

Only Debt Collectors Who Have Applied for Licensure are Authorized to Collect in California

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The Safe Harbor: Debt Collection Law Update by Aylix Jensen (June 2022)

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Aylix K. Jensen offers analysis and insights for the debt collection industry in her monthly newsletter, *The Safe Harbor: Debt Collection Law Update by Aylix Jensen*. This monthly newsletter provides an update of changes and developments in the law that impact the debt collection industry. It highlights new debt collection laws and practices, discusses what these may mean for the collection industry, and provides tips to ensure compliance. This article is featured in the June 2022 edition.

On May 23, 2022, the California Department of Financial Protection and Innovation (“DFPI”) issued an electronic announcement notifying applicants and prospective applicants for a license under California’s Debt Collection Licensing Act (the “Act”) that FBI-mandated changes have caused unavoidable processing delays.

The Act, which went into effect on September 25, 2020, requires any person engaging in the business of debt collection in California to be licensed annually by the DFPI. The initial deadline for submitting an application for a license was December 31, 2021, with the licensing component of the Act becoming operative on January 1, 2022. In mid-December, the DFPI extended the licensing deadline to March 15, 2022, and now, approximately two months later, there are additional hurdles preventing the DFPI from processing new applications.

According to the Act, a person applying for a license is required to, among other things, submit to a criminal background check by the Department of Justice. Specifically, the Act provides that when a license application is received, “the Department of Justice shall transmit fingerprint images and related information received pursuant to this section to the Federal Bureau of Investigation for the purpose of obtaining a federal criminal history records check.” Cal. Fin. Code 100008(b). DFPI’s announcement explained that the FBI provided notice that “changes are needed to state agency protocols for requesting federal background checks.” The DFPI did not provide detailed information regarding the scope of the referenced changes and did not provide an estimated resolution date. However, the delay appears to have no impact on debt collectors conducting business in the state of California.

The DFPI set forth in its announcement that it will not take action for unlicensed activity against applicants that submitted their applications after December 31, 2021. Nevertheless, the DFPI recommended that license applicants indicate “license number pending” or similar verbiage in communications with debtors until a license is issued, for purposes of complying with the Act.

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Practice Areas

Financial Services

