

Pooling (Data) Assets to Learn about Debts

Brian Bucks

Bureau of Consumer Financial Protection

December 6, 2018

The views expressed are those of the author and do not necessarily reflect those of the Bureau of Consumer Financial Protection or the United States. Not for distribution or citation.

Debt collection and the BCFP

- Debt collection is largest source of consumer complaints to BCFP, FTC
- BCFP said it plans to update collections rules



BCFP's Survey of Consumer Views on Debt

- First comprehensive and representative data on U.S. consumers' experiences with debt collection
- Sample of ~11,000 drawn from de-identified credit records
- Main survey fielded in early 2015 after a pretest in Dec. 2014
- Mail survey in English + web option in English and Spanish

Survey topics support policy and research

1. General financial situation and experiences (7 questions)
2. Debt collection experiences in the past year (13 questions)
3. Most recent debt collection (13 questions)
4. Disputes (10 questions) and lawsuits (3 questions)
5. Preferences for contacts about debts (5 questions)
6. Individual and household characteristics (16 questions)

Challenges for a survey on debt collection

1. **Targeting:** $\sim 1/3$ of credit records have a collection
2. **Nonresponse:** Finances are a sensitive topic, especially collections

Challenges for a survey on debt collection

1. **Targeting:** $\sim 1/3$ of credit records have a collection
2. **Nonresponse:** Finances are a sensitive topic, especially collections

Sampling from credit records gives some traction on both

BCFP's Consumer Credit Panel (CCP)

- Longitudinal data from about 5 million de-identified credit records (1-in-48 sample)
- Quarterly data on:
 - Credit score
 - Loan-level, lender-reported: type of loan, amount owed, payment status
 - Census tract
 - Non-credit related collections (e.g., utilities or medical bills)
 - **Plus:** Auxiliary demographic data from various sources

Sample design

New 60+ day delinquency on credit-related debt	New collection of non-credit-related debt		
	Any medical	Only non-medical	None
Student only	1	2	3
Credit card only	4	5	6
Other + multiple	7	8	9
None	10	11	12

