

Department of Legislative Services
 Maryland General Assembly
 2015 Session

FISCAL AND POLICY NOTE

House Bill 951 (Delegate Glenn, *et al.*)
 Environment and Transportation

Maryland Collection Agency Licensing Act - Exemptions - Landlords

This bill exempts a landlord, or a person acting on behalf of a landlord, in the collection of a rent or allied charges for property from the Maryland Collection Agency Licensing Act. The bill also exempts a person acting under the provisions of a contract and on behalf of a council of unit owners of a condominium, a homeowners’ association, or a cooperative housing corporation in the collection of assessments, fees, or any other charges imposed by a council of unit owners of a condominium, homeowners’ association, or cooperative housing corporation.

The bill takes effect June 1, 2015.

Fiscal Summary

State Effect: General fund revenues decrease, by approximately \$27,400 in FY 2015 and \$328,700 annually thereafter, due to the licensing exemption, as discussed below. Although the bill decreases the workload of the licensing board, staff is assumed to be redirected to other priorities; thus, expenditures are not affected.

(in dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF Revenue	(\$27,400)	(\$328,700)	(\$328,700)	(\$328,700)	(\$328,700)
Expenditure	0	0	0	0	0
Net Effect	(\$27,400)	(\$328,700)	(\$328,700)	(\$328,700)	(\$328,700)

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

Local Effect: The bill is not expected to materially affect local operations or finances.

Small Business Effect: Meaningful.

Analysis

Current Law: The Maryland Collection Agency Licensing Act requires a person to be licensed by the State Collection Agency Licensing Board whenever the person does business as a collection agency, generally defined as engaging, either directly or indirectly, in the business of (1) collecting a consumer claim; (2) collecting a consumer claim acquired when the claim was in default; (3) collecting a consumer claim using a name or other artifice that indicates that another party is attempting to collect a consumer claim; (4) using a system of forms that indicates that a person other than the owner is asserting a consumer claim; and (5) 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 or said to be owed by a resident of the State that arises from a transaction in which a private party sought credit, money, property, or services.

The Maryland Collection Agency Licensing Act does not apply to (1) banks; (2) federal or State credit unions; (3) mortgage lenders; (4) persons acting under an order of court; (5) certain real estate brokers or those acting on their behalf; (6) savings and loan associations; (7) title companies as to their escrow businesses; (8) trust companies; (9) certain lawyers collecting debt on behalf of a client; and (10) specified persons who are collecting debt on behalf of another person. In addition, the following persons are excluded from the license requirement (1) a regular employee of a creditor while the employee is acting under the general direction and control of the creditor to collect a consumer claim that the creditor owns and (2) a regular employee of a licensed collection agency while the employee is acting within the scope of employment.

An applicant for a license must submit an application under oath and pay a fee set by the board, capped at \$900 for a two-year term. (The current fee is set at \$700 by regulation.) 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 board may deny a license if an applicant fraudulently uses or attempts to obtain a license or if the applicant or an associate has had a license revoked. A license is 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: The Department of Labor, Licensing, and Regulation (DLLR) advises that the agency has 1,565 collection agency licenses. DLLR further advises that it estimates that the bill would exempt between 50% and 75% of the 1,565 collection agencies from the licensure requirement.

State Revenues: This analysis assumes that 60% or 939 of the 1,565 licenses required under current law are exempt under the bill and that approximately one-half would otherwise renew each year. Because license application fees are currently set by regulation at \$700 for a two-year term, general fund revenues decrease by \$328,700 annually starting in fiscal 2016. This analysis assumes a one-month impact of \$27,400 in fiscal 2015.

Small Business Effect: Small businesses exempted under the bill will not have to pay the \$700 license application fee.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Office of the Attorney General (Consumer Protection Division); Judiciary (Administrative Office of the Courts); Department of Labor, Licensing, and Regulation; Department of Legislative Services

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