

Testimony of New Economy Project
Before the NYC Council's Committee on Consumer Affairs and Business Licensing
Delivered by Andy Morrison, Campaigns Director
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Thank you, Committee Chair Cohen and members of the Committee, for the opportunity to testify today. My name is Andy Morrison and I am the Campaigns Director at New Economy Project, an economic justice organization that works with community groups and low-income New Yorkers throughout New York City. New Economy Project's mission is to build a just economy, based on cooperation, racial, economic, and gender justice, and ecological sustainability.

Since our organization's founding in 1995, we have worked with hundreds of grassroots groups to challenge Wall Street banks and other corporations that harm New Yorkers and perpetuate poverty, inequality, and segregation. We also work with groups to build democratically-structured and community-controlled initiatives, including community land trusts and mutual housing, worker and financial co-ops, public banks, and more.

New Economy Project strongly supports Int. 1912 and we urge the Committee to bring the bill before the full body of the NYC Council, for the swiftest possible passage into law. We commend Speaker Johnson and other sponsors of this emergency legislation for their strong leadership. New Economy Project, along with thousands of New Yorkers and more than 60 groups statewide, has been pressing Governor Cuomo to institute an emergency statewide moratorium on predatory debt collection during the COVID-19 crisis. We are pleased that in the absence of state-level action, members of the NYC Council are taking this critical step to protect New Yorkers.

For the past 15 years, New Economy Project has run a free legal hotline for low-income New Yorkers. We have heard from thousands of New Yorkers harmed by discriminatory and abusive debt collection lawsuits. Since COVID-19 gripped New York City last month, our hotline has been flooded with a new spate of calls from low-income New Yorkers who are being hounded by debt collectors using judgments to freeze people's bank accounts and garnish their wages.

As has been well-documented, the debt collection industry is rife with bottom-feeding companies in the business of buying old, alleged debts on the cheap, then using our courts to pry away as much money as they can from low-income New Yorkers. The rapacious debt buyers that file these lawsuits are notorious for using deceptive and fraudulent practices to obtain automatic, or "default," judgments against thousands of New Yorkers, which they then use to freeze people's bank accounts or garnish their wages.

Amid the COVID-19 pandemic, predatory debt collection, which siphons wealth from and destabilizes so many low-income communities and communities of color throughout the City, has morphed into an urgent public health crisis. We must be clear: No New Yorker should find themselves blocked from their funds, unable to buy food, medicine or other necessities, because of a debt collection judgment.

New Economy Project urges the NYC Council to pass Int. 1912 immediately. We would recommend that the NYC Council follow up with a bill that strengthens the second part of Int. 1912, which would extend the moratorium until the second suspension date. Specifically, this follow-up legislation should:

- Require the NYC sheriff and marshals to:
 - Provide written notice to New Yorkers, at least 30 days in advance of any judgment enforcement, of their right to show that they qualify for this extended moratorium and the steps they should take to make such a showing; and
 - Provide this notice to New Yorkers at an address verified as a valid address by the person's bank or employer or other third party not acting as an agent of the judgment creditor;
- Empower the NYC Department of Consumer and Worker Protection to adopt emergency implementing regulations, in order to ensure compliance with these provisions;
- Explicitly allow New Yorkers to make the showing of proof required by section 3(a)(3) via a sworn detailed affidavit, without more; and
- Add a catch-all "other" provision that allows New Yorkers to offer their own explanation as to why they qualify for the extended moratorium.

Predatory debt collection is a vivid example of the profound racial and economic inequities that underlie the urgent public health and safety concerns we are now dealing with. Department of Health and Mental Hygiene data show a disproportionate concentration of COVID-19 cases in neighborhoods of color, home to so many frontline workers who are putting themselves at risk to keep our city running. These neighborhoods already face severe health and economic disparities. They are also the communities from which debt buyers systematically extract wealth, where calls from abusive debt collectors are part of everyday life.

New York City needs to take this action to ensure economic and racial justice, and community equity. As debt collectors continue callously to take people's money during COVID-19, they are further endangering low-wage service workers, elderly and disabled New Yorkers, and others who are at higher risk of severe illness from COVID-19.

