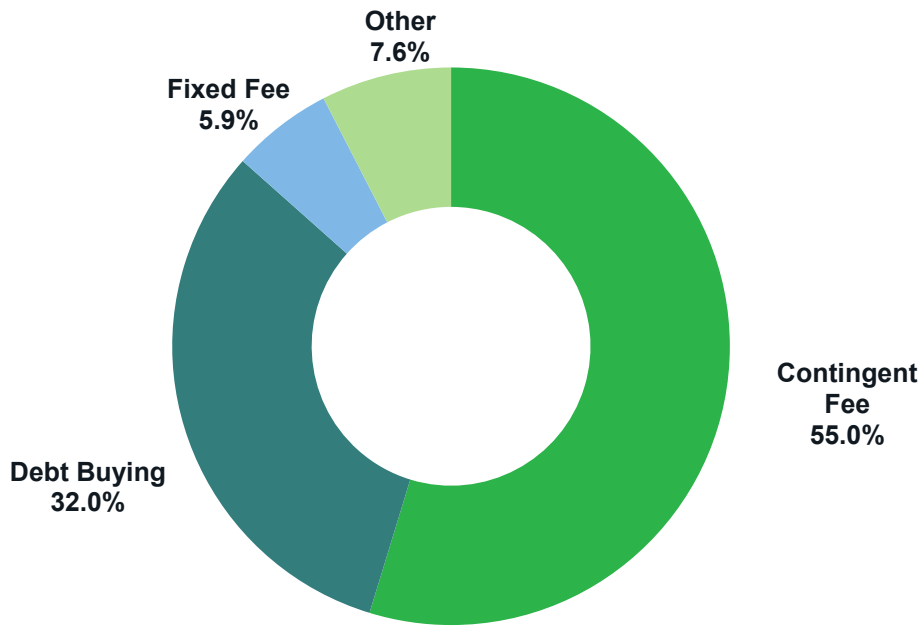
Another significant source of industry revenue comes from debt buyers, who purchase accounts (usually contained in portfolios) from the original creditor or other debt buyers and then generally seek to collect on the debt, either themselves or through third-party debt collectors. Generally, debt (including charged-off debt) sells for a fraction of the account balance at a price dependent upon the age of the debt. While contingency fee collectors receive only a percentage share of recoveries, debt buyer revenue includes all amounts recovered. If debt buyers have used third-party debt collectors to recover for them, the debt buyers typically pay a share of the amount collected to the third-party debt collectors. The Bureau has found that portfolios of charged-off debt may also be available to purchase through online debt marketplaces. A Bureau report on the online debt sales market identified that because the majority of debt sold in online

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<sup>10</sup> Bureau of Consumer Fin. Prot., *Consumer Credit Card Market Report*, (Dec. 2017), available at <https://www.consumerfinance.gov/about-us/newsroom/cfpb-releases-report-state-credit-card-market/>.

marketplaces is quite old (with a median age of 5 years post-charge off), the asking prices for these debt portfolios are often fractions of a cent per dollar of original debt.<sup>11</sup>

**FIGURE 2:** DEBT COLLECTION AGENCY TYPES BY SHARE OF REVENUE, 2017 (IBIS WORLD)



The debt collection industry is substantially influenced by the credit cycle, which determines how much charged-off debt is available to collect. Meanwhile, both delinquencies on consumer debt and collection recovery rates (the percentage of the debt that an agency can recover) are generally influenced by macroeconomic conditions, such as household disposable income. As consumer debt balances increase, it appears likely that more debt will be available to collect. This would be especially likely if an unfavorable change in economic circumstances made it more difficult for consumers to pay their obligations.

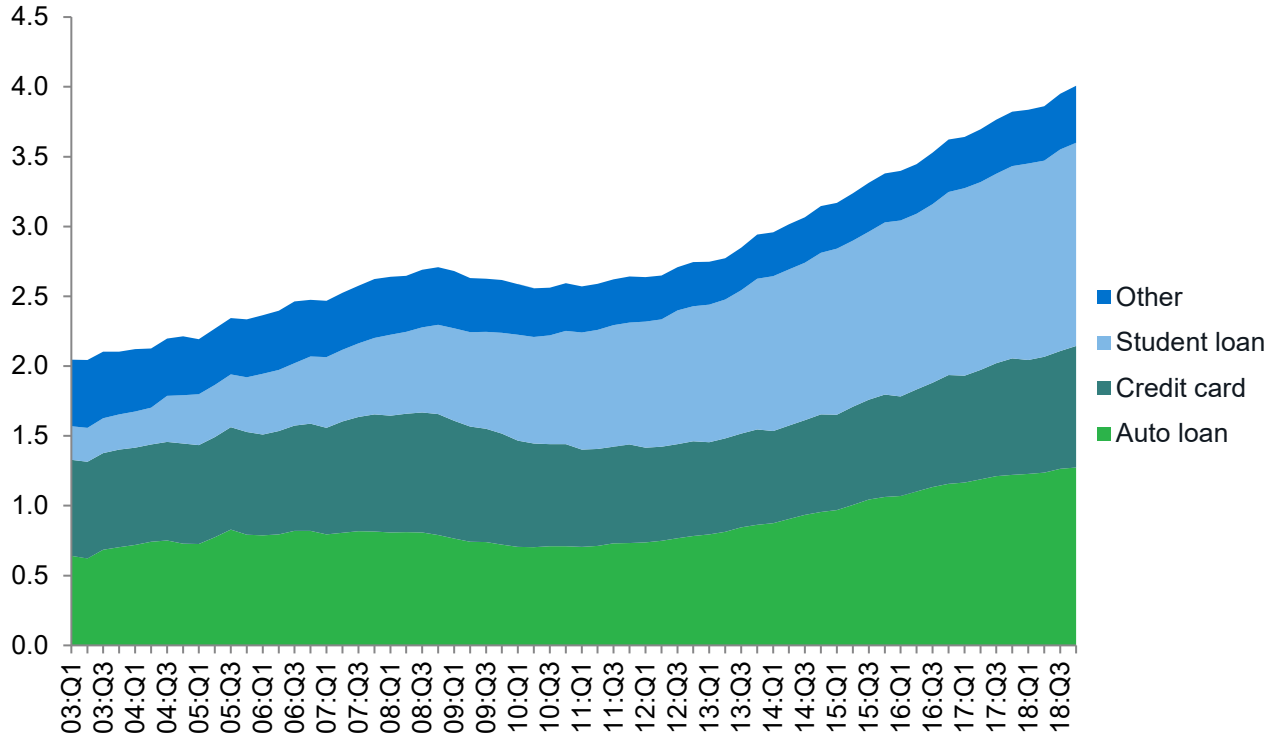
After several years of growth, consumer debt surpassed its 2008 peak in 2017, rising to a new high of \$13.54 trillion in the fourth quarter of 2018. While mortgage debt has risen, growth in consumer debt has mostly been fueled by non-housing debt, including credit cards, students

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<sup>11</sup> Bureau of Consumer Fin. Prot., *Market Snapshot: Online Debt Sales*, (Jan. 2017), available at [https://www.consumerfinance.gov/documents/2249/201701\\_cfpb\\_Online-Debt-Sales-Report.pdf/](https://www.consumerfinance.gov/documents/2249/201701_cfpb_Online-Debt-Sales-Report.pdf/).

loans, and auto loans. In 2018 alone, credit card debt rose by \$36 billion, student loan debt grew by \$79 billion, and auto loan debt increased by \$53 billion.<sup>12</sup>

**FIGURE 3:** NON-HOUSING CONSUMER DEBT BALANCES (IN TRILLIONS), 2003-2018 (FRBNY CONSUMER CREDIT PANEL/EQUIFAX)

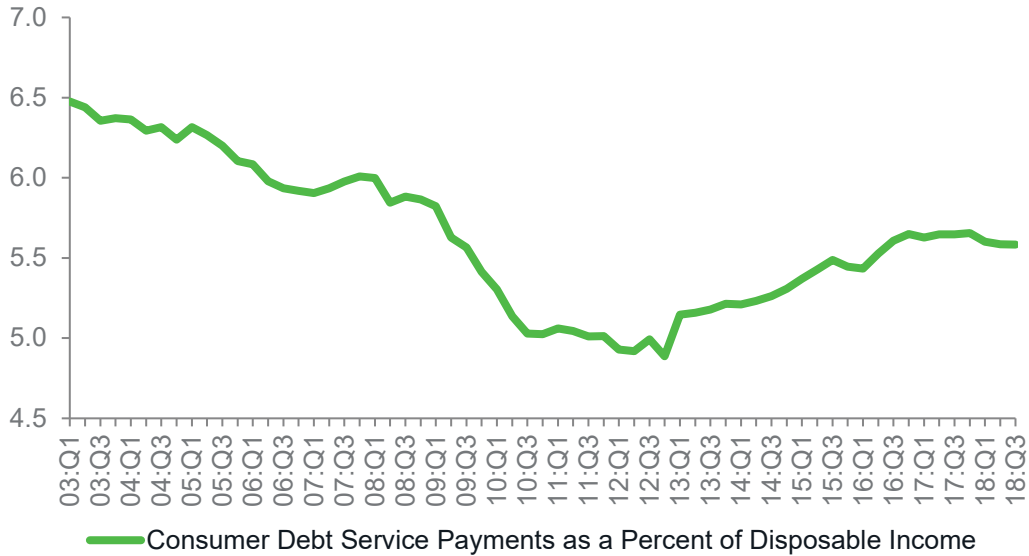


However, these consumer debt figures are in nominal dollars and are unadjusted for population growth; both inflation and the U.S. population have risen over time. The consumer debt service ratio, which measures the cost consumers pay to service non-housing debt (i.e., payments due on outstanding loans) as a fraction of disposable personal income, provides another relevant consumer debt metric. While the consumer debt service ratio has recovered after falling sharply during the period of decreasing indebtedness between 2008 and 2010, the current value of 5.6% remains below pre-recession highs.<sup>13</sup>

<sup>12</sup> Center for Microeconomic Data, *Quarterly Report on Household Debt and Credit Report 2018: Q4*, Federal Reserve Bank of New York (Feb. 2018), available at <https://www.newyorkfed.org/microeconomics/hhdc.html>.

