

State Collection Agency Licensing Board Open Session Minutes

9.6.2018	10:30 a.m.	Dept. of Labor, Licensing, and Regulation 500 N. Calvert Street 2 nd Floor Conference Room Baltimore, Maryland 21202
Meeting called to order at 10:33 a.m. by	Antonio P. Salazar, Chairman	
Administrator	Devki Dave	
Attendees	<p>Members: Susan Hayes, Joanne Young, Steve Hannan , Eric Friedman ,</p> <p>Counsel: Sandy Small</p> <p>Staff: Jedd Bellman, Cliff Charland, Kelly Mack, Dana Allen, Janelle Lawrence, Betty Yates</p>	
Acknowledgements	Mr. Salazar acknowledged the General Notice of the Board Meeting in the Maryland Register posted on August 31, 2018, along with the posting of the Notice of the Meeting and Notice of Agenda on DLLR/Board's website on August 28, 2018.	
Approval of Minutes of May 10, 2018		
Mr. Salazar		
Discussion	After reviewing the minutes of the previous meeting, Mr. Hannan pointed out that his name had been misspelled. Ms. Hayes asked for clarification regarding the discussion of Senate Bill 42, that amended §5-1202 of Courts and Judicial Proceedings Article. Mr. Hannan pointed out that "statute" on page 5 of the minutes had been misspelled. On a Hayes/Young motion, which was unanimously approved, the Board approved the minutes as corrected.	
Recognition of Public Comments		
Mr. Salazar	None	
Discussion	No members of the public were present.	
1. Non-Depository Licensing Unit Report		
Ms. Yates		
Discussion	Ms. Yates presented the collection agency license approval report from August 28, 2018, advising that each entity's application and supporting materials for licensure had been	

	<p>reviewed and satisfied the requirements for licensure. Ms. Yates also reported that an application has been received from a student loan servicer. Mr. Salazar addressed this issue later in the meeting.</p> <p>The Board unanimously ratified its prior approval and issuance of all initial and renewal collection agency licenses since May 10, 2018 (attached and marked Resolution 2018-4).</p>
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2. Consumer Services Unit Report	
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Ms. Mack	
Discussion	<p>Ms. Mack presented the Debt Services Complaints Report. She explained that the Consumer Services Unit had received 181 total complaints in fiscal year 2018. Ms. Mack advised that year-to-date fiscal 2019, the Consumer Services Unit has received 52 cases that are open, and 46 cases that have been closed. Further, Ms. Mack compared past complaints by fiscal year, noting a declining trend for fiscal years 2016, 2017, and 2018 at 216, 205, and 181, respectively. In response to Ms. Young's question concerning complaints, Ms. Mack responded that most of the complaints pertain to out-of-state businesses.</p> <p>Ms. Mack mentioned that she will be attending the NACARA conference in Charleston, South Carolina in October, 2018. The focus of the conference will be medical debt. Ms. Mack advised that she will provide a recap at the next Board meeting. Mr. Salazar will be a presenter at the Conference, Mr. Bellman is a NCARA officer, and Ms. Mack is chairman of the Planning Committee.</p> <p>In response to Ms. Small's question whether the decreasing number of complaints might be related to the decrease in the unemployment rate, Ms. Mack advised that she did not know whether or not the decrease was related. Ms. Hayes stated that based on the millions of accounts being serviced (by collection agencies), the percentage of complaints is minimal.</p>

3. Introduction of Director of Enforcement Unit	
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Mr. Bellman	
Discussion	<p>Mr. Bellman introduced the new Director of Enforcement, Ms. Dana Allen. Ms. Allen previously worked in the Trust Department of the Baltimore City Circuit Court, where she developed relationships with attorneys. Mr. Bellman advised the Board that Ms. Allen has an investigatory background regarding fraud. Mr. Bellman stated that we are very excited to have Ms. Allen on our team.</p>

4. Enforcement Unit Report

Ms Allen	
Discussion	<p>Ms. Allen reported that there were 7 open enforcement cases; 5 cases are in the investigation phase, and 2 cases are under review by the litigation counsel.</p> <p>Mr. Bellman advised that the cease and desist order issued against H & E Management Ltd. became final on May 14, 2018.</p>

