

Debt Collection Lawsuits in Minnesota

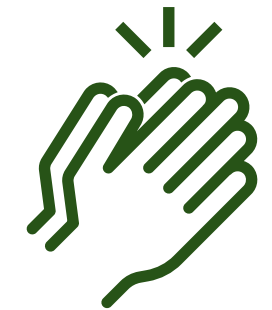
Findings, Recommendations & Updates from the
2023 Minnesota Consumer Debt Litigation Report

Background

In October 2022, the Minnesota Judiciary, the MSBA and Legal Services State Support, with support from The Pew Charitable Trusts and January Advisors, began analyzing the largest data sample of business to consumer debt cases ever compiled in the state.

- **663,745 consumer debt cases** from District and Conciliation Court over years 2011-2021
- Where it wasn't possible to use bulk data, **a random sample of 1,000 cases** between 2018-2021 was analyzed by hand
- Total cases represented over **\$2 billion dollars of debt**

The data were used to inform discussions of a committee convened by the MSBA Access to Justice Committee which met five times over April – July, 2023



Access to Justice Subcommittee Workgroup

Dori Rapaport, Chair

Executive Director, Legal Aid Service of Northeastern Minnesota

Bridget Gernander,

Legal Services Grant Manager & Minnesota IOLTA Program Director, Minnesota Judicial Branch

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Hennepin County Senior Self-Help Center Specialist, Minnesota

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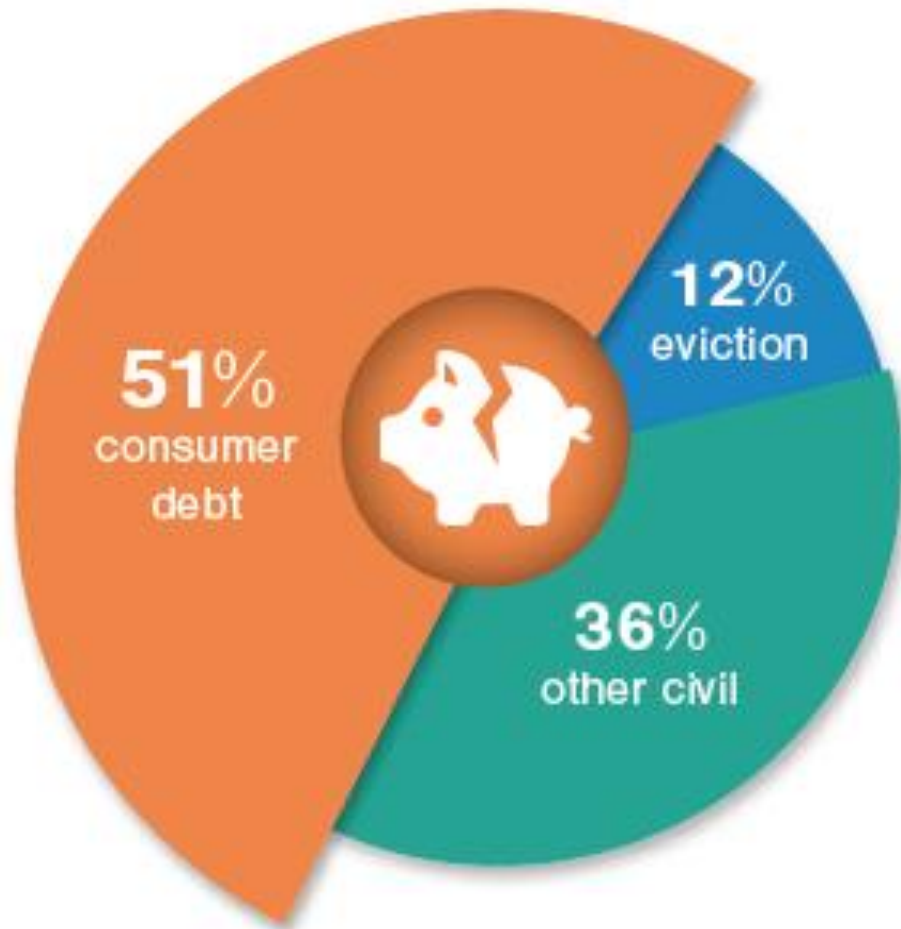
Deputy Attorney General, Minnesota Attorney General's Office

Lindsay Ziezulewicz,

Hennepin County Senior Self-Help Center Specialist, Minnesota Judicial Branch

Finding

Courts hear nearly four times as many debt cases as evictions



Medical debt is included

Finding

Minnesota has fewer debt filings, but a higher litigation rate, than other states

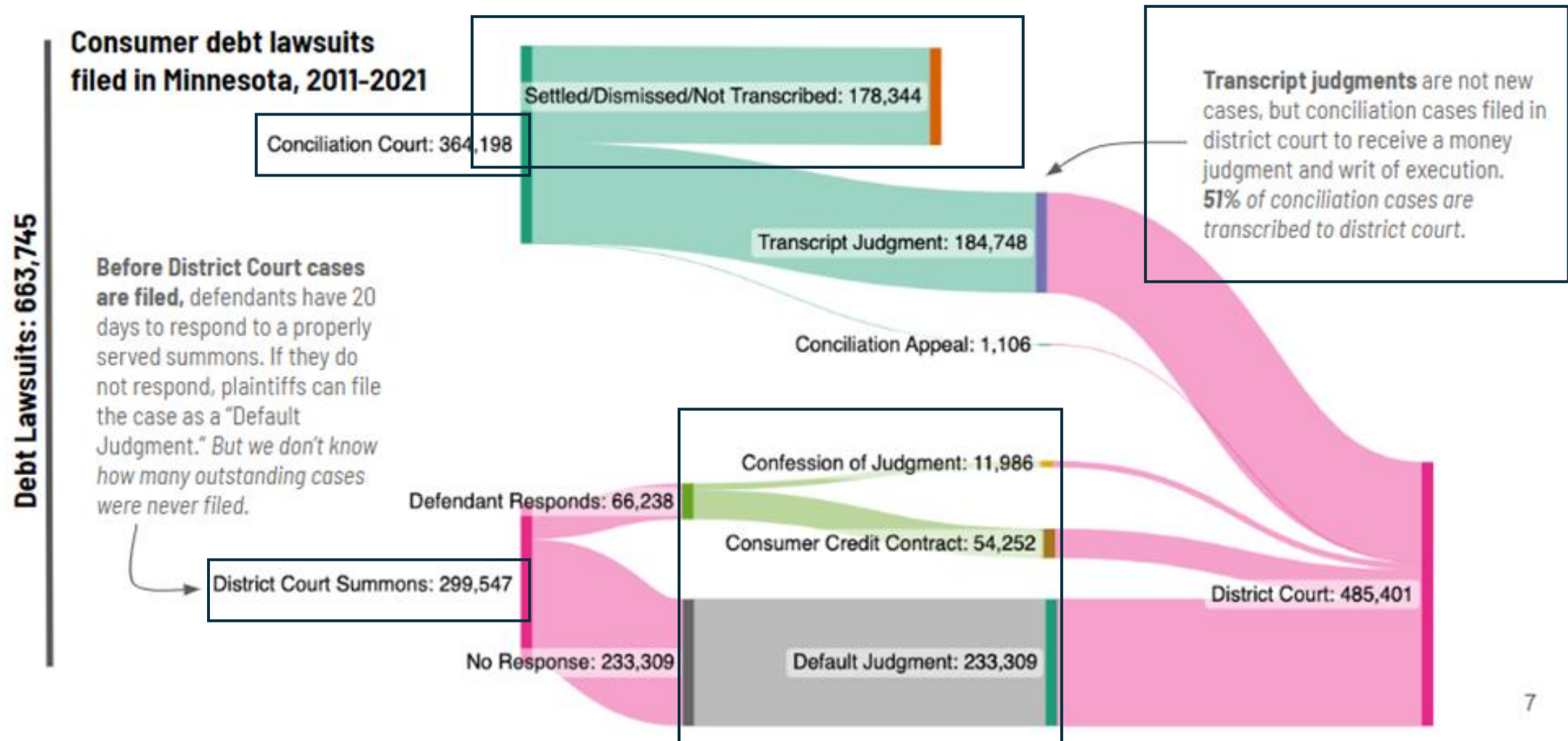
	MINNESOTA	MICHIGAN	WISCONSIN	INDIANA	UTAH	TEXAS
Debt Cases Filed (2019)	71,787	208,051	81,879	104,757	59,519	398,764
Debt Cases Per 100 Adults	1.68	2.64	1.8	2.03	2.6	1.86
% Residents with Any Debt in Collections	13%	26%	20%	28%	19%	37%
Litigation rate: <i>Debt Cases per 100 Adults with Any Debt in Collections</i>	12.9	10.2	9.0	7.2	13.7	5

