GRAND CANYON INSTITUTE

Predatory Debt Collection Protection Act

Policy Paper

September 6, 2022

Introduction

Across Arizona, 30% of people with a credit file have debt in collections. This tracks closely with the national average of 29%. How these consumers experience the collections process can vary widely, due to minimal protections afforded by federal and state Unfair and Deceptive Acts and Practices (UDAP) laws. The absence of greater protections puts consumers at risk of predatory collection practices that can be financially devastating due to low thresholds for income and property protected against being seized by debt holders.

Medical debt stands out in the discussion of consumer debt. It is estimated to be the largest source of bankruptcies in the United States and exceeds $140 billion.[1] Medical debt generally arises out of necessity, due to a medical emergency or persistent healthcare needs. Sixteen percent (16%) of Arizonans with a credit file have medical debt in collections, with a median amount of about $1,000 according to the Urban Institute based on an analysis of consumer credit files.[2] However, this understates medical debt, since it is not reported to credit agencies until it is 180 days past due and it is not always immediately moved into collections and debt moved to a collection agency is not always reported to credit agencies. Further, some medical debt is also disguised as credit card debt.

Further exacerbating the precarious situation that some debt holders find themselves in, an analysis of the civil court system finds that debtors almost never have legal representation, while creditors do, creating a legal imbalance. This is a growing concern given findings by the Pew Charitable Trust in 2020 of an alarming increase in the use of courts to collect on debts by businesses since the early 1990s. According to one study from 1993 to 2013, the share of civil claims for debt in state courts more than doubled from less than 12% to 24% of claims.

The protections in the Predatory Debt Collection Protection Act will provide greater protections for the issues raised above, bringing Arizona much more in line with the recommendations provided by the National Consumer Law Center to enable those in debt to pay off what they owe without placing them in a position where their ability to meet their daily living needs are not impacted by the loss of housing, transportation, or other resources.

This report provides an analysis of the Predatory Debt Collection Protection Act initiative along three themes:

1. The Initiative's Impact on Arizona Law and Comparisons to Other States
2. The Initiative's Impact on Medical Debt
3. The Initiative's Impact on Debt Collection through the Courts

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[1] Kluender, Raymond PhD, Neale Mahoney, PhD, Francis Wong, PhD,et al, "Medical Debt in the United States, 2009-2020," Journal of the American Medical Association, July 20, 2021, *JAMA.* 2021;326(3):250-256. doi:10.1001/jama.2021.8694.

[2] Source: Urban Institute, Debt in America: An Interactive Map, https://apps.urban.org/features/debt-interactive-map/?type=overall&variable=pct_debt_collections

Key Findings:

The key findings of this analysis are:

- Arizona's Unfair and Deceptive Practices (UADP) laws leave families who owe money at risk of financial calamity. The Predatory Debt Collection Protection act significantly improves the portion of earnings and assets protected from creditors in line with best practices.

- 30% of Arizonans with a credit file have debt in collections, making them vulnerable to the state's weak UADP laws.

- 16% of Arizonans with a credit file had medical debt in collections, with the median medical debt in calculations at $942. This underestimates medical debt as it cannot be reported to credit agencies until it is at least 6 months past due and collectors often push for payment via credit card–which turns it into credit card debt instead of medical debt.

- If sued in Justice Court, court decisions almost universally lead to the debtor facing wage garnishment, resulting in creditors pulling funds directly from the debtor's bank account or other means of forced payments. The average award was $2,000.

Theme 1: The Initiative's Impact on Arizona Law and Comparisons to Other States

The rate of debt in collections amongst Arizonans on average tracks closely with the national average at 30% and 29% respectively. Arizonans with debt in collections receive slightly better than the federal minimum protection from debt collectors based on the state's Unfair and Deceptive Acts and Practices (UDAP) laws that determine the amount that can be garnished in wages or seized in assets. The Predatory Debt Collection Protection Act will provide a much higher degree of protections for Arizonans with debt in collections based on criteria outlined by the National Consumer Law Center.

Debt Held by Arizonans

Across Arizona, 30% of people with a credit file have some form of debt in collections. In majority white communities, 23% of consumers have debt in collections while that rate increases to 45% majority communities of color.[3],[4] These numbers are slightly higher than the national averages for each at 29%, 24% and 39% respectively. See Figure 1 below.

Sixteen percent of Arizona consumers with a credit file have medical debt in collections; this rate drops to 13% in majority white communities and increases to 22% in communities of color.

[3] * Communities of color are defined as people of color as those who are African American, Hispanic, Asian or Pacific Islander, American Indian or Alaska Native, another race other than white, or multiracial.

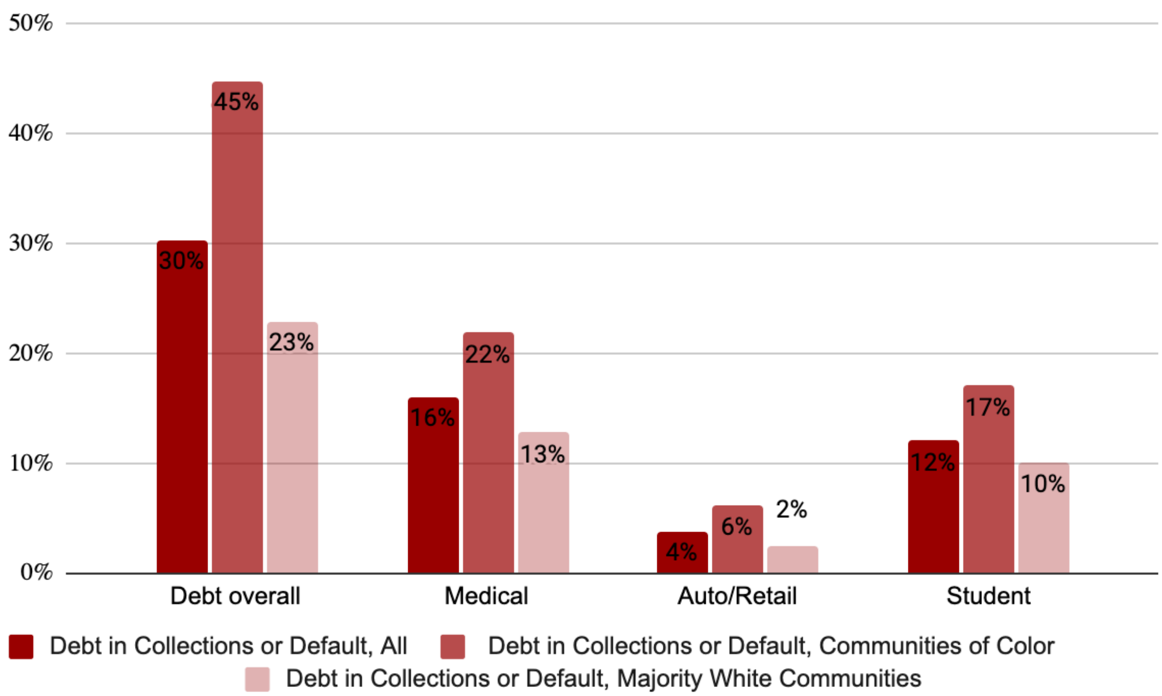
[4] Source: Urban Institute, Debt in America: An Interactive Map, https://apps.urban.org/features/debt-interactive-map/?type=overall&variable=pct_debt_collections

Nationally, these rates are 15%, 13%, and 17% respectively. Coconino, Gila, Graham, Greenlee, La Paz, Mohave, Navajo, and Pinal counties have rates of medical debt in collections that exceed the state average. Click **here**. for details by county. According to the Consumer Finance Protection Bureau, 52% of all debts in collection are medical bills as of March of 2020.[5]

The auto/retail debt delinquency rate for people with a credit file in Arizona was 4%, with rates of 6% in communities of color and 2% in majority white communities. Nationally, these rates are 4%, 6%, and 3% respectively. Apache, Coconino, Gila, Graham, La Paz, and Navajo counties have rates of auto/retail debt in delinquency that exceed the state average. Click **here** for details by county.

