William Meany
President
ASSET Inc.
Tel: (416) 977-7771 x254
william.meany@asset.net

VIA: COURIER

June 6, 2007

Federal Trade Commission
Office of the Secretary
Room H-135 (Annex N)
6000 Pennsylvania Avenue, N.W.
Washington, D.C. 20580
United States

Dear FTC Staff:

Re: Debt Collection Workshop, P074805

ASSET Inc. would like to commend the US Federal Trade Commission for conducting the workshop entitled "Collecting Consumer Debts: The Challenges of Change", which brings together consumer advocates, industry representatives, state and federal regulators and others with relevant expertise to provide information on a range of technological, economic and legal issues on the debt collection industry.

As a collections supply chain management software provider as well as outsourced provider servicing Canada and the United States, ASSET Inc. appreciates the opportunity to provide the following comments based on our experience.

With regards to the collection of consumer debt, there are significant similarities between the both countries, most notably consumer protection laws generally[i] as well as the rise in consumer debt loads. However, we wish to highlight the differences that we believe have led to lower complaint rates in Canada as compared to the United States, including market, technological and process disparities. Although there are a multitude of variables that likely contribute to this disparity, we are focusing on what we believe to be the key differences:

	Canada	United States
Growth in Debt Collection Complaints *(2000-2004)*	Compound annual growth rate of 16%[ii]	Skyrocketed - from 13,950 in 2000 to 58,687 in 2004 (CAGR of 42%)
Sale of Debt	Minimal	Significant
Bank Concentration	Highly concentrated	Fairly concentrated
Bank Collections Groups	Centralized	De-centralized, multi-channel
Technology Players	Few, large market share	Multiple

In Canada, the confluence of the aforementioned factors facilitates collection on the *debtor* rather than the *debt* because debtor information is generally more centralized and complete. This in turn leads to better treatment of debtors as well as financial benefits for all of the other parties involved in the collections value chain through increased collections.

About ASSET Inc.

ASSET Inc. is the leader and primary collections supply chain management provider used by all of the major financial banks and institutions in Canada and operates the largest collections center in the country. It also services many of the United States and other top banks and financial institutions.

Established in 1978, ASSET Inc. pioneered the automation of vendor management in Canada and its success there and worldwide has been built on its understanding of its clients' needs and its ability to continually listen and provide significant ROI for its clients along with a consumer. The company's recovery management solutions and technologies enable its clients to manage their vendors more intelligently, reduce operational costs, increase recoveries and meet challenging compliance demands. ASSET Inc. increases the value and recoveries of our clients' vendor managed processes through its focus on industry best practices and innovative, automated recovery vendor management tools.

We have significant experience across the entire array of lender types (prime/sub-prime, large and small, banks/finance companies/credit unions), multiple financial products (automotive, mortgage, student loan, unsecured, bankruptcy, etc.), all stages of the recovery process and are a national provider across all jurisdictions, providing services in multiple languages. Also, we are ISO 9001:2000 certified and have received "Canada's Top 50 Best Managed Companies" award for the past six years in a row.

Our approach to customer collections is:

- ✓ *Customer centric* in how we deal with customers through to the centralization of customer information. We believe that 'If you don't hear about it, then we have done our job well'.
- ✓ *Holistic* in that we believe that all of the pieces in the vendor management chain fit together (including but not limited to the lender, collectors, recovery agents, skip tracers, attorneys, etc.) and that attempts to make the chain work must treat it in its context, concentrating on causes as well as symptoms.
- ✓ *Consultative* in that we develop processes and technologies based on the needs of our customers, with a focus on best practices built on solid business cases. As such, we view and treat all of our vendors, clients and customers as partners.

Difference 1: Sale of Debt

There is a strong correlation between the number and growth of consumer complaints regarding debt collection agencies with the amount of debt sold and the way that debt is sold.

Debt collection complaints in the United States have quadrupled in four years - from 13,950 in 2000 to 58,687 in 2004 (a compound annual growth rate of almost 42%)[iii]. Over that same period, the face value of delinquent debt purchased in the United States went from a nominal amount to over $110 billion, according to Kaulkin Ginsberg.

