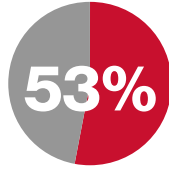
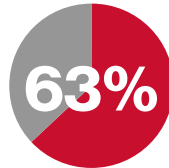


Debt collection affects 71 million U.S. consumers, with 1 in 3 Americans with a credit report having a debt in collections. This number rises to a staggering 45% of Americans living in predominantly non-white zip codes.



53% of consumers contacted by a creditor or debt collector report that the debt wasn't theirs, was a family member's or was the wrong amount.



63% of consumers contacted by a creditor or debt collector said they were contacted too often—1 in 3 said creditors or collectors tried to reach them at least 4 times a week.

State Reforms to Protect Consumers

States can enact a variety of legislative, regulatory, and court reforms to protect consumers with debts in collection. These recommendations focus on making debt collection lawsuits more fair, fixing the statute of limitations in debt collection, and protecting basic family assets and income. Problems vary from state to state, of course, but the ones below are common.

Making Debt Collection Lawsuits More Fair

CONSUMER PROBLEMS

Consumers are being contacted about or sued for alleged debts they know nothing about and may not owe.

Consumers don't know they are being sued for a debt, so they miss court dates and end up with default judgments.

Courts are issuing default judgments without any evidence.

Most consumers are unrepresented in collection lawsuits because they cannot afford attorneys, and if they lose, they may have to pay for the creditor's attorney.

Struggling consumers fall deeper and deeper into debt because of high interest rates on judgments.

Creditors use civil arrest warrants and the threat of arrest to frighten consumers into making payments.

STATE SOLUTIONS

Require creditors to have documentation of a debt before contacting consumers and include key documentation when they file a collection lawsuit.

Require at least 30 days notice to a consumer of intent to file suit to collect a debt and require the court to mail an additional notice to a verified address.

Require creditors to provide proof of a debt, which the court must review, before a judgment can enter.

Allow attorney's fees for consumers who successfully defend lawsuits and limit the attorney's fees that collectors can recover.

Limit pre- and post-judgment interest rates to no more than 5% per year.

Prohibit misuse of civil arrest warrants in collection lawsuits, and make clear that no one shall be imprisoned for not paying a debt.

What States Can Do to Help Consumers: Debt Collection

Fixing the Statute of Limitations in Debt Collection

CONSUMER PROBLEMS

Long statutes of limitations allow consumers to be sued on old debt, increasing risk of errors and making it hard to document.

Debt collectors try to collect very old debts even after the statute of limitations has run.

Consumer actions, like making small payments or acknowledging debts, may restart the statute of limitations.

STATE SOLUTIONS

Limit the statute of limitations for all consumer debts to 3 years.

Extinguish debts once the statute of limitations has run.

Prohibit revival of the statute of limitations.

Protecting Basic Family Assets and Income from Creditors

CONSUMER PROBLEMS

Low-income consumers, struggling with debt, are pushed off a financial cliff by wage garnishment, which leaves them unable to pay critical expenses, such as prescription drugs and utility bills.

Creditors may clean out consumer bank accounts post-judgment, leaving them without money to pay for food or rent.

Laws exempting basic tools of the trade protect things like sewing machines from creditors, but not modern work equipment like computers and cell phones.

Creditors try to collect judgments for years or even decades, making it difficult for consumers to pay current bills.

STATE SOLUTIONS

Protect at least 80 times the greater of the federal or state minimum wage, and 90% of wages over that amount.

Protect a minimum of \$10,000 in a bank account from garnishment.

Modernize the list of personal property that is exempt from collection.

Limit the statute of limitations for judgments on consumer debt to 5 years.

For more on how to reform medical debt laws, see:

National Consumer Law Center's [Model Family Financial Protection Act](#) and [Debt Collection Fact Sheets](#)

To find out more about debt collection reform, contact:

Michael Best (mbest@nclc.org) or April Kuehnhoff (akuehnhoff@nclc.org)
617-542-8010