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ONTARIO
SYSTEMS

ARM Quarterly Review: Staying Ahead of the Curve in 2016

February 4, 2016

Disclaimer

This information is not intended as legal or business advice and may not be used as such. Legal and business advice must be tailored to the specific circumstances of each case. Every effort has been made to assure this information is up-to-date as of the date of this presentation. It is not intended to be a full and exhaustive explanation of the law in any area, nor may you use the information to replace the advice of your own legal counsel.

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Meet the Speakers



Mike Ginsberg

President & CEO
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Rozanne Andersen

Chief Compliance Officer
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Randy Kamm

Principal
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Questions?



If you have any questions for our speakers, submit them at any time via the Questions box.

Today's Topics

1. Market Segment Trends
2. Regulatory Compliance Updates
3. Predictions

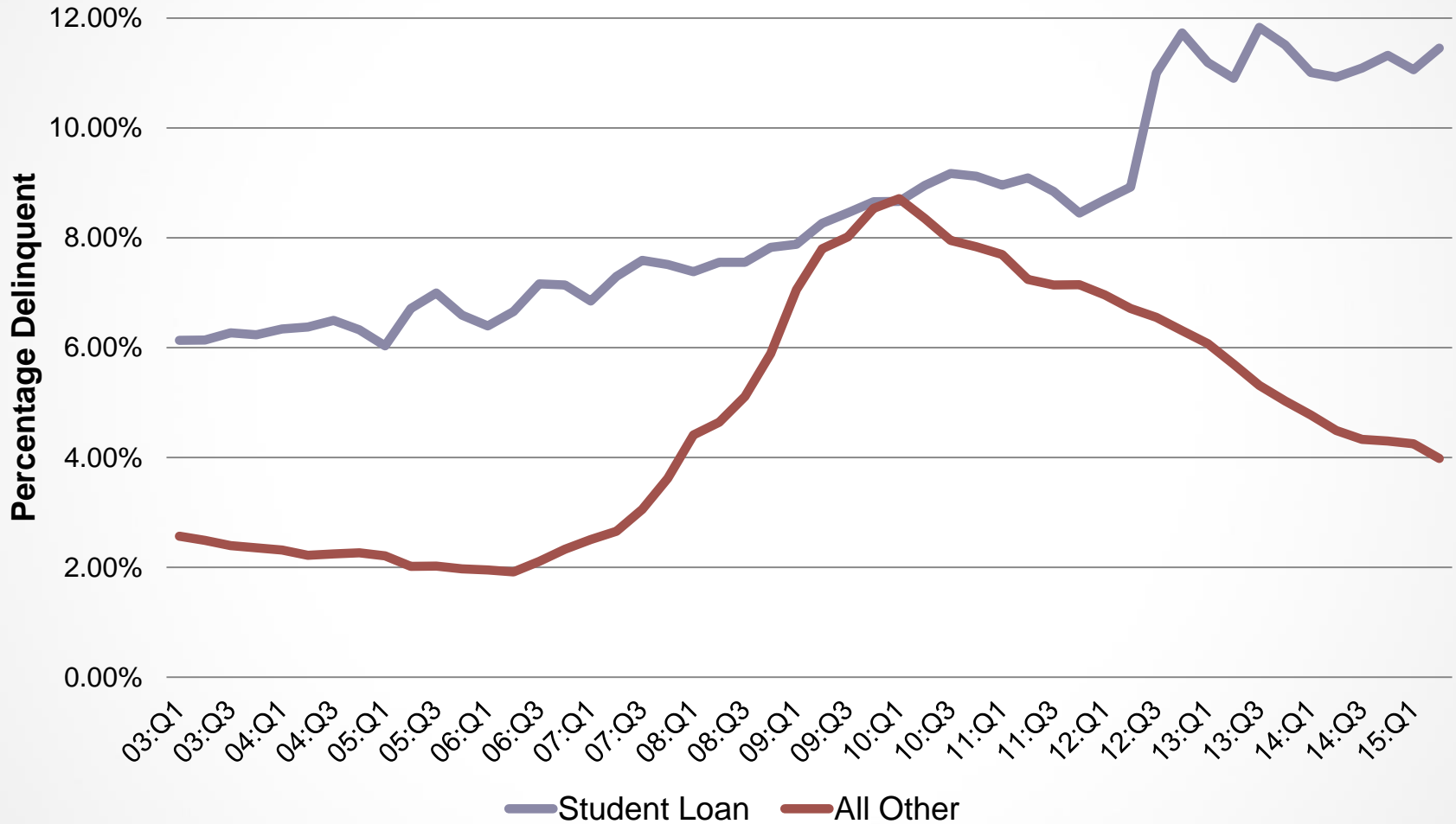
I. Market Segment Trends

Poll Question

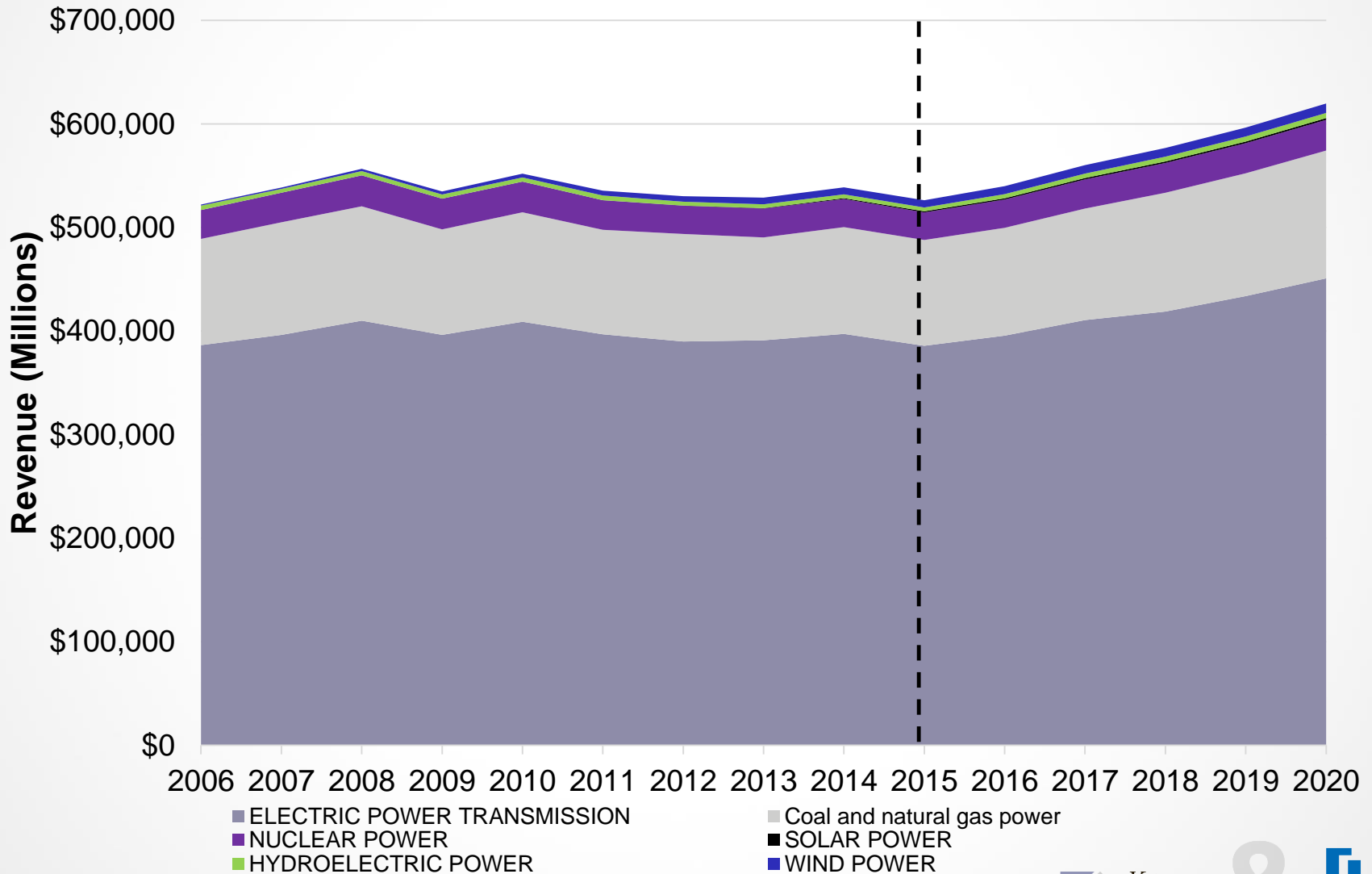
- Was 2015 a growth year for your business?
 - Yes or No

