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NEWS INDEX

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AGREEMENT ON TERROR ATTACK PAY RULES HAMMERED OUT

Members of two major banking trade groups have vowed to voluntarily forgo late penalties on credit payments in the event of another terrorist attack.

The deal for the voluntary guidelines, which went into effect immediately, was struck between the House Financial Services Committee and the **American Bankers Association** and the **Consumer Bankers Association** late last year, in the wake of Sept. 11.

According to the terms of the agreement, which allowed bankers to sidestep proposed legislation, bankers will not charge late penalties in the event a terrorist incident (comprised of a chemical, biological, or radiological attack) disrupts postal delivery. In such an instance, the U.S. Postal Service will notify the House Financial Services Committee, the Senate Banking Committee, the federal bank regulatory agencies, the **Conference of State Bank Supervisors**, the ABA, and the CBA of the postal disruptions. Such notification will trigger the penalty suspensions.

"A lender would be ill-advised not to comply," said Joe Belew, president of the CBA. "The regulators would be all over them, and they have the power to do virtually whatever they want. They could level fines, they have cease-and-desist powers, and though I don't think it would get to that point, they could haul you into court."

The notification will include information on the postal facilities, metropolitan regions, and ZIP codes affected, and the Postal Service's estimates of the extent and duration of the disruption. The federal banking regulatory agencies, as well as the banking industry trade associations like the ABA and CBA, will, in

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DEBT COUNSELING ABUSES SOAR — AND SHOULD GO HIGHER

Complaints from indebted consumers of exploitation by credit counseling agencies are soaring, a clear sign of just how abusive many such service providers have become. Furthermore, debt counselors and consumer advocates are calling the credit counseling industry an unregulated "Wild West" of the financial services that desperately needs government intervention.

The most recent statistics from the **Council of Better Business Bureaus Inc.** show a 33% increase in consumer complaints about credit counseling agencies in 1999 to 1,057 grievances filed. 2000 complaint data will not be available for a few months.

"I would expect there to be more complaints in 2001 than 2000, and more still in 2002," said James Focareta, president of **Consumer Credit Counseling Services of Western Pennsylvania**, which has not been hit with a BBB complaint at least since 2000.

Consumer demand is rising for credit counseling, which is largely unregulated. The Council of Better Business Bureaus reported that more than 9 million consumers sought services from some 750 debt-management and credit-counseling entities in 2000 alone. For now, the reasons for the increase are economic. With Americans, on average, holding less cash as they take on higher levels of debt, the tightening economy has driven greater numbers of debt-saddled consumers to counseling services.

And even more people may be forced to turn to credit counseling services. Although it is unlikely to pass, bankruptcy reform legislation currently up for consideration by Congress would mandate that even more consumers use credit counseling services.

"What we have is a Wild West scenario

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Roll-Out Report

CALENDAR

Jan. 28-29 The Institute for International Research will host its "Tools & Strategies to Improve Credit Card Collections" at the Caribe Royale in Orlando, Fla. 888-670-8200, or www.iirusa.com.

Feb. The National Seminars Group will offer its "Collecting Accounts Receivable" workshops at several locations in N.Y., N.J. and Penn. throughout Feb. and March. For schedule info, 800-258-7246, or www.natsem.com

Feb. 6-8 The Debt Buyers' Association sponsors "Mechanics of Successful Debt Buying" at the Paris Las Vegas. 562-903-7222 or www.debtbuyers.com

Feb. 20-21: The Institute for International Research is holding its 2002 "Distressed Debt Summit" at the Stanhope, Park Hyatt in New York City. 888-670-8200 or www.iirusa.com

Feb. 20-22: The Mortgage Bankers Association will hold its "National Mortgage Servicing Conference" at the Wyndham Anatole Hotel in Dallas. 800-793-MBAA, or www.mbaa.org.

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RESURGENT STREAMLINES DATABASE TECHNOLOGY

Looking to increase efficiency in its mortgage-servicing and collections operations, **Resurgent Capital Services, LLC** recently installed **Interlinq Software Corp.**'s Mortgageware platform.

The roll-out included integrating the system to Resurgent's second-mortgage default servicing system. This technology was developed internally by Resurgent several years ago.

Based in Greenville, SC, Resurgent's primary role in the mortgage industry is to purchase or service delinquent or sub-performing second mortgages and bring as many of those borrowers back to a performing status as possible.

"The two systems working together enhance our ability to acquire a wide variety of secured assets, whether delinquent or performing," explained Steven Horne, the senior vice president at Resurgent who supervised the installation. "For loans in default, the combined systems provide excellent tools for returning the loan to a performing status — our preferred resolution strategy, which represents a win-win scenario for us, our client, and the borrower."

