May 11, 2021

CBO's Estimate of Effects on Revenues and Direct Spending of H.R. 2547, the Comprehensive Debt Collection Improvement Act

As Reported by the House Committee on Financial Services on April 30, 2021, Including a Manager's Amendment (Waters 9) as Posted on the Website of the House Committee on Rules on May 11, 2021

By Fiscal Year, Millions of Dollars

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2021-2026	2021-2031
Increases or Decreases (-) in Revenues													
Internal Revenue Service	0	-97	-58	-19	-19	-20	-21	-23	-24	-25	-26	-213	-331
Federal Reserve	0	0	0	0	0	0	0	0	0	0	2,900	0	2,900
Total	0	-97	-58	-19	-19	-20	-21	-23	-24	-25	2,874	-213	2,568
Increases or Decreases (-) in Direct Spending													
Internal Revenue Service													
Estimated Budget Authority	0	-48	-29	-9	-10	-10	-11	-11	-12	-12	-13	-106	-166
Estimated Outlays	0	-48	-29	-9	-10	-10	-11	-11	-12	-12	-13	-106	-166
Other Agencies													
Estimated Budget Authority	1	195	260	265	270	275	280	285	290	295	300	1,266	2,716
Estimated Outlays	*	196	260	265	270	275	280	285	290	295	300	1,266	2,716
Total													
Estimated Budget Authority	1	147	231	256	260	265	269	274	278	283	287	1,160	2,551
Estimated Outlays	*	148	231	256	260	265	269	274	278	283	287	1,160	2,551
Net Increase or Decrease (-) in the Deficit from Changes in Revenues and Direct Spending													
Effect on the Deficit	*	245	289	275	279	285	290	297	302	308	-2,587	1,373	-17

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.
Components may not sum to totals because of rounding; * = between zero and $500,000.
For more information see the notes below.

Summary. H.R. 2547 would, among other things, impose several new restrictions on private debt collection. Specifically, title VI would require federal agencies to wait 90 days after a delinquency or default to turn over debt to a private collection agency (PCA). Title VI also would require PCAs that collect debt on behalf of the federal government to comply with all applicable provisions of the Fair Debt Collection Practices Act (FDCPA). In addition, under the bill amounts charged by those debt collectors may not exceed 10 percent of the amount

collected. Finally, the bill would increase remittances by the Federal Reserve. CBO estimates that enacting H.R. 2547 as amended would increase net revenues by roughly $2.6 billion and increase direct spending by a similar amount over the 2021-2031 period.

Revenues. Title VI would require federal agencies to wait 90 days after a delinquency or default to turn over debt to a PCA. The staff of the Joint Committee on Taxation (JCT) estimates that implementing this provision would cause the Internal Revenue Service (IRS) to pause transfers of debt to PCAs for collection until the 90-day waiting period is satisfied. The IRS would transfer debt later relative to current law, making the transferred debt slightly older, which would decrease the expected collection rate. As a result, JCT estimates that under the bill revenues would decrease by $331 million over the 2021-2031 period.

The bill also would reduce the maximum allowable size of the Federal Reserve Surplus fund by $2.9 billion in 2031, thereby increasing remittances from the Federal Reserve in that year, which are recorded as increases in revenues. CBO estimates that the reduction in the surplus fund would result in a reduction in remittances in subsequent years.

Direct Spending. Because the IRS pays PCAs fees of up to 25 percent of collections and may retain and spend up to another 25 percent of collections on enforcement, CBO and JCT estimate that direct spending would decrease by $166 million over the 2021-2031 period, or 50 percent of the estimated reduction in revenues stemming from this provision.

Title VI would prohibit charging fees to borrowers in excess of 10 percent of the amount collected. CBO expects that decreasing the fees that may be charged to borrowers on collections would increase direct spending by the Department of Education by increasing the costs to the federal government rather than to the borrowers. For other federal agencies, however, decreasing those fees would reduce the amount of debt collected by PCAs.

