

CLE PROGRAM · CLLA WESTERN REGION

# California's New Debt Collection & Creditor Compliance Rules

Why It Matters to You

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Presented by

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# What We'll Cover Today

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- 01 Legislative background & timeline**  
Rosenthal Act, SB 1286, AB 1521
- 02 Is the account covered?**  
Definitions, natural persons, \$500K threshold
- 03 The trade credit exemption**  
What's out, what's still squarely in
- 04 Operational compliance**  
Intake, communications, disputes, venue
- 05 Litigation, Legislation, & Enforcement**  
Remedies, key cases, vicarious liability
- 06 Overlap, trends & takeaways**  
FDCPA, FCRA, TCPA and what's next

# Why Commercial Collectors Must Pay Attention

California's Debt Collection Laws no longer stop at the consumer line. Commercial accounts with an individual on the hook can now trigger the same standards, the same disclosures — and the same remedies.

## Creditors

Direct exposure, plus liability for their agents

## Agencies

Full Rosenthal conduct standards apply

## Debt buyers

Threshold measured at purchase and origination

## Attorneys

Litigation conduct is squarely in scope

## Financiers

MCAs, factoring and equipment finance

***Coverage status — not the label on the account — drives your compliance obligations.***

# From Consumer Statute to Commercial Reach

## Rosenthal Act

### THE FOUNDATION

- Enacted as California's consumer protection answer to the FDCPA
- Incorporates federal conduct standards by reference
- Expanded steadily through legislation and case law

## SB 1286

### THE EXPANSION

- Extends Rosenthal to covered commercial debt
- Aimed at protecting small-business owners and guarantors
- Introduces the covered commercial credit framework

## AB 1521

### THE CORRECTION

- Legislative response to industry concerns
- Excludes ordinary trade credit from coverage
- Narrows — but does not eliminate — commercial exposure

# SB 1286 Expands. AB 1521 Narrows.

## SB 1286 · What it brought in

- Applies Rosenthal standards to covered commercial debt
- Protects small-business owners and personal guarantors
- Requires a natural person obligated on the debt
- Caps coverage by transaction value threshold
- Reaches original creditors, agencies and debt buyers alike

## AB 1521 · What it took back out

- Excludes trade credit from covered commercial debt
- Responds to supplier and vendor industry concerns
- Turns on the provider's primary line of business
- Leaves financing products squarely inside coverage
- Does not eliminate consumer-side Rosenthal exposure

**Confirm current effective dates and covered-transaction language against the operative statutory text before advising a client.**

# California's Evolving Commercial-Debt Regime



## SB 1286

2024

Commercial financing debt enters Rosenthal.



## AB 1521

2025

Ordinary trade credit gets carved back out.



## SB 362

2025

Commercial financing pricing/disclosures tightened.



## AB 2116

2026

California moves toward licensing and regulating the entire commercial-financing industry.

**The target is increasingly not “commercial debt” generally — it is small-business commercial financing and the natural persons behind it.**

# The Definitions That Decide Coverage

## Debt collector

Broader than the FDCPA analogue — can reach creditors collecting their own accounts

## Debtor

Must reach a natural person for commercial coverage to attach

## Covered commercial debt

Business-purpose obligations pulled in by SB 1286

## Debt collection

The activity, not the entity, is what the statute regulates

## Covered debt

The umbrella category for obligations within Rosenthal's reach

## Covered commercial credit

A defined term with its own limits — not any business obligation

# Natural Persons and the \$500,000 Threshold

## Gate 1 · Natural person requirement – THE BELLY BUTTON

- Personal guarantors — the most common trigger
- Sole proprietors operating under a DBA
- General partnerships and partner liability
- Single-member LLCs — the contested grey area
- Any other individual liability scenario on the file

## Gate 2 · \$500,000 threshold

- Aggregation rules across related transactions
- How transaction value is determined and documented
- Original creditor vs. debt buyer calculations
- Measure at the right point in the account's life
- Document the analysis — you may have to defend it

***Both gates must be satisfied. Miss either analysis and you are guessing at your compliance obligations.***

# Trade Credit: What's Out, What's Still In

*The test: is the credit extended by a provider whose primary business is supplying the underlying goods or services — and is the credit connected to that supply?*

## Likely Exempt · Trade Credit

- Material suppliers extending terms
- Wholesalers and distributors
- Vendors billing on open account
- Service providers invoicing clients
- Ordinary open-account transactions

## Likely Covered · Financing

- Commercial loans and lines of credit
- Business credit cards
- Equipment finance transactions
- Merchant cash advances
- Factoring arrangements; captive finance products

# A Four-Question Decision Tree

1

**Consumer or commercial purpose?**

Classify the underlying transaction before anything else.

2

**Is a natural person obligated?**

Guarantor, sole proprietor, partner or individual obligor.

