

**PROPOSAL FOR LEGISLATION
2007 SESSION**

1. Proposal Number _____
2. Subject: **Collection Agencies – Licensing Board - Licensing**
3. Articles and Sections of Maryland Code Affected: **Business Regulation Article §7-101, 7-303, 7-308**
4. Submitted by **Charles W. Turnbaugh, Chairman, State Collection Agency Licensing Board**
5. Attachment Checklist: *(everything must be on one 3.5" diskette)*
 - Draft of the Bill *(including body and title)*
 - Explanation
 - Justification *(with relevant statutes and court decisions attached)*
 - History of Substantially Similar Bills Introduced in Prior Sessions
 - Legal Approval
 - Fiscal Estimate of Legislation
 - Small Business Impact Statement
 - Impact on Local Government
 - Summary for Governor's Review
6. Environmental Effects (**Check one**)
 - Environmental Assessment Form attached; **or**
 - Environmental Assessment Form not required by the Maryland Environmental Policy Act
7. Persons Able to Discuss and Testify on Proposal: **Charles W. Turnbaugh, Chairman, State Collection Agency Licensing Board 410 230-6101, Michael J. Jackson, Regulatory Policy Director, 410 230-6017, Monica Best James, DLLR Legislative Director 410 230-6009.**
Legal Advisor: **Thomas Gounaris, AAG 410 230-6115**
8. Sponsorship: Senate House Either

James D. Fielder, Jr., Ph.D., Secretary DLLR

(Date)

(Signature of Agency Head)

INSTRUCTIONS

Notes: Salaries use the Standard Salary Schedule that was effective July 1, 2005.

1. In the cells shaded light blue, fill in the information requested here:

Bill number:	<input type="text"/>
Companion bill:	<input type="text"/>
Short title:	Collection Agencies - Licensing Board - Licensing
Your name:	Michael J. Jackson
Your title:	Director Regulatory Policy
Your agency:	Financial Regulation
Your phone number:	410 230-6017
Your fax number:	410 333-0475

2. On the REVENUES worksheet, indicate any change in revenues.
Follow the instructions on the fiscal estimate worksheet. Only enter information in the cells shaded light blue.
3. On the EXPENDITURES worksheet, indicate any change in expenditures.
Follow the instructions on the fiscal estimate worksheet. Only enter information in the cells shaded light blue.
For new permanent employees, enter the number of new positions and the title(s), the start year(s), the step(s), and the grade(s) of the new position(s). If any of the new employees will not be under the regular State employee pension system (State), enter the pension system (DNRP, Judge, MSP, or Teach) they will be under. Salaries, fringe benefit rates, and out-years will be calculated by the spreadsheet automatically and will appear in the PRINT RANGE worksheet. The spreadsheet also calculates \$140 per new employee annually for supplies.
For contractual employees, enter the expected annual cost under Other Operating Expenses. Fringe benefits and out-years will be calculated by the spreadsheet and will appear in the PRINT RANGE worksheet.
For all other operating expenses, enter costs (savings). For annual costs, enter the expected cost (savings) once in the Annual Recurring column. Costs (savings), including start-up delay and inflation, will be calculated automatically and will appear in the PRINT RANGE worksheet. For one-time costs, enter the cost (savings) in the column for the fiscal year in which the cost (savings) will occur.
4. If you are faxing the materials, go to the PRINT RANGE worksheet and print. The pre-selected print range should print two pages, one page with expenditure information, the other with a fax cover page, identifying information, the revenue box and other information used by Legislative Services. Send the two pages along with supporting documentation to Legislative Services. On the automatic fax cover sheet, indicate the total number of pages you will be sending to Legislative Services.
5. If you are e-mailing the file to Legislative Services, send it with all other related materials to fnotes@mlis.state.ms.us.

REVENUES

Fund	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
General	16,000	800	16,800	1,600	17,600
Special					
Federal					
Local					
Other:					
Total	16,000	800	16,800	1,600	17,600

Explain variation if revenue is not constant:

Variation of the revenue stream is due to the addition of new licensees issued each year and the renewal of licenses issued in any preceding year. Licenses are renewed on a biennial basis.

EXPENDITURES

Date fiscal impact begins: MM/DD/YY format

.01 Salaries and Wages

#	Title	Start FY	Grade	Step	Salary	Pension*	FBR
0		2007	0	0	0	State	15.9%
0		2007	0	0	0	State	15.9%
0		2007	0	0	0	State	15.9%
0		2007	0	0	0	State	15.9%
0		2007	0	0	0	State	15.9%
0		2007	0	0	0	State	15.9%
0		2007	0	0	0	State	15.9%
0		2007	0	0	0	State	15.9%

*See pension system code word list located in cells K5..O10.

