

**PREPARED STATEMENT OF
THE FEDERAL TRADE COMMISSION**

on

Shining a Light on the Consumer Debt Industry

Before the

**SENATE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND CONSUMER
PROTECTION
UNITED STATES SENATE**

**Washington, D.C.
July 17, 2013**

Chairman Brown, Ranking Member Toomey, and distinguished members of the Subcommittee, I am James Reilly Dolan, the Acting Associate Director for the Division of Financial Practices at the Federal Trade Commission (“Commission” or “FTC”).¹ I appreciate the opportunity to appear before you today to discuss the Commission’s efforts to protect consumers from unfair, deceptive, and abusive debt collection practices.

Consumer credit is a critical component of today’s economy, allowing consumers to purchase goods and services for which they are unable or unwilling to pay the entire cost at the time of purchase. If consumers do not pay their debts, creditors may be less willing to extend credit or may increase the cost of borrowing money. Lawful debt collection thus helps keep credit more readily available and affordable.

Unlawful debt collection practices, however, cause serious harm to consumers—both those in financial distress as well as others who do not owe the debt they are being contacted about—and place law-abiding debt collectors at a competitive disadvantage. Accordingly, challenging unlawful debt collection practices continues to be one of the Commission’s highest priorities. The Commission receives more complaints about debt collection than any other specific industry, and these complaints have constituted around 25 percent of the total number of complaints received by the FTC over the past three years.² In 2012, consumers filed 125,136 complaints about third-party debt collectors and in-house

¹ While the views expressed in this statement represent the views of the Commission, my oral presentation and responses to questions are my own and do not necessarily reflect the views of the Commission or any individual Commissioner.

² See Consumer Financial Protection Bureau, *Fair Debt Collection Practices Act: CFPB Annual Report 2013*, at 14 (24.1% of all complaints the FTC received); Consumer Financial Protection Bureau, *Fair Debt Collection Practices Act: CFPB Annual Report 2012*, at 14 (27.16% of all complaints the FTC received); FTC, *Annual Report 2011: Fair Debt Collection Practices Act*, at 5 (27% of all complaints the FTC received).

collectors.³ The consumer complaints most frequently reported are that collectors falsely represented the character, amount, or status of a debt (38.9%); made repeated or continuous calls (36.5%); falsely threatened to sue consumers or take other unintended actions (29.6%); failed to send a written notice of the debt to the debtor (25.4%); and falsely threatened to arrest a consumer or seize a consumer's property (23.4%).⁴

To stop these illegal practices, the Commission maintains an active program of vigorous law enforcement, education and public outreach, and research and policy initiatives. This testimony will describe the Commission's actions in each of these areas, as well as the Commission's coordination and cooperation with the Consumer Financial Protection Bureau ("CFPB") in addressing unlawful debt collection practices.

I. Enforcement

The Commission is primarily a law enforcement agency, and law enforcement investigations and litigation are at the heart of our recent debt collection work. The Commission has the authority to investigate and take law enforcement action against debt collectors who engage in unfair, deceptive, abusive, or other practices that violate the Fair Debt Collection Practices Act ("FDCPA").⁵ The Commission also has the power to investigate and take enforcement action against entities that, in connection with collecting on debts, engage in unfair or deceptive acts or practices in violation of Section 5 of the FTC Act.⁶ These law enforcement

³ *Id.* These numbers only include complaints filed directly with the FTC, which are coded and categorized in a consistent manner. These numbers also do not include identify theft or Do Not Call Registry complaints that may involve debt collection.

⁴ Because consumer complaints frequently address more than one debt collection practice, a single complaint may count towards multiple violation categories. Hence, the sum of these percentages will be more than 100%.

⁵ 15 U.S.C. § 1692-1692p.

⁶ 15 U.S.C. § 45.

actions supplement what Congress intended to be a significant part of FDCPA enforcement—private individual and class action lawsuits.⁷

The Commission generally carries out these powers in two ways.⁸ First, the Commission may refer cases alleging violations of the FDCPA to the Department of Justice (“DOJ”) in instances where preliminary injunctive relief to halt unlawful conduct is not needed and where civil penalties are appropriate monetary relief. Second, the Commission has the authority under Section 13(b) of the FTC Act to file actions in federal district court to obtain injunctions and disgorgement of ill-gotten gains or restitution against those who violate the FDCPA or the FTC Act.⁹ The Commission generally files actions under Section 13(b) where the unlawful conduct of collectors is so egregious that a court order is needed to bring an immediate halt to the conduct or where equitable monetary relief, such as restitution and disgorgement of ill-gotten gains, are more appropriate forms of monetary relief than civil penalties.

