

## ***The Impact of Regulations on Consumer Debt Collections***

Maintaining a system of rules for debt collection is essential for lenders to have confidence that contracts will be enforced and for borrowers to know that the terms of those contracts will be fair and transparent.

As the Consumer Financial Protection Bureau (CFPB) considers new regulations on debt collection, it must take into account the intended and unintended consequences of any regulations before they are adopted.

A [study](#) conducted by Professor Todd Zywicki of the Mercatus Center at George Mason University indicates that careful evaluation of the current regulatory environment and effective legal rules are necessary to ensure that the debt collection and debt buying industries continue to fulfill their critical role in the U.S. economy.

In terms of regulation, Professor Zywicki's paper highlights two important facts:

*Consumer debt collection is already subject to extensive regulation:* Since the 1970s, consumer debt collection has been subject to extensive regulation at both the federal and state levels. Before adding new regulations, the CFPB should take into account this regulatory history. The majority of the most questionable debt collection practices have previously been outlawed or restricted; existing practices, by contrast, raise much more challenging issues as to whether further restrictions would create marginal benefits that exceed the marginal costs.

*Regulation should not disproportionately burden small debt-collection firms and stifle competition in the debt-collection industry:* Compliance with Dodd-Frank and other regulations enacted since the financial crisis is disproportionately costly for smaller firms in the financial services industry, including the debt collection and debt buying industries. Smaller firms, however, have traditionally played a much-needed role in the debt-collection industry by providing knowledge of local economic conditions and promoting competition that can benefit consumers. Regulators should take care not to disproportionately burden small businesses with unnecessary regulatory compliance costs or otherwise promote unnecessary consolidation of the debt collection industry.

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