

## **Advocacy Submits Comments on the CFPB's Supplemental Proposed Rule on Time-Barred Debt**

On July 31, 2020, the Office of Advocacy submitted comments on the Bureau of Consumer Financial Protection's (Bureau or CFPB) supplemental proposed rule on *Debt Collection (Regulation F)*.

- On March 3, 2020, the Bureau published supplemental proposed rule on *Debt Collection (Regulation F)* in the Federal Register.
- The Bureau proposes to amend Regulation F to require debt collectors to make certain disclosures when collecting time-barred debts. The Bureau proposes that when a debt collector knows or should know the debt being collected is time-barred, the debt collector must disclose: (1) that the law limits how long the consumer can be sued for a debt and that, because of the age of the debt, the debt collector will not sue the consumer to collect it; and (2) if the debt collector's right to bring a legal action against the consumer to collect the debt can be revived under applicable law, the fact that revival can occur and the circumstances in which it can occur. The Bureau proposes model language and forms that debt collectors could use to comply with the proposed disclosure requirements.
- The Bureau prepared an initial regulatory flexibility analysis (IRFA) for the supplemental proposed rule. The IRFA lacked quantitative information about the potential economic impact of the action. Since some states implemented similar disclosures, Advocacy encouraged the Bureau to contact the states to obtain information about the quantitative impact. Advocacy also encouraged the Bureau to estimate the potential legal fees, training costs and other implementation costs of the supplemental proposed rule.
- Advocacy also argued that it can be difficult to determine if a debt is time-barred because different factors may need to be considered. The IRFA indicates that collection agencies, debt buyers, loan servicers and collection law firms would have to comply with the requirements of the supplemental proposal. The Bureau estimates that it will impact 10,250 small entities. Of the 10,250 small entities that participate in debt collection, only 950 are small law firms. Advocacy encouraged the Bureau to maintain the status quo and not require debt collectors to make disclosures about time-barred debt.
- If the Bureau decides not to maintain the status quo, Advocacy encouraged the Bureau to take the necessary steps to make the provisions as less burdensome as possible. For example, the CFPB could create a safe harbor for small entities that make a good faith effort to comply with the provisions.
- Advocacy further encouraged the CFPB to perform additional outreach with small entities to develop less burdensome alternatives and to clarify any disclosures that the CFPB may decide to adopt.

For more information, visit Advocacy's webpage at <https://advocacy.sba.gov> or contact Jennifer Smith at 202-205-6943.

