

CONSUMER FINANCIAL PROTECTION BUREAU | NOVEMBER 2023

Fair Debt Collection Practices Act

CFPB Annual Report 2023



Consumer Financial
Protection Bureau

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1. Introduction and spotlight on collection of medical bills

The Consumer Financial Protection Act requires the Consumer Financial Protection Bureau (CFPB), as the primary federal regulator of the consumer debt collection industry, to report annually on the CFPB's activities to administer the Fair Debt Collection Practices Act (FDCPA) and enables the CFPB to obtain the views of other agencies that enforce the FDCPA.¹ This report provides background on the debt collection market and summarizes activities by the CFPB and other federal agencies relating to debt collection.

This introductory section of the report emphasizes several significant actions that the CFPB has recently taken under the FDCPA with respect to the collection of medical bills and highlights continued concerns that the CFPB has about activities in the medical collection ecosystem. The collection of allegedly unpaid medical bills affects tens of millions of households. Estimates of the percentage of American adults with unpaid medical bills range from 17.8 percent to 35 percent,² and, in 2022, about 15 percent of the consumer complaints the CFPB received about debt collection³ were about allegedly unpaid medical bills.⁴ Indeed, as described in more detail in section 2.2 below, most consumers with collection tradelines on their credit files have medical debt. The issues identified in this report about the collection of medical bills that are inaccurate or not owed at all raise significant concerns under the FDCPA and other laws enforced and administered by the CFPB, including, for example, the Fair Credit Reporting Act (FCRA).

1.1 Overview of medical collection complaint trends

As described in more detail in section 3.1 below, in 2022, the CFPB sent more than 60,000 debt

¹ 15 U.S.C. § 1692m.

² See CFPB, *Medical Debt Burden in the United States*, at 7 (Feb. 2022), https://files.consumerfinance.gov/f/documents/cfpb_medical-debt-burden-in-the-united-states_report_2022-03.pdf.

³ Where the percentage of consumer complaints that the CFPB received is reported, the number reflects the percentage of complaints for which the company confirmed a commercial relationship with the consumer and responded with an explanation or relief.

⁴ See CFPB, *Consumer Response Annual Report, January 1 – December 31, 2022*, at 24 (Mar. 2023), https://files.consumerfinance.gov/f/documents/cfpb_2022-consumer-response-annual-report_2023-03.pdf.

collection complaints to companies for review and response. Of these, approximately 8,500 (15 percent) were about attempts to collect a medical bill. Consumers raised a variety of issues, including reporting attempts to collect on bills they did not owe and concerns about the quality of information received during the collections process. Servicemembers and older adults, despite generally having insurance coverage and access to free or reduced cost care, were among those who reached out to the CFPB about problematic debt collection activity on medical bills.

As described in more detail in section 3.2 below, the most common issue raised in debt collection complaints—across all types of debt—is attempts to collect debt that the consumer does not owe. Complaints about debt that is not owed represented about half of the complaints where companies responded with explanation or relief regarding medical bills and collections. For example, one person stated:

I am a disabled veteran. [Hospital] has a contract with VA (Veteran Affairs) to provide local care to veterans. I provided my VA ID and got medical services... VA paid [Hospital] for services however I found they [Hospital] put me in collections for \$406 and \$1605. Contesting this, it was discovered the wrong information was entered into [Hospital's] insurance system. VA has contacted [Hospital] on two different occasions and instructed them on the proper way to enter veterans' information. They will not remove this from collections. All representatives tell me that it takes 30-45 days to fix. This time [has] expired. I have been [in] collections for 1 year. I've disputed these collection [accounts] with the 3 credit bureaus to no avail.⁵

People commonly reported to the CFPB that:

- **The medical bill being collected has already been paid or should have been paid by someone else.** Some people reported that they had already remitted payment directly to the medical provider for the bill that was being collected. Other people stated that the medical services were covered by their insurer or discharged in a bankruptcy proceeding. And, as the CFPB has previously reported, many older adults experienced collections on medical bills that Medicare should have paid.⁶ Active duty servicemembers and military veterans reported being contacted by debt collectors about debts incurred for

⁵ Consumer Complaint 5538224, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/5538224>.

⁶ See CFPB, *Issue Spotlight: Medical Billing and Collections Among Older Americans* (May 30, 2023), <https://www.consumerfinance.gov/data-research/research-reports/issue-spotlight-medical-billing-and-collections-among-older-americans/full-report/>.

medical care they received that was—or should have been—covered by a government-sponsored health insurance program such as Tricare.⁷

- **Medical bills are collected long after services were provided.** For some people, medical bill collections occurred years—sometimes more than a decade—after receiving the medical services. Some people reported that they had not heard about a bill for many years, and that they believed that the bill was too old to be collected.
- **Medical bills that patients have no prior knowledge of appear on their credit reports.** Some people submitted complaints stating that they found out about medical bills only when they were denied credit because of an item on their credit report. In their complaints, people described not being contacted about a bill before it was placed on their credit report.

The CFPB also received complaints where the consumer owed some amount for medical services, but the amount being collected was inaccurate. For example, one person complained:

A collection agency, [Debt Collector], contacted me about a debt from [Medical Provider]... The amount claimed was likely the overage of charges that Medicare does not pay. I did not receive specific itemization of the charges. [Debt Collector] called me repeatedly on my home phone. They later sent me an offer of settlement in the mail. They asked for a payment of \$251.36 in settlement of the total they were seeking of \$386.70. I was able to pay the settlement amount of \$251.36 and paid it online last month.

They are now billing me for the amount that they had offered to forgive in the settlement. They are billing me for \$135.34. What's worse is that the [Medical Provider] claims that I owe them \$135.34. [Debt Collector] offered a settlement through the mail offer that I agreed to, and now claim no settlement was made; as they and [Medical Provider] do not recognize a settlement for less than was originally owed.⁸

In response to these complaints, many medical debt collectors closed the account, returned the account to their client, or both. Collectors also often updated consumer credit reports following a

⁷ See also CFPB, *Office of Servicemember Affairs Annual Report January – December 2021* (June 2022), https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb_osa-annual-report-2021.pdf.

⁸ Consumer Complaint 5164010, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/5164010>.

dispute of the bill by merely deleting the item. This typically would occur without any follow-up questions from the collector to the person who disputed the debt. This behavior raises questions as to whether there are deficiencies in the quality and quantity of information medical collectors receive at placement or sale of the unpaid bill. That so many debt collectors close accounts or return them to their client without any follow-up questions whenever a consumer disputes a debt suggests that many collectors may not have confidence in the information in their possession.

1.2 Incorrect medical bills and the FDCPA

The complaints described above are in line with the trends that the CFPB has documented previously and are consistent with the challenging nature of medical billing and collection practices. In many cases, people are faced with multiple bills from different providers, confusing procedure codes, opaque pricing, and uncertain insurance coverage.⁹ In addition, when people seek out emergency medical services, they generally do not contract in advance for a stated up-front service cost; they are instead asked to sign a blanket form purportedly agreeing to pay whatever amount the provider bills.

Under these circumstances, medical bills that debt collectors attempt to collect may not be owed or may be collected in the wrong amount for a variety of reasons, such as:

- The person may have already paid or settled the bill.
- An insurance company or financial assistance program may have paid or be responsible for the bill instead of the person.
- The services actually provided may have been most accurately described by less expensive billing codes (i.e., upcoding).
- State law may provide that the bill is not owed or that the amount owed is actually different from what the provider has billed.

⁹ See CFPB, *Complaint Bulletin: Medical billing and collection issues described in consumer complaints*, at 8-10 (Apr. 2022), https://files.consumerfinance.gov/f/documents/cfpb_complaint-bulletin-medical-billing_report_2022-04.pdf; CFPB, *Medical Debt Burden in the United States*, at 10 (Feb. 2022), https://files.consumerfinance.gov/f/documents/cfpb_medical-debt-burden-in-the-united-states_report_2022-03.pdf.

- Federal law may provide that the bill is not actually owed.¹⁰

Billing and collection errors can have profound consequences for people’s financial, physical, and mental health.¹¹ The CFPB is concerned about these harms and recently brought an enforcement action against a medical debt collector for numerous debt collection and credit reporting violations, including continuing to attempt to collect on bills that were not substantiated after a consumer disputed its validity.¹²

As described further below, the CFPB has confirmed on several occasions that collecting debts that are not actually owed or collecting the wrong amount may violate the FDCPA, its implementing regulation (Regulation F), and/or the Consumer Financial Protection Act’s (CFPA’s) prohibition on unfair, deceptive, or abusive acts or practices.¹³ Medical debt collectors may therefore violate the FDCPA when they attempt to collect bills that are not actually owed or attempt to collect the wrong amount, such as in instances in which a collector is collecting charges

¹⁰ See, e.g., CFPB, *Consumer Credit Trends Report: Paid and Low-Balance Medical Collections on Consumer Credit Reports* (July 27, 2022) (“Almost six percent of medical collections reported in the CCP have a dispute flag at some point. This is almost three times higher than the rate of dispute flags on credit cards and seven times the rate of dispute flags on student loans.”), <https://www.consumerfinance.gov/data-research/research-reports/paid-and-low-balance-medical-collections-on-consumer-credit-reports/>; Sarah O’Brien, *Here’s a key way to prevent paying more for your health care than you should*, CNBC (Feb. 11, 2019) (noting that a majority of medical bills contain errors according to some studies), <https://www.cnbc.com/2019/02/11/heres-a-key-way-to-prevent-paying-more-for-your-health-care-than-you-should.html>; U.S. Public Interest Research Group, *Medical Debt Malpractice, Consumer Complaints About Medical Debt Collectors, and How the CFPB Can Help*, at 16 (Apr. 2017) (reviewing 17,701 CFPB complaints related to medical debt collection and finding that 63% alleged that the debt was never owed, that it had already been paid or discharged in bankruptcy, or that it could not be verified as that consumer’s debt), <https://publicinterestnetwork.org/wp-content/uploads/2017/04/Medical-Debt-Malpractice-US-1.pdf>.

¹¹ See CFPB, *Complaint Bulletin: Medical billing and collection issues described in consumer complaints*, at 13-19 (Apr. 2022), https://files.consumerfinance.gov/f/documents/cfpb_complaint-bulletin-medical-billing_report_2022-04.pdf; CFPB, *Medical Debt Burden in the United States*, at 12-14, 24-35 (Feb. 2022), https://files.consumerfinance.gov/f/documents/cfpb_medical-debt-burden-in-the-united-states_report_2022-03.pdf; see also, e.g., American Cancer Society, *New Research Shows Increased Medical Debt Associated with Significantly Higher Cancer Mortality Rates* (June 6, 2023), <http://pressroom.cancer.org/releases?item=1232>.

¹² CFPB, *CFPB Takes Action Against Phoenix Financial Services for Illegal Medical Debt Collection and Credit Reporting Practices* (June 8, 2023), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-phoenix-financial-services-for-illegal-medical-debt-collection-and-credit-reporting-practices/>.

¹³ For instance, the CFPB has indicated that attempts to collect debts that are not actually owed due to state law may violate the FDCPA and/or the CFPA’s prohibition on unfair, deceptive, or abusive acts or practices. In *CFPB v. CashCall*, the CFPB alleged that an online loan servicer, its owner, and its affiliates violated the CFPA’s prohibition on unfair, deceptive, or abusive acts or practices by collecting and attempting to collect consumer-installment loans that were void or uncollectible under state law. A federal district court found that the defendants engaged in deceptive acts by demanding and collecting payment on alleged debts that people did not actually owe. In 2022, the Ninth Circuit Court of Appeals agreed with the district court and the CFPB that it is a “deceptive act [that] falls within the prohibition of the statute” to “le[a]d borrowers to believe that they had an obligation to pay, when in fact under their States’ laws they did not.” *CFPB v. CashCall, Inc.*, 35 F.4th 734, 747 (9th Cir. 2022). The district court, on remand, awarded over \$134 million in restitution and \$30 million in penalties, recognizing the substantial harm to consumers from collecting loans not actually owed. See *CFPB v. CashCall, Inc.*, 2023 WL 2009938, at *5-*9 (C.D. Cal. Feb. 10, 2023).

for services the patients never received, collecting for more expensive versions of services than what was actually provided (often called “upcoding”), or collecting based on rates that are inconsistent with applicable state law.

