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CREDIT COUNSELING AGENCIES: ON THE BRINK

The bankruptcy reform package before Congress would, among other things, mandate consumers seek debt counseling before filing for bankruptcy. However, at a time when record numbers of filers are lining up each year, Congress has yet to address who'd foot the bill.

As the combined House-Senate conference committee on bankruptcy reform makes it clear credit counseling is a priority, many in the counseling industry worry the reform package will stretch their already limited resources and leave debtors with even more bills to pay.

Congress has taken up bankruptcy reform in a year when a record 1.47 million Americans are expected to file for personal bankruptcy. The requirement for credit counseling is an attempt to inform those consumers of the "alternatives to bankruptcy and the long-term devastating effect it can have on their credit history and future employment prospects," said the bankruptcy reform committee's chairman James Sensenbrenner (R-Wis.) at the first meeting earlier this month.

The majority of bankruptcy filers are unaware alternatives exist, according to a study released by Visa earlier this year. Of the more than 1.2 million people who filed for bankruptcy last year, 80% claimed they did not know an alternative was available, the study said.

Many in the counseling industry are voicing concerns over the reform package, which includes several measures designed to make it more difficult for consumers to wipe away debts by filing for bankruptcy.

"We'd like to know who's going to pay for it,"

Continued on page 6

BANKRUPTCY BILL FACING UNCERTAIN FUTURE

While the House-Senate conference committee on bankruptcy reform met earlier this month, it appears unlikely a bill will find its way to the President's desk anytime soon. Partisan wrangling, a stumbling economy and anti-consumer rhetoric are hobbling the reform package — measures which would make it more difficult for consumers to dismiss debts by filing for bankruptcy.

"It's a stretch to think they'd be able to jump through all the hoops they need to this year," said Kenneth Guenther, president of the **Independent Community Bankers of America**. "The ducks aren't in a row yet, but at least the movement we've seen in the last few weeks is encouraging."

Representing some 5,000 community banks across the country, Guenther expects the pace to pick up next year, now that the conferees have met face-to-face.

There was some uncertainty that the committee would even meet this year, after the initial gathering scheduled for Sept. 12th was cancelled following the terrorist attacks in New York and Washington, D.C. Committee Chairman James Sensenbrenner (R-Wis.) subsequently rescheduled the meeting for mid-November (LCT, Nov. 2001).

Little, however, was done during that round of talks to reconcile differences between the Senate and House bills, which were each passed earlier this year.

"The committee meeting consisted of members opening statements, which went on for two hours," said Jeff Lungren, spokesman for the committee. "The chairman then directed staff to put together a bi-

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Processing

CALENDAR

Buyers' Association sponsors "Mechanics of Successful Debt Buying" at the Paris Las Vegas. 562-903-7222 or, wwwdebtbuyers.com

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 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 hosts its 22nd Automobile Finance Conference & Tradeshow at the Hyatt Regency in San Diego, Calif. 703-276-1750, 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.

ELECTRONIC PAYMENTS INCREASINGLY REPLACE CHECKS

Electronic payment alternatives are outpacing the use of checks, according to data released by the Federal Reserve System earlier this month.

The data showed that the use of checks had dropped to 60% of all non-cash payments in 2000, compared with 85% of non-cash payments in 1979, the last time the Fed conducted a similar survey. Though the number of checks written in the year period grew 56% — to 50 billion from 32 billion in 1979 — the number of non-cash payments jumped 112% to 80 billion in 2000 from about 37 billion in 1979.

Of checks written last year, 25.7% were for bill payment, according to the study. Credit card transactions represented half of electronic payments.

The lending industry, and, more specifically, loan collectors, have seen a rise in the percent of payments made via debit and credit cards and electronic debit from bank accounts. In New York last year, for instance, the Federal Reserve processed 4.8 billion transactions via Automated Clearing House (electronic debit), up from 4.3 billion in 1999 and 3.7 billion in 1998, according to the Federal Reserve Bank of New York.

More recently, though, a slowdown in mail service in a number of areas, along with the mail-related anthrax scares, have led to an increase in debtors' use of pay-by-phone options, like those provided by **Western Union Financial Services Inc.**, a subsidiary of **First Data Corp.**

WALL STREET WATCH: SPECIAL REPORT 3Q01 EARNINGS REPORTS FROM PUBLIC COLLECTION TECH COMPANIES

For the most part, the publicly-traded collection technology companies tracked by *Loan Collections & Technology* surpassed analysts' expectations for the third quarter of 2001. **American Management Systems Inc.**, **Computer Associates, Inc.**, **Computer Sciences Corp.**, **Davox Corp.**, and **Ocwen Technology Xchange, Inc.**, were all among the winners.

