

Commercial Collection Agency Association of the Commercial Law League of America® CODE OF ETHICS

Approved by the Association - July 4, 1977

Amended July, 1991, July, 1998. May, 1999, April 2002, April 2003 & February 2004.

All members of the Commercial Collection Agency Association of the Commercial Law League of America shall conduct their business in accord with this Code of Ethics, and their membership in the Association shall be conditioned on their continuing conduct in accord with this Code of Ethics.

Each member shall:

(1) In general conduct:

- (a) Maintain a high standard of fairness, honesty and courtesy in the conduct of business and avoid any activity which would bring reproach on this profession or this Association. *
- (b) Provide efficient collection service in the territory served; protect the interest of creditors; and give prompt and diligent attention to all claims received for collection.
- (c) Operate under a name which does not imply or suggest that the agency is a branch of or associated with any department of the federal government, a local government or any court. The letterhead of the agency should clearly indicate that the agency is in the collection business.
- (d) Make certain that all personnel are familiar with this Code of Ethics and that they fully comply with it.
- (e) Avoid the unauthorized practice of law by complying fully with the Declaration of Fair Practices of Collection Agencies approved by the Board of Governors of the Commercial Law League, appended hereto as Appendix 1.

(2) In relations with creditors:

- (a) Comply with instructions given by creditors in the processing of a claim promptly or give reasons for not doing so and ask for further instructions.
- (b) Maintain a trust account separate and apart from the member's operating account which should be titled as "Client" or "Customer" "Trust Account" and into which all debtor payments and attorney remittances shall be deposited by the agency. All remittances to creditors should be from the trust account only.
- (c) Identify clearly and accurately all charges to the creditor. Suit requirements requested by an attorney should be communicated to the creditor as communicated by the attorney. Service and or

administrative charges by the member are separate and apart from commissions and fees earned by a receiving attorney. Service and or administrative charges must be clearly identified and shown separately from court costs and suit fees requested by an attorney. Suit requirements received from a creditor should be sent to the attorney within seven working days of their receipt. A full accounting of any withdrawal fees charged must be provided to the creditor at the time withdrawal fees are assessed.

- (d) Remit to creditors as specified by the debtor where a number of claims against the same debtor are being collected.
- (e) Within 30 days after the close of a calendar month during which monies are collected for a creditor, account in writing and remit to that creditor all monies collected and received during the month less commissions and service charges. If the amount due the creditor is less than \$100., remittance may be deferred for an additional 30 days, provided such deferral of remittance is approved by the creditor.
- (f) Not permit any creditor to use any forms, letters or other material bearing the member's name as a preliminary service for which no charge is made in the collection of a debt (free demand service), unless such form, letter or other collection material states that the debt will be placed with the member for collection if it is not paid within a specified period of time after the date thereon.
- (g) Advance court costs and suit fees on behalf of a creditor only at the creditor's specific request, and bill the creditor for such costs and fees at the same time they are forwarded to an attorney.
- (h) Display the Official Association Logo on the letterhead of all correspondence sent to creditors and where other locations are listed, the identification of Branch (full service), Sales or Collection office must be shown.
- (i) Marketing of services should be professional and courteous. No activities should be engaged in that will bring reproach to this industry or Association.

(3) In relations with debtors:

- (a) Avoid deceptive practices, statements or materials which would cause debtors to believe they are

dealing with someone other than the member. A member when contacting a debtor shall not engage in any subterfuge such as stating they are a private investigator conducting an investigation of the debtor.

- (b) Show due consideration for debtor's problems and deal with them according to the merits of their individual cases.
- (c) In the event a claim is disputed, obtain from the creditor and provide the debtor with such documents or information necessary to validate the debt.
- (d) Avoid any harassment by telephone or personal calls.
- (e) If the debtor states that he is represented by an attorney and identifies him or if the agency is contacted by debtor's attorney, then the agency shall deal directly with the attorney. However, should the attorney fail to respond to calls or letters from the agency, then the agency may continue to contact and negotiate with the debtor.
- (f) Not represent that, if payment is not received by a specific date, a claim will be placed with an attorney or litigation will be commenced, unless:
 - (i) the representation indicates that such action has been authorized by the creditor, and
 - (ii) such representation is true
- (g) Threaten to damage a debtor's credit reputation if they do not pay or fail to cooperate by notifying other vendors and financial institutions that deal with the debtor.

