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 FOCUSED 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 RELEVANT 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
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.
WE HOPE TO GATHER INFORMATION
AND WORK TOWARDS MAKING THE
INDUSTRY BETTER FOR
AND THE HONEST BUSINESSES DOING
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,
VIDEOTAPE, 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 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.
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

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 larger 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 PERMUTATIONS 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.
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 MEMORY 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 LEAST 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
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
TER TERNARY 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
MOTION FOR 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
W AS 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.
SOME 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.