Top Collections Industry Trends

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Bankruptcy Reform

Bankruptcies inhibit collection agency activity, but increase credit reporting activity. The rise in personal bankruptcies has roughly mirrored increases in credit card loans outstanding, according to a study by the Federal Reserve Bank of Boston.

Check Collections

According to American Collectors Association (ACA), the average recovery rate for check collections is 32 percent. The Federal Reserve Bank expects the volume of checks written to increase 1 or 2 percent annually for the next six years.

Selling Consumer Information Impeded

Credit-reporting agencies will have a tougher time selling information from consumer credit reports. More personal information, like names, addresses, telephone and social security numbers, is protected under federal privacy laws and cannot be sold without consumer consent. Consumers now have the right to "opt out" of selling their financial information, an expensive and tedious process for credit agencies to put into practice.

Incomplete Databases

To prevent lenders from poaching profitable customers, some agencies declined to contribute information to the major credit-reporting databases. This practice has spread to the point where companies controlling more than 50 percent of the credit market stopped reporting customers' credit limits and peak balance data.

Seasonality

Debt is often accumulated during the winter holiday season. The typical payoff time for debt incurred during this time is four months, American Bankers Association (ABA) reports.

Receivables Call Centers

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The accounts receivable management industry has evolved and so have the technologies used to support it. Debt collectors rely heavily on debt collection technology, such as call centers, throughout the debt collection process. The advent of call centers aids in debt collection strategies, workflow, contacting debtors, productivity, analysis and reporting. Improvements in debt collection technology such as call centers can often help a collection agency reach a higher percentage of debtors resulting in more money collected for clients.

Evolution of the U.S. Accounts Receivable Management Industry

Trends Shaping the Accounts Receivable Industry

The stereotypical company in the accounts receivable management industry has changed. And for good reason. Success in this industry can no longer be created with a spare bedroom and an extra telephone line. In today's accounts receivable industry, modern call centers house technology-enabled debt collection operations with considerable economies of scale. As a result, this industry attracts the interest of Wall Street, strategic acquirers, and private equity firms alike. The history of the accounts receivable management industry provides some insight into how this change took place. It can be traced largely to the growth of consumer credit in the United States as well as the country's economy as a whole.

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The Accounts Receivable Industry Evolves

- The FDCPA ushered in a new era for the accounts receivable industry by regulating the way in which debt collection occurred. Among its many provisions, the FDCPA established guidelines on how, when, and where a debt collector can contact a debtor. The law also required specific notice and disclosure requirements that accounts receivable industry professionals had to follow during debt collection. Consumers could also sue debt collection agencies for illegal tactics such as threatening violence to a debtor or harassing a debtor's friends, relatives, or employer.
- Advances in supervision on the collection floor, telephone systems, and early collection technologies allowed debt collection agency managers to improve financial and operational results by managing their companies as systems, rather than as groups of collection agents.
- Debt buying traces its roots to the isolated retail stores in the 1960s and the bankruptcy courts of the late 1970s. A number of today's most prominent debt buying companies can trace their lineage to these portfolio sales, which not only increased the supply of paper but signaled the government's endorsement of this new business activity.