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## Response to CFPB RFI: Complaint Data Normalization

The Consumer Relations Consortium (CRC) is a group of more than 20 Larger Market Participants in the debt collection industry who proactively engage with regulators and consumer advocacy groups to bridge the gap of understanding and expectations often present between consumers and collectors.

The CRC was formed by a group of industry executives who believe that a reasonable and knowledgeable voice is needed to address both issues and solutions in the collection industry. We firmly believe that communication – “relations” – is the key to respectful resolution of a consumer’s financial situation.

Our mission is to collaborate with regulatory agencies to affect change resulting in industry reform that not only provides the best level of service to consumers but also ensures the critical role collections plays in the economic cycle survives, and allows product and service providers to continue to make affordable credit available to the Consumer. More information is at <http://www.crconsortium.org/>

The CRC took this Request for Information to our membership; the group is made up of firms of various sizes and experience with a broad range of account types. The CRC membership overwhelmingly supports a complaint data normalization project. As will be discussed in more detail herein, the CRC is committed to future participation in the project.

It should be noted at the onset that the initial responses were not consistent -- a fact which is not surprising. Our position is that this industry does not operate in a “one-size-fits-all” scenario and that normalization of the data, though difficult to do, is absolutely necessary for all parties who desire to have meaningful data on the industry.

The CRC believes it will ultimately be beneficial to for consumers, creditors, and agencies to normalize the data in order to determine and analyze trends, and provide observations and recommendations for improvement. This will, in turn, prove beneficial to the consumer experience with debt collectors.

### ***1. Is data normalization worthwhile, if so, how should the Bureau normalize data?***

#### **CRC Response**

As noted above, the CRC members are unanimous in the opinion that data normalization is worthwhile. How that should be accomplished and how the normalized data should look is the more challenging question.

“Apples-to-Apples” comparison is the goal for a normalization project. Unfortunately, there are subtle nuances and differences at every turn. CRC members believe that two elements are most important for any attempted normalization; type of accounts worked and size of the organization. However, using just those two elements is insufficient. At least two additional elements, balance range and age of debt are best utilized as initial sub-categories. Thereafter there are numerous other types of sub-categories to the sub-categories. CRC members welcome the opportunity to assist the CFPB in identifying all of the various elements.

### **Tracking Complaints by “Type” of Accounts**

One normalization theory commonly espoused is to categorize consumer complaints by “type of accounts.” But, the following examples will prove the challenges with that methodology.

For instance, CRC members would propose the following broad categories as “Types” of debt:

- I. Student Loans
- II. Credit Cards
- III. Medical
- IV. Telecom
- V. Automobile
- VI. Utility
- VII. DDA accounts (bank checking/savings account fees)
- VIII. Personal Installment Loans (non-auto, non-mortgage)
- IX. Retail Accounts
- X. Mortgage
- XI. Purchased Paper/Debt Buyer
- XII. Payday/Online Loans
- XIII. Dishonored Checks
- XIV. Government Debt – Fines, Taxes, etc.
- XV. Insurance or Subrogation Claim
- XVI. Other/Miscellaneous types of accounts

Within each of these broad categories are many potential sub-categories.

Simply lumping together “Student Loans” provides a false picture. For instance, in the student loan category there is a huge difference among loans issued through a guarantor agency, Direct ED Loans, private loans, loans directly from a school and proprietary or trade school loans. The balances are different. The potential remedies available to the client are different and the work strategies are different.

The consumers on student loans are also very different. A consumer who is contacted by a debt collector on a graduate school, law school, or medical school loan is a very different consumer from an individual who may be contacted by a debt collector on a trade school loan.

Likewise, all credit card accounts are not created equal. A pure charge card such as the American Express Green card that requires the balance to be repaid in full every month is very different from a typical credit card with minimum monthly payments. The account balance and the consumer with a bank issued “Platinum Card” is different from an account balance and the consumer with a “Gold Card.”

Finally, where the debt lies within the debt collection “ecosystem” will also produce different types and levels of complaints on the same type of account. Complaints about accounts placed immediately after charge-off (“primary” placements) to a debt collector will be very different than that same tranche of accounts placed with a secondary, tertiary, late stage or law firm debt collectors.

Unfortunately tracking the various sub-categories will prove difficult. CRC could provide numerous sub-categories for every major category.

Thus, while tracking by types of accounts at first blush appears to be meaningful, more granular segmentation would be beneficial.

### **Tracking Complaints by “Size” or “Market Share” of Debt Collector**

Another normalization theory is to segment complaint reporting by the size of the debt collector organizations. This too is challenging.