In recent years, to improve deterrence, the Commission has focused on bringing a greater number of cases and obtaining stronger monetary and injunctive remedies against debt collectors that violate the law. Since January 1, 2010, the Commission has brought fifteen debt collection cases¹⁰ and has obtained judgments of more than \$56.2 million—including civil penalties,

⁷ See S. Rep. No. 95-382.

⁸ Section 814 of the FDCPA, 15 U.S.C. § 1692l(a), authorizes the FTC to use all of its functions and powers under the FTC Act to enforce the FDCPA, including but not limited to the power to address a violation of the FDCPA in the same manner as if the violation had been a violation of a FTC trade regulation rule. Accordingly, the FTC can either seek civil penalties through a referral to the Department of Justice or seek equitable relief through its own attorneys.

⁹ 15 U.S.C. § 53(b).

¹⁰ *FTC v. Expert Global Solutions, Inc.*, No. 3-13 CV 26 2611-M (N.D. Tex. filed July 8, 2013); *FTC v. Security Credit Services, LLC*, No. 1:13-cv-00799-CC (N.D. Ga. filed March 13, 2013); *FTC v. Goldman Schwartz, Inc.*, No. 4:13-cv-00106 (S.D. Tex. filed Jan. 14, 2013); *FTC v. Pro Credit Group, LLC*, No. 8:12cv586 (M.D. Fla. filed Mar. 19, 2013); *United States v. Luebke Baker & Assocs., Inc.*, Civ. A. No. 1:12-cv-1145 (C.D. Ill. filed May 11, 2012); *FTC v.*

disgorgement of ill-gotten gains, and restitution—against a variety of debt collectors.¹¹ These cases include three civil penalty actions—*United States v. Expert Global Solutions, Inc.*, *United States v. West Asset Management, Inc.*, and *United States v. Asset Acceptance, LLC*—that resulted in settlements in which the debt collectors paid \$3.2 million, \$2.8 million, and \$2.5 million, respectively, the three largest civil penalties obtained by the agency in cases alleging violations of the FDCPA.

In each of these cases, the FTC charged debt collectors with engaging in a host of unlawful practices. For example, in the most recent case, announced last week, the Commission filed a complaint against, and obtained a settlement with, the largest third-party debt collector in the world, Expert Global Solutions Inc. The FTC alleged that the defendants—commonly known as NCO—annoyed and harassed consumers for years with repeated phone calls, despite being told that the consumer does not owe the debt, does not know the whereabouts of the alleged debtor, or does not wish to receive any more communications.¹² The FTC also alleged that the debt collector disclosed consumers’ debts to third parties through voicemail messages, even when the outgoing answering machine greeting either did not give the name of the person

Broadway Global Master Inc., 2:12-cv-00855-JAM-GGH (E.D. Cal. filed Apr. 3, 2012); *FTC v. AMG Servs., Inc.*, 2:12-cv-00536 (D. Nev. filed Apr. 2, 2012); *FTC v. Am. Credit Crunchers*, No. 12cv1028 (N.D. Ill. filed Feb. 13, 2012); *United States v. Asset Acceptance*, 8:12-cv-182-T-27EAJ (M.D. Fla. filed Jan. 30, 2012); *FTC v. Rincon Mgmt. Servs., LLC*, 5:11-cv-01623-VAP-SP (C.D. Cal. filed Oct. 11, 2011); *FTC v. Forensic Case Mgmt. Servs., Inc.*, LACV11-7484 RGK (C.D. Cal. filed Sept. 12, 2011); *FTC v. Payday Fin., LLC*, 3:11-cv-3017-RAL (D.S.D. filed Sept. 6, 2011); *United States v. West Asset Mgmt., Inc.*, 1:11-cv-0746 (N.D. Ga. filed Mar. 10, 2011); *FTC v. LoanPointe, LLC*, 2:10-cv-00225-DAK (D. Utah filed Mar. 15, 2010); *United States v. Credit Bureau Collection Servs.*, 2:10-cv-169 (S.D. Ohio filed Feb. 24, 2010).

¹¹ This includes approximately \$42.5 million in equitable monetary relief and approximately \$13.2 million in civil penalties. In some settlement orders, the monetary judgment is suspended in part or in whole based on the defendants’ ability to pay.

¹² *United States v. Expert Global Solutions, Inc.*, No. 3-13 CV 26 2611-M (N.D. Tex. July 8, 2013).

or announced that the answering machine was for a person other than the consumer that the collector was trying to reach.