Twelve percent of people with a credit file in Arizona have student loan debt in collections; this rate increases to 17% in communities of color and drops to 10% in majority white communities. Nationally, these rates are 10%, 9%, and 14% respectively. Apache, Gila, Greenlee, Mohave, Navajo, Pima, and Yuma counties all exceed the state average for student loan debt in collections. Click **here** for details by county.

Figure 1: Consumers with Debt in Collections or Default Arizona



* Determined based on the share of consumers with a credit bureau record who have any debt in collections. Source: Urban Institute, Debt in America 2021.

[5] Source: https://www.debt.org/medical/collections/

Overview: Unfair and Deceptive Acts and Practices Laws

Federal and state Unfair and Deceptive Acts and Practices (UDAP) laws protect against deceptive trade practices like false advertising and overly aggressive or intrusive debt collection practices. UDAP laws establish the exemption amounts with regard to what can be seized from debt holders to repay their debt including amounts of personal income that can be garnished, and property that can be seized by creditors; these laws vary across the United States.

According to the National Consumer Law Center (NCLC), the majority of UDAP laws across the United States are fairly weak in protecting debt holders from being devastated financially through the debt collection process. As a result, individuals are at risk of being wiped out financially to the point that it makes it difficult for them to earn a living and sustain a household.

The NCLC, which has expertise in consumer law and policy analysis, puts forward the following basic standards for consumer protections:

- Preventing creditors from seizing so much of the debtor's wages that the debtor is pushed below a living wage;
- Allowing the debtor to keep a used car of at least average value;
- Preserving the family's home—at least a median-value home;
- Preserving a basic amount in a bank account so that the debtor's funds to pay essential costs such as rent, utilities, and commuting expenses are not cleaned out; and
- Preventing seizure and sale of the debtor's necessary household goods.[6]

In its report *No Fresh Start 2021*, NCLC details and rates state exemption laws and puts forward recommendations that would better protect individuals from being wiped out financially due to debt collection.

According to the NCLC's report, Arizona received an overall rating of "D" for its exemption law. See Figure 2. In fact, most states earn a C or a D. Even though the Arizona legislature increased the home exemption from $150,000 to $250,000 in 2021, that amount remains inadequate due to soaring cost of housing. Other asset protections are capped at $6,000 for a car, $300 in a bank account, and $6,000 in household goods. The Predatory Debt Collection Protection Act initiative would move Arizona to one of the top states in the country for consumer protection with a grade of A or B in all categories and likely a B overall (they only give straight letter grades). Protections provided in the act are discussed in detail later in this paper.

[6] Carter, Carolyn. *No Fresh Start 2021: Will States Let Debt Collectors Push Families Into Poverty As Pandemic Protections Expire?* November 2021. Retrieved from: https://www.nclc.org/images/pdf/debt_collection/Rpt_NFS_2021.pdf

Figure 2: Arizona Current Exemption Law Coverage for an Adult Supporting Two Children

ARIZONA D

A person who is supporting two children and working full-time at minimum wage can preserve . . .

	AMOUNT	CITATION	DETAILS	GRADE
Weekly wages of . . .	$217.50	Ariz. Rev. Stat. Ann. § 33-1131	State protects just the federal minimum, 75% of wages or 30 times the federal minimum wage, but allows garnishment to be reduced in case of hardship.	D
A home worth . . .	$250,000	Ariz. Rev. Stat. Ann. § 33-1101	This is 89% of the median home value in the state.	B
A car worth . . .	$6,000 ($12,000 if disabled)	Ariz. Rev. Stat. Ann. §33-1125	Earmarked exemption.	C
A bank account worth . . .	$300	Ariz. Rev. Stat. Ann. §33-1126	Earmarked exemption.	D
Household goods worth . . .	$6,000	Ariz. Rev. Stat. Ann. § 33-1123	Earmarked exemption.	D

**A "wildcard" is an exemption that is not limited to a particular category of property, but can be used to protect items of the debtor's choice.*
This summary and those for other jurisdictions are based on state exemption laws, other than those that apply only in bankruptcy court. It assumes that, if the state allows a "wildcard" exemption, the debtor will use it, or most of it, first to protect a car up to $15,000, then to protect a bank account up to $3,000, and then any remainder to protect household goods. As of 2021, the federal minimum wage is $7.25 an hour.
Source: ©2021, National Consumer Law Center, *No Fresh Start 2021: Will States Let Debt Collectors Push Families Into Poverty as Pandemic Protections Expire?*

Source: No Fresh Start in 2021, National Consumer Law Center: State Summaries

The NCLC recommends that state exemption laws should:

- Protect a living wage—at least $1,000 per week, but more in high-cost states—for working debtors, including those paid as independent contractors, so that families can meet basic needs and maintain a safe, decent standard of living within the community.

- Automatically protect a reasonable amount of money on deposit so that debtors have a cushion to cover several months of basic needs such as rent, daycare, utility bills, and commuting expenses.
- Preserve the debtor's ability to work, by protecting a working car, work tools and work equipment.
- Protect the family's housing and necessary household goods.
- Protect retirees from destitution by restricting creditors' ability to seize retirement funds.
- Be automatically updated for inflation.
- Close loopholes that enable some lenders to evade exemption laws. For example, states that allow lenders to take household goods as collateral enable these lenders to avoid state protections of household goods.
- Be self-enforcing to the extent possible, so that the debtor does not have to file complicated papers or attend court hearings.[7]

Protecting Wages

Protecting a portion of an individual's wages from garnishment by a creditor ensures that they can afford essentials such as rent, food, and child care. When a creditor garnishes a debtor's wages, the employer is required to take the money from the consumer's paycheck and send it to the creditor. The NCLC's Model Family Financial Protection Act recommends the protection of $1,000 of disposable income (to be adjusted for inflation). If a debtor has more disposable income, 10% of the excess amount should be eligible for garnishments, increasing to 15% if weekly disposable income exceeds $1,200.

Federal law

The federal Fair Debt Collection Practices Act protects 75% of an individual's disposable earnings from a paycheck or 30 times the federal minimum wage, whichever is greater. This means up to 25% of an individual's income can be garnished. In cases of documented hardship, the protection increases to 85% of the individual's wage

Arizona law

Currently Arizona law only protects the federal minimum amount (30 x the federal minimum wage) in a work week; however the state allows for a reduction of amounts garnished in cases of hardship. The NCLC rates Arizona a D for its current protection of wages.

