



# DEBT, ACCESS TO JUSTICE AND RACIAL EQUITY

AN ANALYSIS OF CONSUMER DEBT COLLECTION  
LAWSUITS IN TEXAS AND RECOMMENDED REFORMS

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April 2021

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# EXECUTIVE SUMMARY

In the years preceding the COVID-19 pandemic, despite a strong economy, debt collection lawsuits in Texas skyrocketed, increasing by 162% from 2014 to 2019. In order to understand the impacts of this surge on Texans, this study analyzes debt collection lawsuits in justice courts, where most consumer debt lawsuits are filed. It examines debt collection lawsuit filings before and during the pandemic period, from 2018 to 2020, and offers recommendations for needed reforms.

Today, Texans are facing dual crises: unexpected expenses from the winter storm on top of the financial hardships due to the pandemic. These crises have added to the urgency for reforms to improve fairness and justice in the debt collection court process in Texas.

## Access to Justice Challenges

Addressing barriers to meaningful participation in the court process promotes just outcomes and enhances the credibility of the system. Data from Texas justice courts highlight key barriers that hinder access to justice for Texans being sued and can result in wrongful collection actions.

**Debt collection lawsuits statewide often lead to a default judgment, causing tens of thousands of Texans to have a judgment against them for a lawsuit not fully scrutinized by the court.**

- High default rates are concerning because they enable powerful collection judgments against people without a full examination of the facts of the case.
- Default judgments peaked in 2020, despite fewer case filings and the Texas Supreme Court's nearly two-month moratorium on default judgments during the early months of the COVID-19 pandemic.
- 65% of all debt collection judgments in 2020 were default judgments.

With a default judgment in hand, the lawsuit filer can use the full powers of the court to freeze and seize assets, with the result that **many people lose funds that are exempt from seizure, such as unemployment payments, child and spousal support, and FEMA benefits. Wages, despite protections from garnishment in the Texas Constitution dating back to 1876, are effectively unprotected after being deposited in an account.**

**There is currently no clear or accessible process to challenge the freezing or seizing of funds to protect exempt money** from being taken for debt collection, particularly for Texans who do not have a lawyer.

**The debt collection court process has a distinct power imbalance. Debt collection lawsuits filed against unrepresented Texans are dominated by just a handful of parties.**

Based on the cases filed in Harris County justice courts, January 1, 2018-June 30, 2020:

- 62% of all debt collection lawsuits were filed by just five plaintiffs.
- Plaintiffs in 51% of all debt collection lawsuits filed were represented by just two law firms.
- 92% of all people sued had no lawyer.
- Nearly 90% of debt collection lawsuits were won by plaintiffs—75% of those wins were default judgments.

# Racial Equity Concerns

Racial equity findings in the Harris County justice court case study are informed by the history of redlining and other policies that have pushed communities of color into higher cost loans and contributed to an expanding racial wealth gap. They illustrate how barriers to access to justice in the debt collection legal system exacerbate inequities in our financial and economic systems.

**Census tracts with majority Black and Latino populations in Harris County are disproportionately impacted by debt collection lawsuits for high-cost credit, like payday loans and finance company loans, with average annual percentage rates (APRs) that can reach 113% to over 500%.**

- Residents in census tracts with majority Black and majority Latino populations were more than twice as likely to be sued to collect a finance company loan compared to those living in tracts with a majority white population.
- Residents in census tracts with a majority Black population were three times more likely to be sued for a payday loan compared to tracts with a majority white or majority Latino population.

**Residents of census tracts with higher Black and Latino populations in Harris County are more likely to be sued for a debt and more likely to have a debt collection judgment against them.**

- The odds of being sued to collect a debt are 1.6 times higher in census tracts where the majority of residents are Black or Latino than in tracts where the majority of residents are white.
- The odds of a person having a debt collection judgment against them are 1.6 times higher in census tracts where the majority of residents are Black than in tracts where the majority of residents are white.
- The odds of a person having a debt collection judgment against them are 1.8 times higher in census tracts where the majority of residents are Latino than in tracts where the majority of residents are white.

## Policy Recommendations

**1. Establish a basic needs exemption and modernize wage garnishment protections.**

Wage protections from debt collection ensure people do not fall into destitution, with cascading new defaults, as a result of an old debt. As payment technology has evolved, the law has not kept up. Today, people are vulnerable to losing all wages once they are direct deposited into an account. A basic needs exemption and modernizing wage garnishment protections would address this problem.

**2. Reduce the prevalence of default judgments for debt collection lawsuits.**

This recommendation can be achieved through reforms of court rules and processes to establish a higher evidentiary threshold to file a debt collection lawsuit and enhance the ability of Texans who are sued to engage effectively in lawsuits filed against them.

**3. Through court rules, create an expedited process and adopt clear notifications and forms for Texans to protect exempt funds from being wrongfully frozen and seized through post-judgment debt collection.**

Adopting such a process will allow Texans to know, in short order, who is freezing or seizing an account and to engage in the court process if there has been an error or if exempt funds have been taken.



# INTRODUCTION

The COVID-19 pandemic compounded by Winter Storm Uri—with millions of Texans facing new financial insecurity—has created a renewed focus on debt collection practices. This new financial insecurity is coming on top of long-standing systemic barriers to access to justice and racial equity manifested through outcomes in the debt collection court process.<sup>1</sup> In recent years, debt collection lawsuit filings have risen sharply, more than doubling over the past decade and dominating civil court dockets across the country.<sup>2</sup> In Texas, the increases are even more stark. In a 5-year period, from 2014 to 2019, debt collection lawsuits jumped by 162% in justice court, where most consumer debt collection cases are filed.<sup>3</sup>

Another trend in Texas is the expanded use of turnover receivers to collect consumer debt collection judgments. Turnover receivers are appointed by the court, but generally chosen by the party with the debt collection judgment. They collect additional fees from people who have a debt collection judgment against them, generally a 25% premium on top of the amount collected to pay the judgment debt.<sup>4</sup>

This trend is concerning because of the vast powers turnover receivers have to seize funds and assets. There is also no clear process to let the impacted person know who is taking their money, why, and how to challenge seizure of bank accounts to protect exempt money that should not be taken to collect a debt. The trend is unique to Texas. The result is that many Texans lose money that should be exempt, like child support, spousal support, unemployment insurance, FEMA disaster relief payments, as well as wages.<sup>5</sup>

Also of concern are the disparate impacts of debt collection lawsuits and judgments on Black and Latino communities in Texas. Historical redlining of Black and Latino neighborhoods in Texas and across the United States—a deliberate policy to limit access to low-cost credit—has had lasting harmful impacts on access to fair credit in those same communities.<sup>6</sup> Redlining policy from nearly a century ago, in conjunction with other discriminatory policies, has had ongoing impacts on access to credit and wealth building in Black and Latino communities in Texas and resulted in disproportionate financial harms resulting from short-comings in the debt collection legal process.<sup>7</sup>

This study examines how Texans who are sued for debt collection are faring in the court system and offers policy solutions to enhance access to justice and equitable outcomes in the courts. The analysis, which looks at debt collection lawsuits and judgments for 2018 through 2020, focuses on justice courts because those are the courts with the largest volume of consumer debt collection lawsuits. It includes a look at statewide data and a detailed case study of debt collection lawsuit filings and judgments in Harris County, Texas' largest and most diverse county, to examine the impacts of racial inequity in financial and economic systems.

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1 See, for example, Paul Kiel and Annie Waldman, "[The Color of Debt: How Collection Suits Squeeze Black Neighborhoods](https://www.propublica.org/article/debt-collection-lawsuits-squeeze-black-neighborhoods)," *Pro Publica* (October 8, 2015), <https://www.propublica.org/article/debt-collection-lawsuits-squeeze-black-neighborhoods>.

2 "[How Debt Collectors Are Transforming the Business of State Courts: Lawsuit trends highlight need to modernize civil legal systems](https://www.pewtrusts.org/-/media/assets/2020/06/debt-collectors-to-consumers.pdf)," *The Pew Charitable Trusts*, at 8 (May, 2020), <https://www.pewtrusts.org/-/media/assets/2020/06/debt-collectors-to-consumers.pdf>.

3 "[Annual Statistical Report for the Texas Judiciary for Fiscal Year 2019](https://www.txcourts.gov/media/1445760/fy-19-annual-statistical-report.pdf)," Texas Office of Court Administration, at Statewide 5 (2020), <https://www.txcourts.gov/media/1445760/fy-19-annual-statistical-report.pdf>.

4 Eric Dexheimer, "[The Economy is Booming. So Why Are Credit Card Debt Cases Clogging Texas Courts?](https://www.houstonchronicle.com/politics/texas/article/The-economy-is-booming-So-why-are-credit-card-14119383.php)" *Houston Chronicle* (July 24, 2019), <https://www.houstonchronicle.com/politics/texas/article/The-economy-is-booming-So-why-are-credit-card-14119383.php>.

