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Debt-collection reforms that protect consumers *not* found to restrict credit availability

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EXECUTIVE SUMMARY

Debt buyers, specialized debt-collection companies, purchase defaulted consumer debt from creditors such as credit card companies for pennies on the dollar. Debt buyers then attempt to collect the debt, often by suing borrowers in court. Unfortunately, because debts are typically sold to debt buyers without fully verifying the accuracy of the borrower's identity, amount of the debt, or status of repayment, the information used as a basis to collect from consumers may be faulty. As a consequence, borrowers can find themselves facing a default judgment from court on a debt that they do not in fact owe.

Two states—North Carolina and Maryland—have tried to address these issues through substantive reforms to debt-collection processes in their respective courts. At the time these reforms were being debated, the debt-buying industry claimed that these regulations would result in less credit being made available in those states. However, our analysis of the change in new credit card extensions in North Carolina and Maryland after reforms took effect does not show any negative impact to consumer credit. Specifically, we find that:

- Credit availability in North Carolina and Maryland appears to follow national trends rather than being impacted by regulatory changes.
- North Carolina and Maryland consumers seeking new credit cards generally fared better than consumers in peer states.
- Sub- and near-prime consumers in North Carolina and Maryland fared at least as well as those nationally and in peer states regardless of debt-buying reforms.

State and federal officials should continue to strengthen the rules and laws for debt collection and debt buying to better protect consumers. Debt collectors should be required to possess and review full documentation about a borrower and the borrower's obligations before pursuing collections or a lawsuit. In addition, court rules should be strengthened to ensure adequate evidence is presented for a debt collector to prevail in court.

INTRODUCTION

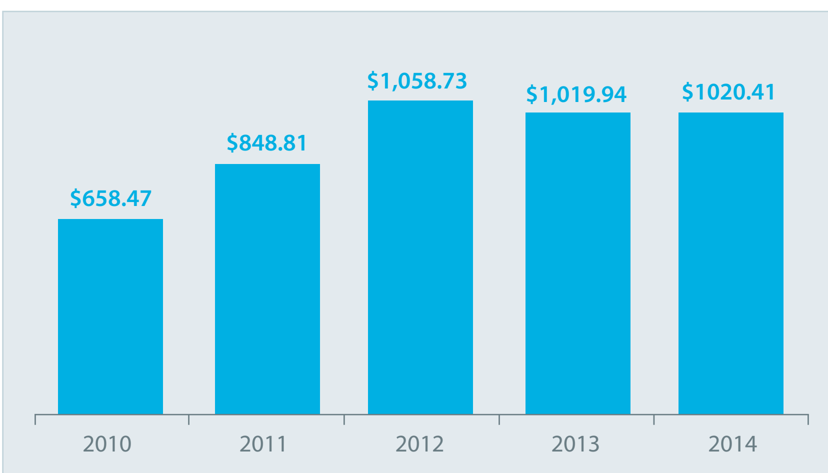
When a borrower is unable to make payments on a loan, her debt goes into default, and either the borrower's lender or a third-party debt collector attempts to collect what is owed on behalf of the lender. At some point, a lender may decide to cease collection activity on a defaulted debt and sell it as part of a portfolio of accounts to a debt buyer, often at a substantial discount. Typically, the debt sold is credit card debt, although debt buyers also purchase student loans, medical debt, utility and phone bills, tax liens, car loans, and mortgage and auto deficiencies.

As the new owners of these debts, debt buyers seek to collect the amount owed from defaulted borrowers and also may sell the debts they purchased from original creditors to other debt buyers, resulting in the potential for a single debt to change ownership multiple times after default.

The debt-buying industry has grown dramatically in recent years. As early as 2007, the trade association for the industry had over 400 debt-buying companies in its membership (DBA, 2007), and today, the association appears to have more than 575 members. Publicly traded debt buyers have experienced significant revenue growth since the early 2000s, despite the Great Recession. Analysis of company 10-K filings from 2002 to 2014 shows that Encore Capital Group saw an annualized increase in revenue of 21% every year, while Portfolio Recovery Associates experienced annualized revenue growth of 24% per year. From 2006–2009, the nine largest debt buyers purchased more than 5,000 portfolios of consumer debt comprising almost 90 million accounts consisting of $143 billion owed (FTC, 2013).

In addition to attempting to collect debts through letters and phone calls, debt buyers frequently sue defaulted borrowers and others in court. The top three publicly traded debt buyers together collected over $1 billion annually in revenues from litigation in each of the past three years.[1] A successful lawsuit gives a debt buyer additional tools to collect on the judgment, including the ability to garnish wages, seize a bank account, or attach a lien to a property.

Figure 1: Proceeds from legal collections over five years (in millions)



Source: Aggregated proceeds from legal collections in data reported in 10-K filings from Asset Acceptance Corporation (for 2010–2013 before acquired by Encore Capital Group); Encore Capital Group; Portfolio Recovery Associates; and SquareTwo Financial.

1 Litigation revenues for FY 2012, 2013, and 2014 as disclosed in 10-K filings for Encore Capital Group (including revenues for another large debt buyer, Asset Acceptance, which was purchased by Encore Capital Group in March 2013), Portfolio Recovery Associates, and SquareTwo Financial.

Concerns about how defaulted debts are bought and sold have grown as the industry affects greater numbers of households. One of the biggest concerns is that—as the debt is sold from the original creditor and among debt buyers—critical documentation about the borrower and the amount owed is rarely provided to the debt's new owner. An analysis by the Federal Trade Commission (FTC) estimated that as few as 6% of debts sold were accompanied by such documentation (FTC, 2013). Instead, debts are sold "as is," without any guarantees that the information about the borrower or amount owed is accurate (Horwitz, 2012). This can result in a debt buyer pursuing the wrong consumer for the debt or seeking an amount in excess of what the borrower rightfully owes. In some cases, the debt may have been extinguished in bankruptcy or paid back (in full or in part) by the borrower. In other cases the debt is so old that the borrower is no longer legally obligated to repay.

As noted previously, debt buyers frequently sue to collect on the debts they have purchased. In fact, a study by the FTC (2009) found that the majority of cases in state courts are for debt collection. These lawsuits often result in default judgments against borrowers that fail to show up in court. There are many reasons why borrowers may not be aware of a pending lawsuit for which they must appear. These reasons include the following: the improper serving of notice to the borrower (for example, at an address at which the borrower does not reside); the borrower not recognizing the debt as his; or the borrower not knowing that the debt buyer is now the legal owner of the debt rather than the original creditor.

Another common issue is "robo-signing," where the debt buyers falsely represent to a court that they have documented that the borrower's debt is valid when, in fact, this detailed work has not been conducted. Often, borrowers are unable to contradict this information—either because they do not show up in court or they do not have evidence to the contrary. An investigation by the Consumer Financial Protection Bureau of two of the largest debt buyers found that these companies routinely stated that they reviewed documentation about consumers' debts for accuracy before filing a lawsuit when they had in fact failed to do so (CFPB, 2015).

Some studies indicate that a greater percentage of debt-buyer cases end in default judgments when the consumers are from communities of color or low- and moderate-income communities. A study of 365 debt-buyer cases in New York City found that 91% of people sued and 95% of people with default judgments against them lived in low- and moderate-income communities (Wilner & Sheftel-Gomes, 2010). A more recent study found that more than half of the 66,000 cases won against residents of majority African-American neighborhoods in Newark, NJ from 2008–2012, were by won by debt buyers (Kiel & Waldman, 2015). The same study found that across St. Louis, MO, Chicago, IL, and Newark, NJ, the rate of judgments in debt-collection cases against residents of predominately African-American neighborhoods was twice as high as the rate in majority white neighborhoods, even accounting for income (Kiel & Waldman, 2015).

Some states have sought to protect their residents from unfair and abusive debt-collection tactics by debt buyers by reforming court rules related to debt collection. While greater protections against predatory practices provide a clear benefit for consumers, some in the industry have argued that limiting their ability to pursue defaulted borrowers may restrict credit availability, particularly for consumers who are more at risk of falling behind on their obligations. In this paper, we examine whether substantive reforms in North Carolina and Maryland have caused a contraction in the offering of new credit cards. Specifically, we compare the change in opening of new credit cards in these states after greater protections were enacted to the change that occurred over the same time period nationally and in states with similar characteristics. While some in the industry may argue that debt-buying reforms may cause lenders to curtail credit because of concerns regarding a reduced ability to collect or sell defaulted debt, we hypothesize that consumers did not experience any harm as a result of these new regulations.

We discuss the specific changes to the debt-collection laws in North Carolina and Maryland and our research methodology and findings in the following sections, and then close with policy recommendations.

REFORMS IN NORTH CAROLINA AND MARYLAND

In the late 2000s, states began addressing problems caused by debt-buyer abuses, particularly in the context of debt-collection litigation. North Carolina and Maryland are among the strongest examples of states enacting substantive reforms to debt buying and collection to provide for stronger consumer protections.[2] In North Carolina, this was accomplished through legislation; Maryland enacted its changes through a change in court rules. These reforms are outlined in more detail below.

North Carolina

In 2009, North Carolina passed the Consumer Economic Protection Act, the first state legislation aimed at curbing debt-buyer abuses. The passage of the act was spurred by an escalation of lawsuits filed by debt buyers in the years before the legislation was introduced (McNulty and Ripley, 2012). These lawsuits were marked by a lack of documentation showing ownership of the debt or proof that the debt was actually owed, and the vast majority resulted in default or summary judgment in favor of the debt buyer. After they obtained a judgment in court, debt buyers were aggressive in collecting on the judgments, more so than creditors and third-party collectors (McNulty and Ripley, 2012).

The North Carolina legislation was shaped by meetings with the North Carolina Attorney General's office, consumer advocates, legal services providers, and attorneys in private practice and responsive to the problems those constituents witnessed on a regular basis. Key elements of the legislation were clarifying that debt buyers were indeed subject to the state's fair debt-collection laws and licensing requirements, as well as making sure that the companies had actual documentation of the debts they were attempting to collect (not simply spreadsheets or affidavits) and proof of ownership of the debt (N.C. Gen. Stat. §§ 58-70-115(5), 58-70-150). Additionally, the legislation required admissible evidence for a debt buyer to obtain a judgment in such cases, including an itemization of the debt and all fees and charges (N.C. Gen. Stat. § 58-70-155). This provision was focused on disrupting the debt buyers' business model of relying on consumers not appearing in court or otherwise responding to lawsuits to obtain default judgments to then extract payments from consumers. Significantly, a violation of the new law is considered an unfair act or practice under state law, creating a private right of action for harmed consumers and enabling the state Attorney General to enforce the law.

