

Are debtors overprotected?

Bad times hurting debt collection businesses

By JACKIE KLEIN

The economy is suffering an advanced case of the blues, buyers are suffering the shorts and collection agencies are feeling the pain.

"Our business increased 15 per cent in 1974 over 1973," said Ilye Holland, a Southfield resident who heads Credit Control Inc. in Detroit. "But the rub is that we collected 18 per cent less money."

Holland, who is second vice president of the American Collectors Association, said \$8 million in delinquent accounts were turned over to his company in 1974.

"We're getting more volume, but not only are we collecting less, our

debtors are making smaller monthly payments. Sometimes it's tough to get even \$10 a month."

Holland said he's getting more and more calls from debtors who have been laid off and can't make their payments.

"WE ASK the debtor when he expects to go back to work and to contact us again in 30 days," he said.

According to a national survey, Holland said, as of December, \$187 billion in credit was extended to consumers in the United States.

"A year ago, the average collection was 32 per cent of every 100 accounts. Now that figure is down to 25 per cent."

Thirty years ago in the collection business, the highest contingent fee for collecting accounts was 50 per cent. That hasn't changed in 30 years. "And to top it off, expenses are going up for payroll, phone, postage, skip tracing, taxes and you name it," Holland, whose operation is 70 per cent national and 30 per cent local, has 20 employees. Like many other businessmen, he maintains it's tough keeping one's head above water in an uncertain, stumbling economy.

ABOUT 60 per cent of payment delinquents turned over to collection agencies are "skippers" who have blown town without bothering to leave a forwarding address, he said.

But 97 per cent of the people want to pay their bills. Maybe they got into trouble mismanaging their funds or over-extending themselves or maybe they got sick or laid off.

The image of the unscrupulous, stone-hearted monster bill collector who makes threatening phone calls day and night, pounds on doors and unmercifully harasses debtors doesn't apply to most agency personnel, Holland contended.

"We act as mediators between the credit grantor and the debtor public. We never threaten, coerce or intimidate."

"We can't collect from persons on welfare or ADC or from the handicapped, and we can't garnish or sue. If he can't collect, he returns the account to the credit grantor, who usually hires an attorney."

legal aid societies, the prosecuting attorney, the attorney general and the consumers' council.

But with all the bureaucracies and government agencies, where does the credit grantor or collection agent go? It's a double standard.

SOME LAWS restrict collection agencies, and debtors pay through the nose when the credit grantor takes the easy way out and turns the delinquent account over to an attorney.

"We don't collect interest or fees and sometimes we even lose money on an account. But we do it for our clients."

What buyers fail to realize, said Holland, is that they're paying more for merchandise because some people fail to pay their bills. Business can charge of losses and pay lower taxes.

But the average consumer bears the brunt.

Collection agencies serve a very real function by putting billions of dollars back into the economy, Holland said.

"This country is run on credit," he said. "People have things they never had before, especially when employment and the demand for merchandise are high."

In fact, 95 per cent of all business in the United States is done on credit.

economics classes on buying, budgeting and borrowing, and the American Collectors Association provides videotapes on credit and money management for students.

"A high school kid is taught how to drive a car but not how to budget his money to pay for it or how to shop for the best deal," Holland said.

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