Many of these New Yorkers are speaking out and sharing their stories, underscoring the need for bold actions to stop debt collection in New York City:

“I just found out that my paycheck was garnished. I don’t know what it’s for. I can’t afford to have any money taken away right now. My two daughters and two grandchildren live with me. I’m trying to support my family, but everything is uncertain. My job has cut the number of days that I go into work for safety reasons. One of my daughters lost her job because of coronavirus. This money that was taken from me could have gone toward a lot of other things that I’m worried about right now, like food, disinfecting supplies, and other things I need to keep my family healthy. I am overwhelmed trying to work and make sure my family is safe.” - Veronica, Brooklyn

“I used to be homeless. Now I work as a home health aide and live in affordable housing I got through a lottery. A marshal started garnishing my paycheck in January. I found out it’s for a really old judgment, but I never got court papers. I’m also a victim of identity theft, so I don’t think this is even my debt. I went to court to try to stop the wage garnishment, but the court postponed my court date to March, and then again to June, because of coronavirus. The whole time the marshal kept garnishing my wages. I’m worried I’ll have to go back to a shelter because of all this.” - Migdalia, Brooklyn

“I work for the city finding emergency housing for fire victims. I just found out that 10% of my paycheck was garnished. Now I don’t know if I’ll be able to stock up on the insulin my son needs. He has Type 1 diabetes. I’ve also been delivering groceries to my mother, who lives close by. About a month ago I got a marshal’s notice saying my wages would be garnished. I was about to go to court to try to stop it, but with COVID-19 hitting the city so hard, I decided I should stay at home for the sake of my family’s health. I already live paycheck to paycheck, so if this garnishment goes on, taking care of my family during this crisis will be incredibly hard.” -Grace, Queens

“I was laid off because of COVID-19. Then my family tried to get groceries and I found out my debit card wouldn’t work. I checked my bank account and it was thousands of dollars overdrawn. I thought I’d been scammed. I spent hours on the phone with my bank trying to find out what happened. Finally they told me there was a judgment against me for a credit card from a few years ago. That’s when my husband, who’s disabled, was going through severe health issues. I have zero funds. I have no money. I’m at the breaking point.” - Veronica, The Bronx

“I’m a single mother. I have three kids. My bank accounts were frozen in March. I found out it’s for an old judgment that the city got against me. I never got court papers and I have no idea what the judgment is for. I found out that the city’s lawyers don’t even have my correct address. I had no money to pay my bills or prepare my family for this crisis,

but the lawyers said they wouldn't release my bank accounts unless I signed something saying I owe the debt." - Jillian, The Bronx

"I went to buy toilet paper and other supplies early in the morning, when the supermarket was just open for seniors, but my debit card wouldn't work. Then I found out my account was frozen because of a credit card judgment. That account is where I get my Social Security disability benefits. I'm 61 and I have congenital heart failure, so I've been trying to stay home. I also live with my mom, who's 81, and I'm afraid of her getting sick. But I had to go to the post office to send a letter to the debt collectors. They just called me, and they didn't seem to care that I only get Social Security. They just kept asking how I'm going to pay." - G.W., Manhattan

"In March I found out a debt collector had frozen my bank accounts. I've never even heard of this debt collector. This is all the money I have in the world as I'm currently out of work due to the pandemic. I'm a substitute teacher, and with schools likely closed until the fall, I won't have any income for the next few months. Now I don't have enough money for rent. I also worry that my stimulus check will be directly deposited into my frozen accounts and not accessible. I need that money for urgent necessities like rent, food, and supplies for my family. I tried to find out how the direct deposit could be switched to paper check via mail but I couldn't locate that info, and the IRS website says do not call. This situation has put a terrible pressure on me and on my family. On top of all this, last week I was laid low with coronavirus-like symptoms, so I'm trying to rest and isolate myself." - Robert, Queens

"About six years ago I developed multiple autoimmune disorders which began to worsen. I had to stop working and have been forced to rely on family support. In March I received court papers for a credit card I had to stop paying six years ago. Battling three autoimmune disorders and multiple immune conditions puts me at very high risk for COVID-19. Going to court would put me in grave danger, but I'm panicked that the credit card company will get a judgment against me if I don't make the trip to court." - L.H., Manhattan

"I am a healthcare worker. I commute over two hours each way from my home in the Bronx to a clinic in Brooklyn, where I work 10-hour shifts. I am a single mother and the sole provider for my family. In the middle of March I got court papers in the mail saying I was being sued for a credit card I had been trying to pay off. I'm stressed out wondering if I'm supposed to miss work to go to court to answer this lawsuit right now. With this crisis, I need to prioritize caring for people at my clinic and making sure my family stays healthy. I'm worried that the court will say I owe this money if I don't fight

back, but I'm also worried about risking my health and the health of my loved ones." -
Olga, The Bronx

These are just a few examples that underscore the pressing need for action to halt debt collection in New York City. We urge the Committee to move Int. 1912 forward so that the Council can pass this desperately-needed bill into law right away.

Thank you.