5. Student Loan Ombudsman/Serviceers

Mr.Salazar	
Discussion	<p>Mr. Salazar reported that in the last session, the General Assembly passed Senate Bill 1068 (Ch. 732) that created a Student Loan Ombudsman/Serviceers. Mr. Salazar advised that the position will be filled by a current staff member, and that he and his staff are working currently on webpages for the Commissioner's website. His goal is to have the ombudsman contact information ready in the next couple of weeks, and counsel (either the Commissioner's litigation counsel or the Consumer Protection Division of the OAG) will train examiners on the new law.</p> <p>Mr. Salazar further advised the Board that SB 1068 (Ch.732) requires student loan serviceers to provide contact information in the event of complaints. Mr. Salazar advised that previous contact with the student loan trade association resulted in pre-population of many of the serviceers' information, and his staff is working on an advisory for those serviceers who are not members of the trade association regarding mandatory registration and contact information.</p> <p>Mr. Salazar advised the Board that the while the General Assembly did not take action on licensure of student loan serviceers, licensing remains on the horizon. He advised that the ombudsman program will facilitate determining the number of complaints in Maryland, and possibly at the federal level based on the likely flow of federal student loan complaints being sent to the ombudsman because of the CFPB's decreasing number of staff.</p>

6. Marvastian/Sharma-Court of Appeals Decision

Mr. Salazar

Discussion

Mr. Salazar discussed the Court of Appeals decision in the Marvastian/Sharma case that was handed down on August 2, 2018. He explained that certain trusts (many foreign statutory trusts) purchase mortgage loans largely through the secondary mortgage market, which can include some loans that are in default. The Court held that these trusts do not need to be licensed in order to foreclose on properties in Maryland, noting that based on the legislative history, the Maryland Collection Agency Licensing Act only applies to people doing business in the collections industry.

7. Bond Amount

Mr. Salazar

Discussion

Mr. Salazar advised the Board that the collection agency surety bond amount of \$5,000 was not impacted by the newly amended law (SB 1068, effective October 1, 2018). However, the statutory amendments increased the penalties that Board may impose from \$500 up to \$25,000 per violation. Mr. Salazar suggested that at some future point, the Board may want to consider recommending an increase to the required bond amount. Mr. Bellman compared the collection agency flat bond amount to the Maryland Consumer Loan Law (applicable to consumer loan, installment loan, and credit services business licensees) that automatically increases based on activity. Ms. Hayes noted that the cost of \$5,000 surety bond is approximately \$50, and stated that Maryland's bond amount is the lowest of all states. Ms. Hayes advised that she is aware of only one time that a surety has been called upon to pay under a bond, which begs the question whether an increase to the bond is worthwhile based on the low usage. Ms. Small noted that she is aware also of only one time, but advised that the 2017 bond law amendments authorized the Board to collect penalties from the bond.

8. Hospital Trends, Patient Loan Programs in Maryland

Ms. Hayes	
Discussion	<p>Ms. Hayes explained that a patient loan program is one in which a financial institution partners with a hospital to provide patients a 0% interest loan on self-pay balances. Today about 20% of facilities offer patient loan programs. Patient loans programs are now legal in Maryland. Essentially, the hospital assigns the account receivable due from a patient to a third party who then collects from the patient. She advised that if the patient does not pay the balance to the third party purchaser, the purchaser reassigns the account receivable to the hospital that proceeds to write off the balance. Ms. Hayes provided the example of Holy Cross Hospital, a Maryland hospital that offers a patient loan program. She mentioned that there is no credit check required and the patient must make the first payment at the time the loan begins. Ms. Small asked for names of buyers of these accounts receivable in order to research whether they would need some type of license. Ms. Hayes advised that Health First Financial and Clear Balance engages in this activity.</p> <p>Mr. Salazar noted the timeliness of this discussion to his upcoming presentation of collecting from elderly people in conjunction with Project Safe.</p>

9. Chairman's Statement – Closing the Session

Mr. Salazar	
Discussion	<p>Mr. Salazar gave the Chairman's Statement. On a Hayes/Young, which was unanimously approved, the Board closed the session.</p>
Re-Opened Session	
Ms. Hayes	
Discussion	<p>Ms. Hayes distributed copies of Alacrity Collections Debt Collections Awareness seminar brochure.</p>
Adjournment	<p>On a Young/Hayes motion, which was unanimously approved, the meeting adjourned at 11:45 a.m.</p>