



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Office of the Secretary

February 8, 2018

The Honorable Mick Mulvaney
Acting Director
Consumer Financial Protection Bureau
1801 L Street, NW
Washington, DC 20036

Dear Acting Director Mulvaney:

Thank you for your letter of December 20, 2017. As the letter mentions, the Consumer Financial Protection Bureau (CFPB) is responsible for providing annual reports to Congress concerning the federal government's efforts to implement the Fair Debt Collection Practices Act (FDCPA).¹ This letter and its appendix describe the efforts the Federal Trade Commission (Commission or FTC) has taken during the past year in the debt collection arena. In the FTC's debt collection work, the CFPB has been a valuable partner. We hope that the information in this letter will assist the CFPB in preparing this year's report.

In 2017, the Commission continued its vigorous law enforcement activities against unfair, deceptive, and otherwise unlawful debt collection practices. Among other things, the FTC:

- filed or resolved 10 cases against 42 defendants, and obtained more than \$64 million in judgments;² and
- banned 13 companies and individuals who engaged in serious and repeated violations of law from ever working in debt collection again.³

¹ The Dodd-Frank Act directed the CFPB to report to Congress on the federal government's implementation and administration of the FDCPA. Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), Pub. L. 11-203, § 1089, 124 Stat. 1376, 2092-93 (2010) (amending the Fair Debt Collection Practices Act, 15 U.S.C. §§ 1692-1692p). Before the enactment of the Dodd-Frank Act, Section 815(a) of the FDCPA, 15 U.S.C. § 1692m, required the FTC to report directly to Congress on these topics. The Commission submitted such annual reports from 1977 to 2011.

² These figures include cases filed and resolved in 2017, as well as cases filed in previous years but resolved in 2017.

³ In 2015, the FTC began publishing a list of every individual and company that the agency has sued that has been banned from the debt collection industry. This list, located at <https://www.ftc.gov/enforcement/cases-proceedings/banned-debt-collectors>, is a valuable resource to help law-abiding collection industry professionals avoid doing business with these defendants, as well as to help state debt collection licensing officials and law enforcers better protect consumers. Currently, the list includes 152 banned individuals and companies.

The FTC’s debt collection program is a three-pronged effort: (1) law enforcement;⁴ (2) education and public outreach; and (3) research and policy initiatives. Over the past year, the FTC has employed all three prongs to curb unlawful debt collection practices and protect consumers.

I. LAW ENFORCEMENT ACTIVITIES

The Commission is primarily a law enforcement agency, and law enforcement investigations and litigation are at the heart of the FTC’s recent debt collection work. Both the FDCPA and the FTC Act⁵ authorize the Commission to investigate and take law enforcement action against debt collectors that violate those statutes.⁶ The Commission may file a federal court action seeking injunctive and equitable monetary relief under Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), or refer the matter to the Department of Justice for civil penalties and injunctive relief under Section 5(m) of the FTC Act, 15 U.S.C. § 45(m). Where a collector’s violations are so egregious that a court order is necessary to halt the conduct immediately, or where consumer redress and disgorgement are more appropriate forms of monetary relief than civil penalties, the FTC generally files the action itself under Section 13(b) of the FTC Act. In other circumstances, the FTC may refer the case to the Department of Justice.⁷

From January 1 through December 31, 2017, the FTC brought or resolved ten debt collection cases. In several of its Section 13(b) cases, the Commission obtained preliminary relief that included *ex parte* temporary restraining orders with asset freezes, immediate access to business premises, and appointment of receivers to take over the debt collection businesses.

A. Phantom Debt Collection Actions

The Commission has stepped up its aggressive efforts to fight “phantom debt collection” this year. Phantom debt collectors engage in unfair, deceptive, or otherwise unlawful conduct by attempting to collect on debts that either do not exist or are not owed to the phantom debt collector. In 2017, the Commission initiated or resolved six actions involving phantom debt collection: (1) *SQ Capital LLC*, (2) *Stark Law LLC*, (3) *ACDI Group*, (4) *Alliance Law Group*, (5) *Lombardo, Daniels*, and (6) *Advanced Mediation Group*. *SQ Capital* and *Stark Law* are the first two cases brought by the FTC against operations for allegedly selling fake debt portfolios.

⁴ This past year’s work built upon and expanded the FTC’s ongoing crackdown on unlawful debt collection practices. Since January 1, 2010, the FTC has sued more than 290 companies and individuals who engaged in unlawful collection practices, banning 152 from the industry, and securing more than \$480 million in judgments.

⁵ FDCPA, 15 U.S.C. § 1692-1692p; FTC Act, 15 U.S.C. §§ 41-58.