By contrast, debt sale in Canada has not been widely accepted, is not done by any of the major chartered banks and complaints have not grown at the same pace. Debt sales in Canada grew at a much slower pace and only reached an estimated $520 million in face value of consumer debt exchanged by 2005[iv]. Even compensating for population numbers, it is a small penetration rate (e.g. $368 in the US [v] versus $16 in Canada in 2005 [vi], as measured on a per capita basis). Complaints in Canada over that same period have only increased at an average annual rate of 16%.

As the debt sale market in the United States continues to mature and more players enter the market, prices continue to be driven up and in response, debt buyers will have to push debtors harder in order to achieve similar returns obtained in recent years. Because portfolios are sometimes sold and the uncollected debts are subsequently re-sold, the pressure on debtors increases with each subsequent sale and as the debt moves through the cycle.

Another trend in the debt sale market in the United States is for larger portfolios to be sold, bundling different types of accounts together into one portfolio. Purchasers of these portfolios are more likely to split up and sell the divided portfolio on the secondary markets. Debtors that span multiple products or debt sub-types may find their debt spread amongst various debt purchasers and collections agencies, with little information shared amongst parties. The net effect may likely be an exponential increase in calls from different parties who now own the different accounts – and along with that, the number of complaints from consumer debtors. The confusion and frustration of a debtor trying to manage communications from multiple new owners of the debt compounds their difficulty in managing their repayments and credit situation.

Difference 2: Concentration of Financial Companies and Centralization of Collections Groups

Concentration of information amongst players results in better customer relationship management

Consumer information in Canada is generally concentrated for a variety of reasons.

Firstly, Canada benefits from a small community and concentration of financial institutions, which in turn results in a concentration of information. For example, Canada has approximately 69 banks with the six largest accounting for about 90% of total bank assets. [vii] By contrast, there are over 7,800 banking organizations in the United States, with the 10 largest holding almost 44% (up from 19% in 1984). [viii]

Another contributing factor to the concentration of information is that Canadian consumers tend to consolidate their banking with a single financial institution, such that a typical consumer might have a credit card, mortgage and car loan with a single bank.

Furthermore, the majority of Canadian financial institutions centralize their collection centers across products, enabling a more customer-centric approach to collections. As supply chain managers such as ASSET Inc. act on behalf of multiple product lines for a given financial institution, we act as a further consolidator and check on centralizing contact with the debtor at the creditor level. This is a departure from when a customer of a creditor with three products would get three separate calls from three different agencies. Centralized first-party collections departments lead to more centralized and accurate information, consolidated contact and efforts in the collection process with regards to dealing with the debtor, less anonymity when dealing with the debtor and subsequently results in better debtor/customer relationship management.

The significant amount of merger and acquisition activity in the United States banking industry creates challenges in the centralization of customer information for large, multi-product players. Further aggravating the situation, some larger institutions have separate first party collections departments by product line, with silo-ed collections information, policies, vendor management and/or customer information. The resulting lack of centralization can cause frustration to the debtor, who may be contacted by various collections agencies (internal and external) even though that debtor may have a credit card, mortgage and car loan with one single institution.

This concentration of players in Canada has made it easier for financial institutions to work together on certain issues that affect consumers. For example, the banks and certain related associations in Canada are involved in fraud task forces that bring together lenders, police, government, the legal profession and other groups to work together individually and collectively, to prevent fraud and protect Canadian consumers. This work is ongoing but "to date significant changes have been made to directly prevent some instances of fraud from occurring" as per the Canadian Bankers Association.

Shared and consolidated information – in terms of systems, players and approach – has appeared to have a positive impact on customer service in collections in Canada, and certainly a better customer experience which has led to substantially less complaints.

Difference 3: Concentration and Approach of Vendor Management Suppliers

Concentration of vendor management solutions and vendor suppliers results in better customer relationship management

In Canada there are only a handful of vendor management technology providers, with ASSET Inc. having the large majority of the market. Furthermore, we provide outsourced recovery processing for clients and are the largest collections center in Canada. This concentration has allowed for standardization around best practices amongst both creditors and suppliers.

Much of the benefit in terms of customer service is a result of our focus on best practices in terms of auditing and compliance – both in terms of the processes used and the technology solutions that have been built to support them.

The processes that we have created and use are built on prevention in order to focus on root causes. Examples of how this is executed include but are not limited to the use of: standardized documentation and agreements with agents based around best practices, thus setting the standard consistently high; rigorous set-up criteria and due diligence of vendors; as well as training of staff and working closely with agencies.

