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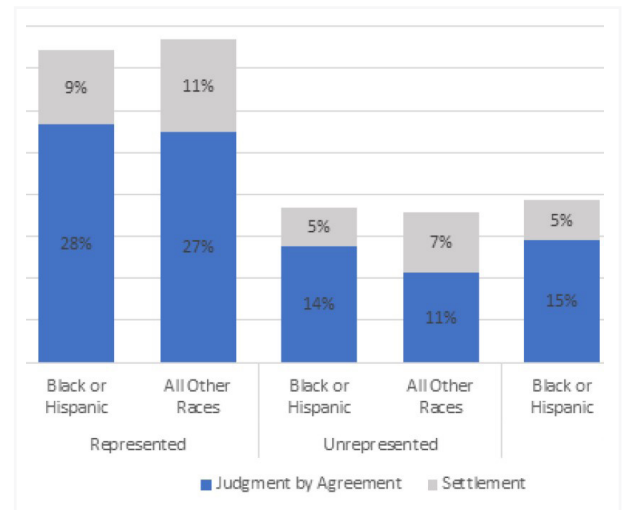
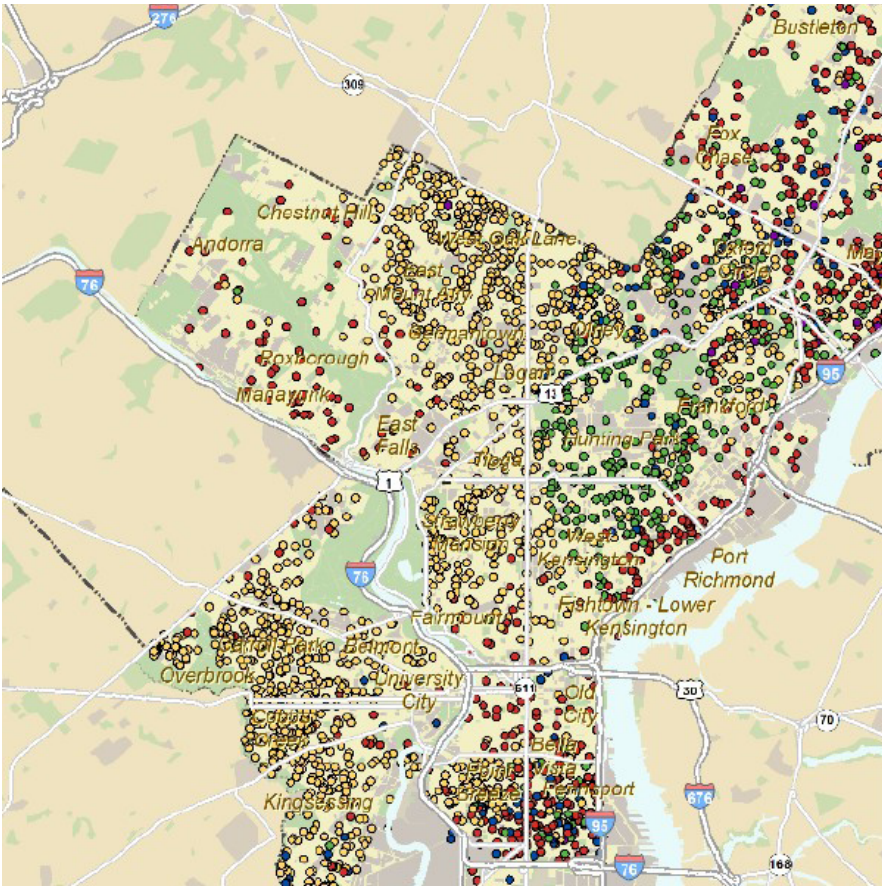


Policy Brief

Debt Collection in Philadelphia

Prepared by **REINVESTMENT FUND**

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Debt Collection in Philadelphia

This memo presents the results of Reinvestment Fund's analysis of Philadelphia Municipal Court records for cases that were filed between January 2016 and April 2020. In total, 90,809 case records were obtained for analysis.

The document is organized into nine sections:

1. **High-Level Observations and Takeaways.**
2. **Characteristics of Defendants and Plaintiffs.** Describes the estimated racial and ethnic composition of defendants and most common plaintiffs.
3. **Understanding Case Outcomes.** Summarizes the most common outcomes of debt collection cases.
4. **Average Claims in Debt Collection Cases.** Analyzes the size of claims entered on Philadelphia cases.
5. **Defendant Representation.** Describes trends in defendant representation among debt collection cases.
6. **Judgment Awards to Plaintiffs.** Summarizes the amount and types of judgments obtained by plaintiffs against defendants.
7. **Case Outcomes and Property Ownership.** Analyzes the relationships between property ownership and case outcomes.
8. **Defendant Stories.** This section includes findings from a series of interviews conducted with defendants involved in debt collection cases.
9. **Methodology and Data.** Summarizes the dataset and methods used to construct this analysis.

Key Findings

- **Black Philadelphians are overrepresented among defendants in debt collection cases.** Nearly half (49%) of cases involved Black defendants, while 41% of Philadelphia households identified as Black.
- **Representation improves outcomes for all defendants and appears to have a mitigating effect for observed racial disparities.** In areas where we found what appears to be worse outcomes for Black and Hispanic defendants over all (e.g., awards for judgment on the merits cases, rates of judgments by agreements vs settlements) legal representation acts as an equalizer, reducing racial disparities in outcomes. Rates of defendant representation were roughly equivalent across different racial and ethnic groups, particularly after controlling for the claim amount – but Black defendants were least likely to have an attorney.
- **Disparities in rates of default judgments between Black and White defendants and our interviews raise questions about service for defendants of color.** It is not clear why Black and Hispanic defendants would have the highest rates of service, but also the lowest rates of appearing for court dates. In interviews, three of the five respondents reported being unaware of the court cases against them, despite court records that indicated they had been served and two said they had not been living at the address listed in the court documents at the time that service was allegedly made.
- **Debt cases in Philadelphia’s court system are disproportionately filed by a small handful of plaintiffs.** Over half of the 59,618 cases analyzed in this paper were filed by just four plaintiffs. In total, the top 10 plaintiffs filed 84% of all cases in the analysis – most of these are entities that purchase delinquent debts, and a few are banks.
- **Black and Hispanic defendants were involved in cases with lower claim amounts, on average, than defendants of other races. Although defendant incomes were not available for this analysis, income data for areas where these claims are concentrated and for different races /ethnicities in the city indicated that these cases with lower claim amounts may represent equal or greater financial strain on Black and Hispanic defendants.** Judgments represented over 10% of the median household’s annual income in zip codes that include neighborhoods with some of Philadelphia’s highest concentrations of lower-income Black residents: Mantua, Strawberry Mansion, and Nicetown-Tioga. Claim amounts against Black and Hispanic defendants represented a larger share of the typical income of a Black or Hispanic household in Philadelphia. For example, the average claim amount in a case involving Black defendants represented 8% of the median income of a Black Philadelphia household. The average claim amount in a case involving White defendants represented only 5% of the median income of a White Philadelphia household.
- **Working with debt consolidation companies did not keep defendants out of court.** Three interview respondents worked with debt consolidation companies to simplify and reduce their debt. For one respondent, the payment agreement she made with the debt consolidation

company was too high, and she eventually stopped paying it, resulting in her case. Another respondent reported the lawyer from his debt consolidation company did not attend his court date, resulting in a judgment for plaintiff by default. A third worked with a debt consolidation company, but still ended up with two debt cases against her.

- **Property ownership: We estimate that close to half of debt collection defendants lived in properties they or a family member owned. Four interviewees reported owning property in Philadelphia.** In general, defendants identified as property owners had similar case outcomes as those who did not appear to own property in Philadelphia. No respondents were aware of any liens on their homes due to their debt cases. One respondent reported he planned to pay his debt by taking out a home equity loan. Another respondent wanted to buy a home, but her damaged credit score made it difficult to secure a mortgage.

Characteristics of Defendants and Plaintiffs

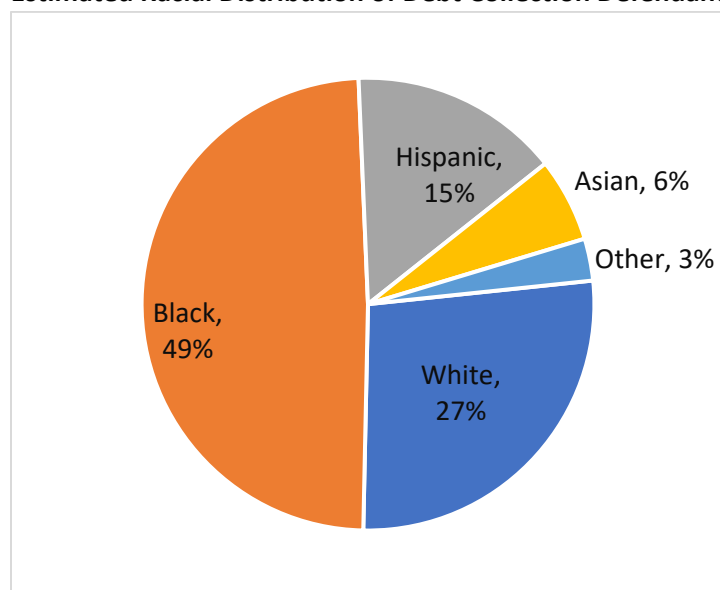
This section summarizes the characteristics of defendants and plaintiffs in debt collection cases.

Characteristics of Defendants

As noted above, this analysis relied on Bayesian Improved Surname Geocoding (BISG) to estimate and analyze the likely race of defendants involved in the cases analyzed in this report. The BISG analysis uses defendant surnames and defendant home addresses to estimate the likely race/ethnicity of each defendant in our sample. The figure below shows the expected number of cases in the sample that involved Black, White, Hispanic, and Asian defendants.¹

Compared with the makeup of households in Philadelphia, Black defendants were over-represented in our sample and White defendants were under-represented. While we estimate that nearly half (49%) of cases involved Black defendants, only 41% of Philadelphia households are Black. Similarly, we estimated that only 27% of cases involve White defendants, while 34% of Philadelphia households are White.

