

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

House Bill 1324 (Chair, Economic Matters Committee)
 (By Request – Departmental – Labor, Licensing and Regulation)

Economic Matters Finance

Collection Agencies - Licensing

This departmental bill extends the purview of the State Collection Agency Licensing Board to include persons who collect a consumer claim acquired when the claim was in default. These persons may temporarily continue to operate without a license after the bill’s October 1, 2007 effective date, pending board approval of a license application if the application is made within 30 days.

The bill specifies qualifications for licensure, clarifies the grounds for denial of an application, and establishes the right to a hearing before the board for persons denied a license. Grounds for reprimanding a licensee or suspending or revoking a license are clarified and extended to include specified fraudulent or unscrupulous activity by an owner, director, officer, member, partner, or agent of the licensee.

Fiscal Summary

State Effect: General fund revenues would increase by an estimated \$16,000 in FY 2008 due to the new licensing requirements. Future year revenues reflect the board’s renewal cycle and growth in the number of licensees. Expenditures would not be affected.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
GF Revenue	\$16,000	\$800	\$17,600	\$800	\$19,200
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$16,000	\$800	\$17,600	\$800	\$19,200

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: The Department of Labor, Licensing, and Regulation (DLLR) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: A person must have a license from the State Collection Agency Licensing Board whenever the person does business as a collection agency, generally defined as (1) engaging in the business of collecting a consumer claim; (2) using a name or other artifice that indicates that another party is attempting to collect a consumer claim; (3) using a system of forms that indicates that a person other than the owner is asserting a consumer claim; and (4) employing services to solicit a collection system to be used for collection of a consumer claim. A consumer claim is defined as a claim for money owed by a resident of the State that arises from a transaction in which a private party sought credit, money, property, or services.

An applicant for a license must submit an application under oath and pay a fee of \$400 for each place of business. An applicant is also required to execute a \$5,000 surety bond for the benefit of any member of the public who has a loss or other damage as the result of a violation of the Maryland Collection Agency Licensing Act or the Maryland Consumer Debt Collection Act; the estimated cost of the bond is \$150 per year. The board may deny a license if an applicant fraudulently uses or attempts to obtain a license or if the applicant or associate has had a license revoked. Licenses are generally valid for a period of two years.

A person may not do business as a collection agency without a State license. A person who violates this law is guilty of a misdemeanor and on conviction is subject to a fine of up to \$1,000 or imprisonment for up to six months or both.

Background: DLLR advises that the State Collection Agency Licensing Board currently regulates 1,304 collection agencies. The department estimates that the bill would make 40 debt purchasers subject to State regulation. Debt purchasers are not currently subject to regulation, as they purchase the debt directly from the creditor and are generally compensated as a percentage of their recovery. Although this activity falls under the federal Fair Debt Collection Practices Act, Maryland consumers are not currently protected in these transactions by the State Collection Agency Licensing Board.

State Fiscal Effect: General fund revenues would increase by an estimated \$16,000 in fiscal 2008 if 40 debt purchasers became licensed by the State Collection Agency Licensing Board. The board generally issues a two-year license that is renewable in

even-numbered fiscal years; fiscal 2009 revenues would be limited to new licenses, which would expire the following year. The department estimates that two new establishments would apply for a license each year, which would result in \$800 in general fund revenues in fiscal 2009. Future year revenues reflect potential growth in the industry of two new establishments a year, no attrition, and the board's renewal cycle.

Debt purchasers would represent a relatively small percentage of the total number of collection agencies licensed by the board. The department advises that the additional licensing activity could be handled with existing resources.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Office of Administrative Hearings; Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - March 20, 2007
ncs/ljm

Analysis by: Suzanne O. Potts

Direct Inquiries to:
(410) 946-5510
(301) 970-5510