

“EXHIBIT A”

**SMALL BUSINESS IMPACT STATEMENT FOR PROPOSED REGULATIONS BY
THE FINANCIAL INSTITUTIONS DIVISION (Division)
TO SENATE BILL (SB) 276
COLLECTION AGENCIES- DEBT BUYERS
September 12, 2023**

1. Small Business Impact Statement pursuant to NRS 233B.0609:

(a) A description of the manner in which comment was solicited from affected small businesses, a summary of their responses, and an explanation of the manner in which other interested persons may obtain a copy of the summary.

(I) Solicitation of affected small businesses.

The Division sought comments in accordance with NRS 233B.0608 for the purpose of considering whether as a result of the proposed regulations, there may be a direct and significant economic burden upon small business (defined as fewer than 150 employees) or if the regulations will directly restrict the formation, operation or expansion of a small business seeking to those engaged in or who desire to engage in the business of extending credit to ensure that there is established in this state an adequate, efficient and competitive service available to the general public.

The Division composed the solicitation list from current licensees under Nevada Revised Statutes Chapter 649 and known interested parties. In turn, the Division solicited comments on the proposed regulations for Senate Bill 276 (S.B.276) from the above lists by emailing a notice and questionnaire. Additionally, a copy of the full text of the proposed regulations was emailed and posted to the Division’s website. The solicited comments were used to formulate this Small Business Impact Statement.

(II) Summary of responses.

See attached spreadsheet.

(III) Obtain a copy of the summary.

This Small Business Impact Statement was posted on the NFID website on October 16, 2023, along with a Notice of Workshop for November 2, 2023. Interested persons may also obtain a copy of the Small Business Impact Statement by contacting the:

**Office of the Commissioner
Financial Institutions Division
3300 W. Sahara Avenue, Suite 250
Las Vegas, NV 89102
Email: FIDMaster@fid.state.nv.us
Telephone: (702) 486-4120
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(b) The manner in which the analysis was conducted.

Pursuant to NRS 233B.0608(1), the Division made a concerted effort to determine whether the proposed regulations are likely to impose a direct and significant economic burden upon a small business; or directly restrict the formation, operation or expansion of a small business. For this effort, the Division sent a copy of the draft regulations and a Small Business Impact Questionnaire to all known interested parties for review and invited written comment regarding the impact to the entities, NFID took all comments submitted into consideration.

Following review and analysis of the authorizing statutory language S.B.276 and written comment from the industry, the Division has determined that the proposed regulation is unlikely to impose a direct and significant economic burden upon a small business; result in any direct or indirect adverse effects on small business; or directly restrict the formation, operation, or expansion of a small business.

(c) The estimated economic effect of the proposed regulation on the small businesses which it is to regulate including, without limitation:

(1) Both Adverse and Beneficial effects:

(I) ADVERSE EFFECTS:

The industry's biggest concern was the increase in licensing, certificates, and application fees. Even though the increase was minimal and not increased since the current regulation was adopted in 2006, the Division removed the increase for collection agencies and reduced the increase for the compliance managers.

Some comments were toward clarifying language for current statutory language or regulation.

Some comments were more directed towards S.B.276 and not the proposed regulations.

(II) BENEFICIAL EFFECTS:

The industry is in favor of removing the need to license each branch location and a license required for the main location. The other comments were more directed towards S.B. 276 and not the proposed regulations.

(2) Both Direct and Indirect effects:

(I) DIRECT EFFECTS:

The industry's biggest concern was the increase in licensing, certificates, and application fees. Even though the increase was minimal and not increased since the current regulation was adopted in 2006, the Division removed the increase for collection agencies and reduced the increase for the compliance managers.

Some comments were toward clarifying language for current statutory language or regulation.

Some comments were more directed towards S.B.276 and not the proposed regulations.

(II) INDIRECT EFFECTS:

The indirect effect comments more directed towards S.B.276 and not the proposed regulations or just needed clarification, which was provided in the small business impact spreadsheet.

(d) A description of the methods that the agency considered to reduce the impact of the proposed regulation on small businesses and a statement regarding whether the agency actually used any of those methods.

The Division sent out 530 small business questionnaires to all known interested parties. It received a total of forty (40) responses to the solicitation. Nine (9) small businesses provided comment, twelve (12) responded with N/A or no impact, and nineteen (19) responded with no comment because they were over the small business threshold of 150 employees. The Division has considered and analyzed all submitted comments and addressed those comment in the attached summary of response spreadsheet. Some of the comments were more directed towards S.B. 276 and not the proposed regulation, the Division cannot change current law but has drafted the proposed regulation to mitigate concerns from the industry and provide clarification.

