

FTC Debt Collection Complaints Compendium

Q1 2012



insideARM.com
accounts receivable management



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Introduction

Last year, the Federal Trade Commission reported that there were 180,928 complaints filed by consumers against a debt collector¹. This ranked debt collection as the second most complained about category; identity theft topped the list with 279,156².

The “complaints against debt collectors” data point – whether it’s from the 2011 *Consumer Sentinel Network Data Book* or the 2010 edition or, even, the 2012 report when it’s published in February of 2013 – does a lot of heavy lifting in the mainstream press. It is used to suggest that the entire collection industry is rife with abuse, that it is filled with players who refuse to obey the rules, and that more legislation and government oversight is needed to set things back in order.

But what if that isn’t the case? What if the actual data, rather than the 180,000+ number, reveal an interesting truth about the collection industry? What if things aren’t as dire as they seem?

insideARM.com, through Freedom of Information Act requests and interviews with staff at the FTC, wanted to see if there was another story to be told with those complaint numbers. This is the result: the *Q1 2012 FTC Debt Collection Complaints Compendium*.

One of the first assumptions that we wanted to investigate was: how reliable are the FTC’s numbers? Of those 180,928 complaints, was there room for error?

The FTC’s complaint data does a lot of heavy lifting in the mainstream press, suggesting an industry rife with abuse and in need of stronger legislation and government oversight. But what if that isn’t the case? What if the data reveal an interesting truth about the collection industry?

The FTC itself is clear about the unverified nature of the data it’s releasing in its annual reports: “The 2011 Consumer Sentinel Network Data Book is based on unverified complaints reported by consumers. The data is not based on a consumer survey.”³ The other thing that is clear is that the *number* is reliable: there were 180,928 complaints filed with the FTC. However, because these numbers are unverified, the *nature* of those complaints is not necessarily reliable.

A consumer has several venues for filing a complaint against a debt collector: He can visit the FTC’s Complaint Assist site (<https://www.ftccomplaintassistant.gov/>) and file his complaint online. He can call the FTC’s toll-free Complaint Line, 1-877-FTC-HELP (1-877-382-4357)⁴. He

¹ [Consumer Sentinel Network Data Book for January – December 2011](#), p. 6

² *Ibid*

³ [Consumer Sentinel Network Data Book for January – December 2011](#), p. 2

⁴ <http://www.ftc.gov/ftc/contact.shtm>

can, instead (or in addition; more on that in a moment), file his complaint with his local Better Business Bureau (<http://www.bbb.org/us/Consumer-Complaints/>). He can file a complaint with his state's attorney general. And, increasingly, he can use smartphone software like [PrivacyStar](#) to file a complaint almost immediately from his phone.

The truth is: he can do all of those for one complaint. And, while the FTC does its best to normalize the complaints data it receives (i.e., removes duplicates, cleans up spelling), it's still a fallible system, and it's guaranteed that, in the 180,000+ number, we're seeing some duplicate complaints.

Additionally, if the consumer is complaining solely because she is unhappy with being contacted by a collection agency – even if she, indeed, has an account legitimately in collections – the FTC will still count the fact that she made a complaint against a collection agency as a complaint against the entire industry. As the FTC says on its Contact page: “We do not resolve individual consumer disputes.”⁵ This also means that they do not verify the veracity of any complaint that is logged.

As we looked further into the data sent to us by the FTC, and as we began to compile and normalize the records, the other big point that jumped out at us was how relatively few complaints any one company had (with an exception, which we will get into presently), and how the complaints seemed to be, more or less, relatively evenly spread out among those in the collection industry. Large companies with thousands of employees and millions of monthly contacts had high complaint numbers; however, their complaints were not beyond the pale when compared with medium- and smaller-sized companies. Smaller companies with fewer opportunities for consumer contact had similarly smaller complaint numbers.

The exception we discovered – the “company” that seemed to have the bulk of the consumer complaints in the first calendar quarter of 2012 – were the unknown companies. These were debt collectors who called and didn't identify themselves, or falsely identified themselves. These are agencies who are operating outside of the law, who are not industry association members, and who probably don't even have a business license. They have a phone, they have a list, and the complaints attributable to “unknown” make up 20+% of the complaints.

When insideARM.com first began thinking about a report on the FTC's debt collection data, an early assumption would be that we'd see maybe three or four companies with the preponderance of the complaints. “These are the bad apples everyone is talking about,” we'd be able to say. But, at least in the first quarter, it seems clear: companies willing to identify themselves to consumers, and willing to participate in conferences, and willing to function within the boundaries of the law as much as possible are not who is generating the bulk of consumer complaints. It's the rogue agencies who are casting the longest shadow across compliance abuse.

⁵ <http://www.ftc.gov/ftc/contact.shtm>

This report contains analyzed complaints data for the first calendar quarter of 2012. You'll find a chart that lists the Top 100 Collection Agencies by number of complaints. They are identified by type – Collection Agency, Debt Buyer, Creditor, etc. – and by geographic area – Northeast, Mid-Atlantic, South, West, etc. You'll also find an appendix of content published on our site as part of our [Big Issue series regarding complaints](#).

We hope you find value in our *Q1 2012 FTC Debt Collection Complaints Compendium*. If you have any questions or would like to comment on the information contained within, please feel free to email editor@insideARM.com. You can also contact Stephanie Eidelman at 240.499.3814 or Mike Bevel at 240.499.3834.

Regards,

The insideARM.com Editorial Team



Major Talking Points/Takeaways – Q1 2012 FTC Complaint Compendium

In analyzing the data and compiling the *Q1 2012 FTC Debt Collection Complaints Compendium*, insideARM.com culled its key findings into this two-page list of take-aways. Feel free to print and share these two pages when discussing the data in this report with your staff, your colleagues, the media, or other interested parties; however, this is **not** permission to broadly share this full document as per the copyright notice on page 2.

- Complaints to the FTC are indeed just that: complaints. **The FTC does not take measures to ensure that it has accurately collected the proper company name** (the subject of the complaint), it does not ensure **that the complaint is coded correctly** (i.e. the complaint accurately relates to the third party collection firm vs. the creditor), and **it does not verify whether the complaint is a violation of law**. No doubt some are; and no doubt some are simply expressions of frustration.
- **The debt collection industry has an 85% resolution rate with the Better Business Bureau, which is above average.** Once the Consumer Financial Protection Bureau begins a similar resolution process (as they've announced they will), we will learn more about the accurate nature of the complaints.
- Over the course of the first quarter of 2012, **20% of all complaints were levied against "unknown" companies** (i.e. the field was either blank, specifically said "unknown," or stated something to the effect of "they wouldn't say"). In March specifically, the number was 28%.
- Many legitimate companies appear to have received the most complaints. One reason for this is that these companies properly identify themselves. **Companies and individuals operating scams do not identify themselves when asked, or they deliberately vary the information they give each time.**
- When the CFPB begins to "name names" associated with consumer complaints, as they've announced they will do starting later in 2012 or early 2013, these unnamed/unidentified companies are going to prove to be especially troublesome for the industry. **How can the CFPB expect to see consumer complaints resolved against companies that refuse to identify themselves?** And is it fair that only those companies who identify themselves to consumers are the ones who will be publically listed, whether the complaints against them were justified or not?
- The companies near the top of the list are among the largest in the industry. These firms make **somewhere between 3 million and 100 million customer contacts (phone calls and letters) per month.**

The number of complaints received among the top 25 named third-party debt collection companies ranges between 33 and 233 per month, with an average of 75, in the first quarter of 2012.

About a dozen companies from the list reported to insideARM.com the number of contacts they made per month (including both letters and phone calls) in the first quarter of 2012. That number of monthly contacts ranges from 3 million to about 100 million.

On average, this equates to a complaint rate of approximately five (5) per one million contacts, or .000453%. This approaches Six Sigma-level process quality for these – generally larger – professional debt collection firms which appear at the top of the complaint list.

- More broadly, according to ACA International, **the collection industry makes over 1 billion contacts annually.** Last year, the FTC reported in its *Consumer Sentinel Network Data Book for January – December 2011* that there were 180,928 complaints against debt collectors. That's around a 0.02% complaint rate, using the very conservative 1 billion total estimate.
- Many company names are similar in the debt collection industry. So even in many cases where companies are named, because of typos, abbreviations, or mistakes in comprehension, **it often isn't possible to know for sure what company the consumer intended to complain about.** In some cases addresses are listed to assist in the identification; in many cases they are not.
- PrivacyStar is a new channel that allows consumers to complain through mobile devices. **In January 2012 there were 389 complaints through PrivacyStar (3% of all complaints). In March, there were over 4,650 (23% of all complaints).**
- PrivacyStar limits the number of characters you can type, so a full company name is rarely listed. **PrivacyStar does not report complaints against creditors,** which skews the % of all complaints against third-party agencies.
- **The BBB does not report complaints against creditors to the FTC,** which skews the % of complaints against third-party agencies.
- **Most Attorney General Offices, as well as "other" complaint sources, do not report complaints to the FTC against creditors,** which skews the % of complaints against third-party agencies.

An Overview of the Q1 FTC Debt Collection Complaint Data

Earlier this year insideARM.com made a Freedom of Information Act (FOIA) request of the Federal Trade Commission (FTC) for all debt collection complaint data from the first quarter of 2012. We received many spreadsheets containing nearly 50,000 records. We sliced and analyzed the data in a variety of ways to begin to provide more insight into what makes up the so often quoted, “180,000 debt collection complaints.”

Where the Complaints Come From

Consumer complaints come to the FTC in five primary ways: Through the online FTC complaint tool, through the FTC call center, transferred from Better Business Bureau offices across the country, via the PrivacyStar smartphone app, and from the offices of state Attorneys General. A handful comes from other federal agencies.

| Debt Collection Complaint Sources – Q1 2012 | | |
|---|--------|-------|
| FTC Online Complaint Assistant | 20,158 | 40.7% |
| FTC Call Center | 13,224 | 26.8% |
| Better Business Bureau | 7,413 | 14.9% |
| PrivacyStar | 6,303 | 12.8% |
| Attorneys General offices | 1,219 | 2.6% |
| Other (various gov’t agencies) | 1,119 | 2.2% |
| Total | 49,436 | 100% |

How a Complaint is Identified as a Debt Collection Complaint

The most popular complaint submission outlets have a standardized set of data fields, making it easier to integrate into the FTC’s Consumer Sentinel Network (the data collection program which releases annual complaints numbers). One of the data fields available to consumers making complaints – and FTC employees logging them – is called “Complaint Info Product Service Description.” It is the primary field that governs how the complaint is categorized. There are two “Complaint Service Descriptions” that involve debt collection: Third Party Debt Collection and Creditor Debt Collection.