In *West Asset Management, Inc.*, the Commission alleged that a leading debt collector misrepresented that the collector was a law firm or that its collectors were attorneys; falsely claimed that debtors would be arrested or have property seized if they did not pay, among other false statements; revealed to third parties that a consumer owed a debt; and committed other violations of the FDCPA and the FTC Act.¹³

In *Asset Acceptance, LLC*, the Commission alleged that one of the nation's largest debt buyers had failed to disclose that debts were too old to be legally enforceable or that a partial payment would extend the time a debt could be legally enforceable; misrepresented that consumers owed a debt when it could not substantiate its representations; provided information to credit reporting agencies, while knowing or having reasonable cause to believe that the information was inaccurate; repeatedly called third parties who did not owe a debt; and committed other violations of the FDCPA, the FTC Act, and the Fair Credit Reporting Act.¹⁴

In addition to its civil penalty cases, which must be referred to the Department of Justice for filing, the Commission has brought a number of court actions, filed under Section 13(b) of the FTC Act, against debt collectors in which it sought injunctions and restitution or disgorgement of ill-gotten gains.¹⁵ In these cases, the Commission has focused on swiftly halting

¹³ *United States v. West Asset Mgmt., Inc.*, No. 1-11-cv-0746 (N.D. Ga. Mar. 14, 2011); *see also* FTC, *Leading Debt Collector Agrees to Pay Record \$2.8 Million to Settle FTC Charges*, Mar. 16, 2011, available at <http://www.ftc.gov/opa/2011/03/wam.shtm>.

¹⁴ *United States v. Asset Acceptance LLC*, No. 8:12-cv-182-T-27EAJ (M.D. Fla. Jan. 31, 2012); *see also* FTC, *Under FTC Settlement, Debt Buyer Agrees to Pay \$2.5 Million for Alleged Consumer Deception*, Jan. 30, 2012, available at <http://www.ftc.gov/opa/2012/01/asset.shtm>.

¹⁵ Under the FTC Act, the Commission must refer to DOJ all cases in which it seeks civil penalties. DOJ then has 45 days to decide whether to file the case in its own name or return it to the FTC to file. Section 16(a) of the FTC Act, 15 U.S.C. § 56.

exceptionally egregious debt collection conduct. Accordingly, in many of these cases the Commission has sought and obtained preliminary relief, including *ex parte* temporary restraining orders with asset freezes, immediate access to business premises, and appointment of receivers to run the debt collection business. The Commission also has sought and obtained strong permanent relief to ensure that defendants do not engage in unlawful debt collection practices in the future. In certain cases, this relief includes banning individuals or entities from engaging in debt collection. Since January 1, 2010, the FTC has obtained such bans against 12 entities and individuals.

For example, in *FTC v. Forensic Case Management Services, Inc.*, the Commission obtained a wide array of relief against a debt collector charged with engaging in a host of egregious conduct, such as threatening to physically harm consumers and desecrate the bodies of their dead relatives; threatening to kill consumers' pets; using obscene and profane language; revealing consumers' debts to third parties; and falsely threatening consumers with lawsuits, arrest, and wage garnishment.¹⁶ In addition to obtaining the strong preliminary relief discussed above, the Commission ultimately secured substantial monetary judgments against the defendant debt collection enterprise and a complete ban on future debt collection activity, along with other permanent injunctive relief.¹⁷

The Commission has also used its Section 13(b) authority to halt debt collectors from employing unfair and deceptive tactics to recover on payday loans. In a typical payday loan, consumers receive cash in exchange for their personal checks or authorization to debit their bank accounts, and the lenders agree that consumers' checks will not be cashed or consumers'

¹⁶ *FTC v. Forensic Case Mgmt. Servs., Inc.*, No. LACV11-7484 RGK (C.D. Cal. Jan. 4, 2013).

¹⁷ See FTC, *FTC Settlement Obtains Permanent Ban Against Abusive Debt Collection Operation*, Jan. 17, 2013, available at <http://www.ftc.gov/opa/2013/01/rumson.shtm>.

accounts will not be debited until a designated future date. Payday loans have high fees and short repayment periods, which translate to high annual rates, and they often are due on the borrower's next payday.