Other Operating Expenses

Object Codes	Annual* Recurring	Additional Out-Year Expenditures				
		2007	2008	2009	2010	2011
.02 Contractual Employees						
.02 Other Tech & Special Fees						
.03 Communications						
.04 Travel						
.06 Fuel & Utilities						
.07 Automobile Operations						
.08 Contractual Services						
.09 Supplies						
Per employee	X	0	0	0	0	0
.10 Equipment-Replacement						
.11 Equipment-Additional						
.12 Grants, Subsidies, etc.						
.13 Fixed Charges						
.14 Land and Structures						

*Show recurring expenses based on full-year costs (savings).

*Pension system	Code Word	Rate
Regular state employees	State	6.83%
DNR Police	DNRP	40.60%
Judges	Judge	42.43%
State Police	MSP	13.83%
Teachers	Teach	9.71%

STATE OF MARYLAND
STANDARD SALARY SCHEDULE
Annual Rates Effective July 1, 2005

Grade	Base 0	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Step 12	Step 13	Step 14	Step 15	Step 16	Step 17	Step 18
1	\$15,363	\$15,891	\$16,439	\$17,011	\$17,606	\$18,223	\$18,544	\$18,871	\$19,204	\$19,546	\$19,892	\$20,248	\$20,611	\$20,979	\$21,356	\$21,739	\$22,131	\$22,529	\$22,936
2	\$16,286	\$16,852	\$17,438	\$18,049	\$18,685	\$19,345	\$19,689	\$20,041	\$20,397	\$20,761	\$21,134	\$21,513	\$21,900	\$22,295	\$22,698	\$23,109	\$23,527	\$23,952	\$24,387
3	\$17,275	\$17,880	\$18,509	\$19,163	\$19,842	\$20,549	\$20,917	\$21,291	\$21,675	\$22,066	\$22,462	\$22,868	\$23,283	\$23,705	\$24,136	\$24,576	\$25,023	\$25,479	\$25,944
4	\$18,332	\$18,980	\$19,652	\$20,351	\$21,079	\$21,835	\$22,230	\$22,630	\$23,040	\$23,456	\$23,883	\$24,318	\$24,760	\$25,212	\$25,673	\$26,143	\$26,623	\$27,113	\$27,612
5	\$19,464	\$20,156	\$20,876	\$21,625	\$22,403	\$23,213	\$23,634	\$24,062	\$24,501	\$24,948	\$25,403	\$25,868	\$26,342	\$26,826	\$27,319	\$27,822	\$28,334	\$28,857	\$29,390
6	\$20,675	\$21,416	\$22,185	\$22,987	\$23,818	\$24,685	\$25,136	\$25,595	\$26,064	\$26,542	\$27,030	\$27,528	\$28,035	\$28,551	\$29,079	\$29,618	\$30,167	\$30,727	\$31,296
7	\$21,971	\$22,764	\$23,588	\$24,445	\$25,337	\$26,264	\$26,745	\$27,237	\$27,738	\$28,250	\$28,772	\$29,304	\$29,846	\$30,399	\$30,965	\$31,541	\$32,128	\$32,728	\$33,338
8	\$23,358	\$24,206	\$25,087	\$26,004	\$26,957	\$27,950	\$28,464	\$28,991	\$29,526	\$30,074	\$30,632	\$31,202	\$31,783	\$32,374	\$32,979	\$33,596	\$34,224	\$34,866	\$35,518
9	\$24,842	\$25,749	\$26,692	\$27,673	\$28,694	\$29,755	\$30,306	\$30,869	\$31,443	\$32,029	\$32,626	\$33,236	\$33,856	\$34,490	\$35,138	\$35,797	\$36,468	\$37,154	\$37,853
10	\$26,429	\$27,400	\$28,409	\$29,459	\$30,551	\$31,686	\$32,277	\$32,878	\$33,493	\$34,120	\$34,759	\$35,411	\$36,076	\$36,754	\$37,445	\$38,151	\$38,870	\$39,603	\$40,351
