Date of Hearing: June 22, 2026

ASSEMBLY COMMITTEE ON BANKING AND FINANCE
Avelino Valencia, Chair
SB 546 (Grayson) – As Amended June 11, 2026

SENATE VOTE: 39-0

SUBJECT: Collection Licensing Act: exceptions: billing agents

SUMMARY: This bill proposes to exempt third-party intermediaries engaged in certain administrative acts of billing from the Debt Collection Licensing Act (DCLA).

Specifically, **this bill**:

1) Proposes that a billing agent who calculates, allocates and delivers consolidated statements for rent utility services, ancillary property services, amenities, or contractually authorized administrative billing fees arising from a residential or commercial tenancy, provided that the billing agent does not purchase, take assignment of, or independently enforce the underlying obligation is not subject to the DCLA.

2) Specifies acts that disqualify a billing agent from the proposed exemption.

EXISTING LAW:

1) Establishes the DCLA which prohibits any person from engaging in the business of debt collection without first obtaining a license from the Department of Financial Protection and Innovation (DFPI). Financial Code (Fin.Code) Section 100001(a).

2) Applies the licensing requirement to persons located in the state and collecting debts both in and out of the state, as well as persons out of the state collecting debts in the state. Fin. Code Section 10000(a).

3) Exempts specified licensees or entities regulated by the DFPI under a different provision of the law. Fin.Code Section 100001(b)(1).

4) Defines "debt collector" to mean any person who, in the ordinary course of business, regularly, on the person's own behalf or on behalf of others, engages in debt collection. The term includes any person who composes and sells, or offers to compose and sell, forms, letters and other collection media used or intended to be used for debt collection. Fin.Code Section 100002(j) and California Civil Code (Civ.Code) 1788.2(c).

1) Defines "Consumer debt" or "consumer credit" to mean money, property, or their equivalent, due or owing, or alleged to be due or owing, from a natural person by reason of a consumer credit transaction. The term "consumer debt" includes a mortgage debt. Fin.Code Section 100002(f) and Civ.Code Section 1788.2(f).

2) Defines "Consumer credit transaction" to mean a transaction between a natural person and another person in which property, services, or money is acquired on credit by that

natural person from the other person primarily for personal, family, or household purposes. Fin.Code Section 100002(e) and Civ.Code Section 1788.2(e).

3) Defines "debt" to mean money, property, or their equivalent that is due or owing or alleged to be due or owing from a natural person to another person. Fin.Code Section 100002(h) and Civ.Code Section 1788.2(d).

4) Provides detailed requirements for conduct and communication regarding the collection of covered debt in the Rosenthal Fair Debt Collections Practices Act (RFDCA). Civ.Code Section 1788 et seq.

5) Permits an affected person to make a claim for statutory damages, and reasonable attorney's fees and costs for violations of the RFDCPA. Civ.Code Sections 1788.30-1788.33.

6) Requires the Commissioner of the DFPI (Commissioner) to conduct examinations of licensees as often as deemed necessary, for compliance. Civ.Code Sections 100023.

7) Requires the costs of each examination of a licensee to be paid by the licensee. Civ.Code Sections 100023(e)

FISCAL EFFECT: Unknown. This bill is keyed Fiscal by Legislative Counsel.

COMMENTS:

1) Purpose

According to the Author

SB 546 clarifies existing law to ensure that third party billing administrators are not "debt collectors" under California's Debt Collection Licensing Act (DCLA) when they are engaged solely in administrative billing services for utility and related property charges. Third-party billing administrators facilitate calculation, allocation, and transmission of lawful and required charges to tenants and residents on behalf of property owners. They are only billing administrators and do not engage in any debt collection activity. Their role is similar to bookkeeping, accounting, or billing administration—not debt collection.

The bill remains consistent with the original legislative intent of the DCLA, which was to regulate entities engaged in the business of collecting overdue debts resulting from consumer credit transactions, where goods and services are procured on credit, through loans, retail credit cards, and the like. It maintains existing consumers protections and further strengthens them by specifically prohibiting numerous threatening or coercive collection activities that exempt billing administrators cannot engage in.

