DECEMBER 2002 VOL. 4, NO. 4
A ROYAL MEDIA GROUP PUBLICATION
WWW.LENDINGINTELLIGENCE.COM

LOANCOLLECTIONS &TECHNOLOGY

NEWS INDEX

Loan Collections & Technology is published by
ROYAL MEDIA GROUP
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PENTAGROUP ROLLING OUT NOBLE COLLECTION SYSTEM

Pentagroup Financial LLC, a Houston-based accounts-receivables management firm that is also a new entrant into the first-party outsource collection market, will begin to use **Noble Systems** ATOMS call-center solution to manage its collection activities.

Noble Systems's ATOMS call-center solution provides for Pentagroup collectors' simultaneous handling of outbound and inbound calls through predictive dialing. It can also be easily integrated with Pentagroup's proprietary collection systems, and its capacity can be expanded as the company's collection business grows.

While Pentagroup is using ATOMS to coordinate its debt recovery, inbound customer service and database management functions, it has just launched a text-to-speech (TTS) capability that "lets callers speak the customers' names and leave detailed messages," said **Ronald Rovall**, Pentagroup's president. "The TTS capability opens up a lot of new avenues to us. For instance, we can run an entire virtual calling campaign without live agents on the weekend, asking debtors to call us back on Monday." Rovall explained that since about 30% to 50% of all collection calls wind up on answering machines, the TTS capability offers a huge savings in productivity.

Moreover, the new solution enables Pentagroup to move into the credit card and auto finance industries, as well as to penetrate the financial services collection arena more deeply.

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COMINGS & GOINGS

- Portfolio Recovery Associates adds Peter Cohen, James Voss, William Brophey as new board members.
- Leonard J. Heckwolf is new chairman for NACHA.

See page 2.

DEBT SALES EXPECTED TO HIT PEAK IN 4Q

The volume of loan portfolio sales has been increasing for much of 2002, as debt market participants are selling their assets, rather than collecting on them. This upward trend is expected to hit a crescendo in the fourth quarter.

While there are no exact data on the debt buying and selling market, anecdotal evidence all but confirms that the market is expanding — and growing more competitive, too.

Portfolio Recovery Associates, based in Norfolk, Va., is an indicator of this trend. Through the end of September 2002, the company purchased 311 debt portfolios, which had a total face value of $4.5 billion, for $127 million — $0.0282 per $1 of debt. That compares to 292 portfolios purchased during the same period last year. Those portfolios, which had a total face value of $4.2 billion, cost Portfolio Recovery $116 million — $0.0276 per $1 of debt. That's a 2% price increase.

Portfolio Recovery, which buys books of charged-off receivables for a portion of their face value mostly from credit card companies, aims to collect 2.5-to-3 times the amount it pays. Portfolio Recovery is one of the few debt-buying firms that can afford to acquire large loan pools.

As of the end of October 2002, $1.7 trillion of consumer loans were outstanding, up from $1.6 trillion at the same time last year, according to the Federal Reserve Board.

Right now, a notable number of companies that handle collections are also looking to buy or sell loan portfolios, said **Robert A. Morris**, president

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Comings & Goings

LOANCOLLECTIONS
&TECHNOLOGY
a Royal Media Group publication

Loan Collections & Technology is published monthly. Annual subscription: $395 (12 issues). Tax ID #13-3852425. For more information, contact

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LEONARD J. HECKWOLF NAMED NACHA CHAIRMAN

Leonard J. Heckwolf will become chairman of the board of directors for the **National Automated Clearing House Association** on Jan. 1.

Heckwolf will replace **Janet C. Boyst**, a senior vice president and group executive at Winston-Salem, N.C.-based **Wachovia Corp.**, who has been serving in the position since January 2001.

Leonard Heckwolf
NACHA Chairman

NACHA, based in Herndon, Va., is an organization which develops operating rules and business practices for the Automated Clearing House — the electronic network that transfers and clears funds between banking institutions on behalf of merchants and their customers — and for electronic payments in the areas of e-commerce, electronic bill and invoice presentment and payment, e-checks, financial electronic data interchange, among other things.