5 Texas Civil Practices and Remedies Code §31.002(f).

6 See, for example, Susan Rogers, "[Hazardous: The Redlining of Houston Neighborhoods](http://offcite.org/hazardous-the-redlining-of-houston-neighborhoods/)," *Cite: The Architecture + Design Review of Houston* (Oct. 4, 2016), <http://offcite.org/hazardous-the-redlining-of-houston-neighborhoods/>.

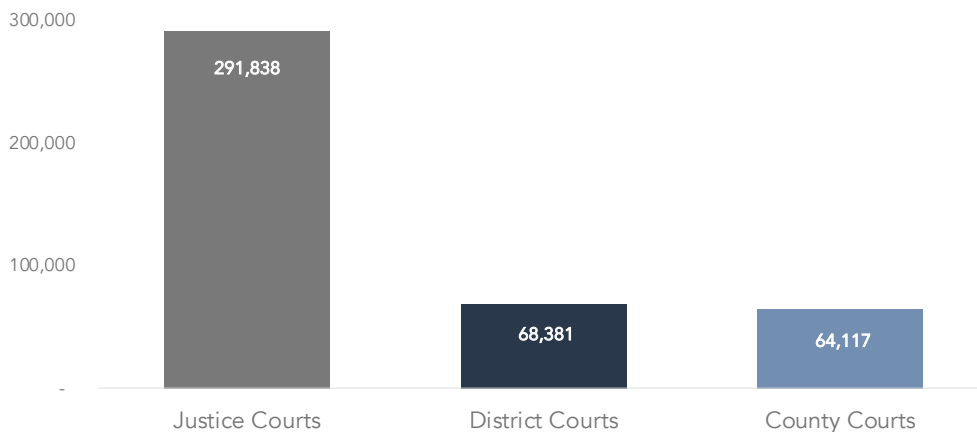
7 See, for example, "[Exploring the Legacy of Redlining in Houston](https://www.understandinghouston.org/blog/legacy-of-redlining-in-houston)," *Understanding Houston* (Feb. 10, 2021), <https://www.understandinghouston.org/blog/legacy-of-redlining-in-houston>; see also, Neil Bhutta, Andrew C. Chang, Lisa J. Dettling and Joanne W. Hsu, "[Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances](https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm)," *Fed Notes, Federal Reserve Board of Governors* (Sept. 28, 2020), <https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm>.

# STATEWIDE TREND

## Justice Court Data Reflect a System that Works Well for Those Suing to Collect Debt, but Not for Texans Being Sued.

Justice courts, often known as the “people’s court,” have become the preferred venue for filing consumer debt collection lawsuits in Texas. In fiscal year 2019, over 290,000 new debt collection lawsuits were filed in Texas justice courts, more than twice the total number of debt collection cases filed in district and county courts combined.<sup>8</sup>

**New Debt Collection Cases Filed in Texas by Court**  
*Fiscal Year 2019*



Source: Annual Statistical Report for the Texas Judiciary for Fiscal Year 2019, Texas Office of Court Administration (2020) at Statewide 5.

Texas law establishes that justice courts cannot require parties to be represented by an attorney and cannot “be so complex that a reasonable person without legal training would have difficulty understanding or applying the rules.”<sup>9</sup> They are intended to enable parties without legal training to effectively engage in the court process in support of a just outcome.

Yet, the reality, as it relates to debt collection cases, is quite different. Most parties suing to collect a debt are represented by experienced attorneys, whereas most people being sued have no attorney. And, a large number of Texans end up with default judgments—judgments against them without having participated in the court process.

From 2018 to 2019, the number of default judgments increased by 45% in Texas.<sup>10</sup> Looking at the three-year period from January 2018 to December 2020, default judgments in Texas made up 61% of all judgments.<sup>11</sup>

8 The Pew Charitable Trusts, *supra*, note 2.

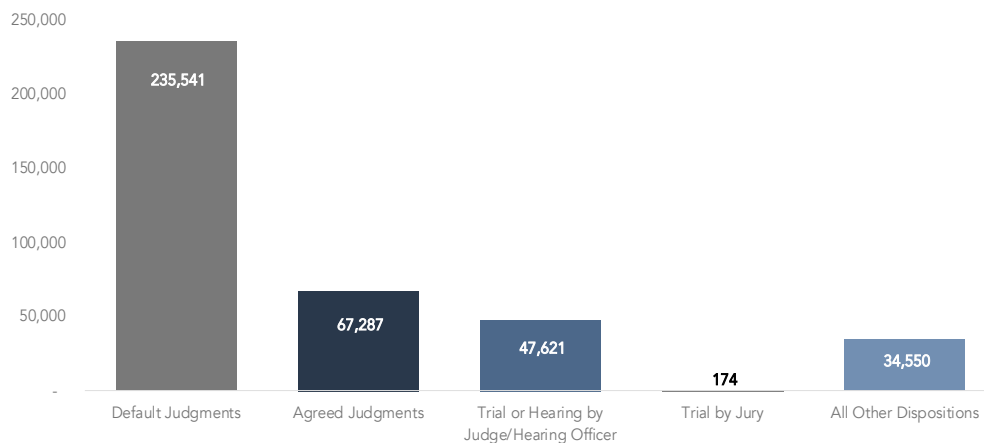
9 Tex. Gov’t. Code §27.060 (d)(1) and (d)(2).

10 Texas Office of Court Administration, Court Reporting Directory System, Ad Hoc Search for statewide debt claim data in justice court for January 2018-December 2020, downloaded February 14, 2021.

11 *Id.* All cases disposed that are not dismissed are considered judgments for this study. Nearly half of all disposed cases during the study period were dismissed, generally meaning that there was no final judgment in the case. Dismissals include two different categories of dispositions—dismissed for want of prosecution and nonsuited/dissmised by the plaintiff.

## 61% of All Debt Collection Judgments Were Default Judgments

Justice Courts Statewide, Jan. 1, 2018 to Dec. 31, 2020

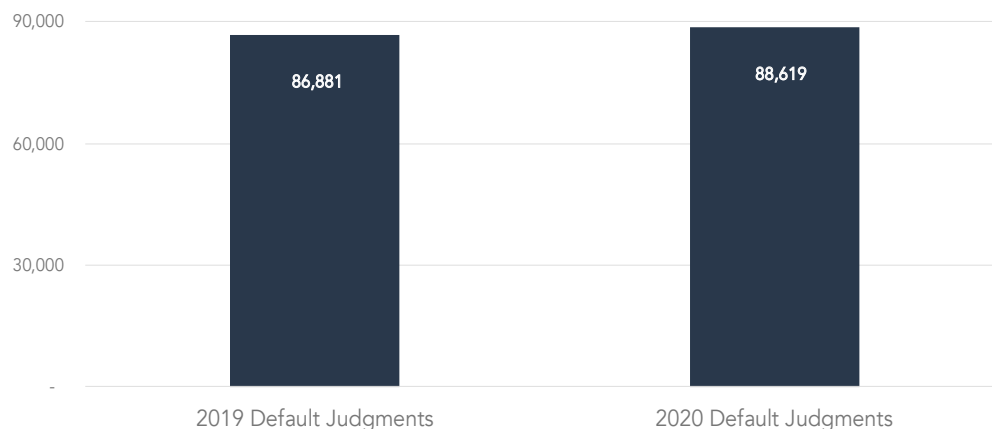


Source: Texas Office of Court Administration, Court Reporting Directory System, Ad Hoc Search for statewide debt claim data in justice court for Jan. 1, 2018-Dec. 31, 2020, downloaded Feb. 14, 2021.

During 2020, despite a moratorium on issuing default judgments between April 9 and May 18 due to the COVID-19 pandemic and a 21% decrease in new cases filed,<sup>12</sup> the total number of default judgments in debt collection lawsuits in Texas increased by 1,738 over the previous year and made up 65% of all debt collection judgments.<sup>13</sup>

## Default Judgments Increase While Pandemic Rages

1,738 More Default Judgments in Debt Collection Cases in 2020



Source: Texas Office of Court Administration, Court Reporting Directory System, Ad Hoc Search for statewide debt claim data in justice court for Jan. 1, 2019-Dec. 31, 2020, downloaded Feb. 14, 2021.

12 IN THE SUPREME COURT OF TEXAS, Misc. Docket No. 20-9054 TENTH EMERGENCY ORDER REGARDING THE COVID-19 STATE OF DISASTER (April 9, 2020) and IN THE SUPREME COURT OF TEXAS, Misc. Docket No. 20-9061, FOURTEENTH EMERGENCY ORDER REGARDING THE COVID-19 STATE OF DISASTER (April 29, 2020).

13 Texas Office of Court Administration, Court Reporting Directory System, *supra*, note 7.

**The increase in default judgments presents a major access to justice concern because it reflects the prevalence of a one-sided court process—without a full examination of the facts of the case.** The one-sided court process is particularly noteworthy because of the history of debt collection lawsuits filed without necessary documentation to prove ownership of the debt or the debt amount, and problems with lawsuits filed in violation of the law to collect time-barred debt (debts that are too old to collect through a lawsuit).<sup>14</sup>

Once there is a judgment, collecting can include seizing certain property and freezing and seizing money held in bank accounts. Because debt collectors have a minimum of 10 years to collect on a judgment, people with a judgment against them may suddenly, many years later, lose access to all their money in a bank account and have no idea why.