The CFPB has recently confirmed in two distinct contexts that it may violate the FDCPA for a debt collector to collect a medical bill or amount that the person does not owe due to federal law. First, the CFPB has stated that debt collectors that try to collect on medical bills that are prohibited by the federal No Surprises Act may face liability under the FDCPA and FCRA.¹⁴ The CFPB noted that the FDCPA’s prohibition on misrepresentations includes misrepresenting that a person must pay a debt stemming from a charge that exceeds the amount permitted by the No Surprises Act. In addition, the CFPB noted that a debt collector that furnishes information indicating that a person owes a debt may violate the FCRA if those charges exceed the amount permitted by the No Surprises Act. Second, the CFPB has stated that debt collectors can violate the FDCPA and FCRA when they attempt to collect a nursing facility debt from a caregiver based on contract terms that are invalid under the Nursing Home Reform Act.¹⁵ The CFPB also noted that a debt collector that attempts to collect a nursing facility resident’s debt from a caregiver may violate the FDCPA’s prohibition on misrepresentations when the alleged debt is invalid under the Nursing Home Reform Act and that a debt collector who furnishes information about nursing home debts, or a consumer reporting company that includes such information in a consumer report, may violate the FCRA if those debts are invalid.

The CFPB has also recently confirmed that debt collectors, including medical debt collectors, may violate the FDCPA when they attempt to collect amounts that are not recoverable under applicable state law. The FDCPA prohibits “the collection of any amount unless such amount is expressly authorized by the agreement creating the debt or permitted by law.”

15 U.S.C. § 1692f(1). The CFPB has explained that this section permits collection “only if: (1) the agreement creating the debt expressly permits the charge and some law does not prohibit it; or (2) some law expressly permits the charge, even if the agreement creating the debt is silent.”¹⁶ Where no law expressly permits the charge, section 1692f(1) protects people against efforts to

¹⁴ See CFPB, Bulletin 2022-01: Medical Debt Collection and Consumer Reporting Requirements in Connection with the No Surprises Act, 87 Fed. Reg. 3025 (Jan. 20, 2022).

¹⁵ See CFPB, Consumer Financial Protection Circular 2022-05: Debt collection and consumer reporting practices involving invalid nursing home debts (Sept. 8, 2022), https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb_2022-05_circular_2022-09.pdf.

¹⁶ CFPB, *Advisory Opinion, Debt Collection Practices (Regulation F); Pay-to-Pay Fees*, 87 Fed. Reg. 39733, 39734 (July 5, 2022). This interpretation was consistent with the CFPB’s previous interpretation, as well as with the prior interpretation of FTC staff and the holdings of the majority of courts to address the issue. See CFPB, *Compliance Bulletin 2017-01*, 82 Fed. Reg. 35936, 35936 (Aug. 2, 2017); FTC, *Staff Commentary on the Fair Debt Collection Practices Act*, 53 Fed. Reg. 50097, 50101 (Dec. 13, 1988); *Alexander v. Carrington Mortgage Services*, 23 F.4th 370, 376-77 (4th Cir. 2022); *Seeger v. AFNI, Inc.*, 548 F.3d 1107, 1111-12 (7th Cir. 2008); *Tuttle v. Equifax Check*, 190 F.3d 9, 13 (2d Cir. 1999).

collect an amount unless the underlying agreement expressly authorizes it (based on applicable law).

These protections are especially relevant in the medical billing context, where providers may sometimes improperly inflate the underlying medical bills by “cramming” the bill with charges for services the patients never received, upcoding, or basing bills on rates that are inconsistent with applicable law.¹⁷ In some states, a person’s assent to pay hospital charges only obligates the person to pay reasonable charges.¹⁸ In addition, some state laws prohibit the recovery of greater than “reasonable” amounts for medical services, and the standard rates a hospital charges may not always be “reasonable.”¹⁹ This raises concerns that debt collectors may be attempting to collect amounts that are not recoverable under applicable law in violation of the FDCPA.

In light of these considerations, enforcers of the FDCPA – including federal and state regulators and private litigants – should pay careful attention to whether medical debt collectors are collecting bills that are not actually owed or are collecting the wrong amount. Moreover, in states that prohibit the recovery of greater than “reasonable” amounts for medical services, enforcers should assess whether debt collectors are nonetheless collecting medical bills based on medical providers’ standard rates that do not reflect reasonable amounts.

1.3 Developments in state law on medical collections

A number of states have proposed or enacted laws in recent years providing significant consumer protections with respect to the collection and reporting of medical bills. The preemption of state law is narrow under both the FDCPA and the FCRA, and, as the CFPB has explained, states may, for instance, prohibit or limit the inclusion of information about a person’s allegedly unpaid

¹⁷ See, e.g., *French v. Centura Health Corp.*, 509 P.3d 443, 445-46 (Colo. 2022) (rejecting, as a matter of state law, hospital’s attempt to collect more than \$200,000 for a surgery).

¹⁸ See, e.g., *French*, 509 P.3d at 450 (finding, under state contract law, that hospital’s recovery was limited to jury’s determination of the “reasonable value” of the services); *Payne v. Humana Hosp. Orange Park*, 661 So. 2d 1239, 1241 (Fla. Dist. Ct. App. 1995) (“A patient may not be bound by unreasonable charges in an agreement to pay charges in accordance with ‘standard and current rates.’”); *Doe v. HCA Health Servs. of Tennessee, Inc.*, 46 S.W.3d 191, 199 (Tenn. 2001) (refusing to apply hospital’s “chargemaster” rates when patient had agreed only to pay all “charges,” and instead imposing reasonableness requirement on amount hospital could recover).

¹⁹ *In re North Cypress Med. Center Operating Co.*, 559 S.W.3d 128, 133 (Tex. 2018) (concluding that a hospital’s list—or “chargemaster”—rates “themselves are not dispositive of what is reasonable”); *French*, 509 P.3d at 451-52 (“[A]s courts and commentators have observed, hospital chargemasters have become increasingly arbitrary and, over time, have lost any direct connection to hospitals’ actual costs.”).

medical bills on consumer reports.²⁰ State regulators can also enforce the federal consumer financial laws, including the FDCPA, the FCRA, and the CFPA’s prohibition on unfair, deceptive, or abusive acts or practices, with respect to debt collection and credit reporting.²¹

Recent state efforts to improve the collection and reporting of medical bills include legislation in Colorado, New York, Maine, and Nevada.²² In Nevada, legislation passed in 2021 requires medical debt collectors to provide 60 days notice before taking any action to collect medical bills.²³ Colorado²⁴ and New York²⁵ both passed laws this year prohibiting medical debt from appearing on consumer reports altogether. In Maine, a state law passed in 2019 which, among other things, prohibits consumer reporting agencies from reporting medical bills within 180 days of the bill going unpaid and requires consumer reporting agencies to remove medical bills upon receiving reasonable evidence that the bill has been settled or paid.²⁶

State laws to improve the collection and reporting of medical bills have faced legal challenges arguing that such laws violate the First Amendment or should be preempted by the FDCPA or the FCRA. For instance, challengers to Nevada’s 60-day-notice requirement have argued that debt collection communications are somehow not commercial speech, and hence that the law is subject to strict scrutiny and violates the First Amendment.²⁷ With respect to credit reporting, industry trade associations have argued that the FCRA “expressly preempts state laws that impose

²⁰ See CFPB, *The Fair Credit Reporting Act’s Limited Preemption of State Laws* (June 2022), https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb_fcra-preemption_interpretive-rule_2022-06.pdf.

²¹ See CFPB, *Authority of States to Enforce the Consumer Financial Protection Act of 2010* (May 2022) (“[W]hen a covered person or service provider violates any of the Federal consumer financial laws, section 1042 [of the Consumer Financial Protection Act] gives States authority to address that violation by bringing a claim under section 1036(a)(1)(A) of the [Consumer Financial Protection Act].”), https://files.consumerfinance.gov/f/documents/cfpb_section-1042_interpretive-rule_2022-05.pdf.

²² Colorado, New York, Maine, Nevada, are provided only as examples; other states, such as Idaho, have also recently enacted medical debt collection laws. See Brennen Kauffman, *Medical debt collection sees challenges in court and new law*, The Post Register (Mar. 21, 2020), https://www.postregister.com/news/local/medical-debt-collection-sees-challenges-in-court-and-new-law/article_66283102-afd0-5b36-88fo-c6c35bd6d05c.html. Moreover, there is similar proposed legislation in other states, including New Hampshire (HB389, <https://legiscan.com/NH/text/HB389/2023>) and Virginia (HB2427, <https://lis.virginia.gov/cgi-bin/legp604.exe?231+ful+HB2427+pdf>).

²³ See *Aargon Agency, Inc. v. O’Laughlin*, 2022 WL 377784, at *1 (D. Nev. Feb. 2022), *aff’d*, 70 F.4th 1224 (9th Cir. 2023).

²⁴ See Julia Char Gilbert, *Colorado’s medical debt credit reporting law takes effect*, Colorado Center on Law and Policy (Aug. 15, 2023), <https://clponline.org/news/colorados-medical-debt-credit-reporting-law-takes-effect/>.

²⁵ See Maysoon Khan, *New York lawmakers OK bill removing medical debt from credit reports*, Associated Press (June 21, 2023), <https://apnews.com/article/medical-debt-credit-reports-new-york-a9658cd02f28502d2537a3a55a83323>.

²⁶ See *Consumer Data Indus. Assn. v. Frey*, 26 F.4th 1, 4 (1st Cir. 2022).

²⁷ See *Aargon Agency, Inc. v. O’Laughlin*, 70 F.4th 1224, 1232 (9th Cir. 2023).

additional requirements on the content of consumer reports”²⁸ and have made various policy claims in support of this argument. They have argued that preemption is necessary “to ensure fair and accurate credit reporting upon which the nation’s banking system can rely”²⁹ because “consistent credit information is necessary to maintain the predictive power of consumer reports and the industry’s ability to measure credit risk.”³⁰

Courts have generally rejected these types of arguments. With respect to the First Amendment, courts have held that attempts to collect medical bills are appropriate regulation of commercial speech because “the communication proposes a commercial transaction.”³¹ Moreover courts have established that states have broad authority to protect people from harm from problematic debt collection practices without preemption by the FDCPA.³² Likewise, with respect to credit reporting, as both the CFPB and courts have recognized, Congress has provided states with broad authority to protect people from harm due to credit reporting issues, without fearing preemption by the FCRA.³³ For instance, the First Circuit Court of Appeals recently rejected a preemption challenge under the FCRA to Maine’s law.³⁴ Similarly, the Ninth Circuit Court of Appeals recently held that Nevada’s law was not preempted by either the FDCPA or the FCRA.³⁵

These arguments against state laws that provide protection with respect to the collection and

²⁸ Consumer Data Industry Association, Cert Petition, *Consumer Data Indus. Assn. v. Frey* (Nov. 2022).

²⁹ Aargon Agency, Inc., et al., Appellants’ Opening Brief, *Aargon Agency, Inc. v. O’Laughlin* (Apr. 2022).

³⁰ Brief of Amici Curiae Chamber of Commerce of the United States of America, *Consumer Data Indus. Assn. v. Frey* (cert petition) (Dec. 2022).

³¹ *Aargon Agency*, 70 F.4th at 1232.

³² For example, courts have held that states may effectively increase the statute of limitations for claims based on the FDCPA’s substantive protections by incorporating those substantive protections into state law and then providing a longer statute of limitations for the resulting state-law claims. See *Allen v. Majerle Mgmt., Inc.*, 2022 WL 957762, at *2-3 (D. Md. Mar. 2022). Additionally, states may apply the FDCPA’s substantive requirements to a broader set of entities than the FDCPA itself does. See *Alexander v. Carrington Mortg. Servs.*, 23 F.4th 370, 375-76 (4th Cir. 2022); accord, e.g., *DeNicolò v. Hertz Corp.*, 2020 WL 5816365, at *11 (N.D. Cal. Sept. 30, 2020). And several courts have concluded that “the FDCPA does not preempt state law tort claims for negligence and invasion of privacy.” *Desmond v. Phillips & Cohen Assocs., Ltd.*, 724 F. Supp. 2d 562, 567-68 (W.D. Pa. 2010).

³³ As the CFPB has noted, preemption under the FCRA is narrow and targeted: state laws are not preempted unless they conflict with the FCRA or fall within narrow preemption categories enumerated within the statute, and nothing in the statute generally preempts state laws relating to the content or information contained in credit reports. See CFPB, *The Fair Credit Reporting Act’s Limited Preemption of State Laws* (June 2022), https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb_fcra-preemption-interpretive-rule_2022-06.pdf.

³⁴ An international trade association whose membership includes the “Big Three” credit reporting agencies – TransUnion, Equifax, and Experian – argued that FCRA preempts all state laws relating to information contained in consumer reports. The court disagreed, noting that if “Congress intended to preempt all state laws relating to information contained in consumer reports, it could have easily so stated.” *Consumer Data Indus. Assn. v. Frey*, 26 F.4th 1, 8 (1st Cir. 2022). The Supreme Court thereafter denied industry’s request to overturn that decision.

