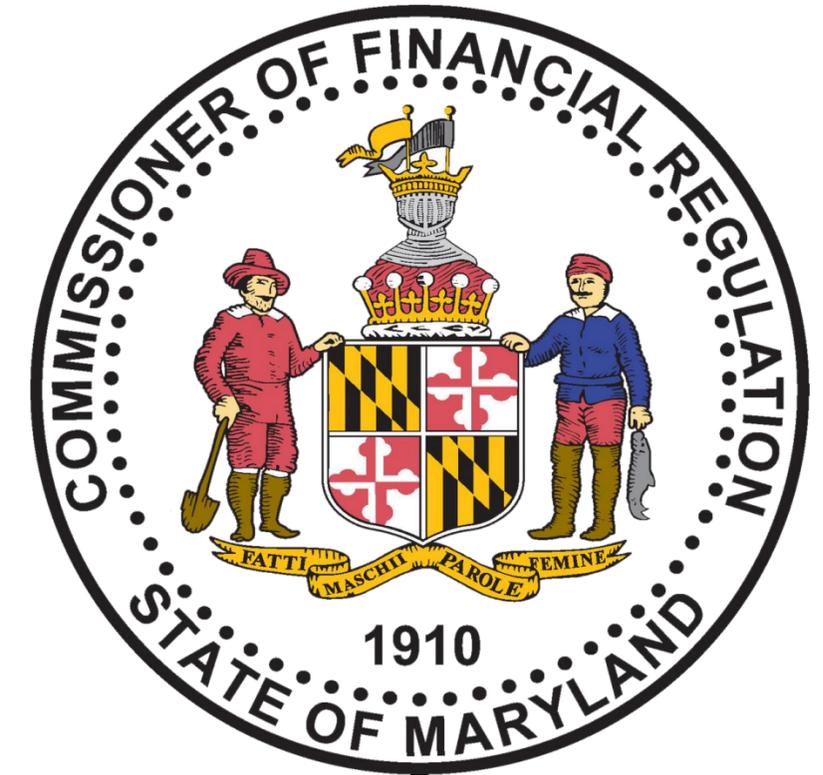


# OFFICE OF THE COMMISSIONER OF FINANCIAL REGULATION



- ✓ Licensing Information
- ✓ Compliance & Monitoring
- ✓ Consumer Complaints
- ✓ Enforcement Highlights
- ✓ Question & Answer

## Maryland Collection Agency Info Session - Regulatory Updates

October 26, 2021



# Licensing Information

Betty Yates,  
Assistant Director of  
Licensing

## STATE COLLECTION AGENCY LICENSING BOARD (THE “BOARD”)

- Responsible for the licensing and supervision of collection agencies operating in Maryland
- The Board consists of five members:
  - The Commissioner, as Chair; and
  - Four appointed members
    - Two members representing collection agencies
    - Two consumer members
- Information about the Board is available online at [www.labor.maryland.gov/finance/collagboard.shtml](http://www.labor.maryland.gov/finance/collagboard.shtml)



# Licensing Information

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## SCOPE OF LICENSE

- Common ownership – direct or indirect ownership of more than 50% of a person.
- Principal business – a business activity of a person that comprises more than 50% of the total business activities of the person.



# Licensing Information

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Licensing

## WHO NEEDS TO BE LICENSED?

A person who engages directly or indirectly in the business of:

- Collecting for, or soliciting from another, a consumer claim (regardless of the status of the claim, i.e. does not need to be in default); or
- Collecting a consumer claim the person owns, if the claim was in default when the person acquired it;
- Collecting a consumer claim the person owns, using a name or other artifice that indicates that another party is attempting to collect the consumer claim.



# Licensing Information

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## WHO NEEDS TO BE LICENSED?

A person who engages directly or indirectly in the business of:

*(continued)*

- Giving, selling, attempting to give or sell to another, or using, for collection of a consumer claim, a series or system of forms or letters that indicates directly or indirectly that a person other than the owner is asserting the consumer claim.
- Employing the services of an individual or business to solicit or sell a collection system to be used for collection of a consumer claim.



# Licensing Information

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## QUALIFICATIONS TO BE LICENSED

An applicant shall satisfy the Board that the applicant is of good moral character and has sufficient financial responsibility, business experience, and general fitness to:

- Engage in business as a collection agency;
- Warrant the belief that the business will be conducted lawfully, honestly, fairly, and efficiently; and
- Command the confidence of the public.