⁶ The FDCPA authorizes the Commission to investigate and take law enforcement action against debt collectors that engage in unfair, deceptive, abusive, or other practices that violate the statute. FDCPA § 814, 15 U.S.C. § 1692i. Under the FTC Act, the FTC may investigate and take law enforcement action against entities that, in connection with collecting on debts, engage in unfair or deceptive acts and practices. FTC Act § 5, 15 U.S.C. § 45.

⁷ In addition to filing and referring law enforcement actions, the FTC files amicus briefs and undertakes other law enforcement-related activities. For example, in 2016, the Ninth and Seventh Circuits adopted favorable interpretations of the FDCPA in two cases in which the FTC and CFPB had filed joint amicus briefs. *See Hernandez v. Williams, Zinman & Parham PC*, 829 F.3d 1068, 1070 (9th Cir. July 20, 2016) (holding that “initial communication” refers to the first communication by any debt collector, including subsequent collectors); *Franklin v. Parking Revenue Recovery Servs. Inc.*, 832 F.3d 741 (7th Cir. Aug. 10, 2016) (holding that unpaid parking fees and nonpayment penalties constitute “debts” within the meaning of the FDCPA).

This past year, the Commission also returned money to thousands of consumers who were targeted by the phantom debt scheme in *Centro Natural*.

In September, the Commission secured a court order in the *SQ Capital* matter, which involved fake payday loan debt portfolios.⁸ The complaint, filed in late 2016,⁹ alleged that the defendants distributed debt portfolios that listed Social Security numbers and bank account numbers of real consumers. The defendants, however, falsely claimed that the purported borrowers had failed to repay debts they never owed, or to repay loans that never existed.¹⁰ The defendants also allegedly lacked the authority to sell the debts of the lenders they named. In early 2017, at the FTC's request, a federal court entered a preliminary injunction halting this operation. This last fall, the court issued a default judgment against the defendants, requiring them to pay more than \$4.1 million that they received selling the fake debts. The order also bans them from handling sensitive debt information, including bank account numbers, credit or debit card numbers, or social security numbers.

Similarly, in October 2017, the FTC and Illinois Attorney General secured orders halting the alleged unlawful conduct in the *Stark Law* matter.¹¹ In 2016, the FTC partnered with Illinois

⁸ *FTC v. Joel Jerome Tucker*, 2:16-cv-082816 (D. Kan. Sept. 20, 2017) (Order); see also Press Release, FTC Obtains Court Order Against Scheme that Sold Fake Payday Loan Debt Portfolios (Oct. 17, 2017), available at <https://www.ftc.gov/news-events/press-releases/2017/10/ftc-obtains-court-order-against-scheme-sold-fake-payday-loan-debt>.

⁹ *FTC v. Joel Jerome Tucker*, 2:16-cv-082816 (D. Kan. Dec. 16, 2016) (Complaint); see also Press Release, FTC Charges Defendants with Selling Fake Payday Loan Debt Portfolios (Jan. 9, 2017), available at <https://www.ftc.gov/news-events/press-releases/2017/01/ftc-charges-defendants-selling-fake-payday-loan-debt-portfolios>.

¹⁰ To add credibility to some of the fake loans in their portfolios, the defendants used the name of a purported lender associated with another Commission law enforcement action, *FTC v. AMG Services*, 2:12-cv-00536 (D. Nev. Sept. 30, 2016) (Order). In 2016, a federal court ordered the defendants in the *AMG* payday lending scheme to pay a record \$1.3 billion for deceiving and illegally charging consumers undisclosed and inflated fees. *Id.*; see also Press Release, U.S. Court Finds in FTC's Favor and Imposes Record \$1.3 Billion Judgment Against Defendants Behind *AMG* Payday Lending Scheme (Oct. 4, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/10/us-court-finds-ftcs-favor-imposes-record-13-billion-judgment>.