Interlinq's Mortgageware is an SQL database with a Visual Basic front-end. It is a performing-loan servicing system that provides the financial engine required to accrue interest, manage tax issues, and determine the contractual repayment status of any loan.

Once brought into full production late last year, Mortgageware was quickly integrated to Resurgent's second-mortgage default system, dubbed Mist — a homegrown system developed several years ago by Horne, which has since been enhanced internally on numerous occasions.

The integration has reduced the redundancy and errors associated with entering and maintaining consistent data drawn by two separate systems: Mortgageware (for performing loan) and Mist (for second-mortgage default servicing).

Specifically, Mist captures various key factors pertaining to each mortgage serviced by Resurgent and uses these factors in an internal decision matrix to determine the optimum default restoration strategy or strategies to pursue with each borrower at each phase of the loan resolution process. These factors include account data obtained from third-party sources, loan resolution personnel, and repayment information from Mortgageware.

"Mist, at this time, is a deceptively simple [**Microsoft Corp.**] Access database," explained Horne. "It relies upon extensive Visual Basic

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DATABASE LINGO

Both systems that Resurgent Capital Services is combining into one mortgage servicing platform use relational databases and the SQL programming language. Here are lay definitions of relational databases and SQL:

Relational Databases

A relational database is a collection of data items organized as a set of formally described tables from which data can be accessed or reassembled in many different ways without having to reorganize the database tables. The relational database was invented by E. F. Codd at IBM in 1970.

In addition to being relatively easy to create and access, a relational database has the important advantage of being easy to extend. After the original database creation, a new data category can be added without requiring that all existing applications be modified.

SQL

The standard user and application program interface to a relational database is the *structured query language* (SQL). SQL statements are used both for interactive queries for information from a relational database and for gathering data for reports.

Capitol Hill

TERROR ATTACK PLAN

continued from page 1

turn, notify creditors, place announcements on their websites, and notify the trade press.

The agreement also urges creditors to establish policies and procedures for what to do about late fees, increases in interest rates, and adverse credit reporting after a terrorist attack.

CONSEQUENCES OF NON-COMPLIANCE

This voluntary agreement headed off a bill that had been gathering steam in Congress. Even with the deal, though, House legislators are still pressing ahead with a related bill.

"The bill is still out there, and we've been collecting co-sponsors," said Nick Manetto, a spokesman for Rep. Chris Smith, R-N.J., who introduced the Late Fee Emergency Relief Act of 2001 (HR 3175).

Smith pitched the bill days after the Oct. 31 closing of the Hamilton Distribution Facility, N.J. following an anthrax attack.

"If we found there were widespread complaints now, or complaints with, a future disruption, we would have grounds to move forward aggressively" with the bill, Manetto added. "We've explained to those consumers who have contacted us...when they call their creditors, to ask for a supervisor. So far, we have not had any follow-up phone calls."

Furthermore, Smith said the relevant banking regulators, like the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the Federal Deposit Insurance Corp., can take what they consider appropriate action should the agreement not be honored.

While the ABA and CBA supported the spirit of HR 3175, group officials pointed out that the industry had acted in good faith during last year's Anthrax crises by not penalizing consumers in the areas affected. Both trade organizations were concerned about how the bill would be worded, and if it could even be implemented.

"We feared that this legislation would spark unintended circumstances," said Fritz Elmendorf, a CBA spokesman. "Let's say there was an incident that was not as clear-cut as the unfortunate incident in New Jersey. It could be viewed by some as an open invitation to delay their payments, on everything from car loans to mortgages to credit cards, for an extended period of time."

BEHIND THE SCENES

The leadership of the ABA and CBA were not relishing the possibility of debating the legislation in public.

"Here was a bill that had some level of commitment from [Chairman Michael] Oxley [R-OH] and it looked like he was going to allow a vote," said Elmendorf. "Frankly, we didn't want to be in a position to have to lobby against a popular bill that, realistically, none of them could have voted against."

The ABA and CBA were brought into the negotiations, and Oxley eventually agreed that the voluntary policy avoided the need for legislation, Elmendorf said. Essentially, it was the responsiveness of the lending sector during the recent anthrax attacks that helped persuade the lawmakers, he added.

"There was a track record of goodwill here," said Elmendorf, citing the comments of Financial Institutions Subcommittee Chairman Spencer Bachus, R-Ala.

"Before this was even a blink in any legislator's eye, creditors were voluntarily waiving late fees," said Catherine Pulley, an ABA spokeswoman. "We're all in this together, and we were all affected as Americans. If the mail is stopped, then the mail is stopped, and it's silly to think customers would be punished."

Pulley confirmed that there was some level of concern at the ABA that legislation would be used by some to avoid paying their bills.

"One of the major problems is how would this be regulated and enforced," said Pulley. "But, thankfully, we came up with a compromise that made everyone happy."