~20% of CCP records

66% of sample

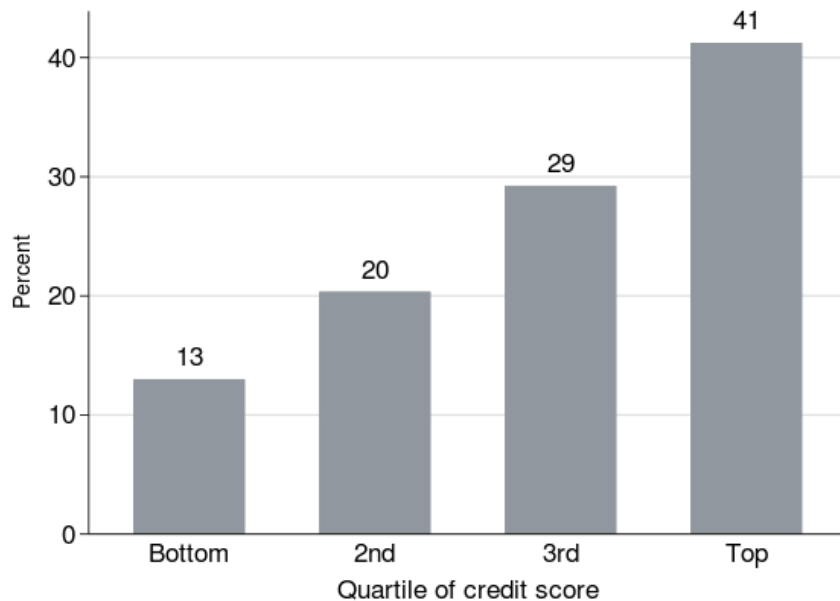
**~80% of CCP records
33% of sample**

Overall response rate was nearly 20%

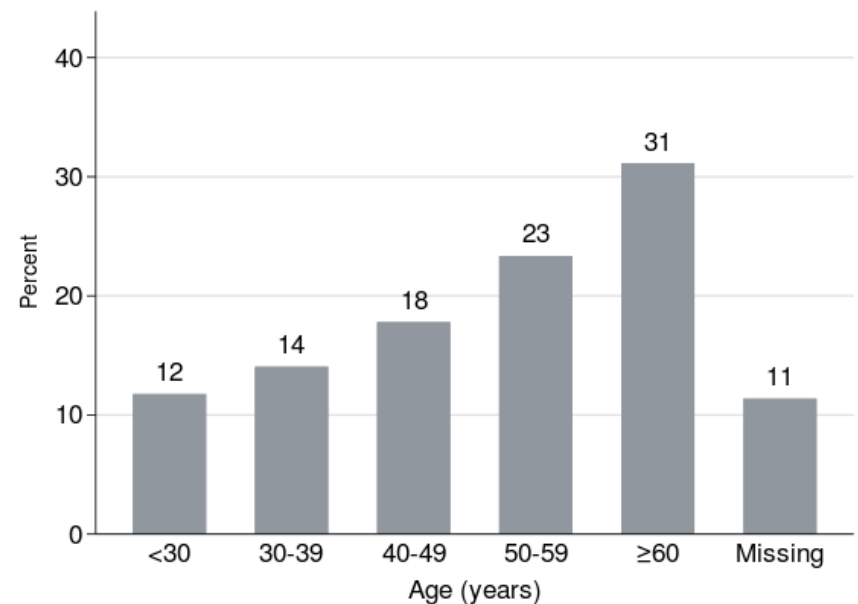
- 2,132 responses (226 online, 14 in Spanish)
- 21% response rate for main survey and 10% for pretest
- 15% for records w/ a collection or past-due loan
30% for records with neither } 27% response rate if hadn't over-sampled
- 13% if different census tract in March 2015 than Sept. 2014
21% if same census tract in March 2015 and Sept. 2014
- **Experiment:** Length and detail of Privacy Act statement did not measurably affect response

Higher-score and older consumers were more likely to respond

Response rates by credit score



Response rates by age



Credit-record & auxiliary data predict response (→ likely reduce non-resp. bias)

Measures of model fit

Covariates	Mean p-hat (%)		Percent concordant
	Not respond	Responded	
Imputed demographics from auxiliary data (race, marital status, gender, educ'n, housing tenure)	19	23	64
+ indicator for no new collection or delinquency	18	25	68
+ credit-record data (credit score; age; # loans, delinquencies, collections; bankruptcy; address change; housing type; etc.)	17	28	73

Debt collection contacts are common

- 32% of consumers said they were contacted about a debt in collection in the prior year
- Of these:
 - 57% contacted about 2–4 debts
 - 16% contacted about 5 or more

Shares of consumers by number of debts contacted about

Number of debts	Percent of consumers
None	68
One or more	32
One	9
Two to four	18
Five or more	5

Collection tradeline \neq contacted about a collection

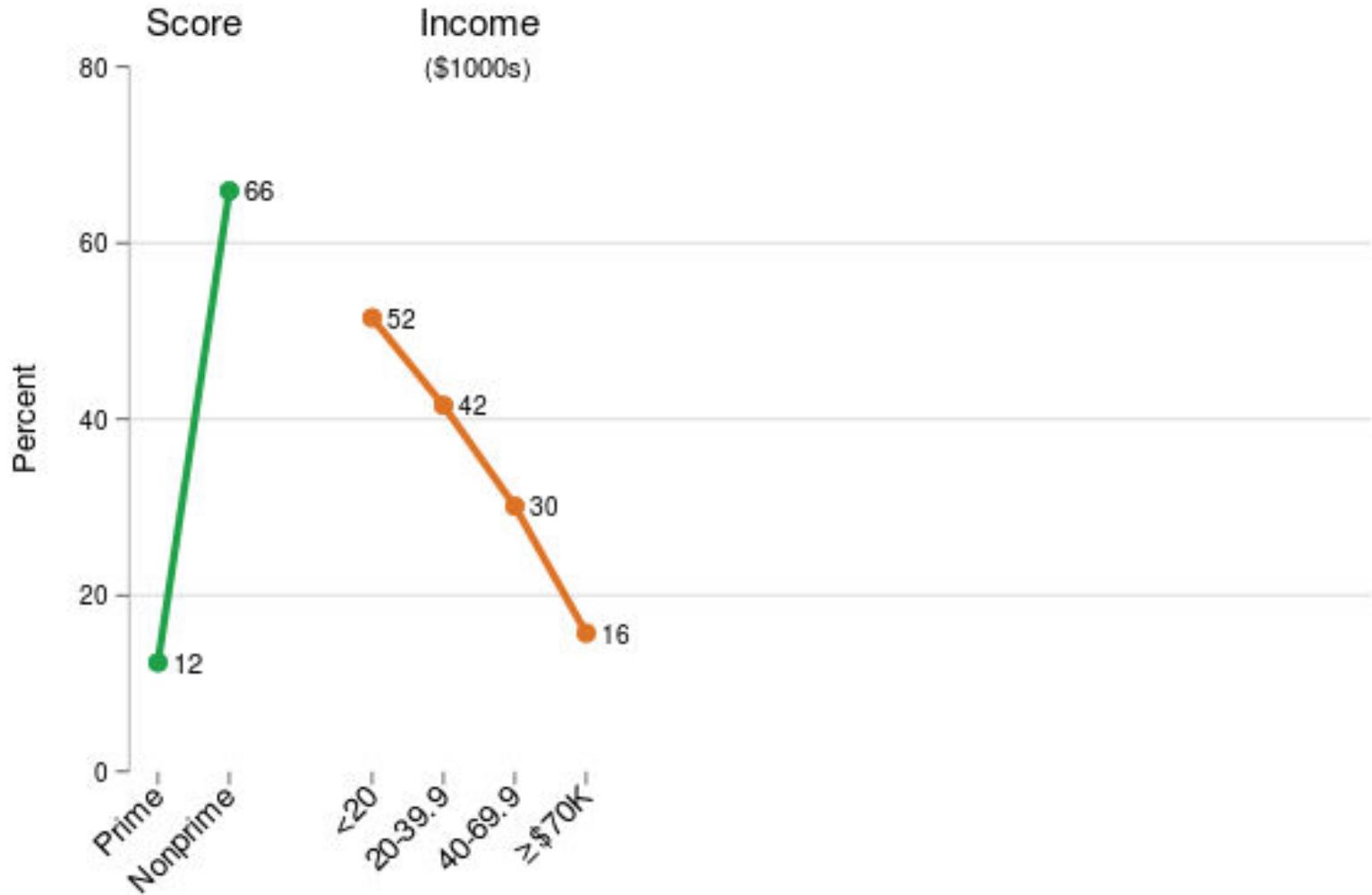
Share contacted about a collection in past year

