



CONSUMERS
UNITED
ASSOCIATION

**Testimony SB 17-216
Fair Debt Protection Act**

Good afternoon, Mr. Chair and committee members, my name is Danny McCarthy and I am here on behalf of Consumers United Association, or CUA, in support of renewing the Fair Debt Protection Act. CUA is a consumer membership association with a mission to improve the financial lives of consumers through education and advocacy. The association has over 20,000 consumer members.

CUA supports the Fair Debt Protection Act not only because of the impact on consumers who continue to be plagued by debt that is causing them extreme financial distress, but also because of the little talked about impact on employers.

Tom Garman, who did research with Virginia Tech's National Institute for Personal Finance Employee Education, says that one out of every four workers report that they are suffering serious financial distress. That distress costs money in the form of lost productivity for employers. As an example, Mr. Garman has noted that The U.S. Department of Defense wastes about \$1 billion annually on employee money problems.

Garman says that garnishments alone cost an employer \$50 per garnish in labor, mailing and other costs. Limiting the number of debts that actually become garnishments will save businesses money.

Additionally, employees who have financial problems also do not retire on time and older employees cost employers more than younger employees. A 2010 Federal Reserve study showed that employee financial stress costs employers an average of \$5,000 per employee per year in lost productivity.

Sometimes, the debts are not really owed. These are debts that were previously disputed and sometime already paid off by the debtor but the debt buyer did not get that information. Other times they are debts that have passed the time barred limitations. A 2013 Federal Trade Commission study found that consumers disputed about one million debts, claiming to not owe them. Of this total, only 51% were verified by the collection agencies. That leaves 500,000 unverified debts.

Protecting consumers helps to reduce the amount of time and money employers spend on financial problems in the workplace.

There are other costs as well. Financial stress causes health and emotional problems and bogs down court systems.

Providing consumer protections under the Fair Debt Protection Act is therefore not only a consumer issue. It is an employer issue, a court issue, a health issue and a community issue. The more we can do to ensure that debt collectors or debt buyers are working from current, documented information, the less the debts will end up as garnishments or cause employees to take time off from work to deal with them. In the end, more people will be able to save money and retire on time and the less money businesses will lose in dealing with employee financial problems.

Consumers United Association appreciates your consideration and asks that you please vote yes on SB17-216. Thank you.