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Press Release

U.S. Debt Collections Industry Worth \$12.2 Billion. Plenty of Accounts, But It's Tougher To Collect

Tampa FL, April 10, 2012... Marketdata Enterprises, Inc., a leading independent market research publisher of “off-the-shelf” studies about service industries since 1979, has released a new 186-page report entitled: U.S. Debt Collection Agencies: An Industry Analysis. This **8th edition** best-selling study contains the latest survey highlights, facts, and forecasts from the: US Census Bureau, American Collectors Association, FTC, Federal Reserve, consultants and more.

According to Research Director, John LaRosa: “Heading into the Spring of what looks to be another difficult year for many consumers, the economy is just beginning to see some glimmers of recovery. However, unemployment remains high by historical standards and is likely to improve slowly. Consumers are still strapped and hit by high gas prices. Although the number of placements at collection agencies has increased, the collectability has fallen. Agencies have to work much harder to collect, making more calls, using more aggressive tactics. But, this is backfiring, as the number of consumer complaints hits record levels and the FTC imposes fines and actions on agencies that violate the Fair Debt Collection Practices Act (FDCPA). While is good news for consumers, it affects the top-line revenue growth of collections firms.

Major Findings:

- **Industry Size ...** Marketdata estimates that U.S. Collection agency revenues grew just 3.9% to \$12.2 billion in 2011. 2012 will not be much better—4.6% gains to \$12.8 billion. To 2016, we forecast 4.6% annual growth. Some analysts claim the industry is worth as much as \$17 billion.
- **Average annual receipts per collection agency in 2007 were \$2.3 million.** There are 140,000+ workers in this sector, each of which collects \$245,000 in debts. These people are working harder to collect – making more phone calls, getting partial payments, etc. Some have resorted to illegal or overly aggressive tactics, drawing the attention of State Attorneys General, the FTC, and the public.

- Competition is fierce, based on recovery rates and service fees. Profitability has fallen.
- The bulk of accounts are consumer credit card debt, but this is changing, as more success may lie with medical debt, IRS taxes, utility and cell phone bills.
- Most collection agencies do most of their work on a contingency basis. Rates obtained for collecting debts vary, but generally average 25-30%. Commercial debts are generally larger and have a higher rate of recovery.
- There is no doubt that some collectors are playing dirty, as the FTC and the National Association of Attorneys General recently reported that debt collection topped the list of consumer complaints in state offices during 2011. Recent FTC actions and fines have revealed fraud and harassment.
- As household wealth has declined in the downturn, more American families are facing financial distress due to high debt burdens. In 2007, before the recession began, 14.7% of U.S. families had debt exceeding 40% of their income. A growing share of consumers' disposable income is being diverted to service credit card debt rather than to help economic recovery.
- After declining in 2011, foreclosures in many states are likely to spike this year, because of February's mortgage fraud settlement that clarified which foreclosure procedures by banks are unacceptable, allowing backlogged foreclosures to move forward. The combined percentage of loans in foreclosure or at least one payment past due was 12.63%. By several measures, mortgage delinquencies are about half-way back to long-term, pre-recession levels.
- NCO Financial Systems has become the leading collections firm by far, with 2011 revenues of \$1.54 billion. It is a public company. NCO added revenues by virtue of its February 2008 acquisition of its largest competitor, Outsourcing Solutions, Inc.

Editor's Note: U.S. Debt Collection Agencies: An Industry Analysis, published in April 2012, is an independently researched study. It contains 49 tables and is 186 pages long. It costs \$1,895, but is sold by individual chapters at lower cost. A free brochure is available by mail, Fax, or email: Contact: Marketdata Enterprises, Inc., 8903 Regents Park Dr., Suite 120, Tampa, FL 33647, or www.marketdataenterprises.com. Marketdata studies are available on-line via: **Profound** (Dialog), **Marketresearch.com**, and **Mindbranch** commercial databases.

***A 28 pp. Overview of report highlights is available to the general public for \$79.
It's suitable for business plans and investors.***

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