Percent

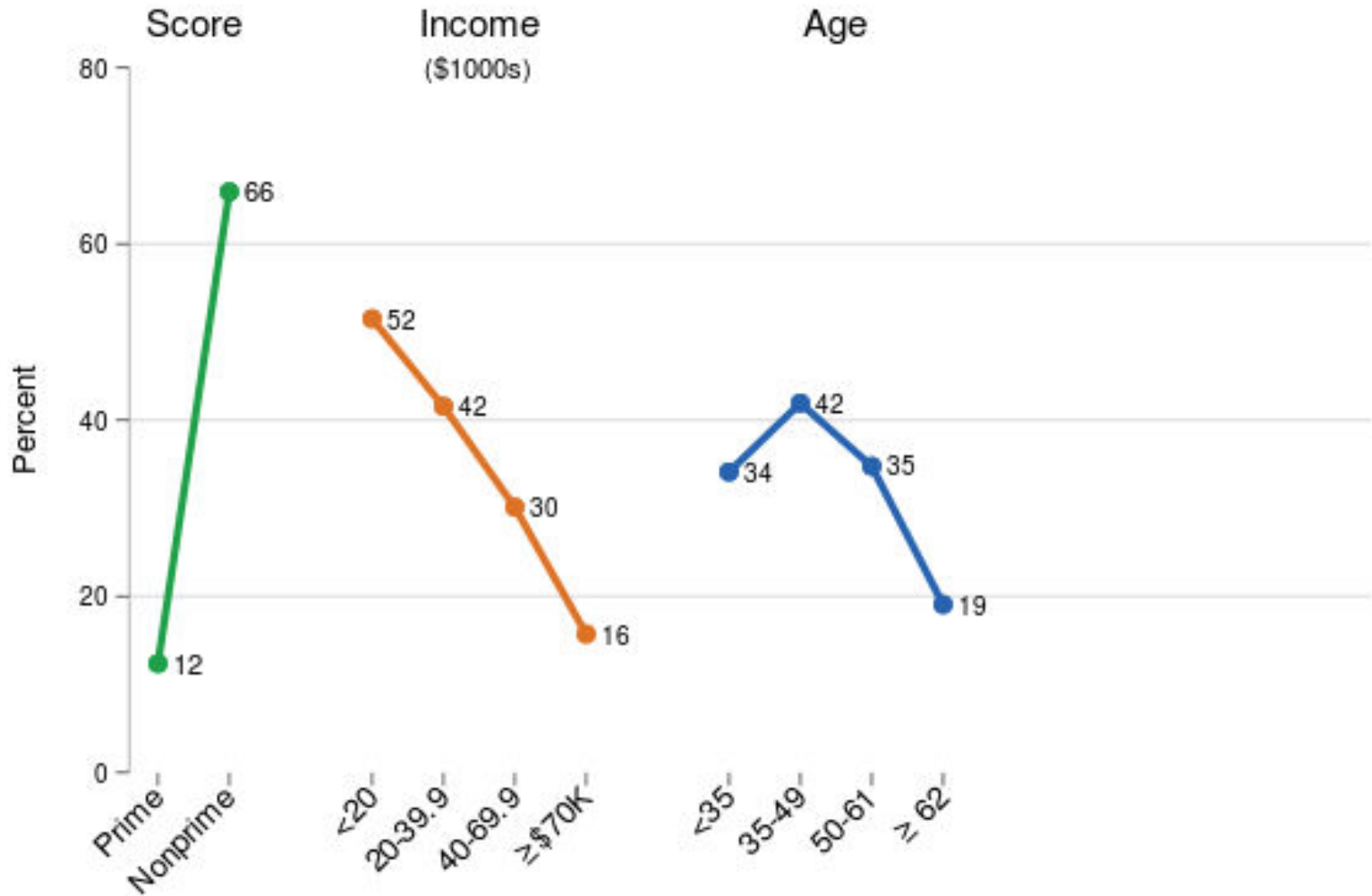
New 60+ day delinquency on credit-related debt	New collection of non-credit-related debt	
	Yes	No
Yes	94	76
No	79	20