(4) In relations with attorneys, comply with the Operative Guides adopted by the Commercial Law League of America, appended hereto as Appendix 2, as they may from time to time be amended, in the absence of specific agreement to the contrary.

** The following Interpretations have been adopted under the Code:*

It shall be considered contrary to high standards of "courtesy in the conduct of business" within the meaning of Section 1(a) of the Code of Ethics for an officer or partner of a commercial collection agency to initiate communications with an employee of another agency for the purpose of employing that employee without first advising an officer or partner of the other agency; but this does not apply where an employee of an agency responds to a public advertisement or initiates discussion of employment with another agency. *(Adopted by Association November 22, 1977)*

It shall be deemed contrary to "high standards of fairness, honesty" in the conduct of business under Section 1(a) of the Code of Ethics for a member to give a credit manager any inducement to place accounts with the member, other than normal business entertainment or nominal gifts. *(Adopted by Association July 13, 1981)*

It shall be considered contrary to "high standards of fairness in the conduct of business" within the meaning of Section 1(e) of the Code of Ethics for a member to request that a receiving attorney write a demand letter to a debtor for a stipulated fee, where the claim had not been forwarded to the attorney on behalf of the creditor. *(Adopted by Association July 25, 1998)*

RESOLUTION APPROVING CERTIFICATES OF COMPLIANCE

Commercial Law League of America®

(As amended February 19, 2004)

RESOLVED, that the Commercial Law League of America does hereby establish a Certificate of Compliance to be issued to commercial collection agencies, mercantile agencies and credit insurance companies (hereinafter collectively referred to as "agencies").

(1) Qualifications Necessary for a Certificate of Compliance. Any agency shall be eligible to receive a Certificate of Compliance if it:

- (a) Has a manager, owner, officer or partner who is a member of the Commercial Law League of America.
- (b) Has been actively engaged as a commercial collection agency (i.e. engaged primarily in the collection of commercial accounts for creditors, not

only by letters, but also by telephone and/or personal visits to debtors) for at least four (4) years prior to the date of application. The definition of "actively engaged," means that the applicant has demonstrated continued and uninterrupted business operations for a period of four years from the date of its inception and one or more of the applicant's principals have also been actively engaged as an owner of a commercial collection agency for a period of at least four years.

- (c) Does not operate as a house agency or engage in the practice of law.
- (d) Must have a minimum of the equivalent of five full time employees including the agency's principal(s).

- (e) Maintains separate bank accounts for all funds collected for its customers and does not commingle money collected for customers with the agency's funds or use money paid in any customer's names in the conduct of agency's business.
- (f) Maintains accounting procedures and records in accordance with generally accepted principles of sound accounting practice.
- (g) Complies with the Code of Ethics of the Commercial Collection Agency Association of the Commercial Law League of America, including the Declaration of Fair Practices of Collection Agencies as approved by the Board of Governors of the CLLA.
- (h) Files with the Commercial Collection Agency Association within thirty (30) days after notice of the approval by the Certificate of Compliance Committee of its application for a Certificate of Compliance, a single bond in the sum of \$50,000, and an excess surety coverage bond in the sum of \$250,000 in a form approved by the Committee for use of the agency's customers.

Such bond shall provide that coverage is provided to any of the agency's customers who may be damaged by wrongful conversion of any trust funds held by such agency and shall also provide that notice of cancellation of the bond must be given by the surety company to the Commercial Agency Association of the Commercial Law League. Such bond shall be executed by such applicant as principal and surety companies approved by the Commercial Collection Agency Association of the Commercial Law League of America.

- (i) No Certificate of Compliance shall be issued to any applicant until such time as a bond is in place and a representative of the applicant is admitted to membership in the Commercial Collection Agency Association.
- (j) Encourages adherence to the practices of the triadic system and forwards wherever possible accounts to CLLA attorneys utilizing the services of Law Lists whose principals are members of the CLLA.