To review a copy of the guidelines, go to www.cbanet.org or www.aba.com.

CALENDAR

Feb. 24-26 Royal Media Group will host "The Subprime Summit 2002" at the Radisson Resort & Spa in Scottsdale, Ariz. 800-320-4418, or www.lendingintelligence.com

March 8 The American Bankruptcy Institute will sponsor its 10th annual Bankruptcy Battleground West: "The Boardroom vs. the Courtroom: Issues for Directors and Officers of Troubled Companies" at the Westin Century Plaza Hotel in Los Angeles. 703-739-0800, or www.abiworld.org

March 10-12 Thomson Financial hosts its 6th annual National Credit & Collections Risk Conference at the New Orleans Marriott. 800-803-3424 or www.tfconferences.com.

March 17-20 The Consumer Bankers Association is hosting its 22nd "Automobile Finance Conference & Tradeshow" at the Hyatt Regency in San Diego, Calif. 703-276-1750 or www.cbanet.org.

To have your conference listed in the Calendar, email the information to cmcguire@rmgdigital.com or call Craig McGuire at 212-206-8000 ext.103.

Counseling

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ADVISORS UNDER FIRE

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developing as more and more shady operators swoop in," said Travis Plunkett, legislative director for the **Consumer Federation of America**, an advocacy group. Growing demand for credit counseling without adequate funding or proper regulatory oversight has created an atmosphere ripe for abuse, he explained.

Traditionally, credit counseling has been a non-profit business, operating on low margins with little advertising. The agencies teach people how to better manage their credit, and devise payment schedules designed to dig consumers out from under large amounts of debt. There is a trade group for credit counseling services — the **National Foundation of Credit Counseling**, which has 1,450 agencies — but now more agencies are becoming for-profit enterprises and are not aligning with the NFCC.

LESS THAN THEIR "FAIR-SHARE"

Credit counseling firms generate revenue from charging fees for service, charitable donations, and from "fair-share" reimbursements from lenders, which are negotiated percentages from the money debtors pay back to the creditors because of the counseling service. Agencies usually charge a nominal up-front consultation fee, often voluntary, which starts at around $10. If a consumer opts for a more involved debt management plan, the agency often charges a monthly maintenance fee, too.

The increase in the number of complaints about credit counseling services has led, in part, to a drop in their "fair-share" reimbursement, to less than 10% from 15%, and in charity revenue. According to the **Consumer Federation of America**, the majority of the complaints against counseling agencies stem from poor servicing and deceptive advertising. Some agencies allegedly are collecting money from debtors, then failing to pay the creditors on time, or even at all. The CFA also maintains some agencies do not let consumers change their payment plans, fail to provide accurate information or education, and do not disclose their fees properly.

SELL, SELL, SELL

"Many aren't looking to counsel, or educate," CFA's Plunkett said. "They're more focused on selling. They want to get you into a debt-payment plan, and meet their sales quotas. That's not counseling, that's collections. And that's what these are, glorified collection agencies."

Bankers are also concerned about a proliferation of dicey debt counseling enterprises.

"The lending industry has been criticized in the past for criticizing the counselors," said Catherine Pulley, spokeswoman for the **American Bankers Association**. "Some of the credit card companies said publicly that some of these counseling companies are not legitimate. They are there to make money, and in some cases, to defraud the consumer."

Company officials at **AmeriDebt**, Germantown, Md., one of the largest credit counseling agencies in the nation, and a frequent target of complaints, declined to comment for this article. However, previously published reports say AmeriDebt is reconsidering the tack of its advertising campaign.

A FEW BAD APPLES

"There are plenty of good credit-counseling services out there not just looking to stick consumers in debt-payment plans," CFA's Plunkett noted.

However, legitimate counseling agencies have suffered because of the shadow cast by the unscrupulous enterprises.

"Our operators often receive calls from customers who have signed up with these unscrupulous agencies, angry that they have been hoodwinked into making their first payment to the counseling agency rather than any of their money going to their creditors," said Focareta, of Consumer Credit Counseling Services of Western Pennsylvania. "We

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Q&A: Art Ringwald

COLLECTION SECTOR IN DESPERATE NEED OF TECH MAKEOVER

Arthur Ringwald, the president and chief executive of ***Ocwen Technology Xchange Inc.****, West Palm Beach, Fla., was recently named to the* ***Mortgage Bankers Association of America's*** *2002 Technology Steering Committee Board of Directors. This year, the committee is focusing its attention on pushing standardization of electronic data for eCommerce, long a stumbling block for an industry mired in segmented, antiquated technology. Before joining OTX in April last year, Ringwald served as president and chief executive of Ellie Mae, a technology solutions provider to the mortgage brokerage industry. Prior to that, he served as group executive vice president at* ***Bank of America Corp.*** *responsible for residential and secondary mortgage lending.* Loan Collections & Technology *recently spoke with Ringwald about the urgency of the industry's embracing new technology.*

Loan Collections & Technology: Specifically, what's the role of the Technology Steering Committee?