* Cases filed in 2019

**Debt Cases per 100 Adults with Any Debt in Collections

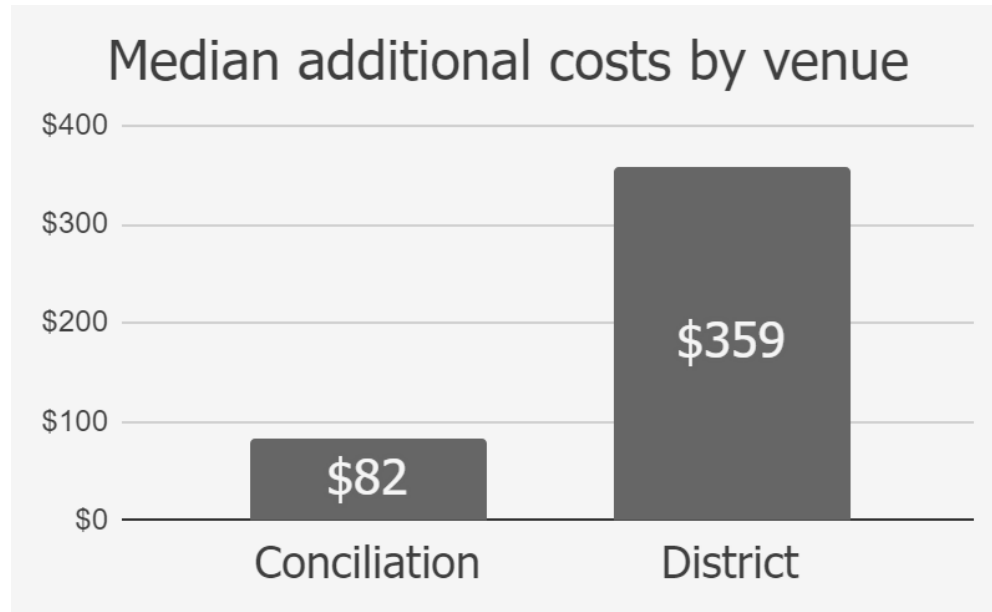
Finding

How the high-volume of debt cases move through the Minnesota Courts

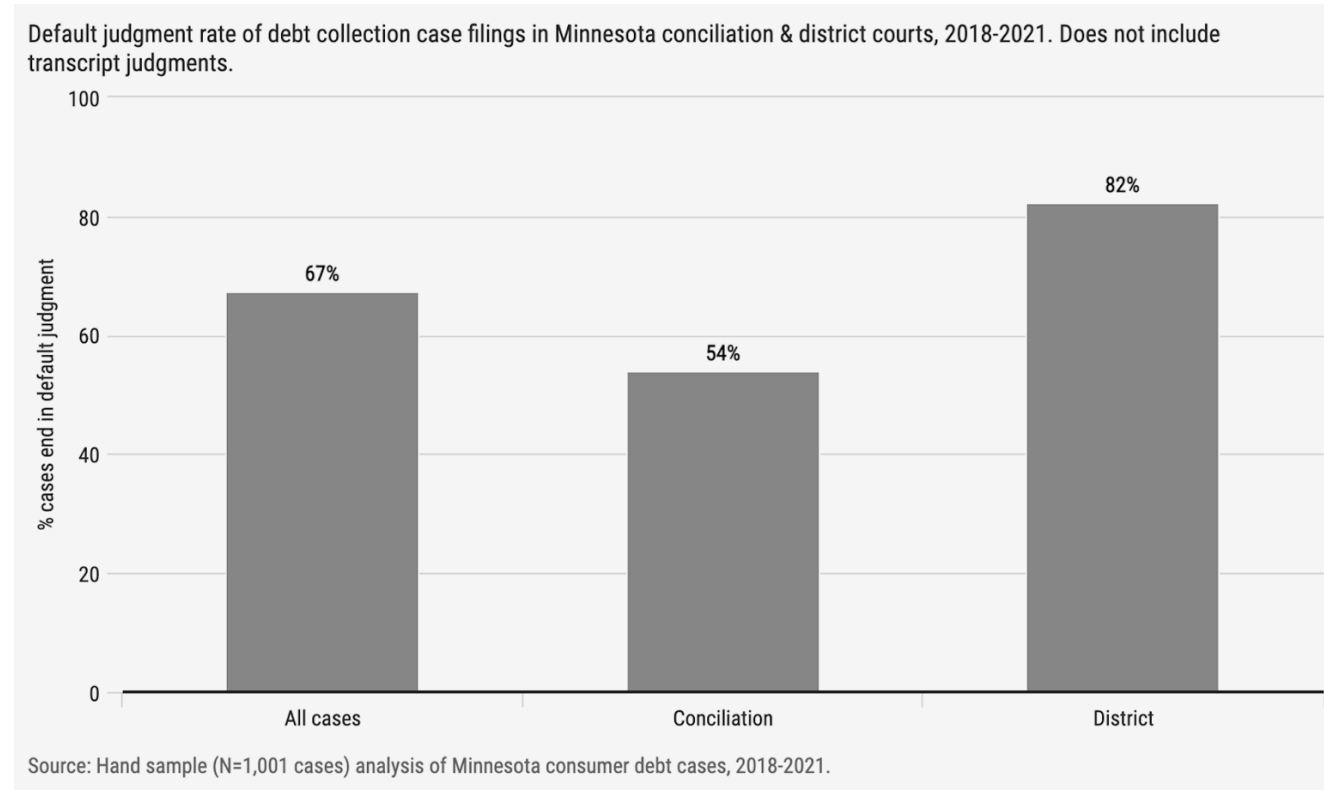


Finding

Outcomes are different between District and Conciliation Courts



District court is more costly

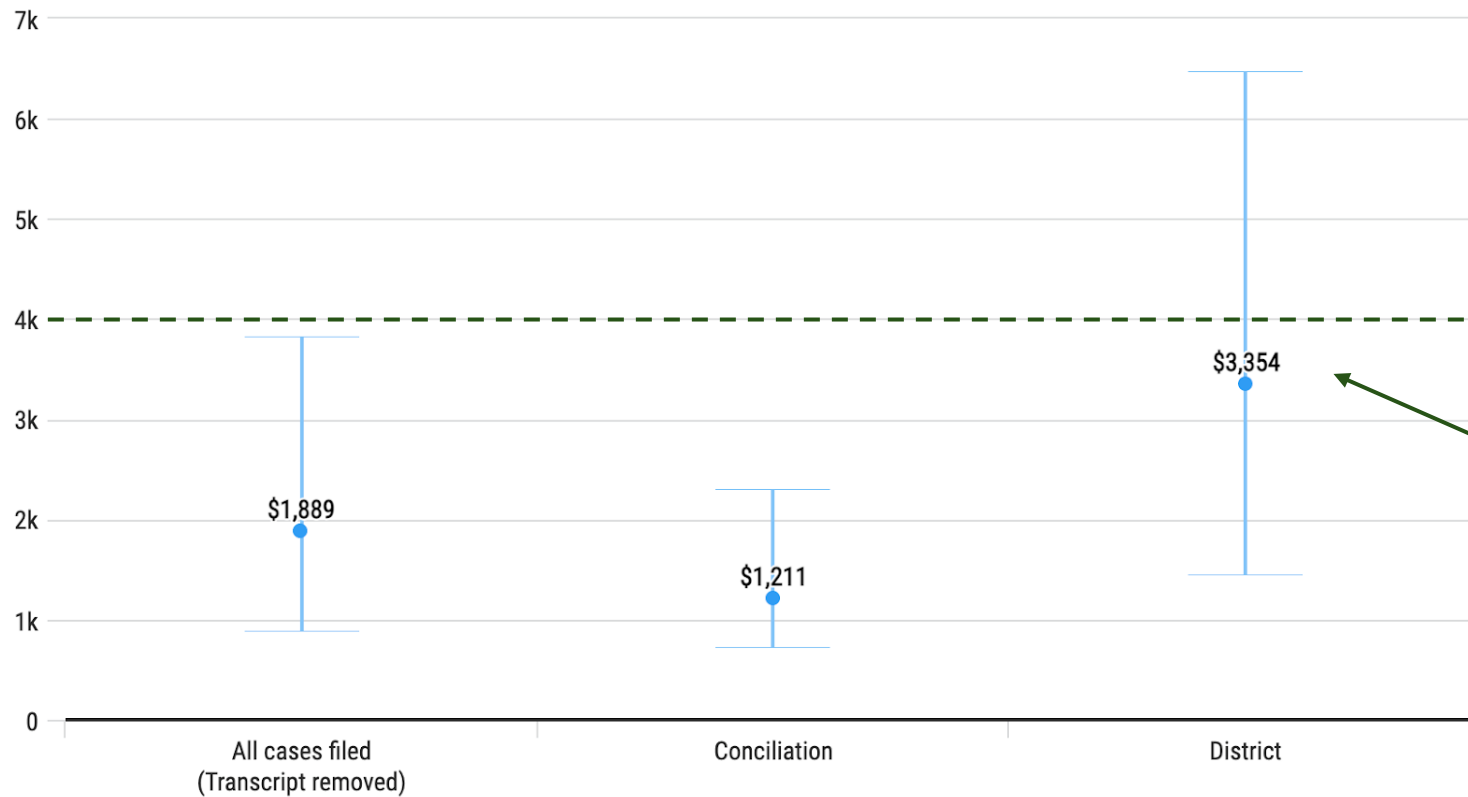


