

April 2015

Receivables Management Association International White Paper

THE DEBT BUYING INDUSTRY

David E. Reid, JD, CRCP
Director of Government Affairs & Policy



FDCPA. The first trend is to require collectors to be licensed. RMAI does not oppose legislation of this nature provided that it is applied uniformly to industry participants.

The second trend is to provide additional account documentation. RMAI supports uniform standards on account documentation provided that they serve a legitimate purpose and is information that originating creditors are required to maintain. In fact, RMAI has developed a specific and uniform industry standard on data and documentation within the Receivables Management Association International Receivables Management Certification Program.

The third trend is recent attempts by some states to require itemization of pre-charge-off principle, interest, and fees to substantiate the balance on a debt. The challenge, however, is that this type of information is not always available for all accounts, most notably revolving lines of credit such as credit cards. Revolving lines of credit are different from other forms of debt because of the consumer's option to carryover balances associated with prior purchases to the next statement which is then combined with balances from new purchases. The National Bank Act recognizes this inherent difficulty which explains why banks are not required to provide itemization of balances to consumers on credit card statements.

Recognizing this is a complex situation that needs attention, RMAI is actively working with legislators and regulators at the state and federal level to find alternative approaches such as requiring post-charge-off balances be subject to a breakdown that provides consumers with information on how much of the balance consists of principal (here being the charge-off balance), interest, and fees. The reason why a breakdown of the balance is possible on post-charge-off accounts but not on pre-charge-off accounts is because post-charge-off accounts no longer are subject to revolving balances.

The fourth trend is to push for the adoption of shorter statutes of limitations, as little as two years in some cases, and/or the complete extinguishment of the debt when the statute has run out. The intent is to curtail abusive practices by restricting the time frame in which they can happen.

This approach is fraught with unintended consequences. Most significantly, it severely restricts the ability of consumers to settle their debts and clear their credit records, which must be maintained for a full seven years. Once a debt has been extinguished, a consumer cannot pay the money back even if he or she wanted to. Unsettled debts can hurt individuals who need a clean credit report in order to secure a job, purchase a house, or obtain a security clearance.

Another unintended consequence of a shorter statute of limitations is the potential "rush to litigate." Given a shorter window to collect on accounts, originating creditors and debt buyers will spend less time negotiating settlements and working out extended payment plans and more time litigating them. In the end, legal fees will be piled on top of the debts, increasing the burden on consumers.

RMAI's RECEIVABLES MANAGEMENT CERTIFICATION PROGRAM

In March 2013, RMAI launched a national Receivables Management Certification Program that consists of both company and individual certification. The goal of the program is to provide additional consumer protections through the adoption of uniform industry standards of best practices and maintaining high levels of educational programming.

The Certified Professional Receivables Company (CPRC) designation is a company-based certification available



to debt buying companies, collection law firms, and third party collection agencies that comply with uniform industry standards of best practices. These standards address core principles including account documentation, chain of title, consumer complaint and dispute resolution, posting of contact information for the Chief Compliance Officer, establishing a CFPB portal for the receipt of consumer complaints, statute of limitation compliance, representations & warranties, vendor management, credit bureau reporting, resale, as well as other relevant operational procedures. Certification is a requirement for all domestic debt buying companies seeking RMAI membership.

The Certified Receivables Compliance Professional (CRCP) designation is an individual-based certification required of each certified company's Chief Compliance Officer and a voluntary designation for others within the industry. Certification will be granted to those who complete 24 credit hours of relevant industry education requirements every two years. Included within the educational programming are several mandatory classes, including an Introductory Survey Course on Debt Buying (for initial certification), Current Issues in Debt Buying courses (for recertification); and ethics courses. Additionally, individuals who hold the individual certification must pass a criminal background screening conducted by Receivables Management Association International.

The Receivables Management Certification Program was designed to provide three distinct compliance audits in order to ensure multiple and varied opportunities to verify compliance. These audits include an independent third-party audit on all 29 standards that will be conducted on a regular basis, a limited compliance audit if a violation of a specific standard is suspected, and self-compliance audits to be regularly performed by each certified company's Chief Compliance Officer.

In most cases, when a certified company is found not to be conforming to a standard they will be asked to enter into a remediation agreement with a plan to achieve conformity. If remediation is not possible, disciplinary action may occur, including expulsion from Receivables Management Association International.

SUMMARY

Debt buyers and the collection industry play an integral and necessary role within the complex credit based economy. The ability of debt buyers to purchase distressed accounts from originating creditors provides benefits not only to the originating creditors but to all consumers and businesses that rely on the availability of credit at reasonable rates for their purchasing needs.

Receivables Management Association International is committed to continuing our collaborative efforts with regulators, legislators, consumer groups, and other industry participants at both the state and federal level to ensure that new consumer protections are adopted when appropriate and existing laws are strengthened and modified to reflect modern realities without impairing the vital role of the debt buying and collection industry.



ABOUT RMAI

Receivables Management Association International (RMAI) is the nonprofit trade association that represents the interests of more than 575 companies that support the purchase of performing and nonperforming receivables on the secondary market. RMAI's Receivables Management Certification Program and its Code of Ethics set the global standard within the receivables industry due to its rigorous uniform industry standards of best practice which focus on the protection of the consumer. RMAI provides its members with extensive networking, educational, and business development opportunities in asset classes that span numerous industries. RMAI continually sets the standard in the receivables management industry through its highly effective grassroots advocacy, conferences, committees, taskforces, publications, webinars, teleconferences, and breaking news alerts. Founded in 1997, Receivables Management Association International is headquartered in Sacramento, California.

CONTACT

Jan Stieger, Executive Director
Receivables Management Association International
1050 Fulton Avenue, Suite 120
Sacramento CA 95825
jstieger@rmaintl.org
916-482-2462

David Reid, Director of Government Affairs & Policy
Receivables Management Association International
1050 Fulton Avenue, Suite 120
Sacramento, CA 95825
dreid@rmaintl.org
916-482-2462