

Is the Collection Industry going forward or backwards?

This month was a tough one for the collections industry. Attorney Generals from New York, Ohio and Virginia all went after collection agencies and collection attorney firms. Each of these attorney generals claimed that the agencies were violating the fair debt collections act and even claimed fraudulent activity. The Minnesota AG literally shut down the arbitration business by closing down the National Arbitration Association's credit card arbitration business, which was followed by the American Arbitration Association backing out of the debt collection arbitration business as well. AG's settled with Bank of America on the foreclosure issues with its' Countrywide subprime division it bought. Even the rental business is not safe. Rent-a-Center is being accused of illegal collection practices in the state of Washington, including harassing customers with profanity during collection calls and scaring children by telling them that their parents would be jailed.

Is it coincidence that all these items are happening at once or is there a pattern that is being set? Has the Attorney Generals had enough with the financial services industry or have they figured out a way to go after an industry that is not popular with the media and has deep pockets to gain a badly needed revenue source? The states are hurting for revenue and is our industry the target of a way to increase their revenues? Unfortunately our industry is a prime target for politicians. Lisa Madigan the AG from Illinois (who has aspirations of higher offices) has said the worst type of companies are polluters and collectors. Great, we have been categorized with those who damage our environment. Let's face it; we do not work in a user friendly industry. I spent 10 years working for one of the credit reporting agencies, when someone heard that I worked there it usually was followed up with a "you ruined my credit" comment. How often do you get a positive comment when you say you work in the collections marketplace? "Thanks for collecting all those debts owed, we know it keeps our rates down!" If you consider that 90% plus of consumers pay their bills on time and have a serious issue in having to pay for someone else who does not pay their bill. If everybody paid their bills on time, interest rates would be low and borrowing would never be an issue. I know I would not want to end up in court in front of 12 jurors and explain that I think the 12 jurors should have to pay my bills because I can't afford to pay my own bills. If a politician is looking to gain popularity ask them about debt collection agencies? Regulate them, enforce against them, and never support us publicly. The fact that our industry is very necessary to recover funds for businesses is a lost issue.

Our industry certainly is not without its faults. We have created this two headed monster with a lot of bad business moves. Universal default will not go down as a smart business decision,

profitable in the short run, devastating in the long run. There are rouge agencies out there that do whatever it takes to collect outstanding balances. And the main stream press loves that. Nothing better than getting a collector on tape (or better yet film) screaming and cursing at a poor little old consumer who happens to have the same name as another deadbeat bill dodger. Overzealous collectors can take your business from profitable to shut down if they are not closely monitored. You have such a fine line to balance, if you are overly nice, good luck getting paid. If you are over aggressive, good luck getting paid and expect an on rush of media, consumer lawyers and politicians. Taking the approach as a professional is the best approach. You need empathy for the consumers today, who with the current economic conditions are completely different than the debt dodgers of the past. Now you have middle and upper class debtors who have never experienced delinquencies. How you treat these individuals now, will have a lasting effect on the consumers and our industry.

The concept of self regulation has been tossed around for a while but has recently taken on a new drive. Let's face it, if we do not control the industry, the government will do it. And we all know how successful the government is in regulating an industry. The hardest part of self regulation will be the breaking of the bonds and codes that exist about supporting your brethren in the collections industry. If they are not complying with the laws then turn them in. Let's clean up our industry before the government does it. And judging by the number of Attorney Generals and FTC complaints, it is just a matter of time before regulations take hold. New York, New Jersey and North Carolina already have pending bills and more states are looking at new laws.

People, lets clean it up now and take out our own trash before the government does it for us!
Your comments are welcome.

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