Though Texas laws include important personal property exemptions from debt collection to support people's livelihoods, like protecting wages, child support and spousal support, a homestead, and a designated amount of other personal property, there are some gaping holes in existing protections. The largest hole relates to wages.

**Since 1876, the Texas Constitution has protected wages from debt collection,**<sup>15</sup> but this protection has not been modernized to reflect that most people are currently paid by direct deposit to a bank account rather than by check or cash. **Currently, once wages are deposited into an account, they are no longer protected—which presents creditors with a major loophole to secure traditionally protected wages in settlement of debt collection lawsuits.** In addition, protected income—like child support, spousal support, and FEMA benefits—can be seized from an account. In those situations, the burden is on impacted Texans to know what money is exempt and figure out how to engage in the legal process to retrieve money that should have been protected. Many people are not able to navigate the legal process on their own, so they end up in a financial crisis with no access to money to pay rent or buy food.

## DONNA'S STORY

Donna submitted a complaint to the Texas Attorney General in October of 2018 after her account was frozen as a result of a writ of garnishment issued in a Harris County justice court to collect a \$9,534 credit card debt. Her account was garnished even though she was not the debtor and was not aware of the original lawsuit. The mistake came about because she had a similar name to the debtor. It was not possible for the debt to be Donna's as she was only a child at the time the debt was incurred. Among the funds seized were her child support payments. She wrote in her complaint, **"I was Crushed & I've been Overwhelmed with mental anxiety and emotionally upset distraught over this whole ordeal. This has really upset my family financially. Now I am behind on daily & monthly expenses & I have No bank account I will now have to try to get an attorney which I will endure more expense to retrieve funds that are legally my family's."**

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14 Some examples include: in 2015, the Consumer Financial Protection Bureau [executed consent orders with the two largest debt buyers](#), Encore Capital Group and Portfolio Recovery Associates, for using deceptive practices to collect debts, including, "in many cases [the companies] made no effort to obtain the documents to back up their claims. Instead, the companies relied on consumers not filing a defense and winning the lawsuits by default." In October of 2020, [the Bureau settled a lawsuit with the same two debt buyers](#) for violations of the consent orders, including suing consumers for debts without possessing appropriate documentation and suing to collect time-barred debts. The problems identified in both actions have been pervasive; in July of 2017, the [Texas Attorney General obtained a \\$25 million judgment](#) against a debt buyer and attorney who filed hundreds of debt collection lawsuits in the wrong venue in order to obtain default judgments, among other violations.

15 Tex. Const. Art. 16, § 28 and Tex. Prop. Code, §42.001(b)(1).



# CASE STUDY

## Trends in Consumer Debt Collection Lawsuits in Harris County Justice Courts Affirm Statewide Access to Justice Challenges and Reveal Racial Equity Concerns

The statewide data presented in the previous section highlight major access to justice concerns, most powerfully illustrated by the high rates of default judgments. An examination of debt collection lawsuits in Harris County justice courts from January of 2018 through June of 2020 paints a more detailed picture of how Texans are faring in the court process.<sup>16</sup>

Harris County, as the largest and most diverse county in Texas, provides for an informative case study. The local case data include more detail than the statewide data, such as information about the parties (to better understand who is filing debt collection lawsuits), details on legal representation, and geographic information for those being sued, all of which help to build a demographic picture of communities most impacted by the debt collection lawsuits.

### Access to Justice Challenges

Addressing barriers to meaningful participation in the court process promotes just outcomes and enhances the credibility of the system. Data from the Harris County case study offer additional insight into problematic state level trends. The findings highlight key barriers that hinder access to justice for Texans being sued and can result in wrongful collection actions.

#### **Finding 1:** Most Debt Collection Lawsuits Are Filed by Just a Handful of Plaintiffs and Attorneys

Though justice courts are supposed to be the “people’s court,” when it comes to debt collection lawsuits, a small number of businesses and attorneys dominate. **In Harris County justice courts, five plaintiffs filed 62% of consumer debt collection lawsuits and just two law firms provided legal representation for those suing in 51% of all lawsuits filed.**<sup>17</sup> Debt buyers filed at least 46% of all lawsuits during the study period.

#### Top Five Plaintiffs Filing Consumer Debt Collection Lawsuits in Harris County Justice Courts

*Debt Collection Lawsuits Filed from Jan. 1, 2018 to June 30, 2020*

Plaintiff	Plaintiff Type	Number of Debt Collection Lawsuits Filed	Percent of All Debt Collection Lawsuits Filed
Portfolio Recovery Associates	Debt Buyer	23,429	17%
Midland Funding	Debt Buyer	18,438	14%
Oportun	Finance Company	16,442	12%
Capital One	Bank	12,786	9%
Conn	Finance Company	11,995	9%
Other Plaintiffs <sup>18</sup>		51,843	38%
Total		134,993	100%

Source: Texas Appleseed analysis of consumer debt collection lawsuits filed in Harris County justice courts. Percentages for each category may not add up to 100% due to rounding.

16 The analysis includes 134,933 cases entered and 53,924 judgments entered, covering all sixteen of the justice courts in Harris County. The cases and judgments include all consumer debt cases filed and consumer debt judgments entered from Jan. 1, 2018 through June 30, 2020. See Appendix for details on the study methodology.

17 The two law firms are: Rausch, Sturm, Israel, Emerson & Hornik LLP, representing plaintiffs in a total of 35,902 lawsuits, 27% of all debt collection lawsuits filed during the study period; and Scott & Associates, PC, representing plaintiffs in a total of 33,144 lawsuits, 25% of all debt collection lawsuits filed during the study period.

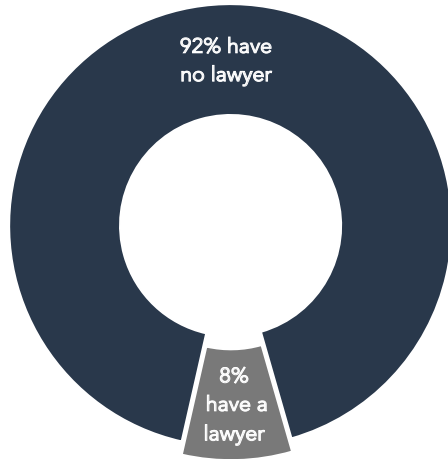
18 This category includes all other plaintiffs in the dataset. Plaintiffs ranked 6-10 include: LVNV Funding (debt buyer), Bank of America (bank), Region Finance (finance company), TD Bank (bank), and Cavalry SPV (debt buyer).

## Finding 2: Few Texans Sued for Debts Have a Lawyer

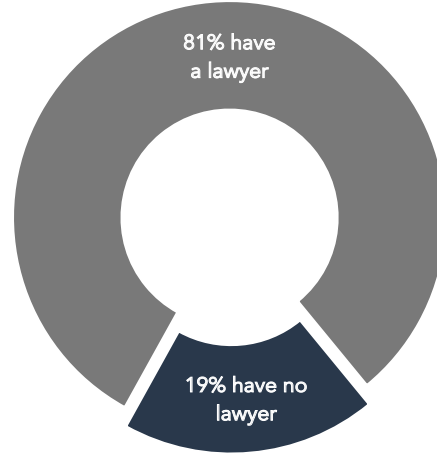
In 92% of all debt collection lawsuits, Texans being sued in Harris County did not have a lawyer. In contrast, 81% of the parties suing had a lawyer. Low rates of legal representation for Texans sued to collect a debt, coupled with the finding that just a handful of lawyers and parties are filing the majority of lawsuits, indicate that **consumer debt collection lawsuits are largely pursued by experienced bulk filers (individual plaintiffs or attorneys who file large numbers of cases) going against individuals who have no experience navigating the legal process.**

### Legal Representation in Harris County Debt Collection Lawsuits

Texans Being Sued for a Debt



Parties Suing to Collect a Debt

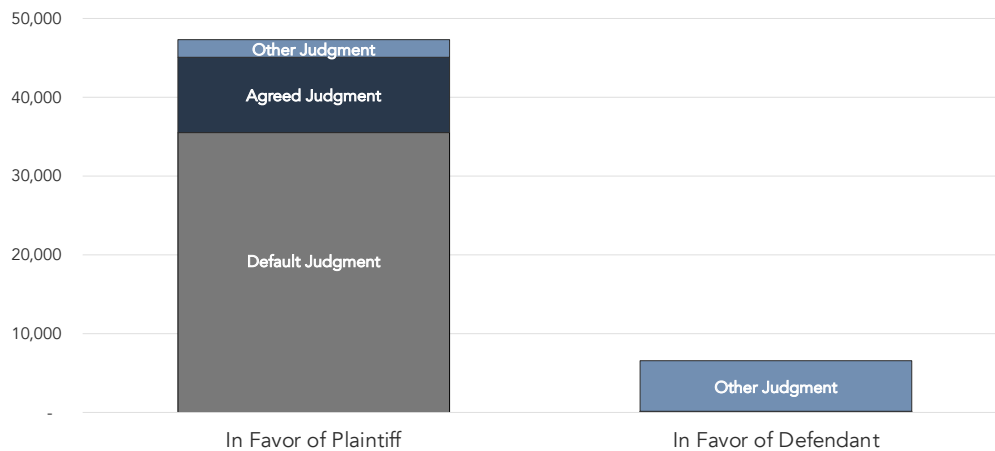


Source: Texas Appleseed analysis of consumer debt collection cases filed in Harris County justice courts from Jan. 1, 2018 to June 30, 2020