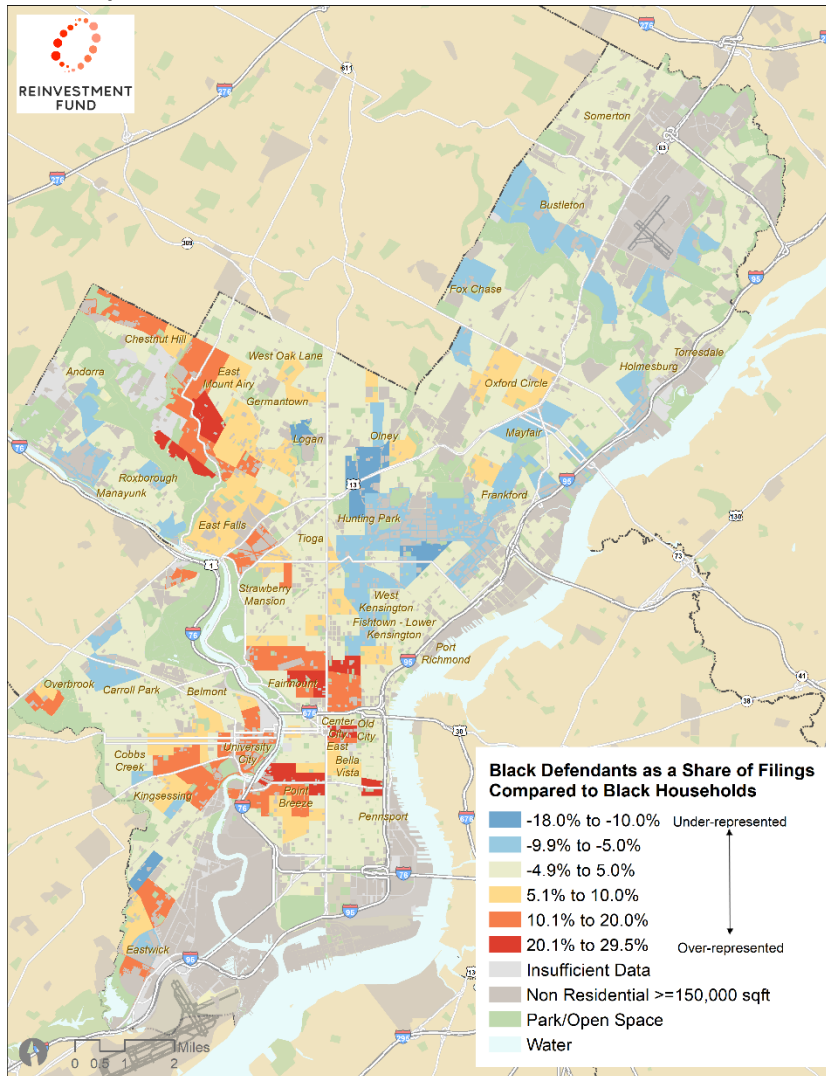
Estimated Racial Distribution of Debt Collection Defendants



Black residents were over-represented in debt collection cases overall, but also within specific neighborhoods in the city. The map below identifies census tracts in the city where Black defendants are over-represented relative to the number of Black households in the same census tract. Black defendants were over-represented in some parts of the city that have long been predominantly Black and have more recently gentrified, such as Point Breeze, Graduate Hospital, and Kingsessing, as well as in neighborhoods that are predominantly White, such as Fairmount, Callowhill, and West Mount Airy.

¹ Throughout this analysis racial and ethnic categories were defined to be mutually exclusive. White, Black, and Asian racial groups refer to non-Hispanic White, non-Hispanic, Black, and non-Hispanic Asian individuals.

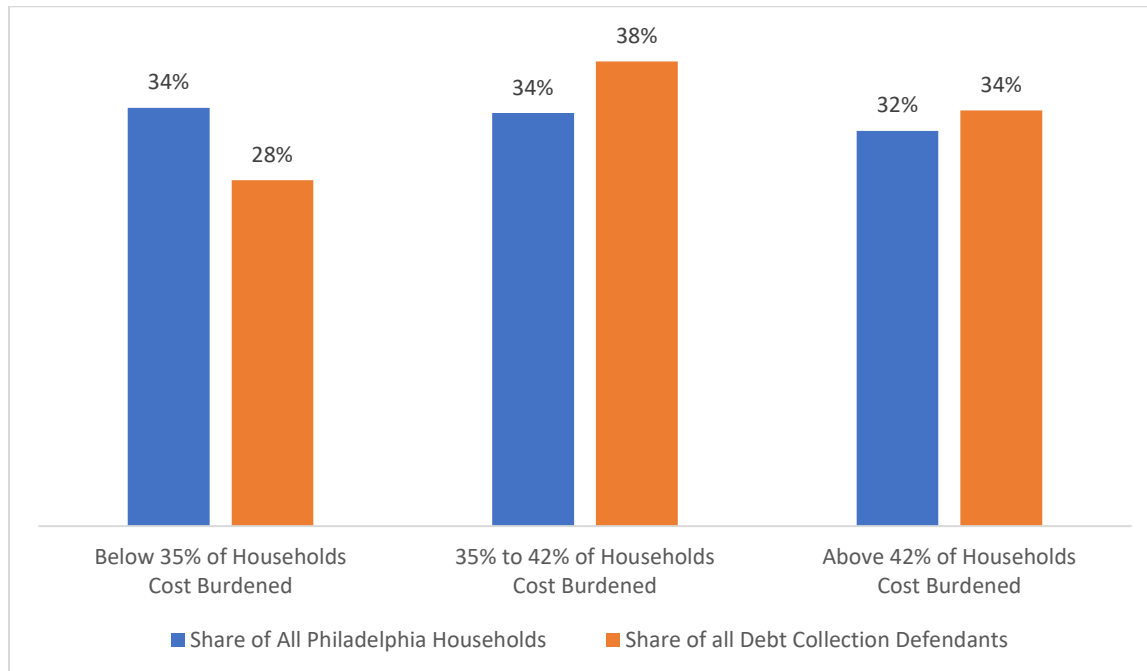
Over-Representation of Black Defendants in Debt Collection Cases



Financial Resiliency in Philadelphia: Housing Cost Burden

Housing cost burdens are one commonly used indicator of a household's financial resiliency – the ability to weather ups and downs in income or emergency expenses. Generally, households that spend over 30% of their monthly income on housing costs are considered cost burdened and may have greater difficulty paying all of their bills. Areas in the city where a greater share of households were cost burdened had a greater number of debt collection filings. While 66% of Philadelphia households live in census tracts where over 35% of households are cost-burdened, 72% of debt collection defendants live in these census tracts.

Share of Philadelphia Households and Debt Collection Defendants, by Housing Cost Burden of Census Tract of Residence



Characteristics of Plaintiffs

In more than half of cases the plaintiffs were debt collection entities that purchase and pursue delinquent accounts, and the next most common types of filers were banks and credit unions, which may have been the initial debt providers issuing a credit card or making a loan. A small number of defendants were responsible for filing the vast majority of cases. There were 578 unique plaintiffs in our sample but 58% of cases were filed by just four plaintiffs. In total, the top 10 plaintiffs filed 84% of all 59,618 cases in the analysis.

Top 10 Largest Filers of Philadelphia Debt Collection Cases

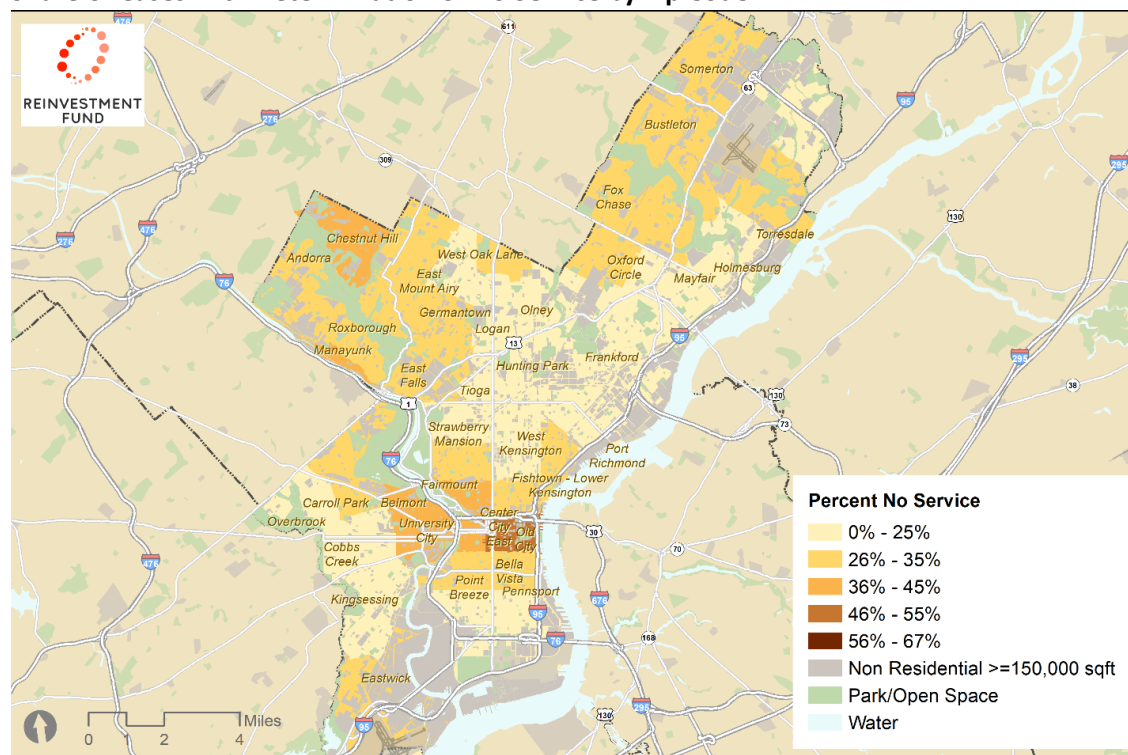
Plaintiff Name	Cases Filed	Share of All Cases
Midland Funding	15,489	26%
Portfolio Recovery Associates	7,915	13%
LVNV Funding	5,630	9%
Capital One Bank (USA)	5,580	9%
Cavalry SPV I	4,624	8%
Discover Bank	4,281	7%
Philadelphia Federal Credit Union	2,266	4%
TD Bank	1,971	3%
Barclays Bank Delaware	1,835	3%
Synchrony Bank	746	1%
All other Plaintiffs	9,281	16%

Understanding Case Outcomes

Throughout the analysis we focus on cases that proceeded to court after the plaintiff asserted that service was made to defendant(s). Just over a quarter of all filings (26%) end with a determination of “no service” as the final docket entry. Cases with Black defendants were slightly less likely to end due to no service (25% compared to 27% for cases involving White defendants). Attorneys familiar with debt collection cases report that many no-service cases are refiled until service can be made.