District court defendants are more likely to default

Finding

Most debt cases involve amounts in controversy of \$4,000 or less

Median amount in controversy for district court cases by court type, 2018-2021. Excludes Transcript Judgments.



Hand sample analysis of Minnesota consumer debt cases, 2018-2021.

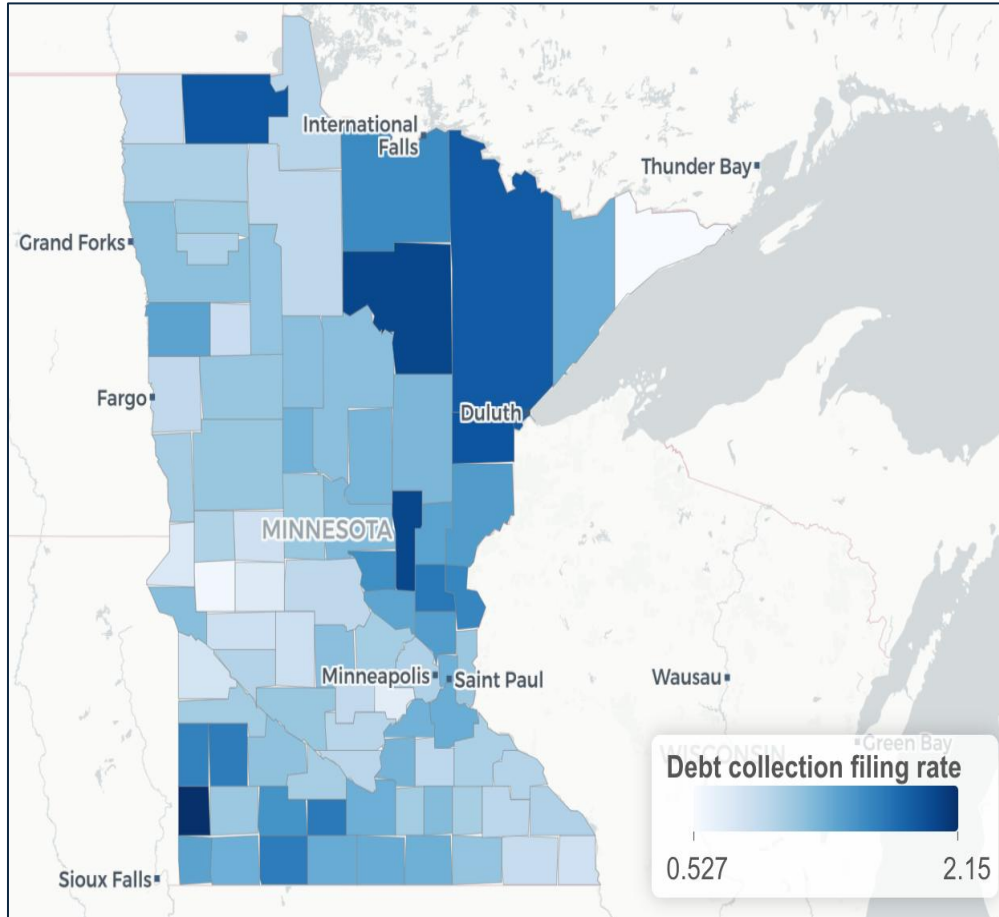
Median Amount in Controversy for:

