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## Texas Amends Debt Collection Law to Add New Requirements for Debt Buyers

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On June 14, 2019, Texas Governor Greg Abbott signed [HB 996](#), which amends Chapter 392 of the Texas Finance Code dealing with debt collection. The amendments are effective September 1, 2019.

The bill defines a “debt buyer” as “a person who purchases or otherwise acquires a consumer debt from a creditor or other subsequent owner of the consumer debt, regardless of whether the person collects the consumer debt, hires a third party to collect the consumer debt, or hires an attorney to pursue collection litigation in connection with the consumer debt.” Excluded from this definition is “a person who acquires in-default or charged-off debt that is incidental to the purchase of a portfolio that predominantly consists of consumer debt that has not been charged off.” “Charged-off debt” is defined as “a consumer debt that a creditor has determined to be a loss or expense to the creditor instead of an asset.” Thus, it appears that the “debt buyer” definition is intended only to cover purchasers of portfolios of charged-off debt rather than purchasers of portfolios consisting primarily of current debts.

The bill prohibits a debt buyer from commencing an action against or initiating arbitration with a consumer for the purpose of collecting a consumer debt after the statute of limitations has expired. It provides that if a collection action is barred by this prohibition, the cause of action is not revived by a payment or oral or written affirmation of the consumer debt.

If a debt buyer is attempting to collect a debt for which a collection action is barred, the debt buyer or a debt collector acting on the debt buyer’s behalf must provide a specified notice in the initial written communication with the consumer. The content of the notice varies depending on whether the FCRA time period for reporting the debt at issue has expired and whether the debt buyer furnishes information about the debt to a consumer reporting agency.

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