¹¹ This case was part of the Commission's Operation Collection Protection, the first coordinated federal-state-local enforcement initiative targeting illegal debt collection. The nationwide crackdown included more than 165 actions by more than 70 federal, state, and local law enforcement and regulatory authorities against collectors who used illegal tactics such as harassing phone calls and false threats of litigation or arrest. See, e.g., Press Release, FTC and Federal, State and Local Law Enforcement Partners Announce Nationwide Crackdown Against Abusive Debt Collectors (Nov. 4, 2015), available at <https://www.ftc.gov/news-events/press-releases/2015/11/ftc-federal-state-local-law-enforcement-partners-announce>; Press Release, FTC and State Law Enforcement Partners Announce More Actions and Results in Continuing Crackdown Against Abusive Debt Collectors (Jan. 7, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/01/ftc-state-law-enforcement-partners-announce-more-actions-results>; Press Release, FTC and Illinois Attorney General Halt Chicago-Area Operation Charged with Collecting and Selling Phantom Payday Loan Debts (Mar. 30, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/03/ftc-illinois-attorney-general-halt-chicago-area-operation-charged>; Press Release, FTC Actions: Debt Collectors Banned from Debt Collection Business (Sept. 7, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/09/ftc-actions-debt-collectors-banned-debt-collection-business>; Blog Post, A Debt Collection Round-up (Dec. 27, 2016), available at <https://www.consumer.ftc.gov/blog/debt-collection-round>; Blog Post, Collection Protection Reflection (Dec. 30, 2016), available at https://www.ftc.gov/news-events/blogs/business-blog/2016/12/collection-protection-reflection?utm_source=govdelivery. Participants in the Commission's Operation Collection Protection initiative continue to work closely together to share information and coordinate actions.

to file this action against an operation for allegedly demanding immediate payments from consumers for supposedly delinquent loans, often armed with consumers' sensitive personal and financial information.¹² The defendants also allegedly threatened consumers with lawsuits or arrest; deceptively held themselves out as a law firm with authority to sue and obtain substantial judgments against consumers; and disclosed debts to consumers' relatives, friends, and co-workers. As in *SQ Capital*, the complaint also charged these defendants with unlawfully selling portfolios of fake debt to other debt collectors in violation of the FTC Act. The court entered an *ex parte* temporary restraining order (and later a preliminary injunction) with an asset freeze and the appointment of a receiver. The permanent orders most recently secured by the Commission ban the defendants from the debt collection business and from selling debt portfolios. Additionally, each order imposes a judgment of more than \$47 million, which will be partially suspended once the defendants surrender assets valued at more than \$9 million.¹³

In June 2017, the FTC also filed an action against the *ACDI Group* operation for allegedly collecting on phantom debts.¹⁴ The complaint alleges that the defendants obtained counterfeit payday loan debts from the *SQ Capital* operation (described above) through a debt broker. When the defendants reported receiving consumer complaints regarding these debts to the broker, the broker returned the defendants' money and told them to stop collecting on these phony debts. However, the defendants allegedly continued to collect from consumers for at least seven more months. Litigation continues in this matter.

Additionally, this past year, the Commission obtained a permanent order shutting down the phantom debt operation in *Alliance Law Group*, which the FTC alleged attempted to collect fake debts by posing as lawyers and falsely threatening to sue or have consumers arrested.¹⁵ The complaint, filed in July, alleges that the defendants called consumers without identifying themselves as debt collectors, claiming they would file lawsuits or criminal actions against consumers.¹⁶ To coerce some consumers into paying the phantom debts, the defendants allegedly threatened them with prison or claimed police would arrest them at their homes. The defendants also allegedly pretended to be unrelated, legitimate small businesses, which may have

¹² *FTC v. Stark Law, LLC*, No. 1:16-cv-3463 (N.D. Ill. Mar. 21, 2016) (Complaint); *see also* Press Release, FTC and Illinois Attorney General Halt Chicago-Area Operation Charged with Collecting and Selling Phantom Payday Loan Debts (Mar. 30, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/03/ftc-illinois-attorney-general-halt-chicago-area-operation-charged>.

¹³ *FTC v. Stark Law, LLC*, No. 1:16-cv-3463 (N.D. Ill. Oct. 27, 2017) (Orders); *see also* Press Release, FTC Settlements Ban Chicago-area Phantom Debt Collector from the Debt Collection Business and from Selling Debt Portfolios (Nov. 1, 2017), available at <https://www.ftc.gov/news-events/press-releases/2017/11/ftc-settlements-ban-chicago-area-phantom-debt-collector-debt>.

¹⁴ *FTC v. ACDI Group LLC*, No. 3:17-cv-00340 (W.D. N.C. June 22, 2017) (Complaint); *see also* Press Release, FTC Charges Debt Collection Scheme Took Consumers' Money for Phantom Debts They Did Not Owe (June 23, 2017), available at <https://www.ftc.gov/news-events/press-releases/2017/06/ftc-charges-debt-collection-scheme-took-consumers-money-phantom>.

¹⁵ *FTC v. Hardco Holding Group LLC (Alliance Law Group)*, No. 6:17-cv-1257 (M.D. Fla. Dec. 5, 2017) (Order); *see also* Press Release, FTC Obtains Court Order Banning Debt Collectors from Debt Collection Business (Dec. 6, 2017), available at <https://www.ftc.gov/news-events/press-releases/2017/12/ftc-obtains-court-order-banning-debt-collectors-debt-collection>.

