

## **Testimony in Support of LD 1092, An Act To Prevent Abusive Debt Collection Practices by Debt Buyers**

Senator Whittemore, Representative Beck, and members of the Joint Standing Committee on Insurance and Financial Services, my name is Jody Harris. I am the associate director of the Maine Center for Economic Policy (MECEP). I am here today to urge you to enact LD 1092 to protect Mainers from unscrupulous debt buyers.

Debt buying abuses are a new spin on an old problem. Debt buyers buy old consumer debts from the original lender for pennies on the dollar. The unscrupulous ones then sue the consumer without determining if the amount owed is correct, or even if the consumer still owes the debt. Hardly before the borrower knows it, the courts have garnished their wages or placed a lien on their property.

When a debt is sold, the buyer generally receives a spreadsheet with little information other than the name and last known address of the borrower. In many instances, Mainers paid off the debt long ago, or debt buyers have the wrong person. Or borrowers have payment plan agreements with the original lender that are not honored by the debt buyer.

The debt buyer business model is based on getting quick court judgments against consumers. The Consumer Financial Protection Bureau (CFPB) called one debt collector with a team of eight attorneys a “lawsuit factory” after it filed 350,000 suits against consumers since 2009. That’s nearly 9,000 suits per attorney, per year. It’s the robo-signing of debt-collection, and once a judgment is filed, Mainers are left with little recourse.

Research tells us that these debt buying abuses harm seniors, military service members and veterans, and women—populations which Maine has in high numbers:

- One-third of the complaints from Americans 65 and older to the CFPB concerned the tactics of unscrupulous debt collectors about debt that they do not owe.<sup>1</sup>
- Forty percent of debt collection complaints by service members, veterans, and their families involve attempts to collect debt that is not owed.<sup>2</sup>
- Women are the most affected by credit card debt, medical debt, and student debt, which together, these types of debt represent about 72% of the current debt buying market.<sup>3</sup>

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<sup>1</sup> Protection Bureau: Office for Older Americans. *A Snapshot of Debt Collection Complaints Submitted by Older Americans*, November 2014.

<sup>2</sup> Consumer Financial Protection Bureau, *Service Member Fact Sheet*, November 2014.

LD 1092 would put simple protections in place, including provisions that would:

1. Ensure Mainers are not harassed for debts they do not owe.
2. Increase transparency by enhancing requirements for written notice prior to collection actions.
3. Reduce the amount of time on which debt buyers can collect on old debt.
4. Ensure that debt buyers don't abuse the court system to collect on illegitimate debts.

LD 1092 isn't about helping Mainers avoid their financial responsibilities. Instead, it's about common sense reforms that would ensure that consumers really owe the debts they are being pursued for.

Twenty-one other states have enacted these common sense reforms, including Connecticut and Massachusetts.<sup>4</sup>

We don't believe that Maine banks and credit unions will be hurt by these reforms. Our community banks don't sell their debt and the bigger banks like Bank of America, Key Bank, and TD are already regulated by the Office of the Comptroller of the Currency (OCC), whose rules align with LD 1092. Finally, by the time debt gets to a debt collector, the bank has already written off the debt and adjusted their tax liability accordingly.

The problem is often out-of-state debt-buying companies, not the ones that follow proper procedures, rather the ones that don't and who frankly even act illegally.

The CFPB is concerned enough about the practices of these abusive debt buyers that they are considering promulgating rules sometime perhaps as early as 2015 to address the worst practices. However, I urge you to act now to protect Mainers against out-of-state, unscrupulous debt buyers. Maine is a leader in enacting strong consumer protections and our citizens shouldn't have to wait on the federal government for help.

Thank you for your time. I am happy to answer any questions you may have.

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<sup>3</sup> Mottola, Gary. *In our Best Interest: Women, Financial Literacy, and Credit card Behavior*, 2012, p 2 Salagincoff, Alina, Usha Ranji, Adara Beamesderfer and Nisha Kurnai. *Women and Healthcare in the Early Years of the Affordable Care Act: Key Findings from the 2013 Kaiser Family Foundation Survey*, 2014, p. 16 and American Association of University Women. *For Women, Student Loan Debt is an Even Bigger Crisis*, 2014.

<sup>4</sup> The other states are: AZ, AR, CA, DE, FL, IL, IN, IA, MD, MI, MN, NV, NM, NY, NC, OH, PA, TN, WA