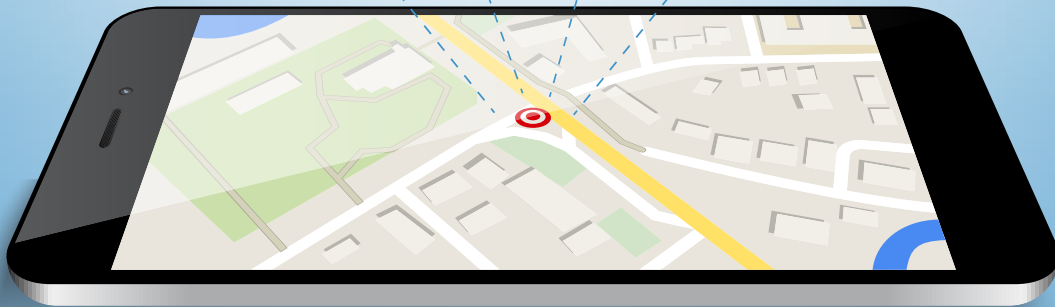


How to Become a Debt Buyer



—A Roadmap



Do Your Homework Before Buying Debt

If you are interested in starting your own debt buying company, this resource provides an overview of the industry and some of the required steps to get started. Within these steps are references to “Standards” outlined in the Receivables Management Association International’s (RMAI) Certification Program. This Roadmap provides specific guidelines and resources that address industry compliance and regulations.

Debt Buying Basics

Before getting started in the debt buying industry - understand the secondary market, asset classes and where to purchase debt.

Who Are Debt Buyers and What Do They Do?

Debt buyers are companies that purchase debt portfolios from originating creditors or other debt buyers on the secondary market.

When a debt buying company purchases an account, it purchases the contracts and all rights, benefits, and liabilities that were associated with the contract. These purchases can include accounts that are performing (i.e., making payments), as well as those that are non-performing (in default).

What Is the Receivables Secondary Market?

The receivables secondary market (also referred to as the “debt buying” industry) is just one of countless secondary markets which exist to provide for the orderly transfer of ownership of property. The receivables secondary market is the marketplace where ownership of performing and nonperforming receivables (i.e. the asset) are purchased by companies that were not a party to the originating transaction.

Perhaps the most familiar example of this is when a bank sells the ownership of its defaulted credit card receivables to a debt buying company. As a result of the sale, the ownership of the receivables and all legal rights associated with that asset are now held by a company not a party to the original transaction.

Where Can You Buy Debt?

Debt is purchased on the receivables secondary market. The secondary market has many stakeholders and is sold by originating creditors, brokers, and other debt buyers in a vibrant resale market.

Unlike the stock exchange, there is no “trading floor”. Instead sales tend to be made at industry conferences, through resources such as the RMAI Certified Company Directory, prior relationships, brokers, etc.

What Debt Is Sold?

Debt is sold based on asset class. Each asset class has its own unique characteristics. It is important that a debt buyer be familiar with an individual asset class prior to purchase. Asset classes include but are not limited to the following:

- Auto Loans and Deficiencies
- Bankruptcy
- Checking Accounts
- Commercial Loans
- Consumer Loans
- Credit Card
- Equipment Leasing
- Government Debt
- Insurance Settlements
- Judgments
- Marketplace Online Lending
- Medical
- Second Mortgages
- Home Equity Lines of Credit
- Short Term/Small Balance
- Student Loans
- Tax Liens
- Telecommunications
- Utilities

RMAI has published white papers on various topics including:

- The Debt Buying Industry
- Out-of-Statute Debt
- The Value of Resale on the Receivables Secondary Market.

You can access the white papers with the link below:

<https://rmaintl.org/news-publications/white-papers/>

External Preparation



Incorporation and Business License/Permits

A debt purchasing company registers with the state in which it resides. Decide on a corporate structure and incorporate the debt buying entity (LLC, Partnership, S Corp, C Corp).

- Obtain an FEIN Number (Federal Employee Identification Number):
<https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online>
- Consult an accountant for advantages of each corporate structure.

Determine business license/permit requirements for your state and municipality.