2) Background

a) What is consumer debt

In California, consumer debt is based on a credit transaction for the purposes of personal, family or household use. It has been well established that "on credit" in Rosenthal Fair Debt Collection Practices Act's definition of a "consumer credit transaction" indicates obtaining something of value without immediate payment on the promise to make a payment or payments in the future, not payment method.[1] Thus, rental payments, which are made at the beginning of the term of occupancy, are not subject to the RFDCPA because it is not paid on credit. However, utilities, which are paid for after usage, are considered "on credit" and therefore subject to the RFDCPA.

In the same vein, federal financial regulators removed certain exemptions for public utilities from rules implementing the Equal Credit Opportunity Act in 2003 and generally describe utility bills as a type of credit in some educational materials today[2] because billing after the fact for products and services already delivered can constitute credit.

b) Who is a debt collector

In California, a debt collector is defined as any person who: 1) in the ordinary course of business, regularly, 2) on the person's own behalf or on behalf of others, 3) engages in debt collection. The term includes any person who composes and sells, or offers to compose and sell, forms, letters and other collection media used or intended to be used for debt collection.[3] This means in addition to third party debt collectors, original creditors, and those they engage on their behalf, are considered debt collectors if debt collection is an ordinary part of their business.

c) Debt Collector Licensing Act

SB 908 (2020) established the DCLA, which became effective January 1, 2022. According to the bill's author, the original intent of the DCLA was the following:

> "Americans held more than $13 trillion in debt even before the COVID 19 outbreak and wages were not keeping up with the cost of living. As unemployment soars, families will be forced to make agonizing decisions which will undoubtedly include burdening themselves with more debt, SB 908 is needed to ensure existing debt collection law is followed because without it, bad actors will seize the opportunity to prey on desperate and vulnerable Californians."[4]

Immediately following enactment, the DFPI has issued invitations for comment on proposed rulemaking and continues to do so in defining the scope of licensees. In the first round related to scope in 2022, PG&E submitted a comment[5] proposing to exclude utilities from the definition of "Consumer Credit Transaction" but made no further comment during the two subsequent rounds.

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[1] Davidson v. Seterus, Inc. (2018) 21 Cal.App.5th 283, 296

[2] https://consumer.ftc.gov/articles/getting-utility-services-why-your-credit-matters Last accessed 6/20/2026

[3] Fin.Code Section 100002(j) and California Civil Code (Civ.Code) 1788.2(c)

[4] See analysis of Assembly Banking and Finance on SB 908, as heard on August 12, 2020.

[5] https://dfpi.ca.gov/wp-content/uploads/sites/337/2022/10/PRO-05-21-Pacific-Gas-and-Electric-Company.pdf Last visited 6/20/2026

Throughout the rulemaking, one amendment to scope that has been offered and modified over the last four years is the following, (in its most recent form):

"*A person collecting debt arising from a consumer credit transaction that meets the following requirements is not required to be licensed under the Debt Collection Licensing Act:...*

(e) A person solely servicing debts that are less than 90 days past due and have not been charged off is not required to be licensed under the Debt Collection Licensing Act.

(1) For purposes of this subdivision and subdivision (d), a debt is 90 days past due when at least one payment has not been fully paid within 90 days of the date that the payment was originally scheduled to be paid on the debt.

(2) A person is not exempt under this subdivision if the person engages in any of the following practices during the first 90 days after a debt has become past due:

(A) Reports negative payment performance to a credit reporting agency;

(B) Seizes or impair use of collateral; or

(C) contacts debtor's friends, family, or employer because of their relationship with the debtor."[6]

Comment for this proposed rulemaking ended on December 12, 2025, to date, a final rule has not been released. Eight letters were received, with only four letters touching on this issue.[7] None of these letters provided support for the language; two letters[8] opined on the need for clarification, one letter[9] disagreed with the premise for exemption, and the last[10] pointed out that any servicers acting in its own name for an original creditor should be treated like a debt collector pursuant to the federal Fair Debt Collection Practices Act. No comment was received from any licensee to whom this bill would apply, including those currently licensed under the DCLA.