In two recent cases, the FTC alleged that a payday loan operation violated the law by attempting to garnish consumers' wages without first obtaining a state court order. Although federal law allows federal agencies to require employers to garnish employees' wages without a state court order if the employees owe money to the federal government, private parties must obtain a court order to garnish wages. In the first case—*FTC v. LoanPointe, LLC*—the FTC alleged that defendants sent documents to the employers of consumers that mimicked the documents that the federal government sends in collecting on its own debts, thereby falsely representing that the defendants (like the federal government) were entitled to garnish wages without obtaining a court order.¹⁸ The FTC won a preliminary injunction and summary judgment against the defendants. In awarding summary judgment to the FTC, the United States District Court for the District of Utah observed that wage assignment clauses like the ones used by the defendants may cause “substantial harm to consumers” by imposing administrative costs on employers, pressuring consumers into forgoing valid defenses against the debt collection attempt, jeopardizing consumers' job stability, and obtaining wage earnings that may otherwise go to basic necessities.¹⁹

In the second case—*FTC v. Payday Financial LLC*—the FTC alleged that a payday loan operation that purportedly has an association with a Native American tribe employed similar

¹⁸ *FTC v. LoanPointe, LLC*, No. 2:10-CV-00225-DAK (D. Utah Dec. 9, 2011); *see also* FTC, *Court Rules in Favor of FTC; Orders Defendants in Payday Lending Case to Pay More Than \$294,000 for Illegal Garnishment of Consumers' Paychecks*, Dec. 19, 2011, available at <http://www.ftc.gov/opa/2011/12/getecash.shtm>.

¹⁹ *FTC v. LoanPointe, LLC*, No. 2:10-CV-00225-DAK (D. Utah Sept. 16, 2011) (decision and order) (relying in part on *Am. Fin. Servs. Assoc. v. FTC*, 767 F.2d 957, 974 (D.C. Cir. 1985)).

wage garnishment tactics.²⁰ The FTC specifically alleged that the defendants were sending documents to consumers' employers that falsely represented that, under tribal laws, they were entitled to garnish wages without obtaining a state court order. The case is currently in litigation.

Recently, the FTC also has used its Section 13(b) authority to shut down so-called “phantom” debt collectors. Phantom debt collectors engage in wholesale fraud by attempting to collect on debts (often related to payday loans) that either do not exist or are not owed to the phantom debt collectors. In 2012, the Commission filed three cases against alleged phantom debt collectors, and obtained strong preliminary injunctive relief in each case.²¹ In these three cases, the Commission alleged that the callers carrying out the phantom debt collection schemes pretended to be law enforcement or other government authorities, and falsely threatened to arrest and jail consumers immediately if they did not agree to make payments. One of the cases ended with the Commission obtaining a permanent injunction—including bans prohibiting the defendants from working in debt collection—and a substantial monetary judgment.²² The FTC continues to litigate the other two cases.

As a supplement to its Section 13(b) and civil penalty cases, the FTC also files *amicus* briefs to offer the Commission's views on important questions of law. For example, in December 2011, the Commission, in a joint brief with the United States and the CFPB, urged the

²⁰ *FTC v. Payday Fin., LLC*, No. 3:11-cv-03017-RAL (D.S.D. filed Sept. 6, 2011); *see also* FTC, *FTC Action Halts Allegedly Illegal Tactics of Payday Lending Operation That Attempted to Garnish Consumers' Paychecks*, Sept. 12, 2011, available at <http://www.ftc.gov/opa/2011/09/payday.shtm>.

²¹ *FTC v. American Credit Crunchers, LLC*, No. 12cv1028 (N.D. Ill. Oct. 10, 2012); *FTC v. Broadway Global Master Inc.*, No. 2:12-cv-00855-JAM-GGH, (E.D. Cal. filed Apr. 3, 2012); *FTC v. ProCredit Group LLC*, No. 8:12cv586 (MD. Fla. filed Mar. 19, 2012).

²² *See* FTC, *U.S. Defendants Who Allegedly Abetted Fake Debt Collector Calls from India Agree to Settle FTC Charges*, Oct. 23, 2012, available at <http://www.ftc.gov/opa/2012/10/americancredit.shtm>.

Supreme Court to deny *certiorari* in *Fein, Such, Kahn and Shepard, PC v. Allen*,²³ a consumer class action against several entities involved in a mortgage foreclosure action. The putative consumer class alleged that the law firm that brought the foreclosure action violated the FDCPA by sending a letter to the consumer's attorney that demanded payment for fees that were much higher than the amounts allowed under state law. The district court and court of appeals rejected the law firm's motion to dismiss the FDCPA claims, which argued that communications to a consumer's attorney are categorically excluded from the FDCPA.