Heckwolf, who will hold the NACHA post for two years, is a senior vice president at **Bank One Corp.**, Chicago. He heads the bank's consumer-payment solutions department, a business unit focused on payment solutions — including electronic billing, payment processing, and bill-distribution services — for large consumer billers. Prior to this assignment, Heckwolf managed Bank One's electronic payments unit. Before joining Bank One, he served as president of the automated clearinghouse division for **J.P. Morgan Chase & Co.**, New York.

"Part of Heckwolf's new role will be to focus on electronic payments, including their overall quality and network improvements," said **Michael Herd**, a NACHA spokesman. "Among other companies, loan collectors and servicers have an extended use for electronic collections and payment of loans." The payment industry is currently undergoing a transition to electronic payments from paper-based payments, he added.

PORTFOLIO RECOVERY ADDS BOARD MEMBERS

Newly public consumer-debt collector **Portfolio Recovery Associates** has added three members to its board.

The new directors are **Peter A. Cohen**, **James Voss**, and **William Brophey**.

Cohen is a founding partner of investment firm **Ramius Capital Group LLC** and former chairman and chief executive of **Shearson Lehman Hutton** (now a part of New York-based **Citigroup Inc.**) Voss, a 35-year finance-industry veteran, is principal of **Voss Consulting**. Brophey is a retired executive at **Brad Ragan Tire,** a unit of Akron, Ohio, tire company **Goodyear Tire & Rubber Co.**

The three independent board members join **Steven Fredrickson**, Portfolio Recovery's president, chairman, and chief executive, and **David N. Roberts**, co-manager of private-equity activities for New York investment firm **Angelo, Gordon & Co.**

"Because we are a recent initial public offering, the new board is the first step toward moving from a smaller management and private equity board to one that will achieve independent governance," Fredrickson said.

"In terms of the overall industry, each new board member offers distinct areas of expertise. Brophey brings operating experience; Voss is well known as a credit expert; and Cohen brings a Wall Street-investor perspective, he added. These three views of the world will be a strong complement to our current board," Frederickson added.

Portfolio Recovery Associates, which is based in Norfolk, Va., went public on Nov. 8.

To have your company's personnel movements included in future issues, send announcements to ahollyday@royalmedia.net.

Tech Bytes

COLUMBIA ULTIMATE LINKS WITH ELOGIC LEARNING FOR E-TRAINING

Columbia Ultimate, a Vancouver, Wash.-based collection management software company, is joining forces with **eLogic Learning**, a provider of electronic learning solutions, to offer interactive online-training tools to collection-agency clients by early 2003.

The two partnering companies will provide a series of training seminars to clients that range from small collection agencies to large corporations. eLogic-designed courses and Webinars (online, interactive seminars) augment Columbia Ultimate's in-person training, and let customers learn at their own pace, wherever and whenever they choose to conduct training.

"Adding an interactive component makes it easier to offer spot training for new employees and refreshers for long-time users to fully utilize the full capabilities of online training software," said **Steven McCallister**, vice president of client services for Columbia Ultimate. While Columbia Ultimate now offers course material that clients use during face-to-face instruction in their seminars with the eLogic updates, "clients can modify this same software to take quizzes at the end of each section. If they are getting low scores at the end of certain sections, for instance, they can instantly go in and expand on these sections in the course materials right away," he added.

The courses designed are specific to Columbia Ultimate's collection-agency software package and were created to help solve the problem of the high rate of turnover in the collection industry. While collection staff may come and go, "we will have a module to help collectors learn how to do their jobs at their own pace," McCallister said.

Columbia Ultimate provides full-service systems, including software, support and training for collection agencies, government agencies, utilities, hospitals, banks, and others.

TECH TOOLS

For more information on these software offerings, visit:

www.columbiaultimate.com.

www.concerto.com.

CONCERTO RINGS OUT ENSEMBLE 5.0

Customer interaction management solution provider **Concerto Software** has launched Ensemble Pro 5.0, a unified platform for managing customer interactions across all channels for call centers, including automated call distribution, predictive dialing, interactive voice response, email, web chat and collaboration, universal queuing, recording, and reporting. The new platform is designed for contact centers.