The debt collection complaint service description can be combined with others, depending on the nature of the complaint. In the first quarter of 2012, the two main categories, and the debt collection category combined with telemarketing, represented over 99% of all debt collection complaints.

| Complaint Service Descriptions – Q1 2012 | | |
|---|--------|-------|
| Third Party Debt Collection | 36,152 | 73.5% |
| Creditor Debt Collection | 5,902 | 12.0% |
| Telemarketing, Other Third Party Debt Collection | 5,763 | 11.7% |
| Third Party Debt Collection Telemarketing, Other | 928 | 1.9% |
| Third Party Debt Collection Impostor: Government | 119 | 0.2% |
| Third Party Debt Collection Credit Information Furnishers | 86 | 0.2% |
| Third Party Debt Collection Creditor Debt Collection | 83 | 0.2% |
| Creditor Debt Collection Third Party Debt Collection | 67 | 0.1% |
| Impostor: Government Third Party Debt Collection | 36 | 0.1% |
| Magazines Third Party Debt Collection | 22 | 0.0% |
| Creditor Debt Collection Credit Information Furnishers | 6 | 0.0% |

What Consumers Complain About

After a consumer's complaint is determined to be about debt collection, a new set of data fields are triggered so that the consumer can identify the exact nature of their complaint. The field that broadly determines what the complaint is about is "Complaint Info Law Violation Description." Within the violation description field, consumers (and FTC call center reps) find a pre-set list of collection violations to choose from [For more on what is available in the fields, see Appendix A: Complaints Data Fields].

Of the 49,436 complaints received in the first quarter of 2012 that indicated a debt collection issue, 31.7% cited a law violation of "Calls any person repeatedly or continuously." Another 26.1% of debt collection complaints cited the violation "Falsely Represents Character, Amount, Status of Debt," selected when consumers felt that collectors were calling about a debt that was not theirs.

Below is a chart sorted by most commonly cited law violation in debt collection complaints, with the percentage of all complaints citing that violation. Note that the numbers do not add up to the complaint total, nor the percentages to 100 percent, because consumers may choose multiple law violations in one complaint.

| Violations Cited in Complaint Descriptions | # of Complaints | % of Complaints |
|---|-----------------|-----------------|
| Total Debt Collection Complaints (Q1 2012) | 49,436 | 100% |
| Calls any person repeatedly or continuously | 15,661 | 31.7% |
| Falsely Represents Character, Amount, Status of Debt | 12,925 | 26.1% |
| Fails to Send Written Notice of Debt to Debtor | 7,408 | 15.0% |
| Falsely Threatens Arrest, Seizure of Property | 6,595 | 13.3% |
| Fails to Identify Self as Debt Collector | 6,434 | 13.0% |
| Falsely Threatens Suit | 6,421 | 13.0% |
| Calls Someone Repeatedly to Obtain Debtor's Location | 5,303 | 10.7% |
| Uses obscene, profane or otherwise abusive language | 4,252 | 8.6% |
| Calls Debtor Before 8AM or After 9PM or at Inconvenient Times | 4,198 | 8.5% |
| Tells Someone Other Than Debtor About Debt | 4,165 | 8.4% |
| Calls Debtor at Work Knowing Debtor Can't Take Calls | 4,056 | 8.2% |
| Deception/Misrepresentation | 3,350 | 6.8% |
| Collects Unauthorized Interest/Fees/Expenses | 3,083 | 6.2% |
| Calls Debtor After Getting 'Cease Communication' Notice | 3,071 | 6.2% |
| Refuses to Verify Debt After Debtor Makes Written Request | 2,912 | 5.9% |
| Uses or threatens to use violence | 1,332 | 2.7% |
| Other | 203 | 0.4% |
| Do-Not-Call Registry Violation | 196 | 0.4% |
| Caller ID information not transmitted | 161 | 0.3% |
| Knowingly Supplies Inaccurate Information to Credit Bureau | 120 | 0.2% |
| Unauthorized billing | 38 | 0.1% |
| Note: Percentages do not add up to 100% and number of complaints do not add up to total due to multiple violations reported on individual complaints | | |

Comparing Current Complaint Data to Previous Data

The most popular complaints about debt collection from consumers in Q1 2012 involved ARM firms calling repeatedly or continuously and calling about a debt consumers claim they didn't owe or asking for more money than what consumers think they owe.

Those were the same top two categories in 2009, when insideARM.com last analyzed debt collection complaint data from the FTC. But there has been a fairly significant shift in the number of individual complaints that cite those two abuses.

In 2009, nearly half (47.4 percent) of all complaints received by the FTC claimed that collectors were calling them "repeatedly or continuously." It was the most-cited complaint description by far. In the first quarter of 2012, only 31.7 percent of complaints cited this issue, a decline of 33.1 percent. Either consumers no longer care as much about call volumes, or debt collectors were calling less often.

Another possible explanation is that complaints are becoming much more focused. In the chart below, you'll see the 2009 complaint description data compared with that from Q1 2012. Notice that consumers are complaining about far fewer violations per complaint. In other words, consumers are focusing in on one or two violations now rather than just naming every violation in the book.

| Violations Cited in Complaint Descriptions | % Complaints (2009) | % Complaints (Q1 2012) | Change |
|---|------------------------------------|---------------------------------------|---------------|
| Calls any person repeatedly or continuously | 47.4% | 31.7% | -33.1% |
| Falsely Represents Character, Amount, Status of Debt | 29.9% | 26.1% | -12.7% |
| Fails to Send Written Notice of Debt to Debtor | 22.4% | 15.0% | -33.0% |
| Falsely Threatens Suit\Illegal or Unintended Act | 18.5% | 13.3% | -28.1% |
| Fails to Identify Self as Debt Collector | 17.6% | 13.0% | -26.1% |
| Calls Someone Repeatedly to Obtain Debtor's Location | 17.4% | 13.0% | -25.3% |
| Calls Debtor at Work Knowing Debtor Can't Take Calls | 15.1% | 10.7% | -29.1% |
| Uses obscene, profane or otherwise abusive language | 14.7% | 8.6% | -41.5% |
| Collects Unauthorized Interest\Fees\Expenses | 13.0% | 8.5% | -34.6% |
| Tells Someone Other Than Debtor About Debt | 12.5% | 8.4% | -32.8% |
| Calls Debtor Before 8AM or After 9PM/Inconvenient Times | 11.8% | 8.2% | -30.5% |
| Falsely Threatens Arrest, Seizure of Property | 11.8% | 6.8% | -42.4% |
| Refuses to Verify Debt After Written Request | 10.9% | 6.2% | -43.1% |
| Calls Debtor After Getting 'Cease Communication' Notice | 9.6% | 6.2% | -35.4% |
| Deception/Misrepresentation | 8.1% | 5.9% | -27.2% |
| Uses or threatens to use violence | 2.5% | 2.7% | 8.0% |

Observations: Q1 2012 Data and “Company Name” Reported by Consumers

While local and national media repeatedly quote overall numbers of debt collection complaints collected by the Federal Trade Commission, little (nothing?) is reported on the specific companies complained about, or how that data is collected and used. One reason is because the FTC does not seek to resolve complaints, or to determine the veracity of the complaints.

The FTC simply collects the information and looks for significant patterns that suggest it should investigate further. The data is never analyzed or reported on at that level. Another reason -- surmised by insideARM -- is that it would be an enormous time commitment simply to identify the correct subject of each complaint, let alone determine whether each complaint is a valid violation of law. (Of course, it has been suggested that the CFPB plans to commit just that kind of time into this process within the next year, with plans to oversee large collection agencies and provide complaint resolution for debt collection complaints.)

The following is a summary of the major challenges identified among the more than 49,000 lines of data insideARM analyzed for the first quarter of 2012.

Complaints may not always categorized properly

Consumers may not be familiar with the terminology of “creditor,” “third-party,” etc., and in many cases (those complaints submitted by Internet form) they are making that categorization choice only based on the extent of their knowledge.

There are instances where the only company name listed is for a well-known creditor, yet the “Product Service Description” is “Third Party Debt Collector.” Further, the “Law Violation Description” isn’t primarily a third-party offense. For example:

| Complaint Date | Complaint Source | Company Name | Product Service Description | Law Violation Description | Statute Description |
|----------------|--------------------------------------|--------------------------------------|-----------------------------|--|---------------------|
| 02/01/2012 | FTC Online Complaint Assistant (CIS) | Chadwicks of Boston Lerner New York | Third Party Debt Collection | | FDCPA |
| 02/28/2012 | FTC Call Center | Chase | Third Party Debt Collection | Collects Unauthorized Interest\Fees\Expenses | FDCPA |
| 02/18/2012 | FTC Online Complaint Assistant (CIS) | Chevron and Texaco | Third Party Debt Collection | Falsely Represents Character, Amount, Status of Debt | FDCPA |

In many cases, similar complaints are categorized “Third Party Debt Collector” on one day or by one complaint source and “Creditor Debt Collection” on another. It appears that subjective judgment plays a role in the coding of complaints, both by consumers (in the case of online submissions) as well as by FTC call center personnel (in the case of complaints by phone). Yet the key field that governs whether complaints are publicly attributed to third party debt collectors vs. creditor vs. telemarketer, etc., is “Product Service Description.”

Here is an example:

| | Complaint Date | Complaint Source | Company Name | Product Service Description | Law Violation Description | Statute Description |
|---|----------------|--------------------------------------|--|--------------------------------------|---|-----------------------------|
| 1 | 02/02/2012 | FTC Online Complaint Assistant (CIS) | Dish Network | Third Party Debt Collection | Calls Debtor Before 8AM or After 9PM or at Inconvenient Times | FDCPA |
| 2 | 02/09/2012 | FTC Call Center | Dish Network | Third Party Debt Collection | Deception/ Misrepresentation | FTC Act Sec 5 (BCP) |
| 3 | 02/13/2012 | FTC Online Complaint Assistant (CIS) | Dish Network | Third Party Debt Collection | Falsely Represents Character, Amount, Status of Debt Collects Unauthorized Interest\Fees\Expenses | FDCPA |
| 4 | 02/21/2012 | FTC Online Complaint Assistant (CIS) | Dish Network | Third Party Debt Collection | Fails to Send Written Notice of Debt to Debtor | FDCPA |
| 5 | 02/17/2012 | FTC Call Center | Dish Network | Utilities Creditor Debt Collection | Falsely Represents Character, Amount, Status of Debt | FTC Act Sec 5 (BCP) FDCPA |
| 6 | 02/03/2012 | FTC Online Complaint Assistant (CIS) | Dish network <i>Named 3rd-party agency*</i> | Third Party Debt Collection | | FDCPA |

* Name withheld in order to avoid singling out one firm in this context

While the FTC has not distributed complaints to the “accused” companies, the Consumer Financial Protection Bureau (CFPB) has announced that it plans to do so. The data above raises a few questions:

1. To which third-party debt collection companies would complaints number 1-5 be sent for resolution?
2. Why would complaint #3 be labeled Third Party while complaint #5 is labeled Utilities/Creditor Debt Collection?

Complaint #5 is the only one that actually lists a debt collector, yet there is no additional information about the complaint. It’s simply coded as a Third Party Debt Collection. What sort of action could that third-party agency take based on this information?

The number of complaints against third-party debt collectors vs. creditors is skewed

While the majority of complaints collected come through the FTC by way of either the online complaint system or the call center, a growing number are submitted by local Better Business Bureaus, attorney general offices, other government organizations, or a new mobile submission application called PrivacyStar. None of these other sources (with just a few small exceptions) report complaints against creditors. Every single item in the Q1 2012 FTC complaint data

submitted by these alternative sources was coded in the Product Service Description as “Third Party Debt Collection.”

In March, these alternate sources represented 41% of all complaints.

