

Debt Buyer FAQ

Does a debt buyer now need to get a license, and if so, is there a specific “debt buyer” license?

Yes, a debt buyer must be licensed before conducting business in Minnesota. See Minn. Stat. § 332.33, subd. 1. The license required is a collection agency license; there is no license specifically called a “debt buyer license.”

Who qualifies as a debt buyer under the new law?

Minnesota Statutes section 332.31, subd. 8 defines a debt buyer as “any business engaged in the purchase of any charged-off account, bill, or other indebtedness for collection purposes, whether the business collects the account, bill, or other indebtedness, hires a third party for collection, or hires an attorney for litigation related to the collection.”

When does the new law take effect?

August 1, 2021. License applications must be submitted no later than January 1, 2022. Please see the next question for additional information regarding the deadline for becoming licensed as a debt buyer.

What is the deadline for becoming licensed as a debt buyer?

A business that operates as a debt buyer must submit a completed license application no later than January 1, 2022. A debt buyer who has filed an application with the commissioner for a collection agency license prior to January 1, 2022, and whose application remains pending with the Commerce Department after that date, may continue to operate until Commerce approves or denies the application. See Minn. Stat. § 332.33, subd. 1.

What is the license application process for a debt buyer?

License applications should be submitted through the PULSE system using the procedure outlined [here](#) for collection agencies.

I'm a debt buyer. Which of my employees is a "collector" under the new law?

A collector is any "person acting under the authority of a debt buyer and on its behalf in the business of collection for an account, bill, or other indebtedness is a collector", unless an exception in [Minn. Stat. § 332.32](#) applies. See Minn. Stat. § 332.31, subd. 6.

Does a debt buyer need a separate license for each branch office?

Yes, a debt buyer who carries on business in separately located offices must get a license for each office where business is conducted, unless that separate office meets the definition of an "affiliated company." Please See the next question for additional information regarding affiliated companies.

What is an "affiliated company," and does a debt buyer need a separate license for each one?

Minnesota statutes 332.31. subd. 9 defines an "affiliated company" as "a company that: (1) directly or indirectly controls, is controlled by, or is under common control with another company or companies; (2) has the same executive management team or owner that exerts control over the business operations of the company; (3) maintains a uniform network of corporate and compliance policies and procedures; and (4) does not engage in active collection of debts."

Affiliated companies that meet this entire definition may operate under a single license, provided that all of the affiliated company names are listed on the license. See Minn. Stat. § 332.33, subd. 9.

Does a debt buyer that is already licensed as a collection agency need to get a second license to cover its debt buyer activities?

No.

Does a licensed collection agency that performs debt buyer activities need to get a second license to cover its debt buyer activities?

No.

Does a licensed collection agency need to notify the Commerce Department that it performs debt buyer activities?

No.

Does a collector for a debt buyer now need to get a license, and if so, is there a specific “debt buyer collector” license?

A collector is any “person acting under the authority of a debt buyer and on its behalf in the business of collection for an account, bill, or other indebtedness is a collector”, unless an exception in [Minn. Stat. § 332.32](#) applies. See Minn. Stat. § 332.31, subd. 6.

A collector for a debt buyer must be registered with the Commerce Department before conducting business in Minnesota. See Minn. Stat. § 332.33, subd. 1. The registration application is submitted by the debt buyer through the PULSE system using the debt collector registration process. Please see the next question for additional information regarding the collector registration process.

There is no license or registration specifically called a “debt buyer collector license.”

What is the collector registration process?

Collector registrations are submitted through the PULSE system using the procedure outlined [here](#) for debt collectors.

Are debt buyers required to perform background screening on their collectors?

Yes. A debt buyer must establish procedures to follow when screening an individual collector applicant prior to submitting an applicant to the Commerce Department for initial registration and at renewal. The procedures must comply with [Minn. Stat. § 332.33, subdivision 8](#).

Is a debt buyer required to have a surety bond?

A debt buyer must comply with the bond requirements of [Minn. Stat. § 332.34](#). A debt buyer should use the bond form specific to its organizational structure. Surety bond forms can be found [here](#).

Is a debt buyer required to have a segregated trust account?

It depends. If the debt buyer engages in third-party debt collection for others, the debt buyer needs a separate trust account. If the debt buyer does not engage in third-party debt collection for others, the debt buyer does not need a separate trust account. See Minn. Stat. § 332.345.