The various applications within Ensemble Pro 5.0 help automate the work process for agents, reducing dollars and time spent on activities that would otherwise require individual human attention. In addition, Ensemble Pro dramatically cuts initial investment costs, total cost of ownership over time, and intensive labor associated with installing and maintaining multiple-point solutions found in most contact centers.

"While Ensemble Pro 5.0 can be looked at as a collections application, in many cases our solutions originate with credit grantors and then migrate to collection agencies," said **Thomas Chamberlain**, director of solutions marketing, Concerto Software, Westford, Mass. Chamberlain explained that while companies typically view collection applications as outbound, Ensemble Pro also lets companies capture inbound applications through an automated call function that gets inbound calls to the right agent at the right time.

Customers such as subprime mortgage lendor **Option One Mortgage Corp.**, a wholly owned subsidiary of Irvine, Calif.-based **H&R Block Inc.**, and the collection law firm **Wolpoff & Abramson LLP** of Rockville, Md. use Ensemble Pro system to "streamline the ways that businesses and their customers communicate with one another," Chamberlain said. He noted that while the Ensemble Pro platform facilitates the replacement of older call center equipment, it enables companies to maintain assets still being depreciated.

PENTAGROUP'S ROLLOUT

continued from page 1

Noble Systems's ATOMS solution also offers Pentagroup advanced features for enabling its predictive dialer to increase collectors' productivity by directing only live calls to its agents, blending outbound and inbound calls, and enhancing digital recording capabilities to drive agent and campaign performance. The ATOMS system's open design Linux-based architecture integrates seamlessly with PARCS, Pentagroup's custom-designed collection software, to access debtor records and update information immediately by processing transactions online.

Pentagroup recently signed up with Noble Systems to give it a technology advantage in the competitive collections marketplace for the opening of its state-of-the-art 250-seat call-center facility in Houston.

Atlanta-based Noble Systems creates systems to manage incoming and outgoing calls made by call centers.

Pentagroup provides major credit lenders with comprehensive services from first-party outsourcing of pre-charged off accounts to third-party contingency collections.

3Q PERSONAL BANKRUPTCY FILINGS SURGE TO RECORD HIGHS

Personal bankruptcy filings climbed 12% to 391,873 in the third quarter — the highest single-quarter volume ever — according to data released late last month by the Administrative Office of the U.S. Courts.

By comparison, 349,981 personal bankruptcies were filed in the third quarter of 2001.

For the 12-month period ending Sept. 30, consumer filings, which make up the majority of bankruptcy filings, also rose to record highs, increasing 1.5% to 1,508,578.

The hope for revised bankruptcy legislation — which had been in negotiation for five years and would have made it more difficult for consumers to discharge their debts — was dashed last month when the Senate adjourned without voting on the bill.

ROYALMEDIAGROUP

Dear Esteemed Reader,

Since its launch in June 1999, *Loan Collections & Technology* has covered credit collections first and its related technologies second. But what started out as an ancillary to collections has become a primary driver. Today, technology is perhaps the supreme factor determining collections performance — and we are revamping *Loan Collections & Technology* accordingly.

With the January 2003 issue, *Loan Collections & Technology* will become *Collection Technology News*, and the new publication will sport a vigorous investigation into how collection performance can be improved with technology. Be sure that *Collection Technology News* will still keep an eye on collection techniques broadly, but technology will be the newsmagazine's main beat. Even as *Loan Collections & Technology*, this periodical has enjoyed a great increase in circulation in 2002. We expect the relaunch to further that trend in 2003 and beyond.

We are pleased that Anne Hollyday, a veteran finance and technology reporter, has joined us as Managing Editor of *Collection Technology News*. Under her stewardship, I believe *Collection Technology News* will continue to meet our commitment to editorial excellence and profound service to our readers. Therefore, you can understand that we want your opinions on this change and on how we can make *Collection Technology News* more useful to you. Please do not hesitate to contact Anne directly at 212-564-8972 x107 or ahollyday@royalmedia.net.

See you in 2003 in *Collection Technology News*.