Not surprisingly, most companies cited one-time charges, the Sept. 11 terrorist attacks, and the slowdown in the overall economy as the reasons earnings suffered.

Meanwhile, analysts polled by **Thomson Financial** expect earnings to maintain for most of the companies tracked by LCT for the fourth quarter.

Company	Symbol	3Q01EPS($)	3Q01Est.($)*	2Q01EPS($)	%Change	4Q01Est.($)*
American Mgmt. Systems	AMSY	0.24	0.21	0.34	(29.41)	0.26
Alltel Corp.	AT	0.74	0.75	0.71	4.23	0.74
Computer Associates	CA	0.61	0.52	0.55	10.91	0.61
CheckFree Corp.	CKFR	(0.02)	(0.02)	(0.01)	(100)	(0.01)
Computer Sciences	CSC	0.40	0.37	0.28	42.86	0.50
Davox Corp.	DAVX	0.01	0.00	0.05	(80.00)	0.01
NCO Group	NCOG	0.30	0.32	0.43	(30.23)	0.30
Ocwen Financial Corp.	OCN	(0.33)	(0.03)	(0.38)	13.16	(0.27)

* Estimates provided by Thomson Financial/FirstCall

DOS, NO MAS: WILL THE LOAN SECTOR CATCH UP WITH MICROSOFT?

With **Microsoft Corp**. no longer supporting its older operating systems as of Dec. 31, anyone running loan-servicing software on DOS, Windows 3.11 or Windows 95 could be looking down the barrel of a tech meltdown.

"It's bigger than Y2K...for some," warned Eric Christeson, chairman of **Dynamic Interface Systems Corp.** (DISC), a Los Angeles-based loan collection software vendor. "That is, the problem is so insidious that [loan collection officers] don't even realize some of their systems won't be able to run."

While most in the credit-collection sector aren't pushing the panic button as hard as Christeson, and granted he has a vested interest in seeing customers migrate as they'll need the upgrades, there is a definite sense of urgency.

> "It's bigger than Y2K...for some."
>
> **Eric Christeson**
> **Chairman**
> **Dynamic Interface Systems Corp.**

Those who don't upgrade their operating systems before the deadline could run into serious problems down the road, such as when they try to upgrade software or meet new reporting requirements. And, in the event of a crash, without Microsoft support a company would face the devastating reality of losing irreplaceable data.

Subsequently, they would also have to swallow the costs of replacing hardware (including operating system licenses for desktop users) and upgrading loan software–not to mention the costs incurred by having to train employees, many of which have little more than limited Windows capabilities.

For its part, Microsoft has plowed ahead, having released Windows XP, originally code-named "*Whistler*", in late October. This latest Windows operating system will make it even more difficult to seek out new computers running older versions of Windows. Without an older version, new computers will be incapable of running the loan-servicing systems based on versions such as DOS.

It's also a double-edged sword. As Microsoft states in a memo,"...the older an operating system is, the less likely it is that new applications will run well on it. It is also less likely that the older, non-supported operating system will run well on new hardware." At the same time, the latest wave of computers, such as those that run on Intel Corp.'s Pentium processors, may simply be too fast for older DOS-based programs.

Microsoft's announcement this past spring didn't exactly inspire a run on new technology in the sector.

"Let's just say lenders tend to follow behind the technology curve...way, way behind the curve," said Christeson. DISC is one of several vendors that have been slowly nudging their clients toward migration.

With no collection industry tech groups, it's difficult to ascertain the extent of the problem. However, vendors like Christeson said in spite of Microsoft's early warning, a significant number of their client bases are still clinging to older OS technology.

For instance, **Comtronic Systems Inc.**, a Cle Elum, Washington-based vendor with over1,000 users, claims 10% of its client base is still running on DOS. That's despite the fact that Comtronic discontinued the DOS-based version of its DebtMaster Collection Agency product for Y2K, some five months before Microsoft made its announcement.

Subsequently, Comtronic snuffed out support for the product as of the end of October. Even

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QUOTABLE

"The drop in interest rates has meant more business as consumers are taking out new mortgages and refinancing existing ones. More business means we need more manpower, and not just in one area, but across the board."

- Gaelle Labissiere, director of human resources at Harlem, NY-based **Carver Federal Savings Bank, Inc.**, speaking to LCT at the Twin Towers Job Expo.

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then, Comtronic sales representatives had to dangle incentives in front of reluctant clients to get them to migrate.

"We had to offer, in some cases, deals where [existing customers are] paying 50 cents on the dollar what new customers would pay to buy in," said Jeff Dantzler, president of Comtronic. "And that's not only us. I know of many other vendors, which I won't name, who have been equally lenient."