Among other things, the joint brief advocated that the Supreme Court deny *certiorari* in *Fein* because the decision of the Third Circuit is consistent with the plain language of the FDCPA, the structure of the FDCPA, and the underlying purposes of the FDCPA. In January 2012, the Supreme Court denied the petition for *certiorari*.²⁴

II. Education and Public Outreach

The FTC works to educate consumers and businesses about their rights and obligations under the FDCPA. The FTC's consumer education efforts include English and Spanish written materials, one-on-one guidance, and speeches and presentations. In 2012, the Commission supplemented its distribution of this information by launching two consumer-oriented websites: consumer.ftc.gov and consumer.gov. Consumer.ftc.gov offers straightforward articles about a variety of consumer protection topics, as well as videos, educational games, and a blog that invites consumer comments. The site addresses debt collection topics such as how to spot a fake or "phantom" debt collector, the rights consumers have when debt collectors are seeking to recover on time-barred debts, and the rights and responsibilities related to the debts of a deceased

²³ Brief for the United States as Amicus Curiae, *Fein, Such, Kahn & Shepard, PC v. Allen*, No. 10-1417 (U.S. Dec. 23, 2011).

²⁴ *Fein, Such, Kahn & Shepard, PC v. Allen*, No. 10-1417, 2012 WL 171347 (U.S. Jan. 23, 2012) (mem.) (order denying cert.).

relative. Consumer.gov is the product of extensive work in coordination with the Center for Applied Linguistics to write and design the site for audiences with low literacy levels. Features include short videos, infographics, and read-along audio. The site includes basic material on a variety of consumer protection topics, including a section about dealing with debt collectors.

Business education is also a priority for the FTC. Over the past three years, the Commission's business outreach activities have included developing and distributing business education materials, delivering speeches, participating in panel discussions at industry conferences, and providing interviews to general media and trade publications. These efforts help to ensure that debt collectors understand their responsibilities under the FDCPA.

Finally, as part of the FTC's Legal Services Collaboration project, FTC staff regularly meets with legal services providers to discuss various consumer protection issues, including the FTC's work in the debt collection arena. These discussions allow staff to better identify debt collection practices that are causing serious consumer harm and to improve the development and direction of our educational resources. Recent legal services outreach efforts have included providing information in a webinar hosted by the National Association for Consumer Advocates and convening legal services providers and government agencies for a Washington DC conference that had a strong focus on debt collection issues. The FTC also organizes "Common Ground" conferences that bring together legal services providers and law enforcement agencies to discuss a wide variety of consumer protection issues, including debt collection.

III. Research and Policy Development Activities

The third prong of the FTC's debt collection program is research and policy initiatives. Since 2010, the FTC has continued to monitor and examine the debt collection industry and its practices through workshops, reports, and policy statements.

As part of these initiatives, the FTC hosts roundtables and conferences on topics ranging from the use of new debt collection technologies to the flow of information in the debt collection process. For example, the FTC held a series of nationwide roundtable discussions and public comments examining debt collection litigation and arbitration proceedings, which culminated in the publication of a 72-page report in July 2010.²⁵ Drawing from the roundtables and comments, the report concluded that the system for resolving consumer debt collection disputes is broken and recommended that states consider significant reforms to improve efficiency and fairness to consumers. These reforms included measures to increase consumer participation in debt collection lawsuits, requiring collectors to include more debt-related information in legal complaints against consumers, and assigning the burden of proving that debts are not time-barred to collectors.

In April 2011, the FTC hosted a workshop on the use of new technologies in the debt collection process.²⁶ The workshop brought together industry representatives, consumer advocates, regulators, researchers, and other stakeholders to discuss issues related to a variety of debt collection technologies. For example, participants discussed the use of mobile telephones, e-mail, social media, text message services, information gathering tools, dialers, databases, and

²⁵ FTC, *Repairing a Broken System: Protecting Consumers in Debt Collection Litigation and Arbitration*, July 2010, available at <http://www.ftc.gov/os/2010/07/debtcollectionreport.pdf>.

²⁶ Debt Collection 2.0: Protecting Consumers as Technologies Change (April 2011). A transcript and related materials are available at <http://www.ftc.gov/bcp/workshops/debtcollectiontech/index.shtml>.

payment portals. Topics included: how technologies have evolved in recent years; how technologies may affect the accuracy of underlying debt information or in correctly identifying debtors; the costs and benefits to consumers and collectors of employing newer technologies for information collection and storage, communication, and payment; and whether any related legal or policy reforms might enhance consumer protection.

