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MANAGEMENT ASSOCIATION  
8 INTERNATIONAL; ACA  
INTERNATIONAL; and R.M. GALICIA,  
9 INC. dba PROGRESSIVE MANAGEMENT  
SYSTEMS

10 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**  
11 **FOR THE COUNTY OF SAN FRANCISCO**

13 RECEIVABLES MANAGEMENT  
14 ASSOCIATION INTERNATIONAL, INC.;  
ACA INTERNATIONAL; R.M. GALICIA  
15 INC., dba PROGRESSIVE  
MANAGEMENT SYSTEMS;

16 Petitioners and Plaintiffs,

17 v.

18 STATE OF CALIFORNIA DEPARTMENT  
19 OF FINANCIAL PROTECTION AND  
INNOVATION; KHALIL MOHSENI in his  
20 official capacity as the Commissioner of the  
State of California Department of Financial  
21 Protection and Innovation; and DOES 1-10,

22 Respondents and Defendants.

Case No.  
*Unlimited Jurisdiction*

**VERIFIED CLASS ACTION PETITION  
FOR WRIT OF MANDATE AND  
COMPLAINT FOR DECLARATORY  
AND INJUNCTIVE RELIEF**

1 Petitioners and Plaintiffs Receivables Management Association International, Inc., ACA  
2 International, and R.M. Galicia, Inc. d/b/a Progressive Management Systems (together  
3 “Petitioners”) bring this action through their undersigned counsel and allege:

4 **SUMMARY OF ACTION**

5 1. Petitioners Receivables Management Association International, Inc. and ACA  
6 International are trade associations representing California’s debt-collection industry, and R.M.  
7 Galicia, Inc., d/b/a Progressive Management Systems, is a member of ACA. They sue here to  
8 challenge unlawful licensing assessments (“Licensing Fees”) the Department of Financial  
9 Protection and Innovation (“DFPI”) imposed under the Debt Collection Licensing Act (Cal. Fin.  
10 Code, Div. 25, §§ 100000–100170), enacted by 2020’s Senate Bill 908. The Licensing Fees are an  
11 unlawful tax imposed in violation of Proposition 26 (Cal. Const., art. XIII A, § 3) for at least these  
12 reasons:

13 a. The total to be recovered exceeds the reasonable cost of regulation, not least  
14 because DFPI grossly overestimated the number of regulated debt collectors in California,  
15 budgeting for a much larger group of licensees. Rather than recalibrate its fees once it learned of  
16 the actual costs of the licensing tasks for the smaller group of licensees, it set unreasonable and  
17 disproportionate fees based on inaccurate information, setting them so high as to drive licensees  
18 out of the California market. The impacts of that error make the Licensing Fees unlawful,  
19 violating 2010’s Proposition 26, California Constitution, article XIII A, section 3.

20 b. The allocation of fees based on the gross receipts (or proxies for gross  
21 receipts) of regulated businesses is grossly disproportionate to larger businesses’ burdens on or  
22 benefits from the regulatory program. Costs simply do not scale with revenues. Gross receipts  
23 measure ability to pay, not cost of service and is therefore a forbidden metric under Proposition 26.  
24 DFPI’s ratemaking record reflects no evidence that it allocates examination frequency,  
25 investigative intensity, or enforcement resources based on licensee net proceeds.

26 c. Audit costs are at DFPI’s absolute discretion and are unreasonably high  
27 when compared to what other States charge and given what can be imposed on a licensed business  
28 in terms of frequency, length, and intensity of audits, making costs unpredictable. This makes



1 and consumer protections through rigorous and uniform industry standards of best practice. RMAI  
2 also provides extensive educational opportunities for its members (including conferences,  
3 webinars, and publications) and serves as the collective voice of the industry in advocacy before  
4 courts, regulators, and legislatures.

5           5.       RMAI’s members are subject to the Licensing Fees and have paid or are compelled  
6 to pay them as a condition of engaging in lawful debt collection activity in California. RMAI is  
7 beneficially interested in the outcome of this matter because, absent the requested relief, its  
8 members risk losing licenses and business in California should they not pay the illegal, excessive  
9 Licensing Fees. Of RMAI’s members that do business in California (and would be subject to  
10 licensure), approximately 36 percent are law firms, 34 percent are debt buyers, and 30 percent are  
11 collection agencies.

12           6.       Petitioner ACA International (“ACA”) is a nonprofit corporation based in  
13 Minneapolis, Minnesota. Founded in 1939 as the American Collectors Association, ACA is the  
14 largest trade group for the debt-collection industry. ACA represents approximately 1,300 members  
15 in the ARM industry. Its members include credit grantors, third-party collection agencies, asset  
16 buyers, attorneys, and vendor affiliates. About three-quarters of ACA’s company members have  
17 fewer than 25 employees. ACA’s debt-collector members work with consumers to resolve  
18 consumer debt, and help keep America’s credit-based economy functioning with broad access to  
19 low-cost credit. For example, in 2018, the ARM industry returned more than \$90 billion to  
20 creditors for goods and services they had provided customers. These collections benefit consumers  
21 by lowering the costs of goods and services, particularly when rising prices are hurting consumers  
22 throughout the country, saving every American household, on average, more than \$700 each year.  
23 ACA’s mission is helping members succeed in the ARM industry by providing the gold standard in  
24 advocacy, education, and resources, including certification courses. ACA is a leader in the  
25 accounts-receivable-management industry, providing its members with essential information,  
26 education, and guidance on compliance with laws and regulations. ACA also articulates the value  
27 of the credit-and-collection industry to businesses, consumers, policymakers, and courts.

28           7.       ACA’s members are subject to the Licensing Fees and have paid or are compelled

1 to pay them as a condition of engaging in lawful debt collection activity in California. ACA is  
2 beneficially interested in the outcome of this matter because, absent the requested relief, its  
3 members risk losing licenses and business in California should they not pay the illegal Licensing  
4 Fees.

5           8.       Petitioner R.M. Galicia, Inc., d/b/a Progressive Management Systems  
6 (“Progressive”) is a receivables-solutions firm headquartered in West Covina, California, servicing  
7 the debt-collection industry since 1978. It provides first-party assistance to its healthcare provider  
8 clients for accounts that are not delinquent, as well as third-party medical debt collection services  
9 to its healthcare providers. Accounts are often resolved by identifying insurers obliged to pay the  
10 accounts. Progressive was assessed \$30,229 in Licensing Fees for FY 2025, calculated under  
11 DFPI’s pro-rata methodology allocating what DFPI claims to be its aggregate funding need, rather  
12 than Progressive’s own burden on DFPI’s regulatory program. The assessment materially impaired  
13 Progressive’s ability to operate in California by diverting resources from its operations and client  
14 services, and by imposing increased per-account compliance costs. As a result, Progressive cannot  
15 reliably predict its regulatory costs of doing business in California, which impairs long-term  
16 contracting, budgeting, and ability to price services. Progressive faces ongoing uncertainty  
17 whether it can maintain California service levels and performance standards on the terms available  
18 in other jurisdictions, which have more predictable and impose reasonable licensing fees.

19           9.       Progressive is subject to the Licensing Fees and has paid or is compelled to pay  
20 them as a condition of engaging in lawful debt collection activity in California. Progressive is  
21 beneficially interested in the outcome of this matter because, absent the requested relief, it risks  
22 losing its license and business in California should it not pay the illegal Licensing Fees.

23           10.      Petitioners RMAI and ACA have associational standing to bring this suit for their  
24 members who are adversely affected by the Licensing Fees. Those members have standing to sue  
25 in their own rights, the interests at issue are germane to the organizations’ missions, and the  
26 participation of an individual member is not required to adjudicate the issues. No individualized  
27 proof is required to establish liability because the legality of the assessment methodology presents  
28

1 a purely legal question common to all Class members. Refund calculations will not be complex  
2 and can rely on Respondents' own records of receipts to the date of judgment.

3 11. Alternatively, Petitioners seek relief on behalf of all affected licensees under  
4 principles applicable to representative writ actions.

5 12. Respondent and Defendant State of California is, and at all relevant times was, a  
6 sovereign state of the United States. The DFPI is a California State agency responsible for  
7 administering and enforcing the Debt Collection Licensing Act.

8 13. Respondent and Defendant Khalil Mohseni is the appointed Commissioner of the  
9 DFPI and is sued in his official capacity. The Commissioner is responsible for, among other  
10 things, implementing, enforcing, and collecting assessments under Financial Code,  
11 section 100020.

12 14. Respondents have a clear, present, and legally enforceable duty to comply with  
13 constitutional mandates and laws upon which this action is based, and to take the actions this  
14 pleading seeks to compel.

15 15. Petitioners are unaware of the true names and capacities of Respondents and  
16 Defendants sued as DOES 1 through 10 and therefore sue them by fictitious names. Petitioners are  
17 informed and believe, and thereon allege, that each DOE Defendant is responsible for the acts,  
18 violations, and injuries alleged. Petitioners will amend this Petition and Complaint to allege the  
19 true names and capacities of the DOE Defendants when their identities are ascertained.

20 **VENUE**

21 16. This Court has jurisdiction over this action under California Code of Civil  
22 Procedure, sections 526, 1060, 1085, and 1086. Petitioners are entitled to a writ of mandate  
23 because they do not have a plain, speedy, and adequate alternative remedy in the ordinary course  
24 of law. Petitioners' request for declaratory relief is authorized by Code of Civil Procedure, sections  
25 1060 and 1062.

26 17. Venue is proper in this Court under California Code of Civil Procedure, section 401  
27 because this is an action or proceeding against the State or department, institution, board,  
28 commission, bureau, officer or other agency thereof which shall or may be commenced in, tried in,

1 or removed to any county of this State in which the Attorney General has an office, including the  
2 City and County of San Francisco, where this Court is located.

3 **CLASS ALLEGATIONS**

4 18. Petitioners bring this action on behalf of themselves, and all others similarly  
5 situated pursuant to California Code of Civil Procedure, section 382. The proposed class  
6 (hereinafter, the “Class”) is defined as:

7 All persons and entities licensed by the Department of Financial  
8 Protection and Innovation as debt collectors in the State of  
9 California who were assessed and have paid, paid under protest, or  
10 have not yet paid, the 2025 annual assessments and/or audit and  
11 examination fees imposed under the Debt Collection Licensing Act.

12 19. The Class is so numerous that joinder of all members is impractical. Upon  
13 information and belief, the DFPI has licensed approximately 1,243 debt collectors statewide, all of  
14 which were subject to the unlawful Licensing Fees and audit and examination fees for FY 2025 as  
15 well as future assessments.

16 20. The Class members are readily ascertainable from DFPI records. There is a well-  
17 defined community of interest in the questions of law and fact raised here, including whether the  
18 2025 Licensing Fees and any such fees for future years are unlawful taxes.

19 21. Petitioners are adequate representatives of the Class because their interests do not  
20 conflict with other Class members. Petitioners and counsel will fairly and adequately protect the  
21 interests of all Class members.

22 **GOVERNMENT CLAIMS ACT COMPLIANCE**

23 22. On or about April 1, 2026, Petitioners transmitted to the State claims seeking the  
24 relief sought by this action for themselves and the Class. The claims comply with the Government  
25 Claims Act (Cal. Gov’t Code, § 910 et seq.). True and correct copies of the claims are attached  
26 hereto as **Exhibits A, B, and C**.

27 23. To the extent required, the claims have been rejected by operation of law or will be  
28 deemed rejected before adjudication of monetary relief.

1           24.     Petitioners have exhausted all administrative remedies, including compliance with  
2 the Government Claims Act (Cal. Gov't Code, §§ 905, 910) to the extent applicable. (*County of*  
3 *Los Angeles v. Superior Court* (2008) 159 Cal.App.4th 353; *Lozada v. City and County of San*  
4 *Francisco* (2006) 145 Cal.App.4th 1139.) To the extent a refund constitutes monetary relief rather  
5 than incidental relief ancillary to a writ action, Petitioners have complied with the Government  
6 Claims Act, or are excused from compliance because no alternative statutory refund procedure  
7 exists under the Debt Collection Licensing Act. Government Claims compliance is not required  
8 for the equitable relief sought here.

9                           **THE ACCOUNTS RECEIVABLE MANAGEMENT INDUSTRY**

10           25.     The accounts-receivables-management (“ARM”) industry is a substantial and  
11 integral component of our financial system. It encompasses businesses engaged in the collection,  
12 purchase, servicing, and management of consumer and commercial debt, including delinquent  
13 accounts arising from credit cards, medical services, telecommunications, utilities, auto loans,  
14 personal loans, and other consumer credit including main street and small businesses that extend  
15 credit for goods and services. Industry participants include original creditors, third-party debt  
16 collection agencies, debt buyers, and law firms.

17           26.     The secondary market is critical to the functioning of the primary market in which  
18 credit originators lend to customers. As businesses, hospitals, and lenders across the country  
19 continue to face unprecedented challenges because of the changing economy, regulations,  
20 inflation, and labor-market conditions, the ARM and debt-collection industry plays an even more  
21 critical role in protecting both consumers and lenders. Public- and private-sector lenders,  
22 healthcare providers, and other creditors rely on debt recovery. Without this support, consumers  
23 may see higher prices and reduced access to affordable credit. With balanced regulations, the  
24 ARM industry can continue to help keep America’s credit-based economy functioning, with wide  
25 access to credit at the lowest possible cost.<sup>1</sup> A recent study confirmed that greater barriers to debt  
26

27 \_\_\_\_\_  
28 <sup>1</sup> See generally, David E. Reid, *The Value of Resale on the Receivables Secondary Market*, RMAI  
White Paper (Apr. 2016), available at < <https://perma.cc/EU72-TNN3> > (as of Mar. 31, 2026).

1 collection activities directly correlate to decreases in consumer access to credit and financial  
2 health.<sup>2</sup>

3 27. The ARM industry operates nationally and affects tens of millions of consumers  
4 annually. By all accounts, much consumer debt is not held by originating lenders, but by debt  
5 buyers. By as early as 2006, “approximately 55% of all mortgages, 45% of all credit card loans,  
6 and 16% of non-revolving loans (many of which are auto installment loans) were securitized.”<sup>3</sup>  
7 Today the business of securitizing consumer debt, and acquiring debt to collect it, “plays an  
8 essential role in the financial system and the broader U.S. economy. It is a mainstream source of  
9 credit and financing for individuals and businesses and finances a substantial portion of all  
10 consumer credit.”<sup>4</sup>

11 28. ARM professionals serve their communities by improving the economy, creating  
12 jobs, and helping consumers resolve unpaid debt. The ARM industry works with creditors,  
13 government entities, and consumers to manage roughly 1.6 billion accounts annually nationwide.