- All cases = **\$1,889**
- Conciliation Court= **\$1,211**
- District Court = **\$3,354**

More than half of cases filed in district court could have been filed in conciliation court

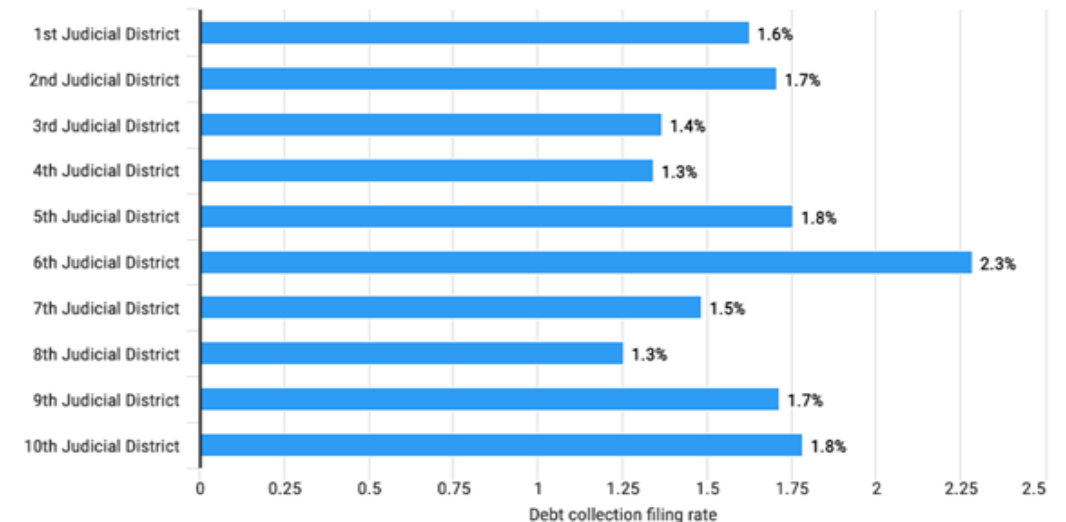
Finding

Debt collection lawsuits are spread across the state's 10 judicial districts.



Litigation is slightly more common in some areas, but Minnesotans are affected statewide

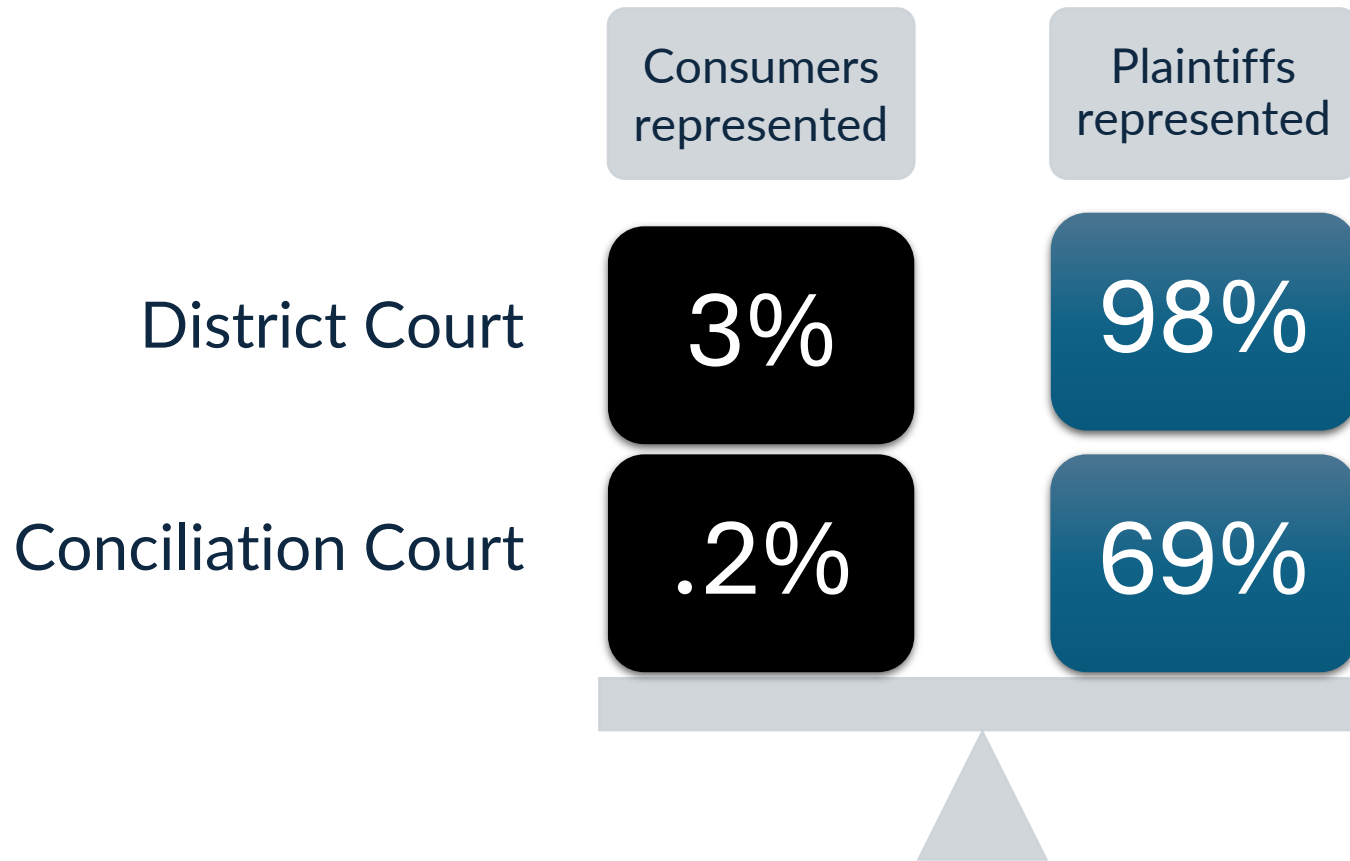
Average annual debt collection filing rate in Minnesota conciliation & district courts, 2017-2019. Filing rate calculated as number of cases filed per 100 residents.



