

**NACARA
NATIONWIDE AGREEMENT AND PROTOCOL
FOR MULTI-AGENCY
DEBT COLLECTION SUPERVISION**

OCTOBER XX, 2015

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ARTICLE 1. DEFINITIONS

For purposes of this Agreement and Protocol:

“2013 CFPB – State Supervisory Coordination Framework” means the framework developed as a guide for coordination and collaboration of supervisory and enforcement actions between the Consumer Financial Protection Bureau and regulatory agencies represented by the North American Collection Agency Regulatory Association (NACARA).

“Agreement and Protocol” means the NACARA Nationwide Agreement and Protocol for Multi-Agency Debt Collection Supervision, as amended or modified.

“Concurrent Examination” means an examination of a Multi-State Debt Collection Entity (DCE) whereby one or more State or Municipal Regulatory Agencies conduct parallel but separate examinations from the Joint Examination.

“Concurrent Examination Regulator” means a State or Municipal Regulator that conducts an examination of DCE concurrently with a Joint Examination.

“Concurrent Examination Team” means an examination team consisting of non-Participating Regulators or Participating Regulators conducting a Concurrent Examination.

“Confidential Supervisory Information” means information, the disclosure of which would violate any confidentiality statutes, regulations or policies applicable to Participating Regulators.

“Coordinated Goals” means the goals stated in Article 2 of this Agreement and Protocol.

“Debt Collection Entity (DCE)” means any non-depository debt collection business with operations in two or more states identified by the Multi-State Regulatory Supervision Committee (MRSC) as a DCE for purposes of this Agreement and Protocol. At the discretion of the MRSC, a DCE may also include multi-jurisdictional entities under the supervisory authority of more than one regulatory body.

“Examiner-In-Charge (EIC)” means an examiner who has volunteered, or has been assigned by the MRSC, to lead a Joint Examination Team or the examiner leading a Concurrent Examination Team.

“Examination Team” means an examination team assigned to a specific DCE examination, investigation or other related assignment. An Examination Team may be comprised of a team of examiners or other personnel from multiple regulators or a single regulator’s examiners or

other personnel authorized to conduct an examination or investigation. An Examination Team may be either a Joint Examination Team or a Concurrent Examination Team.

“Home Participating Regulator” means a Participating Regulator that has jurisdiction over a DCE and is located in the state where the DCE has its headquarters.

“Joint Examination” means an examination of a DCE under a Supervisory Program developed for such DCE conducted by two or more Joint Examination Participating Regulators that share information and combine examination and other resources under a single EIC.

“Joint Examination Participating Regulator” means a Participating Regulator who has agreed to this Agreement and Protocol and who is engaged in a Joint Examination.

“Joint Examination Team” means an examination team assigned to conduct a Joint Examination.

“Multi-State Regulatory Supervision Committee” (“MRSC”) means the body created under Article 3, Section 3.1 of this Agreement and Protocol.

“Nationwide Cooperative Agreement and Protocol for Debt collection Supervision” means the formal agreement entered between Participating Regulators for the purpose of fulfilling the Coordinated Goals.

“Non-Confidential Information” means information not covered and protected under the Confidentiality Sections of the Nationwide Cooperative Agreement and Protocol for Debt Collection Supervision. In general, Non-Confidential Information is information, the disclosure of which would not violate any confidentiality statutes applicable to Participating Regulators.

“Participating Regulator” means a Participating Regulatory agency with legal jurisdiction over one or more Multi-State Debt collection Entities who has joined this Agreement and Protocol.

“State Coordinating Committee” (“SCC”) means a committee of state regulators authorized, under the CFPB-State Supervisory Coordination Framework, to perform duties necessary to effectuate the Framework.

“Supervisory Program” means a program of regulatory supervision for a DCE designed to achieve the Coordinated Goals established in this Agreement and Protocol. The Supervisory Program includes examination scheduling, on-site examination, off-site monitoring and review, complaint reporting and profiling, report follow up, and where necessary, supervisory action.