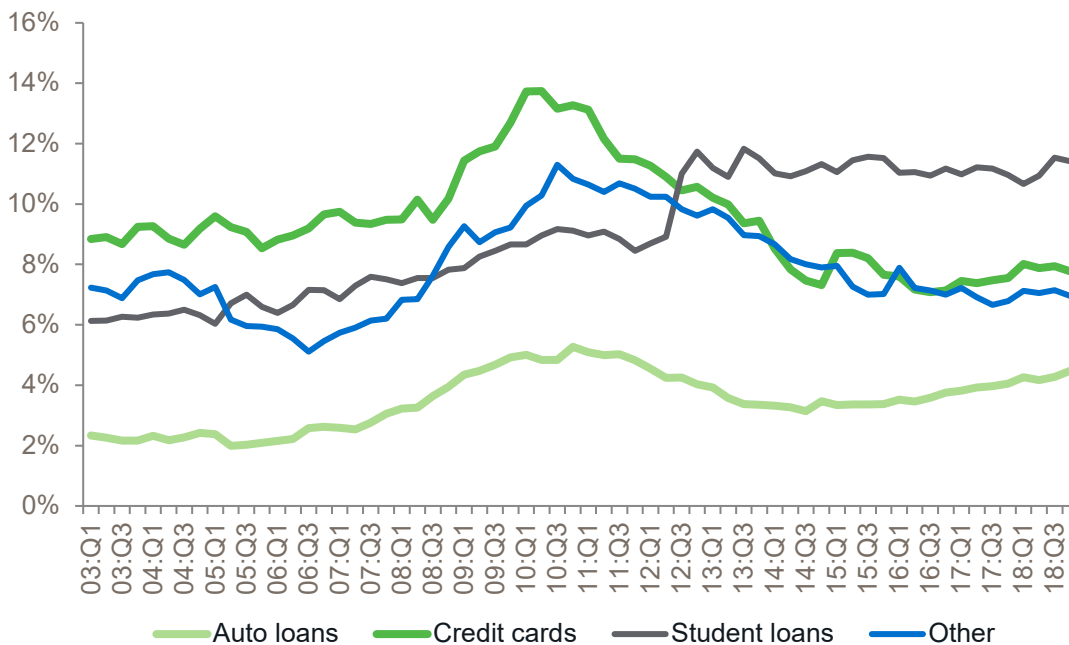
<sup>13</sup> Board of Governors of the Federal Reserve System (US), *Consumer Debt Service Payments as a Percent of Disposable Personal Income* (Feb. 2019), available at <https://fred.stlouisfed.org/series/CDSP>.

**FIGURE 4:** NON-HOUSING CONSUMER DEBT SERVICE PAYMENTS AS A PERCENT OF DISPOSABLE INCOME, 2003-2018 (FRBSTL)



While student loans and auto loans have exhibited the most notable increases in debt balances over time, the flow into 90+ delinquency for auto loans has been increasing steadily since 2012 after years of increased lending to subprime borrowers.

**FIGURE 5:** PERCENT OF NON-HOUSING BALANCES 90+ DAYS DELINQUENT, 2003-2018 (FRBNY CONSUMER CREDIT PANEL/EQUIFAX)



Similarly, outstanding credit card debt continues to increase, rising to re-touch its 2008 peak of \$870 billion in the fourth quarter of 2018. While the flow into 90+ days delinquency for credit card balances has generally been stable in 2018, it remains elevated relative to previous years, as can be seen in Figure 5 above. Charge-off rates for credit card debts have also been rising over the past two years, potentially increasing the number of new charged-off accounts that issuers may place for collection.<sup>14</sup>

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<sup>14</sup> Board of Governors of the Federal Reserve System (US), *Charge-Off Rate on Credit Card Loans, All Commercial Banks* (Feb. 2019), available at <https://fred.stlouisfed.org/series/CORCCACBS>.

# 3. Consumer complaints

Collecting, investigating, and responding to consumer complaints is one of the six statutory “primary functions” of the Bureau.<sup>15</sup> The Bureau facilitates the centralized collection of, monitoring of, and response to consumer complaints regarding consumer financial products or services and maintains procedures to provide timely responses to consumer complaints and inquiries.<sup>16</sup> Complaints inform the Bureau in its work to supervise companies, to enforce consumer financial laws, to write better rules and regulations, and to educate and engage consumers. The Bureau began taking consumer complaints about debt collection in July 2013.

The FTC also accepts complaints (“reports”) from consumers about problems they experience in the marketplace. These complaints are stored in the Consumer Sentinel Network (Sentinel), a secure online database available only to law enforcement. The Bureau shares complaint information with the FTC’s Consumer Sentinel system.

## 3.1 Number and types of complaints handled

From January 1, 2018 through December 31, 2018, the Bureau received approximately 81,500 debt collection complaints. These complaints relate to first-party (creditors collecting on their own debts) and third-party collections. Table 1 shows the types of debt collection complaints the Bureau received in 2018. This analysis excludes multiple complaints submitted by a given consumer on the same issue (i.e., duplicates) and whistleblower tips. For each of the six issues listed in Table 1, consumers also select additional, more-detailed sub-issues when submitting a complaint.

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<sup>15</sup> 12 U.S.C. 5511(c).

<sup>16</sup> See 12 U.S.C. 5493(b)(3).



**TABLE 1: TYPES OF DEBT COLLECTION COMPLAINTS REPORTED BY CONSUMERS** <sup>17</sup>

<b>Types of debt collection complaints</b>	<b>%</b>
Attempts to collect debt not owed	40%
Written notification about debt	20%
Communication tactics	13%
Took or threatened to take negative or legal action	13%
False statements or representations	10%
Threatened to contact someone or share information improperly	3%
<b>Total debt collection complaints</b>	<b>100%</b>

As indicated in Table 1, the most common debt collection complaint is about attempts to collect a debt that the consumer reports is not owed. Consumers report that the debt is not their debt (53 percent), was paid (23 percent), resulted from identity theft (20 percent) or was discharged in bankruptcy and is no longer owed (4 percent). Complaints about attempts to collect a debt not owed because the debt was the result of identity theft were more prevalent in 2018 compared to 2017 (*compare* 20 percent in 2018 to 11 percent in 2017).<sup>18</sup> In these complaints, consumers report negative marks on their credit report or collection attempts by third parties for accounts they attempted to previously dispute with merchants or first-party creditors. In response to these complaints, third-party collectors report that they initiate an investigation into the purported fraud, detail the documents needed to process a dispute, return the account to the first party, or discontinue collection attempts entirely.

Complaints involving written notifications about debt are the second-most common issue selected by consumers (see line 2 in Table 1). The FDCPA requires collectors within five days after the initial communication with a consumer to provide the consumer with a written notice

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<sup>17</sup> Percentages may not sum to 100% due to rounding.

<sup>18</sup> Bureau of Consumer Fin. Prot., *Fair Debt Collection Practices Act: CFPB Annual Report 2018* (Mar. 20, 2018), available at [https://www.consumerfinance.gov/documents/6346/cfpb\\_fdcpa\\_annual-report-congress\\_03-2018.pdf](https://www.consumerfinance.gov/documents/6346/cfpb_fdcpa_annual-report-congress_03-2018.pdf).

informing them, among other things, of their right to dispute, unless this information is contained in the initial communication or the consumer has paid the debt. Most consumers who complain about written notifications report they have not received enough information to verify the debt (72 percent). Some consumers complain that they did not receive a notice of their right to dispute (25 percent), while others report that the notification did not disclose that it was an attempt to collect a debt (3 percent).

Complaints about communication tactics debt collectors use were the third-most common issue consumers complained about in 2018 (see line 3 of Table 1), with many of these types of complaints concerning communications held over the phone. The majority of complaints about communication tactics are about frequent or repeated calls (55 percent). Some of these consumers report receiving successive calls in a short period of time (*e.g.*, several calls a day), whereas others report receiving calls over a long period of time (*e.g.*, calls consistently over several months). Complaints of continued contact attempts despite requests to stop contact were also common (31 percent). Other communication tactics complaints relate to reports of companies using obscene, profane, or abusive language (11 percent), or calling outside of the FDCPA's assumed convenient calling hours from 8:00 a.m. to 9:00 p.m. at the consumer's location (4 percent).

Consumers submitted complaints describing companies taking or threatening to take a negative or legal action (see line 4 of Table 1). Most of these complaints are about threats or suggestions that consumers' credit histories would be damaged (33 percent), threats to sue on a debt that is old (26 percent), or threats to arrest or jail consumers if they do not pay (19 percent). Other complaints relate to seizures or attempts to seize property (8 percent), being sued without proper notification of the lawsuit (8 percent), collection of or attempts to collect exempt funds such as child support or unemployment benefits (4 percent), being sued in a different state from where the consumer lives or where the consumer signed the contract (2 percent), or threats of deportation or turning the consumer into immigration (0.2 percent).

The majority of complaints about false statements or representations (see line 5 of Table 1) are about attempts to collect the wrong amount from the consumer (72 percent). In addition, consumers report that companies impersonated an attorney or a law enforcement or government official (18 percent), indicated the consumer committed a crime by not paying debt (8 percent), or indicated that the consumer should not respond to a lawsuit (2 percent).

