INITIAL STATEMENT OF REASONS FOR REGULATIONS UNDER THE DEBT COLLECTION LICENSING ACT

As required by Section 11346.2 of the Government Code, the Commissioner of the California Department of Financial Protection and Innovation ("Commissioner") proposes to adopt amendments to subchapter 11.3 of Title 10 of the California Code of Regulations ("regulations") concerning requirements related to reporting and assessments under the Debt Collection Licensing Act ("DCLA").[1] The Department of Financial Protection and Innovation ("Department") administers the DCLA.

PROBLEM STATEMENT & SPECIFIC PURPOSE OF REGULATIONS [Government Code Section 11346.2, Subdivision (b)(1)]

Prior to enactment of the DCLA, debt collectors were not required to be licensed in California. On January 1, 2022, the DCLA became operative and required persons engaging in collecting consumer debt to be licensed. The law authorized a debt collector that submitted an application prior to January 1, 2022, to operate pending the approval or denial of the application.[2] In 2022, the law was amended to provide that a debt collector that submitted an application before January 1, 2023, could continue to operate pending approval or denial of the application.[3] The first debt collector licenses were issued in 2023.

Among other things, the DCLA requires that a licensee pay to the Commissioner annually its "pro rata share of all costs and expenses reasonably incurred in the administration" of the DCLA.[4] The first assessment will occur in 2024. The calculation of the pro rata share is based, in part, on the amount of "net proceeds generated by California debtor accounts in the preceding year."[5] The term "net proceeds" is integral to calculating the annual fee but is not defined by statute. This rulemaking action proposes adopting a definition of "net proceeds generated by California debtor accounts" that is used to determine annual fees.

The DCLA also requires a licensee to file an annual report with the Commissioner and sets forth, at minimum, certain information that must be disclosed in the report.[6] Many of the terms in the statute, however, are subject to multiple interpretations. The DCLA also authorizes the Commissioner to reasonably require additional information to be included in the report concerning the business and operations conducted by the licensee. This

[1] Fin. Code, § 100000 *et seq*.
[2] SB 908 (Stats. 2020, ch. 196, § 1).
[3] AB 156 (Stats 2022, ch. 569).
[4] Fin. Code, § 100020, subd. (a).
[5] Fin. Code, § 100020, subd. (a).
[6] Fin. Code, § 100021, subd. (a).

rulemaking action proposes clarifying terms and establishing additional annual reporting requirements.

PROPOSED RULES

Section 1850: Definitions

Subdivision (p)

The Department proposes to adopt subdivision (p) of Section 1850 to define the term "net proceeds generated by California debtor accounts." Financial Code section 100020 requires that a licensee pay to the Commissioner annually its pro rata share of all costs and expenses reasonably incurred in the administration of the DCLA, as estimated by the Commissioner, for the ensuing year and any deficit actually incurred or anticipated in the administration of the DCLA in the year in which the annual fee is levied. The pro rata share is based upon the proportion of net proceeds generated by California debtor accounts in the preceding year after the minimum amount levied pursuant to subdivision (c) of section 100020.

The proposed rule would define "net proceeds generated by California debtor accounts" to mean the amount retained by a debt collector from its California debt collection activity. There are, however, different types of business models in the debt collection industry, and each requires a different formula. The proposed rule is necessary to clarify the meaning of "net proceeds" for different business models and would define "net proceeds" for the following types of debt collection activities: (1) debt buyers, (2) purchasers of a debt that has not been charged off, (3) third-party debt collectors, and (4) first-party collectors.

(1) Debt buyer

The term "debt buyer" is defined in section 1788.50 of the Civil Code, and the proposed rule incorporates by reference that definition. Section 1788.50 defines a debt buyer to mean a person or entity that is regularly engaged in the business of purchasing charged-off consumer debt for collection purposes, whether it collects the debt itself, hires a third party for collection, or hires an attorney-at-law for collection litigation. "Debt buyer" does not include a person or entity that acquires a charged-off consumer debt incidental to the purchase of a portfolio predominantly consisting of consumer debt that has not been charged off.[7]

As to a debt buyer, the proposed rule would define "net proceeds" to mean the amount collected on a debt minus the prorated amount paid for that debt. For example, if a consumer owed $100 ("Debt") to Creditor A, and the debt buyer purchased Debt from

[7] Civ. Code, § 1788.50.