We also noted that there seemed to be complaint patterns that might relate to unique creditor circumstances. For instance, there were literally hundreds – if not thousands – of complaints in the first quarter related to Hollywood Video late fees. The collection of these accounts, as widely noted in national news stories surrounding Hollywood Video’s bankruptcy filing, settlement agreement, and questionable resumption of collection activities may account for at least some of these complaints. These specific complaints comprise approximately ten to fifteen percent of all of the complaints against the top 100 third-party debt collectors in the first quarter of 2012.

It’s often challenging to determine exactly who is being complained about

Many companies in the debt collection industry have similar names. The Better Business Bureau seems to have developed a method of normalizing the company names so that complaints referring to the same company are typed in exactly the same way.

In the case of the FTC complaint system, it is left to the consumer to identify companies as best he can, or for the FTC call center personnel to transcribe as best they can what they hear the customer says by phone. Beyond typos (and there are scores of those), often there are only partial names, and it simply isn’t possible to make an accurate assumption about whom the consumer intended to complain. Here’s an example of seven companies with similar names:

- USC
- USC Associates
- USC Litigation
- USC Mediation
- USC Corp
- USCB Corporation
- USD

All of these are likely different organizations. When a consumer says/types just “USC,” which company are they referring to? Even “USD” vs. “USB” may have been a result of the consumer mis-hearing the collector or the call center personnel mis-hearing the consumer.

Here’s another example of a series of names that are very similar, and it would be difficult under the current process to ensure the correct company is identified. (Note: “United” is a common company name; this list is for illustrative purposes only and there is no suggestion regarding how many complaints may or may not have been registered for each of these names)

- United
- United Collection
- United Collection Agency
- United Collection Bureau
- United Collections Bureau
- United Collection Service
- United Collection Services
- United Collections Services
- United Credit & Collections
- United Credit Recovery
- United Firm Mediation
- United Investigations
- United Judgment and Appeals
- United Legal Systems
- United Paralegal
- United Payment Services
- United Payment Systems
- United Portfolio
- United Portfolio Services
- United Process and Service Corp.
- United Processing
- United PS Group
- United Recovery
- United Recovery Agency
- United Recovery Group
- United Recovery Service
- United Recovery Systems

That's 27 companies with similar names. This isn't to say that the complaints might not be legitimate; only that it can be difficult to ensure that the consumer has identified the correct company, and/or that the FTC call center personnel has correctly transcribed what they've heard.

Further, in nearly 10,000 cases in Q1 2012, the Company Name was either left blank, stated "Unknown," or read something to the effect of "they wouldn't say." That's 20% of all complaints.

The fact that 20% of all collection complaints are against unknown companies raises another consideration. Consumers complained about approximately⁶ 4,000 unique individual companies categorized as third-party debt collectors in each of the months in the 1st quarter of 2012. According to ACA International, there are just under 5,000 third-party collection agencies in the

⁶ insideARM.com took a conservative approach when analyzing Company Name data. In order to count the number of instances of same company complaints, the names had to be normalized so that they were typed in exactly the same way each time. For instance, ABC Company might have been typed ABC Company, A.B.C. Company, ABC Company, Inc., etc. If there were also similar listings like ABC Services Company, but the consumer only typed ABC, we did not assign that complaint to either full name, because it would be impossible to know which was correct.

We were able to condense about 12,000 third-party complaints in January to approximately 3,500 unique firms; more than 13,000 third-party complaints in February into just over 4,100 unique company names; and just over 18,000 third-party complaints in March to 4,009 unique organizations. We did not merge the complaints across months to determine the number of unique companies for the quarter; it should not be assumed that these numbers could be added together.

Based on our conservative approach of not making assumptions about what consumers meant if it was not clear, these numbers would likely be reduced by a few hundred more if we were able to accurately assign each complaint.

United States. Many of these companies appear on the list (on average, there were three complaints per company).

Not all third-party debt collector complaints are about third-party debt collectors

The 100 consistently identified companies with thirty or more complaints for the first quarter (on average, ten per month) of 2012 account for just over 10,000 (21%) of the total 49,436 complaints. Of those 10,000, 7.9% related to scams, payday lenders, or other creditors.

We also noted that approximately 10-15% of the 10,000 clearly relate to a specific creditor (Hollywood Video). From the numbers alone, it is not possible to tell whether this is a sign of a collection agency problem or an issue that stems from creditor policy, bad data, or procedures. While no doubt there are legitimate violations of law contained in these numbers, the 49,436 complaints in the first quarter of 2012 have not been verified as such. Given the naturally adversarial – or at least unpleasant – nature of a collection call, it is to be expected that there would be some number of complaints that are simply expressions of frustration. We don't yet know how to quantify this, though perhaps the newly proposed CFPB complaint resolution process will answer this question in the coming months and years.

The public perception that complaints are rampant against ALL debt collectors is simply unsupported by the facts contained within the FTC's own data.

Shouldn't there be some differentiation between scams and legitimate⁷ third-party debt collection businesses?

In many cases, the company name is unknown, blank, clearly fictitious, like "corporate headquarters," or even known scam names like "bureau of crime investigation." The fact that many legitimate agency names appear on the list says that, when asked, they will give their accurate name. This is likely not the case with scam artists, who will use a made up name, a different name each time, or will refuse to say altogether.

On average, only 100 companies received 10 or more complaints per month. Those 100 companies account for only 21% of the complaints in the first quarter of 2012. This means:

1. Thousands of organizations receive only one or a few complaints (at most 10) each per month; hardly a sign of disaster given the naturally adversarial nature of the business.
2. Thousands of organizations provide fake names – or no name at all – when asked to identify themselves by a consumer.

⁷ *Editorial note:* by *legitimate* insideARM means that these are businesses that generally operate "above board." For instance: they are identifiable, they have a website, they post their address on their website, they consistently state their name when asked by a consumer, they belong to ARM industry associations, they participate in industry conferences, they have significant investments in technology, training, and compliance, etc.

We raise this challenge to the industry as well as to regulators: How can legitimate businesses with significant investments in training and compliance be separated from scams and unscrupulous operators who will never comply with any laws, bills of rights, or self-regulating guidelines?

No doubt, some number of complaints against legitimate companies are violations of law and should/could be resolved. However, is it appropriate to further complicate local and Federal laws, only to increase costs for legitimate businesses while likely having little affect on unidentifiable, rogue parties? The data suggests the answer is: modernize – yes; complicate – no.

The CFPB has announced that it intends to make public the database of complaints against debt collectors at some point in the coming months. We believe there are many third-party firms that would actually welcome the opportunity to see and resolve these complaints with consumers. If handled judiciously by the CFPB, that will be a positive outcome of the new process, for both consumers and the ARM industry.

We do not believe the act of publishing complaints will significantly reduce the overall number of those complaints, however. It will simply consolidate the “blame” because of the challenge of publishing – and resolving – complaints against unidentified/unidentifiable companies.

The Top 100 Most Complained About Debt Collection Companies by Number of Complaints

| | Company Type | Company Location | # Complaints Jan 2012 | # Complaints Feb 2012 | # Complaints Mar 2012 | Total Q1 2012 |
|----|--------------------------------|------------------|--------------------------|--------------------------|--------------------------|------------------|
| 1 | Collection Agency | South Central | 109 | 367 | 676 | 1,152 |
| 2 | Debt Buyer | Southeast | 201 | 261 | 311 | 773 |
| 3 | Debt Buyer & Collection Agency | Northeast | 59 | 238 | 324 | 621 |
| 4 | Collection Agency | Midwest | 156 | 220 | 168 | 544 |
| 5 | Collection Agency | Mid-Atlantic | 91 | 188 | 177 | 456 |
| 6 | Debt Buyer | Midwest | 84 | 156 | 174 | 414 |
| 7 | Collection Agency | Midwest | 47 | 156 | 109 | 312 |
| 8 | Debt Buyer | Midwest | 57 | 81 | 141 | 279 |
| 9 | Collection Agency | Midwest | 61 | 63 | 88 | 212 |
| 10 | Collection Agency | Southeast | 63 | 66 | 76 | 205 |
| 11 | Payday Lender | | 40 | 64 | 77 | 181 |
| 12 | Collection Agency | Northwest | 32 | 37 | 97 | 166 |
| 13 | Debt Buyer | Mid-Atlantic | 36 | 55 | 64 | 155 |
| 14 | Collection Agency | Southeast | 24 | 56 | 64 | 144 |
| 15 | Collection Agency | Northeast | 36 | 59 | 39 | 134 |
| 16 | Collection Agency | Northeast | 32 | 44 | 55 | 131 |
| 17 | Debt Buyer | Southeast | 31 | 39 | 61 | 131 |
| 18 | Collection Agency | Southeast | 31 | 48 | 39 | 118 |
| 19 | Collection Agency | Midwest | 22 | 34 | 60 | 116 |
| 20 | Collection Agency | Pacific | 15 | 31 | 67 | 113 |
| 21 | Collection Agency | South Central | 18 | 48 | 46 | 112 |
| 22 | Collection Agency | Midwest | 27 | 35 | 45 | 107 |
| 23 | Collection Agency | Southeast | 25 | 43 | 37 | 105 |
| 24 | Collection Agency | Pacific | 42 | 42 | 15 | 99 |
| 25 | Payday Lender | | 12 | 40 | 45 | 97 |
| 26 | Collection Agency | Pacific | 22 | 37 | 30 | 89 |
| 27 | Payday Lender | | 19 | 42 | 28 | 89 |
| 28 | Collection Agency | Northeast | 10 | 30 | 43 | 83 |
| 29 | Collection Agency | Northeast | 20 | 18 | 42 | 80 |
| 30 | Collection Agency | | 20 | 30 | 28 | 78 |
| 31 | Collection Agency | Southeast | 16 | 29 | 29 | 74 |
| 32 | Collection Agency | Northeast | | 31 | 42 | 73 |
| 33 | Collection Agency | Southeast | 16 | 24 | 28 | 68 |
| 34 | Collection Agency | Southeast | 11 | 22 | 34 | 67 |
| 35 | Collection Agency | Northwest | 13 | 22 | 32 | 67 |
| 36 | Collection Agency | Southwest | 10 | 20 | 33 | 63 |
| 37 | Collection Agency | South Central | 21 | 17 | 24 | 62 |
| 38 | Collection Agency | Southeast | 17 | 24 | 20 | 61 |
| 39 | Collection Agency | Northeast | 14 | 21 | 26 | 61 |
| 40 | Creditor - Credit Cards | | 10 | 27 | 22 | 59 |
| 41 | Collection Agency | | 20 | 22 | 17 | 59 |
| 42 | Collection Agency | Northeast | 18 | 27 | 13 | 58 |
| 43 | Collection Agency | Southeast | 12 | 19 | 27 | 58 |
| 44 | Collection Agency | Pacific | 14 | 23 | 20 | 57 |