¹⁶ *FTC v. Hardco Holding Group LLC (Alliance Law Group)*, No. 6:17-cv-1257 (M.D. Fla. July 10, 2017)(Complaint); *see also* Press Release, FTC Charges Debt Collection Scheme with Posing as Attorneys to Take Consumers' Money for Phantom Debts (July 17, 2017), available at <https://www.ftc.gov/news-events/press-releases/2017/07/ftc-charges-debt-collection-scheme-posing-attorneys-take>.

caused angry consumers to call the businesses to complain. The Commission initially secured a temporary restraining order halting this operation, along with an asset freeze and a receiver. In December, all but one of the defendants agreed to a final order banning them from the debt collection business, and imposing a judgment of \$702,059 – partially suspended upon the surrender of certain assets. Subsequently, the court entered a default judgment against the remaining individual defendant, resolving this litigation.

In August 2017, the FTC also shut down the phantom debt collection scheme in *Lombardo, Daniels*. The Commission alleged that the North Carolina-based scheme used intimidation and deception to collect more than \$2.1 million from consumers.¹⁷ The Commission’s action charges the defendants with falsely claiming that consumers were delinquent on payday loans or other debts they did not owe, and threatening them with arrest or other formal legal action. Their collectors also allegedly called consumers repeatedly and regularly used profanity; illegally disclosed purported debts to third parties; and failed to provide other disclosures and notices required by the FDCPA. At the Commission’s request, the court issued a temporary restraining order halting this operation, along with an asset freeze and a receiver. Litigation continues against the defendants in this matter.

Additionally, last fall, the Commission halted a Georgia-based operation, *Advanced Mediation Group*, which the agency charged with tricking people into paying for debts defendants did not have the authority to collect.¹⁸ The defendants allegedly claimed, falsely, that consumers had committed a crime and faced dire consequences – including lawsuits, garnishment, and even imprisonment – if a purported debt was not paid. Using these tactics, the operation collected more than \$3.4 million from consumers. The defendants also illegally contacted consumers’ friends, non-spouse relatives, and employers, and failed to provide statutorily-required written notices and disclaimers. The Commission secured a temporary restraining order, with an asset freeze and receiver, from the court in this case. Litigation continues in this matter.

In addition to the law enforcement actions above, this past year the Commission also returned funds to consumers who lost money to a phantom debt collection operation previously stopped by the FTC. This past September, the agency mailed 2,158 checks totaling \$279,134 to consumers in the *Centro Natural* matter — following the issuance of a previous, first round of checks in 2016.¹⁹ In addition to this monetary relief, the Commission had secured stipulated orders banning the defendants from debt collection or telemarketing, after alleging they targeted

¹⁷ *FTC v. Lombardo, Daniels & Moss*, No. 3:17-cv-00503 (W.D. N.C. Aug. 21, 2017) (Complaint); *see also* Press Release, FTC Charges Debt Collection Operation Took Consumers’ Money for Phantom Debts (Aug. 29, 2017) available at <https://www.ftc.gov/news-events/press-releases/2017/08/ftc-charges-debt-collection-operation-took-consumers-money>.

¹⁸ *FTC v. Global Processing Solutions*, 1:17-cv-4192 (N.D. Ga. Oct. 23, 2017) (Complaint), *see also* Press Release, FTC Charges Debt Collection Business Defrauded Consumers into Paying Debts They Did Not Owe (Nov. 8, 2017), available at <https://www.ftc.gov/news-events/press-releases/2017/11/ftc-charges-debt-collection-business-defrauded-consumers-paying>.

¹⁹ Press Release, FTC Returns Money to Victims of a Bogus Debt Collection Scheme (Sept. 2017), available at <https://www.ftc.gov/enforcement/cases-proceedings/refunds/centro-natural-refunds>.

thousands of Spanish-speaking consumers with unlawful tactics to collect on fake debts and to coerce consumers into purchasing goods they did not want.²⁰

B. Other Actions to Halt FDCPA & FTC Act Violations

In addition to the phantom debt cases described above, the FTC successfully resolved four other actions in 2017 to protect consumers from unlawful debt collection practices: (1) *GC Services*, (2) *American Municipal Services*; (3) *Unified Global Group*, and (4) *Commercial Recovery Systems*. The Commission also returned money to thousands of consumers harmed by the unlawful conduct in the *Rincon Debt Management* and *Goldman Schwartz* matters.

