Market Snapshot: An Update on Third-Party Debt Collections Tradelines Reporting

February 2023

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Executive Summary

Families' ability to meet their financial obligations is a fundamental part of their financial health and resilience. Collections tradelines—amounts of allegedly past-due accounts appearing on consumer credit reports—can provide one view of this aspect of household balance sheets in the United States, while also reflecting decisions by debt collectors and consumer reporting agencies.

Collections tradelines are sometimes reported, or "furnished," to credit reporting companies by debt collectors, including debt collectors who collect on behalf of original creditors for a fee ("non-buyer debt collectors" or "contingency-fee-based debt collectors") as well as debt collectors who purchase overdue accounts outright from creditors ("debt buyers"). Collections tradelines are considered negative and can lower consumers' credit scores. They are visible to potential lenders, employers, landlords, and others who run credit checks.

This report examines trends in collections tradelines on consumer credit reports from the first quarter of 2018 to the first quarter of 2022. Key findings of this report include:

- **From Q1 2018 to Q1 2022, the total number of collections tradelines on credit reports declined by 33 percent, from about 261 million tradelines in 2018 to about 175 million tradelines in 2022.** The share of consumers with a collection tradeline on their credit report decreased by 20 percent over the period. The decline in collections tradelines does not necessarily reflect a decline in debt collection activity, nor an improvement in families' abilities to meet their financial obligations, but a choice by debt collectors and others to report fewer collections tradelines while still conducting other collection activities.
- **The decline in furnishing is driven by contingency-fee-based debt collectors, who furnished 38 percent fewer tradelines from Q1 2018 to Q1 2022.** In contrast, debt buyers increased the number of collections tradelines they furnished by 9 percent over the same period. This is consistent with the CFPB's market monitoring indicating that contingency-fee-based debt collectors are moving away from furnishing.
- **The number of contingency-fee-based debt collectors furnishing tradelines declined by 18 percent (from 815 to 672) over the same period, while the number of debt buyers who furnish collections tradelines held constant from 2018 to 2022 at 33.** Based on the CFPB's market monitoring, this decrease in the number of contingency-fee-based debt collectors may reflect both ongoing industry consolidation and a decline in furnishing as a result of higher dispute rates for collections tradelines as compared to other components of consumer credit reports.

- **Contingency-fee-based debt collectors primarily furnish medical collections tradelines, while debt buyers primarily furnish financial collections tradelines.** Medical bills account for 68.9 percent of furnished collections by contingency-fee-based debt collectors, followed by telecommunications at 12.5 percent, and utilities at 4.5 percent. In contrast, debt buyers primarily furnish financial and retail collection tradelines, accounting for 62.2 percent and 36.3 percent of their furnished collections, respectively.

- **Most collections tradelines are for low-balance, non-financial accounts.** The median collections balance is $382, and almost three-quarters of all collections are non-financial, including medical, utility, telecommunications, and rental/leasing collections. Collection tradelines, including for low-balance amounts, can hurt people's credit scores, although collection tradelines are generally less predictive of future default risk than tradelines associated with lending activity. Newer credit scoring models exclude low-balance collections.

- **Medical collections tradelines still constitute a majority (57 percent) of all collections on consumer credit reports**. Upcoming changes to medical collections reporting, as announced by Equifax, Experian, and TransUnion, will remove low-balance (less than $500) and paid medical collection tradelines from consumer credit reports. While this will reduce the total number of medical collections tradelines, an estimated half of all consumers with medical collections tradelines will still have them on their credit reports, with the larger collection amounts representing a majority of the outstanding dollar amount of medical collections remaining on credit reports.

- **Rental and leasing collections constitute the smallest share of all tradelines, but they have the highest median dollar amount at $1,259.** Rental tradelines fell by about 22% from Q1 2018 to Q1 2022, and are primarily furnished by contingency-fee-based debt collectors.

1. Introduction[1]

This report examines debt collections tradelines on consumer credit reports from 2018 to 2022, a period during which industry-wide shifts led to heightened scrutiny of debt collectors' credit reporting tactics.

Background

A collections tradeline is an item on a consumer's credit report. It includes information about an individual's allegedly unpaid bills. Credit scoring models, such as those produced by FICO or VantageScore, use the information contained in tradelines, including collections tradelines, to generate a consumer's credit score.[2] Collections tradelines, which are considered negative, generally may appear on a consumer report for up to seven years.[3]

Collections tradelines are reported, or "furnished," to credit reporting companies by debt collectors, including debt collectors who collect on behalf of original creditors for a fee ("non-buyer debt collectors" or "contingency-fee-based debt collectors")[4] as well as debt collectors who purchase accounts outright from creditors ("debt buyers").[5] Collections tradelines reported by debt collectors can lower consumers' credit scores and are visible to potential lenders, employers, landlords, and others who run credit checks. However, debt collectors' furnishing

[1] This report was prepared by Camille Kirsch and K Eswaramoorthy, with assistance from Ryan Kelly, Mark Cavin, Lucas Nathe, Katherine Hubbard, and Jacqueline Wilson.

[2] For more information on these credit scores, see: FICO, "What is a FICO Score?" *available at* https://www.myfico.com/credit-education/credit-report-credit-score-articles/ and VantageScore, "What Impacts Your Credit Score?" *available at* https://vantagescore.com/consumers/education/how-credit-scores-work/.

[3] The length of time that a tradeline persists as part of a consumer's credit record depends on the type of tradeline and whether the information contained is positive or negative. For more information, see, for instance: Ask CFPB, "How Long Does Information About Me Stay On My Consumer Report" *available at* https://www.consumerfinance.gov/ask-cfpb/how-long-does-information-about-me-stay-on-my-consumer-report-en-1121/.

[4] Non-buyer debt collectors contract with creditors to collect debts owned by the creditor and are often paid on a contingency fee basis, meaning they keep a percentage of the revenue they collect and remit the rest to the creditor. Some non-buyer debt collectors are instead paid a flat fee based on placements or hours worked.

[5] In contrast, debt buyers purchase portfolios of charged-off debt from creditors and retain the entirety of the revenue they collect. Some debt collectors are both debt buyers and non-buyer debt collectors, since it is possible for a single debt collection firm to collect both on debts it owns and debts others own. Measured by revenue, non-buyer debt collectors account for a greater share of the collections market than debt buyers (*see* IBIS World, "Debt Collection Agencies in the US," June 2022, pg. 45, and Kaulkin Ginsberg, "The Kaulkin Report, 2022 Edition, Sub-Report: Market Sizing," 2021, pg. 3).

policies are not uniform and not all delinquent accounts appear on consumer credit reports.[6] Some debt collectors report that they never furnish accounts placed with them to credit reporting companies, while others say they furnish on all accounts.[7] This can result in some credit-reporting variation among consumers who owe debts to the same creditor: if a consumer's debt is assigned to a debt collector that furnishes on all accounts, then the consumer will generally have a collection on their report. But if that same consumer's debt is instead assigned to a debt collector that does not furnish, then the consumer will generally not have a collection on their report and may appear to potential lenders to have less credit risk, despite having the same amount of debt.

