



STATE OF CALIFORNIA

Department of Financial Protection and Innovation

GOVERNOR **Gavin Newsom** • COMMISSIONER **Manuel P. Alvarez**

BULLETIN

DFPI Reminds Debt Collectors about Renter Protections for COVID-19 Rental Debt

California Department of Financial Protection and Innovation (DFPI) Commissioner Manuel P. Alvarez is reminding future license applicants under the Debt Collection Licensing Act (DCLA) of California's renter protections associated with COVID-19 rental debt. Under California law, COVID-19 rental debt includes any "unpaid rent or other unpaid financial obligation of a tenant" that came due between March 1, 2020 and June 30, 2021. (Code Civ. Proc. § 1179.02.) The COVID-19 Tenant Relief Act ([SB 91](#)) includes the following renter protections for COVID-19 rental debt:

- COVID-19 rental debt cannot be sold or assigned before July 1, 2021. (Civ. Code § 1788.65.)
- Starting July 1, 2021, COVID-19 rental debt cannot be sold or assigned if the debt pertains to a person "who would have qualified for rental assistance funding" under [California's emergency rental assistance program](#) if "the person's household income is at or below 80 percent of the area median income for the 2020 calendar year." (Civ. Code § 1788.66.)
- Creditors cannot charge or attempt to collect late fees for COVID-19 rental debt if the renter has submitted a "declaration of COVID-19-related financial distress." (Civ. Code § 1942.9, subd. (a)(1).)
- With limited exceptions, those collecting COVID-19 rental debt in court must submit documentation showing that they have made "a good faith effort to investigate whether governmental rental assistance is available to the tenant, seek governmental rental assistance for the tenant, or cooperate with the tenant's efforts to obtain rental assistance from any governmental entity, or other third party." (Code Civ. Proc. § 871.10.)
- Actions to recover COVID-19 rental debt may not be commenced before August 1, 2021, and any action to recover COVID-19 rental debt that was pending as of January 29, 2021 is stayed until August 1, 2021 (Code Civ. Proc. § 871.10, subds. (d), (f).)

Under California's COVID-19 rental assistance program, a landlord can receive 80 percent of unpaid rent owed from April 1, 2020 through March 31, 2021 from government funds for a qualifying tenant if they agree to forgive any remaining unpaid rent for that period. To comply with applicable laws, debt collectors should ensure that they are not collecting rental debt that was paid or forgiven under California's rental assistance program.

The DFPI also reminds debt collectors that the federal Fair Debt Collection Practices Act (FDCPA) and the Consumer Financial Protection Act (CFPA) (part of the Dodd Frank Wall Street Reform and Consumer Protection Act) protect California consumers from unfair, false, deceptive, or misleading representations, and harassment or abusive conduct in rental debt collection. (15 U.S.C. § 1692 et seq.; 12 U.S.C. § 5536.) For example, courts have held that falsely suggesting one may initiate a lawsuit to collect a debt when one has no intention or ability to do so can be deceptive or misleading under the FDCPA.

Under the DCLA, the Commissioner must investigate all applicants for a debt collector's license to determine whether any facts exist that constitute reasons for denial. The DFPI will begin accepting applications for debt collector licenses later this year. Grounds justifying license denial include "any act involving dishonesty, fraud, or deceit, if the crime or act is substantially related" to the debt collection business and violations of any similar regulatory schemes. (Fin. Code § 100012, subd. (b)(2).) Furthermore, the Commissioner may revoke a license if the Commissioner determines that "[a]ny fact or condition exists that, if it had existed at the time that the licensee applied for the license, would have been grounds for denying the application." (Fin. Code § 100003.3, subd. (b)(6).)

The DCLA was enacted in 2020 to protect California consumers and provide the DFPI with licensing and examination authority over debt collectors, which includes debt buyers, operating in California. (Fin. Code § 100002, subd. (j).) The DFPI will take all necessary actions to ensure debt collectors comply the FDCPA, CFPA, and the COVID-19 Tenant Relief Act.