



October 2023

Receivables Management Association International

THE IMPACT OF RMAI CERTIFICATION ON CONSUMER LITIGATION



Pamela Hong
Research Analyst, Sociology Ph.D. Student



EXECUTIVE SUMMARY

The Receivables Management Association International (RMAI) conducted a before-and-after audit analysis of Receivables Management Certification Program (RMCP or certification program) certified business between 2019 and 2022. This is an extension and replication of the analysis RMAI conducted in July 2019. The findings show that after an RMCP audit, litigation against RMAI's certified businesses that had passed an audit decreased an average of 25.5% in the four-year span of the analysis.

Specifically, the analysis was conducted by analyzing consumer-initiated litigation as is authorized in three federal laws: the Fair Debt Collection Practices Act (FDCPA), the Fair Credit Reporting Act (FCRA), and the Telephone Consumer Protection Act (TCPA). The RMCP certified companies' comparison group experienced declines in the number of lawsuits after an RMCP certification audit:

- Lawsuits for FDCPA violations decreased by 22.7%
- Lawsuits FCRA violations decreased by 12.4%
- Lawsuits for TCPA violations decreased by 68.5%

During the four-year span of the analysis, litigation activity involving companies in the overall accounts receivables industry also trended downward on average with a 10.3% decrease. In the analysis, FCRA litigation was the only area of law that saw an increase of litigation in non-certified companies between 2019 and 2022. For non-certified companies, lawsuits for FDCPA, FCRA, and TCPA violations experienced an 18.1% decrease, 8.5% increase, and a 18.9% decrease, respectively. Certified companies fared much better.

CONCLUSION

Consumer protection is the primary goal of the RMCP. The RMCP contains high standards that meet, exceed, or are unprecedented in existing state and federal regulations. Consumers who engage with certified businesses are less likely to experience unlawful practices in the collections process, as evident by the comparison analysis that concludes the RMCP and its audit process decrease litigation to a higher degree than the industry norm.

There is a correlation between the RMCP and a more significant decrease in lawsuits than non-certified companies, as well as decreases in specific areas (FDCPA, FCRA, and TCPA) for certified businesses after completing a mandatory audit. This demonstrates the RMCP's effectiveness in enacting higher standards of practice, and thus maintaining an accountable receivables management company.



INTRODUCTION

Receivables Management Certification Program

The Receivables Management Certification Program (RMCP) was launched in 2013 with a mission to “provide enhanced consumer protections through rigorous and uniform industry standards of best practice.”

RMCP designations represent a high standard of conducting business with a consumer-centric approach. Both individuals and businesses can earn RMCP designations. Individuals may earn the Certified Receivables Compliance Professional (CSCP) designation whereas businesses qualify for either the Certified Receivables Business (CRB) or Certified Receivables Vendor (CRV) designation.

The CRB designation is the focus of this white paper. The CRB is comprised of four series of standards – one series which all businesses must comply with and three series that each are applicable to a specific business model:

- Series A (for all companies: debt buyers, collection law firms, and collection agencies),
- Series B (for debt buyers only),
- Series C (for collection law firms only), and
- Series D (for collection agencies only).

These certification standards meet, exceed, or are unprecedented by any state or federal requirements, establishing the foundation of a gold standard in compliance in the accounts receivables industry. Both individual and business certifications require passing a criminal background check. Individuals must complete biennial continuing education requirements. Businesses are not only subject to high compliance standards but are also required to complete recurring independent third-party compliance audits to demonstrate their conformance to those standards.

RMCP and Its Relationship to Litigation

RMCP benefits both the businesses it certifies and consumers. The conduct of certified businesses creates a network of trust. The comprehensive guidelines put forth by the RMCP ensure industry best practices by providing policies and procedures to follow, resulting in a more compliant company.

Following the standards outlined in the certification program, businesses create detailed policies and procedures to ensure compliance in both consumer interactions and operational management. Examples include the creation and maintenance of data security policy, complaint and dispute resolution, employee training programs, vendor management, purchase and sale documentation requirements by asset classes, and more.

