



Neighborhood Economic Development Advocacy Project

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Comments of the Neighborhood Economic Development Advocacy Project on Proposed Amendments to Rules Regarding the Licensing of Process Servers

December 10, 2010

Thank you for the opportunity to testify today about the New York City Department of Consumer Affairs' proposal to amend the rules governing process servers.

Founded in 1995, NEDAP is a nonprofit resource and advocacy center that promotes economic justice and works to eliminate discriminatory economic practices that harm communities and perpetuate inequality and poverty. Our Consumer Law Project works primarily with low-income New Yorkers who have experienced problems with debt collection, credit reports, and unfair lending practices. Since launching our NYC Financial Justice Hotline in September 2005, we have helped thousands of consumers, most of whom are seeking assistance with debt collection matters, and in particular debt buyer lawsuits. In our experience, people sued by debt buyers rarely receive service of process as required by law. In 2008, 70% of hotline callers who were defending themselves in debt buyer lawsuits reported improper service. Only 12.7% reported that they had been properly served. "Sewer service" – the practice of failing to serve court papers and filing false affidavits of service with the courts – is commonplace.

The high rate of sewer service in debt buyer cases is especially harmful because New Yorkers often have many legitimate defenses to the alleged debts. But without proper service, individuals are denied their opportunity to be heard. They do not receive notice that they are being sued and therefore do not appear in court, and as a result default judgments are entered against them. These default judgments cause tremendous harm to low-income New Yorkers in the form of wage garnishments, frozen bank accounts, and high bounced check and overdraft fees. New Yorkers also suffer ruined credit when these default judgments appear on their credit reports. A blemished credit record can prevent someone from securing housing and employment, as well as affordable mortgages, car loans, and insurance, and can trigger adverse actions by existing creditors, such as lowering a credit line or raising an interest rate on a credit card.

Over the last two years, the Department of Consumer Affairs and the New York City Council have each held hearings regarding improper service. Those hearings produced overwhelming evidence that the process server industry in New York City is rife with fraudulent practices. The industry must be cleaned up.

NEDAP strongly supports the proposed rules because they directly address the fraudulent practices that are so prevalent in the process serving industry and that have already harmed hundreds of thousands of New Yorkers.

NEDAP also agrees with and endorses the proposed revisions suggested by the New York City Bar Association and MFY Legal Services in their testimonies today.

Again, thank you for the opportunity to testify at today's hearing. Please feel free to contact us if we can be of any assistance.