



Dear Valued Client,

Collection laws on both the federal and state level continue to be a topic for discussion within the collection industry. As your partner and a leader within the collection industry, GRC would like to recap a few key points regarding the addition of collection costs to delinquent student accounts.

- In July of 2010, President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. That Act established the Consumer Financial Protection Bureau (CFPB) within the Federal Reserve, which further seeks to protect consumers. The CFPB will have jurisdiction to examine institutions and enforce the FDCPA and the Fair Credit Reporting Act (FCRA). The CFPB will, and in fact, has already used this jurisdiction to aggressively enforce consumer protection laws.
- State Attorney Generals are also working in conjunction with the CFPB to target creditors and monitor financial institutions for compliance with the abovementioned laws and state UDAP statutes (laws related to unfair, deceptive or abusive practices).
- According to the recent ACA (Association of Credit and Collection Professionals) *Fastfax* article, the concept of adding collection costs to delinquent accounts may bring unwanted legal and regulatory attention. According to *ACA's Fastfax*, "as a general rule, the addition of interest, services fees, collection costs or other expenses incidental to the original debt is permitted when *such amount is expressly authorized by the agreement creating the debt or permitted by law*. 15 U.S.C. 1692f(1)[Section 808(1) of the FDCPA]. However, collection laws on both the federal and the state level also speak to this issue. It is critical for both creditors and the collection agencies that they do business with to be aware of and comply with these laws, not only when an account has become delinquent but also in the stages of drafting the contract that creates the debt."
- **In addition, there are specific state laws that limit or restrict the amount of collection costs that can be assessed against a borrower for consumer receivables.**

GRC has compiled an *Important Fact Sheet*. GRC will assist you in adjusting the assessment of collection costs as we are notified of a consumer's change of address. These adjustments will be based on the state statutes that prohibit or limit assessment of collection costs.

Please review the attached document. **However, GRC notes that these documents do not constitute legal advice; please be sure to consult with your legal counsel regarding this matter.** If you have any other questions, please contact your Client Services Representative.

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