The figure below shows the share of filed cases where a determination of no service was made to defendants in each Philadelphia zip code. The largest concentration of cases with no service was in Washington Square West and Olde City. These areas happen to be among the densest in the city, with high-rise apartment buildings, many of them luxury, that may make it difficult to reach defendants.

Share of Cases with Determination of No Service by Zip Code

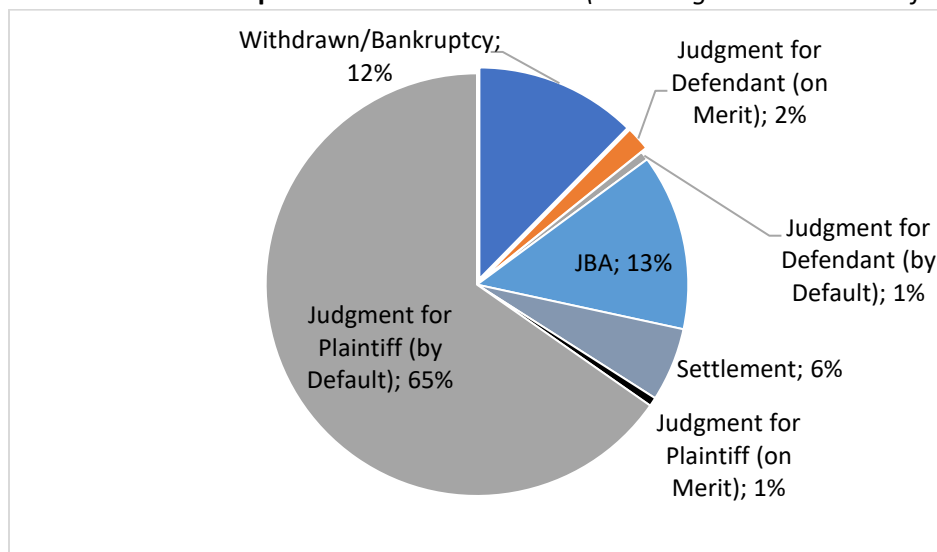


The most common outcome for cases in which the plaintiff asserts successful service was a judgment for the plaintiff by default (65%). In these cases, the defendant or their representative did not appear in court. The least common outcome, in only 1% of cases, was a judgment for the plaintiff based on merits.

Altogether, approximately 15% of cases concluded without a money judgment against the defendant. Most of these cases were withdrawals (12%) while just 3% of all cases ended with a judgment for the defendant (2% on merit, 1% by default) or were transferred to bankruptcy court (0.01%). It is possible that some number of withdrawn cases were refiled.

The remaining cases ended with a payment and terms reached through a judgment by agreement (JBA), which is entered into the court docket (13%), or a settlement between the plaintiff and defendant (6%).

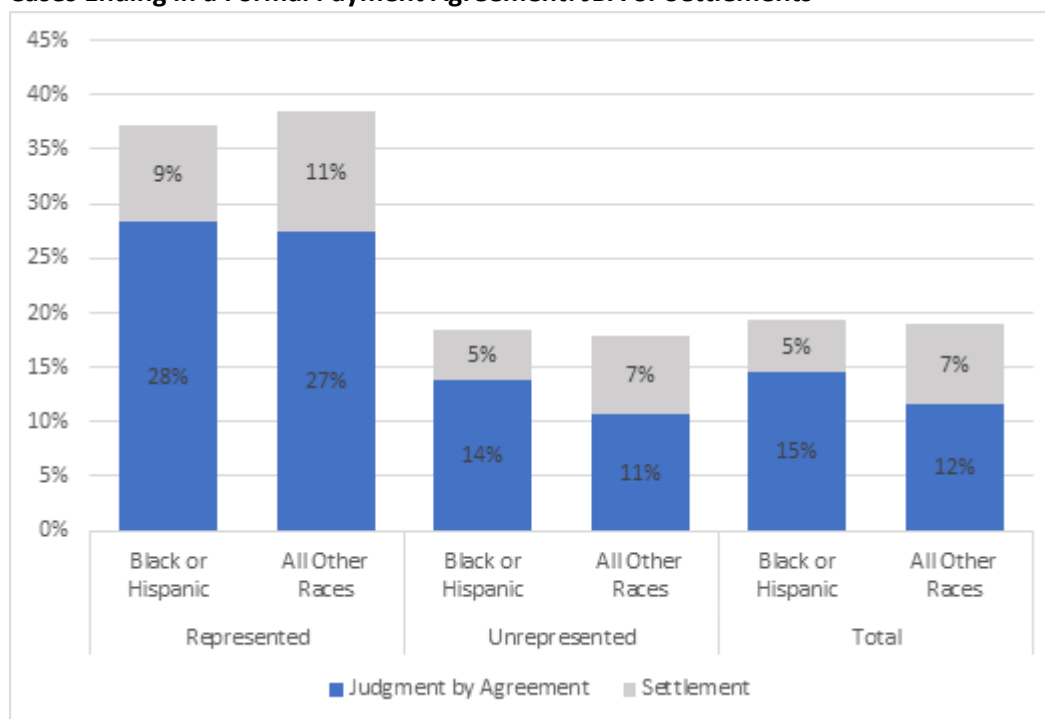
Outcome of Philadelphia Debt Collection Cases (excluding cases concluded for no service)



Although default judgments were the most common outcome across all defendants, cases involving Black defendants were somewhat more likely to end in a default—66% compared with 64% of cases with a White defendant.

Overall, cases with Black and Hispanic defendants were more likely to result in a JBA (15% compared to 12% of cases involving other defendants). But when Black and Hispanic defendants were represented by an attorney, they entered JBAs at nearly the same rate as other defendants, but they were still slightly less likely to achieve a settlement. Attorneys familiar with debt collection cases note that settlements may be more favorable to defendants both in their terms and their impact on defendants' credit.

Cases Ending in a Formal Payment Agreement: JBA or Settlements

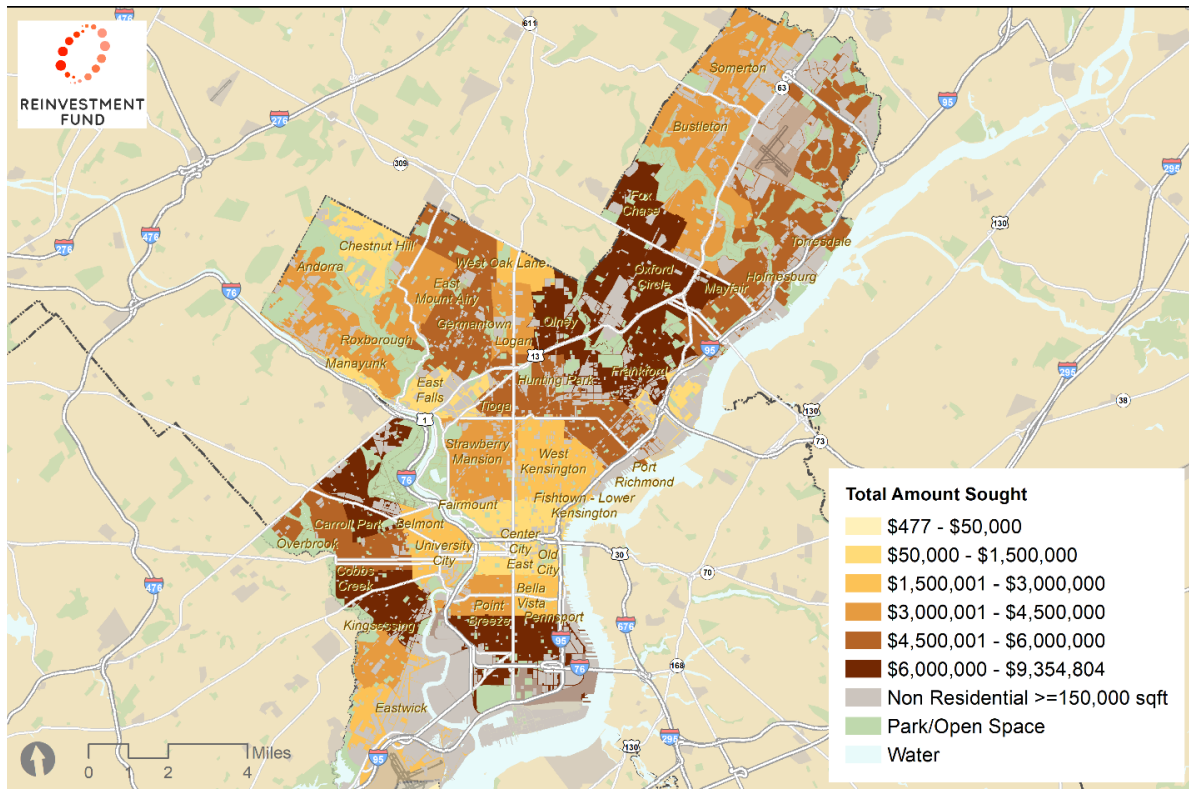


Average Claims in Debt Collection Cases

The size of claims ranged from a low of \$100 to a high of \$19,441.² Almost half of cases (49%) involved claims between \$751 and \$2,500 with a median of \$2,052 claimed across all cases.