14 29. Historically, total net debt returned to creditors amounts to nearly \$90.1 billion for  
15 goods and services they provided to their customers.<sup>5</sup> According to a 2020 debt collection study by  
16 Kaulkin Ginsberg Company, ARM firms collected nearly \$102.6 billion in debt annually,  
17 representing a recovery rate of approximately 11 percent.<sup>6</sup> And in turn, these collections benefit all  
18

19 <sup>2</sup> Julia Fonseca, Katherine Strair, Basit Zafar, Federal Reserve Bank of New York, *Access to*  
20 *Credit and Financial Health: Evaluating the Impact of Debt Collection*, Staff Report No. 814  
(May 2017), available at < <https://perma.cc/66KA-EW3F> > (as of Mar. 31, 2026).

21 <sup>3</sup> Andrea Ryan, Gunnar Trumbull, Peter Tufano, *A Brief Postwar History of U.S. Consumer*  
22 *Finance*, Harvard Business School, 85 Bus. History Rev. 461 (Autumn 2011), also available at  
< <https://perma.cc/J3NC-3523> > (as of Mar. 31, 2026).

23 <sup>4</sup> *Securitization of Assets: Problems and Solutions, Testimony before the U.S. Senate Committee*  
24 *on Banking, Housing, and Urban Affairs*, 111th Congress, 1st session, p. 25 (Oct. 7, 2009)  
25 (Testimony of George Miller).

26 <sup>5</sup> See *The Role of Third-Party Debt Collection in the U.S. Economy*, by Josh Adams, PHD,  
27 Director of Research, ACA International, Washington, DC, January 2016; 2020 State of the  
Industry Report.

28 <sup>6</sup> See < <https://policymakers.acainternational.org/wp-content/uploads/2020/09/KG-combined.pdf> >

1 consumers by lowering the costs of goods and services due to lower borrowing costs, critical  
2 given currently rising prices impacting consumers’ quality of life nationwide. Collectors’ work  
3 results in approximately \$706 in savings per household — equivalent to about three weeks of  
4 groceries for a family of four.

5 30. RMAI and ACA have both worked to raise practices and standards for industry  
6 members far beyond what is required by federal and state law, enhancing consumer protection and  
7 educating their members on best practices and professionalism. Since RMAI launched its  
8 Receivables Management Certification Program in 2013, there has been a sea change in practices  
9 in the debt-collection industry. This comprehensive and uniform source of industry standards has  
10 been recognized by the Consumer Financial Protection Bureau (“CFPB”) as “industry best  
11 practices.”<sup>7</sup> Currently, RMAI certified members, who voluntarily adhere to higher standards than  
12 required under federal, state, and local law, conduct approximately 80 to 90 percent of all domestic  
13 debt-collection on the secondary market.

14 **STATUTORY AND REGULATORY FRAMEWORK**

15 31. Because collection activity frequently involves consumers in financial distress, the  
16 industry has long been subject to comprehensive regulatory oversight to promote transparency,  
17 accuracy, and fairness. The regulatory framework recognizes both the importance of consumer  
18 protection and the essential role that responsible debt-collection plays in maintaining the integrity  
19 of credit markets, ensuring contractual obligations are honored, and supporting access to credit for  
20 consumers and businesses alike.<sup>8</sup> At the federal level, debt collection activity is principally  
21 regulated by the Fair Debt Collection Practices Act (“FDCPA”), 15 U.S.C. § 1692, et seq. The

22  
23 \_\_\_\_\_  
(as of Mar. 31, 2026).

24 <sup>7</sup> Consumer Financial Protection Bureau, *Small Business Review Panel for Debt Collector and*  
25 *Debt Buyer Rulemaking, Outline of Proposals Under Consideration*, July 28, 2016, p. 38,  
26 available at < <https://perma.cc/9JNH-ZDVP> > (as of Mar. 31, 2026).

27 <sup>8</sup> See *Debt Collection Services Market Report*, Market Research Future, available at  
28 < <https://www.marketresearchfuture.com/reports/debt-collection-services-market-24376> > (as of  
Mar. 31, 2026).

1 FDCPA was enacted to eliminate abusive, deceptive, and unfair debt-collection practices, to  
2 promote consistent state action to protect consumers, and to ensure that debt collectors who refrain  
3 from such practices are not competitively disadvantaged. The FDCPA applies to third-party debt  
4 collectors and debt buyers who collect consumer debt, and it regulates, among other things,  
5 communications with consumers, representations regarding the nature and amount of debt owed,  
6 validation and verification requirements, and collection litigation. Federal oversight is further  
7 exercised through agencies such as the CFPB and the Federal Trade Commission. Industry  
8 participants, including Petitioners and their members, regularly invest in substantial resources to  
9 ensure compliance with these evolving regulatory standards, and have been consistently  
10 recognized by regulators for setting higher standards for their members than required by law.

11 32. California, too, has enacted a comprehensive regulatory regime to govern debt  
12 collection and debt-buying practices, reflecting the Legislature’s recognition of the industry’s  
13 significant impact on California consumers. The Rosenthal Fair Debt Collection Practices Act  
14 (“Rosenthal Act”), Civil Code § 1788 et seq., incorporates and expands upon the protections of the  
15 FDCPA and applies to a broader range of entities, including certain original creditors. In addition,  
16 the California Fair Debt Buying Practices Act (“FDBPA”), Civil Code § 1788.50 et seq., imposes  
17 substantive and procedural requirements on debt buyers, including obligations to possess and  
18 provide documentation substantiating the existence, ownership, and amount of an alleged debt  
19 before engaging in collection activity or filing suit.

20 **SENATE BILL 908’S LICENSING AND ASSESSMENT BACKGROUND**

21 33. In 2020, the California Legislature enacted Senate Bill 908 (“SB 908”), codified as  
22 the Debt Collection Licensing Act, Financial Code section 100000 et seq. The Act became  
23 operative January 1, 2022. The Legislature determined that a comprehensive licensing and  
24 oversight framework was necessary to promote accountability, improve compliance with  
25 consumer protection laws, and provide regulators with meaningful enforcement tools. Its stated  
26 purpose is to protect consumers by ensuring that debt collectors in California are subject to  
27 uniform licensing standards, ongoing regulatory supervision, and meaningful enforcement.

28 34. As codified, Finance Code section 100020 requires all debt collectors operating in

1 California to obtain a license from the DFPI. It also authorizes DFPI, through its Commissioner, to  
2 suspend, revoke, or deny licenses, and to conduct investigations, examinations, and enforce  
3 compliance with the Act and related consumer protection laws. (Cal. Fin. Code, §§ 100003,  
4 100004.)

5 35. Section 100020 imposes application, renewal, and assessment fees on licensees to  
6 fund administration and enforcement of the Debt Collection Licensing Act. Subsection (a) imposes  
7 a duty on each licensee to

8 pay to the commissioner its pro rata share of all costs and expenses  
9 reasonably incurred in the administration of this division, as  
10 estimated by the commissioner, for the ensuing year and any deficit  
11 actually incurred or anticipated in the administration of the division  
12 in the year in which the annual fee is levied.

13 (Cal. Fin. Code, § 100020, subd. (a).)

14 36. According to the Debt Collection Licensing Act, a licensee’s “pro rata share”  
15 shall be based upon the proportion of net proceeds generated by  
16 California debtor accounts in the preceding year after the amount  
17 levied pursuant to subdivision (c).

18 (*Id.*)

19 37. Financial Code, section 100020, subdivision (c) sets a minimum annual fee of \$250  
20 per licensee, plus a maximum of the “aggregate of all reasonable costs to operate this division,  
21 with the exception of fees associated with investigations and examinations.” (*Id.*, § 100020,  
22 subd. (c).) In other words, once minimum assessments are imposed, the statute allows for the  
23 balance needed to cover all DFPI’s budget to be allocated in proportion to each licensee’s share of  
24 “net proceeds” of California debtor accounts in the preceding year — if that budget is  
25 “reasonable.” Licensees’ payments must be made within 30 days of invoicing. If payment is not  
26 made by January 1, a penalty of 1% of the assessment for each month or part of a month of delay  
27 may be imposed and a licensee’s license may be revoked. (Cal. Fin. Code, § 100020, subds. (b),  
28 (d).)

1           38.     Revocation would be reportable to other licensing states and is therefore a  
2 significant incentive to pay timely or to withdraw from the California market.

3           39.     The DFPI has stated the intent of the Debt Collection Licensing Act is for the total  
4 amount assessed and collected from licensees to equal the total cost for the DFPI to administer the  
5 program, making it self-funding. DFPI’s intent was to require licensees to contribute to DFPI’s  
6 operational costs in proportion to the scale of their business in California. (See DFPI Final  
7 Statement of Reasons for Adoption of Rules under the Debt Collection Licensing Act, PRO 01/23,  
8 **Exhibit D.**) But our Constitution demands that regulatory fees fund only permissible services and  
9 be limited to reasonable costs. (Cal. Const., art. XIII A, § 3, subd. (b)(3).)

10          40.     Five rulemakings since 2020 have attempted to clarify the language, scope, and  
11 application of the Debt Collection Licensing Act. For example, PRO 02/20 establishes the initial  
12 process for licensing applications and use of the Nationwide Multistate Licensing System  
13 (“NMLS”) and registry for licensing and electronic communications between DFPI and licensees.  
14 Further, PRO 05/21 clarified the Debt Collection Licensing Act’s scope of the “business of debt  
15 collection,” imposed record-retention obligations, and required annual reporting and surety bonds.

16          41.     Notwithstanding these efforts, no regulation discloses the actual formula DFPI  
17 used, explains the resulting annual assessments, or articulates any rational basis for their amounts.  
18 As a result, California licensees are subjected to unjustified and exorbitant Licensing Fees to  
19 continue operating in California.

20          42.     Most significant here, PRO 01/23, adopted March 4, 2025 and effective July 1,  
21 2025, seeks to clarify “net proceeds generated by California debtor accounts,” or the formula for  
22 the Licensing Fees. (Cal. Code Regs., tit. 10, § 1850, subd. (p).) It defines that term as “the  
23 amount retained by a debt collector from its California debt collection activity.” It further states:

24                 (1) For the California debt collection activity of a debt buyer as  
25                 defined in Civil Code section 1788.50, this is equal to the amount  
26                 the debt buyer collects on a debt minus the prorated amount it paid  
27                 for that debt, before deducting costs and expenses.

28                 (2) For the California debt collection activity of an owner of debt

1 who is not a debt buyer under paragraph (1) of this subdivision, this  
2 is equal to the amount the owner receives in fees and other charges  
3 from debtors that it would not have received had the debt been paid  
4 on time, before deducting costs and expenses.

5 (3) For all other California debt collection activity, this is equal to  
6 the amount a debt collector receives from its clients, regardless of  
7 fee structure, before deducting costs and expenses. For purposes of  
8 this section, “client” means the company on whose behalf the debt  
9 collector has been contracted to collect on an account.

10 (4) The total dollar amount of net proceeds under paragraph (a)(5) of  
11 the Financial Code section 100021 is the sum of the net proceeds for  
12 each category of California debt collection activity in paragraphs (1)  
13 through (3) of this subdivision.

14 43. Despite this additional effort to clarify ambiguity in the Debt Collection Licensing  
15 Act, little is clear about the formula used and the resulting Licensing Fees imposed.

16 44. On information and belief, DFPI used a factor of 0.0041, multiplied by the “net  
17 proceeds” a licensee reported on its 2025 annual report, to calculate Licensing Fee amounts. But  
18 DFPI has never explained how it derived this factor. Its only formal explanation appears on its  
19 website (< <https://dfpi.ca.gov/regulated-industries/debt-collection-licensee/> > (as of Mar. 31,  
20 2026).) A FAQs section entitled “How the Annual Assessment is Calculated” discusses DFPI’s  
21 ratemaking methodology:

22 In accordance with California Financial Code § 100020(a), each  
23 licensee is responsible for paying its pro rata share of the annual  
24 assessment, which is based on the proportion of its net proceeds.  
25 Pursuant to California Financial Code § 100020(c), each licensee  
26 must first pay a minimum annual assessment of \$250. The minimum  
27 assessment applies uniformly to all licensees.

28 After the minimum assessments have been applied, the remaining

1 assessment amount is allocated among all licensees in proportion to  
2 their reported net proceeds. To do this, the Department determines  
3 its assessment rate by dividing the remaining assessment amount by  
4 the total net proceeds reported by all licensees. The total amount due  
5 from each licensee therefore is the sum of the \$250 minimum  
6 assessment plus that licensee’s individual share of the remaining  
7 balance.

8 This method ensures that all licensees contribute fairly, with  
9 everyone paying the same minimum amount, and additional  
10 amounts assessed based on the size of their business activity.

11 This text was not contained in the final rule or in the March 4, 2025 final Statement of Reasons.

12 45. Licensees — including members of RMAI and the California Association of  
13 Collectors (“CAC”), the California unit of ACA — opposed the proposed fee structure during the  
14 2020 negotiations preceding adoption of SB 908 due to the lack of certainty of the fee amount and  
15 because no other state uses such an approach.

16 46. Once commentators understood a flat, statutory fee would not be adopted, CAC  
17 requested a floor of \$250 to protect small businesses, while RMAI sought a cap to prevent the  
18 exorbitant assessments licensees now face. They advocated alternatively for a tiered approach,  
19 similar to the approach DFPI takes for bank and credit union fees. Instead, the Debt Collection  
20 Licensing Act includes no cap, resulting in the exorbitant Licensing Fees in violation of the  
21 Constitution. Indeed, even those involved in authoring and enforcing the legislation were surprised  
22 by the high Licensing Fees, indicating this was not the Legislature’s intent.

23 47. Trade associations sought to cure defects in the Licensing Fees before DFPI  
24 imposed them. RMAI, CAC, and others commented on PRO 01/23 on March 27, July 3, and  
25 September 27, 2024. PRO 01/23 was intended to define terms contained in licensees’ annual  
26 reports. The “Initial Statement of Reasons” published January 26, 2024 was the first time, to  
27 Petitioners’ knowledge, that DFPI expressly connected the need to define “net proceeds” to the  
28 annual fee, which it did again in the March 4, 2025 Final Statement of Reasons. But nowhere in

1 the regulations or Statement of Reasons did DFPI explain the calculation of the fee or disclose that  
2 the open-ended formula could (and subsequently did) generate very high Licensing Fees.

3 48. Petitioners also learned that DFPI grossly overestimated the number of regulated  
4 debt collectors in California, budgeting for far too many. DFPI estimated over 7,000 licensees  
5 when designing the program budget, some four times the approximately 1,200 licensees later  
6 disclosed.<sup>9</sup> Despite Petitioners' advising DFPI's Commissioner of this gross overestimation, DFPI  
7 never adjusted its budget to account for the actual number of licensees it regulates under this  
8 program.

