



Date: March 20, 2024

To: Maryland Senate Finance Committee Members

From: Receivables Management Association International (RMAI)

Opposition to HB 250 - Financial Institutions - Third-Party Service Providers - Examinations

Collection Agencies Do Not Provide Consumers with Financial Products or Services

As justification for encompassing collection agencies within the scope of HB250, the Office of Financial Regulation (OFR) contends that, “38 states have the authority to examine third-party service providers for banks and credit unions.”¹ The OFR’s statement, however, overlooks an incredibly relevant and dispositive point: collection agencies are not banks nor credit unions and, as such, these states do not extend such authority over collection agencies.² Accordingly, not only is the OFR’s statement not supportive of its position, it is supportive of leaving collection agencies out of its scope.

Nothing above calls into question the scope of OFR’s oversight in connection with the safety and soundness of depository and lending institutions. The simple point, however, is that collection agencies are not banks, non-bank depository institutions or lending institutions and they do not provide any financial products or services to consumers. Instead, collection agencies are service providers to creditors, including banks, non-bank creditors and credit unions. The concerns surrounding a bank, non-bank or credit union off-loading the “processing [of] their lending and deposit taking activities” is simply not present when regulating collection agencies.³ Accordingly, HB250 should not be extended to cover collection agencies.

HB 250 Has a Material and Disproportionate Impact on Small Businesses; Nearly All Collection Agencies are Very Small Businesses

- The Majority of Maryland Collection Agencies are “Microbusinesses.”
 - There are 48 Maryland-based collection agencies. Of those 48, 25 employ 5 or less people, meaning the majority of Maryland based collection agencies could be considered as “microenterprises”.⁴

Maryland	56144	Collection Agencies	01: Total	48
Maryland	56144	Collection Agencies	02: <5 employees	25

¹ Department of Legislative Services, Maryland General Assembly, 2024 Session, *Fiscal and Policy Note*, First Reader, House Bill 250, (Jan. 19, 2024).

² See, e.g. 38 Ill. Adm. Code 385.20; Ga. Comp. R. & Regs. r. 80-1-2-.05 and N.D. Cent. Code, § 6-01-09

³ See footnote 2.

⁴ A microenterprise or microbusiness is commonly identified as a business employing nine (9) or less people. U.S. Small Business Administration, *Small Business Facts, The Role of Microbusiness Employers In The Economy*, Office of Advocacy (Aug. 2017) available at <https://advocacy.sba.gov/wp-content/uploads/2019/06/508FINALAug17Microbusiness.pdf>, archived at <https://perma.cc/CB4Q-GWEM>

Maryland	56144	Collection Agencies	03: 5-9 employees	7
Maryland	56144	Collection Agencies	04: 10-19 employees	8
Maryland	56144	Collection Agencies	05: <20 employees	40
Maryland	56144	Collection Agencies	06: 20-99 employees	5
Maryland	56144	Collection Agencies	08: <500 employees	46

United States Census Bureau, 2021 SUSB Annual Data Tables by Establishment Industry (Dec. 2023)
<https://www.census.gov/data/tables/2021/econ/susb/2021-susb-annual.html>, archived at
<https://perma.cc/QYF3-ERT3>

- Nationally, nearly 97% of Collection Agencies are Small Businesses
 - Of 2,748 collection agencies, nearly 76% employed 20 or less persons and nearly 97% employed less than 500 persons.

United States	56144	Collection Agencies	01: Total	2,748
United States	56144	Collection Agencies	02: <5 employees	1,221
United States	56144	Collection Agencies	03: 5-9 employees	468
United States	56144	Collection Agencies	04: 10-19 employees	396
United States	56144	Collection Agencies	05: <20 employees	2,085
United States	56144	Collection Agencies	06: 20-99 employees	452
United States	56144	Collection Agencies	07: 100-499 employees	126
United States	56144	Collection Agencies	08: <500 employees	2,663
United States	56144	Collection Agencies	09: 500+ employees	85

Id.

Our members tell us that if HB 250 applies to them, that engaging any third-party service providers would be extremely burdensome, and could lead to fewer third party relationships. This is true for two reasons. *First*, because third-party service providers will shift the costs for such audits to our members. *Second*, because the cost of such audits would have a material adverse impact on their financial well-

being. A lack of third-party service providers could affect the efficiency and compliance of collection agencies, a development that is in the best interest of no one.

Summary

Because collection agencies are not banks and do not provide consumer financial products or services and are generally microbusinesses, the following amendment should be made to HB 250:

“REGULATED ENTITY” MEANS A PERSON WHO IS LICENSED OR CHARTERED BY THE OFFICE OF FINANCIAL REGULATION, EXCEPT FOR BUSINESSES LICENSED PURSUANT TO TITLE 7, SUBTITLE 3, SECTION 7-301 OF THE MARYLAND CODE.

About the Receivables Management Association International – The Receivables Management Association International (RMAI) is a nonprofit trade association that represents the Receivables Management Industry. RMAI’s Receivables Management Certification Program and Code of Ethics protect consumers and businesses by setting the gold standard through uniform industry best practices. RMAI provides networking, education, and business development opportunities through events and communications. RMAI also maintains a highly effective grassroots advocacy program at the state and federal levels. Founded in 1997, RMAI is headquartered in Sacramento, California.