

State of Arizona Department of Financial Institutions



“DFI”



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Arizona Collectors Association

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- Tips on How to Successfully Complete an Examination
- The Most Common Complaint Types
- 21st Century Problems in the Collection Industry

Tips on How to Successfully Complete an Examination

- Read the pre-examination material list thoroughly. It is detailed and asks for specific information.
- Index each item beginning with #1. Keep each item in numerical order.

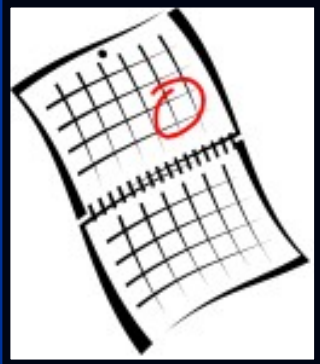


Tips on How to Successfully Complete an Examination

- When asking for the most recent twelve-month period, please provide trust account information within two months of the exam date (for the twelve-month exam period).

Tips on How to Successfully Complete an Examination

For example, if your exam is for Nov. 21, 2008 please provide twelve months trust account information through August or September 2008.



Tips on How to Successfully Complete an Examination

- A bank statement reconciliation should be as of the end of the month, not as of the date the reconciliation is prepared.

The collection agency statutes refer to "month-end" and all cut off dates must be the same (as of month-end)

Tips on How to Successfully Complete an Examination

- There are three types of exam notices
 - On-Site
 - Off-site
 - Exam by mail

On-site Exam

1. An examiner comes to your office.
2. Please have the exam items ready and indexed in numerical order.
3. Payment tracing of debtor payments will be done on-site.
 - Client statements and debtor account histories will be ordered when payments have been selected at random.

Off-site Exam

1. Exam documents are shipped to our office.
2. Debtor payments are selected by your company.
3. Please ensure the payments are highlighted on respective client statements.
4. Please ensure that debtor account histories are included for payments selected.

Exam by Mail

1. This exam is completed by the company, not the examiner.
2. This exam is similar to an off-site exam.
3. Your company completes the exam following step by step instructions.

Exam by Mail

4. An exhibit "A" trust account spreadsheet must be completed by you.
 - This is a twelve-month spread sheet of the all trust account, month-end client liability, and the operating account.
 - Some companies fail to provide this spreadsheet which, in turn, causes the examiner to spend extra time completing the spreadsheet.

Exam by Mail

5. An exhibit "B" spreadsheet of debtor payments must be completed by you.
 - Please ensure the payments are highlighted on respective client statements.
 - Please ensure that debtor account histories are included for payments selected.

Most Common Complaint Types

- Contacting the Wrong Party Regarding a Debt.
- Harassment
- Problems with Disputed Debts

Most Common Complaint Types

- Contacting the wrong party regarding a debt.
 - The Federal Trade Commission says this is their most common complaint (per the NACARA conference in Sept. 2008). This leads to other complaints such as harassment or contacting third parties.
 - The collector repeatedly calls the same person over and over regarding the debt misidentifying him as the debtor.
 - The collector has not accepted that this person is not the debtor he is trying to reach.

Most Common Complaint Types

■ Harassment

- Harassment is the most common complaint category in Arizona.
- Calling the debtor repeatedly about the debt.
- Yelling and screaming at the debtor.
- Calling the debtor names and making false accusations toward the debtor.
- Threatening or intimidating the debtor.

Most Common Complaint Types

- Problems with Disputed Debts
 - Collection agency may not have access to back up documentation from the client substantiating the debt.
 - The collection agency cancels the debt and returns it to the client.
 - The client reassigns the debt to another collection agency.

Most Common Complaint Types

- Problems with Disputed Debts
 - The cycle of disputing the debt starts again.
 - Collection agencies report the debt to a collection bureau but do not have it removed when the debt is canceled and returned to the client.
 - To eliminate complaints, collection agencies need to remove the debt from collection bureau when it is cancelled and returned to client.

21st Century Problems in the Collection Industry

- 20th Century Laws not up to date with 21st Century Technology.
 - In 1977, communication was through the U.S. mail or by land line telephone. You knew to whom you were talking and with whom a message was left. You knew the local time, and where they were.
 - Today, consumers rely on e-mail and text messaging to communicate. Instead of land lines, they use cell phones. Instead of answering the telephone, they have voice mail and caller ID.

21st Century Problems in the Collection Industry

- Cell phones, text messaging, and e-mail are not allowed under FTCPA without consent from the debtor.
 - The debtor could be anywhere in the world when the collector calls, thus possibly violating the time period a collection call can be made.
 - Many debtors use cell phones and do not have land lines.

21st Century Problems in the Collection Industry

- The Spanish language has many dialects so they may not understand the Spanish letter or don't understand English.

21st Century Problems in the Collection Industry

- The debt purchasing industry, which typically purchases accounts for pennies on the dollar, rarely obtains any proof of the debt that would be admissible as evidence in a court.
- The practice is troublesome because state and federal laws require that collection agencies be able to verify a debt when disputed by consumers.

21st Century Problems in the Collection Industry

- This is an important obligation to consumers that debt purchasers can rarely meet. Many times, there is no verifiable proof of the debts other than computer spreadsheets.

21st Century Problems in the Collection Industry

- The Federal Trade Commission
 - The FTC is working to update regulations to conform to modern society.
 - The FTC does not expect Congress to act on updating the FTCPA for several years because of more pressing issues.