(2) Oversight of Certification Program

- (a) Certificate of Compliance Committee. The responsibility of this Committee is to review applications for membership and to determine if the applicant meets the requirements for certification and to review and decide on all grievances and complaints filed against a certificate holder.

The committee shall be empowered to determine the form of application to be required and to make such investigation, as it may deem necessary to insure compliance with Article 1. All matters to come before the Committee shall be strictly confidential and members of the Committee and other participants in the process shall treat it as such.

The Committee will consist of five members selected from the ranks of past chairs of the CCAA by the CCAA Chair and ratified by the CCAA Council.

If there are not sufficient numbers of past CCAA Chairs to fill any open positions, members will be selected from the ranks of CCAA members who have served on the CLLA Board of Governors. If the ranks of past chairs of CCAA or CCAA members who have served on the CLLA Board of Governors does not provide a sufficient number of individuals who are able to serve on this Committee the CCAA Chair may select Committee members from the ranks of the CCAA general membership.

In addition the Committee will also have as a member a CLLA attorney. The CLLA attorney member of this Committee will be selected by the CLLA president from a list of three CLLA attorneys provided by the CCAA Council. League Counsel will be a resource to this Committee and may be called upon from time-to-time to advise on legal issues regarding the Certificate of Compliance program and other matters affecting the CCAA and the CLLA. The CCAA Executive Director will serve as Secretary to this Committee and is not a voting member of this Committee.

All grievance/complaints must be acted upon within one-hundred-twenty (120) days of receipt. The Committee shall be empowered to determine the form the presentation of the grievance or complaint should take regarding statement of the grievance/complaint, supporting arguments and evidence for the grievance/complaint and length of the grievance/complaint.

The Committee will render its decision to the CCAA Council who will, within fifteen days of being notified of the Committee's decision, either ratify or reject the Committee's decision. The Council may also elect to return the decision to the Committee for further consideration.

The Committee with the approval of the CCAA Council shall have the power to employ counsel and incur necessary expense for conducting an investigation of the matter before it. All matters to come before the Committee shall be strictly confidential and all parties, members of the Committee or other participants in the process shall treat it as such. The Committee shall file its report of expenses incurred as a part of its Committee's report, and may make recommendations to assess any expenses incurred against the complainant, if that complainant is another agency, should the Committee deem that the complaint is frivolous in nature and has not been substantiated by the evidence the complainant has presented.

If any of the parties take issue with the decision of this Committee ratified by the CCAA Council regarding a grievance/complaint, they may appeal as outlined in paragraph 4 (d) of this Resolution. If an applicant takes issue with the decision of this Committee regarding their application, they may appeal as outlined in paragraph 3 (c) of this Resolution.

- (b) Standards Committee. This Committee's responsibility is to review and evaluate the standards or requirements of the certification program as to whether they are responsive to the needs of the business credit community. The Committee will not be a standing Committee, but will meet every four years beginning April 2004. The CCAA Council may elect to accelerate or delay the reactivation of this Committee. The Committee will remain in existence for a one year period in which it will review the existing standards for awarding a Certificate of Compliance and make a report to the CCAA Council as to its recommendations. The CCAA Council may extend the duration of this Committee. In performing their duties the Standards Committee may make recommendations to reaffirm the current standards, propose changes to the certification program and or provide guidance on the interpretation of standards to the CCAA Council for their review and approval and subject to final approval by the CLLA Board of Governors. The Committee will sunset within 90 days of rendering its report to the CCAA Council, unless its duration is extended by the CCAA Council.

The Committee's membership will consist of three CCAA members of the Certificate of Compliance Committee selected by the CCAA Chair and ratified by the CCAA Council. It will also consist of the CLLA attorney member of the Certificate of Compliance Committee. The CCAA Executive Director will serve as Secretary to this Committee and will not be a voting member of this Committee.