| | Company Type | Company Location | # Complaints Jan 2012 | # Complaints Feb 2012 | # Complaints Mar 2012 | Total Q1 2012 |
|----|--------------------------------|------------------|--------------------------|--------------------------|--------------------------|------------------|
| 45 | Payday Lender | | 12 | 18 | 26 | 56 |
| 46 | Collection Agency | Southwest | 11 | 24 | 20 | 55 |
| 47 | Mortgage loan servicers | | 15 | 16 | 23 | 54 |
| 48 | Collection Agency | Mid-Atlantic | | 10 | 42 | 52 |
| 49 | Collection Agency | Midwest | 10 | 21 | 20 | 51 |
| 50 | Collection Agency | South Central | | 16 | 35 | 51 |
| 51 | Collection Agency | Northeast | | 31 | 20 | 51 |
| 52 | Collection Agency | Midwest | 16 | 13 | 21 | 50 |
| 53 | Creditor - Auto Finance | | 21 | 12 | 17 | 50 |
| 54 | Collection Agency | Mid-Atlantic | 15 | 16 | 19 | 50 |
| 55 | Collection Agency | Northeast | | 10 | 39 | 49 |
| 56 | Collection Agency | Mid-Atlantic | 23 | 13 | 13 | 49 |
| 57 | Collection Agency | Northeast | 6 | 21 | 22 | 49 |
| 58 | Collection Agency | Pacific | | 24 | 24 | 48 |
| 59 | Collection Agency | Northeast | 13 | 18 | 17 | 48 |
| 60 | Collection Agency | Midwest | 12 | 17 | 18 | 47 |
| 61 | Collection Agency | Midwest | | 21 | 25 | 46 |
| 62 | Collection Agency | Midwest | 13 | 21 | 12 | 46 |
| 63 | Collection Agency | Southwest | 12 | 11 | 22 | 45 |
| 64 | Collection Agency | Mid-Atlantic | 14 | 14 | 17 | 45 |
| 65 | Debt Buyer & Collection Agency | Northeast | 11 | | 34 | 45 |
| 66 | Collection Agency | Midwest | 11 | 33 | | 44 |
| 67 | Collection Agency | Midwest | 11 | 15 | 17 | 43 |
| 68 | Collection Agency | Southeast | 11 | 20 | 12 | 43 |
| 69 | Scam? | Northeast | | 29 | 13 | 42 |
| 70 | Scam? | Midwest | 11 | 12 | 19 | 42 |
| 71 | Collection Agency | Northeast | 10 | 14 | 17 | 41 |
| 72 | Creditor - Credit Cards | Midwest | 10 | 13 | 41 | 64 |
| 73 | Collection Agency | Midwest | 11 | 11 | 18 | 40 |
| 74 | Collection Agency | South Central | | 28 | 11 | 39 |
| 75 | Collection Agency | Midwest | | | 39 | 39 |
| 76 | Scam? | N/A | | 16 | 23 | 39 |
| 77 | Collection Agency | Midwest | | 21 | 18 | 39 |
| 78 | Collection Agency | Northeast | 16 | 11 | 12 | 39 |
| 79 | Collectin Law Firm | Pacific | 10 | 16 | 12 | 38 |
| 80 | Scam? | Northeast | 11 | 14 | 13 | 38 |
| 81 | Collection Agency | Northeast | | 17 | 20 | 37 |
| 82 | Collection Agency | Northeast | | 15 | 22 | 37 |
| 83 | Collection Agency | Southeast | | 24 | 13 | 37 |
| 84 | Unclear | N/A | 11 | 12 | 14 | 37 |
| 85 | Collection Agency | Southeast | 19 | | 17 | 36 |
| 86 | Collection Agency | Southeast | 13 | 10 | 13 | 36 |
| 87 | Collection Law Firm | Southeast | | 16 | 19 | 35 |
| 88 | Unclear | N/A | | 10 | 25 | 35 |

| | Company Type | Company Location | # Complaints Jan 2012 | # Complaints Feb 2012 | # Complaints Mar 2012 | Total Q1 2012 |
|-----|---------------------|------------------|-----------------------------|-----------------------------|-----------------------------|------------------|
| | | | | | | |
| 89 | Collection Agency | Midwest | 15 | | 20 | 35 |
| 90 | Collection Agency | Southeast | | 17 | 17 | 34 |
| 91 | Collection Agency | Mid-Atlantic | 11 | 11 | 12 | 34 |
| 92 | Collection Agency | Mid-Atlantic | 10 | 13 | 11 | 34 |
| 93 | Creditor - Bank/CC | | 10 | | 23 | 33 |
| 94 | Scam? | N/A | 21 | | 11 | 32 |
| 95 | Collection Agency | Mid-Atlantic | | 10 | 22 | 32 |
| 96 | Collection Agency | Southeast | | 16 | 15 | 31 |
| 97 | Collection Law Firm | N/A | | 31 | | 31 |
| 98 | Collection Law Firm | N/A | | 15 | 16 | 31 |
| 99 | Creditor | | | 17 | 14 | 31 |
| 100 | Collection Law Firm | South Central | 10 | 21 | | 31 |

Location of the top 100 named third party companies complained about

| | | |
|---------------|-----|------|
| Northeast | 19 | 19% |
| Mid-Atlantic | 9 | 9% |
| Southeast | 18 | 18% |
| Midwest | 20 | 20% |
| South Central | 6 | 6% |
| Southwest | 3 | 3% |
| Northwest | 2 | 2% |
| Pacific | 6 | 6% |
| N/A | 6 | 6% |
| Blank | 11 | 11% |
| | 100 | 100% |

No. of complaints generated by type of company for the top 100 named companies complained about, categorized as "third party companies"

| | | |
|---------------------|--------|--------|
| Collection Agency | 7,098 | 67.4% |
| Debt Buyer | 2,373 | 22.5% |
| Payday Lender | 423 | 4.0% |
| Creditor | 204 | 1.9% |
| Scam | 193 | 1.8% |
| Collection Law Firm | 166 | 1.6% |
| Unclear | 72 | 0.7% |
| | 10,529 | 100.0% |

| | | | # Complaints Jan 2012 | # Complaints Feb 2012 | # Complaints Mar 2012 | Total Q1 2012 |
|--|--|--|-----------------------------|-----------------------------|-----------------------------|------------------|
| All | | | 14,067 | 15,335 | 20,034 | 49,436 |
| Complaints Against Unknown Company | | | 1,522 | 2,829 | 5,580 | 9,931 |
| % of Total Against Unknown Company | | | 11% | 18% | 28% | 20% |
| Complaints against only creditors * | | | 2,086 | 1,911 | 1,905 | 5,902 |
| % Complaints against only Creditors | | | 15% | 12% | 10% | 12% |
| Complaints against 3rd-party**, named | | | 10,459 | 10,595 | 12,549 | 33,603 |
| % 3rd-party, named | | | 74% | 69% | 63% | 68% |
| Complaints against top 100 3rd-party, named*** | | | 2,070 | 3,811 | 4,648 | 10,529 |
| % of total against top 100 3rd-party, named | | | 15% | 25% | 23% | 21% |
| Approximate no. of unique named companies | | | 3,500 | 4,000 | 4,000 | |

*The complaint form allows consumers to select multiple product service descriptions; this count covers those complaints where ONLY “Creditor Debt Collection” is selected.

** This item includes all complaints that include Third Party Debt Collector among the product service descriptions selected

*** "Named" means that the consumer entered a specific name of a company (whether it was clear/legitimate or not)

The Top 25 Most Complained About Companies Have Near-Six Sigma Performance

We requested information from those third-party debt collection firms that appear at the top of the complaints list about how many contacts they made per month in the first quarter of 2012. Based on the data we received, we developed low, high, and average estimates of “defects per million opportunities.”

‘Defects per million’ is terminology commonly associated with the Six Sigma business management strategy, originally developed by Motorola in 1986, and made well known after Jack Welch made it a cornerstone of his approach at General Electric. Today it is widely used in many sectors of industry, including debt collection.

Six Sigma seeks to improve the quality of process outputs by identifying and removing the causes of defects (errors) and minimizing variability in manufacturing and business processes. The term *Six Sigma* originated from terminology associated with manufacturing, specifically terms associated with statistical modeling of manufacturing processes. The maturity of a manufacturing process can be described by a *sigma* rating indicating its yield or the percentage of defect-free products it creates. A six sigma process is one in which 99.99966% of the products manufactured are statistically expected to be free of defects (3.4 defects per million, or a 0.00034% defect rate).

On average, the 25 most complained about debt collection companies in Q1 2012 received 75 complaints, made just over 51 million consumer contacts, and had a defect rate of .000146% - or 1.46 defects per million opportunities – per month.

| | Low | High | Avg |
|--|-------------------------------|--------------------------------|------------|
| # of complaints received | | | |
| Top 25 range for the quarter* | 100 | 700 | 225 |
| Top 25 avg range per month | 33 | 233 | 75 |
| (*eliminating one outlier at the top, with 1,150 - largely related to a single creditor) | | | |
| Range of contacts per month | 3,000,000 | 100,000,000 | 51,500,000 |
| | Low complaints, low contacts | Low complaints, high contacts | |
| Defect rate based on low complaints | 0.001111% | 0.000033% | 0.000146% |
| Defects per million opportunities | 11 | 0.33 | 1.46 |
| | High complaints, low contacts | High complaints, high contacts | |
| Defect rate based on high complaints | 0.007778% | 0.000233% | 0.000146% |
| Defects per million opportunities | 78 | 2 | 1.46 |

Company Responses to the Ranked List

In reaching out to companies, letting them know that their agency would be appearing in our Q1 FTC Debt Collection Complaints Compendium, we also asked if they would be interested in contributing any responses. What follows are a selection of those responses, with company identifiers removed at the companies' request.

What these responses show is an industry that is aware of its perception with the public -- either through direct consumer contact or via the media -- and works on a daily basis to keep compliance at the forefront of its business practices.

This is an industry that is unlikely to ever reach zero complaints, for a variety of reasons, and some of them not in control of the collection industry at all. But what these responses show is that even when the goal is impossible, it is still a target for most.

In the ordinary course of its business, we occasionally receive consumer complaints, either directly from a consumer or attorney or forwarded by governmental entities or organizations such as the Better Business Bureau. The company responds to such complaints in a timely manner and makes every diligent effort to resolve the complaints. To the best of the company's knowledge, there are no outstanding complaints to which the company has not responded or otherwise resolved. We currently hold an A+ rating with the Better Business Bureau.

While our goal is always to achieve 100% customer satisfaction, the unfortunate reality is that entities who seek to collect legitimate debt inevitably are the subject of a certain amount of consumer ire. When one considers, however, that we have collected on over 4 million accounts during the month of February 2012, the 56 complaints received during that month represent a miniscule percentage of its business. This extremely low complaint ratio is a testament to our commitment to compliance and to our policy of treating consumers with integrity and professionalism.

As a leader in the ARM industry, we strive to provide exceptional customer experience to all the consumers we service. However, due to the nature of the work, we cannot expect to satisfy everyone. Considering in Q1 2012, we managed a portfolio of 19 million accounts, made over 150 million calls and sent over 2 million letters, we feel that the number of complaints received was well within an acceptable range of .0003% of our active inventory. Despite this, every complaint received is investigated fully by our risk management team. Additionally, we have a quality assurance team that monitors consumer contact on a daily basis to ensure that behaviors that would lead to a poor customer experience are identified and addressed through coaching and development.

When considering our complaint history, please take into consideration our size and volume of transactions. Our agency has multiple locations and approximately 1,000 employees nationwide. For the month of February 2012 alone we sent 46,112 letters and made 3,140,087 phone calls. The number of complaints to the FTC is a mere fraction of one percent of total calls placed.