Student Loans

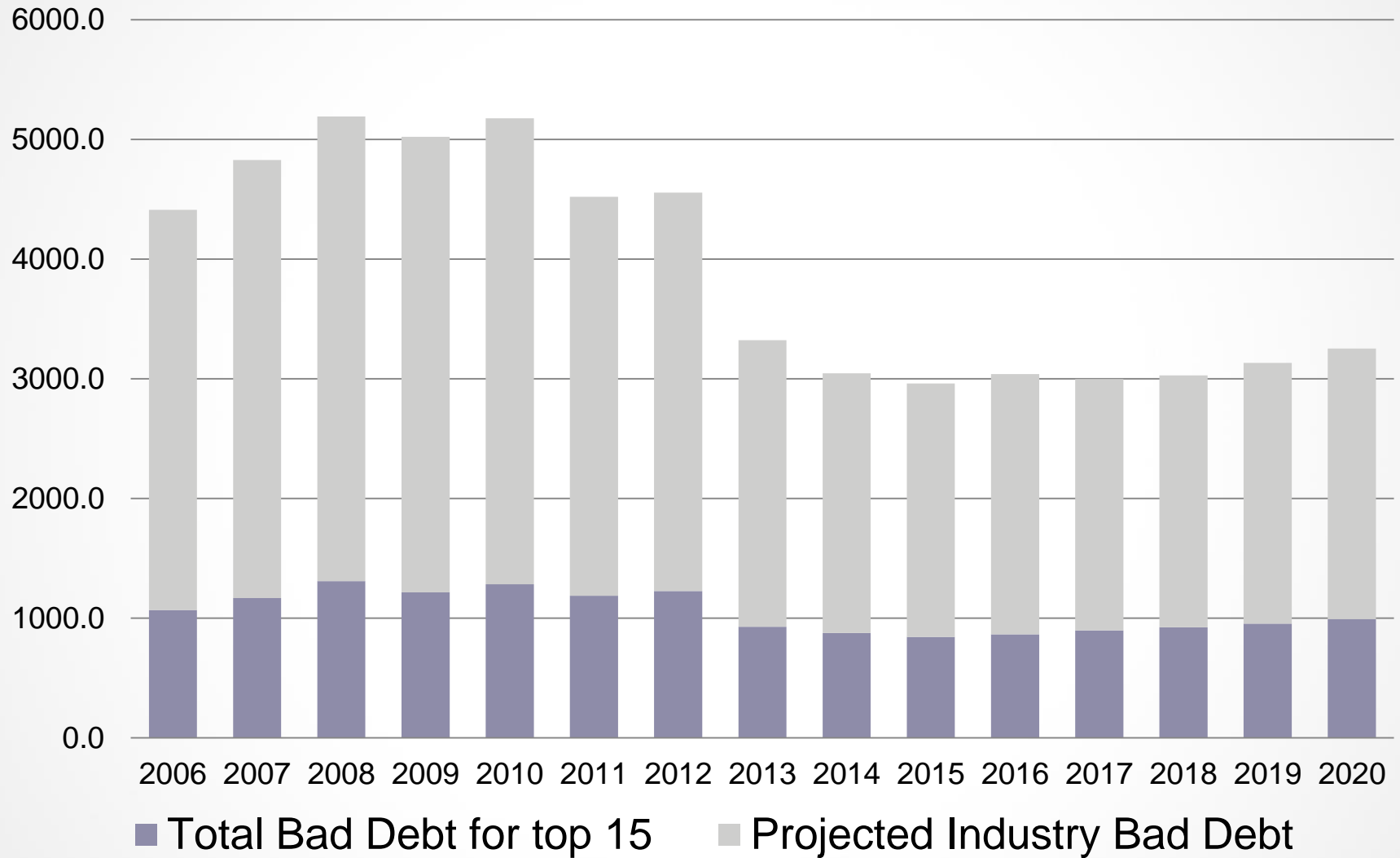
90+ Day Delinquency Rate



