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;;;neotech panel 1

>> I'D LIKE TO BRIEFLY INTRODUCE
OUR OPENING SPEAKERS.
WE HAVE JULIE BRILL COMMISSIONER
AT THE FEDERAL TRADE COMMISSION.
HE'S BEEN HIGHLY INTERESTED AND
FOCUSSED ON CONSUMER PROTECTION
ISSUES AND DEBT COLLECTION AND
IS HERE NOW TO INTRODUCE ON
BEHALF OF THE FTC, WE'RE
DELIGHTED TO INTRODUCE JULIE
BRILL.
>> THANK YOU, THAT WAS VERY
.
GOOD MORNING EVERYBODY.
IT'S GREAT TO SEE A BIG
CROWD AND AN ASSUME WE HAVE
PEOPLE ON THE WEB SO GOOD
MORNING TO YOU AS WELL.
I APPRECIATE THE OPPORTUNITY TO
OPEN UP THIS REALLY IMPORTANT
DISCUSSION TODAY.
AND I'M ALSO DELIGHTED TO BE
HERE WITH STEVE.
IT'S INTENDED TO BRING TOGETHER
INDUSTRY MEMBERS, CONSUMER
ADVOCATES, TECHNOLOGY PROVIDERS
AND REGULATORS AT THE STATE AND
FEDERAL LEVEL TO DISCUSS THE
DEBT COLLECTION PROCESS AND HOW
THE PROCESS CAN AND SHOULD BE
IMPROVED.
EVERYONE HERE HAS A DEEP
INTEREST IN INSURING THE SYSTEM
IS FAIR AND TRANSPARENT.
I WANT TO START BY ACKNOWLEDGING
THE HARD WORK THE FOLKS
THAT ORGANIZED THE
EVENT AND I THINK IT
DEMONSTRATES OUR STRONG
LEVERAGE OUR COLLECTIVE ASSET
AND EXPERTISE.
TOM CANE AND DON DWYER

SPEARHEADED THE EFFORT FOR THE
FEDERAL TRADE COMMISSION AND THE
REPORTING MARKETS SERVED AS
LEADS FOR THE
THANK YOU TO THEM AND EVERYONE
ELSE AT THE AGENCIES WHO WORKED
HARD TO BRING TOGETHER SO MANY
KEY PLAYERS FOR THIS EVENT.
THIS MORNING I'D LIKE TO TALK
ABOUT THE
THE WORKSHOP AND THE IMPORTANT
WORK THE FTC
COLLECTION THAT WILL INFORM OUR
DISCUSSIONS TODAY AND IN THE
MONTHS TO COME.
IT WILL PROBABLY COME AS NO
SURPRISE
THAT DEBT COLLECTION IS A
BOOMING BUSINESS.
ONE OF THE LINGERING RESULTS OF
THE FINANCIAL CRISIS IN THE
U.S. IS THAT U.S. CONSUMERS ARE
IN DEBT TO THE TUNE OF $11.23
TRILLION.
8% OF THAT DEBT OR ABOUT 900
BILLION IS DELINQUENT WITH $678
BILLION BEING SERIOUSLY
DELINQUENT.
IT PROVIDES OPPORTUNITY FOR THE
DEBT COLLECTION INDUSTRY AND
SIGNALS SOMETHING OPPOSITE FOR
CONSUMERS.
CONSIDER WHAT THEY FACE,
UNEMPLOYMENT OR UNDER
EMPLOYMENT.
LACK OF HEALTH INSURANCE AND
PROPER HEALTH CARE AND
DIFFICULTIES IN PAYING FOR
CRITICAL NEEDS LIKE FOOD
AND CHILD CARE.
ADD IN THE EFFORTS BY LEGITIMATE
DEBT COLLECTORS TO LAWFULLY
COLLECT DEBTS CONSU OWN,
TELEPHONE CALL, LATE NOTICES,
GARNISHMENT ORDERS AND HAVE YOU
CONSUMERS THAT WHO BECOME MORE

FINANCIALLY DISTRESSED THAN
BEFORE.
NOW, ADD TO THE MIX THE BAD
ACTORS.
THE DEBT COLLECTORS
IN UNSCRUPULOUS IF NOT ILLEGAL
PRACTICES THAT CALL AT ALL HOURS
OF THE NIGHT.
THE ONES WHO LIE AND MAKE
THREATS THEY CANNOT FOLLOW
THROUGH ON.
THE ONES WHO ENGAGE IN
ROBO-SIGNING OR
BASIS FOR DOING SO.
THE ONES WHO USE SUBTERFUGE TO
OBTAIN MONETARY JUMP AND
GARNISHMENT ORDERS.
THEY'RE BELOW THE BELT PUNCH
AIMED AT CONSUMERS WHO ARE
ALREADY BEING PUMMELED.
PLEASE DON'T GET ME WRONG
I DON'T MEAN TO IMPLY THAT ALL
DEBT COLLECTORS AND DEBT BUYERS
ENGAGE IN THESE
PRACTICES BECAUSE THEY DON'T.
INDEED, DEBT COLLECTORS HAVE AN
IMPORTANT ROLE IN OUR
SYSTEM BOTH REMINDING CONSUMERS
OF THEIR OBLIGATIONS TO PAY DEBT
AND ENSURING CREDIT CONTINUES TO
FLOW TOP, CONSUMERS BUT THE
SLOPPY AND BAD PRACTICES OF SOME
INDUSTRY PLAYERS HARM BOTH
CONSUMERS AND COMPETITORS WHO
PLAY BY THE RULES.
WE AT THE FTC HAVE
APPROPRIATE AGGRESSIVE
ENFORCEMENT TO WEED OUT THESE
BAD ACTORS.
OUR EXTENSIVE AND
RESEARCH HAVE GIVEN RISE TO THE
PRACTICES.
I
WORK SHOULD PLAY AN IMPORTANT
WORK
REFORMS IN THE COMING MONTHS.

AFTER I BECAME COMMISSIONER WE
PAINTED A TROUBLING
RESPECT TO HOW DEBT COLLECTION
CLAIMS ARE LITIGATED AND
ARBITRATED.
OUR REPORT SHOWED DEBT
COLLECTORS HAVE FILED HUNDREDS
OF THOUSANDS
THE VAST MAJORITY OF THESE
ACTIONS RESULTING IN DEFAULT
JUDGMENTS.
IN SOME JURISDICTIONS UPWARDS OF
OUR
SYSTEMATIC
DATA
WE CONCLUDED THEY OFTEN
DOCUMENTATION
PROPERLY SUPPORT
WE ALSO FOUND THAT DEBT
COLLECTORS OFTEN HAVE NO ABILITY
TO OBTAIN RELEVAN DATA ABOUT
THE DEBT AND ANY DATA THE DEBT
COLLECTORS HAVE MAY BE
INACCURATE DUE TO CONTRACTUAL
OR OTHER LIMITATIONS.
AS A RESULT OF POOR OR NO
INFORMATION ABOUT THE UNDERLYING
DEBTS, DEBT COLLECTORS DO NOT
OFTEN HAVE THE INFORMATION
NECESSARY TO RESPOND TO CONSUMER
DISPUTES
STATUTES OR REQUESTS.
CONSUMERS MAY BE DENIED
EMPLOYMENT, INSURANCE OR CREDIT
AS A RESULT.
OUR 2010 REPORT RECOMMENDED
SIGNIFICANT REFORMS TO
EFFICIENCY AND FAIRNESS TO
CONSUMERS.
OUR RECOMMENDATION URGED STATES
TO ADOPT MEASURES TO MAKE IT
MORE LIKELY THAT CONSUMERS WILL
KNOW ABOUT THE LITIGATION AND
HAVE THE MEANS TO DEFEND
THEMSELVES INCLUDING BY
REQUIRING COLLECTORS TO PROVIDE

MORE INFORMATION ABOUT THE
PURPORTED DEBTS WHEN THEY
INITIATE LITIGATION.
THIS WOULD ENABLE CONSUMERS TO
SUED AND AVOID JUDGMENTS ON
EMPTY ASSERTIONS.
YOU'LL HEAR MORE ABOUT THE
FINDINGS IN OUR 2010 REPORT
LATER THIS AFTERNOON FROM TWO OF
OUR FTC ATTORNEYS AND HEAR FROM
STATES THAT HAVE ADOPTED SOME OF
OUR RECOMMENDED REFORMS.
WHILE THIS IS GOOD NEWS AND
THERE IS GOOD NEWS ABOUT EFFORTS
BEING MADE TO MAKE SOME OF THESE
APPROPRIATE REFORMS,
UNFORTUNATELY, SINCE WE ISSUED
OUR 2010 REPORT IT APPEARS IN
MOST RESPECTS VERY LITTLE HAS
CHANGED.
AS WAS TRUE IN 2010, THE FTC
CONTINUES TO RECEIVE MORE
COMPLAINT ABOUT DEBT COLLECTION
THAN ANY OTHER INDUSTRY.
IN 2012 WE RECEIVED MORE THAN
125,000 SEPARATE CONSUMER
COMPLAINTS REPRESENTING OF
ALL THE COMPLAINT THAT WE
RECEIVED.
BECAUSE OF THE CONTINUED
IMPORTANCE OF THIS ISSUE WE HAVE
CONTINUED TO STUDY THE INDUSTRY.
IN JANUARY OF THIS YEAR WE
ANNOUNCED THE
OF ITS KIND STUDY BY DEBT
BUYERS.
COMPANIES IN THE BUSINESS OF
BUYING CONSUMER DEBT AND
ATTEMPTING TO COLLECT ON IT.
NINE,
COLLECTIVELY PURCHASED FOR
PENNIES ON THE DOLLAR NEARLY 90
MILLION CONSUMER ACCOUNTS WITH
THE FACE VALUE OF $143 BILLION.
THERE'S NO DOUBT THAT DEBT
BUYING PLAYS AN IMPORTANT ROLE

IN CONSUMER CREDIT.
PROCEEDS FROM SAILS OF THINK WET
ACCOUNTS HELPED REDUCE CREDITORS
LOSSES FROM LENDING MONEY
ALLOWING THEM TO PROVIDE MORE
CREDIT AT LOWER PRICES.
WE FOUND, HOWEVER, DEBT BUYING
RAISES THE SAME CONSUMER
PROTECTION CONCERNS WE DESCRIBED
IN OUR 2010 REPORT,
MOST NOTABLY THAT
MAY HAVE INSUFFICIENT OR
INACCURATE INFORMATION WHEN THEY
COLLECT.
RESULT IN COLLECTORS SEEKING TO
RECOVER FROM THE WRONG CONSUMER
OR RECOVER THE WRONG AMOUNT.
YOU'LL HEAR MORE ABOUT OUR DEBT
BUYER STUDY LATER THIS MORNING
FROM HEATHER ALLEN WHO WILL
DESCRIBE THE FINDINGS AS WELL AS
SOME OF THE RECOMMENDATIONS IN
THAT REPORT.
OUR ENFORCEMENT WORK HAS
LIKEWISE IDENTIFIED ASPECTS OF
THE.
OVER THE PAST THREE YEARS THE
FTC HAS BROUGHT MORE THAN A
DOZEN ACTIONS AGAINST
UNSCRUPULOUS THIRD-PARTY DEBT
COLLECTORS.
SOME OF OUR CASES HAVE ADDRESSED
GROUNDBREAKING ISSUES LIKE
ATTEMPTS TO COLLECT ON TIME
BARRED DEBT--
DEBT SO OLD THE COURTS WON'T
ALLOW THE COLLECTOR TO SUE ON IT
AND THERE ARE DATA INTEGRITY
ISSUES IN OUR REPORTS INCLUDING
MISSING INFORMATION OR MISSING
KEY DOCUMENTS FROM THE ORIGINAL
ALLEGED DEBTS.
FINALLY, I'D JUST LIKE TO
MENTION AN ISSUE I'M
PARTICULARLY CONCERNED ABOUT AND
ONE I HOPE YOU'LL HAVE

