To amend the Fair Debt Collection Practices Act to restrict the debt collection practices of certain debt collectors.

IN THE HOUSE OF REPRESENTATIVES

Mr. Cleaver introduced the following bill; which was referred to the Committee on

A BILL

To amend the Fair Debt Collection Practices Act to restrict the debt collection practices of certain debt collectors.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Stop Debt Collection Abuse Act of 2021”.

SEC. 2. DEFINITIONS.

Section 803 of the Fair Debt Collection Practices Act (15 U.S.C. 1692a) is amended—
(1) in paragraph (4), by striking “facilitating collection of such debt for another” and inserting “collection of such debt”;

(2) by amending paragraph (5) to read as follows:

“(5) The term ‘debt’ means—

“(A) any obligation or alleged obligation of a consumer to pay money arising out of a transaction in which the money, property, insurance, or services which are the subject of the transaction are primarily for personal, family, or household purposes, whether or not such obligation has been reduced to judgment; or

“(B) any obligation or alleged obligation of a consumer—

“(i) to pay a loan, an overpayment, a fine, a penalty, a fee, or other money currently or originally owed to a Federal agency; and

“(ii) that is not less than 180 days past due.”; and

(3) in paragraph (6)—

(A) by striking the first sentence and inserting the following: “The term ‘debt collector’ means any person who uses any instrumentality
of interstate commerce or the mails in any business the principal purpose of which is the collection of any debts; who regularly collects or attempts to collect, directly or indirectly, by the person’s own means or by hiring another debt collector, debts owed or due or asserted to be owed or due another or that have been obtained by assignment or transfer from another; or who regularly collects debts currently or originally owed or allegedly owed to a Federal agency.”;

and

(B) in subparagraph (F), by inserting “or that has been obtained by assignment or transfer from another” after “owed or due another”.

SEC. 3. DEBT COLLECTION PRACTICES FOR DEBT COLLECTORS HIRED BY GOVERNMENT AGENCIES.

(a) IN GENERAL.—The Fair Debt Collection Practices Act (15 U.S.C. 1692 et seq.) is amended by inserting after section 812 (15 U.S.C. 1692j) the following:

“§ 812A. Debt collection practices for debt collectors hired by Federal agencies

“(a) Limitation on time to turn debt over to debt collector.—A Federal agency that is a creditor may sell or transfer a debt described in section 803(5)(B)

to a debt collector not earlier than 90 days after the date
on which the obligation or alleged obligation becomes delinquent or defaults.

“(b) REQUIRED NOTICE.—

“(1) IN GENERAL.—Before transferring or selling a debt described in section 803(5)(B) to a debt collector or contracting with a debt collector to collect such a debt, a Federal agency shall notify the consumer not fewer than 3 times that the Federal agency will take such action.

“(2) FREQUENCY OF NOTIFICATIONS.—The second and third notifications described in paragraph (1) shall be made not less than 30 days after the date on which the previous notification is made.”.

(b) CLERICAL AMENDMENT.—The table of contents for the Fair Debt Collection Practices Act is amended by inserting after the item relating to section 812 the following:

“812A. Debt collection practices for debt collectors hired by Federal agencies.”.

SEC. 4. UNFAIR PRACTICES.

Section 808 of the Fair Debt Collection Practices Act (15 U.S.C. 1692f) is amended by striking paragraph (1) and inserting the following:

“(1) The collection of any amount (including any interest, fee, charge, or expense incidental to the principal obligation) unless—
“(A) such amount is expressly authorized by the agreement creating the debt or permitted by law; and

“(B) in the case of any amount charged by a debt collector collecting a debt described in section 803(5)(B), such amount is—

“(i) reasonable in relation to the actual costs of the collection;

“(ii) authorized by a contract between the debt collector and the Federal agency; and

“(iii) not greater than 10 percent of the amount collected by the debt collector.”.

SEC. 5. GOVERNMENT ACCOUNTABILITY OFFICE STUDY AND REPORT.

(a) Study.—The Comptroller General of the United States shall commence a study on the use of debt collectors by State and local government agencies, including—

(1) the powers given to the debt collectors by Federal, State, and local government agencies;

(2) the contracting process that allows a Federal, State, or local government agency to award debt collection to a certain company, including the selection process;
(3) any fees charged to debtors in addition to principal and interest on the outstanding debt;

(4) how the fees described in paragraph (3) vary from State to State;

(5) consumer protection at the State level that offer recourse to those whom debts have been wrongfully attributed;

(6) the revenues received by debt collectors from Federal, State, and local government agencies;

(7) the amount of any revenue sharing agreements between debt collectors and Federal, State, and local government agencies;

(8) the difference in debt collection procedures across geographic regions, including the extent to which debt collectors pursue court judgments to collect debts; and

(9) any legal immunity or other protections given to the debt collectors hired by State and local government agencies, including whether the debt collectors are subject to the Fair Debt Collection Practices Act (15 U.S.C. 1692 et seq.).

(b) REPORT.—Not later than one year after the date of enactment of this Act, the Comptroller General of the United States shall submit to Congress a report on the completed study required under subsection (a).