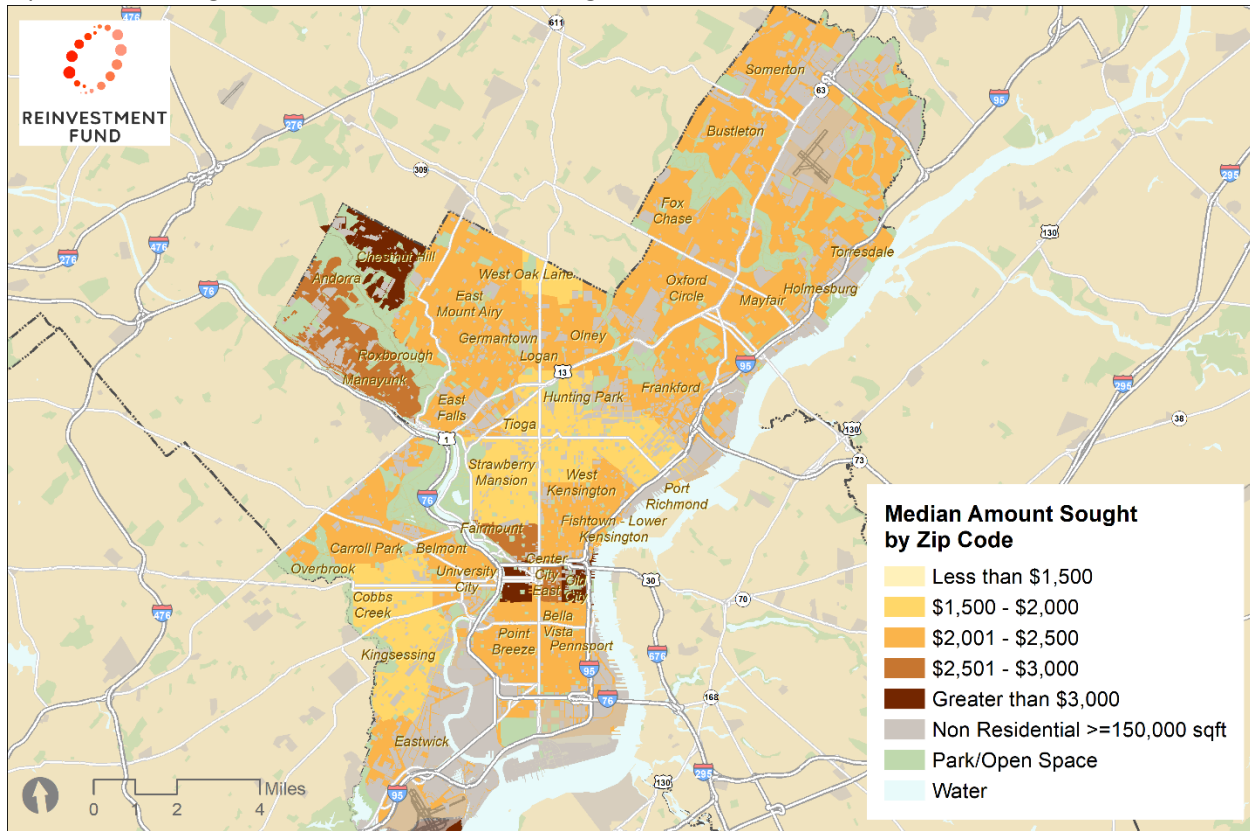
The map below shows the total amount sought across all cases between January 2016 and April 2020, in each zip code in the city. The total amount claimed in debt collection cases was most concentrated in zip codes in the Lower Northeast, West Philadelphia, and South Philadelphia.

Total Amount Claimed



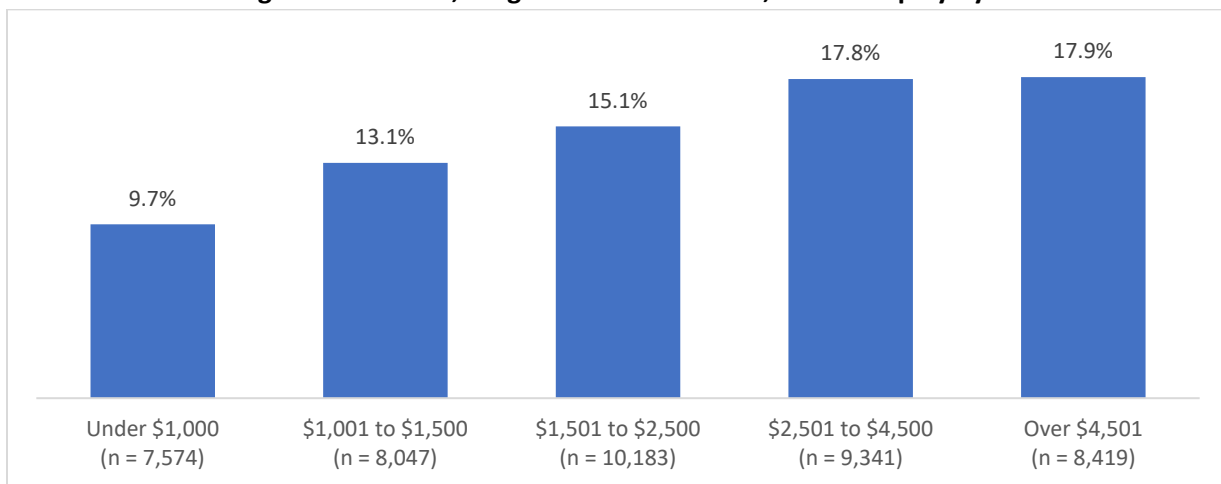
² Claims are limited to \$12,000, but 14 cases had a recorded amount sought above the limit; it was not clear from the court records whether these were the result of data entry errors or a different cause.

Zip codes with higher incomes tended to have higher median claim amounts. See below.



Cases with the most money at stake were also the most likely to end without a court ordered payment to the plaintiff; among cases with a claim amount over \$4,500, nearly 18% ended in a withdrawal, judgment for defendant, or bankruptcy compared with only 10% of claims for less than \$1,000. This relationship remains even after controlling for different rates of defendant representation.

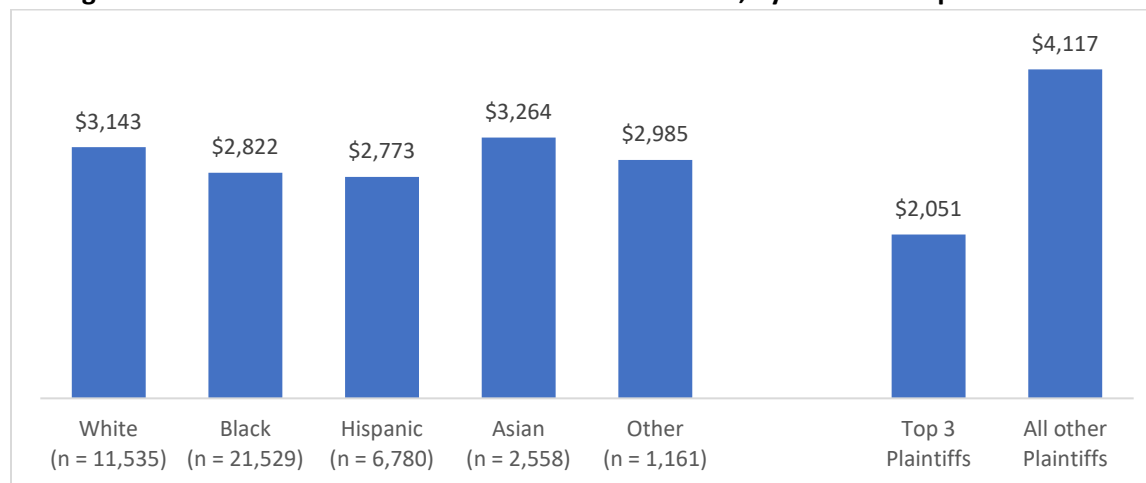
Share of Cases Ending in Withdrawal, Judgment for Defendant, or Bankruptcy by Claim Amount



Cases involving Black and Hispanic defendants involved lower amounts, on average, than cases with White and Asian defendants. (See figure below).

The plaintiffs that filed the most cases were more likely to sue for lower amounts than other plaintiffs. The three most frequent plaintiffs sued for an average of \$2,051 compared with \$4,117 among all other plaintiffs.

Average Amount Claimed in Each Case's Statement of Claim, by Race and Top Plaintiffs



Defendant Representation

The overwhelming majority of defendants were not represented by an attorney at any point during their case (94%). Representation was more common in cases involving the largest amounts of money; 8.5% of cases with a claim amount over \$4,500 had defendants with representation, compared with less than 3% of cases with less than \$1,000 at stake. Rates of defendant representation were roughly equivalent across different racial and ethnic groups, particularly after controlling for the claim amount – but Black defendants were least likely to have an attorney.

Share of Defendants with Representation by Claim Amount and Predicted Race of Defendants

	White Defendants	Black Defendants	Hispanic Defendants	Asian Defendants	Other Defendants	All Defendants
Under \$1,000	3.1%	2.7%	2.3%	2.2%	2.8%	2.7%
\$1,001 to \$1,500	5.0%	5.7%	5.3%	4.5%	6.0%	5.4%
1,501 to \$2,500	5.4%	5.4%	5.2%	5.6%	5.9%	5.4%
\$2,501 to \$4,500	7.0%	7.1%	6.4%	5.5%	7.1%	6.8%
Over \$4,501	8.9%	7.3%	10.5%	10.7%	8.4%	8.5%
All Cases	6.1%	5.6%	5.9%	6.2%	6.1%	5.8%

Representation was strongly associated with more favorable outcomes for defendants. For example, 31% of cases where the defendant had representation ended in a judgment for the defendant (by plaintiff default or on the merits), compared with only 1% of cases where the defendant did not have

representation. In general, cases where defendants had representation were more likely to result in withdrawal, judgment for defendant, or bankruptcy—all outcomes that do not involve a court mandated payment to the plaintiff.

Defendants with representation were more likely to achieve a JBA or settlement. Nearly 70% of cases where the defendant did not have representation ended in a default judgment compared with only 14% of cases where defendants had representation.

Distribution of Case Outcomes with and without Defendant Representation

	Cases with Representation (n = 2,540 cases)	Cases without Representation (n = 41,024 cases)
Withdrawal/Bankruptcy	21%	12%
Judgment for Defendant	31%	1%
Judgment for Plaintiff by Default	9%	69%
Judgment for Plaintiff on Merit	4%	0%
Judgment by Agreement	25%	13%
Settlement	9%	5%
Total	100%	100%

Judgment Awards to Plaintiffs

In most cases, the ultimate disposition obligated the defendant to make a payment to the plaintiff through a judgment or settlement. However, the total award was missing from nearly half of all JBAs and nearly all settlements in our dataset.

This section analyzes the outcomes among those cases where award information was available. Since settlement terms are typically not docketed, and only 15 of the 2,458 cases that resulted in a settlement had data, settlement cases are excluded from this analysis (see Appendix I for more information about missing data).

The table below shows the number of cases with award data, the average amount at issue in each case, and the average award in each case.