- 96% of those who said they weren't contacted had no new collection tradeline; 52% of those contacted about 2+

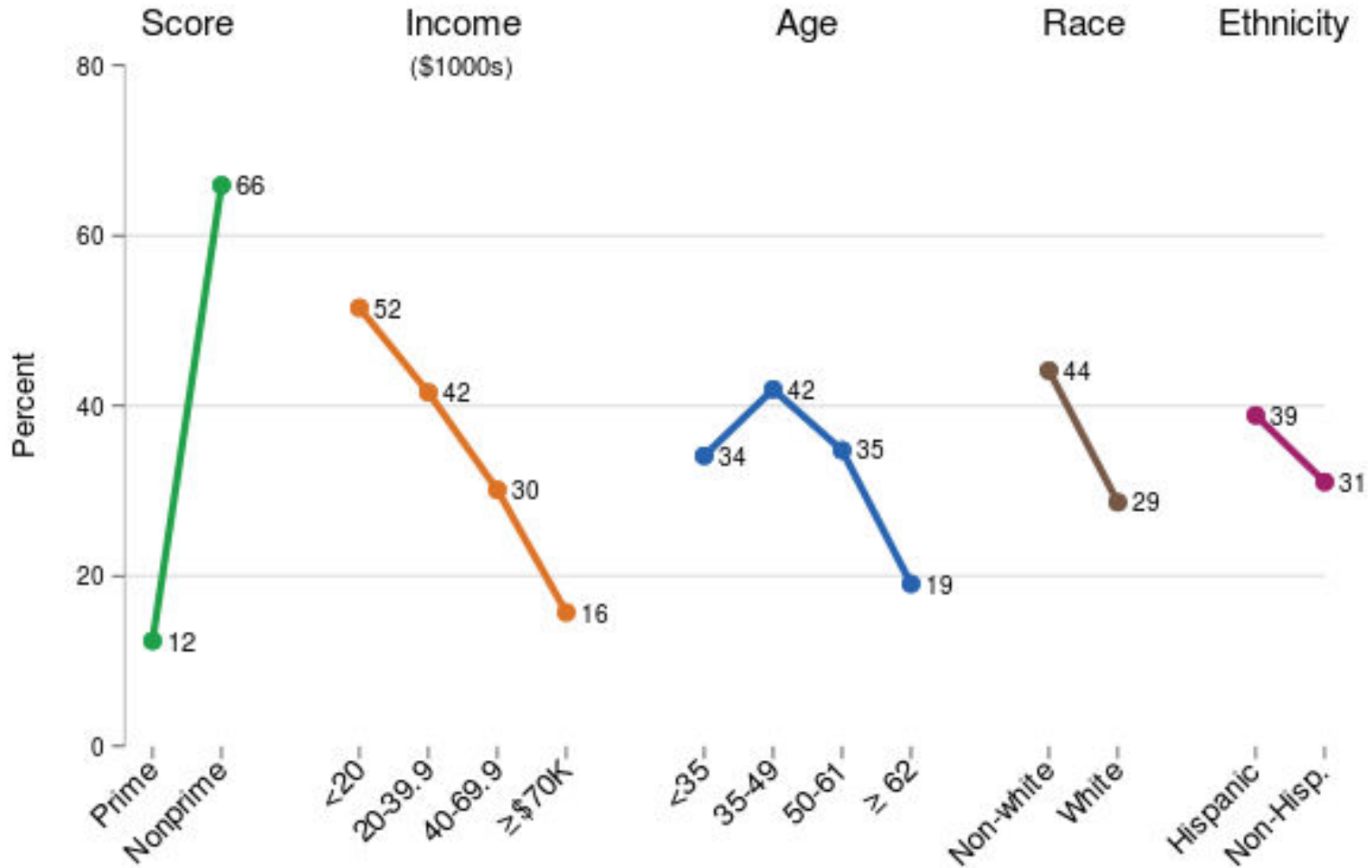
Those with lower scores or income were more likely to experience collections