Predatory Debt Collection Protection Initiative

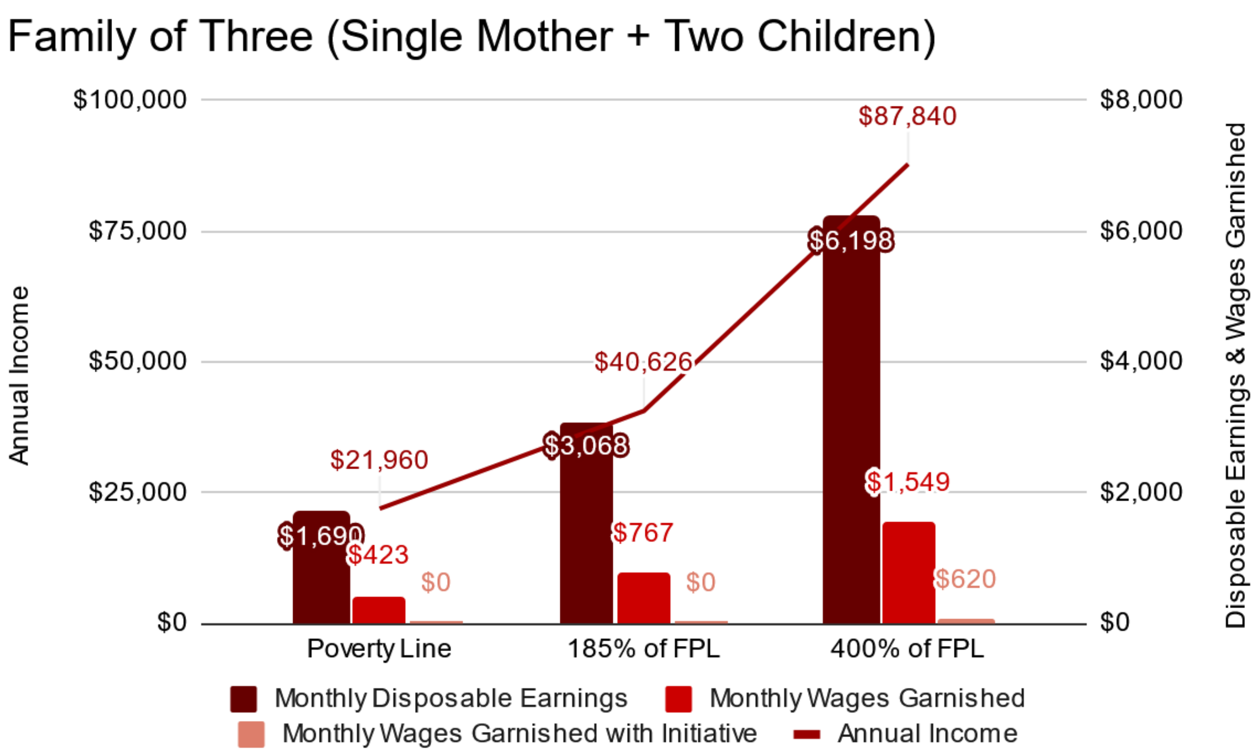
The Predatory Debt Collection Protection Act initiative increases the amount of wages protected in a work week to 90% of an individuals's disposal earnings in a paycheck or 60 times the state or local minimum wage, whichever is greater. At the current state minimum wage, this latter provision protects $768 to meet basic expenses, which is far greater than the current $217.50

[7] No Fresh Start 2021 Recommendations (nclc.org)

using 30 times the federal minimum wage, which has not changed in over a decade In cases of documented hardship, the protection increases to 95% at the discretion of a judge. This will move Arizona to a “B” grade according to NCLC’s guidelines for protecting wages so that they do not drop below the poverty level.

Figures 3 and 4 below illustrate how sample households are impacted by current law and if the Predatory Debt Collection Protection Act becomes law as wage garnishment can have particularly devastating impacts on low income households.

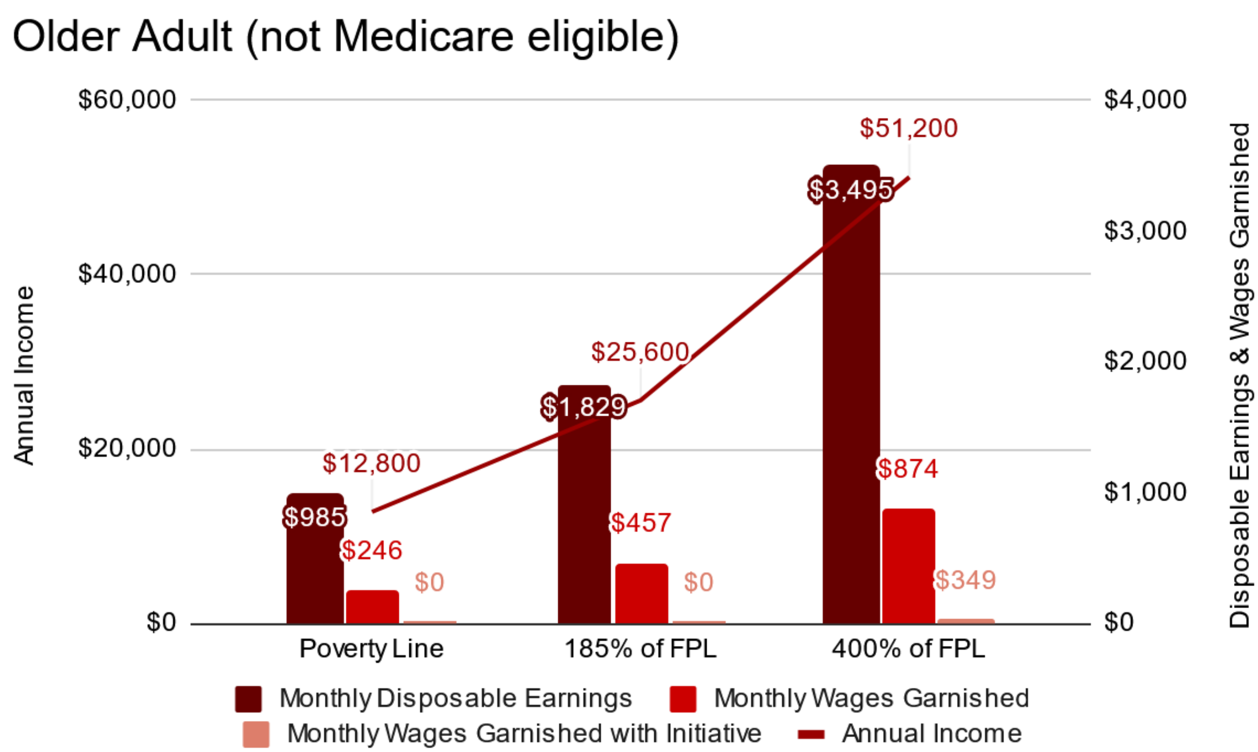
Figure 3: Initiative Impact on Family of 3



*Monthly disposable earnings equals gross earnings less employee paid FICA taxes and estimated individual income taxes due to the federal and state government.

Source: Urban Institute, [Debt in America 2021](#).

Figure 4: Older Adult (not Medicare eligible) With No Dependents and Health Conditions



*Monthly disposable earnings equals gross earnings less employee paid FICA taxes and estimated individual income taxes due to the federal and state government.

Source: Urban Institute, Debt in America 2021.

