

**CONSUMER AFFAIRS SUBPOENAS DEBT COLLECTION AGENCIES
TO CHECK COMPLIANCE WITH NEW CHILD SUPPORT RULES**

FOR IMMEDIATE RELEASE
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The New York City Department of Consumer Affairs (DCA) has subpoenaed records from fifty licensed debt collection agencies to check compliance with new disclosure and fee requirements for agencies collecting child support payments. The action was triggered when more than half (408) of the 763 licensed agencies did not respond to a DCA mailing requesting that each verify whether child support services are provided. Of the 355 that responded, only two acknowledged that they collect child support payments. DCA will continue to subpoena records of all licensed agencies that do not submit proper documents.

"Parents who depend on debt collection agencies to help them get the child support payments they're entitled to shouldn't be exploited by agencies that sock them with high fees and unclear contract terms," said DCA Commissioner Gretchen Dykstra. "Mayor Bloomberg made it clear last week that his administration is committed to protecting the City's children that rely on these payments, and holding private collection agencies accountable is just one way of ensuring that. We're skeptical that only two agencies actually provide these services and have requested records to make sure. New York has the toughest debt collection law in the country -- companies that choose to thumb their nose at their responsibilities risk serious penalties, including losing their license."

All licensed debt collection agencies that solicit child support payments must adhere to strict fee limits and restrictions, and submit a copy of their contract and disclosure form to the DCA. The subpoenas solicit all documents prepared in regards to child support collections in the last four months, with violators facing maximum penalties of \$1,000 per violation and possible license revocation.

Under Local Law 70, debt collection agencies collecting child support must:

Be licensed by the DCA.

Provide a written disclosure form clearly stating that the consumer is under no obligation to use their services and that the New York City Office of Child Support Enforcement Services (OCSE) provides child support collection services at no cost.

Disclose all fees.

Provide all contracts in writing.

Debt collection agencies collecting child support are also prohibited from:

- Charging an application fee.
- Charging interest or a fee for its services that exceeds 15% of each child support payment collected.
- Charging any interest or fee for a current child support payment.
- Charging an early-termination fee.
- Designating a current payment of child support as arrears and/or prohibiting the cancellation of a contract until arrears are paid.
- Charging a fee for legal services unless paid to an independent firm and agreed upon in writing by the potential client.
- Entering into contracts for periods longer than 12 consecutive months.
- Renewing a contract without written consent of all parties or if there has been no collection activity for the preceding six months.

According to the Office of Child Support Enforcement Services (OCSE), a division of the City's Human Resources Administration, there are currently 290,000 total cases in New York City with child support

orders. This year the agency collected more than \$500 million in child support payments on behalf of the City's children at no cost.

For more information on the City's free child support collection services, call 3-1-1 or OCSE directly at 212-226-7125, or visit OCSE's Customer Service Office in lower Manhattan at 151 West Broadway, 4th floor between 8:00AM and 5:00PM, Monday to Friday.

Debt collection agencies, whether located in New York City or outside, that collect from City residents, must be licensed by the DCA. The DCA has received 450 complaints so far this year about debt collection agencies. For a copy of the DCA's Debt Collection Guide or to file a complaint, call 3-1-1 or visit the DCA online at www.nyc.gov/consumers.