## Finding 3: Nearly 9 out of 10 Judgments in Consumer Debt Collection Cases Favor the Plaintiff

The results of the lawsuits reflect a stark imbalance of power. The vast majority of debt collection judgments in Harris County, nearly 9 out of 10, are judgments against the person being sued for the debt. **Seventy-five percent of those judgments are default judgments.**

### Nearly 9 Out of 10 Texans Sued for a Debt Lose—Most With a Default Judgment

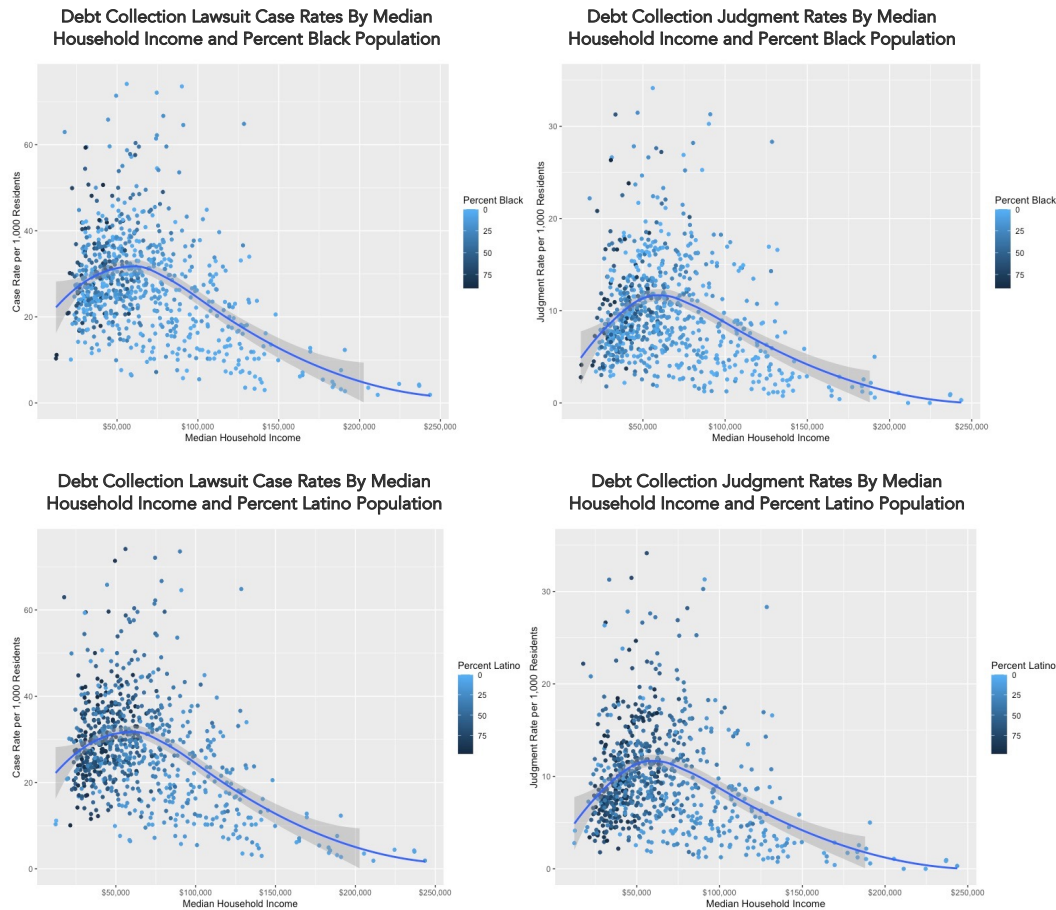


Source: Texas Appleseed analysis of consumer debt collection cases filed in Harris County justice courts from Jan. 1, 2018 to June 30, 2020.

## Finding 4: Debt Claim Lawsuit and Judgment Rates Are Highest for Moderate-Income Texans

Moderate-income Texans—earning \$50,000 or less—have been significantly impacted by the COVID-19 health and economic crisis, and disproportionately harmed by the winter storm.<sup>19</sup> That same group of Texans is also most impacted by debt collection lawsuits and judgments, raising concerns that those in a financially vulnerable situation will be further harmed by inequities in the court process.

### Scatter plots of Debt Collection Lawsuit Case Rates and Rates of Judgments Against Defendants in Harris County



The scatter plots illustrate rates of debt collection lawsuits and judgments against defendants per 1,000 residents, by income. The color of the points in the scatter plots vary based on the percent Black and percent Latino population in each census tract. The trend lines in the scatter plots show that the rates of debt collection lawsuits filed and judgments against defendants peak in census tracts with median household incomes of around \$50,000.<sup>20</sup>

19 Shao-Chee Sim, Elena Marks, Jazmyne Sutton, Eran Ben-Porath, and Akilah Evans-Pigford, “[Texans’ Views on the COVID-19 Pandemic: Findings from the Episcopal Health Foundation 2020 Texas COVID-19 Survey](https://www.episcopalhealth.org/wp-content/uploads/2020/10/EHF-Texas-COVID-19-Study_FINAL.pdf),” Episcopal Health Foundation and SSRS, at 14 (October 2020), [https://www.episcopalhealth.org/wp-content/uploads/2020/10/EHF-Texas-COVID-19-Study\\_FINAL.pdf](https://www.episcopalhealth.org/wp-content/uploads/2020/10/EHF-Texas-COVID-19-Study_FINAL.pdf).

20 The line in the scatter plot is a LOESS (locally estimated scatter smoothing) curve, a statistical method to show trends in a scatterplot. The grey shading shows the 95% confidence interval around the curve. Census tract-level population, income, race and ethnicity data for the scatter plots came from the American Community Survey 2018 5-Year Estimate. The debt collection lawsuit and judgment data were tabulated using cases entered and judgments entered against defendants for justice courts in Harris County from January 1, 2018 to June 30, 2020, geocoded by defendant address to establish the corresponding census tract to each case and judgment filing. Four census tracts were dropped from the scatterplots because they had fewer than 1,000 residents.

# Racial Equity Concerns

Higher rates of debt collection and judgments exacerbate existing challenges to access credit with affordable rates and terms. In many majority Black and Latino communities, this dynamic stems from historical redlining practices that excluded communities from access to low-cost loans.<sup>21</sup>

High rates of debt collection and judgments are part of a harmful cycle. Families may use high-cost credit options because there are limited financial products available in their community. These high-cost products, because of unaffordable terms and structures, lead to higher defaults, which then makes it even harder for families to access fair credit options. This negative cycle drains assets from communities and widens the racial wealth gap.

## Finding 1: Census Tracts with Majority Black and Latino Populations in Harris County are Disproportionately Impacted by Debt Collection Lawsuits for High-Cost Credit

### Debt collection lawsuits for high-cost, subprime credit disproportionately impact Black and Latino communities. Plaintiffs suing to collect high-cost credit fall into two categories:

- State licensed finance companies, with average annual percentage rates (APRs) ranging from 40% to 113%.
- Payday loan businesses, with uncapped loan fees, resulting in APRs of over 500%.<sup>22</sup>

Other categories of plaintiffs in the dataset include debt buyers (who largely purchase and collect defaulted credit card debt), banks, and credit unions.

### Percent of Lawsuits in Harris County Filed by Lender Category

*Census Tracts with a Majority of Black, Latino, and White Residents and Those with No Majority*

Census Tract Population	Debt Buyer Lawsuits	Finance Company Lawsuits	Bank Lawsuits	Payday Loan Lawsuits	Credit Union Lawsuits	Other <sup>23</sup>
Majority Black Residents	47%	31%	17%	3%	1%	1%
Majority Latino Residents	44%	35%	18%	1%	1%	2%
Majority White Residents	52%	15%	29%	1%	1%	2%
No Majority	49%	22%	26%	2%	1%	1%

Source: Texas Appleseed analysis of consumer debt collection cases filed in Harris County justice courts from Jan. 1, 2018 to June 30, 2020, with census tract demographic data from the American Community Survey 2018 5-Year Estimate, based on the address of the defendant in each consumer debt collection lawsuit filed in the study period. Majority tracts are census tracts with a population that is 50% or more white, Black or Latino. Row percentages may not add up to 100% due to rounding.

According to the data, **residents in majority Black and Latino census tracts are more than twice as likely to be sued to collect a finance company loan compared to those living in majority white census tracts.** Residents in majority Black census tracts are three times more likely to be sued for a payday loan compared to white and Latino majority tracts.