9 49. DFPI was required to consult the Debt Collection Advisory Committee to discuss  
10 its budgeting, formula, and proposed Licensing Fees before their implementation. Financial Code  
11 section 100025, subdivision (b) states:

12 The Debt Collection Advisory Committee shall **advise the**  
13 **commissioner** on matters relating to debt collection or the debt  
14 collection business, including **proposed fee schedules** and the  
15 mechanics and feasibility of implementing requirements proposed in  
16 regulations.

17 But DFPI never meaningfully consulted the Advisory Committee as to its formula for Licensing  
18 Fees. Had it been more forthcoming, its erroneous estimate of the size of the industry might have  
19 been discovered before DFPI committed itself to unnecessary scale in this program. Perhaps it  
20 thought no one would notice its error.

21 50. Even at the September 17, 2025 Debt Collection Advisory Committee meeting,  
22 neither the agenda nor power point presentation stated the 0.0041 factor, nor disclosed that  
23 Licensing Fees would run into millions of dollars. While the 0.0041 factor was shared orally, DFPI  
24 staff refused to disclose any additional information on the formula it adopted, indicating they  
25 would provide it via a Public Records Act request which, of course, they would be obliged to do in  
26

27 <sup>9</sup> See <<https://lao.ca.gov/reports/2021/4376/Debt-Collector-Lic-Reg-021721.pdf>> (as of March 31,  
28 2026).

1 any event. Nor did DFPI disclose at that meeting that one licensee would be charged an annual  
2 Licensing Fee of \$1.4 million.

3 51. In Fall 2025, as DFPI prepared to issue the first invoices, it updated its public  
4 webpage and FAQs for the Debt Collection Licensing Act, in an apparent attempt to address  
5 concerns about its assessment methodology. The site explained that annual fees would be based  
6 upon net proceeds indicated in each licensee’s 2024 Annual Report that was due in March 2025. It  
7 stated annual assessments would be issued through NMLS on September 30, 2025 with payment  
8 due in 30 days. As to the calculation of “net proceeds” of various debt-collection activities, the  
9 FAQs recited the opaque language of CCR section 1850, subdivision (p) — leaving licensees in  
10 the dark about DFPI’s formula to calculate assessments.

11 52. At its September 18, 2025 Advisory Committee meeting, DFPI disclosed for the  
12 first time the number of licensees (1,243), the total assessment amount of \$10.2 million, and total  
13 net debt-collection-industry proceeds of \$2.5 billion. These data, for the first time, allowed  
14 licensees to estimate their Licensing Fees. The assessment rate was disclosed as the remaining  
15 assessment (i.e., DFPI’s unfunded costs to operate) ÷ total net industry proceeds. Each licensee’s  
16 pro rata share would be calculated by its net proceeds multiplied by the assessment rate.

17 53. DFPI invoiced licensees via the NMLS on September 30, 2025, with payment due  
18 in 30 days. (Cal. Fin. Code, § 100021, subd. (e); § 100020, subd. (b).) Licensees were shocked at  
19 the large Licensing Fees imposed, and bewildered by large differences in amounts charged to  
20 licensees. Assessments ranged from the statutory minimum of \$250 to a high of \$1,421,404. About  
21 60 percent of licensees were to pay less than \$1,000; about 30 percent, between \$1,000 and  
22 \$10,000; and, about 10 percent to pay more than \$10,000. Some 18 licensees were assessed six- or  
23 seven-figure fees. And while licensees now knew the assessments, the formula used to calculate  
24 them remained opaque.

25 **THE LICENSING FEES VIOLATE PROPOSITION 26**

26 54. In 1978, Proposition 13 added article XIII A to the California Constitution and  
27 established the foundational rule that taxes imposed by the State require supermajority legislative  
28 approval. (Cal. Const., art. XIII A, § 3, subds. (b), and § 4 [taxes “must be imposed by an act

1 passed by not less than two-thirds of all members elected to each of the two houses of the  
2 Legislature.”].) Voters later approved Proposition 218 to strengthen procedural and substantive  
3 protections against hidden taxes at the local level, requiring voter approval for special and general  
4 taxes, and imposing proportionality and nexus principles for a wide range of fees, including  
5 regulatory fees.

6 55. Proposition 26 was enacted to narrow the previously common-law definition of the  
7 “taxes” requiring voter approval. Like Proposition 13, Proposition 26 applies to the State and its  
8 agencies. Proposition 26 states that every “levy, charge or exaction of any kind imposed by the  
9 State is a tax” unless the State bears the burden to prove the charge falls within one of a few,  
10 narrowly stated exceptions. (Cal. Const., art. XIII A, § 3, subd. (b).)

11 56. Notably, the Legislature did not approve the Licensing Fees and SB 908 was not  
12 approved by the necessary margin. Thus, the fees are illegal taxes unless DFPI can prove they fall  
13 within an exception to the Constitution’s definition.

14 57. As the three other express exceptions to the definition of tax do not apply, DFPI  
15 bears the burden to prove the Licensing Fees are “[a] charge imposed for the reasonable regulatory  
16 costs to the State incident to issuing licenses and permits, performing investigations, inspections,  
17 and audits, enforcing agricultural marketing orders, and the administrative enforcement and  
18 adjudication thereof.” (Cal. Const., art. XIII A, § 3, subds. (b)(2), (d).) It must prove the fee “is not  
19 a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental  
20 activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable  
21 relationship to the payor’s burdens on, or benefits received from, the governmental activity.” (*Id.*,  
22 subd. (d).) Failure to satisfy any of these requirements renders a charge a tax, invalid absent a  
23 supermajority vote in both chambers of the Legislature.

24 58. Although DFPI’s regulations purport to define “net proceeds,” neither the statute  
25 nor the rulemaking records connect the Licensing Fee to the DFPI’s reasonable cost of licensing,  
26 supervision, examinations, investigations, or enforcement as to any licensee. Instead, DFPI  
27 proposed a program to regulate a larger industry than exists in California and sought to collect its  
28 entire budget from licensees, not showing the costs to be recovered are reasonable or that the

1 volume of business a licensee does is a fit measure of the proportionate cost to regulate it.  
2 Licensees’ gross receipts are a measure of ability to pay (a tax consideration), not a measure of  
3 relative contributions to costs imposed on DFPI. Indeed, large entities likely impose **lower** costs  
4 on DFPI per dollar collected because they communicate with DFPI more efficiently and are more  
5 likely to have internal means to learn of and implement the laws governing this industry.

6 59. While DFPI estimated over 7,000 licensees when designing the program budget,  
7 only slightly over 1,200 actually applied. As a result, the program and its budget are unreasonably  
8 large and the fees, too. DFPI’s failures to build an organization commensurate with the market’s  
9 actual size, or to adjust the budget once the true number of licensees was known, are unreasonable.  
10 By way of example, if the \$10.2 million assessed in costs had been apportioned amongst 7,000 —  
11 rather than 1,200 — licensees, each would incur an average assessment of \$1,457, not the median  
12 \$8,500 per licensee as invoiced. Fees exceed DFPI’s actual and reasonable cost of regulation in  
13 violation of Proposition 26.

14 60. To “correct” its budgeting error, DFPI now proposes to sweep additional  
15 organizations into its licensing requirements. In October 2025, DFPI released a third round of  
16 proposed scope regulations under the Debt Collection Licensing Act (PRO 05-21, third draft)  
17 proposing to expand the definition of “engaging in the business of debt collection” to require more  
18 businesses to be licensed.<sup>10</sup> This flailing about shows fees exceed the reasonable cost of regulating  
19 the actual licensees. DFPI is trying to justify its budget, not to allocate the reasonable costs of  
20 regulation.

21 61. According to the Legislative Analyst’s Office, DFPI’s 2024–2025 budget of  
22 approximately \$177 million is funded almost entirely by regulatory fees, licenses, and permits,  
23 rather than the General Fund, reflecting a structural dependence on industry assessments.<sup>11</sup>

24 62. Uncapped Licensing Fees that increase with a licensee’s revenues, and bear no  
25

26 <sup>10</sup> See ACA International, *California DFPI Seeks Comments on Licensing Regulation Updates*,  
27 October 30, 2025, available at < [https://www.acainternational.org/news/california-dfpi-seeks-  
comments-on-licensing-regulation-updates/](https://www.acainternational.org/news/california-dfpi-seeks-comments-on-licensing-regulation-updates/) > (as of Apr. 1, 2026).

28 <sup>11</sup> See < <https://lao.ca.gov/Publications/Report/5025> > (as of Apr. 1, 2026).

1 relationship whatsoever to the burden the licensee imposes on an agency, are not lawful regulatory  
2 fees, but unlawful taxes. Where a ratemaker funds its whole budget from a regulatory fee without  
3 justifying the scale of the regulatory program or showing that all budgeted costs are reasonable  
4 regulatory costs within the reach of the language of California Constitution, article XIII A, section  
5 3, subdivision (b)(3), it imposes a tax only a supermajority of the Legislature may impose. The  
6 question cannot be, “how much does our budget require?” It must be, “what is our reasonable cost  
7 to conduct the regulatory activities the Constitution allows fees to fund and how must we allocate  
8 those fees among licensees in proportion to their burdens on or benefits from the regulatory  
9 program?”

10 **AUDIT AND EXAMINATION FEES ARE EXCESSIVE**

11 63. DFPI’s examination and investigative costs are also excessive and the resulting fees  
12 therefore violate Proposition 26. DFPI employs 19 full-time examiners, who work in two- or  
13 three-person teams, rather than individually, to perform audits that can take more than three weeks  
14 to complete.

15 64. This is in stark comparison to other state regulatory practices, where only one  
16 examiner may be retained to enforce the debt collection licensing program for the entire state and  
17 spends only days on an audit. Indeed, many states collaborate in examinations, utilizing the NMLS  
18 platform to contain costs.

19 65. According to the DFPI’s Fiscal and Cost Allocation Plan, the Department has  
20 authority to recover an examination rate of approximately \$120 per hour, of which only a portion  
21 reflects direct salary and benefits, with the balance attributable to overhead and administrative  
22 allocations.<sup>12</sup> This is in comparison to the \$35 to \$75 per hour other states that license debt  
23 collectors charge.

24 66. For example, in a survey of its members ACA conducted earlier this year, licensees  
25 reported on 24 examinations by eight states (Arizona, Connecticut, Idaho, Kansas, Maine, Nevada,  
26

27 <sup>12</sup> See DFPI Monthly Bulletin, Oct. 2025, available at < [https://dfpi.ca.gov/news/monthly-](https://dfpi.ca.gov/news/monthly-bulletins/monthly-bulletin-october-2025/)  
28 [bulletins/monthly-bulletin-october-2025/](https://dfpi.ca.gov/news/monthly-bulletins/monthly-bulletin-october-2025/) > (as of Apr. 1, 2026). See also *DFPI Fiscal and Cost Allocation Analysis Report* (Crowe LLP, 2024).

1 Oregon, and Wisconsin). All examinations had some remote aspects, and examiners spent on  
2 average only three-and-a-half days on site. The average state agency charge for staff time, travel  
3 expenses, and examination fees was \$1,300.

4 67. DFPI's cost allocation includes costs beyond those authorized by California  
5 Constitution, article XIII A, section 3 and is not tailored to the regulatory activity made necessary  
6 by individual licensee's activity, instead spreading examination and related administrative costs  
7 among all licensees without regard to the frequency, scope, or necessity of examinations. Again,  
8 this is an effort to cover a predetermined budget without evidence the budgeted level of activity is  
9 necessary or reasonable.

10 **THE LICENSING FEES AND ASSESSMENTS HAVE SIGNIFICANT NEGATIVE**  
11 **IMPACTS ON THE INDUSTRY AND THE STATE**

12 68. The Licensing Fees have had significant adverse impacts on industry participants.  
13 Some have withdrawn from California. Others have sold or returned their portfolios of California  
14 debt. While many licensees paid 2025 Licensing Fees under protest, on information and belief  
15 others have not paid or cannot pay, expecting to surrender their California licenses.

16 69. DFPI confirms that assessments are invoiced through NMLS annually and are due  
17 in 30 days, with penalties and potential license suspension or revocation for nonpayment by  
18 January 1.<sup>13</sup>

19 70. The California Licensing Fees are not fixed, tiered, or otherwise predictable as are  
20 licensing fees in other states and in DFPI's other programs. This uncertainty materially impairs  
21 long-term budgeting, pricing, staffing, and contracting decisions.

22 71. Other states commonly use fixed or capped fees. For example, Florida imposes a  
23 registration and renewal fee of \$500; New York City's license application and renewal fees range  
24 from \$38 to approximately \$150 for a two-year license; and Texas does not impose licensing fees,  
25  
26

27 <sup>13</sup> See DFPI Monthly Bulletin, Sept. 2025, available at < [https://dfpi.ca.gov/news/monthly-](https://dfpi.ca.gov/news/monthly-bulletins/monthly-bulletin-september-2025/)  
28 [bulletins/monthly-bulletin-september-2025/](https://dfpi.ca.gov/news/monthly-bulletins/monthly-bulletin-september-2025/) > (as of Apr. 1, 2026).



1 will pass muster only “if it (1) gives fair notice of the practice to be avoided, and (2) provides  
2 reasonably adequate standards to guide enforcement.” (*Britt v. City of Pomona* (1990) 223  
3 Cal.App.3d 265, 278, citing *Fisher v. City of Berkeley* (1984) 37 Cal.3d 644, 792.) Due process  
4 mandates agencies establish clear written standards and an ascertainable formula for fee  
5 regulations, ensuring their application is neither arbitrary nor unreasonable. Administrative  
6 regulations imposing fees that lack a precise formula, and objective guidelines will fail  
7 constitutional muster. (*Perlman v. Municipal Court* (1979) 99 Cal.App.3d 568.)

8           79.     The Debt Collection Licensing Act and its related regulations violate the due  
9 process clauses of the 5th and 14th amendments to the United States Constitution and article I,  
10 section 7 of the California Constitution by failing to provide clear standards or a rational formula  
11 for the assessment of the Licensing Fees, as well as the audit and examination fees. The vague,  
12 arbitrary statutory and regulatory language also failed to provide California licensees with  
13 adequate notice of the conditions governing licensing fees.

14           80.     The statute confers, and the regulations reflect standardless discretion, providing no  
15 ascertainable formula, and a calculation which is effectively retroactive after reporting. No payor  
16 could predict its fees before deciding to engage in licensed business activity.

17           81.     DFPI has a clear, present, and ministerial duty to promulgate regulations that are  
18 understandable and give fair notice to licensees of the Licensing Fees they must pay annually to do  
19 business in California. And the DFPI has a clear, present, and ministerial duty to apply those  
20 formulas and standards in a way that is neither arbitrary nor capricious.