Complaints about threatening to contact someone or sharing information improperly were the least complained about debt collection issue in 2018 (see line 6 of Table 1). In these

complaints, consumers most often reported that the collector talked to a third party about the debt (49 percent), contacted an employer (29 percent), contacted the consumer after being asked not to do so (21 percent), or contacted the consumer directly, instead of contacting their attorney (2 percent).

## 3.2 How companies respond to consumer complaints

From January 1, 2018 through December 31, 2018, the Bureau sent approximately 51,700 (63 percent) of approximately 81,500 debt collection complaints it received to companies for their review and response. When the Bureau received debt collection complaints about companies where it was not the primary federal regulator (e.g., a mobile phone or Internet service provider) or about depository institutions with less than \$10 billion in assets, it referred the complaints to other regulatory agencies. In 2018, the Bureau referred approximately 27 percent of complaints it received to other regulatory agencies. The remaining complaints were incomplete (8 percent) or pending with the consumer (1 percent) or the Bureau (2 percent).

Companies have already responded to approximately 49,400 complaints or 95 percent of the approximately 51,700 complaints sent to them for response. Company responses include descriptions of steps taken or that will be taken, communications received from the consumer, any follow-up actions or planned follow-up actions, and categorization of the response. Response category options include “closed with monetary relief,” “closed with non-monetary relief,” “closed with explanation,” and other administrative options.<sup>19</sup> Monetary relief is defined as objective, measurable, and verifiable monetary relief to the consumer as a direct result of the steps taken or that will be taken in response to the complaint. Non-monetary relief is defined as other objective and verifiable relief to the consumer as a direct result of the steps taken or that will be taken in response to the consumer’s complaint. “Closed with explanation” indicates that the steps taken by the company in response to the complaint included an explanation that was tailored to the individual consumer’s complaint. For example, this category would be used if the explanation substantively meets the consumer’s desired resolution or explains why no further action will be taken. The Bureau gives consumers the option to review and provide feedback on all company closure responses, which it then shares with the responding company upon receipt.

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<sup>19</sup> Companies provide administrative responses when they identify complaints submitted by or including unauthorized third parties or complaints that are the result of fraud, scams, or business identity theft.

The following table shows how companies have responded to consumer complaints.

**TABLE 2:** HOW COMPANIES HAVE RESPONDED TO CONSUMER COMPLAINTS TO THE BUREAU<sup>20</sup>

<b>Company Response</b>	<b>#</b>	<b>%</b>
Closed with explanation	40,500	78%
Closed with non-monetary relief	6,300	12%
Company did not provide a timely response	2,300	5%
Company reviewing	1,400	3%
Administrative response	800	1%
Closed with monetary relief	400	1%
<b>Total Complaints Sent to Companies for Response</b>	<b>51,700</b>	<b>100%</b>

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<sup>20</sup> Percentages may not sum to 100% due to rounding.

# 4. Bureau supervision of debt collection activities

Under the Dodd-Frank Act (DFA), the Bureau has the authority to supervise certain entities that engage in consumer debt collection activities, including nonbank entities that are larger participants in the consumer debt collection market. Under the Bureau's larger participant rule for the debt collection market, the Bureau has supervisory authority over any firm with more than \$10 million in annual receipts from consumer debt collection activities.

In 2018, the Bureau's examinations identified one or more violations of the FDCPA.

## 4.1 Failure to obtain and mail debt verification before engaging in further collection activities

In one or more instances, Bureau examiners found that collectors failed to respond to written requests for debt validation from consumers, and/or were attempting to collect a debt prior to sending a response to the consumer.

Section 809(b) of the FDCPA requires a debt collector, upon receipt of a written debt validation request from a consumer, to cease collection of the debt until it obtains verification of the debt and mails it to the consumer. Examinations found that one or more debt collectors routinely failed to mail debt verifications before engaging in further collections activities. Instead, one or more debt collectors forwarded consumer debt validation requests to the relevant clients, who mailed responses directly to consumers. One or more debt collectors accepted client determinations, as reflected by a code that the client entered into a shared system of record, that the debt was owed by the relevant consumer for the amount claimed without taking any steps to verify the debt and without mailing the required verification to consumers. One or more debt collectors then continued collection activities on accounts in violation of section 809(b) of the FDCPA. In response to these examination findings, one or more debt collectors are revising their debt validation policies, procedures, and practices to ensure compliance with section 809(b).

# 5. Debt collection *amicus* briefs

In 2018, the Bureau filed *amicus curiae* (friend of the court) briefs in two cases arising under the FDCPA, one in the Supreme Court and one in a federal court of appeals. In addition, one case in which the Bureau filed an *amicus* brief in 2017 was decided in 2018.

## Application of the FDCPA to Non-judicial Foreclosure: the *Obduskey* *amicus* brief

On November 14, 2018, the Solicitor General of the United States, with the assistance of the Bureau, filed an *amicus* brief in the Supreme Court in *Obduskey v. McCarthy & Holthus, LLP*, to address whether the institution of nonjudicial foreclosure proceedings constitutes debt collection that is subject to regulation under the FDCPA.<sup>21</sup> The government's *amicus* brief argued that actions that are legally required to carry out a nonjudicial foreclosure are the enforcement of a security interest and thus are not treated as debt collection under the FDCPA except for purposes of 15 U.S.C. 1692f(6).<sup>22</sup> The Supreme Court heard oral arguments on the case on January 7<sup>th</sup>, 2019, and has not yet issued a decision in this case.

## Application of the E-SIGN Act to Validation Notices: the *Lavallee* *amicus* brief

On April 25, 2018, the Bureau filed an *amicus* brief in the Seventh Circuit case of *Lavallee v. Med-1 Solutions, LLC*, to address whether a debt collector complied with the FDCPA requirement that it, under certain conditions, “send the consumer a written notice” (often called a validation notice) that sets forth certain consumer's rights under the Act.<sup>23</sup> In this case, the debt collector sought to comply with that requirement by sending the consumer emails

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<sup>21</sup> Brief for the United States as *Amicus Curiae* Supporting Respondents, *Obduskey v. McCarthy & Holthus, LLP*, No. 17-1307 (S. Ct. Nov. 14, 2018), available at <https://www.consumerfinance.gov/policy-compliance/amicus/briefs/obduskey-v-mccarthy-holthus-llp/>.

<sup>22</sup> In *Vien-Phuong Thi Ho v. ReconTrust Co.*, 858 F.3d 568 (9th Cir.), *cert. denied*, 138 S. Ct. 504 (2017), the Bureau filed an *amicus* brief arguing that notices required by state law to be sent to consumers to effectuate a nonjudicial foreclosure constitutes debt collection under the FDCPA. The Bureau reconsidered that position and now endorses the position set forth in the government's brief in the Supreme Court.

<sup>23</sup> Brief of *Amicus Curiae* Bureau of Consumer Financial Protection in Support of Plaintiff Appellee, *Lavallee v. Med-1 Solutions, LLC*, No. 17-3244 (7th Cir. Apr. 25, 2018), available at <https://www.consumerfinance.gov/policy-compliance/amicus/briefs/lavallee-v-med-1-solutions-llc/>.

containing a link to an Internet-connected server from which the consumer could purportedly obtain the validation notice. The Bureau’s brief argued that the Electronic Signatures in Global and National Commerce Act (or E-SIGN Act) applies to electronic versions of validation notices. The brief also argued that, absent a regulatory exemption, electronic versions of validation notices cannot be used to satisfy the “written notice” requirement in the FDCPA unless the consumer consents and other E-SIGN Act requirements are met. The court heard oral arguments on the case on May 30<sup>th</sup>, 2018, and has not yet issued a decision in this case.

## Deficiency Judgment in Judicial Foreclosure: *Cohen* case

On June 1, 2017, the Bureau filed an amicus brief in the Second Circuit case of *Cohen v. Ditech Financial, LLC*.<sup>24</sup> The brief addressed whether the FDCPA applies to judicial foreclosure proceedings in state court where, under state law, the debt collector is entitled to seek a deficiency judgment against the consumer for the amount of any mortgage debt remaining after the foreclosure sale. The Bureau’s amicus brief argued that the FDCPA applied to judicial foreclosure proceedings that could lead to a deficiency judgment against a consumer. The Second Circuit issued a decision last year holding that mortgage foreclosure where the foreclosure proceeding could lead to a deficiency judgment against the consumer constitutes debt collection under the FDCPA.<sup>25</sup>

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<sup>24</sup> Brief as Amicus Curiae Supporting Plaintiff-Appellant, *Cohen v. Ditech Financial LLC*, No. 17-950 (2d Cir. June 1, 2017), available at <https://www.consumerfinance.gov/policy-compliance/amicus/briefs/cohen-v-ditech-financial-llc/>.

<sup>25</sup> *Cohen v. Rosicki, Rosicki & Assocs., P.C.*, 897 F.3d 75 (2d Cir. July 23, 2018).

# 6. Enforcement

In 2018, both agencies brought or continued enforcement actions addressing harmful debt collection activity in violation of the FDCPA and other applicable laws. The Bureau's contributions to this section provide a synopsis of FDCPA matters only, some of which are still pending. Unlike the Bureau, the FTC has opted to include FDCPA matters and matters brought under other applicable law in this section.

In 2018, the Bureau engaged in six public enforcement actions arising from alleged FDCPA violations. A new action brought in 2018 resulted in \$800,000 being paid into the civil penalty fund, which is used to provide relief to eligible consumers who would not otherwise get full compensation. The Bureau also accepted a judgment in favor of the defendant in a second case. Four other FDCPA cases remain in active litigation. In addition to the Bureau's public enforcement actions involving FDCPA-covered debt collectors, the Bureau is conducting a number of non-public investigations of companies to determine whether they engaged in collection practices that violate the FDCPA or the DFA.