Creditor A for $80, and debt buyer collected $100 from consumer, the net proceeds retained by debt buyer would be $20. In other words, $100 (amount collected) minus $80 (prorated amount paid for Debt) equals $20 (net proceeds).

The proposed rule with regard to “debt buyer” is necessary to set forth a method for debt buyers to determine and report net proceeds, for purposes of the annual assessment under the DCLA.

(2) Purchaser of a debt that has not been charged off

For this type of purchaser, the proposed rule would define “net proceeds” to mean the amount collected on a debt minus the prorated amount it paid for that debt. For example, in the auto industry, a car dealership will initiate a retail installment credit as an original creditor. Then the dealership will immediately transfer the debt to another company (“Company X”). In that situation, Company X is not an original creditor. Company X is not a debt buyer because the debt was not past due/charged off. Company X is also not a third-party collector because Company X owns the debt.

Thus, as an example, net proceeds for Company X would be calculated as follows. Car dealership sells a car for retail installment credit in the amount of $30,000 (“Debt”). Car dealership immediately transfers the Debt to Company X in exchange for $25,000 (prorated amount). After Company X collects the debt over the life of the installment credit, net proceeds would be $5,000. In other words, $30,000 (amount collected) minus $25,000 (prorated amount paid for Debt) equals $5,000 (net proceeds).

The proposed rule is necessary because without the clarifying definition, there would be confusion as to how to calculate “net proceeds” for this type of activity.

(3) Third-party collector

For a third-party collector, the proposed rule would define “net proceeds” to mean the amount a collector earns from its clients, regardless of fee structure. This is necessary to create a uniform formula by which third-party collectors can calculate net proceeds for purposes of the annual report. Third-party collectors may all have different fee structures, or a single collector may have different fee structures within its portfolio depending on the client size. By eliminating variations in fee structure and focusing only on the amount a collector earns from its clients, the proposed rule creates a simple formula for calculating net proceeds.

The proposed rule is necessary because without the clarifying definition, there would be confusion as to how to calculate “net proceeds” for this type of activity.

(4) First-party creditor

The proposed rule would define "first-party collector" to mean a person or entity that collects a debt owed directly to it. For a first-party collector, the proposed rule would define "net proceeds" to mean the amount received from fees and other charges from debtors that would not have been received had the debt been paid on time. The proposed rule focuses on fees and charges specific to the debt collection activity rather than the debt origination. The proposed rule also adopts a definition of "first-party collector" to be consistent with industry usage. The proposed rule is necessary to provide clarity as to how a first-party collector is defined for purposes of the DCLA and how it should calculate net proceeds.

The proposed rule for first-party creditors is necessary because without the clarifying definition, there would be confusion as to how to calculate "net proceeds" for this type of creditor.

The proposed rule does not allow for the deduction of expenses in calculating "net proceeds" for any of the four categories. While one common definition of "net proceeds" is the amount brought in minus costs and expenses,[8] it is necessary to deviate from that meaning for several reasons.

The use of net proceeds as defined in the proposed rule is for regulatory, not accounting, purposes. The proposed rule does not modify any definition for tax purposes or any other purpose, other than as that term is used to comply with provisions of the DCLA.

The proposed definition of net proceeds ensures that the calculation will be uniform across licensees and ensures that certain types of licensees are not inadvertently subject to more favorable treatment for purposes of calculating net proceeds if their business model has significantly more allowable expenses than other types of models. For example, if expenses could be deducted to calculate net proceeds, sole proprietors would be disadvantaged because they are not allowed to deduct their salary expenses as an operating cost. In contrast, a corporation would be able to deduct the salaries of the people who run the company. Categorization of expenses can also be a source of manipulation, which would directly affect the accuracy of the reported net proceeds amount.

