

U.S. INDEBTED TO THIRD-PARTY DEBT COLLECTORS

Research shows the U.S. economy depends on \$44.9 billion returned to creditors by third party debt collectors. This provides an average savings of \$389 per American household. Debt collectors provide a degree of security to lenders by assisting consumers with payment plans enabling credit granting to low-income consumers. Debt collectors play a critical yet often unsung role in a healthy U.S. economy. Consumers, creditors, and the economy as a whole benefit from the existence of the professional debt collection industry, according to the newest white paper from ACA International.

The white paper "The Role of Third-Party Debt Collection in the U.S.

Economy" explores the industry's role in the U.S. economy. Third-party debt collectors work in tandem with creditors and consumers to ensure much-needed credit is widely accessible.

Debt collectors can help consumers with practical payment resolution plans. "There is often the opportunity to negotiate the total outstanding balance, pay a discounted price on the initial balance, or develop a payment plan with the debt collector as a mediator," the white paper states.

The debt collection profession supports consumers by sustaining an environment where lenders can make credit available and affordable to more people. Lenders decide to make credit available

based on a risk calculation factoring in a consumer's ability to repay. If creditors decide a consumer is "high risk," they may charge prohibitively high interest rates or deny that person credit altogether. Working with third-party debt collectors, "provides a degree of security for lenders and a mechanism for them to mitigate losses," according to the white paper.

"The credit-based economy as we know it could not exist without third-party debt collectors," said ACA International CEO Pat Morris. "Debt collectors act as a crucial bridge between creditors and consumers, helping consumers take control of their finances and helping ensure that creditors can provide more credit to the people who need it." ☺

Avoiding Mistakes with Insurance And Bonds *Continued from page 17*

additional bonding becomes a challenge. Collection agencies should proactively consider their bonds when making business decisions that may impact their financial position."

There are alternatives to bonds but they should be closely examined and carefully considered as they may not function the same way and leave an agency vulnerable at an inopportune time.

"Placing an Irrevocable Letter of Credit (ILOC) in lieu of a bond should be considered an absolute last ditch option," said Blackburn. "There are many surety companies out there, standard market and non-standard market, that are able to write bonds, even if your company is going through a hard time financially. Paying a higher premium rate for bonds is still much better than having your company's capital tied up in an ILOC. The liability tied up in a bond does not necessarily end with the cancellation of a bond, which means that if you have an ILOC, your capital could still be held for years by the surety company after the bond has been cancelled."

Adequate preparation to be insured and bonded can make the process easier and less costly. However, ensuring compliance on the front end will not only

decrease the amount of trouble in the whole process but help an agency elimi-

nate the concern of a dreaded notice of non-renewal. ☺

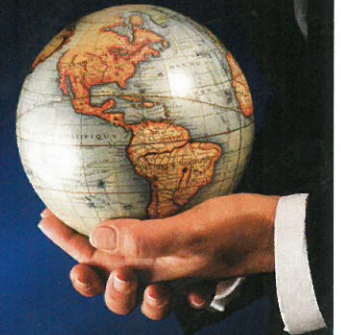
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