

CONSUMER FINANCIAL PROTECTION BUREAU

12 CFR Part 1090

[Docket No. CFPB-2025-0030]

RIN 3170-AB51

Defining Larger Participants of the Consumer Debt Collection Market

AGENCY: Consumer Financial Protection Bureau.

ACTION: Advance notice of proposed rulemaking.

SUMMARY: The Consumer Financial Protection Bureau (CFPB or Bureau) is seeking information to assist it in considering whether to propose a rule to amend the test to define larger participants in the consumer debt collection market established by the Bureau's Defining Larger Participants of the Consumer Debt Collection Market Final Rule published on October 31, 2012 (Consumer Debt Collection Larger Participant Rule).

DATES: Comments must be received on or before [INSERT DATE 45 DAYS AFTER PUBLICATION IN THE *FEDERAL REGISTER*].

ADDRESSES: You may submit responsive information and other comments, identified by Docket No. CFPB-2025-0030, by any of the following methods:

- *Federal eRulemaking Portal:* <https://www.regulations.gov>. Follow the instructions for submitting comments.
- *Email:* 2025-ANPR-ConsumerDebtCollection@cfpb.gov. Include Docket No. CFPB-2025-0030 in the subject line of the message.

- *Mail/Hand Delivery/Courier:* Comment Intake—Defining Larger Participants of the Consumer Debt Collection Market 2025, c/o Legal Division Docket Manager, Consumer Financial Protection Bureau, 1700 G Street NW, Washington, DC 20552.

Instructions: The CFPB encourages the early submission of comments. All submissions should include the agency name and docket number. Additionally, where the Bureau has asked for specific comment on a topic, commenters should seek to highlight the topic to which their comment is applicable. Because paper mail is subject to delay, commenters are encouraged to submit comments electronically. In general, all comments received will be posted without change to <https://www.regulations.gov>. All submissions, including attachments and other supporting materials, will become part of the public record and subject to public disclosure. Proprietary information or sensitive personal information, such as account numbers or Social Security numbers, or names of other individuals, should not be included. Submissions will not be edited to remove any identifying or contact information.

FOR FURTHER INFORMATION CONTACT: Dave Gettler, Paralegal, Office of Regulations, 202-435-7389. If you require this document in an alternative electronic format, please contact CFPB_Accessibility@cfpb.gov.

SUPPLEMENTARY INFORMATION:

The Bureau is seeking information in order to consider whether to propose a rule to amend the test to define larger participants in the consumer debt collection market. Currently, a nonbank covered person is a larger participant of the consumer debt collection market if the person has more than \$10 million in annual receipts resulting from consumer debt collection activities as those terms are defined in the Consumer Debt Collection Larger Participant Rule. The Bureau is concerned that the benefits of the current threshold may not justify the compliance

burdens for many of the entities that are currently considered larger participants in this market, and that the current threshold may be diverting limited Bureau resources to determine whom among the universe of providers may be subject to the Bureau’s supervisory authority and whether these providers should be examined in a particular year.

I. Background

Section 1024 of the CFPA,¹ codified at 12 U.S.C. 5514, gives the Bureau supervisory authority over all nonbank covered persons² offering or providing three enumerated types of consumer financial products or services: (1) origination, brokerage, or servicing of consumer loans secured by real estate and related mortgage loan modification or foreclosure relief services; (2) private education loans; and (3) payday loans.³ The Bureau also has supervisory authority over “larger participant[s] of a market for other consumer financial products or services, as defined by rule[s]” the CFPB issues.⁴ To date, the Bureau has issued six rules defining larger participants of markets for consumer financial products and services for purposes of CFPA section 1024(a)(1)(B).⁵

¹ Consumer Financial Protection Act of 2010, title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. 111-203, 124 Stat. 1376, 1955 (2010) (hereinafter CFPA).

² The provisions of 12 U.S.C. 5514 apply to certain categories of covered persons, described in section (a)(1), and expressly excludes from coverage persons described in 12 U.S.C. 5515(a) (very large insured depository institutions and credit unions and their affiliates) or 5516(a) (other insured depository institutions and credit unions). The term “covered person” means “(A) any person that engages in offering or providing a consumer financial product or service; and (B) any affiliate of a person described [in (A)] if such affiliate acts as a service provider to such person.” 12 U.S.C. 5481(6).

³ 12 U.S.C. 5514(a)(1)(A), (D), (E).

⁴ 12 U.S.C. 5514(a)(1)(B), (a)(2); *see also* 12 U.S.C. 5481(5) (defining “consumer financial product or service”).

