



Third Party Debt Collectors: Good Guys or Bad Guys?

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In his whitepaper, Josh Adams, PhD with The Association of Credit & Collections professionals discusses the role of third party debt collection in the US Economy.

The US Economy is extremely dependent on credit with consumers relying on various forms of financing to provide goods, services, homes and automobiles. The debt collection industry plays a vital role in recovering a good portion of this debt back to creditors and service providers. Debt recovery allows for more competitive pricing and for numerous businesses to remain solvent. In its role of enforcing contracts between lenders and borrowers third party debt collectors provide a mechanism for lenders to assess risk and mitigate costs.

As with any industry, debt collection has its outliers and rogues who run afoul of the law and devise creative scams to impersonate the police, lawyers or the IRS. Thankfully, these charlatans are readily identifiable by their tactics and are constantly on the run from or shut down by law enforcement.

What sometimes gets lost is the fact that for the most part, the third party debt collection business is made up of hard working professionals who are looking to create win-win scenarios for their clients and borrowers alike. In fact, the most successful debt collectors work to improve borrowers' financial

situations, negotiating settlements and making them bank worthy again while maximizing the recovery of client assets.

The best companies who specialize in debt collection are in a unique position to recover past due consumer debt. These companies often develop streamlined processes which allow them to recover debt more efficiently and cost effectively than most lenders. They take the time to research and educate their people on the latest collection laws keeping their firm and clients within the realm of regulatory compliance. They often utilize third party software which aids them in their mission to be efficient and compliant.

ACA International reporting on The Impact of Third-Party Debt Collection on the US National and State Economies in 2016, states that the third party debt collection industry collected nearly \$80B for client lenders while providing employment to over 218,000 individuals inclusive of both the direct and indirect employment impact of the debt collection industry. Their efforts assisted in keeping both consumer and lending costs in check while helping to keep their client businesses solvent.

If you are responsible for the collections / recovery operation of a small to midsized bank or credit union, chances are Coastal Outsourced Solutions can significantly improve a number of your processes and KPIs.

Please contact Jack Sullivan, Director of Business Development for a no obligation outsourcing assessment of your institution's collections or recovery operation.

<https://www.acainternational.org/assets/ernst-young/ey-2017-aca-state-of-the-industry-report-final-5.pdf>

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