The share contacted about a collection rises then falls with age



Greater shares of non-whites and Hispanics reported collection contacts



Collections experience is correlated with both positive & negative changes

Shares of consumers contacted about a collection By household event or shock

Household events last year	Percent of consumers
Added household member Marriage or new partner; birth, adoption, or other household addition	44
Household member left Separation/divorce; death of household member; person left household	45
Income rose Promotion or new job for respondent or spouse/partner	38
Income fell Loss of significant income for R or S/P; retirement for R or S/P	50
Other shocks Disability/serious illness for h'hold member; identity theft; natural disaster	52
Moved	34

... and with income fluctuations

Shares of consumers contacted about a collection By income last year relative to a “normal” year

Total household income last year relative to a “normal” year	Percent of consumers
Higher than normal	38
Normal	25
Lower than normal	50

Collections of medical bills is widespread

Most common debts consumers were contacted about

Type of debt	Percent
Past-due medical bill	59
Unpaid credit or charge card balance	44
Past-due telecom bill	37
Student loan	28
Past-due utility bill	28

Less-common debts: taxes (21%), auto purchase loan (18%), legal expenses or judgments (14%), mortgages or HELOCs (12%), payday loans (11%), and rent (11%)

Collections of medical bills is widespread

Most common debts consumers were contacted about

Type of debt	Percent	Range across groups	
		Max	Min
Past-due medical bill	59	62	52
Unpaid credit or charge card balance	44	54	34
Past-due telecom bill	37	45	20
Student loan	28	47	8
Past-due utility bill	28	35	11

Less-common debts: taxes (21%), auto purchase loan (18%), legal expenses or judgments (14%), mortgages or HELOCs (12%), payday loans (11%), and rent (11%)

Consumers often report collections attempts they believed were in error

- 53% of consumers contacted about a debt in collection cited an issue with at least one of the debts
 - Did not owe: 28%;
 - Incorrect amount: 33%
 - Owed by a family member: 16%
- 27% of those contacted reportedly had disputed a debt
 - 42% of those who cited an issue with a collection; 11% for others
 - Most commonly: whether the amount was right
- Larger differences across age, income, and score groups in $\text{Pr}(\text{disputed})$ than $\text{Pr}(\text{issue})$

Lawsuits are less common and may often go uncontested

- 15% consumers with collections experience said they'd been sued about a debt in collection in the past year
 - 6% of those contacted about 1 debt; >30% of those with 5 or more
 - 20% of those aged 50 or older or with income < \$20,000
- About one quarter of these consumers attended the court hearing

Contact frequency varies widely, but most say it is “too often”

Contact frequency: most recent collection

Usual contacts per week	Percent
Less than once	33
1 to 3 times	30
4 to 7 times	20
8 or more times	17

Share reporting they were contacted “too often”

Usual contacts per week	Percent
All	63
Less than once	22
1 to 3 times	74
4 to 7 times	88
8 or more times	91