Source: Minnesota Judicial Branch Civil Case Extract, 2017-2019. American Community Survey.

Finding

Defendants rarely have representation and plaintiffs almost always do

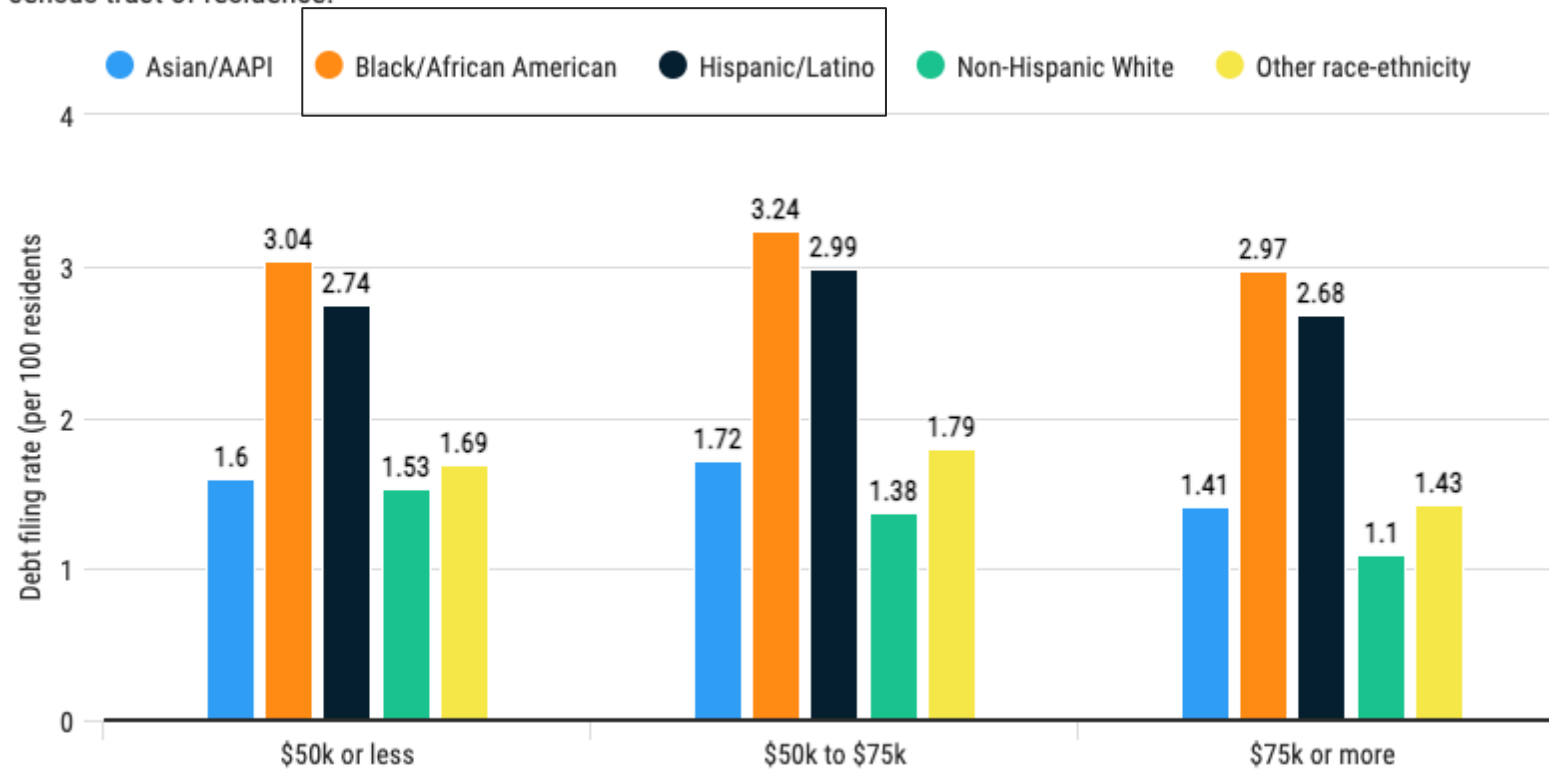


In 2020 & 2021, 66% of the debt lawsuits in Minnesota were filed by just 10 firms

Finding

BIPOC Minnesotans at all income levels are more likely than White residents to have debt suits filed against them

Number of debt lawsuits filed per 100 adults by race-ethnicity of defendant and neighborhood median household income, 2017-2019. Defendant's race-ethnicity estimated using first defendant's surname and race-ethnicity of census tract of residence.

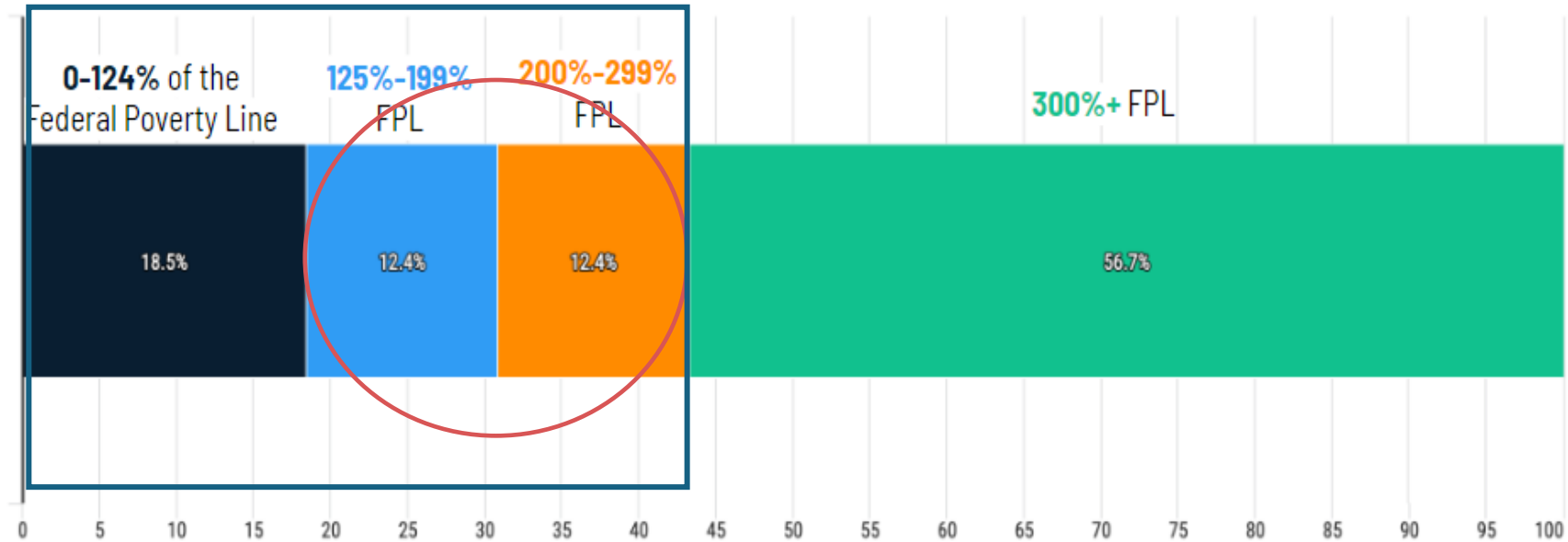


Source: Minnesota Judicial Branch Civil Case Extract, 2017-2019. American Community Survey.

