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Director Cordray Remarks at the Debt Collection Advance Notice of Proposed Rulemaking Press Call

BY [RICHARD CORDRAY](#)

Today, the Consumer Financial Protection Bureau is taking an important step to better protect consumers from harmful debt collection practices. We are publishing an Advance Notice of Proposed Rulemaking asking consumers for feedback about their experiences with debt collections and asking the industry for information about their practices. We want to hear how we can better protect consumers and bring greater accountability to this multi-billion-dollar industry without hamstringing legitimate debt collection activities.

Collection of consumer debts serves an important role in the proper functioning of consumer credit markets. But certain debt collection practices have long been a source of frustration for many consumers, generating a heavy volume of consumer complaints at all levels of government – including at the Consumer Bureau. Since we started hearing from consumers about these issues in July, debt collection is quickly becoming the topic that draws the most complaints of all the consumer financial products and services covered by our consumer response team.

Debt collection also has more salience today than perhaps at any time in our country's history. In the wake of the recent financial crisis, we see far too many people who have fallen into financial difficulties. Many lost their jobs, much of their savings, and even their homes. Bills piled up and sat unpaid. Many consumers fell behind, either because of bad decisions or because they were victims of tough economic conditions during the Great Recession. The best estimates are that 30 million Americans – nearly one out of every ten of us – came out of the financial crisis with one or more debts in collection, for

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amounts that average about \$1,400 per person.

While we can put a number on debt, we cannot quantify the emotional toll that it takes on consumers who live under the shadow of indebtedness and then have to cope with mistreatment by debt collectors. Such bad experiences are almost inevitably accompanied by mounting feelings of frustration and helplessness.

Equally, it is difficult to quantify the toll that it takes on consumers who do not think they have any accounts in arrears but who are still contacted, and sometimes hounded, by collectors. When debt collectors get it wrong – when they have the wrong person, the wrong amount, or other wrong information – consumers can suffer substantial harm. Consumers can be harassed over a debt that is not theirs or that they do not recognize because the information is wrong. Credit reports may be marred by misinformation. In some instances, consumers may end up paying amounts they do not owe.

Our job at the Consumer Bureau is to root out bad actors that violate the law. Their violations hurt not only consumers, but also every debt collector that tries to operate within the law. But the primary statute that has governed the debt collection industry over the last 35 years did not authorize any agency to issue rules governing debt collection practices. In the Dodd-Frank Act, Congress took action by giving the Consumer Bureau the authority to issue rules to bring the law up to date and address new concerns. Now it is time to look closely at how we can improve and modernize existing measures that were written before the Internet, before social media, and before many other new communication technologies.

Updating the legal framework to protect today's consumers and to allow fair and appropriate use of modern technology is a high priority for the Consumer Bureau, which motivates this Advance Notice of Proposed Rulemaking. We are seeking to hear from the public – consumers, consumer advocates, creditors, debt buyers, and debt collectors – about what works and what does not in the current debt collection market.

Today the Consumer Bureau is seeking input from the public in three key areas.

First, we want to know how a rulemaking could help ensure that collectors are seeking to recover debts from the right person and in the right amounts. In particular, we are concerned with the accuracy of account information that is passed on from the original creditor to debt collection firms or debt buyers. So we are seeking public feedback on what documents are transferred and how to improve the accuracy and credibility of information. We believe that ensuring the integrity of information within the debt collection system is crucial.

Second, we want to know how new rules could best help consumers understand the

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debts they owe, their rights under the law, and the options they have. We want to make sure consumers who are in contact with debt collectors receive adequate information about how much they owe and to whom. We want to make sure consumers understand their rights to seek validation of their debts and to protect their privacy, and that they know the consequence of paying or not paying their debts.

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Third, we are asking the public how federal rules could better regulate the communication tactics and communication channels used in this industry. Debt collectors covered by the Fair Debt Collection Practices Act (including most debt buyers) are already barred from using practices that annoy, abuse, or harass consumers. They are also generally not allowed to contact consumers at unusual times or places, to share collection-related information with people other than the consumer, or to communicate with consumers who have asked them to stop doing so. We are concerned about how often a debt collector contacts the consumer, how they contact the consumer, and what they say to the consumer. We also want to address the use of modern communication channels. Communication tactics should be appropriate, fair, and honest across all these channels.

By means of the public process set in motion today, we invite consumers, industry, and all other interested parties to tell us about their experiences. In order to facilitate broader input, we are publishing the Notice not just on the normal government website at regulations.gov, but we are also partnering with Cornell University's law school and their e-Rulemaking Initiative to help people take part more easily. Anyone can simply visit www.regulationroom.org in order to learn about, discuss, and react to the issues on which the Consumer Bureau is considering writing new rules. And links to all of these sites can be found directly on our website, consumerfinance.gov.

Today we are also adding debt collection complaints to our public Consumer Complaint Database. Since we began accepting these complaints on July 10, companies have responded to about 5,000 debt collection complaints from consumers; more are coming in each day, and we will continue to add them to the database as we go along. We have found, consistently, that people who submit complaints provide us with essential insight into the actual experiences of what it is like to navigate the complex financial marketplace. We listen closely to their collective voices and we seek to understand the patterns of their problems in deciding how to prioritize our supervisory examinations and when to open enforcement investigations.

So we encourage you to visit consumerfinance.gov/complaintdatabase so you too can see what we are seeing. Many complaints overlap with concerns we have heard elsewhere and with the issues we are raising in today's Notice. We have heard, for example, that many consumers are very concerned about collectors trying to collect on debt they already paid off or that they never owed in the first place. And we are hearing

about unwanted contact, incessant contact, and intimidation tactics used by collectors.

Debt collection remains challenging for consumers. It will take some time to change this industry in a lasting way. But we will work closely with all stakeholders to achieve a better marketplace. Both consumers and responsible businesses stand to benefit by improved debt collection standards. Consumers deserve to be treated with dignity and respect, and businesses should be able to operate fairly and reasonably to collect the debts they are legitimately owed. Thank you.

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.



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