2 North Carolina and Maryland were chosen for purposes of this analysis because the reforms in those states had been in effect for at least one year as of the start of the study. Other states, including California, Minnesota, and New York, enacted legislation or amended court rules more recently to address these same concerns over abuses in debt-collection lawsuits.

Maryland

While North Carolina effected reforms through legislation, Maryland did so by a change in court rules in 2012 following concerns raised by a state regulator, the Attorney General, and the state District Court (Standing Committee on Rules of Practice and Procedure, 2011 and Court of Appeals of Maryland, 2011).[3] In 2009 and 2010, the Maryland Office of the Commissioner of Financial Regulation (OCFR) brought multiple enforcement actions against debt buyers and law firms alike for illegally filing tens of thousands of cases in the state's courts to collect debts (Maryland Department of Labor, Licensing and Regulation, 2009 and Maryland State Collection Agency Licensing Board, 2010a and 2010b). In late 2010, a legislative review of the OCFR recommended that the agency, in conjunction with the state Attorney General and judiciary, consider making changes to Maryland's court rules to ensure that the state's consumers are adequately protected in collection cases (Department of Legislative Services, 2010). Indeed, as the report noted, preliminary conversations among the Attorney General's Office and the state judiciary began after a September 2010 memorandum authored by the Attorney General's Office outlining the problems associated with debt-buyer litigation activities (Department of Legislative Services, 2010).

That memorandum started a series of public discussions about rule changes that included various stakeholders, including debt collectors, debt buyers, consumer advocates and attorneys, the judiciary, and the Attorney General's Office. These discussions began in early 2011 and culminated in the issuance of rules related to certain debt-collection lawsuits in September 2011. Similar to the North Carolina legislation, the amended rules set forth what documentation is needed in order to obtain a judgment in certain cases when the consumer does not appear in court or otherwise defend the case (Md. R. P. 3-306). Specifically, the new rules require debt buyers to provide admissible evidence proving the existence and ownership of the debt, the terms and conditions of the debt, and an itemization of the debt, when filing a debt-collection complaint that is supported by an affidavit (Md. R. P. 3-306).

3 The new rules were adopted in 2011 but became effective in 2012.

METHODOLOGY

This study seeks to answer a straightforward question: *Was less new credit made available in North Carolina and Maryland in the time period immediately following the enactment of debt-buying reforms as compared to the time period immediately preceding those reforms?* To address that question, we analyzed trends in the extension of new credit card accounts before and after the introduction of the reforms in Maryland and North Carolina and compared those trends to the national trend and trends in economically similar peer states. To facilitate the comparisons, we used Equifax Credit Trends data that quantify new bank credit card originations and the dollar amount of the credit extended by state and Equifax risk score tier for each quarter from the first quarter of 2007 to the last quarter of 2013.

The analysis makes the following assumptions:

"Before" and "after" time periods. The "before" and "after" periods were based on the time of enactment of the law (in the case of North Carolina) or rule (in the case of Maryland). The "before" period consists of an eight-quarter period (two years) before the law was enacted, and the "after" period consists of an eight-quarter period (two years) after the law was enacted. Because the North Carolina law was enacted in 2009, the "before" period was defined as the first quarter of 2007 through the fourth quarter of 2008, and the "after" period was defined as the first quarter of 2010 through the fourth quarter of 2011. The Maryland rule changes were discussed over a period from late 2010 into 2011, so the "before" period was defined as the third quarter of 2008 through the second quarter of 2010, and the "after" period was defined as the first quarter of 2012 through the fourth quarter of 2013.

Measuring amount of new credit extended. New credit is primarily defined as the number of new credit card lines originated over the two-year period. Total originations in the "before" period are subtracted from the total originations in the "after" period to give the change in new originations. Those changes are shown in the paper as a percent change over the before-period originations. New credit is also defined as the total value of those new lines. As with the changes in new lines of credit, changes in the value of the new lines are also calculated as a percent change over the before period. To account for population changes, a version of the analysis is presented where new originations and the dollar value of new accounts are normalized by the number of people with a credit score.

Accounting for economic trends. The changes in originations and credit extended for North Carolina and Maryland are compared to the same measures for the entire United States. This allows us to evaluate the state-specific changes in the context of overall U.S. economic trends. Because the North Carolina law was enacted during a time of economic contraction, the analysis is determining whether credit card origination activity contracted more or less in North Carolina as compared to the country as a whole. On the other hand, the Maryland rule changes occurred during a time of economic recovery, so the analysis looks at whether the new credit card growth in Maryland is faster than or slower than growth in the nation as a whole.

Accounting for economic differences in states. Because there is wide variation in the general health of the economy in different states at any given point, we conducted a cluster analysis using publicly available economic data to identify peer states for North Carolina and Maryland. In the analysis, the new credit card origination trends for North Carolina and Maryland are compared against their respective peer states to determine whether the findings are impacted when the analysis is restricted to peer states.

To identify peer states, we identified a series of variables that characterize the economic conditions in the state and performed cluster analysis to group states with similar characteristics. The variables are state unemployment rate; per capita gross domestic product (GDP); median household income; adult population; delinquency rate (90 days late on any debts); percent of population with a subprime credit score; average credit card debt outstanding; and consumer bankruptcy rate per 1,000 people. The cluster analysis identified the following peer states for Maryland and North Carolina:[4]

Figure 2: Peer States

North Carolina	Maryland
Indiana	Colorado
Michigan	Connecticut
Missouri	Massachusetts
Ohio	New Jersey
South Carolina	Virginia
Texas	Washington

Our analysis has two limitations that may affect our findings. First, we do not observe credit cards that were offered to, but not accepted by, consumers. Thus, our findings are impacted by consumer demand for new credit as well as the supply that banks sought to offer. Likewise, because we are only measuring the number of new cards opened, we cannot see any increases or reductions in credit limits on existing credit cards.

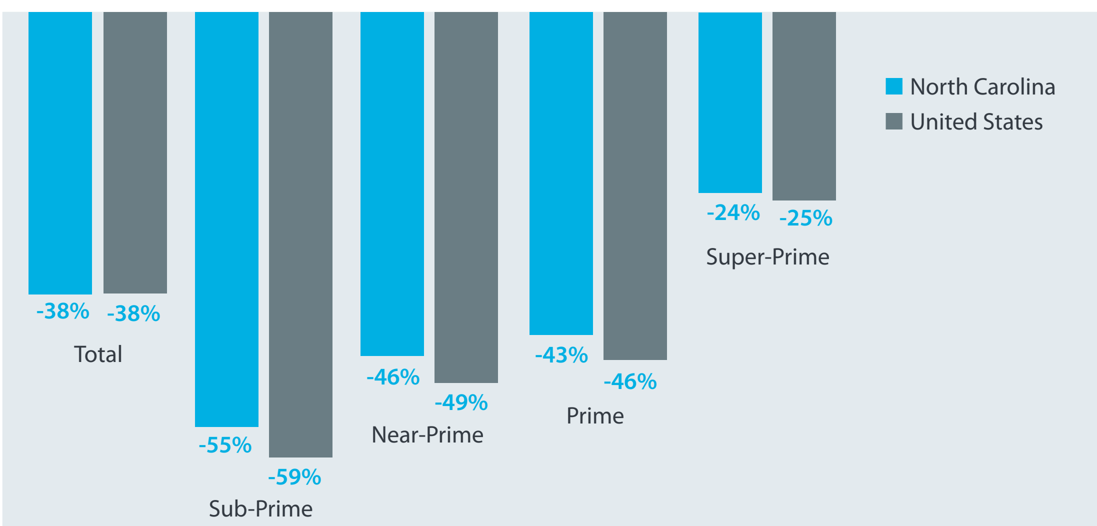
4 For a more detailed discussion of how these states were selected, see Appendix 1.

Our analysis of new credit card openings in North Carolina and Maryland finds that consumers in these states fared no worse—and in many cases better—than consumers nationally and in selected peer states. This holds true even for consumers with below-prime credit scores, for whom lenders would be more likely to reduce credit offers if they were concerned that new laws would impact their ability to collect on or sell defaulted debts.

Finding 1: Credit availability in North Carolina and Maryland appears to follow national trends rather than being impacted by regulatory changes.

The overall economy and broad trends in consumer financial health have an impact on the number of credit cards opened by consumers and the amount of credit lenders are willing to extend on each of these new cards. North Carolina's law change occurred during the Great Recession, when lenders were reducing credit offers and consumers were de-leveraging and likely less interested in opening new credit cards. The figures below show the declines in new credit card openings and new credit lines, comparing the eight quarters immediately before the time period during which debt-buying reform legislation was debated, passed, and enacted to the eight quarters immediately following. In comparing the experience in North Carolina to the experience of all U.S. consumers, the figures show that the percent decline in new credit card openings (Figure 3) and new aggregate credit line available (Figure 4) was smaller for North Carolina consumers than for U.S. consumers in each of the four credit tiers (sub-prime, near-prime, prime, and super-prime[5]). The changes were not identical across the credit tiers (with larger percent differences between North Carolina and the United States for sub-prime credit cards), but explanation of the differences by tier is beyond the scope of this project.

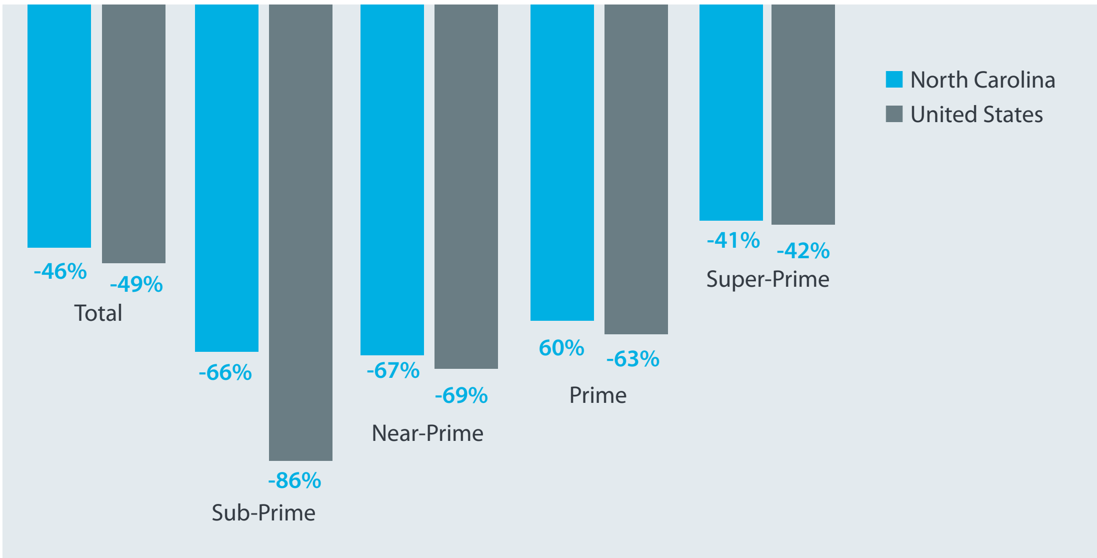
Figure 3: Comparison of percent change in new credit card openings, overall and among four credit tiers, North Carolina vs. United States



Source: CRL analysis of Equifax Credit Trends bank card origination data. Quarter 1, 2007–Quarter 4, 2008 (before) vs. Quarter 1, 2010–Quarter 4, 2011 (after).