³⁵ *Aargon Agency, Inc. v. O’Laughlin*, 70 F.4th 1224 (9th Cir. 2023).

reporting of medical bills are also mistaken as a factual matter. Research from the CFPB from as early as 2014 indicates that medical billing data on a credit report is less predictive of future repayment than reporting on traditional credit obligations.³⁶ More recently, the CFPB has found that the U.S. healthcare system is supported by a billing, payments, collections, and credit reporting infrastructure where mistakes are common, and where patients often have difficulty getting these errors corrected or resolved.³⁷ Accordingly, the CFPB's research casts doubt on the claims of industry participants that state restrictions on the collection, furnishing, and reporting of medical bills will reduce the reliability of the credit reporting system. To the contrary, these restrictions are unlikely to result in a less accurate or robust collections or credit reporting system.

1.4 Conclusion

As described above, the collection of allegedly unpaid medical bills affects tens of millions of households, and the CFPB has taken substantial action – and has substantial continued concerns – about the medical collection ecosystem. Specifically, the collection of medical bills that are not owed at all or are inaccurate raises significant concerns under the FDCPA and other laws. The CFPB intends to gather additional information and take further action where warranted about these issues, including to work with states to exercise their authorities to protect consumers.

³⁶ See CFPB, *Data point: Medical debt and credit scores* (May. 2014) (CFPB analysis of Consumer Credit Panel Data indicating that medical and non-medical collections are not equally predictive of credit performance, and that those consumers with more medical than non-medical collections have similar delinquency rates to those consumers with credit scores around 10 points higher; additionally, those consumers with paid medical collections had delinquency rates comparable to consumers with credit scores around 20 points higher), https://files.consumerfinance.gov/f/201405_cfpb_report_data-point_medical-debt-credit-scores.pdf; see also CFPB, *Consumer credit reports: A Study of medical and non-medical collections* (Dec. 2014) (CFPB report concluding that 22% of consumers with collections tradelines only have medical collection tradelines, have no indication of serious past delinquencies, and are more reliable payers than consumers with non-medical collections tradelines), https://files.consumerfinance.gov/f/201412_cfpb_reports_consumer-credit-medical-and-non-medical-collections.pdf; CFPB, *Medical Debt Burden in the United States* (Feb. 2022) (CFPB report summarizing research that shows newer credit models that weigh medical debt less improve credits scores of those consumers who only have medical debt by an average of 25 points), https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb_medical-debt-burden-in-the-united-states_report_2022-03.pdf.

³⁷ CFPB, *Medical Debt Burden in the United States* (Feb. 2022), https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb_medical-debt-burden-in-the-united-states_report_2022-03.pdf.

2. Consumer debt and collections

2.1 Consumer debt

The debt collection industry is substantially influenced by the credit cycle, which determines how much debt is available to collect. Both delinquencies on consumer debt and collection recovery rates (the percentage of the debt that a collection agency can recover) are generally influenced by macroeconomic conditions, such as household disposable income.

Over the course of 2022, consumer debt rose rapidly, from \$15.85 trillion in the first quarter of 2022 to a new high of \$16.90 trillion at the end of 2022 (Figure 1).³⁸ Total consumer debt balances now stand \$2.75 trillion higher than at the end of 2019, before the pandemic recession. Mortgage balances rose by nearly \$1 trillion in 2022, standing at \$11.92 trillion at the end of December 2022. Within non-housing debt, growth was primarily driven by credit card balances, which grew to \$986 billion in the fourth quarter of 2022, surpassing the pre-pandemic high of \$927 billion. Auto loan balances topped \$1.55 trillion in the fourth quarter of 2022, and student loan balances now stand at \$1.60 trillion.

Consumer debt has grown in part due to higher inflation, interest rates, and consumer demand, as well as decisions by financial institutions in response to those trends.³⁹ From December 2021 to December 2022, consumer prices increased 6.5 percent, leading to increased debt balances on all products from grocery store charge cards to new mortgages.⁴⁰ In its efforts to calm inflation, the Federal Reserve increased interest rates from historic lows to over 4.25 percent in December

³⁸ Center for Microeconomic Data, “Household Debt and Credit Report: Q4 2022” (Feb. 2023), Federal Reserve Bank of New York, *available at* <https://www.newyorkfed.org/microeconomics/hhdc.html>.

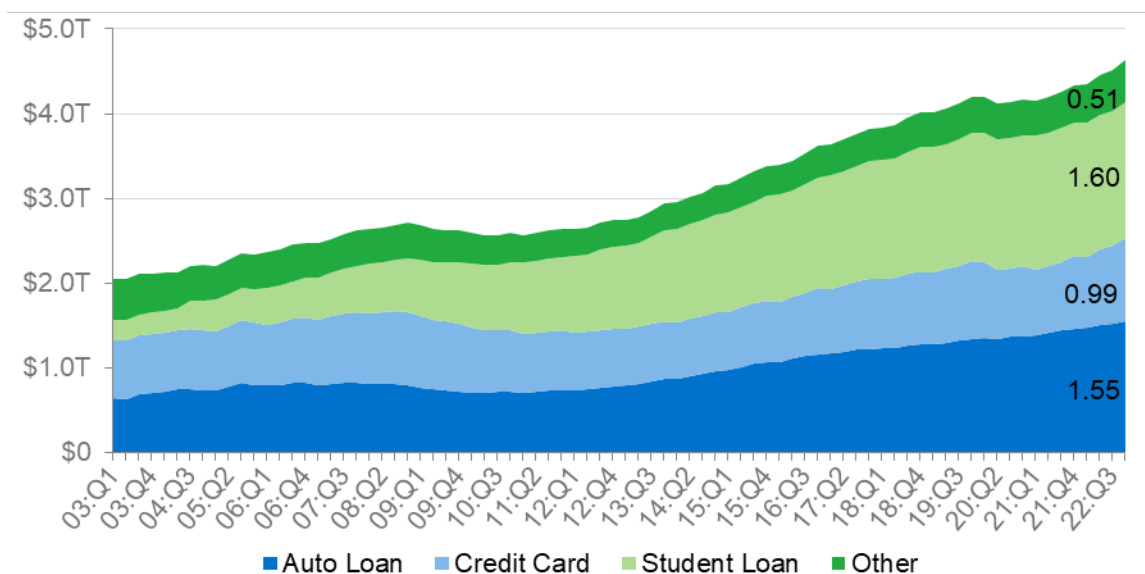
³⁹ *See, e.g.*, CFPB, “The Consumer Credit Card Market,” at 52-55 (Oct. 2023), *available at* https://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-card-market-report_2023.pdf.

⁴⁰ Bureau of Labor Statistics, “Consumer Price Index News Release” (Jan. 2023), U.S. Dept. of Labor, *available at* https://www.bls.gov/news.release/archives/cpi_01122023.htm.

2022.⁴¹ However, with unemployment at a 50-year low, incomes have remained stable, allowing consumer demand for goods and services to remain high in the face of rising prices.⁴²

The estimated total consumer debt balances are in nominal dollars and are unadjusted for inflation and population growth, which have both increased over time. These balances are likely underestimates because they also exclude emerging consumer loan products, such as buy now pay later (BNPL), which are rapidly growing in numbers. A CFPB study found that the number of BNPL loans originated in the U.S. by the five lenders surveyed grew by 970 percent, from 16.8 million loans in 2019 to 180 million loans in 2021, while the dollar volume of those originations grew by 1,092 percent, from \$2 billion in 2019 to \$24.2 billion in 2021.⁴³

FIGURE 1: NON-HOUSING CONSUMER DEBT BALANCES (IN TRILLIONS), 2003-2022



Source: Federal Reserve Bank of New York, Consumer Credit Panel/Equifax

Consumer debt service payments as a percent of disposable personal income have also returned to pre-pandemic levels (Figure 2). The consumer debt service ratio (DSR) is the total quarterly scheduled consumer debt payments, exclusive of mortgage debt, divided by the total quarterly

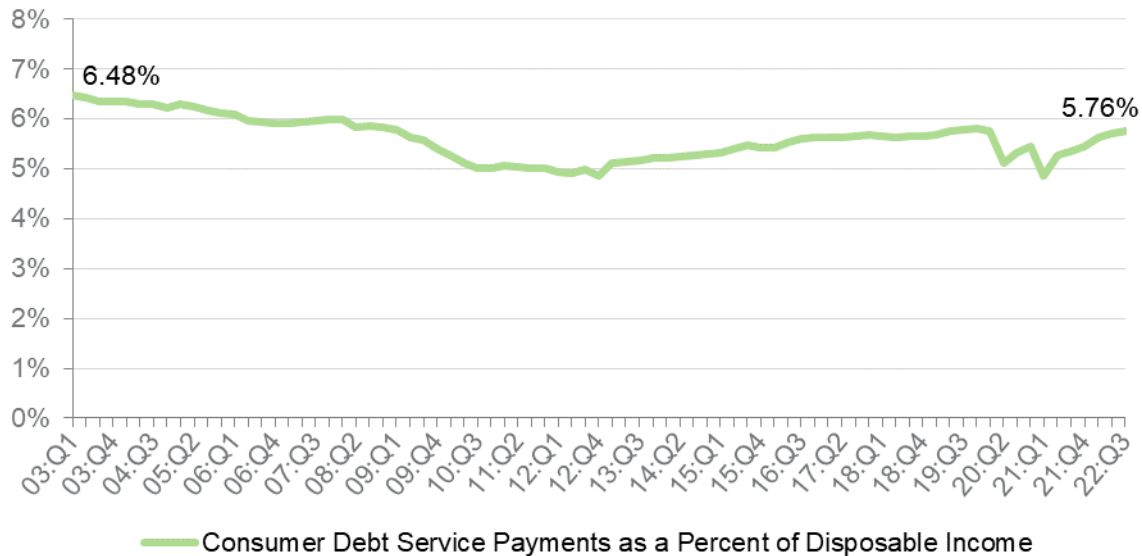
⁴¹ Board of Governors of the Federal Reserve System (US), “Open Market Operations” (Feb. 2023), [available at https://www.federalreserve.gov/monetarypolicy/openmarket.htm](https://www.federalreserve.gov/monetarypolicy/openmarket.htm).

⁴² Federal Reserve Economic Data (FRED), “Unemployment Rate” (Feb. 2023), Federal Reserve Bank of St. Louis, [available at https://fred.stlouisfed.org/series/UNRATE](https://fred.stlouisfed.org/series/UNRATE).

⁴³ CFPB, “Buy Now, Pay Later: Market trends and consumer impacts” (Sept. 2022), [available at: https://files.consumerfinance.gov/f/documents/cfpb_buy-now-pay-later-market-trends-consumer-impacts_report_2022-09.pdf](https://files.consumerfinance.gov/f/documents/cfpb_buy-now-pay-later-market-trends-consumer-impacts_report_2022-09.pdf).

disposable personal income.⁴⁴ After increasing consistently since 2012, the consumer DSR decreased significantly from 5.7 percent to 5.1 percent during Q2 2020. The consumer DSR fluctuated significantly during the remainder of 2020 and 2021 due to the COVID-19 public health emergency. Over the course of 2022, the consumer DSR increased to 5.76 percent in Q4 2022, exceeding the pre-pandemic consumer DSR. Debt servicing costs increased in part due to higher interest rates, which rose from 0.25 percent to over 4.25 percent in 2022.⁴⁵

FIGURE 2: NON-HOUSING CONSUMER DEBT SERVICE PAYMENTS AS A PERCENT OF DISPOSABLE INCOME, 2003-2022



Source: Federal Reserve Bank of St. Louis

As of December 2022, 2.5 percent of outstanding debt was in some stage of delinquency, 2.2 percentage points lower than last quarter of 2019, just before the onset of the COVID-19 pandemic. The delinquency rate remained low for much of the pandemic. However, in the fourth quarter of 2022, the delinquency transition rate for credit cards and auto loans increased by 0.6 and 0.4 percentage points, respectively. Delinquency transition rates for mortgages also increased by 0.15 percentage points in Q4 2022. The average share of balances considered “seriously delinquent” (90+ days past due) in Q4 2022 decreased by 0.1 percentage points for auto loans but increased by 0.1 percentage points for credit cards (Figure 3).⁴⁶ Student loans

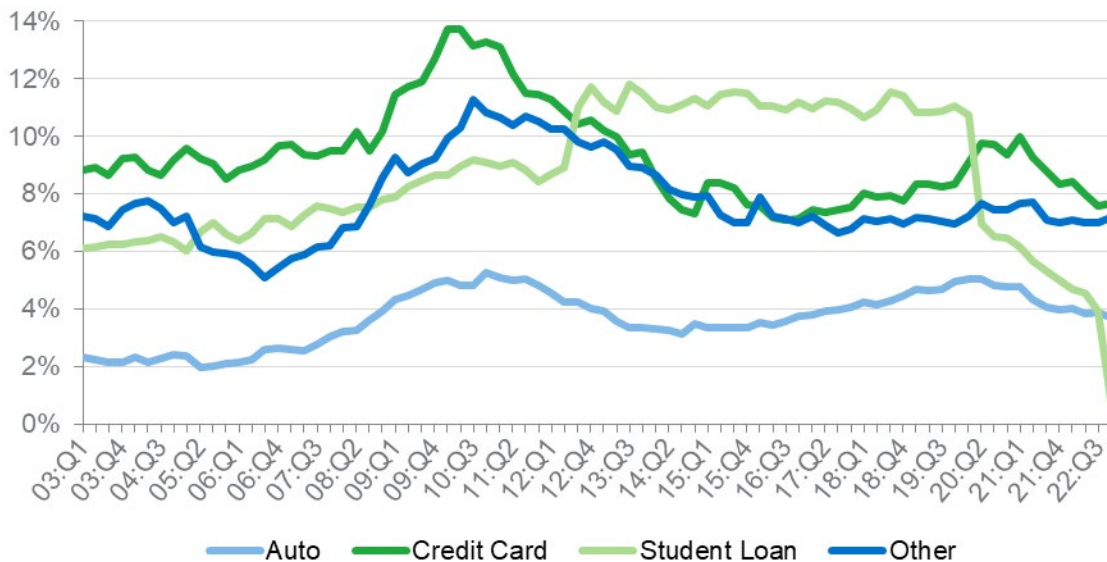
⁴⁴ Federal Reserve Economic Data (FRED), “Consumer Debt Service Payments as a Percent of Disposable Personal Income” (Dec. 2022), Federal Reserve Bank of St. Louis, [available at https://fred.stlouisfed.org/series/CDSP](https://fred.stlouisfed.org/series/CDSP).