An Advisory Panel consisting of two representatives from the business credit community and a law list representative will be selected by the CCAA Chair and ratified by the CCAA Council. The Advisory Panel will provide to the Standards Committee the perspectives of the business credit community and other constituencies of the triadic system regarding the commercial collection industry. Members of the advisory panel will participate in the deliberations of the Committee, but will have no vote regarding the recommendations the Committee may propose. The term of the Advisory Panel will coincide with that of the Standards Committee.

(3) Application Procedure.

- (a) Upon the filing of an application with the Executive Director of the Association, in the prescribed form and the completion of investigation as the committee shall deem necessary or proper to insure compliance with Article 1, the Certificate of Compliance Committee shall act upon the application within six (6) months of filing. An application fee will be assessed on all applications to defray the cost of conducting background checks on the applicant, its principals and officers. The applicant may be asked to pay the travel expense of the Executive Director or a member of his/her staff necessary to conduct a visit to the applicant's place or places of business.
- (b) If the committee shall find the applicant qualified, it shall notify the Executive Director of the Association that the applicant has met the requirements for membership. Upon receipt of verification that the conditions of Article (1) paragraph (h) have been met, the Executive Director shall cause a Certificate of Compliance to be issued and notify the Executive Vice President of the CLLA that a new Certificate of Compliance has been issued.
- (c) If the Committee does not approve the application, it shall notify the agency in writing of its findings and the reasons therefor. The member of the League representing the agency shall have the right to request an appeal for arbitration on behalf of the agency within thirty (30) days after notification of such findings, either to the American Arbitration Association in Chicago, Illinois or any other city the parties can agree upon, or alternatively to a three member panel of the CLLA Arbitration and Grievance Committee. The three members of the panel must be approved by the parties. The decision of the American Arbitration Association or of the Arbitration and Grievance Committee panel may be appealed to the Board of Governors.
- The Board of Governors and the Commercial Collection Agency Association Council shall jointly select, predicated upon a selection procedure agreed to by the Board of Governors and the Commercial Collection Agency Association Council, five (5) individuals from the Arbitration and Grievance Committee to serve as arbiters on appeals from the Certificate of Compliance committee. The parties to such an appeal shall select three of these five arbiters to hear and decide on the decision being appealed.
- (d) If an agency's application has not been approved, the agency may reapply for a Certificate of Compliance after it shall have taken the necessary corrective action to remove the cause of the application's disapproval.

(4) Continuation.

- (a) A certificate of Compliance shall be issued for a period of one (1) year. Upon application, it may be renewed for a period of one year if (i) the applicant continues to meet the qualifications imposed upon a new applicant for a Certificate and (ii) the applicant shall have filed with the Executive Director of the Commercial Collection Agency Association within 90 days following the close of its most recent fiscal year, and within 90 days following the date six months after the close of such fiscal year, a Trust Account Verification Report prescribed by the Commercial Collection Agency Association.
- (b) When a change in ownership of a member agency takes place through a merger or other business transaction, the holder of a Certificate of Compliance must submit an application to the Executive Director of the Association within thirty (30) days after the effective date of the transaction that sets forth the changes that have occurred and provide documentation that the requirements of

membership are met by the successor or surviving entity. The applicant shall have all rights and responsibilities of a holder of a Certificate of Compliance pending review of the application and until a determination is made concerning the applicant's continued entitlement to a Certificate of Compliance.

- (c) The qualifications of a holder of a Certificate of Compliance may be subject to review upon written complaint of any person or written request of two members of the Committee on Certificates of Compliance. Such complaint or request shall contain specifications detailing the reason for review. Upon receipt of such complaint or request, the Executive Director verifies with the complainant that he or she wishes to go forward with the matter and initiate a formal complaint process. The Complainant, if another agency, is advised at this time that it may be assessed the cost of investigating its complaint. When submitting its complaint the Complainant, if another agency, will be asked to acknowledge that it will promptly remit any assessment the Committee may render. Should the Complainant wish only to alert the Executive Director of a situation but not pursue a formal complaint, then the Executive Director corresponds with the agency member requesting comments regarding the complaint. In so doing the Executive Director does not disclose the name of the complainant to the agency or identify the file or files on which the complaint is based. The agency's response is then transmitted to the Complainant and the matter is closed.