OPPORTUNITY TO DISCUSS AT SOME
POINT TODAY.
DEBT COLLECTORS NOW USE ALL
MANNERS OF TECHNOLOGY, CELL
PHONES, SOCIAL MEDIA AND E-MAIL
TO REACH CONSUMERS BUT THE FAIR
DEBT COLLECTION PRACTICES ACT
THAT GOVERNS THEIR ACTIVITIES
WAS PASSED IN 1977.
A HERE I HAPPEN
HIGH SCHOOL AND A TIME WHEN
THESE TECHNOLOGIES, SOCIAL MEDIA
AND THE LIKE WERE NOT EVEN
CONTEMPLATED.
WE NEED TO ENSURE THROUGH
ENFORCEMENT, RULE-MAKING OR
AMENDMENTS TO FTC OUR
POLICIES ADEQUATELY ADDRESS HOW
DIRECT COLLECTORS USE NEW
TECHNOLOGIES.
I'M SURE TODAY'S DISCUSSIONS
WILL BE FRUITFUL AND SERVE TO
ESTABLISH SOME COMMON GROUND w
CONSUMER ADVOCATES, COLLECTION
INDUSTRY MEMBERS, TECHNOLOGY
PROVIDERS AND STATE AND FEDERAL
REGULATORS AS WE SEEK SOLUTIONS
TO PROBLEMS CAUSED BY THE FLOW
AND INTEGRITY OF INFORMATION
USED IN COLLECTIONS.
SO THANK YOU VERY MUCH.
COMMISSIONER BRILL, MUCH AS A
STATE OFFICIAL.
WE'RE DELIGHTED HE CAN HELP US
STEVE ANTONAKES.
>> GOOD MORNING.
SO I'D LIKE TO THANK EVERYONE
FOR JOINING US TODAY.
CERTAINLY WANT TO THANK YOU
COMMISSIONER BRILL AND HER
COLLEAGUES FOR HOSTING THE
EVENT.
SINCE THE BUREAU
JULY 2011 WE HAVE COME TO
REALIZE WE COULD NOT HAVE ASKED
FOR A BETTER GROUP OF PARTNERS

TO WORK WITH TO
EARS CROSS THE COUNTRY.
DAY'S EVENT FOLLOWS
INDUSTRY ROUNDTABLES ON
PRACTICES THE FTC HAS ORGANIZED
HAVE SERVED VALUABLE IN ALLOWING
A WIDE RANGE OF STAKEHOLDERS TO
DISCUSS POLICY SOLUTIONS SO
AGAIN WE'RE DELIGHTED TO BE HERE
TODAY.
AS WE CONTINUE TO EMERGE FROM
THE
AND 2008 WE NOW FIND COLLECTION
IS A
CURRENTLY THE
CONSUMERS.
NEARLY ONE OF EVERY TEN
CONSUMERS FOR AMOUNT OF 15
PIECE.
DEBT COLLECTORS REMIND BORROWERS
THAT REPAYING DEBT IS A SERIOUS
OBLIGATION AND RECOGNIZE THIS IS
A MARKET WHERE CONSUMERS CAN'T
VOTE WITH THEIR FEET.
WHILE MANY DEBT COLLECTORS ARE
PLAYING BY THE RULES AND TRY
TO COLLECT WHAT IS LEGALLY OWED
SOME CUT?
AND MANY CON
FRUSTRATING AND STRESSFUL.
THEY COMPLAINT RAISE A NUMBER OF
WE WORRY WHETHER THE CONSUMERS
BEING TOLD THE STRAIGHT STORY
ABOUT THE CONSEQUENCES OF NOT
MAKING
WE WORRY THE DEBT BEING CLAIMED
IS THE RIGHT AMOUNT.
WET
PROBLEMS.
WE HOPE TO GATHER INFORMATION
AND WORK TOWARDS MAKING THE
INDUSTRY BETTER FOR
AND THE HONEST BUSINESSES DOING
;;;;qqq
OUR JOB IS TO TAKE APPROPRIATE
ACTION AGAINST LAW VIOLATORS.

IN FACT, THE PURPOSE OF THE ACT
IS THAT CONGRESS WANTS TO
ENSURE
THOSE WHOSE FOLLOW THE LAW DO
NOT SUFFER.
IN JANUARY, WE DID SOMETHING
UNPRECEDENTED.
WE MONITOR DEBT COLLECTORS AND
MAKE SURE THEY ARE IN ACCORDANCE
WITH THE LAW.
THE SHARED OBJECTIVE OF BOTH THE
FTC AND BUREAU IS TO SEEK AND
EVALUATE BROADER SOLUTIONS TO
OVERALL CHALLENGES IN THE
MARKET.
THE FOCUS OF TODAY'S ROUNDTABLE
THE INTEGRITY OF THE
RECORD-KEEPING PROCESSES AND
DATA USED TO COLLECT ON A DEBT
IS ALSO ONE OF THE IMPORTANT
FOCUSES OF OUR EARLY SUPERVISION
AND ENFORCEMENT EFFORTS IN THIS
INDUSTRY.
DATA ACCURACY AND AVAILABILITY
AND THE MAINTENANCE OF THE
ACCURACY ACROSS DIFFERENT MARKET
PARTICIPANTS ARE CRITICAL FOR
HAVING COLLECTION PROCESSES FAIR
AND HAVING COMMUNICATION HAS IT
CONSUMERS CAN TRUST.
QUESTIONS OF DATA INTEGRITY AND
THE COLLECTIONS PROCESS ARE THE
SUBJECT OF MANY OF TODAY'S
PANELS.
ALLOW ME TO ILLUSTRATE AREAS OF
FOCUS.
FIRST IS THE ACCURACY OF THE
DATA DEBT COLLECTORS ARE USING
TO CONSUMERS THAT MAY OWE A
DEBT.
WHEN THIRD-PARTY COLLECTORS ARE
INVOLVED IT BECOMES IMPORTANT.
ORIGINAL CREDITORS SHOULD ENSURE
CRITICAL INFORMATION IS BEING
MADE AVAILABLE TO PAY CLOSE
ATTENTION TO WHETHER THEY HAVE

ACCURATE INFORMATION WHEN
THEY'RE COLLECTING DEBTS.
SECOND TO THE EXTEND OF ACCURACY
OF INFORMATION AS FAR AS THE
CONSUMER'S IDENTITY AND AMOUNT
OF DEBT.
IF ANY PIECE OF THE INFORMATION
IS CHANGED DEBT MAY BECOME
UNRECOGNIZABLE.
THIRD, CONSUMERS NEED TO BE ABLE
TO DISPUTE THREATS THEY BELIEVE
TO BE INCORRECT.
IF THE DEBT COLLECTOR HAS
FUNNISHED INFORMATION ABOUT THE
DEBT TO A CREDIT REPORTING
COMPANY THEY NEED TO INFORM THE
COMPANY OF ANY INACCURACIES IT
FINDS.
IT'S CRITICAL THE REPORTING
COMPANIES HAVE ACCURATE AND UP
TO DATE INFORMATION.
ANOTHER TOPIC IS THE INFORMATION
THAT IS REQUIRED AS EVIDENCE IN
DEBT CORE CASES.
THIS ISSUE AS COMMISSIONER BRILL
DISCUSSED HAS BEEN HIGHLIGHTED
IN THE FTC ROUNDTABLE AND
REPORT, REPAIRING A BROKEN
SYSTEM.
IT'S HELPED SPUR REFORMS TO
ENSURE CONSUMERS HAVE PROPER
NOTICE THEY'RE BEING SUED AND
THEY DOCUMENT CLAIMS BEFORE
OBTAINING JUDGMENTS.
AS LITIGATION HAS BEEN IN AN
INCREASINGLY USED ACTIVITY WE'VE
FOLLOWED THROUGH ON THE
REQUIREMENTS AND AWARE STATES
ARE LOOKING INTO ISSUES AND WHAT
RECORD SHOULD BE MAINTAINED AND
PROVIDED TO CONSUMERS WHEN
CREDITORS PURSUE DEBT
COLLECTIONS THROUGH THE COURTS.
TODAY'S ROUNDTABLE BRINGS
TOGETHER MANY STAKEHOLDERS IN
THE DEBT COLLECTION PROCESS,

CREDITORS, CONSUMER ADVOCATES,

PLAINTIFFS LAWYERS, TECHNOLOGY VENDORS AND REGULATORS.
WE ALL HAVE A STAKE IN ENSURING THE INFORMATION USED IS FUNDAMENTAL TO FAIRNESS AND TRANSPARENCIES CONSUMERS ARE ABLE TO TRUST THE INFORMATION THEY RECEIVE FROM COLLECTORS AND MAKE DECISIONS IN THEIR BEST INTEREST.
THE NATURE OF INFORMATION IS THAT IT'S A SYSTEMIC RESPONSIBILITY.
MULTIPLE MARKET PARTICIPANTS CREATE, COMMUNICATE, UPDATE AND USE COMMON SENSE INFORMATION OR EVEN SHARED INFORMATION SYSTEMS IN THEIR ROLES IN THE DEBT COLLECTION PROCESS.
SO EACH OF US HAS A ROLE TO PLAY IN FORMULATING SOLUTION WHETHER THEY'RE TECHNOLOGIES, DATA KEEPING PRACTICES OR DESIGNING NEW SYSTEMS, DISCLOSURES OR RULES.
WE ASK FOR YOUR HELP TODAY IN IDENTIFYING SOLUTIONS.
WE WANT TO CREATE A SYSTEM WHERE ACCURATE INFORMATION IS MAINTAINED IN THIS MARKET SO COLLECTORS ARE CALLING ON THE RIGHT CONSUMER TO COLLECT THE RIGHT AMOUNT.
WE WANT CONSUMERS TO FEEL CONFIDENCE WHEN ANSWERING THE PHONE THEY'LL GET A STRAIGHT STORY, HEAR ACCURATE INFORMATION AND BE ABLE TO MAKE THEIR BEST CHOICES GIVEN THEIR CIRCUMSTANCES.
THIS IN TURN WILL BE ANOTHER STEP TOWARDS OUR COLLECTIVE GOAL OF MOVING TOWARDS A DEBT COLLECTION MARKET IN WHICH

CONSUMERS ARE TREATED FAIRLY, RETAIN THEIR DIGNITY AND ARE PROMPTED APPROPRIATELY TO PAY THEIR LEGITIMATE DEBTS.
WE'RE LOOKING FORWARD TO OUR COLLABORATION ON THESE SIGNIFICANT ISSUES.
I APPRECIATE AND THANK EVERYONE FOR COMING TODAY.
>> GOOD MORNING EVERYONE AND WELCOME TO THE DEBT COLLECTION DATA INTEGRITY ROUNDTABLE BY THE FTC.
I'M DAN DWYER AND AN ATTORNEY AT THE FTC.
WE'RE DELIGHTED YOU'VE JOINED US FOR WHAT IS TO BE AN INTERESTING AND THOUGHT-PROVOKING DISCUSSION FOR THE DEBT COLLECTION PROCESS.
THOSE JOINING US IN PERSON SEE EVENT CARDS IN THE NOTE FOLDER.
WRITE DOWN ANY QUESTIONS YOU HAVE FOR THE PANELISTS ON THE CARDS.
IF YOU HOLD THEM UP A MEMBER OF OUR TEAM WILL PICK THEM UP YOU FROM.
IF YOU'RE TWEETING USE THE HASHTAG "DEBT DATA."
AFTER THREE PRESENTATIONS TO SET THE STAGE FOR THE DAY, MOST OF THE REST OF THE DAY WILL INVOLVE FOUR DISCUSSION PANELS THAT FOCUS ON INFORMATION AND THE IMPORTANCE OF ITS AVAILABILITY AND ACCURACY IN FOUR DIFFERENT PHASES OF THE DEBT COLLECTION LIFE CYCLE.
ONE IS NOTICES TO CONSUMERS UNDER SECTION 92 G AND SPECIFIED UNDER THE STATUTE AND UNDER THE SPIRIT OF THE LAW IS HELPFUL TO THE CONSUMER IN RECOGNIZING THE DEBT AND HIS OR HER RIGHTS.
THE SECOND PANEL IS WHAT HAPPENS WHEN A CONSUMER DISPUTE AS A