- Visit www.Business.gov. This tool prompts you to enter your city/state or zip code. The page displays the business licenses and permits necessary for your state. Local permits may include tax, building, health, occupational signage, alarm and zoning.
- Before hiring staff: be sure you understand and are compliant with your state labor laws and taxes.

Debt Purchasing & Collection Licenses and Bonding

Each state has the right to enact its own set of collection laws, licensing and bonding requirements. A debt buyer needs to understand the collection laws and regulations in states where they conduct business and in states where they collect from consumers. Not all states issue debt collection licenses, and there are states that provide certain exemptions for debt buyers.

RMAI members have access to up-to-date licensing information on our website: <https://rmainl.org/compliance-legal/compliance-resources/state-licensing-information/>

Get Familiar with Federal Industry Laws and Regulations that Govern Ownership and Collection of Consumer Debt

The most common Federal laws you must comply with are:

- FDCPA ([Fair Debt Collection Practices Act](#))
- FCRA ([Fair Credit Reporting Act](#))
- TCPA ([Telephone Consumer Protection Act](#))
- SCRA ([Servicemembers Civil Relief Act](#)),
- UDAAP ([Unfair, Deceptive, or Abusive Acts or Practices](#)), section 1031 of Dodd-Frank Act
- Bankruptcy Code: <http://www.uscourts.gov/services-forms/bankruptcy>

Get Familiar with Regulators

The industry is supervised or monitored by multiple governmental agencies, including but not limited to:

- Consumer Financial Protection Bureau (CFPB)
- Federal Trade Commission (FTC)
- Federal Communications Commission (FCC)
- 50 Attorneys General
- licensure laws in 32 states
- bonding and corporate registration requirements in the remaining states.

Learn more about these three Federal agencies:
BCFP <https://www.consumerfinance.gov/>
FCC <https://www.fcc.gov/>
FTC <https://www.ftc.gov/>

Internal Preparation



Develop Policies and Procedures for Your Company Consistent with RMAI Certification

<https://rmaintl.org/wp-content/uploads/2017/07/Debt-Buyers-RMA-Certification-Policies-Procedures-Template-20170728.pdf>

YOU NEED TO BE AWARE OF THE FOLLOWING

- Criminal Background Checks (Standard A3)
- Employee training (Standard A4)
- Consumer complaints & dispute resolution (Standard A5)
- Consumer Notices (Standard A6)
- Data Security Policy (Standard A7)
- Payment Processing Policy (Standard A9)
- Credit Bureau Reporting (Standard A11)
- Statute of Limitations (Standard A12)
- Vendor Management (Standard A15)
- Affidavit Policy (Standard A16)
- Purchase & Sale Documentation Requirements (Standard B1)
- Sale Restrictions (Standard B4)

Website & Publication (Standard 14)

Create and maintain a publicly accessible website that can be found by a simple web search using the corporate name provided in communications with consumers.

Website & Publication:

https://rmaintl.org/wp-content/uploads/2019/01/website_sample.pdf

BCFP Consumer Complaint System (Standard A8)

- Register with the CFPB for the receipt of consumer complaints, disputes and inquiries filed with the bureau concerning the company and/or the company's consumer accounts; and
- Timely respond to all such complaints, disputes or inquiries in accordance with the CFPB's prescribed guidelines.

<https://www.consumerfinance.gov/company-signup/>

Obtain E&O Insurance Coverage (Standard A2)

A certified company shall maintain Errors & Omissions (E&O) insurance coverage.

- Companies > \$10 million in annual receipts resulting from debt collection - coverage no less than \$2,000,000 per event/occurrence.
- Companies with \$2 - \$10 million in annual receipts resulting from debt collection - coverage no less than \$1,000,000 per event/occurrence.
- Companies < \$2 million in annual receipts resulting from debt collection - coverage no less than \$500,000 per event/occurrence.

RMAI Member Companies Offering E&O Insurance:

Acumen Solutions Group:
Contact: Anthony D'Elia
Phone: 631-719-5511
Email: adelia@acumenins.com

Cornerstone Support:
Contact: Matt Pridemore
Phone: 678-740-0510
Email: mpridemore@cornerstonesupport.com

Also provides licensing services and compliance support.