On average, defendants were required to pay 2% more than the amount they were sued for, likely due to the addition of court costs and fees. Paradoxically, cases that went before a judge and were decided for the plaintiff (i.e., judgment for plaintiff on merit) were the most favorable for defendants, with defendants on average paying 15% less than they were sued for. JBA cases also yielded reduced award amounts, on average, 2% less than the original claim. These patterns held across race/ethnic groups.³

³ See Appendix II for claim and award amounts by case outcome by race / ethnicity

Average Amounts Claimed and Awarded by Case Outcome

	Total Cases	Average Claimed	Average Awarded	Dollar Difference	Percent Difference
Judgment for Plaintiff by Default	28,444	\$2,839	\$2,936	+\$97	+3%
Judgment by Agreement (with Award Data)	3,779	\$2,918	\$2,848	-\$70	-2%
Judgment for Plaintiff on the Merits	294	\$4,701	\$3,997	-\$704	-15%
All Cases with Award Data	32,517	\$2,865	\$2,935	+\$70	+2%

Representation and Case Outcomes

Defendants with representation fared better in total judgment amount, owing an average of 7% less than they were originally sued for, while defendants without representation were required to pay 3% more than they were sued for. Awards against represented defendants were lower relative to claim amount across all case outcomes.

Average Amounts Claimed and Awarded by Case Outcome and Defendant Representation

	Cases With Representation			Cases Without Representation		
	Claim Amount	Total Award	Percent Difference	Claim Amount	Total Award	Percent Difference
Judgment for Plaintiff by Default	\$4,090	\$4,152	+2%	\$2,829	\$2,926	+3%
Judgment by Agreement (with Award Data)	\$3,859	\$3,588	-7%	\$2,818	\$2,769	-2%
Judgment for Plaintiff on the Merits	\$4,558	\$3,586	-21%	\$4,789	\$4,251	-11%
All Cases with Award Data	\$4,045	\$3,772	-7%	\$2,839	\$2,917	+3%

Racialized Differences in Case Outcomes

Representation appeared to eliminate racial disparities in the average outcomes of judgments for plaintiff on the merits. Among cases decided as judgments for plaintiff on the merits and where the defendant was not represented by an attorney, cases with White defendants had substantially more favorable outcomes than cases decided for any other race. White defendants were required to pay 18% less than the claim amount, while non-White defendants were required to pay 9% less. As an illustration, if a typical case over \$2,500 were decided for the plaintiff in front of a judge, we would expect the average unrepresented non-White defendant to pay \$2,275 and the average unrepresented White defendant to pay \$2,050, a difference of \$250.

Average Amounts Claimed and Awarded Among Judgments for the Plaintiff on the Merits, by Race and Representation of Defendants

	Cases With Representation			Cases Without Representation		
	Claim Amount	Total Award	Percent Difference	Claim Amount	Total Award	Percent Difference
White	\$4,896	\$3,805	-22%	\$4,845	\$3,987	-18%
Non-White	\$4,492	\$3,432	-24%	\$4,771	\$4,335	-9%
All Cases	\$4,624	\$3,554	-23%	\$4,789	\$4,251	-11%

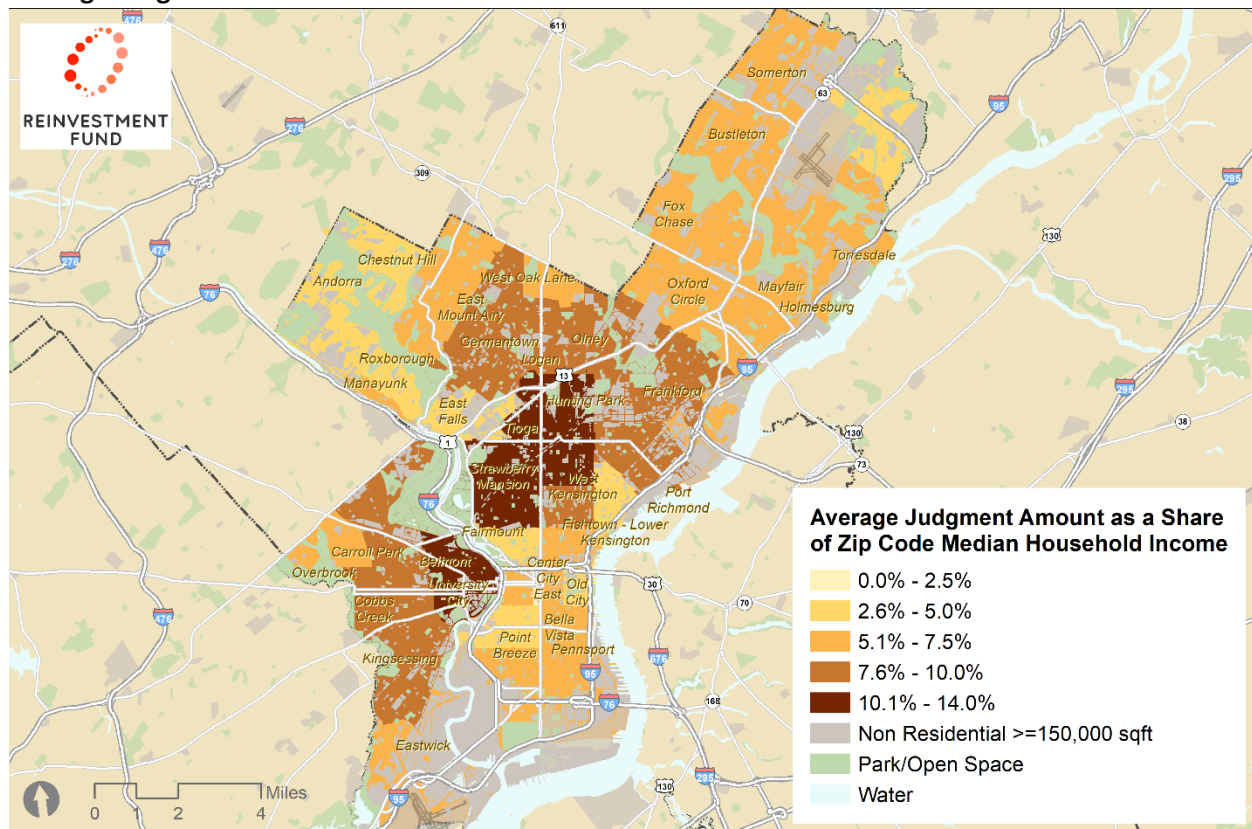
A more detailed analysis shows that representation led to more favorable outcomes for all cases case outcome types and race / ethnicity groups, but the size of that impact varied across those categories. Having an attorney had a greater positive impact for Asian and Hispanic defendants than for Black defendants in judgments for the plaintiff by merit.

Average Amounts Claimed and Awarded by Case Outcome, Defendant Representation, and Predicted Race of Defendants

	Race Ethnicity	Cases With Representation			Cases Without Representation		
		Average Claimed	Average Awarded	Percent Difference	Average Claimed	Average Awarded	Percent Difference
Judgment for Plaintiff by Default	Asian	\$4,613	\$4,655	+1%	\$3,213	\$3,318	+3%
	Black	\$3,520	\$3,601	+2%	\$2,727	\$2,822	+3%
	Hispanic	\$4,625	\$4,628	+0%	\$2,682	\$2,781	+4%
	Other	\$3,911	\$3,976	+2%	\$2,868	\$2,965	+3%
	White	\$4,464	\$4,533	+2%	\$3,023	\$3,125	+3%
	Total	\$4,090	\$4,152	+2%	\$2,829	\$2,926	+3%
Judgment by Agreement	Asian	\$4,564	\$4,360	-4%	\$2,907	\$2,857	-2%
	Black	\$3,633	\$3,367	-7%	\$2,752	\$2,717	-1%
	Hispanic	\$3,696	\$3,455	-7%	\$2,715	\$2,661	-2%
	Other	\$3,759	\$3,472	-8%	\$2,891	\$2,844	-2%
	White	\$4,273	\$3,951	-8%	\$3,075	\$2,988	-3%
	Total	\$3,859	\$3,588	-7%	\$2,818	\$2,769	-2%
Judgment for Plaintiff by Merit	Asian	\$5,922	\$3,381	-43%	\$4,209	\$3,809	-10%
	Black	\$4,099	\$3,427	-16%	\$4,887	\$4,483	-8%
	Hispanic	\$4,474	\$3,566	-20%	\$4,712	\$4,202	-11%
	Other	\$5,198	\$3,893	-25%	\$4,924	\$4,375	-11%
	White	\$4,892	\$3,808	-22%	\$4,845	\$3,987	-18%
	Total	\$4,558	\$3,586	-21%	\$4,789	\$4,251	-11%
All Cases with Award Data	Asian	\$4,755	\$4,341	-9%	\$3,193	\$3,279	+3%
	Black	\$3,667	\$3,445	-6%	\$2,741	\$2,818	+3%
	Hispanic	\$4,094	\$3,824	-7%	\$2,700	\$2,777	+3%
	Other	\$4,046	\$3,707	-8%	\$2,882	\$2,960	+3%
	White	\$4,464	\$4,147	-7%	\$3,038	\$3,119	+3%
	Total	\$4,045	\$3,772	-7%	\$2,839	\$2,917	+3%

Although court records do not include defendant incomes, we sought to understand the impact of debt judgments relative to income at the zip code level. A comparison of median household income to award amounts indicates that debts may be more burdensome for residents in some communities. The map below shows the average judgment amount in each zip code as a proportion of median income. Judgments represented over 10% of the median household's annual income in zip codes that include neighborhoods with some of Philadelphia's highest concentrations of lower-income Black residents: Mantua, Strawberry Mansion, and Nicetown-Tioga. See map below.

Average Judgment Amount as Share of Median Household Income



Case Outcomes and Property Ownership

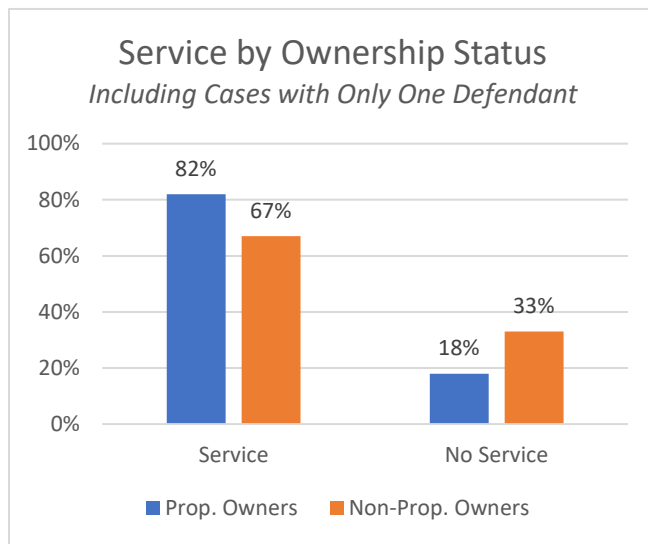
Of the 58,535 cases with one defendant in our sample, we were able to successfully match 55,700 (95%) to a property parcel in Philadelphia, based upon the defendant's address and OPA parcel data. By comparing defendant names with property ownership records, we estimate that 26,547 (48%) of defendants owned the home where they were served at the time of case filing. For property owners, judgments are liens against real property, making it difficult to access home equity or refinance, and potentially contributing to the city's long-running challenges around tangled titles.