DEBT AND WHAT INFORMATION IS REQUIRED TO SUBSTANTIATE IT AND THE THIRD WILL BE ABOUT DEBT COLLECTION LITIGATION.
WHAT HAPPENS AT THE END OF THE LINE WHEN OTHER DEBT COLLECTION METHODS HAVE BEEN EXHAUSTED AND PRESENT EVIDENCE TO MAKE SURE THE RIGHT CONSUMER'S BEING SUED FOR THE RIGHT AMOUNT AND THE FINAL PANEL IS ABOUT THE STATUTE OF LIMITATIONS AND WHAT MUST BE DISCLOSED TO THE CONSUMER.
OUR PANELS TODAY WILL INCLUDE CONSUMER ADVOCATES, CREDITORS, COLLECTION AGENCIES, DEBT BUYERS, COLLECTION ATTORNEYS, ACADEMICS AND REGULATORS.
AT EACH POINT IN THE CYCLE OF DEBT WE'LL BE ASKING QUESTIONS ABOUT WHAT PROBLEMS EXIST WITH RESPECT TO THE HANDLING AND USE OF INFORMATION, CURRENT HARMS WHEN IT'S HANDLED SLOPLY OR DISHONESTLY.
SOLUTIONS CAN INCLUDE BETTER STATE COURT RULES TO ENFORCEMENT OF EXISTING STATUES AND NEW TECHNOLOGY AND RULE-WRITING.
DEPENDING ON THE PANEL EACH WILL BEGIN WAY BRIEF INTRODUCTION OR REMARK AND THE MODERATOR WILL TAKE SOME TIME TO ASK PANELISTS AS MANY QUESTIONS AS POSSIBLE FROM THOSE RECEIVED IN THE CONFERENCE ROOM AND THE WEBCAST VIEWERS.
BEFORE WE CONTINUE I HAVE A FEW HOUSEKEEPING ITEMS I NEED TO GO OVER.
THE BATHROOMS IF YOU WEREN'T ALREADY AWARE ARE ACROSS THE CONFERENCE CENTER PASSED THE SECURITY DESK TO THE LEFT AND ANYONE LEAVING WILL BE REQUIRED WILL BE REQUIRED TO BE SCREENED

PRIOR TO RE-ENTRY.
IN THE EVENT OF A FIRE PLEASE
LEAVE THE BUILDING IN AN ORDERLY
FASHION AND ACROSS IS THE
GEORGETOWN UNIVERSITY LAW
CENTER.
EVERYONE WILL RALLY BY FLOORS.
YOU'LL NEED TO CHECK IN WITH THE
PERSON ACCOUNTING FOR EVERYONE
AT THE CONFERENCE CENTER.
IN THE EVENT YOU'RE TO REMAIN
INSIDE YOU'LL BE TOLD WHERE TO
GO.
IF YOU SPOT SUSPICIOUS ACTIVITY
ALERT SECURITY IN THE FRONT.
THIS EVENT MAY BE PHOTOGRAPHED,
VIDEOTAPED, WEBCAST OR OTHERWISE
RECORDED BY PARTICIPATING YOU'RE
AGREEING YOUR IMAGE OR ANYTHING
YOU SAY WILL BE ON THE SOCIAL
MEDIA SITES AND FINALLY PLEASE
TURN OFF YOUR CELL PHONES IF YOU
HAVEN'T ALREADY OR PUT THEM ON
VIBRATE.
AGAIN, WE LOOK FORWARD TO HAVING
A PRODUCTIVE DAY AND OPEN
DISCUSSION AND THANK YOU FOR
COMING.
I'D LIKE TO INTRODUCE BOB HUNT
AT THE FEDERAL RESERVE BANK OF
PHILADELPHIA.
BOB.
>> ALL RIGHT.
WELL I WANT TO THANK THE
ORGANIZERS FOR HAVING ME.
IT'S AN HONOR.
I HAVE TO BEGIN WITH A
DISCLAIMER EVERYTHING I SAY ARE
MY VIEWS AND NOT OF THE RESERVE
BANK OF PHILADELPHIA OR THE
FEDERAL RESERVE SYSTEM.
ANY JOB IS TO PRESENT AN
OVERVIEW.
MANY POINTS I'M GOING TO STRETCH
WILL BE DISCUSSED IN MUCH
GREATER DETAIL IN THE PANELS

LATER ON TODAY.
NOW, WE CAN'T HAVE A
CONVERSATION ABOUT DEBT OR THE
CONSEQUENCES OF DEFAULT WITHOUT
FIRST RECOGNIZING THAT WE'RE
LIVING IN THE AFTERMATH OF THE
WORSE RECESSION THE UNITED
STATES HAS EXPERIENCED SINCE
WORLD WAR II SO LET'S THINK
ABOUT THE LABOR MARKET FOR A
MOMENT.
WHAT I'VE DONE HERE IS I'VE
PLOTTED THE JOBS IN THE
U.S. ECONOMY RELATIVE TO THE
PEAK OF THE BUSINESS CYCLE AND
WE LOST SIX PERCENT OF OUR JOBS
OVER A THREE--YEAR PERIOD AND
MANAGED TO REPLACE ABOUT HALF OF
THOSE JOBS OVER FOUR AND A
HALF-YEAR PERIOD OF TIME.
BOTH IN TERMS OF MAGNITUDE AND
DURATION THE U.S. ECONOMY HAS
NOT EXPERIENCED ANYTHING LIKE
THIS SINCE THE VERY SHORT
RESESSION AFTER WORLD WAR II OR
THE GREAT DEPRESSION AND ANYONE
WHO STUDIES CREDIT CARDS KNOWS
IT'S AUTOMATICALLY GOING TO FEED
INTO DEFAULTS.
THE OTHER THING THAT HAPPENED IS
A GREAT DEAL OF CONSUMERS'
HOUSEHOLD WEALTH WAS ALSO
DESTROYED.
IN THIS CASE ABOUT $15 TRILLION
IN THE NET WORTH OF CONSUMERS IN
THE UNITED STATES WIPED OUT OVER
A TWO-YEAR PERIOD OF TIME AND
VERY LITTLE OF THIS IMPROVEMENT
HAS COME FROM THE HOUSING MARKET
BECAUSE OF COURSE HOME PRICES
CONTINUE TO FALL FOR QUITE A
WHILE AND ONLY RECENTLY HAVE WE
BEGUN TO SEE APPRECIATION IN
HOME PRICES AND ONE OF THE
CONSUMER VALVES PEOPLE HAD WAS
THEIR HOMES THEY CAN USE TO

REFINANCE THEIR LIABILITIES AND FINANCE SHEET CONTINUES TO BE UNAVAILABLE FOR MOST AMERICANS.
AND THIS OF COURSE TRANSLATES DIRECTLY INTO WHAT IS HAPPENING IN THE CONSUMER CREDIT MARKET.
SO THERE ARE TWO LINES ON THE FIGURE.
THE BLACK LINE AT THE BOTTOM IS THE ONE YOU USUALLY SEE.
SO THAT IS NON-BUSINESS BANKRUPTCY FILINGS OVER TIME WITH THE EXCEPTION YOU SEE BEFORE THE REFORM ACT OF 2005 CAME INTO FORCE YOU SEE TYPICALLY THERE ARE ONE TO TWO MILLION BANKRUPTCY FILINGS EVERY YEAR.
THE RED LINE IS ONE YOU PROBABLY HAVEN'T SEEN VERY OFTEN.
THIS IS THE NUMBER OF CONSUMERS SERIOUSLY LATE ON ONE DEBT AS REPORTED.
THIS IS TRANSUNION DATA.
THESE ARE DEBTS 120 DAYS LATE BUT HAVEN'T BEEN CHARGED OFF YET.
SO THESE ARE CONSUMERS THAT WILL SOON FACE COLLECTIONS ACTIVITY IF THEY'RE NOT ALREADY EXPOSED TO COLLECTIONS ACTIVITY.
YOU CAN SEE IN GOOD TIMES THAT'S ROUGHLY 4 MILLION CONSUMERS AND IN BAD TIMES AS MANY AS 8 MILLION CONSUMERS.
SO ONE THING TO THINK ABOUT HERE THEN IS FOR EVERY CONSUMER THAT SEEKS BANKRUPTCY PROTECTION IN PART BECAUSE THEY WANT PROTECTION FROM COLLECTIONS ACTIVITY THERE ARE FOUR CONSUMERS THAT ARE EITHER ARE EXPOSED OR GOING TO BE EXPOSED AND NOT GOING TO FILE FOR BANKRUPTCY RIGHT AWAY.
IN FACT A SIGNIFICANT SHARE OF

CONSUMERS NEVER FILE FOR
BANKRUPTCY.
THEN IN BAD TIMES IT'S EVEN
WORSE.
ONE OF THE INTERESTING THINGS AT
TO THE FAR END OF THE GRAPH IS
THE FACT THAT THE NUMBER OF
CONSUMERS EXPOSED REALLY HASN'T
FALLEN VERY MUCH THOUGH WE'RE IN
RECOVERY.
IT'S FALLEN LESS THAN A MILLION.
TO SEE WHY THAT'S THE CASE IN
THIS FIGURE YOU CAN SEE THE
DIFFERENT TYPES OF LIABILITIES
CONSUMERS ARE FALLING BEHIND
UPON THE BLUE LINE IS CREDIT
CARDS, THE YELLOW IS MORTGAGES
AND THE BROWN LINE IS IN
STALLMENT LOANS.
YOU CAN SEE THE SERIOUSLY LATE
CREDIT CARD LOANS HAVE BEEN
FALLING FOR A WHILE AND THAT'S
THE CONSEQUENCE OF THE SPEED
WITH WHICH BAD CREDIT CARD LOANS
GOT CHARGED OFF AND WENT TO THE
COLLECTION PROCESS BEGINNING IN
THE LATTER HALF OF 2008.
EVEN IN THE CASE OF MORTGAGES,
WHAT YOU SEE IS THAT THERE ARE
ABOUT A MILLION FEWER CONSUMERS
SERIOUSLY LATE ON THEIR MORTGAGE
THAT HAVE NOT ALREADY GONE INTO
FORECLOSURE ARE NOT IN THE
FIGURE AND THAT'S ALSO FALLEN.
THE ONE LINE RISING IS THE
INSTALLMENT LOANS AND THEY'RE
LATE ON THOSE THAN A YEAR AGO.
I HAVE A STRONG SUSPICION WHAT
WE'RE SEEING THERE HAVE STUDENT
LOANS.
THAT'S A STORY THAT'S GOING TO
PLAY OUT.
ANOTHER LESSON FROM THE FIGURE
IS THE COMPOSITION OF LOANS THAT
ARE GOING INTO COLLECTIONS WILL
CHANGE FAIRLY RAPIDLY OVER TIME.