Interactions with creditors were viewed more positively than with collectors

Consumer characterization of contacts with most recent creditor or collector

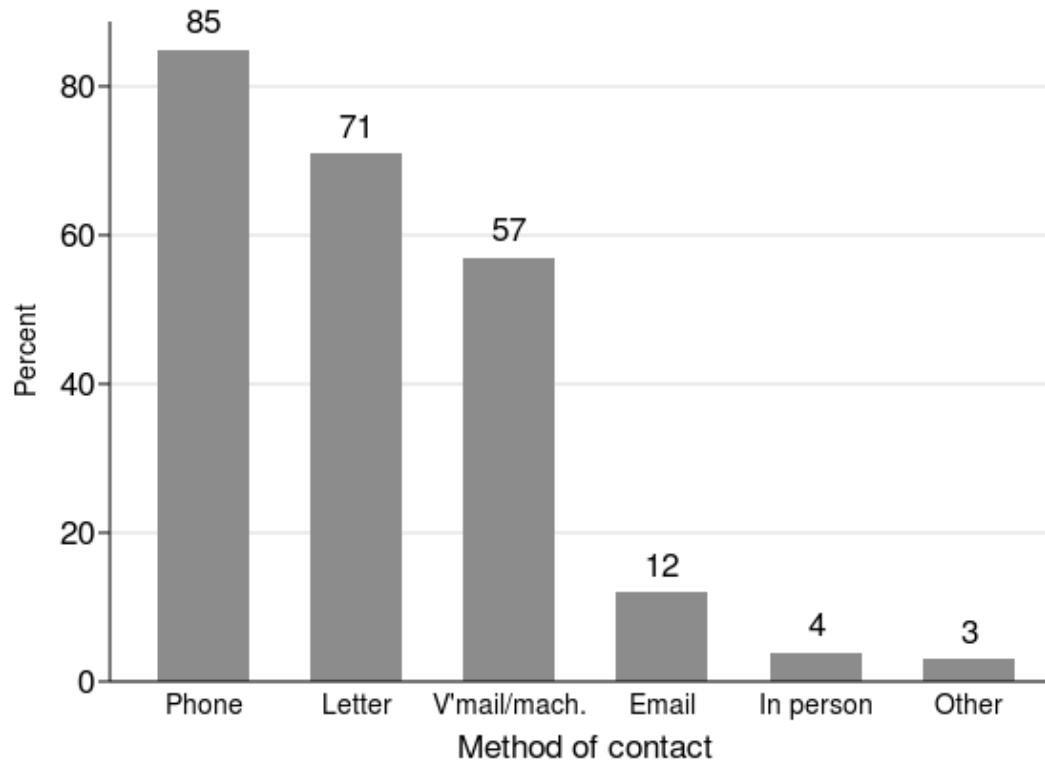
Percent

Most recent contact by	Positive						Negative		
	Accurate info	Provide options	Preferred language	State reason	Address questions	Polite	Contact too often	Call 9pm-8am	Threaten
Creditor (23%)	77	60	81	88	66	66	59	34	16
Collector (63%)	49	49	79	87	44	50	64	34	28

Note: Percentages for consumers who did not know whether most recent contact was from creditor or collector not shown

How are consumers contacted?