Across all race/ethnicity categories, the majority of defendants were renters. Hispanic defendants were the least likely to own their home and White defendants were the most likely.

Defendant Property Ownership in Philadelphia by Race/Ethnicity

	White Defendants	Black Defendants	Hispanic Defendants	Asian Defendants	Other Defendants	Total
Property Owning	7,197 (49%)	13,166 (48%)	3,905 (45%)	1,597 (48%)	682 (48%)	26,547 (48%)
Non-Property Owning	7,559 (51%)	14,275 (52%)	4,752 (55%)	1,733 (52%)	834 (52%)	29,153 (52%)
All Cases	14,756 (100%)	27,441 (100%)	8,657 (100%)	3,330 (100%)	1,516 (100%)	55,700 (100%)

Service by Ownership Status



The chart to the left compares the rate of service among presumed homeowners and renters. Renter defendants were almost twice as likely as owner defendants to have a case dismissed for no service.

Case Outcomes and Property Ownership

The table below outlines case outcomes organized by property ownership status of defendants. Overall, property owners were less likely to default— 64% compared to 68% of non-property-owners. Otherwise, outcomes were nearly the same for both groups.

Outcomes by Ownership Status

	Property Owning Defendants	Non-Property Owning Defendants	Total
Withdrawn	2,679 (12%)	2,208 (11%)	4,887 (12%)
Judgment for Defendant	610 (3%)	433 (2%)	1,043 (3%)
Settlement	1,336 (6%)	970 (5%)	2,306 (6%)
Judgment by Agreement	3,072 (14%)	2,438 (13%)	5,510 (13%)
Judgment for Plaintiff on the Merits	148 (1%)	115 (1%)	263 (1%)
Judgment for Plaintiff by Default	13,679 (64%)	13,325 (68%)	27,004 (66%)
All People	21,524 (100%)	19,489 (100%)	41,013 (100%)

Award Levels and Property Ownership

In general, claim amounts entered for property-owning defendants were larger, averaging \$2,978 compared with \$2,644 for non-property-owning defendants.

Property-owners had slightly bigger award reductions when they entered into JBAs. When property-owners were involved in cases that ended as a Judgment for Plaintiff on Merits, they owed more, relative to the original filing than non-property owners. Awards on average were for 88% of the claim compared to 83% for non-property-owning defendants.

Average Amounts Claimed and Awarded Among Cases with JBA, Judgment for the Plaintiff on the Merits, and Judgment for Plaintiff by Default, by Property Ownership Status

	Number of Cases		Claim Amount		Amount Awarded including Court Costs		Difference	
	Prop. Owner	Non-Prop. Owner	Prop. Owner	Non-Prop. Owner	Prop. Owner	Non-Prop. Owner	Prop. Owner	Non-Prop. Owner
JBA	1,924 (12%)	1,628 (11%)	\$3,034	\$2,648	\$2,939	\$2,611	-\$95 (97%)	-\$37 (99%)
Judgment for Plaintiff on the Merits	148 (1%)	115 (1%)	\$4,586	\$4,474	\$4,048	\$3,743	-\$538 (88%)	-\$731 (83%)
Judgment for Plaintiff by Default	13,679 (87%)	13,325 (88%)	\$2,953	\$2,628	\$3,053	\$2,726	\$100 (103%)	\$98 (103%)
All Cases	15,751 (100%)	15,068 (100%)	\$2,978	\$2,644	\$3,049	\$2,721	-\$71 (98%)	-\$77 (97%)

Defendant Narratives

To better understand the experiences of defendants, Reinvestment Fund interviewed five individuals involved in a debt collection case in 2020. RF asked interviewees about their household finances, awareness of legal or financial counseling services, additional resources available to pay off debt including family support or savings. Interviewees were also asked about the impact the Coronavirus had on their financial wellbeing. Case outcomes for interviewees included three judgments for plaintiff by default, one withdrawal and one judgment by agreement. Four interviewees were Black, one was Hispanic. All dollar figures reported below were rounded to protect the respondents' privacy.

Respondent One: New to credit, student loans

Respondent One was a 29-year-old Black woman with an annual household income of \$23,000. Respondent One was sued by an assignee of CitiBank for nearly \$1,200 plus \$117.75 in court fees. Although she recognized the debt in question, Respondent One reported that she no longer lived at the address where service was made and was unaware of the case against her. Court records show that her case ended in a judgment for plaintiff by default. She had not been involved in other debt collection cases.

Asked about the source of her debt, Respondent One reported that when she turned 18, she received multiple credit card offers. She was unemployed and in college at the time, "I had no money, so I was paying for things with the credit card." She was able to make payments on the cards until her wages were garnished to repay her student loans. She did not have enough money to pay off the full debt and reported that she could only make the minimum payments. She was not able to ask friends or family for help and did not have \$3,000 of savings.

Respondent One was unaware of city-funded credit counseling but did participate in a program that promised to “close out her cases.” The program, whose name she could not remember, and which she found through a Google search, told her she could not consolidate her debt, because it was too low, but could pay off her debts if she could make a payment of \$50 a month.

Respondent One was aware that her debt had impacted her credit rating. She reported her credit score was low but improving as she repays her student loans. She has been unable to get a mortgage. She feels that she was targeted and that she should not have had so much credit extended to her at a young age without more guidance.

The Coronavirus pandemic has positively impacted her financial situation. She reported her student loans are on hold, and she can save money for the first time. She has not taken on any new debt and does not plan to until she gets a mortgage.

Respondent Two: Confusing information, medical emergency, Coronavirus, job loss

Respondent Two was a 50-year-old Black woman with an annual household income of \$19,200. She learned of the case against her from two letters she received. Each listed a different court date, but the plaintiff names were similar. She believed it was two notifications for the same case and attended one date, but not the other. The case she attended was resolved with a JBA, and Respondent Two was surprised when she received a notice from the second case indicating that she still owed money. Prior to these incidents she had never been sued in a debt collection case.

According to court records there were two debt cases against her in early 2020. In one, the plaintiff was Midland Funding LLC seeking nearly \$850 plus \$117.75 in court fees. As she reported, the case was resolved with a JBA. In the second case, the plaintiff was Midland Credit Management Inc. seeking nearly \$1,000 plus \$120 in court fees.

Respondent Two recognized the credit card debt from the case that ended in a JBA. She estimated it was two years old, from a period where she was unable to keep up with her payments after being hospitalized and subsequently losing her job. In addition to this debt, she had a mortgage and a car loan. She did not have \$3,000 in savings, could not borrow money from friends or family, and did not have enough savings pay off the total amount of the claim. She reported ranking her bills to keep up with her monthly expenses and she was unaware of city-funded credit counselling agencies.

Respondent Two reported her credit was damaged by the JBA but did know of a lien on her home. Typically, a lien will be filed as part of a JBA but is not executed as long as payments are made on time. Respondent Two shared she was making her payments, so she may be unaware of the lien. She believes it will take about 32 months to pay off the debt.

When asked about the impact of the Coronavirus on her finances, she reported it has made it more difficult to pay her bills. After surgery, her immune system was compromised, and she was unable to work in her public facing position in the airline industry. Her income from disability is much less than she earned when she was working. She is currently relying more on her credit card to cover expenses.

Respondent Three: Fixed Income, Debt Consolidation Company

Respondent Three was a 70-year-old Black woman with an annual income of \$25,000 a year. TD Bank sought nearly \$1,500 plus \$117.75 in court fees. Court records show that her case was withdrawn without prejudice and indicate service was made to a relative at her home address, however, she was unaware of the case prior to our interview. She has not been sued in any other debt collection cases in the past ten years.

Respondent Three recognized the two-year-old debt from a credit card account. Recently retired, she no longer had enough income to cover her household expenses. She began prioritizing her bills each month. She had about six or seven other store cards but had paid off the mortgage on her home. She did not have \$3,000 of savings to pay the debt and she did not ask friends or family for help, preferring to handle it on her own. No liens have been filed against her home because of her debt.

A debt consolidation company sent information to Respondent Three and she decided to work with them to reduce and pay off her debt. She agreed to pay \$200 or \$300 a month over 36 months. She reported it started off well, they paid off some of the debt, but her contact kept changing and then they stopped being responsive. To her knowledge, she has paid off everything that she owes to the company.

Since she was unaware of the case, Respondent Three did not try to hire a lawyer. She was not aware of free legal services or city-funded credit counseling agencies, but she reports that her credit score has not been affected by her debt. However, she shared that her interactions with the debt consolidation company felt invasive and confusing. She no longer feels comfortable talking to anyone about help with managing credit cards or debt.

When asked about the impact of the Coronavirus pandemic, Respondent Three reported it did not have an impact on her financial life. She no longer has any credit cards and has no plans to take on new debt. She relies on one debit card to pay for her expenses.

Respondent Four: Debt from Starting a Business, Debt Collection Company

Respondent Four described himself as a 53-year-old Black African with an annual household income of \$42,000. The plaintiff, Barclay's Bank, sought nearly \$2,000 and \$72.75 in court fees. Respondent Four learned about the case through his monthly practice of searching his name in court documents online. He recognized the credit card debt described in the case from a debt he incurred when he opened a restaurant, which he had funded with multiple credit cards. When the restaurant failed, he was left with the debt. The case outcome was a judgment for plaintiff by default.

Respondent Four had been involved in other debt collection cases over the last ten years. He did not have \$3,000 in savings at the time. He felt he could have relied on his community to support him in paying off the debt, but then he would owe them the debt informally instead and the tradeoff did not seem worthwhile.

