

Debt Collection Next on CFPB's Agenda

By Yuka Hayashi

The Consumer Financial Protection Bureau has signaled it is moving ahead with new rules, including one targeting debt collectors, further confounding expectations that the bureau would put its work on hold after the Republicans' victory in November.

Earlier this month, the CFPB surprised industry experts by rolling out a rule that prevents financial companies from requiring consumers to use arbitration to settle disagreements. (GOP lawmakers [began working to repeal the rule days after its launch](#), and on Tuesday the [House voted to overturn it](#), though doing so faces a tougher road in the Senate.)

Showing that the arbitration move wasn't an aberration, the CFPB said in its semiannual rulemaking agenda published last week that it plans to issue a proposed rule on debt collection "later in 2017," giving a specific timeline. The rule's rough outline was released in July 2016.

A final rule on payday lending might also be announced soon, analysts say.

Debt collection generates more complaints to the federal government than any other industry, according to the CFPB. And consumers currently have very little say in the debt-collection process, making rulemaking in the area a priority, the agency says.

Joann Needleman, a lawyer at Clark Hill PLC, said the rule is "badly needed" as it will clarify how a 40-year-old law aimed at the sector applies to debt-collection practices of today. "The rule will address how you communicate with consumers, how often you communicate with them and what kind of information you need to provide to consumers to make them understand about the debt you are collecting," said Ms. Needleman, who was previously president of the National Creditors Bar Association board.

The CFPB plans to address debt collection with two separate regulations. The coming proposal relates to practices of third-party debt collectors, who collect debt on behalf of banks and other creditors. The bureau plans to issue another, more complex, rule later to address debt collection by creditors themselves.

Isaac Boltansky, an analyst for Compass Point Research & Trading, said splitting the rule into two parts was a “shrewd strategic shift” because third-party debt collectors were “clamoring for” an update to their industry’s regulatory framework.

The prospects for the third-party rule improved after the CFPB dropped a requirement for debt collectors to verify the accuracy of customer data for debts that they purchase from others. The change, unveiled by CFPB Director Richard Cordray last month, was a win for third-party collectors.

Still, analysts say the CFPB will proceed cautiously with other rulemaking in the light of continued criticism of its work from Republicans in Congress and the Trump administration. The bureau already delayed the implementation of its new rule on prepaid cards after the regulation **narrowly escaped a fatal attack from Congress.**