The Predatory Debt Collection Protection Initiative would establish a standard slightly below North and South Carolina, Pennsylvania and Texas that currently protects all wages–and establish a standard that is slightly better than Alaska, California, Colorado, Connecticut, the District of Columbia, Florida, Massachusetts and Wisconsin.

Protecting an Individual's Home

Preventing the seizure of an individual's (or family's) home also protects people from the associated and expensive upheaval, including finding a new home and one that is close to work.

Arizona Law

Currently, Arizona protects $250,000 of a home's value, which is well below the state's estimated median home price of $360,000 (and rising). The median selling price in the Phoenix metro area is $400,000.[8] The Tucson median home price is just over $300,000 and surrounding areas would for the most part be higher.[9] While Arizona's current exemption law receives a B rating from NCLC, the Grand Canyon Institute's analysis of the continuing rise in home prices that a C rating is more accurate as the exemption amount protects 70% of a home's value based on a median home price of $360,000.

Predatory Debt Collection Protection Initiative

The Predatory Debt Collection Protection initiative increases the home value protected to $400,000 and adjusts it annually for changes in the consumer price index. This would move Arizona to a grade of A based on NCLC's rating standards. A-rated states are those that protect a median-priced home. The initiative would put Arizona in line with 16 other states that currently protect a home or at least a home that matches the state's median value including California, Florida, Texas, and Washington state.

Protecting Car/Transportation

Protecting a person's car from seizure serves to protect their means of getting to and from a job.

Arizona Law

Arizona law currently protects a motor vehicle worth up to $6,000. According to NCLC, this earns Arizona a grade of C. C-grade states protect cars worth between $5,000 and $9,999.

Predatory Debt Collection Protection Initiative

The Initiative increases car protection to $15,000, and up to $25,000 for people with a physical disability. Those figures are adjusted annually based on changes in the consumer price index. If adopted, these changes would move Arizona to a grade of A, based on its protection of cars valued at $15,000. This level of protection would match or nearly match protections found in Kansas, Nevada, New Hampshire, North Dakota and Texas.

Bank Account Protection

Protecting a certain amount of funds in an individual's bank account ensures that they have money to pay for essentials such as rent, food, medical care, and transportation costs.

Arizona Law

Currently, Arizona only protects $300 in a bank account from garnishment which earns it a D grade from NCLC. D states protect between $300 and $999 in a bank account. There is no federal minimum amount protected in an individual's bank account.

[8] Phoenix Home Prices Are Up 31 Percent in Past Year (therealdeal.com).
[9] Tucson Housing Market: House Prices & Trends | Redfin.

Predatory Debt Collection Protection Initiative

The Initiative increases the amount protected to $5,000 with adjustments annually due to changes in the consumer price index. This would earn Arizona a grade of A by the NCLC, based on a minimum protection of $3,000 or more in a bank account. Of the seven states that meet the NCLC "A" standard, the initiative's protections would match current protections in Wisconsin and be below protections in Delaware, Nevada and South Carolina.

Household Goods Protection

Household goods include beds, refrigerators, washers, dryers, tables, chairs, etc. These are items that have relatively low, if any, resale value but if seized can be costly to replace.

Arizona Law

Arizona currently protects household goods up to $6,000 earning a grade of D. D-grade states protect household goods worth between $2,000 and $7,999. Household goods are not protected from seizure by federal law.

Predatory Debt Collection Protection Initiative

The Predatory Debt Collection Protection Initiative increases protections to $15,000 with an annual consumer price adjustment. If approved, Arizona would earn a grade of B, given the protection of household goods worth $12,000 or more. Eleven other states have standards that meet or exceed this threshold of protection.

Theme 2: The Initiative's Impact on Medical Debt

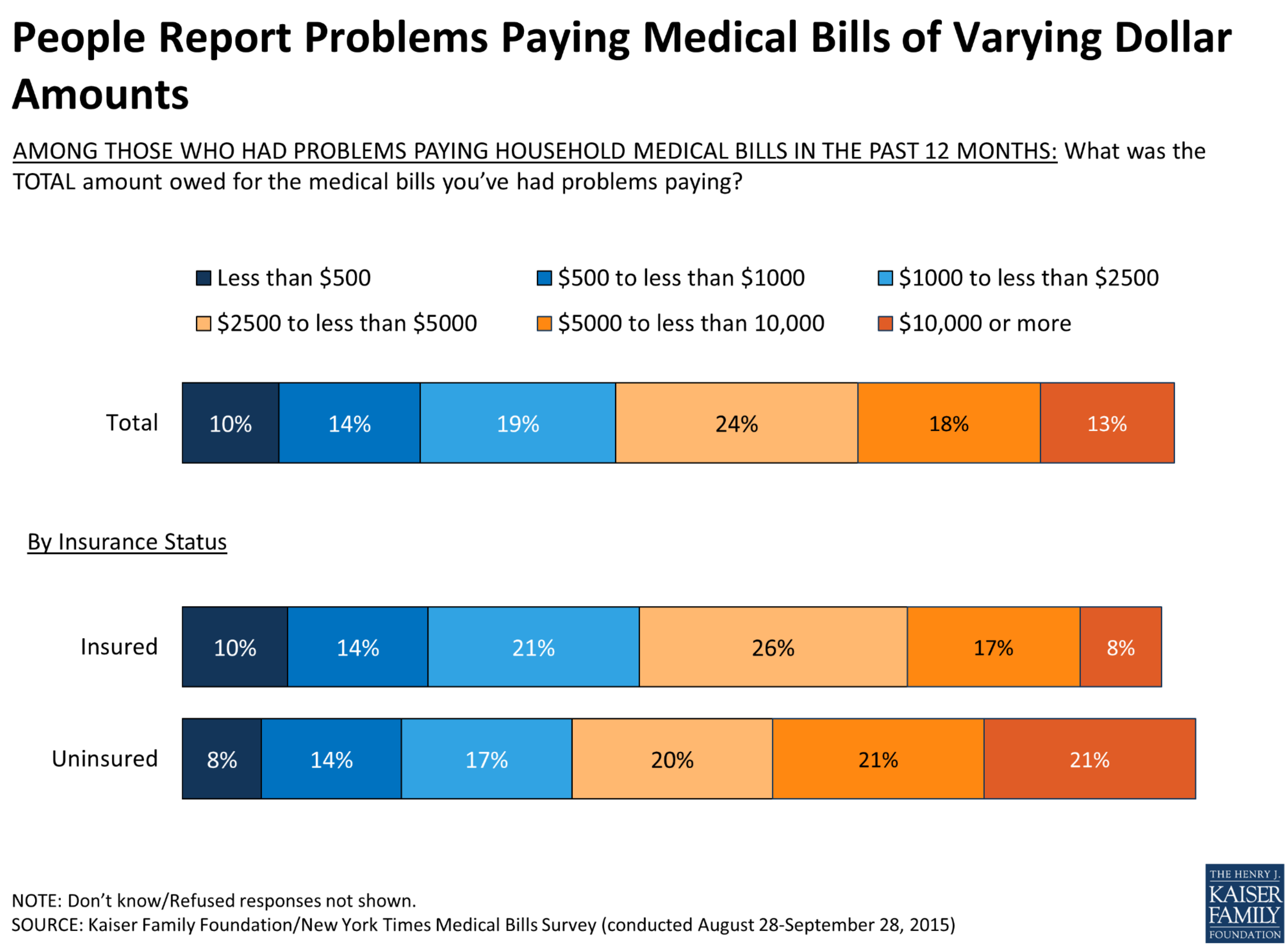
As stated earlier in this paper, 16% of Arizonans with a credit file had medical debt in collections according to the Urban Institute's 2% sample of a credit bureau's consumer files. That analysis found that the median amount of medical debt in collections was $1,000. However, that understates the full extent of medical debt.