Collections tradelines differ from other content on consumer credit reports. Non-financial tradelines are often not reported by the original creditor from whom the consumer took out a loan or purchased a service.[8] For example, nearly all medical collections furnishing is done by debt collectors, rather than healthcare providers themselves.[9] In contrast, banking/financial debt is often furnished directly by the lender or service provider, who may not allow debt collectors to furnish on their behalf. Third-party debt collectors may have limited access to the original creditor's system of record, which may contribute to higher dispute rates for collections tradelines as compared to other components of consumer credit reports.[10] Collections tradelines also differ from most other information on consumer credit reports in that nearly three-quarters of all debt collections tradelines on consumer credit reports are for non-financial accounts, such as medical, utilities, telecommunications, and rental/leasing collections. These non-financial accounts may not be accurate predictors of a consumer's ability to repay financial loans. Financial collections, on the other hand, are those due to lending institutions and are primarily for repayment of credit extended.

Non-financial accounts often appear on consumers' credit reports for the first time as collections tradelines. For non-financial debts, of which medical bills are the most common, the original

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[6] *See* Bureau of Consumer Financial Protection, "Experiences with Debt Collection: Findings from the CFPB's Survey of Consumer Views on Debt" (2017), pg. 14. "[N]early 80 percent of consumers who reported having been contacted about a single debt in collection in the past year did not have a new collection tradeline reported between January 2014 and March 2015."

[7] According to market monitoring conversations between debt collection firms and the CFPB.

[8] It is worth noting that many creditors furnish information to CRAs, so information about the account before it was sent to collections may also appear on a consumer's report.

[9] Bureau of Consumer Fin. Prot., "Data point: Medical debt and credit scores," May 2014, *available at* https://files.consumerfinance.gov/f/201405_cfpb_report_data-point_medical-debt-credit-scores.pdf.

[10] *See* Bureau of Consumer Financial Protection, "Consumer Credit Trends: Disputes on Consumer Credit Reports" (2021), pg. 5 at note 8, *and* Bureau of Consumer Financial Protection, "Key Dimensions and Processes in the U.S. Credit Reporting System" (2012), pgs. 29-31.

creditors usually do not report payment information to credit reporting companies.[11] As a result, consumers' on-time payments on these non-financial accounts generally do not build credit. Because this positive payment behavior is not always reported, creditors who rely on credit reports will have an incomplete view of consumers' financial status and payment record. Meanwhile, collection tradelines can harm consumers' credit, even though non-financial collections may not accurately predict credit risk, especially for low-balance accounts.[12] Neither of the two leading credit score providers consider low-balance collections in their newer credit scoring models, because they are not strong predictors of future credit performance.[13] Specifically, FICO Score versions 8 and later exclude collections under $100, and VantageScore versions 3.0 and later exclude collections under $250.[14] VantageScore also announced that neither of its most recently introduced scoring models (VantageScore 3.0 and 4.0) will use medical debt collection data in the calculation of consumers' credit scores, regardless of the amount owed or the age of the collection.[15]

Findings

This report updates and adds to a prior CFPB report, "Market Snapshot: Third-Party Debt Collections Tradeline Reporting," released in July 2019.[16] Both reports are based on information from the CFPB's Consumer Credit Panel (CCP), a national 1-in-48 sample of de-identified credit reports from one of the three nationwide consumer reporting agencies (NCRAs).[17] The 2019 report looked at CCP data from 2004 to 2018. Its key findings included that most collections tradelines are furnished by debt collectors; that 58 percent of collections tradelines were medical; that debt buyers primarily furnished banking and financial collections tradelines; that furnishing by debt buyers had declined steadily from 2009 to 2016 but was beginning to rise;

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[11] *See* Bureau of Consumer Financial Protection, "Consumer credit reports: A study of medical and non-medical collections" (Dec 2014), *available at* https://files.consumerfinance.gov/f/201412_cfpb_reports_consumer-credit-medical-and-non-medical-collections.pdf.

[12] Ibid.

[13] Ibid.

[14] *See* Experian, "What Types of Debt Can Go to Collections?" (July 2021), *available at* https://www.experian.com/blogs/ask-experian/what-type-of-debt-can-go-to-collections/, and VantageScore, "13 Ways Credit Scores Have Changed in the Past 20 Years" (Aug 2016), *available at* https://vantagescore.com/press_releases/13-ways-credit-scores-have-changed-in-the-past-20-years/.

[15] *See* VantageScore, "VantageScore Removes Medical Debt Collection Records From Latest Scoring Models" (Aug 2022) *available at* https://www.vantagescore.com/major-credit-score-news-vantagescore-removes-medical-debt-collection-records-from-latest-scoring-models/.

[16] Bureau of Consumer Financial Protection, "Market Snapshot: Third-Party Debt Collections Tradeline Reporting" (July 2019), *available at* https://files.consumerfinance.gov/f/documents/201907_cfpb_third-party-debt-collections_report.pdf (hereinafter "2019 Market Snapshot").

[17] Figures may vary slightly across the two reports due to differing sample construction.

and that tradelines furnished by debt buyers were more likely to be disputed than tradelines furnished by non-buyer debt collectors.

This report revisits those findings in light of changes to debt collection and furnishing practices from 2018 to 2022. Firstly, changes to credit reporting practices made during the COVID-19 pandemic, including via section 4021 of the CARES Act, may have affected debt collections furnishing.[18] Consumer payment behavior also changed during COVID-19 due to stimulus funds.[19] Secondly, the CFPB's debt collection final rule, which took effect in November 2021, includes a provision intended to prevent debt collectors from using the credit reporting system to coerce consumers to pay debts they do not owe.[20] Lastly, in March 2022, Equifax, Experian, and TransUnion announced changes to the reporting of medical collections. These voluntary changes (which are not reflected in our data because they took effect after Q1 2022) include the removal of paid medical collections tradelines, the extension to one year of the waiting period before medical collections can be placed on credit reports, and the future removal of medical collections tradelines under a balance threshold of at least $500.[21]

Our analysis shows that several of the 2019 report's findings remain unchanged. However, we also find that the number of collections tradelines on consumer credit reports has been steadily declining over the past four years. This decline is specifically being fueled by the behavior of non-buyer debt collectors, who reported 38% fewer tradelines in the first quarter of 2022 compared to the first quarter of 2018. Non-buyer debt collectors continue to furnish more than 80 percent of all debt collections tradelines, and medical bills continue to account for the majority of all collections tradelines. Meanwhile, debt buyers furnished nearly 10 percent more collections tradelines in Q1 2022 compared to Q1 2018.

Our data does not show the cause for these diverging furnishing trends. However, non-buyer debt collector revenue has increased over this time period,[22] which may indicate that the driving

[18] *See e.g.,* FinRegLab. "Covid-19 Credit Reporting & Scoring Update" (July 2020) *available at* https://finreglab.org/wp-content/uploads/2020/07/FinRegLab-Research-Brief-Covid-19-Credit-Reporting-Scoring-Update.pdf, and Bureau of Consumer Financial Protection, "Consumer Reporting FAQs Related to the CARES Act and COVID-19 Pandemic," Feb. 2022, *available at* https://files.consumerfinance.gov/f/documents/cfpb_fcra_consumer-reporting-faqs-covid-19_2020-06.pdf.

[19] *See* NBER, "Most Stimulus Payments Were Saved or Applied to Debt" (October 2020) *available at* Most Stimulus Payments Were Saved or Applied to Debt | NBER.

[20] This provision prohibits a debt collector covered by the rule from furnishing information about a debt without first speaking to the consumer about the debt or mailing a letter (or sending an electronic communication) about the debt and waiting a reasonable period. *See* 12 CFR 1006.30(a).

[21] Consumer Data Industry Association, "National Credit Bureaus Support Consumers with Changes to Medical Collection Debt Reporting," Mar. 2022, *available at* https://www.cdiaonline.org/news/2022/03/18/equifax-experian-and-transunion-support-u-s-consumers-with-changes-to-medical-collection-debt-reporting/.