Finding

Half of all lawsuits are filed against Minnesotans who earn less than 300% of the federal poverty level (\$75,000 for a family of three)

Estimate share of debt collection lawsuits filed against adults living above and below the federal poverty line, 2017-2019.



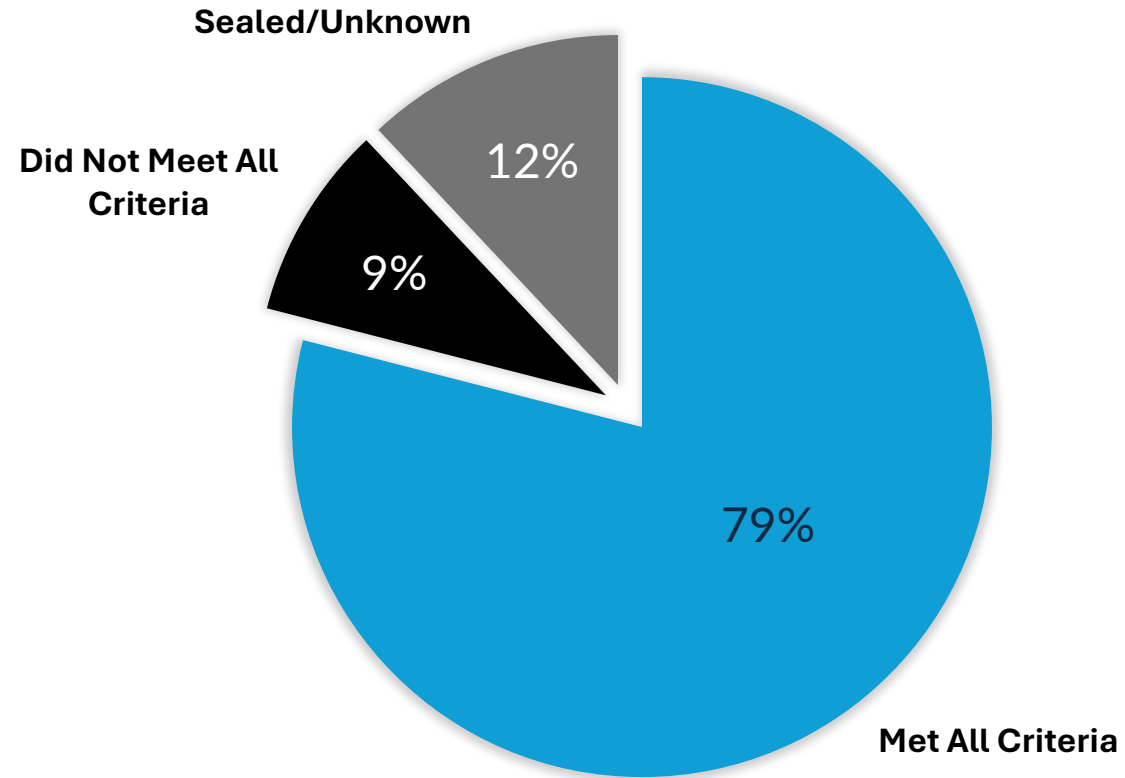
Source: Minnesota Judicial Branch Civil Case Extract, 2017-2019. American Community Survey.

The majority of people in that income band do not qualify for legal aid and would likely struggle to afford an attorney

Finding

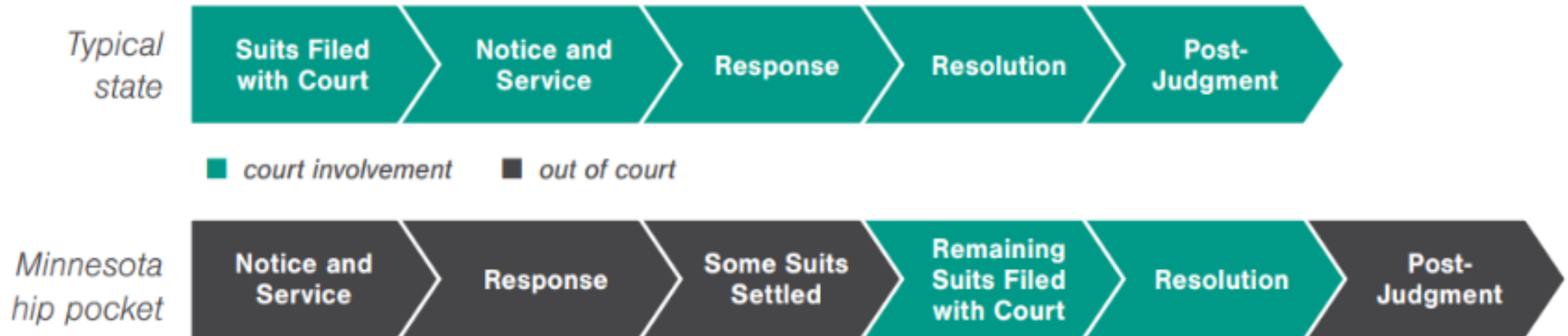
Most debt-buyer plaintiffs (57% of all consumer cases) submitted at least some of the required documentation materials, but many who didn't still received default judgments in their favor