The proposed rule also avoids any ambiguity as to which expenses would or would not be permissible to deduct. The Department considered whether it could rely on Internal Revenue Service ("IRS") rules and/or generally accepted accounting principles ("GAAP") to determine a uniform set of acceptable expenses. However, that option was determined to be unworkable because of variations in the business structures in the debt collection industry. Which accounting rules apply depends on the type of business a licensee has. For example, a sole proprietor will generally be subject to IRS rules, whereas a

[8] https://www.investopedia.com/terms/n/netproceeds.asp#:~:text=Net%20proceeds%20are%20the%20amount%20the%20seller%20takes%20home%20after,asset%20that%20has%20been%20sold.

corporation that needs to have audited financials will follow GAAP. The proposed rule is necessary to establish a single set of uniform rules applicable to all licensee business types.

The proposed rule is fair because the prohibition on deducting expenses applies to all licensees regardless of the type of collection activity or legal business structure. The proposed formula for net proceeds will not increase or decrease assessments for any category of licensee because assessments are calculated on a proportional basis. Therefore, if all licensees are not permitted to deduct expenses, then it should create a level playing field.

Section 1850.70. Annual Reports.

Financial Code section 100021 requires a licensee to file an annual report containing certain information. Certain terms, however, are not defined.

Subdivision (a)

The Department proposes to adopt subdivision (a) of section 1850.70 to require a licensee to attest to the accuracy and completeness of the annual report. The proposed rule would also require that the report be signed by a principal officer or sole proprietor of the licensee. It further would require that the report be submitted electronically.

The DCLA requires that the report be "made under oath and in the form prescribed by the commissioner."[9] The proposed rule is necessary to provide clarity and specificity as to the method by which a licensee can comply with the law. The proposed rule clarifies that it is a principal officer or sole proprietor of the licensee who must make the oath. That person has the requisite authority to bind the licensee.

While the law provides that the report must be made under oath, it does not specify what exactly the oath should cover. The proposed rule is necessary because it clarifies that the oath is an attestation that the annual report is accurate and complete. Annual reports are critical to the administration of the law because they are reviewed as part of investigations and examinations, and they form the basis to calculate assessments. Therefore, it is imperative that the reports be accurate and complete.

In addition, the law requires that the annual report must be made in "the form prescribed by the commissioner."[10] The proposed rule is necessary because it specifies that the form of the report is to be submitted electronically. An electronic format for the report allows the Department to more efficiently receive, review, and store reports. This method is also more cost-effective for the licensee and environmentally friendly than a paper submission.

[9] Fin. Code, § 100021, subd. (c).
[10] Fin. Code, § 100021, subd. (c).

Subdivision (b)

Subdivision (b) of section 1850.70 would define "preceding year" to mean calendar year, January 1 through December 31. This term is used extensively in section 100021 of the DCLA but is not defined. The proposed rule is necessary to provide clarity; otherwise, each licensee could interpret the term differently. For example, it could mean fiscal year or the twelve-month period prior to the annual report. The proposed rule would ensure uniformity in reporting across all licensees.

Subdivision (c)

Subdivision (c) of section 1850.70 would clarify that if a California debtor has multiple accounts, each account must be counted separately. The DCLA defines "California debtor accounts" as "accounts that are owned by consumers who reside in California at the time that the consumer makes a payment on the account."[11] However, the statutory definition is silent on how debtor accounts should be counted when a single debtor has more than one account. The proposed rule is necessary to clarify how to count debtor accounts in the annual report. The proposed rule ensures that each account is tracked individually for accurate reporting, and this methodology is consistent with industry practice.

Subdivision (d)

Subdivision (d) of section 1850.70 would clarify how to calculate the total number of California debtor accounts collected on in the preceding year. The DCLA requires the annual report to disclose the total number of California debtor accounts collected on in the preceding year.[12] The DCLA implies that the term includes debt that where the entire amount has not been fully collected because the law also requires reporting of "outstanding debt that remains uncollected."[13] However, the law is not explicit on this issue. The proposed rule is necessary because the term "collected on" is ambiguous, and it is unclear whether the term means that the entire debt had to be successfully collected. Thus, the proposed rule would clarify that "collected on" encompasses the following types of collection activities.