Please understand that the people who file these complaints are not our clients. They are the customers of our clients with overdue balances that were not paid as agreed. By the time the accounts have reached our offices they have been through the creditors' in-house collection process and possibly through one or more collection agencies. Thus, the vast majority of accounts are owed by consumers who have been through a process where the bills have been unpaid due to an unresolved dispute or financial inability. A common defense by the consumer, to delay the payment of a valid account, is to dispute the balance due or overall validity of the account. Our staff is committed to resolving all disputes as they arise. The resolution is not always satisfactory to the consumer.

I want to stress that our company strives to be compliant with all laws and regulations and resolve all complaints in a timely manner. Consumer complaints are normal and usual for collection agencies and we have staff dedicated to responding and investigating consumer complaints.

Our company strongly believes in operating with integrity and treating all consumers fairly, with respect and dignity at all times. We are committed to providing unparalleled service and our comprehensive compliance system to our clients, their customers, and consumers in general. Strict compliance to all federal and state laws is today and will always be our top priority as a leader in the ARM industry. I along with all the senior leadership believe that our compliance programs are among the best in the industry and our commitment and focus in this area are reflected in a complaint volume that is significantly better than the industry average.

The 12 complaints received in Feb. 2012 represent less than 4 ten thousandths of a percent of the phone calls and letters placed/sent in that time period. To look at it from another viewpoint those 12 complaints represent approximately 1 complaint for every 261,795 calls/letters in that timeframe.

From Complaints to Report: The FTC's Consumer Sentinel Network Data Book

The Federal Trade Commission publishes its yearly complaints report as part of its Consumer Sentinel Network Data Book. The annual report is a way for the FTC to share the data it has compiled from its Consumer Sentinel Network project.

Here is how the FTC describes the Consumer Sentinel Network: "Begun in 1997 to collect fraud and identity theft complaints, the CSN now has more than 7 million complaints, including those about credit reports, debt collection, mortgages, and lending, among other subjects."

insideARM.com thought it would be illustrative to see how the consumer complaints against collection agencies are collected and then collated into the FTC's annual report. We spoke with David Torok, Director of Planning and Information at the FTC.

The FTC collects data through its own complaints site (<https://www.ftccomplaintassistant.gov/>) and toll-free complaints number (1-877-FTC-HELP). But complaints data can come to the FTC through a variety of non-FTC avenues:

- All state attorneys general
- U.S. Postal Inspection Service
- FBI Internet Crime Complaint Center
- The Council of Better Business Bureaus
- Catalog Choice
- PrivacyStar
- Center for Democracy and Technology
- Identity Theft Assistance Center
- Lawyers' Committee for Civil Rights Under Law
- MoneyGram International
- National Fraud Information Center
- Western Union

"The data come to us in a variety of different means," Torok said. "We might get it quarterly or monthly. Some agencies may send us a yearly spreadsheet around the first week of the new year."

Through mid-February, the FTC uses a team of around six data analysts to go over all the records. "They do very little actual clean-up of the data itself. They don't correct spelling in the comments field, and they don't necessarily correct company names," according to Torok. The FTC's analysts will correct glaring errors: a Virginia address, for instance, with a Texas zipcode. They'll also clear obvious duplicates.

"If there appears to be one complaint that a single consumer has made multiple times, we will edit those into one instance of that complaint," said Torok.

Analysis usually takes from January through mid-February. A draft of the full report is prepared and distributed for review by the commissioners (J. Thomas Rosch, Edith Ramirez, Julie Brill, and Maureen Ohlhausen). Once the draft has received chairman-approval (Jon Leibowitz), it is ready for publication and distribution, usually late February or early March.

Exploring the CFPB's Debt Collection Complaint Resolution System

When the Consumer Financial Protection Bureau officially opened in July 2011, the agency launched a complaint review and resolution system called Consumer Response. Initially, the system was set up to handle complaints about credit cards. It has since expanded into mortgages, private student loans, and other consumer loans.

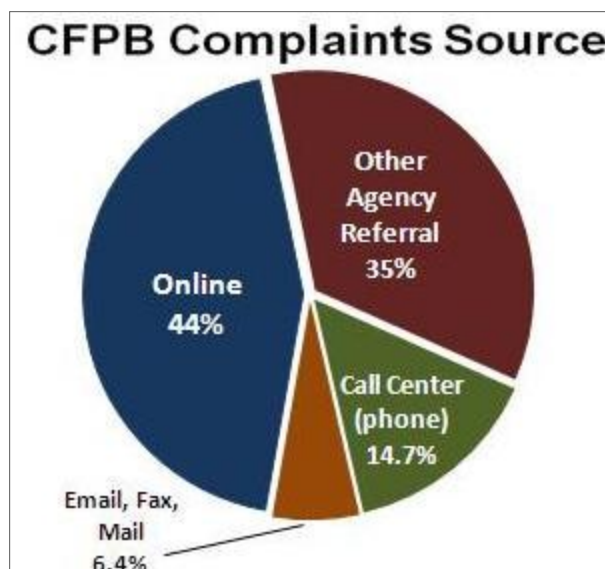
The CFPB has said that it will expand the scope of Consumer Response to handle complaints about all products and services within its authority, including debt collection, by the end of 2012, a point that was reiterated in its first [Fair Debt Collection Practices Act \(FDCPA\) report](#) to Congress earlier this year.

So what is Consumer Response, and how has it been working?

The legislation that created the CFPB, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, explicitly states that one of the primary functions of the new agency is “collecting, investigating, and responding to consumer complaints.” So the CFPB rolled out a complaint collection system on its first day of existence, July 21, 2011, focused exclusively on consumer complaints about credit cards.

The complaints system, called Consumer Response, is different than most on the Federal level, especially the Consumer Sentinel Network managed by the FTC. Consumer Response is designed to provide a feedback loop between consumers, the CFPB, and companies that are targeted in a complaint.

The collection method is similar to others. Consumer Response accepts complaints online, by phone, through fax, email, and mail, and from referrals from other federal agencies. In the period from July 21, 2011 to December 31, 2011, the CFPB notes that 44 percent of the complaints came through its online portal, 34.9 percent were referred from other agencies, 14.7 percent came through the agency's call center, and the rest were a combination of email, fax, and mailed complaints.



Rather than collecting the complaints and aggregating the data into an annual report, the Consumer Response at CFPB screens each complaint to decide if it is 1) complete and understandable, 2) relevant to the duties of the CFPB, and 3) is not a duplicate of a previous complaint. If it meets the criteria, the complaint is then sent to the company named in the complaint for review.

In its [first Consumer Response Annual Report](#) – published March 31, 2012 – the CFPB noted that 75 percent of the consumer complaints it received from July 21, 2011 to December 31, 2011 were sent to companies for review. The agency forwards the complaints to companies via a “secure web portal.” After a company has a chance to review the complaint, it communicates either with the consumer or the CFPB with an answer: either a proposed resolution, or a response that directly addresses the complaint without resolution.

The consumer is then given an opportunity to review the company’s response and determine if it is sufficient. If the consumer says that the response is not sufficient, or if a company does not respond in a timely manner (defined as 15 days by the CFPB), the CFPB will investigate why the complaint was not resolved.

Here is a helpful graphical representation of the process provided by the CFPB:



The Consumer Response model is similar to the one used by Better Business Bureau (BBB) offices nationwide. Companies named in the complaint have a chance to respond.

Company responses to Consumer Response complaints include a description of any steps taken or that will be taken in response to the complaint, communications received from the consumer as a result of any steps taken, any follow-up actions or planned follow-up actions in further response to the complaint, and categorization of the response. The options available to companies in their 15-day response window are “closed with relief,” “closed without relief,” “under review” (or in progress), and other administrative responses.

Relief is defined as objective, measurable, and verifiable monetary value to the consumer as a direct result of the steps taken or that will be taken in response to the complaint. Where a company responds “closed with relief,” additional space is provided to describe that relief and to assign an estimated dollar amount. “Closed without relief” indicates that the steps taken by the company in response to the complaint did not result in monetary value to the consumer that is objective, measurable, and verifiable, but may have addressed some or all of the consumer’s complaint involving non-monetary requests. Consumers are given the option to review and dispute company responses with and without relief.

Also similar to the BBB, the Consumer Response system reports resolution rates for consumer complaints.

For the period from when the CFPB began taking credit card complaints through the end of 2011, 91.8 percent of the complaints the agency sent to credit card companies were reported

closed. More than 64 percent were reported as closed with relief by the named company, while 27.7 percent were reported as closed without relief.

| Consumer Credit Card Complaints (7/21/11 - 12/31/11) Company Responses and Resolution | | |
|--|--------------|-------------|
| Company reported complaint closed with relief | 4,785 | 64.1% |
| Company reported complaint closed without relief | 2,069 | 27.7% |
| Company provided administrative response | 112 | 1.5% |
| Complaint still under company review | 497 | 6.7% |
| Total complaints sent to credit card companies | 7,463 | 100% |

Beginning December 1, 2011, companies had the option to report a relief amount for the complaints they returned as closed with relief. The CFPB said that there were about 500 such complaint records for the last month of 2011, but did not include the specific data in its first complaints report.

After the CFPB receives the complaint responses from companies, consumers are given the opportunity to review those reported as “closed” and let the agency know if they are satisfied with the resolution offered by the companies.

Consumers are given 30 days to respond to the companies’ resolution proposals, twice as long as the companies themselves are given. For the period from opening (July 21, 2011) through the end of the year, consumers did not dispute 46.1 percent of credit card complaints reported closed by companies, compared to 12.6 percent that did dispute the resolutions. The remainder, more than 41 percent, were still pending consumer review when the CFPB’s reporting period ended.

| Consumer Credit Card Complaints (7/21/11 - 12/31/11) Consumer Reviews of Company Resolution | | |
|--|--------------|-------------|
| Consumer did not dispute company’s resolution | 2,681 | 46.1% |
| Pending consumer review of company’s resolution | 2,400 | 41.3% |
| Consumer disputed company’s reported resolution | 734 | 12.6% |
| Total company resolutions sent for consumer review | 5,815 | 100% |

If the consumer is satisfied with the company’s resolution of their complaint, the case is basically closed, although the data is kept for annual reports. But the CFPB investigates those complaints that were not satisfactorily handled by the companies.

Consumer Response primarily focuses its review and investigation efforts on those complaints where the consumer disputed the response or where the company failed to provide a timely response. The CFPB also periodically investigates groups of complaints to survey product- and issue-specific trends. Consumer Response investigations seek to determine why a company failed to provide a timely response (if applicable) and whether the consumer's dispute of the company's response (if applicable) justifies additional review with regard to the company's minimum required actions under the consumer financial protection laws within the CFPB's authority. In the course of an investigation, the agency may ask companies and consumers for additional information. When an investigation is completed, the Consumer Response team sends the consumer a summary. In some cases, Consumer Response has referred complaints to colleagues in the CFPB's Division of Supervision, Enforcement, and Fair Lending and Equal Opportunity for further action.

It is important to note that the data provided by the CFPB in its first annual Consumer Response report included mortgage complaints covering one month, December 2011. The resolution rates were vastly different for mortgage-related complaints than for credit card complaints. One reason is that the reporting period ended at the end of December, so most complaint records were still open or under review by either the company or the consumer.

