



Highlights of [GAO-09-748](#), a report to congressional requesters

Why GAO Did This Study

Approximately 6.6 percent of credit cards were 30 or more days past due in the first quarter of 2009—the highest rate in 18 years. To recover delinquent debt, credit card issuers may use their own collection departments, outside collection agencies, collection law firms, or sell the debt.

GAO was asked to examine (1) the federal and state consumer protections and enforcement responsibilities related to credit card debt collection, (2) the processes and practices involved in collecting and selling delinquent credit card debt, and (3) any issues that may exist related to some of these processes and practices. To address these objectives, GAO analyzed documents and interviewed representatives from six large credit card issuers, six third-party debt collection agencies, six debt buyers, two law firms, federal and state agencies, and attorneys and organizations representing consumers and collectors.

What GAO Recommends

Congress should consider modifying FDCPA to (1) help ensure that collectors and buyers have adequate information about debt transferred and have adequate documentation to verify debts, (2) reflect technologies that were not prevalent when the act was written, and (3) provide FTC with rulemaking authority.

View [GAO-09-748](#) or [key components](#). For more information, contact Alicia Cackley at (202) 512-8678 or CackleyA@gao.gov.

CREDIT CARDS

Fair Debt Collection Practices Act Could Better Reflect the Evolving Debt Collection Marketplace and Use of Technology

What GAO Found

The primary federal law governing third-party debt collection is the Fair Debt Collection Practices Act (FDCPA), which contains provisions on how collectors can communicate with consumers and prohibits collectors from using abusive, deceptive, and unfair collection practices. Some states have fair debt collection laws that provide protections additional to those of FDCPA. The Federal Trade Commission (FTC) is the primary enforcement agency for the debt collection industry; it collects consumer complaints, enforces violations of relevant laws, and undertakes consumer education efforts. Federal depository regulators oversee credit card issuers' collection practices, and various state agencies enforce state fair debt collection laws.

Collecting and selling delinquent debt involves multiple parties. Credit card issuers typically collect on accounts less than 6 months delinquent using internal collection departments or “first-party” agencies that collect under the issuer’s name, and often hire third-party collection agencies or law firms to collect on older accounts. Contracts between issuers and collectors often specify the collection policies and practices used. Third-party collection agencies rely primarily on telephone calls and postal mail in their operations, but often use automated mail systems and other technologies to do so efficiently in large volume. Credit card accounts often are sold—and may be resold multiple times. Several factors influence the price of these accounts, including their age, location, and number of times previously placed for collection.

State and federal enforcement actions, anecdotal evidence, and the volume of consumer complaints to federal agencies—about such things as excessive telephone calls or the addition of unauthorized fees—suggest that problems exist with some processes and practices involved in the collection of credit card debt, although the prevalence of such problems is not known. One issue is that collection agencies and debt buyers often may not have adequate information about their accounts—sometimes leading the collector to try to collect from the wrong consumer or for the wrong amount—or may not have access to billing statements or other documentation needed to verify the debt. Further, with the advent of the debt-buying industry, accounts are frequently sold and resold, which can make verification more difficult as the owner of the debt becomes farther removed from the original creditor.

Communications technologies that are ubiquitous today, such as mobile telephones, e-mail, and voice mail, were not prevalent when FDCPA was enacted in 1977. Significant uncertainty exists about how to use these technologies in compliance with the statute—for example, a debt collector may violate FDCPA if someone other than the debtor overhears a voice mail message revealing the debt collection effort. Additionally, FDCPA does not provide FTC with rulemaking authority, which has limited the agency’s ability to address concerns related to the adequacy of account information, collectors’ use of modern technologies, and other issues that arise in an evolving marketplace.