The Board may deny an application for a license to any person who:

- Has committed any act that would be a ground for reprimand, suspension, or revocation of a license under this subtitle; or
- Otherwise fails to meet the requirements for licensure.



# Licensing Information

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## PREPARING FOR LICENSE RENEWAL

- OCFR requires a licensee to renew their current license annually.
- The 2022 Renewal Period will start November 1, 2021 and end at midnight ET on December 31, 2021 and renewal application and fees are paid through the NMLS.
- If a renewal request is submitted within the renewal period, but not approved by December 31st, the licensee is authorized to conduct business after January 1st while awaiting a status of the renewal request.

NOTE: The above is true as long as the renewal application is filed two weeks prior to expiration, or you will need to cease operations after January 1 until the Office takes action on the renewal application.

# PREPARING FOR LICENSE RENEWAL (CONT'D)

Task	Action
✓ Ensure company and branch records are up-to-date	✓ Submit any amendments via a filing under the Filing tab as needed.
✓ Confirm licenses are in statuses eligible for renewal	✓ Review the State License/Registration List under the Composite View tab.
✓ Address any outstanding license items	✓ View the License Item List under the Tasks tab or the entity dashboard and take the necessary action(s).
✓ Review agency-specific Renewal requirements	✓ Review the Streamlined Annual Renewals page of the NMLS Resource Center.
✓ Run the Renewal Activity Reports to determine whether a regulator is preventing renewal	✓ Run the Renewal Activity Report for Company/Branch under the Renewal tab.





# Licensing Information

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## RENEWAL REQUIREMENT ITEMS

- **License Deficiencies:** All license item deficiencies that are past due must be cleared prior to the company attesting and submitting a 2022 renewal request.
- **Maryland Good Standing Status:** Licensee must be in good standing with the Maryland Department of Assessment and Taxation.

## ADDITIONAL INFORMATION FOR LICENSEES

- **Surety Bond:** With an application for a new license, an applicant shall file a surety bond with the Board
- **Work-From-Home Regulations:** Governs the conduct of any employee operating from a location other than that which appears on the employer's license or licenses.



## MARYLAND CONSUMER DEBT PROTECTION ACT

VS.

## FAIR DEBT COLLECTION PRACTICES ACT

- While FDCPA generally applies to third-party debt collectors, MCDPA is broader, applying to anyone “collecting or attempting to collect an alleged debt arising out of a consumer transaction.”
- MCDPA consumer protections are similar to FDCPA
- MCDPA governs debt collection activities, not collection agency licensure—licensure is governed by the Maryland Collection Agency Licensing Act



# Compliance and Monitoring

Clifford Charland,  
Director Of Non-Depository  
Operations



# Compliance and Monitoring

Clifford Charland,  
Director Of Non-Depository  
Operations

## THIRD-PARTY OVERSIGHT/ VENDOR MANAGEMENT

- Area of concern for financial regulators across the country
- Businesses may be liable for the actions of third-party vendors
- Regulators expect businesses to adequately assess and manage third-party risk



## CFPB EXPECTATIONS FOR THIRD-PARTY RISK MANAGEMENT

- Due diligence
- Review of policies, procedures, controls, and training
- Compliance expectations included in contract
- Ongoing monitoring
- Prompt action to address problems

Risk management processes for a given vendor should be appropriate to the scope and risk of the vendors work.



# Compliance and Monitoring

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# Compliance and Monitoring

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## STATE EXAMINATION SYSTEM (SES)

- Multistate system—similar to NMLS—for examinations, investigations, and complaints
- Companies must “onboard” when requested
- Accurate contact information must be maintained in the NMLS system in order for you to onboard with the SES when requested
- More detailed information on the upcoming slides



## STATE EXAMINATION SYSTEM (SES)

- OCFR's transition to SES for consumer investigations
- SES enrollment process for licensees ("Onboarding")
- One and done – you only have to onboard one time with SES, even if you were subject to a prior investigation by another state regulator
- Industry Advisory (09/02/21) has detailed instructions and links to help you onboard
- Advisory can be found on our website, under "Industry Resources - Industry Advisories"
- One-on-one follow up email by a CSU Examiner when a consumer complaint is filed in SES about your company