On January 30, 2013, the FTC released a report based on the first empirical study of the debt buying industry.²⁷ The report was based on extensive and detailed information that the FTC had obtained from nine of the nation's largest debt buying companies, and analyzed more than 5,000 portfolios of consumer debt containing nearly 90 million accounts with a face value of \$143 billion. The report noted significant consumer protection concerns in the debt buying industry and concluded that there is room for improvement in the information debt buyers possess when they contact consumers and try to collect debts. The report explained that debt buyers typically receive some information from creditors at the time a debt is purchased, but seldom receive certain key information and documentation about the debt, such as the dispute history or outstanding balances broken down by principal, interest, and fees. The report also found that consumers disputed an estimated one million or more debts that debt buyers attempted to collect.²⁸ In addition, the report found that debt buyers only verified about half of the debts that consumers disputed.²⁹

Most recently, building on these reports and the related source material, on June 6, 2013, the FTC co-hosted a roundtable with the CFPB to examine the flow of consumer data throughout

²⁷ FTC, *The Structure and Practices of the Debt Buying Industry*, Jan. 2013, available at <http://www.ftc.gov/os/2013/01/debtbuyingreport.pdf>.

²⁸ *Id.* at 38.

²⁹ *Id.* at 39.

the debt collection process.³⁰ The roundtable brought together consumer advocates, credit issuers, collection industry members, state and federal regulators, academics, and other stakeholders to exchange information on a range of issues. The topics discussed included the amount of documentation currently available to different types of collectors, the costs and benefits of providing consumers with additional disclosures about their debts and debt-related rights, and information issues related to debt collection litigation.

In addition to its workshops and reports, the FTC also issues statements clarifying the FTC's debt collection enforcement policy. For example on July 27, 2011, the FTC published a statement of enforcement policy regarding the collection of the debts of deceased persons. In general, debts survive the death of the debtor for a period of time, and a debt collector may seek payment of the debt from the estate of the deceased.³¹ Pursuant to Section 805 of the FDCPA, however, debt collectors in this situation may only communicate with the deceased's spouse, parent (if the deceased was a minor), guardian, executor, or administrator.

State probate laws, however, have evolved considerably since the passage of the FDCPA, and now, in many cases, confer authority on individuals other than those set forth in Section 805 to wind up the estate, including the payment of the decedent's debts. For this reason, the FTC's policy statement clarifies that the agency will not take enforcement action under the FDCPA or the FTC Act against companies solely for communicating with someone who is authorized to pay debts from the estate of the deceased, regardless of whether that person has been appointed as an "executor" or "administrator." The statement also emphasizes that debt collectors may not

³⁰ A recorded webcast of the event and related materials are available at <http://www.ftc.gov/bcp/workshops/lifeofadebt/>.

³¹ See FTC, *Statement of Policy Regarding Communications in Connection With the Collection of Decedents' Debts*, 76 Fed. Reg. 44915 (July 27, 2011).

mislead relatives to believe that they are personally liable for a deceased consumer's debts, or use other deceptive or abusive tactics.

IV. Coordination with the Consumer Financial Protection Bureau

The Dodd-Frank Wall Street Reform and Consumer Protection Act, which created the CFPB, 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.³² The Commission has done so by working closely with our partners at the CFPB to coordinate efforts to protect consumers from unfair, deceptive, and abusive debt collection practices. In addition, in January 2012, the FTC and CFPB entered into a memorandum of understanding that supplements the requirements of the Dodd-Frank Act and creates a strong and comprehensive framework for coordination and cooperation.³³

As reflected in the memorandum of understanding, FTC and CFPB staff have worked with one another to coordinate their debt collection programs. These efforts include regular staff meetings to discuss ongoing and upcoming law enforcement, rulemaking, and other activities; sharing debt collection complaints; cooperation on consumer education efforts in the debt collection arena; and consulting on debt collection rulemaking and guidance initiatives. For example, as discussed above, the two agencies recently hosted a joint workshop on issues related to the life cycle of consumer information as it flows through the debt collection process.

³² See Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. 111-203, 124 Stat. 1376 § 1024(c)(3) (July 21, 2010).

³³ Memorandum of Understanding Between the Consumer Financial Protection Bureau and the Federal Trade Commission, January 2012, available at <http://ftc.gov/os/2012/01/120123ftc-cfpb-mou.pdf>.

V. Conclusion

Thank you for the opportunity to discuss the Commission's debt collection program. We look forward to continuing to work with Congress and this Subcommittee on this important area.