Perhaps the biggest problem, though, and one that's lingered for quite some time, is the debilitating effect running antiquated technology can have on a company.

"We feel most of the customers affected have been robbing themselves of serious productivity," added Dantzler. "They would reduce their costs significantly by going with some of the newer operating systems, but they don't see that."

In fact, more than anything, this problem arose from the loan collection sector's inherent stop-gap approach to technology.

"Theirs is a segment of the market that feels that once they've solved a solution, they don't need to replace or update it," explained Dantzler. "For instance, once they have a loan servicing package, they think they're done. They don't want to hear about maintenance and upgrades."

Inevitably, though, companies clinging to outdated technology pay one way, or another.

"We have several customers who have just resisted moving above DOS," said Dantzler. "They're paying higher tech support bills, and are still not even capable of producing some standard industry reports."

In order to produce such reports, said Dantzler, these clients will export old reports into spreadsheets, and re-work them.

"Basically, there's a whole segment of the industry wrestling with work-arounds and patches on old systems that perform only fractionally as fast as those with Pentium processors," said Dantzler.

Loan collection businesses reluctant to sign off on large technology overhauls, however, shouldn't shoulder all of the blame.

"There are just not that many pure Windows-based systems available on the market," said Christeson. "So, the clients sometimes don't have, or can't find, a suitable product to move up to. We still have plenty of competition out there that is DOS-based."

The lack of diversity among offerings, in fact, is prompting some, like American Bankruptcy Institute resident expert Jack Williams, to develop systems of their own.

"In doing my research, I was struck by the limitations with the majority of the offerings out there," said Williams. "That's the problem with platform-based technology–the platforms themselves eventually become outdated."

Williams feels he solved the problem by developing an internet-based solution that will allow user firms to evolve with the industry, not the technology.

"Internet-based solutions don't require you to wed yourself to a particular platform, and this is a perfect time to make that transition," said Williams. "A network-based solution is usually heavily dependent upon an internal platform and software upgrades."

However, Williams conceded in order to effectively maintain such internet-based solutions, companies would need to invest significantly in developing internal technology resources. These are the types of investments the industry has traditionally shrugged off.

"Theoretically, you'd think that the larger companies would be in a better position to make such a transition," said Williams. "In actuality, especially in this market, many have

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PROVIDIAN DRAWS SHAREHOLDER IRE

Providian Financial Corp. is the latest lending institution to draw the ire of shareholders who charge the lender's failure to disclose losses led to lower-than-expected earnings.

The Law Office of Mark McNair, Washington, D.C., recently filed suit against the San Francisco-based Providian on behalf of shareholders who purchased the stock between June 6, 2001 and Oct. 18, 2001, claiming that the lender failed to notify investors it had changed the way in which it accounted for loan losses. Providian is one of the largest issuers of Visa and MasterCard credit cards in the U.S.

Specifically, the complaint alleges Providian failed to inform investors that instead of immediately writing-off receivables upon receipt of electronic notification that customers had filed for bankruptcy, it had switched to accumulating or "batching" bankruptcy notifications and then writing off those receivables once per month.

As a result of the change, the company deferred recognition of some $30 million in charge-offs from the second to the third quarter of 2001, and third-quarter earnings, announced Oct. 18, were lower than what Providian had led investors to believe.

When Providian announced its financial results were far lower than what the company had previously led investors to believe, shareholders watched as their stock shrunk that day from $12.40 down to $5.15 per share. That's more than 90% below the $59.80 high-water mark for the stock between June and Oct., and the 52-week high of $64.06.

Both Providian and Mark McNair's office declined to comment on the suit.

Meanwhile, Providian did issue an early Sept. earnings "revision." In it, the company cited "a recent slowdown in customer purchase activity, softer loan demand relative to expectations, and ongoing credit tightening by the Company." There was no mention of the policy change.

"First of all, you need to conform to [Generally Accepted Accounting Practices] standards, and secondly you always...always need to disclose 'material' information," explained William Legier, president and chief executive of **Legier & Materne**, a New Orleans-based legal expert/ consultancy firm. According to the Securities & Exchange Commission, material information is anything at all that would affect the performance of a public company's share price.

Therefore, it wasn't the change in policy that angered the shareholders. Rather, it was that Providian allegedly didn't communicate the implementation of this practice.

Discrepancies in accounting and reporting practices have become a major source of shareholder securities class action suits, explained Robert Lawless, a professor at University of Missouri-Columbia's law school.

"In recent years, really within the last five years, there has been an increasing number of such shareholder lawsuits hitting the financial services industry," said Lawless.

Lawless encourages lending institutions to keep a close watch on accounting practices, and keep Investor Relations officers abreast of changes in policy that could materially affect stock performance to limit their exposure to such suits.

