

# Increased CFPB Scrutiny on Rental Debt Collection

Prepared by Advanced Collection Bureau

*As your trusted partner, ACB keeps you informed on all things debt collection to ensure your business stays compliant and successful.*

## What's New?

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The **Consumer Financial Protection Bureau (CFPB)** recently released their 2024 Annual Report, and there are some key updates you should know about rental debt collection that will affect how you handle tenant debt.

Below is a breakdown of what's happening, how it impacts you, and tips to help you stay ahead.

## Who is the CFPB and Why Does it Matter?

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The Consumer Financial Protection Bureau (CFPB) is an official U.S. government agency established to protect consumers in financial markets. It ensures that consumers are treated fairly by banks, lenders, and other financial institutions. The CFPB was created in 2010 under the Dodd-Frank Act to consolidate and strengthen consumer financial protections that were previously spread across various government agencies.

### The CFPB's role includes:

- **Enforcing federal consumer financial laws** by rooting out unfair, deceptive, or abusive practices in the financial industry.
- **Supervising companies** and ensuring they comply with laws designed to protect consumers.
- **Providing tools and resources** that help consumers make informed decisions about their financial lives.

The Bureau has enforced rules leading to **\$20.7 billion** in financial relief for consumers, addressed over **4 million complaints**, and is focused on eliminating exploitative practices.

# Key Takeaways at a Glance

	What's Changed	What to Do About It
<b>Increased Scrutiny</b>	CFPB is paying close attention to the accuracy and validity of rental debt collection practices.	Ensure all charges are <b>valid</b> and clearly documented.
<b>Debt Verification</b>	Collectors must verify any disputed debts before continuing to pursue it. If there is no verification on a disputed debt, we cannot collect on it.	Double-check your records & send us as much information as possible on the debt.
<b>Junk Fees</b>	Extra fees, like “convenience” or “admin” charges, are under scrutiny. Only legally permitted fees.	Audit your fee structure—no hidden surprises for tenants!
<b>Credit Reporting</b>	Only report debt that's fully validated. Inaccurate reporting could cost you in fines.	Avoid reporting errors by having clear tenant communication.

## A Closer Look: What the CFPB Says

### Increased Scrutiny on Rental Debt Collection

The CFPB is cracking down on **rental debt inaccuracies**. Many tenants are reporting incorrect charges—everything from routine maintenance fees to inflated repair costs that they aren't responsible for under their leases.

*TIP: Before sending a debt to collection, **double-check** your lease agreements to make sure everything is valid.*

### Debt Verification: A Must

Did you know? Debt collectors can't pursue unpaid rent unless it's **fully verified**. The CFPB found that **tenants are often billed for debts they don't owe**. ACB reports to credit bureaus for 7 years, and anytime in that 7 years a debt may be disputed.

- Always make sure the amount you're collecting is 100% correct.
- Provide tenants with **detailed, written explanations** of their charges before escalating to collections.

***Fun Fact:** According to the CFPB, the number one complaint from tenants is being charged for fees they shouldn't owe!*

## Watch Out for Junk Fees!

**What are “junk fees?”** These are extra charges (like administrative costs or convenience fees) that aren’t clearly outlined in the original lease. Many tenants are getting billed for these post-move-out charges, and the CFPB is not happy about it.

### What You Can Do:

- Make sure any extra fees are outlined in the lease and **legally permitted**.
- Communicate with your tenants about these charges upfront to avoid surprises.

## What Does This Mean for You?

Here’s how these changes affect your **partnership with ACB**:

### Our Commitment

- We’ll make sure tenants receive clear, detailed notices of their debt.
- We’re staying on top of **compliance** with federal regulations, so you don’t have to worry about a thing!

# Next Steps for Property Managers

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To stay compliant and avoid any headaches down the road, we recommend the following steps:

## Review Your Lease Agreements

- Ensure all **fees and charges** are clearly outlined.
- Double-check if any junk fees are included and remove them if they’re not allowed.

## Audit Your Current Collection Process

- Are you verifying debt before sending it to collections?
- Are you sending as much information on the debt as possible?
- Are you storing information on the debt that can be accessed later if a dispute comes up?
- Are tenants provided with detailed explanations of their charges?

## Communicate with Tenants

- Provide tenants with **clear, written communication** about any charges before escalating.
- Avoid any disputes by being transparent from the start.

***Fun Fact:** Did you know that many tenant disputes can be avoided with a simple **itemized bill**? The CFPB found that tenants who receive clear, written statements of what they owe are less likely to file complaints.*

**Disclaimer:** This communication is intended for informational purposes only and should not be construed as legal advice. We encourage you to consult with your legal counsel to ensure full compliance with CFPB updates and any other applicable laws and regulations.