The FTC is primarily a law enforcement agency, and law enforcement investigations and litigation are at the heart of the FTC's recent debt collection work. Both the FDCPA and the FTC Act<sup>26</sup> authorize the Commission to investigate and take law enforcement action against debt collectors that violate those statutes.<sup>27</sup> The Commission may file a federal court action seeking injunctive and equitable monetary relief under Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), or refer the matter to the Department of Justice for civil penalties and injunctive relief under Section 5(m) of the FTC Act, 15 U.S.C. § 45(m). Where a collector's violations are so egregious that a court order is necessary to halt the conduct immediately, or where consumer redress and disgorgement are more appropriate forms of monetary relief than civil penalties, the FTC generally files the action itself under Section 13(b) of the FTC Act. In other circumstances, the FTC may refer the case to the Department of Justice.

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<sup>26</sup> FDCPA, 15 U.S.C. § 1692-1692p; FTC Act, 15 U.S.C. §§ 41-58.

<sup>27</sup> The FDCPA authorizes the Commission to investigate and take law enforcement action against debt collectors that engage in unfair, deceptive, abusive, or other practices that violate the statute. FDCPA § 814, 15 U.S.C. § 1692l. Under the FTC Act, the FTC may investigate and take law enforcement action against entities that, in connection with collecting on debts, engage in unfair or deceptive acts and practices. FTC Act § 5, 15 U.S.C. § 45.



From January 1 through December 31, 2018, the FTC brought or resolved seven debt collection cases, obtained more than \$58.9 million in judgments<sup>28</sup>, and banned 32 companies and individuals who engaged in serious and repeated violations of law from ever working in debt collection again.<sup>29</sup> In several of its Section 13(b) cases involving phantom debt collection and other issues, the Commission obtained preliminary relief, including temporary restraining orders with asset freezes, immediate access to business premises, and appointment of receivers to take over the debt collection businesses.

## 6.1 Bureau law enforcement actions

### *In the Matter of National Credit Adjusters, LLC and Bradley Hochstein*<sup>30</sup>

(File No. 2018-BCFP- 0004) (consent order entered on July 13, 2018)

The Bureau took action against National Credit Adjusters, LLC (NCA) and Bradley Hochstein, its former CEO and part-owner, after the Bureau's investigation found that NCA and Hochstein continued to place debt with companies for collection with knowledge or reckless disregard of the companies' illegal consumer debt collection practices. The Bureau also found that NCA and Hochstein sold millions in consumer debt to one of those companies with knowledge or reckless disregard of the company's illegal consumer debt collection practices. The consent order resolving the action bars NCA and Hochstein from certain collection practices and permanently bars Hochstein from working in any business that collects, buys, or sells consumer debt. The order imposed a \$3 million penalty against NCA and a \$3 million penalty against Hochstein. Full payment of those amounts was suspended subject to NCA paying a \$500,000 penalty and Hochstein paying a \$300,000 penalty.

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<sup>28</sup> These figures include cases filed in 2018, as well as cases filed in previous years but resolved in 2018.

<sup>29</sup> In 2015, the FTC began publishing a list of every individual and company that the agency has sued that has been banned from the debt collection industry. This list, located at <https://www.ftc.gov/enforcement/cases-proceedings/banned-debt-collectors>, is a valuable resource to help law-abiding collection industry professionals avoid doing business with these defendants, as well as to help state debt collection licensing officials and law enforcers better protect consumers. Currently, the list includes 184 banned individuals and companies.

<sup>30</sup> Press Release, Bureau Settles With National Credit Adjusters LLC and Bradley Hochstein (Jul. 13, 2018), available at <https://www.consumerfinance.gov/about-us/newsroom/bureau-settles-national-credit-adjusters-llc-and-bradley-hochstein/>.

## 6.2 Continuation of pre-2018 matters

### *Consumer Financial Protection Bureau v. Navient Corporation, Navient Solutions, Inc. and Pioneer Credit Recovery, Inc.*<sup>31</sup>

(M.D. PA 3:17-cv-00101) (complaint filed January 18, 2017)

The Bureau filed a lawsuit in federal district court against Navient Corporation and its subsidiaries, Navient Solutions, Inc. and Pioneer Credit Recovery, Inc. The complaint alleged that Pioneer and Navient Corporation misled consumers about the effect of rehabilitation on their credit reports and overpromised the amount of collection fees that would be forgiven in the federal loan rehabilitation program. The Bureau made allegations relating to Navient's servicing practices as well. Through its action, the Bureau seeks redress for consumers harmed by these illegal practices and seeks to keep Navient Corporation, Navient Solutions, and Pioneer from committing such illegal practices in the future. The case remains pending.

### *Consumer Financial Protection Bureau v. Weltman, Weinberg & Reis Co., L.P.A.*<sup>32</sup>

(N.D. Ohio No. 1:17-cv-00817) (complaint filed April 17, 2017)

The Bureau filed a lawsuit in federal district court against the debt collection law firm Weltman, Weinberg & Reis Co., L.P.A., alleging it sent collection letters that misrepresented that attorneys were meaningfully involved in collecting the debt. A trial with an advisory jury was held beginning May 1, 2018. The advisory jury found that the Bureau had proved by a preponderance of the evidence that the law firm's collection letter contained false, deceptive, or misleading representations in connection with the collection of a debt, but found that the Bureau had not proved that the law firm's lawyers were not meaningfully involved in the debt collection process.

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<sup>31</sup> Press Release, Bureau of Consumer Fin. Prot., CFPB Sues Nation's Largest Student Loan Company Navient for Failing Borrowers at Every Stage of Repayment (Jan. 18, 2017), available at <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-nations-largest-student-loan-company-navient-failing-borrowers-every-stage-repayment/>.

<sup>32</sup> Press Release, Bureau of Consumer Fin. Prot., CFPB Files Suit Against Law Firm for Misrepresenting Attorney Involvement in Collection of Millions of Debts (Apr. 17, 2017), available at <https://www.consumerfinance.gov/about-us/newsroom/cfpb-files-suit-against-law-firm-misrepresenting-attorney-involvement-collection-millions-debts/>.

The court declined to adopt the advisory jury’s first finding, accepted the advisory jury’s second finding, and entered judgment in favor of the law firm on July 25, 2018.

### ***Consumer Financial Protection Bureau v. Ocwen Financial Corporation, Ocwen Mortgage Servicing, Inc., and Ocwen Loan Servicing, LLC***<sup>33</sup>

(S.D. Fla. 17-cv-90495) (complaint filed April 20, 2017)

The Bureau filed a lawsuit in federal district court against one of the country’s largest nonbank mortgage loan servicers, Ocwen Financial Corporation, and its subsidiaries alleging that Ocwen violated the law by mishandling basic functions, such as sending accurate monthly statements, properly crediting payments, and properly handling insurance. The Bureau also alleged that Ocwen illegally foreclosed on struggling borrowers, failed to adequately correct errors raised by customer complaints, and sold off the servicing rights to loans without fully disclosing the mistakes it made in borrowers’ records. The Florida Attorney General and Massachusetts Attorney General took similar actions against Ocwen in separate lawsuits. The case remains pending.

### ***CFPB v. Universal Debt & Payment Solutions, LLC, et al.***<sup>34</sup>

(N.D.GA No. 1:15-CV-0859) (complaint filed March 26, 2015)

The Bureau filed a lawsuit in federal district court against a group of seven debt collection agencies, six individual debt collectors, four payment processors, and a telephone marketing service provider alleging unlawful conduct related to a phantom debt collection operation. Phantom debt is debt consumers do not actually owe or debt that is not payable to those attempting to collect it. The Bureau alleges that the individuals, acting through a network of corporate entities, used threats and harassment to collect phantom debt from consumers. The Bureau alleges the defendants violated the FDCPA and the DFA’s prohibition on unfair and deceptive acts and practices, and provided substantial assistance to unfair or deceptive conduct. The Bureau is seeking permanent injunctive relief, restitution, and the imposition of a civil

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<sup>33</sup> Press Release, Bureau of Consumer Fin. Prot., CFPB Sues Ocwen for Failing Borrowers Throughout Mortgage Servicing Process (Apr. 20, 2017), available at <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-ocwen-failing-borrowers-throughout-mortgage-servicing-process/>.

<sup>34</sup> Press Release, Bureau of Consumer Fin. Prot., “CFPB Sues Participants in Robo-Call Phantom Debt Collection Operation” (Apr. 8, 2015), available at <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-participants-in- robo-call-phantom-debt-collection-operation/>.

money penalty. On April 7, 2015, the Bureau obtained a preliminary injunction against the debt collectors, which froze their assets and enjoined their unlawful conduct. On September 1, 2015, the court denied the defendants' motion to dismiss. On August 25, 2017, the court dismissed the Bureau's claims against the payment processors as a discovery sanction against the Bureau. On November 15, 2017, the Bureau, and two remaining defendants moved for summary judgment. The case remains pending.

### *CFPB, et al. v. MacKinnon, et al.*<sup>35</sup>

(W.D.N.Y. Case 1:16-cv-00880) (complaint filed November 2, 2016)

In partnership with the New York Attorney General, the Bureau filed a lawsuit in federal district court alleging that Douglas MacKinnon and Mark Gray operate a network of companies – Northern Resolution Group LLC, Enhanced Acquisitions LLC, and Delray Capital LLC – that harass, threaten, and deceive millions of consumers across the nation into paying inflated debts or amounts they may not owe. The Bureau is seeking to shut down this operation and to obtain compensation for victims and a civil penalty against the companies and partners. The case remains pending.

