



EXECUTIVE SUMMARY

The debt buying industry is an important segment of the nation's credit-based economy. The ability of debt buyers to purchase distressed accounts from originating creditors provides benefits to originating creditors and also to all consumers and businesses that rely on the availability of credit and reasonable interest rates for their purchasing needs.

Who are Debt Buyers and What Do They Do?

Debt buyers are companies that purchase debt portfolios from originating creditors on the secondary market. When a debt buying company purchases an account from a creditor, it purchases the contracts and all rights, benefits, and liabilities that were held by the creditor that are associated with the contract. These purchases can include accounts that are performing (i.e., making payments), as well as those that are non-performing (in default).

Debt buying companies employ thousands of U.S. taxpayers nationwide and operate in all 50 states. While most debt buying companies are privately held small businesses that operate on a state and/or regional basis, or in a niche market, there are also a small number of large companies employing more than 1,000 individuals.

America's Credit-Based Economy

The use of credit is a cornerstone of the U.S. financial system. Credit is a simple idea that is part of our national fabric—from the loans that make receiving a college education, buying a car, or purchasing a home possible, to the revolving credit that makes smaller purchases convenient. American businesses, consumers, and the government rely on the availability and extension of credit to purchase goods and services.

Originating creditors extend credit with the expectation they will be repaid. More than 90 percent of all accounts in the U.S. are repaid according to the terms of the contractual agreement. Because of this high repayment rate, creditors have been able to focus their energies on the products and services they provide rather than expending significant resources on collection efforts. For those accounts that are in default, debt buyers provide originating creditors a convenient way to receive economic value for these nonperforming accounts.

Putting Complaints into Perspective

Contacting consumers about repayment of debt obligations is a difficult task. Debt collectors know the very nature of their calls can create an emotionally charged situation that is uncommon in most other industries.

Industry critics and the news media frequently cite the total number of collection-related complaints as evidence of a systemic problem within the collection industry. These stories are frequently incomplete using raw complaint numbers alone without context. On an annual basis, debt buying industry representatives engage in billions of consumer contacts. These calls typically result in a very low percentage of overall complaints and a high number of debts being resolved.

Collection Helps Consumers

While the percentage of consumers who fail to honor their contractual obligations is small, the dollar amount associated with consumer defaults is staggering. According to the Federal Reserve, at the end of the second quarter of 2013, Americans' revolving debt was approximately \$849.1 billion. For the same quarter, commercial banks wrote off 3.83 percent, or some \$22 billion, of their credit card losses.



Collection activities protect the overwhelming majority of U.S. consumers who pay debt on time by ensuring that they continue to have access to credit at affordable interest rates. Such credit would not otherwise exist if defaults were uncollectible. Consumers enhance their purchasing power when losses that businesses would otherwise have to pass on to consumers in the form of higher prices are mitigated through collections.

For those consumers who do default on debt, working with debt buyers results in greater negotiating power often resulting in:

- Extended payment plans with lower monthly payments
- A stop on accumulating interest
- Favorable settlements of the consumer's account for less than the original balance

Receivables Management Association International's Receivables Management Certification Program

Recognizing the need to further protect consumers and adopt uniform industry standards and best practices, in March 2013, Receivables Management Association International launched its industry-leading national Receivables Management Certification Program consisting of both company and individual certification. RMAI's rigorous Receivables Management Certification Program and its Code of Ethics are the recognized global standard within the receivables industry.