Methods of contact: most recent collection



- Phone + voicemail or answering machine: 88%
- Letter only: 10%

Consumers prefer letter, home or cell phone and least prefer in-person contacts

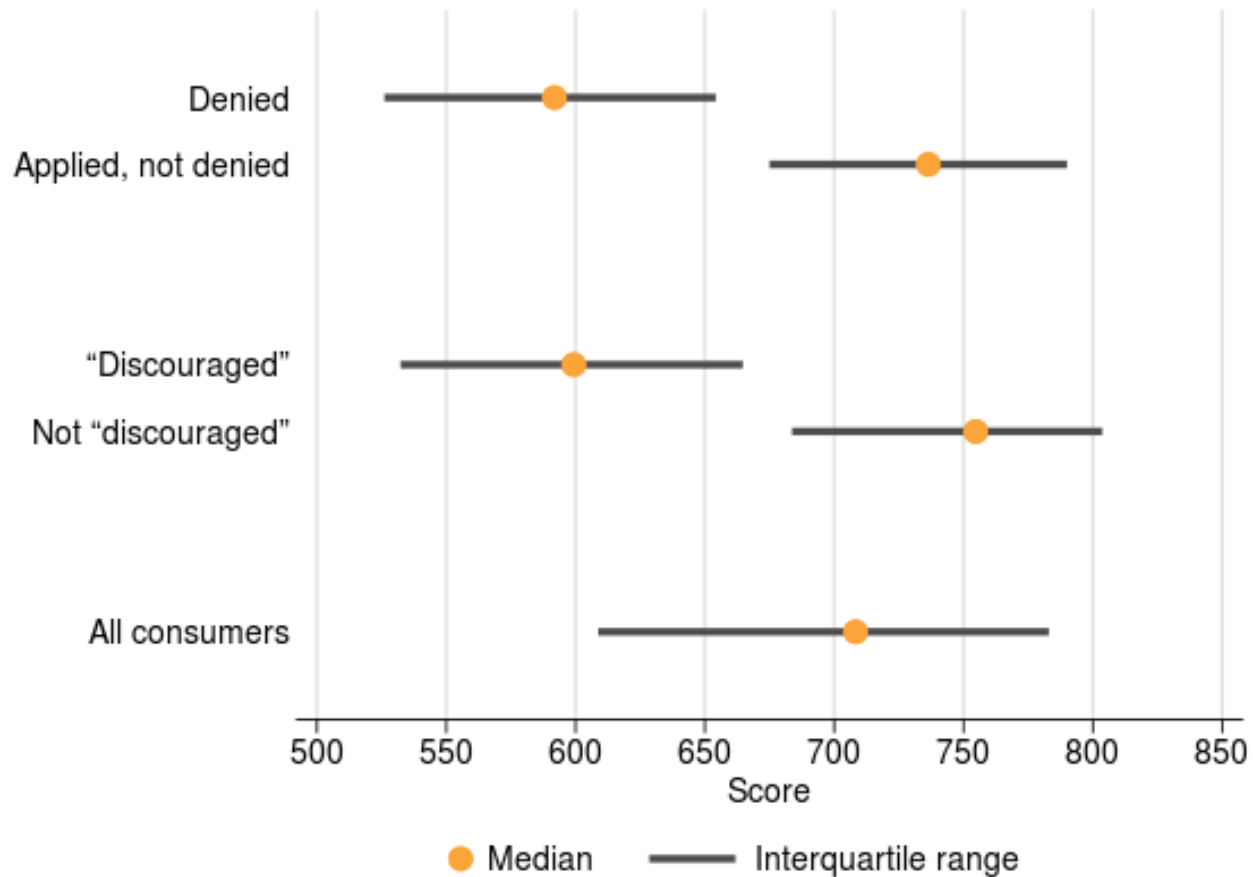
Selected most- and least-preferred contact methods

Percent

Contact method	Most preferred	Least preferred
Letter	46	7
Home phone	11	8
Cell phone	14	16
Work phone	<1	9
In-person	2	20

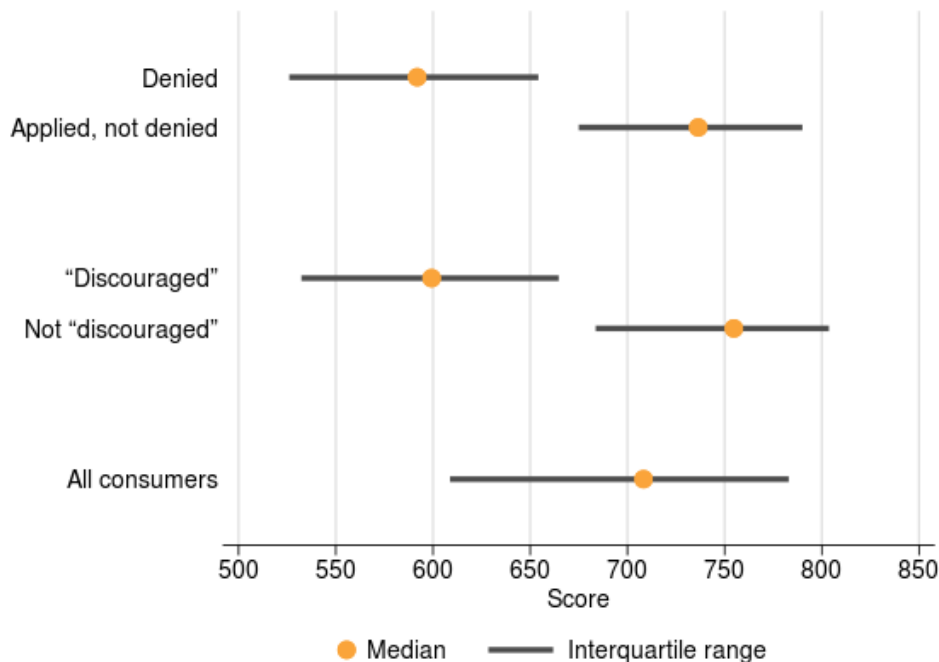
Borrowers generally have a sense for their creditworthiness