Respondent Four decided to consolidate his debt with a private company, National Debt Relief. He felt negatively about his experience. He believed it resulted in him owing more money, because 'once they settle a debt for you, you have to start paying them too.' He reported that National Debt Relief had garnished much more than the amount of the debt from his account, and he was upset about the high fees apparently charged.

After he learned of the case, he called the credit card company to whom he originally owed the debt. Their representatives reported they were already in conversation with National Debt Relief. Believing that National Debt Relief would be attending court and handling the case on his behalf, he did not hire a lawyer or attend the court date himself. He was disappointed to learn that a lawyer from National Debt Relief had not attended the court date to represent him. He was still disinterested in hiring a lawyer citing concerns about cost. He was not aware of free legal services. The current judgment against him requires him to pay \$1,600 over 21 months. He has not started paying because he has not yet received the official paperwork. But he feels he will be able to pay it off in time through extracting equity from his home.

The Coronavirus has had a negative impact on Respondent Four's financial life. He had to close his restaurant. His credit has been negatively impacted by the debt, and he is unable to secure any new loans. He will have to work much longer than originally planned to pay off his current debts. Respondent Four also shared his loss of income from Coronavirus has reduced his ability to send money back to his country of origin.

Respondent Five: Difficult times, slow recovery

Respondent Five was a 49-year-old Hispanic woman with a household income of \$30,000 a year. Synchrony Bank sought \$2,000 plus \$117.75 in court fees. Although court documents indicated service had been made to a member of her household, she reported she had not been living at the address listed in court documents when service was made and she was unaware of the case prior to our interview. Her case outcome was recorded as a judgment for plaintiff by default. She had not been sued in a debt collection court in the last ten years.

Respondent Five reported that several difficult events had happened to her in a short period of time including: a COVID diagnosis, job loss, separating from her husband and temporarily moving out of her home, which she owned. She felt her personal life was affecting her financially.

Respondent Five recognized the debt from a credit card but was not aware it had escalated to a court case. She was unable to keep up with the credit card payments after she lost her job and she had to choose between paying her rent or paying down her credit card. At the time she incurred the debt she did have \$3,000 of savings. However, she had just lost her job, so she was hesitant to use her savings to pay off her debt.

She was not aware of credit counseling agencies in the city. As she was unaware of the case, she did not try to hire a lawyer. She felt unsure of the court process but was open to the idea of using a lawyer to represent her. Now that she is working again, Respondent Five feels she could pay off the debt if she could enter a payment plan agreement. Respondent Five was not sure if the case had negatively impacted her credit score. She knows her score is low but was not sure if it was related to the case.

Respondent Five's financial wellbeing was also impacted by the Coronavirus pandemic. She was diagnosed with COVID-19 in March. She then lost her job as an assistant director for a social service agency. She recently began working as a cleaner and was taking as many hours as she could. She is concerned with the new round of restrictions, many of the institutions she had been cleaning would close, leaving her again without work. She has been unable to take on new debt due to her low credit score.

Methodology and Data

This memo analyzed court records for cases filed in Philadelphia Municipal Court between January 2016 and April 2020. The sample of cases was restricted to include only Consumer Purchase (Type 4) cases and cases with at least one Philadelphia resident defendant. This excludes cases where all of the defendants reported home addresses outside of the city and cases where all of the defendants were business entities, leaving 59,618 unique case records to analyze.

Case outcomes were determined by reviewing court docket entries to identify each disposition filed for each case. Court dispositions were classified into 10 categories associated with the outcome of each case. In cases where multiple dispositions were filed, it was assumed that the disposition filed on the most recent date was the final ruling.

In cases with multiple defendants, where multiple dispositions were entered, the case was classified as Judgment by Agreement (JBA) or Settled if any of the defendants entered into a JBA or Settlement. The case was classified as a Judgment for the Plaintiff if there was no JBA/Settlement and at least one of the defendants had a judgment decided against them. Cases without a JBA/Settlement or Judgment for the Plaintiff, but at least one Judgment for the Defendant were classified as having had a Judgment for the Defendant.

Summary of Case Outcomes

	Total Cases	Share of Cases
No Service	15,114	25.4%
Withdrawn	5,321	8.9%
Bankruptcy	63	0.1%
JBA	5,878	9.9%
Settled	2,458	4.1%
Judgment for Plaintiff by Default	28,444	47.7%
Judgment for Defendant by Default	301	0.5%
Judgment for Plaintiff on the Merits	295	0.5%
Judgment for Defendant on the Merits	804	1.3%
Ongoing	940	1.6%
Total Cases	59,618	100%

Estimating Defendant Race and Ethnicity

The analysis employed Bayesian Improved Surname Geocoding (BISG) to estimate and analyze the likely race of defendants involved in the cases analyzed in this report. The BISG analysis uses defendant surnames and defendant home addresses to estimate the probability that each defendant is White, Black, Hispanic, or Asian. Individual defendant surnames are compared to a list of race-coded surnames from the 2010 US Census. Individual estimates are further improved by analyzing the demographics of the census tract in which each respondent lives. The BISG technique is currently used by Consumer Finance Protection Bureau's Office of Research, Division of Supervision, Enforcement, and Fair Lending in both supervisory and enforcement contexts. For more information about the BISG analysis and its reliability, see: https://files.consumerfinance.gov/f/201409_cfpb_report_proxy-methodology.pdf

Analyzing Patterns in Property Ownership

Reinvestment Fund also analyzed the share of defendants who own or owned real property in Philadelphia at the time of the debt collection filing against them.

Property ownership was determined by comparing defendant address and name to the city's Office of Property Assessment (OPA) parcel ownership records. In the event that a matching address was not identified within the OPA dataset solely using address, a comparison of names was done with all properties within a 20-meter radius of the defendant address.

If the first and last name of the defendant name successfully matched with any owner name for the matched OPA address, we conclude that the defendant was a property owner in Philadelphia. If only the first or only the last name of the defendant name successfully matched with an owner name on the matched OPA address, we also concluded that the defendant was a property owner in Philadelphia.⁴

The decision to mark the status of a defendant as property owner in the event of a partial match (first name match only or last name match only) is supported by a number of possibilities. In the event of a last name match only, we make the assumption that the defendant is related to the property owner in some way. In the event of a misspelled first name (Katherine versus Kathryn) combined with a matched last name, we can reasonably assume a match. This methodology may not identify some defendants who reside in an inherited home if the deed was not updated (i.e., a tangled title).

For the property ownership analysis, we focused on the subset of cases that involved a single defendant. Multi-defendant cases, which comprise approximately 2% of all cases in the analysis, introduce additional complexity. For example, available court records do not indicate how defendants are related, making it difficult to assess how defendants who live together are related or share ownership of their property. For defendants living at separate addresses, it is unclear how the debt referenced in the case is shared. Multi-defendant cases are included in all other analyses in this report.

Defendant Interviews

To understand more about defendant experiences in Municipal Court, Reinvestment Fund also conducted five interviews with defendants named in completed cases filed between February and March 2020. Interviews were conducted with a random sample of defendants who were identified as Philadelphia residents with claims between \$750 and \$2,250 (nearly half of all completed cases with service fell within this range). To ensure racial diversity, each selected defendant had a BISG race/ethnicity estimation of 85 percent or higher. Each respondent's race was confirmed during the interview.

Case outcomes for interviewees include JBA, judgment for plaintiff by default, and withdrawn. Interviewees were contacted by phone and offered at first a \$20 and later a \$50 Visa gift card as an incentive to participate. Full interview script appears in Appendix A.

⁴ 16,007 (58.2%) matches were full matches while 11,501 (41.8%) were partial matches.

Appendix I: Case Outcomes and Missing Data

Analyses of award amounts in this report only examined cases with valid judgments entered in the docket. Nearly every case with a judgment for the plaintiff by default or on the merits had a valid judgment amount entered into the docket. Cases where the outcome was classified as a JBA or settlement did not always have judgment amounts. In 36% of JBA cases, the judgment amount was recorded on the docket in a pdf file and could not be analyzed. In a similar way, nearly every settlement case (99% of cases analyzed) did not include information about the settlement amount anywhere on the docket.

The table below shows the characteristics of excluded cases (those without award data), compared with cases that had full judgment award information. Cases concluded through a JBA that had data and those that were missing data were roughly equivalent in terms of the amount sought, while the few settlement cases that did have award data had lower claim amounts than cases with missing award data.

Total Case Counts and Average Amount Sought Among Cases with and Without Award Data

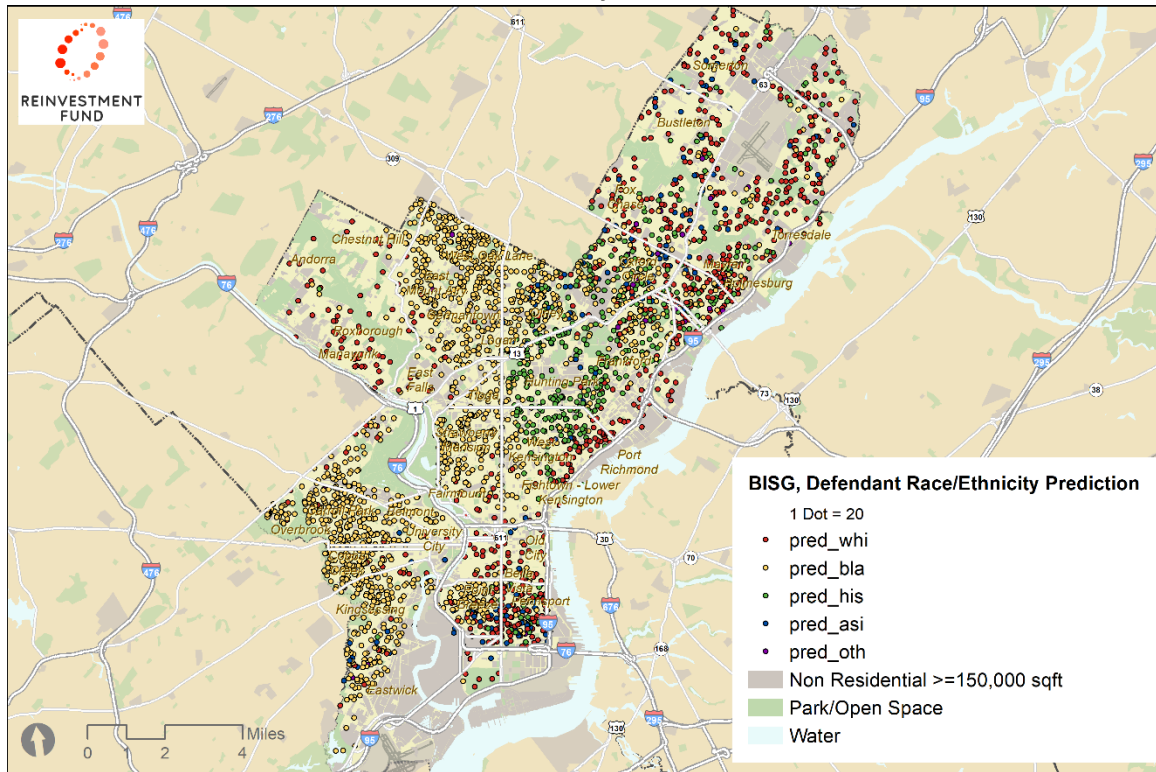
	Cases with Award Data		Cases without Award Data	
	Total Cases	Claim Amount	Total Cases	Claim Amount
Judgment by Agreement	3,779	\$2,454	2,443	\$2,398
Settlement	15	\$2,918	2,099	\$3,378
All Excluded Cases	3,794	\$2,456	4,542	\$2,851