11	\$28,126	\$29,166	\$30,246	\$31,369	\$32,536	\$33,751	\$34,384	\$35,029	\$35,686	\$36,356	\$37,040	\$37,738	\$38,449	\$39,174	\$39,914	\$40,670	\$41,441	\$42,228	\$43,029
12	\$29,944	\$31,055	\$32,211	\$33,413	\$34,664	\$35,963	\$36,639	\$37,328	\$38,032	\$38,748	\$39,481	\$40,227	\$40,988	\$41,764	\$42,556	\$43,365	\$44,189	\$45,028	\$45,884
13	\$31,888	\$33,077	\$34,315	\$35,601	\$36,936	\$38,328	\$39,051	\$39,788	\$40,543	\$41,310	\$42,093	\$42,890	\$43,705	\$44,536	\$45,383	\$46,248	\$47,129	\$48,027	\$48,944
14	\$33,970	\$35,242	\$36,566	\$37,941	\$39,371	\$40,860	\$41,635	\$42,423	\$43,230	\$44,051	\$44,888	\$45,742	\$46,614	\$47,504	\$48,410	\$49,335	\$50,280	\$51,242	\$52,224
15	\$36,195	\$37,558	\$38,973	\$40,445	\$41,977	\$43,570	\$44,398	\$45,242	\$46,104	\$46,982	\$47,879	\$48,793	\$49,725	\$50,677	\$51,647	\$52,636	\$53,645	\$54,674	\$55,723
16	\$38,578	\$40,035	\$41,551	\$43,126	\$44,765	\$46,468	\$47,354	\$48,258	\$49,180	\$50,120	\$51,079	\$52,057	\$53,056	\$54,074	\$55,112	\$56,170	\$57,251	\$58,353	\$59,475
17	\$41,126	\$42,685	\$44,305	\$45,991	\$47,745	\$49,569	\$50,516	\$51,482	\$52,469	\$53,476	\$54,502	\$55,548	\$56,616	\$57,705	\$58,816	\$59,948	\$61,105	\$62,283	\$63,485
18	\$43,854	\$45,521	\$47,256	\$49,061	\$50,937	\$52,888	\$53,902	\$54,935	\$55,992	\$57,068	\$58,167	\$59,287	\$60,429	\$61,595	\$62,783	\$63,994	\$65,230	\$66,491	\$67,776
19	\$46,773	\$48,558	\$50,413	\$52,343	\$54,350	\$56,438	\$57,522	\$58,630	\$59,760	\$60,912	\$62,086	\$63,285	\$64,507	\$65,753	\$67,025	\$68,322	\$69,646	\$70,995	\$72,369
20	\$49,895	\$51,805	\$53,789	\$55,855	\$58,002	\$60,236	\$61,398	\$62,582	\$63,791	\$65,022	\$66,280	\$67,562	\$68,870	\$70,205	\$71,565	\$72,954	\$74,370	\$75,812	\$77,284
21	\$53,236	\$55,279	\$57,405	\$59,613	\$61,911	\$64,301	\$65,544	\$66,812	\$68,105	\$69,423	\$70,768	\$72,141	\$73,540	\$74,967	\$76,424	\$77,909	\$79,423	\$80,968	\$82,542
22	\$56,811	\$58,997	\$61,270	\$63,635	\$66,094	\$68,651	\$69,980	\$71,338	\$72,720	\$74,132	\$75,570	\$77,039	\$78,535	\$80,064	\$81,622	\$83,210	\$84,832	\$86,487	\$88,174
23	\$60,637	\$62,976	\$65,408	\$67,939	\$70,570	\$73,306	\$74,728	\$76,179	\$77,659	\$79,168	\$80,709	\$82,280	\$83,882	\$85,518	\$87,184	\$88,884	\$90,619	\$92,388	\$94,194
24	\$64,729	\$67,233	\$69,836	\$72,543	\$75,357	\$78,285	\$79,807	\$81,362	\$82,945	\$84,560	\$86,207	\$87,888	\$89,603	\$91,352	\$93,136	\$94,955	\$96,811	\$98,705	\$100,636
25	\$69,109	\$71,788	\$74,573	\$77,468	\$80,481	\$83,614	\$85,242	\$86,905	\$88,600	\$90,327	\$92,090	\$93,889	\$95,723	\$97,596	\$99,503	\$101,450	\$103,435	\$105,460	\$107,525
26	\$73,795	\$76,661	\$79,639	\$82,740	\$85,964	\$89,315	\$91,057	\$92,835	\$94,649	\$96,499	\$98,385	\$100,309	\$102,272	\$104,276	\$106,317	\$108,399	\$110,526	\$112,694	\$114,905

