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Learning How to Fight the Collector

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Among debt collectors, Steven Katz is known as a “credit terrorist.” For years, he has run what he calls the Steven Katz School of Bill Collector Education, otherwise known as the “credit terrorist training camp.”

Mr. Katz, a 58-year-old accountant in suburban Tucson, spends his free time schooling debtors on the finer points of consumer protection law to help them turn the tables on debt collectors. On occasion, he thumbs his own nose at them too.

“How many times can I sue you? Let me count the ways,” he wrote under his pseudonym, Dr. Tax, in a March posting on [Inside ARM](#), a debt collectors’ Web site.

A former bill collector himself, Mr. Katz rebelled after a debt buyer damaged his credit score with what he says was a bogus bill. Mr. Katz sued, and in 2003 he collected his first damage award, a \$1,000 check that he now keeps framed behind his desk.

“The bill collectors, when they call, make you feel like the only option you have is to lay down and play dead. That’s not true,” said Mr. Katz said, who does not charge for his advice. “Nothing validates this more than getting a check.”

Call this movement revenge of the (alleged) deadbeats. Even as collectors try to recoup debts from millions of Americans struggling to pay their

bills, a small but growing number of lawyers and consumers are fighting back against what they describe as harassment, unscrupulous practices — and, most important to their litigiousness, violations of the Fair Debt Collection Practices Act.

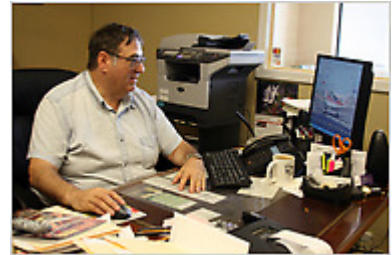
In fact, 8,287 federal lawsuits were filed citing violations of the act in 2009, a 60 percent rise over the previous year, according to WebRecon, a site that tracks collection-related litigation and the most litigious consumers and lawyers on behalf of debt collectors.

On Wednesday, the [Supreme Court](#) made it even easier for consumers to use the courts to fight debt collectors, ruling that collectors cannot be shielded from suits by claiming they made a mistake in interpreting the law.

When a consumer stops paying a bill, creditors often try to collect on their own for a few months. In many instances, the creditor hires another company to collect the debt. In other cases, they may dispose of the debt by selling it to a debt buyer for a steep discount.

Debt collectors and debt buyers are the targets of litigious consumers, since the debt collection law primarily applies to third-party collectors.

Peter Barry, a Minneapolis trial lawyer, is so bullish on the future of debt collection litigation that he holds



Steven Katz, a former bill collector, says debtors can “use the laws as they are on the books as both a shield and a sword” against unscrupulous collection efforts.



Steven Katz with a framed copy of a \$1,000 check he said was his first damage award for fighting a bogus collection effort.

several “boot camps” each year to share his secrets with other lawyers who want in on the action. If the debtor wins a court case under the act, the debt collector must pay the lawyer’s fees.

The next boot camp is being held in early May in San Francisco, at a cost of \$2,495 a person for two and a half

days of instruction.

“I can’t sue every illegal debt collector in America, although I’d like to try,” Mr. Barry said.

Mr. Katz can also claim some credit for the increase in lawsuits. For six years, he has run a free Web site called Debtorboards.com, where people share tips on topics like keeping a paper trail and recording calls from collectors.

He said the site received two million hits in 2009, a 60 percent increase over the previous year.

“Debtorboards is geared to help people use the laws as they are on the books as both a shield and a sword,” said Mr. Katz, who says he has won \$36,000 from his own litigation against collection agencies. (Since many of the settlements are confidential, it is difficult to prove the claims of Mr. Katz and others).

Of course, debt collectors are hardly pleased with the litigation trend.

Rozanne M. Andersen, chief executive of ACA International, a trade association for the debt collection industry, said she was “extremely concerned” about the increase in lawsuits, which she said cost her industry hundreds of millions of dollars a year. She said much of the increase was the result of ambiguous language in the Fair Debt Collection Act.

Debt collectors are required, for example, to identify themselves on a voice message left for a consumer, she said. But they are also prohibited from telling a third party — including someone who might overhear a phone message — about a consumer’s debt.

“We are between a rock and a hard place,” Ms. Andersen said.

Ms. Andersen said she had little patience for Web sites that encouraged consumers to thwart debt collectors.

“We believe those types of Web sites are encouraging people to not take responsibility for just debt,” she said.

Jack Gordon, who runs the fee-based WebRecon site, said it was no wonder lawsuits were increasing, because consumers were being bombarded with ads from lawyers when they searched online for information on debt collection. He said the proliferation of discussion sites like Mr. Katz’s had, to a lesser extent, also contributed to the trend.

On the boards, he said, “There’s a lot of hot air, a lot of peo-

ple who overinflate their accomplishments.”

Regardless, Mr. Gordon’s database has become a badge of honor among the devotees of Debtorboards.com. As Brandon Scroggin, a 37-year-old from Little Rock, Ark., puts it, “That’s one list I’m a proud card-carrying member of.”

Mr. Scroggin, who provides price estimates at a body shop, said he was the type of person who refused to be taken advantage of, even for petty offenses. For instance, years ago, he said he joined in the class-action suit against the pop group Milli Vanilli, accused of lip synching, and collected a \$1.25 check.

After a messy divorce, Mr. Scroggin was stuck with a \$7,000 bill that he said belonged to his ex-wife. Instead of paying it, he began researching the law and stumbled on Debtorboards.com.

Armed with lessons he learned on the site, he demanded proof of the debt from the collection agency, and the calls stopped. But two and a half years later, they started up again so he sued the collection agency, National Loan Recoveries, for failing to provide proof of the debt, among other things.

The case was settled in 2008. The terms were confidential, but he says he never paid National Loan a dime. “Let’s just say I’m a very happy person,” he said. A lawyer for National Loan, Kathryn Bridges, did not return messages seeking comment.

Mr. Katz said his Web site was not intended to help people avoid paying legitimate debts. But if they do so, so be it — he feels no need to apologize.

He said Congress gave consumers certain rights, and he is simply making people aware of them, sometimes colorfully.

As Mr. Katz says at the bottom of each Dr. Tax posting, “A telephone in the hands of a collector is like a crowbar — it can be used to pry a mouth open wide enough to insert a foot.”

Barbara Thompson, 46, of Atlanta, said she challenged \$11,000 in credit card debt using online research about collection laws. She does not dispute the debts but reasons that the credit card company wrote off her charges long ago. By her account, she owes the credit card company, not the debt collector.

“The credit card company, they sell it off, they charge it off, it’s just business as usual,” she said, adding, “I’m adamant about not paying a collection agency.”