



**California Financial
Services Association**

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June 7, 2021

Department of Financial Protection and Innovation
Attn: Sandra Sandoval
300 S. Spring Street, Suite 15513
Los Angeles, California 90013

RE: PRO 02/20 Debt Collectors

Dear Ms. Sandoval,

On behalf of the California Financial Services Association (CFSA) we are submitting comments to the proposed regulations for the Debt Collectors Licensing Act. CFSA is the trade association representing consumer lenders licensed under the California Financing Law and purchasers of automobile Sales finance contracts. We appreciate the opportunity to work with the Department to develop regulations that include clear guidance for licensees.

We understand the Department has been challenged by the legislature to develop these regulations in a very short period of time. CFSA believes that the proposed regulations require some additional guidance in several areas. We will concentrate our comments on two specific areas of concern.

First, Section 1850.7 (9) of the proposed regulations require an applicant to submit a management chart. "The management chart must identify the applicant's compliance reporting and internal audit structure."

This Section does not provide the applicant with any guidance concerning what the Department expects and the extent/parameters of the audit". What exactly should the applicant be auditing? Is the DFPI simply looking to collections or does the audit need to include other areas such as underwriting, credit reporting, etc.? More specificity would benefit the DFPI as well as the applicant by eliminating the necessity to return applications for insufficient information.

Our second area of concern is with the bonding provisions in Section 1850.50 (c) that require a bond of at least \$25,000. Further, Section 1850.50 (d) provides that the Commissioner may arbitrarily require a higher minimum surety bond amount for an applicant based on the total dollar amount of consumer debt collected. This seems to be without regard to where the applicant may fall in relationship to the amount collected by all collectors.

With the DFPI having no historical information as to what category a collector may fall in relationship to all collectors does not seem reasonable for the Commissioner to set a higher amount for a bond. While the DFPI collects the historical information necessary to establish a high to low scale of the amount collected by California collectors the bonding should be established at \$25,000 for everyone. Once the DFPI has the important information to accurately establish reasonable tiers for the bonding requirements the Commissioner should then propose regulations to establish those tiers in law.

Again, we appreciate the opportunity to provide our input to this important process. We are available to answer any questions that you may have.

Best Regards,

David C Knight
Executive Director
For CFSA