In February 2017, the Commission secured an order for \$700,000 in civil penalties and important conduct relief regarding the use of voicemail messages against *GC Services*, a large collector of federal student loan debts.²¹ The complaint alleged that the defendant's collectors left phone messages that illegally disclosed purported debts to third parties without consumers' permission. The complaint also alleged that the company falsely claimed it would stop calling specific phone numbers after being informed that it had the wrong number, and that it made improper repeated location communication calls to third parties. The order secured in this case prohibits this conduct. And it specifically prohibits the defendant from leaving voicemail messages stating the consumer's name and identifying itself as a collector, unless: the recorded message on the machine names only the debtor; the debtor previously confirmed that only the debtor could access the messages left at the number; or the debtor has consented to receiving messages at that number.

In March, the Commission obtained an order against an operation, *American Municipal Services*, that the FTC charged with using deceptive tactics to collect court fines, parking tickets, and other debts owed to more than 500 municipalities.²² The defendants allegedly used letterhead with titles like "Warrant Enforcement Division" and "Municipal Enforcement Division" that falsely suggested they were a government agency. According to the Commission's complaint, after sending consumers an initial warning letter, the defendants then sent a purported "FINAL NOTICE" falsely claiming that consumers were subject to imminent arrest for nonpayment, that their driver's licenses may be suspended for nonpayment, and that the debts would be reported to consumer reporting agencies. The Commission obtained a stipulated final order that prohibits the defendants from making the false claims they are the

²⁰ *FTC v. Centro Natural Corp.*, No. 14-cv-23879 CMA (S.D. Fla. June 30, 2015) (Order); *see also* Press Release, FTC Action Puts an End to Fraudulent Debt Collection Scheme that Targeted Spanish-Speaking Consumers (July 8, 2015), available at <https://www.ftc.gov/news-events/press-releases/2015/07/ftc-action-puts-end-fraudulent-debt-collection-scheme-targeted>.

²¹ *FTC v. GC Services Ltd.*, No. 17-cv-00461 (S.D. Tex. Mar. 2, 2017) (Complaint and Order, filed by the Department of Justice); *see also* Press Release, Student Loan Debt Collector Will Pay \$700,000 for Unlawful Collection Calls in Settlement with FTC (Feb. 14, 2017), available at <https://www.ftc.gov/news-events/press-releases/2017/02/student-loan-debt-collector-will-pay-700000-unlawful-collection>.

²² *See FTC v. American Municipal Servs.*, No. 17-cv-00168 (E.D. Tex. Mar. 21, 2017) (Complaint and Order); *see also* Press Release, FTC Settlement Halts Allegedly Abusive Practices by Company Collecting Debts for More Than 500 Municipalities (Mar. 24, 2017), available at <https://www.ftc.gov/news-events/press-releases/2017/03/ftc-settlement-halts-allegedly-abusive-practices-company>.

government and the false claims as to the consequences of nonpayment. The order also required the defendants to pay \$350,000.

Last summer, the FTC also resolved its litigation against the *Unified Global Group* operation by securing an order against the final defendant – banning him from debt collection and imposing a suspended \$9.39 million judgment.²³ In 2016, the Commission secured settlements with the other four defendants, banning them from the industry as well. The FTC’s complaint against *Unified Global Group*²⁴ alleged that the defendants sent texts to trick consumers into calling them back. The texts included false statements such as, “YOUR PAYMENT DECLINED WITH CARD ****_*-****_*-****_*-5463 . . . CALL 866.256.2117 IMMEDIATELY,” even though consumers had never arranged to make payments to the defendants. The defendants also allegedly used deceptive emails and calls that threatened arrest and civil lawsuits, and unlawfully contacted consumers’ friends, non-spousal family members, and co-workers about the supposed debts.²⁵

In *United States v. Commercial Recovery Systems*, a case that the FTC referred to the Department of Justice for prosecution, the court ordered the one remaining defendant to pay a \$2 million penalty to resolve this litigation.²⁶ In 2016, the court entered summary judgment against this defendant and one other – banning them from the debt collection business. The court found that these debt collectors had “repeatedly and routinely violated the FDCPA . . . in multiple ways, by making blatantly false representations for the purpose of intimidating consumers into paying debts.”²⁷ Among other things, the court found that their routine threats to sue consumers were “patently false,” and further that they falsely impersonated attorneys and threatened to seize or garnish consumers’ property or wages. The court banned these two defendants from debt

²³ *FTC v. Unified Global Group, LLC*, 15-cv-422-W (W.D.N.Y. Aug. 24, 2017) (order); see also Press Release, FTC Obtains Court Order: Debt Collector Banned from Debt Collection Business (Aug. 30, 2017), available at <https://www.ftc.gov/news-events/press-releases/2017/08/ftc-obtains-court-order-debt-collector-banned-debt-collection>. This case was part of a 2015 law enforcement sweep, called “Messaging for Money,” targeting operations that used deceptive, threatening or otherwise unlawful text messages or emails to harm consumers. See Press Release, FTC Halts Three Debt Collection Operations That Allegedly Threatened and Deceived Consumers via Illegal Text Messages (May 21, 2015), available at <https://www.ftc.gov/news-events/press-releases/2015/05/ftc-halts-three-debt-collection-operations-allegedly-threatened>.