"Many think of accounting rules as hard and fast, but in the real world there is often enough room for an exercise of judgment," said Lawless. "But when exercising judgment, you've got to be aware that shareholders will react negatively to something that appears to be misleading, especially when it comes to pushing expenses off."

At press time, Providian Financial Corp. (NYSE: PVN) was trading at $2.67 per share.

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liquidity problems that are preventing them from taking the steps they need to take. So in the end, they'll adopt the same band-aid approach we see at the small and mid-size companies."

DISC's Christeson said the rate of migration has steadily accelerated as the deadline approached, though there are many still oblivious to their impending predicament.

"They're in denial, it's as simple as that," said Christeson. "They sit there and say they're fine, that their systems work, but there's going to come a point when we're not going to be able to support them, and that's when the clock starts ticking."

In this case, the vendors interviewed by LCT said in this instance, Microsoft can't be faulted.

"Microsoft outlined its plans definitively, and has made available marketing people that have a good idea, industry by industry, what has to be done," said Christeson.

Whatever loan collection department heads decide, the band-aid approach will only get them so far. Microsoft has already announced plans to retire support for Windows 98, set for sometime in mid-2003.

Counseling

COMINGS & GOINGS

Countrywide Credit Industries recently promoted Tom Boone, senior managing director and chief of global processing, to the post of chief operating officer of **Countrywide Home Loans**. Boone will now oversee all of Countrywide's mortgage servicing operations, including collections.

OSI, the third-party servicing unit of **Outsourcing Solutions Inc.**, hired Mark Sena as director of operations, a newly created position, for its 300-person Atlanta collection facility.

Sena used to handle collections for **Mercedes-Benz Credit Corp.**, Southfield, Mich. He reports to Jim Hensley, Outsourcing's vice president of operations.

CheckFree Corp. recently hired Laura Binion senior vice president and general counsel. Now reporting directly to president and chief executive officer Pete Sinisgalli, Binion served as associate general counsel for the southern operations of **Verizon Wirelss** before joining CheckFree.

ON THE BRINK

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said Bill Cullinan, interim president and CEO of the **National Federation for Credit Counseling**, a national non-profit network of 1,450 member agencies providing counseling and debt management services for over one million debt-strapped consumers. "We've asked that question; we're just waiting for the answer."

Lungren said that the committee members have yet to discuss any funding issues regarding counseling.

With bankruptcy filings on the rise, Cullinan is concerned counseling agencies will be overwhelmed if the legislation passes. Counselors already wrestle with heavier caseloads as the downturn in the economy has driven hordes of consumers to their front doors.

Under the current system, agencies, like those in the NFCC, usually charge nominal upfront consultation fees beginning at $10. If a client opts to enter into a more involved debt management plan (DMP), then the agency usually charges a monthly maintenance fee. If these agencies aren't able to meet the needs of a larger pool of debtors, Cullinan fears consumers will be driven into the hands of less scrupulous agencies that charge high fees.

Outside of the non-profit counselers, there are agencies out there charging $50, $75 monthly, and even higher, said Cullinan. Some request a full month's payment, up front, as their fee. The bigger problem, though, is the hidden fees many charge, Cullinan added.

Meanwhile, in a business the NFCC estimates includes between 700 and 800 counseling entities, there are no industry-wide standards or regulatory bodies, and only 17 states require counselors to be licensed.

"The bankruptcy bill is going to make a cottage industry of credit counseling," said Robert Lawless, a professor at University of Missouri-Columbia's School of Law. He added that there are already people waiting in the wings to offer credit counseling on a wholesale basis.

That's not to say these types of agencies haven't already made inroads into the industry.

"There are already a bunch of scam artists out there operating, right now," said Catherine Pulley, spokeswoman for the American Bankers Association. "Our members are constantly warning clients to first call the Better Business Bureau, and make sure they are dealing with a reputable agency."

The potential for wide-spread corruption has Congress and the counselors alike concerned with such unscrupulous agencies that would grind debtors through the system.

"The legislation also cracks down on these so-called "bankruptcy mills" that steer unsuspecting consumers into bankruptcy regardless of whether such relief is, in fact, needed," added Sensenbrenner in his opening statement to the committee.

Congress will also have to consider the ways in which the reforms would impact the almost-informal manner collectors reimburse counselors for managing DMPs.

The way it works is collectors are supposed to pay a counseling agency what is known as a "fair-share" allotment–a process that has never been regulated, or standardized.

"There was a fairly general standard, ten years ago, of 15%, and most of the large creditors supported that level," said Cullinan. "Now, depending on the creditor, some are paying out in the small single digits."