## 6.3 FTC law enforcement actions

### Phantom Debt Collection Actions

The Commission has continued its aggressive efforts to fight “phantom debt collection” this year. Phantom debt collectors engage in unfair, deceptive, or otherwise unlawful conduct by attempting to collect on debts that either do not exist or are not owed to the phantom debt collector. In 2018, the Commission initiated or resolved four actions involving phantom debt collection: (1) *ACDI Group*, (2) *Lombardo, Daniels & Moss*, (3) *Advanced Mediation Group*, and (4) *Hylan Asset Management*. This past year, the Commission also returned money to

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<sup>35</sup> Press Release, Bureau of Consumer Fin. Prot., CFPB and New York Attorney General File Lawsuit Against Illegal Nationwide Debt Collection Scheme (Nov. 2, 2016), available at <https://www.consumerfinance.gov/about-us/newsroom/cfpb-and-new-york-attorney-general-file-lawsuit-against-illegal-nationwide-debt-collection-scheme/>.

thousands of consumers who were targeted by the phantom debt schemes in *Delaware Solutions* and *Rincon Management Services*.

In 2017, the FTC filed an action against the *ACDI Group* operation for collecting on phantom debts.<sup>36</sup> The complaint alleges that the defendants obtained counterfeit payday loan debts from SQ Capital<sup>37</sup> through a debt broker. When the defendants reported to the broker that they had been receiving consumer complaints regarding these debts, the broker returned the defendants' money and told them to stop collecting on these phony debts. However, the defendants allegedly continued to collect from consumers for at least seven more months. In August 2018, the court found the defendants liable for the alleged conduct at the summary judgment stage and ruled that the defendants are jointly and severally liable for the repayment of more than \$30,000 to consumers.<sup>38</sup> The court is considering competing proposals with respect to permanent injunctive relief and consumer redress.

The FTC also resolved an action initiated in 2017 against the phantom debt collection scheme in *Lombardo, Daniels & Moss*. According to the complaint, the North Carolina-based scheme used intimidation and deception to collect more than \$2.1 million from consumers.<sup>39</sup> The Commission's action charges the defendants with falsely claiming that consumers were delinquent on payday loans or other debts they did not owe, and threatening them with arrest or other formal legal action. Their collectors also allegedly called consumers repeatedly and regularly used profanity; illegally disclosed purported debts to third parties; and failed to provide other disclosures and notices required by the FDCPA. At the Commission's request, the court issued a temporary restraining order halting this operation, along with an asset freeze and a receiver. In June 2018, the Commission secured a settlement banning the debt collection

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<sup>36</sup> *FTC v. ACDI Group LLC*, No. 3:17-cv-00340 (W.D.N.C. June 22, 2017) (Complaint); see also Press Release, FTC Charges Debt Collection Scheme Took Consumers' Money for Phantom Debts They Did Not Owe (June 23, 2017), available at <https://www.ftc.gov/news-events/press-releases/2017/06/ftc-charges-debt-collection-scheme-took-consumers-money-phantom>.

<sup>37</sup> In 2017, the Commission filed suit against SQ Capital for brokering phantom debt and obtained an order banning the defendants from handling sensitive debt information. See Press Release, FTC Charges Defendants with Selling Fake Payday Loan Debt Portfolios (Jan. 9, 2017), available at <https://www.ftc.gov/news-events/press-releases/2017/01/ftc-charges-defendants-selling-fake-payday-loan-debtportfolios>; Press Release, FTC Obtains Court Order Against Scheme that Sold Fake Payday Loan Debt Portfolios (Oct. 17, 2017), available at <https://www.ftc.gov/news-events/press-releases/2017/10/ftc-obtains-court-order-against-scheme-sold-fake-paydayloan-debt>.

<sup>38</sup> *FTC v. ACDI Group LLC*, No. 3:17-cv-00340 (W.D.N.C. Aug. 22, 2018) (Order).

<sup>39</sup> *FTC v. Lombardo, Daniels & Moss*, No. 3:17-cv-00503 (W.D.N.C. Aug. 21, 2017) (Complaint); see also Press Release, FTC Charges Debt Collection Operation Took Consumers' Money for Phantom Debts (Aug. 29, 2017) available at <https://www.ftc.gov/news-events/press-releases/2017/08/ftc-charges-debt-collection-operation-took-consumers-money>.

operation and its principals, Dion Barron and Charles R. Montgomery III, from the debt collection business and from making misrepresentations about any products or services. The settlement also bans the defendants from profiting from or failing to properly dispose of consumer information collected as part of the challenged practices. The order against Montgomery and Lombardo, Daniels & Moss imposed a \$2.8 million judgment, of which they are jointly and severally liable with Barron for \$1.6 million—the amount of consumer harm they caused before Barron left Lombardo, Daniels & Moss. The order against Barron imposed a \$1.8 million judgment (of which he is jointly and severally liable with the other defendants for \$1.6 million).<sup>40</sup>

In the fall of 2017, the Commission halted a Georgia-based operation, *Advanced Mediation Group*, which the agency charged with tricking people into paying for debts defendants did not have the authority to collect, securing a temporary restraining order with an asset freeze and receiver.<sup>41</sup> The defendants allegedly used abusive tactics, such as falsely telling consumers that they had committed a crime and faced dire consequences—including lawsuits, garnishment, and even imprisonment—if a purported debt was not paid. The operation collected more than \$3.4 million from consumers. The defendants also illegally contacted consumers’ friends, non-spouse relatives, and employers, and failed to provide statutorily-required written notices and disclaimers. In September 2018, the Commission successfully obtained a settlement banning the defendants from the debt collection business and from buying or selling debt. The settlement orders impose a \$3,462,664 judgment that will be partially suspended, due to the defendants’ inability to pay, when they have surrendered certain assets.<sup>42</sup>

Additionally, the FTC and the New York Attorney General’s Office filed suit against another phantom debt operation in 2018. In a June 2018 complaint against the *Hylan Asset Management* operation, the Commission charged Hylan Asset Management LLC (Hylan) and Worldwide Processing Group LLC (Worldwide), as well as their principals, with running a

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<sup>40</sup> Press Release, Phantom Debt Collectors Settle FTC Charges of Deceiving Consumers (June 4, 2018), available at <https://www.ftc.gov/news-events/press-releases/2018/06/phantom-debt-collectors-settle-ftc-charges-deceiving-consumers>.

<sup>41</sup> *FTC v. Global Processing Solutions*, 1:17-cv-4192 (N.D. Ga. Oct. 23, 2017) (Complaint); see also Press Release, FTC Charges Debt Collection Business Defrauded Consumers into Paying Debts They Did Not Owe (Nov. 8, 2017), available at <https://www.ftc.gov/news-events/press-releases/2017/11/ftc-charges-debt-collection-business-defrauded-consumers-paying>.

<sup>42</sup> *FTC v. Global Processing Solutions*, 1:17-cv-4192 (N.D. Ga. July 17, 2018 & Sept. 4, 2018) (Orders); see also Press Release, FTC Settlements Ban Fraudulent Debt Collectors from Debt Collection Business and from Buying or Selling Debt (Sept. 7, 2018), available at <https://www.ftc.gov/news-events/press-releases/2018/09/ftc-settlements-ban-fraudulent-debt-collectors-debt-collection>.

scheme to collect money from consumers on fake and unauthorized debts.<sup>43</sup> The complaint alleges that Hylan bought, placed for collection, and sold portfolios of phantom debts, including debts that were fabricated by the defendants or disputed by consumers. Hylan placed these phony debts for collection with several collection agencies, including Worldwide, which used illegal tactics to collect on them. The complaint further alleges that Hylan was aware that many of these debts were fabricated or legally unenforceable, given that many of them originated from Hirsch Mohindra and Joel Tucker—both of whom were defendants in separate FTC actions for distributing counterfeit debt.<sup>44</sup> Worldwide allegedly continued its collection efforts after consumers said they had never heard of the lenders and provided records to prove they owed nothing. The defendants stipulated to a temporary restraining order on June 29, 2018 and a preliminary injunction on July 9, 2018. Litigation continues against the defendants in this matter.

In addition to the law enforcement actions above, this past year the Commission also returned funds to consumers who lost money to two phantom debt collection operations previously stopped by the FTC. In July 2018, the agency mailed 597 checks totaling \$184,000 to consumers in the *Delaware Solutions* matter who had been tricked into paying phony debts.<sup>45</sup> In October 2015, the FTC and the State of New York charged a group of defendants known as Delaware Solutions, among other names, with collecting on debts that they knew were bogus. According to the complaint, the defendants ignored evidence that the debts were invalid, failed to identify themselves as debt collectors, falsely portrayed themselves as process servers or attorneys, and falsely threatened arrest or litigation for failure to pay. The defendants agreed to—and in August 2016, a federal court in New York entered—an order that permanently banned them from the debt collection industry.

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<sup>43</sup> *FTC v. Hylan Asset Management LLC et al.*, 1:18-cv-00710 (W.D.N.Y. June 26, 2018) (Complaint); *FTC v. Hylan Asset Management LLC et al.*, 1:18-cv-00710 (W.D.N.Y.) (Aug. 27, 2018) (First Amended Complaint); see also Press Release, FTC and New York Attorney General Act Against Phantom Debt Brokers and Collectors (June 27, 2018), available at <https://www.ftc.gov/news-events/press-releases/2018/06/ftc-new-york-attorney-general-act-against-phantom-debt-brokers>.

<sup>44</sup> See *FTC v. Stark Law, LLC*, No. 1:16-cv-3463 (N.D. Ill. Oct. 27, 2017) (Orders); Press Release, FTC Settlements Ban Chicago-area Phantom Debt Collector from the Debt Collection Business and from Selling Debt Portfolios (Nov. 1, 2017), available at <https://www.ftc.gov/news-events/press-releases/2017/11/ftc-settlements-ban-chicago-area-phantom-debt-collector-debt>; *FTC v. Joel Jerome Tucker*, 2:16-cv-082816 (D. Kan. Sept. 20, 2017) (Order); Press Release, FTC Obtains Court Order Against Scheme that Sold Fake Payday Loan Debt Portfolios (Oct. 17, 2017), available at <https://www.ftc.gov/news-events/press-releases/2017/10/ftc-obtains-court-order-against-scheme-sold-fake-paydayloan-debt>.