[22] *See* IBIS World, "Debt Collection Agencies in the US," June 2022, pg. 45.

factor is something other than a decline in the number of debt collectors working on behalf of original creditors. Anecdotally, reasons non-buyer debt collectors have cited for moving away from credit reporting include ethical concerns and data showing that credit reporting is not cost effective for many debts, with high FCRA compliance and consumer litigation costs.[23] In contrast, some debt buyers said that they continue furnishing because they feel more confident about their ability to meet FCRA requirements and can better afford FCRA litigation costs.

Because non-buyer debt collectors primarily furnish non-financial collections while debt buyers primarily furnish financial collections, these diverging furnishing trends have also resulted in increasing numbers of financial collections (e.g., banking/financial collections) and decreasing numbers of non-financial collections (e.g., medical collections) on consumer credit reports. The number of banking/financial collections and retail collections tradelines increased slightly from 2018 to 2022. In contrast, the number of collections tradelines in categories dominated by non-buyer furnishers—including medical, utility, and telecom debt—decreased dramatically. Between 2020 and 2022, the number of credit reports with at least one medical collection tradeline fell from 45.9 to 37.7 million—or from 16.4 percent to 13.5 percent of all credit reports, as shown in Figure 1.

Overall, median balance amounts increased for almost every collection type over this period. Rental/leasing collections, which accounted for 3 percent of all collections tradelines on consumer credit reports, had the highest median balance. Medical collections, which accounted for 57 percent of all collections tradelines, had the lowest median balance. The median balance is expected to increase in 2023, after Equifax, Experian, and TransUnion remove medical collections tradelines that have balances below $500 and medical collections tradelines that have already been paid off. Most collections tradelines had a balance of less than $400; the median balance across all collections was $382.

Lastly, our analysis finds that the overall collections furnishing is not highly concentrated, with the top four furnishers of debt collections tradelines accounting for 18 percent of all debt collections tradelines. However, market concentration varied across asset classes (or debt type), with some asset classes dominated by a few major furnishers.[24] For example, in Q1 2022, the top four furnishers of banking/financial collections accounted for 81.6% of all banking/financial tradelines reported, while the top four furnishers of medical collections accounted for only 14.7% of all medical tradelines reported. Because there are a few key furnishers specializing in certain types of debt, consumers can have varied experiences with the furnisher depending on

[23] CFPB market monitoring conversations held between January - September 2022.

[24] We define "asset types" to refer to the original creditor types, as identified via the original creditor code reported by the furnisher of the collection tradeline.

the type of debt they owe. Consumer experience, such as dispute resolution, will vary because of the difference in market share.

2. Data

As in the 2019 report, data for this analysis comes from the CFPB's Consumer Credit Panel (CCP), a 1-in-48 deidentified longitudinal sample of credit reports from one of the NCRAs. We observe original creditor type, furnisher information, and balance amount for each collections tradeline included in quarterly CCP files from Q1 2018 to Q1 2022. The CCP files include paid and zero-balance accounts. See Appendix A and B for more detailed data.

Original creditor types, which we refer to as "asset types," are identified via the original creditor code reported by the furnisher of the collections tradeline. The available original creditor codes are Retail, Medical/Health Care, Oil Company, Government, Personal Services, Insurance, Educational, Banking, Rental/Leasing, Utilities, Cable/Cellular, Financial, Credit Union, Automotive, and Check Guarantee. For this report, we have grouped Banking, Financial, and Credit Union codes together into the category banking/financial. We relabeled tradelines with the Cable/Cellular code as Telecom. We grouped less commonly used codes (Oil Company, Personal Services, Insurance, Educational, Automotive, Check Guarantee) into an Other category, and categorized collections without an original creditor code as Unknown.[25]

While our data allows us to look at national trends in collections tradeline furnishing over time, it has certain limitations. The CCP is derived from the credit reports from one of the three NCRAs. Not all debts in collections are reported to all three NCRAs.[26] Some debt collectors do not furnish information on the debts they own or service to any credit reporting companies. Other debt collectors furnish information to just one or two of the three NCRAs. Thus, the CCP does not have complete coverage of all debts in collections or of all collections on consumer credit reports. Given these limitations, our results represent trends in collections tradeline furnishing with one of the three NCRAs from 2018 to 2022. An analysis of data from a different nationwide consumer reporting company might yield different results.

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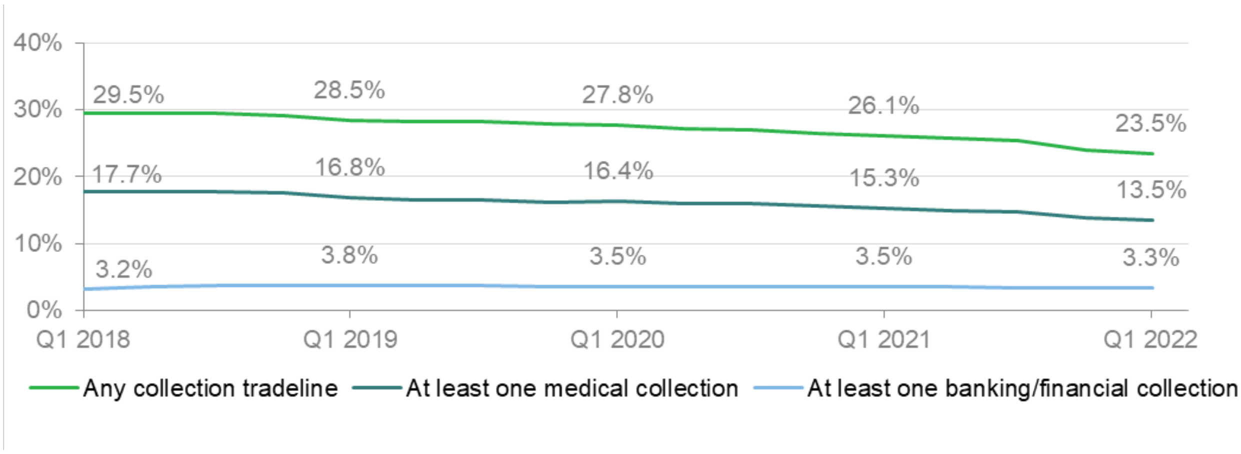
[25] For more information on original creditor codes, *see* Consumer Data Industry Association, "2017 Credit Reporting Resource Guide" (2017), hereinafter "Metro 2 Manual 2017."

[26] *See* Bureau of Consumer Financial Protection, "Experiences with Debt Collection: Findings from the CFPB's Survey of Consumer Views on Debt" (2017), pg. 14. "[N]early 80 percent of consumers who reported having been contacted about a single debt in collection in the past year did not have a new collection tradeline reported between January 2014 and March 2015."

3. Overall Trends

A substantial percent of consumers have at least one collections tradeline on their credit report—although that number is declining. As of Q1 2022, nearly one-quarter of all consumer credit reports (23.5 percent) had a collections tradeline. As Figure 1 shows, the percent with any collections tradeline declined about 20 percent from 2018 to 2022 (from 29.5% to 23.5%). The percent with any medical collection tradelines declined about 24 percent over this period, while the share of consumer credit reports with any banking/financial collection tradelines remained constant. More than half (57 percent) of consumer credit reports, approximately 37.7 million reports, with at least one collection tradeline had at least one medical collection tradeline.