21           82.     DFPI also has a clear, present, and ministerial duty to invite the advice of the Debt  
22 Collection Advisory Committee as to the formula and Licensing, as mandated by Finance Code,  
23 section 100025, subdivision (b). DFPI failed to do so, never meaningfully consulting with the  
24 Advisory Committee as to the formula nor its final calculation of Licensing Fees relegating the  
25 Committee to only the informational rights of the general public under the Public Records Act.  
26 One cannot advise on regulatory strategies without information as to the industry to be regulated,  
27 the approaches under consideration, and their likely impacts. DFPI may show the form of  
28 consultation with the Debt Collection Advisory Committee, but not its substance.



1 assessed using the same methodology and formulas, under the due process clauses of the 5th and  
2 14th amendments to the United States Constitution and article XIII A, section 3 of the California  
3 Constitution. An actual, present, and substantial controversy exists regarding the validity of  
4 Financial Code § 100020 and its implementing regulations. Specifically, Petitioners contend the  
5 Debt Collection Licensing Act and its regulations, as applied through the recently assessed  
6 Licensing Fees as well as the audit and examination fees, are impermissibly and unconstitutionally  
7 vague and are applied arbitrarily, capriciously, and in violation of Proposition 26. Respondents  
8 contend DFPI’s rulemaking and assessed Licensing Fees as well as audit and examination fees are  
9 constitutional, valid, and appropriately assessed.

10 89. Petitioners seek a judicial declaration the Debt Collection Licensing Act and its  
11 implementing regulations as to Licensing Fees, including audit and examination fees, are invalid,  
12 facially and as applied. The statute and regulations are facially unconstitutional because they allow  
13 unlimited cost recovery untethered to reasonableness. The statute and regulations are  
14 unconstitutional as applied because DFPI’s implementation relies on an unexplained (and  
15 belatedly disclosed) factor of 0.0041 factor and an unrealistic and inflated budget.

16 90. Declaratory relief is appropriate to determine the parties’ rights and duties, and  
17 Petitioners “may obtain a judicial declaration as to the validity of any regulation or order of repeal  
18 by bringing an action for declaratory relief in the superior court in accordance with the Code of  
19 Civil Procedure.” (Cal. Gov’t Code, § 11350.)

20 91. Petitioners further seek a permanent injunction directing Respondents to cease  
21 collecting the 2025 Licensing Fees unless and until fees are lawfully imposed.

22 **THIRD CAUSE OF ACTION**

23 **Declaratory Relief – Administrative Procedures Act**

24 **(Cal. Gov’t Code, § 11350)**

25 **(Against All Defendants)**

26 92. Petitioners reallege the foregoing paragraphs as though set forth fully herein.

27 93. An actual controversy has arisen, and now exists between the DFPI and its  
28 Commissioner, on the one hand, and Petitioners, on the other, regarding the lawfulness under the

1 Administrative Procedures Act (“APA”) of the Debt Collection Licensing Act and its  
2 implementing regulations. Specifically, Petitioners contend the implementing regulations  
3 identified here were not adopted in compliance with Finance Code section 100025, subdivision (b)  
4 in consultation with the Debt Collection Advisory Committee and are unduly vague and opaque  
5 and therefore are in violation of the APA. Respondents contend DFPI’s regulations and actions  
6 conform with the APA and were properly adopted and implemented.

7           94.     The APA requires both the Initial and Final Statement of Reasons supporting a  
8 regulation provide reasonable alternatives and the agency’s reasons for rejecting them. (Cal. Gov’t  
9 Code, §§ 11346.2.) Finance Code section 100025, subdivision (b) requires consultation with the  
10 Debt Collection Advisory Committee on proposed fee schedules and the “mechanics and  
11 feasibility of implementing requirements proposed in regulations.” Here, the Final Statement of  
12 Reasons failed to provide any alternatives to the cost-recovery or assessment methodology  
13 imposed by DFPI. Nor did DFPI meaningfully consult with the Debt Collection Advisory  
14 Committee before adopting its methodology or fee schedule. Nor do the implementing regulations  
15 analyze the economic impact of the adopted methodology and resulting Licensing Fees on  
16 businesses, despite the significant increase in licensing and audit fees. (Cal. Gov’t Code,  
17 § 11346.3.)

18           95.     Further, “[t]he APA is partly designed to eliminate the use of ‘underground’  
19 regulations; rules which only the government knows about. If a policy or procedure falls within  
20 definition of a ‘regulation’ within the meaning of the APA, the promulgating agency must comply  
21 with the procedures for formalizing such regulation.” (*Kings Rehabilitation Center, Inc. v. Premo*  
22 (1999) 69 Cal.App.4th 215, 217.) Respondents’ undisclosed methodology and calculation of  
23 “gross revenues” and allocation of DFPI’s administrative and operating expenses based upon each  
24 licensee’s scale of California business are “regulations” under the APA (Cal. Gov’t Code,  
25 § 11342.600) adopted without compliance with the APA. (*California Assn. of Medical Products*  
26 *Suppliers v. Maxwell-Jolly* (2011) 199 Cal.App.4th 286, 303; Cal. Gov’t Code, § 11350.) Such  
27 underground regulations are void. (E.g., *Donaldson v. Department of Real Estate* (2005) 134  
28 Cal.App.4th 946, 986.)



- 1 lawfully imposed, and to comply with Financial Code section 100020 et seq. before reimposing an  
2 assessment on licensees to fund DFPI’s regulatory efforts;
- 3       2.       Declaratory judgment that the Licensing Fees and audit and examination fees are  
4 invalid, unconstitutional and otherwise unlawful;
- 5       3.       Preliminary and permanent injunctive relief to preclude continued collection of the  
6 Licensing Fees, including the audit and examination fees;
- 7       4.       A writ ordering Respondents to refund to the Class of Licensees all unlawful  
8 assessments paid to date, including Licensing Fees and audit and examination fees;
- 9       5.       All costs and expenses Petitioners incurred in relation to this lawsuit and the  
10 administrative remedies that preceded it, including reasonable attorney fees under Code of Civil  
11 Procedure section 1021.5 and other law.
- 12       6.       For such other and further relief as this Court deems just and equitable.

14 DATED: April 7, 2026

**COLANTUONO, HIGSMITH &  
WHATLEY, PC**



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MICHAEL G. COLANTUONO  
PAMELA K. GRAHAM  
BRITTANY S. SELKE  
Attorneys for Plaintiff RECEIVABLES  
MANAGEMENT ASSOCIATION  
INTERNATIONAL, INC.; ACA  
INTERNATIONAL; and R.M. GALICIA, INC.  
dba PROGRESSIVE MANAGEMENT  
SYSTEMS

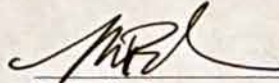
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1 **VERIFICATION**

2 I am one of the Petitioners and Plaintiffs in this action. I have read the foregoing **Verified**  
3 **Class Action Petition for Writ of Mandate And Complaint for Declaratory and Injunctive**  
4 **Relief.** The matters stated therein are true of my own knowledge, except as to those matters which  
5 are stated on information and belief, and as to those matters, I believe them to be true.

6 I declare under penalty of perjury under the laws of the State of California that the  
7 foregoing is true and correct.

8 Executed on April 7, 2026 at Fairfax Station, VA.

9  
10  
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12 Mike Becker  
13 Executive Director  
14 RECEIVABLES MANAGEMENT  
15 ASSOCIATION INTERNATIONAL, INC.  
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**VERIFICATION**

I am one of the Petitioners and Plaintiffs in this action. I have read the foregoing **Verified Class Action Petition for Writ of Mandate And Complaint for Declaratory and Injunctive Relief**. The matters stated therein are true of my own knowledge, except as to those matters which are stated on information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on April 7, 2026 at 8:00 am.

\_\_\_\_\_  
Scott Purcell  
Chief Executive Officer  
ACA INTERNATIONAL

COLANTUONO, HIGHSMITH & WHATLEY, PC  
555 UNIVERSITY AVENUE, SUITE 275  
SACRAMENTO, CA 95825

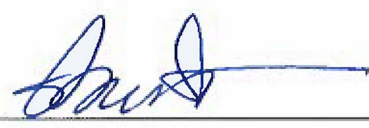
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**VERIFICATION**

I am one of the Petitioners and Plaintiffs in this action. I have read the foregoing **Verified Class Action Petition for Writ of Mandate And Complaint for Declaratory and Injunctive Relief**. The matters stated therein are true of my own knowledge, except as to those matters which are stated on information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on April 7, 2026 at WEST COVINA, CA



\_\_\_\_\_  
Tim Banta  
President  
R.M. GALICIA, INC. dba PROGRESSIVE  
MANAGEMENT SYSTEMS

COLANTUONO, HIGHSMITH & WHATLEY, PC  
555 UNIVERSITY AVENUE, SUITE 275  
SACRAMENTO, CA 95825

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# **EXHIBIT A**

**CLAIMANT INFORMATION**

LAST NAME Becker	FIRST NAME Michael	MIDDLE INITIAL E	
INMATE OR PATIENT IDENTIFICATION NUMBER (if applicable) n/a	BUSINESS NAME(if applicable) Receivables Management Association International		
TELEPHONE NUMBER 916-482-2462	EMAIL ADDRESS mbecker@rmaintl.org		
MAILING ADDRESS 1050 Fulton Avenue, Suite 120	CITY Sacramento	STATE CA	ZIP 95825
IS THE CLAIMANT UNDER 18 YEARS OF AGE? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	INSURED NAME(Insurance Company Subrogation) n/a		
IS THIS AN AMENDMENT TO A PREVIOUSLY EXISTING CLAIM? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	EXISTING CLAIM NUMBER (if applicable) n/a	EXISTING CLAIMANT NAME(if applicable) n/a	

**ATTORNEY OR REPRESENTATIVE INFORMATION**

LAST NAME Colantuono	FIRST NAME Michael	MIDDLE INITIAL G	
TELEPHONE NUMBER 213-542-5700	EMAIL ADDRESS mcolantuono@chwlaw.us		
MAILING ADDRESS 790 E. Colorado Blvd., Ste 850	CITY Pasadena	STATE CA	ZIP 91101-2109

**CLAIM INFORMATION**

STATE AGENCIES OR EMPLOYEES AGAINST WHOM THE CLAIM IS FILED CA DFPI	DATE OF INCIDENT September 30, 2025
--	--

LATE CLAIM EXPLANATION (Required, if incident was more than six months ago)  
  
n/a

DOLLAR AMOUNT OF CLAIM To be proven; exceeds \$25,000	CIVIL CASE TYPE(Required, if amount is more than \$10,000) <input type="checkbox"/> Limited (\$25,000 or less) <input checked="" type="checkbox"/> Non-Limited (over \$25,000)
--	---

DOLLAR AMOUNT EXPLANATION  
Refund of all annual DCLA assessments paid under the unlawful assessment scheme, including amounts paid under protest.

INCIDENT LOCATION  
Statewide in California; assessments imposed through NMLS as condition of licensure.

SPECIFIC DAMAGE OR INJURY DESCRIPTION  
  
Unlawful monetary exactions; economic loss.

CIRCUMSTANCES THAT LED TO DAMAGE OR INJURY  
  
Beginning on our about 9/30/25, DFPI issued annual assessment invoice to licensed debt collectors.

EXPLAIN WHY YOU BELIEVE THE STATE IS RESPONSIBLE FOR THE DAMAGE OR INJURY  
  
DFPI's licensing fees violate Art. XIII A/Prop. 26; fees are not reasonable related to regulatory costs.

**AUTOMOBILE CLAIM INFORMATION**

DOES THE CLAIM INVOLVE A STATE VEHICLE? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	VEHICLE LICENSE NUMBER (if known) n/a	STATE DRIVER NAME (if known) n/a
HAS A CLAIM BEEN FILED WITH YOUR INSURANCE CARRIER? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	INSURANCE CARRIER NAME n/a	INSURANCE CLAIM NUMBER n/a
HAVE YOU RECEIVED AN INSURANCE PAYMENT FOR THIS DAMAGE OR INJURY? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	AMOUNT RECEIVED (if any) n/a	AMOUNT OF DEDUCTIBLE (if any) n/a

**NOTICE AND SIGNATURE**

I declare under penalty of perjury under the laws of the State of California that all the information I have provided is true and correct to the best of my information and belief. I further understand that if I have provided information that is false, intentionally incomplete, or misleading I may be charged with a felony punishable by up to four years in state prison and/or a fine of up to \$10,000 (Penal Code section 72).

SIGNATURE Michael E. Becker <small>Digitally signed by Michael E. Becker Date: 2026.03.31 12:11:24 -04'00'</small>	PRINTED NAME Michael E. Becker	DATE March 27, 2026
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**INSTRUCTIONS**

- Include a check or money order for \$25, payable to the State of California.
  - \$25 filing fee is not required for amendments to existing claims.
- Confirm all sections relating to this claim are complete and the form is signed.
- Attach copies of any documentation that supports your claim. Do not submit originals.

Mail the claim form and all attachments to:  
Office of Risk and Insurance Management  
Government Claims Program  
P.O. Box 989052, MS414  
West Sacramento, CA 95798-9052

Claim forms can also be delivered to:  
Office of Risk and Insurance Management  
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707 3rd Street, 1st Floor  
West Sacramento, CA 95605  
1-800-955-0045

**Department of General Services Privacy Notice on Information Collection**

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The Department of General Services (DGS), Office of Risk and Insurance Management (ORIM), is requesting the information specified on this form pursuant to Government Code Section 905.2(c).

The principal purpose for requesting this data is to process claims against the state. The information provided will/may be disclosed to a person, or to another agency where the transfer is necessary for the transferee-agency to perform its constitutional or statutory duties, and the use is compatible with a purpose for which the information was collected and the use or transfer is accounted for in accordance with California Civil Code Section 1798.25.

Individuals should not provide personal information that is not requested.

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**Department Privacy Policy**

The information collected by DGS is subject to the limitations in the Information Practices Act of 1977 and state policy ([see State Administrative Manual 5310-5310.7](#)). For more information on how we care for your personal information, please read the [DGS Privacy Policy](#).