<sup>45</sup> Press Release, FTC Returns Money to People Targeted by Phony Debt Collection Scheme (July 26, 2018), available at <https://www.ftc.gov/news-events/press-releases/2018/07/ftc-returns-money-people-targeted-phony-debt-collection-scheme>.

The Commission also returned money to consumers affected by the abusive debt collection scheme in the *Rincon Management Services* matter, issuing a second round of checks.<sup>46</sup> Following on the refunds issued in 2017, the FTC mailed an additional 3,773 checks totaling more than \$669,715 this past April. This mailing brings the total amount refunded to people in this matter to more than \$2.7 million. The FTC had obtained a judgment of more than \$23 million against this operation (partially suspended after \$3.3 million in assets was handed over), along with a complete ban on debt collection activity.<sup>47</sup> This relief resolved allegations that this operation victimized Spanish-speaking consumers and others with abusive practices to coerce repayment of alleged debts that they often did not owe.

## Other Actions to Halt FDCPA & FTC Act Violations

In addition to the phantom debt cases described above, the FTC successfully initiated or resolved three other actions in 2018 to protect consumers from unlawful debt collection practices: (1) *Vantage Point Services*, (2) *4 Star Resolution LLC*, and (3) *Campbell Capital*.

In September 2018, the operators of an illegal debt collection scheme in *Vantage Point Services* agreed to a permanent ban from the debt collection business in order to settle FTC charges that they falsely threatened to have people arrested if their debts were not paid. The defendants falsely claimed consumers would spend up to 120 days in jail or pay thousands of dollars in bail, according to a complaint filed by the FTC and the New York Attorney General's Office in January 2015.<sup>48</sup> The complaint also alleges that the defendants failed to provide information about their identities during the phone calls or the supposed debt within five days of the calls, as required by law, and illegally added unauthorized amounts to consumers' debts. The orders impose a judgment of (1) \$22.5 million against Gregory MacKinnon, Vantage Point Services LLC, Joseph Ciffa and Bonified Payment Solutions, Inc. and (2) \$4.4 million against Angela

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<sup>46</sup> Refunds, FTC Returns Money to Victims of a Debt Collection Scheme (Apr. 2018), available at <https://www.ftc.gov/enforcement/cases-proceedings/refunds/rincon-management-refunds>.

<sup>47</sup> *FTC v. Rincon Management Services, LLC*, No. 5:11-cv-01623-VAP-SP (C.D. Cal. Mar. 26, 2014) (Order); see also Press Release, FTC Obtains More Than \$3.3 Million for Consumers; Defendants Agree to Be Permanently Banned from the Debt Collection Business (Apr. 3, 2014), available at <http://www.ftc.gov/news-events/press-releases/2014/04/ftc-obtains-more-33-million-consumers-defendants-agree-be>.

<sup>48</sup> *FTC v. Vantage Point Services, LLC, et al.*, 1:15-cv-00006 (W.D.N.Y. Jan. 5, 2015) (Complaint); see also Press Release, FTC, New York Attorney General Crack Down on Abusive Debt Collectors (Feb. 26, 2015), available at <https://www.ftc.gov/news-events/press-releases/2015/02/ftc-new-york-attorney-general-crack-down-abusive-debt-collectors>.



Burdorf and Payment Management Solutions Inc. The judgment against Ciffa and Bonified Payment Solutions will be suspended due to their inability to pay.<sup>49</sup>

The Commission and the New York Attorney General's Office also secured a ban against the three individuals and seven corporate entities engaged in a deceptive and abusive debt collection scheme in *4 Star Resolution, LLC*. As alleged in the FTC's February 2015 complaint, the defendants used threats and abusive language, including false threats that consumers would be arrested or sued, to collect supposed debts. The court halted the operation pending resolution of the case.<sup>50</sup> The Commission referred the case to the U.S. Attorney's Office for the Southern District of New York, leading to fourteen criminal convictions against individuals charged with involvement in the scheme. The two co-owners of 4 Star Resolution are serving 100-month and 70-month sentences for their crimes.<sup>51</sup> In March 2018, three separate settlement orders imposed the following judgments in the FTC's civil case: (1) \$30 million against Travell Thomas and the 4 Star corporate defendants; (2) \$30 million against Maurice Sessum; and (3) \$18,789,000 against Charles Blakely III and Merchant Recovery Service, Inc. These judgments will be partially suspended upon the surrender of certain assets. In addition to banning the defendants from the debt collection business and from buying or selling debt, the settlement orders prohibit them from misrepresenting financial products and services and from profiting from customers' personal information collected as part of the challenged practices.

In October 2018, the Commission and the New York Attorney General's Office also sued a New York-based debt collection operation in *Campbell Capital*.<sup>52</sup> A federal court temporarily halted the operation's illegal activity and froze its assets.<sup>53</sup> According to the complaint, defendants'

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<sup>49</sup> *FTC v. Vantage Point Services, LLC, et al.*, 1:15-cv-00006 (W.D.N.Y. Sept. 21, 2018) (Orders); see also Press Release, FTC Settlements Stop Debt Collection Scheme (Sept. 21, 2018), available at <https://www.ftc.gov/news-events/press-releases/2018/09/ftc-settlements-stop-debt-collection-scheme>.

<sup>50</sup> *FTC v. 4 Star Resolution LLC et al.*, 1:15-cv-00112 (W.D.N.Y. Mar. 20, 2018) (Orders); Press release, FTC and New York Attorney General Settlements Ban Abusive Debt Collectors from the Debt Collection Business and from Buying or Selling Debt (Mar. 22, 2018), available at <https://www.ftc.gov/news-events/press-releases/2018/03/ftc-new-york-attorney-general-settlements-ban-abusive-debt>.

<sup>51</sup> Press Release, Owner And CEO Of Debt Collection Company Sentenced To 100 Months In Prison For Orchestrating \$31 Million Debt Collection Scheme (Apr. 20, 2017), available at <https://www.justice.gov/usao-sdny/pr/owner-and-ceo-debt-collection-company-sentenced-100-months-prison-orchestrating-31>; Press Release, Owner And CFO Of Debt Collection Company Sentenced To 7 1/2 Years In Prison For Orchestrating \$31 Million Debt Collection Scheme (July 7, 2017), available at <https://www.justice.gov/usao-sdny/pr/owner-and-cfo-debt-collection-company-sentenced-7-years-prison-orchestrating-31-million>.

<sup>52</sup> *FTC v. Campbell Capital LLC et al.*, 1:18-cv-01163 (W.D.N.Y. Oct. 23, 2018) (Complaint); see also Press Release, FTC and New York Attorney General Sue Operators of Debt Collection Scheme (Nov. 1, 2018), available at <https://www.ftc.gov/news-events/press-releases/2018/11/ftc-new-york-attorney-general-sue-operators-debt-collection>.

<sup>53</sup> *FTC v. Campbell Capital LLC et al.*, 1:18-cv-01163 (W.D.N.Y. Oct. 25, 2018) (Orders).

employees often completed forms that showed they demanded more money than consumers allegedly owed, also known as “overbiffing” in the debt collection industry. In many cases, consumers agreed to pay more than what they allegedly owed. The complaint also alleges that employees pretended to work for law enforcement agencies and threatened consumers with arrest. Other collectors falsely claimed to work on behalf of attorneys and falsely told consumers they would face lawsuits if they did not make a payment on an alleged debt. Litigation continues in this matter.

# 7. Education and outreach initiatives

The Bureau works to provide consumers with the knowledge, tools, and capabilities they need in order to make better informed financial decisions to serve their life goals. To that end, the Bureau offers directly to consumers a variety of information, tools, and programs about major financial choices and other money decisions. Educational offerings are provided in web and print, including the Bureau’s “Ask CFPB” service of over 1,000 questions and answers, web tools such as Buying a House, and portals on specific money topics. The Bureau also works to make it easier for people to access financial education in their local communities and to foster a lasting local financial education infrastructure. The Bureau does this by integrating financial education into trusted and established community channels, such as libraries, workplaces, social service organizations, military services, and government agencies. The FTC has also worked to educate consumers and businesses about their rights and responsibilities under the FDCPA and the FTC Act.

## 7.1 Bureau education and outreach

The Bureau provides consumers with information about specific financial matters, including those relating to debt collection. A major Bureau consumer education product is Ask CFPB, an interactive online tool that helps consumers find clear and impartial answers to a wide variety of financial questions.

The Bureau began publishing “Ask CFPB” questions and answers including the topic of debt collection in October 2012. From its beginning until December 2018, Ask CFPB had been viewed more than 21.3 million times. Debt collection is consistently one of the two most-viewed categories in Ask CFPB. Ask CFPB includes practical tips to consumers regarding steps they can take when faced with debt collection as well as steps to take to manage debts in a way that may prevent the debts from ending up in collection.<sup>54</sup>

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<sup>54</sup> Ask CFPB, *Debt Collection*, Consumer Financial Protection Bureau, <http://www.consumerfinance.gov/consumer-tools/debt-collection/>.

In July 2013, the Bureau added five sample letters to Ask CFPB that consumers may use when they interact with debt collectors. The five letters are intended for consumers who: (1) need more information about a debt; (2) want to dispute their debt; (3) want to restrict how and when a collector can contact them; (4) want to stop all communication from the debt collector; and (5) want to direct further communications with respect to the debt matter to an attorney.<sup>55</sup> These letters are available in English and Spanish.

These letters were downloaded more than 607,000 times from June 2014 to the end of December 2018. The two most downloaded letters are “I need more information about this debt” and “I do not owe this debt.”