Understanding Medical Debt

About one-in-four adults ages 18-64 report having problems paying medical bills, according to a 2015 Kaiser Family Foundation and *The New York Times* nationwide survey focused on issues surrounding medical bills. This outcome is not surprising given the extremely complex and convoluted billing system for medical care, where patients rarely know the costs of procedures beforehand along with any issues with insurance coverage of those costs. Nearly half of these adults report that problems paying medical bills has caused severe problems with their finances.

The median reported bill among those having trouble paying was between $2,500 and $5,000, though a significant portion reported bills exceeding $5,000. Higher bills were more common among the uninsured than the insured as illustrated below. However, people reported struggling to pay medical bills of varying amounts, according to the Kaiser Family Foundation/New York Times. See Figure 5.

Figure 5: People Report Problems Paying Medical Bills with Varying Dollar Amounts



The most recent analysis from the Journal of the American Medical Association (JAMA) found the average medical debt owed that had been reported to the credit reporting agency was about $2,500.[10] As medians are less than average amounts, the JAMA findings are closer to survey results, but still less. While precise Arizona data was not provided, ranges were available for counties nationwide including those in Arizona that suggest medical debt in the state is fairly comparable to the national average found by JAMA, unlike the South where it is much higher or the Northeast where it is much lower.

[10] Kluender, Raymond PhD, Neale Mahoney, PhD, Francis Wong, PhD,et al, "Medical Debt in the United States, 2009-2020," Journal of the American Medical Association, July 20, 2021, *JAMA.* 2021;326(3):250-256. doi:10.1001/jama.2021.8694.

The discrepancy between the higher Kaiser/NY Times survey figures and the credit reporting data may also be because not all medical debt is reported to credit agencies. Medical providers rarely report to credit reporting agencies directly. When used, collection agencies threaten to report it, but do not always follow through on the threat.[11] Older national data from a 2014 analysis of the Consumer Financial Protection Bureau also found the typical amount of medical debt reported to credit reporting agencies also much less than what the Kaiser/NY Times survey found.[12]

Medical debt is likely under reported for at least two additional reasons. Collection agencies often urge people to pay for debt on credit cards which recategorizes the amount owed as credit card rather than medical debt. (This can be a financially catastrophic move by debtors given the typically exorbitant interest rates associated with credit cards.[13]) In addition, people who file for bankruptcy protection are not required to disclose the type of debt involved, however, surveys consistently indicate medical debt is the most prevalent underlying cause of consumer insolvency.[14]

Nevertheless, the actual medical debt in collections that is reported represents by far the most common kind of debt held in collections, representing half of all collections reported to credit bureaus as cited in the 2014 Consumer Financial Protection Bureau analysis.[15] Subsequent to that 2014 study, the major credit reporting agencies adopted a rule not to post medical collections until it is at least 180 days passed due.[16] So the $1,000 median figure held by consumers in Arizona with medical debt reported to credit agencies would also exclude debt less than 180 days past due.

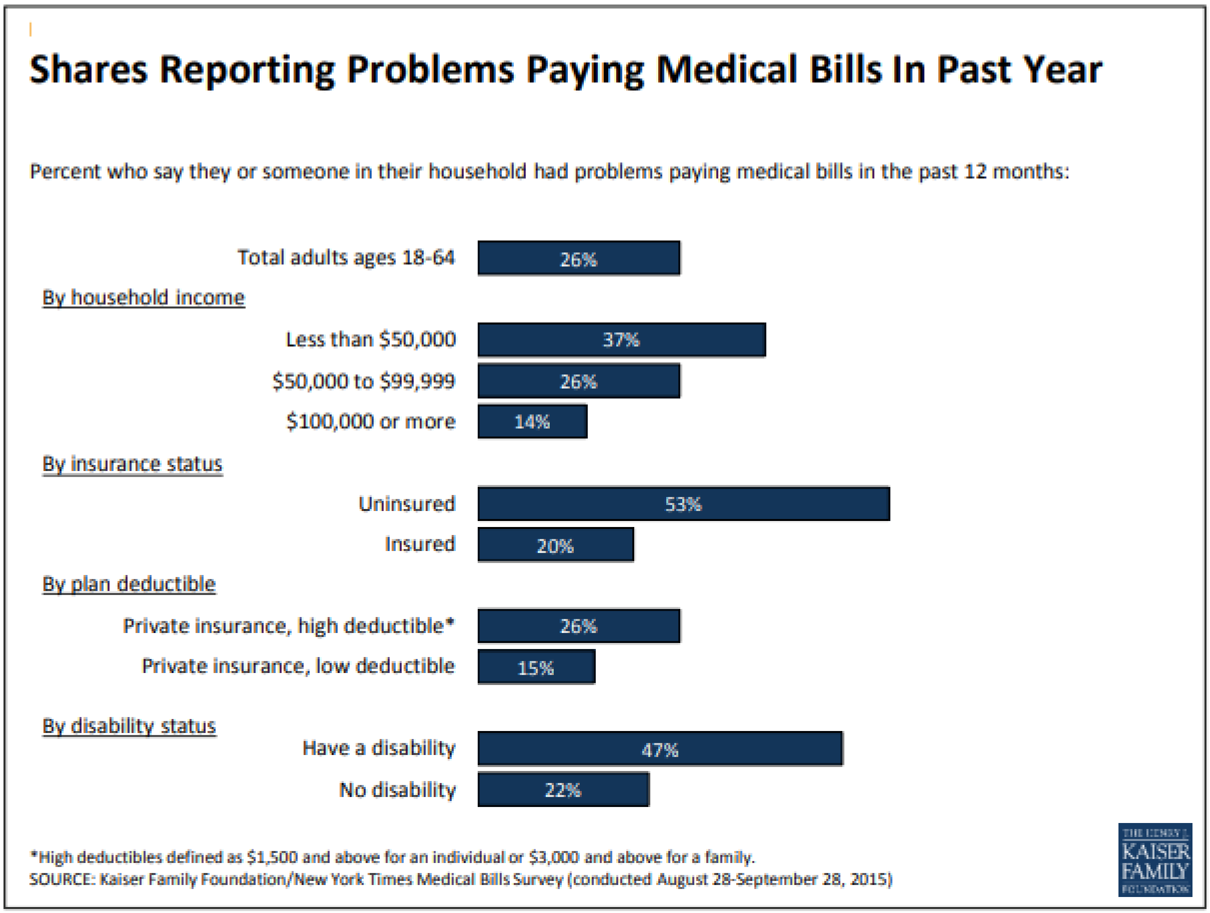
A largely anecdotal profile in 2019 in *The Atlantic* highlighted the many challenges related to medical expenses that can result in debt. A 32 year-old woman was featured who unexpectedly needed a heart transplant leading to $50,000 in medical bills allegedly not covered by insurance. She had to fight to decipher the bills then negotiate reducing them which eventually led to contact with the tactics of collection agencies. As an upside, she also learned that having bills sent to a collection agency does not mean that credit reporting agencies are aware of the nature of the debt or that it has been sent to collections. After an immense amount of work and persistence, the woman was able to decrease what she owed or was alleged to have owed (some billing appears to have been erroneous) by 90% and none of it impacted her credit.[17]