Art Ringwald: This oversight committee manages the Mortgage Industry Standards Maintenance Organization (MISMO) and the Real Estate Finance Security Management Organization (REFSMO) and reports to the MBA board of directors. This committee ranks as one of the most important in the MBA structure, chaired by MBA board member and Vice Chairman Rob Couch.

LCT: Why are technology adoption and standardization such critical issues today?

AR: There has been a lot of consolidation in the banking industry, so what we have seen are companies getting larger, and getting more sophisticated.

LCT: How has this move toward consolidation affected technology?

AR: Ironically, many of these companies still run antiquated loan-servicing and origination systems written back in the 1970s. These are big, clunky mainframes that don't offer scalability. They were developed when data was really expensive to store and batch processing (A "batch" is a group of files, and batch processing performs a set of operations on each file in the batch) was the norm.

Arthur Ringwald, OTX

LCT: Times change.

AR: Yes, and the industry has to change with them. Unlike the '70s, today you need to have real-time data, and that data has to be sorted to meet the needs of the large lenders — from data mining to real-time data updating. That means, to run a 24/7 servicing operation, you no longer can have an eight-hour-batch cycle. The business world is changing, and the industry is due for...I wouldn't say a revolution, but rather I'd call it a technology transformation.

LCT: What are some other technological developments?

AR: Just think, at the time many of these systems were written, a million-loan-servicer was considered gigantic. Consolidation has redefined the playing field, and the industry is now ripe for new technologies to meet the redefined needs of the super-lenders.

LCT: Are they embracing new technology?

AR: Essentially, all these acquisitions are going to have to be proven wise. Revenues are harder to come by, so people now have to focus on expenses and efficiency. In this climate, the benefits of new technology become that much more dramatic. Servicers have to take stock of their technology.

LCT: What other economic factors play a role?

AR: Defaults are rising, and have been for some time. The economy has slowed, and unemployment is up. The market is going to get softer on loan originations, so the industry is going to have to focus some of its attention on the

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BEHIND THE WHEEL

The Mortgage Bankers Association of America's 2002 Technology Steering Committee Board of Directors that OTX's President Arthurs Ringwald was recently named to also includes such industry leaders as Rob Couch, president and CEO, **New South Federal Savings Bank** (Chairman); Shekar Narasimhan, managing director of agency and funds management, **Prudential Mortgage Capital Committee** (Vice Chairman); Gulshan Greg, chief information officer, **IndyMac Bank**; Joseph B. Rubin, partner, **E&Y Kenneth Leventhal Real Estate Group**; Julie Ryan, vice president & CIO, **Principal Residential Mortgage, Inc.**; and John T. Super, information systems officer, **Edward T. Byrd & Co.**

Q&A: Art Ringwald

Q&A

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expense side of the ledger [to compensate for the drop in volume].

LCT: What is the biggest hurdle the committee must overcome?

AR: Just think of the number of participants. When it comes to establishing data standards, there are a lot of people we have to bring together to come to a consensus. That's the major issue.

LCT: You weren't originally on the technology side, but gravitated in that direction over the course of your career.

AR: That's right. I've been in this business for 28 years, and have run some very significant mortgage operations. That includes head of all residential lending at **Bank of America** before the **NationsBankCorp.** acquisition. But through it all, I've always been interested in technology.

LCT: How did your technology ideology develop at BofA?

AR: When I got to BofA, I had a significant opportunity to reduce originations' costs by redefining work processes and then supporting the new processes with solid technology. So, we embarked on a number of initiatives, and I really began to understand that what it's all about is redefining the processes, and using the technology to support the processes. We began to see great improvements in the profit dynamics by doing that.

LCT: How did this carry over in your career, post-BofA?

AR: When I left BofA, I went to Ellie Mae, which focuses on mortgage brokers, and similarly redefined processes and implemented technology. Eventually, I went to OTX, which is a much larger, broad-based tech company.

LCT: Was it much of a stretch?

AR: I'd been in residential lending for quite a while, and I was interested in trying something new. I saw enormous potential in moving over to the technology side. So, I took my process-management skills and an understanding of how the business works, and then I tried to use those skills to develop new work flows and processes, and then automate them to drive even larger benefits.

LCT: Do you now consider yourself somewhat of a tech guru?

AR: I don't consider myself a technologist. Rather, I am a business person who understands this business and how to use technology to make it more profitable. I'm very practical. Remember, it's very easy to get enamored with new technology. But if that new technology doesn't increase revenues, reduce expenses and increased customer satisfaction, there's no use for it.