21 See, for example, “[Exploring the Legacy of Redlining in Houston](https://www.understandinghouston.org/blog/legacy-of-redlining-in-houston),” *Understanding Houston* (Feb. 10, 2021), <https://www.understandinghouston.org/blog/legacy-of-redlining-in-houston>; see also, Neil Bhutta, Andrew C. Chang, Lisa J. Dettling and Joanne W. Hsu, “[Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances](https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm),” *Fed Notes*, Federal Reserve Board of Governors (Sept. 28, 2020), <https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm>.

22 Texas Office of Consumer Credit Commissioner, [2020 Report on Availability, Quality, and Pricing of Certain Financial Services and Consumer Loan Products](https://occc.texas.gov/sites/default/files/uploads/pub/2020_study_consumer_loan_products.acc_.pdf) (Dec. 1, 2020), [https://occc.texas.gov/sites/default/files/uploads/pub/2020\\_study\\_consumer\\_loan\\_products.acc\\_.pdf](https://occc.texas.gov/sites/default/files/uploads/pub/2020_study_consumer_loan_products.acc_.pdf). Finance companies in the debt collection data set include consumer lenders licensed under Chapter 342 E and 342 F of the Texas Finance Code. Payday loan businesses are licensed as credit access businesses under Ch. 393 of the Texas Finance Code.

23 Other categories include medical, education, auto and other cases that did not fit into a major category.

**Finding 2:** Census tracts with a higher proportion of Black residents have higher debt collection lawsuit and judgment rates compared to those with a lower proportion of Black residents.

## Debt Collection Lawsuit Case Filings

The prevalence of high debt collection lawsuit rates in predominately African American neighborhoods in Harris County results in disproportionate harmful financial impacts on residents in those communities.

Areas with a high proportion of Black residents are more impacted by high rates of debt collection lawsuit filings compared to those with lower proportions of Black residents. Fifty-one percent of people in census tracts with a high proportion of Black residents also live in areas where people are most likely to be sued to collect a debt. In tracts with a low proportion of Black residents, just 25% face high debt collection lawsuit rates.

### Percent of Harris County Population Living in Census Tracts Based on Debt Collection Lawsuit Case Filing Rate

*For Census Tracts with a High, Moderate, and Low Proportion of Black Residents<sup>24</sup>*

Census Tract Population	Percent of Population Living in a Census Tract with a High Debt Collection Lawsuit Rate	Percent of Population Living in a Census Tract with a Moderate Debt Collection Lawsuit Rate	Percent of Population Living in a Census Tract with a Low Debt Collection Lawsuit Rate
High Proportion Black Residents	51%	31%	18%
Moderate Proportion Black Residents	31%	41%	28%
Low Proportion Black Residents	25%	29%	46%

Source: Texas Appleseed analysis of consumer debt collection cases filed in Harris County justice courts from Jan. 1, 2018 to June 30, 2020, with census tract demographic data from the American Community Survey 2018.

An odds ratio, controlling for income and comparing census tracts where the majority of the residents are Black to those where the majority of residents are white, finds that **the odds of being sued for a debt in tracts where the majority of residents are Black is 1.6 times higher than the odds for tracts where the majority of residents are white.**<sup>25</sup>

The disparity in the likelihood of being sued for a debt is most pronounced in the lowest and highest income groupings. The odds of being sued in low-income census tracts with a majority of Black residents are 1.6 times higher than the odds of being sued in low-income census tracts with a majority of white residents. There is no statistically significant difference when comparing those living in moderate-income census tracts. The odds of being sued in high-income census tracts with a majority of Black residents are 2.6 times higher than the odds in high-income census tracts with a majority of white residents. **The disparities among income groupings highlight the impacts of the persistent racial wealth gap on financial resilience. The data suggest that a higher income does not fully mitigate a weaker safety net and higher credit costs, both of which are based in a history of discriminatory practices.**<sup>26</sup>

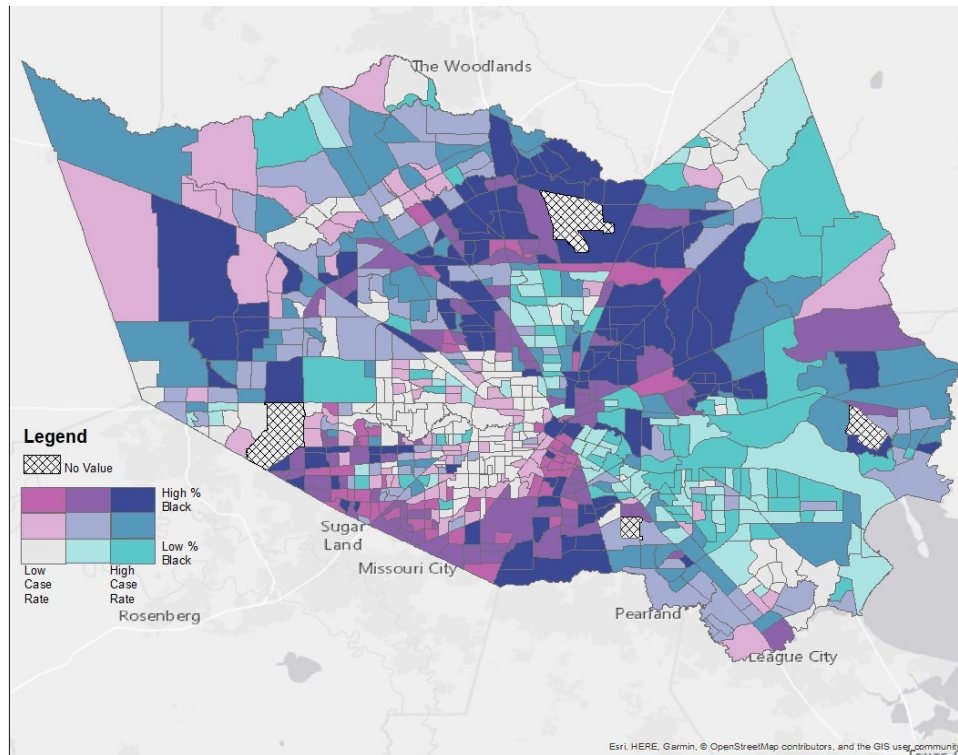
24 The data categories in the map and table are divided into tertiles. Low percent Black is 0 to 5.6 percent Black; moderate is 5.7 to 19.4 percent Black; high is 19.5 to 90.8 percent Black. Low lawsuit rate is 0.3 to 23.3 lawsuits per 1,000 people; moderate is 23.4 to 31.6 per 1,000; high is 31.7 to 163.9 per 1,000.

25 Cochran-Mantel-Haenszel tests provide odds ratios while also controlling for an additional variable, in this case, we controlled for median household income. The Cochran-Mantel-Haenszel test indicated that the odds of a debt claim case in majority Black census tracts were 1.6 times higher than the odds of a debt claim case in majority White census tracts, when controlling for income (MH=1.6,  $p < .05$ , CI: 1.6-1.7).

26 For the purposes of this analysis, low-income census tracts include those at 80% of the county median income or less. This is the typical threshold for low- and moderate-income designations when assessing community development investments and affordable housing programs, among others. Tracts with a median income of 80% to 100% of the county median household income were considered to have moderate levels of income, and high-income tracts included those with median incomes above the county median household income. The Harris County median household income used for this study is \$60,146 based on the 2018 American Community Survey 5-Year Estimate.

Mapping the debt collection lawsuit case rates with the proportion of Black residents by census tract in Harris County illustrates the disparate impact of high case filing rates in census tracts with a high proportion of Black residents compared to those with a low proportion of Black residents.<sup>27</sup>

### Harris County Debt Collection Lawsuit Case Filing Rate by Proportion of Black Residents



Source: Texas Appleseed analysis of consumer debt collection cases filed in Harris County justice courts from Jan. 1, 2018 to June 30, 2020, with census tract demographic data from the American Community Survey 2018 5-Year Estimate, based on the address of the defendant in each consumer debt collection lawsuit filed in the study period. Census tract shapefile taken from Census TIGER/Line Shapefiles, retrieved from: <https://www.census.gov/geographies/mapping-files/time-series/geo/tiger-line-file.html>

## Debt Collection Judgments Against the Defendant

A judgment against the defendant includes all case outcomes where the court rules in favor of the party trying to collect a debt. As discussed in earlier sections of this study, the majority of these judgments are default judgments.

An analysis of debt collection judgments against defendants shows similar trends to the analysis of case filing rates. **Areas with a high proportion of Black residents are more impacted by high rates of debt collection judgments compared to those with a lower proportion of Black residents.**

Forty-four percent of people in census tracts with a high proportion of Black residents also live in areas where people are most likely to have a debt collection judgment issued against them. In tracts with a low proportion of Black residents, 32% of the population live in areas with a high rate of debt collection judgments. Once a judgment is issued, the person suing has 10 years to use the full powers of the court to collect the debt, including freezing and seizing funds in bank accounts. That judgment is renewable. The effect of renewing a judgment is that people can have their money seized to satisfy a judgment 20 and 30 years after the initial court ruling.