[11] Bosco, Jennifer, "Dealing with Medical Debt: Consumer Advice from NCLC," National Consumer Law Center, May 17, 2018, Dealing with Medical Debt: Consumer Advice from NCLC | NCLC Digital Library.
[12] Consumer Financial Protection Bureau, "Consumer Credit Reports: A Study of Medical and Non-Medical Collections," December 2014, 201412_cfpb_reports_consumer-credit-medical-and-non-medical-collections.pdf (consumerfinance.gov).
[13] Bosco, Jennifer, NCLC.
[14] Amadeo, Kimberly, "Medical Bankruptcy and the Economy: Do Medical Bills Really Devastate America's Families?," The Balance, April 30, 2021, Medical Bankruptcy Statistics (thebalance.com).
[15] Consumer Financial Protection Bureau, "Consumer Credit Reports: A Study of Medical and Non-Medical Collections," December 2014, 201412_cfpb_reports_consumer-credit-medical-and-non-medical-collections.pdf (consumerfinance.gov). See Figure 1, p. 21.
[16] Cooper, Cheryl R and Darry E. Getter, "Consumer Credit Reports, Credit Bureaus, Credit Scoring and Related Policy Issues," Congressional Research Service, updated Oct. 15, 2020, Consumer Credit Reporting, Credit Bureaus, Credit Scoring, and Related Policy Issues (fas.org).
[17] Khazan, Olga, "What Happens if You Don't Pay a Hospital Bill," The Atlantic, August 28, 2019, What Happens If You Don't Pay a Hospital Bill? - The Atlantic.

Altogether the data suggests that credit reporting agencies are not aware of the full extent of unpaid medical debt. Higher medical bills may escape the notice of credit reporting agencies perhaps due to the greater complexities involved in these cases and the stronger likelihood the debtor pushes back on what are perceived as unreasonable charges. Lower amounts owed may be treated more like other debt.

As can be seen in the Figure 6 below, groups more likely to run into trouble paying for their medical bills include those with lower incomes, those not insured, those with high deductible health insurance plans, and those with disabilities.

Figure 6: Shares Reporting Problems Paying Medical Bills in Past Year



Protection Provided by the Predatory Debt Collection Protection Act

The Initiative addresses the issue of medical debt by capping the amount of interest that can be charged at 3% as well as providing protections for assets. This should help thousands of Arizonans stave off bankruptcy for those burdened by medical debt, particularly given the unforeseen nature of medical emergencies and accumulating costs of more persistent healthcare needs.

Theme 3: Initiative's Impact on Debt Collections Through Courts

While the initiative does not regulate the use of civil litigation, it will aid defendants when courts become involved by enhancing earnings and asset protections.

In 2020, the Pew Charitable Trust documented an alarming rise since the early 1990s in the use of courts to collect on debts by businesses. According to one study from 1993 to 2013, the share of civil claims for debt in state courts more than doubled from less than 12% to 24% of claims. In Texas another study found debt claims in courts more than doubled from 2014 to 2018.[18] Using payroll data from 2013, an estimated 2.9% of employees had wages garnished due to court action related to debts, including student loans.[19]

For this study, GCI developed a database of lenders and collection agencies based on debt collection complaints to the Consumer Financial Protection Bureau from Arizona (more than 3,000 complaints covering more than 500 firms). GCI identified companies that had at least 10 complaints. In addition, lenders were identified from reports from the Center for Economic Integrity and the U.S. Public Interest Research Group (USPIRG). Together, 132 debt collectors/lenders were explored for Arizona.

GCI only looked at Justice Courts where the debt owed cannot exceed $10,000. For higher amounts, debt collectors must use the Superior Court where defendants who lose also face payment of attorney and court fees for the prevailing side. Superior Court cases occur, but at a significantly lower frequency than in Justice Courts. In addition, Justice Courts are significantly less complicated and move quicker.[20]

Each lender or debt collector identified above was explored in the Maricopa County Justice courts for cases from 2019 into November 2021. Just over half used the Maricopa County Justice Courts to collect on debt (71 of 132) at some point with about 40% (50 of 132) engaging in collections. Eighteen had used the courts at least 90 times with two exceeding 1,000 cases. Collectively just over 7,000 cases involved debt collection. These represent only a small portion of the civil cases.

GCI then conducted an interval sample which included the first case for a lender and each 15th case thereafter. Only one debt collector was identified as collecting for medical debt and each of its cases was looked at but the interval sampling of it was used for the broader sample.

Findings are listed in the graphs and table below.

[18] "How Debt Collectors are Transforming the Business of State Courts," The Pew Charitable Trusts, May 2020, debt-collectors-to-consumers.pdf (pewtrusts.org).

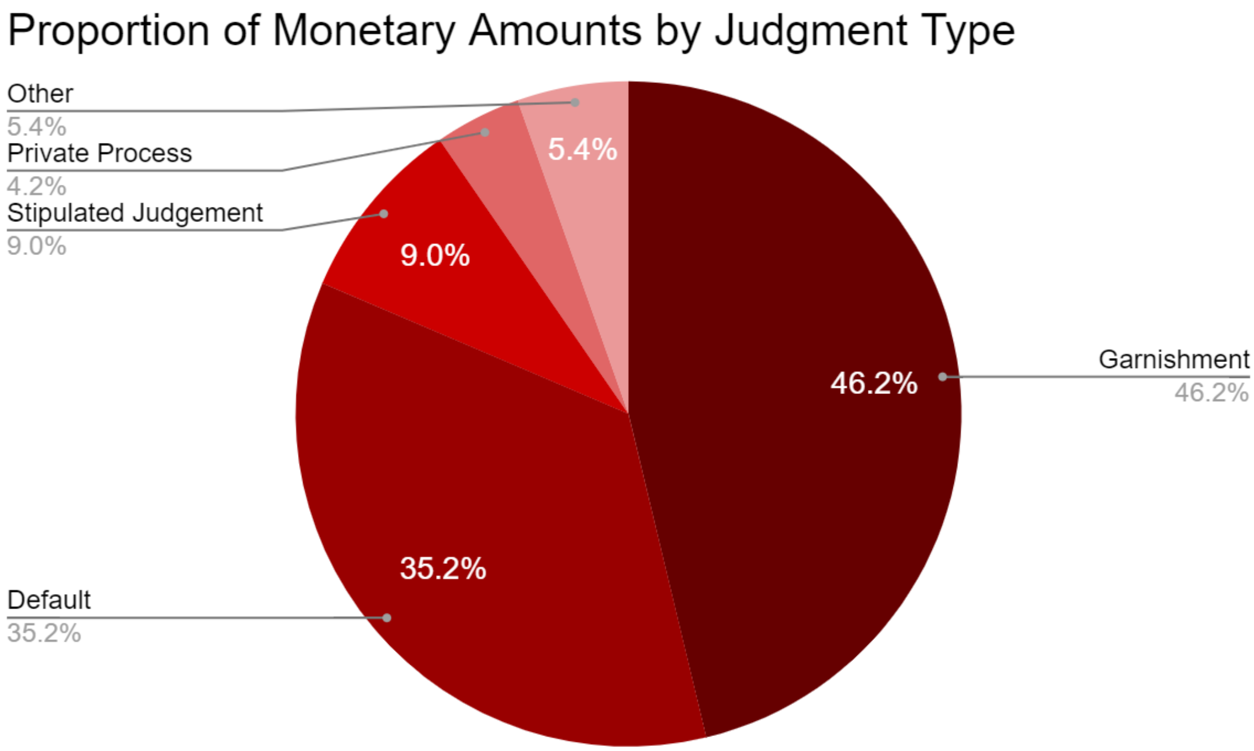
[19] Yildermaz, Ahu and Mita Goldar, "Garnishment: The Untold Story," ADP Research Institute, Garnishment-whitepaper.ashx (adp.com).