(1) The total number of California debtor accounts collected in full.

This category is necessary to include in the total number because these types of accounts have been fully collected on and, consequently, should be resolved.

[11] Fin. Code, § 100002, subd. (b).
[12] Fin. Code, § 100021, subd. (a)(1).
[13] Fin. Code, § 100021, subd. (a)(4).

(2) The total number of California debtor accounts collected on that were resolved for less than the full amount of the debt.

This category is necessary to include in the total number because even though the aggregate payments were less than the full amount of the debt, the account was still resolved, and the debt was "collected on."

(3) The total number of California debtor accounts collected on where less than the full amount of the debt was collected, and a balance remains due.

This is necessary because even though the account is not resolved in this category, it must be included in the total number of accounts because some payments were still collected. Including the number of accounts in this category would enable the Department to cross reference the data with other information in the annual report, particularly, amount of outstanding debt that remains uncollected and detect trends and potential compliance issues.

It is important to note that the categories in (1) through (3) are meant to clarify the numbers to be summed to calculate the "total number of California debtor accounts collected on in the preceding year." However, the annual report will not require a licensee to report as a separate number the amount for each category (1) through (3). The proposed rule strikes a balance between collecting data in the annual report that is essential to adequate Departmental supervision and protecting proprietary information of licensees.

The proposed rule also specifies that the total number of accounts is to be calculated for the preceding year. This is necessary so that the time period for the calculation is specific and uniform for all licensees.

Subdivision (e)

Subdivision (e) of section 1850.70 would clarify how to calculate "the total dollar amount of California debtor accounts purchased by a licensee in the preceding year." The DCLA requires the annual report to include this information.[14] However, it is unclear whether the calculation needs to include accounts that were resolved and no longer exist in the licensee's portfolio at year end, i.e., December 31. The proposed rule would define the term to mean the total amount owed by all California debtors on all California accounts purchased in the preceding year before any fees or other charges are added by the licensee. Thus, the proposed rule makes clear that this annual report item must include all amounts owed by all California debtors on all California accounts that were in the licensee's portfolio at any point during the preceding year irrespective of whether the accounts were settled, resolved, fully collected, or sold by year end.

[14] Fin. Code, § 100021, subd. (a)(2).

This is necessary to ensure that this annual report item captures all licensee collection activity over a 12-month period even if an account no longer exists in the licensee's portfolio on December 31 of any given year. If the proposed rule were to only require reporting of information about accounts that exist in a portfolio at year end, and for example, a licensee happened to resolve all its California accounts on December 30, the licensee would report zero dollars for that year, which would be an inaccurate representation of its collection activity over 12 months and defeat the purpose of the statutory reporting requirement. It is also helpful to compare the proposed rule for subdivision (e) with subdivision (f) below in which the latter is intended to be a snapshot of the licensee's portfolio at year end.

The proposed rule also would clarify that the total dollar amount must be calculated before any fees or other charges are added by the licensee. This is necessary because the annual report needs to accurately show the total amount of debt owed by California debtors. This figure would be artificially higher if licensees were able to add fees and charges. The State of California has an interest in understanding how much debt is owed by Californians.

Subdivision (f)

Subdivision (f) of section 1850.70 would clarify how to calculate the "face value dollar amount of California debtor accounts in the licensee's portfolio in the preceding year." The DCLA requires the annual report to include this information.[15] However, it is unclear which accounts need to be included in the calculation and how this provision is different from that which is required in subdivision (a)(2) of section 100021 of the Financial Code, i.e., "total dollar amount." The proposed rule would define the term to mean the face value dollar amount owed by all California debtors on all California accounts purchased in the preceding year before any fees or other charges are added by the licensee, regardless of when the accounts entered the portfolio.