Today, the dynamic of the collector/counselor relationship is being affected by more than just a dwindling fair-share percentage. According to James E. Focareta, president of CCCS of Western PA (Consumer Credit Counseling Service), some agencies are paying 'finders fees' to referring collectors. Depending on the amount, this is seen as part of the business expense to acquire a customer.

"If a counseling agency is collecting substantial

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Dossier

OCWEN TECHNOLOGY XCHANGE

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

Corporate Profile: Ocwen Technology Xchange (OTX), a subsidiary of **Ocwen Financial Corp.**, designs software for mortgage and real estate transactions. Its products include systems for managing the loan servicing lifecycle and for facilitating the electronic ordering of real estate products and services via the internet.

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Products: • REALServicing Residential Mortgage Loan Servicing Platform - The platform encompasses a system of fully integrated modules enabling management of the total life cycle of a loan.

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• REALSynergy Commercial Mortgage Loan Servicing Platform (formerly SynergyOPEN)- Servicing commercial and multifamily loans.

Customers: Washington Mutual, Inc., Principal Residential Mortgage, Inc., Wisconsin Mortgage Corp., Citimortgage Inc., Chicago Bancorp, Northern Trust Corp., Hibernia National Bank Corp., Trident Mortgage Co. LP, and Harris Bank Corp.

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On Capitol Hill

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enough fees from a client, the cost of 'buying' clients may be offset by the client's up-front payments," said Focareta. "Otherwise, the length of time a client stays on a program will dictate the cost effectiveness of such an arrangement."

Focareta said it is possible that the price per client referred could be either determined by a scoring model, or some form of contingency pricing arrangement could develop.

"If the market becomes hot enough for this type of arrangement, the up-front charges a counseling agency takes in from a client may rise," he added. "That prospect is potentially self-defeating to the client and somewhat distasteful to the more traditional counseling agencies."

Meanwhile, Focareta says some agencies have arrangements with referring creditors in which the creditor will reduce or eliminate the fair share paid on referred clients while the counseling agency collects fair share from other creditors.

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partisan package for the committee members to look at after Thanksgiving."

Committee members are not expected to start negotiating the major facets of the bill until next year, said Lungren. Meanwhile, opponents of the legislation are encouraged by the recent developments — or lack thereof.

"Supporters say they have broad, bi-partisan support," said Travis Plunkett, the legislative director for the Consumer Federation of America, an advocacy group. "I say that that support may be broad, but not deep. The consumer credit industry has built support in Congress, but many of those members have nagging doubts, and it's those doubts that will cause them to drag their feet."

> "This conference isn't just bad timing for consumers, it's bad timing for the economy as a whole."
>
> -Senator Paul Wellstone (D-Minn.)
> **United States Congressman**

At a time when lawmaker's constituents back home are facing major economic uncertainties, Plunkett and other opponents are betting that some of the Congressmen will not risk aligning themselves on the wrong side of the consumer fence.

"It's really only my own crystal ball prediction, but my strong suspicion is we'll see a lot of smoke next year," predicted Plunkett. "The conference committee will meet several times. There will be plenty of high-profile negotiations, but I think it unlikely they will put anything on the books."

In the meantime, many have raised the stakes, branding the legislation "anti-consumer."

"Of course it's anti-consumer," said Robert Lawless, a professor at the University of Missouri-Columbia's School of Law. "Somewhere in the back of the incumbents' minds — planning runs for re-election — is the fear of being tabbed as someone who voted in favor of restricting the bankruptcy law."

Not surprisingly, a number of Congressmen have already issued strongly worded statements blasting not only the nature of the reforms, but the timing of their introduction.

"This conference isn't just bad timing for consumers, it's bad timing for the economy as a whole," bristled Senator Paul Wellstone (D-Minn.) in a written statement. "It makes no sense for Congress to put consumers in the bankers' cross hairs at a time when we are relying on those same consumers to pull our economy out of recession by increased spending."

Proponents, however, are countering that the measures are needed now more than ever.

"The possibility of substantial increases in bankruptcy filings will undoubtedly present an even greater opportunity for abuse of the bankruptcy system," said Sensenbrenner in his opening statement. "The increased volume will make fraud that much more difficult to detect and tax the already limited resources of those entrusted to root out bankruptcy abuse."

It was such strong sentiment that enabled passage of a similar reform package in Congress. That bill was subsequently pocket-vetoed last year by then-President Bill Clinton.

This time around, President George W. Bush supports bankruptcy reform. However, before it even makes it to his desk, several partisan points need to be ironed out.

Specifically, the Republican-controlled House placed no cap on homestead protections, while the Democrat-controlled Senate capped homestead protections at $125,000. With

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Q&A

CREDIT COUNSELORS & TECHNOLOGY: OIL AND WATER?