27 Four census tracts were dropped from the map because they represented fewer than 1,000 residents.



## Percent of Harris County Population Living in Census Tracts Based on Rate of Debt Collection Judgments Against the Defendant

*For Census Tracts with a High, Moderate, and Low Proportion of Black Residents*<sup>28</sup>

Census Tract Population	Percent of Population Living in a Census Tract with a High Debt Collection Judgment Rate	Percent of Population Living in a Census Tract with a Moderate Debt Collection Judgment Rate	Percent of Population Living in a Census Tract with a Low Debt Collection Judgment Rate
High Proportion Black Residents	44%	38%	18%
Moderate Proportion Black Residents	32%	41%	27%
Low Proportion Black Residents	32%	24%	45%

Source: Texas Appleseed analysis of consumer debt collection judgements entered in Harris County justice courts from Jan. 1, 2018 to June 30, 2020, with census tract demographic data from the American Community Survey 2018.

An odds ratio, controlling for income and comparing census tracts where the majority of residents are Black to those where the majority of residents are white, finds that **the odds of a person having a debt collection judgment against them is 1.6 times higher in census tracts where the majority of residents are Black than the odds in tracts where the majority of residents are white.**<sup>29</sup>

Disparities in the likelihood people of having debt collection judgment against them are most pronounced when comparing higher income census tracts. For people living in low-income census tracts where the majority of residents are Black, the odds of having a debt collection judgment against them are 1.2 times higher compared to low-income census tracts where the majority of residents are white. **For those living in higher income census tracts, the odds of having a debt collection judgment against them are 3.3 times higher in tracts where the majority of residents are Black compared to the odds in tracts where the majority of residents are white.**<sup>30</sup>

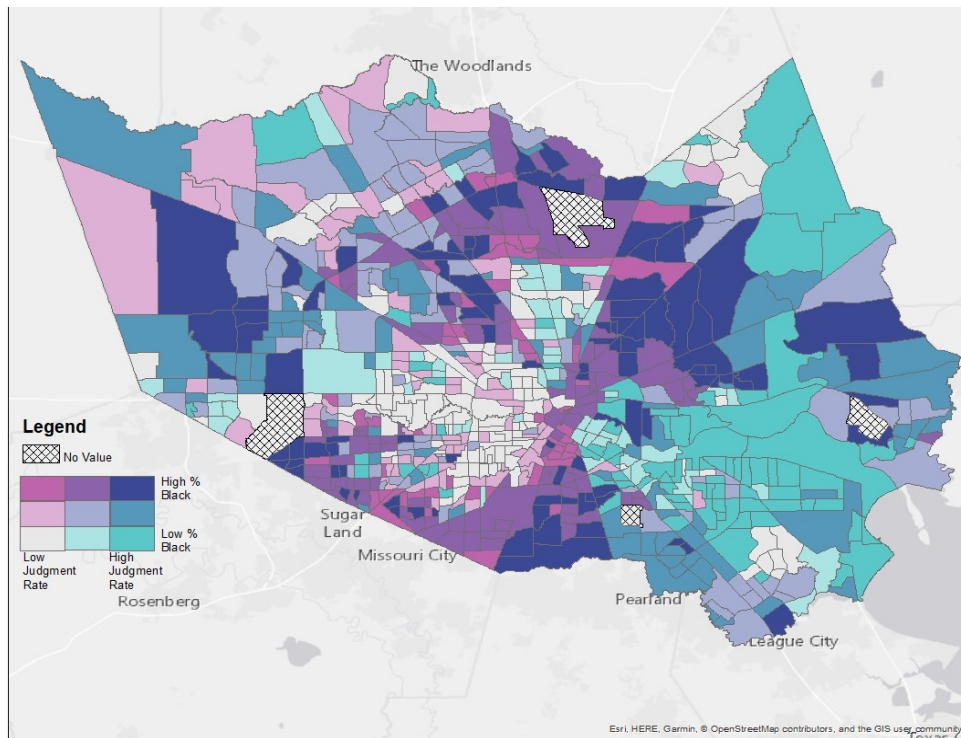
28 The data in the map and table are divided into tertiles. Low percent Black is 0 to 5.6 percent Black; moderate is 5.7 to 19.4 percent Black; high is 19.5 to 90.8 percent Black. Low rate of judgments against the defendant is 0 to 6.9 judgments per 1,000 people; moderate is 7 to 11.1 per 1,000; high is 11.2 to 50.6 per 1,000.

29 The Cochran-Mantel-Haenszel test indicated that the odds of a judgment against the defendant in majority Black census tracts were 1.6 times higher than the odds of a judgment against a defendant in majority White census tracts, when controlling for income (MH=1.6,  $p < .05$ , CI: 1.5-1.7).

30 There was no statistically significant difference in the odds ratio when comparing majority White and majority Black moderate income census tracts. Low-income census tracts include those at 80% of the county median income or less. This threshold for low and moderate income is used commonly when assessing community development investments and affordable housing programs, among other programs. Tracts with a median income above 80% to 100% of the county median household income were considered moderate income and high-income tracts included those with median incomes above the county median household income. The Harris County median household income used for this study is \$60, 146 based on the 2018 American Community Survey 5-Year Estimate.

The map illustrates the data, highlighting census tracts that are most impacted by high debt collection judgment rates.

### Rates of Debt Collection Judgments Against Defendants in Harris County by Proportion of Black Residents



Source: Texas Appleseed analysis of consumer debt collection judgments entered in Harris County justice courts from Jan. 1, 2018 to June 30, 2020, with census tract demographic data from the American Community Survey 2018 5-Year Estimate, based on the address of the defendant in each consumer debt collection lawsuit filed in the study period. Census tract shapefile taken from Census TIGER/Line Shapefiles, retrieved from: <https://www.census.gov/geographies/mapping-files/time-series/geo/tiger-line-file.html>.

**Finding 3:** Census Tracts with a Higher Proportion of Latino Residents Experience Higher Debt Collection Lawsuit and Judgment Rates Compared to Those with a Lower Proportion of Latino Residents

### Debt Collection Lawsuit Case Filings

Latino communities face similar disproportionate financial harms from debt collection lawsuits as African American communities. Areas with moderate and high proportions of Latino residents are more likely to be impacted by higher rates of debt collection lawsuit filings, compared to those with lower proportions of Latino residents.

Forty-nine percent of people in a census tract with a moderate proportion of Latino residents and 39% of people in tracts with a high proportion of Latino residents also live in census tracts where people are most likely to be sued to collect a debt. In census tracts with a low proportion of Latino residents, just 19% of the people live in census tracts with high rates of debt collection lawsuits.

## Percent of Harris County Population Living in Census Tracts Based on Debt Collection Lawsuit Case Filing Rate

*For Census Tracts with a High, Moderate, and Low Proportion of Latino Residents<sup>31</sup>*

Census Tract Population	Percent of Population Living in a Census Tract with a High Debt Collection Lawsuit Rate	Percent of Population Living in a Census Tract with a Moderate Debt Collection Lawsuit Rate	Percent of Population Living in a Census Tract with a Low Debt Collection Lawsuit Rate
High Proportion Latino Residents	39%	42%	19%
Moderate Proportion Latino Residents	49%	34%	17%
Low Proportion Latino Residents	18%	26%	56%

Source: Texas Appleseed analysis of consumer debt collection cases filed in Harris County justice courts from Jan. 1, 2018 to June 30, 2020, with census tract demographic data from the American Community Survey 2018.

An odds ratio, controlling for income, finds that the odds of being sued for a debt are **1.6 times higher in census tracts where the majority of residents are Latino compared to the odds for census tracts where the majority of residents are white.**<sup>32</sup>

**The disparity in the likelihood of being sued for a debt is also statistically significant across the low-, moderate-, and high-income groupings used in this study.**<sup>33</sup> In low-income census tracts, the odds of being sued to collect a debt are 1.3 times higher in census tracts where the majority of residents are Latino than the odds in tracts where the majority of residents are white. For moderate income census tracts, the odds of being sued to collect a debt are 1.2 times higher in tracts where the majority of residents are Latino than the odds in census tracts where the majority of residents are white. **Comparing high-income tracts, the odds of facing a debt collection lawsuit are 1.7 times higher in census tracts where the majority of residents are Latino than the odds of a lawsuit in tracts of the same income category where the majority of residents are white.**