The RMCP requires significant capital and business resources to ensure compliance. However, RMAI’s analysis shows that the cost of compliance is offset by even higher savings associated with reduced litigation expenditures. Ensuring full compliance with state, federal, and higher certification standards, benefits both the consumers who are assured professional and ethical behavior in the collection of debt, as well as the certified businesses that reduce the risk and cost of defending litigation.

The accounts receivables industry is no stranger to litigation. Table 1 illustrates the industry’s litigation trends. WebRecon, LLC¹ is the source for the percentage increase/decrease in the number of lawsuits filed in the industry between the years 2019 and 2022.

¹ <https://www.webrecon.net>

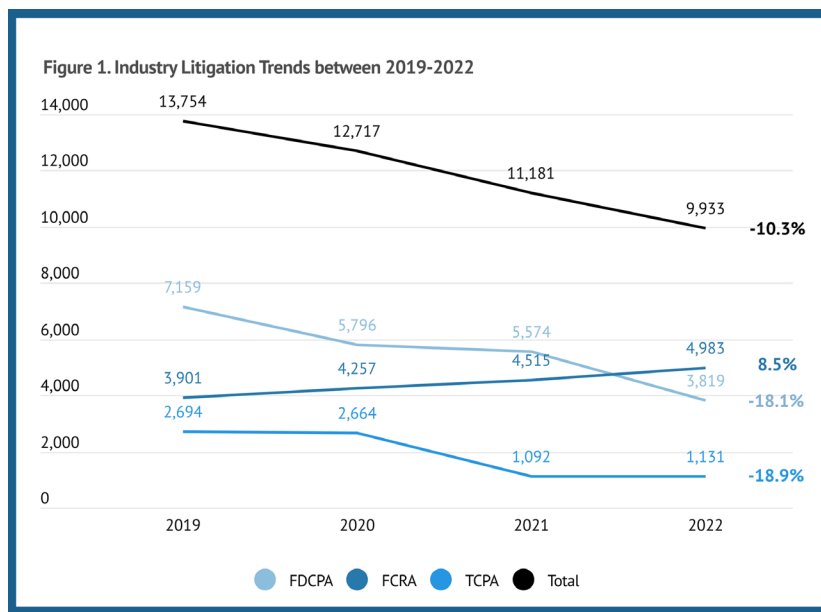


**Table 1. Industry Litigation % increase and decreases
(without Certified Businesses Sample)**

Year	FDCPA	FCRA	TCPA	Total	% Incr/Decr (Year over Year)
2019	7,159	3,901	2,694	13,754	
2020	5,796	4,257	2,664	12,717	-7.5%
2021	5,574	4,515	1,092	11,181	-12.1%
2022	3,819	4,983	1,131	9,933	-11.2%
Average % change between 2019-2022					-10.3%

“Litigation” is categorized by lawsuits filed under the Fair Debt Collection Practices Act (FDCPA), the Fair Credit Reporting Act (FCRA), and the Telephone Consumer Protection Act (TCPA). The industry overall, on average, experienced a 10.3% decrease in litigation between 2019 and 2022.

We also analyzed the trends for each of the three areas of law. The litigation trends of the FDCPA, FCRA, and TCPA are shown over time in Figure 1. On average, in the industry between 2019 and 2022, lawsuits with FDCPA,



FCRA, and TCPA violations experienced an 18.1% decrease, 8.5% increase, and a 18.9% decrease, respectively. These percentages are depicted on the line graph, following each area of law’s trendline.

Year-over-year percentage changes in the three areas of law are outlined in Table 2.