Appendix II: Additional Maps and Tables

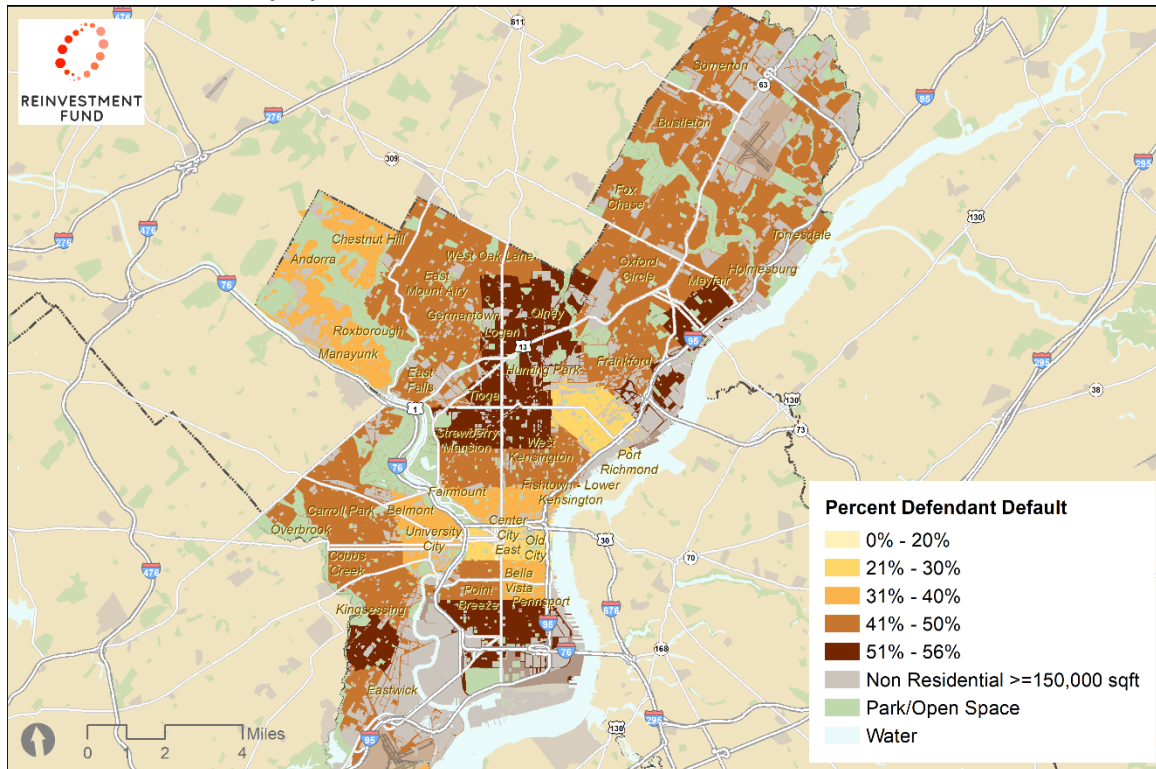
Average Amounts Claimed and Awarded by Case Outcome and Predicted Race of Defendants

	Race Ethnicity	Total Cases	Average Claimed	Average Awarded	Dollar Difference	Percent Difference
Judgment for Plaintiff by Default	Asian	1,641	\$3,229	\$3,333	\$104	+3%
	Black	14,303	\$2,732	\$2,827	\$95	+3%
	Hispanic	4,365	\$2,697	\$2,796	\$98	+4%
	Other	751	\$2,877	\$2,974	\$97	+3%
	White	7,384	\$3,038	\$3,139	\$101	+3%
	Total	28,444	\$2,839	\$2,936	\$97	+3%
Judgment by Agreement	Asian	193	\$3,133	\$3,062	-\$71	-2%
	Black	2,107	\$2,828	\$2,773	-\$55	-2%
	Hispanic	656	\$2,811	\$2,738	-\$73	-3%
	Other	97	\$2,980	\$2,909	-\$71	-2%
	White	725	\$3,211	\$3,097	-\$113	-4%
	Total	3,779	\$2,918	\$2,848	-\$70	-2%
Judgment for Plaintiff by Merit	Asian	21	\$4,732	\$3,678	-\$1,054	-22%
	Black	131	\$4,602	\$4,101	-\$501	-11%
	Hispanic	53	\$4,631	\$3,985	-\$646	-14%
	Other	8	\$5,036	\$4,177	-\$859	-17%
	White	81	\$4,866	\$3,905	-\$961	-20%
	Total	294	\$4,701	\$3,997	-\$704	-15%
All Cases with Award Data	Asian	1,856	\$3,236	\$3,309	\$72	+2%
	Black	16,541	\$2,759	\$2,830	\$71	+3%
	Hispanic	5,074	\$2,732	\$2,801	\$69	+3%
	Other	856	\$2,908	\$2,977	\$69	+2%
	White	8,190	\$3,071	\$3,143	\$72	+2%
	Total	32,517	\$2,865	\$2,935	\$70	+2%

Location and Defendants and BISG Race/Ethnicity Estimates



Defendant Defaults by Zip Code



Appendix III: Defendant Interviews

Intro Script

Hello {name of person trying to contact} my name is {name} and I am part of a team of researchers working on behalf of a local non-profit. We are interviewing Philadelphians so that we can better understand people's experience with Philadelphia's debt collection court. The information we learn from these interviews will help be used to better serve struggling households and to identify ways to improve how the court handles collection cases. Your answers will be kept anonymous. All participants will receive a \$20 (*the amount was later increased to \$50*) Visa gift card. The interview will take about 10 to 15 minutes.

Are you interested in participating?

Is now a good time to do the interview or can we set up another time?

Screen

Is your name {name}?

Do you now or have you ever lived at {address}?

How get there

Were you involved in a court case with {entity name from court data} on {date from court data}?

If the interviewee does not remember or is not aware of the case use information cleaned from the docket including original entity claiming the debt, service details and amount sought.

For anyone who isn't aware of the case, inform interviewee they can get legal advice by calling the Bar Association's Lawyer Referral and Information Service at 215.238.6333 for a private lawyer or, if they can't afford a lawyer, by calling Community Legal Services at 215.981.3700.

- Were you aware of the legal case against you when it was filed?
 - How and when did you find out about the case or judgment?
 - Did you recognize the debt you were being sued on?
 - If you recognized the debt, what was the nature of the debt?
 - Probe: credit card, car-related, medical, student loans
 - When do you think you acquired the debt?
- Do you remember what circumstances led to the initial debt?
 - Unexpected one-time expense?
 - Keeping up with regular household expenses?
 - Something else?
- Do you remember about when you took on the debt?
- Do you remember what circumstances led to not being able to keep up with payments on the debt?
 - Loss of job?
 - Unexpected medical, household, or other expense?
 - Just too many bills piling up?

- At the time you incurred the debt, did you have other debts at the time (like credit card, student, mortgage)?
- At the time you incurred the debt, did you have savings of more than \$3,000?
- Did you have difficulty paying any other bills at the time of this court case? If so, did you ever rank your bills – and either pay some late or not at all?
- Have you been sued in another debt collection case in the past 10 years?
- Are you aware of the city-funded credit counseling agencies in the city? If so, did you ever talk with a credit counselor about how to deal with the debt?
- At the time the lawsuit was filed, did you have cash available to pay the claim amount if you wanted to?
 - Did you have friends or family from whom you could borrow?

Court Experience

- Did you ever try to hire a lawyer to help in the case? If not, why not?
 - Probe for:
 - Costs too much money,
 - did not think it would help,
 - did not know how to get one
 - Did you know at the time that many people in Philadelphia who can't afford to hire a lawyer qualify for free legal help?
 - If yes, did you know how to request free legal help?
- Did you go to court in this case?

[for participants whose cases ended in JBA or withdrawal only]

- Did you end up settling the case for less than what you were being sued for?
- At the time the judgment was entered, did you own a home or other property in Philadelphia?
 - Did the judgment impact your ownership of that property? Was a lien filed?
- Were you able to work out a payment plan? Did it feel like a realistic, affordable plan to you?

Household Financial Impact

- If you agreed to a payment plan in the case, how much is or was your monthly payment?
 - Are you still paying on that plan? If not, why not?
 - Did/does this payment affect your ability to pay other bills? Do you have to rank your bills or leave some bills unpaid to make your payment?
- Has your credit been impacted by the case?
- Have other aspects of your life been impacted by the case?
- Do you think you will pay off the judgment? If so, how long do you think it will take?
- Is there anything else you'd like to share about the impact of this debt collection case on your life or your finances?

Those are all the questions about the collection case. The next few questions are about how the coronavirus pandemic has impacted your finances.

Coronavirus

- Have you had or are you now having difficulty making payments on credit cards or loans because of the Coronavirus pandemic?
- Have you taken on new debt, or do you think you will need to take on new debt (credit card or otherwise), because of the coronavirus pandemic?
- Any other surprising ways that this or other debt has impacted you?

Demographic questions

- What is your age?
- What is your approximate annual household income?
- What is your race and ethnicity?

Those are all the questions we have. Thank you for your time and sharing your experience.

Please let us know where we can send your gift card. We will keep your address private and will not use it for anything other than mailing the gift card.

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