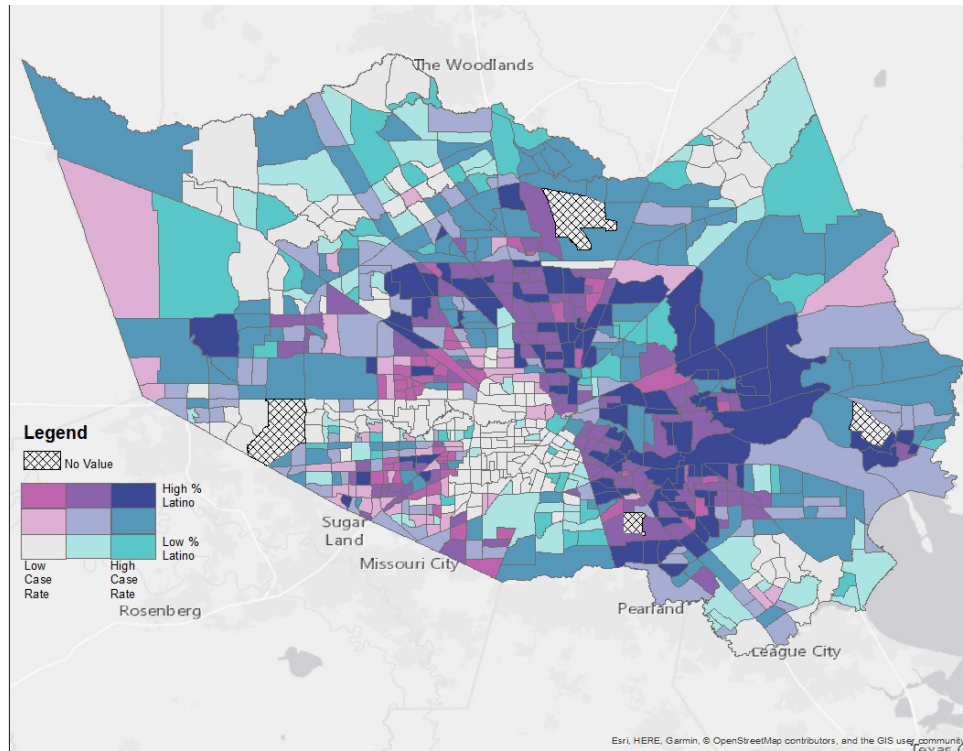
Mapping census tracts by both proportion of Latino residents and debt collection lawsuit case filing rates illustrate the disproportionate impacts of debt collection lawsuits on tracts with both high and moderate proportions of Latino residents.

31 The data in the map and table are divided into tertiles. Low percent Latino is 0 to 26 percent Latino; moderate is 26.4 to 54.9 percent Latino; high is 55 to 97.7 percent Latino. Low lawsuit rate is 0.3 to 23.3 lawsuits per 1,000 people; moderate is 23.4 to 31.6 per 1,000; high is 31.7 to 163.9 per 1,000.

32 The Cochran-Mantel-Haenszel test for majority Latino census tracts indicated that the odds of a debt claim case in majority Latino census tracts were 1.6 times higher than the odds of a debt claim case in majority White census tracts, when controlling for income (MH=1.6, p < .05, CI: 1.5-1.6).

33 For the purposes of this analysis, low-income census tracts include those at 80% of the county median income or less. This is the typical threshold for low and moderate income when assessing community development investments and affordable housing programs, among others. Tracts with a median income of 80% to 100% of the county median household income were considered to have moderate levels of income and high-income tracts included those with median incomes above the county median household income. The Harris County median household income used for this study is \$60,146 based on the 2018 American Community Survey 5-Year Estimate.

## Harris County Debt Collection Lawsuit Case Filing Rate by Proportion of Latino Residents



Source: Texas Appleseed analysis of consumer debt collection cases filed in Harris County justice courts from Jan. 1, 2018 to June 30, 2020, with census tract demographic data from the American Community Survey 2018 5-Year Estimate, based on the address of the defendant in each consumer debt collection lawsuit filed in the study period. Census tract shapefile taken from Census TIGER/Line Shapefiles, retrieved from: <https://www.census.gov/geographies/mapping-files/time-series/geo/tiger-line-file.html>.

### Debt Collection Judgments Against the Defendant

Similar disparities exist for debt collection judgments against defendants. In census tracts with a high proportion of Latino residents, 43% of the people also live in a tract with a high debt collection judgment rate. Forty-nine percent of those living in tracts with a moderate proportion of Latino residents also live in a census tract with a high debt collection judgment rate. In tracts with a low percentage of Latino residents, just 14% also live in a tract with a high debt collection judgment rate.

### Percent of Harris County Population Living in Census Tracts Based on Rate of Debt Collection Judgments Against the Defendant

*For Census Tracts with a High, Moderate, and Low Proportion of Latino Residents<sup>34</sup>*

Census Tract Population	Percent of Population Living in a Census Tract with a High Debt Collection Judgment Rate	Percent of Population Living in a Census Tract with a Moderate Debt Collection Judgment Rate	Percent of Population Living in a Census Tract with a Low Debt Collection Judgment Rate
High Proportion Latino Residents	43%	33%	24%
Moderate Proportion Latino Residents	49%	35%	16%
Low Proportion Latino Residents	14%	36%	50%

Source: Texas Appleseed analysis of consumer debt collection judgments entered in Harris County justice courts from Jan. 1, 2018 to June 30, 2020, with census tract demographic data from the American Community Survey 2018.

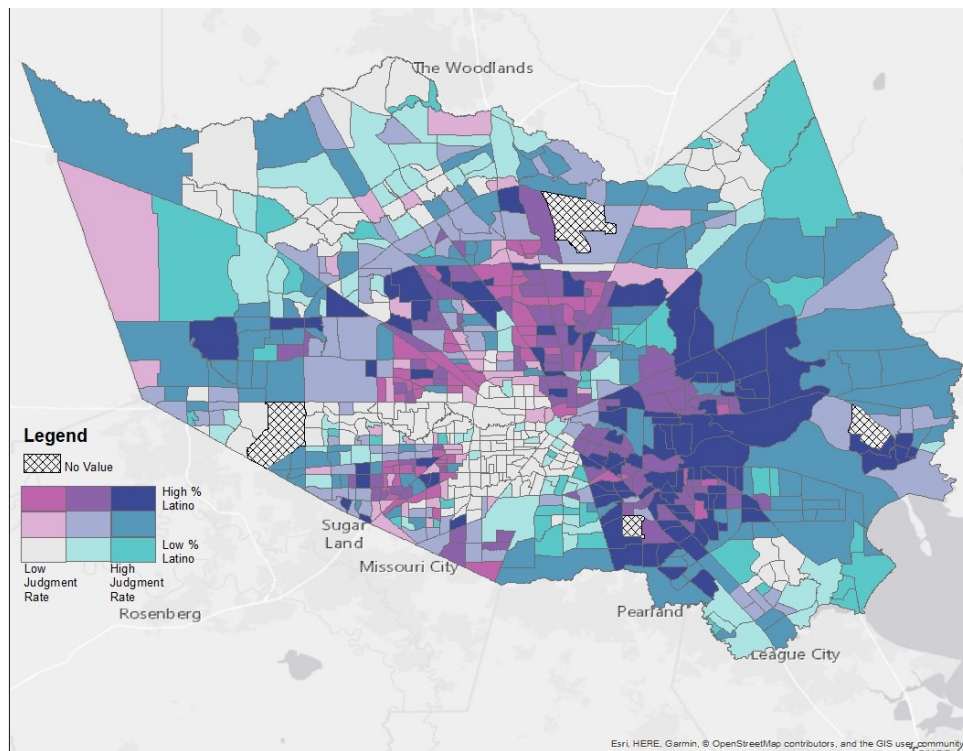
<sup>34</sup> The data in the map and table are divided into tertiles. Low percent Latino is 0 to 26 percent Latino; moderate is 26.4 to 54.9 percent Latino; high is 55 to 97.7 percent Latino. Low rate of judgments against the defendant is 0 to 6.9 judgments per 1,000 people; moderate is 7 to 11.1 per 1,000; high is 11.2 to 50.6 per 1,000.

For people living in census tracts where the majority of residents are Latino, the odds of having a debt collection judgment against them are 1.8 times higher than the odds in census tracts where the majority of residents are white.<sup>35</sup>

Disparities in the likelihood of facing high debt collection judgment rates are most pronounced when comparing higher income census tracts. **The odds of people having a debt collection judgment against them are 2 times higher in higher income census tracts where the majority of residents are Latino compared to the odds in higher income tracts where the majority of residents are white.**<sup>36</sup>

The map illustrates the data findings and highlights areas of Harris County most impacted by high debt collection judgment rates.

### Rates of Debt Collection Judgments Against Defendants in Harris County by Proportion of Latino Residents



Source: Texas Appleseed analysis of consumer debt collection judgments entered in Harris County justice courts from Jan. 1, 2018 to June 30, 2020, with census tract demographic data from the American Community Survey 2018 5-Year Estimate, based on the address of the defendant in each consumer debt collection lawsuit filed in the study period. Census tract shapefile taken from Census TIGER/Line Shapefiles, retrieved from: <https://www.census.gov/geographies/mapping-files/time-series/geo/tiger-line-file.html>.

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- 35 The Cochran-Mantel-Haenszel test indicated that the odds of a judgment against the defendant in majority Latino census tracts were 1.8 times higher than the odds of a judgment against a defendant in majority white census tracts, when controlling for income (MH=1.8,  $p < .05$ , CI: 1.7-1.8).
- 36 There was no statistically significant difference in the odds ratio when comparing majority white and majority Latino low-income census tracts. Low-income census tracts include those at 80% of the county median income or less. This threshold for low and moderate income is used commonly when assessing community development investments and affordable housing programs, among other programs. Tracts with a median income above 80% to 100% of the county median household income were considered moderate income and high-income tracts included those with median incomes above the county median household income. The Harris County median household income used for this study is \$60,146 based on the 2018 American Community Survey 5-Year Estimate.