**Table 2. Industry Litigation % Increase and Decreases without Certified Businesses**

Year	FDCPA	% Incr/Decr	FCRA	% Incr/Decr	TCPA	% Incr/Decr
2019	7,159		3,901		2,694	
2020	5,796	-19.04%	4,257	9.13%	2,664	-1.11%
2021	5,574	-3.83%	4,515	6.06%	1,092	-59.01%
2022	3,819	-31.49%	4,983	10.37%	1,131	3.57%
Average % change between 2019-2022		-18.1%		8.5%		-18.9%

BEFORE-AND-AFTER LITIGATION ANALYSIS

Purpose

The purpose of the before-and-after audit analysis is to explore how the RMCP influences the litigation trends of a receivables management business after either earning an RMCP designation or passing a mandatory audit. The analysis was conducted with litigation data from January 1, 2019, to December 31, 2022. In the four-year span of the analysis, the total sample of current RMCP certified businesses that had passed an audit in the analysis' parameters was 74.

Methods

The analysis uses data from WebRecon, LLC². WebRecon is a litigation monitoring database that contains a multitude of different tools associated with monitoring lawsuits filed, company litigation trends, Consumer Financial Protection Bureau complaints, and other litigation reports.

RMCP certified business litigation data was extracted from WebRecon's litigation deep search in the second quarter of 2023. WebRecon's Vendor Monitoring tool was used to extract litigation data for the current 134 RMCP certified businesses (downloaded on April 20, 2023). The analysis involved 161 RMCP certified businesses including 86 companies and 75 family of companies (parent company with one or more affiliated companies). For the analysis, family of companies were treated as the data point where affiliated companies' litigation trends made up the aggregate of the overall company's litigation trend. For example, if a parent company with three affiliated companies had litigation in the 2019-2022 timeframe, and two of the affiliated companies had litigation, the overall unit of analysis was the sum of all the litigation of the parent and affiliated companies. Certified businesses without affiliated companies were each treated as a singular unit of analysis.

Audit

While the RMAI analysis done in 2019 used "Year of Certification" as the marker between before-and-after lawsuits³, this current analysis uses the most recent audit date ("Year of Audit") as the before-and-after marker. To be in the audit analysis, the companies had to have been audited in the year 2020, 2021, or 2022. Certified

² "Consumer Litigation Deep Search" WebRecon, LLC. 2023. https://www.webrecon.net/clients/products/consumer_deep

³ "The Impact of the Receivables Management Certification Program on Litigation." RMAI. 2019. <https://rmaintl.org/news-press/white-papers/>



companies audited in 2019, would not have a comparison for the “before” number of lawsuits.

Audits are a mandatory requirement for certified companies to undergo at the midpoint of their three-year certification cycle. These audits are performed to ensure the businesses are in alignment with the RMCP’s standards. Successfully completing an audit with little or no deficiencies allows for the assumption that the certified business is following the guidelines and requirements of the RMCP, thus ensuring that best practices are conducted in their daily operations.

After excluding businesses that did not complete an audit between 2020-2022, the final sample size of RMAI’s certified businesses used for this analysis was 74.

ANALYSIS

The analysis looks at a yearly average of lawsuits for each of the certified businesses. The certified business’ most recent year of audit was utilized as the point of comparison:

- From 2019 to the audit year was defined as “before”
- From the year after the audit to 2022 was defined as the “After”

Five (5) companies had audits conducted in 2019. As mentioned above in the Methods section, these companies were excluded from the analysis due to the absence of a “before” data average.

A per-year average of litigation within both the before-and-after timespans was calculated to create two distinct values of data comparison.

The percentage increase/decrease between the before average and the after average was then calculated as the percent change.

The final percentage change for all 74 certified businesses was the percentage decrease between the before-and-after average.