FIGURE 1: PERCENT OF CONSUMER CREDIT REPORTS WITH COLLECTIONS TRADELINES (2018-2022) (CCP)



Because not all debt collectors furnish to a nationwide credit reporting company (NCRC), and those who do may not furnish to all three, this decline in the prevalence of collections tradelines does not necessarily mean the percent of consumers with debts in collections has declined. In fact, because both collections revenue[27] and consumer debt burden[28] have increased since 2018, the decline seems unlikely to reflect a true reduction in consumer debt in collections.

[27] *See* IBIS World, "Debt Collection Agencies in the US," June 2022, pg. 45 and Kaulkin Ginsberg, "The Kaulkin Report, 2022 Edition, Sub-Report: Market Sizing," 2021, pg. 3.

[28] Federal Reserve Bank of New York, "Household Debt and Credit Report, Q2 2022," Aug. 2022, *available at* https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2022Q2.

The trends in Figure 1 could also be explained by a reduction in credit reporting by debt collectors, a shift to a different consumer reporting agency, or reductions in how long collections stay on consumer credit reports.[29, 30]

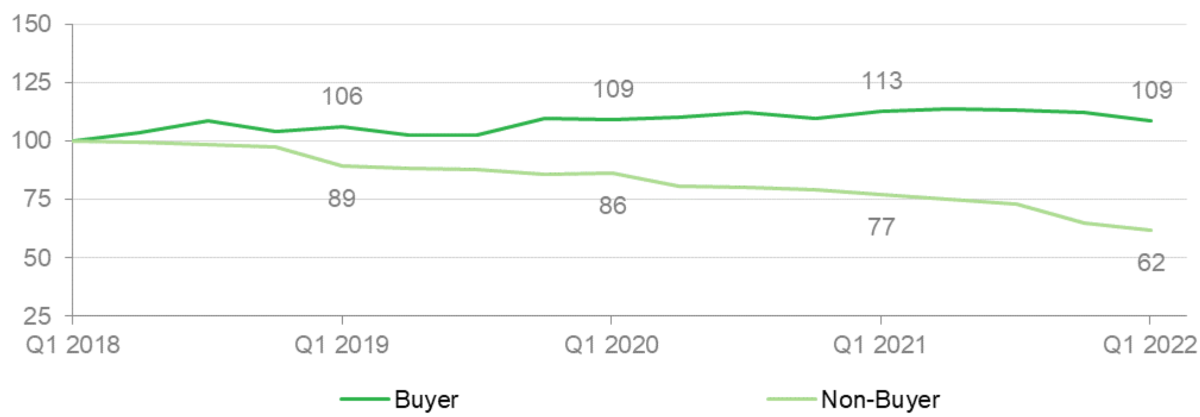
[29] Debt collection tradelines may persist on consumer credit records for up to 7 years. However, collections generally fall off more rapidly than that (*see* CFPB, "Consumer credit reports: A study of medical and non-medical collections" (2014), *available at* https://files.consumerfinance.gov/f/201412_cfpb_reports_consumer-credit-medical-and-non-medical-collections.pdf. In some cases, debt buyers and debt collectors may remove collections tradelines after a consumer pays or settles the account. This practice is known as "pay-for-delete" and contravenes CDIA furnishing policies; however, it remains common among certain debt buyers. Pay-for-delete practices are unlikely to substantially impact the number of collection tradelines on consumer credit reports, since only a small percentage of collections are ever marked paid. For example, only 2.5 percent of medical collections reported after January 2017 were ever marked paid (*see* CFPB, "Paid and Low-Balance Medical Collections on Consumer Credit Reports" (July 27, 2022), *available at* https://www.consumerfinance.gov/data-research/research-reports/paid-and-low-balance-medical-collections-on-consumer-credit-reports/).

[30] Additionally, consumer debt levels fell during the pandemic, possibly as the result of government stimulus payments combined with a change in consumer borrowing and spending behavior; *available at* https://www.consumerfinance.gov/about-us/blog/making-ends-meet-series-consumer-finances-during-pandemic/.

4. Debt Buyers and Non-buyers

The overall number of collections tradelines on consumer reports has decreased approximately 33 percent over the past four years (see Appendix B). However, the number of collections tradelines furnished by debt buyers has increased over this period. The overall decline in the number of collections tradelines on consumer reports from Q1 2018 to Q1 2022 was driven by reductions in collections tradelines furnished by non-buyer debt collectors. Figure 2 shows the change in the volume of reported tradelines by debt buyers and non-buyers, indexed to the first quarter of 2018. As shown in Figure 2, non-buyer debt collectors reported 38 percent fewer collections tradelines over this period, while debt buyers reported 9 percent more collections tradelines in Q1 2022 than in Q1 2018. In Q1 2018, buyers reported 11 percent of all collections; by Q1 2022, that number had increased to 17 percent (see Figure 3).

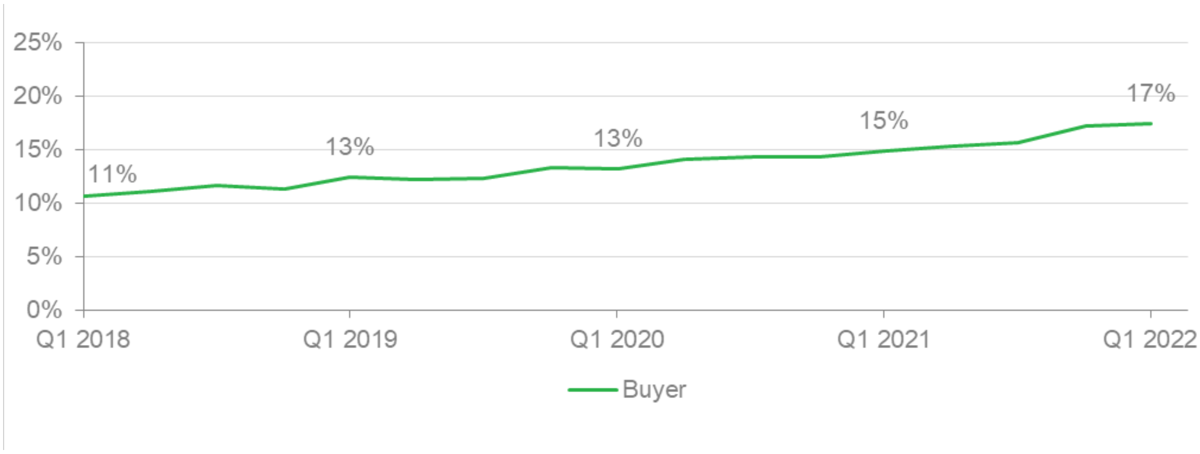
FIGURE 2: VOLUME OF REPORTED TRADELINES (CCP) (INDEXED TO Q1 2018)



This diverging trend could indicate an increasing market share for debt buyers in the overall debt collection market. However, it could also indicate diverging furnishing practices by debt buyers and non-buyer debt collectors, with non-buyer debt collectors becoming less likely to furnish account information to the credit reporting company that provides the CCP, while debt buyers maintained or increased their rate of furnishing.

CFPB conversations with debt buyers and non-buyer debt collectors indicate that some collectors have ceased furnishing due to FCRA liability concerns and the increased cost of responding to disputes routed through credit repair organizations. Debt buyers, who are generally larger and better capitalized than non-buyer debt collectors,[31] say they are better able to afford the costs of dispute processing and FCRA compliance.