We use auditing in order to ensure the integrity of all members of the vendor management chain. Examples of how this is executed includes: legal audits such as ensuring that bailiffs are bonded; financial auditing of invoices (ensuring that invoices are charged fairly and correctly); and files and supporting documentation are in order (to ensure proper practices are followed), amongst others.

We build our systems to enforce integrity and prevent 'gaming of the system' wherever possible. Examples of how we do this includes: enforcing all members of the value chain to note all debtor interactions; providing visibility into all debtor interactions and hard coding those into the system, such that they remain there indefinitely and cannot be removed; and building in workflows that ensure key steps and timelines are conducted and met (and cannot be avoided, such as when and how a complaint is resolved and how it can be closed in order to remove it from the working inventory report of complaints).

Reporting is significant as it enables tracking and measurement. Our systems centralize and track complaints, including the reasons (e.g. privacy, misrepresentation, etc.) along with significant details regarding the complaints, while still allowing for reporting along a variety of key criteria. These reports are offered to our clients at a variety of levels – including the lenders' ombudsmen – and are used internally to track trends as well as use as feedback to develop strategies and make changes to prevent similar future incidents, including working proactively with our partners – both clients and vendors.

The aforementioned are ways in which ASSET Inc. facilitates a reduction in the number of debtor complaints but we believe that reducing the number of complaints is only part of the equation, and that resolving the complaints that are received - quickly and efficiently - is just as important. This philosophy is articulated and enforced at all levels, internally and externally; however this is supported by acting upon the metrics in terms of compensation. For example, many clients include debtor complaints as a key metric of their agency scorecards and business is not distributed to those that fail.

ASSET®

Benefits: Financial Sense

We have found that the benefits for consumers are obvious: less anonymity, fewer complaints, less threatening behavior, less harassment and less coercion.

For our business partners, we have found that best practices and prevention make solid financial sense for all of the parties involved in the chain. Lenders, vendors and debt purchasers benefit from improved bottom lines from added collections which are in turn driven by enhanced problem resolution. When best practices and centralized, accurate and complete customer information are combined, agents are better able to determine the root cause of the delinquency and work together with the customer to solve the problem more effectively and efficiently.

Conclusion

We understand that many of the differences between Canada and the United States are structural and specific to their respective marketplace, that there is by no means a simple solution and that each country must develop a combination of strategies and policies that are appropriate for its market.

We do however believe that the underlying elements highlighted in this document – i.e. collecting on the debtor rather than the debt via best practices and centralized, accurate and complete customer information - can be used by the Federal Trade Commission as a fundamental, underlying theme in considering changes in policy that better protect American consumers.

Again, we appreciate your openness to hearing our input. Please do not hesitate to contact me if you have questions or wish to discuss our comments in further detail.

Sincerely,

William Meany
President
ASSET Inc.

Endnotes:

---

[i] For a good summary and comparison of the differences in the regulation of debt collections in Australia, Canada, the United Kingdom and the United States, see The Consumers' Federation of Australia's Joint Consumer Submission in response to the Draft Debt Collection Guideline: for Collectors, Creditors and Debtors dated April 2005. In Canada, the federal, provincial and territorial ministries responsible for consumer protection agreed to harmonize the rules governing debt collections through collection agencies across the country in 2001.

[ii] According to the 2005 BCCPA Annual Report. Our experience has been a lower growth rate however.

[iii] According to the US Federal Trade Commission.

[iv] Kaulkin Ginsberg's "Global Debt Buying Report", March 2006.

[v] The population in the US as of July 2007 was 301,901,449 according to the US Census Bureau. http://www.census.gov/population/www/popclockus.html

[vi] Kaulkin Ginsberg's "Global Debt Buying Report", March 2006.

[vii] The 6 largest Canadian banks account for about 90 per cent of total bank assets, according to the June 2002 The Canadian Financial Services Sector by the Department of Finance Canada. http://www.fin.gc.ca/toce/2002/fact-cfss_e.html

[viii] As of 2003, there were a total of 7,842 banking organizations in the United States. The 25 largest insured banks and savings institutions held 56% of total industry assets, with the 10 largest holding almost 44% (up from 19% in 1984), according to the FDIC Banking Review. Note that as of March 2007, the FDIC reports that there are 8,650 FDIC-insured institutions.