3

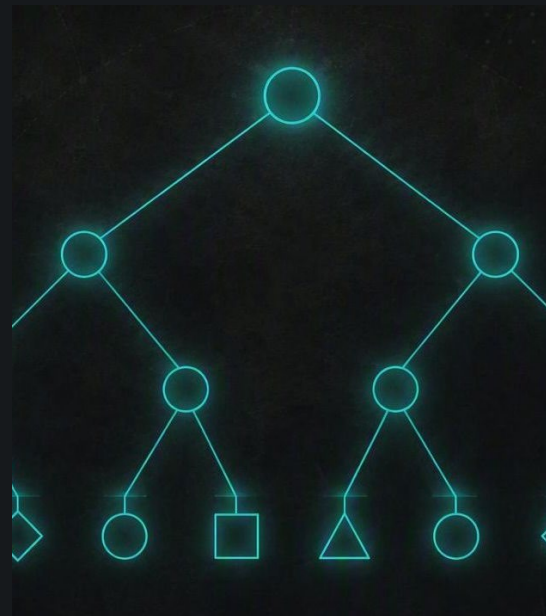
**Is this excluded trade credit?**

Look to the provider's primary business, not the borrower.

4

**Does covered commercial debt remain?**

If yes — full Rosenthal standards apply to the file.



# Intake, File Review and Communications

## Intake and file review

- Flag California accounts at the door
- Identify guarantors and individual obligors
- Classify the account before first contact
- Capture documentation supporting the classification
- Re-review on placement, sale or referral to counsel

## Communication requirements

- Rosenthal conduct standards apply in full
- Written communications and required disclosures
- Telephone contact frequency, timing and content
- Text messaging — consent and content risk
- Train collectors on covered vs. uncovered scripts

***Classification must happen before first contact — not after a dispute arrives.***

# Dispute Handling and Venue

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## Dispute handling

- Validation requests — timing and substance
- Identity theft claims and required response
- Reasonable investigation obligations
- Document what you did, when, and on what basis
- Coordinate with credit reporting furnisher duties

## Venue considerations

- Statutory venue requirements for covered debt
- Contractual venue provisions — and their limits
- Where the guarantor resides vs. the business
- Litigation strategy and cost consequences
- Filing in the wrong venue is itself a risk

*A contractual venue clause does not reliably displace a statutory venue requirement.*

# Litigation Risk and Vicarious Liability

## AVAILABLE REMEDIES

Actual damages

Statutory damages

Attorneys' fees

Costs

*Fee-shifting — not per-file statutory damages — drives the economics of Rosenthal litigation.*

## VICARIOUS LIABILITY

Creditor liability · agency liability · attorney conduct · vendor management

## Decisions to know

- Young v. Midland Funding, LLC
- De Alba v. Velocity Investments, LLC
- Slenk v. Transworld Systems, Inc.
- Panchenko v. Comenity Capital Bank
- Plus current Rosenthal enforcement trends

*Confirm the current posture and holding of each decision before relying on it.*

# California Flashpoints to Watch

## Velocity v. Nguyen

Published 3d District opinion, August 28, 2026

- Fair Debt Buying Practices Act access and attachment duties
- Generic borrower agreement tied to no debtor or debt
- Debtor cross-complained for statutory damages

## Chai v. Velocity

Standing without concrete harm (2025) 108 Cal.App.5th 1030

- No concrete injury needed to sue under the FDBPA
- Penalty provision supplies independent state standing
- Distinguishes Limon, which held otherwise under FCRA

## DFPI & Service

The state regulator is now the most active enforcer

- DFPI fills the vacuum left by CFPB retrenchment
- Alert: electronic service of summons is not permitted
- UDAAP exposure layered on top of Rosenthal

## SB 362

Commercial financing disclosure, effective January 1, 2026

- Builds on the SB 1235 APR disclosure regime
- Re-disclosure when pricing is stated during the process
- Reaches MCA and financing under \$500,000

# WAIT — California Isn't Done!

## AB 2116

### TRANSACTIONS SWEEP IN

Factoring

A/R purchases

Asset-based finance

Commercial loans

Open-end credit

Lease financing

#### Where the bill stands

- Passed the Legislature in August 2026
- Awaiting the Governor's signature

#### What it would do

- Proposed operative date of January 1, 2028
- DFPI licensing and oversight of providers

# Rosenthal Does Not Operate Alone

## FDCPA

Rosenthal incorporates federal conduct standards by reference

- Incorporation of FDCPA requirements
- Key operational differences in scope
- Two statutes, one set of collector conduct

## FCRA

Furnisher obligations attach the moment you report

- Furnisher accuracy obligations
- Dispute investigation duties
- Identity theft allegation handling

## TCPA

Guarantor mobile contact is its own exposure

- Calls placed to personal guarantors
- Mobile telephone communications
- Text messaging consent and risk

# Emerging Trends and Future Developments

## STATES TO WATCH

California

New York

Colorado

New Jersey

Massachusetts

Illinois

Washington

Oregon

### Enforcement direction

- California enforcement priorities sharpening
- Small-business protections expanding nationally

### Where litigation is heading

- Personal guarantors and MCA products
- Commercial finance and credit reporting disputes

# Practical Takeaways for Commercial Collectors

1

Not all commercial debt is exempt — assumption is the leading error

2

The trade credit exclusion narrows risk; it does not eliminate it

3

Personal guarantors create heightened, individual-level exposure

4

California files need their own review procedure, not the general one

5

Coverage status — not account labels — drives your obligations

6

Document the analysis; you may have to defend it later

Questions? · Regina M. Slowey, Esq.