FIGURE 3: PERCENT OF TOTAL COLLECTIONS TRADELINES REPORTED BY BUYERS (2018–2022) (CCP)



Although collections tradelines reported by debt buyers continue to account for less than one-fifth of all collections tradelines, the share of collections tradelines reported by debt buyers has been growing. As of Q1 2022, 17 percent of all collections tradelines were reported by debt buyers, compared to only 11 percent in Q1 2018. This is a reversal of the prior trend; from Q1 2009 to Q1 2017, the share of collections tradelines reported by debt buyers declined.[32]

While debt buyers have been reporting an increasing number of collections tradelines, the number of unique debt buyers furnishing collections tradelines has held constant. As Figure 4 shows, in both Q1 2018 and Q1 2022, there were 33 unique debt buyer furnishers.

[31] Most non-buyer debt collectors have fewer than 10 employees. *See* Kaulkin Ginsberg, "The Kaulkin Report, 2022 Edition – Sub-Report: Market Sizing," pgs. 5-8.

[32] See "2019 Market Snapshot," *supra* note 1.

FIGURE 4: NUMBER OF UNIQUE BUYER FURNISHERS (2018–2022) (CCP)

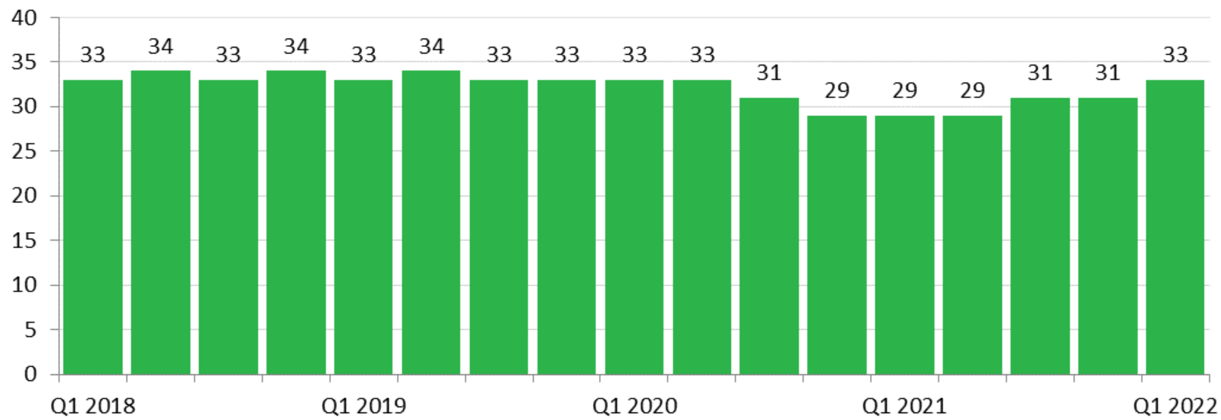
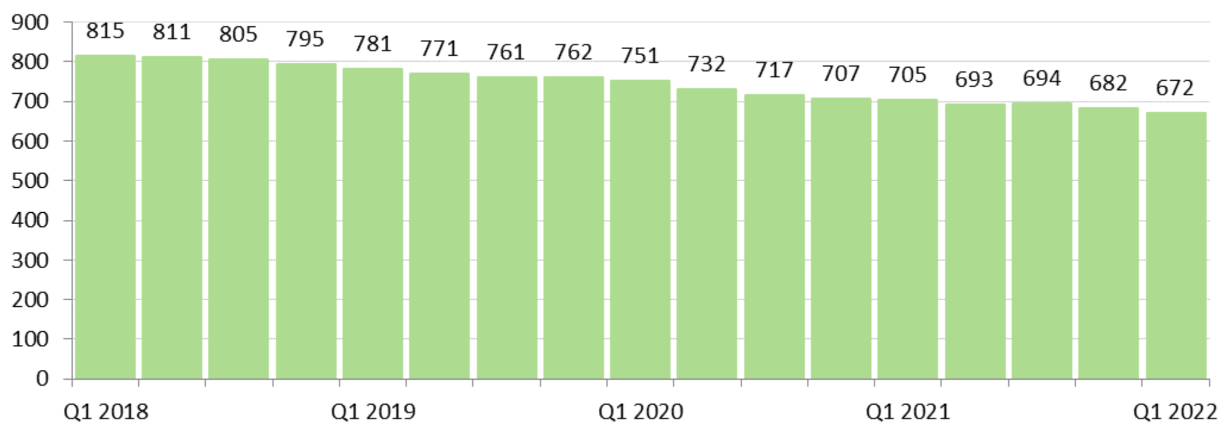


FIGURE 5: NUMBER OF UNIQUE NON-BUYER FURNISHERS (2018–2022) (CCP)



As Figure 5 shows, the number of unique non-buyer collections tradeline furnishers decreased over this period, declining 18 percent from 815 unique non-buyers in Q1 2018 to 672 unique non-buyers in Q1 2022. It is unclear to what extent this decrease reflects a true reduction in the number of non-buyer debt collection establishments as opposed to a change in furnishing practices. In informal market monitoring conversations with the CFPB, many debt collectors have reported that they are moving away from furnishing account information to credit reporting companies. The number of debt collector furnishers could therefore be declining even if the number of debt collections establishments remained constant.

5. Debt Collections by Asset Type

Debt collections on consumer credit reports reflect a diverse array of underlying asset types, including banking/financial, medical, rental/leasing, retail, telecommunications, and utilities, among others.[33] Furnishing trends and practices vary across these different asset types.

FIGURE 6: PERCENT OF FURNISHED TRADELINES BY ASSET TYPE (Q1 2022) (CCP)

Asset Type	All Furnished Tradelines	Tradelines Furnished by Debt Buyers	Tradelines Furnished by Non-Buyers
Medical	56.9%	0.0%	68.9%
Banking & Financial	13.2%	62.2%	2.8%
Telecom	10.9%	0.5%	13.1%
Retail	8.1%	36.3%	2.2%
Utilities	4.0%	0.1%	5.0%
Other/Unknown	4.3%	0.8%	5.0%
Rental/Leasing	2.6%	0.1%	3.1%

Overall, as of Q1 2022, medical collections continued to be the most common collections type reported to the NCRC that provides the CCP. Medical collections accounted for 57 percent of all

[33] Underlying asset types are identified by referencing the original creditor classification code reported by the furnisher of the collection tradeline. The available original creditor classification codes are Retail, Medical/Health Care, Oil Company, Government, Personal Services, Insurance, Educational, Banking, Rental/Leasing, Utilities, Cable/Cellular, Financial, Credit Union, Automotive, and Check Guarantee. For this report, we have grouped Banking, Financial, and Credit Union codes together into a new category, Banking & Financial, to increase data interpretability. We grouped the remaining, less commonly used codes into an Other category. Finally, we relabeled tradelines with the Cable/Cellular code as Telecom. For more information on original creditor codes, *see* Consumer Data Industry Association, "2017 Credit Reporting Resource Guide" (2017), hereinafter "Metro 2 Manual 2017."

