

Testimony of the Reverend Dr. Cassandra Gould D. Min.

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Before the U.S. House Committee on Financial Services

Examining Legislation to Protect Consumers and Small Business Owners from Abusive Debt
Collection Practices

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Good morning Chairwoman Waters, Ranking Member McHenry, and Members of the House Committee on Financial Services. Thank you for inviting me to testify today.

I am the Reverend Dr. Cassandra Gould, Pastor of Quinn Chapel A.M.E. Church in Jefferson City, Missouri. I also serve as the Executive Director of Missouri Faith Voices, a statewide and non-partisan organization comprised of multi-faith and multi-racial members committed to empowering and transforming the lives of ordinary citizens. We are a federation of the Faith in Action National Network. We serve and champion those who are oppressed by racial and economic injustice as we oppose unfair policies and practices.

As a member of the Faith & Credit Roundtable, we join with others who share our stated concerns as a key national coalition organized by the Center for Responsible Lending. Our coalition works tirelessly to eliminate predatory lending.

Last week our advocacy against abusive debt collection practices was expressed in a comment last week to the Consumer Financial Protection Bureau. In that comment, we urged the Bureau to issue a debt collection rule that would do two things: 1) protect consumers and 2) sanction abusive debt collectors. With the closing of public comment on this important regulation, the CFPB faces an important choice between the welfare and health of individuals and families and exploitative financial practices of debt collection abuse. The Faith & Credit Roundtable believes that it is immoral and should be illegal to craft regulation that clearly harms those with the fewest financial resources.

The CFPB's Proposed Debt Collection Rule Will Harm Already Struggling Families

Despite clear evidence that abusive debt collection is a real problem, the CFPB proposed rule will not lessen the harms my community faces. The Faith & Credit Roundtable urged major changes to the proposed rule to ensure families are not subjected to unnecessary debt collection abuse and harassment that denies them basic dignities.

In our comment letter to the Bureau, the Faith & Credit Roundtable urged the CFPB to:

- Limit debt collection calls to one conversation and three calls per individual, not per debt, per week;
- Require collectors to secure consumer consent before using any electronic communications;
- Ban collections on time-barred “zombie” debts, in or out of court, to free people from the burden that insurmountable debt creates;
- Require debt collection attorneys to review supporting documents for alleged debts before filing any lawsuit; and
- Provide consumers with limited-English language proficiency necessary information about the debt in languages they can understand.

Jeremiah 29:11 states that God's vision for families and individuals is to give them “a future of hope.”

There is no hope or future found in unlimited contact via text, email, and all forms of private social media messages, which practically would interrupt parents' engagement with kids at soccer games, parent-teacher meetings, grocery store excursions, or even conversations at the dinner table after long days of work and school. These practices violate the dignity of God's children. We pray that the CFPB will take its mission and commitment seriously as outlined in the Dodd-Frank Act and protect American families and individuals.

Abusive Debt Collection Disproportionately Harms Communities of Color

Like many pastors, I witness first-hand the predatory financial practices that take advantage of the poor just because they are poor. Proverbs 22:22 reminds us "not to exploit the poor because they are poor." Hardworking families want to meet their financial obligations but are often met with harassment and abuse from debt collectors.

The harassment and abuse hurt all families; but wreaks disproportionate harms on families of color where systemic discrimination in housing, employment, and financial services already persists. Debt collection, collection lawsuits and judgments, and wage garnishments are more common in communities of color. Forty-five percent of borrowers living in areas that are predominantly communities of color had debt in collections versus 27 percent of borrowers living in predominantly white areas.¹ In 2017 a CFPB survey found that 44 percent of borrowers of color reported having been contacted about a debt, compared to 29 percent of white respondents.²

Even when differences in income are considered, communities of color are still disproportionately impacted by debt collection litigation. One investigation revealed that in St. Louis, Chicago, and Newark, the rate of judgments for debt collection lawsuits was twice as high in mostly Black neighborhoods as in mostly white neighborhoods.³

Student loan debt is another distressing dilemma for communities of color. The nation's racial wealth gap means that in most cases, families of color have less income and family wealth to pay for college. Hence, they are more likely to need to borrow for higher education, and generally have less cushion to absorb future financial shocks.⁴ These factors contribute to a higher likelihood of delinquency and default on student loan debt that financially derails their personal lives and finances. As families are subjected to harsh collection practices, the hopes of a college

¹ Ratcliffe, C., et. Al. (2017). Debt in America: An Interactive Map. *Urban Institute*. Retrieved from <https://apps.urban.org/features/debt-interactive-map/>.

² Consumer Financial Protection Bureau (2017, January). *Consumer Experiences with Debt Collection: Findings from the CFPB's Survey of Consumer Views on Debt*. Consumer Financial Protection Bureau. Retrieved from https://files.consumerfinance.gov/f/documents/201701_cfpb_Debt-Collection-Survey-Report.pdf.

³ Kiel, P. & Waldman, A. (2015, October 8). The Color of Debt: How Collection Suits Squeeze Black Neighborhoods. *ProPublica*. Retrieved from <https://www.propublica.org/article/debt-collection-lawsuits-squeeze-black-neighborhoods>.

⁴ Center for Responsible Lending and the National Association for the Advancement of Colored People. (2019, July). *Quicksand: Borrowers of Color and the Student Debt Crisis*. Retrieved from <https://www.responsiblelending.org/research-publication/quicksand-borrowers-color-student-debt-crisis>.

education being a bridge to achieve wealth gains is jeopardized. With no possible financial relief in bankruptcy, and no statute of limitations, unlimited interest accrues and traps families in debt.

Medical debt is also having a damaging effect, particularly for families of color. Nearly one in three African Americans ages 18 to 64 have past-due medical bills.⁵ This has enormous consequences for both physical and financial health. For instance, one study has found “support for credit card debt and medical debt as particular potent predictors of forgone medical care.”⁶

Behind these statistics are people doing the best they can to take care of their families. Yet they are hounded by abusive collection practices. Abusive debt collection is harming entire communities. Failing to rein in the abuse will only widen an already staggering racial wealth gap.

My presence here today underscores our biblical mandate for financial justice that grounds both my ministry and community endeavors. Across this country, the rippling and impacts of abusive debt collection have created yet another burden for America’s working poor. Already these consumers struggle to find a balance between rising housing costs and other life necessities against stagnant wages. Effective regulation is not only fair, it provides protections for consumers and businesses that respect our laws.

I implore this Committee to initiate legislative reforms that will protect already struggling families from the damage of abusive debt collection practices – particularly if the CFPB is unwilling to do so.

Thank you for the opportunity to share my experiences with you. I look forward to your questions.

⁵ McKernan, S., et. al. (2017, March 26). Past-due Medical Debt a Problem, Especially for Black Americans. *Urban Institute*. Retrieved from <https://www.urban.org/urban-wire/past-due-medical-debt-problem-especially-black-americans>.

⁶ Kalousova, L. & Burgard, S.A. (2013). Debt and Forgone Medical Care. *Journal of Health and Social Behavior* 54(2), 204-220.