ABUSE

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often suggest to them that they call the BBB."

Market conditions — particular as it relates to credit card debt — are forcing credit counseling agencies to rely on consumers for more revenue. Debt management plans often require that the card companies forgo their late and over-the-limit fees and that they reduced interest rates. This in turn forces the credit card firms to cut back on their "fair share" payments to counseling agencies to make up for the lost fee and interests income. And with more people signing up for debt counseling, this market dynamic is only intensifying.

FUELING THE FIRE

The situation could get even worse. Bankruptcy reform legislation currently before Congress would, among other things, force consumers to seek debt counseling before filing for bankruptcy protection. (According to the **American Bankruptcy Institute**, a record 1.44 million consumers filed for bankruptcy protection during the 12 months ending Sept. 30, 2001.) Congress has yet to address who would foot the bill for the mandatory counseling.

"It is a recipe for disaster, like throwing gasoline on a fire," said Plunkett, of the Consumer Federation of America. "What the bankruptcy bill would do is divert up to a million and a half new people into a system that is already on the verge of a breakdown."

Only 17 states currently require credit counselors to be licensed.

"The requirements incorporated into the currently pending legislation require counseling industry involvement but fail to address how that involvement will be financed," added Focareta. "Most likely, the consumer will end up having to pay for it."

CONSENSUS

Just about everyone in the industry, from counselors to advocates to lenders, would like to see safeguards implemented. One scenario would have credit card companies refusing to do business with unscrupulous agencies. To date, some card issuers have said they may cut down their "fair share" payments to questionable counseling services.

"If the only thing credit card companies are willing to do to police agencies is to vary the amount of fair share they pay, then nothing much will change," Focareta said. "If, on the other hand, you refuse to accept proposals from me on behalf of my customers you will either 1) put me out of business, or 2) force me to change my ways. In this business, as in any others, it is the dollars that do the talking."

Subprime Summit Full-Page Ad

Product Roll-Outs

WHO OWNS RESURGENT?

Resurgent is part of a complex corporate structure. Mortgage Guaranty Insurance Corp. [NYSE: MTG] and Enhance Financial Services Group Inc. [NYSE: EFS] own Resurgent. But Resurgent also operates as part of a collective of companies that includes **Sherman Financial Group LLC** and **Alegis Corp**. The three companies purchase, service, and resolve distressed loans extended for various purposes.

RESURGENT SURGING

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coding to perform its myriad portfolio management functions. When people ask about the workflow in Mist, I like to say it's like an apple tree, and every loan is an apple except, in Mist, each apple can be growing on more than one branch at the same time."

Horne added that Resurgent plans to upgrade the back-end into SQL in the near future.

Meanwhile, Barry Finkelstein, a spokesman for Resurgent, said that during system evaluations the company was drawn to the Mortgageware platform by its straightforward compatibility with other relational database systems. Compatibility is a significant issue these days, as many of the older systems still used by much of the mortgage-servicing industry present compatibility quagmires when trying to manipulate data in an adjacent system.

Mortgageware is now maintained by Resurgent's data center in Cincinnati. The Cincinnati data center employs approximately 21 developers, analysts, network administrators and related personnel and is primarily responsible for managing the company's systems needs for all of its business lines.

MIST MEETS MORTGAGEWARE

The integration of Mist and Mortgageware was managed internally in a joint effort between the Mist developers and Resurgent's IT team in Cincinnati. The project included linking appropriate data feeds from the company's business units, so the data flows seamlessly through the hybrid Mist/Mortgageware platform.

"The systems for each of our three major business lines are tied into a centralized data repository called Account Manager," explained Horne. "Account Manager functions, in essence, as air traffic control, tracking the whereabouts of each loan and ensuring it is being serviced by the appropriate area. We continually improve our systems by providing new and better tools to the users to enable them to do their jobs better. Better data, of course, enables better reports and better process management."

THE INS & OUTS

Given the requirements of second-mortgage default servicing, Horne said Resurgent systems developers had to build a lot of unique functionality into Mist.

"Accordingly, the system our loan resolution personnel see is Mist," said Horne. "Nonetheless, given the inherent compatibility of the databases, we have been able to provide our users direct access to essential Mortgageware data through the Mist interface. Moreover, we are able to trigger essential Mist functionality through data resident in Mortgageware."

Resurgent's payment-processing and loan-administration personnel work directly in the Mortgageware system.

"Mortgageware helps us achieve our goals by providing readily accessible data, regarding the borrower's degree of contractual delinquency, specific functionality to calculate the amounts necessary to reinstate the loans through any of a number of methods, and the ability to track the success over time of these reinstatement options," explained Horne.