# Consumer Complaints – SES System

Kelly Mack,  
Financial Examiner Lead  
Consumer Services Unit



## STATE EXAMINATION SYSTEM (SES)

- CSU staff do not have access to your company's screens on SES, and so we cannot help you onboard
- Failure to onboard with SES when requested = failure to cooperate with OCFR
- Additional onboarding resources:
  - NMLS/SES Customer Portal  
<https://nmlsportal.csbs.org/csm>
  - NMLS/SES Call Center: 1-800-269-6189
  - “SES Company Enrollment Process” training document and video
- CSU contact for SES: Karen Brooks, Assistant Director  
([karen.brooks@maryland.gov](mailto:karen.brooks@maryland.gov))

# Consumer Complaints – SES System

Kelly Mack,  
Financial Examiner Lead  
Consumer Services Unit



## COMPLAINT RECOVERIES & TYPES

Over the last 8 fiscal years (FY2014 - FY2021) CSU has recovered over \$1.8 million total for Maryland consumers.

Types of complaints from consumers that CSU investigates include:

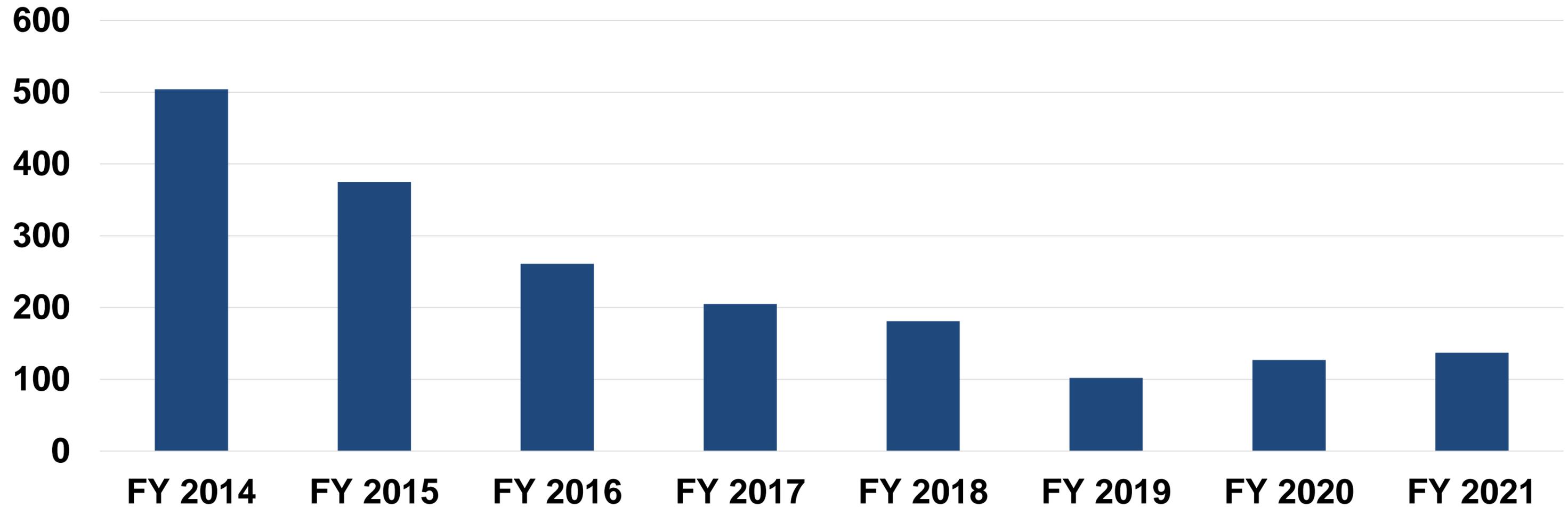
- Accounting errors
- Credit reporting disputes
- Debt disputes
- Fees and charges
- Foreclosure moratorium (forbearance) issues
- Fraud
- Wage garnishments
- Homeowners' Association fee assessments
- Identity theft
- Pandemic hardship
- Proper validation of debt
- Repossessions

# Consumer Complaints - Trends

Kelly Mack,  
Financial Examiner Lead  
Consumer Services Unit

# COLLECTION AGENCY COMPLAINTS

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>No. of Complaints</b>	<b>504</b>	<b>375</b>	<b>261</b>	<b>205</b>	<b>181</b>	<b>102</b>	<b>127</b>	<b>137</b>
<b>% Increase/Decrease</b>		<b>-26%</b>	<b>-30%</b>	<b>-21%</b>	<b>-12%</b>	<b>-44%</b>	<b>25%</b>	<b>8%</b>