Sincerely yours,

JJ Hornblass

Executive Editor/Publisher

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Dossier

LEXISNEXIS

The preliminary information you need to analyze whether this vendor is right for your company.

To appear in Dossier, please contact Anne Hollyday at 212-564-8972 x107 or ahollyday@royalmedia.net.

Profile: LexisNexis's Collection Solutions is an online tool designed to streamline collection efforts by providing easy access to a comprehensive range of critical information. Collection Solutions enables collectors to instantly locate and verify information on individuals and their assets, including address (current and previous), phone number, driver's license number, state professional licenses, bankruptcy filings, judgments, and liens.

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WALL STREET WATCH

PERFORMANCE OF PUBLICLY TRADED COLLECTION-RELATED TECHNOLOGY COMPANIES

Company	Ticker	Price11/15	Price10/24	%Ch.	P/E	52-Wk Hi	52-Wk Lo	Shrs.Out*	Mkt.Cap*	Avg Vol
American Mgmt Sys.	AMSY	13.64	11.94	14.2	23.5	23.33	10.71	41,700	568,788	207,045
Alltel Corp.	AT	51.58	49.24	4.8	17.9	64.08	35.33	310,900	16,036,222	1,269,863
Computer Associates	CA	13.66	15.48	-11.8	n/a	38.74	7.47	577,400	7,887,284	3,545,727
CheckFree Corp.	CKFR	18.77	17.03	10.2	n/a	25.40	7.45	87,400	1,640,498	1,166,136
Computer Sciences	CSC	33.20	31.23	6.3	14.3	53.47	24.30	170,900	5,673,880	1,480,272
Concerto Software	CRTO	6.58	6.09	8.0	n/a	10.20	3.85	12,300	80,934	31,636
NCO Group	NCOG	15.98	13.10	22.0	10.6	29.75	10.56	25,900	413,882	353,500
Ocwen Financial Corp.	OCN	2.82	2.45	15.1	n/a	8.54	2.05	67,300	189,786	112,863
Portfolio Recovery Asso.	PRAA	18.90	17.31	9.2	57.3	20.50	14.75	13,470	254,583	122,500

*in thousands

Tools

SCORING TECH WINS POINTS WITH INDUSTRY EXPERTS

In an effort to reduce costs and become extra competitive, collection agencies are increasingly using an automated system of credit bureau scoring to determine which consumers are more likely to pay their debts.

Such systems, which are often sold by credit bureaus such as Costa Mesa, Calif.-based **Experian Information Solutions Inc**., use billing and customer information to create a financial snapshot of debtors. Essentially, explained **Martin O'Connor**, Experian's vice president of consulting and analytics, "scoring makes it possible to work the accounts that will be the most productive for your firm."

> "There is no drawback to using a scorecard."
>
> Martin O'Connor
> Vice President of Consulting and Analytics
> Experian Information Solutions Inc.

SCORING HISTORY

Banks first began using scoring in their credit card divisions and later within their installment loan programs. When the collections industry began consolidating in the mid-1990s, companies quickly adopted these automated scoring systems that enabled them to more quickly and easily track debtors' finances at lower costs.Today, these systems are allowing collection companies to manage their explosive growth, begun in the late 1990s as consumer credit became increasingly available. The systems enable collection companies to focus on higher paying accounts and to do so with less manpower.

Experian's O'Connor and two other industry experts discussed how bureau scoring is now being adopted by those in the collection business.

"Scoring technology is not based on a new business model; it is just a more automated collections method for taking a financial snapshot of each person by using a process developed by the credit bureaus that tells which consumers are more likely to pay their debts," said **Harry A. Strausser III**, president and owner of **Remit Corp.**, a Bloomsberg, Pa., collection agency. Strausser's experience with scoring technology comes from his role as a vice president of **ACA International**, the industry trade group.

He said that scoring works for evaluating consumer profiles with most kinds of financial debt. In some cases, scoring used for collections differs from the well-known industry Fico scores, the premier credit risk score developed by **Fair, Isaac & Co.** that lenders use to make billions of credit decisions each year, in its ability to capture serious collection delinquencies. In a 60-to-90-day delinquency situation, where the history of the account does not help collectors much, bureau scoring data works to show how debtors are paying on their other accounts.