The questions are: How will size be defined? How will size be measured? What data will be used to determine size?

There is very little public information regarding the finances of a typical debt collector company. Most companies are privately held. Financial information will need to be voluntarily provided by debt collectors. CRC members are open to providing meaning financial data.

CRC members believe the most relevant “size” statistic is not necessarily number of employees, number of locations or annual revenue. Instead, the total number of consumer contacts and/or attempted contacts is the most relevant number for comparison. However, obtaining and ongoing tracking of contacts and attempted contacts is extremely problematic.

Definitional, system, and logistical challenges could impact this sizing component. How will contacts and attempted contacts be universally defined and tracked? How will such data be reported? Will reporting of such data be optional or mandatory? If such data is obtained, who would review the data and how will the data be analyzed?

### **Tracking Complaints by Balance Ranges**

CRC members see some benefit in tracking complaints by balance ranges. But balance range alone should not be the only factor. Balance ranges within the other categories described above may be appropriate sub-categories.

## Tracking Complaints by the Age of the Debt

CRC members believe that age of debt is an important distinction as the membership believes that older debt attracts more complaints. However, utilizing this element is challenging. Often the consumer will not know the age of the debt. Most likely, the only reliable source of information about the age of the debt is the debt collector. Again, this element may be more appropriate as a sub-category.

While these represent the challenges, complaint normalization is worthwhile to those industry members striving for compliant behavior those that are not.

### ***2. How should “categories” be defined for the purpose of normalizing consumer complaint data? Should we normalize by product, sub-product, issue, geography, or another category?***

#### **CRC Response**

See CRC response to question #1.

From a debt collector perspective CRC members do not see value in attempts to normalize complaints by geography. Many, if not most, debt collectors are licensed in all states and jurisdictions that require licensing or registration. The debt collector then contacts consumers throughout the United States from their various locations.

Only smaller debt collection companies and law firm debt collectors operate in a single city, state, group of states, or a localized region.

Geographic segmentation of complaint data may be relevant to the CFPB for other reasons, but CRC members do not see the relevancy when attempting to normalize data for comparing debt collectors.

### ***3. How should a “market” be defined for the purpose of normalizing consumer complaint data? How can “market share” be adequately evaluated and framed? What metrics should be used to evaluate market share? What factors within those metrics are we trying to normalize for, e.g. industry size, company market share, and population?***

#### **CRC Response**

See CRC response to question #1 for discussion of “size” or “market share.”

### ***4. Would normalized data allow for meaningful company-to-company comparisons within a market?***

#### **CRC Response**

CRC members are unanimous in their desire to see truly meaningful “company-to-company” comparisons in complaint data. Members are always striving to learn industry best practices and improve. The industry developed in a competitive, yet collegial environment. During CRC membership meetings, discussion of industry best practices is embraced.

CRC members would embrace meaningful comparative complaint data as an aid to continuous improvement. It would take a significant commitment from industry members. It is a commitment CRC members are willing to make.

**5. *Do the answers to the questions above differ based on the various categories reflected in the Database?***

**CRC Response**

Yes. Our answers to the questions above assume that the various categories are granular enough to provide meaningful company-to-company comparisons. They also assume that the methodology for obtaining data, analyzing that data, and separating complaints into various categories is sound.

**6. *What metrics would be required to normalize the data, e.g. number of accounts per financial institution, population by ZIP code or other geographic area, etc.? Can these metrics be reliably obtained? Should the Bureau seek to independently verify any normalizing metric that it might use? How could it most reliably and effectively do so?***

**CRC Response**

See CRC response to questions #1 and #2.

After determining the various meaningful categories, reliably obtaining the metrics will be the next challenge. The debt collection industry is large and still highly fragmented. Software utilized by the industry is also diverse. Yes, there are several software packages that are used by a large number of companies. But, those software packages were marketed by the developers as highly configurable by the end user. Companies have taken advantage of that flexibility. That means that data from multiple entities using the same software may still need to be reconciled. The Bureau will need significant resources to review, analyze, confirm and sort any information received BEFORE it is used to create meaningful categories. The CRC members also offer to participate in this process.

The point of this discussion is to highlight the challenge to obtaining reliable data.

**Conclusion – Request for Continued CRC Participation**

CRC requests the opportunity to participate in any meetings within the Bureau to develop strategies for complaint data normalization. We believe the end result of meaningful company-to-company comparisons will ultimately benefit the consumer and the debt collection industry. We appreciate this opportunity to offer our assistance. Management teams of CRC member companies have made a commitment to this effort. We understand that this may require a time commitment from internal statisticians or retained outside consultants. But, we feel the end result to be positive for the industry and consumers.

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