DEBT- FILINGS MEETING DOCUMENTATION REQUIREMENTS



Finding

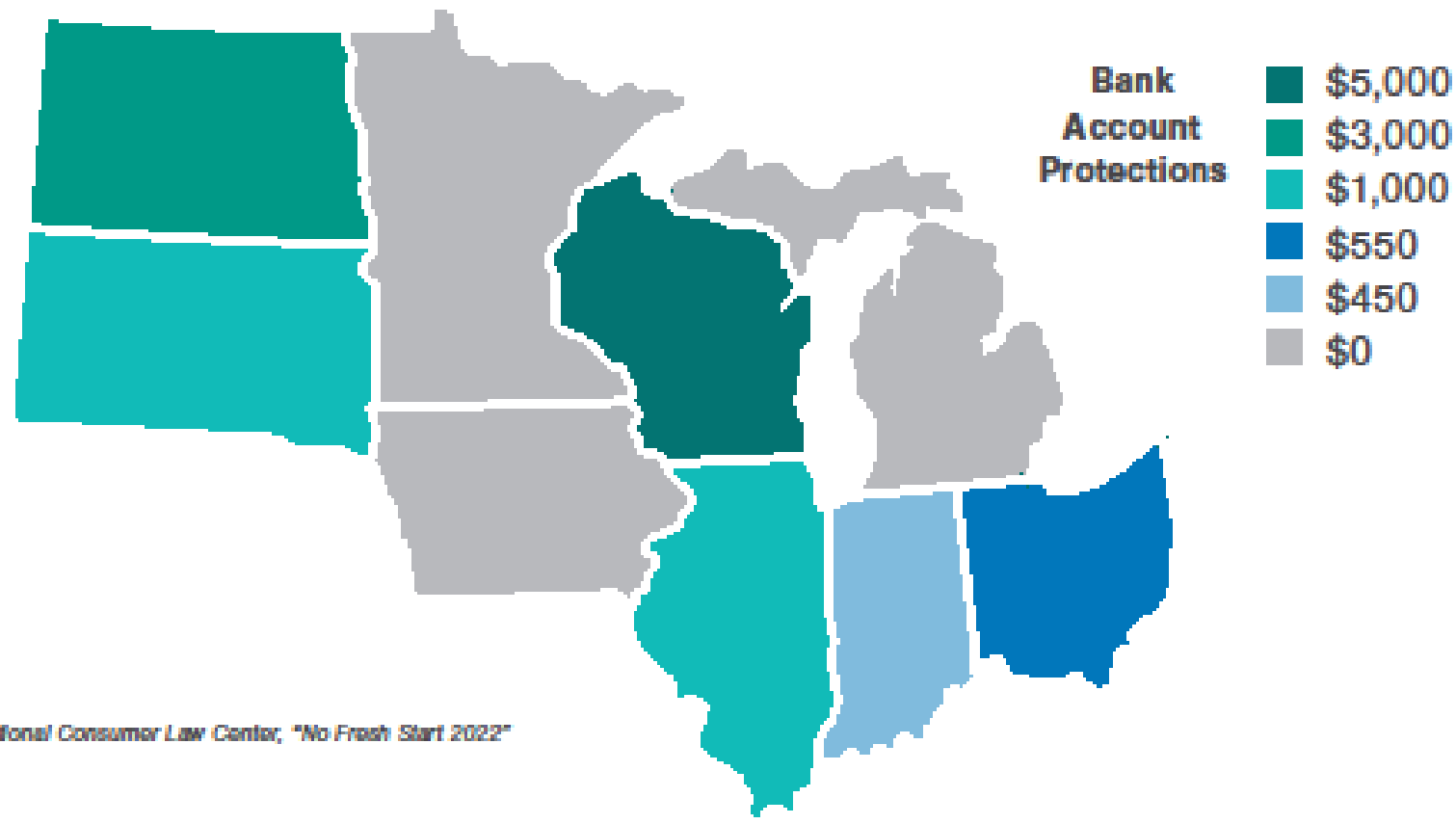
Minnesota courts have very little oversight of the garnishment process



Finding

Minnesota is 1 of 3 Midwest states with no bank account protections for consumers

Figure 18: Minnesota 1 of 3 Midwest states with no bank account protections for consumers
Other states protect some amount in consumer bank accounts.

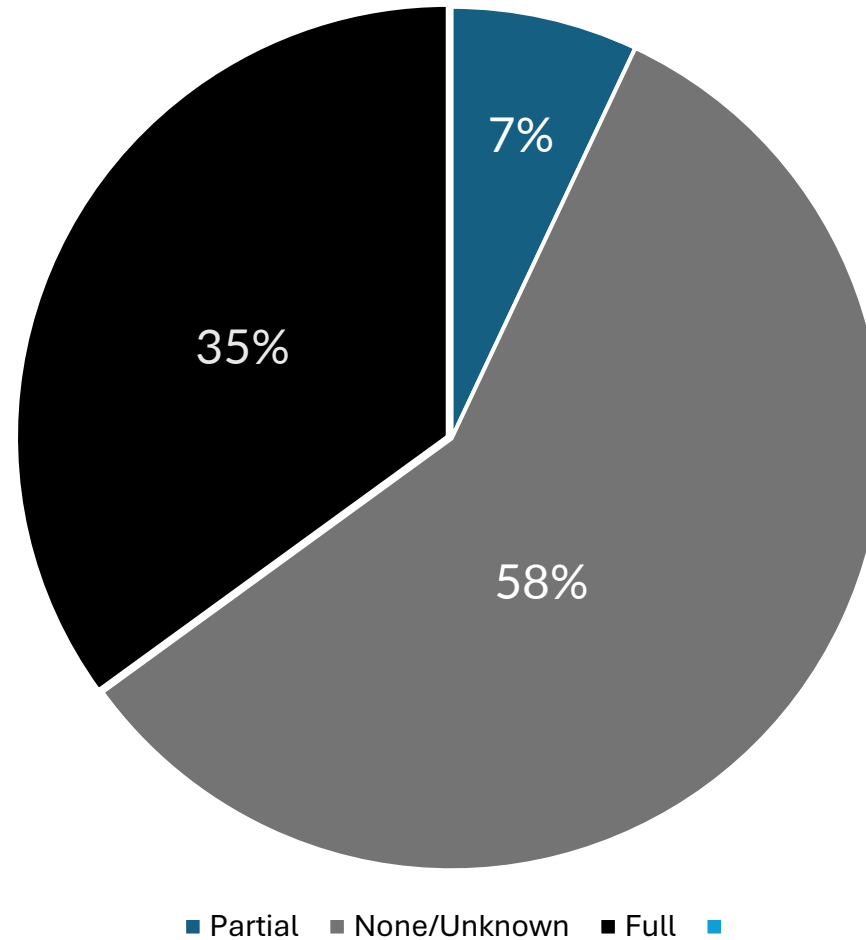


Source: National Consumer Law Center, "No Fresh Start 2022"

Finding

Consequences of debt judgments can follow consumers for years

Only 35% of debt judgements between 2017 and 2019 were recorded as "satisfied"



Recommendations

Develop specialized procedural rules for debt cases to better manage consumer debt cases.

1.1 Require that all business-to-consumer debt cases with an amount in controversy less than \$4,000 be filed in conciliation court.