"Mist's default-servicing capabilities enable us to return a large percentage of the delinquent loans we service to a performing status," said Horne. "This is accomplished by identifying and implementing strategies intended to help the borrowers find ways to resume making payments. It is a pleasant part of this business that the resolutions that are the best for us from a financial viewpoint are also the resolutions that tend to keep the borrowers in their homes."

Still, there's only so much efficiency a platform can provide.

"The intention of the system is to support the loan-resolution process and not to replace the judgment of our staff or in any way eliminate 'the human factor'," said Horne. "After all, behind each delinquent loan is more than just a bunch of numbers in a matrix. It is one or two real borrowers with real issues."

Regional Report

MEMPHIS RISING: STILL THE CHAPTER 13 CAPITAL OF AMERICA

Reporting the highest per capita Chapter 13 bankruptcy filing rate in the nation for at least the past decade running, Memphis is on track for yet another repeat performance.

Since its founding in the early 19th century along the banks of the mighty Mississippi river, Memphis has been hailed as a center of the Civil Rights movement, the cradle of Rock 'n' Roll and the home of the Blues.

These days, though, Memphis is earning a more dubious distinction than home to Graceland and great ribs — the undisputed Chapter13 bankruptcy capital of America. Based on statistics from the **American Bankruptcy Institute**, Shelby County (Memphis), is on a pace to blow past its 2000 state-high of 21,794 filings as one in 38 Tennessee households filed for bankruptcy during the 12 months leading up to Sept. 2001, up from one in 43 in 2000. That's despite local efforts to reign in bankruptcy filings.

Unlike most other areas of the country, the majority of Memphian bankruptcy filers — a staggering 71% — opt for Chapter 13 protection, signing on for a court-approved repayment plan, usually over a three-to-five-year period.

Under Chapter 13, debtors keep their property and creditors accept less than the full amount. That's opposed to a Chapter 7 in which debtors are asking the court to discharge all debts, with the debtor forfeiting his or her personal property, including items already paid for.

NATIONAL DOMINANCE

An **SMR Research Corp.**, Hackettstown, **N.J.**, report shows Shelby County has not only had the highest bankruptcy filing rate per 1,000 adults for the last 11 years, but has also held that distinction for every consecutive quarter.

Chances are, though, that Memphis' national bankruptcy dominance extends even farther back, as SMR only began collecting data in 1989. The company also stated it anticipates Memphis' 2001 numbers to be even higher.

To put a price-tag on it, the Memphis Bar Association claims Tennessee's six Chapter 13 trustees disbursed more than $380 million to creditors and administrative claimants in 2000, ranking it first in the nation in total payments to all Chapter 13 creditors, while also first in total payments to Chapter 13 unsecured creditors.

"So why is Memphis the Chapter 13 capital of the country ... well, that's the $100,000 question," said Mike Davis, education director of Consumer Credit Counseling, Memphis.

Unemployment in Memphis, as in the rest of the country on average, is rising. However, it's been traditionally low. Home prices are also up, but so are incomes. And while the divorce rate is 10% higher than the national average and consumer loan losses are up, they're not nearly the worst in the nation, according to SMR.

SOME ANSWERS

While typical economic indicators can't account for it, there are other, Memphis-specific features that explain the locals' penchant for filing.

First of all, a University of Michigan study found in 1998 the average Memphis resident owed $10,137 in non-mortgage debt — 18% more than the typical American. The state's tough collection laws also make it easy for creditors to garnish borrowers' salaries.

However, there's historical and cultural significance at play here, in a city that itself declared bankruptcy back in 1879.

"Chapter 13 originated here, which is probably why there's not much of a stigma attached to using it to protect assets from creditors," said Davis. "From the courts, to the attorneys, to the businesses and the consumers, let's just say we've got plenty of practice at it."

In fact, it was former U.S. Representative and Memphian Walter Chandler who is credited with getting Congress to establish the Chapter 13 program in 1938. With such a long Chapter 13 tradition, bankruptcy has been ingrained into the fabric of everyday Memphis life.

THE QUICK FIX?

"We preach that Chapter 13 should be seen as the last resort, and not the quick fix," said Davis. "But that's a point that's hard to get across, especially when everyone, from car dealers to furniture stores, are offering easy credit, though at high interest, of course."

Before the collection process even gets to the point where debtors need attorneys or counselors, though, there are the front-line collectors, wrestling with stringent state laws and disinterested debtors.

"They are very particular about disclosure around here," said Barbara Houck, president of **Credit Adjustment Services of Tennessee**, a medical debt collection agency. "Every time you contact someone, you have to inform them up front that you are a collection agency."

To complicate matters further for the collectors, in the region's Tri-State area, both Arkansas and Tennessee have their own licensing requirements for collectors, and Mississippi requires a certificate of authority.