CONSTANTS

Description	Name	Value
Health insurance contribution per employee	Health	\$11,000
Retirement contributions	State	6.83%
	Teachers	9.71%
	State Police	13.83%
	DNR Police	40.60%
	Judges	42.43%
Calendar year of current legislative session	Year	2006
Anticipated general inflation rate	Inflate	1.00%
Anticipated inflation rate for health insurance contribution	HIInfl	11.00%
Fringe benefit rate	FBR	9.07%
Fringe benefit rate - contractual employee	FBRC	9.40%
Reduction in personnel costs for turnover	Turn	3.00%
Reduction in personnel costs for turnover - contractual	TurnC	6.80%
FY08 factor to account for increase for reclass, COLAs, etc.	PInc	104.60%
FY09+ factor to account for increase for reclass, COLAs, etc.	PInc2	104.60%
Salary Increases - contractual employees	PIncC	104.60%
First-year factor to account for start-up delay	Delay	25.00%
State contribution to 401(a) deferred compensation plans	_401A	\$255
Per person office supplies cost	Supply	\$140

VARIABLES

Name	Location	Description
_401A	Constants:G21	Per employee State match amount for 401(a) plan
DELAY	Constants:G20	Factor to account for start-up delay
DNRP	Constants:G8	Pension contribution rate for DNR police
FBR	Constants:G13	Fringe benefit rate without health or pension
FBR1	Expenditures:I8	Fringe benefit rate for first employee type
FBR2	Expenditures:I9	Fringe benefit rate for second employee type
FBR3	Expenditures:I10	Fringe benefit rate for third employee type
FBR4	Expenditures:I11	Fringe benefit rate for fourth employee type
FBR5	Expenditures:I12	Fringe benefit rate for fifth employee type
FBR6	Expenditures:I13	Fringe benefit rate for sixth employee type
FBR7	Expenditures:I14	Fringe benefit rate for seventh employee type
FBR8	Expenditures:I15	Fringe benefit rate for eighth employee type
FBRC	Constants:G14	Fringe benefit rate for contractual employees
HEALTH	Constants:G4	Health insurance contribution
HINFL	Constants:G12	Health insurance contribution inflation rate
INFLATE	Constants:G11	General inflation rate
JUDGE	Constants:G9	Pension contribution rate for judges
MSP	Constants:G7	Pension contribution rate for Maryland State Police
PGR1	Expenditures:E8	Personnel grade for first employee type
PGR2	Expenditures:E9	Personnel grade for second employee type
PGR3	Expenditures:E10	Personnel grade for third employee type
PGR4	Expenditures:E11	Personnel grade for fourth employee type
PGR5	Expenditures:E12	Personnel grade for fifth employee type
PGR6	Expenditures:E13	Personnel grade for sixth employee type
PGR7	Expenditures:E14	Personnel grade for seventh employee type
PGR8	Expenditures:E15	Personnel grade for eighth employee type
PINC	Constants:G17	Factor for reclassifications, COLAs, etc.; FY 2008
PINC2	Constants:G18	Factor for reclassifications, COLAs, etc.; FY 2009+
PINCC	Constants:G19	Inflation factor for contractual employees
PNR1	Expenditures:B8	Number of positions for first employee type
PNR2	Expenditures:B9	Number of positions for second employee type
PNR3	Expenditures:B10	Number of positions for third employee type
PNR4	Expenditures:B11	Number of positions for fourth employee type
PNR5	Expenditures:B12	Number of positions for fifth employee type
PNR6	Expenditures:B13	Number of positions for sixth employee type
PNR7	Expenditures:B14	Number of positions for seventh employee type
PNR8	Expenditures:B15	Number of positions for eighth employee type
PPY1	Expenditures:G8	Salary for first employee type
PPY2	Expenditures:G9	Salary for second employee type
PPY3	Expenditures:G10	Salary for third employee type
PPY4	Expenditures:G11	Salary for fourth employee type
PPY5	Expenditures:G12	Salary for fifth employee type
PPY6	Expenditures:G13	Salary for sixth employee type
PPY7	Expenditures:G14	Salary for seventh employee type
PPY8	Expenditures:G15	Salary for eighth employee type
PST1	Expenditures:F8	Personnel step for first employee type
PST2	Expenditures:F9	Personnel step for second employee type
PST3	Expenditures:F10	Personnel step for third employee type
PST4	Expenditures:F11	Personnel step for fourth employee type
PST5	Expenditures:F12	Personnel step for fifth employee type
PST6	Expenditures:F13	Personnel step for sixth employee type
PST7	Expenditures:F14	Personnel step for seventh employee type
PST8	Expenditures:F15	Personnel step for eighth employee type
PTL1	Expenditures:C8	Job title for first employee type
PTL2	Expenditures:C9	Job title for second employee type
PTL3	Expenditures:C10	Job title for third employee type
PTL4	Expenditures:C11	Job title for fourth employee type
PTL5	Expenditures:C12	Job title for fifth employee type
PTL6	Expenditures:C13	Job title for sixth employee type
PTL7	Expenditures:C14	Job title for seventh employee type
PTL8	Expenditures:C15	Job title for eighth employee type
PYR1	Expenditures:D8	Starting year for first employee type
PYR2	Expenditures:D9	Starting year for second employee type
PYR3	Expenditures:D10	Starting year for third employee type
PYR4	Expenditures:D11	Starting year for fourth employee type
PYR5	Expenditures:D12	Starting year for fifth employee type
PYR6	Expenditures:D13	Starting year for sixth employee type
PYR7	Expenditures:D14	Starting year for seventh employee type
PYR8	Expenditures:D15	Starting year for eighth employee type
SALARY	Sal Sched:B8 ...T33	Standard state salary schedule
STATE	Constants:G5	Pension contribution rate for state employees
SUPPLY	Constant:G22	Per employee supplies cost
TEACH	Constants:G6	Pension contribution rate for teachers
TURN	Constants:G15	Employee turnover rate
TURNC	Constants:G16	Contractual employee turnover rate
YEAR	Constants:G10	Year of current legislative session

