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Groups Welcome New Guidelines for Banks Selling Old Consumer Debt to Debt Collectors

Civil rights, consumer, and community groups lauded the Office of the Comptroller of the Currency (OCC) for issuing strong guidance this week regarding banks' selling of charged-off consumer debts to debt buyers. The groups urged the agency to also take the next step and issue strong regulations to ensure that national banks do not continue to facilitate unfair, deceptive, and abusive debt collection practices.

"This guidance is one of the first actions taken by a federal regulator to address the way banks sell off their old debt," said Lisa Stifler of the Center for Responsible Lending. "The agency sent a strong message to banks that they must no longer sell debts without proper due diligence, risk management, and attention to the fair treatment of consumers."

Banks have come under increasing public and regulatory scrutiny for the central role they play in perpetuating unfair, deceptive, and abusive debt collection practices, which pervade the collections industry. The banks' most harmful practices include selling debts without adequate documentation, setting the stage for rampant abuse by collectors.

"For years, debt collectors have gotten away with flooding the courts with frivolous debt collection lawsuits and fraudulently obtaining judgments, when they have no proof that the debts are actually owed," said Susan Shin of New Economy Project. "The OCC's guidance should help stop this wrongful transfer of wealth from low-income people and communities to debt buyers."

The new guidance directs banks to provide debt buyers basic information and documentation about the debts sold, at the time of sale. The guidance also instructs banks to ensure the accuracy of information they provide to debt collectors; refrain from selling certain debts, such as those in bankruptcy; and notify consumers when their debts are sold.

"The OCC guidance will help bring banks and debt collectors into compliance with federal and state consumer protection, as well as other laws," said Rob Randhava of The Leadership Conference on Civil

and Human Rights. “But the OCC should also require banks to establish strong document retention policies, to ensure that debt collectors don’t file lawsuits without having requisite proof.”

National banks are among the biggest sellers of charged-off consumer debts. The country’s 19 largest banks have sold \$37 billion in consumer debt to debt buyers, on average, each year for the past few years.

Advocates also urged the Federal Reserve Board, the FDIC, and the Consumer Financial Protection Bureau to use their authority to crack down on and prohibit abusive practices in the sale and collection of debts.

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