Jane Walstedt: And now I’d like to ask Lucia Bruce, the Women’s Bureau Regional Administrator in Philadelphia, to introduce our second speaker. Lucia.

Lucia Bruce: Thanks, Jane. Good afternoon everyone. Julie G. Bush is a staff attorney in the Division of Financial Services of the Federal Trade Commission in Washington, DC. Ms. Bush works on numerous law enforcement and policy matters to protect consumers in the financial services arena, including consumer debt, debt collection, fair lending, and deceptive mortgage advertising.

Before joining the Federal Trade Commission, she was an Equal Justice Works Fellow in consumer and housing law with Three Rivers Legal Services, Inc. in Gainesville, Florida. She received her bachelor’s degree from Princeton University and her law degree from Stanford Law School. Let’s welcome Ms. Bush.

Julie G. Bush: Thank you very much. It’s a pleasure to be here today. I’m going to try and talk about three things in my time—first a little general… introduction to the debt collection landscape. Then I’m going to talk about the law on fair debt collection, in particular the Fair Debt Collection Practices Act. And then finally I’ll touch on how to correct errors in your credit report.

With that, I just wanted to introduce the concept of debt, which is money you owe. Examples include credit cards, car loans, and mortgage loans. The creditor is the person that you borrow the money from. An original creditor who’s trying to collect money that you owe them is not considered a debt
collector under the Fair Debt Collection Practices Act, but they still may contact you to collect money that you owe them.

There are three kinds of debt collectors, who are people who regularly collect debts that are owed to other people. One is called the **contingency debt collector**. This is the traditional kind. What they do is if…let’s say you owe money to your bank. The bank would contract with a debt collector. The debt collector would try to get you to pay up, and if you pay up, the debt collector would keep a percentage of the money that comes in.

The second kind--and this is a new kind, relatively speaking--is called a **debt buyer**. This is someone who buys the right to collect the money that you owe. And they pay less for it than the amount you owe. So if you owe $100, they might buy the right to collect it for $10. And then anything they get on top of that $10 would be money that the debt buyer gets to keep.

The third kind is a **debt collection attorney or law firm**. Attorneys…there are a number of attorneys who regularly collect debts that are owed to other people. And they can also sue you to collect the money that they allege you owe.

In the debt collection industry there are a number of types of debt that are especially common. These include credit card debts; telecommunications, such as wireless phone bills; utilities, such as your electric bill; healthcare debt, particularly hospital debts, as Jane talked about in the introduction; and also governmental debts, such as student loans and taxes.

And just…it’s important to understand how much the amount of household debt has increased over the last number of years. As one example, in 1985 people tended to spend 60% of their annual disposable income…excuse me, the amount of household debt that people had was worth about 60% of their
annual disposable income. And by 2007 the amount of debt people have is typically 125% of their annual disposable income, so the amount of debt has certainly increased.

Congress was concerned about fairness in the debt collection industry and passed a Federal law in 1977 called the Fair Debt Collection Practices Act. There are also…in a number of states there are companion laws that may provide additional or different rights. The Federal rights, though, apply to everyone in the country.

This law covers personal, family or household debts. It covers debt collectors, which are people who are collecting money that you owe to someone else. It encompasses the idea that debt collectors may contact you by telephone, mail, telegram or fax. They can contact you only…not at inconvenient times, so they have to contact you, for example, between 8am and 9pm. They can’t contact you at work if you tell them that your employer doesn’t allow it.

And they can’t talk to third parties like your friends and neighbors, except under very limited circumstances, to try to locate you if they can’t find you. And they can’t tell the third parties that they’re contacting you in connection with a debt.

The law itself provides in great detail a number of rights and prohibitions. It says that debt collectors may not harass you, they may not use false statements, they may not use false threats, they can’t commit unfair practices, and they can’t use a false name or pretend to be someone other than who they are.

Some examples of harassment include threatening violence, using obscene or profane language, or repeatedly calling with the purpose of annoying you.
Some examples of false and misleading representations include falsely implying that they are attorneys or government representatives when they are not; falsely implying you have committed a crime; pretending that they work for a credit bureau when they do not; misrepresenting the amount that you owe; misrepresenting whether the papers they’re sending you are legal forms or not; and communicating credit information about you that they know to be false, including the failure to tell people that a debt is disputed.

Some false threats would be threatening that you would be arrested if you don’t pay your debt. Threatening to seize, garnish, attach or sell your property or wages is forbidden, unless they really intend to do it and they have the legal right to do so. It’s also forbidden to threaten actions such as a lawsuit if they can’t legally sue you or if they don’t intend to sue you.