⁵ These six rules defined larger participants of markets for consumer reporting, 77 FR 42874 (July 20, 2012) (Consumer Reporting Rule); consumer debt collection, 77 FR 65775 (Oct. 31, 2012) (Consumer Debt Collection Rule); student loan servicing, 78 FR 73383 (Dec. 6, 2013) (Student Loan Servicing Rule); international money transfers, 79 FR 56631 (Sept. 23, 2014) (International Money Transfer Rule); automobile financing, 80 FR 37496 (June 30, 2015) (Automobile Financing Rule); and general-use digital consumer payment applications,

The Bureau published the Consumer Debt Collection Larger Participant Rule on October 31, 2012.⁶ The final rule defined a market for consumer debt collection that covers debt collection resulting from certain activities that meet the definition of consumer debt collection and established that nonbank covered persons with more than \$10 million in annual receipts resulting from consumer debt collection activities would be considered larger participants in this market.

Participants of the consumer debt collection market generally include different types of consumer debt collection entities such as third-party debt collectors, debt buyers, and collection attorneys.⁷ Third-party debt collectors primarily collect debt on behalf of originating creditors or their assignees and typically are compensated through contingency fees calculated as a percentage of the debt they recover. Debt buying is another important component of the consumer debt collection market. Debt buyers purchase debt, either from the original creditors or from other debt buyers, usually for a fraction of the balance owed, and profit when their recoveries exceed the direct and indirect costs of collection. Debt buyers sometimes use third-party debt collectors or collection attorneys to collect their debts, but many also undertake their own collection efforts. Debt buyers also may decide to sell purchased debt to other debt buyers. Additionally, collection attorneys play a role in the consumer debt collection market. Collection

89 FR 99582 (Dec. 10, 2024) (General-Use Digital Payment Applications Rule). The Bureau is issuing advance notices of proposed rulemakings to reconsider the test for defining larger participants in the consumer reporting, consumer debt collection, international money transfer, and automobile financing markets. The Bureau will continue to assess whether it is appropriate to reconsider the test for the student loan servicing market. The General-Use Digital Payment Applications Rule was made ineffective by a joint resolution of disapproval by Congress under the Congressional Review Act. S.J.Res.28 — 119th Congress (2025-2026), Pub. L. 119-11; *see also* 5 U.S.C. 801 *et seq.*

⁶ Defining Larger Participants of the Consumer Debt Collection Market, 77 FR 65775.

⁷ The NAICS code for collections agencies does not distinguish between different types of debt collectors (*e.g.*, law firms, other third-party agencies, and debt buyers who are engaged in debt collection activities). The Bureau lacks data with which to assess the relative prominence of these firm types in the overall group of larger participants at different values of the threshold.

attorneys undertake traditional collection efforts, such as contacting consumers by telephone or written communication. Attorneys also file lawsuits against consumers to collect debts or may buy debt and collect in their own names.

Debt collection is a \$15.1 billion industry with about 2,500 collection agencies in the United States.⁸ Debt collection directly affects a large number of consumers. Nearly one in five people with a credit report, approximately 20 percent, have had at least one debt in collections identified on their credit report as of the first quarter of 2023.⁹ Consumer debt collection plays a role in the functioning of the consumer credit market—debt collection can reduce creditors’ losses from non-repayment and thereby help to keep credit accessible and more affordable to consumers.

The Consumer Debt Collection Larger Participant Rule defined a market for “consumer debt collection,” which is among the consumer financial products or services described in 12 U.S.C. 5481(5)(B) and (15)(A). Activities covered under these provisions of the CFPB include “collecting debt related to any consumer financial product or service.” Under 12 U.S.C. 5481(5)(B), such activity is a “consumer financial product or service” when “delivered, offered, or provided in connection with a consumer financial product or service.” The definition of “consumer debt collection” in the Consumer Debt Collection Larger Participant Rule was not meant to track these related provisions in the CFPB.¹⁰ The Consumer Debt Collection Larger Participant Rule definition has a different function. Rather than describing the scope of a certain

⁸ U.S. Census Bureau, *2022 Economic Census: Establishment and Firm Size Statistics for the U.S.*, <https://data.census.gov/table?d=ECN+Core+Statistics+Economic+Census:+Establishment+and+Firm+Size+Statistics+for+the+U.S.&codeset=naics~N0600.56>.

⁹ <https://www.consumerfinance.gov/data-research/research-reports/fair-debt-collection-practices-act-cfpb-annual-report-2024/>.