EXPENDITURES

Fiscal Effect begins: 10/01/06

.01 Salaries & Wages

Positions/Title/Grade/Step	First FY 2007	Second FY 2008	Third FY 2009	Fourth FY 2010	Fifth FY 2011
0 0 0 0	0	0	0	0	0
0 0 0 0	0	0	0	0	0
0 0 0 0	0	0	0	0	0
0 0 0 0	0	0	0	0	0
0 0 0 0	0	0	0	0	0
0 0 0 0	0	0	0	0	0
0 0 0 0	0	0	0	0	0
0 0 0 0	0	0	0	0	0
Total Salaries & Wages	0	0	0	0	0
Fringe Benefits	0	0	0	0	0
401 (a) Plan	0	0	0	0	0
Health Insurance	0	0	0	0	0
Subtotal	0	0	0	0	0
Less Start-up Delay/Turnover	25% 0	3% 0	3% 0	3% 0	3% 0
Total Salaries, Wages, and Fringe Benefits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Other Operating Expenses

.02 0 Annually	0	0	0	0	0
Contractual Employees	0	0	0	0	0
0 Annually	0	0	0	0	0
Other Tech & Special Fees	0	0	0	0	0
.03 0 Annually	0	0	0	0	0
Communications	0	0	0	0	0
.04 0 Annually	0	0	0	0	0
Travel	0	0	0	0	0
.06 0 Annually	0	0	0	0	0
Fuel & Utilities	0	0	0	0	0
.07 0 Annually	0	0	0	0	0
Automobile Operations	0	0	0	0	0
.08 0 Annually	0	0	0	0	0
Contractual Services	0	0	0	0	0
.09 0 Annually	0	0	0	0	0
Supplies	0	0	0	0	0
.10 0 Annually	0	0	0	0	0
Equipment - Replacement	0	0	0	0	0
.11 0 Annually	0	0	0	0	0
Equipment - Additional	0	0	0	0	0
.12 0 Annually	0	0	0	0	0
Grants, Subsidies, etc.	0	0	0	0	0
.13 0 Annually	0	0	0	0	0
Fixed Charges	0	0	0	0	0
.14 0 Annually	0	0	0	0	0
Land & Structures	0	0	0	0	0
Total Other Operating Expenses:	0	0	0	0	0
Total Expenditures or (Savings):	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

FAX COVER SHEET

From: Michael J. Jackson Phone: 410 230-6017 15-Jun-18
 Financial Regulation Fax: 410 333-0475 02:48 PM

To: Fiscal Analysis and Note System
 Department of Legislative Services
 Fax: (410) 946-5529 or (301) 970-5529
 Voice: (410) 946-5510 or (301) 970-5510
 E-Mail Address: fnotes@mlis.state.md.us

This transmission is 2 pages long.

Bill No. -- Comp: -- 2006 Reg. Session
 Short title: Collection Agencies - Licensing Board - Licensing
 Prepared by: Michael J. Jackson Director Regulatory Policy
 Financial Regulation P: 410 230-6017 F: 410 333-0475

REVENUES

Funding Source	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
State general funds	16,000	800	16,800	1,600	17,600
State special funds	0	0	0	0	0
Federal funds	0	0	0	0	0
Local funds	0	0	0	0	0
Other:	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	16,000	800	16,800	1,600	17,600

Variation of the revenue stream is due to the addition of new licensees issued each year and the renewal of licenses issued in any preceding year. Licenses are renewed on a biennial basis.

Please return this form along with supporting documentation and the answers to questions 1 through 7 from the fiscal estimate worksheet to:

**Coordinating Analyst, Fiscal Analysis & Note System
 Department of Legislative Services
 90 State Circle
 Annapolis, Maryland 21401-1991**

**Telecopier (fax): (410) 946-5529 Baltimore/Annapolis area
 Telecopier (fax): (301) 970-5529 Washington Metropolitan area
 E-mail: fnotes@mlis.state.md.us**

**2007 Session
Fiscal Estimate Worksheet**

Bill Number:	Companion Bill:	Date: 08/15/2006
Short Title: Collection Agencies – Licensing Board – Licensing		
Prepared by: Michael J. Jackson	Title: Regulatory Policy Director	Phone: (410) 230-6017
Agency: Collection Agency Licensing Board Fax: (410) 333-0475 Email mjackson@dllr.state.md.us		

1. Describe the effect of this proposed legislation on your agency (operations, funding, etc.) If there is no operational effect, or there is no fiscal impact, please explain why.

