

# U.S. Collections Agencies: An Industry Analysis

(October 2009)

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* Discussion of major findings, status of the industry, industry structure, nature of the profession, major trends affecting collections agencies, industry receipts: (1987-2007 actual, 2008 & 2009 est., 2013 forecast)— major competitors’ mkt. share, consolidation, collection methods, recovery rates, debt buying, effects of the recession, mkt. segments, commercial vs. consumer accts., new technologies, latest Census ratios, consumer debt trends/other demand indicators, other industry analysts’ opinions – <b>highlights of ALL study chapters.</b>	
<b><u>Nature &amp; Status Report of the Industry (\$175)</u></b>	26-37
* Definition & characteristics of the business: history & development, Census NAICS codes, how services operate, no. of services nationwide/recent consolidation/mergers	
* Status Report: Number of agencies in U.S., profitability, growth, no. of workers, effect of the recession, etc.	
* Findings/opinion of Kaulkin Ginsberg, ACA trade group, Faulkner & Gray (recent surveys, discussion of major trends)	
* <u>Collection Techniques</u> : discussion of “traditional” collection techniques & how agencies operate (letters, phone calls, legal action, use of operatives), what methods work best, current recovery rates, contingency fees, ACA data, customer specializations.	
<b><u>History of Consumer Complaints About Debt Collection Services (\$150)</u></b>	38-48
* Discussion of major complaints about collection harassment and unethical/illegal practices, privacy issues.	
* Recent legislation/fines by FTC and Congress	
* Definition and explanation of 1977 Fair Debt Collection Practices Act, history/legislative background	
* State actions by NY Attorney General against collection firms	
* FTC report on modernization of FDCPA	
* Typical types of violations committed by debt collectors	

## Major Industry Trends & Factors Affecting Demand (\$275)

49-68

- \* Industry layoffs continue as industry struggles, placements volume rises but liquidations fall, is this industry recession-proof or even recession-resistant anymore?
- \* Summary: The **growth of consumer debt/trends** through 2009: (Federal Reserve, BEA, consulting firms data), delinquencies & charge-off rates, foreclosures
- \* **Bankruptcy trends:** personal vs. business, discussion of Chapter 7, 11, 13 types, peak levels and reasons, regional differences, status of current bankruptcy legislation
- \* **Major trends affecting the business** - discussion of recent consolidation, increased consumer debt, emergence of the “debt buying mkt.” (\$ size, no. of competitors, trade group), outsourcing of collections by end-users, Web-based applications, call center advances, international expansion, status of IRS outsourcing, client consolidation, growth of **debt buying market**.
- \* Findings of latest Kaulkin Ginsberg research/reports
- \* Emerging collection technologies - integration of computer/telecommun. systems, pre-authorized draft printing (leading firms, how service works, software vs. service bureau approaches), skip tracing, predictive dialing, check verification & computer databases.

### Tables:

- \* Consumer credit outstanding and finance rates: 1992-2009
- \* Ratios of debt payments to family income: 1998 to 2007
- \* U.S. non-commercial bankruptcies, by type: 1991-2009

## Market Size, Growth, Segments & Forecasts (\$200)

69-81

- \* **Demand indicators:** growth in “placements” value (Amer. Collectors Assn.), limitations of data, opinions, how recession-proof is the business?
- \* Comparison of industry receipts estimates by: U.S. Census Bureau, Kaulkin Ginsberg, PriceWaterhouseCoopers, Marketdata
- \* Effects of the recession on collectability and revenues
- \* Growth of leading companies for 1<sup>st</sup> 6 months 2009.
- \* Estimated value of consumer, medical, government, communication markets.
- \* 2008-2009 performance/growth/rationale, 2013 forecasts: discussion of growth/reasons and contributing factors, opinions of Kaulkin Report, industry competitors, analysts, short and long-term factors affecting demand and growth, weighted sales increase of top 9 competitors.
- \* **Market segments & niches:** consumer vs. commercial accounts, estd. share of industry volume

Table: Industry receipts (1987-2007 Census), Marketdata estimates/projections for 2008 & 2009, 2013 forecasts (\$ value, % changes)

## **Government Tax Debt: A Status Report (\$100)**

82-93

- \* Findings of PriceWaterhouseCoopers study: amounts referred and collected.
- \* In-depth discussion of government tax debt, possible huge new market represented by IRS outsourcing of collections to outside agencies: tax debt, non-tax debt, child support, Treasury Dept. & other programs status as of FY 2006, actual collections
- \* Explanation of Treasury Offset Program – FY 2008 results, amounts
- \* Objections to outsourcing

## **Economic Structure & Ratios of Adjustment & Collection Services (\$250)**

94-120

- \* Findings of 2008 ACA Benchmarking Survey: expenses as % gross revenues, liquidation percentages, cost per acct., acct. size, collections per employee
- \* Summary, discussion of: no. of services, annual receipts (2007 vs. 2002), payroll costs, avg. receipts per firm/establishment, legal form of firms, concentration levels for 50 largest firms, single vs. multi-unit operations, services by receipts size of firms & individual estabs., top 10 states (mkt. potential, \$ value of receipts), avg. receipts per service, by state
- \* 15-year snapshot of the industry - 1992-2007, key ratios.

### **Tables:**

- \* Historical summary of collection agency operating ratios: 1998-2003 (ACA surveys)
- \* Average annual new business, by region: 1998-2003 (ACA surveys)
- \* New business, by collection agency size: 1998-2003 (ACA surveys)
- \* **Legal format** - corporations, partnerships, proprietorships (no. of estabs., receipts, payroll as % receipts, avg. receipts (2002, 1997))
- \* **Concentration ratios:** largest 4, 8, 20, 50 firms (no. of estabs., revenues, as % total industry, payroll, no. of workers (2002, 1997))
- \* **Single vs. multi-unit firms** (1, 2, 3-4, 5-9, 10+ facilities) no. of firms, estabs., receipts, avg. receipts, payroll costs (2002, 1997)
- \* Annual **receipts size of FIRMS**, measures as above, 11 sales size classes from \$100 mill. to under \$10,000 (2002, 1997)
- \* Annual receipts size of individual **ESTABLISHMENTS**, ratios as above, 11 classes: \$10+ mill. to under \$10,000 (2002, 1997)
- \* **State analysis:** No. of total adjustment & collection services, receipts, avg. receipts per estab., % of national receipts for 50 states (2002, 1992)
- \* Estabs. & receipts, **by major city** (1997)
- \* Repossession services, by state (2002)

**Collection Agency Competitor Profiles** (\$300)

121-156

(company overview & business description, products, strategies, recent acquisitions, operations, recent developments, financial summary – 1<sup>st</sup> half 2009 and prior years)

- **NCO Financial Systems** p. 124
- **Outsourcing Solutions Inc.** p. 132
- **Encore Capital Group** p. 137
- **Asset Acceptance Capital** p. 142
- **Intellirisk Management Corp.** p. 147
- **Convergent Resources** p. 148

**Tables:**

- \* Largest collection firms, ranked by revenues and no. of collectors: 2008, 2007
- \* Top debt buyer companies, ranked by 2008 & 2007 revenues
- \* 50 largest firms, by collection agency placements: 2005 (First Detroit ranking)
- \* 50 largest collection agencies, by revenues: 2005 (First Detroit ranking)
- \* 50 largest collection firms, by no. of branch offices: 2005 (First Detroit ranking)

**Reference Directory of Industry Information Sources** 157-160

- \* Name/address/phone/key contacts of credit and collections trade groups, journals, magazines, directories, federal and state agencies, etc.