

House Chair James Murphy
Senate Chair Brendan Crighton
Joint Committee on Financial Services
24 Beacon St. Rooms 413-B & 254
Boston, MA 02133
Nov. 5, 2021

Dear Chairs Murphy and Crighton,

The 50 groups below respectfully urge you to swiftly and favorably report out *An Act Relative to Fairness in Debt Collection*, or the “Debt Collection Fairness Act (DCFA)” ([S663/H1168](#)) filed by Senator Jamie Eldridge and Reps. Tram Nguyen and Christine Barber, which had a hearing before your committee on October 26th.

As of December 2020, 19% of adult Bay Staters, or nearly 1 million people, had a debt in collections. In Massachusetts’ communities of color, the percentage is 35% and goes as high as 46% in Hampden county.¹ These numbers represent real families struggling to keep food on the table and roofs over their children’s heads. Current Massachusetts law does not make it easy for those nearly 1 million people to do that with 12% interest on judgments (*the highest rate in the nation*) and only \$675 in wages protected before debt collectors can start taking 15% of a worker’s wages. No working family can afford a 15% pay cut and so a garnishment means that another bill like food, car insurance, or rent isn’t being paid—very often pushing families into crisis. With the economic fallout from the pandemic still settling, we predict that there will be a tsunami of debts going into collection and that those with the least who have been impacted the most by the pandemic will once again be asked to pay by debt buyers and collectors.

The pandemic has been good for profit if you are in the business of collecting old debt. Even during the height of the pandemic, debt buyers, who purchase debts that creditors have already written off for pennies on the dollar, were garnishing wages and making record profits. Massachusetts courts had an estimated 9,556 debt collection actions filed from 3/2/20 - 6/29/20.² In August 2020, California-based Encore Capital, the largest debt buyer in the nation, “announced that it had doubled its previous record for earnings in a quarter.”³ These record profits were largely due to the influx of consumer relief in the form of stimulus checks, enhanced unemployment benefits, and halted evictions, foreclosures and student loan payments.⁴ Instead of going directly to shoring up low income families and communities of

¹ The Urban Institute, Debt in America, Last updated March 31, 2021; credit data from December 2020. https://apps.urban.org/features/debt-interactive-map/?type=overall&variable=pct_debt_collections&state=25

² Court data courtesy of MA Attorney general’s office 7/16/20.

³ Paul Kiel and Jeff Ernsthausen, Debt Collectors Have Made a Fortune This Year. Now They’re Coming for More., Pro Publica, Oct. 5, 2020. <https://www.propublica.org/article/debt-collectors-have-made-a-fortune-this-year-now-theyre-coming-for-more>

⁴ Id.

color, as intended, this pandemic relief often resulted in payments to debt buyers, and now, these families will be under renewed debt pressure as relief programs end.

Passing the DCFA now will make sure there are seawalls in place for low income families and communities of color before the tsunami of debt collection comes for them. The DCFA balances the interests of debt collectors and consumers by, among other things:

1. **Protecting More Wages from Garnishment:** Current MA law protects 50 times the minimum wage per week or 85 percent of the debtor's gross wages--whichever is greater.

The DCFA would protect 70 times the minimum wage per week, and only allow the garnishment of 10% of wages over that amount.

2. **Reducing the Interest Rate on Debts a Court Has Determined a Consumer Owes:** The interest rate on judgments in Massachusetts is the highest in the country at 12%--an anachronistic rate that belongs in the 1980s.

The DCFA would reduce that rate to 6%, putting it in line with most other states.

3. **Reducing the Window of Time to Collect on Debts a Court Has Determined a Consumer Owes:** Under current law, a collector can collect on a court judgment for 20 years--an astonishingly long time to have a debt hanging over someone's head.

The DCFA would reduce that window to a more reasonable 10 years.

4. **Making Clear that no one in the Commonwealth Shall be Imprisoned for Failure to Pay a Consumer Debt:** Current law provides for the issuance of "warrants for arrest and other processes to secure the attendance of debtors or creditors to answer for any contempt." This statute can be abused by creditors who use these civil arrest warrants and the threat of arrest to frighten consumers into making payments.

The DCFA would reform the use of civil arrest warrants and make clear that no one in the Commonwealth shall be imprisoned for failure to pay a consumer debt.

None of these reforms removes any tools from the debt collector's kit. They just make sure that ordinary working folks have enough left over to survive while they pay back their debts, and that the debt has an end date and doesn't continue on forever and even grow because of high interest rates and long statutes of limitations.

The Debt Collection Fairness Act has been reported out favorably by the Joint Committee on Financial Services each session since 2017, and has passed the full Senate. The current text of the DCFA as filed is the language reported out last session by the Joint Committee, and is the result of significant

compromise by advocates. We are incredibly grateful to Chair Murphy for his leadership in bringing advocates and debt collectors together to draft a bill that can work for everyone. We respectfully ask for a quick and favorable report out from committee.

Sincerely,

ACLU of Massachusetts
Action for Equity
Acton-Boxborough United Way
Asian Community Development Corporation
Boston Builds Credit
Boston Tenant Coalition
Boston Ujima Project
Center for Social Justice, WNE School of Law
Chelsea Collaborative
Children's HealthWatch
Citizens for Citizens, Inc.
City Life/Vida Urbana
Codman Square Neighborhood Development Corporation
Economic Mobility Pathways (EMPath)
ESAC Boston
Greater Boston Legal Services, on behalf of its low-income clients
HRI
Jewish Alliance for Law and Social Action
Jewish Community Relations Council
Jewish Vocational Service
Justice Center of SE MA, subsidiary of South Coastal Counties legal Services
Lawrence CommunityWorks
Legal services Center of Harvard Law School
Local Initiatives Support Corporation (LISC) Boston
Main South CDC
Massachusetts AFL-CIO
Massachusetts Association for Community Action (MASSCAP)
Massachusetts Association of Community Development Corporations
Massachusetts Communities Action Network
Massachusetts Law Reform Institute
Massachusetts Senior Action Council
Metro Housing| Boston
National Consumer Law Center (on behalf of its low income clients)
Neighborhood of Affordable Housing, Inc.
Northern Berkshire United Way
Ora's Place, Inc.

RCAP Solutions, Inc.
South Boston NDC
Springfield Neighborhood Housing Services
Strong Women In Action SWIA
The Boston Tax Help Coalition
The Journey Community Church, Worcester
The Midas Collaborative
The Neighborhood Developers
Union of Minority Neighborhoods Citizens Congress on Poverty's Unemployment Project
United Way of Massachusetts Bay and Merrimack Valley
United Way of the Franklin and Hampshire Region
Urban Edge
Worcester Area Mission Society, United Church of Christ (WAMS)
Worcester Community Action Council