"You need that licensing and certifica-

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Tech Bytes

WALKER UNVEILS WEB-BASED COLLECTION SYSTEM

Walker Interactive Systems Inc. unveiled an online loan collection system that is intended to foster collaboration between servicing professionals.

E-collector, the web-based system, allows collectors — even as they are collecting — to access accounts receivable information in real time via the web, instead of with error-prone devices, such as email, voice mail, or faxes. The E-collector application does not require users to undergo special training, and the only necessary software is a web browser.

Walker built E-collector based on feedback from Walker customers, who said during a June 2001 survey, that "slow customer follow-up" and "high percentage of past-due accounts receivable" were their major collection problems.

Specifically, features offered include category of receivable or deduction; classification of customers; amount of invoice or adjustment; days past due; and automated follow-up. The system operates based on a user-defined process, which decides when to hold or initiate another action, for example.

While Walker has yet to sell an E-collector system, the San Francisco business software developer counts among its clients Abbey National Bank, Barclays Bank, the Federal Deposit Insurance Corp., Lincoln Financial Group, and the Royal Bank of Scotland.

Walker was founded in 1971.

For more information: www.walker.com

PRIZM TO AID LOGS IN ENHANCING CAPATULT

LOGS Financial Services Inc., Northbrook, Ill., has struck a deal with **Prizm Technologies Inc.**, that will have the Charlotte, N.C., firm redesigning LOGS's credit default management system for multi-site usage.

Prizm will pass on its redesign plan to a third-party vendor to reprogram the LOGS product, called the Catapult Default Management System.

Currently, Catapult can be used only on local area networks. So, if a company has multiple locations, each cannot use Catapult in concert, as the product is currently sold. The LOGS-Prizm alliance will remedy this shortcoming.

"Having the data stored centrally and accessible over a [wide-area network] or the web is what customers have been asking for in mortgage servicing," said Gerald B. Alt, LOGS chief operating officer.

Catapult is LOGS's flagship product and is licensed to attorneys and mortgage lenders for servicing past-due loans of any kind. **Washington Mutual Bank**, Seattle, and **Alliance Mortgage Co.**, St. Louis, for example, use Catapult.

For more information: www.logs.com

COMINGS & GOINGS

JONES TAPPED TO HEAD PROVIDIAN'S COLLECTIONS

Providian Financial Corp., San Francisco, has named Jim Jones vice chairman of credit and collections. Jones, who has been serving as Providian's president of international operations, will report to Chief Executive Joseph Saunders.

As a result of Jones's promotion, Jim Redmond, who had divided his time between the management of credit and operations, will concentrate on credit risk management, and now report to Jones. Meanwhile, Jones will continue to manage the operations in Argentina and the United Kingdom as the credit card company exits those markets.

UAC TAPS NEW PREXY

Union Acceptance Corp., Indianapolis, has promoted Lee Ervin to president, adding to his current responsibilities as chief operating officer. Ervin came over from **Fairbanks Capital Corp.**, Salt Lake City, Utah, in Sept. 2001 to assume UAC's COO post, which includes responsibility for all aspects of the company's Collections, Operations and Servicing, Remarketing, and Legal departments. Ervin has also served as director of the Southeastern Pennsylvania International Collectors Association.

GRC NAMES COO

General Revenue Corp., Cincinnati, recently promoted Senior Vice President Steve Roberto to chief operating officer. Roberto is a 15-year GRC veteran in collections management. GRC is one of the largest university-focused collection agencies in the U.S., with a client base including over 800 educational institutions.

IMPERIAL HIRES NEW SALES HEAD

Looking to add some veteran experience to its sales force, **Imperial Collection Service**, San Francisco, recently hired Mark Britschgi as its new director of sales. Having begun his career in collections, Britschgi returns to the sector following two lengthy stints in sales and marketing at Fortune 100 companies.

WELTMAN FIRM ADDS LAWYERS

Weltman, Weinberg & Reis Co., the Cleveland creditor's rights law firm, has added new associates Amanda B. Edwards (foreclosure), Beth Ann Schenz (bankruptcy), Amy R. Blair (credit union), and Danielle L. Pecenka (litigation).