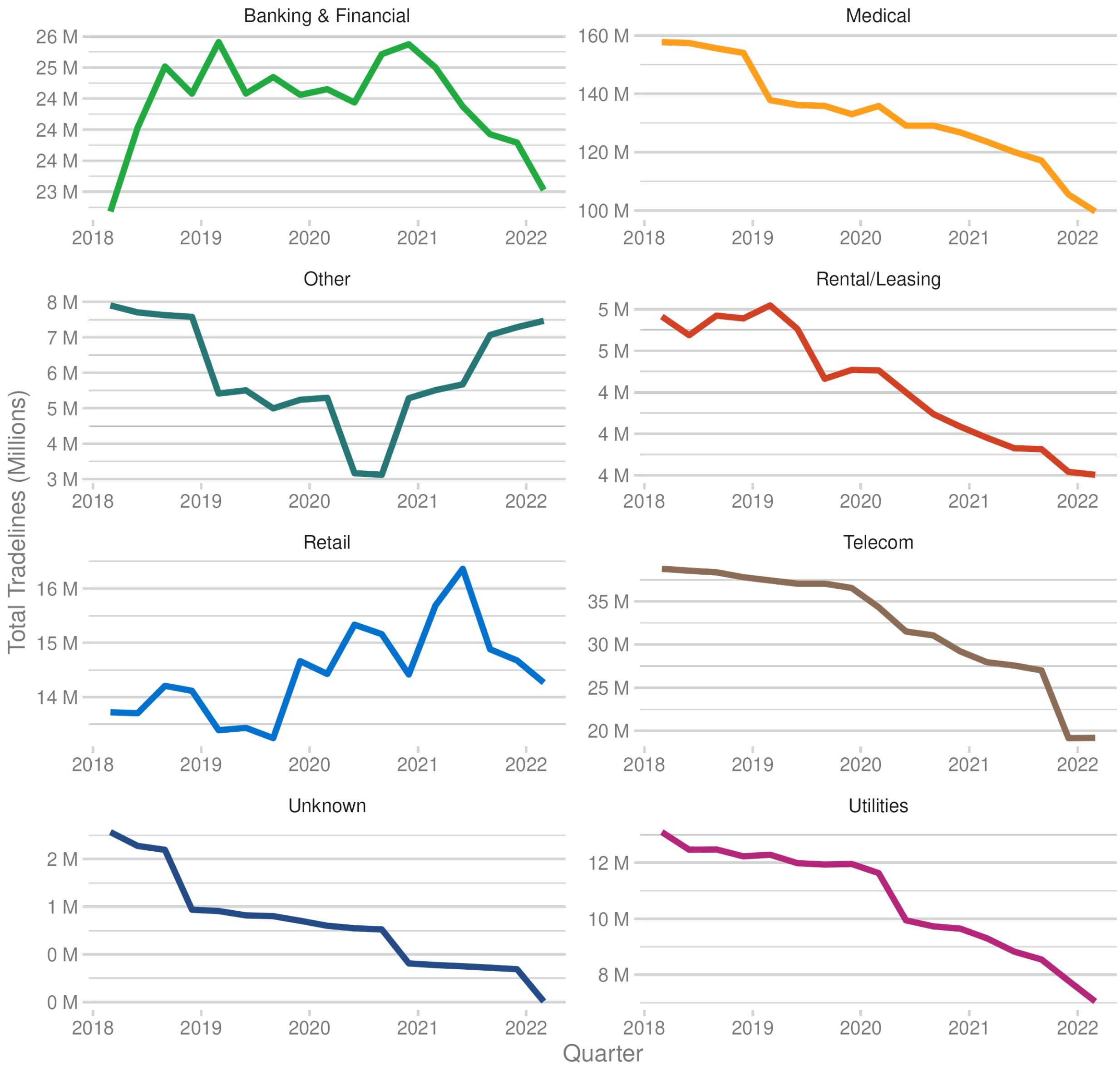
collections tradelines in Q1 2022, compared to 58 percent in Q2 2018 (not shown). Banking/financial collections are the second-most prevalent (13 percent in Q1 2022, compared to 11 percent in Q2 2018), followed by telecom collections (11 percent in Q1 2022, compared to 15 percent in Q2 2018).

Examining collections tradelines by furnisher type reveals substantial differences in the types of debts they furnish. Debt buyers almost exclusively furnish on banking/financial and retail debt, with banking/financial collections accounting for 62 percent and retail collections accounting for 36 percent of collections furnished by debt buyers. In contrast, non-buyers primarily furnish medical collections, which accounts for 69 percent of collections furnished by non-buyers. The second- and third-most common collection types reported by non-buyers were telecommunications (12.5 percent) and utilities (4.5 percent).

More than 90 percent of debt collection tradelines reported by non-buyers were for non-financial debts, including medical collections, utilities collections, telecommunications collections, and rental/leasing collections. Non-financial accounts often appear on consumers' credit reports for the first time as collections tradelines, because for these debt types, creditors usually do not report payment information to credit reporting companies.[34] As a result, consumers' on-time payments on these non-financial accounts generally do not build credit. However, their delinquencies on these accounts are often reported via debt collections tradelines. The appearance of collections tradelines on consumers' credit reports can harm their credit.

[34] *See* Bureau of Consumer Financial Protection, "Consumer credit reports: A study of medical and non-medical collections" (Dec 2014), *available at* https://files.consumerfinance.gov/f/201412_cfpb_reports_consumer-credit-medical-and-non-medical-collections.pdf.

FIGURE 7: NUMBER OF DEBT COLLECTIONS TRADELINES BY ASSET TYPE (2018–2022) (CCP)



From Q1 2018 to Q1 2022, the total number of collections tradelines on consumer reports declined from about 261 million to about 175 million, a 33 percent decrease. However, this overall statistic masks variation among different collection types. The number of banking/financial collections tradelines increased by 1 percent over this period, and retail collections tradelines increased by 4 percent. Notably, tradelines in these categories are primarily reported by debt buyers.

Meanwhile, the number of collections tradelines in categories dominated by non-buyer furnishers—including medical, utility, and telecom debt—decreased dramatically. The number of utilities collections tradelines decreased more rapidly than the overall trend, falling by 47 percent from Q1 2018 to Q1 2022. Likewise, telecom collections tradelines fell by 51 percent. Rental/leasing debt collection tradelines fell 22 percent, and medical collections tradelines fell 37 percent.[35]

The number of collections tradelines without any creditor code ("unknown" collections, which accounted for 1.8 percent of all collections in Q1 2018) fell to near-zero during this period. This was due to a settlement agreement between the NCRCs and several state attorneys general, known as the National Consumer Assistance Plan. This settlement agreement was announced in March 2015 and implemented between 2015 and 2018.[36] In the settlement, the NCRCs agreed to require all furnishers of collections tradelines to populate the creditor code field.[37] The requirement to report creditor code may have contributed to the decline in the number of collections tradelines on consumer reports, if debt collectors decided to delete "unknown" tradelines rather than re-report them with a creditor code. However, even if every "unknown" collections tradeline was deleted and not re-reported, this would explain only about 2.5 percent of the overall reduction in collections tradelines on consumer credit reports.

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[35] Some of these trends can be partially explained by policy changes during COVID-19. Such policy changes include the CARES Act which imposed limitations on credit reporting, as well as the American Recovery and Reinvestment Act, which provided assistance with rental and utilities payments.