On the credit-granting side, "scoring determines to whom you should give credit," said **Richard Saffer**, vice president of corporate development for **Outsourcing Solutions** (**OSI**). "If someone applies for a credit card and they don't score well in terms of their credit history, you don't grant them credit." OSI is a publicly held collection agency in Chesterfield, Miss. Whereas scoring is easily implemented in credit-granting decisions to restrict current credit amounts, for instance, it is harder to put into practice on the collection side where thousands of account representatives may rely on scoring data, Saffer noted. OSI uses about 18 different scoring models.

All three experts noted the critical role scoring plays at addressing key challenges at each stage of the collection life cycle. This includes the early, middle, late, and post-chargeoff periods for delinquent accounts.

WHEN TO USE SCORING

Continued on page 8

KEY AWARDS AMS 2M CONTRACT

Cleveland-based **KeyCorp** has signed a contract of more than $2 million with Fairfax, Va.-based global business and IT firm **American Management Systems**'s Computer-Assisted Collection System solution to help streamline KeyCorp's collection practices on both the call center and recovery processing areas.

KeyCorp expects the system to increase efficiency, reduce costs, and improve customer-relationship management satisfaction. In addition to implementing the CACS collection and recovery platform, KeyCorp will leverage AMS's business consulting expertise to aid in its business processes, policies, and procedures, and to address its risk-management needs.

"The key behind our alliance with AMC's CACS solution is in helping us to achieve significant progress in customer-relationship management," said **Kenneth Peters**, KeyCorp's vice president of national collections and recovery. He noted that the CACS system offers a single platform that handles pre- and post charge-off accounts seamlessly, and eliminates the inconvenience and inefficiency of interfacing with separate, standalone recoveries solutions.

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SCORING TECH WINS FANS

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Bureau scoring becomes increasingly useful in the secondary collection stage and offers specific benefits in delinquency collections that are at least 60 days overdue, Saffer noted. This scoring method relies heavily on client billing and customer information, which is processed by decisioning software systems, with which companies can create customized scoring strategies. Credit bureaus, such as Experian; San Rafael, Calif.-based Fair, Isaac; and a variety of smaller software vendors offer these systems.

This enables companies to concentrate on the top 25% to 30% of their accounts and avoid focusing attention on the worst paying accounts. "The challenge for scoring is on how companies treat accounts in the middle collection stages," which depends on the kind of client restrictions there are on these accounts. Moreover, companies have much more autonomy in using scoring techniques on the debt purchasing portfolio side, where they are buying debt and have complete control over management of these accounts.

In contrast to bureau scoring, behavioral modeling is more focused on using accounts receivables information that companies can augment with bureau scores. Behavioral data works best in early-stage collections, where account data offer a lot of information that companies can use to judge debtors' future paying behavior.

In O'Connor's view, scoring is valuable throughout the whole collection process. "The kind of data utilized changes throughout the credit life cycle," he said. In the early stages, scoring offers lots of behavioral data, for example. Later on, after consumers fail to make their payments for several months, their payment history does not matter. "Knowledge of their account history and what they usually pay matters," O'Connor said.

Within this market, Experian offers several software packages to help a broad range of collection agencies streamline their recovery process. Atlanta, Ga.-based TSYS Debt Management, a provider of electronic payment services, has signed up with Experian to better prioritize its post charged-off inventories. "A lot of times, collection agencies try to kill an ant with a hammer, and we are trying to get away from that approach," said **Michael Dozier**, executive vice president, **TSYS Debt Management**, referring to collection companies' tendency to overspend on efforts to find debtors.

He explained that while typically agencies work the accounts with the highest balance first, these may not be accounts that can pay. Meanwhile, some accounts with amounts owed in the lower price ranges can actually pay — something that the Experian system recognizes. The Experian system enables the company to increase its operating costs to isolate its hard-to-find debtors, and focus its collection efforts on the accounts most likely to yield results. "We are looking to raise overall performance and lower costs," Dozier said.

