

September 27, 2024



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Sacramento, CA 95825

By Electronic Submission to regulations@dfpi.ca.gov with a copy to mary.tome@dfpi.ca.gov

Department of Financial Protection & Innovation
Attn: DeEtte Phelps, Regulations Coordinator
2101 Arena Blvd
Sacramento, CA 95834

Re: Defining “Net Proceeds Generated by California Debtor Accounts” and Specifying Information Required in Annual Report (PRO 01/23)

Dear Commissioner Hewlett:

The Receivables Management Association International (RMAI) is pleased to submit our comments to the Department of Financial Protection & Innovation (DFPI or Department) on its proposed rulemaking concerning the debt collection annual reports as requested in DFPI’s invitation for comments issued on September 11, 2024.

As background, RMAI is a nonprofit trade association that represents more than 600 businesses that purchase or support the purchase of performing and nonperforming receivables on the secondary market. RMAI member companies work in a variety of financial service fields, including debt buying companies, collection agencies, collection law firms, originating creditors, brokers, international members, and industry-related product and service providers. RMAI’s Receivables Management Certification Program (also referred to as RMCP)¹ and its Code of Ethics² set the “gold standard” within the receivables management industry due to their rigorous uniform industry standards of best practice which focuses on protecting consumers.

Rolled out in 2013, RMAI’s Certification Program sets high and robust industry standards that seek to go above and beyond the requirements of state and federal law for the protection of

¹ Receivables Management Association International, Receivables Management Certification Program (February 3, 2022), publicly available at <https://rmaintl.org/GovernanceDocument> (last accessed September 26, 2024).

² Receivables Management Association International, Code of Ethics (August 13, 2015), publicly available at <https://rmaintl.org/about-rmai/code-of-ethics/> (last accessed September 26, 2024).

consumers.³ While the program was first designed to certify debt buying companies, it has expanded to include certifications for law firms, collection agencies, and vendors (e.g., brokers and process servers). Currently, over 500 businesses and individuals hold these internationally respected certifications. Presently, all the largest debt buying companies in the United States are RMAI certified, and we estimate that approximately 80 to 90 percent of all charged-off receivables that have been sold on the secondary market are owned by an RMAI certified company.

In addition to required self-compliance attestations as part of the initial and recertification application, the RMAI Certification Program has three types of audits performed by independent third-party auditors: the Pre-Certification Audit, the Full Compliance Audit (this is an automatic recurring audit), and the Limited Compliance Audit. The audits are reviewed by an Audit Committee which has consumer representation. Beginning March 1, 2024, BBB National Programs is administering RMAI's Remediation Committee which is the committee that handles any unresolved audit deficiencies.

RMAI'S Comments on Proposed Regulation 01-23

RMAI was an active and supportive participant in the introduction and negotiation of SB 908 in 2019 and 2020. RMAI was supportive of state licensing for debt collectors in California and worked closely with the sponsor in the development of the statutory requirements contained in the Debt Collection Licensing Act.

The requirements for the annual report were developed and negotiated based upon the potential value of the statistics as well as the ability of the business community to produce the statistics required. While the contents of section 100021 of the Financial Code, as negotiated, were broader than similar requirements in other states that maintain annual reports, RMAI felt that the business community could be compliant provided the reports were not further expanded, except for absolute necessity and for reasons the parties at the time could not anticipate.

RMAI would respectfully request clarification on how the annual reports will be made "available to the public." RMAI is hopeful that DFPI will follow the past practice of other licensees and only make them available via the public records request process.

Additionally, when providing such reports to the public via a public records request, we ask that DFPI be careful to not share confidential and proprietary information. We believe that redaction,

³ RMCP's Mission Statement reads in part, the certification program "is an industry self-regulatory program administered by RMAI that is designed to provide enhanced consumer protections through rigorous and uniform industry standards of best practice."

in limited instances, would be appropriate. Specifically, information contained in the annual reports regarding purchasing, collections success, and the face value of accounts is sensitive and confidential, and currently not available to business competitors. This information, if made publicly available without redaction, would potentially give a licensee's competitors a roadmap to how many accounts a given company purchases, collects on, earns on those accounts, and is unsuccessful collecting upon. RMAI is uncertain how making such limited confidential information available to the public bolsters DFPI's goals of assessing compliance and protecting consumers.

RMAI sincerely appreciates the opportunity to comment on the proposed regulations. Please do not hesitate to contact me at [redacted] or at [redacted] if you require further clarification or have questions on RMAI's comments.

Sincerely,

David Reid
RMAI General Counsel