**TABLE 3:** DOWNLOADS OF THE BUREAU'S COLLECTION-RELATED LETTERS

Letter	% total downloads
“I need more information about this debt”	41%
“I do not owe this debt”	33%
“I want to specify how the debt collector can contact me”	9%
“I want the debt collector to stop contacting me”	13%
“I want the debt collector to only contact me through my lawyer”	3%

In addition to online resources for consumers, the Bureau offers print publications on financial topics including debt collection, which consumers and organizations can download or order in bulk free of charge. The Bureau’s brochure “Know Your Rights When a Debt Collector Calls” was updated in 2017 and is available in both English and Spanish. There is also a version tailored specifically to servicemembers, covering their unique rights and issued by the Bureau through its Office of Servicemember Affairs.

Debt collection, including debt management to avoid entering collections, is covered in the Bureau’s *Your Money, Your Goals* financial empowerment toolkit. As of the end of 2018, over

<sup>55</sup> Ask CFPB, *What Should I Do When a Debt Collector Contacts Me*, Bureau of Consumer Fin. Prot., <https://www.consumerfinance.gov/ask-cfpb/what-should-i-do-when-a-debt-collector-contacts-me-en-1695/> (last updated Feb. 2, 2017).

26,535 staff and volunteers in social services organizations had been trained on *Your Money, Your Goals*.

A related resource focused on helping consumers address problems surrounding debt is the Bureau's booklet, "Debt getting in your way?" This is a colorful, compact booklet that includes a selection of simplified paper tools from the *Your Money, Your Goals* toolkit. The tools in this booklet can help a consumer get a full picture of existing debt, order a credit report, prioritize debts and set repayment goals, and plan how to avoid additional debt in the future. Since the booklet's release, 138,253 copies have been distributed throughout the United States. The *Your Money, Your Goals* booklet, toolkit, and trainings for using them can be accessed at [www.consumerfinance.gov/your-money-your-goals](http://www.consumerfinance.gov/your-money-your-goals).

In November 2017, the Bureau, through its Office of Consumer Engagement, developed a 21-day email course that includes tools and resources from *Your Money, Your Goals*. The *Get a Handle on Debt Boot Camp*<sup>56</sup> is a program that allows consumers to sign up for periodic messages about steps to manage their debt effectively and meet their financial goals. This program now operates continuously. By the end of December 2018, the *Debt Boot Camp* had attracted 19,294 sign-ups.

Debt collection is also a significant issue facing the servicemember population. In October 2017, the Bureau issued a *50 State Snapshot of Servicemember Complaints*.<sup>57</sup> Servicemember complaints indicated that debt collection was the top category of complaints in each of the 50 states. This report was updated in April 2018. Debt collection was again listed as the highest category of complaints comprising 37% of almost 110,000 complaints.<sup>58</sup> The Bureau's Office of Servicemember Affairs released an [annual report](#) in January 2019 highlighting complaint data from 2017 and 2018.<sup>59</sup> The most common type of debt collection complaint reported was about

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<sup>56</sup> Courtney-Rose Dantus, *Sign-up for our Email Course and Get Your Finances in Shape*, CFPB Blog (Feb. 5, 2018), available at <https://www.consumerfinance.gov/about-us/blog/sign-our-email-course-and-get-your-finances-shape/>.

<sup>57</sup> Bureau of Consumer Fin. Prot., *50 State Snapshot of Servicemember Complaints*, (Oct. 2017), available at [https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb\\_monthly-complaint-report\\_50-state-snapshot-servicemembers\\_102017.pdf](https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb_monthly-complaint-report_50-state-snapshot-servicemembers_102017.pdf).

<sup>58</sup> Bureau of Consumer Fin. Prot., *Complaints Submitted by Servicemembers, Veterans, and their Families*, available at [https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/bcfp\\_servicemember-complaints-50-states\\_snapshot\\_201804.pdf](https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/bcfp_servicemember-complaints-50-states_snapshot_201804.pdf)

<sup>59</sup> Bureau of Consumer Fin. Prot., Office of Servicemember Affairs Annual report, January 2019, available at [https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb\\_osa\\_annual-report\\_2018.pdf](https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb_osa_annual-report_2018.pdf)

continued attempts to collect a debt that the servicemember believes is not owed. Servicemembers also complained about the communication tactics companies used when attempting to collect a debt, such as frequent and repeated calls, calls before 8AM and after 9PM, and calls after the servicemember requested no further telephone contact about the debt. The Bureau receives complaints about calls to third parties or calls to the servicemember's place of employment, including their chain of command.

In June 2018, the Office of Servicemember Affairs launched a new character mission in the [Misadventures in Money Management](#) (MiMM)<sup>60</sup> virtual financial education learning experience for ROTC, new recruits, and servicemembers at their first duty stations. This new character (Xavier) addresses the following topics: understanding the Fair Debt Collection Practices Act, dealing with debt collectors, learning about the Servicemembers Civil Relief Act, and understanding different strategies for dealing with high levels of credit card debt.

Student loan debt is also a significant issue for the military population. Repaying student debt will help servicemembers stay on track as they progress through their military career. The Bureau's Office of Servicemember Affairs also offers servicemember-specific materials, such as "Tackling Student Loan Debt"<sup>61</sup> and "Tips for Servicemembers with Student Loan Debt."<sup>62</sup>

A list of the Bureau's consumer education materials relating to debt collection and information on the extent of their distribution is set forth in Appendix A.

## 7.2 FTC education and public outreach

Education and public outreach are important parts of the Commission's debt collection program. The FTC uses multiple formats and channels to inform consumers about their rights under the FDCPA, as well as what the statute requires of debt collectors, and to inform debt collectors about what they must do to comply with the law. The FTC also uses education and public outreach to enhance legal services providers' understanding of debt collection issues.

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<sup>60</sup> Bureau of Consumer Fin. Prot., *Misadventures in Money Management* (June 2018), <https://landing.mimm.gov/>

<sup>61</sup> Bureau of Consumer Fin. Prot., *For Servicemembers: Tackling Student Loan Debt*, available at [https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201604\\_cfpb\\_servicemember-student-loan-guide.pdf](https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201604_cfpb_servicemember-student-loan-guide.pdf).

<sup>62</sup> *Tips for Servicemembers with Student Loan Debt*, CFPB Blog (Nov. 6, 2017), available at <https://www.consumerfinance.gov/about-us/blog/tips-servicemembers-student-debt/>.

The Commission reaches tens of millions of consumers through English and Spanish print and online materials, blog posts, speeches and presentations. To maximize its outreach efforts, FTC staff works with an informal network of about 16,000 community-based organizations and national groups that order and distribute FTC information to their members, clients, and constituents. In 2018, the FTC distributed 13.4 million print publications to libraries, police departments, schools, non-profit organizations, banks, credit unions, other businesses, and government agencies. In 2018, the FTC logged more than 60 million views of its business and consumer education website pages. The FTC’s channel at [YouTube.com/FTCvideos](https://www.youtube.com/FTCvideos) houses 232 business and consumer videos in English and Spanish, which were viewed more than 592,000 times in 2018. One video—Debt Collection: Know Your Rights—summarizes consumer rights and encourages viewers to report problem calls to the FTC. The consumer blogs in English<sup>63</sup> and Spanish<sup>64</sup> reached 230,520 and 50,744 email subscribers, respectively, and regularly serve as source material for local and national news stories.

As part its work to raise awareness about scams targeting the Latino community, the FTC has developed a series of fotonovelas (graphic novels) in Spanish. These graphic novels tell stories based on complaints Spanish speakers make to the FTC and offer practical tips to help detect and stop common scams. People ordered more than 24,000 copies of the *Cobradores De Deuda* (Debt Collectors) fotonovela in 2018.

The Commission also educates industry members by developing and distributing business education materials, delivering speeches, blogging, participating in panel discussions at industry conferences, and providing interviews to general media and trade publications. The FTC’s business education resources can be found in its online Business Center.<sup>65</sup> The Business Center logged more than 4.7 million page views in 2018, and there are more than 77,000 email subscribers to the Business Blog.<sup>66</sup> A complete list of the FTC’s consumer and business education materials relating to debt collection, and information on the extent of their distribution is set forth in Appendix B.

FTC staff also regularly meets with legal service providers, consumer advocates, and people who work in immigrant, Native American, Latino, Asian, and African American communities to discuss consumer protection issues, including the FTC’s work in the debt collection arena. For example, the FTC hosted four Ethnic Media Roundtables around the country in 2018, bringing

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<sup>63</sup> <http://www.consumer.ftc.gov/blog>.

<sup>64</sup> <http://www.consumidor.ftc.gov/blog>.

<sup>65</sup> <http://business.ftc.gov/>.

<sup>66</sup> <http://business.ftc.gov/blog>.

together law enforcement, community organizations, consumer advocates and members of the ethnic media to discuss how consumer protection issues— including debt collection—affect their communities.



# 8. Rulemaking, research, and policy initiatives

## 8.1 Bureau rulemaking and research

### 8.1.1 Bureau research projects

The Bureau is engaged in research to better understand the debt collection market and its impact on consumers and credit markets. One purpose of this research is to help the Bureau better understand the benefits, costs, and impacts of potential rules. For example, the Bureau has been developing quantitative testing of certain potential disclosures related to debt collection which could support the FDCPA rulemaking discussed below.<sup>67</sup> The Bureau’s debt collection research relies on various data sources, including publicly and commercially available data as well as information obtained through industry outreach and other efforts.

