



**California Financial
Services Association**

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October 1, 2021

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

RE: PRO 05-211 Invitation for Comments

Dear Ms. Sandoval,

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

CFSA believes that some additional guidance is necessary. We will outline our concerns below.

Annual Reports – Section II A & B of the department's questionnaire deal with annual report requirements. Financial Code Section 100021 (a)(4) requires that a DCLA licensee report information annually regarding the total dollar amount of California debtor accounts collected in the preceding year, and the total dollar amount of outstanding debt that remains uncollected.

So that licensees are reporting accurately the department needs to provide guidance as to what items are included in debt collection. As an example, are monies not received directly from the debtor including but not limited to insurance settlements or sale of repossessed vehicles included in debt collection? We feel only monies received directly from the debtor should be required to be reported.

Financial Code Section 100021 (a)(5) further asks for licensees to annually report the total dollar amount of "net proceeds generated" by California debtor accounts in the preceding year.

Again, so that licensees are reporting accurately, the department needs to provide guidance as to what are the appropriate costs, expenses and deductions from gross proceeds that are permitted. Without a clear definition of "net proceeds generated" licensees will be at risk of unintentional inaccurate reporting and subject to penalty.

Bonding - Section III A & B deal with higher bond amounts. The DFPI asks "should the Department require higher bond amounts pursuant to Financial Code Section 100019, subdivision (e)(2)?"

It is our opinion that the \$25,000 bonding requirement will provide the Department the protection necessary for Debt Collector Licensees. This same requirement is in place for CFL licensees with exception of mortgage loan originators.

It is premature to make a determination as to the necessity for increasing the bond requirement beyond \$25,000. The Department does not have the historical information needed to accurately determine if thresholds are necessary or if so, where tiers should be established.

The DLCA license application requires that an applicant submit the following information requested in the Supplemental Request for Information form for debt collection activities as of the prior calendar year-end: • The total dollar amount of net proceeds generated from California debtor accounts (i.e., accounts that are owed by consumers who resided in California at the time the consumer made payment on the debt.)

When the Department has gathered the necessary collection information from all debt collector licensees an informed determination can be made. At that point CFSA and we are sure other industry representatives would welcome the opportunity to participate in discussions with the Department.

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