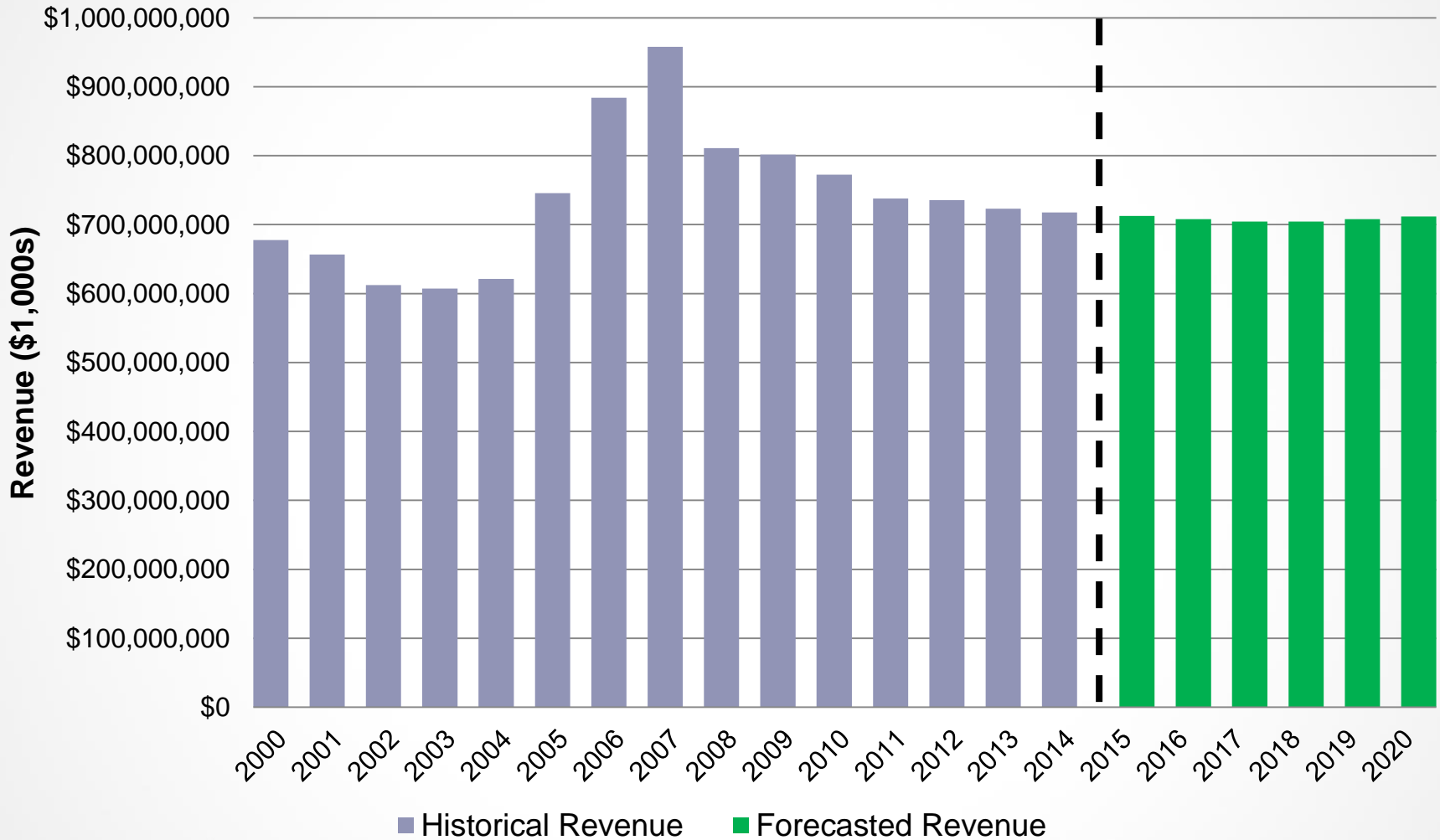
History and Projected Future Revenue of the Utilities Industry