Article 2. Statement of Purpose

Section 2.1. Purpose. The purpose of this Protocol is to promote a nationwide framework for cooperation and coordination among State and Municipal Regulatory Agencies (Participating Regulators) that have concurrent jurisdiction over Debt Collection Entities (“DCEs”) in a manner that conserves regulatory resources and minimizes the regulatory burden on DCEs, consistent with each state attaining its supervisory objectives.

Section 2.2. Coordinated Goals. The Coordinated Goals of the Participating Regulators are (a) to protect consumers; (b) to ensure the safety and soundness of DCEs; (c) to identify and prevent debt collection fraud; (c) to supervise and examine in a seamless, flexible and risk-focused manner; (e) to minimize regulatory burden; and, (f) to foster consistency, coordination, and communication among the Participating Regulators.

Section 2.3 Responsibilities. The parties recognize that the various Participating Regulators have independent and individual responsibility for the supervision of DCEs, and that an effective way to fulfill those responsibilities with respect to DCEs is through a coordinated supervision process. The parties to this agreement agree to cooperate and to use best efforts to assure that each of their respective interests, authorities, and responsibilities are fulfilled under this agreement.

Article 3. Multi-State Regulatory Supervision Committee

Section 3.1 Establishment of the Multi-State Regulatory Supervision Committee. The Participating States recognize that joint coordination of the supervision of DCEs is most effectively handled by a committee comprised their members and thereby establish the Multi-State Regulatory Supervision Committee (MRSC).

Section 3.2. Composition, Appointment, and Terms of the MRSC. The MRSC shall consist of no fewer than seven members appointed by the Executive Committee of the North American Collections Agency Regulatory Association (NACARA). No two appointees to the MRSC shall be from the same Participating Regulator. Four members of the MRSC shall constitute a quorum and a unanimous four votes shall govern the actions of the MRSC. The term of each member shall be for a period of two years. A member of the MRSC may be replaced, removed, or substituted at the discretion of the Executive Committee or as necessary to fill a vacancy on the MRSC.

Section 3.3. Responsibilities of the MRSC. The MRSC shall select from its members a Chairperson to manage the operations of the MRSC in fulfilling its responsibilities under this Agreement and Protocol. The MRSC shall meet regularly as necessary and as directed by its Chairperson to conduct the following activities, as they relate to Coordinated Goals, on behalf of the Participating Regulators:

- (a). Develop criteria for the identification of DCEs for the purposes of this Agreement and Protocol;

- (b). Develop standard documentation, standards of practice, and examination tools for application in the supervision of DCEs;
- (c). Identify DCEs that are candidates for Joint Examination under this Protocol;
- (d). Develop a Supervisory Program that is tailored to a DCE subject to Joint Examination that includes within its considerations the condition and risk profile of the DCE;
- (e). Participate and support the effective implementation of the Supervisory Program;
- (f). Foster a process that supports participation by the Participating Regulators in Joint Examinations;
- (g). Encourage the use of shared resources, knowledge, and expertise, among Participating Regulators engaged in Joint Examinations for the purpose of reducing the expense and impact of Joint Examinations on the DCEs and the Participating Regulators; and,
- (h). Identify training and educational needs for members of Participating Regulators who take part in Joint Examinations and advise the Executive Committee of NACARA of such needs.
- (i). Establish operating procedures as necessary to fulfill the objectives of the Agreement and Protocol.

Article 4. Multi-Agency Examinations of DCEs

Section 4.1. Role of the MRSC in Multi-Agency Examinations. The MRSC shall have responsibility for the identification of DCEs and the coordination of joint supervision of DCEs, as described in Section 3.3 of this Agreement and the Protocol, as may be amended from time to time. The MRSC oint supervision

Section 4.2. Determination of DCEs by Risk Profile. The MRSC will develop criteria to identify DCEs by risk profile based on, but not limited to, (a) the quantity and nature of complaints against a DCE, filed with the Participating Regulators or other applicable agencies; (b) the frequency and results of examination by the Participating Regulators of a DCE; (c) the nature of any previous or current enforcement actions against a DCE; (d) the type of debts collected by the DCE; (e) scope of a DCE's operations; and, (f) allegations of fraud or misconduct against a DCE.