⁴⁵ Board of Governors of the Federal Reserve System (US), “Open Market Operations” (Feb. 2023), [available at https://www.federalreserve.gov/monetarypolicy/openmarket.htm](https://www.federalreserve.gov/monetarypolicy/openmarket.htm).

⁴⁶ Center for Microeconomic Data, “Household Debt and Credit Report: Q4 2022” (Feb. 2023), Federal Reserve Bank of New York, [available at https://www.newyorkfed.org/microeconomics/hhdc.html](https://www.newyorkfed.org/microeconomics/hhdc.html).

with seriously delinquent status continued to decrease significantly due to the federal government's continuing suspension of payments. Following years of historically low charge-off rates, credit card charge-off rates increased over the course of 2022, starting the year at 1.82 percent and ending at 2.44 percent, indicating that there will be more charged-off accounts that issuers may place for collection or sell to debt buyers in 2023.⁴⁷

FIGURE 3: PERCENT OF NON-HOUSING BALANCES 90+ DAYS DELINQUENT, 2003-2022



Source: Federal Reserve Bank of New York, Consumer Credit Panel/Equifax

2.2 Debt collection industry

The debt collection industry affects millions of Americans. According to the latest available estimates, the third-party debt collection market is a \$17.9 billion industry that employs about 133,000 people across more than 6,300 collection agencies in the United States.⁴⁸ More than one in five people with a credit report had at least one collections tradeline on their credit report as of Q2 2022, according to the CFPB's Consumer Credit Panel (CCP), a national 1-in-48 sample of de-identified credit records maintained by one of the three nationwide consumer reporting

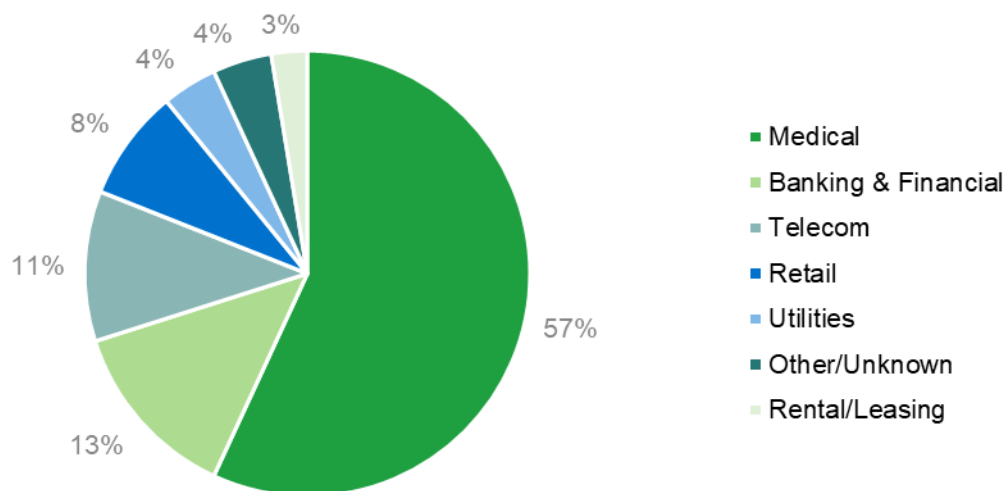
⁴⁷ Board of Governors of the Federal Reserve System (US), "Charge-Off and Delinquency Rates on Loans and Leases at Commercial Banks," available at <https://www.federalreserve.gov/releases/chargeoff/chgallnsa.htm>.

⁴⁸ Jonathan Burns, "Debt Collection Agencies in the US", IBIS World (June 2022).

agencies.⁴⁹ Additionally, a 2016 CFPB survey on consumers’ experiences with debt collection found that about one-in-three, or over 70 million consumers with a credit file, indicated that they had been contacted by at least one creditor or collector trying to collect one or more debts during the year prior to the survey.⁵⁰

Most consumers with collection tradelines on their credit files have medical debt, followed by debt from financial institutions, telecommunications services, and retail products. As seen in Figure 4, as of 2022, medical bills made up 57 percent of third-party collections tradelines in the CFPB’s CCP.⁵¹ Several debt types may be underreported because they are furnished by the creditor and do not appear as collections tradelines.

FIGURE 4: DISTRIBUTION OF ORIGINAL CREDITOR TYPE AMONG THIRD-PARTY COLLECTIONS TRADELINES, Q1 2022



Source: CFPB Consumer Credit Panel

A large majority of the industry’s revenue is generated by firms contracting with creditors and debt buyers to collect their debts on a contingency fee basis. The CFPB’s survey of mass market credit card issuers for the 2021 *Consumer Credit Card Market Report* found that in 2019 and

⁴⁹ CFPB, “Market Snapshot: An Update on Third-Party Debt Collections Tradelines Reporting” (Feb. 2023), available at https://files.consumerfinance.gov/f/documents/cfpb_market-snapshot-third-party-debt-collections-tradelines-reporting_2023-02.pdf.

⁵⁰ CFPB, “Consumer Experiences with Debt Collections: Findings from the CFPB’s Survey of Consumer Views on Debt” (Jan. 2017), available at https://www.consumerfinance.gov/documents/2251/201701_cfpb_Debt-Collection-Survey-Report.pdf.

⁵¹ CFPB, “Market Snapshot: An Update on Third-Party Debt Collections Tradelines Reporting” (Feb. 2023), available at https://files.consumerfinance.gov/f/documents/cfpb_market-snapshot-third-party-debt-collections-tradelines-reporting_2023-02.pdf.

2020, the surveyed issuers placed 18 percent of post charge-off inventory with third-party collectors on average, with the majority of these third-party debt collectors employing a contingency fee model.⁵² In contingency fee collections, the creditor and the collector each receive a share of the amount collected. CFPB research found that contingency-fee-based debt collectors typically furnish non-financial accounts, such as medical, telecommunications, and utilities accounts, to the nationwide consumer reporting agencies (NCRAs).⁵³

Another major source of industry revenue comes from debt buyers, who purchase accounts (usually contained in portfolios) from the original creditor or other debt buyers and then generally seek to collect on the debt, either by themselves or through third-party debt collectors. The CFPB has found that portfolios of charged-off debt are available to purchase through online debt marketplaces, as well as through more traditional channels.⁵⁴ The price of the debt depends on the age of the debt and other factors. Whereas contingency-fee-based debt collectors receive only a percentage share of recoveries, debt buyers purchase the debt at a fraction of the account balance, and their revenue consists of the total amount recovered. In Q2 2022, debt buyers furnished approximately 17 percent of all debt collections tradelines. In contrast to contingency-fee-based debt collectors who typically furnish non-financial accounts, debt buyers typically furnish information to the NCRAs on debts from financial institutions (e.g., credit cards and personal loans) and retail charge cards.⁵⁵

The debt collection industry continues to experience consolidation, with the estimated number of collections agencies falling to 6,376 enterprises in 2022 (Figure 5).⁵⁶

⁵² CFPB, “The Consumer Credit Card Market Report (Sept. 2021), available at https://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-card-market-report_2021.pdf.

⁵³ CFPB, “Market Snapshot: An Update on Third Party Debt Collections Tradelines Reporting” (Feb. 2023), available at https://files.consumerfinance.gov/f/documents/cfpb_market-snapshot-third-party-debt-collections-tradelines-reporting_2023-02.pdf.

⁵⁴ CFPB, “Market Snapshot: Online debt sales” (Jan. 2017), available at https://files.consumerfinance.gov/f/documents/201701_cfpb_Online-Debt-Sales-Report.pdf.

⁵⁵ The CFPB’s Consumer Credit Panel is a national 1-in-48 sample of de-identified credit records maintained by one of the three nationwide credit reporting companies.

⁵⁶ Jonathan Burns, “Debt Collection Agencies in the US”, IBIS World (June 2022).

FIGURE 5: NUMBER OF THIRD-PARTY DEBT COLLECTION ENTERPRISES, 2013-2022



Source: IBISWorld

2.3 The FDCPA

In the course of attempting to collect debts, debt collectors must adhere to a number of laws and regulations, which govern topics as diverse as telephone communications (*e.g.*, the Telephone Consumer Protection Act, or TCPA) and furnishing information to credit reporting agencies (*e.g.*, the Fair Credit Reporting Act, or FCRA) as well as various state statutes. Debt collectors are also subject to the Consumer Financial Protection Act, including its prohibition on unfair, deceptive, or abusive acts and practices. Additionally, debt collectors are subject to the Federal Trade Commission (FTC) Act's prohibition on unfair methods of competition and unfair or deceptive acts or practices.⁵⁷

The FDCPA, however, is the primary federal law that governs the conduct of debt collectors.⁵⁸ The FDCPA establishes consumer protections in the debt collection process, including a consumer's rights to dispute an alleged debt. The FDCPA prohibits debt collectors from engaging in certain types of conduct in connection with the collection of a debt. Among its provisions, the FDCPA prohibits collectors from: (1) harassing, oppressing, or abusing consumers; (2) utilizing false, deceptive, or misleading representations or means when

⁵⁷ 15 U.S.C. § 45(a)(1).

⁵⁸ 15 U.S.C. § 1692 *et seq.*

collecting or attempting to collect; and (3) using unfair or unconscionable means to collect a debt.

The FDCPA empowers the CFPB and other agencies to enforce its provisions and establishes a private right of action against any debt collector who fails to comply with the FDCPA.

3. Consumer complaints

Collecting, investigating, and responding to consumer complaints is one of the six statutory “primary functions” of the CFPB.⁵⁹ The CFPB facilitates the centralized collection of, monitoring of, and response to consumer complaints regarding consumer financial products or services and maintains procedures to provide timely responses to consumer complaints and inquiries.⁶⁰ With respect to debt collection, consumers can submit complaints about creditors collecting their own debts (i.e., first-party collectors) or companies collecting debt on behalf of others, such as creditors or businesses (i.e., third-party collectors). When the CFPB received debt collection complaints about companies where it was not the primary federal regulator (e.g., depository institution with less than \$10 billion in assets), it referred the complaints to other regulatory agencies or a prudential regulator.

The FTC accepts reports from consumers about problems they experience in the marketplace. These reports are stored in the Consumer Sentinel Network (Sentinel), a secure online database available only to law enforcement. The CFPB shares complaint information with the FTC’s Sentinel.

3.1 Number and type of complaints handled

The CFPB received approximately 115,900 debt collection complaints in 2022.⁶¹ Of these, the CFPB sent 60,400 (or 52 percent) to companies for their review and response, referred 24 percent to other regulatory agencies, and found 23 percent to be not actionable.⁶² As of February 1, 2023, 0.3 percent of debt collection complaints were pending with the consumer and 0.1 percent were pending with the CFPB.

⁵⁹ 12 U.S.C. § 5511(c).

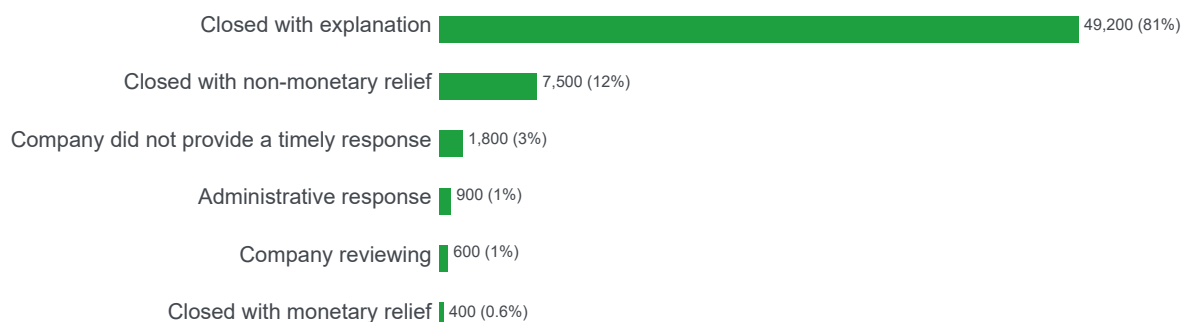
⁶⁰ 12 U.S.C. § 5493(b)(3).