[20] Carl Retter Attorney at Law, "Phases of an Ariona Debt Collection Lawsuit," Phases of an Arizona Debt Collection Lawsuit - Carl Retter (carlretterattorney.com).

Proportion of Monetary Amounts by Judgment Type

GCI's analysis of debt collectors found that the proportion of monetary amounts awarded according to judgment type was: 46.2% garnishment, 35.2% default, 9% stipulated judgment, 5.4% other, and 4.2% private process. Note 36.6% of cases were dismissed in the sample, which is excluded in the analysis below. No further information is provided on the reasons for the dismissal. However, the most likely reasons are that the person who owed the money was not located so court papers were never properly served or that the parties worked out a settlement outside the court.[21] The portion in each of these two categories is not known. The 'Other' category captures a wide range of circumstances ranging from a full settlement of the amount to suspensions due to bankruptcy proceedings, mediation as well as others.

Figure 7: Proportion of Monetary Amounts by Judgment Type



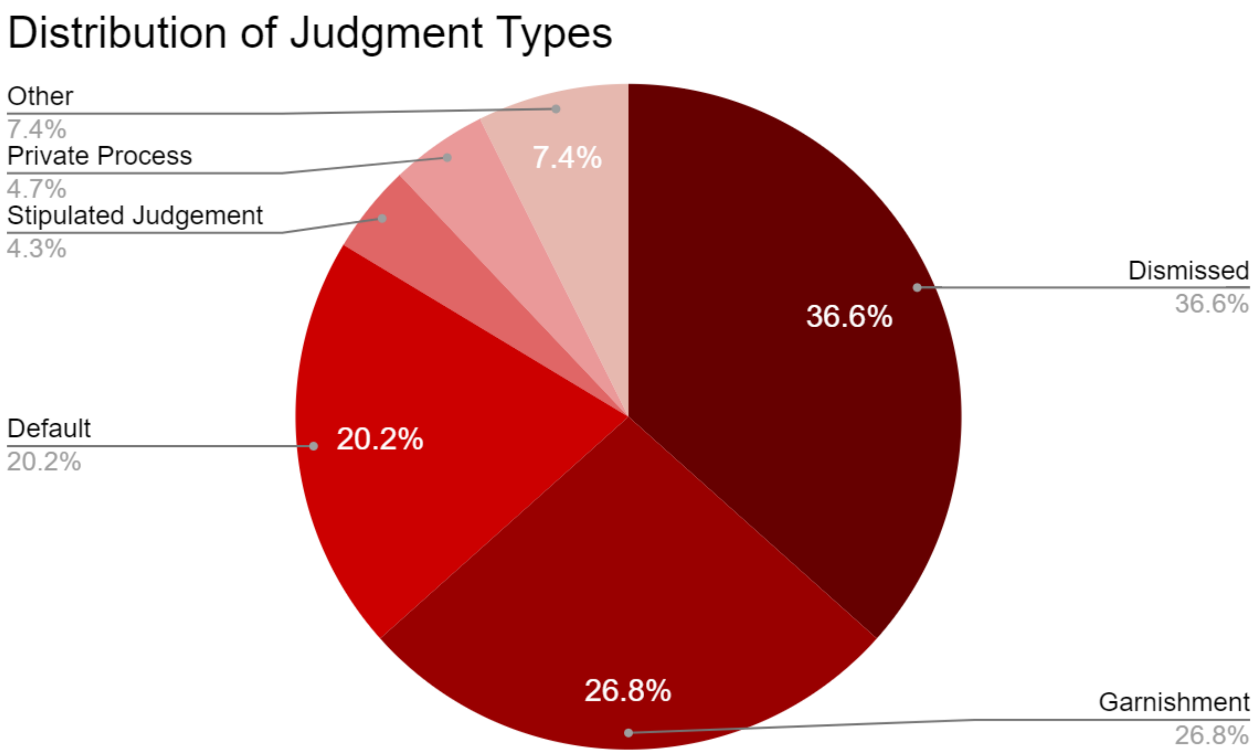
Distribution of Judgment Types

Of cases not dismissed, 26.8% resulted in garnishment, 20.2% were resolved by default, 7.4% resulted in a judgment classified as 'other', 4.7% were classified as private, and 4.3% had a

[21] Bovee, Michael (2014), "Why Debt Collectors Dismiss Lawsuits All The Time," Get Out of Debt Guy, Nov. 19, [Why Debt Collectors Dismiss Lawsuits All The Time (getoutofdebt.org)](getoutofdebt.org)

stipulated judgment. A default judgment meant the person owing money failed to appear and the judge ruled in favor of the debt collector–this ruling generally permits wage garnishment or for a collector to pull directly from one's bank accounts.[22] People may not appear because of how intimidating legal proceedings can be. In this case, their chief protection is the degree to which the law limits garnishing of wages or protects assets within a bank account.

Figure 8: Distribution of Judgment Types



[22] Simons, George (2021), "Motion for Default Judgment–Everything You Need to Know," SoloSuit, Oct. 28, Motion for Default Judgment - Everything You Need to Know | SoloSuit Blog.

Summary of Debt Collection Cases in Arizona

The following table summarizes the estimated number of debt collection cases by type and amount in Arizona Justice Courts from January 2019 into November 2021.[23] This analysis presumes GCI's findings for Maricopa County can be proportionally adjusted for the rest of the state. Title loans are the most common type of debt collection case in Arizona. The average judgment amounted to about $2,000 against the borrower. However, Consumer Lender amounts awarded are more than double that.