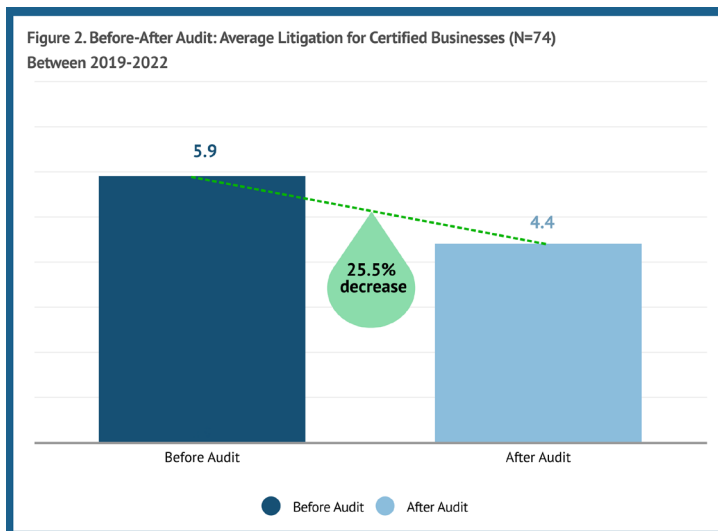
Lawsuits Broken Down by FDCPA, FCRA, and TCPA

To look further than the overall litigation trends, the analysis also looks at the three primary laws that provide consumers with a private right of action. Therefore, the litigation analysis also includes the trends of the FDCPA, FCRA, and TCPA lawsuits before and after the certification audit for the sample of RMCP certified businesses. These percentage changes were calculated the same way as above: a before average and after average were calculated in relation to the specific action, and the resulting average percentage change for each action was calculated using the two data points.

RESULTS

Overall Litigation Trend

Of the 74 certified businesses, on average, litigation filed against certified businesses decreased by 25.5% after the certified company completed an audit (see Figure 2). There was an annual average of 5.9 lawsuits before certification, and an annual average of 4.4 after certification. The percentage change from the before-and-after averages results in a decrease of 25.5% of litigation.



Litigation Trend by Areas of Law

When taking a closer look at the decrease in litigation for the RMCP certified businesses, similar trends in FDCPA, FCRA, and TCPA lawsuits were also found. Figure 3 illustrates the decreases in litigation from each of the three areas of law:

- Lawsuits for FDCPA violations decreased by 22.7%
- Lawsuits for FCRA violations decreased by 12.4%
- Lawsuits for TCPA violations decreased by 68.5%

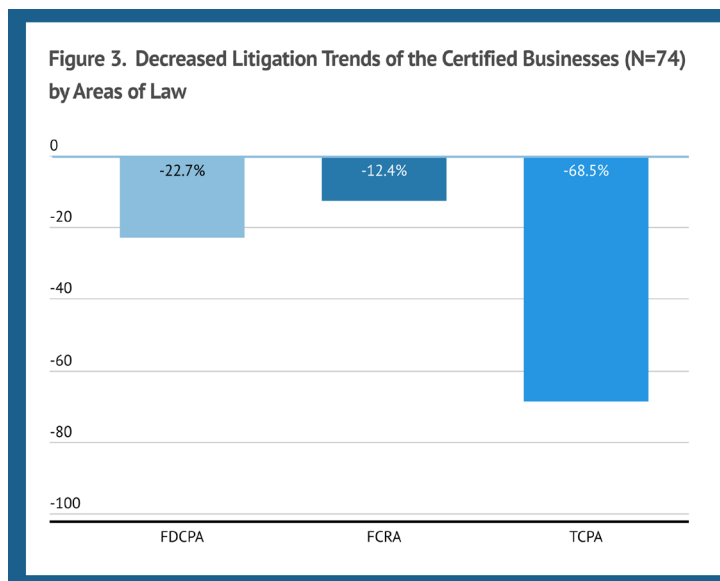
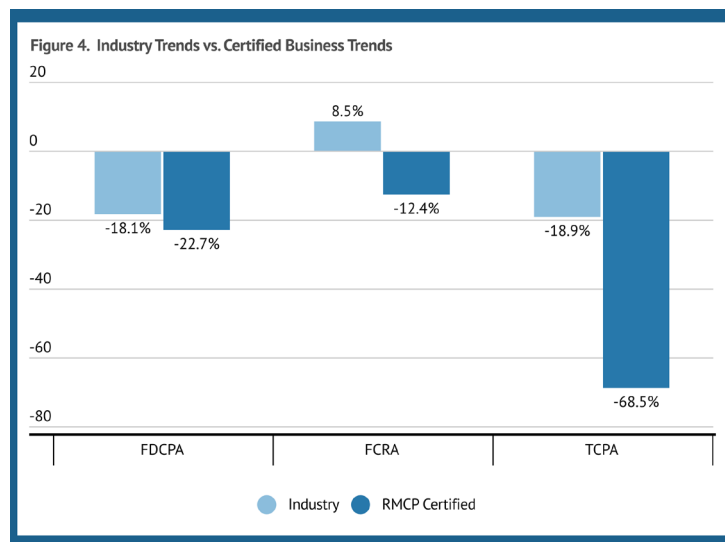