¹⁰ 77 FR 65775 at 65781.

consumer financial product or service, it identifies a specific market for such a product or service.

The Bureau selected annual receipts as the criterion for determining larger participant status in the Consumer Debt Collection Larger Participant Rule because it believed annual receipts were a meaningful measure of the level of a consumer debt collector's participation in the consumer debt collection market and the consumer debt collector's corresponding impact on consumers. For example, third-party collectors, debt buyers, and collection law firms earn income from recovering consumer debt. Those recoveries are the result of market participation, either through traditional collection means or litigation. Thus, the level of a person's market participation, according to the Bureau, was reflected by the amount of that person's annual receipts.¹¹ The Bureau set the threshold at \$10 million in annual receipts because it believed that threshold would cover a sufficient number of market participants to enable the Bureau effectively to assess compliance and identify and assess risks to consumers, but at the same time cover only consumer debt collectors that can reasonably be considered "larger" participants in the market. Thus, although with a threshold of \$10 million the Bureau's supervision program would cover only a small percentage of firms in the market (which the Bureau estimated to be about four percent of debt collectors, or about 175 out of 4,500 entities engaged in debt collection at the time of the Consumer Debt Collection Larger Participant Rule), the Bureau determined that it would have supervisory authority over nonbank entities interacting with a significant portion of consumers with debt under collection.

¹¹ To prevent the larger participant test from imposing the potential burden of assessing whether particular medical debts resulted from extensions of credit, receipts from medical debt collection do not count toward the threshold. *See* 12 CFR 1090.105(a)(iii)(E) (definition of "annual receipts" excluding receipts from collection of debt originally owed to a medical provider); 77 FR 65775 at 65779-80 (explaining nature of such burden).

Some of the facts that were used to justify a threshold of \$10 million have changed in the intervening years. In 2013, the Small Business Administration (SBA) classified a debt collection agency as a small business concern if its annual receipts were less than \$7 million. Thus, when the Bureau established the threshold of \$10 million to define larger participants, it was choosing a definition that would exclude small business concerns and as well as smaller entities that are not small business concerns.¹² However, the SBA size standard for collections agencies has increased over time, most recently to \$19.5 million, almost twice the Bureau's threshold.¹³ There are thus a number of collection agencies that are small businesses according to the SBA, but are larger participants according to the Bureau.

In addition, the potential data sources have evolved. When the Consumer Debt Collection Larger Participant Rule was issued in 2012, the Bureau analyzed Economic Census data. Since then, the U.S. Census Bureau in cooperation with the Small Business Administration Office of Advocacy has developed an additional potentially relevant data source called Statistics of U.S. Businesses (SUSB), described in more detail at <https://www.census.gov/programs-surveys/susb/about.html>. Below, this notice describes data from both sources and solicits public input on the relevance of these data and sources, including analysis by commenters of the significance for this potential rulemaking of any differences in the data and sources.

Both sources indicate that the collections industry has consolidated significantly since the Consumer Debt Collection Larger Participant Rule was issued in 2012. As noted above, at the

¹² See 77 FR 65775 at 65789 (noting, for that reason, that “no businesses that qualify as small businesses for SBA purposes would ordinarily be classified as larger participants” under the \$10 million annual receipts test).

¹³ See Small Business Administration, *Table of Small Business Size Standards* at 30 (Mar. 17, 2023), https://www.sba.gov/sites/default/files/2023-06/Table%20of%20Size%20Standards_Effective%20March%2017%2C%202023%20%282%29.pdf.

time, the Bureau estimated there were approximately 4,500 entities engaged in debt collection, based on data from the 2007 Economic Census, of which approximately 175, about four percent, had annual receipts exceeding \$10 million. Based on the most recent available data from the 2022 Economic Census and the SUSB data, there are now about 2,500 to 3,000 entities engaged in debt collection, of which around 200 to 250, about seven to ten percent, have annual receipts exceeding \$10 million. Of those firms with over \$10 million in revenues, roughly half have annual receipts between \$10 million and \$25 million, most of which are likely small business concerns as defined by the SBA. Thus, increasing the annual receipts threshold to \$25 million would result in roughly 100 to 125 larger participants who have between roughly 55 and 70 percent of the total revenues reported for NAICS code 561440. The Economic Census and the SUSB data are more divergent at potentially higher thresholds. For example, increasing the annual receipts threshold to \$50 million would result in between roughly 60 (Economic Census) and 90 (SUSB) larger participants who have between roughly 41 percent (Economic Census) and 58 percent (SUSB) of the total revenues reported for NAICS code 561440. Increasing the annual receipts threshold to \$100 million would result in between roughly 11 (Economic Census) and 64 (SUSB) larger participants who have between roughly 18 percent (Economic Census) and 51 percent (SUSB) of the total revenues.¹⁴

