February 28, 2014

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Office of the Executive Secretary

Bureau of Consumer Financial Protection

1700 G Street NW.

Washington, DC 20006

To Whom It May Concern,

The Conference of State Bank Supervisors (“CSBS”) appreciates the opportunity to comment on the Consumer Financial Protection Bureau’s (“CFPB” or “Bureau”) Advanced Notice of Proposed Rulemaking (“ANPR”) on Debt Collection (Regulation F), RIN 3170-AA41. State regulators applaud the CFPB for their continued collaboration with state regulators, fostering state-federal coordination that promotes comprehensive and efficient regulation. In furtherance of this strong relationship, CSBS urges the Bureau to also consider the comments of the North American Collection Agency Regulatory Association (NACARA), a body that represents state regulators who regulate debt collectors.

Continued state-federal coordination for larger participants will yield a more effective and more efficient regulatory environment. Most states regulate, examine, and/or license all non-depository industries potentially subject to CFPB larger participant designation, including debt collection entities. In the ANPR and other areas of regulatory coordination, the CFPB has proactively recognized the crucial role of state law and regulation relating to these industries. This recognition is crucial to both the states’ and CFPB’s missions during a period of merging jurisdictions, a prime opportunity to maximize regulatory resources and minimize duplicative industry requirements. To that end, if the CFPB requires a registration system for debt collectors, CSBS recommends the CFPB use the Nationwide Multi-State Licensing System & Registry (“NMLS” or “System”).[[1]](#footnote-1)

### *CFPB Utilization of the NMLS Will Increase Regulatory and Supervisory Capabilities While Minimizing Duplicative Regulatory Requirements.*

State regulators strongly recommend that if registration of debt collectors is required by the CFPB, it be accomplished by utilizing NMLS. Question 160 of the ANPR specifically solicits comment on whether the CFPB should create a new system for registration of debt collectors, or if it should accomplish this goal using the NMLS. Considering the success of the NMLS, the widespread use of the System, and Congress’s clear preference for utilizing existing resources to prevent duplicative regulatory requirements, the States believe any potential federal debt collector registration requirements are a logical fit with the NMLS.

**The NMLS has a proven record of effectively and efficiently registering non-bank financial services providers, including debt collection entities.**

The NMLS is a proven and effective system. Originally developed as a state system for mortgage licensing, the system has emerged as a reliable platform for the ongoing collection and management of information related to non-depository financial entities. By utilizing the NMLS for licenses like debt collectors, the NMLS provides regulators with the ability to follow licensees across state lines and across multiple industries. For example, if someone is applying for a license in one industry, regulators are able to see an applicant’s licensing history in other jurisdictions and for other industry types. Central to this functionality is the NMLS Unique Identifier, a system-assigned identifier that stays with the licensee regardless of jurisdiction or license type.

In addition to the benefits garnered by regulators, feedback from the mortgage industry and other non-depository industries has often been positive. Indeed, representatives of the money transmitter industry have advocated for the continued expanded use of NMLS, stating that widespread adoption of the system “would eliminate duplication of effort and opportunities for error.”[[2]](#footnote-2) The ongoing successful expansion of NMLS provides state and federal regulators with a credible, efficient, and comprehensive licensing platform for a variety of non-depository financial services providers, including debt collection entities.

The NMLS has also been an important resource to the public. *NMLS Consumer Access (*[*www.nmlsconsumeraccess.org*](http://www.nmlsconsumeraccess.org)*)* enables consumers to confirm that the financial services company or professional with whom they wish to conduct business is authorized to conduct business in their state. This allows consumers to proceed with transactions in a confident and informed manner, bringing transparency to the registration and regulatory system.

**The expanded NMLS capabilities include registration of debt collection entities.**

To foster more consistent and accountable regulatory structures, the states have been in the process of building and implementing expanded licensing and registration capabilities for the NMLS. Currently, 25 state agencies use the NMLS to register non-depository financial services industries other than mortgage, including five states using NMLS for debt collection. NMLS already contains 902 debt collection companies holding a total of 1,846 approved licenses in these five states. By the end of 2014, 30 states are expected to utilize the NMLS for expanded non-depository licenses, including four additional states for debt collection. These states have found that a centralized registration system for non-depository licenses like debt collectors has provided important data across state lines, information that will be an important component for both CFPB and state supervisory regimes. CSBS expects more states to begin managing additional non-depository licenses on NMLS in the near future, and is working with a number of additional states that are interested in expanding use in 2015.

 **Congress gave CFPB the authority to rely on state systems to increase coordinated activity and decrease duplicative registration requirements.**

The Dodd-Frank Act reaffirmed the importance of coordination between state and federal regulators. Section 1022(c) of Dodd-Frank authorizes the CFPB to require registration of covered persons, but also requires the Bureau to consult with the State agencies in the development and implementation of any registration requirements or systems. This coordination includes “coordinated or combined systems for registration,” the clear intent of which is to ensure regulators supervise in a streamlined manner and reduce duplicative registration requirements. If the CFPB chooses to register debt collectors, establishing a new system will result in fragmented registries for different jurisdictions and different industries, an outcome which would be inefficient and burdensome for regulated entities and regulators alike.

***Conclusion***

The NMLS is an excellent example of coordinated regulation among state agencies and between state and federal regulators. This productive partnership has altered the non-depository landscape for the better since the financial crisis, providing regulators with consistent and coordinated information while reducing the moral hazard and lack of accountability that helped lead to that crisis.

If the CFPB chooses to register debt collectors or another larger participant category, CSBS strongly encourages the CFPB to work with the states to utilize NMLS as the centralized registration system. The states have had tremendous success utilizing the System, which can be shaped to inform the jurisdictional decision structure required under Title X of the Dodd-Frank Act. Doing so would eliminate potential redundancies, enhance cooperation, and create a uniform approach to monitoring industry developments in a manner that best informs federal and state regulators alike.

Sincerely,



John W. Ryan

President & CEO

1. CSBS and the American Association of Residential Mortgage Regulators have previously recommended use of the NMLS for all potential larger participant registration requirements. *See* Letter from CSBS and AARMR re: CFPB Docket No. CFPB-HQ-2011-2 (August 15, 2011) *available at* [http://www.csbs.org/regulatory/policy/Documents/CSBS-AARMRCommentLetterOnLargerParticipants.pdf](http://admin.csbs.org/regulatory/policy/Documents/CSBS-AARMRCommentLetterOnLargerParticipants.pdf). [↑](#footnote-ref-1)
2. Timothy P. Daly, Senior Vice President, Global Public Policy, The Western Union Company. Hearing before the Subcommittee on Financial Institutions and Consumer Credit of the Committee on Financial Services, U.S. House of Representatives, 112th Congress, Second Session, Serial No. 112-139, 49-50 (June 21, 2012). [↑](#footnote-ref-2)