Impact on Operation: The impact of the proposed legislation would have minimal affect on the operations of the agency. The agency currently has 1,224 registered collection agencies. The proposed legislation would establish standards for the qualification of a license, and require debt purchasers to apply for a Maryland Collection Agency license as set forth in the Business Regulation Article, Annotated Code of Maryland, Title 7, Subtitle 1. The licensing and investigation functions for these entities would be assigned to current staff members.

Impact on Funding: Agency funding is only minimally impacted by this number of new licensees by the proposed legislation.

2. Even if the bill would not directly affect your agency's operations or finances, does your agency have any information that could be useful in determining the fiscal effect of this legislation? If yes, please provide and discuss.

No.

3. Have funds been included in your agency's proposed operating or capital budget in anticipation of this legislation? If yes, please indicate specific amount(s) budgeted and budget code(s).

No.

4. Has your agency submitted a request for funding of this legislation in a supplemental budget? If yes, please indicate specific amount(s) budgeted and budget code(s).

No, the agency does not anticipate, at this time, that additional funds will be needed to carry out the legislative mandate.

5. Will federal funding of your agency be affected by this legislation? If yes, please describe (e.g., loss of funds for noncompliance, availability of new funds, State matching funds).

N/A

6. Will local governments be affected by this legislation? If yes, please describe.

No, the proposed legislation does not appear to affect local government.

7. Does your agency have information, which could be useful in determining the economic impact of this legislation on small businesses? If yes, please provide and discuss.

Yes. The legislation would provide for the collection agency businesses to bear the cost of the initial licensing and subsequent renewal of those licenses. The cost to the licensed is estimated as follows:

- A 2 year license application fee \$400 biennial
- A 2 year renewal license fee \$400 biennial
- Minimum \$5,000 surety bond \$150 annually

8. Does this legislation affect State, local, or federal REVENUES? If yes, indicate whether the change is an increase or (decrease). Off-budget funds, such as the Injured Workers' Insurance Fund, reimbursable funds, etc., should be included in "other funds." Keep in mind the effective date(s) of the legislation.

This legislation would have minimal affect on State Revenues. We estimate 40 debt purchasers would become licensed collection agencies under the proposed legislation. We anticipate a small growth in the number of licensees, approximately 2 new licensees per year.

The license fee for collection agency is \$400 for a two-year license.

Revenue Estimates – Every Other Year (40 licensed debt purchasers)					
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
No. of Licensees	40	2	42	4	44
Application Fee \$400	\$16,000	\$800	\$800	\$800	\$800
Renewal Fee \$400			\$16,000	\$800	\$16,800
Total Revenue	\$16,000	\$800	\$16,800	\$1,600	\$17,600

9. Does this legislation affect your agency's EXPENDITURES? If yes, provide an analysis of the estimated increase or (decrease) in State expenditures by budget object category and by fund type (general, special, federal, or other).

No. We do not anticipate hiring new Administrative Specialists or Financial Examiners to fulfill the legislative requirements of licensing debt purchasers. The current licensing staff could perform 40 new licensing cases without the addition of new staff. The addition of 40 new licensees will add slightly to the workload.

IMPACT ON LOCAL GOVERNMENT

Collection Agencies – Licensing Board - Licensing

We do not anticipate any impact on local government as a result of this legislation.

ENVIRONMENTAL EFFECTS

Collection Agencies – Licensing Board - Licensing

There will be no environmental effects as a result of this legislation.

SMALL BUSINESS ECONOMIC IMPACT

Collection Agencies – Licensing Board - Licensing

We do not believe there will be any meaningful economic impact on small businesses as a result of this legislation. The general cost of complying with the proposal is a \$400 biennial licensing fee, and any premium cost of obtaining a \$5,000 surety bond.

Draft: 8/15/06

A BILL ENTITLED

AN ACT concerning

Collection Agencies - Licensing Board - Licensing

FOR the purpose of including certain persons in the definition of “collection agency”; requiring certain persons to be licensed by the State Collection Agency Licensing Board before they may collect consumer claims in this State; establishing certain qualifications for a collection agency license; authorizing the Board to reprimand certain licensees or suspend or revoke certain licenses when certain acts are committed; and generally relating to the licensing and regulation of collection agencies.

BY repealing and reenacting, with amendments,

Article - Business Regulation

Section 7-101, 7-303 and 7-308

Annotated Code of Maryland

(2004 Replacement Volume and 2006 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
That the Laws of Maryland read as follows:

Article - Business Regulation

7-101.

