

- a) There is a court-adjudicated violation of the Rosenthal Fair Debt Collection Practices Act or the Fair Debt Buying Practices Act.
 - b) The licensee has had a debt collector license suspended or revoked in another state.
 - c) There is a concern identified in a remote examination.
- 2) Requires DFPI to adopt a regulation determining the frequency of examinations.
 - 3) Authorizes DFPI to reduce the frequency or scope of an examination if the DFPI can obtain the results of a recent independent third-party audit or examination of the licensee that the DFPI finds to be of suitable quality and reliability, as specified.
 - 4) Requires DFPI to conduct an examination at each location operated by a licensee unless the operations are centralized or there are other factors acceptable to DFPI.
 - 5) Changes the Debt Collection Advisory Committee to the Debt Collection Advisory Board. Requires DFPI to request the advice of the Board before the initial publication or adoption of fee schedules or a proposed regulation, unless DFPI is engaging in emergency rulemaking. Exempts the Board from the Bagley-Keene Open Meeting Act “due to the unique nature of the matters dealt with” by the Board.

COMMENTS

1) *Purpose*

According to the author, the bill is “designed to help mitigate the costs associated with examinations which are disproportionately impacting small businesses. Additionally, the Debt Collection Advisory Committee has not been able to operate as intended in the 2020 law. The law directs the Commissioner to obtain the feedback of the committee prior to any rulemaking and implementation of any fees, but due to being deemed a public meeting, such advice and input has been after the rule and fee have been developed and the date for public comment has passed.”

2) *Background*

In 2020 California enacted the Debt Collector Licensing Act (Wieckowski, Chapter 163, Statutes of 2020), starting the lengthy process for DFPI to implement the law (“the DCLA”). The sponsor of this bill, the California Association of Collectors (CAC), supported SB 908, telling the legislature that the bill “provides consumer protection and state oversight that is not overly burdensome or unreasonably costly for businesses, especially small businesses.”¹ The Receivables Management Association International (RMAI) also supported SB 908, touting the bill’s modern approach to licensing and that RMAI expected the bill would become the template for other states to adopt.² Note that the versions of SB 908 supported by CAC and RMAI had a fiscal estimate from the Assembly Appropriations Committee that SB 908 would “generate significant costs...possibly in excess of \$10 million each year” and that the program would “be self-funded through license fees and assessments.”³ In other words,

¹ Floor Alert regarding SB 908 from CAC, dated August 25, 2020.

² Support letter regarding SB908 from RMAI, dated August 7, 2020.

³ Assembly Appropriations Committee analysis of SB 908, dated August 18, 2020.

the expected costs of the program and how those costs would be recovered were known and publicly communicated prior to the enactment of the bill.

The following year, the Governor's budget included an initial funding plan to implement the DCLA. In the spring of 2021, CAC reported the following to its members:

CAC has made the case that the number of anticipated staff members to administer the licensing program is overstated. The DFPI predicts as many as 7,000 licensees and CAC and others peg this number as closer to 2,000 to 2,500. The ultimate number of licensees is important since the annual cost of administering the licensing program is passed through to the licensees in an annual assessment.⁴

In the summer of 2021, CAC touted that it "was successful in getting [DFPI] to recalculate the estimated number of licensees which might have impacted the licensing fee."⁵ The 2021-22 budget adopted by the Legislature and Governor included a \$10.2 million appropriation for the debt collector program. The final budget reflected a reduction in positions for the DCLA program to 51 positions by the 2023-24 budget year, compared to 90 positions as initially requested in the Governor's January budget.⁶

In 2024 the Governor sought continued expenditure authority of \$11.75 million annually for two additional fiscal years to support the 51 positions associated with the DCLA program. Committee staff reviewed archived video of budget subcommittee hearings held in the Senate and Assembly of the proposal; no witnesses spoke in opposition to the continuation of this funding.

