

## Congress Should Reject “Bounty Hunter” Proposals To Open Child Support Data Bases and Enforcement Tools to Commercial Collection Agencies

Congress should reject “bounty hunter” proposals to make personal financial data and law enforcement authority used by state child support agencies available to commercial child support collection agencies and other private child support collectors. While the proposal may sound innocuous on the surface, its adoption would be very detrimental to low-income families and raises serious privacy concerns.

The proposal is being pushed by Supportkids.com (formerly named “Child Support Enforcement, Inc.”), a Texas-based commercial collection agency. Last session, the proposal was introduced as legislation by Sen. Kay Bailey Hutchinson (S. 1882). When a similar proposal was added to important child support distribution legislation introduced last session by Rep. Nancy Johnson (H.R. 4678), it faced such broad bipartisan opposition that it was pulled from the legislation.

**The proposal would give commercial collectors unprecedented access to government data bases and law enforcement authority.** These federal and state data bases include confidential financial, employment, and medical insurance data obtained from the Internal Revenue Service, financial institutions, employers, interstate law enforcement networks, corrections systems, unemployment compensation programs, and many other public and private data sources. The recommended proposal to expand the availability of law enforcement tools would allow commercial collectors to intercept federal and state tax refunds, trigger denial of U.S. passports, and divert child support payments collected by the state.

**Expanding the powers of commercial collectors often would decrease, not increase, financial support for children.** Commercial child support collection agencies often target their advertising to families that have left welfare and other low-income families. Low-income custodial parents looking for help in collecting arrearages complain of being misled by standard industry contracts and company advertising. These companies are not paid under state contracts. Instead, they charge custodial parents high fees under contracts that parents are often unable to break. The companies collect fees, often as high as 30 or 40 percent, from all child support collections—regardless of how or by whom the collection was made. Such fee arrangements can leave families financially worse off than before they signed the contract. Because these cases often are also enforced by the state child support agency, families often end up losing a third of the money that is otherwise routinely collected by the state through withholding wages, intercepting tax refunds, or levying bank accounts. The companies do no work for these collections, yet claim their fees. No additional support is collected, and children end up with less.

**Complaints about industry practices highlight the need to regulate this growing interstate industry before considering an expansion of its powers.** The commercial child support collection industry is largely unregulated. Unlike other debt collection agencies, child support collection agencies are not subject to the Fair Debt Collection Practices Act. Complaints about industry practices mirror the types of complaints that the Fair Debt Collection Practices Act was designed to prevent, including allegations by mothers, fathers, and employers of deceptive contracts, misrepresentation and harassment. Complaints about abuses include companies that bully grandparents into disclosing their charge account numbers, issue illegal withholding orders on their own stationary, alter court orders to redirect collections to the company instead of the family, threaten employers with revocation of their business licenses unless they send money to the company, refuse to provide adequate account information to parents, and use names that mislead parents and employers into thinking that they are dealing with the government.

**The proposal would unlock the door on government data bases, requiring disclosure of vast amounts of automated personal financial data to the private market, with no consent, no regulations, no practical controls or oversight, and no genuine accountability.** The proposal would compromise the confidentiality of highly sensitive personal data, and would create large-scale opportunities for identity theft, sale of data, and other unrelated secondary uses. Such greatly expanded access to data also raises serious concerns about the potential effect of unsecured data on domestic violence victims. Federal law requires each child support agency to strictly monitor its own use of data. An extensive government auditing system would have to be put in place to verify that the information is properly sought, used, and safeguarded against further use or disclosure by commercial collectors--a system that would be unworkable within public budget constraints. The proposal also would allow unregulated companies to intercept tax refunds, seize bank accounts, and trigger passport denials without the kind of due process standards and accountability applicable to the government. The proposal would jeopardize the substantial progress made by state child support agencies in collecting interstate child support for low-income families and would undermine public support for these very sensitive government data bases and tools.

**The proposal is highly controversial.** When the proposal was introduced in the Congress last year, it was vigorously opposed by most states and a wide array of advocacy groups and associations, including the Center for Law and Social Policy, National Women's Law Center, Children's Defense Fund, Association for Children for Enforcement of Support, National Organization for Women, Consumer Federation of America, Consumers Union, U.S. PIRG, National Consumer Law Center, American Public Human Services Association, National Council of Child Support Directors, Eastern Regional Interstate Child Support Association, and American Payroll Association.

**Testimony before the U.S. House Ways and Means Committee, Human Resources Subcommittee on May 18, 2000 concerning this proposal is available upon request.**

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