5 Credit tiers are based on Equifax Credit Scores, which measure credit risk on a scale similar to FICO scores. Based on guidance from Equifax, super-prime is a score greater than or equal to 700, prime is a score between 660 and 699, near-prime is a score between 620 and 659, and sub-prime is a score between 300 and 619. For more information about Equifax Credit Scores, see https://help.equifax.com/app/answers/detail/a_id/244/~/equifax-credit-score%E2%84%A2-vs-fico%C2%AE-score.

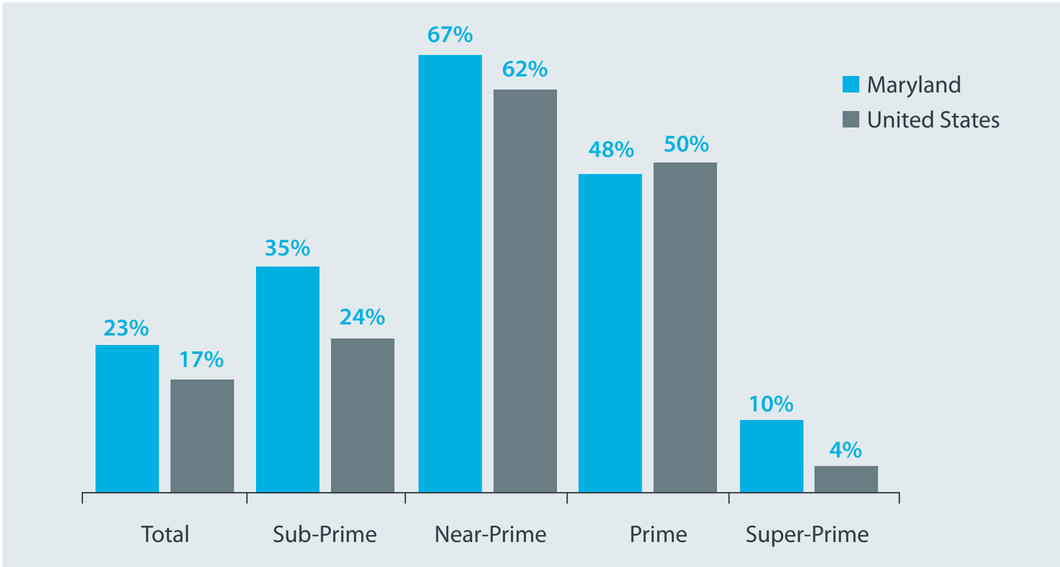
Figure 4: Comparison of percent change in new aggregate credit card credit line available, overall and among four credit tiers, North Carolina vs. United States



Source: CRL analysis of Equifax Credit Trends bank card origination data. Quarter 1, 2007–Quarter 4, 2008 (before) vs. Quarter 1, 2010–Quarter 4, 2011 (after).

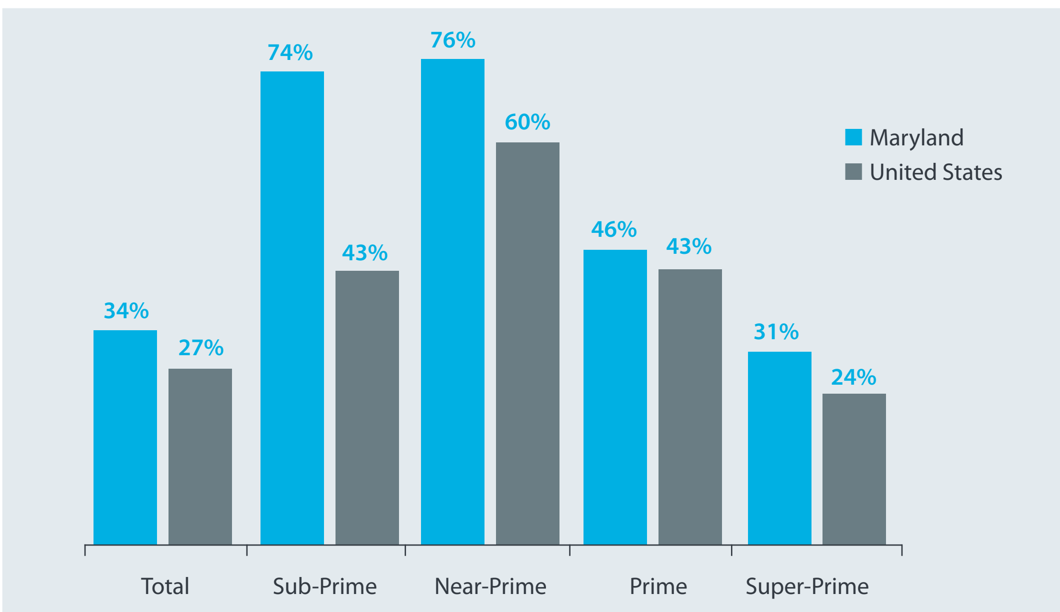
The Maryland court rule changes occurred after the economy started to rebound and credit availability increased. Thus, during the rulemaking period in Maryland and after the rule was enacted, new credit card availability in the state generally followed the national trend upward. In comparing the experience in Maryland to the experience of all U.S. consumers, the figures show that the percent increase in new credit card openings (Figure 5) and in new aggregate credit line available (Figure 6) was larger for Maryland consumers than for U.S. consumers in each of the four credit tiers (sub-prime, near-prime, prime, and super-prime). The one exception was for openings for prime consumers. The changes were not identical across the credit tiers (with larger percent differences between Maryland and the United States for sub-prime credit cards), but explanation of the differences by tier is beyond the scope of this project.

Figure 5: Comparison of percent change in new credit card openings, overall and among four credit tiers, Maryland vs. United States



Source: CRL analysis of Equifax Credit Trends bank card origination data. Quarter 3, 2008–Quarter 2, 2010 (before) vs. Quarter 1, 2012–Quarter 4, 2013 (after).

Figure 6: Comparison of percent change in new aggregate credit card credit line available, overall and among four credit tiers, Maryland vs. United States



Source: CRL analysis of Equifax Credit Trends bank card origination data. Quarter 3, 2008–Quarter 2, 2010 (before) vs. Quarter 1, 2012–Quarter 4, 2013 (after).

When we compare the change in new credit card issuances in North Carolina and Maryland before and after law changes to the change occurring nationally during the same time periods, we get more detailed evidence showing that these states fared about the same as, or better than, the national average. The figure below shows the number of new credit cards opened, per 1,000 consumers with a credit score, and the new total credit availability these cards represent, per credit-scored consumer in our Equifax dataset.[6]

Figure 7: Comparison of change in number of new credit cards issued, per 1,000 consumers with a credit score, and aggregate new credit card line available, per credit-scored consumer, North Carolina vs. United States

	United States	North Carolina
New credit card accounts	-63	-55
New aggregate credit line available	-$408	-$314

Source: CRL analysis of Equifax Credit Trends bank card origination and Equifax Risk Score data, Quarter 1, 2007–Quarter 4, 2008 (before) vs. Quarter 1, 2010–Quarter 4, 2011 (after).

Figure 8: Comparison of change in number of new credit cards issued, per 1,000 consumers with a credit score, and aggregate new credit line available, per credit-scored consumer, Maryland vs. United States

	United States	Maryland
New credit card accounts	18	25
New aggregate credit line available	$125	$173

Source: CRL analysis of Equifax Credit Trends bank card origination and Equifax risk score data, Quarter 3, 2008–Quarter 2, 2010 (before) and Quarter 1, 2012–Quarter 4, 2013 (after).

Finding 2: North Carolina and Maryland consumers seeking new credit cards generally fared better than consumers in peer states.

As discussed previously in the Methodology section, we compared North Carolina and Maryland not only to national averages, but also to the six states identified as peers. As noted previously, these states are similar to North Carolina and Maryland both in terms of household financial health and broader economic trends. North Carolina out-performed all of its peers for the change in the number of new credit cards opened, and two-thirds of its peer states for the total new credit extended through those credit card issuances. When we compare North Carolina to the average peer state outcome or that of the entire United States, we find that the decline in credit availability—measured in number of new cards issued and in total new credit available—was less in North Carolina.

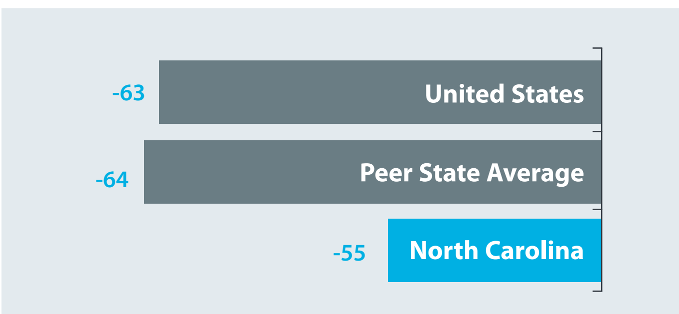
6 Full results with absolute numbers are available in the Appendix.