As mentioned above, DFPI recovers the costs of licensing programs through licensing fees and assessments. Due to a variety of implementation delays, the first annual assessments were not levied on licensees until late 2025. As enacted by the Legislature and Governor, the DCLA assessments are calculated *pro rata* based on the licensee's net proceeds for debt collection activities, related to the total net proceeds of all licensees. This means that large licensees pay more than small licensees, based on a metric that approximates the income generated by debt collection activities. This assessment model is common for licensing laws administered by DFPI with banks, credit unions, nondepository lenders, student loan servicers, and independent mortgage companies all subject to a similar assessment methodology as debt collectors.

CAC and RMAI are now complaining about the cost of the program, after six years of advocating for the enactment of the DCLA, tracking the implementation of the program, and commenting on the budget to implement the DCLA.⁷ Over those six years, the expected cost of the program has not deviated substantially from the Appropriations Committee estimate in 2020, nor has the mechanism of *pro rata* apportionment of the annual assessments changed. Despite the use of *pro rata* apportionment for decades across other licensing laws administered by DFPI, RMAI and the national trade association for debt collectors, ACA International, filed a lawsuit in April 2026 against the DFPI, claiming that the assessments

⁴ <https://www.calcollectors.net/collectors-ink/2021/03/01/2021-spring/>, accessed on April 12, 2026.

⁵ <https://www.calcollectors.net/collectors-ink/2021/06/01/2021-summer/>, accessed on April 12, 2026.

⁶ https://bcp.dof.ca.gov/2122/FY2122_ORG1701_BCP4627.pdf

⁷ See, e.g., the comments from representatives of these organizations at the March 12, 2026, hearing of the Senate Budget and Fiscal Review Subcommittee No. 4 on State Administration and General Government, during which the committee heard an item related to a request for continued funding for the DCLA program.

are an illegal tax. After years of engagement on the DCLA and after claiming victory in convincing DFPI to right-size the program, the collections industry has resorted to suing over the implementation of a statute that the industry supported enacting in the first place.

This bill, as amended on March 23, 2026, was part of the collections industry's strategy to reduce the cost of the DCLA program. Upon hearing concerns from Committee staff that the bill focused on matters in the jurisdiction of the Budget Committee, the author agreed to amendments to reduce the scope of the bill to its current version, which went into print on April 8, 2026. This narrower version focuses on changes to examinations and the advisory committee, as discussed in the following comment.

3) *Intent may not be realized*

Per the author, the intent of this bill is to help mitigate the cost of examinations under the DCLA program. Based on conversations between Committee staff and DFPI, the requirement to move examinations to fully remote via videoconferencing may actually increase costs to licensees. In the department's experience, examinations conclude more efficiently when examiners meet in-person with a licensee's management and employees. When conducting remote examinations, DFPI has experienced significant delays in licensees' responding to requests for information. These delays have led to referrals to DFPI enforcement attorneys to issue legal demand letters – increasing workload hours and costs incurred by the department.

DFPI further expounded on operational hindrances that would disrupt full-scope exams. For example, during a full-scope examination, DFPI staff sits alongside a licensee's employee to listen to interactions between the collector and debtor to evaluate compliance with fair debt collection practices laws. To date, no licensee has provided DFPI with the capability to remotely conduct live call monitoring.

Not only is the provision related to remote examinations potentially misdirected, but the proposed change to the advisory committee is also problematic. The current committee is subject to Bagley-Keene open meeting requirements. As proposed to be amended, the analogous board is exempted from Bagley-Keene. Paired with the requirement to notify the board of potential regulations, this bill may put DFPI in a position of either not complying with this bill or violating the department's duties under the Administrative Procedure Act by seeking nonpublic input on a rule before it is formally proposed. This provision subjects DFPI to heightened risk of litigation related to rulemaking, which would create increased costs that would be recoverable against licensees.

4) *Arguments in Support*

The California Association of Collectors writes, as sponsor, that the proposed change to move examinations to videoconferencing and to allow for the waiver of examinations in certain cases “will reduce duplicative efforts and lower compliance costs while maintaining strong oversight.” The change in structure of the advisory committee enables “more timely consultation prior to rulemaking, ensuring stakeholder input is incorporated effectively.”

LIST OF REGISTERED SUPPORT/OPPOSITION

Support

California Association of Collectors (sponsor)

Opposition

None received

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