Operations



Portfolio Acquisition and Documentation Requirements (Standard B1)

1. What asset class(es) do you want to purchase? (e.g. credit cards, student loans, utilities, auto, FinTech, etc.)
2. Establish rules, processes and procedures for purchasing.
3. It is essential that you know with whom you are doing business.
 - Have you done your due diligence?
 - Does the seller have their state licenses?
 - Are they RMAI Certified?
<https://rmaintl.org/certification/certified-company-search/>
Contact RMAI to inquire: 916-482-2462.
 - Does the seller operate with high risk portfolios and if so what contract protections do they offer?
 - Check company's Better Business Bureau rating.
 - Check complaints filed against the company on the CFPB consumer complaint portal.
- Can the seller provide data and documentation sufficient to substantiate the debt? When purchasing or selling receivables, a debt buyer shall obtain or provide all account related information. Below is a sample of just some of the more common data and documentation required. Some states have adopted specific data and documentation requirements so it is important to review the laws in the states where operating.
 - Name, Address, Phone Number of Consumer
 - Account Number
 - Date of Default and Amount Owing at Default
 - Chain of Title: name, address, and dates of ownership of the originating creditor and all subsequent owners up to and including

the Certified Company for each account within a portfolio that is purchased.

- Complete list of data and documentation requirements for portfolio acquisition is outlined in Standard 19 of RMAI's Certification Program:

<https://rmaintl.org/wp-content/uploads/2020/04/Certification-Policy-version-8.0-FINAL-with-Hyperlink.pdf>

Negotiate the inclusion of the following base-level representations and warranties in purchase and sale agreements (Standard 20).

- Seller is lawful holder of the accounts.
- Accounts are valid, binding, and enforceable obligations.
- Accounts were originated and serviced in accordance with law.
- Account data is materially accurate and complete.
- Any account that was the subject of a consumer dispute while owned by the seller has been responded to or validated.

Collection

How will you collect the debt?

- Internal collections: Collect the debt through your company.
- Outside collections: Outsource to a third-party collection agency or collection law firm to collect the debt.

If collections are outsourced, develop a Vendor Management Program (Standard 15) to identify and retain qualified third-party vendors and to assure appropriate oversight of such vendors.

Resources



Consider Certification Through RMAI

RMAI's [Receivables Management Certification Program](#) offers professional designations to companies and individuals operating and employed within the U.S. receivables industry. This “global standard” certification program was designed to promote uniform, consumer-oriented, best practice standards for the receivables industry. Benefits of company certification include:

- Adding credibility to your company profile and best practices.
- Positioning yourself for increased business opportunities.
- Demonstrating your commitment to compliance standards and continuing education.
- Minimizing consumer complaints.

For complete confidence, consider working with RMAI certified collection agencies and law firm members:

- <https://rmaintl.org/certification/certified-company-search/>
- RMA Company Certification Standards, Appendix A: <https://rmaintl.org/wp-content/uploads/2020/04/Certification-Policy-version-8.0-FINAL-with-Hyperlink.pdf>

Educational Resources

RMAI's “Introductory Survey Course on Debt Buying”

- <https://rmaintl.org/education/online-education/>

Live & Recorded Webinars:

- <https://rmaintl.org/education>

Requirements for Becoming an RMAI Certified Individual and Chief Compliance Officer:

- *7 Steps to Becoming a Certified Receivables Compliance Professional:*
https://rmaintl.org/wp-content/uploads/2020/10/7-Steps-CRCP_2020.09.22.pdf

RMAI's Certification Program:

<https://rmaintl.org/wp-content/uploads/2020/04/Certification-Policy-version-8.0-FINAL-with-Hyperlink.pdf>

Connect with Sellers

Join RMAI (www.rmaintl.org) for networking and business opportunities.

Certification

Become a certified debt buyer to be included in our Leads Distribution Program.

“Getting certified was really good for our business. We are more confident than ever that we have excellent control over our business processes, resource expenditures, performance results and measurements, and in the end, our future”

—Rance Willey, CRCP, CPRC Troy Capital

Contact RMAI

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Sacramento, CA 95825
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Fax: (916) 482-2760
Email: cvaden@rmaintl.org

DISCLAIMER: The guidance contained in this document is for informational purposes only and in no way is intended to be legal advice. Companies are highly encouraged to obtain professional consultation, as appropriate, and work with their legal counsel of choice.