Because the amount in subdivision (f) is meant to be a snapshot at a particular moment in time, the proposed rule clarifies that the amount must include all debt owed as of December 31, regardless of when the accounts entered the portfolio. This is necessary because, together with subdivision (e), it provides a complete picture of activity in a licensee's portfolio. Using the same example as described in subdivision (e) above, if a licensee happened to resolve all its California accounts on December 30, the licensee would report zero dollars for the face value dollar amount of California debtor accounts as of December 31.

The proposed rule also would clarify that the face dollar amount must be calculated before any fees or other charges are added by the licensee. This is necessary because the

[15] Fin. Code, § 100021, subd. (a)(3).

annual report needs to accurately show the total face value dollar amount of debt owed by California debtors. Furthermore, it is consistent with the statute which requires the "face value," which generally is amount of a debt obligation that is stated as payable in a debt document and does not include interest. It is therefore reasonable to also exclude fees and charges from the calculation of face value for annual report purposes.

Subdivision (g)

Subdivision (g) of section 1850.70 would require additional information to be included in the annual report. While the DCLA specifies certain information to be included in the annual report, it expressly states that those are only the minimum.[16] The proposed rule would require two other categories of information.

(1) The number of California debtor accounts in the licensee's portfolio as of December 31 of the preceding year.

This is necessary because it complements the information required in subdivision (f) of section 1850.70 of the proposed rule. That is, subdivision (f) requires the total face dollar amount owed by California debtors in the licensee's portfolio as of December 31 of the preceding year. Subdivision (g)(1) seeks information about the number of California accounts that owe that debt at the same moment in time (i.e., December 31). This is necessary so that the Department can identify trends in the collection industry and whether debt is concentrated in a small number of accounts or spread across many accounts. The paragraph further clarifies that if an account has more than one debtor, the account shall be counted as one California debtor account. This provision is necessary to provide guidance on how to count accounts with more than one debtor.

(2) The number of California debtors in the licensee's portfolio as of December 31 of the preceding year.

This is necessary because it complements the information required in subdivisions (f) and (g)(1) of section 1850.70 of the proposed rule. Subdivision (g)(2) seeks information about the number of California debtors that owe the debt reported in subdivision (f). Because a single California debtor can have multiple accounts, subdivision (g)(2) provides granular detail about whether individual Californians hold multiple debtor accounts. This is necessary so that the Department can better understand the collection industry and how much debt is owed by Californians. The paragraph further clarifies that if a California debtor account has more than one debtor, only one debtor shall be counted. This provision is necessary to provide guidance on how to count accounts with more than one debtor.

Subdivision (h)

[16] Fin. Code, § 100021, subd. (a).

Subdivision (h) of section 1850.70 would require the annual report to include the total number and dollar amount of California debtor accounts for which collection was attempted, but not successfully collected or resolved, during the preceding calendar year. "Not successfully collected or resolved" means that no payments were collected on an account.

This information is necessary because the Department would use data about unsuccessful attempts to identify high-risk or potentially noncompliant transactions. For example, if the data showed a high number of attempts, but no or very few associated payments, that could suggest the use of robocalling or harassment. The Rosenthal Fair Debt Collection Practices Act ("Rosenthal Act"), however, restricts certain practices, including "causing a telephone to ring repeatedly or continuously to annoy."[17,18] The Rosenthal Act also prohibits "communicating, by telephone or in person, with a debtor with such frequency as to be unreasonable, and to constitute harassment."[19]

The Department would be able to use aggregated data from annual reports to determine industry norms and average percentages of successful collection of payments to the number of contacts. The Department can compare individual licensee reported figures of unsuccessful collection attempts and the amounts actually collected to identify outliers and conduct an investigation, if needed.

The proposed rule also clarifies that the number called for in subdivision (h) does not need to include the California debtor accounts requested in subdivision (d), paragraphs (1) through (3). This is necessary because without this clarification there could be confusion as to whether the numbers required in subdivision (d) needed to be included in another part of the report.

