



Hanson Baker Ludlow Drumheller P.S.
2229 - 112th Avenue NE, Suite 200
Bellevue, WA 98004-2936
425.454.3374

www.hansonbaker.com

Debt Buyers Beware: You May Have to Be Licensed as a Collection Agency

By Magnus R. Andersson

Are you in the business of buying loans, debts and other monetary obligations? If so, starting October 1, 2013, you may have to be licensed as a collection agency in the State of Washington. This is the result of a change to Washington's Collection Agency Act, which broadened the definition of "collection agency" to also include any person "engaged in the business of purchasing delinquent or charged off claims for collection purposes".

It is important to recognize that this change is **not limited to consumer debts**; it also includes businesses who buy commercial loans, debts, etc.

The consequences for not obtaining a license when one is required include:

- Lack of access to the courts to collect on the loan, debt, etc.;
- Exposure to Consumer Protection Act claims for unfair and deceptive trade practices; and
- Fines and even imprisonment (presumably only in egregious situations).

Also, the Collection Agency Act has a lengthy list of actions that collection agencies either are required to take or are prohibited from taking, depending on the action. The consequences for not following this list of do's and don'ts include the inability to recover interest, late charges and attorney fees incurred in collection.

Not every debt buyer seems to fall under the new and broader definition of "collection agency". The definition only seems to apply to those who buy debts that are delinquent and/or charged off.

Also, there is a list of exempt entities. They include banks, credit unions, and loan or finance companies.

Additional information about collection agencies, including how to get your license as a collection agency, is available at the Department of Licensing's website (<http://www.dol.wa.gov/business/collectionagency/collicense.html>).

Magnus R. Andersson is an attorney and shareholder with Hanson Baker Ludlow Drumheller P.S. His practice focuses on real estate, construction and finance. Magnus can be reached at 425.454.3374 and mandersson@hansonbaker.com.

This message has been released by Hanson Baker Ludlow Drumheller P.S. to advise of recent developments in the law. This information is for general information purposes only and is not intended to provide legal advice on any specific facts or circumstances.

June 19, 2013