NOW, THE NEXT THING I WANT TO DO -- WELL, FIRST OF ALL, LET'S TALK ABOUT CREDIT CARDS FOR A SECOND.
SO IN THIS FIGURE WHAT YOU SEE IS THE ABSOLUTE AMOUNT OF CREDIT CARD LENDING THAT WAS WRITTEN OFF IN A SHORT PERIOD OF TIME BEGINNING IN 2008.
IN BOTH ABSOLUTE AND RELATIVE TERMS THIS IS THE BIGGEST CREDIT SHOCK IN ITS HISTORY.
THE CHART SHOWS $151 BILLION HAS BEEN CHARGED OFF IN THE COLLECTION PROCESS OVER THE NEXT SEVERAL YEARS.
NOW, WHAT I WANT TO DO NOW IS TURN TO THE COLLECTIONS PROCESS ITSELF AND I'LL MAKE AN OBSERVATION THAT WE'VE ALREADY HEARD A LITTLE BIT FROM OUR PREVIOUS SPEAKERS WHICH IS THAT COLLECTIONS INVOLVE VERY MANY PARTICIPANTS.
OBVIOUSLY, IT STARTS WITH A CONSUMER THAT HAS SOME FORM OF FINANCIAL OR NON-FINANCIAL DEBT.
AND THE FLIP SIDE IS THERE'S AN ORGANIZATION OUT THERE OWED THOSE FUNDS.
FOR EXAMPLE, IT WILL BE A LENDER OR COULD BE A NON-FINANCIAL FIRM PROVIDING GOODS AND SERVICE FOR EXAMPLE, HOSPITALS AND DOCTORS AND UTILITIES OR TAXES OR FINES OR PARKING TICKETS, FOR EXAMPLE.
IT'S NOT UNCOMMON FOR ANY OF THESE ORGANIZATIONS TO TRY TO COLLECT ON THE LATE DEBTS THEMSELVES.
WE CALL THAT FIRST-PARTY COLLECTIONS AS WELL AS SOME OF THE LEGAL TREATMENT IS SOME WHAT DIFFERENT FROM THE NEXT ITEM HERE, THIRD-PARTY COLLECTIONS WHICH OF COURSE THESE ARE THE

FIRMS THAT SPECIALIZE IN
COLLECTING ON THE DEFAULTED
DEBTS OWED TO OTHER
ORGANIZATIONS.
MOSTLY ON A CONTINGENCY BASES.
THAT MEANS FOR EVERY DOLLAR
RECOVERED THE COLLECTION
ORGANIZATION RETAINS A PORTION
FOR THEIR OWN REVENUES BUT AS WE
MENTIONED THERE'S AN ACTIVE
DEBT-BUYING MARKET THAT EXISTS
AND I'LL RETURN TO THAT LATER ON
IN MY REMARKS.
ANOTHER IMPORTANT OBSERVATION IS
THE ABUNDANT SERVICE PROVIDERS
TO ALL THE OTHER ORGANIZATIONS
AND THEY'RE IN THE BUSINESS OF
PROVIDING EITHER INFORMATION OR
COMMUNICATIONS, TECHNOLOGY OR
RISK MANAGEMENT TECHNOLOGY TO
FIRST AND THIRD-PARTY
COLLECTORS.
SO WHEN CONSUMERS MOVE OR CHANGE
THEIR PHONE NUMBERS IT'S A WAY
TO FIND WHERE THEY ARE.
IN THE INDUSTRY THAT'S CALLED
SKIP-TRACING THOUGH IT'S NOT A
POPULAR TERM.
WE KNOW ABOUT CREDIT SCORING
WHEN WE APPLY BUT THERE'S ALSO
COLLECTION SCORING.
THAT TECHNOLOGY WHICH TELLS
COLLECTORS THE MOST FRUITFUL
ACCOUNTS TO ALLOCATE TO AND THE
CALL CENTERS AND THE
INCREASINGLY AUTODIALERS
COLLECTION ORGANIZERS USE,
VOICEOVER INTERNET AND ALL THE
ABUNDANT COMPUTING RESOURCES
REQUIRED IN ORDER TO DO MODERN
COLLECTIONS.
NOW, NOT EVERY DEBT THAT GOES
INTO DEFAULT IS GOING TO WIND UP
BEING LITIGATED IN COURT BUT TO
THE EXTEND THEY ARE, THAT BRINGS
IN A WHOLE NEW SET OF

PARTICIPANTS.
OBVIOUSLY, YOU HAVE TO HAVE ATTORNEYS FILING THE CASES IN ORDER TO GET JUDGMENTS, LEANS OR GARNISHMENTS THEN HAVE YOU TO HAVE THE COURTS THEMSELVES.
AND SO FOR MOST CONSUMER DEBTS IT'S A STATE OR LOCAL COURT AND THERE'S A GREAT DEAL OF VARIATION IN THE ORGANIZATION AND THE PROCESS THAT IS USED TO HANDLE ALL THOSE COLLECTION CASES.
SO VERY OFTEN IT'S GOING TO BE A COUNTY COURT AND SOME STATES IT MAY BE A SMALL CLAIMS COURT AND OTHER STATES IT MAY BE A SUPERIOR COURT.
THERE'S A VERY SIGNIFICANT VARIATION IN THE PROCEDURES AND IN THE LEVEL OF AUTOMATION USED IN THESE COURTS OPPOSED TO THE HIGHER LEVEL STATE COURTS OR FEDERAL DISTRICT COURTS FOR EXAMPLE AND AS A RESEARCHER I CAN TELL YOU THAT THAT CREATES A WHOLE LOT OF DIFFICULTIES IN TERMS OF UNDERSTANDING HOW THAT LITIGATION WORKS.
OF COURSE THERE'S LEGISLATION AND REGULATION OF THE COLLECTION PROCESS AT THE STATE AND FEDERAL LEVEL.
FOR EXAMPLE, AT THE FEDERAL LEVEL DEPENDING ON THE ROLE YOU PLAY THERE'S AT LEAST FOUR PIECES OF LEGISLATION THAT MAY APPLY TO YOU AND AT LEAST POTENTIAL FOUR REGULATORS OUT THERE AND THE TWO PRINCIPLE ONES ARE HOST TODAY, THE CONSUMER PROTECTION BUREAU AND FEDERAL TRADE MISSION BUT IF YOU'RE A BANK YOU MAY HAVE A SUPERVISOR THAT WILL BE INVOLVED AND THERE ARE STATE ATTORNEY GENERAL AND

STATE AGENCIES ALSO IN THE BUSINESS OF LICENSING AND SUPERVISING COLLECT FIRMS AT THE STATE LEVEL.
NOW I'M GOING TALK ABOUT WHO ENGAGES IN COLLECTIONS AND THE BEST WAY TO DO THAT IS SIMPLY TO DECIDE WHAT INDUSTRIES HIRE BILL AND ACCOUNT COLLECTORS.
THAT'S WHAT YOU SEE IN THE NEXT FIGURE HERE.
TO THE EXTEND OF COLLECTION ACTIVITIES OUTSOURCED YOU WON'T SEE IT HERE BUT YOU DO SEE THIRD-PARTY COLLECTION AGENCIES HIGHER THE LARGEST PROPORTION OF COLLECTORS IN THE COUNTRY ABOUT 100,000 PEOPLE IN RECENT YEARS MORE THAN A QUARTER OF BILL COLLECTORS IN THE ENTIRE ECONOMY AND IF YOU ADD THE ONES THAT WORK IN INSURANCE OR HEALTH CARE YOU NEARLY HAVE TWO-THIRDS OF ALL THE BILL AND ACCOUNT COLLECTORS U.S. ECONOMY AND THE NEXT THREE CATEGORIES, WHOLESALERS AND RETAILERS AND GOVERNMENT AND THE REMAINDER ARE DISTRIBUTED PRETTY EVENLY ACROSS THE REST OF THE ECONOMY.
NOW, THE NEXT SEVERAL SLIDES I'M GOING TO SHOW YOU ARE FOCUSSED ON THE THIRD-PARTY COLLECTIONS INDUSTRY.
BY THAT I MEAN THE FIRMS THAT DO CONTINGENCY COLLECTION AND THE DEBT BUYERS BUT IT DOES NOT INCLUDE THE LAW FIRMS WHO MAY PLAY SOME ROLE IN THE COLLECTIONS PROCESS.
HERE'S A QUICK SNAPSHOT.
WE'RE TALKING 4,000 OR SO FIRMS ACTIVE ON A TWELVE-MONTH BASIS.
100,000 EMPLOYEES ACROSS THE COUNTRY ROUGHLY SPEAKING
$400,000 RETURNED TO CONSUMER

CREDITORS IN THE UNITED STATES
AND THE INDUSTRY RETAINS ABOUT
12 MILLION MOSTLY THROUGH THE
CONTINGENCY COLLECTION AND
PURCHASED DEFAULTED DEBT.
OLDER DATA TELLS US ABOUT 70% OF
THAT $12 BILLION REPRESENTS
COLLECTION ON CONSUMER DEBTS.
I DON'T HAVE TO TELL YOU IT'S A
VOLUME BUSINESS SO BY ONE
MEASURE THERE ARE FOUR CONSUMER
CONTACTS FOR COLLECTION PURPOSES
FOR EVERY ADULT IN THE UNITED
STATES EVERY YEAR.
THEN THE NEXT SET OF NUMBERS
GIVE YOU A SENSE OF THE GROWTH
OF THIS INDUSTRY OVER TIME.
SO OVER THE LAST 40 YEARS IT'S
BEEN A PERIOD OF FAIRLY RAMPANT
GROWTH AND CONSUMER CREDIT IN
THE U.S. ECONOMY EVEN ADJUSTING
FOR INFLATION.
GOING UP THREE AND A HALF TIMES.
IF I WAS TO CALCULATE THE GROWTH
OF THE DEFAULTED DEBT IT WOULD
BE MORE RAMPANT AND THE
COLLECTIONS INDUSTRY HAS GROWN
MORE RAMPANTLY IN TERMS OF
EMPLOYMENT AND IN TERMS OF
REVENUE OVER THAT 40-YEAR PERIOD
OF TIME.
IN FACT, THESE MEASURES ALONE
SHOW YOU THE COLLECTIONS
INDUSTRY HAS REALIZED GROWTH.
I'M GOING SHOW YOU TYPICAL
MEASURES OF THE PERFORMANCE OF A
COLLECTIONS FIRM AND GOING USE
MEDIAN VALUES.
THESE ARE MEASURES TYPICAL OF A
SMALLER COLLECTION FIRM OUT
THERE.
AS I'LL SHOW YOU IN A LITTLE BIT
THERE'S TREMENDOUS VARIATION IN
THE SIZE OF COLLECTION FIRMS SO
THE MEASURES YOU'LL SEE FROM A
LARGER COLLECTION FIRM WOULD

LOOK DIFFERENT THAN WHAT I'M ABOUT TO SHOW YOU.
SO THIS IS DATA FROM ONE OF THE LEADING TRADE ASSOCIATIONS ACA INTERNATIONAL.
AGAIN, THESE ARE THE MEDIAN VALUES REPORTED IN THEIR RECENT BENCHMARKING SURVEY.
RECOVERIES ARE ABOUT 13 CENTS ON THE VALUE.
THE FACE VALUE IS THE DOLLAR THE RECOVERY IS 13 CENTS.
ON A PER ACCOUNT BASES THE MEDIAN RECOVERY $69.
ON A MEDIAN BALANCE OF $540 THE PORTION OF THE GROSS COLLECTIONS THE FIRM IS GOING TO RETAIN IS 26% OF THAT SO THE MEDIAN THEN WOULD BE $22 AN ACCOUNT.
THAT'S THE REVENUE THE COLLECTION FIRM WILL RETAIN.
THE MEDIAN OPERATING EXPENSE ON A PER ACCOUNT BASIS IS ABOUT $16.
THAT LEADS A MEDIAN GROWTH PROCESS OF ABOUT TWO DOLLARS AN ACCOUNT.
BECAUSE I'M USING MEDIANS THEY DON'T ADD UP YOU WOULD NORMALLY SEE WITH AVERAGES BUT IF I GAVE THE AVERAGE IT WOULD BE TEN OR TWELVE DOLLARS FOR FIRMS OF THIS SIZE.
OBVIOUSLY, THIS IS A BUSINESS BUILT ON VOLUME.
AS THE LAST BULLET THOSE EVEN FOR THESE RELATIVELY SMALLER FIRMS EVERY YEAR THEY'RE BRINGING IN ABOUT 70,000 NEW ACCOUNTS TO COLLECT UPON ON BEHALF OF SEVERAL HUNDREDS CLIENTS AND THEY'RE MAILING OUT ABOUT 120,000 OR MORE LETTERS A YEAR TO CONSUMERS.
NOW, WHAT I WANT TO DO IS JUMP BAG TO THE AGGREGATE NUMBERS TO