Borrowers with defaulted student loans are charged fees up to 18 percent, which the Department of Education uses to pay PCAs for certain types of collections. For this estimate, CBO assumes that the department would continue to make these payments to PCAs but would reduce the amount of those payments covered by collection fees assessed to the borrower. As a result, the costs to the Department of Education of making those payments would increase. If, however, the department were unable to continue to make those payments at the current level, CBO expects that federal collections would decrease as PCAs would have less incentive to collect that debt.

Under current law, other federal debt that is delinquent for more than 120 days is transferred to the Bureau of Fiscal Service (BFS) for collection. The BFS contracts with PCAs to collect some of that debt; fees for those contracts average about 20 percent of the amount due. Using information from the BFS, CBO expects that the reduction in fees required by the bill would discourage PCAs from pursuing collections on federal debt.

CBO estimates that reducing the fees paid to PCAs would increase direct spending by roughly $2.7 billion over the 2021-2031 period. Of that amount, $1.7 billion would be additional spending incurred by the Department of Education and $1.0 billion would stem from a reduction in debt collected by the BFS; those collections are recorded in the budget as offsets to direct spending.

Using information from the Consumer Financial Protection Bureau, the agency responsible for developing regulations to implement the bill's provisions, CBO also estimates that developing and updating FDCPA regulations would cost $2 million over the 2021-2031 period. The bureau has permanent authority, not subject to annual appropriation, to spend amounts transferred from the Federal Reserve.

Taking all provisions together, CBO estimates that enacting H.R. 2547 would increase direct spending by roughly $2.6 billion over the 2021-2031 period.

Uncertainty. CBO is uncertain about the budgetary effects the provision that prohibits PCAs from charging fees in excess of 10 percent of the amount collected. We are uncertain if the language applies to fees charged within or outside of the scope of federal contracts with the PCAs; in this estimate, we assume that the language applies to fees charged in both instances. In addition, we are uncertain about how agencies might respond to the limit on these fees and how much debt collections would change under the new fee regime. These sources of uncertainty could result in changes in direct spending that are substantially higher or lower than CBO estimates.

Spending Subject to Appropriation. In total, CBO estimates that spending subject to appropriation would increase by about $1 million over the 2021-2026 period. The Federal Trade Commission (FTC) is primarily responsible for enforcing violations of the FDCPA. Using information from the FTC, CBO estimates that it would cost the agency about $1 million over the 2021-2026 period to enforce potential violations of the amended statute. CBO estimates that it would cost the Government Accountability Office less than $500,000 to carry out two studies and report to the Congress. Such spending would be subject to the availability of appropriated funds.

Increase in Long-Term Deficits. CBO estimates that enacting H.R. 2547 would increase on-budget deficits by more than $5 billion in at least one of the four consecutive 10-year periods beginning in 2032.

Mandates. The bill would impose intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the aggregate cost of the private-sector mandates would exceed the annual thresholds established in UMRA ($170 million in 2021, adjusted annually for inflation). However, the cost of the intergovernmental mandate would not exceed the UMRA threshold ($85 million in 2021, adjusted annually for inflation).

Title IV would impose a significant private-sector mandate by prohibiting debt collectors from collecting medical debt for at least two years after the first payment on that debt is due. CBO also has determined that title VI would impose a considerable private-sector mandate by limiting the amount a debt collector hired by the federal or state governments may charge for their services to 10 percent of the amount collected. CBO identified additional private-sector mandates that would fall below the UMRA threshold in titles III, IV, and V. The cost of those mandates would fall below the UMRA threshold. Titles I, II, V, and VI would impose private-sector mandates for which CBO cannot determine whether the costs would exceed the threshold established in UMRA.

The bill also would impose intergovernmental mandates by amending the FDCPA which preempts state laws that conflict with its provisions. Titles IV, V, VI, VII, and VIII of H.R. 2547 expand the authority of the FDCPA to govern medical debt collected by private collection agencies, private debt collections, nonjudicial foreclosures, and debt collections performed on behalf of state governments. These changes would preempt conflicting state laws governing the debt collection of such sectors. Although the bill would limit the application of state laws, it would impose no duty on states that would result in additional spending or loss of revenue.