■ No. of Complaints

Source: OCFR



# COLLECTION AGENCY COMPLAINTS AS A PERCENT OF TOTAL COMPLAINTS

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total CSU Complaints	2130	1579	1154	1060	958	1002	1046	753
Collection Agency Complaints	504	375	261	205	181	102	127	137
<b>% of Total Complaints</b>	<b>24%</b>	<b>24%</b>	<b>23%</b>	<b>19%</b>	<b>19%</b>	<b>10%</b>	<b>12%</b>	<b>18%</b>



## PROTECTING CONSUMERS THROUGH ENFORCEMENT

The Enforcement Unit is the investigatory and enforcement arm of the Commissioner.

- Authorized to conduct routine and special investigations.
- Broad set of enforcement tools.
- Broad set of administrative remedies.
- Regular coordination with other state and federal law enforcement agencies.

# Enforcement Highlights

Dana Allen,  
Director of Enforcement



# Enforcement Highlights

Dana Allen,  
Director of Enforcement

## NOTABLE ENFORCEMENT ACTIVITY

### Collection Agencies – Final Orders

- Braufman, Leighman and Associates and Brian Brown
- CSI Recoveries, Inc.
- H&E Management Ltd (H&E), Freeman P Hair, Roberta E. Hair and Elrick P. Hair
- Midland



# Enforcement Highlights

Dana Allen,  
Director of Enforcement

## UNLICENSED ACTIVITY ENFORCEMENT ACTIONS

- Order to pay restitution to effected consumers
- Cease and Desist from engaging in consumer debt collection and from engaging in collection agency business in Maryland
- Cease and Desist from violating laws governing debt collection or be subject to monetary penalties for all violations
- Final Orders apply to all control persons and unnamed owners, partners, members, directors, employees and agents of the Respondents



# Enforcement Highlights

Dana Allen,  
Director of Enforcement

## UNLICENSED ACTIVITY ENFORCEMENT ACTIONS

- Ordered to provide OCFR a detailed list of all Maryland consumers whom Respondents have pursued collections including details such as
- Name, contact information, original creditor, principal amount of loan, fees or interest payments the consumer was required to make, total annual interest rate, APR on the loan, number of times the loan was refinanced, extended or otherwise modified, copies of correspondence sent by Respondent to consumers, etc.



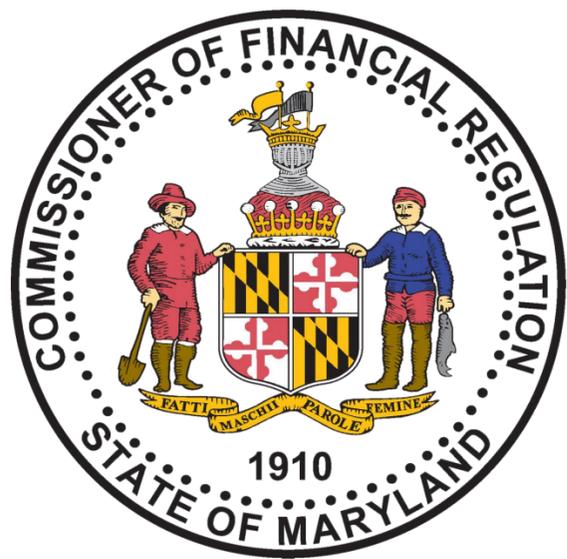
# Enforcement Highlights

Dana Allen,  
Director of Enforcement

## UNLICENSED ACTIVITY

### ENFORCEMENT ACTIONS – Midland

- Reasonable legal basis to collect debt
- Substantiate the obligation and amount due and owing
- Make meaningful representations and warranties about the accuracy and validity of the debt
- Prove ownership of any accounts it purchased
- Create business wide Risk Management strategy
- Identify, measure, monitor and control risk via Policies and Procedures and internal controls



# Questions?

**Subscribe to emails to receive advisories and updates from OCFR.**

**Use the “subscribe” button on the home page of our website, [www.labor.maryland.gov/finance](http://www.labor.maryland.gov/finance).**

**If you’re not receiving our emailed advisories, add “md-dllr-ocfr@info.maryland.gov” to your email contacts.**