The dollar amount must be calculated as of December 31 of the preceding year. This is necessary so that the time period for the calculation is specific and uniform for all licensees.

NON-DUPLICATION STANDARD [Title 1, California Code of Regulations, Section 12, Subdivision (b)(1)]

The proposed regulations duplicate state statutes which are cited as authority or reference for the proposed regulations. The duplication is necessary to satisfy the clarity standard of Government Code section 11349.1, subdivision (a)(3). Specifically, the proposed rules in sections 1850 and 1850.70 include language which repeats or

[17] Civ. Code, § 1788,11, subd. (d).
[18] DCLA licensees must comply with the Rosenthal Act. See Fin. Code, § 100001, subd. (b)(2).
[19] Civ. Code, § 1788,11, subd. (e).

rephrases in whole or in part state statutes for the purpose of helping licensees understand the rules or the Department's authority to adopt the rules.

BENEFITS ANTICIPATED FROM REGULATORY ACTION [Government Code Section 11346.2, Subdivision (b)(1)]

The benefits anticipated from this regulatory action include the following nonmonetary benefits to consumers: improved oversight of debt collectors by the Department through the information collected in the annual report and ability to fulfill its statutory mandate through assessments collected from debt collectors.

The regulatory action increases transparency in government and encourages public participation in adopting balanced regulations through compliance with California's administrative rulemaking requirements.

POTENTIAL FOR ADVERSE ECONOMIC IMPACT ON BUSINESS AND INDIVIDUALS [Government Code Section 11346.3, Subdivision (a)]

The Commissioner has determined that the proposed regulatory action will not have an adverse economic impact or potential for an adverse economic impact on business in this state.

ECONOMIC IMPACT ASSESSMENT [Government Code Section 11346.3, Subdivision (b)]

(A) The Creation or Elimination of Jobs Within the State.

The Commissioner has determined this regulatory proposal likely will not have a significant impact on the creation or elimination of jobs in California. The regulatory proposal does not provide economic or other incentives to create jobs. This regulatory proposal is intended to provide the requirements for completing annual reports for debt collector licensees and clarifying definitional terms in the law.

The Commissioner does not anticipate this rulemaking will eliminate jobs because it does not prohibit debt collectors from engaging in any lawful activities that they are permitted to engage in.

(B) The Creation of New Businesses or the Elimination of Existing Businesses Within the State.

The Commissioner has determined this regulatory proposal likely will not have a significant impact on the creation of new businesses or the elimination of existing businesses in California. The rulemaking action balances the regulatory requirements

against the benefits of public protection. Based on the Commissioner's assessment, the action does not burden businesses to the extent of eliminating them.

(C) The Expansion of Businesses Currently Doing Business Within the State.

The Commissioner has determined this regulatory proposal likely will not result in the expansion of businesses currently doing business within the state. The regulatory proposal does not provide economic or other incentives to create jobs or expand business. The persons who are subject to licensure already engage in debt collection activities in California and this regulatory proposal is intended to provide the requirements for completing annual reports for debt collector licensees and clarifying definitional terms in the law.

(D) The Benefits of the Regulations to the Health and Welfare of California Residents, Worker Safety and the State's Environment.

The Commissioner has determined this regulatory proposal may benefit the health and welfare of California consumers by requiring debt collectors to report certain information so that the Commissioner can adequately supervise licensees and ensure compliance with the law. This would mean that licensees would conduct their debt collection activity appropriately, and California consumers should not be subject to unfair practices. The regulatory proposal will not benefit worker safety or California's environment.

(E) Finding Regarding Reports.

The Commissioner finds it is necessary for the health, safety, or welfare of the people of the state that the reporting required by this rulemaking action apply to businesses. (Gov. Code, § 11346.3, subd. (d).)

TECHNICAL, THEORETICAL AND/OR EMPIRICAL STUDIES, REPORTS OR DOCUMENTS [Government Code Section 11346.2, Subdivision (b)(3)]

The Commissioner relied upon legislative committee analyses for Senate Bill 908 and the information provided by interested parties and parties who would be subject to the proposed regulations and obtained during public discussions regarding the proposed regulations.