- (a) In this title the following words have the meanings indicated.
- (b) "Board" means the State Collection Agency Licensing Board.
- (c) "Collection agency" means a person who ENGAGES DIRECTLY OR INDIRECTLY IN THE BUSINESS OF:
- (1) (I) collecting for, or soliciting from another, a consumer claim; OR
 - (II) COLLECTING A CONSUMER CLAIM THE PERSON OWNS, IF THE CLAIM WAS IN DEFAULT WHEN THE PERSON ACQUIRED IT;
 - (2) [in collection of a consumer claim by its owner, uses] COLLECTING A CONSUMER CLAIM THE PERSON OWNS, USING a name or other artifice that indicates that another party is attempting to collect the consumer claim;
 - (3) [gives, sells, attempts] GIVING, SELLING, ATTEMPTING to give or sell to another, or [uses] USING, for collection of a consumer claim, a series or system of forms or letters that indicates directly or indirectly that a person other than the owner is asserting the consumer claim; or
 - (4) [employs] EMPLOYING the services of an individual or business to solicit or sell a collection system to be used for collection of a consumer claim.
- (d) "Commissioner" means the Commissioner of Financial Regulation.
- (e) "Consumer claim" means a claim that:
- (1) is for money owed or said to be owed by a resident of the State; and

(2) arises from a transaction in which, for a family, household, or personal purpose, the resident sought or got credit, money, personal property, real property, or services.

(f) "License" means a license issued by the Board to do business as a collection agency.

(g) "Licensed collection agency" means a person who is licensed by the Board to do business as a collection agency.

7-303.

(a) Within 60 days after an applicant submits an application for a license and pays the application fee, the Board shall approve or deny the application.

[(b) Subject to the hearing provisions of § 7-309 of this subtitle, the Board may deny a license to an applicant if:

(1) the applicant fraudulently or deceptively obtains or attempts to obtain a license for the applicant or for another person;

(2) the applicant fraudulently uses a license;

(3) the applicant:

(i) has had a license revoked; or

(ii) is responsible for an act or omission that resulted in revocation

of a license;

(4) a person who, when the application is submitted, is an agent, director, employee, member, officer, owner, partner, or spouse of the applicant:

(i) has had a license revoked; or

(ii) is responsible for an act or omission that resulted in revocation of a license; or

(5) otherwise fails to meet the requirements for licensure.]

(B) TO QUALIFY FOR A LICENSE, AN APPLICANT SHALL SATISFY THE BOARD THAT THE APPLICANT IS OF GOOD MORAL CHARACTER AND HAS SUFFICIENT FINANCIAL RESPONSIBILITY, BUSINESS EXPERIENCE, AND GENERAL FITNESS TO:

(1) ENGAGE IN BUSINESS AS A COLLECTION AGENCY;

(2) WARRANT THE BELIEF THAT THE BUSINESS WILL BE CONDUCTED LAWFULLY, HONESTLY, FAIRLY, AND EFFICIENTLY; AND

(3) COMMAND THE CONFIDENCE OF THE PUBLIC

(C) THE BOARD MAY DENY AN APPLICATION FOR A LICENSE TO ANY PERSON WHO:

(1) HAS COMMITTED ANY ACT THAT WOULD BE A GROUND FOR REPRIMAND, SUSPENSION OR REVOCATION OF A LICENSE UNDER THIS SUBTITLE; OR

(2) OTHERWISE FAILS TO MEET THE REQUIREMENTS FOR

LICENSURE.

(D) (1) THE DENIAL OF AN APPLICATION UNDER THIS SECTION IS SUBJECT TO THE HEARING PROVISIONS OF § 7-309 OF THIS SUBTITLE.

(2) AN APPLICANT WHO SEEKS A HEARING ON A LICENSE APPLICATION DENIAL SHALL FILE A WRITTEN REQUEST FOR A HEARING WITHIN 45 DAYS FOLLOWING RECEIPT OF THE NOTICE TO THE APPLICANT OF THE APPLICANT'S RIGHT TO A HEARING.

7-308.

(a) Subject to the hearing provisions of § 7-309 of this subtitle, the Board may reprimand a licensee or suspend or revoke a license if the licensee OR ANY OWNER, DIRECTOR, OFFICER, MEMBER, PARTNER, OR AGENT OF THE LICENSEE:

[(1) fraudulently or deceptively obtains or attempts to obtain a license for the licensee or for another person;

(2) fraudulently or deceptively uses a license;]

(1) MAKES ANY MATERIAL MISSTATEMENT IN AN APPLICATION FOR A LICENSE;

(2) IS CONVICTED UNDER THE LAWS OF THE UNITED STATES OR OF ANY STATE OF:

(I) A FELONY; OR

(II) A MISDEMEANOR THAT IS DIRECTLY RELATED TO THE FITNESS AND QUALIFICATION OF THE PERSON TO ENGAGE IN THE COLLECTION AGENCY BUSINESS;

(3) IN CONNECTION WITH THE COLLECTION OF ANY CONSUMER CLAIM:

(I) COMMITS ANY FRAUD; OR

(II) ENGAGES IN ANY ILLEGAL OR DISHONEST ACTIVITIES;

[(3)] (4) knowingly or negligently violates the Maryland Consumer Debt Collection Act; or

[(4)] (5) fails to comply with a lawful order that the Board passes under this title.

