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REGULATORY BULLETIN 2021-01

To: All Collection Agencies and All Other Interested Parties.

From: Evan G. Daniels, Director

Date: September 18, 2020

Re: Collection Agency Licenses; Branches

Effective September 28, 2020, a collection agency is not required to apply for or renew licenses for any branches it may operate.

BACKGROUND
Arizona Revised Statutes ("A.R.S.") Title 32, Chapter 9 and Arizona Administrative Code (A.A.C.) Title 20, Chapter 4, Article 15 prescribe licensing, renewal and compliance requirements for collection agencies. To obtain a license, a collection agency must submit an application "accompanied by the fees prescribed in section 6-126." A.R.S. § 32-1026(A). Section 6-126(A)(15) establishes the amount for collection agency license, while (A)(17) states that a separate fee must accompany any application "for a branch office of an escrow agent, consumer lender, mortgage banker, trust company, debt management company, collection agency or sales finance company." Emphasis added. In addition, A.R.S. § 6-126(C)(3) requires an annual renewal fee for a collection agency plus an additional amount for each branch office.

Notwithstanding the fee amounts for collection agencies established by A.R.S § 6-126, no statute requires collection agencies to submit an application for a separate branch license. Although identifying a fee amount for collection agency branches may have implied that collection agencies needed to apply for, obtain, and renew separate branch location licenses, § 6-126's plain language does not establish any such requirement. This conclusion is bolstered by express requirements for separate branch licenses existing for other license types that have fee amounts established in A.R.S. § 6-126 just like collection agencies. For example:

- A.R.S. § 6-813 requires an escrow agent to keep a license "conspicuously posted in all licensed places of business of the licensee," and A.R.S. § 6-814 requires the application for a license include "all branch offices in this state."

- A.R.S. § 6-604(E) requires a consumer lender to obtain branch office licenses.

- A.R.S. § 6-944(E) requires a mortgage banker to obtain branch office licenses.

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• A.R.S. § 6-855(A) requires an application and fee for a trust company branch.
• A.R.S. § 6-705 requires a debt management company to apply for branch licenses.
• A.R.S. 44-282(G) requires a sales finance company to obtain a license for each separate place of business (branch).

Moreover, the practical policy considerations for requiring separate branch licenses as it relates to these examples are not the same for collection agencies. Escrow agents, consumer lenders, mortgage bankers, trust companies, debt management companies, and sales finance companies frequently operate offices at different locations where customers may visit to obtain financial services products and assistance. The Department may find that operations at a particular branch location do not comply with Arizona law and may take action against the parent license and the branch license, or even just the branch license depending on the circumstances. Collection agencies generally are not similarly situated, particularly because customers are not visiting collection agencies to obtain services in the same way as the other mentioned licensees.

Please direct any questions related to this Regulatory Bulletin to Steven Fromholtz at (602) 364-4455 or steven.fromholtz@dfi.az.gov.