In August 2018 the Bureau released a short report titled “Collection of Telecommunication Debt.”<sup>68</sup> That report is part of a quarterly series of reports that the Bureau publishes on consumer credit trends using a longitudinal, nationally representative sample of approximately five million de-identified credit records from one of the three nationwide consumer reporting agencies. Among other things, this report found that about 22 percent of credit files included at least one telecommunication collections item at some point between mid-2013 and early 2018. The median telecommunication balance was \$408, and 17 percent of balances exceeded \$1,000. The report’s findings suggest that a single telecom collection is associated with a relatively small change in a consumer’s credit scores, a change that in most cases is unlikely to change a credit decision.

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<sup>67</sup> See Agency Information Collection Activities: Submission for OMB Review, 84 Fed. Reg. 1430 (February 4, 2019).

<sup>68</sup> <https://www.consumerfinance.gov/data-research/research-reports/quarterly-consumer-credit-trends-telecommunications-debt-collection/>.

## 8.1.2 FDCPA rulemaking

The Bureau issued an Advanced Notice of Proposed Rulemaking in November 2013 to explore the idea of developing debt collection rules. On July 28, 2016, the Bureau published an Outline of Proposals Under Consideration (the “Outline”) in preparation for a Small Business Regulatory Enforcement Fairness Act (SBREFA) panel. The Outline addressed proposals under consideration for those who are defined as “debt collectors” under the FDCPA.<sup>69</sup> On August 25, 2016, the Bureau convened a panel pursuant to the SBREFA composed of the Bureau, the Small Business Administration (SBA), and the Office of Management and Budget (OMB) to obtain input from small businesses in the debt collection industry on the possible effect of debt collection rulemaking on their businesses. The Bureau expects to issue a Notice of Proposed Rulemaking addressing such issues as communication practices and consumer disclosures in spring 2019. Additionally, the Bureau, among other things, is engaged in research and market outreach, as described below in Section 8.1.3.

## 8.1.3 Market monitoring and outreach

The Bureau continues to monitor the debt collection industry and engage key debt collection stakeholders to improve its understanding of the market and to develop informed policies that will protect consumers without imposing unnecessary costs.

In 2018, Bureau staff spoke at both regional and national debt collection industry events and conducted industry site visits. The Bureau also held meetings with consumer advocates, industry groups, vendors, and government officials to better understand consumers’ experiences with debt collection as well as how the market and industry function.

In addition, the Bureau has held a number of meetings with market participants to inform the Bureau as part of the rulemaking process. The results of this outreach have provided Bureau staff with detailed information related to the practices and costs of operating a debt collection business.

In 2018, the Bureau also requested information from major credit card issuers regarding their collection and recovery practices.<sup>70</sup> The survey will address a variety of relevant topics in credit card collections, including consumer communication methods, use of modern technologies, debt

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<sup>69</sup> The outline can be found at <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-considers-proposal-overhaul-debt-collection-market/>.

<sup>70</sup> Request for Information Regarding Consumer Credit Card Market, 84 Fed. Reg. 647 (January 31, 2019).

sales, litigation practices, and debt settlement, among others. Key insights from the survey will be published in the Bureau’s forthcoming 2019 Credit Card Market Report.

## 8.2 FTC’s research and policy development activities

Another prong of the Commission’s debt collection program is research and policy initiatives. The FTC continues to work closely with the Bureau to coordinate efforts to protect consumers from unfair, deceptive, and abusive debt collection practices.<sup>71</sup> As part of this coordination, FTC and Bureau staff regularly meet to discuss ongoing and upcoming law enforcement, rulemaking, and other activities; share debt collection complaints; cooperate on consumer education efforts in the debt collection arena; and consult on debt collection rulemaking and guidance initiatives.

Additionally, the FTC issued a new Staff Perspective in February 2018—a paper that examines the key takeaways from a July 2017 workshop titled “Military Consumer Financial Workshop.” This workshop focused on the various financial issues and scams that can affect military consumers.<sup>72</sup> The Staff Perspective includes a discussion of the unique issues that servicemembers face if they fall behind on their financing payments, including how debts in collection can endanger a servicemember’s security clearance. It also describes panelists’ reports of debt collectors unlawfully threatening to tell servicemembers’ commanding officers about an alleged debt, to coerce servicemembers to pay. The paper discusses the rights, remedies, and potential resources that are available to military consumers and emphasizes how financial education early and often, adapted to the military life cycle, is crucial.<sup>73</sup>

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<sup>71</sup> The Dodd-Frank Act directs the FTC and the CFPB to coordinate their law enforcement activities and promote consistent regulatory treatment of consumer financial products and services, including debt collection. *See* Dodd-Frank Act, Pub. L. 111-203, 124 Stat. 1376 § 1024(c)(3) (July 21, 2010). In January 2012, the FTC and CFPB entered into a memorandum of understanding (“MOU”) that supplements the requirements of the Dodd-Frank Act and creates a strong and comprehensive framework for coordination and cooperation. Memorandum of Understanding Between the Consumer Financial Protection Bureau and the Federal Trade Commission (Jan. 2012), *available at* <http://www.ftc.gov/sites/default/files/attachments/press-releases/federal-trade-commission-consumer-financial-protection-bureau-pledge-work-together-protect-consumers/120123ftc-cfpb-mou.pdf>. The agencies reauthorized the MOU in February 2019. *See* Memorandum of Understanding between the Consumer Financial Protection Bureau and the Federal Trade Commission (Feb. 2019), *available at* [https://www.ftc.gov/system/files/documents/cooperation\\_agreements/ftc-cfpb\\_mou\\_225\\_0.pdf](https://www.ftc.gov/system/files/documents/cooperation_agreements/ftc-cfpb_mou_225_0.pdf).

<sup>72</sup> More information about this workshop, including an agenda and video of the event, is available at <https://www.ftc.gov/news-events/events-calendar/military-consumer-workshop>.

<sup>73</sup> Press Release, FTC Staff Perspective Examines Key Financial Issues That Affect Military Consumers (Feb. 2, 2018), *available at* <https://www.ftc.gov/news-events/press-releases/2018/02/ftc-staff-perspective-examines-key-financial-issues-affect>.

## APPENDIX A:

# Bureau Debt Collection Information 2018

Title	Page views or downloads in English	Page views or downloads in Spanish	Print distribution in English	Print distribution in Spanish
<i>Consumer information</i>				
<a href="#">All Ask CFPB debt collection questions</a>	936,710	100,398		
<a href="#">How to negotiate a settlement with a debt collector</a>	497,180	17,115		
<a href="#">What should I do when a debt collector contacts me? Sample letters</a>	122,637	1,096		
<a href="#">What should I do if a creditor or debt collector sues me?</a>	57,752	1,938		
<a href="#">What is a statute of limitations on a debt?</a>	46,239	13,196		
<a href="#">Can I be responsible to pay off the debts of my deceased spouse?</a>	52,457	1,797		
<a href="#">Are there laws that limit what debt collectors can say or do?</a>	46,277	3,102		
<a href="#">Know Your Rights When a Debt Collector Calls</a>	2,446	336	113,353	8,375
<a href="#">Behind on bills?</a>	4278		138,288	
Planning to become debt free? <sup>74</sup>	2,308	664	135,759	10,517
<a href="#">Debt getting in your way? Get a handle on it.</a>	1,673		118,533	

<sup>74</sup> Available only by download or print.

Title	Page views or downloads in English	Page views or downloads in Spanish	Print distribution in English	Print distribution in Spanish
<a href="#">Servicemembers: Know your rights when a debt collector calls</a>	867		13,950	

## Bureau Consumer Content

### Consumer blog posts

- [Resolve to take control of your debt in the new year](#)
- [Three ways to enjoy the holidays without going into debt](#)
- [How to tell the difference between a legitimate debt collector and scammers](#)
- [Your top debt collection questions answered](#)
- [Two ways to save extra money](#)
- [How to reduce your debt](#)
- [Budgeting strategies and free tools to help you reach your goals](#)
- [Track your spending with this easy tool](#)
- [Budget help: Manage your monthly expenses with a bill calendar](#)
- [WARNO: New security clearance guidelines make it more important than ever for servicemembers to monitor their credit](#)
- [Sign up for our email course and get your finances in shape](#)

## APPENDIX B:

# FTC Debt Collection Information 2018

Title	Page views in English	Page views in Spanish	Print distribution in English	Print distribution in Spanish
<i>Consumer information</i>				
<a href="#">Debt Collection FAQ</a>	241,686	67,855	83,400^	2,225*
<a href="#">Debt Collectors (Fotonovela)</a>				24,150
<a href="#">Debts and Deceased Relatives</a>	55,831	35,786		
<a href="#">Fake Debt Collectors</a>	76,283	3,090		
<a href="#">Garnishing Federal Benefits</a>	32,677	1,448		
<a href="#">Settling Credit Card Debt</a>	66,136	7,779		
<a href="#">Managing Debt: What to Do</a>	12,212	14,703	91,150	13,700
<a href="#">Identity Theft Letter to a Debt Collector</a>	2,632	70		
<a href="#">Time-Barred Debts</a>	68,273	54,815		
<i>Consumer videos</i>				
<a href="#">Helping Victims of Identity Theft</a>	59			
<a href="#">Fraud Affects Every Community: Debt Collection</a>	3775			
<a href="#">Debt Collection: Know Your Rights</a>	2555	321		
<i>Business information</i>				

Title	Page views in English	Page views in Spanish	Print distribution in English	Print distribution in Spanish
<a href="#">The Fair Debt Collection Practices Act</a>	17,035		8,140	
<i>Business video</i>				
<a href="#">Debt Collection</a>	605	125		

^Issued 6/20/2018

\*Issued 11/2018

## FTC Consumer Content

### Consumer Blog Posts

- [Free publications about credit and debt](#)
- [FTC sues two more in phantom debt scheme](#)
- [FTC & NY shut down abusive debt collectors, Part 2](#)

### Business Blog Posts

- [Phantom debt collectors jump on the banned wagon](#)
- [Sounding the phantom debt collection alarm – again](#)