**Access to Your Information**

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DGSORIM  
Public Records Officer  
707 3<sup>rd</sup> St., West Sacramento, CA 95605  
(916) 376-5300



1050 Fulton Avenue #120  
Sacramento, California 95825  
916.482.2462

March 31, 2026

**VIA UPS**

Office of Risk and Insurance Management  
Government Claims Program  
707 3rd Street, 1st Floor  
West Sacramento, CA 95605

**Re: Government Claim for Damages Pursuant to  
California Government Code §§ 905 and 910, et seq.**

To Whom it May Concern,

Please be advised that Claimants Receivables Management Association International Inc., ACA International, and R.M. Galicia, Inc., dba Progressive Management Systems submit this Government Claim pursuant to Government Code sections 905 and 910, et seq., as follows:

**I. Claimant Information (Gov. Code § 910(a))**

Claimants are trade associations and licensed debt collectors subject to unlawful licensing assessments (“Licensing Fees”) that the Department of Financial Protection and Innovation (“DFPI”) imposed under the Debt Collection Licensing Act (Fin. Code, Div. 25, §§ 100000–100170; “DCLA”), enacted by 2020’s Senate Bill 908.

**II. Date, Place, and Circumstances of the Occurrence (Gov. Code § 910(c))**

Beginning on or about September 30, 2025, and continuing thereafter, DFPI issued annual assessment invoices to licensed debt collectors through the Nationwide Multistate Licensing System & Registry (“NMLS”) under the DCLA.

The assessments were imposed statewide as a condition of licensure, enforced through penalties, license suspension or revocation, and adverse actions reportable to other jurisdictions. Claimants paid the assessments when due, some expressly under protest, to avoid immediate loss of licensure and associated operational and reputational harm.

The assessments were imposed under DFPI’s statutory and regulatory interpretation of Financial Code § 100020, including regulations defining “net proceeds generated by California debtor accounts.”

### **III. Description of Injury, Damage, or Loss (Gov. Code § 910(d))**

As a direct and proximate result of DFPI's actions, Claimants have suffered and continue to suffer the following, among other harms to be proven:

1. Unlawful monetary exactions, including payment of annual assessments that are unconstitutional taxes under article XIII A of the California Constitution, as amended by Proposition 26;
2. Economic loss, including diversion of funds away from core business operations, compliance, staffing, and consumer-response functions;
3. Operational inefficiencies and uncertainty, caused by DFPI's open-ended, pro-rata assessment methodology tied to agency funding needs rather than individualized regulatory burden;
4. Coercive compliance costs incurred under the threat of license revocation, penalties, and the cross-jurisdictional reporting consequences; and
5. Ongoing and prospective harm, because Claimants remain subject to future assessments imposed under the same unlawful scheme.

### **IV. Causes of Action**

The Licensing Fees are not fixed, tiered, or otherwise predictable licensing fees common in other states and in DFPI's other regulatory programs. The DFPI has stated the intent of the DCLA is for the total amount assessed and collected from licensees to equal the total cost for the DFPI to administer the program, making it self-funding.

Although DFPI's regulations purport to define "net proceeds," neither the statute nor the rulemaking records connect the Licensing Fees to the DFPI's reasonable cost of licensing, supervision, examinations, investigations, or enforcement of any particular licensee. No regulation identifies the formula used, explains the resulting annual assessment amounts, or articulates any rational basis for those amounts.

As a result, California licensees are subjected to unjustified and exorbitant Licensing Fees to continue operating in the California debt collection market and, in some cases, to collect their own debts.

This claim arises from DFPI's imposition, collection, and enforcement of unlawful assessments including but not limited to:

1. Violation of article XIII A of the California Constitution;
2. Imposition of an unlawful tax disguised as a regulatory fee;

3. Collection of fees not reasonably related to regulatory costs or burdens imposed;
4. Unlawful exactions subject to refund and restitution;
5. Compelled payments made under protest, preserving refund rights.

Claimants expressly reserve all rights to pursue writ relief, declaratory relief, injunctive relief, constitutional claims, and class-wide relief.

**V. Amount Claimed (Gov. Code § 910(e))**

The exact damages and restitution are presently unknown and will be proven at the proper time but far exceed \$10,000. At a minimum, Claimants seek refunds of all annual assessments paid under the unlawful DCLA assessment scheme to date, including amounts paid under protest, along with pre-judgment and post-judgment interest.

Regards,

*Michael Becker*

Michael E. Becker  
Executive Director  
Receivables Management Association International

## **EXHIBIT B**

CLAIMANT INFORMATION			
LAST NAME <b>Purcell</b>	FIRST NAME <b>George</b>	MIDDLE INITIAL <b>S</b>	
INMATE OR PATIENT IDENTIFICATION NUMBER (if applicable) <b>n/a</b>	BUSINESS NAME(if applicable) <b>ACA International</b>		
TELEPHONE NUMBER <b>800-269-1607</b>	EMAIL ADDRESS <b>purcell@acainternational.org</b>		
MAILING ADDRESS <b>8615 Eagle Creek Cir</b>	CITY <b>Savage</b>	STATE <b>MN</b>	ZIP <b>55378-4400</b>
IS THE CLAIMANT UNDER 18 YEARS OF AGE? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	INSURED NAME(Insurance Company Subrogation) <b>n/a</b>		
IS THIS AN AMENDMENT TO A PREVIOUSLY EXISTING CLAIM? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	EXISTING CLAIM NUMBER (if applicable) <b>n/a</b>	EXISTING CLAIMANT NAME(if applicable) <b>n/a</b>	

ATTORNEY OR REPRESENTATIVE INFORMATION			
LAST NAME <b>Colantuono</b>	FIRST NAME <b>Michael</b>	MIDDLE INITIAL <b>G.</b>	
TELEPHONE NUMBER <b>213-542-5700</b>	EMAIL ADDRESS <b>mcolantuono@chwlw.us</b>		
MAILING ADDRESS <b>790 E. Colorado Blvd., Ste 850</b>	CITY <b>Pasadena</b>	STATE <b>CA</b>	ZIP <b>91101-2109</b>

CLAIM INFORMATION	
STATE AGENCIES OR EMPLOYEES AGAINST WHOM THE CLAIM IS FILED <b>CA DFPI</b>	DATE OF INCIDENT <b>September 30, 2025</b>
LATE CLAIM EXPLANATION (Required, if incident was more than six months ago)	

n/a

DOLLAR AMOUNT OF CLAIM <b>To be proven; exceeds \$25,000</b>	CIVIL CASE TYPE(Required, if amount is more than \$10,000) <input type="checkbox"/> Limited (\$25,000 or less) <input checked="" type="checkbox"/> Non-Limited (over \$25,000)
DOLLAR AMOUNT EXPLANATION <b>Refund of all annual DCLA assessments paid under the unlawful assessment scheme, including amounts paid under protest.</b>	
INCIDENT LOCATION <b>Statewide in California; assessments imposed through NMLS as condition of licensure.</b>	
SPECIFIC DAMAGE OR INJURY DESCRIPTION	

**Unlawful monetary exactions; economic loss.**

CIRCUMSTANCES THAT LED TO DAMAGE OR INJURY

Beginning on our about September 30, 2025, DFPI issued annual assessment invoice to licensed debt collec

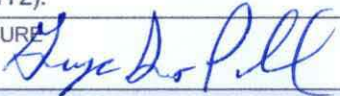
EXPLAIN WHY YOU BELIEVE THE STATE IS RESPONSIBLE FOR THE DAMAGE OR INJURY

DFPI's licensing fees violate Art. XIII A/Prop. 26; fees are not reasonable related to regulatory costs.

AUTOMOBILE CLAIM INFORMATION		
DOES THE CLAIM INVOLVE A STATE VEHICLE? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	VEHICLE LICENSE NUMBER (if known) n/a	STATE DRIVER NAME (if known) n/a
HAS A CLAIM BEEN FILED WITH YOUR INSURANCE CARRIER? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	INSURANCE CARRIER NAME n/a	INSURANCE CLAIM NUMBER n/a
HAVE YOU RECEIVED AN INSURANCE PAYMENT FOR THIS DAMAGE OR INJURY? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	AMOUNT RECEIVED (if any) n/a	AMOUNT OF DEDUCTIBLE (if any) n/a

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I declare under penalty of perjury under the laws of the State of California that all the information I have provided is true and correct to the best of my information and belief. I further understand that if I have provided information that is false, intentionally incomplete, or misleading I may be charged with a felony punishable by up to four years in state prison and/or a fine of up to \$10,000 (Penal Code section 72).

SIGNATURE 	PRINTED NAME George Scott Purcell	DATE March 30, 2026
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**DGSORIM**  
**Public Records Officer**  
 707 3<sup>rd</sup> St., West Sacramento, CA 95605  
 (916) 376-5300



sdx

March 30, 2026

**VIA Express Delivery**

Office of Risk and Insurance Management  
Government Claims Program  
707 3<sup>rd</sup> Street, 1<sup>st</sup> Floor  
West Sacramento, CA 95605

**Re: Government Claim for Damages Pursuant to  
California Government Code §§ 905 and 910, et seq.**

To Whom it May Concern,

Please be advised that Claimants Receivables Management Association International Inc., ACA International, and R.M. Galicia, Inc., dba Progressive Management Systems submit this Government Claim pursuant to Government Code sections 905 and 910, et seq., as follows:

**I. Claimant Information (Gov. Code § 910(a))**

Claimants are trade associations and licensed debt collectors subject to unlawful licensing assessments (“Licensing Fees”) that the Department of Financial Protection and Innovation (“DFPI”) imposed under the Debt Collection Licensing Act (Fin. Code, Div. 25, §§ 100000–100170; “DCLA”), enacted by 2020’s Senate Bill 908.

**II. Date, Place, and Circumstances of the Occurrence (Gov. Code § 910(c))**

Beginning on or about September 30, 2025, and continuing thereafter, DFPI issued annual assessment invoices to licensed debt collectors through the Nationwide Multistate Licensing System & Registry (“NMLS”) under the DCLA.

ASSOCIATION HEADQUARTERS  
3200 COURTHOUSE LN  
EAGAN, MN 55121-1585  
TEL (952) 926-6547 FAX (952) 926-1624

FEDERAL GOVERNMENT AFFAIRS OFFICE  
509 2ND STREET NE, WASHINGTON, D.C. 20002  
TEL (202) 547-2670  
FAX (202) 547-2671

The assessments were imposed statewide as a condition of licensure, enforced through penalties, license suspension or revocation, and adverse actions reportable to other jurisdictions. Claimants paid the assessments when due, some expressly under protest, to avoid immediate loss of licensure and associated operational and reputational harm.

The assessments were imposed under DFPI's statutory and regulatory interpretation of Financial Code § 100020, including regulations defining "net proceeds generated by California debtor accounts."

### **III. Description of Injury, Damage, or Loss (Gov. Code § 910(d))**

As a direct and proximate result of DFPI's actions, Claimants have suffered and continue to suffer the following, among other harms to be proven:

1. Unlawful monetary exactions, including payment of annual assessments that are unconstitutional taxes under article XIII A of the California Constitution, as amended by Proposition 26;
2. Economic loss, including diversion of funds away from core business operations, compliance, staffing, and consumer-response functions;
3. Operational inefficiencies and uncertainty, caused by DFPI's open-ended, pro-rata assessment methodology tied to agency funding needs rather than individualized regulatory burden;
4. Coercive compliance costs incurred under the threat of license revocation, penalties, and the cross-jurisdictional reporting consequences; and
5. Ongoing and prospective harm, because Claimants remain subject to future assessments imposed under the same unlawful scheme.

### **IV. Causes of Action**

The Licensing Fees are not fixed, tiered, or otherwise predictable licensing fees common in other states and in DFPI's other regulatory programs. The DFPI has stated the intent of the DCLA is for the total amount assessed and collected from licensees to equal the total cost for the DFPI to administer the program, making it self-funding.

Although DFPI's regulations purport to define "net proceeds," neither the statute nor the rulemaking records connect the Licensing Fees to the DFPI's reasonable cost of licensing, supervision, examinations, investigations, or enforcement of any particular licensee. No regulation identifies the formula used, explains the resulting annual assessment amounts, or articulates any rational basis for those amounts.

As a result, California licensees are subjected to unjustified and exorbitant Licensing Fees to continue operating in the California debt collection market and, in some cases, to collect their own debts.

DFPI constructed its regulatory budget upon materially erroneous market-size data, and thereafter failed to make any corresponding adjustment upon learning that its estimated market size of approximately 6,000 licenses was actually comprised of approximately 1,200 licensees. The DFPI predicated its budget on a fundamental miscalculation of the projected market, reflecting a shortfall of approximately 4,800 licensees or 80% smaller market than estimated.

This claim arises from DFPI's imposition, collection, and enforcement of unlawful assessments including but not limited to:

1. Violation of article XIII A of the California Constitution;
2. Imposition of an unlawful tax disguised as a regulatory fee;
3. Collection of fees not reasonably related to regulatory costs or burdens imposed;
4. Unlawful exactions subject to refund and restitution;
5. Compelled payments made under protest, preserving refund rights.

Claimants expressly reserve all rights to pursue writ relief, declaratory relief, injunctive relief, constitutional claims, and class-wide relief.

**V. Amount Claimed (Gov. Code § 910(e))**

The exact damages and restitution are presently unknown and will be proven at the proper time but far exceed \$10,000. At a minimum, Claimants seek refunds of all annual assessments paid under the unlawful DCLA assessment scheme to date, including amounts paid under protest, along with pre-judgment and post-judgment interest.

Regards,



George Scott Purcell, CEO  
ACA International

# **EXHIBIT C**

**CLAIMANT INFORMATION**

LAST NAME <b>Banta</b>	FIRST NAME <b>Timothy</b>	MIDDLE INITIAL <b>C</b>	
INMATE OR PATIENT IDENTIFICATION NUMBER (if applicable) <b>N/A</b>	BUSINESS NAME (if applicable) <b>R.M. Galicia Inc, dba Progressive Management Systems</b>		
TELEPHONE NUMBER <b>(800) 258-7482</b>	EMAIL ADDRESS <b>tbanta@pmscollects.com</b>		
MAILING ADDRESS <b>1521 West Cameron Ave, Ste 100</b>	CITY <b>West Covina</b>	STATE <b>CA</b>	ZIP <b>91790</b>
IS THE CLAIMANT UNDER 18 YEARS OF AGE? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	INSURED NAME (Insurance Company Subrogation) <b>N/A</b>		
IS THIS AN AMENDMENT TO A PREVIOUSLY EXISTING CLAIM? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	EXISTING CLAIM NUMBER (if applicable) <b>N/A</b>	EXISTING CLAIMANT NAME (if applicable) <b>N/A</b>	

**ATTORNEY OR REPRESENTATIVE INFORMATION**

LAST NAME <b>Colantuono</b>	FIRST NAME <b>Michael</b>	MIDDLE INITIAL <b>G</b>	
TELEPHONE NUMBER <b>213-542-5700</b>	EMAIL ADDRESS <b>mcolantuono@chwlaw.us</b>		
MAILING ADDRESS <b>790 E. Colorado Blvd., Ste 850</b>	CITY <b>Pasadena</b>	STATE <b>CA</b>	ZIP <b>91101-2109</b>

**CLAIM INFORMATION**

STATE AGENCIES OR EMPLOYEES AGAINST WHOM THE CLAIM IS FILED <b>CA DFPI</b>	DATE OF INCIDENT <b>September 30, 2025</b>
LATE CLAIM EXPLANATION (Required, if incident was more than six months ago)	

N/A

DOLLAR AMOUNT OF CLAIM <b>To be proven; exceeds \$25,000</b>	CIVIL CASE TYPE (Required, if amount is more than \$10,000) <input type="checkbox"/> Limited (\$25,000 or less) <input checked="" type="checkbox"/> Non-Limited (over \$25,000)
DOLLAR AMOUNT EXPLANATION <b>Refund of all annual DCLA assessments paid under the unlawful assessment scheme, including amounts paid under protest.</b>	
INCIDENT LOCATION <b>Statewide in California; assessments imposed through NMLS as a condition of licensure.</b>	
SPECIFIC DAMAGE OR INJURY DESCRIPTION	

Unlawful monetary exactions; economic loss.

