



Advocates seek more limits on debt collectors



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Attorney General Maura Healey's office is debating whether to further regulate the industry.

By **Deirdre Fernandes** | GLOBE STAFF SEPTEMBER 28, 2016

Following a series of debt collection lawsuits and settlements, including one announced this week by Attorney General Maura Healey, consumer advocates are calling for tighter state regulations over the industry.

On Wednesday, Healey's office announced that a Florida mortgage company agreed to pay the state \$1.4 million to settle allegations it violated Massachusetts

Ditech Financial LLC tried to collect on more than 5,000 delinquent Massachusetts mortgage accounts since 2012 using tactics that violated state law, including calling borrowers as many as 12 times a day, Healey said.

Last year, Healey also sued a Waltham law firm over unfair and deceptive practices to collect debts from hundreds of thousands of Massachusetts consumers. That case against Lustig, Glaser & Wilson PC, is still ongoing.

“It is big-volume business right now,” said Margaret Miley, an adviser for the Midas Collaborative, an Allston-based network of community groups. “There needs to be more done to regulate this growing industry.”

Healey’s office and officials with the Division of Banks are debating whether to further regulate the industry and held their first hearing on the issue earlier this month.

Healey’s settlement with Ditech will probably fuel that discussion.

Healey described Ditech’s practices as “abusive” and said the company’s calls to borrowers exceeded the two calls a week allowed by state law. Homeowners also went into foreclosure without receiving the appropriate and timely information about their debt, Healey alleged.

“Debt collection is a serious issue for people; it has ramification[s] on their lives,” Healey said. “As more and more people [are] facing debt, due to failed mortgages, student debt, credit-card debt, it’s important that our regulations are followed.”

Ditech, which used to be known as Green Tree Servicing LLC, was not immediately available for comment. Green Tree had its own share of regulatory problems. In April 2015, Green Tree paid \$63 million in fines and restitution after the federal Consumer Financial Protection Agency and the Federal Trade Commission said the

company failed to honor prior loan modifications, demanded payments before notifying borrowers of their options, and made false threats and repeated calls to borrowers who had fallen behind.

State legislators and federal regulators are also considering changes that would rein in some of the practices of the debt collection industry.

Proposed state rules that would prohibit debt collectors from seeking civil arrest warrants, cap the collections of debt more than three years old, and place further limits on the garnishment of wages will probably come up in next year's legislative session, industry and consumer groups say. The federal Consumer Financial Protection Bureau also weighed in this summer with the first changes in 40 years to the debt collection process with proposals that would require companies to limit phone calls to debtors, disclose the details of the debt, and make it easier for consumers to dispute the money owed.

Trade groups for the debt collection industry say they are open to regulations that make their responsibilities to consumers clearer and also address technology, such as whether calling borrowers on their cellphones is permissible. But debt collection companies are also concerned that as state and federal officials consider changes to regulations, the industry will have to adapt to a whole slew of new rules, some of which may overlap.

“As with any industry, there are bad actors,” said David Reid, the government affairs director for DBA International, a California-based trade group for debt buyers. “We’re all interested in preventing bad actors from operating, for the benefit of the consumer.”

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