Information from interested parties include letters from the following individuals, organizations, and coalitions:

- Advanced Property Management, dated August 10, 2022
- Ali Ammar, dated August 30, 2020
- Alssim, dated August 30, 2022
- American and California Financial Services Association, dated August 29, 2022

- ArentFox Schiff LLP, dated August 29, 2022
- Associated Project Services, dated August 10, 2022
- Association of Independent California Colleges and Universities, dated August 29, 2022
- Baywood Village Homeowners' Association, dated August 15, 2022
- Brittany Landing Bay, dated August 18, 2022
- Buckley LLP, dated August 29, 2022
- California & Nevada Credit Union Leagues, dated August 26, 2022
- California Financial Service Providers, dated August 29, 2022
- California Hospital Association, dated July 25, 2022
- Common Interest Management Services, dated August 10, 2022
- Consumer Federation of California, dated August 29, 2022
- Consumer Relations Consortium, dated August 29, 2022
- Ctia, dated August 29, 2022
- CYA Property Management, dated August 10, 2022
- Desmond & Desmond LLC, dated August 29, 2022
- Electronic Transactions Association, dated August 29, 2022
- Fresenius Medical Care North America, dated August 29, 2022
- Headlands Homeowner's Association Board, dated August 15, 2022
- Hefner Law (California Association of Collectors, Inc.), dated August 29, 2022
- Hidden Valley Lake Association, dated August 10, 2022
- Hinshaw & Culbertson LLP, dated August 26, 2022
- HOA Quality Management LLC, dated August 24, 2022
- Homeowner Association Services, dated August 29, 2022
- Lake Don Pedro Owners Association, dated August 17, 2022
- Law Offices of Keith Levey, dated July 19, 2022
- Midland Credit Management, dated August 29, 2022
- Modern Community Management, dated August 10, 2022
- National Association of College and University, dated August 29, 2022
- Pacific Gas and Electric Company, dated August 29, 2022
- PayPal, dated August 29, 2022
- Seabreeze Management Company, dated August 10, 2022
- Seastrand Owner's Association, dated August 13, 2022
- The Manor Association, dated August 15, 2022
- Toyer, dated August 30, 2022
- Unifund, dated August 29, 2022
- University of California, dated August 3, 2022
- Upgrade, Inc., dated August 29, 2022
- Valle Vista Management Circle, dated August 11, 2022

The documents are available and on file with the Department. The Commissioner did not rely on any other technical, theoretical, or empirical study, report, or other similar document in proposing this regulatory action.

REASONABLE ALTERNATIVES AND REASONS FOR REJECTING THOSE ALTERNATIVES [Government Code Section 11346.2, Subdivision (b)(4)(A)]

The Department has involved parties who would be subject to the proposed regulations in accordance with Government Code section 11346.45 and has incorporated suggestions on the proposed regulations that are less burdensome and equally effective at achieving the purpose of the proposed regulations. The Department is not aware of any reasonable alternatives that would be equally effective at achieving the purpose of the proposed regulations.

REASONABLE ALTERNATIVES THAT WOULD LESSEN ANY ADVERSE IMPACT ON SMALL BUSINESSES AND REASONS FOR REJECTING THOSE ALTERNATIVES [Government Code Section 11346.2, Subdivision (b)(4)(B)]

No reasonable alternative considered by the Commissioner, or that have otherwise been identified and brought to the attention of the Commissioner, would be as effective and less burdensome to affected private persons, or would lessen any adverse impact on small businesses.

FACTS, EVIDENCE, DOCUMENTS, TESTIMONY OR OTHER EVIDENCE RELIED ON BY AGENCY [Government Code Section 11346.2, Subdivision (b)(5)(A)]

The Commissioner relied on the legislative committee analyses of Senate Bill 908 and the letters identified above to support the initial determination that the rulemaking action will not have a significant adverse economic impact on business. The Commissioner has not relied on any other facts, evidence, documents, or testimony in reaching that determination.