
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

SB 1131 (Jones) - Debt collection

Version: April 8, 2026

Urgency: No

Hearing Date: April 27, 2026

Policy Vote: B. & F.I. 7 - 0

Mandate: No

Consultant: Janelle Miyashiro

Bill Summary: SB 1131 requires the Department of Financial Protection and Innovation (DFPI) to conduct all examinations of a debt collector licensee using video technology, unless a specified condition is satisfied for the use of an onsite examination. SB 1131 also requires DFPI to request the advice of the Debt Collection Advisory Board (Board) before the initial publication or adoption of fee schedules or a proposed regulation and exempts the Board from the Bagley-Keene Open Meeting Act.

Fiscal Impact: Unknown, significant fiscal impact to DFPI, ranging in the low hundreds of thousands of dollars (Financial Protection Fund). DFPI anticipates that shifting from on-site to remote examinations will likely increase its costs to administer the program and necessitate additional staff resources. The department notes that remote exams often face delays in communication, file sharing, and accountability. These inefficiencies are anticipated to increase the time required for each exam, which would reduce the total number of exams that may be completed annually. Consequently, DFPI may require additional staff to maintain current examination levels.

Staff notes that DFPI's activities are funded by regulatory and license fees. To the extent any additional examination or enforcement workload is not absorbable, the subsequent cost pressures would impact DFPI's operating budget and potentially require an increase in license fees.

Background: SB 908 (Wieckowski, Chapter 163, Statutes of 2020) established the Debt Collector Licensing Act (DCLA). Generally, debt collection encompasses any act or practice related to collecting consumer debt. The DCLA defines a debt collector as any person who regularly engages in debt collection, on their own behalf or for others. This definition also includes persons who compose and sell debt collection media, such as forms and letters. Under the DCLA, the term "debt collector" extends to debt buyers and their affiliates. A debt buyer is an entity regularly engaged in purchasing charged-off consumer debt for collection, whether it pursues the debt directly, utilizes a third party, or retains legal counsel for litigation.

The DCLA exempts several entities from licensure, including depository institutions (such as FDIC-insured banks and credit unions), DFPI-licensed finance lenders and brokers, and DFPI-licensed mortgage lenders and servicers. Additional exemptions apply to Department of Real Estate-licensed agents, persons subject to the Karnette Rental-Purchase Act, trustees for nonjudicial foreclosures, and debt collectors regulated under the Student Loan Servicing Act.

Proposed Law:

- Requires DFPI to conduct all examinations without a site visit to the business office of a debt collector licensee by using video technology unless any of the following conditions is met:
 - There is a court-adjudicated violation of the Rosenthal Fair Debt Collection Practices Act or the Fair Debt Buying Practices Act.
 - The licensee has had a debt collector license suspended or revoked in another state.
 - There is a concern identified in a remote examination.
 - Requires DFPI to adopt a regulation determining the frequency of examinations.
- 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.
- 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.
- 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.

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