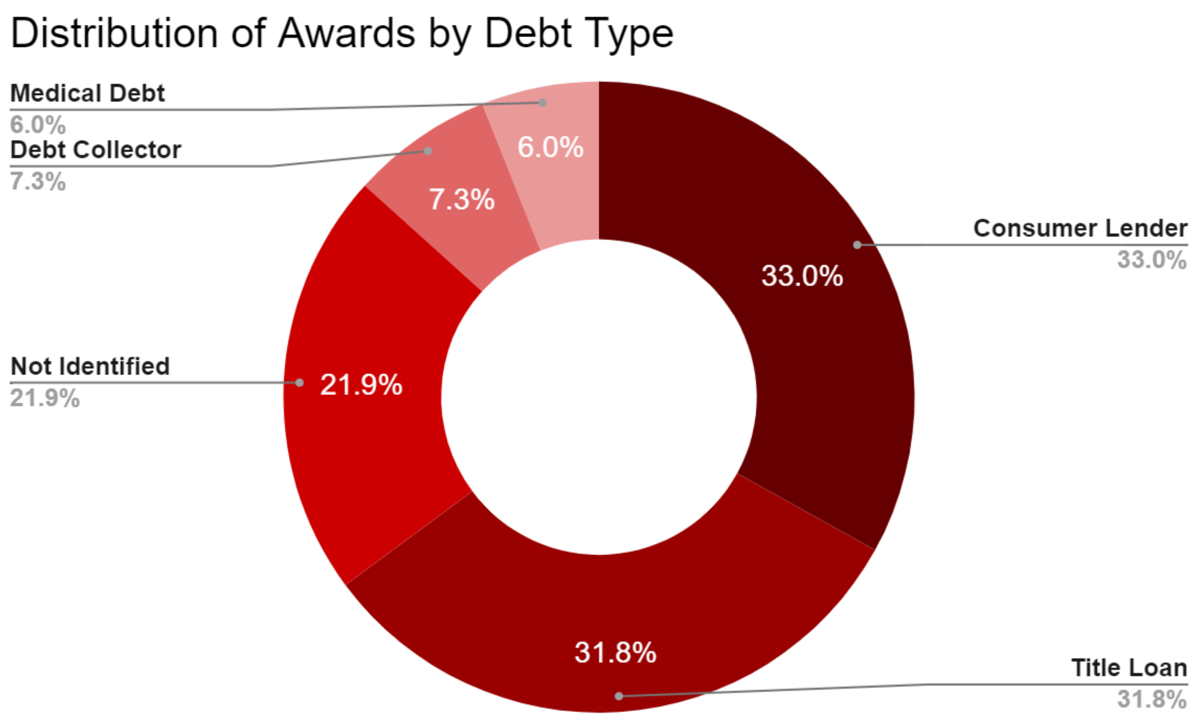
Table 1: Estimated Court Debt Collection Cases in Arizona (Jan. 2019 to Nov. 2021)

Type of Debt	Amount	Number of Cases
Consumer Lender	$5,530,000	1,294
Title Loan	$5,320,000	3,998
Not Identified	$3,660,000	2,100
Debt Collector	$1,220,000	588
Medical Debt	$770,000	294
Total	**$16,490,000**	**8,274**

Consumer lender and title loan debt collectively make up 64% of the debt collection cases awarded. Seven percent (7%) of debt collection cases are awarded to debt collectors and 6% were awarded for medical debt. Twenty-two percent (21.9%) of awards did not designate the type of debt involved.

[23] From the sample cases and dollar amounts multiplied by 12 to estimate all of Maricopa County (adjustment due to interval sampling) except Medical Debt where the full list of cases were included. Totals were then multiplied by 1.4 to estimate coverage across the rest of the state.

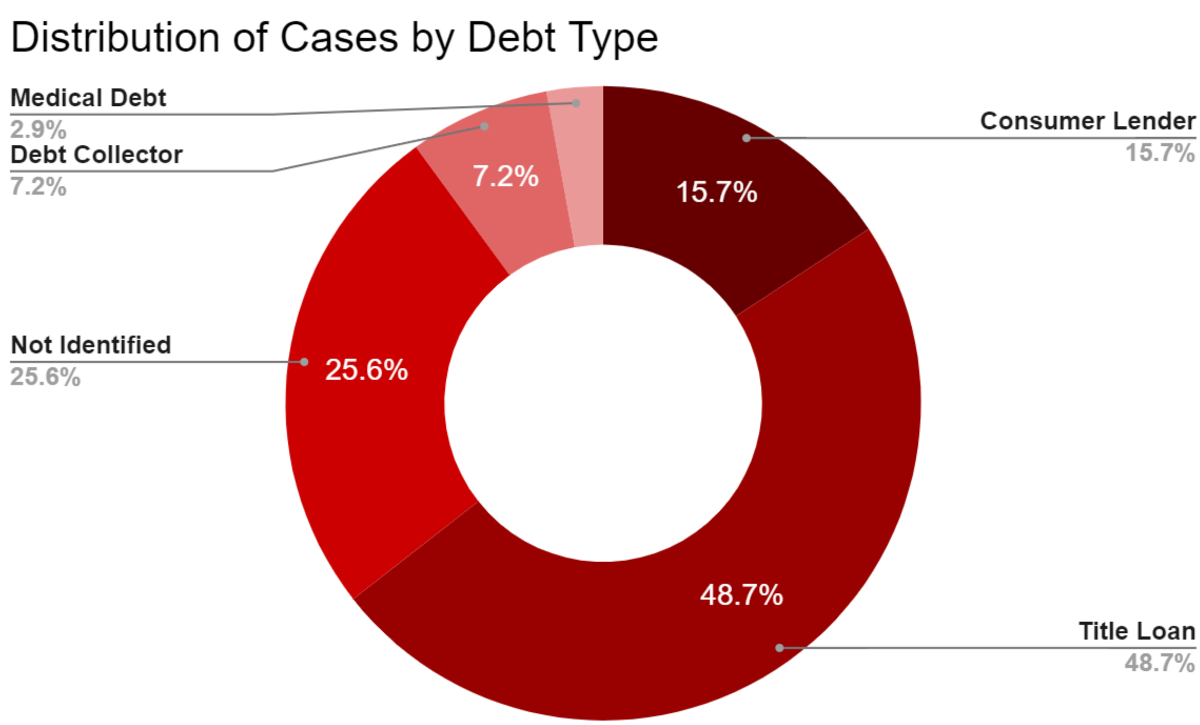
Figure 9: Distribution of Awards by Debt Type



Distribution of Cases by Debt Type

Title loans represent almost half (48.7%) of all debt in collections in Maricopa County Justice Courts based on GCI's analysis. One quarter (25.6%) of cases were not classified by type of debt. Seven percent, (7.2%) of cases were sought by debt collectors. The remaining 2.9% of cases were classified as medical debt.

Figure 10: Distribution of Cases by Debt Type



Impact of Predatory Debt Collection Protection Act

In GCI's sample analysis of court records, no borrower was represented by a lawyer, but lawyers are also less used by plaintiffs in Justice Courts. Because defendants owe money normally, their primary protection is the strength of the law that protects their earnings and assets. The Predatory Debt Collection Protection Act will significantly limit the occurrences of wage garnishment and when it occurs the amount will be less. The Predatory Debt Collection Protection Act will act as a *de facto* lawyer to help limit access to wage garnishments or direct removals from bank accounts.

However, the Act will not protect all instances where a Title Loan is in place. In these instances, the borrower has provided a vehicle as collateral. Consequently, while the Act would limit the degree of collections resulting from court cases, the lender would still have the option of repossessing the vehicle and if sold for a value in excess of the amount owed, then the surplus goes back to the borrower.[24] In this instance, the Act's provisions that protect the value of the vehicle would not apply.

Altogether though, the Act will offer significant legal protections for borrowers and greatly reduce cases of being sued.

For more information, contact: Dave Wells, Research Director, Grand Canyon Institute, at DWells@azgci.org or at (602) 595-1025, Ext. 2.

[24] Murphy, Declan (2019), "What You Need to Know About Arizona Online Title Loan Laws," Attorney At Law Magazine, Oct. 10, [What You Need to Know About Arizona Online Title Loan Laws (attorneyatlawmagazine.com)](attorneyatlawmagazine.com).