3) Debt collection is a prevalent source of consumer complaints

Debt collection practices consistently remain a top complaint from consumers. In the year 2025 alone, the Consumer Financial Protection Bureau (CFPB) received 387,400 debt collection

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[6] PRO 5/21 Third Draft Text. https://dfpi.ca.gov/wp-content/uploads/2025/10/PRO-05-21-TEXT-DCLA-3rd-Prefiling.pdf Last visited 6/20/2026.

[7]https://dfpi.ca.gov/rules-enforcement/laws-and-regulations/laws-and-regulations-debt-collection-licensing-act/comments-on-pro-05-21-debt-collection-regulations-scope-annual-reports-and-bond-third-draft/ Last visited 6/20/2026

[8] See AFSA, American Financial Services Association letter dated 12/12/2025 https://dfpi.ca.gov/wp-content/uploads/2026/01/PRO-05-21-American-Financial-Services-Association_Redacted.pdf and See Law Office of Paul Soter letter dated 12/12/2025 https://dfpi.ca.gov/wp-content/uploads/2026/01/PRO-05-21-Law-Offices-of-Paul-Soter.pdf.

[9] See CAC, California Association of Collectors letter dated 12/16/2025. https://dfpi.ca.gov/wp-content/uploads/2026/01/PRO-05-21-California-Association-of-Colectors-Inc.pdf

[10] See CFC, Consumer Federation of California letter dated 12/12/2025. https://dfpi.ca.gov/wp-content/uploads/2026/01/PRO-05-21-Consumer-Federation-of-California.pdf

complaints.[11] This is an 86% increase from 207,800 in only the year prior.[12] Complaints about debts consumers did not recognize (*I do not know*) increased 240%, while complaints about "Other debt" increased 111%, compared to the monthly average for the prior two years. Consumers also identify the issue that best describes the problem they experienced was *Attempts to collect debt not owed*. The report noted that has been the predominant issue selected by consumers since the CFPB began accepting debt collection complaints in 2013.

Studies suggest that 20% of collections items in nationwide consumer reporting agencies' files come from utility and telecom debts, making them collectively the second-largest category behind medical debts.[13] As many as 90% of adults with annual household incomes of at least $25,000 have at least one utility or telecom account in their name.[14]

Unlawful collection practices compromise the economic stability of consumers in various ways. Primarily, individuals misled into paying an amount not owed suffer immediate financial loss, which impacts their ability to purchase basic living necessities. Inaccurate reporting by these entities can severely damage credit profiles. Beyond fiscal impacts, the psychological burden of aggressive collection efforts often results in significant mental or physical health distress.[15]

4) What this bill does

This bill proposes to exempt "billing agents" for rent and utilities services from the DCLA reasoning that these services are merely administrative passthrough services on behalf of utilities companies. The bill does not define the term "billing agent" but describes the services traditionally associated with a servicer (also referenced in the DCLA proposed rulemaking in Comment #2).

The bill also provides a list of eight activities commonly associated with debt collection that would preclude a billing agent from qualifying for an exemption under this bill. These common activities are part of, but not an inclusive list of debt collector responsibilities under the RFDPCA.

The legal effect of this bill is the exemption from licensing requirements with the DFPI. This will alleviate the need for annual fees, assessments, reporting, and background checks by these licensees.[16] Currently, there are exemptions for depository institutions such as FDIC-insured

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[11] "Consumer Response Annual Report 2025", CFPB, pg. 20 https://files.consumerfinance.gov/f/documents/cfpb_2025-cr-annual-report_2026-03.pdf

[12] "Consumer Response Annual Report 2024", CFPB, pg. 24 https://files.consumerfinance.gov/f/documents/cfpb_cr-annual-report_2025-05.pdf

[13] Thompson Cochran, Kelly, et al. "Utility, Telecommunications, and Rental Data in Underwriting Credit", The Urban Institute and FinReg Lab (December 2021) pg. 10. https://www.urban.org/sites/default/files/publication/105282/utility-telecommunications-and-rental-data-in-underwriting-credit_1.pdf

[14] *Id.* at 12.