Figure 9: Comparison of change in number of new credit cards issued, per 1,000 consumers with a credit score, and aggregate new credit card line available, per credit-scored consumer, North Carolina vs. peer states and United States

		# of new accounts per 1,000 consumers with credit scores	Total new credit extended per consumer with a credit score
Peer States	Indiana	-63	-$403
	Michigan	-75	-$476
	Missouri	-58	-$307
	Ohio	-64	-$392
	South Carolina	-59	-$315
	Texas	-63	-$298
Peer State Average		-64	-$365
United States		-63	-$408
North Carolina		-55	-$314

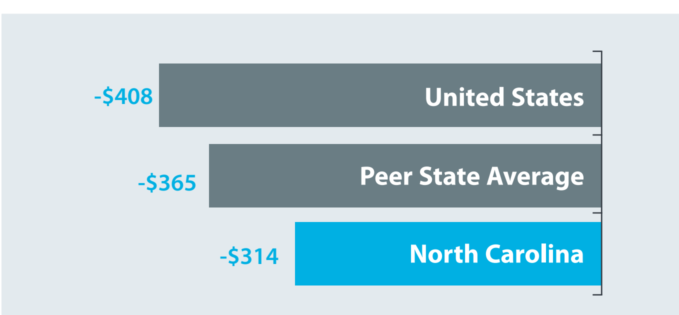
Source: CRL analysis of Equifax Credit Trends bank card origination and Equifax Risk Score data, Quarter 1, 2007–Quarter 4, 2008 (before) vs. Quarter 1, 2010–Quarter 4, 2011 (after). Peer state average is unweighted mean average.

Figure 10: Comparison of change in number of new credit cards issued, per 1,000 consumers with a credit score, North Carolina vs. peer state average and United States



Source: CRL analysis of Equifax Credit Trends bank card origination and Equifax Risk Score data, Quarter 1, 2007–Quarter 4, 2008 (before) vs. Quarter 1, 2010–Quarter 4, 2011 (after). Peer state average is unweighted mean average.

Figure 11: Comparison of change in aggregate new credit card line available, per credit-scored consumer, North Carolina vs. peer state average and United States



Source: CRL analysis of Equifax Credit Trends bank card origination data, Quarter 1, 2007–Quarter 4, 2008 (before) vs. Quarter 1, 2010–Quarter 4, 2011 (after). Peer state average is unweighted mean average.

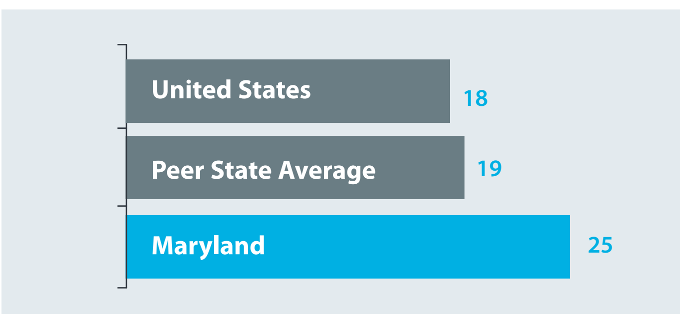
We see a similar trend in Maryland with lenders issuing the same or fewer number of credit cards per 1,000 consumers with a credit score in peer states, as well as a smaller increase in the amount of new credit extended in two-thirds of peer states. Like North Carolina, Maryland out-performed its peer state average as well as outcomes for the United States overall.

Figure 12: Comparison of change in number of new credit cards issued, per 1,000 consumers with a credit score, and aggregate new credit card line available, per credit-scored consumer, Maryland vs. peer states and United States

		# of new accounts per 1,000 consumers with credit scores	Total new credit extended per consumer with a credit score
Peer States	Colorado	17	$195
	Connecticut	17	$102
	Massachusetts	12	$66
	New Jersey	25	$231
	Virginia	23	$159
	Washington	18	$129
Peer State Average		19	$147
United States		18	$125
Maryland		25	$173

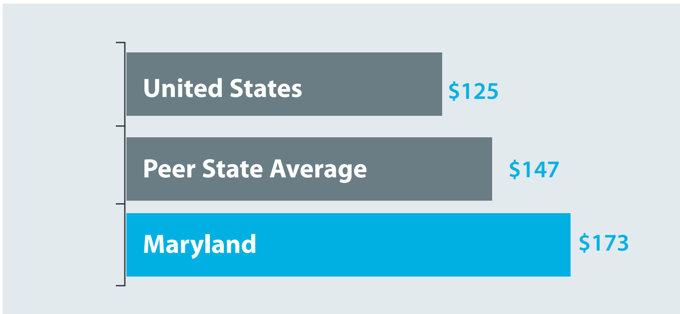
Source: CRL analysis of Equifax Credit Trends bank card origination and Equifax Risk Score data, Quarter 3, 2008–Quarter 2, 2010 (before) and Quarter 1, 2012–Quarter 4, 2013 (after). Peer state average is unweighted mean average.

Figure 13: Comparison of change in number of new credit cards issued, per 1,000 consumers with a credit score, Maryland vs. peer state average and United States



Source: CRL analysis of Equifax Credit Trends bank card origination and Equifax Risk Score data, Quarter 3, 2008–Quarter 2, 2010 (before) and Quarter 1, 2012–Quarter 4, 2013 (after). Peer state average is unweighted mean average.

Figure 14: Comparison of change in aggregate new credit card line available, per 1,000 consumers with a credit score, Maryland vs. peer state average and United States



Source: CRL analysis of Equifax Credit Trends bank card origination and Equifax Risk Score data, Quarter 3, 2008–Quarter 2, 2010 (before) and Quarter 1, 2012–Quarter 4, 2013 (after). Peer state average is unweighted mean average.

Finding 3: Sub- and near-prime consumers in North Carolina and Maryland fared at least as well as those nationally and in peer states regardless of debt-buying reforms.

Finally, we measured whether the impacts to credit availability were felt differently by consumers with lower credit scores (classified by Equifax as sub-prime and near-prime) who may be more likely to default on their debts and, thus, be pursued by debt buyers.[7]

We find that sub-prime consumers in North Carolina experienced smaller decreases in credit card openings than in all but one of its six peer states. North Carolina sub-prime consumers experienced a decline of 65 new credit card accounts issued per 1,000 people with credit scores when comparing the time periods before and after the law changed. Only South Carolina had slightly better results for sub-prime consumers, as shown in the table below. North Carolina sub-prime consumers fared much better than similar consumers nationally—sub-prime consumers nationally had a three-time greater decline in the amount of credit issued during the same time period as their North Carolina counterparts. Results are similar for near-prime consumers, who fared better in North Carolina than nationally or in any peer state in terms of new cards issued and only slightly better in one peer state (again, South Carolina) for the amount of new credit extended.

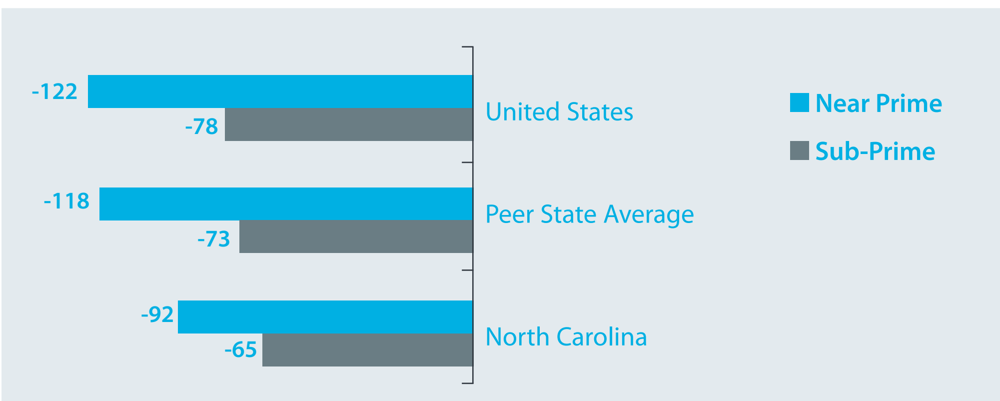
7 Equifax's "origination risk scores" go up to 850 for the most credit-worthy consumers. Consumers with scores ranging from 280-619 are considered "sub-prime" and those with scores ranging from 620-659 are considered "near-prime." In addition, a relatively small number of consumers lack risk scores entirely. Scores reported are the score during the quarter in which the new credit card was opened.

Figure 15: Comparison of change in number of new credit cards issued, per 1,000 sub-prime and near-prime consumers, and aggregate new credit card line available, per sub-prime and near-prime consumer, North Carolina vs. peer states and United States

		# of new accounts per 1,000 consumers with credit scores		Total new credit extended per consumer with a credit score	
		Sub-prime	Near-prime	Sub-prime	Near-prime
Peer States	Indiana	-70	-119	-$78	-$354
	Michigan	-72	-130	-$77	-$389
	Missouri	-77	-117	-$78	-$349
	Ohio	-79	-124	-$82	-$369
	South Carolina	-64	-98	-$62	-$301
	Texas	-76	-117	-$82	-$367
Peer State Average		-73	-118	-$77	-$355
United States		-78	-122	-$218	-$380
North Carolina		-65	-92	-$68	-$308

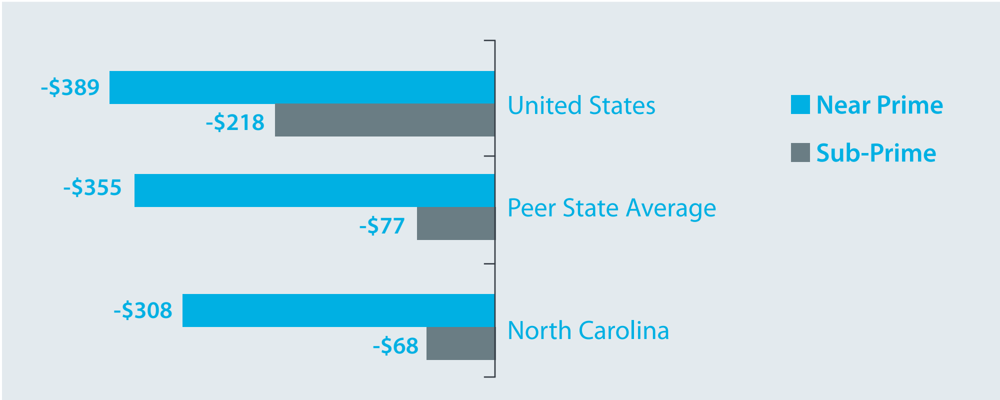
Source: CRL analysis of Equifax Credit Trends bank card origination and Equifax risk score data, Quarter 1, 2007–Quarter 4, 2008 (before) vs. Quarter 1, 2010–Quarter 4, 2011 (after). Peer state average is unweighted mean average.

