



As everyone is aware, the Consumer Financial Protection Bureau (CFPB) published Regulation F last year. The new regulation, regulates the practices of collection agencies and goes into effect on November 30th, 2021. Of specific consequence is section 1006.34, "Notice for Validation of Debts". Collection agencies are required to send a debt validation communication on our initial disclosure notice, with specific information, to the debtor. The required layout and language have been crafted by the CFPB to help the debtor identify the debt that is being collected. In addition to all the FDCPA requirements and non-disclosure letter/mailed formatting, we must now provide the following:

- an itemization date;
- amount of the debt as of the itemization date; and
- an itemization of interest, fees, payments, and credits since the itemization date.

Regulation F requires a debt collector to send an initial letter to the consumer that itemizes the debt, including balance, interest, fees, and credits from an "itemization date" ¹

Regulation F provides 5 different dates that can be used as the itemization date. Security Credit Systems, Inc. has chosen the "last statement date" as the itemization date that we will request from our clients in order to comply with the itemization date requirement. We feel this date is the most attainable for all accounts and will require the least administrative effort to compile the various required amounts (balance due at itemization date, interest added since itemization date, fees added since itemization date, and payments or adjustments made since itemization date).

In order to facilitate this change, our on-line account entry system, available at www.securitycreditsystems.com, will be adjusted to require the last statement date and the associated required and itemized amounts as of 11/30/2021. These fields will be added to the end of our standard file layout.

For clients who submit csv or text files through a SFTP Portal or through our website utilizing SFTP via exavault.com, the fields listed below need to be added to your format (if not already available).

Our standard layout (Full and Short Form) and complete data dictionary are included with this correspondence for reference.

¹ Regulation F requires that the itemization date be one of five options: (1) last statement date, which is the date of the last periodic statement or written account statement or invoice provided to the consumer by a creditor; (2) charge-off date; (3) last payment date, which is the date the last payment was applied to the debt; (4) transaction date, which is the date of the transaction that gave rise to the debt; or (5) judgment date.



The table below gives details about the fields that are now required:

LAST-STATEMENT-DATE	Date	THIS IS THE DATE THAT WILL BE USED AS THE ITEMIZATION DATE Date of last billing statement or letter sent to the student
BAL-AT-LAST-STMT	Numeric	Payoff amount as of the date of the last billing statement sent
INT-SINCE-LAST-STMT	Numeric	Interest accrued from date of last billing statement sent through the placement date (if applicable)
FEES-SINCE-LAST-STMT	Numeric	Fees charged from date of last billing statement sent through the placement date. Does not include collection agency fees calculated for current placement.
AG-FEES-SINCE-LAST-STMT	Numeric	Collection agency fees charged from date of last billing statement sent through the placement date. Includes any fees that were assessed for prior placements that were not removed from the account before the current placement. (if applicable)
PAYCRED-SINCE-LAST-STMT	Numeric	Payments or credits posted from date of last billing statement sent through the placement date

For illumination of the point, let's consider the following examples:

Example (1)

A student owes a balance of \$1,075 as of 01/01/2021, the date of the last statement to the student. This balance consists of \$1,000 in principal loan balance, plus \$50 in interest (5% for one year), plus a \$25.00 late fee. He immediately sends a payment following the letter of \$100.00. It is applied to his account reducing his balance to \$975 in principal loan balance. One hundred and twenty days later, he has made no further effort and the account is put into collections. At this point, his balance due is \$991.25 which is \$975.00 in Principle + \$16.25 in interest. In the placement record you would need to identify and submit the following:



New required fields:

LAST-STATEMENT-DATE:	01/01/21	
BAL-AT-LAST-STMT:	\$1,075.00	
INT-SINCE-LAST-STMT	\$16.25	Note: Till Placement
FEES-SINCE-LAST-STMT	\$0.00	Note: Till Placement
AG-FEES-SINCE-LAST-STMT	\$0.00	Note: SCS will calculate if applicable
PAYCRED-SINCE-LAST-STMT	\$100.00	Note: Till Placement

Plus, the existing fields:

DATE PLACED	05/01/21	
PRINCIPAL DUE	\$975.00	
INTEREST DUE	\$16.25	
OTHER DUE	\$0.00	Note: Typically, late fees, etc.
COLLECTION FEES	\$0.00	Note: SCS will calculate if applicable
BALANCE DUE	\$991.25	

Example (2)

A student owes a balance of \$1,075 as of 01/01/2021, the date of the last statement to the student. This balance consists of \$1,000 in principal loan balance, plus \$50 in interest (5% for one year), plus a \$25.00 late fee. He does not respond to the letter. One hundred and twenty days later, he has made no further effort and the account is put into collections. At this point, his balance due is \$1091.25 which is \$1000.00 in principle + \$66.25 interest + \$25.00 late fee. In the placement record you would need to identify and submit the following:

New required fields:

LAST-STATEMENT-DATE:	01/01/21	
BAL-AT-LAST-STMT:	\$1,075.00	
INT-SINCE-LAST-STMT	\$16.25	Note: Till Placement
FEES-SINCE-LAST-STMT	\$0.00	Note: Till Placement
AG-FEES-SINCE-LAST-STMT	\$0.00	Note: SCS will calculate if applicable
PAYCRED-SINCE-LAST-STMT	\$0.00	Note: Till Placement

Plus, the existing fields:

DATE PLACED	05/01/21
PRINCIPAL DUE	\$1,000.00
INTEREST DUE	\$66.25
OTHER DUE	\$25.00
BALANCE DUE	\$1,091.25



To review additional examples from your own placements records with our staff please contact us at your convenience.

Despite the new financial information disclosure notice requirements, debt collectors will now be able to communicate with consumers by email and text provided that the debt collector has consent, reasonable procedures in place to ensure that emails and texts are sent to the proper consumer, that the consumer can establish a preference regarding how he or she wants to communicate and that consumer has not otherwise opted-out of receiving the electronic communication or withdrawn that consent. Confirmation of a consumer's telephone number or email address can come directly from the consumer, the creditor, or the immediately preceding debt collector.

For this reason, we also ask you to also include the email address of the consumer if they have provided it to you.

Placements made on or after 11/30/2021 will need to contain the required information in order for us to process them. In the meantime, please do not hesitate to call our office with questions or concerns. We are available to assist you with this process and we appreciate your cooperation.

More information about Regulation F:

- *CFPB Website with links to more information:*
<https://www.consumerfinance.gov/rules-policy/final-rules/debt-collection-practices-regulation-f/>
- *Commentary on the Rule:* <https://www.regulations.gov/document/CFPB-2019-0022-0001>
- *Text of the regulation that affects SCS and our clients:*
<https://www.consumerfinance.gov/rules-policy/regulations/1006/2021-11-30/34/>