²⁴ *FTC v. Unified Global Group, LLC*, 15-cv-422-W (W.D.N.Y. May 11, 2015) (Complaint); see also Press Release, FTC Halts Three Debt Collection Operations That Allegedly Threatened and Deceived Consumers via Illegal Text Messages (May 21, 2015), available at <https://www.ftc.gov/news-events/press-releases/2015/05/ftc-halts-three-debt-collection-operations-allegedly-threatened>.

²⁵ *FTC v. Unified Global Group, LLC*, 15-cv-422-W (W.D.N.Y. Aug. 26, 2016) (Order); see also Press Release, FTC Actions: Debt Collectors Banned from Debt Collection Business (Sept. 7, 2016) available at <https://www.ftc.gov/news-events/press-releases/2016/09/ftc-actions-debt-collectors-banned-debt-collection-business>.

²⁶ *United States v. Commercial Recovery Sys., Inc.*, No. 4:15-cv-36 (E.D. Tex. Mar. 21, 2017) (Memorandum Opinion and Order); see also Press Release, Debt Collector Ordered to Pay \$2 Million in Civil Penalties (Mar. 24, 2017), available at <https://www.ftc.gov/news-events/press-releases/2017/04/debt-collector-will-pay-2-million-settle-ftc-charges>.

²⁷ *United States v. Commercial Recovery Sys., Inc.*, No. 4:15-cv-36 (E.D. Tex. Apr. 7, 2016) (Memorandum Opinion and Order).

collection,²⁸ and a third defendant agreed to a final order also subjecting him to a debt collection ban.²⁹

The Commission has also returned money to thousands of additional consumers targeted by other debt collection operations alleged to have engaged in unlawful conduct. In March, the agency mailed 5,232 checks totaling more than \$2.7 million (an average of \$525 per consumer) to consumers who lost money to the *Rincon Debt Management* scheme.³⁰ The FTC had obtained a judgment of more than \$23 million against this operation (partially suspended after \$3.3 million in assets was handed over), along with a complete ban on debt collection activity.³¹ This relief resolved allegations that this operation targeted Spanish-speaking consumers and others with abusive practices to coerce repayment of alleged debts that they often did not owe. Additionally, in June, the FTC mailed 4,380 checks totaling more than \$550,000 to consumers who paid *Goldman Schwartz*, a debt collection operation that the Commission had sued for multiple law violations, including making false threats and collecting bogus attorney's fees and other charges.³² The defendants were also banned from the debt collection business under a settlement with the FTC.³³

II. EDUCATION AND PUBLIC OUTREACH

Education and public outreach are also important parts of the Commission's debt collection program. The FTC uses multiple formats and channels to inform consumers about their rights under the FDCPA, as well as what the statute requires of debt collectors, and to inform debt collectors about what they must do to comply with the law. The FTC also uses education and public outreach to enhance legal services providers' understanding of debt collection issues.

The Commission reaches tens of millions of consumers through English and Spanish print and online materials, blog posts, speeches and presentations. To maximize its outreach efforts, FTC staff works with an informal network of about 16,000 community-based organizations and national groups that order and distribute FTC information to their members, clients, and constituents. In 2017, the FTC distributed 13.8 million print publications to libraries,

²⁸ *United States v. Commercial Recovery Sys., Inc.*, No. 4:15-cv-36 (E.D. Tex. Apr. 18, 2016) (Order); see also Press Release, FTC Action: Debt Collector Banned from Collection Business (Sept. 22, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/09/ftc-action-debt-collector-banned-collection-business>.

²⁹ *United States v. Commercial Recovery Sys., Inc.*, No. 4:15-cv-36 (E.D. Tex. Sept. 21, 2016) (Order).

³⁰ Press Release, FTC Returns Money to Victims of Debt Collection Scheme (Mar. 30, 2017), available at <https://www.ftc.gov/news-events/press-releases/2017/03/ftc-returns-money-victims-debt-collection-scheme>.

³¹ *FTC v. Rincon Management Services, LLC*, No. 5:11-cv-01623-VAP-SP (C.D. Cal. Mar. 26, 2014) (Order), see also Press Release, FTC Obtains More Than \$3.3 Million for Consumers; Defendants Agree to Be Permanently Banned from the Debt Collection Business (April 3, 2014), available at <http://www.ftc.gov/news-events/press-releases/2014/04/ftc-obtains-more-33-million-consumers-defendants-agree-be>.