Wall Street Watch

PERFORMANCE OF PUBLICLY-TRADED COLLECTION-RELATED TECHNOLOGY COMPANIES

Company	Ticker Symbol	Price1/18	Price12/21	%Ch.	P/E	52-Wk Hi	52-Wk Lo	Shrs.Out*	Mkt.Cap	Avg Vol
American Mgmt. Syst.	AMSY	19.20	17.03	12.74	28.44	25.040	10.250	41,700	814.5M	204,000
Alltel Corp.	AT	57.09	62.34	-8.42	16.73	68.688	49.430	310,412	17.8B	1,330,000
Computer Associates	CA	35.88	34.79	3.13	n/a	39.030	22.370	575,987	21.3B	2,950,000
CheckFree Corp.	CKFR	16.56	18.37	-9.85	n/a	58,250	12.200	87,213	1.46B	521,000
Computer Sciences	CSC	44.65	47.02	-5.04	54.39	66.71	28.990	170,327	7.80B	1,080,000
Davox Corp.	DAVX	8.10	9.02	-10.19	n/a	14.875	7.200	12,331	96.8M	28,000
NCO Group	NCOG	21.80	23.68	-7.93	19.63	35.000	11.000	25,811	567.6M	353,000
Ocwen Financial Corp.	OCN	8.05	7.78	3.47	n/a	11.370	6.400	67,300	554.5	33,000

* In thousands

Data Points

FACTOID:
More Chapter 13 bankruptcies are filed in Memphis than anywhere else in America.

COLLECTION COMPANIES IN MEMPHIS

Company	BBB Member	Rating	Complaints Filed
Alcon Corp.	Yes	Satisfactory	N/A
Arco Collection Co.	No	N/A	N/A
C&F Systems Inc.	Yes	Satisfactory	N/A
CAS of Tennessee	Yes	Satisfactory	N/A
Certified Collection Agency Inc.	No	Unsatisfactory	Yes
Credit Bureau Services Inc.	No	Satisfactory	N/A
DTEX Recovery Bureau	Yes	Satisfactory	N/A
Dun & Bradstreet Information Services	No	Satisfactory	N/A
Executive Management Service Inc.	No	Unsatisfactory	Yes
Finance Service Inc.	No	Satisfactory	N/A
Financial Collection Associates	No	N/A	N/A
First Select	No	N/A	N/A
Frost-Arnett Co.	Yes	Satisfactory	N/A
Hanna & Associates	No	N/A	N/A
Locating Services	No	N/A	N/A
Mutual Collection Co. Inc.	Yes	Satisfactory	N/A
Myriad Financial Adjustment Inc.	No	Unsatisfactory	Yes
Nationwide Collection Corp.	No	Unsatisfactory	Yes
Nationwide Recovery Service	No	Satisfactory	N/A
Personal Account Services	No	N/A	N/A
Professional Judgement Recovery	No	N/A	N/A
Revenue Assurance Professionals LLC	Yes	Satisfactory	N/A
Revenue Recovery Corp.	No	Satisfactory	N/A
S&S Recovery Inc.	Yes	Satisfactory	N/A
Sharp-Jackson Collection Services Inc.	No	Satisfactory	N/A
Southeastern Financial Services	No	Unsatisfactory	Yes
Stotts Mobile Tracking Inc.	Yes	Satisfactory	N/A
Transworld Systems Inc.	No	Satisfactory	N/A
U.T. Collection Co.	No	N/A	N/A
Universal Collection Systems	No	Satisfactory	N/A
West Tennessee Collectors Inc.	No	N/A	N/A

POP QUIZ

Quick, which U.S. locales suffered the highest and lowest rates of personal bankruptcies in 2000 among its residents? **(see answers below)**

ANSWERS:

HIGHEST: Shelby County, Tenn., which encompasses the city of Memphis, had the highest rate of bankruptcies per 1,000 residents in 2000 — 22.91

LOWEST: Middlesex County, Mass., Boston's broader municipality, had the lowest rate — 2.30 per 1,000 residents

Source: SMR Research Corp.

MEMPHIS RISING

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tion in order to work in those areas," said Houck. "If you don't have it, you're violating the law, and there could be stiff penalties."

Not surprisingly, debtors often drop out of the Chapter 13 program. Overall, a large percentage of Chapter 13s re-file because they are not being taught money-management skills, nor are they given serious incentives to pay back their debts, explained Davis.

Many of the local collection professionals are frustrated with this revolving-door treatment.

"There seems to be no limit to the 'in-and-out' of some of these 'wage-earners,'' said B.B. Cunningham, president of **C&F Systems, Inc.**, referring to the moniker attached to the debt payment plans. "They do it over and over and over, and the courts seem to be more than satisfied with collecting their filing fees. If I was lawmaker, I'd put a limit on it. If they didn't do it right the first, second, or third time, why fool with an eighth, ninth, and tenth time?"

Many local collectors, though, have a 'lesser-of-two-evils' type of attitude towards Chapter 13.

"It's better, in that the creditors in the area, from the car dealers to department stores, get some money, and it does keep the costs down," said James Markham, president of **Mutual Collection Co. Inc.** "The process is very efficient, with the courts even offering computerized filing. It's worked extremely well here, and would work in other parts of the country."

