



## Neighborhood Economic Development Advocacy Project

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### PRESS STATEMENT

The Neighborhood Economic Development Advocacy Project (NEDAP) presented testimony at a NYC Council hearing today on abusive debt collection practices that have systematically harmed tens of thousands of low income New Yorkers, and called on the Council to require licensing for all purchasers of consumer debt that engage in debt collection in NYC.

“Larger debt buyers file tens of thousands of cases against New York City residents every year. It’s a way to collect debts cheaply,” said Claudia Wilner, Senior Staff Attorney at NEDAP. “But debt buyers rarely effect proper service of these lawsuits, and the majority of defendants never get any notice that they have been sued.”

“Without notice, defendants do not come to court to defend themselves, and 90% of consumer credit filings therefore result in automatic judgments for the creditor. These default judgments harm low income New Yorkers, damaging their credit reports, making it difficult for them to find housing and employment and rendering it impossible for them to build the savings necessary to withstand economic shocks,” said Wilner. “Debt collectors use lawsuits to turn seemingly uncollectible debts into powerful judgments that they can use to freeze people’s bank accounts or garnish their wages.”

NEDAP’s testimony cited client case examples, along with NEDAP’s analysis of calls to its Financial Justice Hotline from 477 low income New Yorkers sued in New York’s Civil Court. NEDAP charged unlicensed debt buyers with engaging in a pattern and practice of frivolous lawsuits to collect on debts that have already been paid, discharged in bankruptcy, or for which the debt buyer cannot prove the debt is in fact owed.

“Almost half of the unlicensed debt buyer cases in NEDAP’s records were brought by LR Credit and its affiliate companies, 40% of which appear on their face to be meritless cases,” said Thu Tuyen To, Program Associate at NEDAP. “Four out of five (79%) of our clients sued by LR Credit reported that they were not properly served with a summons and complaint, and 60% reported that they never received any notice of the case at all.”

According to NEDAP, required licensing would give NYC’s Department of Consumer Affairs clear authority to investigate patterns and practices of lawsuit abuse and power to take action to protect NYC residents from abusive, frivolous lawsuits brought by unlicensed debt buyers. DCA could use its subpoena power to conduct investigations and deny licenses to entities that engage in abusive tactics.

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NEDAP is a nonprofit resource and advocacy center that promotes community economic justice in NYC. NEDAP provides legal and technical support to community groups and individuals in NYC’s low income neighborhoods and communities of color.