If the Executive Director, in the course of handling the foregoing informal complaint, discovers that the agency is in violation of the requirements of this Resolution or of the Association's Code of Ethics, it shall be required that the Executive Director so notify the Certificate of Compliance Committee following, the procedure as if a formal complaint has been filed.

In the formal complaint process, the Executive Director writes the Chair of the Committee on Certificates of Compliance with copies to other Committee members outlining the facts of the complaint. In so doing, the name of the complainant, the agency and the file or files that are the basis for the complaint are not revealed to the Committee Chair or its members. In all further correspondence or discussion, the names of the parties in interest are deleted. The Committee deals only with a set of facts or reports. In this initial correspondence to the Committee, they are notified of the request for review of the holder's Certificate. If a majority of the committee so authorizes in writing, the Executive Director notifies the agency in writing of the determination and issues a request for review. Such a request for review shall, if the Executive Director so determines, include a request for access to and review of the Certificate holder's books, records and processes, and permission to contact customers, attorneys and other

parties deemed necessary regarding the files found during the review process that raise questions concerning the Certificate holder's compliance. Should the Certificate holder not allow or fail to respond within ten (10) days, to a request for a review, the Executive Director shall so report to the Committee. Such failure to comply with the request for review is grounds for immediate disqualification of the agency, subject to appeal.

An investigation of the agency is then conducted by the Executive Director. All contact with the agency shall be by the Executive Director. Representatives of the agency are not required to appear before the committee, but are free to do so if they request this.

When the committee is satisfied that all the relevant data has been compiled, it makes its determination as to the agency's qualifications. If the committee finds the agency has violated the Code of Ethics, it may elect to censure, either as a private or public censure, suspend an agency's Association membership and Certificate of Compliance or find an agency disqualified and revoke their Association membership and Certificate of Compliance. All parties to the complaint are then notified of the committee's determination by the Executive Director.

If the agency is found disqualified, the Executive Director must notify the Surety Company at the earliest time specified in the policy. Notice to the surety states the finding of disqualification and provides the surety with information on the appeal process. Should the surety decide to cancel the bond, the Executive Director upon such notification will notify the agency that their bond has been cancelled and this will result in immediate revocation of the agency's Certificate of Compliance and membership in the Association.

- (d) If the complainant or the agency is dissatisfied with the decision of the Committee, either may appeal for arbitration within thirty (30) days after notification of such findings to either the American Arbitration Association in Chicago, Illinois or any other city the parties can agree upon, or alternatively, to a three member panel of the CLLA Arbitration and Grievance Committee. The three members of the panel shall be selected in accordance with the procedures described in paragraph 3 (c) above and must be approved by the parties. The decision of the American Arbitration Association or of the Arbitration and Grievance Committee panel may be appealed to the Board of Governors.

In order to initiate any appeal process, the complainant or the agency must notify the Executive Director of its intention to appeal within ten (10) days of being notified of the Committee's decision. Failure to do so shall negate any right to appeal.

The Certificate of any agency found to be disqualified shall be revoked either at the expiration of the

time for filing an intent to appeal or appeal, if none has been filed, or, if an appeal has been filed, at the time of notice of an affirming decision upon appeal, whichever comes first.

An agency whose Certificate has been revoked cannot apply for another Certificate until a waiting period determined by the Certificate of Compliance Committee at the time of revocation has expired. Such waiting period, determined at the discretion of the Certificate of Compliance Committee, shall be a minimum of six months and shall not exceed a maximum of two years, computed from the date of Certificate revocation.

- (5) Revocation of Certificate of Compliance.** If the holder of a Certificate of Compliance shall cease to have a representative who is a member of the League for a period exceeding ninety (90) days, its Certificate of Compliance shall be revoked.