CIRCUMSTANCES THAT LED TO DAMAGE OR INJURY

On or about September 30, 2025, DFPI issued annual assessment invoice to licensed debt collectors.

EXPLAIN WHY YOU BELIEVE THE STATE IS RESPONSIBLE FOR THE DAMAGE OR INJURY

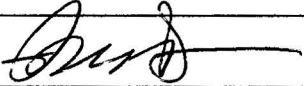
DFPI's licensing fees violate ART XIII A/Prop 26: Fees are not reasonable related to regulatory costs.

**AUTOMOBILE CLAIM INFORMATION**

DOES THE CLAIM INVOLVE A STATE VEHICLE? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	VEHICLE LICENSE NUMBER (if known) N/A	STATE DRIVER NAME (if known) N/A
HAS A CLAIM BEEN FILED WITH YOUR INSURANCE CARRIER? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	INSURANCE CARRIER NAME N/A	INSURANCE CLAIM NUMBER N/A
HAVE YOU RECEIVED AN INSURANCE PAYMENT FOR THIS DAMAGE OR INJURY? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	AMOUNT RECEIVED (if any) N/A	AMOUNT OF DEDUCTIBLE (if any) N/A

**NOTICE AND SIGNATURE**

I declare under penalty of perjury under the laws of the State of California that all the information I have provided is true and correct to the best of my information and belief. I further understand that if I have provided information that is false, intentionally incomplete, or misleading I may be charged with a felony punishable by up to four years in state prison and/or a fine of up to \$10,000 (Penal Code section 72).

SIGNATURE 	PRINTED NAME Timothy C. Banta	DATE March 27, 2026
--	----------------------------------	------------------------

**INSTRUCTIONS**

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- Attach copies of any documentation that supports your claim. Do not submit originals.

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**Public Records Officer**  
 707 3<sup>rd</sup> St., West Sacramento, CA 95605  
 (916) 376-5300



March 31, 2026

VIA Fedex

Office of Risk and Insurance Management  
Government Claims Program  
707 3rd Street, 1st Floor  
West Sacramento, CA 95605

Re: **Government Claim for Damages Pursuant to  
California Government Code §§ 905 and 910, et seq.**

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CORPORATE OFFICE 1521 WEST CAMERON AVENUE, FIFTH FLOOR WEST COVINA, CALIFORNIA 91790

WWW.PMISCOLLECTORS.COM P 800-238-7482 F 626-813-0201

The assessments were imposed under DFPI's statutory and regulatory interpretation of Financial Code § 100020, including regulations defining "net proceeds generated by California debtor accounts."

**III. Description of Injury, Damage, or Loss (Gov. Code § 910(d))**

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The exact damages and restitution are presently unknown and will be proven at the proper time but far exceed \$10,000. At a minimum, Claimants seek refunds of all annual assessments paid under the unlawful DCLA assessment scheme to date, including amounts paid under protest, along with pre-judgment and post-judgment interest.

CORPORATE OFFICE 1521 WEST CAMERON AVENUE, FIRST FLOOR WEST COVINA, CALIFORNIA 91790

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State of California  
March 31, 2026  
Page 4

Regards,

Timothy Banta,  
President  
R.M. Galicia, Inc, dba Progressive  
Management Systems

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# **EXHIBIT D**



STATE OF CALIFORNIA

**Department of Financial Protection and Innovation**

GOVERNOR **Gavin Newsom** · COMMISSIONER **Clothilde V. Hewlett**

**FINAL STATEMENT OF REASONS  
FOR THE ADOPTION OF RULES UNDER THE DEBT COLLECTION LICENSING  
ACT  
PRO 01/23**

UPDATED INITIAL STATEMENT OF REASONS (Gov. Code, § 11346.9, subd. (a)(1))

In the Initial Statement of Reasons for this rulemaking action, the Commissioner (Commissioner) of the Department of Financial Protection and Innovation (Department or DFPI) highlighted its objectives: to adopt a definition of “net proceeds generated by California debtor accounts” that is used to determine the pro rata annual assessment payable by debt collectors licensed under the Debt Collection Licensing Act (DCLA); and to clarify the meaning of certain terms used in the DCLA requiring licensees to file an annual report with the Department and to specify additional information which the Commissioner is reasonably requiring in the report concerning the business and operations conducted by the licensee.

The benefits anticipated from this regulatory action include improved oversight of debt collectors by the Department through the information collected in the annual report and the ability to fulfill its statutory mandate through assessments collected from debt collectors.

This regulatory action increases transparency in government and encourages public participation in adopting balanced regulations through compliance with California’s administrative rulemaking requirements.

The final regulations meet the Department’s objectives. The Department made changes to the originally proposed rules, modifying the text twice to ensure the regulations were consistent with collectors’ operations and businesses.

The final regulations allow the Commissioner to fulfill her statutory mandate that the debt collector program created as a result of the DCLA be self-funded through pro rata assessments from licensees and to obtain information needed to best oversee licensees and best implement the DCLA. The final regulations strike a balance between protecting California consumers and avoiding an unnecessary compliance burden on debt collectors.

*June 17, 2024 Modifications to the Text*

In the June 17, 2024 modifications to the proposed rules, the Department made changes in response to comments received. The Department made all changes reasonable and

necessary to better align the regulations with the facts and collectors' business operations and to protect consumers.

#### *September 11, 2024 Modifications to the Text*

In the September 11, 2024 modifications to the proposed rules, the Department made additional reasonable and necessary changes requested by commenters. The Department strove to streamline the rules to make them clear, to accord with collectors' operational realities and to facilitate compliance.

No fiscal impact will result from the proposed regulations. Defining "net proceeds generated by California debtor accounts" will allow DFPI to issue invoices to debt collector licensees to pay their pro rata share of the cost for DFPI to administer the DCLA Program, in compliance with the DCLA. The DCLA mandates that these costs be paid for through pro rata licensee assessments, that the DCLA Program be "self-funded." Assessment amounts will result in no increase or decrease to state revenue. The total amount assessed will equal the total cost for DFPI to administer the DCLA and comply with the statutory mandate.

This is confirmed by the operative statute, Financial Code section 100020, subdivision (a), which states:

*Each licensee shall pay to the commissioner its pro rata share of all costs and expenses reasonably incurred in the administration of this division, as estimated by the commissioner, for the ensuing year and any deficit actually incurred or anticipated in the administration of the division in the year in which the annual fee is levied. The pro rata share shall be based upon the proportion of net proceeds generated by California debtor accounts in the preceding year after the amount levied pursuant to subdivision (c). (emphasis added)*

The Department lists letters in the Initial Statement of Reasons, at pages 12-13. The Department received such letters in response to a second Invitation for Comments in another DCLA rulemaking proposal, PRO 05/21. The Department did not rely on such letters in this proposed rulemaking, PRO 01/23. The Department mistakenly referenced and included the letters in the Initial Statement of Reasons.

#### ADDITIONAL CLARIFICATION OF NECESSITY FOR MODIFIED TEXT

The Department reiterates the necessity for each of the proposed rules included in its Initial Statement of Reasons published on February 9, 2024.

*The Department adds the following additional clarification of necessity for the proposed rules listed below, which were modified in the June 17, 2024 Modified Text.*

Section 1850(p)(3): This amendment deleted “a third-party collector” from a separate category of debt collector for which net proceeds is calculated. The amendment replaced the third-party collector category with “all other debt collectors” for efficiency. Using this general category captures all collectors other than debt buyers and debt purchasers, addressed in subdivisions (p)(1) and (p)(2).

Section 1850(p)(4): This amendment removes the “first-party collector” category as moot and unnecessary in light of the related change to section 1850(p)(3).

Section 1850.70(d)(2): The amendment clarifies that the number of debtor accounts required to be reported in a licensee’s annual report includes as a specific category accounts where an attempt was made to collect and the debt was resolved for less than the full amount of the debt.

Section 1850.70(d)(3): The amendment clarifies that the number of debtor accounts required to be reported in a licensee’s annual report includes as a specific category accounts where an attempt was made to collect and payments were made but a balance remains due.

Section 1850.70(e): The amendment moves the former subdivision (h) to subdivision (e) as the most logical placement. This subdivision relates to the previous subdivision (d) and the number of debtor accounts which must be included in the annual report. This amendment clarifies that licensees must include as a separate category in the annual report debts for which collection was attempted but no payments collected. The amendment also specifies that licensees need only include the number of debtor accounts and not also the dollar amount of debts collected. Knowing the number of debtor accounts sufficiently informs the Department of the volume of business activity conducted by each collector in California and allows the Department to robustly oversee collectors and fully implement the DCLA. Knowing the dollar amount for each category provides no additional information which would allow the Department to more robustly oversee and implement the DCLA. Requiring a dollar amount for each sub-category is unnecessary for oversight. Although the data regarding the dollar amounts of debts collected may be of value in informing the Department regarding debt collection in this state, the Department is persuaded that at this time the burden associated with tracking and reporting this data outweighs the benefit of receiving the information.

Section 1850.70(f): The amendment changes the subdivision number from previous subdivision (e) to (f), given the reordering of previous subdivision (h) to subdivision (e).

Section 1850.70(g): The amendment changes the subdivision number from previous subdivision (f) to (g), given the reordering of previous subdivision (h) to subdivision (e).

Section 1850.70(h): The amendment revises this subdivision by removing the previous subdivision (h)(2), as duplicative of the former (h)(1) and therefore unnecessary. The amendment also clarifies that an account should only count and be included in the annual report as one account, even if the account has more than one obligor. The Department is interested in the total number of accounts of each licensee, which indicates the level of business activity in our state. The total number of obligors adds no additional information which would allow the Department to more robustly oversee collectors or implement the DCLA. While the total number of obligors may be of value in informing the Department regarding debt collection in this state, the data is unnecessary at this time because the burden associated with tracking and reporting the data outweighs the marginal benefit of having the information.

*The Department adds the following additional clarification of necessity for the proposed rules listed below, which were modified in the September 11, 2024 Modified Text.*

Section 1850(p)(1): The amendment uses the term “California debt collection activity” to focus on the activity which generates net proceeds, for clarity and to be consistent with the rest of subdivision 1850(p), which also focuses on and uses the term “debt collection activity.”

Section 1850(p)(2): The amendment clarifies that this subdivision applies to the California debt collection activity of an owner of debt who is not a debt buyer under section 1850(p)(1).

Section 1850(p)(3): The amendment clarifies that this subdivision applies to all debt collection activity not captured within section 1850(p)(1) or section 1850(p)(2).

Section 1850(p)(4): The amendment adds back a paragraph (4) to clarify that the total dollar amount of net proceeds under operative Financial Code section 100021(b)(5) is the sum of the net proceeds for each category of California debt collection activity in sections 1850(p)(1) through (p)(3).

Section 1850.70(d): The amendment clarifies that the number of debtor accounts collected on in the preceding year shall be the sum of sections 1850.70(d) (1), (2) and (3) and that individual numbers for (d)(1), (2) and (3) are not required to be reported.

SUMMARY AND RESPONSE TO COMMENTS RECEIVED DURING THE INITIAL NOTICE PERIOD OF FEBRUARY 9, 2024 THROUGH MARCH 27, 2024. (Gov. Code, § 11346.9, subd. (a)(3))

The Department received two letters during the 45-day public comment period. The comments are summarized below, together with the Department's response.

1. Commenter: California Association of Collectors, Inc. (CAC)

Comment No. 1.1: The commenter recommends revising the definition of "net proceeds generated by California debtor accounts" in section 1850(p) by deleting paragraphs (1) through (4), which specify the calculation based on type of collector and its collection activity. The commenter recommends instead compressing them into one generic category requiring the "net amount received for California debtor accounts, which equals all amounts received for the benefit of the licensee, whether received directly or indirectly." The commenter believes that section 1850(p)(4) is unnecessary and is concerned that this subsection suggests that first-party creditors are subject to licensure and annual reporting requirements, which the commenter asserts is not supported by the wording of the DCLA.

Response: The Department declines to make the requested change. The suggested replacement raises additional questions by being too generic and leaving open to question whether any amounts are to be deducted from amounts received and the meaning of "received directly or indirectly." The proposed text is intentionally specific to eliminate questions and should remain as written.

The Department disagrees with the commenter's assertion that the DCLA contains language exempting first-party creditors. No such language or exemption exists in the DCLA. The DCLA does not exempt creditors collecting their own debt. The DCLA does exempt entities licensed under certain other laws administered by DFPI.<sup>1</sup> Entities licensed under the DCLA and other laws administered by the Department shall include in the DCLA annual report only information pertaining to the debt collection activity for which they obtained a DCLA license.

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<sup>1</sup> Fin. Code, § 100001, subds. (b) and (c)

Comment No. 1.2: The commenter recommends eliminating paragraphs (1) through (3) of section 1850.70(d), which require licensees to include in the annual report the total number of debtor accounts collected on in the preceding year based on all collection results: collected in full, partial collection with balance discharged, and partial collection with balance owing. The commenter suggests replacing the three paragraphs by compressing into them one generic section requiring licensees to include the number of debtor accounts “for which a payment was applied.”

Response: The Department declines to make the requested change. CAC’s comment reflects a misunderstanding of the proposed text. DFPI is not asking for three metrics in paragraphs (1) through (3). Rather, DFPI is simply asking for “the *sum*” of three different collection results (full, partial and balance discharged and partial and balance owing) to clarify that all payments collected are to be included in the sum total. DFPI is not asking for a breakdown by category. Given that CAC states that “California debt collectors currently track the dollar value of collections and the number of payments received from debtors,” requesting the sum of collections seeks no additional information nor imposes any additional burden on collectors. Collectors already have this information. The rule’s specificity is to eliminate questions asking if partial payments are to be included in the total number of debtor accounts collected on.