# CONCLUSION AND RECOMMENDATIONS

Texans are facing a double crisis—the recent crisis from the winter storm, on top of economic harms from the pandemic. As we work towards rebuilding a strong economy and financially resilient families, it is important to address the access to justice and racial equity concerns in the debt collection court process in Texas.

These recommendations address three core systemic issues that hinder the ability of Texans to find fair treatment in our current debt collection court processes:

- 1. Establish a basic needs exemption and modernize wage garnishment protections.** Wages have been protected from debt collection since the 1876 Texas Constitution; because the protection is from a time when people were paid in check or cash, it does not apply to funds once they are deposited into an account. Once deposited, wages are currently subject to garnishment.

As a result, an old judgment can lead to a person losing all income and cash assets, causing new defaults on current loans and an inability to cover basic living expenses. In addition, some exempt cash assets, such as child support and spousal support cannot be identified easily in advance of freezing or seizing an account, leaving people to default on current obligations until they are able to challenge the garnishment or seizing of the account. The economic crisis and resulting financial hardship spurred by the COVID-19 pandemic, and exacerbated by the winter storm, make this issue particularly important to address.

Ensuring that wages are protected after deposit in an account and establishing a minimum cash exemption to ensure that families can cover basic living expenditures, while still allocating remaining funds to repay the debt, would modernize the long-standing wage protections in Texas law.

- 2. Reduce the prevalence of default judgments for debt collection lawsuits** by adopting reforms of court rules and processes to establish a higher evidentiary threshold to file a debt collection lawsuit, and enhance the ability of Texans who are sued to engage effectively in lawsuits filed against them.

The prevalence of resolving so many debt collection cases without the participation of the defendant, through default judgments, raises concern about the credibility of a system that gives plaintiffs substantial power to collect a debt without a court hearing from both sides.

Raising the threshold for filing a lawsuit, by requiring plaintiffs to provide documentary proof of the ownership and validity of a debt as part of the lawsuit filing, would be an important step towards ensuring legitimate judgments.

It is also important to adopt reforms that improve the rates of defendant participation in the legal process. It is a best practice for the court to mail a plain language post-service letter along with an answer form directly to the defendant, in addition to service by citation.<sup>37</sup> When there is a letter from the court, it legitimizes the lawsuit. Because many plaintiffs are bulk debt buyers, people often do not recognize the name of the plaintiff suing them and may feel the lawsuit is a scam. The letter from the court helps people understand that the lawsuit is legitimate and that they should respond.

A similar letter from the court before a default judgment is granted would provide defendants with a final opportunity to participate in the court process.<sup>38</sup>

- 3. Through court rules, create an expedited process and adopt clear notifications and forms for Texans to protect exempt funds from being wrongfully frozen and seized through post-judgment debt collection.** Adopting such a process will allow Texans to know quickly who is freezing or seizing their account and to engage in the court process if there is an error or if exempt funds are taken.

Under the current system, people receive limited or no notice regarding who is freezing or seizing money in their

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37 See: Jim Greiner, Dalié Jiménez, and Andrea Matthews, *Problem of Default*, Access to Justice (A2J) Lab <https://a2jlab.org/default/> for more details about the study. Answer rates increased with the mailing from 13% to 24% and appearance rates increased from 7.5% to 14%.

38 These recommendations are consistent with recommendations adopted by the Texas Judicial Council in, [State of Texas Resolution of the Texas Judicial Council Civil Justice Committee Recommendations](https://www.txcourts.gov/media/1449804/2020_tjc_civjust-resolution_final_.pdf), Recommendations 1-5 (Sept. 24, 2020), [https://www.txcourts.gov/media/1449804/2020\\_tjc\\_civjust-resolution\\_final\\_.pdf](https://www.txcourts.gov/media/1449804/2020_tjc_civjust-resolution_final_.pdf).



bank account and for what reason.<sup>39</sup> There is no information or guidance to help people participate in the post-judgment process once accounts have been frozen to ensure that exempt funds are not seized. The result is that few people are able to engage with the system to assert their rights.

Mandating clear and timely notifications to impacted parties, promulgating forms for Texans to assert rights in the garnishment and turnover process, and expediting hearings to ensure exempt and wrongly-seized funds are released quickly are essential reforms.<sup>40</sup>

Each of these three reforms would make meaningful strides toward mitigating the access to justice barriers highlighted in this report. They also would make progress in addressing the racial equity concerns documented, by ensuring that the court process is fair and equitable for all parties involved.

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39 Texas Rules of Civil Procedure, Rule 663a requires a simple notice be sent to a defendant whose property is garnished, “as soon as practicable following service of the writ.” That standard generally means that people receive the notice around 15 days after their account has been frozen, a very long time, particularly for someone living paycheck to paycheck. In addition, the notice provides no information about exempt income or how to challenge the writ.

40 These recommendations are consistent with recommendations adopted by the Texas Judicial Council in, [State of Texas Resolution of the Texas Judicial Council Civil Justice Committee Recommendations](https://www.txcourts.gov/media/1449804/2020_tjc_civjust-resolution_final_.pdf), Recommendation 9 (Sept. 24, 2020), [https://www.txcourts.gov/media/1449804/2020\\_tjc\\_civjust-resolution\\_final\\_.pdf](https://www.txcourts.gov/media/1449804/2020_tjc_civjust-resolution_final_.pdf).

# APPENDIX: DATA AND STUDY METHODOLOGY

## *Data Collection*

The raw statewide debt collection case and judgment data for justice courts was pulled from the [Office of Court Administration Court Activity Reporting Directory System](#). Data was accessed and downloaded on Feb. 14, 2021, covering each month for the three-year period from January 2018 to December 2020.

The data for the Harris County case study was downloaded from [Harris County JP Public Data Extract Service](#) by month and by court for the period of Jan. 1, 2018 to June 30, 2020. Data were downloaded for cases entered and judgments entered. The data was downloaded between Feb. 10 and July 19, 2020. Both datasets include case information such as the case status, claim amount, plaintiff name, defendant name, defendant address, and information about legal representation, among other fields. Additionally, the dataset for judgments entered included case outcomes, information documenting the prevailing party, judgment amounts, and attorney fees.

## *Data Cleaning/Preparation*

All data cleaning and analyses were conducted in either R or Excel. Maps were created in ArcGIS Desktop. Some cases appeared in the raw data multiple times. All duplicates (multiple instances of the same case number) were removed, as were cases that were not consumer debt cases. Cases where the defendant was a business made up a small proportion of the full sample and were identified through indicators, such as Inc., LLC, DBA, and other key words indicating the party was a business and not an individual.

Multiple new fields were created based on the data available. An indicator for legal representation for defendants and plaintiffs was created based on whether or not legal counsel was listed. Each plaintiff was categorized into a type of business (Debt Buyer, Finance Company, Bank, etc.), using online searches and state licensee data sets. For the judgments entered data, a field was created to identify the prevailing party through verifying the data provided in the data file, to ensure that the identified prevailing party was consistent within the fields that listed the judgment for and against parties. For example, in some instances the same party was listed in both the judgment for and judgment against fields, and so those were categorized as “other”, as the outcome was not clear.

In order to determine whether there was a disparate impact of debt claim cases in Harris County, defendant addresses were geocoded to determine a census tract for each case. Addresses were geo-coded using [Texas A&M University's Geoservices](#). The geocoding services were generously donated as part of an effort to support research related to COVID-19 and its impact on Texans. For the spatial analysis, only cases and judgments for a defendant whose address was within Harris County were included in the mapping and racial equity analysis.

Census tract level data was then pulled for Harris County using the 2018 American Community Survey 5-Year Estimate; specifically, the following data was pulled by census tract:

- a. Total population
- b. Population counts and percentages by race/ethnicity (Latino, white, Black, Asian, other)
- c. Median household income

Once the census tract data was pulled from the census and the case and judgment data was geocoded, the following were calculated: total cases, case amount, total judgments against a defendant, total judgment amounts against a defendant, total dismissals, total defaults, and plaintiff types for each census tract. The Census data was then merged with the summarized cases and judgments data to create a dataset by census tract. We could now determine whether debt claim cases have a disparate impact depending on where the defendant lived. We created several new variables in order to assess the impact of debt claim cases by census tract: case rate, judgments against defendant rate, dismissal rate, and default rate. Each rate was calculated out of the total population for that census tract multiplied by 1,000 (i.e., the case rate is the rate of cases per 1,000 people living in the census tract). Four census tracts were dropped from mapping because they had fewer than 1,000 people living in the tracts.

The racial equity analyses in this study are adapted from Waldman & Kiel (2015), a Pro Publica study on debt collection cases in Cook County, Illinois; St. Louis City and St. Louis County, Missouri; and Essex County, New Jersey. For more information on their analysis, see: <https://static.propublica.org/projects/race-and-debt/assets/pdf/ProPublica-garnishments-whitepaper.pdf>.

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