(e) The estimated cost to the agency for enforcement of the proposed regulation.

The estimated cost to the Division for enforcement of the proposed regulation should be covered by the proposed fees to be collected by the Division. The Division does not foresee the need for any additional funding or budget increase.

(f) If the proposed regulation provides a new fee or increases an existing fee, the total annual amount the agency expects to collect, and the manner in which the money will be used.

The Division is proposing a minimal increase in the compliance manager's application and certificate fees, within the allowable amount per statute.

The 1st Year → \$52,160 (Based on the application fee of \$450 and initial licensing fee of \$35.00 for 40 new compliance managers and a certificate renewal fee of \$35 for 936 current certificate holders).

The 2nd Year → \$34,160 (Based on yearly renewal fee of \$35 for excepted 976 certificate holders).

The fees collected will be used by the Division to regulate the industry at the most economical method possible with the Division's established objective to maintain fees at a level to cover agency costs to implement/operate/enforce and not to over burden small business with high and unnecessary fees.

(g) If the proposed regulation includes provisions which duplicate or are more stringent than federal, state, or local standards regulating the same activity, an explanation of why such duplicative or more stringent provisions are necessary.

To the Division's knowledge, the proposed regulations do not duplicate any existing federal, state, or local standards regulating the same activity.

(h) The reasons for the conclusions of the agency regarding the impact of the regulation on small businesses.

This is a result of the passage of new legislation, S.B. 276. The Division can only lessen the impact on small business by proposing regulation that provides clarification to the industry. The regulation itself does not impose an economy burden to small business.

To the best of my knowledge or belief, a concerted effort was made to determine the impact of the proposed regulation on small businesses and that the information contained in this Small Business Impact Statement was prepared properly and accurate.



Sandy O'Laughlin
Commissioner
Financial Institutions Division
State of Nevada, Department of Business and Industry

<u>NRS 649- Debt Buyers- Direct or Indirect Impact Item From Small Businesses</u>	<u>Number/ and %</u>	<u>Direct or Indirect</u>	<u>Adverse or Beneficial</u>	<u>NFID Answer/Mitigation</u>
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Will be able to easily add an additional branch location, with the removal of separate branch licensing and renewals.	2 (22.2%)	Direct	Beneficial	No response is required since this comment does not have an adverse impact on small business.
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NAC 649.076 - should be "reasonable and actual" expenses for out of state travel excluding meals and lodging. With the significant increase in fees, meals and lodging should not be an agency expense.	1 (11.1%)	Direct	Adverse	Current regulation allows for these expenses, the new language is providing clarification of the costs the Division may charge a licensee. The licensee does have a choice for the Division to travel onsite to the licensed location or for the Division to conduct the examination in Nevada, unless the licensee is operating with extreme weaknesses and/or at an unsatisfactory level. The reasonable
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				expenses are based off the U.S. General Services Administration (GSA) rates for the travel destination.
Negative financial impact to pay more in fees and costs. Price increases across the board	3 (33.3%)	Direct	Adverse	The Division has not raised the licensing fees since the current fee rates were adopted in 2006. However, after considering comments from small businesses and considering the changes in SB276, which makes all collection agencies the same, thereby, raising the foreign collection agency fees to collection agency fees, the Division will not increase the collection

				agency fees and will reduce the increase for the compliance managers.
Additional paperwork and personnel time to comply with Section 23. Suggest allowing a collection agency to attest that the training and oversight was provided.	1 (11.1%)	Indirect	Adverse	The added requirement creates minimal additional paperwork. The training and documentation of such training is an important compliance step for the collection agency to take.
Sections 7-8 provide both the agency and the remote worker with precise and accurate requirements for remote work and maintaining compliance. Opening up a remote workforce allows new opportunities with current and prospective client portfolios. Revisions of NRS Chapter 649 to permit work from home.	3 (33.3%)	Indirect	Beneficial	No response is required since this comment does not have an adverse impact on small business and permitting remote work is in Senate Bill 276 and not the proposed regulation.

