



The Midas Collaborative

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Testimony of Ginger Haggerty, Asset Development Program and Policy Coordinator, The Midas Collaborative
To the Joint Committee on Financial Services
In Support of *An Act Relative to Fairness in Debt Collections*, [S120/H2811]
September 25, 2017

I am here in support of Senate bill 120, *An Act relative to fairness in debt collection*, filed by Sen. Jamie Eldridge and House bill H2811, *An Act relative to fairness in debt collections*, filed by Rep. Paul Brodeur.

The Midas Collaborative is a statewide nonprofit network of community-based organizations committed to the building of assets by low and moderate income families across the state. This includes providing incentives and support for thousands of families to build personal savings and financial skills, and to invest in first homes, small businesses, and post-secondary educations as a way to stabilize their finances and their communities. Our member organizations work in cities such as Boston, Springfield, Lowell, Pittsfield, and Worcester providing workshops, savings products such as matched savings accounts, financial education training, and individual counseling on topics such as credit counseling, home buyer training, college financing, and foreclosure prevention.

In our Matched Savings Program alone, we have assisted more than 1500 residents to save and invest in over \$42 million worth of assets such as homes, educations, small businesses, and rainy-day fundsⁱ. Our work has proven that low-income people will, and can, save and invest in assets that make long-term changes in their economic stability and future growth. But for families to be able to save and invest in their futures, they need access to living wage employment that covers their basic needs.

Our financial coaches and other direct service providers that we work with from all over the state see the everyday struggles of individuals and families who are trying to increase their assets and find stability, but are hindered by debt, and very often debt in collections. The issue of debt collections touches all corners of the state, with roughly 25% of residents with a credit report having current or past debt in collections for an average of \$4600ⁱⁱ. We are committed to supporting efforts to increase financial stability for all Massachusetts residents, and while our programs are able to provide guidance or support through the debt collections process – consumers need increased protections against abusive debt collection practices so they are not driven deeper into poverty. Some of these abusive practices include the use of *capias* warrants to intimidate defendants, snowballing fees, and burdensome wage garnishment.

The issue of debt collections weighs heavily on the minds of consumers across the country. In 2016, it was the top reported issue area to the Consumer Financial Protection Bureauⁱⁱⁱ. And according to a Federal Trade Commission report for 2016, it was the top consumer complaint category for Massachusetts at 25%^{iv}. The debt collection industry has increased dramatically in size over the past decade. Within this industry, the third-party debt buying market has rapidly increased as well, often paying pennies on the dollar for consumer debt, then subsequently pursuing that debt in tax-payer funded small claims courts across the country. Consumers are at a disadvantage and lack knowledge, representation, and a fair process as regulations have been slow to keep up with this burgeoning marketplace.

Even with efforts to reform debt collections in the mid 2000's, we continue to see increasingly high numbers of consumer debt cases being taken to small claims court by professional debt collectors. With the low threshold of just \$30, debt collectors can utilize the courts to pursue consumers who (as research has shown) rarely have representation or knowledge of the process. Couple that with the shame, and possible fear induced by a capias warrant, and the disadvantage in court is clear as debt collectors continue to prevail again and again. To put it into context, a recent study of four Massachusetts district courts in Cambridge, Pittsfield, Plymouth and Quincy found that out of the 4624 cases, less than 1% of defendants were represented by an attorney. Alternatively, the plaintiffs (or debt collectors) were represented by an attorney in 94.9% of those same cases. In the same study, 28.7% of cases had capias issues warranted. In three out of four courts, it was over 30%^v.

The Fairness in Debt Collections Act legislation would go further in protecting consumers from burdensome wage garnishment, snowballing interest and attorney fees, and imprisonment for personal debt. This legislation is an opportunity for Massachusetts to promote consumer protections and acknowledge the growing need of support by thousands of Massachusetts residents.

I encourage your Committee to report these bills out favorably and would be happy to provide any additional information you may need in regards to this issue.

Thank you for your consideration.

ⁱ To learn more go too: www.midascollab.org

ⁱⁱ Caroline Ratcliffe, et al. Urban Institute, Delinquent Debt in America, at 9 (July 30, 2014).

ⁱⁱⁱ Consumer Response Annual Report (March 2017)

https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201703_cfpb_Consumer-Response-Annual-Report-2016.PDF

^{iv} Consumer Sentinel Network Report ; Federal Trade Commission; March 2017

https://www.ftc.gov/system/files/documents/reports/consumer-sentinel-network-data-book-january-december-2016/csn_cy-2016_data_book.pdf

^v 9 Data collected by Erika Rickard, Associate Director of Field Research at Harvard Law School's Access to Justice Lab in September 2017 using the Massachusetts Trial Court Electronic Case Access at <http://www.masscourts.org/>. Cases were categorized broadly as "consumer debt" by (1) plaintiff name, including: debt buyers, banks, utilities, fuel, medical debt, and student debt and (2) defendant name, indicating that defendant is an individual and not a business or other entity. Court divisions below were randomly selected from the District Court location, and are not necessarily representative of the state as a whole.