The credit collection industry is demanding more from debt counselors, while expecting to pay less for it. With the downturn in the economy driving consumers to their doors in droves, counseling agencies say they need to make their operations more efficient. John Waskins, the founder of American Credit Counselors Corporation, a national non-profit agency headquartered in Huntersville, NC, has also developed proprietary counseling agency software. Loan Collections & Technology *recently spoke with Waskins about what agencies can do to catch up...and keep up.*

Loan Collections & Technology: What constraints are being placed on credit counseling agencies?

John Waskins: As an industry, financial support, especially in terms of charitable donations, has really dropped dramatically...to the point that many have been unable to survive. Meanwhile, with bankruptcy filings at an all-time high, volume is way up.

LCT: How are things on the creditor front?

JW: Creditors are changing the way they do business with counselors. Some are doing things like requiring ISO [International Organization for Standardization] certification, which is a quality measurement program.

LCT: Is technology playing a bigger role?

JW: Five years ago, every creditor would have taken a paper check. Today, all the major creditors require money be settled electronically, and they will penalize the counselors by reducing or eliminating the fair-share [the percentage of the consumer's debt the creditor reimburses the counselor for arranging the debt management plan]. Creditors require counselors to send their proposals electronically. Now, they are requiring we send the budget worksheets electronically.

LCT: How does that impact an agency's bottom line?

JW: Technically, these are not easy things to do. If you're not in a position to invest in R&D [research and development] and technology, chances are you'll not be here in two years.

LCT: Where should agencies turn for help?

JW: It's a small market, so vendors aren't interested in creating the technology. Therefore, the programs have to be developed internally.

LCT: What problems do you face at your counseling agency?

JW: Interestingly enough, a lot of creditors pay agencies that conduct face-to-face sessions with consumers a higher fair-share percentage. They think that phone service counse-

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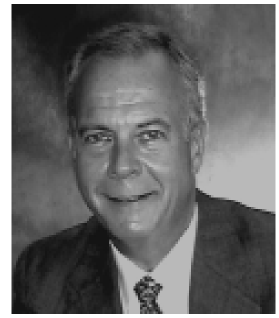

John Waskins, the founder of **American Credit Counselors Corp.**, a national non-profit credit counseling agency, currently servicing more than 10,000 consumers, headquartered in Huntersville, NC.

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states such as Florida and Texas (the President's former gubernatorial stomping ground) adamantly opposed to capping the exemption, it appears unlikely Bush would sign off on a bill that included a cap.

And while the homestead cap is the only bankruptcy-related issue in the proposed bills that the Bush administration opposes, it's not the only measure facing a partisan battle.

A provision introduced by Sen. Charles Schumer (D-NY) proposed that those who declare Chapter 11 as a result of being issued fines for protesting outside abortion clinics should not receive bankruptcy protections (LCT, August, 2001). The Senate later expanded Schumer's provision to include participants in illegal protest actions of any kind. The House bankruptcy bill contains no such provisions. It is unlikely Schumer's provisions will be approved by the conference committee.

"This bill would have to be passed this year or next year," said Lungren, the committee spokesman. "If not, the whole process would have to begin again when the new Congress comes in."

Tech Bytes

SALLIE MAE E-SIGNS FIVE SCHOOLS

Sallie Mae has signed up five post-secondary institutions to use its Net.Pay Electronic Payment Gateway, pushing the total number of schools using Net.Pay services to more than 80. The electronic payment product enables students, alumni and others to make secure internet payments using a credit card, debit card or Automated Clearing House (ACH) debit. Net.Pay provides a real-time interface between the institution's Web site and the gateway, and is available in combination with traditional paper and telephone billing services.

The University at Buffalo; ITT Educational Services, Inc.; the University of Colorado, Boulder; Mary Baldwin College; and Southeast Missouri University are the recent signees.

FANNIE MAE TAPS PROACSYS

Fannie Mae recently selected **Proacsys**' Metasystem technology to provide its multifamily lenders with an electronic means to deliver credit and collateral documents. Fannie Mae will use the Proacsys Metasystem(SM) to reduce the large set of paper documents multifamily lenders must deliver for each loan Fannie Mae purchases. Lenders will be able to deliver the required documents in their original electronic form (as Microsoft Word or Excel files, for example) using an internet site developed and hosted by Proacsys.

ALLTEL BUYS PMG SYSTEMS

Little Rock, Ark.-based **Alltel Information Services** recently acquired the assets and technology of **PMG Systems**. Located in Philadelphia, PMG's technology enables banks to analyze the cost to service accounts in order to expand relationships with customers. Alltel said it will integrate PMG's products with its customer relationship management offerings for mortgage and retail banking. Alltel said it also plans to retain all 39 PMG employees.