<p>Section 7.3 Many collection agencies have had remote workers in place for more than a year, many of which are in locations which are not close to a branch location. These workers already have been trained, supervised, and monitored in a remote location. Bringing them to a facility to conduct in person training for 7 days adds a burden without significant impact. It would be appropriate to "grandfather" these agents and agencies and waive the "direct oversight and mentoring from a supervisor for at least 7 days" [which we interpret as in-person] for all workers who have been in such remote conditions for more than 30/60/90 days prior to the effective date of the proposed regulations.</p> <p>It would be beneficial to clarify 7 days- does it mean 7 consecutive intervals of eight hours; 7 random intervals of eight hours; any 7 occasions, regardless of duration.</p>	<p>1 (11.1%)</p>	<p>Direct</p>	<p>Adverse</p>	<p>Section 7.3 is in reference to Senate Bill 276 (SB276) and not the proposed regulation. The Division cannot change the language in SB 276.</p> <p>Nevada temporarily allowed collectors to work from home during the COVID-19 pandemic until July 31, 2021. All collectors contacting Nevada consumers and/or collecting on behalf of Nevada clients were required to return to the licensed location on August 1, 2021.</p> <p>The Division interprets this section to mean 7 consecutive 8-hour working days.</p>

<p>Along with overwriting the collection manager requirement for each location and consolidation all the responsibilities under one universal compliance manager relieves financial burden and personnel resources in licensing/renewal process</p>	<p>1 (11.1%)</p>	<p>Direct</p>	<p>Beneficial</p>	<p>The language in Senate Bill 276 and the proposed regulation still requires a compliance manager for each licensed location. The language no longer requires each branch location to be licensed.</p>
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<p>Section 7- NAC 649.081. Would cause a burden to require report of financial standing prepared by accountant.</p>	<p>1 (11.1%)</p>	<p>Direct</p>	<p>Adverse</p>	<p>Current regulation NAC 649.081 already requires a licensed certified public accountant to prepare the financials. The only change the proposed regulation is making to this section is to remove "foreign collection agency" and "certificate" since all collection agencies will be licensed the same and the Division will no longer issue certificates to "foreign</p>
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				collection agencies" but will issue a license as a collection agency.
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Why charging local/domestic small companies more for applications and renewals? The foreign/out of state companies should be charged more.	1 (11.1%)	Indirect	Adverse	Senate Bill 276 removed foreign collection agencies from chapter NRS 649. All out-of-state companies will be licensed as a collection agency, the same as in-state companies. All licensees will be charged the same fees.
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<p>Section 15- Prohibits a compliance manager to work for both a primary and secondary collection agency at the same time, which is inconsistent with NRS 649.305(2)</p>	<p>1 (11.1%)</p>	<p>Direct</p>	<p>Adverse</p>	<p>The Division does not believe the language in current regulation to be inconsistent with the new provisions from Senate Bill 276/NRS 649.305(2). Each licensed collection agency must maintain a licensed compliance manager. The Division would license a primary or secondary location, these are not necessarily branch locations nor does this language prohibit a licensed debt buyer to share a compliance manager with an unlicensed affiliated debt buyer who was approved by the Division to share the license.</p> <p>The section you are concerned</p>
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				<p>with, NRS 649.305(2): Section 15 subsection 3, states, in part, except as otherwise provided in subsection 2 of section 30 of Senate Bill 276(SB276). Subsection 2 of section 30 of SB276 states "a compliance manager must not be employed as a compliance manager by more than one collection agency or employed by a collection agency and an exempt entity at the same time. A compliance manager may be simultaneously employed as a compliance manager by a collection agency and an affiliate of that collection agency."</p> <p>NAC 649.030 "Primary collection agency"</p>
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				<p>defined. “Primary collection agency” means any collection agency which is not a secondary collection agency.</p> <p>NAC 649.040 “Secondary collection agency” defined. (NRS 649.053) “Secondary collection agency” means a collection agency which engages directly or indirectly in the solicitation or encouragement of debtors to pay delinquent debts directly to the debtors’ creditors through the use of machine-derived form letters.</p>
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<p>Lumping collection agencies with debt buyers is not fair. Eliminate collection agencies from this and make it only apply to debt buyers.</p>	<p>1 (11.1%)</p>	<p>Indirect</p>	<p>Adverse</p>	<p>Adding debt buyers with collection agencies in NRS 649 was done by the Legislators in Senate Bill 276 and not the proposed regulation. The Division cannot change the language in SB 276.</p>
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SBI Response Summary:
Total Known Interested Parties Solicited: 530

Total Responded with Comments: 9
Total Responded with N/A: 12
Total Responded with over 150 Employees (outside the small business threshold): 19
Total Comments Impacting the SBI % (Total Known Interested Parties Solicited - N/A - over 150 Employees=): 499

% Responded/Total Solicited (40/530): 7.55%
% Responded with Comments/Total Comments Impacting SBI (9/499): 1.80%