[15] "The Impacts of Individual and Household Debt on Health and Well-Being" American Public Health Association, (October 25, 2021) Last accessed 6/20/2026 https://www.apha.org/policy-and-advocacy/public-health-policy-briefs/policy-database/2022/01/07/the-impacts-of-individual-and-household-debt-on-health-and-well-being

[16] The construction of this bill suggests that "billing agents" are licensees because one cannot be exempt from a law to which it was never subject. Upon examination of licensed debt collectors under the DCLA and the Nationwide Multistate Licensing System (NMLS), the sponsor of this bill, Conservice is licensed under the DCLA and in 8 other states with similar applicable requirements.

banks, credit unions, DFPI-licensed finance lenders and brokers, DFPI-licensed mortgage lenders and servicers, Department of Real Estate licensed agents, persons subject to the Karnette Rental-Purchase Act, a trustee for a nonjudicial foreclosure, and debt collections regulated under the Student Loan Servicing Act. However, all of these exempted entities are licensed or have registration requirements under a dedicated code section with DFPI unlawful, unfair, deceptive, or abusive acts or practices (UDAAP) enforcement authority.[17] Billing agents, as described, will be the first licensee with no other licensing or registration requirement to receive an exemption to the DCLA leaving open the question of DFPI enforcement authority.

5) RFDCPA Rights

This bill does not absolve any responsibilities by any actors that may be subject to the RFDCPA regardless of DCLA scope. While definitions from the DCLA are based off the definitions found in the RFDCPA, the code sections are independent. This allows consumers who may be harmed by an exempted billing agent to pursue an RFDCPA claim in a civil action. The issue of private versus public enforcement was well-contemplated in this Committee's analysis for SB 908 (2020):

> "The state Rosenthal Act provides a private right of action for harmed consumers, but the available remedies may be insufficient to incentivize attorneys to take on cases. The Public Law Center (PLC) is a non-profit legal servicers organization that serves low-income clients in Orange County. Writing in support of the bill, PLC notes the following:
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> While California has had laws on the books requiring fair debt collection practices since 1977, our laws do little to stem the bad behavior they prohibit. This is because the law requires the consumer to sue the debt collection company. In other words, a consumer who has been harassed, threatened, misled, ripped off, or wrongfully accused of owing a debt, must seek to enforce the law herself.
>
> Most consumers do not have the means to vindicate their rights under the law. Even for the few who could afford a lawyer, it isn't financially worth the time and cost it takes to bring a lawsuit against a collection agency who violated their consumer rights by collecting against the wrong person, attempting to collect on a debt already paid, inflating the amount of money owed, or misrepresenting why they were repeatedly calling. So, consumers never bother to sue or they give up."

6) Other Considerations

The DCLA is industry funded through fees and pro-rata assessments on the licensees it oversees. Consumers can still report complaints to the DFPI for licensed and unlicensed financial services providers. Creating a loophole for a licensee that is otherwise not subject to regulations may exacerbate cost pressures on the Department and the remaining licensees.

Language in the activities that prohibit a licensee from qualifying from the exemption contain the subjective terms "threatening" and "demand" which are unusual and may require further rulemaking.

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[17] See SB 825 (Límon, 2025).

A third-party billing company can create confusion for people who did not engage their services. Federal Trade Commission data show that consumers reported losing $3.5 billion dollars in imposter scams in 2025 alone, with $920 million to government impersonators.[18] The DCLA requires licensees to provide their license number in every written and verbal communication, in part, to allow consumers to verify that the bill or collection letter is not a scam.

REGISTERED SUPPORT / OPPOSITION:

Support

None received.
Last verified 6/20/2026

Opposition

None received.
Last verified 6/20/2026

Analysis Prepared by: Desiree Nguyen Orth / B. & F. / (916) 319-3081

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[18] https://www.ftc.gov/news-events/news/press-releases/2026/06/ftc-data-show-people-reported-losing-3-point-5-billion-imposter-scams-2025 Last accessed 6/20/2026.