

## ***The Disproportionate Harm of Increased Regulation on Smaller Debt Collection and Debt Buying Firms***

Historically, smaller firms have played an important role in the debt collection industry—possessing knowledge of local economic conditions that can benefit consumers.

From its inception, the Consumer Financial Protection Bureau (CFPB) has described itself as a “data-driven agency” that applies sound analysis to craft protection policies. The CFPB regulators believe that implementing large, robust compliance systems will reduce risk to both the economy and consumers. According to a column in [The Hill](#), “Keep small business in the credit cycle,” there “is a growing misperception that small businesses are a greater risk because they cannot provide the compliance systems large businesses can. Even if this were true, it ignores the fact that small business inherently provide less risk and greater consumer protection by their very size and the manner in which they operate. Nowhere is the need for the active participation of small businesses greater than in the consumer credit market, especially for those consumers that are the most vulnerable in the credit cycle.”

As the CFPB contemplates new regulations for consumer debt collection, they should consider rules that protect consumers from overreaching creditor behavior, ensure access to credit at competitive prices, and avoid burdening consumers (and the debt buying industry) with unnecessary restrictions and compliance costs.

A [study](#) conducted by Professor Todd Zywicki of the Mercatus Center at George Mason University highlights the challenges faced by small debt buying companies since Dodd-Frank’s passage. Specifically, the [study](#) highlights the following:

*Consumer debt collection is already subject to extensive regulation:* Since the 1970s, consumer debt collection has been subject to extensive regulation at the federal and state levels. Before adding new regulations, the CFPB should take into account this regulatory history. Many of the most questionable debt collection practices are outlawed or restricted. Existing practices raise issues that are more challenging. Regulators should consider whether further restrictions would create marginal benefits that exceed the marginal costs.

*Regulation should not disproportionately burden small debt-collection firms and stifle competition in the debt-collection industry:* Compliance with Dodd-Frank and other regulations enacted since the financial crisis has been disproportionately costly for smaller firms in the financial services industry, including the debt collection and debt buying industries. Smaller firms have traditionally played an important role in the debt-collection industry by providing knowledge of local economic conditions and stimulating competition that can benefit consumers. Regulators should take care not to disproportionately burden small businesses with unnecessary regulatory compliance costs or otherwise further promote unnecessary consolidation of the debt collection industry.

### **About RMAI**

Receivables Management Association International (RMAI) is a nonprofit trade association representing more than 600 businesses that support the purchase, sale, and collection of performing and nonperforming receivables on the secondary market. The RMAI [Receivables Management Certification Program](#) and [Code of Ethics](#) set the global standard within the receivables industry due to the rigorous uniform standards of best practice which focus on protecting consumers.

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