For example, only 18.6 percent of mortgage complaints in 2011 were reported by companies as closed with relief, with 46.7 percent closed without relief, and more than 30 percent still pending company review. On the consumer review side, more than 77 percent of mortgage complaint responses are under consumer review, 15.3 percent of the responses were disputed by the consumer, and only 7.3 percent of consumers did not dispute the company's resolution to their mortgage complaint.

It is safe to assume that the process and data for debt collection complaints will probably mirror those in the credit card category over time. Before Consumer Response is expanded to include debt collection complaints – which, again, should be by the end of 2012 – the ARM industry would be well-served to carefully review what the agency has been doing with credit card complaints over the past year.

CFPB Begins Naming Names in Complaints Against Credit Card Issuers

The Consumer Financial Protection Bureau has unveiled its online database of consumer complaints against credit card companies -- and the financial industry is taking it about as well as you'd expect.

"While our industry stands ready to work with the CFPB to resolve customer concerns, the Bureau's plan to release unverified data is disappointing and could mislead consumers," the American Bankers Association wrote in a statement.

The unverified nature of complaints filed with the FTC and the CFPB is old news to the collection industry. Every year the FTC publishes its *Consumer Sentinel Network Data Book*, and every year collection agencies come in second -- after identity theft -- in the race for Most Complained About. (Another adorable quote from the ABA press release: "The Bureau itself acknowledges the complaints could be inaccurate, and in fact plans to disclaim their accuracy. This makes the proposed database a questionable - even misleading - resource and risks tarnishing the reputation of individual companies without substantiation." Aw! You don't say?)

The FTC is upfront about their data. On page 2 of 2011's *Data Book*, the FTC writes, "The 2011 Consumer Sentinel Network Data Book is based on unverified complaints reported by consumers." As the FTC has stated that the data it collects has never been intended for complaints resolution. Instead, the complaints data they collect is primarily used by law enforcement "to enhance and coordinate investigations."

However, the CFPB looks to be positioning itself as a complaints mediator, adding a resolution component to its process.

[This story on MSNBC.com](#) gives a little more background on the CFPB's database project:

- Website users can see the name of the company targeted by each complaint, the nature of the issue, the company response -- including timeliness -- and the zip code of the complainer
- Users can also generate charts showing which banks attract the most complaints, which issues are hardest to resolve and which regions of the country seem most irritating by bank practices
- The website includes only a small fraction of the 17,000 complaints filed regarding credit cards since July of the last year
- Only complaints filed since June 1 will be available at first, as the agency works out the kinks in its "beta" launch of the database
- Complaints about mortgages and checking accounts will also be added later

There is perhaps some cause for alarm at how the reports the database can generate are being characterized. While timeliness is certainly something that can be effectively measured -- irritating banking practices? That seems nebulous, and certainly not a field one can plug into an Excel workbook.

Since the CFPB has plans to oversee the collection industry, it's almost a guarantee at this point that, perhaps within the year, the CFPB will also publish consumer complaints in a similar database.

Are Debt Buyers Overrepresented in FTC Complaints Against Collectors?

According to an analysis of data received from a Freedom of Information Act (FOIA) request for January and February 2012, debt buyers made up a disproportionately high percentage of complaints against the ten most commonly-complained about third party debt collection agencies. This seems to bolster a common complaint among contingency agencies that debt buyers are giving the ARM industry a bad name.

Over the first two months of 2012, the ten most commonly-named companies in debt collection complaints accounted for 2,724 complaints, or about 10.7 percent of the total, out of a universe of more than 4,000 named companies, according to data from the Federal Trade Commission's Consumer Sentinel Network. It should be noted that "Unknown Company" was by far the most common company mentioned in complaints and is not counted in this total.

An analysis by insideARM.com revealed that of those ten companies, four were debt buyers, accounting for 42 percent of the Top Ten's complaints.

Only very large ARM firms appear in the Top Ten list, as companies with more consumer contacts tend to have more complaints filed against them. Indeed, the four debt buyers in the Top Ten are very large. But there are much larger contingency debt collection operations appearing further down on the list. Some of the largest ARM companies in the world did not have enough complaints against them to warrant inclusion on the Top Ten list while smaller debt buyers did.

Also, only companies named specifically by consumers can be counted in the analysis. So there is a very good chance that some of the contingency debt collection agencies named in complaints were working on behalf of debt buyers. For example, one other company in the Top Ten that does not identify itself directly as a portfolio purchaser lists on its web site debt buyers as one of its major clients, but that company's complaints were not counted in the debt buyers' totals.

It's easy to cast nasty eyes at debt buyers and blame them for the rise in complaints against collection agencies. But we must remember that the volume of debt being sold by original creditors, and by debt buyers into the secondary market, has been rising steadily since the early 2000s. There might have been a hiccup in the market after the financial collapse, but there is still a lot of debt being bought and sold, and the trend is largely driven by creditors.

So debt buyers are finding themselves on the front line more than ever. With consumer contacts increasing, it makes sense that complaints against them would also increase.

The nature of purchased debt itself also probably plays a role in the elevated complaints volume. Debt that is bought rather than forwarded directly by credit grantors to collection agencies tends to be older, especially when it is resold into the secondary market. Purchased debt also no longer carries an expectation of customer service that some banks insist on with

their contingency collection vendors. And verification documentation issues often plague accounts – and sometimes entire portfolios – that are sold.

Better For Whom? Debt Collection Professionals and the Better Business Bureau

In 2011, nearly a quarter of the complaints the Federal Trade Commission received were delivered by the various Better Business Bureaus across the country.

Of those complaints, nearly 18,000 of them were connected, in some way, with collection agencies – either directly, or via a category called Attorneys/Lawyers or Collection Agencies-Government Loans.

| Industry Description | Complaints | Settled | Not Settled | Unable to Pursue |
|--|------------|---------|-------------|------------------|
| Collection Agencies | 17478 | 14507 | 2379 | 592 |
| Attorneys & Lawyers - Collections Law | 280 | 192 | 82 | 6 |
| Collection Agencies - Government Loans | 13 | 2 | 10 | 1 |

Complaints that come through the BBB offer businesses the opportunity to contact the complainant and resolve the issue – a step that, as it’s currently set up with the FTC and Consumer Financial Protection Bureau, is not available to consumers who visit <https://www.ftccomplaintassistant.gov/>. (However, the CFPB has hopes of unveiling a new process in 2013 whereby collection agencies will be required to respond to every debt collection complaint that comes through either the FTC or the CFPB.)

With all of this in mind, insideARM.com thought it would be interesting and illuminating to get first-person accounts from several collection industry professionals about their relationship with their local BBB. What we discovered is: there’s no pat answer to any of the questions we started out with:

- Is there a financial benefit to working with your local BBB chapter?
- Does it improve your agency’s standing in the community to have a high BBB rating?
- Are you able to increase the amount of business you receive by maintaining your BBB rating?
- How trustworthy is the BBB’s data?

Contributors to this whitepaper include:

Rodney Davis, Better Business Bureau

Elye Sackmary, Municipal Services Bureau

Jack Gordon, WebRecon LLC, The Bureau of Litigant Data

Mark Schiffman, ACA International

Jennifer Skornik, Cedar Financial

David Newman, Ad Astra Recovery Services, Inc.

Anita Tolani, Weinberg, Jacobs & Tolani, LLP

The Better Business Bureau: An Introduction

The fairest place to start, maybe, is with the Better Business Bureau itself. The Bureau's mission, as it states on its website, is to "promote and foster the highest ethical relationship between business and the public through voluntary self-regulation, consumer and business education, and service excellence."

There are 128 Bureaus in the U.S., Canada, and Puerto Rico. And to promote and foster those aforementioned solid relationships between businesses and consumers, the Bureau offers dispute resolution, either through conciliation (facilitating communication between the consumer and the business) or through arbitration (both parties are present at an arbitration hearing).

These actions, though, are voluntary. As the BBB says on its site: "We are not a government agency, nor do we have law enforcement powers."

- We cannot force a business to do what the customer wants, although most businesses work with us to ensure customer satisfaction;
- We do not have legal authority, although we can inform you of applicable laws and refer you to legal assistance;
- We cannot help either party involved in a dispute break a legal contract; however, we will attempt to assist if misrepresentation or fraud is involved;
- We do not make recommendations or endorsements, but can provide you with a list of BBB Accredited Businesses that have pledged to follow BBB standards;
- We do not appraise items or pass judgment on the price charged for merchandise, the operating efficiency of devices, or the length of time merchandise should last; however, we can process complaints regarding misrepresentation in these areas.

We reached out to Rodney Davis, Senior Vice President of Enterprise Programs at the Better Business Bureau, to ask him why he felt a collection agency would be best served by participating in its local BBB chapter.



Rodney Davis, Senior Vice President, Enterprise Programs
Better Business Bureau

It is the mission of BBB to be the leader in advancing marketplace trust. BBB accomplishes this mission by:

- Creating a community of trustworthy businesses;
- Setting standards for marketplace trust;
- Encouraging and supporting best practices;
- Celebrating marketplace role models; and
- Denouncing substandard marketplace behavior

BBB actively engages all parties (e.g. individual businesses, consumers, associations, consumer groups, regulators, etc.) to advance trust. Specific to the debt collection industry, BBB has worked with ACA International, the National Association of Retail Collection Attorneys (NARCA), the Federal Trade Commission, and consumers, to monitor the marketplace and assist the parties to identify not just best practices, but those practices needing to be improved as well. Since there are regulations governing the industry practices, much of the BBB's role in working with consumers is educational in nature. We help consumers understand the Fair Debt Collection Practices Act (FDCPA), often through providing resources, and act as a neutral party to help build understanding.

"Consumers in the U.S. checked BBB business reviews over 97 million times in 2011, and 890,700 of those reviews were to check on a debt collection agency."

BBB Business Reviews help consumers identify businesses committed to customer satisfaction and best practices. Consumers in the U.S. checked BBB business reviews over 97 million times in 2011, and 890,700 of those reviews were to check on a debt collection agency. At the core of these reports is the BBB Rating, which is expressed as a letter grade from A+ to F. The main driver for whether a business has a positive rating is whether the business effectively manages complaints from their consumers. We encourage every business to work closely with BBB to:

- Implement practices to limit complaints;
- Work actively with BBB to resolve complaints; and
- Submit any unresolved complaints to dispute resolution

Of the 17,478 complaints filed against debt collection agencies in the United States for 2011, 83% were settled (14,507). The commitment to settle complaints is reflected in the BBB Rating for businesses in the debt collection industry, and businesses and government agencies often

use the BBB report as part of their screening tool in deciding which business or agency to use for their own collection needs.

Debt collection professionals should establish relationships with their BBB to share information, resolve complaints and help improve their rating, as well as the overall perception of the industry. Limiting overall complaint volume and resolving the complaints that do arise is good for consumers, the business and the industry. Many leading industry members are working closely with BBB and have taken the step to become accredited by BBB, and some of these businesses are serving on the Boards of their local BBBs.

Even the industry's association, The ACA, sees benefits in participating with local BBB chapters.