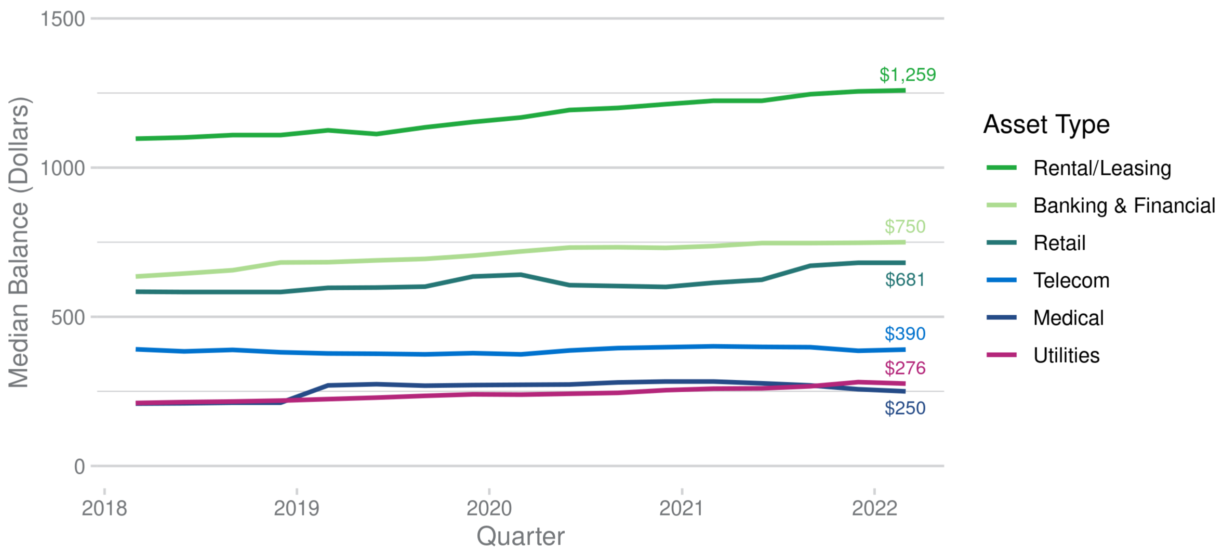
Information for CARES Act *available at* https://files.consumerfinance.gov/f/documents/cfpb_fcra_consumer-reporting-faqs-covid-19_2020-06.pdf.

Information for ARRA *available at* *https://library.nclc.org/consumer-law-implications-american-recovery-plan-act?0=ip_login_no_cache%3Dc349de744a28ebe0687195145cf4f760*.

[36] Experian, "Understanding your consumer data reporting requirements" (2017), *available at* https://www.experian.com/blogs/insights/2017/07/understanding-consumer-data-reporting-requirements/.

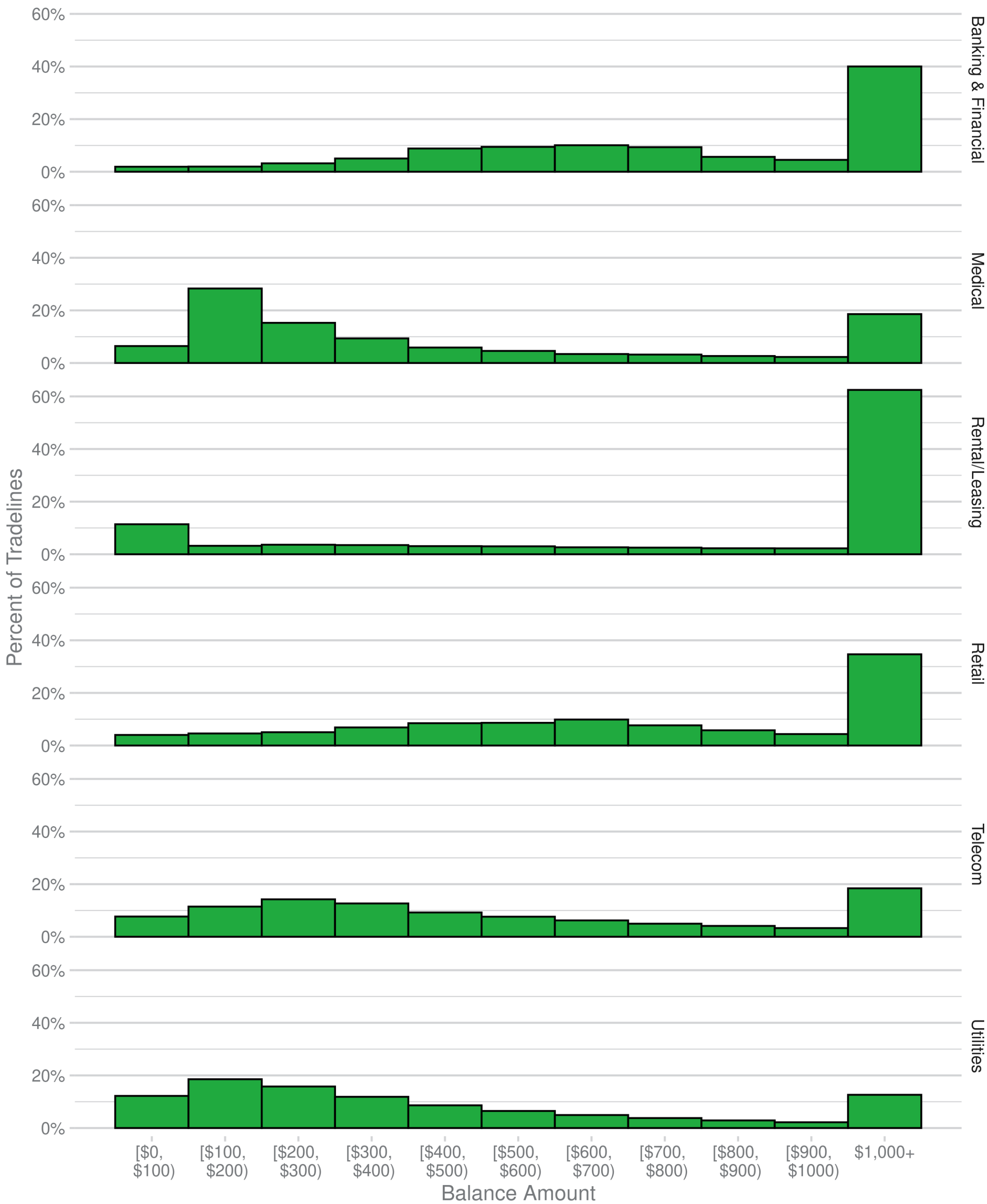
[37] This requirement was first included in the 2017 Metro 2 Manual; the 2015-2016 Manual indicated that the original creditor code field was optional. Consumer Data Industry Association, "2015 Credit Reporting Resource Guide" (2015), section 3-12; "Metro 2 Manual 2017", section 3-12.

FIGURE 8: MEDIAN BALANCE AMOUNT BY ASSET TYPE (2018-2022) (CCP)



As Figure 8 shows, median balance amounts for most asset types increased from 2018 to 2022. The steepest percentage increases were among utilities (31 percent) and medical collections (20 percent). The highest-balance collections were rental/leasing collections, which had a median balance of $1,259. Retail and banking/financial debt collections also had median balances above $500. However, median balances for medical, telecom, and utilities collections were below $400.

FIGURE 9: DISTRIBUTION OF COLLECTIONS BALANCES BY ASSET TYPE (Q1 2022) (CCP)



Account balance distributions vary across asset classes, as is apparent in Figure 9 (above). Medical, retail, telecom, and utilities debts are skewed right, with medians under $500 and long, trailing high-balance tails. In contrast, banking/financial, rental/leasing, and retail debts are skewed left. Many collections tradelines have balances below $250; some credit scoring models, such as VantageScore 3.0 and higher, disregard collections below $250 because these low-balance collections are less predictive of future repayment performance.[38]

The asset types that are relatively more likely to be reported by debt buyers, namely banking/financial and retail debts, have higher average account balances than many of those principally reported by non-buyer debt collectors (medical, telecom, and utilities). Reported rental/leasing debt collections are somewhat of an outlier in this regard, as they have high average balances but are more likely to be reported by non-buyer debt collectors than by debt buyers.