GIVE YOU LONG-RUN TRENDS IN THE COLLECTIONS INDUSTRY.
I MENTIONED A FEW MOMENTS AGO, FOR A LONG PERIOD OF TIME COLLECTIONS HAS BEEN A GROWTH INDUSTRY AND HERE'S A MEASURE OF EMPLOYMENT IN THE GROWTH INDUSTRY OVER THAT PERIOD OF TIME IF YOU FOCUS ON 1987 AND 2007, EMPLOYMENT TRIPLED IN THAT PERIOD OF TIME WHICH IS REALLY AN IMPRESSIVE PERIOD OF GROWTH.
THIS IS ALSO REFLECTED IN THE REVENUES OF THE INDUSTRY.
AGAIN, ADJUSTING FOR INFLATION IF YOU FOCUSSED ON THE TEN--YEAR PERIOD, 1987 TO 1997, REVENUES JUST ABOUT DOUBLED.
THEN IF YOU FOCUS ON A SUBSEQUENT DECADE, 1997 TO 2007 YOU SEE THE REVENUES JUST ABOUT DOUBLED.
THE WAY OF THINKING ABOUT THAT IS THIS IS AN INDUSTRY WHERE INFLATION ADJUSTED REVENUE WAS GROWING AT 7% A YEAR MORE THAN 20 YEARS AND THERE WERE A LOT OF INDUSTRIES AND FIRMS THAT WANTED TO CLAIM THAT KIND OF HISTORY IN TERMS OF ITS DEVELOPMENT.
THAT SAID, THE MARKET CHANGED SIGNIFICANTLY THAT'S HOUSING MARKETS PEAKED AND THE UNITED STATES WENT INTO RECESSION.
WHAT YOU SEE IN THIS SLIDE IS THE REVENUES PEAKED AROUND 2005 AND 2006 AND REALLY HAVE NOT COME BACK.
THAT'S IN PART, I BELIEVE, OF THE HOME EQUITY REFINANCING CHANNEL BEING SHUT DOWN AND THE CREDIT SUPPLY TO CONSUMERS TIGHTENED SIGNIFICANTLY AND THE BUILT TO FINANCE SHORT-TERM DEBTS BECAME MORE DIFFICULT FOR CONSUMERS.

I DON'T HAVE NUMBERS FOR 2011 OR 2012.
I EXPECT THE INDUSTRY REASSUMED GROWING IN THOSE YEARS.
A VERY IMPORTANT BUT UNANSWERABLE QUESTION AT THE MOMENT IS WHETHER THE COLLECTION INDUSTRY REMAINS A GROWTH INDUSTRY OR IN FACT WHETHER WE HAVE REACHED AN INFLATION POINT FOR THIS INDUSTRY.
IT'S SOMETHING WE'LL FIND OUT OVER THE NEXT SEVERAL YEARS.
NOW, WHAT I WANT TO DO NEXT IS REVIEW SOME CHANGES IN THE MARKET STRUCTURE OF THE COLLECTIONS INDUSTRY.
IT'S GOING TO TAKE ME A FEW MINUTES TO EXPLAIN.
THIS IS A VERY BUSY FIGURE.
WHAT I'VE DONE IS I'VE BROKEN UP THE COLLECTION FIRMS INTO DIFFERENT SIZE BASED ON THE NUMBER OF EMPLOYEES.
FEWER THAN 20 OR AS MANY AS 500 EMPLOYEES AND PLOTTED THE SHARE OF THE ENTIRE INDUSTRY'S PAYROLL BY THESE SIZE CATEGORY OF FIRMS.
I'D LIKE TO REVENUES BUT I DON'T GET THAT DATA AS FREQUENTLY BUT WE KNOW THE PAYROLL MOVE TOGETHER SO IT WILL BE THE SAME STORY.
THE BIG PICTURE HERE IS OVER A 20 TO 30-YEAR PERIOD OF TIME THERE'S CLEARLY BEEN A CHANGE IN THE SIZE DISTRIBUTION OF COLLECTION FIRMS.
WHAT'S BEEN HAPPENING IS THERE ARE LARGE COLLECTION FIRMS AND THEY'VE GOTTEN LARGER AND THOSE WITH 20 EMPLOYMENTEES ACCOUNTED FOR HALF OF THE PAYROLL AND TODAY IT'S 27%.
IT'S FALLEN QUITE A BIT.
THE FIRMS WITH 500 OR MORE

EMPLOYEES USED TO ACCOUNT FOR 20 TO 22% AND NOW IT'S ABOUT 45%.
WHAT YOU CAN SEE IS THE MOST RAMPANT PERIOD OF THIS TRANSITION IN THE INDUSTRY OCCURRED IN 1998 TO 2004 AND THE MOVEMENT BEFORE AND AFTER IS STILL THERE BUT NOT AS RAMPANT AS WHAT WE SAW IN THE MIDDLE PERIOD WHICH CORRESPONDS TO A PERIOD OF VERY AMPLE CREDIT SUPPLY FOR MOST CONSUMERS.
NOW, WHAT I AM NOT SAYING HERE IS THAT THE ERA OF SMALL COLLECTION FIRMS IS OVER.
IN FACT, EVEN TODAY THREE-QUARTERS OF ALL COLLECTION FIRMS HAVE LESS THAN 20 EMPLOYEES.
THEY STILL ACCOUNT FOR 27% OF ALL PAYROLL.
AND USUALLY WHEN YOU LOOK AT DATA LIKE SAY FOR THE BANKING SECTOR WHAT YOU WOULD SEE IS THE NUMBER OF FIRMS WOULD HAVE SHRUNK A GREAT DEAL.
THE TRUE FOR BANKS, FOR EXAMPLE.
BUT IN FACT THERE'S ONLY BEEN A SMALL DECLINE IN THE NUMBER OF FIRMS AND THE COLLECTION INDUSTRY.
SO IT APPEARS THAT THERE'S STILL A LOT OF ENTRY GOING ON AND BARRIERS TO ENTRY AND COLLECTIONS HAVEN'T CHANGED A LOT.
ONCE YOU'VE ENTERED IT'S THE CASE THE MARKET IS SEPARATING INTO TWO SEGMENTS OF A VERY LARGE SEGMENT OF SMALLER COLLECTION FIRMS OUT THERE AND THEN A SMALLER SEGMENT OF FIRMS THAT HAVE BECOME MUCH LARGE ARE AND REPRESENT A LARGER PROPORTION OF THE REVENUES AND PAYROLL THAN USED TO BE THE

CASE.
NEXT, I WANT TO DISCUSS THE MIX
OF CUSTOMERS SERVED BY THESE
THIRD-PARTY COLLECTION FIRMS.
THEN, I'M GOING TO USE DATA FROM
ACA INTERNATIONAL.
THIS IS THE BOOK OF ACCOUNTS
BEING COLLECTED AND WEIGHED BY
THE ACCOUNTS IN 2010.
HEALTHCARE REPRESENT AS A THIRD
OF THE TOTAL BOOK.
NOW, A NUMBER OF COLLECTION
FIRMS WORKING ON BEHALF OF THE
HEALTH CARE SECTOR ARE
COLLECTING ON OLD DEBT AND
CURRENT BILLS.
IF I TOOK OUT THE CURRENT BILLS
THAT PART OF THE PIE WOULD BE
SMALLER BUT STILL SUBSTANTIAL.
HEALTHCARE'S A BIG PART OF THE
BOOK AND CREDIT CARDS IS 20% OF
THE PIE YOU SEE IN THE FIGURE
AND THEN YOU SEE THE REMAINDER'S
EQUALLY DIVIDED BETWEEN THE
OTHER LOANS BY FINANCE COMPANIES
AND BANKS AND STUDENT LOANS
WHICH ARE 12% OF THE BOOK AND
UTILITY AND TELECOM AND 7% ARE
DEBTS OWNED TO GOVERNMENT.
OBVIOUSLY THEY'RE DIFFERENT AND
THE STRATEGY FOR THESE TYPES OF
LOANS WILL BE DIFFERENT AND IN A
NUMBER OF INSTANCES THE LAW IS
DIFFERENT AS WELL.
HERE'S SOME ADDITIONAL ACA DATA
THAT TELLS YOU SOMETHING ABOUT
THOSE KINDS OF DEBTS SHOW
LARGEST BALANCES ARE STUDENT
LOANS ABOUT $4,000 AND CREDIT
CARDS AND LOANS TO BANKS AND
FINANCE COMPANIES ARE WELL MORE
THAN $1,000 AND THE SMALLER
BALANCE ACCOUNTS AND COLLECTIONS
ARE DOCTORS BILLS AND BILLS OWED
TO THE GOVERNMENT OR UTILITIES,
FOR EXAMPLE.

THEY'RE ALL MEDIAN VALUES AGAIN
AND YOU SEE THE RECOVERY ON THAT
DEBT RECOVERY ARE GENERALLY
HIGHER AND THE CREDIT CARD
RECOVERY NUMBER LOOKS GOOD TOO.
STUDENT LOANS ARE LOWER.
NOW, IN THE DATA WHAT YOU WOULD
SEE IS THE RECOVERY RATES WILL
VARY BY THE SIZE OF THE
COLLECTION FIRM.
IT'S MORE REFLECTIVE OF THE
MEDIAN COLLECTION FIRM THAN THE
BIGGER COLLECTION FIRMS.
NOW I WANT TO RETURN TO DEBT
BUYING FOR A MOMENT AND TALK
ABOUT THAT.
SO WHAT WE KNOW IS THAT THIS HAS
BECOME PRETTY SUBSTANTIAL.
ONE CONSULTING FIRM SUGGESTED 6
MILLION OF THE GROSS COLLECTIONS
IN 2007 WERE DEFAULTED DEBT
PURCHASED WHICH WOULD BE A
SIGNIFICANT SHARE OF TOTAL
RECEIPTS IN THE INDUSTRY AND
THERE'S ROUGHLY 500 ACTIVE
PARTICIPANTS IN THE MARKET
PLACE.
AT THE SAME TIME, DEBT BUYING IS
A MUCH MORE CONCENTRATED MARKET
THAN COLLECTIONS AS A WHOLE.
AS YOU SEE ON THE CHART ABOUT
TEN FIRMS COULD ACCOUNT FOR
NEARLY ALL OF THE CHARGED OFF
CREDIT CARD DEBT THAT IS
PURCHASED IN RECENT YEARS.
COMPARE THAT SO THE OVERALL
CONCENTRATION OF REVENUES AND
COLLECTIONS.
IN 2007 IF YOU ADDED UP ALL THE
REVENUES OF THE TOP 20
COLLECTION FIRMS IN THE UNITED
STATES IT WOULD ONLY ACCOUNT FOR
35% OF INDUSTRY REVENUES.
THAT'S A FAIRLY MODEST LEVEL OF
CONCENTRATION BY MOST STANDARDS.
SO DEBT BUYING IS DEFINITELY A

MUCH MORE CONCENTRATED BUSINESS
THAN IS COLLECTIONS AS A WHOLE.
AND AS YOU CAN SEE, IF YOU'RE
GOING TO BUY THAT DEBT YOU NEED
TO BUY A BALANCE DEBT THAT
SUPPORTS IT AND PRIOR TO THE
CRISIS WALL STREET WAS ALSO
PROVIDING A FAIR BIT OF CAPITAL
TO SUPPORT THE PURCHASES OF THE
DEFAULTED DEBT.
LESS SO TODAY AND THERE'S
REASONABLE EVIDENCE THE PRICE OF
THE DEBT BOUGHT FOLLOWED THE
BUSINESS NUMBERS AND THEY WERE
HIGHER AT THE PEAK OF THE
U.S. ECONOMY AND FELL A BIT
THEREAFTER.
THERE HAS BEEN SOME RECOVERY
SINCE THEN BUT THE NUMBERS ARE
HIGH WHEN YOU COMPARE THEM TO
WHAT YOU SEE IN THE ANNUAL
REPORTS OF SOME OF THE LARGEST
COLLECTION FIRMS THAT ENGAGE IN
DEBT BUYING.
NOW THE NEXT FIGURE YOU HAVE TO
TAKE A LITTLE WITH A GRAIN OF
SALT BECAUSE IT WILL INCLUDE
DEBT PURCHASED AND SOLD MORE
THAN ONCE SO THERE'S SOME DOUBLE
ACCOUNTING IN THE DATA BUT THE
UNDERLYING POINT IS THIS IS A
MARKET THAT WAS LARGE AND
GROWING VERY RAPIDLY IN THE
FIRST HALF OF THE 2000s AND
THERE WAS A CONTRACTION IN THE
ECONOMY AFTER THE HOUSING MARKET
PEAKED AND THERE IS EVIDENCE OF
RECOVERY IN THE LAST COUPLE OF
YEARS.
NOW, I WANT TO INCLUDE WITH
FINAL OBSERVATIONS I SUSPECT
WILL BE REFLECTED IN A NUMBER OF
THE OTHER PANELS LATER ON TODAY
I THINK WE'VE ALREADY MADE THE
OBSERVATION IT'S IMPORTANT FOR
CREDIT MARKETS.