1.2 Improve how debt documentation requirements are implemented

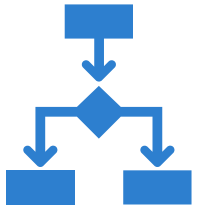
1.2.a Expand debt documentation requirements to all plaintiffs

1.2.b Require documentation of debt to be provided to defendants at the time of service

1.2.c Court adopts standardized practice to review documentation of debt

1.3 Mandate and enforce the use of a standard summons for debt collection lawsuits

1.4 Use “consumer credit” for all consumer credit cases, including those filed by plaintiffs seeking default judgment as a potential outcome



Recommendations

Create and improve resources that empower self-represented litigants to participate in their cases.

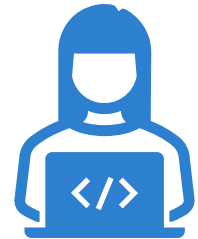
2.1 Improve the standard court answer form to include plain language descriptions of the common defenses to a debt lawsuit.



2.2 Expand resources and materials provided by self-help centers and legal aid.

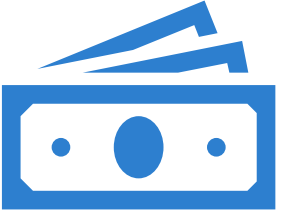


2.3 Expand online resources that help litigants understand the impact of judgments.



Recommendations

Preserve economic stability for debt-burdened Minnesotans so they can afford basic needs while repaying their debts.



3.1 Exempt an amount of money in a consumer's bank account sufficient to meet basic needs

3.2 Electronically tag state benefit funds in a bank account to prevent exempt funds from being garnished

3.3 Revise Notice of Entry of Judgment to include plain language information about garnishment exemptions

3.4 Increase the duration of the writ of execution from 6 months to 1 year



Recommendations

Expand services for lower- and moderate-income people who are struggling with debt.

4.1 Expand lower-income services through civil legal aid programs by aligning priorities and adding resources for coordinated statewide provision of advice and brief services up to at least 200% of poverty guidelines.

4.2 Expand moderate-income services by increasing bar associations' unbundled services for people above legal aid income guidelines and expanding the Legal Paraprofessionals Pilot Program to include civil debt cases

4.3 Expand access to pre-judgment services for debt litigants to encourage early resolution of claims.



Updates Since the 2023 Report

What's Happened Since the Report Was Issued?

E



Medical Debt Reforms - 2024

- **Prohibits Abusive Collection Practices**
Minn. Stat. § 332C.02
- **Prohibits Medical Debt Reporting to Credit Reporting Bureau**
Minn. Stat. § 332C.03
- **AG Enforcement**
Minn. Stat. § 332C.05
- **Private Rt of Action – Attorney Fees to Successful Plaintiff**
Minn. Stat. § 332C.05
- **Attorney Fees to Successful Defense by Medical Debt Debtor**
Minn. Stat. § 332C.04



More Medical Debt Reforms - 2024

- **Can't Deny Necessary Medical Treatment if Outstanding Debt**

Minn. Stat. §§ 144.587, subd. 4; and 62J.807

- **Eliminates Spousal Liability**

Minn. Stat. § 519.05

- **Requires Cessation of Collection/Investigation if Alleged Billing Error**

Minn. Stat. § 62J.808



Garnishment Reforms - 2024

- **Updated Exemptions**

Minn. Stat. § 550.37

- **New "Wildcard" Exemption in Bankruptcy (\$1,500)**

Minn. Stat. § 550.37, subd. 28

- **Revised, Tiered Wage Garnishment Formula – Lower the income, less taken out of pay**

Minn. Stat. § 571.922

- **Independent Contractors Now Covered by Garnishment/Exemption Protections**

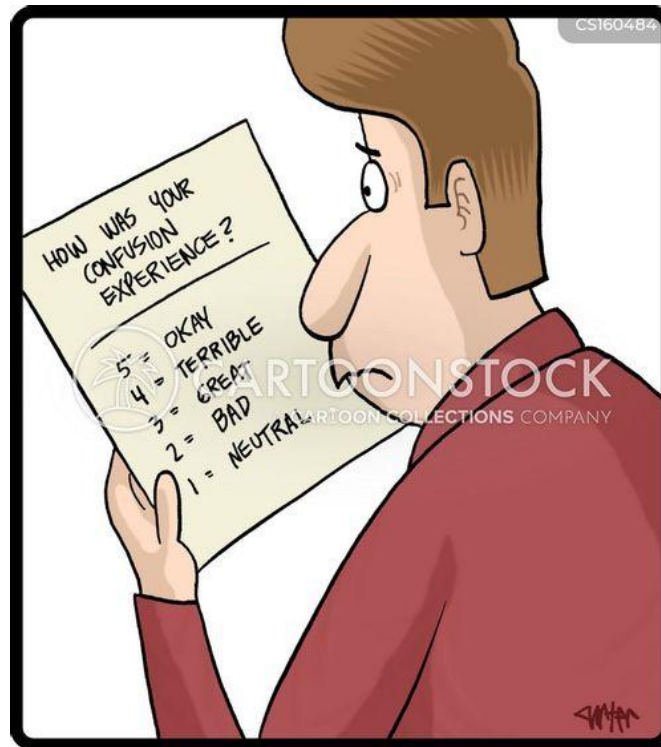
Minn. Stat. §§ 571.921 and 571.927



Garnishment Forms Revised

Revises, restructures, and updates various statutory forms pertaining to garnishment to:

- (1) make them more readable, understandable, and easier for debtors to complete; and
- (2) comply with changes to the garnishment statutes made by the Legislature in the 2024 session



2025 Session – Bank Account Protection Bill Introduced

HF 3188 (Rep. Liz Reyer) / SF 1606 (Sen. Liz Boldon)

1.1 A bill for an act

1.2 relating to commerce; modifying exemptions for garnishment and bankruptcy;
1.3 amending Minnesota Statutes 2024, sections 550.37, by adding a subdivision;
1.4 571.73, subdivision 4; 571.78; 571.911; 571.913.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2024, section 550.37, is amended by adding a subdivision
1.7 to read:

1.8 Subd. 29. **Funds in a depository account.** An amount of up to \$1,000 in one or more
1.9 of a debtor's depository accounts held in a financial institution, regardless of the money's
1.10 source, is exempt from garnishment under sections 571.91 to 571.915. The exemption under
1.11 this section is in addition to any other exemptions for which the debtor is eligible under this
1.12 section, except that a debtor is prohibited from claiming the exemption under this subdivision
1.13 in conjunction with the exemption under subdivision 28. A financial institution that receives
1.14 a garnishment summons under section 571.72 must leave in the debtor accounts the lesser
1.15 of the total of the debtor accounts or \$1,000. Except as provided in subdivisions 13 and 14,
1.16 the exemption under this subdivision does not apply to a contractual setoff or security interest
1.17 asserted by a financial institution.

A person wearing a blue jacket is holding a white rectangular sign with both hands. The sign has the word "QUESTIONS?" written on it in a bold, dark blue, sans-serif font. The background is a plain, light grey wall.

QUESTIONS?