BNY ASSET GOES LIVE WITH NEW LOAN PLATFORM

The Bank of New York's asset servicing subsidiary, **BNY Asset Solutions LLC**, went live this month with **SS&C Technologies**' LMS 2000 loan servicing technology platform. BNY gave SS&C the nod earlier this year for LMS 2000 to create additional capacity and facilitate the performance of commercial real estate servicing tasks, including investor reporting and Schedule B reporting.

The system will also offer simple interest loan processing capabilities, a platform for BNY Asset Solutions to pursue additional outsourcing opportunities with insurance company and bank loan portfolios, and vendor-supported Commercial Mortgage Servicing Association (CMSA) reporting.

RISK TECH WHIZ TO HEAD NEW DEBT VENTURE

Palomar Enterprises recently tapped Arnold Wenzloff as president and CEO for its new debt management venture: **Regency Horizon Corp.** The new entity is focused on acquiring and collecting on non-performing debt. A transaction-processing expert, Wenzloff previously built several risk management groups and consolidated re-engineered authorization, security, and recovery departments for **VISANET**, where he built the foundation for VISANET, a partnership of three Brazilian Acquiring Banks and Visa. He also coordinated the selection of EDS, Brazil, as the external payment card processor and TRANSPEV as the draft capture processor serving VISANET and the Brazilian $8.8 billion Acquiring Payment System.

ACXIOM INKS DEAL WITH eFUNDS SUBSIDIARY

Under a deal recently signed with **eFunds Corp.** subsidiary **Chex Systems**, Acxiom will make eFunds' DebitBureau data available to its credit grantor customers. The data provided by eFunds will be used for offline loan processing, pre-screening, and account support.

STERLING DEBUTS NEW DEALER MANAGEMENT SOFWTARE

Sterling Technologies has released SterlingWare, an internet-accessed software package designed to help independent used-car dealerships better track inventory and manage customers' profiles and credit reports. The software identifies five key information areas: Inventory, Customers, Deals, Accounts Receivable/Collector and Rental to Own- and integrated them into one system.

ABI UNVEIL'S NEW WEB PAGE WITH *THE DAILY DEAL*

The American Bankruptcy Institute (ABI) and *The Daily Deal* have linked up to create "Bankruptcy Thursday" a new section on ABI's web site, updated weekly.

Q&A

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lors, which is what we do, have a lower overhead. But our overhead is in developing and implementing the technology.

LCT: Where can agencies without large tech budgets start improving their efficiency?

JW: From an everyday perspective, they can fax out all info. rather than mailing it. They can also do something as simple as buy a scanner, and scan all documents in for easy desktop access. You can't force a creditor to give you more money, so if can't increase revenue, you need to cut expenses, and technology can do that.

Wall Street Watch

PERFORMANCE OF PUBLICLY-TRADED COLLECTION-RELATED TECHNOLOGY COMPANIES

Company	Ticker Symbol	Price12/3	Price11/9	1-Mo.%Ch.	P/E	52-Wk Hi	52-Wk Lo	Shrs.Out*	Mkt.Cap*	Avg Vol
American Mgmt. Systems	AMSY	15.390	14.040	9.6	22.7	25.040	10.250	41,686	641,548	199,181
Alltel Corp.	AT	64.980	60.730	7.0	18.9	68.687	49.430	310,412	20,170,572	704,363
Computer Associates	CA	33.000	28.210	17.0	n/a	39.030	18.125	575,987	19,007,571	2,577,954
CheckFree Corp.	CKFR	16.040	13.950	15.0	n/a	60.625	12.200	87,213	1,398,897	810,590
Computer Sciences	CSC	47.790	44.390	7.7	56.4	74.750	28.990	170,327	8,139,927	1,117,954
Davox Corp.	DAVX	8.960	9.150	-2.1	n/a	14.875	7.200	12,331	110,486	31,954
NCO Group	NCOG	17.150	16.100	6.5	15.6	35.500	11.000	25,811	442,659	295,909
Ocwen Financial Corp.	OCN	7.200	7.020	2.6	n/a	11.370	4.500	67,266	484,315	56,863

* In thousands

SPECIAL REPORT: EXECUTIVE COMPENSATION SURVEY

The following numbers were drawn from the annual reports of publicly traded collection-related technology companies tracked by LCT.