¹⁴ The estimates are preliminary, are based on limited data, and do not include adjustments, for example, to account for the exclusion of receipts from collection of medical debts from the calculation of annual receipts for purposes of the larger participant test at 12 CFR 1090.105(a) (subparagraph (iii)(E) of definition of “annual receipts”). These estimates may change in any future rulemaking.

II. Executive Order 12866

The Office of Information and Regulatory Affairs within the Office of Management and Budget (OMB) has determined that this action is a “significant regulatory action” under Executive Order 12866, as amended. Accordingly, OMB has reviewed this action.

III. Questions

As discussed above, the Bureau is concerned that the benefits of supervisory authority over nonbank covered persons with more than \$10 million in annual receipts resulting from consumer debt collection activities may not justify the costs of increased compliance burdens for many entities that are considered larger participants under the current test.¹⁵ The Bureau is particularly concerned that smaller businesses that currently qualify as larger participants are being disproportionately impacted by the current threshold. The Bureau is also concerned that the pool of entities subject to supervision may be too broad and is potentially diverting limited Bureau resources to determine who is a larger participant and whether an entity should be examined in a particular year. Finally, the Bureau notes that it has not evaluated whether changes in the consumer debt collection market call for updating the test to define larger participants since it published the Consumer Debt Collection Larger Participant Rule over twelve years ago. The Bureau therefore seeks comment on the topics and questions listed below in light of the Bureau’s intent to propose amending the test to define larger participants in the consumer debt collection market.

1. Is \$10 million in annual receipts an appropriate threshold for determining which entities should be considered larger participants in the consumer debt collection market? If not,

¹⁵ For a discussion of compliance burdens, see generally section IV.B of the Consumer Debt Collection Larger Participant Rule (describing costs of increased compliance, costs of supervisory activity, and costs of assessing larger participant status). 77 FR 65775 at 65791-94.

what annual receipts threshold or other criterion and associated threshold would be more appropriate and why?

2. How would consumers be impacted by a potential increase in the threshold? Submissions of data related to the benefits or costs to consumers of the current rule and any particular change to the threshold are encouraged.
3. How would changing the current threshold for larger participants alter the behavior of participants in the consumer debt collection market? How would these changes benefit or harm consumers and participants? Would those changes in behavior have impacts beyond this specific market?
4. How would changing the current threshold for larger participants affect the Bureau's ability to address potential market failures in the consumer debt collection market and related areas?
5. What are the costs to covered entities that are specific to the Bureau's supervisory authority for larger participants in the consumer debt collection market? Specific figures as to staffing, staff time, and other resources are encouraged. How often are these costs incurred for larger participants under the current rule who are close to the current threshold for being larger participants?
6. What are the costs to covered persons that are not specific to the Bureau's supervisory authority, but are specific to being a larger participant in the consumer debt collection market? For instance, are there costs of monitoring status as a larger participant, or costs related to complying with relevant Federal statutes and regulations beyond what the firm would find reasonable absent the possibility of supervision?

7. Are there costs to covered persons from the current larger participant rule that specifically apply to firms whose annual receipts are lower than, but close to, the threshold?
8. Are there costs or benefits to consumers, including rural consumers, servicemembers, and veterans, of raising the larger participant threshold?
9. Do small business concerns, as defined by the SBA, or other smaller- or mid-size entities qualify as larger participants under the current threshold in the consumer debt collection market? Do these entities incur costs of compliance with their larger participant status that are not in proportion to their size relative to other larger participants in the consumer debt collection market?
10. Should the Bureau's test for defining larger participants in the consumer debt collection market account for the SBA's size standards? If so, how?
11. Are there significant recordkeeping requirements that would be reduced by raising the larger participant threshold?
12. What other specific costs or benefits, not mentioned above, would a change in the larger participant threshold have for consumers and covered persons?
13. Should the Bureau rely upon Economic Census data, SUSB data, or other sources of data to inform estimates of the current size of the firms in the consumer debt collection market and the number of firms that qualify as larger participants? What additional sources of data, if any, can reliably inform such estimates?

Russell Vought,

Acting Director, Consumer Financial Protection Bureau.