Comment No. 1.3: The commenter recommends revising the definition of “face value dollar amount of California debtor accounts in the licensee’s portfolio in the preceding year” in section 1850.70(f) to all “active” accounts. The commenter further recommends adding the following sentence at the end of this section with its definition of active: “For purposes of this section, an active account is one for which a licensee placed a telephone call, sent correspondence, furnished credit reporting data, or applied a payment in the preceding calendar year.”

Response: The Department declines to adopt the requested change because the change is inconsistent with the data sought by the Department. A debt is an asset subject to collection at any time. Until the asset is permanently retired and no longer an asset of the collector, attempts can be made to resurrect and collect upon the debt. Therefore, unless permanently retired, the debt must be reported to the Department.

Comment No. 1.4: The commenter recommends revising section 1850.70(g), which requires licensees to list in the annual report the “number of California debtor accounts in the licensee’s portfolio as of December 31 of the preceding year.” As in its previous comment, CAC recommends limiting the requirement to “active” accounts. The commenter also recommends deletion of subdivision 1850.70(g)(2), asserting that (g)(2) is duplicative of section 1850.70(g)(1).

Response: The Department declines in part and adopts in part the requested change. See the Department's Response 1.3 as its reasons for declining to limit accounts to "active" accounts. The Department agrees that subsection (g)(2) duplicates (g)(1) and is therefore unnecessary. The Department adopts this second part of CAC's Comment 1.4 and removed (g)(2) in the Modified Text.

Comment No. 1.5: The commenter recommends removing section 1850.70(h), which requires licensees to include in the annual report "the total number and dollar amount of California debtor accounts for which collection was attempted, but not successfully collected or resolved, during the preceding calendar year." Alternatively, if the Department is not willing to remove this section, the commenter asks that the section be limited to "active" accounts.

Response: The Department declines in part and adopts in part the requested change. CAC asserts that "many [collectors] do not track the dollar amount of payments on which collection is successful or unsuccessful" and would require licensees to make costly system modifications for information not required by statute.

DFPI agrees that requiring the dollar amount of uncollected debt is unnecessary at this time and has removed this requirement in the Modified Text. DFPI agrees that confusion was caused by the placement of this subdivision as subdivision (h). DFPI clarifies that the purpose of this section is to ascertain the number of debtor accounts for which collection was attempted but no payments received, the only category not covered by the information required under subdivision (d). DFPI reordered this subdivision in the Modified Text, placing the former subdivision (h) directly following subdivision (d), renumbered as subdivision (e).

## 2. Commenter: Receivables Mgmt. Assoc. Intl. (RMAI)

Comment No. 2: The commenter suggests no specific text changes. Rather, RMAI makes general objection to section 1850.70 subdivisions (g) and (h) asserting that these subdivisions "have no intrinsic value to the State of California in the licensing and regulation of debt collectors."

RMAI asserts that "The contents of section 100021 as drafted were specifically related to the prior calendar year whereas these statistics are based on the entire portfolio, including inactive or dormant accounts where collection activity will never occur in the future."

Response: The Department repeats its Responses to Comments 1.4 and 1.5, reiterating that the Department agrees that subdivision (g)(2) duplicates (g)(1) and has removed (g)(2) in the Modified Text. DFPI also agrees that requiring the dollar amount of uncollected debt in subdivision 1850.70(h) is unnecessary and has removed this requirement in the Modified Text. DFPI also reordered subdivision 1850.70(h) in the Modified Text, placing the former subdivision (h) directly following subdivision (d), renumbered as subdivision (e).

Section 1850.70 clarifies and implements Financial Code Section 100021(a)(1) through (a)(4). These clarifications will eliminate industry questions.

SUMMARY AND RESPONSE TO COMMENTS RECEIVED DURING THE 15-DAY COMMENT PERIOD OF JUNE 17, 2024 THROUGH JULY 3, 2024 (Gov. Code, § 11346.9, subd. (a)(3))

The Department received seven comments during this 15-day public comment period.

1. Commenter: American Financial Services Association

Comment No. 1.1: The commenter objects to the deadline for comments, noting that the deadline “allows just over two weeks to feed-in to the rulemaking process. We do not believe that this is adequate (indeed, we believe it is unusually short).”

Response: The Department disagrees with the commenter. Government Code section 11346.8, subdivision (c), requires modified proposed rules be made available for public comment for “at least 15 days.” The Department complied with the statute. The Department provided 16 days for comment.

Comment No. 1.2: The commenter objects to the removal of section 1850(p)(4), the “first-party collector” category specifying how “first-party collectors” should calculate their net proceeds from California debt collection activity, and the change in section 1850(p)(3) from “third-party collectors” to “all other debt collectors.” The commenter argues that it is unclear which category applies to its members, assignees of retail installment contracts, including auto finance companies which are collecting their own debt, assigned from the related auto dealer. The commenter asserts that these changes cause confusion among its members who do not know which category applies to them: “all other debt collectors,” “debt buyers” or “purchasers of debt that has not been charged off and is not in default” and that clarification is needed.

Response: The Department agrees with commenter and has revised section 1850(p) in the Second Modified Text. The Department determined it best not to use the term “first-party collector” in this rulemaking. First-party collectors are not excluded from the DCLA nor is the term defined in the DCLA. Using the term in the regulations may lead to confusion and a lack of clarity. However, the Department modified section 1850(p)(2) to cover entities such as collectors who collect only their own debt. In this scenario, the entity will include in its calculation of net proceeds only “the amount the owner receives in fees and other charges from debtors that it would not have received had the debt been paid on time, before deducting costs and expenses.”

Comment No. 1.3: The commenter objects to the revisions to section 1850(p)(2), arguing that the modified proposed text could be read to include current debt. The commenter asserts that the DCLA was never intended to cover current debt, only defaulted debt. The commenter also asks the Department to clarify the meaning of “defaulted” and to define “costs and expenses” used in this section.

Response: The Department agrees in part and declines in part. The Department is revising section 1850(p)(2) to clarify that net proceeds does not include regular payments of current debt paid on time but, rather, includes amounts received in late fees which the collector would not have received had the debt been paid on time. The Department declines to define “default” or “costs and expenses.” The meaning of “defaulted” will be specified in and subject to the written contractual agreement of debt. “Costs and expenses” have a commonly understood meaning. Attempting to include every cost or expense within a definition adds no value and could result in a cost or expense being inadvertently omitted as each entity will have different costs and expenses.

## 2. Commenter: Caley & Associates

Comment No. 2.1: The commenter makes no specific request to modify section 1850(p)(3), but asks for clarification. The commenter is a litigation firm that represents secured luxury automobile finance companies that own the note and are secured parties. The firm is paid through billing for hourly fees or a preset flat amount to file suit to recover the vehicle and a judgment for any balance owing. The firm advances costs of litigation which are then reimbursed by its clients. These costs are not additional income to the firm. The firm is concerned that the Modified Text would require it to include these reimbursed costs in the calculation of net proceeds.

Response: The commenter makes no specific request to modify section 1850(p)(3). Nonetheless, the Department notes that the rule is clear as written. The prefatory paragraph of section 1850(p) states that net proceeds means “the amount *retained* by a

debt collector from its California debt collection activity.” (emphasis added) As stated in its comment letter, the firm does not retain costs of litigation. These costs do not represent firm profits. Rather, these costs are *the client’s* costs, not the firm’s. The firm is simply reimbursed for client costs advanced by the firm. For all these reasons, the applicability of the section is clear.

Comment No. 2.2: Again, the commenter makes no specific request to modify text. Rather, the commenter asks for clarification on the information to be included in the annual report under section 1850.70(d). Commenter asks if it should include only judgments within the three categories itemized in (d)(1), (2) and (3) or include all judgments obtained with no activity.

Response: The Department notes that the plain language of sections 1850.70(d) and (e) answer the commenter’s question. Section 1850.70(d) requires collectors to include in their annual reports the sum of debtor accounts collected on in the preceding year which were collected in full, debtor accounts resolved for less than the full amount of the debt and debtor accounts where payments were made but a balance remains owing. If the licensee has no debtor accounts within some of these categories, none will be included. The sum of the three categories specified in section 1850.70(d)(1), (2) and (3) will be the number listed in the licensee’s annual report. Finally, section 1850.70(e) requires collectors to include the number of debtor accounts for which collection was attempted but no payments collected.

Comment No. 2.3: Again, the commenter makes no specific request to modify text. Rather, the commenter asks whether section 1850.70(g), which requires reporting “the total amount owed by all California debtors...as of December 31 of the preceding year... regardless of when the accounts entered the portfolio” means all accounts no matter when the judgment was obtained during the preceding year or includes all judgments obtained prior to the preceding year.

Response: The Department notes that the plain language of sections 1850.70(g) answers the commenter’s question. The Department added “regardless of when the accounts entered the portfolio” to include all outstanding accounts. This section requires information “for the preceding year,” which means all accounts which were outstanding in the preceding year. The section does not require reporting the month in which the judgment was added.

Comment No. 2.4: Again, the commenter makes no specific request to modify text. Rather, the commenter asks a question regarding section 1850.70(h): whether “the number of California debtor accounts in the licensee’s portfolio as of December 31 of the

preceding year” means “the total of each and every judgment obtained on behalf of our clients in the preceding year, regardless of collection activity.”

Response: The Department notes that the plain language of sections 1850.70(h) asks for number of debtor accounts in the licensee’s portfolio, without regard to whether or when a judgment has been obtained or collected on.

3. Commenter: California Association of Collectors, Inc.

Comment No. 3: The commenter again asserts and requests that the Department require information regarding “active” accounts only. The commenter specifically requests that section 1850.70(g) be amended to request the face value of debtor accounts for *active* accounts and proposes adding to this section the definition of “active” previously requested in its comment letter to the original proposed rules: “For purposes of this section, an active account is one for which a licensee placed a telephone call, sent correspondence, furnished credit reporting data, or applied a payment in the preceding calendar year.. Similarly, the commenter requests amending section 1850.70(h) to require the “number of *active* California debtor accounts in the licensee’s portfolio as of December 31 of the preceding year.”

Response: The Department declines to make the requested change, for the reasons stated in its Response to Comment No. 1.3.

4. Commenter: California Chamber of Commerce

Comment No. 4: The commenter objects to sections 1850.70(d) and (e), asserting that “the four categories concern confidential and proprietary information,” that “[t]his information is sensitive information that companies, in particular publicly traded companies, do not want competitors or the general public to be privy to” and that the “DFPI has not explained why these details are needed or what use this information would have.” The commenter is particularly concerned about providing information about accounts resolved for less than the balance owing. The commenter argues that this information combined with the other information provided in the annual report would reveal a licensee’s propriety business structure. If the Department insists on requiring this information, the commenter asks that the information be kept confidential and not made available to the public.

Response: The commenter misinterprets the referenced sections. Section 1850.70(d) requires “the *sum*” of its three categories, not specific numbers for each category.

Nonetheless, because this commenter misunderstood this section, the Department modified this section in the Second Modified Text to add more specific language reiterating that the total number of debtor accounts collected on in the preceding year “shall be *the sum* of paragraphs (1), (2) and (3) of this subdivision” and that “[i]ndividual numbers for paragraphs (1), (2) and (3) are not required to be reported.”

In requiring only the sum of the three categories of section 1850.70(d), the final text of sections 1850.70 (d) and (e) maintains industry privacy and proprietary information but provides important information about the current state of the debt collection industry, the financial condition of consumers and California’s economy generally.

#### 5. Commenter: California Financial Services Providers Association

Comment No. 5.1: The commenter believes that 15 days is an insufficient amount of time to comment on the proposed changes to the proposed rules.

Response: The Department disagrees with the commenter. Government Code section 11346.8, subdivision (c), requires modified proposed rules be made available for public comment for “at least 15 days.” The Department complied with the statute. The Department provided 16 days for comment.

Comment No. 5.2: The commenter is a trade association comprised of first-party lenders and other Department licensees, including finance lenders, payday lenders and money transmitters. The commenter objects to the removal of section 1850(p)(4), asserting that the former paragraph (4) applied to its first-party lender members and that the only remaining paragraph possibly relevant is paragraph (3), applicable to “all other debt collectors.” However, the commenter argues that paragraph (3) has two flaws: 1. First-party lenders do not have “clients.” They are collecting for themselves. 2. Paragraph (3) would require first-party lenders to include in their calculation of “net proceeds” payments from performing obligations. The commenter argues that this is not the intent of the DCLA. The commenter posits the following alternative language to the Department’s proposed modified section 1850(p): “ For persons who are defined as debt collectors because they are either first-party lenders or assignees standing in the shoes of first-party lenders, and who hold and/or collect on portfolios that consist primarily of performing debt obligations, this is equal to the amount of collection-related fees it collects during the reporting year, excluding the principal and the contracted-for interest on the obligation, but including the differential between the contracted-for interest and any default-rate attributable interest.”

Response: The Department agrees. The Department amended section 1850(p)(2) to clarify that net proceeds does not include regular payments of current debt paid on time,

but rather, includes amounts received in late fees which the collector would not have received had the debt been paid on time.

6. Commenter: Receivables Mgmt. Assoc. Intl.

Comment No. 6: The commenter has the same concern regarding section 1850.70(d) as that of commenter California Chamber of Commerce. However, the commenter states that " [i]f DFPI is asking for the number comprising the "sum" total of these three data sets to be inserted into the DFPI annual report form, RMAI is fine with the proposed rule and how it will be implemented."

Response: The Department modified this section in the for the reasons stated in its Response to Comment 4.1.

7. Commenter: Rogers Jewelry Co.

Comment No. 7: The commenter objects to the removal of section 1850(p)(4), the "first-party collector" category specifying how "first-party collectors" should calculate their net proceeds from California debt collection activity, upon which pro rata assessments are determined. The commenter asserts that this category should be reinstated and that the commenter, a jewelry company which collects only its own debt, should not be included in the "all other debt collector" category of modified section 1850(p)(3).

Response: The Department agrees with the concern and revising section 1850(p). The Department determined it best not to use the term "first-party collector" in this rulemaking. First-party collectors are not excluded from the DCLA nor is the term defined in the DCLA. Using the term in this rulemaking may lead to confusion and a lack of clarity. However, the Department modified section 1850(p)(2) to cover entities, such as the commenter, that collect only their own debt. In this scenario, the entity shall include in its calculation of net proceeds only "the amount the owner receives in fees and other charges from debtors that it would not have received had the debt been paid on time, before deducting costs and expenses."

SUMMARY AND RESPONSE TO COMMENTS RECEIVED DURING THE 15-DAY COMMENT PERIOD OF SEPTEMBER 11, 2024 THROUGH SEPTEMBER 27, 2024 (Gov. Code, § 11346.9, subd. (a)(3))

The Department received four comments during this 15-day comment period.