Score quartiles by credit experiences



Borrowers generally have a sense for their creditworthiness

Score quartiles by credit experiences

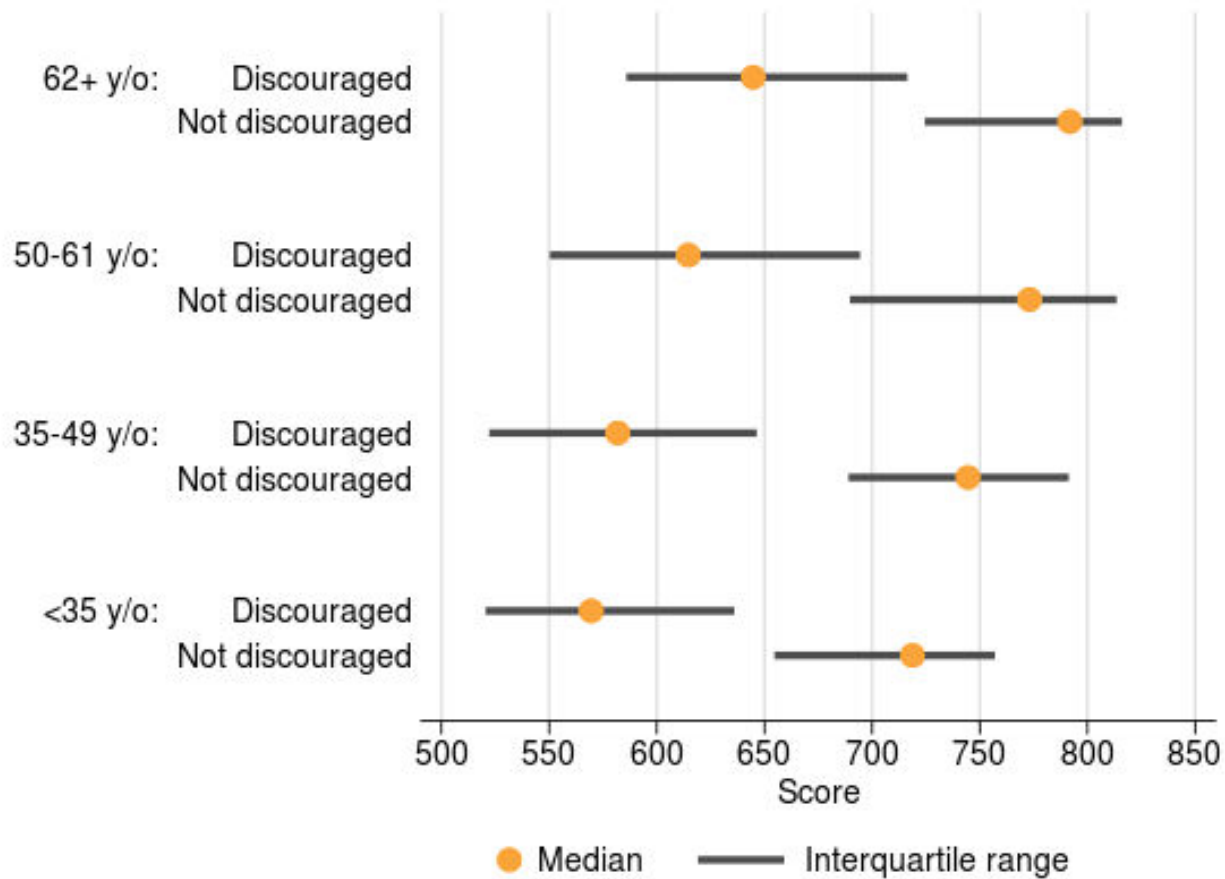


Adj-R² from regression of credit score on...

- Age, age², marital status, & 5 income categories: 0.29
- Interactions of applied, denied, and discouraged: 0.36
- All of the above: 0.48

Pattern is similar conditioning on age

Score quartiles by age group and whether “discouraged”



Broader lessons

1. Credit-bureau and survey data as complements

Credit Bureau data strengthen surveys through

- Sampling frame for less-common debts or specific types of consumers
- Longitudinal detail
- Auxiliary data are useful predictors, even if often \neq self-reported data

Surveys provide

- Data on borrowers' experiences, decisions, preferences and situations
 - Possibly more reliable demographic data
-
- "SCF questions" can be a strong proxy for credit constraints and score for surveys that can't link to credit record info

Broader lessons

2. Consumers' debt collection experiences

- A sizable share of U.S. consumers are contacted about debts in collection
- Differences across groups in the incidence of collections largely align with differences for other measures of financial distress
- Medical debt is common for all credit and demographic groups
- Together, the data on contacts, issues, and disputes suggest collections are frustrating, yet consumers may be reluctant or unsure how to respond