⁶¹ Complaint data in this report are current as of February 1, 2023. This report excludes some complaints that the CFPB received, including multiple complaints submitted by a given consumer on the same issue (i.e., duplicates) and whistleblower tips. Complaint numbers are rounded throughout the report; therefore, numbers and percentages may not sum to 100%.

⁶² Complaints that are *not actionable* are not sent to the company for a response or referred to other agencies for processing. These complaints include incomplete submissions, withdrawn complaints, and complaints in which the CFPB discontinued processing because it had reason to believe that a submitter did not disclose its involvement in the complaint process.

Companies responded to approximately 97 percent of debt collection complaints sent to them for review and response.⁶³ Companies closed 81 percent of complaints with an explanation, 12 percent with non-monetary relief, and 0.6 percent with monetary relief (Figure 6). Companies provided an administrative response for 1 percent of complaints. As of February 1, 2023, 1.0 percent of complaints were pending review by the company. Companies did not provide a timely response for 3 percent of complaints.

FIGURE 6: DEBT COLLECTION COMPLAINTS BY COMPANY RESPONSE



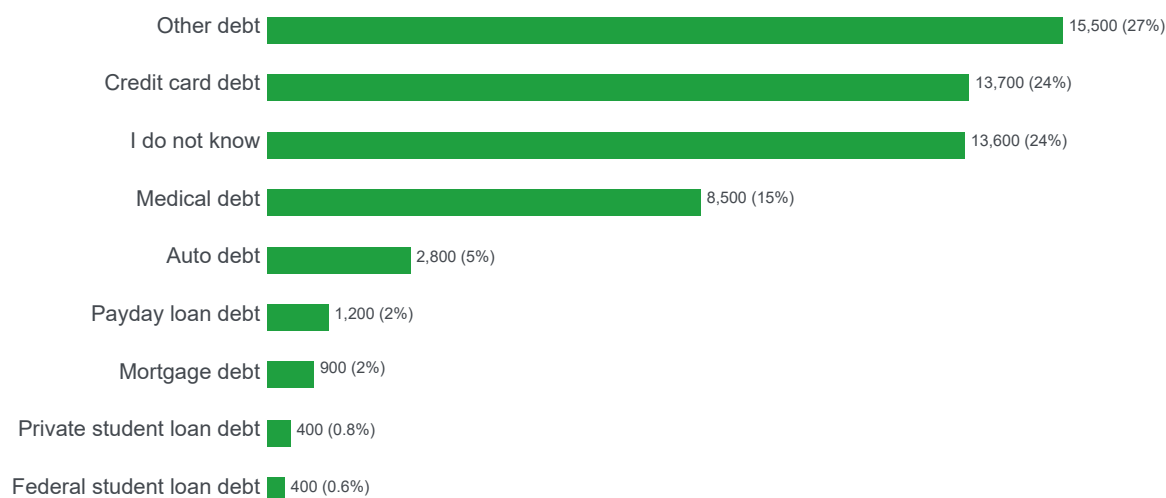
The remainder of this analysis focuses only on those debt collection complaints for which the company confirmed a commercial relationship with the consumer and responded with an explanation or relief (i.e., complaints closed with explanation, closed with non-monetary relief, and closed with monetary relief).

When submitting debt collection complaints, consumers specify the category of debt.⁶⁴ In 2022, credit card debt was the most complained about category after the miscellaneous category of *other debt* (e.g., phone bill, health club membership, utilities) (Figure 7).

⁶³ See generally CFPB, “Consumer Response Annual Report”, at sec. 3 (Mar. 2022), https://files.consumerfinance.gov/f/documents/cfpb_2021-consumer-response-annual-report_2022-03.pdf (discussing company response elements and response closure categories).

⁶⁴ The categories of debt consumers can select from are: auto debt, credit card debt, federal student loan debt, medical debt, mortgage debt, payday loan debt, private student loan debt, other debt (e.g., phone bill, health club membership, utilities), and debt that is not known.

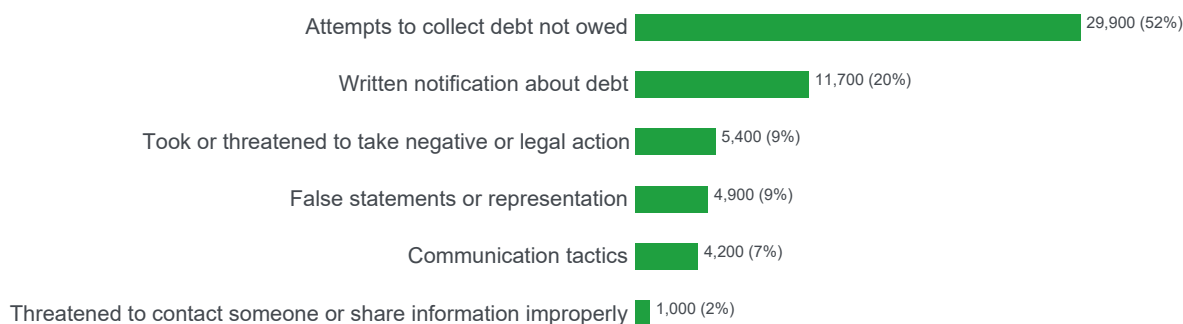
FIGURE 7: DEBT COLLECTION COMPLAINTS BY CATEGORY OF DEBT



3.2 Consumer issues in debt collection complaints

When submitting complaints, consumers identify the issue that best describes the problem they experienced. As discussed in section 1.2 above, in 2022, the most common issue was *attempts to collect debt not owed* (Figure 8).

FIGURE 8: DEBT COLLECTION COMPLAINTS BY ISSUES



Complaints about attempts to collect a debt that the consumer reports is not owed has been the predominant issue selected by consumers since the CFPB began accepting debt collection complaints in 2013. Most consumers who stated that the debt is not owed report that the debt is not their debt (51 percent). Consumers described being contacted about debts they do not

recognize, attempts to collect a debt that belongs to someone else, and being in collections for services or products they did not receive. Consumers also reported that the debt resulted from identity theft (30 percent). In these complaints, consumers often reported that they learned about the debt after reviewing their credit report or after receiving an alert from a credit monitoring service. Many of these consumers described completing an identity theft report and contacting the collectors listed on their credit report in an attempt to remove the debt. In addition to these issues, consumers also complained that their debt was paid (16 percent) or was discharged in bankruptcy and is no longer owed (3 percent).

Complaints involving written notifications about debt were the second-most common issue selected by consumers. The FDCPA requires collectors, within five days after the initial communication with a consumer, to provide the consumer with a written notice informing them, among other things, of their right to dispute, unless this information is contained in the initial communication or the consumer has paid the debt⁶⁵. Most consumers who complained about written notifications report they have not received enough information to verify the debt (61 percent). Receiving too little information in written notifications about a debt is especially common in complaints about medical debt.⁶⁶ Consumers often complained of notices being vague and not having sufficient information to identify the account in question; therefore, in their complaints, consumers often asked for additional information, including supporting documentation.

Consumers continued to report first learning of the debt after reviewing their credit report. These consumers often stated that the limited amount of information furnished on their credit report made it difficult to understand details about the source of the debt. Some consumers complained that they did not receive a notice of their right to dispute (35 percent), while others reported that the notification did not disclose that it was an attempt to collect a debt (4 percent).

Complaints about taking or threatening to take a negative or legal action were the third-most common issue complained about in 2022. Most of these complaints were about threats or suggestions that consumers' credit histories would be damaged (54 percent), threats to sue on a debt that is old (15 percent) or seizures or attempts to seize property (12 percent). Other

⁶⁵ 15 U.S.C. § 1692g(a).

⁶⁶ See, e.g., CFPB, *Complaint Bulletin: Medical billing and collection issues described in consumer complaints* (Apr. 2022), https://files.consumerfinance.gov/f/documents/cfpb_complaint-bulletin-medical-billing_report_2022-04.pdf.

complaints related to being sued without proper notification of the lawsuit (10 percent), collection of or attempts to collect exempt funds such as child support or unemployment benefits (4 percent), threats to arrest or jail consumers if they did not pay (3 percent), being sued in a different state from where the consumer lives or where the consumer signed the contract (2 percent), or threats of deportation or turning the consumer into immigration authorities (less than 1 percent).

The majority of complaints about false statements or representations were about attempts to collect the wrong amount from the consumer (80 percent). In addition, consumers reported that companies impersonated an attorney or a law enforcement or government official (12 percent), indicated the consumer committed a crime by not paying debt (7 percent), or indicated that the consumer should not respond to a lawsuit (2 percent).

Consumers submitted complaints describing companies' communication tactics used when collecting debts with many of these types of complaints concerning communications held over the phone. The majority of complaints about communication tactics were about frequent or repeated calls (50 percent). Complaints of continued contact attempts despite requests to stop contact were also common (29 percent). Other communication tactics complaints related to reports of companies using obscene, profane, or abusive language (17 percent), or calling outside of the FDCPA's convenient calling hours from 8:00 a.m. to 9:00 p.m. at the consumer's location (4 percent).

Like 2021, complaints about threatening to contact someone or sharing information improperly were the least complained about debt collection issue in 2022. In these complaints, consumers most often reported that the collector talked to a third party about the debt (56 percent), contacted the consumer after being asked not to do so (26 percent), contacted an employer (17 percent), or contacted the consumer directly, instead of contacting their attorney (2 percent).

An emerging area of concern highlighted in consumer complaints about debt collection is the potential use of generative artificial intelligence (AI) in the development of materials designed to assist in the collection of debt, the automation of customer service functions in a way that may make it harder to get a clear answer, and other areas.

4. CFPB supervision of debt collection activities

Under the Consumer Financial Protection Act of 2010 (CFPA), the CFPB has the authority to supervise certain entities that engage in consumer debt collection activities. These include nonbank entities that are larger participants in the consumer debt collection market. Under the CFPB's larger participant rule for the debt collection market, the CFPB has supervisory authority over certain non-bank entities with more than \$10 million in annual receipts from consumer debt collection activities. Receipts from the collection of bills for medical services and commercial debt are generally not used in this calculation. The CFPB publishes Supervisory Highlights to help institutions and the general public better understand how we examine institutions for compliance with Federal consumer financial laws. Supervisory Highlights summarizes existing legal requirements and violations identified during the CFPB's exercise of supervisory and enforcement authority.

4.1 Supervisory highlights from examinations

Recent examinations of larger participant debt collectors identified several violations of the Fair Debt Collections Practices Act (FDCPA). The findings discussed in this section are from examination results publicly reported in 2022, which could include examination findings reached prior to 2022. Specifically, reported findings cover CFPB's examinations that were completed from January 1, 2021, to November 30, 2022. Additionally, a summary of recent developments in the CFPB's supervision program and remedial actions related to debt collections can be found in the Supervisory Highlights published in 2021.

4.1.1 Communication with third parties

Examiners found multiple instances in which debt collectors violated the FDCPA by communicating with a person other than the consumer about the consumer's debt, when the person had a name similar or identical to the consumer.⁶⁷ In response to these findings, Supervision directed the debt collectors to update their identity authentication procedures to

⁶⁷ 15 U.S.C. § 1692c(b).

ensure that the person with whom the debt collector is communicating is the consumer obligated or allegedly obligated to pay the debt.

4.1.2 Harassment regarding continued call conversations

During calls with consumers, examiners found that debt collectors engaged in conduct the natural consequence of which was to harass, oppress, or abuse the person with whom they were communicating. In these calls, examiners found that the debt collectors continued to engage the consumers in telephone conversations after the consumers stated that the communication was causing them to feel annoyed, harassed, or abused. Examiners found that in at least one call, the debt collector continued to engage the consumer after the consumer stated multiple times they were driving and needed to discuss the account at another time. In another instance, examiners found that the debt collector used combative statements and continued the call after the consumer stated they were unemployed, affected by COVID-19, and unable to pay, and even after the consumer clearly stated that the call was “making him agitated.” By continuing the calls after the consumers expressed their desire to no longer engage with the collector, the debt collectors violated the FDCPA’s prohibition against harassing and abusive conduct.⁶⁸ In response to these findings, Supervision directed the debt collectors to enhance their training requirements to ensure compliance with Federal consumer financial law including the FDCPA.