SCORING DRAWBACKS

Are there potential drawbacks to using scoring? In theory, while it allows companies to make faster decisions on account closure, "you don't want to build up the perception for clients that you are not working on all their accounts; there is still money to be made on low-scoring accounts," said Remit's Strausser. He pointed to the dangers inherent for high-volume agencies in only working, or "creaming," the fresher accounts. He noted that smaller agencies, however, tend to have a greater rate of return in how they work these accounts.

"The reality is that collections is a competitive situation, and no company wants to put itself into a situation where its performance will decline," said OSI's Saffer. He noted that any company can modify its scoring strategy to, for instance, continue calling less high-paying accounts on a less frequent basis. "If you're going to maintain enough third-party business to stay out there and make money, you have to score the accounts to decide which to make money on," he said. On the debt portfolio side, scoring may help companies decide which more profitable accounts to keep, and which to package and sell on the open market, O'Connor added.

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DEBT SALES

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of the **Debt Buyers Association** in Santa Fe Springs, Calif., and founder of **Oliphant Financial Corp.**, a buyer and seller of charged-off portfolios based in Sarasota, Fla.

"We are all in the same pond, so companies do not want to compete on contingency fees when they can buy and sell their own bad debt," he said. "Debt buyers have grown up on secondary collection placements."

Robert Morris
President, Oliphant

In addition, he said companies in many different industries are moving into debt sales, such as pager providers, medical bill collectors, utilities, telecom firms, retail chains, and auto lenders.

'TIS DEBT BUYING SEASON

There are some seasonal factors at play, too. Typically, fourth quarter debt sales are a good way for companies to shore up their yearend financial position, industry experts said. So, that is when many choose to buy and sell.

"For creditors, debt buying and selling is a bonanza this time of year; it's like going to a sorority party and trying to get a date," said Morris.

Added **Bernhard Nann**, president and chief executive of **NAREX Inc.**, a credit and collection solutions provider based in Golden, Colo., "From a seasonal perspective, the last six or so weeks of the year are probably a buyers' market," making the fourth quarter a favorable time for both buyers and sellers to jump into the debt market.

Nann said companies sell their debt portfolios into two channels. The spot-sales channel involves "credit grantors deciding to sell several accounts at the last minute to buyers for quick cash." Nann said that the current price range for spot sales is $0.05 per $1 of several-year-old, low-balance debt or $0.07 per $1 of prime debt — debt that is most likely to be paid.

The forward-flow sales channel exists among sellers with more flexibility in terms of when they need or want to sell their portfolios. Prices in this channel tend to be lower during the fourth quarter, and some portfolio owners will hold off making forward-flow sales until the first quarter of 2003, Nann said.

But that's a relative exception. Typically sales slow during the first quarter after the yearend debt-buying binge, said **Greg Shelton**, president of Atlanta-based receivables company **E-Debt Inc**.Traditionally, mostly bank-issued credit card debt is bought and sold. But this year, "we are seeing some testing of the water going on" in the non-bank credit card arena, Shelton said. He expects the "testing" will continue throughout next year as smaller companies decide whether to get into debt buying and selling and how they will manage their portfolios.

TAKING THE LONG VIEW

Whether or not this surge in fourth quarter debt purchasing will be significant over the long term is another matter. To understand the true benefits of debt purchasing, most industry analysts take the long-term view.

"You must be able to separate the secular from the seasonal," said **William Warrington Jr.**, senior vice president at **SunTrust Robinson Humphrey Capital Markets**, a Boston unit of **SunTrust Banks Inc.** He noted that while banks may tend to sell some of their portfolios in the fourth quarter to shore up their earnings, for instance, "what may look like a sudden surge in debt purchasing as banks go out to bid on portfolios may not be a permanent scenario."

"Right now, I cannot say we are in a period of high debt sales," said Nann, who stressed the value of considering the cyclicality of debt purchasing. He noted that the industry goes through cycles where individual credit grantors may tend to sell a lot of debt, interspersed with periods where companies decide they will get better value from using collection agencies. The two parts of determining whether companies should buy or sell their debt involves deciding whether they need cash immediately (so they sell debt) versus whether debt prices are low enough (so they buy debt) since prices fluctuate.

