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Title: Debt collectors fight info rule for consumers

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Debt collectors want to remove a state rule that requires them to tell consumers about their legal rights on first contact, saying it promotes litigation and hinders their work.

Consumer advocates and the attorney general's office counter that most debtors don't know their legal rights. They oppose House Bill 1219, which would eliminate the notification requirement.

The bill made its way out of the House Appropriations Committee last week.

The bill does not change the federal protections consumers have, but brings Colorado into line with the practice in 48 other states, said Mike Shoop, owner of the Professional Finance Co. in Greeley.

Shoop said he is not opposed to consumer notification, but prefers it come after collectors have verified that someone truly owes a debt and have made them aware of their options.

When consumers block contact with a debt collector outright, it often forces collectors into the courts to seek a judgment, he said.

"This does a disservice to the consumer. It puts them into litigation when it may not be necessary," said R.J. Hicks, a lobbyist for the collections industry.

Hicks said the majority of cases clogging county courts relate to unpaid obligations.

Colorado's law makes it tougher for creditors to collect and harms consumers, the industry argues.

"Bad debt costs all of us because creditors have to make up for bad debt by charging higher prices," Shoop said.

Gary Merenstein, a Boulder attorney who advises debtors on collection matters, sees it differently.

"You have a right to know you have rights," said Merenstein.

Constant hounding and harassment from bill collectors may increase the amount collected, but it also pushes many people unnecessarily into bankruptcy, he said.

Paul Sparaco testified before the House Business Affairs and Labor Committee against the bill.

"They are trying to get around with having to comply with the law. They do not want an educated debtor," he said

Sparaco, a former debt collector from Kentucky, found himself on the other side of the fence when disputed charges on a credit card he shared with a former girlfriend landed him in collections.

Although Sparaco knew his legal rights under federal law, he said he wasn't aware of the special protections available in Colorado.

Debtors, under federal law, can ask collectors to limit where and how they contact them or, if they request, to stop all contact.

Colorado law goes further and requires collectors to let debtors know their legal rights the first time they write or call them.

The actions of collectors carry a huge social and psychological cost that shows up in lost esteem, high levels of stress and broken marriages, Merenstein said.

Laura Udis, first assistant attorney general for consumer credit, said consumers also need to know they can

turn to the Collection Agency Board, which is set up to handle complaints regarding collections.

"Currently, we get about 600 written complaints each year and about 50 phone calls a day from consumers wanting to know about their rights," she said.

Udis has proposed a compromise that would reduce the notification statement to one sentence instead of the convoluted legalese Hicks said collectors are now required to use.

The notification would also tell debtors where they can turn for more details.

So far, Udis said she hasn't found the industry receptive to her efforts. But Shoop said collectors have not had much time to consider her proposal, adding that he would be willing to accept a compromise.

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