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## CA EXPANDS DEBT COLLECTION LAW TO APPLY TO CERTAIN COMMERCIAL DEBT

California enacted S.B. 1286 to amend the Rosenthal Fair Debt Collection Practices Act to apply to certain commercial debts in addition to consumer debts. The amendments apply to all delinquent covered commercial debt sold or assigned on or after July 1, 2025.

Commercial debts covered by the law are those owing from a natural person to a lender, a "commercial financing provider" or a "debt buyer" by reason of one or more covered commercial credit transactions, provided the total amount of all "covered commercial credit transactions" and all other noncovered commercial credit transactions due and owing by the debtor or other person obligated under the transactions to the same lender, commercial financing provider or debt buyer is no more than \$500,000. "Covered commercial credit transaction" means a transaction in which a total value of no more than \$500,000, is acquired on credit by a person for use primarily for other than personal, family or household purposes. In relation to a covered commercial debt or covered commercial credit, "debtor" means a natural person who guarantees an obligation related to a covered commercial credit transaction.

The Rosenthal Fair Debt Collection Practices Act (i) prohibits debt collectors from engaging in unfair or deceptive acts or practices, (ii) makes it a crime for a debt collector, creditor or an attorney to send a communication that simulates legal or judicial process or that gives the appearance of being authorized, issued or approved by a governmental agency or attorney if it is not, (iii) requires a debt collector to stop collecting a debt when an alleged debtor provides the debt collector with certain information, including information relating to the debtor's status as an alleged victim of identity theft, and (iv) contains other requirements, which will now apply to the collection of both consumer and covered commercial debt.

The Rosenthal Fair Debt Collection Practices Act, unlike the Federal Fair Debt Collection Practices Act and most state debt collection laws, applies to any person who, in the ordinary course of business, regularly, on behalf of that person or others, engages in debt collection. Thus, the Act applies to a creditor collecting its own debts in its own name.

If you have questions about the amendments to the Rosenthal Fair Debt Collection Practices Act or other debt collection matters,

please contact us. ☐

✧ *Elizabeth Anstaett and Mercedes Ramsey*

**DEALING WITH MULTISTATE DEBT COLLECTION COMPLIANCE?** We routinely advise on collection-related activities and the regulated activities of creditors, third party debt collectors, debt buyers and loan servicers. We also publish an easy-to-use reference that compiles state and federal laws governing debt collection practices. Our DEBT COLLECTION DIGEST is organized topically, includes the federal Fair Debt Collection Practices Act and Commentary for easy cross-reference, and covers ADAD and monitoring and recording statutes. **Contact us for details.**

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