



Dodd-Frank Financial Reform Law

ALERT

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CFPB Issues Proposed Rule Defining Larger Participants in Debt Collection, Credit Reporting Markets

Complying with its mandate under the Dodd-Frank Consumer Financial Protection Act of 2010, the Consumer Financial Protection Bureau has issued a proposed rule that defines “larger participants” in the debt collection and consumer reporting sectors that will be subject to the agency’s supervision. The [proposed rule](#), the first in a series that will define what industries and companies will be included in the program, would rely on annual receipts as an indicator of a company’s market participation for the purposes of determining whether the company is a “larger participant.”

Dodd-Frank authorizes the CFPB to supervise nonbank participants in the consumer financial markets, including entities of any size in the residential mortgage, private education lending and payday lending markets. The agency is also charged with overseeing “larger participants” in markets for other consumer financial products or services, including debt collection, consumer reporting, auto financing and money services businesses. (Click [here](#) to read our alert on the CFPB’s nonblank supervision program.) The CFPB must engage in rulemaking to define “larger participants” in these markets.

Under the proposed rule, debt collectors with more than \$10 million in annual receipts from debt collection activities would be subject to CFPB supervision. In a [press release](#) accompanying the proposed rulemaking, the CFPB estimated that, based on available data, the proposed rule would cover approximately 175 debt collection firms — about 4 percent of debt collection firms that account for 63 percent of annual receipts from the debt collection market.

Consumer reporting agencies with more than \$7 million in annual receipts from consumer reporting activities would be subject to CFPB supervision under the proposed rule. This includes approximately 7 percent of consumer reporting agencies, or about 30 consumer reporting agencies, that account for about 94 percent of the annual receipts from consumer reporting, according to the press release.

Dodd-Frank requires the CFPB to initiate further rulemaking defining larger participants in other markets by July 21, 2012. While the CFPB proposes using annual receipts as the criteria for defining larger participants in the debt collection and credit reporting markets based on its belief that annual receipts approximate market participation in those markets, the agency has indicated that it may use different criteria it deems appropriate for each market.

The comment period on the proposed rule remains open for 60 days from the date of publication of the proposed rule in the Federal Register, until April 17, 2012.

For more information about the content of this alert, please contact Michael Thurman at mthurman@loeb.com or Michael Mallow at mmallow@loeb.com.

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Loeb & Loeb's Financial Reform Task Force monitors key issues surrounding approval of the Dodd-Frank Wall Street Reform and Consumer Protection Act that are relevant to a broad spectrum of firm clients in the financial services industry. The multidisciplinary Task Force is comprised of attorneys across core practice areas – including general corporate, private equity, securities, mergers and acquisitions, consumer protection and banking and finance – who are focused on analyzing the historic legislation and interpreting the significant business implications for financial institutions and commercial companies nationwide. For more information about the content of this alert, please feel free to contact David C. Fischer, Norwood P. Beveridge or any member of our Financial Reform Task Force.

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