

How to Become a Debt Buyer



Do Your Homework Before Buying Debt

If you're interested in becoming a debt buyer, consult this resource for an overview of the accounts receivables industry, preparations for getting started, and many of the "Standards" for the Receivables Management Association International's (RMAI) Certification Program.

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 purchase debt portfolios from originating creditors or brokers on the secondary market.

When a debt buyer 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 is just one of countless secondary markets which exist to provide for the orderly transfer of ownership of an asset. The receivables secondary market is the marketplace where ownership of performing and nonperforming receivables (i.e. the asset) are purchased by debt buyers 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 an entity not a party to the original transaction.

Where Can You Buy Debt?

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

Unlike the stock exchange, there is no "trading floor." Instead sales tend to be made as a result of business relationships established by attendance at receivables management industry conferences, through resources such as the RMAI Directory of Certified Businesses, prior relationships, brokers, etc.

What Debt Is Sold?

Debt is sold based on asset class. Each asset class has its own unique characteristics. 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
- Fintech
- 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 Resource Library

RMAI has published white papers and other resources on various topics including:

- An Overview of Bankruptcy for the Accounts Receivables Management Industry
- The Purchase, Sale, and Collection of the Fintech Asset Class
- Understanding the Receivables Management Industry: A Guide to Key Concepts, Terms and Acronyms
- The Impact of RMAI Certification on Consumer Litigation
- Out-of-Statute Debt: What Is a Smart, Balanced and Responsible Approach?
- The Debt Buying Industry

You can access these resources with the link below:

<https://rmaintl.org/RMAI-Resource-Library/>

EXTERNAL PREPARATION



Incorporation and Business License/Permits

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

- Consult an accountant or attorney for advantages of each corporate structure.
- Obtain a Federal Employee Identification Number (FEIN):

<https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online>

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

- Research the necessary business licenses and permits. 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 enacts its own collection, licensing and bonding laws and regulations. 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 online compliance resources, including up-to-date licensing information on our website: <https://rmaintl.org/compliance>

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:

- [Fair Debt Collection Practices Act](#) (FDCPA)
- [Fair Credit Reporting Act](#) (FCRA)
- [Telephone Consumer Protection Act](#) (TCPA)
- [Servicemembers Civil Relief Act](#) (SCRA)
- [Unfair, Deceptive, or Abusive Acts or Practices](#) (UDAAP), section 1031 of Dodd-Frank Act
- [Bankruptcy Code](#)

State and Federal Guidance

The industry is regulated at the state and federal levels by multiple governmental agencies, including but not limited to:

- Consumer Financial Protection Bureau (CFPB)
- Federal Communications Commission (FCC)
- Federal Trade Commission (FTC)
- 50 State Attorneys General
- State Licensing Boards
- State bonding and corporate registration requirements

Learn more about these three federal agencies:

CFPB: <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

You need to be aware of the following:

- Criminal Background Checks (Standard A3)
- Employee Training Programs (Standard A4)
- Complaints & Dispute Resolution (Standard A5)
- Consumer Notices (Standard A6)
- Data Security (Standard A7)
- Payment Processing (Standard A9)
- Credit Bureau Reporting (Standard A11)
- Statute of Limitations (Standard A12)
- Vendor Management (Standard A15)
- Affidavits (Standard A16)
- Commissions (Standard A17)
- Hardship (Standard A20)
- Discriminatory Collection Practices (Standard A22)
- Purchase & Sale Documentation Requirements (Standard B1)
- Sale Restrictions (Standard B4)

Website & Publication (Standard A14)

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

[Website Sample](#)

CFPB 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 Cyber and Errors & Omissions (E&O) insurance coverage.

Cyber: \$1 million

E&O:

- \$2 million per event/occurrence for more than \$10 million in annual receipts resulting from debt collection.
- \$1 million per event/occurrence for \$2 - \$10 million in annual receipts resulting from debt collection.
- \$500,000 per event/occurrence for less than \$2 million in annual receipts resulting from debt collection.

RMAI Member Companies Offering E&O Insurance:

Acumen Solutions Group

Contact: Anthony D'Elia

Phone: 631-719-5511

Email: adelia@acumenins.com

Cornerstone Licensing Services

Contact: Bret Hegi

Phone: 470-799-0648

Email: bhegi@coveredbycornerstone.com

Also provides licensing services and compliance support.

Risk Strategies

Contact: Ken Dash

Phone: 484-270-9221

Email: kdash@risk-strategies.com

OPERATIONS



Purchase and Sale 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. Know with whom you are doing business.
 - Have you done your due diligence?
 - ☐ Is the seller the Originating Creditor, a broker, or a reseller?
 - ☐ Does the seller have the required licenses?
 - ☐ Is the seller RMAI Certified?

<https://rmaintl.org/certification/certified-receivables-business/certified-company-search/>

Contact RMAI to inquire: 916-482-2462

- ☐ Does the seller have references?
- ☐ Does the seller operate with high-risk portfolios, and if so, what contract protections do they offer?
- ☐ Check seller's Better Business Bureau rating: <https://www.bbb.org>
- ☐ Check complaints filed against the seller on the CFPB consumer complaint portal: <https://www.consumerfinance.gov/data-research/consumer-complaints/>
- 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.
 - ☐ Some states have adopted specific data and documentation requirements so review the laws in the states you will be operating.
 - ☐ Complete lists of data and documentation requirements for consumer and commercial debt portfolio acquisition are outlined in Standard B1 of RMAI's Receivables Management Certification Program:

<https://rmaintl.org/governancedocument>

Representations & Warranties (Standard B2)

Negotiate the inclusion of the following base-level representations and warranties in purchase and sale agreements outlined in Standard B2 of RMAI's Receivables Management Certification Program:

<https://rmaintl.org/governancedocument>

- 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 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 Vendor Management policies and procedures (Standard A15) to identify and retain qualified third-party vendors and to assure appropriate oversight of such vendors.

DEBT BUYER RESOURCES



Consider Certification Through RMAI

RMAI's [Receivables Management Certification Program](#) offers professional designations to businesses and individuals operating and employed within the U.S. receivables industry. RMAI launched the Certification Program in 2013 with a stated mission to "provide enhanced consumer protections through rigorous and uniform industry standards of best practice." Often cited as the "gold standard" due to requirements that go above and beyond those required by law, the program certifies collection agencies, debt buying companies, collection law firms, vendors, and brokers. Benefits of business certification include:

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

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

- [Directory of Certified Businesses](#)
- [Receivables Management Certification Program Standards, Appendix A](#)

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

- [7 Steps to Becoming a Certified Receivables Compliance Professional](#)
- [7 Steps to Becoming a Certified Receivables Business](#)

RMAI's Certification Program:

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

Educational Webinars

RMAI's "Introductory Survey Course on Debt Buying":

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

Live & Recorded Webinars:

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

Connect with Sellers

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

Certification

Become a certified debt buyer to be included in our online Directory of Certified Businesses.

"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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RMAI RESOURCE LIBRARY

Visit our one-stop shop for knowledge and information:
<https://rmaintl.org/rmai-resource-library/>

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