

THE  
NATIONAL LAW REVIEW

---

## Consumer Financial Protection Bureau Unveils Outline of Proposed Rules on Debt Collection

---

Tuesday, August 2, 2016

The Consumer Financial Protection Bureau (CFPB) recently held a meeting to unveil its outline of proposed rules that will overhaul the debt market. The outline was presented by Richard Cordray, the head of the CFPB, and applied to both first and third-party debt collectors. The proposals generally will fall into three categories: (1) requirements to substantiate debt, (2) requirements regarding notice to consumers and (3) requirements regarding consumer disputes. When the final rules are announced, they will represent the first major regulatory change to the debt collection industry since the Fair Debt Collection Practices Act was enacted in 1977.

The first set of proposals outlined would require debt collectors to substantiate a debt by confirming that they have sufficient information, such as the full first name, last known address, last known telephone number, account number, date of default, amount owed at default and the date and amount of any payment on that account, before attempting to collect on that debt. The new rules would apply to each successive debt collector. This means that, even if the debt is sold, the buyer would have to review the seller's file (as well as any previous seller's file) for information substantiating the debt before attempting to collect. The rules would establish an even higher standard of substantiation before filing debt collection lawsuits against alleged debtors.

The second category of rules outlined by the CFPB deals with notices required to be sent to consumers to inform them of their rights under federal law. Under the current laws, initial notices are provided to consumers when the debt collection process is initiated. However, because the CFPB believes that those notices are too often overly legalistic and difficult to understand, the new rules would require debt collectors to send notices to consumers in "plain English" before initiating the debt collection process. The CFPB has not yet revealed the exact language that would be required in those notices, however, consumer advocates have specifically mentioned language about statutes of limitations as the most important piece of information to be provided to consumers.

The last category of rules outlined deals with disputes. Under the new proposal, if a consumer tells the debt collector that he or she disagrees with the validity of the debt, the burden would be placed on the collector to review and verify its documentation before attempting to collect again. The rules would also impose requirements for debt collectors to include a "tear-off" sheet on the bottom of notices sent to consumers that the consumer could mail back to the collector to initiate a dispute of that debt.

The outline of the new rules will now be presented to a group of small business leaders in order to determine the likely impact of the outlined new rules on small businesses. After the CFPB receives small business input, it will release its proposed rule, followed by a public comment period. Final rules will likely be announced sometime next year.

© 2019 Drinker Biddle & Reath LLP. All Rights Reserved

**Source URL:** <https://www.natlawreview.com/article/consumer-financial-protection-bureau-unveils-outline-proposed-rules-debt-collection>



Article By [Nolan B. Tully](#)  
[Stephen A. Serfass](#)  
[Drinker Biddle & Reath LLP Publications](#)

[Financial Institutions & Banking](#)  
[Consumer Protection](#)  
[All Federal](#)