TABLE 1: UNIQUE FURNISHERS AND TOP FOUR MARKET SHARE BY ASSET TYPE, (Q1 2022) (CCP)

Asset Type	Total Unique Furnishers	Top 4 Market Share
Banking & Financial	287	81.6%
Medical	544	14.7%
Other	413	72.5%
Rental/Leasing	307	47.0%
Retail	349	83.8%
Telecom	86	63.4%
Utilities	263	33.7%
Total	**695**	**18.0%**

[38] VantageScore, "13 Ways Credit Scores Have Changed in the Past 20 Years" (Aug 8, 2016), *available at* https://vantagescore.com/press_releases/vantagescore-takes-steps-to-further-support-consumers-affected-by-medical-debt-collections/.

There were 695 unique furnishers of debt collections tradelines as of March 2022, including 33 unique buyer furnishers and 672 unique non-buyer furnishers. Medical collections had the most unique furnishers (544). In contrast, telecom collections had the fewest unique furnishers (86). Many debt collectors collect on more than one type of debt, and therefore, furnish information on multiple asset types.

Although the overall collections market was not highly concentrated, with the top four furnishers of debt collections tradelines accounting for 18 percent of all debt collections tradelines, market concentration varied across asset classes. Some asset classes, such as medical, are composed of many small furnishers. Others, such as banking/financial and retail, are dominated by a few major furnishers. As a result, consumers may face difficulties in resolving their disputes with different debts related to credit reporting. Because smaller furnishers do not have the same level of resources compared to large furnishers, these small furnishers may not be able to provide consumers with the same level of services related to dispute handling. From a regulatory perspective, the differences in market concentration across different types of debt also makes it difficult to propose industry-wide supervisory oversight.

6. Conclusion

As this report illustrates, the number of debt collections tradelines on consumer credit reports has been steadily declining over the past four years, falling 33 percent from Q1 2018 to Q1 2022. This decline is specifically being fueled by the behavior of "non-buyer" or "contingency-fee-based" debt collectors, who furnished 38 percent fewer debt collections tradelines to the consumer reporting company that provided the CCP data in Q1 2022 than in Q1 2018. In contrast, debt buyers furnished 9 percent more collections tradelines over this period. As a result of these trends, credit reports have increasing numbers of financial debt collection tradelines – loans and credit extended from financial institutions – furnished mostly by debt buyers. On the other hand, medical, rental and utility tradelines – or non-financial tradelines – are declining since they are furnished mostly by non-buyer debt collectors.

Although the number of collections tradelines furnished by non-buyer debt collectors is declining, medical bills continue to make up nearly 70% of collections tradelines furnished by non-buyer debt collectors. Unlike other types of debt (e.g., credit card bills), medical bills are almost always furnished by non-buyer debt collectors, rather than healthcare providers themselves. [39] This differs from other types of debt, which are often furnished directly by the lender or service provider, who often do not allow their debt collectors to furnish on their behalf. Despite being less predictive of future loan repayment than other types of financial tradelines, medical collections continue to be the most common collection tradeline on consumer credit reports. [40]

The number of collections tradelines on consumer reports should decrease further due to planned changes to medical collection reporting by the three NCRCs. The CFPB estimates that two-thirds of medical collections tradelines will be removed as a result of these changes, which may lead to increased credit scores for millions of consumers, many of whom will no longer have any collections on their credit reports. [41] However, in dollar terms, the removed collections represent a minority of all medical collection balances. The CFPB estimates that about half of all

[39] Ibid.

[40] Bureau of Consumer Fin. Prot., "Data point: Medical debt and credit scores," May 2014, *available at* https://files.consumerfinance.gov/f/201405_cfpb_report_data-point_medical-debt-credit-scores.pdf.

[41] Bureau of Consumer Fin. Prot., "Paid and Low-Balance Medical Collections on Consumer Credit Reports," July 2022, *available at* https://www.consumerfinance.gov/data-research/research-reports/paid-and-low-balance-medical-collections-on-consumer-credit-reports/.

consumers who currently have medical collections tradelines on their credit reports will likely still have medical collections reported once the changes go into effect.[42]

It is less clear what trends lie ahead for all other collection tradelines, both financial and non-financial. Debt collections tradelines have higher dispute rates compared to other information on consumer reports and tend to be lower balance.[43] Debt collectors and credit reporting companies may increasingly view the costs of furnishing collections tradelines as too high, and the decline in reporting collections tradelines may continue. Alternately, debt buyers may continue to increase reporting of collections tradelines, particularly financial tradelines, and drive overall growth in the number of collections tradelines on consumer reports.

We will continue to monitor collections tradeline reporting trends and the impact they have on consumers. Areas that the CFPB will monitor include creditors' perspectives on the diverging furnishing trends between debt buyers and non-buyers, the predictive value of other non-financial debt such as telecom, utilities, and rental debt, as well as the impact of furnishing various debt types on different populations.

[42] Ibid.

[43] *See* Bureau of Consumer Financial Protection, "Consumer Credit Trends: Disputes on Consumer Credit Reports" (2021), pg. 5 at note 8, *and* Bureau of Consumer Financial Protection, "Key Dimensions and Processes in the U.S. Credit Reporting System" (2012), pgs. 29-31.

APPENDIX A: PERCENT OF CONSUMER CREDIT REPORTS WITH COLLECTIONS TRADELINES (2018–2022) (CCP)

Quarter	Percent with any collection	Percent with medical collection	Percent with banking/ financial collection
Q1 2018	29.5	17.7	3.2
Q2 2018	29.5	17.7	3.5
Q3 2018	29.5	17.7	3.7
Q4 2018	29.2	17.6	3.7
Q1 2019	28.5	16.8	3.8
Q2 2019	28.3	16.6	3.7
Q3 2019	28.2	16.6	3.7
Q4 2019	27.9	16.2	3.6
Q1 2020	27.8	16.4	3.5
Q2 2020	27.1	16.0	3.5
Q3 2020	27.0	16.0	3.6
Q4 2020	26.4	15.6	3.6
Q1 2021	26.1	15.3	3.5
Q2 2021	25.8	15.0	3.5
Q3 2021	25.4	14.7	3.4
Q4 2021	23.9	13.9	3.4
Q1 2022	23.5	13.5	3.3

APPENDIX B: PERCENT CHANGE IN NUMBER OF COLLECTIONS TRADELINES AND ACCOUNT BALANCE BY ASSET TYPE (2018–2022) (CCP)

Asset Type	Tradelines, Q1 2018 (millions)	Tradelines, Q1 2022 (millions)	Percent Change	Mean Balance, Q1 2018	Mean Balance, Q1 2022	Percent Change	Median Balance, Q1 2018	Median Balance, Q1 2022	Percent Change
Banking & Financial	22.7	23.0	1%	$1,223	$1,541	26%	$635	$750	18%
Medical	157.7	99.7	-37%	$615	$802	30%	$209	$250	20%
Other	7.9	7.5	-5%	$1,062	$844	-21%	$225	$213	-5%
Rental/Leasing	5.0	3.9	-22%	$1,692	$2,054	18%	$1,097	$1,259	15%
Retail	13.7	14.3	4%	$1,030	$1,215	18%	$584	$681	17%
Telecom	38.8	19.2	-51%	$573	$631	10%	$391	$390	0%
Unknown	1.8	0.0	-100%	$137	--	--	$0	$0	0%
Utilities	13.1	7.0	-47%	$431	$505	17%	$211	$276	31%
Total	**260.7**	**174.6**	**-33%**	**$724**	**$954**	**32%**	**$295**	**$382**	**30%**