NO DOUBT ABOUT THAT.
AT THE SAME TIME AS A RESEARCHER
BOTH ASPECTS REQUIRE MUCH MORE
RIGOROUS RESEARCH TO UNDERSTAND
THESE ISSUES WELL AND I'LL BE
HONEST WITH YOU, THE INDUSTRY'S
GOING TO HAVE TO HELP US IN
ORDER TO DO THE RESEARCH.
THE OTHER IMPORTANT OBSERVATION
IS CONSUMER COLLECTIONS ARE
DIFFERENT ANIMALS.
AS WAS ALLUDED TO MILLIONS OF
CONSUMERS ARE EXPOSED TO
COLLECTIONS.
MANY MANY MILLIONS OF ACCOUNTS
ARE PLACED FOR COLLECTIONS EACH
YEAR BUT COMPARED TO A
COMMERCIAL AND INDUSTRIAL LONE
OR MORTGAGE WE'RE TALKING ABOUT
THEY'RE SMALLER AND THE
RECOVERIES ARE ANOTHER OFFERED
MAGNITUDE SMALLER.
THAT IMMEDIATELY MEANS THE
STRATEGY AND TECHNOLOGY YOU USE
TO ENGAGE IN COLLECTIONS FOR
LITIGATE IN COURT IS GOING TO BE
DIFFERENT.
THE NEXT POINT IS EXTREMELY
IMPORTANT AND THAT IS THE
U.S. COLLECTION MARKETS PLACE IS
DISINTEGRATED.
YOU CAN THINK OF A COLLECTION
MODEL IN WHICH EVERYTHING IS
DONE IN HOUSE.
EVERYTHING WOULD BE FIRST-PARTY
COLLECTION.
ALL THE DATA WOULD BE THERE AND
ALL OF THE UNDERLYING TECHNOLOGY
AND SYSTEMS WOULD BE BUILT IN
HOUSE.
THAT'S NOT THE U.S. MARKET
PLACE.
IT DOES NOT EXIST.
WE HAVE A LARGE THIRD-PARTY
COLLECTION INDUSTRY AND DEBT
BUYING INDUSTRY AND ATTORNEYS

AND THE COURT SYSTEM AND THE
SERVICE PROVIDERS I ALLUDED TO
EARLIER AND ALL THIS INVOLVED A
SIGNIFICANT TRANSMISSION OF
INFORMATION BACK AND FORTH WE'VE
BEEN TALKING ABOUT.
IT DOESN'T HAVE TO BE THIS WAY
BUT IT IS AND IT'S IMPORTANT TO
UNDERSTAND WHY IT IS THAT WAY
AND THE IMPLICATIONS FOR THE
MARKET PLACE AND FOR CONSUMERS
AND THAT REALLY IS AT THE CORE
OF WHAT WE'LL BE TALK ABOUT THE
REST OF THE TODAY.
AS I ALLUDED TO THIS IS AN
ACTIVITY AND INDUSTRY THAT'S
LARGE AND CHANGING RAPIDLY AND
IT'S SEGMENTING TO LARGER AND
SMALLER FIRMS AND THERE'S A
SOPHISTICATION OF TECHNOLOGY AND
THE INDUSTRY SURVEYS IS RAMPANT
THE TECHNOLOGY ADOPTION AND I
DIDN'T ALLUDE TO THIS BUT THE
INDUSTRY'S ALSO RESPONDING TO
THE CONSOLIDATION OF CONSUMER
LENDING MORE GENERALLY WHICH HAS
OCCURRED OVER THE LAST TEN-YEAR
PERIOD.
WE TALKED ABOUT THE SIGNIFICANCE
OF THE PROCESS BEING A LOCAL
PHENOMENON MEANING IT HAS
DIVERSITY AND IDIOSYNCRASIES AND
SOME OF THE REFORMS WE EXPECT TO
SEE ARE GOING TO HAPPEN AT THE
LOCAL LEVEL AND MEANS IT'S A
CHALLENGE FOR RESEARCHERS TO
UNDERSTAND THAT PART OF THE
PROCESS AND AS I ALREADY ALLUDED
TO THE REGULATORY ENVIRONMENT IS
HIGHLY COMPLEX.
FAIR DEBT COLLECTION ACT WAS
PASSED IN 1977.
IF YOU REMEMBER THAT WAS THE
YEAR THE FIRST CLASS -- IT WAS A
WHILE AGO.
AND ANYONE WHO UNDERSTANDS THE

LAW ALSO UNDERSTANDS THE
REQUIREMENTS OF THIS LAW VARY SO
MUCH DEPENDING ON THE
SPECIFIC ROLE YOU'RE PLAYING AND
THE ACTIVITY AND POINT IN YOUR
INTERACTION WITH THE CONSUMER
AND THAT REQUIRES VERY
SOPHISTICATED COMPLIANCE AND
TRAINING TO BE ABLE TO DO WELL
AND THERE ARE MUCH BETTER
QUALIFIED PEOPLE IN THE ROOM TO
SPEAK TO THAT POINT THAN I DO
BUT THAT COMPLEXITY OF THE
REGULATORY ENVIRONMENT
INFLUENCES WHAT WE'LL SEE TODAY
AND WITH THAT I WILL CLOSE MY
REMARKS.

>> THANK YOU, BOB.
NOW FOR A PRESENTATION ABOUT HOW
INFORMATION FLOWS THROUGH THE
COLLECTION PROCESS OUR PROGRAM
MANAGER IN THE OFFICE OF
DEPOSITS, CASH AND REPORTING
MARKETS AT THE CFPB.
>> GOOD MORNING.
THANK YOU ALL FOR COMING OR FOR
WATCHING ON THE WEBSTREAM.
I'M JOHN TONETTI AND THE PROGRAM
MANAGER FOR DEBT COLLECTIONS AT
THE CONSUMER FINANCIAL
PROTECTION BUREAU AND THE
RESEARCH MARKET AND REGULATION
DIVISION.
I GAME TO THE BUREAU WITH OVER
30 YEARS OF EXPERIENCE IN THE
DEBT COLLECTION INDUSTRY.
IN MY CAREER I'VE BEEN THE
SENIOR EXECUTIVE FOR COLLECTIONS
AND RECOVERY AT THREE CREDITORS
AND BROKERED SALES OF DISTRESSED
CONSUMER DEBT.
NOW I'M A REGULATOR.
MY PRESENTATION DESCRIBES THE
FLOW OF INFORMATION IN WHAT WE
REFER TO AT THE BUREAU AS THE

DEBT COLLECTIONS ECOSYSTEM AND
IT'S BASED UPON MY EXPERIENCE.
IT'S REPRESENTED IN HOW
INFORMATION FLOWS THROUGH THE
SYSTEM BUT WILL NOT DESCRIBE
EVERY TRANSACTION AS THERE MANY
VARIATIONS AND PERMIENTATIONS
AND AREAS OF WHICH THERE'S
POTENTIAL FOR ERROR, OMISSION
AND DISCREPANCY.
THERE'S BILLIONS OF DOLLARS IN
BILLIONS OF ACCOUNTS THROWING
THROUGH THE ECO SYSTEM AND EVEN
ERRORS THAT OCCUR THE SMALL
PERCENTAGE OF CASES CAN RESULT
IN LARGE ABSOLUTE NUMBERS OF
CONSUMERS EXPERIENCING OR
POTENTIALLY EXPERIENCING
CONSUMER HARM.QçI
SYSTEM OF RECORD.
INFORMATION MAINTAIN WILL BE
PAYMENTS, CHARGE ACTIVITY,
INTEREST RATES, AS WELL AS
CONSUMER'S NAME, ADDRESS, CREDIT
HISTORY AND ANY OTHER CONTACT
INFORMATION THE LENDER MAY HAVE.
AS LONG AS THE CONSUMER MAKES
PAYMENTS, HAS NO ISSUES, THAT'S
PRETTY MUCH THE EXTENT OF THE
INFORMATION FLOW.
ALTHOUGH THE CREDITOR MAY REPORT
THE CONSUMER CREDIT, HIS
CONSUMER CREDIT PERFORMANCE TO
CREDIT REPORTING AGENCIES.
THE CREDITOR MAY ALSO RECEIVE
UPDATES FROM THE CREDIT
REPORTING AGENCIES ABOUT THE
BORROWER'S EXPERIENCE WITH OTHER
CREDITORS.
FROM TIME TO TIME THE CREDITOR
MAY HAVE A QUESTION OR A PROBLEM
WITH HIS ACCOUNT.
MOST OF THE TIME THESE ISSUES
ARE DOCUMENTED OR MEM MALLALIZED
IN THE CREDITOR'S MANAGEMENT
OR CRM SYSTEM.