Figure 4 compares the year-over-year trends of the overall industry's lawsuit percentage average with the before-and-after percentage averages of RMCP certified businesses. Here, it is evident that certified businesses outpace the decrease in litigation in all three areas. For FDCPA lawsuits, certified businesses experienced a 4.6% greater decrease in litigation. For FCRA lawsuits, certified businesses experienced a 20.9% greater decrease in litigation. We note that FCRA litigation in industry increased while certified companies saw an aggregated decrease. Lastly,



for TCPA lawsuits, certified businesses experienced a 49.6% greater decrease in litigation than the industry's year-over-year trends. Figure 4 illustrates both industry trends and certified business trends independently.



FINDINGS

Consumer protection is the primary goal of the RMCP. Because the RMCP standards meet, exceed, or are unprecedented by existing state and federal regulations, consumers are assured stronger and more stringent protections and regulations when dealing with RMCP certified businesses. Consumers benefit greatly from the structured standards of best practices put forth by the RMCP, in that companies exhibit compliant conduct and professionalism when performing business. Decreases in litigation indicate consumers are experiencing more professional and fair conduct in their interactions with RMCP certified businesses.

Between 2019-2022, litigation activity involving companies in the accounts receivables industry decreased by 10.3%. When we break down the trend by litigation area, we see that FCRA lawsuits increased while FDCPA and TCPA lawsuits decreased.

Overall, the broader accounts receivables industry experienced a decrease in lawsuits in the analysis' timespan. This indicates a positive trend, showcasing how receivables may be performing well and leading to less litigation activity. The COVID-19 pandemic may have also influenced the trends. Overall trends in litigation may be due to a variety of factors: increased or decreased business, change in the size of accounts in collection, increased regulation, monitoring and procedures, and a dynamic economy and market, as well as a host of other reasons.

Conducting the before-and-after analysis provided an analytical perspective on reasoning for decreased litigation. Evidence from a significant sample of certified businesses shows the influence of certification, the audit process, and the emphasis on following and maintaining high standards in accounts receivables business practices. The correlation between RMAI's RMCP and a 25.5% decrease in lawsuits, as well as decreases in specific actions (FDCPA, FCRA, and TCPA) for certified businesses after completing an audit of their debt collection practices, confirms the effectiveness of the program's high standards and focus on accountability.



ABOUT RMAI

Receivables Management Association International (RMAI) is a nonprofit trade association representing more than 600 companies that purchase or support the purchase of performing and nonperforming receivables on the secondary market. The RMAI Receivables Management Certification Program is celebrating its 10th anniversary in 2023. Together with RMAI's Code of Ethics, the Certification Program sets the global standard within the receivables industry due to the rigorous uniform standards of best practice which focus on protecting consumers. More information about RMAI is available at www.rmaintl.org.

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, General Counsel

Receivables Management Association International
1050 Fulton Avenue, Suite 120
Sacramento, CA 95825
dreid@rmaintl.org
916-482-2462



© 2023 RMAI. The information contained in this resource is current as of its October 11, 2023, publication date.

RMAI • 1050 Fulton Avenue #120, Sacramento, CA 95825 • (916) 482-2462 • <http://rmaintl.org>