

[Banking and Finance Law Daily Wrap Up, DEBT COLLECTION—House bill targets collection of debts owed to government agencies, \(Mar. 9, 2017\)](#)

Banking and Finance Law Daily Wrap Up

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Representative Mia Love (R-Utah) has introduced legislation to fix what she contends is a debt collection law loophole regarding the collection of debts owed to government agencies. The "Stop Debt Collection Abuse Act of 2017" ([H.R. 864](#)) would amend the Fair Debt Collection Practices Act to cover the activities of private debt collectors working on behalf of federal government agencies.

"Consumers deserve protection from bullying from government-hired debt collectors," Love [said](#). "This is also about fairness, by putting government-hired debt collectors on a level playing field with private debt collectors," she added.

Scope. The legislation would expand the definition of debt subject to the FDCPA to cover obligations owed to a federal agency, including loans, overpayments, fines, penalties, and fees that are at least 180 days past due. A debt collector would similarly include any person who regularly collects debts currently or originally owed or allegedly owed to a federal agency.

Notice to debtor. A federal agency that is a creditor could not sell or transfer a debt until at least 90 days after the date of default. Prior to selling or transferring the debt, or contracting with a debt collector to collect the debt, the agency must notify the consumer at least three times that the agency will take that action.

Collection fees. The bill also prohibits private debt collectors from charging exorbitant and unfair fees when collecting debt owed to a federal agency. The collection of any amount incidental to the principal obligation, including any interest, fee, charge, or expense, must be expressly authorized by the agreement creating the debt or permitted by law. In addition, the amount must be: (i) reasonable in relation to the actual costs of the collection; (ii) authorized by a contract between the debt collector and the federal agency; and (iii) not greater than 10 percent of the amount collected by the debt collector.

Study, report. The bill further mandates that the Comptroller General commence a study on the use of debt collectors by state and local government agencies and submit a report on the completed study to Congress.

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