4.1.3 Using a false or misleading representation in connection with the collection of a debt caused by identify theft

FDCPA Section 807(2)(A) states that a debt collector may not falsely represent the character, amount, or legal status of any debt in connection with the collection of any debt.⁶⁹ Examiners found instances in which debt collectors violated this section by misrepresenting or implying to consumers that they were responsible for paying charges on their accounts that were incurred as the result of fraudulent activity. Examiners found instances in which consumers had informed collectors that the establishment of the account was the result of identity theft. For example, consumers informed collectors that they had police reports related to the fraud.

Notwithstanding the consumers’ proffer of evidence supporting the identify theft, the debt collectors continued to represent that the consumers owed the debt by offering to allow the consumers to pay a reduced amount to settle the alleged debt, and then continuing to attempt to collect the debt. Examiners determined that, by continuing attempts to collect the debt and

⁶⁸ 15 U.S.C. § 1692d(5).

⁶⁹ 15 U.S.C. § 1692e(2)(A).

offering settlement, even after being informed of the fraud, the debt collectors misrepresented that the consumers were legally obligated to pay a debt created through fraud. In these instances, the debt collectors' agents deviated from the collectors' established policies and procedures, and the debt collectors issued refunds of consumer payments made after the misrepresentations.

4.1.4 Engaging in an unfair practice in connection with the collection of a debt by failing to timely refund overpayments or credit balances

The CFPB prohibits covered entities from engaging in unfair, deceptive, or abusive acts or practices in their interactions with consumers.⁷⁰ Examiners found multiple instances in which debt collectors may have engaged in an unfair act or practice in connection with the collection of a debt by failing to timely refund overpayments and credit balances to consumers. These practices caused or were likely to cause substantial injury to affected borrowers as consumers lost the ability to use funds for an extended period of time. Consumers could not reasonably avoid the injury as they were unlikely to know about the credit balances, and even if they became aware, the consumers had no way to expedite the refund process. The injury was not outweighed by countervailing benefits to consumers or competition. In response to these findings, the entities agreed to report to the CFPB on remedial measures, including issuing full refunds to consumers, revising their policies and procedures, and strengthening their monitoring to ensure credit balances are timely refunded.

⁷⁰ 12 U.S.C. §§ 5531 and 5536.

5. Enforcement

In 2022, the CFPB brought and continued enforcement actions addressing harmful debt collection activity in violation of the FDCPA and other applicable laws. Of the other federal agencies with enforcement authority over subsets of market participants, the Federal Trade Commission was the only agency to exercise this authority through enforcement actions.

5.1 CFPB law enforcement actions

5.1.1 Consumer Financial Protection Bureau, v. Craig Manseth, Jacob Adamo, Darren Turco, United Debt Holding LLC, JTM Capital Management, LLC, and United Holding Group, LLC also known as United Holdings Group, LLC, UHG, LLC, UHG I LLC, and UHG II LLC, (W.D.N.Y. No. 1:22-cv-29) (complaint filed January 10, 2022).

On January 10, 2022, the CFPB filed a complaint against several individual debt collectors and buyers, and their companies. The CFPB alleges that the defendants, located in Colorado and New York, purchased defaulted consumer debt worth tens of millions of dollars and then collected on those debts through third-party agents. The third-party collectors used false threats and misrepresentations to coerce payment from consumers, in violation of the Consumer Financial Protection Act of 2010 (CFPA) and the FDCPA. The defendants knew or should have known the third-party debt collection companies were making false statements to consumers, but they substantially assisted the violations by continuing to place debt with companies engaged in unlawful behavior.

5.1.2 Consumer Financial Protection Bureau & State of New York v. JPL Recovery Solutions, LLC, et al (W.D.N.Y. No. 1:20-CV-01217) (complaint filed September 8, 2020)

On May 25, 2022, the court entered a stipulated judgment against a network of five different companies based outside of Buffalo, New York, two of their owners, and two of their managers,

for their participation in a debt-collection operation using illegal methods to collect debts. The stipulated judgement resolved a suit filed in partnership with the New York Attorney General on September 8, 2020. In the action, the CFPB alleged that from at least 2015, the defendants participated in a debt-collection operation that used deceptive, harassing, and improper methods to induce consumers to make payments in violation of the FDCPA and the CFPA. The stipulated judgment requires the defendants to pay \$4 million in civil money penalties split between the CFPB and New York. Those penalties increase to \$5 million if they fail to make timely payment. The judgment also permanently bans defendants from being debt collectors and prohibits them from engaging in deceptive practices in connection with consumer financial products or services.

5.2 Law enforcement activities by other federal agencies

While the CFPB is authorized by the FDCPA to bring enforcement actions against any person subject to the Act, the statute also provides other agencies enforcement authority for certain subsets of market participants. The U.S. Department of Transportation, the U.S. Department of Agriculture, Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the National Credit Union Administration, and the Federal Trade Commission (FTC or the Commission) are eligible to exercise this enforcement authority.⁷¹ The FTC has provided information about its law enforcement activities, which are listed below.

5.2.1 Debt collection issues affecting small businesses

Protecting small businesses, in addition to individual consumers, is a high priority for the Commission.⁷² While some statutes, including the FDCPA, involve household debt, the FTC Act empowers the FTC to take action to protect small business consumers. These actions highlight

⁷¹ 15 U.S.C. § 1692.

⁷² For example, in *Yellowstone Capital*, a provider of merchant cash advances was ordered to pay more than \$9.8 million to settle charges that it took money from small businesses' bank accounts without permission and deceived them about the amount of financing business owners would receive and other features of its financing products. In June 2022, the FTC announced that it sent 7,731 checks, totaling more than \$9.7 million, to eligible businesses that were harmed. See Press Release, "Cash Advance Firm to Pay \$9.8M to Settle FTC Complaint It Overcharged Small Businesses" (Apr. 22, 2021), available at <https://www.ftc.gov/news-events/press-releases/2021/04/cash-advance-firm-pay-98m-settle-ftc-complaint-it-overcharged>; Press Release, Federal Trade Commission Returns More Than \$9.7 Million To Small Businesses Harmed by Yellowstone Capital's Merchant Cash Advance Operation (June 21, 2022), available at <https://www.ftc.gov/news-events/news/press-releases/2022/06/federal-trade-commission-returns-more-97-million-small-businesses-harmed-yellowstone-capitals>

the type of deceptive and unfair debt collection conduct that exists regardless of whether the victim is a small business or individual consumer and illustrate the measures the FTC has undertaken to combat such conduct. For example, in *RCG Advances*, the FTC sued an enterprise and its owners for using illegal tactics, including unfair debt collection practices, when collecting on its merchant cash advances. The FTC alleges egregious behavior by defendants, such as death threats (“I will kill you”), and threats to harm business owners (“I am going to beat the s*** out of you”), their families (“I will take your daughters from you”), and their reputation (“I will hang papers all over the lampposts in Crown Heights stating that you are a liar and a thief”), among other outrageous statements.⁷³ Last year, the FTC announced two settlements with four of the five defendants involved in the scheme, permanently banning⁷⁴ them from the debt collection and merchant cash advance industries and requiring them to pay \$675,000 and \$2.7 million, respectively.⁷⁵ The FTC’s case against the remaining defendant continues in litigation.

In another enforcement action pertaining to small businesses, *American Future Systems (AFS)*, the FTC and the Commonwealth of Pennsylvania sued the operators of a telemarketing scheme and a debt collection operation.⁷⁶ The AFS telemarketers allegedly billed organizations such as businesses, schools, fire and police departments, and non-profits for books and newsletter subscriptions they never ordered. Those unpaid bills for unwanted and unordered subscriptions were then collected on by a debt collection firm, International Credit Recovery, Inc. (ICR), which used a plethora of illegal tactics such as making threats about legal action or negative impacts to credit scores. The court denied the defendants’ motions to dismiss and for judgment

⁷³ *FTC v. RCG Advances, LLC. et al.*, 20-CV-4432 (S.D.N.Y. Apr. 8, 2022) (FTC’s Motion for Summary Judgment); see also Press Release, FTC Files Amended Complaint Seeking Civil Penalties Against Small Business Financing Providers (June 14, 2021), available at <https://www.ftc.gov/news-events/press-releases/2021/06/ftc-files-amended-complaint-seeking-civil-penalties-against-small>.

⁷⁴ In 2015, the FTC began publishing a list of every individual and company that the agency has sued that has been banned from the debt collection industry. This list, located at <https://www.ftc.gov/enforcement/cases-proceedings/banned-debt-collectors>, is a valuable resource to help law-abiding collection industry professionals avoid doing business with these defendants, as well as to help state debt collection licensing officials and law enforcers better protect consumers. Currently, the list includes 229 banned individuals and companies.

⁷⁵ Press Release, Settlement Order Permanently Bans Defendants From Merchant Cash Advance and Debt Collection (Jan. 5, 2022), available at <https://www.ftc.gov/news-events/news/press-releases/2022/01/merchant-cash-advance-providers-banned-industry-ordered-redress-small-businesses>; Press Release, FTC Action Results in Ban for Richmond Capital and Owner From Merchant Cash Advance and Debt Collection Industries and Return of More Than \$2.7M to Consumers (June 6, 2022), available at <https://www.ftc.gov/news-events/news/press-releases/2022/06/ftc-action-results-ban-richmond-capital-owner-merchant-cash-advance-debt-collection-industries>.

⁷⁶ Press Release, FTC Files Complaint Alleging Telemarketers and Debt Collectors Worked Together To Bill Organizations for Subscriptions and Books They Never Ordered (May 13, 2020), available at www.ftc.gov/news-events/press-releases/2020/05/ftc-files-complaint-alleging-telemarketers-debt-collectors-worked; *FTC v. American Future Systems, Inc. et al.*, 2:20-cv-02266 (E.D. Pa. May 13, 2020) (Complaint); *FTC v. American Future Systems, Inc. et al.*, 2:20-cv-02266 (E.D. Pa. Jan. 21, 2021) (Amended Complaint).

on the pleadings and rejected the debt collectors' argument that the FTC Act is limited to the collection of noncommercial debt. Litigation is ongoing in this matter.

5.2.2 Redressing consumers harmed by debt collection schemes

In 2022, the Commission announced the distribution of approximately \$1.27 million in refunds to consumers who lost money in debt collection schemes.

The Commission returned more than one million dollars to consumers harmed in the phantom debt brokering and collection scheme in *Global Asset Financial Services Group, LLC*.⁷⁷ According to the Commission's complaint, the operation falsely claimed to be attorneys or affiliated with attorneys to pressure consumers into making payments on fake or unauthorized debts, and threatened to take legal action against consumers if they did not pay.⁷⁸ One of the companies involved in the scheme, *Midwestern Alliance*, is a debt broker that allegedly bought, sold, and placed fake debt portfolios even after consumers said they did not recognize the debt or had already paid it. The Commission ultimately banned the defendants from the debt collection business and from misleading consumers about debt.⁷⁹

Additionally, in *Vantage Point Services*, the Commission distributed more than \$255,000 in redress to those harmed by the operators of an illegal debt collection scheme.⁸⁰ The defendants had agreed to a permanent ban from the debt collection business in order to settle Commission charges that they falsely threatened to have people arrested if their debts were not paid.⁸¹ The complaint also alleged that the defendants failed to provide information about their identities

⁷⁷ Press Release, "Federal Trade Commission Returns More Than \$1 Million To Consumers Harmed by Global Asset Financial Services' Phantom Debt Collection Scheme" (Aug. 4, 2022), available at <https://www.ftc.gov/news-events/news/press-releases/2022/08/federal-trade-commission-returns-more-1-million-consumers-harmed-global-asset-financial-services>.

⁷⁸ *FTC v. Global Asset Financial Services Group, LLC, et al.*, No. 3:19-cv-55 (W.D.N.C. Feb. 4, 2019) (Complaint); see also Press Release, "FTC Stops Phantom Debt Collection Scheme" (Feb. 8, 2019), available at <https://www.ftc.gov/news-events/press-releases/2019/02/ftc-stops-phantom-debt-collection-scheme>.

⁷⁹ Press Release, "Operators of Phantom Debt Scheme Permanently Banned From Debt Collection under Settlement with FTC" (Dec. 11, 2019), available at <https://www.ftc.gov/news-events/press-releases/2019/12/operators-phantom-debt-scheme-permanently-banned-debt-collection>.

⁸⁰ Press Release, "Federal Trade Commission Returns More Than \$255,000 To Consumers Harmed by Abusive Debt Collector Vantage Point Services" (May 31, 2022), available at <https://www.ftc.gov/news-events/news/press-releases/2022/05/federal-trade-commission-returns-more-255000-consumers-harmed-abusive-debt-collector-vantage-point>.

⁸¹ *FTC v. Vantage Point Services, LLC, et al.*, 1:15-cv-00006 (W.D.N.Y. Sept. 21, 2018) (Orders); see also Press Release, "FTC Settlements Stop Debt Collection Scheme" (Sept. 21, 2018), available at <https://www.ftc.gov/news-events/press-releases/2018/09/ftc-settlements-stop-debt-collection-scheme>.

during the phone calls or the supposed debt within five days of the calls, as required by law, and illegally added unauthorized amounts to consumers' debts.