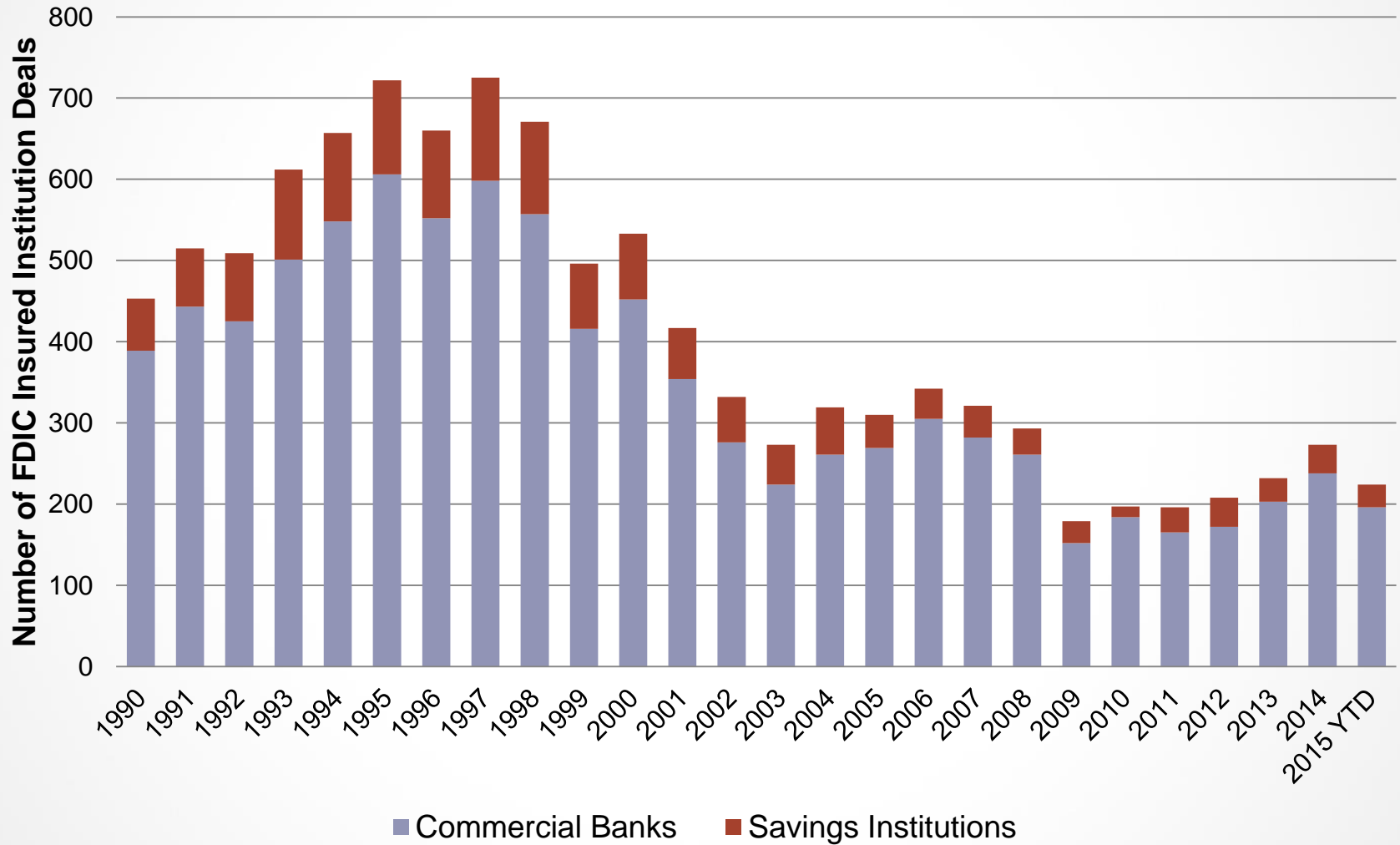
Utilities Industry Bad Debt (\$Millions)



Financial Services: Revenue Projections



Financial Services Industry Deal Statistics



Source: FDIC Historical Data

Poll Question

- Does your company plan to bid on the IRS contract?
 - Yes or No

IRS: Third Time's a Charm?