Figure 16: Comparison of change in number of new credit cards, per 1,000 sub-prime and near-prime consumers, North Carolina vs. peer state average and United States



Source: CRL analysis of Equifax Credit Trends bank card origination and Equifax risk score data, Quarter 1, 2007–Quarter 4, 2008 (before) vs. Quarter 1, 2010–Quarter 4, 2011 (after). Peer state average is unweighted mean average.

Figure 17: Comparison of change in aggregate new credit card line available, per sub-prime and near-prime consumer, North Carolina vs. peer state average and United States



Source: CRL analysis of Equifax Credit Trends bank card origination and Equifax risk score data, Quarter 1, 2007–Quarter 4, 2008 (before) vs. Quarter 1, 2010–Quarter 4, 2011 (after). Peer state average is unweighted mean average.

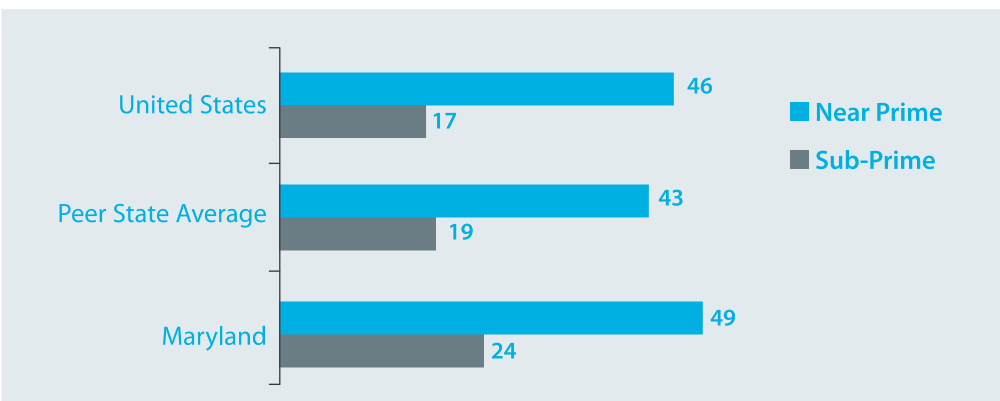
In Maryland, we see an increase in new credit cards issued and credit extended for sub-prime and near-prime consumers when we compare the time periods before and after the rule change. Sub-prime Maryland consumers with a credit score had 24 new cards issued per 1,000 consumers with a credit score, representing an increase of $33 in credit availability per person. This was higher for near-prime borrowers, with 49 new cards issued per 1,000 consumers with a credit score, representing $123 per person. This increase in credit in Maryland outpaces the experience of consumers nationally and—in most cases—peer states as well. The only exceptions are Virginia, where sub-prime consumers had a slightly greater increase in credit lines, and in New Jersey, where a greater number of credit cards were issued for near-prime borrowers.

Figure 18: Comparison of change in number of new credit cards issued per 1,000 near-prime and sub-prime consumers, and aggregate new credit card line available per near-prime and sub-prime consumer, Maryland vs. peer states and United States

		# of new accounts per 1,000 consumers with credit scores		Total new credit extended per consumer with a credit score	
		Sub-prime	Near-prime	Sub-prime	Near-prime
Peer States	Colorado	22	41	$27	$74
	Connecticut	20	42	$26	$74
	Massachusetts	13	37	$20	$64
	New Jersey	20	51	$24	$101
	Virginia	21	46	$35	$102
	Washington	15	40	$22	$73
Peer State Average		19	43	$26	$81
United States		17	46	$19	$76
Maryland		24	49	$33	$123

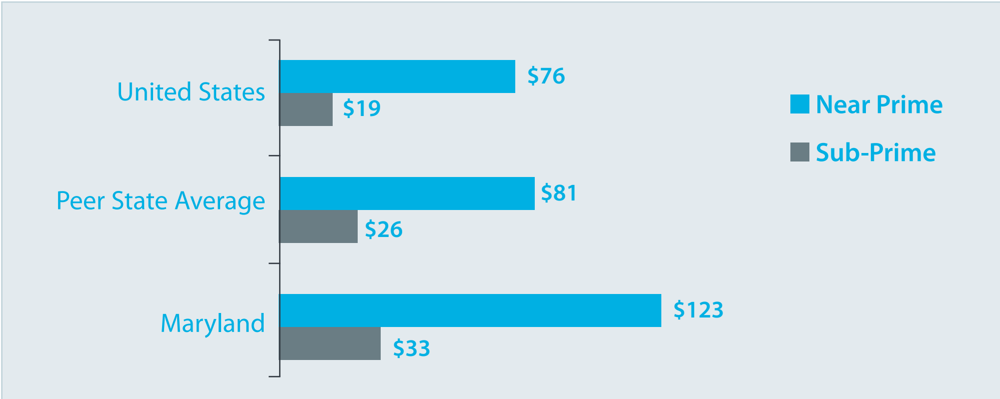
Source: CRL analysis of Equifax Credit Trends bank card origination and Equifax risk score data, Quarter 3, 2008–Quarter 2, 2010 (before) and Quarter 1, 2012–Quarter 4, 2013 (after). Peer state average is unweighted mean average.

Figure 19: Comparison of change in number of new credit cards issued, per 1,000 sub-prime and near-prime consumers, Maryland vs. peer state average and United States



Source: CRL analysis of Equifax Credit Trends bank card origination and Equifax risk score data, Quarter 3, 2008–Quarter 2, 2010 (before) and Quarter 1, 2012–Quarter 4, 2013 (after). Peer state average is unweighted mean average.

Figure 20: Comparison of change in aggregate new credit card line available, per sub-prime and near-prime consumer, Maryland vs. peer state average and United States



Source: CRL analysis of Equifax Credit Trends bank card origination and Equifax risk score data, Quarter 3, 2008–Quarter 2, 2010 (before) and Quarter 1, 2012–Quarter 4, 2013 (after). Peer state average is unweighted mean average.

DISCUSSION

One argument against greater consumer protections in the collection and buying and selling of debts in default is that enacting such limitations may restrict the provision of credit, particularly to riskier consumers. The analysis conducted for this paper finds no evidence that credit card availability was curtailed in North Carolina or Maryland in response to debt-collection law reforms. The findings for consumers in the sub-prime and non-prime credit tiers are perhaps the most compelling. A non-prime consumer may be more likely to accept any offers of new credit extended compared to a consumer with a high credit score that receives many credit card offers and may not be seeking an additional credit line. Since our data only show the extent to which credit was accepted and a new account opened—rather than all offers of new credit—the results for sub-prime and near-prime consumers are likely more indicative of any change in willingness to lend in a certain geography than findings for the overall population. In addition, if lenders were wary of extending credit to populations who are most likely to default and thus benefit from greater debt-collection and buying and selling regulations, we would expect to see the greatest impact among these sub-prime and near-prime populations.

Our analysis and findings differ from another recent study on the impact of changes in debt-collection laws on credit card availability. In *Debt Collection Agencies and the Supply of Consumer Credit,* Dr. Fedaseyeu examines whether there is a change in credit card openings after states change any aspect of their debt-collection laws. He finds that there are fewer openings of new credit cards following the enactment of new state laws that increase regulation of debt-collection agencies (2015). However, many of these state law changes are very minor in nature, such as a modest increase in licensing fees or bonding requirements for debt collectors (Fedaseyeu, 2015). Additionally, although Dr. Fedaseyeu's paper is repeatedly cited by the debt-buying industry to oppose laws or rules aimed at debt buyers, the paper does not distinguish between general debt-collection laws and those that focus on debt buyers. In contrast, we have taken more of a case study approach to look specifically at two states where comprehensive debt-buying reforms have been enacted, differentiating these substantive reforms from more administrative changes.[8]

While we have contrasting findings because of our different areas of focus, we strongly agree with Dr. Fedaseyeu's assessment that the extent to which credit availability changes does not necessarily reflect changes in consumer welfare. For example, a reduction in credit offerings may be beneficial for consumers, if those consumers who would otherwise be offered such credit would have predatory terms resulting in a likely default.

8 A more detailed review of this paper is available at http://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl_fedaseyeu_dec2015.pdf.

CONCLUSION AND POLICY RECOMMENDATIONS

We find no evidence that additional protections for consumers have a negative effect on credit card availability, even for consumers with non-prime credit scores. State and federal officials should continue to strengthen debt-collection and debt-buying rules and laws to better protect consumers.

At the state level, officials should:

- **Require more detailed and accurate evidence when debt buyers file lawsuits.** State legislatures should adopt legislation or state court systems should establish statewide court rules that require debt buyers to possess more detailed and accurate information and evidence when they sue to collect on the debts. This information and evidence should include the name of the original creditor (which should be familiar to the consumer); information about the consumer to ensure that the correct person is being sued; an itemization of the amount claimed to be owed; documentation establishing the debt, such as the original contract or credit application and recent billing statements; proof of ownership, including documentation establishing a complete chain of title; and the terms and conditions that applied to that specific account. Much of this information should also be reviewed by debt collectors and debt buyers before collecting out of court.

- **Tighten evidentiary requirements for obtaining a judgment, including a default judgment or summary judgment on debt-related cases.** States, through legislation or court or administrative rules, should require plaintiffs in all debt-collection cases (including those in small claims courts), to establish through admissible evidence the following: (1) the debtor-defendant's underlying liability on a contract; (2) its own standing to sue by virtue of an uninterrupted chain of title; and (3) accurately and legally-calculated damages. States should also require proof that the plaintiff served the complaint and motion for default judgment to the borrower's current home address.

At the federal level, officials should:

- **Regulate the flow of information in the debt-collection market.** Federal regulators, including the CFPB and OCC, should require increased and accurate documentation and information for each debt sold at the time of sale, including: (1) documentation necessary to substantiate and verify the debt (i.e., the identity of the debtor, the original creditor, that the debt is owed, the amount of the debt, and that the debt buyer is the true and only owner of the debt); (2) the evidence that debt buyers must have to file lawsuits; and (3) important information about the consumer, such as whether the consumer has an attorney, past collection history, and dispute history. If they cannot provide the required information, banks and other creditors should be prohibited from selling the debt. By requiring this information at the federal level, federal regulators will pave the way for states to pass legislation and change regulations and court rules to address debt-buyer abuses in debt-collection litigation prevalent in their states.

- **Prohibit the initiation of collection efforts on any debt unless the debt buyer has the information necessary to substantiate and verify the debt being sought.** The CFPB should prohibit debt buyers from initiating collections on any debt without first verifying the debt, as indicated above.