5.2.3 Halting collection of millions in consumer debt

When consumers are tricked into financing purchases, the damaging effects can be far reaching; the FTC works to stop the harm that results from the accrual of such debt and to break the debt cycle.

In an action against the national jewelry retailer Harris Jewelry, the FTC and a group of 18 states took action to stop the company from allegedly cheating military families through illegal financing and sales practices, including deceptively claiming that financing jewelry purchases would raise credit scores, misrepresenting that its protection plans were required, and adding the plans to purchases without consumers' consent.⁸² Notably, under a stipulated order the company must stop collection of millions of dollars in debt, provide approximately \$10.9 million in refunds, and assist with the deletion of any negative credit entries pertaining to debt in consumers' credit reporting files. It also must stop selling, assigning, or transferring retail installment contracts or other consumer debt to other persons, and must complete its shutdown of operations and dissolve pursuant to applicable state laws once it meets the obligations of the order.

5.2.4 Combating unauthorized charges that add to consumers' debt burden

Combating unauthorized charges that would otherwise add to consumers' debt burden is another aspect of the FTC's holistic approach to protecting consumers in the debt collection arena. Specifically, the Commission has made it a priority to thwart the use of sophisticated design tactics, or "dark patterns," that are used to trick consumers in myriad ways. Dark patterns can manipulate consumers into, among other things, incurring unwanted charges, preventing consumers from getting refunds, or making it difficult to cancel subscriptions or charges – all of which can be a drain on consumers' pocketbooks. In September 2022, the

⁸² Press Release, "FTC and 18 States Sue to Stop Harris Jewelry from Cheating Military Families with Illegal Financing and Sales Tactics" (July 20, 2022), available at <https://www.ftc.gov/news-events/news/press-releases/2022/07/ftc-18-states-sue-stop-harris-jewelry-cheating-military-families-illegal-financing-sales-tactics>.

Commission announced a report that showed a rise in these dark patterns and highlighted the FTC's commitment to taking action against tricks used to trap consumers.⁸³

The Commission has also taken law enforcement actions to halt unauthorized charges. For example, in an action against Epic Games, owner of the popular online game Fortnite, the company will turn over \$245 million for allegedly using dark patterns to charge millions of Fortnite players without authorization — the largest FTC administrative settlement ever.⁸⁴ For example, the complaint alleges that players could be charged based on the press of a single button while attempting to wake the game from sleep mode, while the game was in a loading screen, or by pressing an adjacent button while attempting simply to preview an item. The record-breaking settlement will be used to provide refunds to harmed consumers, mandates an overhaul of the company's billing and dispute practices, and bars the use of dark patterns to get consumers' consent.

In another nine-figure settlement, the FTC has stopped internet phone service provider Vonage from using dark patterns to make it difficult for consumers to cancel their service.⁸⁵ The complaint alleged that company employees, managers, and consumers alike referred to Vonage's cancellation process as an “endless” maze, loop, and game of phone tag. The proposed order requires Vonage to pay \$100 million for consumer redress, make its cancellation process simple and transparent, and stop charging consumers without their consent.

⁸³ Press Release, “FTC Report Shows Rise in Sophisticated Dark Patterns Designed to Trick and Trap Consumers” (Sept. 15, 2022), *available at* <https://www.ftc.gov/news-events/news/press-releases/2022/09/ftc-report-shows-rise-sophisticated-dark-patterns-designed-trick-trap-consumers>; FTC, Staff Report, “Bringing Dark Patterns to Light” (Sept. 2022), *available at* https://www.ftc.gov/system/files/ftc_gov/pdf/P214800%20Dark%20Patterns%20Report%209.14.2022%20-%20FINAL.pdf.

⁸⁴ Press Release, “Fortnite Video Game Maker Epic Games to Pay More Than Half a Billion Dollars over FTC Allegations of Privacy Violations and Unwanted Charges” (Dec. 19, 2022), *available at* <https://www.ftc.gov/news-events/news/press-releases/2022/12/fornite-video-game-maker-epic-games-pay-more-half-billion-dollars-over-ftc-allegations>.

⁸⁵ Press Release, “FTC Action Against Vonage Results in \$100 Million to Customers Trapped by Illegal Dark Patterns and Junk Fees When Trying to Cancel Service” (Nov. 3, 2022), *available at* <https://www.ftc.gov/news-events/news/press-releases/2022/11/ftc-action-against-vonage-results-100-million-customers-trapped-illegal-dark-patterns-junk-fees-when-trying-cancel-service>.

6. Education and outreach initiatives

The CFPB provides consumers with a range of financial education resources. This educational information is available via the CFPB’s website and includes hundreds of financial questions and answers featured in the “Ask CFPB” interactive online tool. It also includes details on how to submit complaints or inquiries if consumers are having an issue with a financial product or service. The CFPB also seeks to help consumers understand and assert their rights by providing financial empowerment resources through established community partners that consumers may trust, such as workplaces, social service organizations, military services, and government agencies.

A major CFPB consumer-facing product is “Ask CFPB,” an online tool that helps consumers find clear answers to a wide variety of financial questions. From the tool’s inception in October 2012 through December 31, 2022, “Ask CFPB” has been viewed approximately 48 million times. Debt collection is consistently one of the two most-viewed categories. “Ask CFPB” includes practical information for consumers regarding steps they can take when faced with debt collection,⁸⁶ with questions related to debt collection generating 21.7 percent of all traffic to “Ask CFPB” for the year, approximately 2.9 million users total.

“Ask CFPB” includes five sample letters that consumers can use when they interact with debt collectors. The five letters are intended for consumers who: (1) need more information about a debt; (2) want to dispute their debt; (3) want to restrict how and when a collector can contact them; (4) want to stop all communication from the debt collector; and (5) want to direct further communications with respect to the debt matter to an attorney.⁸⁷ These letters are available in English and Spanish.

These letters were downloaded more than 1,130,000 times from June 2014 to the end of December 2022. The two most downloaded letters are “I need more information about this debt” and “I do not owe this debt.”

⁸⁶ CFPB, “Ask CFPB”, - Debt Collection, *available at* <http://www.consumerfinance.gov/consumer-tools/debt-collection/>.

⁸⁷ Bureau of Consumer Fin. Prot., What Should I Do When a Debt Collector Contacts Me (Feb. 2017), *available at* <https://www.consumerfinance.gov/ask-cfpb/what-should-i-do-when-a-debt-collector-contacts-me-en-1695/>.

TABLE 1: DOWNLOADS OF THE CFPB'S COLLECTION-RELATED LETTERS

Letter	% total downloads
"I do not owe this debt"	34%
"I need more information about this debt"	28%
"I want the debt collector to stop contacting me"	30%
"I want to specify how the debt collector can contact me"	3%
"I want the debt collector to only contact me through my lawyer"	5%

On November 30, 2021, the CFPB's debt collection rule became effective. New "Ask CFPB" questions were created as well as updates to a number of existing questions and other resources. For example, a blog and new "Ask CFPB" questions were added, including information on the debt collection validation notice, how often a debt collector can call, use of social media by debt collectors, the limited-content message, and the reporting of debts to credit reporting companies.⁸⁸ Interest in the debt collection rule and the new validation notice was demonstrated by the amount of traffic to the CFPB's Debt Collection page.⁸⁹ Visits to that page tripled from November 30 to December 31, 2021 with more than 24,000 views compared to 8,772 over the same timeframe in 2020. This interest continued into 2022: the share of total users viewing debt collection content within "Ask CFPB" increased from 19 percent of total system use in 2021 to 21.9 percent of total system use in 2022.

In addition to information about general debt collection issues, the CFPB provides consumers with information about their rights related to specific debt collection issues. The CFPB continued to help consumers financially navigate the COVID-19 pandemic, including questions and answers on the topic of debt collection.⁹⁰ The COVID-related content, including blogs, web pages, and videos, was accessed by users approximately 5.3 million times in 2022.

Throughout 2022, the CFPB focused particular attention on education and outreach initiatives on the issue of medical bills and debt collection. In February 2022, in conjunction with the CFPB guidance involving the federal No Surprises Act discussed in section 1.2 above, the CFPB

⁸⁸ CFPB, "Understand how the CFPB's Debt Collection Rule impacts you", *available at* <https://www.consumerfinance.gov/about-us/blog/understand-how-cfpb-debt-collection-rule-impacts-you/> (Nov. 30, 2021).

⁸⁹ CFPB, "Debt Collection", *available at* <https://www.consumerfinance.gov/consumer-tools/debt-collection/>.

⁹⁰ CFPB, "Protecting your finances during the coronavirus pandemic", *available at* <https://www.consumerfinance.gov/coronavirus/>.

published information for consumers to help them understand how the FDCPA protects them from unlawful debt collection in the context of the new law and steps they can take if they believe their rights are being violated.⁹¹

In March 2022, in conjunction with the CFPB's release of a report on medical bills in the U.S., which outlined the prevalence and challenges associated with medical collections and credit reporting,⁹² the CFPB released information for consumers to help them navigate these complexities.⁹³ Director Chopra also hosted a public field hearing focusing on the state of Georgia to coincide with the release of the medical debt report. The event featured a panel of local community-based experts who discussed the complex set of financial challenges Georgians face around medical debt and how their state is working to address them.

Additionally, the CFPB engaged with a range of medical debt stakeholders, including medical care providers, the institutions where the providers operate, and trade associations supporting stakeholders in the medical debt ecosystem, to gain a better understanding of the structural components that can contribute to a consumer having medical debt.

The CFPB also continues to examine how medical collections impacts specific consumer populations. In March 2022, the CFPB released a data spotlight describing the characteristics of older adults with medical debt, measured as having a past due medical bill, using data from the FINRA Foundation National Financial Capability Study (NFCS). In May 2022, the CFPB released a new consumer guide: "What to do if a loved one dies and debt collectors come calling." The guide helps surviving spouses, relatives, and friends understand their rights when a debt collector contacts them about a debt belonging to the person who died. These rights concerning decedent debt were also clarified by the CFPB's new debt collection rule. In September 2022, the CFPB launched an initiative to help protect caregivers and other third parties from illegal nursing home debt collection practices. This initiative included an issue spotlight highlighting how some nursing homes attempt to skirt the federal prohibition on requesting or requiring that a caregiver or other third party guarantee the resident's bills as a condition of admission, and a joint letter with CMS, in conjunction with the CFPB guidance discussed in section 1.2 above describing how collection attempts may violate the FDCPA and the FCRA. Director Chopra also hosted a virtual, public event on nursing home debt collection

⁹¹ CFPB, "What should I know about debt collection and credit reporting if my medical bill was sent to collections?", available at <https://www.consumerfinance.gov/ask-cfpb/what-should-i-know-about-debt-collection-and-credit-reporting-if-my-medical-bill-was-sent-to-collections-en-2122/>.

⁹² CFPB, "Virtual Panel on Medical Debt in Georgia", available at <https://www.consumerfinance.gov/about-us/events/archive-past-events/cfpb-virtual-panel-on-medical-debt-in-georgia/>.

⁹³ CFPB, "Know your rights and protections when it comes to medical bills and collections", available at <https://www.consumerfinance.gov/about-us/blog/know-your-rights-and-protections-when-it-comes-to-medical-bills-and-collections/>.

practices, featuring a panel of legal, advocacy, and industry experts with familiarity on this issue, as well as a variety of perspectives and experiences presented through public testimony. In December 2022, the CFPB released a joint blog with the Administration on Community Living and a CFPB fact sheet to help caregivers understand their rights and report federal violations related to nursing home debt collection.⁹⁴

Debt collection is also a significant issue facing servicemembers, veterans, and their families (military consumers). In June 2022, the CFPB Office of Servicemember Affairs issued its annual report, which included an analysis of complaints military consumers submitted to the CFPB in 2021. In 2021, servicemembers submitted just over 9,000 complaints to the CFPB about debt collection.⁹⁵ More than half of all complaints from servicemembers about medical debt involved debts the servicemember disputed owing.⁹⁶ Numerous complaints were submitted by veterans who believed their medical debts were to be paid by the Veterans Administration (VA). The volume of servicemember complaints about medical debt is notable given that nearly 95 percent of all veterans have health insurance, with more than 40 percent of all veterans receiving health insurance from the government.⁹⁷ In February 2022, the VA issued new rules curtailing when medical debts owed to the VA will be reported to credit reporting companies. Under the new rules issued by the VA, medical debt will only be reported to credit reporting companies when 1) all debt collection efforts have been exhausted, 2) the VA has determined the individual responsible for the debt is not catastrophically disabled, or otherwise entitled to free medical care from the VA, and 3) the debt is at least \$25.⁹⁸

A partial list of the CFPB's consumer education materials relating to debt collection and information on the extent of their distribution is set forth in Appendix A. Additionally, the Federal Trade Commission has produced a number of consumer education materials related to debt collection. A complete list of the FTC's consumer and business education materials relating to debt collection, and information on the extent of their distribution, is set forth in Appendix B.