If a member's collection agency license has been revoked or suspended because of a disciplinary proceeding that action will require the CCAA Executive Director to investigate the circumstances surrounding the matter and to report his/her findings to the Certificate of Compliance Committee. The Executive Director shall complete his/her investigation of the matter within thirty (30) days of receiving notice of the revocation or suspension. The Committee, after deliberation may decide to revoke or suspend the Certificate of Compliance of the member agency. The Committee shall complete its deliberations and reach its decision within thirty (30) days of the Executive Director's report concerning the revocation or suspension. Such a decision must be ratified by the CCAA Council as described in Section 2 (a) of this Resolution. If a member's Certificate of Compliance is suspended, reinstatement of the certificate is not automatic and the agency must reapply for reinstatement at the expiration of their suspension. If the member takes issue with the decision to suspend or revoke its Certificate of Compliance it may appeal as outlined in Section 4 (d) of this Resolution.

Upon revocation, the Executive Director shall publish in the next scheduled Association's newsletter the revocation of the agency's certificate and remove the agency's name from all rosters and other Association publications and information.

- (6) Amendments to Qualifications for Certificates of Compliance.** The Commercial Collection Agency Association shall have the exclusive right to alter or amend the requirements for a Certificate of Compliance subject to the approval of the Board of Governors of the League.

DECLARATION OF FAIR PRACTICES OF COLLECTION AGENCIES*

Approved by the Board of Governors of the
Commercial Law League of America®

July 16, 1981

1. A collection agency may engage in the business of collecting past-due accounts for customer-creditors (hereinafter "creditors"), provided, however, that the agency may not, except where permitted to do so by applicable state law:
 - (a) Institute judicial proceedings on behalf of creditors or other persons, or otherwise engage in the practice of law or represent that it is competent to do so;
 - (b) Communicate with debtors in the name of an attorney or upon the stationery of an attorney, or prepare any forms of instruments which only attorneys are authorized to prepare;
 - (c) In dealing with debtors employ instruments simulating forms of judicial process or forms of notice pertaining to judicial proceedings, or threaten the commencement of such proceedings;
 - (d) Employ or terminate the services of attorneys or arrange the terms or compensation for such services on behalf of creditors without written authority to do so;
 - (e) Intervene between creditor and attorney in any manner which would control or exploit the services of the attorney or which would direct those services in the interest of the agency;
 - (f) Demand or obtain in any manner a share of the proper compensation for services performed by an attorney in collecting an account, irrespective of whether or not the agency may have previously attempted collection thereof.
2. An agency may properly agree with creditors that the agency's compensation will be contingent on success in collecting accounts, and the measure of compensation may be a percentage of the amount collected.
3. When authorized by a creditor, it is proper for an agency to recommend an attorney or attorneys to the creditor and to transmit accounts on behalf of the creditor to any attorneys so recommended on terms and conditions authorized by the creditor.
4. When authorized by a creditor, it is proper for an agency as agent for the creditor, to conduct correspondence of a routine nature (such as inquiries and reports with respect to status of the claim) on behalf of the creditor with the attorney to whom the creditor's account has been transmitted for collection, and, in general, to carry on activities similar to those ordinarily carried on by the collection department of a creditor organization provided that the attorney shall be free at all times to communicate with the creditor and provided further (i) that the agency may not attempt to control or in any way suggest or imply that it has any right to control the actions of the attorney or otherwise interfere with the attorney-client relationship between the creditor and the attorney, and (ii) that decisions as to the manner in which the claim is to be handled by the attorney, whether suit is to be brought, the claim is to be compromised or settled, whether the claim is to be returned, and any other matters requiring the decision of the creditor shall in each instance be left to the creditor and the attorney in direct communication with each other when the attorney or the creditor so desires and the attorney shall be so advised in the forwarding letter. Copies of correspondence between the attorney and the agency need not be forwarded to the creditor unless the creditor requests otherwise. When the agency receives from the attorney an accounting concerning a collection made by the attorney, such accounting or the details thereof shall be promptly transmitted by the agency to the creditor.

**This statement of proper activities of collection agencies from the standpoint of the unauthorized practice of law is intended to apply only where, and to the extent that, applicable statutes, court decisions, and regulations promulgated by government agencies do not conflict with the provisions of the statement.*