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Appendix 1. Identifying Peer States

The objective of the peer state analysis was to identify a set of states with economic conditions that were similar to North Carolina and Maryland, respectively, in the period leading up to the enactment of new debt-collection laws. We used cluster analysis, which identifies the two states' nearest "economic neighbors."

The first step was identifying the time period for the peer state analysis. Specifically, we selected the calendar year of the end of the "before" period as the year for which to conduct the analysis. Most of the data are collected once per year, so selecting the quarter and year is not an option. In the case of the North Carolina law, the year is 2008; in the case of Maryland, it is 2010.

Next, we identified the following eight variables to identify peer states:

- state unemployment rate (Source: Bureau of Labor Statistics);
- per capita gross domestic product (GDP) (Source: Bureau of Economic Analysis);
- median household income (Source: Census Bureau);
- adult population (Source: Census Bureau);
- delinquency rate (90 days late on any debts) (Source: TransUnion data via CFED 2015 Assets & Opportunity Scorecard);
- percent of population with a subprime credit score (Source: CRL calculation of Equifax Credit Trends);
- average credit card debt outstanding (Source: TransUnion data vis CFED 2015 Assets & Opportunity Scorecard); and
- consumer bankruptcy rate per 1,000 people (Source: U.S. Bankruptcy Courts data via CFED 2015 Assets & Opportunity Scorecard)

Many of these variables are highly associated (e.g., the extent to which a population has delinquent debt and the share of the population that has a subprime credit score, or household income and credit card debt outstanding), so we elected to do factor analysis to reduce the bias introduced by including several highly associated variables into the cluster analysis. Importantly for this analysis, the factor scores are also similarly scaled.

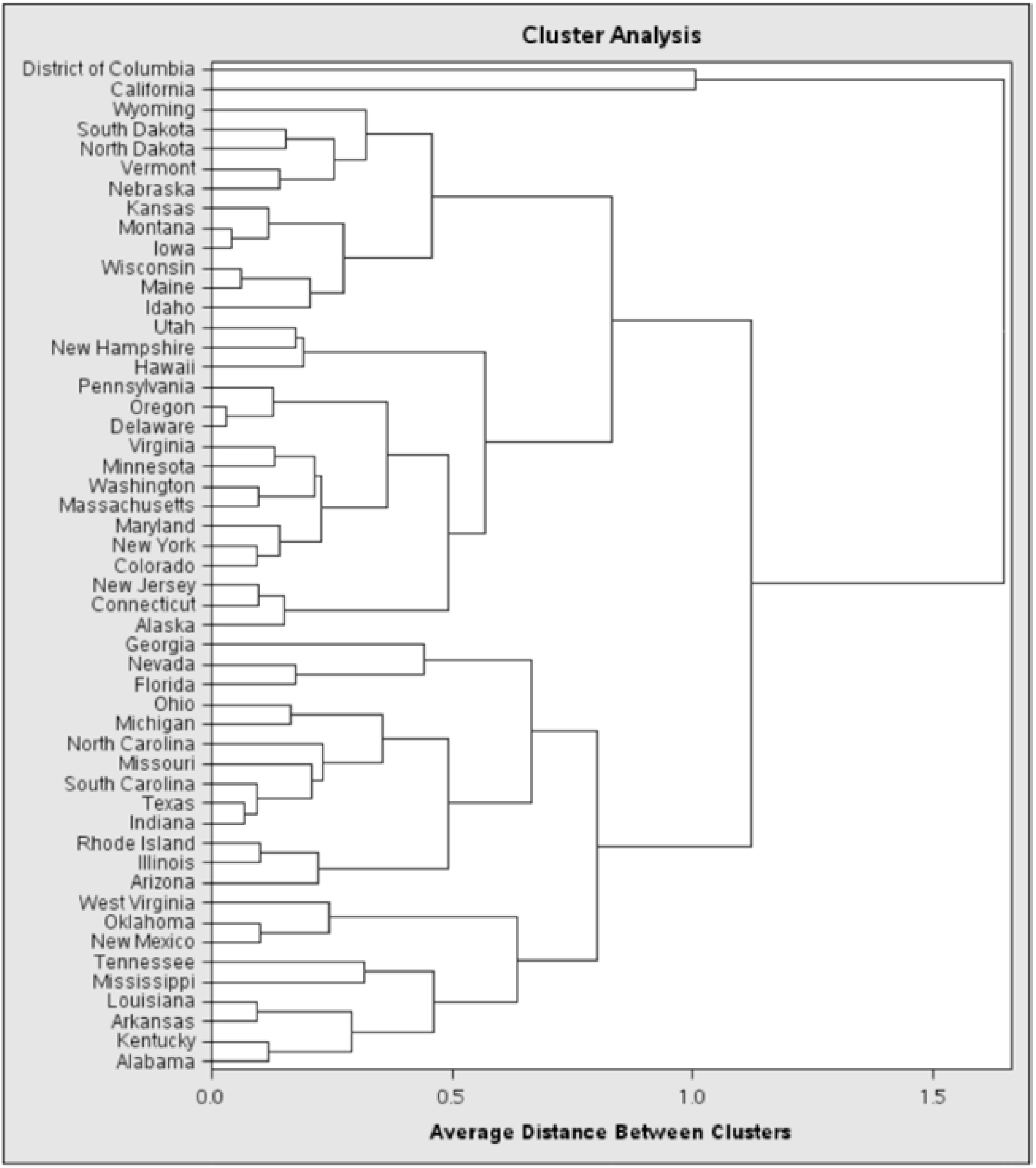
Two rounds of factor analysis were conducted—one for 2008 and one for 2010—which identified two factors: (1) a financial hardship factor and (2) an economic size/affluence factor. The variables that define the financial hardship factor are delinquency on any debt, unemployment rate, percent of population with a subprime credit score, and the consumer bankruptcy rate. The variables that define the economic size/affluence factor are outstanding credit card debt, median household income, and per capita gross domestic product (GDP). The rotated factor patterns are shown below.

2008 Rotated Factor Pattern for North Carolina		
Variable	Factor 1	Factor 2
State unemployment rate	.80	.16
Per capita state GDP	-.05	.66
Median household income	-.29	.83
Adult population	.56	.24
Delinquency rate (90 days late on any debts)	.90	-.10
Percent of population with a subprime credit score	.73	-.41
Average credit card debt outstanding	.39	.85
Consumer bankruptcy rate per 1,000 people	.62	-.32

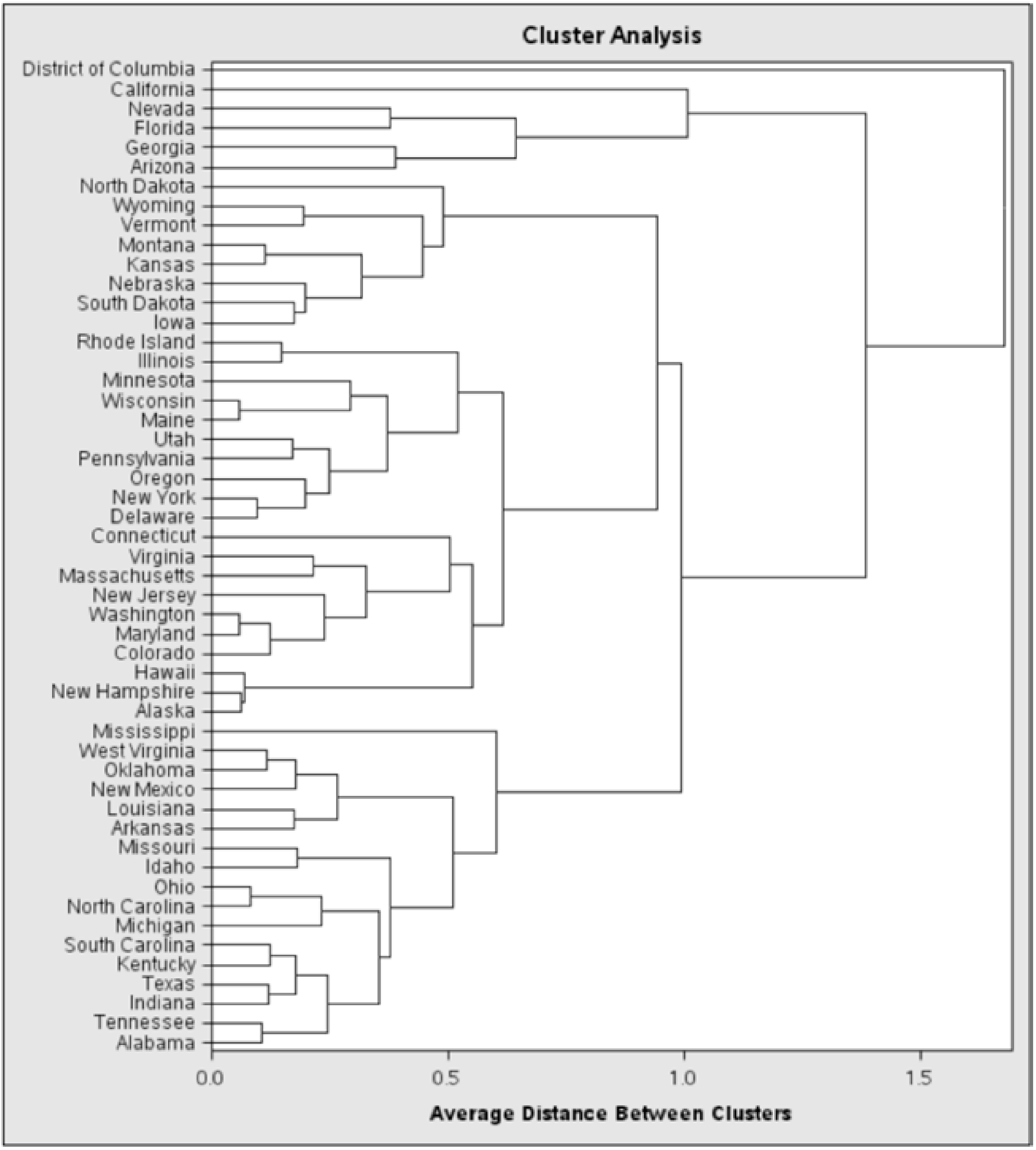
2010 Rotated Factor Pattern for Maryland		
Variable	Factor 1	Factor 2
State unemployment rate	.90	.05
Per capita state GDP	-.06	.68
Median household income	-.19	.89
Adult population	.55	.12
Delinquency rate (90 days late on any debts)	.91	-.03
Percent of population with a subprime credit score	.66	-.47
Average credit card debt outstanding	.51	.80
Consumer bankruptcy rate per 1,000 people	.71	-.17

The two factor scores from the factor analysis were used as the variables in the cluster analysis (Principle Components, Varimax rotation of factors). By inspecting the cluster analysis tree (shown below), North Carolina's peer states for 2008 were Indiana, Michigan, Missouri, Ohio, South Carolina, and Texas. Maryland's peer states for 2010 were Colorado, Connecticut, Massachusetts, New Jersey, Virginia, and Washington.