⁹⁴ CFPB, "You can help caregivers spot illegal nursing home debt collection tactics", (Dec. 09, 2022) *available at* <https://www.consumerfinance.gov/about-us/blog/help-caregivers-spot-illegal-nursing-home-debt-collection-tactics/>.

⁹⁵ CFPB, "Office of Servicemember Affairs Annual Report," (June 2022), *available at* https://files.consumerfinance.gov/f/documents/cfpb_osa-annual-report-2021.pdf.

⁹⁶ *Id.*

⁹⁷ *Id.* (citing <https://www.census.gov/content/dam/Census/library/publications/2021/demo/p70br-175.pdf>).

⁹⁸ CFPB "New VA rule relieves financial distress for thousands of veterans with medical bills" (Feb. 7, 2022), *available at* <https://www.consumerfinance.gov/about-us/blog/new-va-rule-relieves-financial-distress-for-thousands-of-veterans-with-medical-bills/>.

7. CFPB rulemaking, research, and policy initiatives

7.1 CFPB research projects

The CFPB is engaged in research to better understand the debt collection market and its impact on consumers and credit markets. One purpose of this research is to help the CFPB identify potential harms to consumers. Another is to better understand the benefits, costs, and impacts of potential rules. The CFPB's debt collection research relies on various data sources, including publicly and commercially available data as well as information obtained through industry outreach and other efforts.

In 2022, the CFPB received data from a debt-collection-oriented survey designed in 2021 under the Making Ends Meet survey program. Fielded in early 2022, the survey gauged consumers' experiences with debt collection, particularly in areas that may be affected by the CFPB's final debt collection rules that took effect on November 30, 2021. Also in 2022, the CFPB developed a new Making Ends Meet survey, which includes a battery of questions about collection of medical debts and their genesis. The CFPB received data from this survey during 2023 and will use those data to better understand how medical collections affect consumers.

Also in 2022, CFPB researchers published a report on the incidence of paid and low-balance medical collections on consumer credit reports, which were slated for removal from credit records as part of reporting changes announced by the three national credit rating agencies.⁹⁹ Researchers also published a blog post on the prevalence of medical collections among low-income consumers who may be eligible for financial assistance programs at nonprofit hospitals.¹⁰⁰

⁹⁹ Lucas Nathe and Ryan Sandler, "Paid and Low-Balance Medical Collections on Consumer Credit Reports" (2022), available at <https://www.consumerfinance.gov/data-research/research-reports/paid-and-low-balance-medical-collections-on-consumer-credit-reports/>.

¹⁰⁰ Octavian Carare, Susan Singer, and Eric Wilson, "Exploring the connection between financial assistance for medical care and medical collections" (Aug. 24, 2022), available at <https://www.consumerfinance.gov/about-us/blog/exploring-connection-between-financial-assistance-for-medical-care-and-medical-collections/>.

7.2 FDCPA regulatory actions

As discussed in section 1.2 above, on January 13, 2022, the CFPB issued a bulletin reminding debt collectors and credit bureaus of their legal obligations in light of the No Surprises Act, which protects consumers from certain unexpected medical bills. Companies that try to collect on medical bills that are prohibited by the No Surprises Act, or who furnish information to credit bureaus about such invalid debts, may face legal liability under the FDCPA and the FCRA.

On June 29, 2022, the CFPB issued an advisory opinion affirming that section 808(1) of the FDCPA and Regulation F, 12 CFR 1006.22(b), prohibit debt collectors from collecting pay-to-pay or “convenience” fees when those fees are not expressly authorized by the agreement creating the debt or expressly authorized by law. The advisory opinion also clarified that a debt collector may violate section 808(1) and 12 CFR 1006.22(b) when the debt collector collects pay-to-pay fees through a third-party payment processor.

On September 8, 2022, the CFPB issued a *Consumer Financial Protection Circular* confirming that debt collectors can violate the FDCPA and FCRA when they attempt to collect a nursing facility debt from a caregiver based on contract terms that are invalid under the Nursing Home Reform Act. The *Circular* indicated that a debt collector that attempts to collect a nursing facility resident’s debt from a caregiver may violate the FDCPA’s prohibition on misrepresentations where the debt is invalid under the Nursing Home Reform Act. Nursing facilities that participate in Medicare or Medicaid are subject to the Act’s prohibitions on requesting or requiring a caregiver guarantee payment as a condition of admission, expedited admission, or continued stay in the facility.

Throughout 2022, the CFPB engaged in formal and informal guidance to facilitate implementation of the debt collection final rule, including, in July 2022, releasing frequently asked questions addressing the debt collection final rule’s electronic communications and unusual or inconvenient time and place provisions.

7.3 Market monitoring and outreach

The CFPB continues to monitor the debt collection industry to improve its understanding of the market and to develop informed policies and regulations that will protect consumers.

Most in-person industry conferences returned in 2022. CFPB staff spoke at a variety of regional and national debt collection industry events. The CFPB also held conference calls with consumer advocates, industry groups, vendors, the CFPB’s Consumer Advisory Board, and government officials to better understand consumers’ experiences with debt collection as well as how the

market and industry function. In particular, the CFPB held several conference calls with market participants and consumer advocates about the Regulation F debt collection rule and its implementation. These market outreach activities helped the CFPB gather detailed information related to the potential impacts of the final rule, which in turn, helped inform the CFPB's rule implementation and guidance efforts.

The CFPB published a report on medical debt collections and reporting on March 1, 2022.¹⁰¹ The report, "Medical Debt Burden in the U.S.," highlighted the burdensome nature of medical bills in the United States. As discussed in Section 1 above, medical bills, while common, are also complex because they are often incurred through unexpected and emergency events, are subject to opaque pricing, and involve complicated insurance coverage and pricing rules. The repercussions of medical bills in collections are far-ranging, including reduced access to credit, increased risk of bankruptcy, avoidance of medical care, and difficulty securing employment. These repercussions are especially acute for individuals from Black and Hispanic communities, people with low incomes, veterans, seniors, older adults, and young adults.

Following the publication of this report, Equifax, Experian, and TransUnion announced significant changes to medical bill collection reporting to support consumers faced with unexpected medical bills. Effective July 1, 2022, paid medical collections are no longer included on consumer credit reports. In addition, the time period before unpaid medical collections appear on a consumer's report increased from 6 months to one year, giving consumers more time to work with insurance and/or healthcare providers to address their debt before it is reported on their credit file. Starting in the second quarter of 2023, medical collections tradelines less than \$500 are no longer reported on consumer credit reports.¹⁰² While this will reduce the total number of medical collections tradelines, an estimated half of all consumers with medical collections tradelines will still have them on their credit reports, with the larger collection amounts representing a majority of the outstanding dollar amount of medical collections remaining on credit reports.¹⁰³

The CFPB also began a debt collection furnishing market monitoring effort in 2022, culminating in the publication of a report titled, "Market Snapshot: An Update on Third-Party Credit Reporting" on February 14, 2023. The report detailed trends in debt collection furnishing,

¹⁰¹ CFPB, "Medical Debt Burden in the U.S." (March 2022), available at <https://www.consumerfinance.gov/data-research/research-reports/medical-debt-burden-in-the-united-states/>.

¹⁰² Experian, "Equifax, Experian, and TransUnion Support U.S. Consumers With Changes to Medical Collection Debt Reporting" (Mar. 2022) available at: <https://www.experianplc.com/media/latest-news/2022/equifax-experian-and-transunion-support-us-consumers-with-changes-to-medical-collection-debt-reporting/>.

¹⁰³ Lucas Nathe and Ryan Sandler, "Paid and Low-Balance Medical Collections on Consumer Credit Reports" (Jul. 27, 2022), available at <https://www.consumerfinance.gov/data-research/research-reports/paid-and-low-balance-medical-collections-on-consumer-credit-reports/>.

finding that the number of debt collections tradelines on consumer credit reports has fallen 33 percent from Q1 2018 to Q1 2022. This decline is specifically being fueled by the behavior of contingency-fee-based debt collectors, who furnished 38 percent fewer debt collections tradelines from 2018 to 2022. In contrast, debt buyers furnished 9 percent more collections tradelines over this period. As a result of these trends, credit reports have increasing numbers of financial debt collection tradelines (e.g., credit card debt collections) furnished mostly by debt buyers, while non-financial tradelines (e.g., medical, rental, and utilities debt collections) are decreasing in number since they are furnished mostly by contingency-fee-based debt collectors.

8. Conclusion

Throughout 2022, the CFPB took action to eliminate illegal debt collection practices, ensure that ethical debt collectors were not competitively disadvantaged, and protect consumers against debt collection abuses. In the coming year, the CFPB will continue its work to uphold the FDCPA through all the tools at its disposal. These include supervision and enforcement actions, regulatory and legal action, research and market monitoring activities, and consumer education. As the debt collection industry's primary regulator, the CFPB recognizes the important role that responsible debt collection plays in the consumer finance ecosystem. The CFPB, in coordination with its partner agencies, is committed to protecting both consumers and honest businesses from those that violate the law.

As Congress and other policymakers consider issues in the debt collection market, the CFPB believes that closer attention should be paid to collections issues facing consumers with medical debt. As described in Section 1 above, the collection of allegedly unpaid medical bills affects tens of millions of households, and the CFPB has taken substantial action – and has substantial continued concerns – about the medical collection ecosystem. Specifically, the collection of medical bills that are not owed at all or are inaccurate raises significant concerns under the FDCPA and other laws. The CFPB intends to gather additional information and take further action where warranted about these issues, including to work with states to exercise their authorities to protect consumers.

APPENDIX A: CFPB DEBT COLLECTION INFORMATION, 2022

Consumer information	Page views or downloads in English	Page views or downloads in Spanish	Print distribution in English	Print distribution in Spanish
All Ask CFPB debt collection questions	2,874,0712	387,697		
How to negotiate a settlement with a debt collector	541,150	35,646		
What should I do when a debt collector contacts me? Sample letters	632,245	24,993		
What should I do if a creditor or debt collector sues me?	41,966	19,810		
My debt is several years old. Can debt collectors still collect?	79,470	82,864		
Can I be responsible to pay off the debts of my deceased spouse?	93,362	18,036		
Are there laws that limit what debt collectors can say or do?	101,778	19,914		
Know Your Rights When a Debt Collector Calls	1,279	367	223,979	24,767
Behind on bills?			112,847	26,050
Behind on bills? (correctional facilities edition)			7,800	1,760
Planning to become debt free?	3,800	556	25,525	53,581
Debt getting in your way? Get a handle on it.			87,197	
Debt getting in your way? Get a handle on it. (correctional facilities edition)			5,980	
Servicemembers: Know your rights when a debt collector calls	267		5,292	

FDCPA Consumer blog posts, 2022

- [New VA rule relieves financial distress for thousands of veterans with medical bills](#)
- [No Surprises Act: How we are protecting people from the side effects of surprise medical bills](#)
- [Shining a Spotlight on Workers' Financial Experiences | Consumer Financial Protection Bureau \(consumerfinance.gov\)](#)
- [Know your rights and protections when it comes medical bills and collections](#)
- [Transcript Withholding Holds Back Workers and Wages](#)
- [You can help caregivers spot illegal nursing home debt collection tactics](#)

APPENDIX B: FTC DEBT COLLECTION INFORMATION, 2022

Consumer Information	Views (English)	Views (Spanish)	Print Orders (English)	Print Orders (Spanish)
Coping with Debt*	30,009	3,772		
Debt Collection FAQs	237,400	154,827	50,675	12,000
Debt Collectors (Fotonovela)				8,900
Debts and Deceased Relatives	114,750	73,576		
Fake and Abusive Debt Collectors	3,391	7,970		
Getting Out of Debt*	11,398	850	70,325	14,725
How to Get Out of Debt	9,816	2,939		
Identity Theft Letter to a Debt Collector	8,244	124		
Managing Debt (online)	128	1,728		
Managing Debt (print)			46,800	6,600
Settling Credit Card Debt	68,349	29,720		
What To Do if a Debt Collector Sues You	59,111	272		
Video				
Dealing with Debt Collectors	1,494	1,259		
Debt Collection: Know Your Rights	15,523	12,829		
Fraud Affects Every Community: Debt Collection	1,875			
Business Information				
The Fair Debt Collection Practices Act	13,342			
Debt Collection (Video)	349	2,154		

* In April 2022, the contents of these articles were added to “How to Get Out of Debt” and are no longer available separately

The views of a page indicates how many times a page was viewed on an FTC website. A person who views an article page may also download, re-post, or copy and share content from a page, which increases the number of people who see the article but doesn’t increase the number of views.