

ACA RELEASES LANDMARK STUDY ON DEBT COLLECTION INDUSTRY'S ECONOMIC VALUE

ACA International released a new study on June 28, 2006, that demonstrates, for the first time, the value of the third-party collection industry to the U.S. economy. The landmark study reveals that the industry returned \$39 billion in 2005 to businesses that extend consumers credit.

This debt collection activity has kept prices lower, saving the average American household \$351. The report, titled "Value of Third-Party Debt Collection to the U.S. Economy: Survey and Analysis," was authored by global advisory firm PricewaterhouseCoopers and based on a national survey of third-party debt collection firms.

The study reveals a growing, positive impact of employment in the third-party debt collection industry, which has more than doubled in the past 15 years—from fewer than 70,000 employees in 1990 to nearly 150,000 in 2005. The direct and indirect economic impact models used in the study estimate that the industry, including business purchases and personal purchases by its owners and workers, supported a total 426,700 American jobs with payroll totaling \$15 billion in 2005.

Essential to Consumers

Included in the price of all goods and services is the cost of business losses arising from bad debt. Consumers benefit from the work of debt collectors through real reductions in prices and greater purchasing power. The study reports that the amount of debt returned by collection agencies in 2005 saved the average American household \$351. This amount represents dollars households would have spent if businesses were forced to raise prices to cover bad debt.

"The annual savings is the average household equivalent of 19 bags of groceries, 155 gallons of gas or more than four months of electric bills," ACA Chief Executive Officer Gary Rippentrop said. "We would all pay higher prices to cover the unpaid bills of others if they were not collected."

Essential to Business

Businesses of every kind and size benefit from third-party debt collection because such services help them keep costs down and reduce their risk of loss. Businesses charged off an estimated \$141 billion in bad debt in 2005. The industry successfully returned \$39.3 billion to American businesses last year, representing a 22 percent reduction in private sector bad debt.

"The amount returned to the U.S. economy was equal to three percent of all U.S. corporate pre-tax profits," Rippentrop said. "Many companies might even end up in the red or in bankruptcy without the assistance of debt collection services."

Essential to Creditors

The \$39 billion returned by third-party collectors in 2005 represented 62 percent of total "new loans"—the net change in consumer credit outstanding during the period. Furthermore, the returns accounted for 11.4 percent of domestic financial corporations' pre-tax profits.

Essential to Government

An increasing number of third-party collectors are working with federal agencies and state and local governments. In 2005, the federal government referred \$13.7 billion in delinquent receivables to private collection agencies, resulting in collections of \$693.5 million—up from \$351.3 million in 2000. For example, the \$603.1 million private collectors returned to the U.S. Department of Education in 2005 represented the average student loan aid received by 122,681 college students during the 2004/05 academic year.

A Highly Professional Industry

While the value of the collection industry to the economy is clear, most Americans hope they are never contacted by a debt collector. However, there is no such thing as an unpaid bill. Personal finance can be a very emotional, stressful subject. But contrary to outdated myths, debt collectors have a surprisingly positive record of helping the people they contact. Today's credit and collection professionals are often the first to engage a consumer in a problem-solving dialogue about their financial challenges.

Stringent consumer protection laws demand collectors use cooperative resolution rather than intimidation as they act on their clients' behalf. ACA supported the Fair Debt Collection Practices Act, which became law in 1977, and continues to support the efforts of state and federal regulators to ensure consumers' rights and collectors' responsibilities are balanced.

To view the complete study, visit <http://www.acainternational.org>. [cm](#)

August 2006 Collector Magazine, ACA International