2008 Cluster Analysis Tree for North Carolina



2010 Cluster Analysis Tree for Maryland



Appendix 2. Quarter-by-quarter credit card opening, aggregate credit line, and credit score data for North Carolina, Maryland, and United States consumers used for Finding #1 analysis

	North Carolina	United States
Before law change, Q1 2007–Q4 2008		
# of new credit cards issued	1,001,556	38,459,710
Aggregate credit available on new cards issued	$4,631,085,907	$190,251,409,732
Average number of consumers with credit score	6,769,318	225,945,038
# of new credit cards issued, per 1,000 consumers with credit scores	148	170
Aggregate credit available on new cards issued, per consumer with a credit score	$684.13	$842.03
After law change, Q1 2010–Q4 2011		
# of new credit cards issued	625,394	23,774,600
Aggregate credit available on new cards issued	$2,487,663,503	$96,383,663,249
Average number of consumers with credit score	6,713,960	222,105,647
# of new credit cards issued, per 1,000 consumers with credit scores	93	107
Aggregate credit available on new cards issued, per consumer with a credit score	$370.52	$433.95
Change in # of new credit cards issued, per 1,000 consumers with credit scores	**-55**	**-63**
Change in aggregate credit available on new cards issued, per consumer with a credit score	**-$314**	**-$408**

	Maryland	United States
Before law change, Q3 2008–Q2 2010		
# of new credit cards issued	449,407	23,001,471
Aggregate credit available on new cards issued	$2,132,955,580	$100,714,003,125
Average number of consumers with credit score	4,363,172	224,519,761
# of new credit cards issued, per 1,000 consumers with credit scores	103	102
Aggregate credit available on new cards issued, per consumer with a credit score	$488.85	$448.58
After law change, Q1 2012–Q4 2013		
# of new credit cards issued	553,462	26,923,798
Aggregate credit available on new cards issued	$2,862,150,751	$128,040,284,089
Average number of consumers with credit score	4,323,477	223,396,275
# of new credit cards issued, per 1,000 consumers with credit scores	128	121
Aggregate credit available on new cards issued, per consumer with a credit score	$662.00	$573.15
Change in # of new credit cards issued, per 1,000 consumers with credit scores	**25**	**18**
Change in aggregate credit available on new cards issued, per consumer with a credit score	**$173**	**$125**

Appendix 3. Quarter-by-quarter credit card opening and aggregate credit line data for North Carolina and Maryland peer states, used for Finding #2 analysis

North Carolina peer state analysis

	Indiana	Michigan	Missouri
Before law change, Q1 2007–Q4 2008			
# of new credit cards issued	781,570	1,384,308	681,502
Aggregate credit available on new cards issued	$3,777,741,207	$6,830,132,931	$3,120,604,870
Average number of consumers with credit score	4,691,855	7,577,293	4,409,068
# of new credit cards issued, per 1,000 consumers with credit scores	167	183	155
Aggregate credit available on new cards issued, per consumer with a credit score	$805.17	$901.39	$707.77
After law change, Q1 2010–Q4 2011			
# of new credit cards issued	469,835	805,470	419,398
Aggregate credit available on new cards issued	$1,833,410,546	$3,168,729,846	$1,737,325,309
Average number of consumers with credit scores	4,555,931	7,451,359	4,331,625
# of new credit cards issued, per 1,000 consumers with credit scores	103	108	97
Aggregate credit available on new cards issued, per consumer with a credit score	$402.42	$425.26	$401.08
Change in # of new credit cards issued, per 1,000 consumers with credit score	**-63**	**-75**	**-58**
Change in aggregate credit available on new cards issued, per consumer with a credit score	**-$403**	**-$476**	**-$307**

	Ohio	South Carolina	Texas
Before law change, Q1 2007–Q4 2008			
# of new credit cards issued	1,484,851	461,933	2,704,974
Aggregate credit available on new cards issued	$7,281,118,579	$2,112,177,605	$11,199,781,635
Average number of consumers with credit score	8,818,639	3,358,958	16,874,505
# of new credit cards issued, per 1,000 consumers with credit scores	168	138	160
Aggregate credit available on new cards issued, per consumer with a credit score			
	$825.65	$628.82	$663.71
After law change, Q1 2010–Q4 2011			
# of new credit cards issued	895,848	262,112	1,653,693
Aggregate credit available on new cards issued	$3,706,709,186	$1,047,816,262	$6,225,103,384
Average number of consumers with credit score	8,542,583	3,336,359	17,007,938
# of new credit cards issued, per 1,000 consumers with credit scores	105	79	97
Aggregate credit available on new cards issued, per consumer with a credit score	$433.91	$314.06	$366.01
Change in # of new credit cards issued, per 1,000 consumers with credit scores	**-64**	**-59**	**-63**
Change in aggregate credit available on new cards issued, per consumer with a credit score	**-$392**	**-$315**	**-$298**

Maryland peer state analysis

	Colorado	Connecticut	Massachusetts
Before law change, Q3 2008–Q2 2010			
# of new credit cards issued	396,858	314,838	620,465
Aggregate credit available on new cards issued	$1,873,232,568	$1,550,551,352	$3,008,896,155
Average number of consumers with credit scores	3,606,723	2,750,786	5,005,153
# of new credit cards issued, per 1,000 consumers with credit scores	110	114	124
Aggregate credit available on new cards issued, per consumer with a credit score	$519.37	$563.68	$601.16
After law change, Q1 2012–Q4 2013			
# of new credit cards issued	468,986	351,872	675,739
Aggregate credit available on new cards issued	$2,627,356,857	$1,780,887,716	$3,310,178,223
Average number of consumers with credit score	3,677,683	2,675,709	4,963,458
# of new credit cards issued, per 1,000 consumers with credit scores	128	132	136
Aggregate credit available on new cards issued, per consumers with a credit score	$714.41	$665.58	$666.91
Change in # of new credit cards issued, per 1,000 consumers with credit scores	**17**	**17**	**12**
Change in aggregate credit available on new cards issued, per consumer with a credit score	**$195**	**$102**	**$66**

	New Jersey	Virginia	Washington
Before law change, Q3 2008–Q2 2010			
# of new credit cards issued	838,798	598,464	492,482
Aggregate credit available on new cards issued	$3,794,693,173	$2,918,301,873	$2,322,593,885
Average number of consumers with credit scores	6,652,181	5,995,548	5,023,169
# of new credit cards issued, per 1,000 consumers with credit scores	126	100	98
Aggregate credit available on new cards issued, per consumer with a credit score	$570.44	$486.74	$462.38
After law change, Q1 2012–Q4 2013			
# of new credit cards issued	988,442	738,188	584,213
Aggregate credit available on new cards issued	$5,254,513,175	$3,882,619,317	$2,983,663,759
Average number of consumers with credit scores	6,553,083	6,016,970	5,045,654
# of new credit cards issued, per 1,000 consumers with credit scores	151	123	116
Aggregate credit available on new cards issued, per consumer with a credit score	$801.84	$645.28	$591.33
Change in # of new credit cards issued, per 1,000 consumers with credit scores	25	23	18
Change in aggregate credit available on new cards issued, per consumer with a credit score	$231	$159	$129

Appendix 4. Quarter-by-quarter credit card opening and aggregate credit line data for North Carolina, Maryland, peer states, and United States for sub-prime and near-prime consumers, used for Finding #3 analysis

North Carolina sub-prime consumer analysis

	North Carolina	United States
Before law change, Q1 2007–Q4 2008		
# of new credit cards issued	269,889	8,186,410
Aggregate credit available on new cards issued	$227,433,854	$15,332,761,948
Average number of consumers with credit score	2,153,248	60,293,638
# of new credit cards issued, per 1,000 consumers with credit scores	125	136
Aggregate credit available on new cards issued, per consumer with a credit score	$106	$254
After law change, Q1 2010–Q4 2011		
# of new credit cards issued	121,747	3,393,706
Aggregate credit available on new cards issued	$76,549,267	$2,122,751,164
Average number of consumers with credit score	2,012,683	58,496,184
# of new credit cards issued, per 1,000 consumers with credit scores	60	58
Aggregate credit available on new cards issued, per consumer with a credit score	$38	$36
Change in # of new credit cards issued, per 1,000 consumers with credit scores	**-65**	**-78**
Change in aggregate credit available on new cards issued, per consumer with a credit score	**-$68**	**-$218**

	Indiana	Michigan	Missouri
Before law change, Q1 2007–Q4 2008			
# of new credit cards issued	162,344	254,178	152,970
Aggregate credit available on new cards issued	$140,088,370	$215,574,402	$128,229,814
Average number of consumers with credit score	1,266,354	1,969,512	1,184,044
# of new credit cards issued, per 1,000 consumers with credit scores	128	129	129
Aggregate credit available on new cards issued, per consumer with a credit score	$111	$109	$108
After law change, Q1 2010–Q4 2011			
# of new credit cards issued	67,482	109,409	59,257
Aggregate credit available on new cards issued	$37,713,931	$62,269,407	$33,913,669
Average number of consumers with credit scores	1,153,214	1,922,178	1,128,200
# of new credit cards issued, per 1,000 consumers with credit scores	59	57	53
Aggregate credit available on new cards issued, per consumer with a credit score	$33	$32	$30
Change in # new credit cards issued, per 1,000 consumers with credit score	**-70**	**-72**	**-77**
Change in aggregate credit available on new cards issued, per consumer with a credit score	**-$78**	**-$77**	**-$78**