Section 4.4. Joint and Concurrent Examinations. Due to the confidential nature of information obtained and produced during the examination of DCEs, only Participating Regulators having agreed to the Agreement and Protocol will be authorized to participate in Joint Examinations. A Joint Examination is an examination of an MMSB conducted by two or more Participating Regulators that share information and combine examination and other

resources. These Participating Regulators shall be known as Joint Examination Regulators. The Joint Examination should result in one written Joint Examination report.

Section 4.5 Scheduling of Examinations. The MRSC will set examination schedules based upon assessed risk, available resources, Participating Regulator requests and other relevant factors. The MRSC will communicate this schedule to Participating Regulators in a timely fashion. In order to more effectively achieve the Coordinated Goals, Joint Examination Participating Regulators will exchange Confidential Information on a regular basis through the MRSC and may also exchange non-Confidential Information with other Debt Collection Regulators (Concurrent Examination Regulators) interested in participating concurrently with a Joint Examination. The MRSC may also coordinate with applicable federal regulatory agencies independently, or upon delegation from the State Coordinating Committee, to schedule examinations as necessary to achieve the objectives of 2013 CFPB – State Supervisory Coordination Framework.

Section 4.6. Establishment of Examination Teams. The MRSC will contact Joint Examination Participating Regulators to staff Joint Examination Teams. The MRSC will designate an Examiner-in-Charge (“EIC”) for each Joint Examination Team, giving first priority to a Home Participating Regulator or volunteers from Participating Regulators. The EIC will serve as the primary point of contact between the DCE and the Joint Examination Team. Concurrent Examination Regulators will independently staff their own Concurrent Examination Teams. The Joint Examination EIC and Concurrent Examination EIC(s) may exchange Non-Confidential Information during the examination process for the purpose of furthering the Coordinated Goals. Nothing in this Protocol shall prohibit a Joint Examination Participating Regulator from choosing to withdraw from a Joint Examination and conduct a Concurrent Examination.

Section 4.7. Role of Participating Regulators. Nothing in this Agreement shall prevent or limit a Participating Regulator in any way from the exercise of its lawful jurisdiction or authority over a DCE. Participating Regulators shall endeavor to support the work of the MRSC and the coordinated goals of this Agreement and Protocol to the extent possible, as appropriate to the resources available to the Participating Regulator and the benefits derived by the Participating Regulator from this Agreement. As applicable and authorized, a Participating Regulator may delegate its independent examination functions to other Participating Regulators, based on the Supervisory Program developed by the MRSC.

Section 4.8 Home Participating Regulators. To the extent possible, the Joint Examination Team shall contain at least one representative from the Participating Regulator in which the DCE is headquartered, if so requested by the Home Participating Regulator, unless the Home Participating Regulator is a Concurrent Examination Regulator.

Section 4.9 Complaints in Relation to Examinations. Each Participating Regulator is responsible for processing, investigating and resolving consumer complaints filed against DCEs by residents of its own state. However, the Participating Regulators consider complaint activity to be one of the most relevant factors in assessing the need for coordinated consumer protections. The MRSC may determine a reporting mechanism to and from the Participating Regulators to summarize the volume, nature and resolution of consumer complaints. As part

of the supervision of DCEs, these reports may be used by the MRSC in identifying DCEs and scheduling examinations, and by the EICs of Joint Examination Teams and Concurrent Examination Teams in establishing the examination plan. Participating Regulators may use these reports as necessary in the supervision of DCEs and the debt collection industry.

Section 4.10. General Examination Processes.

(a). The Joint Examination Teams and Concurrent Examination Teams assigned to a DCE examination will develop their examination plans independently. When in the furtherance of the Coordinated Goals, the Joint Examination Team, at the direction of the MRSC, will coordinate with Concurrent Examination Teams. The plan will take into consideration the institution's organizational structure and risk profile. Consideration should also be given to the institution's regulatory history, the quality of the institution's internal control/compliance functions, as well as any external audit. The examination plan, including the scope, shall be reviewed by the MRSC prior to implementation.

(b). Based on the examination plan, the Joint Examination Team will prepare a single entry letter and information request. If the MRSC has determined that no confidentiality issues will arise by serving the entry letter and information request under a single cover, both the Joint Examination Team and Concurrent Examination Team(s) may present the DCE with the same entry letter and information request. However, if any Joint Examination Participating Regulator objects to the use of a shared entry letter and information request, the Joint Examination Team shall produce and deliver a separate entry letter and information request.