Continued on page 11

Performance

WEAK ECONOMY DRIVING HOME EQUITY LOAN DELINQUENCY HIGHER, REPORT DISCLOSES

The struggling economy has finally started to take its toll on the most susceptible class of homeowners: borrowers with less-than-perfect credit. That is according to a study released this month by **Deutsche Bank Securities Inc**., a unit of **Deutsche Bank AG,** which reported higher delinquency rates for almost all classes of borrowers with home equity loans.

The report looked at loans included in home equity asset-backed securitizations that have been issued during the past five years, and grouped the results by the year the loan was originated, also known as the vintage.

Loans considered to be seriously delinquent (where either no payment has been made for more than 90 days, or the loan is in default) rose across the board, according to the report. The seriously delinquent rate for the 2000 vintage of fixed-rate mortgages, for example, rose 15% during the past five months, and has a higher rate — nearly 16% — than any other fixed-rate vintage of the past five years. And, the 2001 fixed-rate vintage already has a seriously delinquent rate of roughly 7%.

When segmenting the loans by credit score, the report revealed that the lowest class of borrower — with a Fico score of between 540 and 559 — has the highest seriously delinquent rate of any segment, for both fixed-rate and adjustable-rate mortgages. Loans with the lowest balance, between $30,000 and $60,000, also had seriously delinquent rates that were 20% above any other group.

The economy has struggled to emerge from a recession that began in March 2001. The unemployment rate topped 6% in November, the first time in eight years that the figure has been that high. The stock markets have also been slow to recover. The Dow Jones Industrial Average is down 16% in 2002. Borrowers with less-than-perfect credit are usually the consumers who feel the effects of an economic downturn the most, since they are often the ones laid off from their jobs.

"The impact of prolonged weakness in the economy has started to show in subprime mortgage delinquencies," stated the report. "The rise in delinquencies is more pronounced for more recent vintages and for the cohorts with lower credit qualities. The more serious delinquency types have also risen disproportionately faster."

Among originators, **New Century Financial Corp.** and **Long Beach Mortgage,** a unit of **Washington Mutual Inc.**, had the highest seriously delinquent rate for adjustable-rate mortgages, above 12%. **Centex Home Equity,** a unit of **Centex Corp.** had the lowest seriously delinquent rate, less than 6%, of the nine securitizers listed. The seriously delinquent rate on Centex's securities has dropped to less than 6% at the end of October from 14% in July, according to the report.

DEBT SALES

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"We have some customers who are taking the longer-term view of maximizing the value of debt for their company," Nann said.

2003 OUTLOOK

Despite debt-buying risks, including failure to achieve high enough collection rates, most industry experts see portfolio buying and selling expanding well into 2003 because it is attracting new players.

"Portfolio purchasing provides an attractive growth vehicle for collections companies, because it does not face the limitations of a consolidated marketplace," Warrington said.

Dennis Hammond, executive director of the Debt Buyers Association, said he projects "a slight increase in debt-sale prices as some creditors have changed selling strategies to reduce the supply in the marketplace." E-Debt's Shelton said there would be "some price opportunity for new debt charge-off sales," meaning such debt might be priced higher next year.

CALENDAR

February 9-11, 2003
The Debt Buyers' Association sponsors its sixth annual Debt Buyers Conference at Caesars Palace in Las Vegas. *562-903-7222 or www.debtbuyers.com*

February 23-25
Royal Media Group and *Loan Collections & Technology* present the Subprime Summit 2003 at the Loew's Miami Beach Hotel in Florida. *800-320-4418 x106 or www.lendingintelligence.com*

April 2-4
ACA International offers its 12th annual National Check Services Conference & Expo at the Flamingo Las Vegas. *952-928-8000 or www.acainternational.org*

June 4-6
The Consumer Bankers Association hosts its Collections Conference at the Westin La Cantera in San Antonio. *703-276-1750 or www.cbanet.org*

July 8-11
ACA International holds its 64th annual Convention and Exposition at the Mandalay Bay Resort and Casino in Las Vegas. *952-928-8000 or www.acainternational.org*

To have your conference listed in the Calendar, email the information to ahollyday@royalmedia.net or call Anne Hollyday at 212-564-8972 x107.