	Ohio	South Carolina	Texas
Before law change, Q1 2007–Q4 2008			
# of new credit cards issued	323,508	129,766	766,609
Aggregate credit available on new cards issued	$267,684,375	$109,722,180	$696,524,861
Average number of consumers with credit score	2,315,141	1,243,130	6,083,896
# of new credit cards issued, per 1,000 consumers with credit scores	140	104	126
Aggregate credit available on new cards issued, per consumers with a credit score	$116	$88	$114
After law change, Q1 2010-Q4 2011			
# of new credit cards issued	129,396	47,596	288,895
Aggregate credit available on new cards issued	$71,518,226	$31,413,211	$186,286,242
Average number of consumers with credit score	2,121,407	1,180,805	5,809,488
# of new credit cards issued, per 1,000 consumers with credit scores	61	40	50
Aggregate credit available on new cards issued, per consumer with a credit score	$34	$27	$32
Change in # of new credit cards issued, per 1,000 consumers with credit scores	**-79**	**-64**	**-76**
Change in aggregate credit available on new cards issued, per consumer with a credit score	**-$82**	**-$62**	**-$82**

North Carolina near-prime consumer analysis

	North Carolina	United States
Before law change, Q1 2007–Q4 2008		
# of new credit cards issued	123,441	4,835,655
Aggregate credit available on new cards issued	$291,121,352	$10,867,402,198
Average number of consumers with credit score	644,636	20,192,691
# of new credit cards issued, per 1,000 consumers with credit scores	191	239
Aggregate credit available on new cards issued, per consumer with a credit score	$452	$538
After law change, Q1 2010–Q4 2011		
# of new credit cards issued	66,953	2,464,886
Aggregate credit available on new cards issued	$96,318,646	$3,330,777,262
Average number of consumers with credit score	670,250	21,055,977
# of new credit cards issued, per 1,000 consumers with credit scores	100	117
Aggregate credit available on new cards issued, per consumer with a credit score	$144	$158
Change in # of new credit cards issued, per 1,000 consumers with credit scores	**-92**	**-122**
Change in aggregate credit available on new cards issued, per consumer with a credit score	**-$308**	**-$380**

	Indiana	Michigan	Missouri
Before law change, Q1 2007–Q4 2008			
# of new credit cards issued	95,913	152,942	85,759
Aggregate credit available on new cards issued	$206,794,754	$328,915,846	$189,306,890
Average number of consumers with credit score	426,453	628,653	393,776
# of new credit cards issued, per 1,000 consumers with credit scores	225	243	218
Aggregate credit available on new cards issued, per consumer with a credit score	$485	$523	$481
After law change, Q1 2010–Q4 2011			
# of new credit cards issued	48,062	80,487	41,142
Aggregate credit available on new cards issued	$59,494,078	$94,838,441	$53,365,228
Average number of consumers with credit scores	453,218	708,561	406,515
# of new credit cards issued, per 1,000 consumers with credit scores	106	114	101
Aggregate credit available on new cards issued, per consumer with a credit score	$131	$134	$131
Change in # of new credit cards issued, per 1,000 consumers with credit score	**-119**	**-130**	**-117**
Change in aggregate credit available on new cards issued, per consumer with a credit score	**-$354**	**-$389**	**-$349**

	Ohio	South Carolina	Texas
Before law change, Q1 2007–Q4 2008			
# of new credit cards issued	176,165	57,296	392,237
Aggregate credit available on new cards issued	$383,037,959	$134,957,792	$923,264,387
Average number of consumers with credit score	758,804	319,605	1,754,221
# of new credit cards issued, per 1,000 consumers with credit scores	232	179	224
Aggregate credit available on new cards issued, per consumer with a credit score	$505	$422	$526
After law change, Q1 2010–Q4 2011			
# of new credit cards issued	88,020	26,670	195,718
Aggregate credit available on new cards issued	$110,347,547	$39,803,371	$294,062,030
Average number of consumers with credit score	811,231	328,490	1,840,127
# of new credit cards issued, per 1,000 consumers with credit scores	109	81	106
Aggregate credit available on new cards issued, per consumer with a credit score	$136	$121	$160
Change in # of new credit cards issued, per 1,000 consumers with credit scores	**-124**	**-98**	**-117**
Change in aggregate credit available on new cards issued, per consumer with a credit score	**-$369**	**-$301**	**-$367**

Maryland sub-prime consumer analysis

	Maryland	United States
Before law change, Q3 2008–Q2 2010		
# of new credit cards issued	67,504	3,088,856
Aggregate credit available on new cards issued	$46,176,151	$2,142,290,127
Average number of consumers with credit score	1,164,846	60,203,541
# of new credit cards issued, per 1,000 consumers with credit scores	58	51
Aggregate credit available on new cards issued, per consumer with a credit score	$40	$36
After law change, Q1 2012–Q4 2013		
# of new credit cards issued	90,853	3,820,889
Aggregate credit available on new cards issued	$80,520,397	$3,067,259,799
Average number of consumers with credit score	1,112,050	55,722,741
# of new credit cards issued, per 1,000 consumers with credit scores	82	69
Aggregate credit available on new cards issued, per consumer with a credit score	$72	$55
Change in # of new credit cards issued, per 1,000 consumers with credit scores	**24**	**17**
Change in aggregate credit available on new cards issued, per consumer with a credit scores	**$33**	**$19**

	Colorado	Connecticut	Massachusetts
Before law change, Q3 2008–Q2 2010			
# of new credit cards issued	43,933	34,825	65,375
Aggregate credit available on new cards issued	$28,597,318	$22,038,741	$40,018,891
Average number of consumers with credit scores`	772,418	594,671	1,016,024
# of new credit cards issued, per 1,000 consumers with credit scores	57	59	64
Aggregate credit available on new cards issued, per consumer with a credit score	$37	$37	$39
After law change, Q1 2012–Q4 2013			
# of new credit cards issued	56,029	40,482	71,145
Aggregate credit available on new cards issued	$45,726,988	$32,153,216	$54,774,153
Average number of consumers with credit score	709,470	513,102	924,525
# of new credit cards issued, per 1,000 consumers with credit scores	79	79	77
Aggregate credit available on new cards issued, per consumer with a credit score	$64	$63	$59
Change in # of new credit cards issued, per 1,000 consumers with credit scores	**22**	**20**	**13**
Change in aggregate credit available on new cards issued, per consumer with a credit score	**$27**	**$26**	**$20**

	New Jersey	Virginia	Washington
Before law change, Q3 2008–Q2 2010			
# of new credit cards issued	91,657	88,280	57,302
Aggregate credit available on new cards issued	$60,739,073	$67,802,491	$44,611,107
Average number of consumers with credit scores	1,437,773	1,526,179	1,043,328
# of new credit cards issued, per 1,000 consumers with credit scores	64	58	55
Aggregate credit available on new cards issued, per consumer with a credit score	$42	$44	$43
After law change, Q1 2012–Q4 2013			
# of new credit cards issued	114,896	112,490	68,339
Aggregate credit available on new cards issued	$90,937,611	$113,960,067	$63,410,597
Average number of consumers with credit scores	1,378,701	1,431,190	972,340
# of new credit cards issued, per 1,000 consumers with credit scores	83	79	70
Aggregate credit available on new cards issued, per consumer with a credit score	$66	$80	$65
Change in # of new credit cards issued, per 1,000 consumers with credit scores	**20**	**21**	**15**
Change in aggregate credit available on new cards issued, per consumer with a credit score	**$24**	**$35**	**$22**

Maryland near-prime consumer analysis

	Maryland	United States
Before law change, Q3 2008–Q2 2010		
# of new credit cards issued	38,628	1,984,411
Aggregate credit available on new cards issued	$69,716,183	$3,404,164,572
Average number of consumers with credit score	365,599	20,079,916
# of new credit cards issued, per 1,000 consumers with credit scores	106	94
Aggregate credit available on new cards issued, per consumer with a credit score	$191	$161
After law change, Q1 2012–Q4 2013		
# of new credit cards issued	64,522	3,211,442
Aggregate credit available on new cards issued	$122,930,958	$5,429,977,059
Average number of consumers with credit score	417,590	22,888,806
# of new credit cards issued, per 1,000 consumers with credit scores	155	140
Aggregate credit available on new cards issued, per consumer with a credit score	$294	$237
Change in # of new credit cards issued, per 1,000 consumers with credit scores	**49**	**46**
Change in aggregate credit available on new cards issued, per consumer with a credit score	**$123**	**$76**

	Colorado	Connecticut	Massachusetts
Before law change, Q3 2008–Q2 2010			
# of new credit cards issued	32,770	23,607	45,001
Aggregate credit available on new cards issued	$52,329,319	$39,352,176	$71,727,756
Average number of consumers with credit scores	305,689	206,312	373,623
# of new credit cards issued, per 1,000 consumers with credit scores	107	114	120
Aggregate credit available on new cards issued, per consumer with a credit score	$171	$191	$192
After law change, Q1 2012–Q4 2013			
# of new credit cards issued	52,717	36,481	68,262
Aggregate credit available on new cards issued	$87,128,892	$61,840,432	$110,745,902
Average number of consumers with credit score	355,123	233,565	432,284
# of new credit cards issued, per 1,000 consumers with credit scores	148	156	158
Aggregate credit available on new cards issued, per consumer with a credit score	$245	$265	$256
Change in # of new credit cards issued, per 1,000 consumers with credit scores	**41**	**42**	**37**
Change in aggregate credit available on new cards issued, per consumer with a credit score	**$74**	**$74**	**$64**

	New Jersey	Virginia	Washington
Before law change, Q3 2008–Q2 2010			
# of new credit cards issued	67,096	51,890	40,992
Aggregate credit available on new cards issued	$108,679,607	$99,877,649	$76,369,845
Average number of consumers with credit scores	530,316	505,222	415,666
# of new credit cards issued, per 1,000 consumers with credit scores	127	103	99
Aggregate credit available on new cards issued, per consumer with a credit score	$205	$198	$184
After law change, Q1 2012–Q4 2013			
# of new credit cards issued	107,577	84,812	64,644
Aggregate credit available on new cards issued	$185,053,179	$170,877,596	$119,911,175
Average number of consumers with credit scores	605,123	569,455	467,770
# of new credit cards issued, per 1,000 consumers with credit scores	178	149	138
Aggregate credit available on new cards issued, per consumer with a credit score	$306	$300	$256
Change in # of new credit cards issued, per 1,000 consumers with credit scores	**51**	**46**	**40**
Change in aggregate credit available on new cards issued, per consumer with a credit score	**$101**	**$102**	**$73**

About the Center for Responsible Lending

The Center for Responsible Lending is a nonprofit, nonpartisan research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices. CRL is affiliated with Self-Help, one of the nation's largest community development financial institutions.

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