(c). Inclusion of complaint information in the examination plan is considered a critical part of a comprehensive Supervisory Program. The EICs, Joint Examination Team will give complaint activity due consideration when establishing the examination plan and scope of the examination.

(d). The Participating Regulators consider physical, onsite examinations to be an integral part of a comprehensive Supervisory Program. Therefore, unless the Participating States determine otherwise, an onsite examination will be included as part of each examination plan. Notwithstanding the foregoing, the Joint Examination Participating Regulators will attempt to reduce the overall burden on a DCE subject to Joint Examination by limiting the costs of visitations whenever possible.

(e). The findings of a Joint Examination shall be reported in a formal exit conference and a final written report. The content and format of the final written report in a Joint Examination shall be reviewed by the MRSC. Each Joint Examination Participating Regulator shall be provided an opportunity to review, comment, and approve elements within the examination report prior to presentation to the DCE. However, the Joint Examination EIC's employing Participating Regulator has the responsibility to make any final approval to the examination report. Each Joint Examination Participating Regulator shall be provided a copy of the final Joint Examination report prior to presentation to the DCE. No Concurrent Examination Regulator shall be provided the

examination report without the unanimous consent of the Joint Examination Team; however, nothing in this Protocol shall prevent a Concurrent Examination Regulator from sharing its examination report with the Joint Examination Team and/or the MRSC.

(f). A DCE's response to the Joint Examination report shall not be shared with any Debt Collection Regulator who has not joined this Agreement and Protocol.

Article 5. Multi-State Supervisory Enforcement Actions

Section 5.1 Support to Participating Regulators. The MRSC shall, to the extent practicable, assist Participating Regulators contemplating enforcement actions against a DCE by (a) coordinating communications among the Participating Regulators regarding any such action contemplated, and (b) facilitating the development and implementation of any joint or concurrent action requested by Participating Regulators.

Section 5.2 Role of Participating Regulators. Nothing in this Agreement shall prevent or limit a Participating Regulator in any way from the exercise of its lawful jurisdiction or authority over a DCE, and no Participating Regulator is required to notify the MRSC or other Participating Regulators prior to the filing of an enforcement action against a DCE. Participating Regulators shall notify the MRSC of an action filed against a DCE within thirty (30) days of taking such action. Additionally, Participating Regulators will, whenever possible, consult one another regarding supervisory actions (i.e. administrative, civil or criminal actions) considered or taken against DCEs. The MRSC may facilitate communications between Participating Regulators on any such supervisory actions considered or taken against DCEs. When Participating Regulators together determine that a supervisory action is warranted, the Participating Regulators will take any necessary steps to develop and implement a joint and/or concurrent action(s). The MRSC may facilitate such development and implementation of joint and/or concurrent action(s).

ARTICLE 6. INFORMATION SHARING

Section 6.1 Request for Information. Any Joint Examination Participating Regulator party to this Agreement may request from another Participating Regulator supervisory information, including Confidential Supervisory Information, related to a DCE. A request pursuant to this Agreement shall be made in writing and should be reasonably specific as to information sought. The Participating Regulator may request items related to a specific event, such as an examination report or list of complaints, or may make a standing request to obtain information related to a specific DCE. The receiving Participating Regulator shall limit the use of any information obtained under this Agreement to purposes directly related to its supervisory authority.

Section 6.2 Providing Information. Participating Regulators shall comply with a request for supervisory information within a reasonable time to the fullest extent permitted by state law.

Section 6.3 Confidentiality. Confidential Supervisory Information shared under this Agreement shall be presumed to be protected unless otherwise specified by the originating Participating Regulator. A Joint Examination Participating Regulator that requests and/or receives Confidential Supervisory Information from another Participating Regulator agrees that, subject to compulsory legal disclosure described in Section 6.4, it will protect information obtained under this Agreement with the same level of confidentiality that applies to the information in the hands of the originating Participating Regulator.

Confidential Supervisory Information shared under this Agreement remains the property of the originating Participating Regulator and shall not be further disclosed by the recipient without the written permission of the originating Participating Regulator. Confidential Supervisory Information obtained under this Agreement should be returned or destroyed at the direction of the originating Participating Regulator.