Pat Morris, President
[ACA International](#)

ACA International encourages its members to participate with their local Better Business Bureau. We realize that, ultimately, the decision to join is unique to each individual business. While there is an expense to become a member of the BBB, there are several positive aspects to accreditation:

Credibility. The BBB has a solid reputation and garners significant consumer trust, which helps the image of organizations that are a part of their local BBB and maintain a good grade. Accredited companies are able to leverage this brand.

“Nationally, collection agencies resolve 83% of the complaints received through the BBB – compared to 76% for all other industries combined.”

Complaint Resolution. Collection agencies want to resolve consumer complaints but get little chance beyond a consumer contacting them directly. BBB members are given the opportunity to work with consumers to resolve complaints. Nationally, collection agencies resolve 83% of the complaints received through the BBB – compared to 76% for all other industries combined. This is an important story we can share only if ACA members are participating with their local BBB and continue to excel at resolving consumer complaints).

Reputation. Maintaining a good grade with the BBB positively reflects on an agencies collection practices and brand. It's something employees value. It's an important asset when pitching new clients and helps existing clients feel good about the agency they've hired. Further, media, lawmakers, regulators and attorneys general often refer to a BBB score in the course of their work as an indicator of a good or bad company.

Not so fast, though, says Jack Gordon, CEO of WebRecon LLC, The Bureau of Litigant Data. Gordon doesn't exactly see eye-to-eye with Davis or Schiffman:



Jack Gordon, CEO
[WebRecon LLC, The Bureau of Litigant Data](#)

I have an issue with the BBB and how it operates in the debt collection arena. Unless things have changed recently, I would be very reluctant as an agency owner to be accredited by them.

The problem: the BBB insists on treating debtors as customers. Of course, for a collection agency, your "customer" is your client, the creditor.

This raises several issues, all of which we as an industry should be concerned about.

1) In responding to a complaint, the collector is being compelled to violate FDCPA by disclosing (or at least confirming) the existence of the debt to a third party. It matters little that the consumer initiated the process. If they did not explicitly consent to allow the debt collector to communicate about the debt to the BBB, then a strong argument can be made that the violation has occurred.

2) Debtors are, of course, not your customers. But when a debtor files a complaint about you, no matter how dubious their intentions, the BBB insists you respond with a sincere effort to resolve it (serious in their eyes). In many cases the debtor exists in an adversarial position to the collection agency. So when they are elevated to customer status by the BBB, it places the collection agency in an inherently

"Faced with the choice of resolving a potentially fictitious / greatly exaggerated complaint or receiving a negative rating from the BBB, the agency is coerced into succumbing to a compromise which may be well below its usual standard of acceptability."

disadvantageous position which is strikingly similar to blackmail. Faced with the choice of resolving a potentially fictitious / greatly exaggerated complaint or receiving a negative rating from the BBB, the agency is coerced into succumbing to a compromise which may be well below its usual standard of acceptability, thus doing a disservice to itself and its client and setting dangerous precedents for other debtors to follow. Years ago I pointed this out to a representative of my local BBB. Her response? "Just respond." There was no comprehension of the complexities.

3) Related to point #2, the ratings for an agency may reflect both the filings of angry debtors and dissatisfied clients. Without any separation of the two, the ratings lose their meaning. An agency that treats its real customers (clients) very well could be maliciously harmed by angry consumer debtors who, for instance, may have had judgments filed against them due to the efforts of the agency. Is that fair?

Until the BBB understands the unique relationships of consumers, creditors and collection agencies - and accommodates for them in their complaint resolution processes - I would advise any collection agency to tread very carefully.

Anita Tolani, Partner at Weinberg, Jacobs & Tolani, LLP, picks up a little from where Gordon leaves off.



Anita Tolani, Partner
[Weinberg, Jacobs & Tolani, LLP](#)

The theory behind collection agencies registering with the Better Business Bureau is to allow the BBB to mediate disputes between consumers and agencies without the need or expense of courts. In theory and in practice, it does and can work, but there are limitations and problems specifically related to collection agencies.

A BBB complaint is often based upon a “he said, she said” argument, and may not be resolved to the satisfaction of either or both parties. A consumer will file a complaint making allegations of what was said during a telephone conversation. The agency has a different account based upon the account notes or a recording of the conversation. Typically the two do not match and the BBB accepts the agency’s response and will close their file. The consumer may not be satisfied with the response of the agency or

“The consumer is now armed with discoverable information without a lawsuit ever being filed and there is nothing that stops the consumer from using this information in a subsequent lawsuit or disclosing this information to third parties.”

the role of the BBB and now, armed with information disclosed to them from the agency response, can file a civil complaint. In some cases, the response from an agency can include an honest admission of error or fault on the part of a collector not following the general practice of an agency and disclosures about the subsequent reprimand of the collector. No good can come of these upfront honest disclosures by the agency, even to the extent that it can lead to a resolution of the account and complaint of the consumer as filed with the BBB. The consumer is now armed with discoverable information without a lawsuit ever being filed and there is nothing that stops the consumer from using this information in a subsequent lawsuit or disclosing this information to third parties.

Until the BBB recognizes the problems associated with agencies making disclosures without protection of the information, agencies will not be able to truly use the BBB in the same way other industries can and do. Unfortunately our flawed court system may be all we have.

Cedar Financial, though, sees value in accountability.



Jennifer Skornik, Quality Assurance Manager
Cedar Financial

Cedar Financial takes great pride in its “A” Better Business Bureau rating.

In fact, it’s a major part of our sales campaign. We regularly tell clients that our BBB rating is evidence of what sets us apart from other agencies – our customer service. Because the grade is such an integral part of our sales pitch, we protect it fiercely and there are plenty of opportunities to do so.

Every few months, we’ll get another email from dispatch@labbb.org and there is a collective groan amongst the managers. We use all complaints as an opportunity to address outstanding issues, so the first step is always to find out what went wrong and fix it. Reading these complaints can be tiresome and annoying. They always come from debtors and these debtors are almost always angry. The hard part is not the names we get called (and we’ve been called all of them), but the faux pas of their complaint.

“We had a husband and wife team that refused to take our calls or respond to our many letters, but they wanted to carry on a conversation discussing the intimate details of their debt in a public forum. It was a pretty tricky addressing their concerns without risking violating the third-party disclosure rule.”

They’ll call the collector by the wrong name, they’ll discuss the details of the case in their complaint, or they’ll request responses to specific account questions in their complaint. We had a husband and wife team that refused to take our calls or respond to our many letters, but they wanted to carry on a conversation discussing the intimate details of their debt in a public forum. It was a pretty tricky addressing their concerns without risking violating the third-party disclosure rule.

Since we have made the decision to maintain a relationship with the BBB, we have held ourselves accountable to all of our clients and their customers.

David Newman, President of Ad Astra Recovery Services Inc., gave a more in-depth response as to why he feels BBB ratings and relationships can be of importance to a collection agency.

David Newman, President
Ad Astra Recovery Services, Inc.

I used to look at complaints to the Better Business Bureau the same way that I looked at E-Oscar disputes. I looked at the time spent dealing with them as an unproductive but necessary cost of doing business as a collection agency. I was wrong on both counts.

“Not My Account” is by far the single most common E-Oscar dispute we deal with. In a recent month we investigated 1,027 E-Oscar disputes. 1,017 were of the “Not My Account Variety.” Of those 1,017 accounts we found that all but 11 did in fact belong to the individual who was disputing the account. Two of the 1,017 appeared to not have anything to do with the person making the dispute claim. The information in those cases was reported accurately but the credit bureau algorithm attached it to the wrong person. Four of the disputes involved close relatives mixing up the Jr. and Sr. of the family. Five out of the 1,017 appeared to be legitimate ID theft issues.

“In the old days I used to ignore a BBB complaint. That was when compliance took up 10% of my time instead of 90% as it does now. And while I haven’t been able to figure out how to make BBB complaints a profit center, I have been able to use the forum as a ‘brick’ that we build around the agency to defend against the false FDCPA and FCRA claims.”

There is a widespread belief that collection agencies have no interest in helping people with ID theft issues. Nothing could be further from the truth. When we discover an account in our office that is likely the result of an ID theft, we go into super action mode. We gather everything we have on the account and get it to the consumer as soon as possible. We educate them on how and where to file an online dispute with the FTC. We advise them to put a fraud alert on their credit reports. We do not want possession of that account. Nothing good can come from having that account in our office. We help the consumer in any way we can to document the ID theft as fast as they can and then we cancel the account and send it back to our client as soon as possible.

The remaining E-Oscar “Not My Account” disputes that we have now identified as actually belonging to the consumer are given special treatment. The disputes generally have updated location information. Those that are in states where our client litigates are forwarded to our legal prep team and most of them are sent for legal action. The accounts where the consumer does not live in a legal state are handled by a very special team in our office that has been trained specifically on how to negotiate with dishonest consumers. As a result our recovery rate

on accounts disputed through E-Oscar is twice as high as our overall recovery rate. What used to be a serious waste of time is now a profit center.

In the old days I used to ignore a BBB complaint. That was when compliance took up 10% of my time instead of 90% as it does now. And while I haven't been able to figure out how to make BBB complaints a profit center, I have been able to use the forum as a "brick." In our office we speak of a brick as a piece of the protective wall that we build around the agency to defend against the false FDCPA and FCRA claims.

Just like the E-Oscar complaints discussed above, most of the BBB complaints we receive are from people that claim we are reporting something to the credit bureaus that is not theirs. We handle BBB disputes of this nature exactly the way we would an E-Oscar dispute. We have never had a BBB "Not My Account" dispute that was legitimate. Never-the less, we go in to great detail in our response describing where and how to file ID theft complaints with the FTC. We provide blank affidavits of False ID. We let them know that we stand ready to help them in any way we can. We send out copies of contracts and applications. We attach brochures on how to deal with ID theft. We are never confrontational. We are always empathetic. We look at our response to the debtor as potential evidence in arbitration. We treat our response as a potential "Brick."

There is always talk at conventions and conferences about the potential for third party disclosure risk in responding to BBB complaints. I think this risk is exaggerated. I see a lot more risk associated with not responding to BBB complaints than to the risk of third party disclosure. That said I still try to keep my responses generic to the core of the complaint. If the complaint is about an entry on their credit report, I do not discuss their debt specifically; I keep my comments general enough that it would be helpful in for anyone that had the same problem. If the complaint is about not validating a debt properly, I answer the complaint as though I was discussing the problem in general; I avoid saying anything in my response that would give any new information regarding the debt that the consumer did not mention in their original dispute.

Recently I received a complaint from a gentleman that was unhappy with the validation response I sent him. He complained that I failed to provide him with a copy of our business license, a copy of the state statute that allows us to act as a collection agency in California, and proof that the statute of limitations had not passed. It takes a lot of thought to craft a response to someone that is under the misapprehension that debt validation consists of the agency completing a laundry list of demands that have nothing to do with the debt without appearing to be condescending. I explained as carefully as I could what constitutes validation under FDCPA and what we were willing to do above and beyond that requirement. I offered to mail him a copy of the contract he signed and a copy of his application for credit and a copy of his payment history. He was not satisfied. Fortunately the BBB recognized that the consumer's demands were not reasonable and that we had made a reasonable effort to work with the consumer and they closed the file.