THIS WOULD CONTAIN INFORMATION ON CUSTOMER QUESTIONS, NOTES FROM CONVERSATIONS, DISPUTES AND COMPLAINTS.
MOST OFTEN THERE MAY BE SOME LIMITED FEES BETWEEN THE SYSTEM OF RECORD AND THE CRM BUT IF YOU WANT THE FULL STORY, YOU'LL LIKELY NEED TO REVIEW THE CRM INFORMATION.
FOR THE VAST MAJORITIES OF AMERICAN CONSUMERS, THIS IS LIKELY THE FLOW OF THE INFORMATION FOR THE ENTIRE LIFECYCLE OF THE LENDER-CONSUMER RELATIONSHIP.
SUPPOSE OUR BORROWER HAS FINANCIAL DIFFICULTIES CAUSING HIM TO MISS OR BE LATE ON PAYMENTS.
AT THAT POINT INFORMATION FROM THE LENDER'S SYSTEM OF RECORD TO THE LENDER'S INTERNAL COLLECTION SYSTEM.
MOST OF THE TIME, DEMOGRAPHIC AND FINANCIAL INFORMATION FROM THE SYSTEM OF RECORD IS PASSED THROUGH THE INTERNAL COLLECTION SYSTEM SO THAT THE LENDER'S REPRESENTATIVES CAN CONTACT THE CONSUMER AND KNOWS WHAT THE CONSUMER'S PAYMENT HISTORY HAS BEEN LIKE.
IN MOST COLLECTION SYSTEMS, THIS INFORMATION FLOWS ONE WAY.
CONVERSATIONS AND CORRESPONDENCE ARE RECORDED ON THE COLLECTION SYSTEM, VERY LITTLE INFORMATION FLOWS BACK TO THE SYSTEM OF RECORD, OTHER THAN PERHAPS SOME NOTATIONS THAT THE ACCOUNT IS BEING COLLECTED UPON.
IF THE BORROWER PAYS, IT IS LIKELY THAT THE INFORMATION FLOW TO THE COLLECTION SYSTEM STOPS ONCE THERE IS A PAYMENT THAT

BRINGS THE ACCOUNT CURRENT
AGAIN.
AFTER SOME PERIOD OF TIME, IT IS
LIKELY THAT THE BORROWER'S
RECORD WILL BE PURGED FROM THE
INTERNAL COLLECTION SYSTEM SO
THAT PRIOR HISTORY WILL BE LOST
OR AT LEAF NOT EASILY AVAILABLE,
AT LEAST NOT EASILY AVAILABLE.
IF THE BORROWER DOESN'T PAY, AT
SOME POINT THE ACCOUNT WILL BE
CHARGED OFF.
USUALLY THIS IS WHEN A PORTION
OF THE BALANCE HAS BEEN UNPAID
FOR SIX MONTHS WITH CREDIT CARDS
OR FOUR MONTHS WITH OTHER TYPES
OF LOANS.
AT THAT POINT, MANY LENDERS MOVE
THE BORROWER TO A NEW SYSTEM, A
RECOVERY SYSTEM.
IN SOME CASES, INFORMATION FROM
THE COLLECTION SYSTEM IS PASSED
TO THE RECOVERY SYSTEM, IN SOME
CASES IT ISN'T.
IN SOME CASES THE INTERNAL
RECOVERY SYSTEM NOW BECOMES THE
SYSTEM OF RECORD, IN SOME CASES
THE SYSTEM OF RECORD REMAINS AS
THE ORIGINAL SYSTEM OF RECORD.
THE INTERNAL RECOVERY SYSTEM,
LIKE THE COLLECTION SYSTEM, IS
AN INVENTORY CONTROL SYSTEM AND
RECEPTACLE FOR NOTE TAKING AND
DOCUMENTING, AS WELL AS HELPING
TO MANAGE THIRD PARTY VENDORS
SUCH AS COLLECTION AGENCIES.
IN MOST CASES, SOME, BUT NOT ALL
OF THE LENDERS' INFORMATION, IS
TRANSMITTED TO THE AGENCY SO THE
COLLECTOR CAN RECOVER ON THEIR
BEHALF.
OFTEN MISSING IS INFORMATION
GATHERED BY THE LENDER
PREVIOUSLY SUCH AS THE HISTORY
OF DISPUTES, WHAT THE LENDER'S
REPRESENTATIVE HEARD FROM THE

CONSUMER, WHAT THEY MAY HAVE TOLD THE CONSUMER, AND SIMILAR INFORMATION.
WHAT IS CONVEYED IS MOST OFTEN DEMOGRAPHIC AND FINANCIAL INFORMATION SO THE CONSUMER CAN BE CONTACTED, THE BALANCE ON THE ACCOUNT AND PERHAPS SOME INFORMATION ON RECOVERY PROSPECTS SUCH AS COLLECTION SCORE.
THIS INFORMATION IS USED TO PREPARE THE FCC CPA NOTICE, ADVISING THE CONSUMER THEY HAVE BEEN ASSIGNED THE DEBT, WHO THE CREDITOR IS, THEIR BALANCE, AND NOTICE OF THE CONSUMER RIGHTS UNDER THE FCC CPA AS WELL AS APPLICABLE STATE DISCLOSURE REQUIREMENTSW MINIMUM OF INFORMATION AVAILABLE, THE EXTERNAL COLLECTION AGENCY BEGINS TO COLLECT ON THE CONSUMER.
INFORMATION THE CONSUMER MAY HAVE CONVEYED TO THE LENDER IS UNAVAILABLE TO THE COLLECTION AGENCY SO THE CONSUMER MUST GO THROUGH THE INFORMATION ONCE AGAIN WITH THE AGENCY.
IT IS IMPORTANT TO RECOGNIZE THAT THE ASSIGNMENT TO A COLLECTION AGENCY IS A POINT OF STRESS TO THE CONSUMER.
FOR THE FIRST TIME THEY'RE BEING CONTACTED BY A COMPANY OF WHICH IS LIKELY THEY HAVE NEVER HEARD.
FURTHER COMPLICATING THIS, IS THE DEBT MAY ALSO BE REFERRED TO BY THE NAME OF THE LENDER, BY THE NAME OF THE LENDER THE CONSUMER MAY NOT RECOGNIZE.
FOR EXAMPLE, THE CONSUMER MAY HAVE A RETAIL CARD AND THEY'RE FAMILIAR THE RETAILER.
THEY MAY NOT BE FAMILIAR WITH

THE BANK THAT UNDERWROTE AND MANAGED THE DEBT.
THE CONSUMER WILL OFTEN REINFORMATION THE BANK WHEN DESCRIBING THE DEBT MAKING IT POSSIBLE THE CONSUMER DOES NOT RECOGNIZE THE DEBT.
IN SOME CASES, THE COLLECTION AGENCY MAY REPORT THE DEBT TO THE CREDIT REPORTING AGENCIES.
THE LENDER MAY STOP REPORTING, BUT IT'S ALSO POSSIBLE THEY WILL CONTINUE TO REPORT.
COLLECTORS MAY RECEIVE INFORMATION SUCH AS SCORES OR TRIGGERS THAT INDICATE THE CONSUMER MAY BE NOW MORE ABLE TO PAY.
IF THE CONSUMER MAKES PAYMENTS TO THE COLLECTION AGENCY, THE AGENCY WILL INFORM THE LENDER SO IT CAN UPDATE THE SYSTEM OF RECORD AND HOPEFULLY ANY CREDIT REPORTING THEY DO.
IT IS POSSIBLE THAT IT DOESN'T HAPPEN OR DOESN'T HAPPEN ON A TIMELY BASIS.
IT IS IMPORTANT TO NOTE, THEN, IN MOST CASE IT IS SYSTEM OF RECORD IS NOW THAT OF THE COLLECTION AGENCY AS WELL AS THE CREDITOR.
SYNCHRONIZATION AND UPDATING OF THESE TWO SYSTEMS OF RECORD IS IMPORTANT AND MAY BE SUBJECT TO TIME LAGS.
RECENTLY WE HAVE HEARD SOME LENDERS ARE REQUIRING THEIR COLLECTION AGENCIES TO WORK FROM THE LENDER'S COLLECTION SYSTEM, AND THEREFORE THE LENDER'S SYSTEM OF RECORD MEANING THAT ALL FINANCIAL AND DEMOGRAPHIC INFORMATION IS MAINTAINED AT THE LENDER, WHICH MINIMIZES THE RISK OF SYSTEMS BEING OUT OF SYNC.

WHEN THERE ARE TWO SYSTEMS OF RECORD, THE TIMELINESS OF FINANCIAL AND DEMOGRAPHIC UPDATES IS OFTEN DEPENDENT UPON HOW SOPHISTICATED THE PLAYERS ARE.
THE FOR SOPHISTICATED THE LENDERS AND AGENCIES, THE MORE LIKELY THESE UPDATES ARE TIMELY AND ACCURATE.
MOST COMPANIES HAVE ELABORATE BALANCING AND RECONCILIATION ROUTINES TO ENSURE ERRORS ARE FOUND AND FIXED QUICKLY.
STILL, TIMELINESS CAN BE AN ISSUE AS WELL AS INTERSECTION BETWEEN WHEN THE INFORMATION FLOWS FROM THE LENDER TO THE AGENCY, TO THE CREDIT REPORTING AGENCY AND THROUGH THE ECOSYSTEM.
IF THE CONSUMER DOESN'T PAY AN AGENCY, IT IS LIKELY THAT THE LENDER WILL RECALL THE ACCOUNT AND PLACE IT WITH ANOTHER AGENCY.
AGAIN, THIS IS FED FROM THE LENDER TO THE SECOND OR THIRD OR SUBSEQUENT AGENCIES SO THAT ANY INFORMATION THAT THE FIRST AGENCY GATHERED SUCH AS DISPUTES OR REASON THE CONSUMER MAY NOT BE PAYING, IS NOT AVAILABLE TO SUBSEQUENT COLLECTORS AND MUST AGAIN BE CONVEYED BY THE CONSUMERS TO THE NEW COLLECTION AGENCY.
FURTHERMORE, IT IS POSSIBLE THAT AGENCY ONE RECEIVES AN ACCOUNT FOR A PAYMENT THAT IS NOW WITH AGENCY TWO.
THIS NEEDS TO GET RECONCILED SO THE LENDER GETS PAID AND AGENCY TWO GETS PAID AND THE INFORMATION REPORTED TO THE REPORTING AGENCIES AND THE

BALANCE AGENCY TWO IS TRYING TO COLLECT IS ACCURATE.
AGAIN, TIMELINESS AND ACCURACY OF THIS INFORMATION TRANSFER CAN BECOME AN ISSUE.
AS THESE AGENCY MAY ALSO REPORT TO THE CREDIT REPORTING AGENCIES, AT LEAST THEORETICALLY THE OTHER AGENCY CEASES REPORTING OTHERWISE IT MAY BE REPORTED MULTIPLE TIMES BUT THIS TAKES DISCIPLINE WITHIN THE COLLECTION AGENCY AS CREDIT REPORTING MAY OFTEN NOT BE PART OF THEIR PRIMARY BUSINESS.
MANY LENDERS DO NOT ALLOW THEIR AGENCIES TO REPORT THE CRAs AS LONG AS THEY STILL OWN THE ACCOUNT AS THEY WISH TO CONTROL REPORTING OF THEIR ACCOUNTS.
AT SOME POINT A LENDER MAY DECIDE THE BEST RECOVERY STRATEGY IS TO SELL THE ACCOUNT.
USUALLY THIS OCCURS WHEN THE LENDER FEELS THE SALES PRICE EXCEEDS THE NET PRESENT VALUE OF THE EXPECTED STREAM OF COLLECTIONS.
A SALE CAN ALSO OCCUR FOR OTHER REASONS.
FOR EXAMPLE, CAPACITY AMONG COLLECTION AGENCIES OR FEELING THAT COLLECTION EFFORTS HAVE BEEN EXHAUSTED.
THERE HAS BEEN A LOT WRITTEN ABOUT THE DISCOUNT THE FACE VALUE BUYERS MAY PAY TO OBTAIN THESE ACCOUNTS.
FREQUENTLY THE EXPRESSION, PENNIES ON THE DOLLAR IS USED.
IN MY EXPERIENCE, VIRTUALLY ALL SALES OF DISTRESSED CONSUMER DEBT ARE THE RESULT OF A COMPETITIVE BIDDING PROCESS.
THE DISCOUNT REFLECTS THE MARKET VALUATION OF THE DEBT AND IS A

FUNCTION OF THE EXPECTATION OF COLLECTIBILITY BY THE BUYER, THE SELLER AND OTHER BIDDERS.
ONCE A DEBT SALE OCCURS, INFORMATION GENERALLY FLOWS FROM THE SELLING CREDITOR TO THE DEBT BUYERS.
THE LITTLE TO NO INFORMATION FLOWS FROM THE BUYER TO THE BANK.
AN EXCEPTION MAY TO BE BUYER'S MAY REQUEST INFORMATION FROM THE BANK.
FOR EXAMPLE, COPIES OF STATEMENTS OR OTHER DOCUMENTS.
AS YOU WILL HEAR LATER, THE FTC FOUND THAT THERE WERE QUITE OFTEN LIMITS OR RESTRICTIONS ON HOW MUCH, HOW OFTEN AND WHAT TYPES OF DOCUMENTS BUYERS MAY RECEIVE AND HOW MUCH IT WOULD COST THE BUYER TO OBTAIN THEM.
IT IS ALSO IMPORTANT TO NOTE THE INFORMATION GIVEN BY THE LENDER TO THE DEBT BUYER FOR COLLECTION PURPOSES IS MINIMAL.
USUALLY IT IS ELECTRONIC SPREAD SHEET THAT CONTAINS BASIC DEMOGRAPHIC INFORMATION AND SOME FINANCIAL INFORMATION.
USUALLY THE SAME TYPE AND AMOUNT OF INFORMATION THEY ORIGINALLY CONVEYED TO COLLECTION AGENCIES.
AS PART OF THE PURCHASE, USUALLY THE BUYER OBTAINS THE RIGHT TO OBTAIN SOME DOCUMENTARY EVIDENCE, SUCH AS STATEMENTS, APPLICATIONS, AFFIDAVITS AND THINGS OF THAT SORT.
AGAIN, THERE MAY BE LIMITS TO HOW MANY DOCUMENTS THE BUYER CAN OBTAIN, HOW OFTEN AND FOR HOW LONG THEY CAN OBTAIN THEM.
THERE MAY BE AN ADDITIONAL CHARGE FOR THESE DOCUMENTS.
AS TIME ELAPSES AND THE VOLUME