1996 & 1997	2006-2009 (32 months)	2016
Debt Collection Improvement Act of 1986	American Jobs Act of 2004	FAST Act of 2015
PCAs supplement IRS efforts	May use PCAs	Shall use qualified PCAs & debt collection centers
\$128 billion tax gap (est. 1992) Demonstration Pilot Program	\$345 billion tax gap \$1.3 billion over 10 years	\$380 billion tax gap \$2.5 billion over 10 years
4 PCAs	10 large & 2 small PCAs (projected) 3 PCAs (actual)	
Limited case selection criteria	Undisputed, low-hanging balance accounts (\$6000/avg.)	Inactive accounts with no interaction within 365 days & accounts near SOL
Poor benchmarking	200,000 accounts placed \$1.5 billion placed \$82.5 million recovered = 5.5% Account resolution rate = 27%	Annual Report to Congress <ul style="list-style-type: none"> • \$ & # assigned & collected • Independent PCA evaluation • Best practices
Commissions paid from federal appropriations	Average fee 16% paid from actual recoveries	PCAs paid not in excess of 25% & 25% to IRS for tax compliance
Canceled in 1997: lack of oversight, FDCPA violations, lost money	Placements restrained Pilot, not full implementation Ended before breakeven point	Enter into contracts within 90 days of enactment date (March 2016)

Three Takeaways from the 2006 Pilot Program

1. Absolute compliance
2. Superior quality scores by PCAs
3. Demagogued to death

Private Debt Collection Criticisms

- Inherently governmental function
- IRS employees collect for less
- PCAs abuse, harass and ignore taxpayer rights
- PCAs are paid a “bounty”
- IRS protects taxpayer information better than PCAs
- IRS employees will lose their jobs
- IRS “imposter” phone scams: \$24 million taken in the past 2 years

What Does the Future of the IRS Look Like?

- FAST Act directs IRS to enter into contracts within 90 days of enactment (i.e. March 2016)
- How do we ensure the program moves forward (and thrives) this time?
- An opportunity if ARM shows responsibility and accountability



Owner Resource Group Acquires GC Services

OWNER

RESOURCE

GROUP



Questions?



II. Regulatory Compliance Updates

CFPB Update

- Focus on enforcement:
 - A 75% success rate in court cases
- Mission creep:
 - “Industry structure is always changing, and therefore, so too will the number of institutions that fall under the CFPB’s supervisory highlight.”
- Collection practices rulemaking
- Impact of Obama’s last presidential term
 - Experienced aides and officials move on to private-sector jobs
- CFPB Director Richard Cordray’s tenure doesn’t expire until Summer 2018
- Expansion of “debt collector” definition warning released by the FTC
- Auto finance industry fighting to protect its carve out
- Student loan industry remains under the CFPB’s watchful eye



Poll Question

- Did you know the CFPB recently hired a person solely to oversee first-party collection rules, activities and agencies?
 - Yes or No

Guidance Bulletin: Preauthorized Recurring Electronic Payment Transactions

- Purpose and impact
 - Guidance = informal rulemaking
- Additional guidance based on current law
- CFPB clarifies path to use the following to meet authorization and signature requirements:
 - Audio voice recordings
 - IVR
 - Website
 - Email
- You can read the full bulletin online [here](#)

Poll Question

- The CFPB has approved the use of an audio recording to document authorizations and electronic signatures for ETFs.
 - True or False

State Law Trends

- State legislative and regulatory highlights
- Collaboration between states and the FTC increases
- State regulators will participate in CFPB examinations with increasing frequency



Structure and Organization Stress Test: A Self-Examination – Rate Yourself

- Board of Directors drives our organization's commitment to compliance and its program to comply with consumer financial protection laws
- Annual audit of our compliance management system is free of bias
 - i.e. the fox is not watching our hen house
- Compliance resources, human and financial, are adequate for the size and complexity of our organization
- Complaints and lawsuits continue to decline
- Compliance management system drives continuous improvement over time – supported by documentation

III. Predictions

What's Next?

- Increased CFPB activity in supervision, enforcement and examination
- The TCPA and its brother EFTA will take the lead as drivers of consumer-initiated litigation
- Technology will emerge as the compliance solution
- Debt-buying portfolios will continue to be difficult to acquire and service because of compliance requirements
- Regardless of who wins the upcoming presidential election, the CFPB will remain on its current course



What's Next?

- Rapid consolidation among small and mid-sized collection agencies will occur
- Larger Market Participants will grow even larger while smaller market participants will continue to lose ground and perhaps disappear
- National Consumer Assistance Plan (credit reporting) will kick into gear
- The hiring pool will shift – attributes of the account rep will include a four-year degree and social work will be an A+
- Discrimination testing and diversity hiring will introduce themselves into the collection industry
- Trade associations may no longer be “the place to be”





Putting It All Together

Do you have any additional questions?

Thank You!

For additional information or consultation, please contact:

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