	Company	Name	Title	'00 Sal.($)	'00 Bonus ($)	'00 All Other	'00 Total($)	'99 Total($)	%Change
1	Alltel Corp.	Dennis Foster	VP	375,000	2,900,000	4,210,192	8,085,192*	5,835,772*	38.55
2	Computer Assoc.	Charles Wang	Chair	1,000,000	4,783,000	33,875	5,816,875**	4,635,948**	25.47
3	Computer Assoc.	Sanjay Kumar	Pres., CEO	900,000	3,156,000	33,875	4,089,875**	3,335,948**	22.60
4	Alltel Corp.	Joe Ford	Chair, CEO	825,000	1,237,500	118,520	2,959,770*	2,611,783*	13.32
5	Alltel Corp.	Kevin Beebe	Group Pres.	500,000	1,562,500	105,158	2,492,658*	2,839,349*	-12.21
6	Alltel Corp.	Scott Ford	Pres., COO	700,000	945,000	79,580	2,249,580*	1,827,199*	23.12
7	Amer. Mgmt. Sys.	Donna Morea	EVP	355,624	360,750	8,731	1,807,355*	N/A	N/A
8	Computer Assoc.	Russell Artzt	EVP-R&D	750,000	861,000	33,875	1,644,875**	1,505,948**	9.23
9	Alltel Corp.	Jeffrey Fox	Group Pres.	500,000	562,500	78,909	1,512,659*	1,258,967*	20.15
10	Computer Assoc.	Ira Zar	EVP, CFO	350,000	950,000	33,808	1,333,808	587,500	127.03
11	Alltel Corp.	Michael Flynn	Group Pres.	400,000	390,000	40,889	1,113,389*	1,051,950*	5.84
12	Comp.Sciences	Van Honeycutt	Pres., CEO	1,036,154	0	30,408	1,066,562	980,793	8.74
13	CheckFree Corp.	Peter Kight	Chair., CEO	420,000	551,850	33,000	1,004,850	400,000	151.21
14	Amer. Mgmt. Sys.	Paul Brands	CEO, Dir.	420,833	0	558,731	979,564	1,462,354*	-33.01
15	Comp. Sciences	Leon Level	VP,CFO	430,950	430,800	8,996	870,746	732,359	18.90

*Includes Long Term Incentive Plan (LTIP) payouts.

**Not Including Restricted Stock Awards.

Data Points

COLLECTION COMPANIES IN DALLAS

Company	BBB Member	Rating	Complaints Filed
A T S Security System	No	N/A	No
ACSIMC	No	Unsatisfactory	Yes
Allied Collection Service, Inc.	Yes	Satisfactory	Yes
Allied Surety	No	N/A	No
Assets Claims Recovery & Liability	Yes	Satisfactory	No
Associated Administrators Group, Inc.	No	N/A	Yes
Blakely - Witt & Associates	No	Unsatisfactory	Yes
CPS Systems, Inc.	No	N/A	No
CST Company	Yes	Satisfactory	No
Cameron C Emergency	No	N/A	No
Central Financial Control	No	N/A	Yes
Commercial Collection Consultants	Yes	Satisfactory	No
Commercial Recovery Systems	No	Satisfactory	Yes
Credit Collections, Inc.	No	N/A	No
Credit ManagementServices	Yes	Satisfactory	Yes
Credit Protection Association	No	N/A	Yes
CSANT	No	Satisfactory	Yes
Data Line Credit	No	N/A	No
Data Corporation	No	N/A	No
Diversified Financial	No	N/A	No
Diversified International	No	N/A	Yes
Estate Claims Service	No	N/A	No
First Collect Inc.	No	N/A	No
First Defense Security	No	N/A	No
Frost - Arnett Company	No	Unsatisfactory	Yes
Honor Creditors Agency, Inc.	Yes	Satisfactory	Yes
Loan Express	No	N/A	No
Myers, Myers & McIntyre	No	Unsatisfactory	Yes
N C O Financial Systems, Inc.	No	Unsatisfactory	Yes
National Bureau of Credit	No	N/A	No
Nationwide Collection	No	N/A	Yes
Nationwide Credit	No	N/A	No
Nationwide Recovery Systems	No	N/A	Yes
PETRACOM	No	N/A	No
Prime Financial	No	Unsatisfactory	Yes
Prime Systems, Inc.	No	Unsatisfactory	Yes
Procollect, Inc.	No	Unsatisfactory	Yes
Provider One Services	No	Unsatisfactory	Yes
Region Adjustment Bureau	No	N/A	No
Regional Collection Service	No	N/A	No
Regional Collections	No	N/A	No
S W Collections	No	N/A	No
Skip Chase International	No	N/A	sYes
Swift Recovery	No	Unsatisfactory	Yes
T S I	No	N/A	No
Texas CreditServices	No	Unsatisfactory	Yes
Wells & Associates	No	Unsatisfactory	Yes
Wixon & Partners LLC CS	No	N/A	No
World Recovery Systems, Inc.	No	N/A	No