Section 6.4 Subpoenas to the Receiving Participating Regulator. A Joint Examination Participating Regulator that is in possession of another Participating Regulator's Confidential Supervisory Information shall notify the originating Participating Regulator immediately upon receipt of a subpoena or other legal process by any court, legislative body, governmental agency, or any request from another person or entity not party to this Agreement that might require or compel disclosure of such Confidential Supervisory Information. Regardless of notification to, or response from the originating Participating Regulator, the Confidential Supervisory Information shall be protected as covered under Section 6.3. The receiving Participating Regulator agrees (i) to cooperate in asserting on the originating Participating Regulator's behalf all such legal privileges and exemptions as the originating Participating Regulator may request, and (ii) to cooperate in the preparation of any memoranda, requests for protective orders or pleadings deemed desirable by the originating Participating Regulator to protect Confidential Supervisory Information. The receiving Participating Regulator shall resist, to the extent practicable, production of the originating Participating Regulator's Confidential Supervisory Information, pending receipt of written consent from the originating Participating Regulator to the production of that information.

Section 6.5 Sharing with Concurrent Examination Teams. A Joint Examination Team shall not share Confidential Supervisory Information in its custody with a Concurrent Examination Team or Teams conducting a concurrent examination without the unanimous consent of the Joint Examination Team. Joint Examination Teams and Concurrent Examination Teams may share Non-Confidential Information and may work together to minimize the regulatory burden of examination, but the Joint Examination Team and Concurrent Examination Team must prepare separate reports of examination and confidential work papers to avoid inadvertent breaches of Confidential Supervisory Information.

ARTICLE 7. PARTIES

Section 7.1 Representations and Warranties. Each signatory Participating Regulator represents and warrants that he or she has all requisite power and authority to enter into and perform this Agreement and to the extent consistent with state law, any party acting within the

scope of this Agreement shall be deemed to be acting within the scope of the signatory Participating Regulator's statutory authority.

Section 7.2 Change in Power or Authority. In the case there is any material change in the power or authority of any signatory Participating Regulator to perform this Agreement, such Participating Regulator shall give notice of the change to other Participating Regulators.

ARTICLE 8. EXECUTION, ENFORCEABILITY, OTHER AGREEMENTS

Section 8.1 Execution. The terms of this Agreement shall become effective when a Participating Regulator has executed the original or a counterpart signature page. Also, this Agreement is not intended to be limited to the original signatories, and other parties may sign after the initial execution of this document.

Section 8.2 Binding and Enforceable. This Agreement shall be binding and enforceable on the parties to the extent allowed by state law.

Section 8.3 Other Agreements. This Agreement is not intended to prevent the parties from entering into other agreements with individual parties, other Participating Regulators, federal regulatory authorities, federal or state law enforcement authorities, or the individual DCEs regarding the subject matter of this Agreement.

Section 8.4 Amendment; Termination. Any party to this Agreement may propose an amendment at any time, but this Agreement may be amended only by a written instrument signed by each of the signatory Participating Regulators.

Any party to this Agreement may withdraw from the Agreement at any time by giving written notice of the withdrawal or termination to all other parties, provided that adherence to the Confidentiality Sections of the Agreement shall survive a party's withdrawal from this Agreement.

ARTICLE 9. MISCELLANEOUS

Section 9.1 Captions. The captions in this Agreement are for convenience of reference only, do not constitute a part of this Agreement, and shall not affect the meaning or construction of any provision of this Agreement.

Section 9.2. Waiver. The waiver by any Participating Regulator of the performance of any provision of this Agreement shall not invalidate this Agreement, nor shall it be considered a waiver of any other provision.

Section 9.3 Survival. In absence of state law to the contrary, this Agreement shall survive any change in the identity of the executive in charge of any Participating Regulator.

Section 9.4 Severability. If any provision of this Agreement or the application thereof to any person or circumstances is held invalid or illegal, such invalidity or illegality shall not affect other provisions or applications of this Agreement which can be given effect without the invalid or illegal provision or application, and to this end, the provisions of this Agreement are declared to be severable.

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