

August 25, 2015

Councilmember Vincent Orange
Chair, Committee on Business, Consumer and Regulatory Affairs
Council of the District of Columbia
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Re: Support and Committee Hearing for the *Debt Buying Limitation Amendment Act of 2015*

Dear Chairman Orange,

We urge you to **support and schedule a committee hearing and mark-up** for the *Debt Buying Limitation Amendment Act of 2015*. Debt buyers have a documented history of suing the wrong person for the wrong amount and using other abusive tactics to collect debt. Our courts are flooded with unsubstantiated lawsuits that often result in wrongful judgments and wage garnishments. By enacting this common sense reform that would require debt buyers to obtain basic information before initiating a lawsuit, you can help ensure debt buyers are not clogging our courts with frivolous lawsuits.

When debt buyers acquire charged-off debts, they rarely purchase important documentation about the debt, instead electing to obtain only electronic files containing limited account information which is often inaccurate, outdated, and missing key elements. The failure of these debt buyers to obtain accurate account information often results in collection attempts against the wrong individuals, for inaccurate amounts, or for debts that have already been paid or have expired.

Unscrupulous debt buyers make half-hearted attempts to verify they are pursuing the right consumers. Debt buyers also know that most consumers will not have the resources to defend a court case, even if they dispute the debt. It should trouble taxpayers that debt buyers employ our courts as for-profit debt collectors, filing thousands of unsubstantiated lawsuits to obtain judgments against consumers. Many of the judgments obtained by debt buyers are entered when the consumer does not appear because they did not receive notice of the case. Recently, the Consumer Financial Protection Bureau dubbed one collection agency of eight attorneys a lawsuit “factory” after it filed 350,000 suits against consumers since 2009, clogging the courts and causing unnecessary financial distress to aggrieved consumers.¹ Last year, the Washington Post reported that since 2003, a single debt buyer, Midland Funding, had filed nearly 17,000 debt collection cases in Northern Virginia alone, over 9,200 of which were won because the consumer failed to show in court.² In the District, this same debt buyer has filed over 450 cases in the first five months of 2015.

To make matters worse, reports suggest that these abusive tactics disproportionately harm low-income communities, communities of color, seniors, and members of the military.³ For example, more than 40%

¹ Stuart, Hunter. “Debt Collection ‘Factory’ Preyed on Broke Americans: Lawsuit”, Huffington Post (July 15, 2014). Available at http://www.huffingtonpost.com/2014/07/15/debt-collection-agency-lawsuit_n_5585264.html.

² Douglas, Danielle. “Taking on the country’s biggest debt buyer”, The Washington Post (May 9, 2014). Available at http://www.washingtonpost.com/business/economy/taking-on-the-countrys-biggest-debt-buyer/2014/05/09/fbd65a24-a94d-11e3-b61e-8051b8b52d06_story.html.

³ Stifler, Lisa and Leslie Parrish. *Debt Collection and Debt Buying*. Center for Responsible Lending (2014). Available at <http://www.responsiblelending.org/state-of-lending/reports/11-Debt-Collection.pdf>.

of debt collection complaints are filed by those in the military community⁴ and nearly half of all debt collection complaints by those over 65 years old result from being pursued for debts they don't owe.⁵

The *Debt Buyer Limitation Amendment Act* would eliminate many of these abuses by requiring debt buyers to obtain certain key information and documentation prior to pursuing collections, particularly in court. The Act would also require debt buyers to share identifying information with the alleged debtor. By enacting these common sense reforms, you can protect consumers from unwarranted debt collection actions and alleviate the pressure on our courts imposed by wrongful and frivolous lawsuits.

This bill is not about helping Washingtonians avoid debts owed. Rather, it is an effort to provide for a fair debt collection system in which people are not harassed into paying debts they do not owe or subjected to wrongful legal action. We hope that you will support in this effort by scheduling the *Debt Buying Limitation Amendment Act of 2015* for a hearing and mark-up. Thank you for your consideration of this important matter.

Sincerely,

Legal Aid Society of the District of Columbia
Legal Counsel for the Elderly
AARP DC
Center for Responsible Lending
Bread for the City
Washington Legal Clinic for the Homeless
Coalition for Nonprofit Housing & Economic Development
American Friends Service Committee, DC Peace and Economic Justice Program

CC: Councilmember Mary Cheh
Councilmember Anita Bonds
Councilmember Brianne Nadeau
Councilmember Brandon T. Todd
Councilmember Charles Allen
Councilmember Elissa Silverman

⁴ Consumer Financial Protection Bureau, A snapshot of complaints received from Servicemembers, Veterans, and their families (2015). Available at http://files.consumerfinance.gov/f/201504_cfpb_snapshot-of-complaints-received-from-servicemembers-veterans-and-their-families.pdf.

⁵ Consumer Financial Protection Bureau, A snapshot of debt collection complaints submitted by older consumers (2014). Available at http://files.consumerfinance.gov/f/201411_cfpb_snapshot_debt-collection-complaints-older-americans.pdf.