OF DOCUMENTS REQUESTED INCREASES, IT IS NOT UNUSUAL FOR THE PRICE OF DOCUMENTATION TO INCREASE AS WELL.
DEBT BUYERS TOO MAY REPORT TO CREDIT REPORTING AGENCIES AT WHICH POINT THE ORIGINAL LENDER AND THEIR COLLECTION AGENCIES SHOULD STOP REPORTING OR AT LEAST REPORT THAT THE ACCOUNT HAS BEEN SOLD.
IN SOME CASES, DEBT BUYERS WILL ALSO USE COLLECTION AGENCIES OR ATTORNEYS TO COLLECT THE PURCHASE DEBT.
THIS CAN BE EVEN MORE CONFUSING TO THE CONSUMER BECAUSE NOW THEY'RE GETTING CALLS FROM A COLLECTOR THEY HAVE NEVER HEARD OF ABOUT A CREDITOR THE PURCHASER THAT THEY LIKELY NEVER HEARD OF EITHER.
ALTHOUGH SOME BUYERS AND COLLECTORS MAY DISCLOSE WHO THE ORIGINATOR WAS, THERE IS NO FEDERAL REQUIREMENT THAT THIS INFORMATION BE CONTAINED IN THE INITIAL G NOTICE TO THE CONSUMER.
TO MAKE THE DEBT EVEN HARDER TO IDENTIFY, PURCHASERS HAVE A LEGAL RIGHT TO ASSESS INTEREST ON THEIR PURCHASED ACCOUNT.
THIS CAN MAKE THE BALANCE UNIDENTIFIABLE TO THE CONSUMER AS WELL.
NOW YOU HAVE A COLLECTOR THE CONSUMER NEVER HEARD OF COLLECTING FOR A CREDITOR/BUYER THE CONSUMER NEVER HEARD BEFORE A BALANCE THE CONSUMER DOESN'T RECOGNIZE.
ALSO, THE CONSUMER MAY REPORT TO CREDIT REPORTING AGENCIES AS WELL, FURTHER CONFUSING THE CONSUMER SHOULD THEY LOOK AT THE

CONSUMER CREDIT REPORT.
IF AN ACCOUNT REMAINS UNCOLLECTIBLE WITH THE FIRST AGENCY, IT IS POSSIBLE THE BUYER WILL RECALL THE ACCOUNT AND PLACE IT WITH A SECONDARY OR TERTIARY COLLECTOR OR RETAIN AN ATTORNEY TO FILE A LAWSUIT.
IF THE LAWSUIT IS FILED, A NEW PROCESS KICKS IN IN WHICH THE CONSUMER IS SERVED A NOTICE TO APPEAR IN COURT.
AGAIN, SHOULD THE CONSUMER RECEIVE THE SERVICE AND THERE IS SO EVIDENCE THE SERVICE IS NOT ALWAYS REFLECTED ACCURATELY, THERE IS A PROBABILITY THAT THE CONSUMER WILL NOT RECOGNIZE THE CREDITOR OR THE DEBT AND FAIL TO APPEAR IN COURT.
SHOULD THIS HAPPEN, IT IS LIKELY THE ATTORNEY WILL FILE A MOTIONTOR DEFAULT JUDGMENT AND IF GRANTED THE CONSUMER MAY BE SUBJECT TO WAGE GARNISHMENT OR ASSET ATTACHMENT TO SATISFY THE DEBT.
IF THE CONSUMER DOES APPEAR, IT SEEMS THAT QUITE OFTEN THE PLAINTIFF IS UNPREPARED WITH DOCUMENTARY EVIDENCE AS QUITE A FEW OF THESE CASES ARE DISMISSED.
IF THE BUYER DETERMINES FOR SOME REASON THAT THERE IS NO POINT IN FILING A LAWSUIT AND THEY EXHAUSTED THEIR COLLECTION AVENUES, THEY MAY DECIDE THE ACCOUNT, TO SELL THE ACCOUNT TO A SECONDARY BUYER.
INDUSTRY PRACTICE TO SELL ACCOUNTS WITH THE BALANCE AS IT WAS WHEN THE ACCOUNT WAS CHARGED OFF BY THE ORIGINAL LENDER.
THIS MEANS THAT ANY INTEREST IN FEES THE BUYER HAD ASSESSED

PREVIOUSLY HAVE TO BE ROLLED BACK OR AT LEAST THE ORIGINAL CHARGE OFF BALANCE REINSTATED.
THE SECONDARY BUYER MAY NOW ALSO DECIDE TO ASSESS INTEREST AND IF HE CALCULATES ON A DIFFERENT BASIS, NOW THE BALANCE DOES NOT ONLY RESEMBLE THE ORIGINAL CHARGEOFF BALANCE IT ALSO DOESN'T RESEMBLE THE BALANCE THE PREVIOUS OWNER WAS ATTEMPTING TO COLLECT.
ADDITIONALLY, IT IS IMPORTANT TO NOTE THAT THE SECONDARY BUYER HAS NO RELATIONSHIP WITH THE ORIGINAL LENDER.
SO THE SECONDARY BUYER WISH TO OBTAIN ADDITIONAL INFORMATION OR DOCUMENTS, THEY MUST GO THROUGH THE FIRST BUYER TO GO TO THE LENDER FOR IT, WHICH CAN BE TIME CONSUMING, ERROR PRONE, AND SUBJECT TO LACK OF FULFILLMENT OF THE REQUEST.
SECONDARY BUYERS MAY DECIDE TO SELL AS WELL AND AGAIN THEY CONVEY INFORMATION TO THEIR BUYER.
BUT IF THAT BUYER WISHES MORE INFORMATION, THEY MUST GO BACK THROUGH THE CHAIN POTENTIALLY EXACERBATING THE TIME, THE ERRORS AND CONFUSION ON THE PART OF THE CONSUMER.
IT IS EASY TO SEE THE POTENTIAL FOR ERRORS AND CERTAINLY THE DIFFICULTY COLLECTORS, ATTORNEYS AND DEBT BUYERS CAN HAVE IN OBTAINING INFORMATION AND DOCUMENTATION TO ENSURE THAT THE CONSUMER CAN IDENTIFY THE DEBT AS BEING THEIRS.
IN THIS TYPE OF ECOSYSTEM, IT IS NO WONDER THE CONSUMERS COMPLAIN THAT THEY'RE BEING CALLED ABOUT DEBTS THEY DON'T OWN OR DEBTS

THEY DON'T RECOGNIZE OR DEBTS THEY DON'T OWE OR DEBTS THEY DON'T RECOGNIZE.
RECENTLY WHICH HEARD THE TRY IS TAKING STEPS TO CORRECT SOME OF THESE PROBLEMS.
LENDERS ARE SUBJECTING THE POTENTIAL BUYERS TO MORE SCRUTINY, WANTING TO MAKE SURE THEY'RE DEALING WITH MORE REPUTABLE COMPANIES SUCH AS MAKING SURE THEY HAVE AUDITED FINANCIALS.
LENDERS ARE ALSO EXAMINING BUYER PROCESSES FOR DOCUMENT HANDLING AND REQUIRING CONTRACTUALLY BUYERS ONLY LITIGATE ACCOUNTS FOR WHICH THEY OBTAINED EVIDENTIARY INTERNATIONAL.
THE ASSOCIATION WHICH MANY DEBT BUYERS ARE MEMBERS, INSTITUTED A CERTIFICATION PROGRAM TO HELP REGULATE AND POLICE THE INDUSTRY.
SOEM LONDONERS ARE REQUIRING BUYERS NOT OUTSOURCE TO THIRD PARTY COLLECTION AGENCIES AND HAVE IN HOUSE COLLECTORS TO COLLECT ON PURCHASED DEBT.
SOME LENDERS ARE RESTRICTING DEBT BUYER FROM RESELLING THEIR ACCOUNTS, EITHER PROHIBITING IT OR REQUIRING THAT THE LENDER APPROVES THE SALE BEFOREHAND.
AGENCIES ARE FEELING THE PRESSURE TOO.
MANY LENDERS ARE CONSOLIDATING THE NUMBER OF AGENCIES THEY USE, SO MANY AGENCIES ARE SEEING REDUCED MARKET SHARE, INCREASED SCRUTINY OF THEIR OPERATIONS.
IN SOME INSTANCES, BANKS ARE CHANGING THE WAY THEY COMPENSATE AGENCIES, PUTTING LESS EMPHASIS ON COMMISSION IN HOPES THEY WOULD REDUCE INCENTIVE FOR

COLLECTORS TO PUSH THE ENVELOPE
AND PERHAPS VIOLATE THE LAW.
THIS CAN LEAD TO NARROWER
MARGINS FOR THE AGENCIES.
REQUIRING THE AGENCY TO USE THE
LENDER'S COLLECTION SYSTEM AS I
TALKED ABOUT EARLIER, REDUCE IT
IS AGENCY'S AUTONOMY AND ABILITY
TO REVISE COLLECTION STRATEGIES.
WITHIN BOTH DEBT BUYING AND
COLLECTION INDUSTRY, THERE IS A
MOVE TO CONSOLIDATION AS PLAYERS
SELL THEIR PORTFOLIOS OR GET
ACQUIRED BY SOME OF THE LARGER,
MORE SOPHISTICATED PARTICIPANTS.
THE FLOW OF INFORMATION IN THE
COLLECTIONS ECOSYSTEM IS COMPLEX
AND THERE ARE MANY OPPORTUNITIES
FOR MISSTEPS AND ERRORS.
AS I SAID EARLIER, THE NUMBER OF
CONSUMERS INVOLVED IS LARGE,
ESTIMATED TO BE A LEAST 30
MILLION ANNUALLY.
EVEN A RELATIVELY SMALL ERROR
RATE CAN LEAD TO A LARGE NUMBER
OF CONSUMERS HARMED.
I WELCOME TO YOU THIS CONFERENCE
AND I LOOK FORWARD TO YOUR INPUT
TODAY AS TO HOW WE CAN WORK
TOGETHER TO SOLVE THESE ISSUES
AND MAKE IT EASIER FOR CONSUMERS
TO RESOLVE THEIR DEBTS.
THANK YOU.
[APPLAUSE]
>> OKAY, THANK YOU, JOHN.
WELL, WE ARE GOING TO BREAK NOW.
I WOULD LIKE IF IT WE COULD START
AGAIN AT 10:40.
JUST A QUICK NOTE ON SEATING.
WE HAVE A LOT OF RESERVED SEATING
UP FRONT.
DURING THE BREAK WELL TAKE SOME
OF THE RESERVE SEATS AWAY SO
PLEASE FEEL FREE TO MOVE
FORWARD.
THANK YOU.

DURING THE BREAK WE WILL TAKE
SOME OF THE SEATS AWAY, SO
PLEASE FEEL FREE TO MOVE
FORWARD.
THANK YOU.