(b) If the Board finds that a ground for suspension or revocation of a license applies to more than 1 place of business that the licensee operates, the Board may act against:

(1) each license of the licensee; or

(2) only the licenses to which the ground applies.

(C) IN DETERMINING WHETHER TO REPRIMAND A LICENSEE OR TO SUSPEND OR REVOKE A LICENSE FOR A REASON DESCRIBED IN SUBSECTION (A)(2) OF THIS SECTION, THE BOARD SHALL CONSIDER:

- (1) THE NATURE OF THE CRIME;
- (2) THE RELATIONSHIP OF THE CRIME TO THE ACTIVITIES AUTHORIZED BY THE LICENSE;
- (3) WITH RESPECT TO A FELONY, THE RELEVANCE OF THE CONVICTION TO THE FITNESS AND QUALIFICATION OF THE LICENSEE TO ENGAGE IN THE COLLECTION AGENCY BUSINESS;
- (4) THE LENGTH OF TIME SINCE THE CONVICTION; AND
- (5) THE BEHAVIOR AND ACTIVITIES OF THE LICENSEE SINCE THE CONVICTION.

SECTION 2. AND BE IT FURTHER ENACTED, That , in the absence of an order by the State Collection Agency Licensing Board to the contrary, a person that owned consumer claims and was not required to have a collection agency license immediately prior to the effective date of this Act may continue to collect those consumer claims without being licensed, as required by Section 1 of this Act, until the State Collection Agency Licensing Board approves or disapproves the person's application for a license; provided that the person applies for a license no later than 30 days after the effective date of this Act.

SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2007.

Explanation/Justification

Collection Agencies – Licensing Board - Licensing

This legislative proposal adds a new category of persons who need the Collection Agency License. Those persons who purchase debt in order to collect the debt must now obtain a license. Currently, those individuals who purchase debt from the original holder of that debt are exempt from the licensing provisions of the Collection Agency statute. The Board has become aware of complaints and possible abuses of debtors from purchasers of debt. The Collection Agency Licensing Board believes that these purchasers should follow the same consumer protections and licensing provisions as other collection agencies. Additionally, the licensing provisions have been changed to conform to other licensing provisions currently used by the Commissioner in regulating other industries. This proposed legislation also authorizes the Board to reprimand certain licensees or suspend or revoke certain licenses when they violate the law.

HISTORY OF LEGISLATION

Collection Agencies – Licensing Board - Licensing

This is a new proposal that has no legislative history.

SUMMARY FOR GOVERNOR'S REVIEW

Collection Agencies – Licensing Board - Licensing

Debt collectors/collection agencies are an essential part of commerce when credit is used to buy goods and services. Collection activities in regard to commercial debt remain largely unregulated. However, abusive collection practices concerning consumer debt resulted in state and federal regulation of the activities of collection agencies collecting consumer debt. In 1978, Maryland enacted the Collection Agencies Licensing Act, which required any person engaged in the practice of collecting debts for others to be licensed by the State Collection Agency Licensing Board. **The Collection Agency Licensing Board is made up of two public members, two industry members and the Commissioner of Financial Regulation. This Board has unanimously recommended that this legislation be adopted.**

Maryland law regulates collection firms that collect debt as agents on behalf of other entities. The law does not require licensing for businesses that collect their own consumer debt. Elements of the collection industry have noted a loophole and now enter into “purchase agreements” in regard to delinquent debt rather than act as an agent for the original creditor. The terms of the purchase contract may closely resemble the terms of a collection agency agreement (the purchase price is primarily a percentage of the amount collected) etc. Although federal law governs the collection activities of these firms in collecting “purchased” debt, they currently need no Maryland license and the complaint resolution and regulatory action provided to Maryland residents is avoided. “Debt purchasers” circumvent current State collection laws, by engaging in debt collection business in Maryland without complying with any licensing or bonding requirement. The federal government has recognized and defined such entities as collection agencies, and requires full compliance with the Federal Fair Debt Collection Practices Act. This legislation would conform the Maryland practice to the Federal practice and continue to provide a state remedy for abusive collection practices by “debt purchasers”.

This legislative proposal would include debt purchasers within the definition of a “collection agency”, and require them to be licensed by the State Collection Agency Licensing Board before they may collect consumer claims in this State. Businesses that are collecting their own debt continue to be excluded from this law. The proposed legislation would also establish certain qualification standards for a collection agency license, and authorize the Board to reprimand, suspend or revoke the licenses when certain acts are committed. The proposal would provide Maryland residents with greater protection against persons willing to engage in abusive debt collection practices, and provide the State Collection Agency Licensing Board with additional authority to enforce State law.