1. Commenter: California Association of Collectors, Inc.

Comment No. 1.1: The commenter asks that section 1850(p)(2) be deleted from the definition of “net proceeds generated by California debtor activity,” asserting that this section appears to apply to first-party collectors and that first-party creditors were never intended to be covered under the DCLA. The commenter contends that, “until the Department finalizes its scope regulations (currently contained in PRO 05-21), proposing to require entities other than debt buyers and third-party debt collectors to submit specified information in annual reports is inappropriate.”

Response: The Department declines to make the requested change. The Department must implement the DCLA as written. The DCLA does not exempt creditors collecting their own debt. The DCLA does exempt entities licensed under certain other laws administered by DFPI.<sup>2</sup> Entities licensed under the DCLA and other laws administered by the Department shall include in the DCLA annual report only information pertaining to the debt collection activity for which they obtained a DCLA license.

Comment No. 1.2: The commenter requests clarification on whether subdivisions 1850.70(g) and (h) are seeking information about all debtor accounts or only on debtor accounts on which amounts are owed. Similarly, the commenter requests clarification, generally, on whether the Department seeks information only on “active” accounts or all accounts.

Response: The Department declines to revise the referenced sections, as unnecessary. The Department repeats and reiterates its Response to Comment No. 1.3 in the Initial Notice Period, above.

The DCLA contains no provision limiting it to “accounts on which amounts are owed” or “active” accounts. Moreover, as long as an account remains on a collector’s books, it is subject to attempts at revival and collection, even if collection on the debt is past the statute of limitations. Indeed, the commenter acknowledges this, stating that “Under California case law, debts do not extinguish until and unless an affirmative action is taken to extinguish them. Thus, even if a debt is beyond the statute of limitations for collections, it *technically* remains owed.”

Comment No. 1.3: The commenter asks the Department to amend the Second Modified Text to specify how the Department will comply with Financial Code section 100021(b),

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<sup>2</sup> Fin. Code, § 100001, subds. (b) and (c)

which states: “The individual annual reports filed pursuant to this section shall be made available to the public for inspection.” The commenter specifically requests that “the Department make individual licensee's annual reports available only to those who have complied with the Public Records Act process....”

Response: The Department declines to amend the Second Modified Text to make the requested change. The requested revision is unnecessary. In implementing the DCLA, the Department will follow the law. The Department will adhere to the California Public Records Act (PRA),<sup>3</sup> including excluding documents from disclosure which are exempt from disclosure under the PRA.

## 2. Commenter: California Chamber of Commerce

Comment No. 2: The commenter asks the Department to modify the text to specify that individual annual reports will be made available to the public only upon request and may be redacted to protect licensees’ sensitive information.

Response: The Department declines to make the requested change as it is unsupported by the DCLA and unnecessary. Financial Code section 100021(b) specifies that licensees’ annual reports shall be made available to the public for inspection. It is not limited to inspection “upon request.” The request is inconsistent with the statutory language. However, the commenter’s concerns should be assuaged for the same reasons stated in the Department’s Response to Comment 1.3, which applies and which the Department repeats and reiterates here.

## 3. Commenter: Receivables Mgmt. Assoc. Intl.

Comment No. 3: The commenter raises the same concern as the previous two commenters. While acknowledging that Financial Code section 100021(b) specifically provides that individual licensee annual reports shall be made available to the public, the commenter asks that DFPI follow the PRA process and “be careful to not share confidential and proprietary information.”

Response: The Department refers to its Response to Comment No. 1.3 above, which applies equally here.

## 4. Commenter: R. Paul Soter, Jr.

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<sup>3</sup> Gov. Code, § 7920.000 et seq.

Comment No. 4.1: The commenter states that a 15-day comment period is too short and precludes a full review by his client base and a “workmanlike” comment letter by him.

Response: The Department disagrees with the commenter. The 15-day comment period complies with the applicable statute, Government Code section 11346.8, subdivision (c), which requires modified proposed rules be made available for public comment for “at least 15 days.” The Department provided 16 days for comment.

Comment No. 4.2: The commenter interprets section 1850(p)(3), the category applicable to “all other California debt collection activity,” as applicable to loan servicers when collecting debt which is current and not in default. The commenter proposes revising section 1850(p)(3) and adding a new section 1850(p)(4) specifying that only fees specific to delinquent debt such as late fees are to be included in calculating net proceeds.

Response: The Department declines to make the requested change as it is unnecessary. The commenter is concerned about the impact of this section on loan servicers. However, loan servicers, depending on the type of debt being collected, are licensed under the California Financing Law (CFL), the California Residential Mortgage Lending Act (CRMLA) and the Student Loan Servicing Act (SLSA). The DCLA exempts persons licensed under the California Financing Law, the California Residential Mortgage Lending Act and the Student Loan Servicing Act. Therefore, typically loan servicers are not subject to the DCLA.

Comment 4.3: The commenter believes that the DCLA does not give the Department jurisdiction over loan servicers collecting on performing obligations. The commenter believes the Department is trying to assess a loan servicer’s entire portfolio-of both performing obligations and those due and owing-and that such exceeds the Department’s authority under the DCLA and standards of reasonableness.

Response: The Department disagrees and believes the comment is based on a misconception. In addition to the fact that loan servicers licensed under the CFL, the CRMLA or the SLSA are exempt from the DCLA, as noted above in the Department’s Response to Comment No. 4.2, section 1850(p)(2) provides that “net proceeds generated by California debtor accounts” upon which assessments will be based, includes fees and other charges from debtors *that the [debt] owner would not have received had the debt been paid on time. (emphasis added)* Performing loans and their contractually agreed principal and interest paid on time are not included in the definition.

ALTERNATIVES THAT WOULD LESSEN THE ADVERSE ECONOMIC IMPACT ON SMALL BUSINESSES (Gov. Code, § 11346.9, subd. (a)(5))

No reasonable alternative considered by the Commissioner, or that have otherwise been identified and brought to the attention of the Commissioner, would be as effective and less burdensome to affected private persons, or would lessen any adverse impact on small businesses.

ALTERNATIVES DETERMINATION (Gov. Code, § 11346.9, subd. (a)(4))

The Department has determined that no alternative it considered or that was otherwise identified and brought to its attention would be more effective in carrying out the purposes for which the regulation is proposed, would be as effective and less burdensome to affected private persons than the adopted regulation, or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

The regulations adopted by the Department are to define “net proceeds” necessary to calculate licensees’ annual assessments, to clarify terms used in the DCLA regarding annual reports and to specify additional information the Commissioner is reasonably requiring be added to the annual report. The proposed regulations are the only provisions that define net proceeds, clarify terms related to annual reports and specify additional information to be included in annual reports. These rules will allow the Department to fully implement the DCLA, thereby fulfilling its statutory mandate and ensure the Department maintains oversight of collectors. Except as set forth and discussed in the summary and responses to comments, no other alternative has been proposed or otherwise brought to the Department’s attention that is equally effective.

LOCAL MANDATE DETERMINATION (Gov. Code, § 11346.9, subd. (a)(2))

The Commissioner has determined that the adoption of these regulations does not impose a mandate on local agencies or school districts.

# **EXHIBIT E**



12/26/2025

R.M. Galicia, Inc.  
1521 W. Cameron Avenue 1<sup>st</sup> Floor  
West Covina, CA 91790  
License # 10683-99

Department of Financial Protection and Innovation  
Attn: Debt Collection Licensing Program  
651 Bannon Street, Suite 300  
Sacramento, CA 95811

**Re: Payment of License Assessment Under Protest – R.M. Galicia, Inc. / License #10683-99**

Dear Commissioner:

Pursuant to applicable law, including Article XIII, Section 32 of the California Constitution, this letter constitutes formal notice that R.M. Galicia, Inc. hereby tendered payment of its 2025 license assessment through the Nationwide Multistate Licensing System on **12/26/2025** under protest.

This protest is made on the following grounds:

Failure to consult with Advisory Committee (Fin. Code § 100021). The Department has not properly consulted with or obtained advice from the Debt Collection Advisory Committee as contemplated by the Debt Collection Licensing Act (Fin. Code § 100000 et seq.), including with respect to determining and advising on the method and amount of annual assessments. The absence of consultation renders the assessment process procedurally defective and inconsistent with the statutory framework.

Failure to comply with Proposition 26 (Cal. Const., art. XIII C, § 1 et seq. & art. XIII A). The Department's assessment constitutes a "tax" within the meaning of Proposition 26 because it was imposed to raise general revenue or to fund regulatory activities not reasonably related to the payor's burden or benefit from the licensing program. The assessment violates Proposition 26's procedural and substantive mandates.



Licensee hereby advises DFPI that its payment of the 2025 California Debt Collection Licensing annual license assessment through the NMLS payment system was made under protest and with a full reservation of rights. Payment of the assessment was made solely to avoid penalties, suspension, or revocation of licensure. This protest preserves all rights to challenge the legality or amount of the assessment, including through judicial action seeking refund or declaratory relief.

Accordingly, **R.M. Galicia, Inc.** respectfully requests that DFPI record the payment (reference transaction # 1315357645, date paid: 12/26/2025 and amount paid: \$30,229.00) as “paid under protest” and maintain this letter in its official files for the 2025 license assessment.

Thank you for your attention to this matter.

Very truly yours,

R.M. Galicia, Inc. / #10683-99

# **EXHIBIT F**

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# Grant Mercantile Agency, Inc.

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December 4, 2025

Grant Mercantile Agency, Inc.  
PO Box 658  
Oakhurst, CA 93644  
California Collection Agency License Number: 10131-99

Department of Financial Protection and Innovation  
Attn: Debt Collection Licensing Program  
651 Bannon Street, Suite 300  
Sacramento, CA 95811

Re: Payment of License Assessment Under Protest – Grant Mercantile Agency, Inc.  
/License Number 10131-99]

Dear Commissioner:

Pursuant to applicable law, including Article XIII, Section 32 of the California Constitution, this letter constitutes formal notice that Grant Mercantile Agency, Inc. hereby tendered payment of its 2025 license assessment through the Nationwide Multistate Licensing System on 12/04/2025 under protest.

This protest is made on the following grounds:

- Failure to consult with Advisory Committee (Fin. Code § 100021). The Department has not properly consulted with or obtained advice from the Debt Collection Advisory Committee as contemplated by the Debt Collection Licensing Act (Fin. Code § 100000 et seq.), including with respect to determining and advising on the method and amount of annual assessments. The absence of consultation renders the assessment process procedurally defective and inconsistent with the statutory framework.
- Failure to comply with Proposition 26 (Cal. Const., art. XIII C, § 1 et seq. & art. XIII A). The Department's assessment constitutes a "tax" within the meaning of Proposition 26 because it was imposed to raise general revenue or to fund regulatory activities not reasonably related to the payor's burden or benefit from the licensing program. The assessment violates Proposition 26's procedural and substantive mandates.

Date 12/04/2025

Page 2

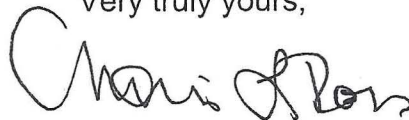
In addition to this being protested we wanted to let you know the negative impact this payment is having on our company. The fee is far larger than any other license fee that we pay in any other state. While the fee corresponds to the amount that we collected it does not take into account the amount that we invested to collect the money such as payroll costs, IT security, mailing and maintenance costs. As a small business in California our cost for staffing is higher than any other state to start with. Changes in the ability to collect medical debt in the State of California is also making it difficult to make payment of this fee which has us contemplating the idea of discontinuing collection of debt in the state of California and relocating to a more business friendly state.

Licensee hereby advises DFPI that its payment of the 2025 California Debt Collection Licensing annual license assessment through the NMLS payment system was made under protest and with a full reservation of rights. Payment of the assessment was made solely to avoid penalties, suspension, or revocation of licensure. This protest preserves all rights to challenge the legality or amount of the assessment, including through judicial action seeking refund or declaratory relief.

Accordingly, Grant Mercantile Agency, Inc. respectfully requests that DFPI record the payment made, confirmation number 1308611475, as "paid under protest" and maintain this letter in its official files for the 2025 license assessment.

Thank you for your attention to this matter.

Very truly yours,



Noni L Ross  
Director of Operations  
Grant Mercantile Agency, Inc.  
California Collection Agency License Number:  
10131-99

# **EXHIBIT G**



December 18, 2025

Kelstin Group, Inc. dba Pacific Credit Services  
3230 Arena Blvd, Ste 245 PMB 430  
Sacramento, CA 95834  
Debt Collection Lic No. 10215-99

Department of Financial Protection and Innovation  
Attn: Debt Collection Licensing Program  
651 Bannon Street, Suite 300  
Sacramento, CA 95811

**Re: Payment of License Assessment Under Protest – Kelstin Group, Inc. 10215-99**

Dear Commissioner:

Pursuant to applicable law, including Article XIII, Section 32 of the California Constitution, this letter constitutes formal notice that Kelstin Group, Inc. dba Pacific Credit Services hereby tendered payment of its 2025 license assessment through the Nationwide Multistate Licensing System on December 17, 2025, under protest.

This protest is made on the following grounds:

- Failure to consult with Advisory Committee (Fin. Code § 100021). The Department has not properly consulted with or obtained advice from the Debt Collection Advisory Committee as contemplated by the Debt Collection Licensing Act (Fin. Code § 100000 et seq.), including with respect to determining and advising on the method and amount of annual assessments. The absence of consultation renders the assessment process procedurally defective and inconsistent with the statutory framework.
- Failure to comply with Proposition 26 (Cal. Const., art. XIII C, § 1 et seq. & art. XIII A). The Department's assessment constitutes a "tax" within the meaning of Proposition 26 because it was imposed to raise general revenue or to fund regulatory activities not reasonably related to the payor's burden or benefit from the licensing program. The assessment violates Proposition 26's procedural and substantive mandates.

Licensee hereby advises DFPI that its payment of the 2025 California Debt Collection Licensing annual license assessment through the NMLS payment system was made under protest and with a full reservation of rights. Payment of the assessment was made solely to avoid penalties, suspension,



or revocation of licensure. This protest preserves all rights to challenge the legality or amount of the assessment, including through judicial action seeking refund or declaratory relief.

Accordingly, Kelstin Group, Inc. dba Pacific Credit Services respectfully requests that DFPI record the payment (reference transaction, date paid and amount) as “paid under protest” and maintain this letter in its official files for the 2025 license assessment.

Thank you for your attention to this matter.

Very truly yours,

Kelstin Group, Inc. dba Pacific Credit Services  
Debt Collection License No. 10215-99