And finally, some examples of unfair practices would be collecting an amount that’s greater than the amount you owe, depositing a post-dated check prematurely, using deception to make you pay for collect calls or telegrams, or contacting you by postcard. So these are just some of the examples, and the FTC puts out a brochure on this that’s called *Fair Debt Collection*, which is available on our Web site, which is [www.ftc.gov/credit](http://www.ftc.gov/credit).

You have certain rights under the Fair Debt Collection Practices Act. One is if you don’t want to communicate with the debt collector, you can tell them you want to cease communications. You have to do this by letter, and we recommend that you use certified mail and return receipt requested and keep a copy of the letter.

The only thing you have to watch out for is if the debt collector can’t contact you, they may turn it over to another debt collector, they may give up, or they may decide now’s the time to sue you in court. So you should be aware of the risk that you take. But you have the absolute right to cease communications.
They also have to give you a written notice within five days of starting to collect it, telling you the amount you owe, the name of the person you owe it to, and what actions you have a right to take. If you request that they verify or validate the debt, they must do so within 30 days. Again, if you’re making this request, we suggest you do so by letter with certified mail, return receipt requested, and attach any documentation.

For example, in Jane’s case, the documentation that she had was the warranty for the hearing aid, and that would be the kind of information you’d want to send as proof that you don’t think you really owe this debt. And finally, you have the right under the law to sue the debt collector for a violation within one year after the debt collector violated the law.

Now I’m just going to talk a little bit about your credit report. Debts are commonly reported there, and it’s important, as Steve said, to know what it says and to keep it correct and as positive as is legal. So you are entitled to free yearly credit reports under the law for a variety of reasons, but each person can get up to one each year from each major credit agency.

The way you get it is you go by Web to www.AnnualCreditReport.com. That’s the only site that’s the official free site. It’s AnnualCreditReport.com. Or you can make a phone call to 1-877-322-8228, or you can mail in a form, which is available at www.ftc.gov/credit in our brochures on your access to free credit reports.

When you get your credit report, you should check for errors and incomplete information. And if you find some, you’re going to want to contact the credit report provider, and you’re going to want to contact the person who gave the info to the credit reporting agency.
To dispute errors, you can write to the credit report agency. Again, we recommend that you keep a copy of your letter, you send it certified mail, return receipt requested, and include relevant data. And in one of our brochures at [www.FTC.gov/credit](http://www.FTC.gov/credit) there’s a sample of the kind of letter you can write. They have a duty to investigate usually within 30 days and send information to the one who told them about your debt, and that person conducts a reinvestigation.

If they find that it was inaccurate, and you don’t really owe the amount that your credit report was saying you owe, they have a duty to report it to all three major credit reporting agencies so that they can correct your reports.

When you get the results, if it says you still owe the debt, you can ask for a statement of your dispute to appear with the item on all of your credit reports so people who read them will know that you don’t agree that you owe what it says you owe. And you can also write to the furnisher of any information and tell them about your dispute.

Finally, just a couple of facts. Negative info typically lasts seven years on your credit report; bankruptcies last for 10 years. You can receive free credit reports in some other circumstances. I’m not going into the details of that right now. When you ask for a free [credit] report you have to give some personal information, including your name, address, social security number, date of birth, and your previous address if you just recently moved.

And the Fair Credit Reporting Act also provides a number of special rights and protections for victims of identity theft. I’d be happy to talk to you more about any or all of these issues. And if you want to ask me a question you can do so at [jbush@ftc.gov](mailto:jbush@ftc.gov). Thank you.
Jane Walstedt: Thank you very much, Julie. And before I turn to our next speaker, isn’t there a statute of limitations - state statutes of limitations on debt?

Julie G. Bush: Yes, that’s correct. Different states have different statutes of limitations. What a statute of limitation means is it’s the length of time during which someone can sue you if they want to collect money that they think you owe them. And in fact in most places it’s illegal to threaten…excuse me, it’s not permitted to sue someone on a debt that is past the statute of limitations. And it’s illegal to threaten therefore to sue them on such an old debt.

But we do have issues with very old debts being transferred and retransferred, and it’s important to be aware of what your rights are in your state about how old is too old to be sued for.

Jane Walstedt: I think there are some Web sites that say state by state what the provision is because when I was surfing the Web yesterday I saw them, but I didn’t write them down. Do you...

Julie G. Bush: Right. I would suggest going to the National Association of Attorneys General, which is NAAG - and I don’t know if it’s org or what [It is www.naag.org.] But I would surf for the National Association of Attorneys General, which does a good job of compiling state-by-state information about things like that.


Jane Walstedt: Thank you very much, Julie.