ACA INTERNATIONAL
The Association of Credit and Collection Professionals

Separating Fact from Fiction

Overview:
Businesses that sell goods and services on credit must handle accounts receivable. Inevitably, those businesses granting credit must decide what to do with past-due accounts. While third-party debt collectors provide valuable services by collecting delinquent accounts, thus lowering costs that would otherwise be passed on to consumers, professional debt collection businesses are often misunderstood.

ACA International presents the following information to refute the myths about the collection industry and illustrate what the business is really about.

Myth: Collectors continually hassle people who cannot pay.

Fact: One of the first lessons a collector learns is that harassment of a consumer is both ineffective and illegal under the Fair Debt Collection Practices Act (FDCPA). Instead, collectors are trained to listen to what consumers say and determine if they actually have the resources to pay the past-due bill.

Myth: All collectors are the same.

Fact: There are differences between "in-house" collectors and "third-party" collection professionals. In house collectors are often credit grantors, while third-party collectors are licensed agencies. Also, the FDCPA, a federal law regulating collections, applies directly to all "third-party" collectors, but only under certain circumstances does it apply to "in-house" collectors.

Myth: Tough, threatening collectors are the most effective.

Fact: The most effective collectors are well trained, sophisticated professionals who (1) understand what motivates a variety of people, (2) can determine quickly what will motivate a particular person and (3) are able to communicate well with others. The best collectors work with people to get their accounts paid.

Myth: A collector will come to your door.

Fact: The media has perpetuated the image of the collector knocking at the door for years. From Marx Brothers movies in the 1930s and depression-era cartoons to television and newspaper stories, collectors are shown knocking at the consumer's door. In reality, collectors rarely go to anyone's home or business to collect. It simply isn't efficient. Using telephones and modern technology, today's collector can make hundreds of contacts a day—many more than by going door-to-door.

Myth: Collectors force people into bankruptcy.

Fact: In reality, it would not make sense for a collector to encourage a consumer to file for bankruptcy. When people file for bankruptcy, their financial obligations to their creditors are usually wiped clean—and the credit grantor and collector receive very little or nothing.

Collectors understand that people in financial trouble often need guidance in settling their accounts without expensive litigation, and often need the flexibility of alternative payment arrangements to work out their financial trouble. A collector's business is to collect, but in practice, collecting often includes counseling.

Myth: Consumer conflict is the main interest of all collectors.

Fact: Media coverage of the collection industry often pits collectors against consumers. In reality, collectors are usually the first people to engage consumers in a problem-solving dialogue about their unpaid bills. Collectors receive many letters of thanks from people they have helped. Furthermore, the efforts of collectors keep the prices of goods and services from rising. Remember, there is no such thing as an unpaid bill. Through higher prices, consumers who do pay their bills end up paying for those who don't.

Myth: Economic doom means collection business boom.

Fact: Although more accounts are placed with professional collectors during a recession, those accounts are also less collectible. When people are unemployed and business is struggling, bills do not get paid. Furthermore, a prolonged recession with decreased buying power eventually translates into a contraction of accounts sent for collection. The bottom line: Collectors, like anyone else, prefer a healthy economy.

Myth: Debt collectors are a special breed of people.

Fact: Collectors come from all backgrounds with different experiences. Collectors often develop new traits and skills: quick-thinking, goal-oriented, problem-solving and effective communication. Tact, persistence and an understanding of people's motivations are traits of a good collector.

Myth: Collectors deal mainly with the destitute and the downtrodden.

Fact: Collectors learn quickly that debtors come from all walks of life. In fact, many people with debt are people like you and me who happened to be unable to pay bills for a time for one reason or another. Although collectors know that they must treat each person as an individual and understand each person's specific situation, they do recognize certain categories of people who experience financial difficulties:

- Those who don't understand the advantages of paying their bills.
- People who have had a change in their lifestyle due to death, illness, job loss or some other unforeseen and unplanned circumstance.
- Those who simply do not understand the complexities of buying on credit.
- People who promised to pay through credit agreements, broke their promises and are looking for ways to avoid payment.
- Credit criminals engaging in fraud.

ACA has compiled this information from a variety of industry sources in response to frequent questions regarding the credit and collection industry. All sources are cited and every effort has been made to assure that the information is correct. For more information, contact ACA's Public Relations Specialist at (952)-928-8000, ext. 714 or pr@acainternational.org.