The BBB is a business. Do they provide a useful service to consumers? In general I think so. It is important that they understand the unique nature of our business. They need to be made aware of how consumers use them to try and get special treatment. While I never give in to the pressure of a BBB complaint to give in to consumer demands, I am never confrontational, I try and empathize with the consumer, I use the opportunity of answering the complaint to educate the consumer and to demonstrate to the consumer the lengths we are willing to go to be helpful within the bounds of our agreements with the bureaus, our clients and the law.

Just having an A rating with the BBB is a potential “Brick.” I do not want an arbitrator asking me why we have such a low BBB rating. Even though I feel that the way the rating is determined is not really fair to collection agencies, perception becomes reality and I would not want to defend a low rating to a current or potential client or to an opponent in an adversarial setting. We are not members of the BBB, but I have been fortunate to have a good relationship with them. I have found the people who run the local franchise to be a fair, reasonable and professional.

For those who utilize their BBB, it seems that it’s primarily as a tool for customer service.



Elye Sackmary, Vice President of Operations
Municipal Services Bureau

Just as with customers who call our contact center, or with letters customers have written to our Company (Municipal Services Bureau (MSB)) by e-mail or USPS, customers who ask questions via the BBB deserve the same attention and due diligence to ensure they are satisfied with the final resolution. The BBB provides another channel through which our customers can communicate with us, and the moment the BBB notifies us of a new inquiry, the MSB clock starts ticking for our response. MSB is a receivables

“As a collections partner to government, our customers are the same constituents served by those courts and agencies. Our responses to customer inquiries reflect not just on us, but also on our clients.”

management company and we work only with government entities. Whether it be City, County, or State courts or agencies, MSB helps recover unpaid warrant fines, traffic tickets, parking tickets and utility accounts to name a few. As a collections partner to government, our customers are the same constituents served by those courts and agencies. Our responses to customer inquiries reflect not just on us, but also on our clients, so our allegiance to the following is absolute.

- Every BBB inquiry is responded to, without exception

- Responses are submitted prior to the deadlines set forth by the BBB
- Every question posed by customers in the body of the inquiry is answered thoroughly with one contact resolution in mind
- Every concern raised by the customer merits a comprehensive and timely investigation, with detailed follow-up provided to the customer afterward
- All responses are cordial, courteous, and professional
- Contact information for our Company's BBB liaison is always provided should the customer wish to discuss further by phone or direct email

In addition to responding through the Better Business Bureau, MSB attempts to contact the customer directly if he/she provided that contact information with the BBB inquiry. While phone contact is preferred to most expediently address the customer's request, MSB will send a letter/email if that is all the information we have. Once we receive confirmation from the customer that they are satisfied with the resolution, we append that information to any BBB response already submitted.

Our aim is not only to ensure customer satisfaction (which is a sufficient end unto itself), but also to ensure that customers receive the same level of service they expect from any of our more than 500 government clients. When the BBB launched its rating system in 2009, MSB was graded as an A+ organization. We have rigidly followed our policies set forth above to maintain that A+ ever since.

Conclusion

As Pat Morris mentioned in his section, the decision to join your local BBB is a unique business decision for every agency.

While there are considerable advantages, as outlined repeatedly in this whitepaper, there are some potential risks – from third-party disclosure to unwittingly aiding the prosecution.

But in conclusion, we wanted to draw your attention back to this: The BBB model of complaint resolution is very possibly going to be the CFPB's model of complaint resolution. Those who are members of their local BBB already have a process in place for dealing with consumer complaints – a voluntary process.

When the CFPB implements its complaints resolution program, it won't be voluntary.

Have you given thought to the changes you'll need to make in your organization in order to stay on top of all the consumer complaints? Will you need to hire more staff? Will you need to rethink workflow? Are you currently working with your agency's legal counsel – if your agency even *has* legal counsel – in order to develop a plan?

Appendices

Appendix A: Complaint Data Fields

COMPLAINT DATA FIELDS

This chart shows the fields that are provided by each of the major complaint sources.
Field selection option detail is provided below for shaded rows.

| FIELD | FTC CALL CENTER | FTC ONLINE | BBB | AG/DEPT OF JUSTICE | PRIVACY STAR |
|--|-----------------|------------|----------|--------------------|--------------|
| Reference number | all | all | all | all | all |
| Created date | all | all | all | all | all |
| Complaint source | all | all | all | all | all |
| Originator reference | | | all | all | all |
| Contact type | all | all | all | all | all |
| Data source | all | all | all | all | all |
| Entered date | all | all | all | all | all |
| Complaint date | all | all | all | all | all |
| Transaction date | all | all | | ohio | all |
| Company name | all | all | all | all | all |
| Company address | if avail | if avail | all | ohio, OR | City, State |
| Company phone | if avail | most | | all | all |
| Company email | | if avail | if avail | all | |
| Company website | | if avail | if avail | | |
| Company rep name | if avail | if avail | if avail | | |
| Complaint info initial contact method | all | all | | ohio | |
| Complaint info initial contact date | all | most | | | |
| Complaint info initial response method | if avail | most | | | |
| Complaint info initial response date | | most | | | |
| Complaint info amount requested method | | | | | |
| Complaint info amount requested value | if avail | if avail | | ohio, WA | |
| Complaint info amount paid method | if avail | if avail | | | |
| Complaint info amount paid value | if avail | if avail | if avail | ohio, WA | |
| Complaint info product service code | all | all | all | all | all |
| Complaint info product service description | all | all | all | all | all |
| Complaint info law violation code | all | all | | | |
| Complaint info law violation description | all | all | | | |
| Complaint info statute code | all | all | | | |
| Complaint info statute description | all | all | | | |
| Complaint info topic code | spotty | | | | |
| Complaint info topic description | spotty | | | | |

all all or nearly all records have info in this field

spotty just a few records have info in this field

if avail more than just a few records have info in this field, but not the majority

most not all, but the majority of records have info in this field

The following are selection options for the highlighted fields above.

Contact Type

- Comments
- Complaint
- General Complaint
- Informant
- Request for Information

Complaint Info Amount Paid Method

- Bank account debit
- Bank money order
- Bank transfer other
- Cashier's check
- Certified cheque
- Check (not classified)
- Check (personal)
- Traveler's check
- American Express credit card
- MasterCard credit card
- Visa credit card
- Other credit card
- Visa cash advance
- Money order (not classified)
- Postal money order
- Wire transfer – Western Union
- Wire transfer – MoneyGram
- Not reported
- Other payment method
- Unknown

Complaint Info Initial Contact Method

- Fax
- I initiated Contact
- In person
- Internet website
- Internet email
- Internet other
- Mail
- Mobile: text/email/IM
- Phone
- Phone Call: Landline
- Phone Call: Mobile/Cell
- Print
- TV/Radio
- Unknown
- Wireless

Complaint Info Initial Response Method

- Answer cold call
- In person
- Internet email
- Mail
- Mobile: text/email/IM
- Other
- Phone: other
- Phone: 800/888 number
- Phone: 900 number
- Phone: International call
- Unknown

Complaint Info Product Service Description

In many cases, the consumer – or FTC call center representative – has selected multiple items to describe a single complaint.

- Auto: Financing
- Auto: Sales – New
- Bank: National\Commercial
- Bank: State-Charter: FR Member
- Books
- Buyers Clubs (not travel or lottery)
- Credit Bureaus
- Credit Cards
- Credit Information Furnishers
- Credit Report Users
- Creditor Debt Collection
- Debt Management/Credit Counseling
- Health Care: Other Medical Treatments
- Health Care: Other Products\Supplies
- Home Appliances
- Housing
- Impostor: Business
- Impostor: Government
- Leasing: Business
- Lending: Banks & Credit Unions
- Lending: Finance Company
- Lending: Mortgage
- Lending: Other Institutions
- Lending: Student Loans
- Magazines
- Office Supplies and Services
- Office: Ad Space\Directory Listings
- Other (Note in Comments)
- Telemarketing, Other
- Telephone: Mobile Other
- Telephone: Mobile Rates/Plans/Advertising
- Telephone: Mobile Unauthorized Charges or Debits
- Telephone: Unauthorized Charges or Debits
- Television: Satellite & Cable
- Timeshare Resales
- Unauthorized Debits or Charges for Unknown Products
- Utilities

Complaint Info Law Violation Description

The following standard descriptions are used in conjunction with complaints labeled “third party debt collection.” We noted that, in numerous cases, multiple descriptions were used – often as many as five to ten of them for one complaint.

- Calls any person repeatedly or continuously
- Calls Debtor After Getting 'Cease Communication' Notice
- Calls Debtor at Work Knowing Debtor Can't Take Calls
- Calls Debtor Before 8AM or After 9PM or at Inconvenient Times
- Calls Someone Repeatedly to Obtain Debtor's Location
- Collects Unauthorized Interest\Fees\Expenses
- Company does not provide any opportunity for consumer to opt out of information sharing
- Company fails to honor request to opt out/opt-out mechanism does not work
- Company is violating its privacy policy
- Deception/Misrepresentation
- Fails to Identify Self as Debt Collector

- Fails to Send Written Notice of Debt to Debtor
- Falsely Represents Character, Amount, Status of Debt
- Falsely Threatens Suit/Illegal or Unintended Act
- Falsely Threatens Arrest, Seizure of Property
- FCRA: CRA\Furnisher - Improperly Conducts Reinvestigation of Disputed Item
- Refuses to Verify Debt After Debtor Makes Written Request
- SPAM: Other/general annoyance
- SPAM: 'Remove Me' is missing, broken , or ignored
- SPAM: Subject or From line is false or misleading
- Tells Someone Other Than Debtor About Debt
- TSR: Abandoning a telemarketing call
- TSR: DNC: Ignoring Your Prior Request to that Specific Entity
- TSR: Other Deception or Abuse (note in comments)
- TSR: DNC: Violating the Registry
- TSR: Telemarketing outside 8 a.m.-9 p.m.
- TSR: Unauthorized billing
- Uses obscene, profane or otherwise abusive language
- Uses or threatens to use violence

Complaint Info Statute Description

This field is populated by the consumer making the complaint or by someone working in the FTC's call center. In many cases, multiple items are selected to describe a single complaint.

- | | |
|--------------------------------------|--|
| • CAN-SPAM Act | • Home Repair Deceptions |
| • Credit Practices Rule | • Mail or Telephone Merchandise Order Rule |
| • Equal Credit Opportunity Act | • Rule/Other |
| • Fair Credit Reporting Act | • Telemarketing Sales Rule |
| • Fair Debt Collection Practices Act | • Unordered Merchandise |
| • FTC Act Sec 5 (BCP) | |
| • Health Violations | |

Complaint Info Topic Description

- Alleged email practice
- CA Debt Collector law
- Do Not Call

Appendix B: Related Content from insideARM.com

Related Content from insideARM.com

[Debt Collection Complaint Data Shows Shift in What is Angering Consumers](#)

[Which Better Business Bureau Offices Get the Most Debt Collection Complaints?](#)

[The Anatomy of a Debt Collection Complaint](#)

[FTC Data: Most Collection Agencies Receive Only One Complaint per Month](#)

[The Complaints Issue: Revisiting Consumer Debt Collection Complaints](#)

[Complaints About Debt Collectors Going After Wrong Debt Top List in January](#)