³² Press Release, FTC Returns Money to Victims of Abusive Debt Collection Operation (June 30, 2017), available at <https://www.ftc.gov/news-events/press-releases/2017/06/ftc-returns-money-victims-abusive-debt-collection-operation>.

³³ *FTC v. Goldman Schwartz, Inc.*, No. 4:13-cv-00106 (S.D. Tex. May 28, 2014) (Order), see also Press Release, FTC Puts Texas-based Operation Permanently Out of the Debt Collection Business After It Allegedly Used Deception, Insults, and False Threats against Consumers (May 19, 2014), available at <http://www.ftc.gov/news-events/press-releases/2014/05/ftc-puts-texas-based-operation-permanently-out-debt-collection>.

police departments, schools, non-profit organizations, banks, credit unions, other businesses, and government agencies. In 2017, the FTC logged more than 60 million views of its business and consumer education website pages. The FTC’s channel at YouTube.com/FTCvideos houses 212 business and consumer videos in English and Spanish, which were viewed more than 581,000 times in 2017. A new video — [Debt Collection: Know Your Rights](#) — summarizes consumer rights and encourages viewers to report problem calls to the FTC. The consumer blogs in [English](#)³⁴ and [Spanish](#)³⁵ reached 199,860 (English) and 50,480 (Spanish) email subscribers, and regularly serve as source material for local and national news stories.

As part of its work to raise awareness about scams targeting the Latino community, the FTC has developed a series of fotonovelas in Spanish. The graphic novels tell stories based on complaints Spanish speakers make to the FTC and offer practical tips to help detect and stop common scams. Consumers ordered more than 37,000 copies of the *Cobradores De Deuda* (Debt Collectors) fotonovela in 2017.

The Commission also educates industry members by developing and distributing business education materials, delivering speeches, blogging, participating in panel discussions at industry conferences, and providing interviews to general media and trade publications. The FTC’s business education resources can be found in its online [Business Center](#).³⁶ The Business Center logged more than 11 million page views in 2017, and there are more than 68,000 email subscribers to the [Business Blog](#).³⁷ A complete list of the FTC’s consumer and business education materials relating to debt collection, and information on the extent of their distribution is set forth in Appendix A to this letter.

FTC staff also regularly meets with legal service providers, consumer advocates, and people who work in immigrant, Native American, Latino, Asian, and African American communities to discuss consumer protection issues, including the FTC’s work in the debt collection arena. For example, the FTC hosted six Ethnic Media Roundtables around the country in 2017, bringing together law enforcement, community organizations, consumer advocates, and members of the ethnic media to discuss how consumer protection issues — including debt collection — affect their communities.

III. RESEARCH AND POLICY DEVELOPMENT ACTIVITIES

The third prong of the Commission’s debt collection program is research and policy initiatives. In the past year, the FTC has continued to monitor and evaluate the debt collection industry through public workshops, initiatives, and the FTC’s input to the CFPB on debt collection rulemaking and guidance initiatives.

³⁴ <http://www.consumer.ftc.gov/blog>.

³⁵ <http://www.consumidor.ftc.gov/blog>.

³⁶ <http://business.ftc.gov/>.

³⁷ <http://business.ftc.gov/blog>.

In July 2017, the FTC hosted the “Military Consumer Financial Workshop” in San Antonio, Texas, to examine financial issues and scams that can affect military consumers.³⁸ The workshop included a panel on debt collection that discussed, among other things, collector contacts (or threatened contacts) with commanding officers, the potential impact of debt on security clearances, and how increased financial literacy can assist this community. Additionally, in September, the FTC hosted a related Common Ground Conference – along with state and local partners – in Los Angeles, California, to help educate military consumers and train military attorneys, law enforcement, and consumer protection officials on fraud and other issues that affect servicemembers and their families, including debt collection.³⁹ CFPB staff participated as panelists at both of these events.

Additionally, this past year, as a natural outgrowth of the agency’s work on issues related to financial technologies (or “FinTech”),⁴⁰ the FTC began its Debt Collection Fintech (or “DebtTech”) Initiative. As part of this initiative, the FTC is engaging in outreach with industry and consumer groups, conducting research, and taking other steps to continue building expertise on the use of existing and emerging technologies in debt collection. The FTC or FTC staff also may share this expertise with other federal or state government officials, where appropriate, through public comments and other means. The agency will be exploring the costs and benefits to consumers and businesses of such technologies, including whether they can combat fraud and other harmful conduct, *e.g.*, phantom debt collection.

