



STATE OF CALIFORNIA

Department of Financial Protection and Innovation

GOVERNOR **Gavin Newsom** • ACTING COMMISSIONER **CHRISTOPHER S. SHULTZ**

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Contact:

Mark Leyes

916-576-4984

Maria Luisa Cesar

213-328-9644

State Financial Regulator Moves Forward to License California Debt Collectors

*Companies Must Submit Application prior to Jan. 1, 2022, to Continue
Operating in California*

SACRAMENTO – The Department of Financial Protection and Innovation (DFPI) has announced that all debt collectors operating in California can now apply to be licensed by the Department, representing the first step in increased state oversight that will include an assessment of applications, formal examinations, and protections for California consumers. Debt collectors, debt buyers, and debt collection attorneys operating in the state may now submit their [license applications online](#) at the Nationwide Multistate Licensing System (NMLS).

The recently enacted Debt Collection Licensing Act (DCLA), which was passed in the state Legislature last year as SB 908, requires that all debt collectors submit a license application prior to Jan. 1, 2022, to continue operating in California next year.

The new law also authorizes the DFPI to take in borrowers' complaints and enforce violations. It will give consumers a single location to check whether companies are licensed, and whether they have been subject to any enforcement actions, including license suspensions or revocations.

"This is a win for California consumers and positions us alongside a growing number of states who offer direct oversight of the industry," said DFPI Senior Deputy Commissioner of the Consumer Financial Protection Division Suzanne Martindale. "The Department will now have the authority to review financial information from prospective licensees, conduct formal examinations, and pursue legal action against those who engage in unfair, deceptive, or abusive acts or practices or violate California's fair debt collection laws."

California is one of sixteen states that do not currently license debt collectors. The recently enacted law aligns California with dozens of other states requiring licensing and examination. The application is available through the NMLS as of Sept. 1. The application requires debt collectors to submit financial and other information electronically.

Americans held more than \$13 trillion in debt even before the COVID-19 outbreak and unemployment soared. Debt collection and debt buying industries have been historically criticized for their aggressive practices. Despite federal and state fair debt collection laws having been in place for many years, collection practices consistently remain a top consumer complaint.

From July 2011 to March 2018, the federal Consumer Financial Protection Bureau received more than 400,000 debt collection complaints, representing nearly one-third of all complaints received. The most common concerns identified by consumers were attempts to collect a debt not owed (39%), written notification about debt (17%), and communication tactics (17%). California accounted for 50,181 of the total complaints received by CFPB during this period.

Any debt collector collecting debt in the state of California must submit an application on or before Friday, Dec. 31, 2021. Once a debt collector has submitted an application, they may continue operating as a debt collector in California while the application is pending. If an application is submitted after this date, the applicant will be required to wait for the issuance of a license before they can continue to operate in the state.

The DFPI is expecting to license thousands of entities over the next two years. For further information about debt collectors' licensing requirements please refer to the [DFPI's Debt Collectors web page](#) and [FAQs](#). A [checklist of requirements](#) for the license application is also available on NMLS. To avoid missing important updates, interested parties are strongly encouraged to check the DFPI website periodically and subscribe to the DFPI's [email subscription service](#).

In addition to debt collectors, the DFPI licenses and regulates state-chartered banks and credit unions, commodities and investment advisers, money transmitters, mortgage servicers, the offer and sale of securities and franchises, broker-dealers, nonbank installment lenders, Property Assessed Clean Energy (PACE) program administrators, student-loan servicers, escrow companies, debt relief companies, rent-to-own contractors, credit repair companies, consumer credit reporting companies, and more.

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