



Defining the Basics of the Collection Industry

What is a professional debt collection service?

Third-party collection services collect on past-due accounts referred to them by various credit grantors—credit card issuers, banks, car dealers, retail stores, healthcare facilities—any business that extends credit or offers payment installment plans.

What does a typical professional collection office do?

Often creditors cannot locate consumers who have moved or changed their phone numbers. The first thing a collection service must do is obtain the consumer's current address or phone number through a process called skiptracing. The collection office then sends the consumer a notice that allows him or her to dispute the validity of the debt and/or request verification of the debt. Once the notice is received, a collector may call or write to the consumer and ask for full payment of the debt. If payment in full is not possible, the collector helps the consumer make arrangements to solve the problem.

Why are accounts referred for collection?

Most accounts are referred for collection because they have gone unpaid for several months and the creditor has not received communication from the consumer. Third-party collection services, which use specialized phone systems, computers and software designed specifically for the collection industry, often are more effective than creditors at collecting payment on such delinquent accounts.

What is the difference between "in-house" collections and third-party collections?

Third-party collectors are directly regulated by the Fair Debt Collection Practices Act (FDCPA), which is administered by the Federal Trade Commission (FTC). The FDCPA sets forth strict guidelines designed to protect consumers from abusive, misleading and unfair debt collection practices. In-house collectors are credit grantors and are covered by the FDCPA only under certain circumstances.

Is there a typical debtor?

No. People from all walks of life face financial problems. These problems can stem from poor money management and budgeting skills, the loss of a job, prolonged ill health or a multitude of other unforeseen circumstances.

What should people do if they receive a collection notice?

First, stay calm. Just as consumers depend on an income to pay their living expenses, the people who sell goods or services on credit depend on your payment to meet their own expenses. Remember, by the time your account has been turned over to a collection specialist, the creditor has probably carried the account for several months. Second, work with the collection agency to resolve the problem before it gets worse.

What can't a collector do when contacting a consumer?

Under the FDCPA, third-party collectors may not: make repetitive or excessively frequent phone calls to annoy or harass you; misrepresent his or her identity; threaten to take any action that is illegal or that the debt collector does not actually intend to take.

Why do we need collection agencies?

Most accounts are referred for collection because they have gone unpaid for several months. Without the quick actions of collection services, unpaid debt is often reflected by higher consumer prices. Since there is a limit on how high prices can be increased before businesses begin losing customers, bad debt also results in business failure and job loss.

How has the collection industry changed over the past 15 years?

In addition to more thorough training for collectors, the greatest changes in the collection industry have resulted from significant increase in automation. Fifteen years ago, most collection offices kept track of accounts on paper cards; information was recorded manually and collectors dialed their telephones themselves. Today, offices are computerized, use collection-specific software and have sophisticated telephone systems with automated dialers.

How is the collection industry likely to change in the next 15 years?

Collection businesses will likely offer a wider variety of client services, including an increased capacity for greater billing and accounts receivable management and increased "early out" or pre-collection services. Many agencies are expanding existing services and technology beyond the traditional contingency collection functions.

ACA has compiled this information from a variety of industry sources in response to frequent questions regarding the credit and collection industry. All sources are cited and every effort has been made to assure that the information is correct. For more information, contact ACA's public relations specialist at (952)-928-8000, ext. 714 or pr@acainternational.org

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