Finally, the FTC continues to work closely with the CFPB to coordinate efforts to protect consumers from unfair, deceptive, and abusive debt collection practices.⁴¹ As part of this coordination, FTC and CFPB staff regularly meet to discuss ongoing and upcoming law enforcement, rulemaking, and other activities; share debt collection complaints; cooperate on consumer education efforts in the debt collection arena; and consult on debt collection rulemaking and guidance initiatives.

³⁸ More information about this workshop, including an agenda and video of the event, is available at <https://www.ftc.gov/news-events/events-calendar/military-consumer-workshop>.

³⁹ Additional information about this event is available at <https://www.ftc.gov/news-events/events-calendar/2017/09/protecting-military-consumers-common-ground-conference>.

⁴⁰ The FTC is engaged in extensive research and dialogue with stakeholders relating to Fintech to assess how to protect consumers in connection with Fintech, while avoiding policies and enforcement that would chill or hinder Fintech or impose unnecessary or undue burdens on Fintech firms. For example, the FTC has held three forums on several Fintech topics, such as marketplace lending, crowdfunding, peer-to-peer payment systems, artificial intelligence, and blockchain. *See generally* <https://www.ftc.gov/news-events/media-resources/consumer-finance/financial-technology>.

⁴¹ The Dodd-Frank Act directs the FTC and the CFPB to coordinate their law enforcement activities and promote consistent regulatory treatment of consumer financial products and services, including debt collection. *See* Dodd-Frank Act, Pub. L. 111-203, 124 Stat. 1376 § 1024(c)(3) (July 21, 2010). In January 2012, the FTC and CFPB entered into a memorandum of understanding (“MOU”) that supplements the requirements of the Dodd-Frank Act and creates a strong and comprehensive framework for coordination and cooperation. Memorandum of Understanding Between the Consumer Financial Protection Bureau and the Federal Trade Commission, January 2012, available at <http://www.ftc.gov/sites/default/files/attachments/press-releases/federal-trade-commission-consumer-financial-protection-bureau-pledge-work-together-protect-consumers/120123ftc-cfpb-mou.pdf>. The agencies reauthorized the MOU in May 2015 for a three-year term. *See* <https://www.ftc.gov/news-events/press-releases/2015/03/ftc-cfpb-reauthorize-memorandum-understanding>.

IV. CONCLUSION

The Commission hopes that the information contained in this letter will assist the CFPB in preparing its annual report to Congress about its administration of the FDCPA. The FTC looks forward to continuing to cooperate and coordinate with the CFPB on consumer protection issues relating to debt collection. If any other information would be useful or if you wish to request additional assistance, please contact Malini Mithal, Acting Associate Director, Division of Financial Practices, at (202) 326-2972.

By direction of the Commission.

Donald S. Clark
Secretary

Appendix A

Debt Collection Information 2017

Title	Page Views ^{42]}		Print distribution	
	English	Spanish	English	Spanish
Consumer Information				
Coping with Debt	95,987	10,177	72,600	13,400
Debt Collection	328,317	47,001	101,700	
Debt Collection Arbitration	12,236	952	1,800	
Debt Collectors (fotonovela)				37,425
Debts and Deceased Relatives	71,117	27,466		
Fake Debt Collectors	83,421	2,273		
Garnishing Federal Benefits	32,277	1,642		
Settling Credit Card Debt	111,336	5,386		
Managing Debt: What to Do	10,635	5,442	67,900	8,100
Identity Theft Letter to a Debt Collector	1,994	41		
Time-Barred Debts	84,778	45,129		
Video				
Helping Victims of Identity Theft	420			
Fraud Affects Every Community: Debt Collection	7641			
Debt Collection: Know Your Rights	2455	313		

Title	Page Views		Print Distribution	
	English	Spanish	English	Spanish
Business Information				
The Fair Debt Collection Practices Act	12,566		14,770	
Video				
Debt Collection	605	125		

⁴² Page view numbers include pages viewed on FTC websites, but not pages viewed when non-FTC sites download and re-post FTC content.

Consumer Blog Posts

[Defendant pays the price for selling fake consumer debt portfolios](#)

[FTC schools student loan debt collectors](#)

[Lies, threats, debt collection: Tale of a few cities](#)

[Company kept collecting debts it knew were phony](#)

[Know your debt collection rights](#)

[Fake debt collectors impersonate real businesses](#)

[Phantom debt collectors impersonate law firms](#)

[FTC halts abusive debt collection operation](#)

Video

[Debt Collection: Know Your Rights](#) and [Cobranza de deuda: Conozca sus derechos](#)

Business Blog Posts

[Outfit that orchestrated phantom debt scheme struck a sour note](#)

[We can't go for that \(no can do\)](#)

[Debt-erring phantom debt collection](#)

[Debt collector for governments made false threats](#)

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