CAS INSIGHTS
EXPERTS IN OUTSOURCED BUSINESS SERVICES

FIRST QUARTER 2016

CAS
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CAS INSIGHTS

The Outsourced Business Services (OBS) sector continues to perform well and gain interest from financial and strategic buyers, despite the uncertainty unfolding in the rest of the economy due to the upcoming presidential election, erratic performance in the public markets, and increasing regulatory pressure. While we do not foresee these influences changing in the near term, the OBS sector has been more resilient than others despite these factors primarily due to the growing need that business services companies are satisfying for commercial and government clients.

This newsletter offers the mergers and acquisitions trends and statistics of announced transactions for the three OBS markets that CAS specializes in: Accounts Receivable Management (ARM), Revenue Cycle Management (RCM) and Customer Relationship Management (CRM). In addition to our regular report on trends and statistics, this edition of CAS Insights includes a Q&A with long-time ARM industry veteran Phil Rosenthal, an article on collecting educational debt by Assistant Vice President and Bursar at Temple University, David Glezerman and a new feature on ARM Regulation by CAS team member Elaine Rowley.

VISIT CAS WEBSITE

We at CAS are excited about the growth opportunities available for well-managed, strong performing OBS companies, particularly in the B2B, healthcare, commercial and government markets. We recently closed a landmark transaction in the commercial ARM industry. We served as the exclusive M&A advisor to Altus Global Trade Solutions ("Altus"); Altus was acquired by NewSpring Capital, Evergreen Industries, and Spring Capital Partners. The Altus transaction signaled a return of private equity into the commercial ARM market. The transaction marked the first time since the financial crisis that private equity has invested into a commercial ARM firm.

We hope you enjoy reading our newsletter, and look forward to receiving any feedback and confidentially discussing your business needs.

Sincerely,

Mark Russell

Managing Partner

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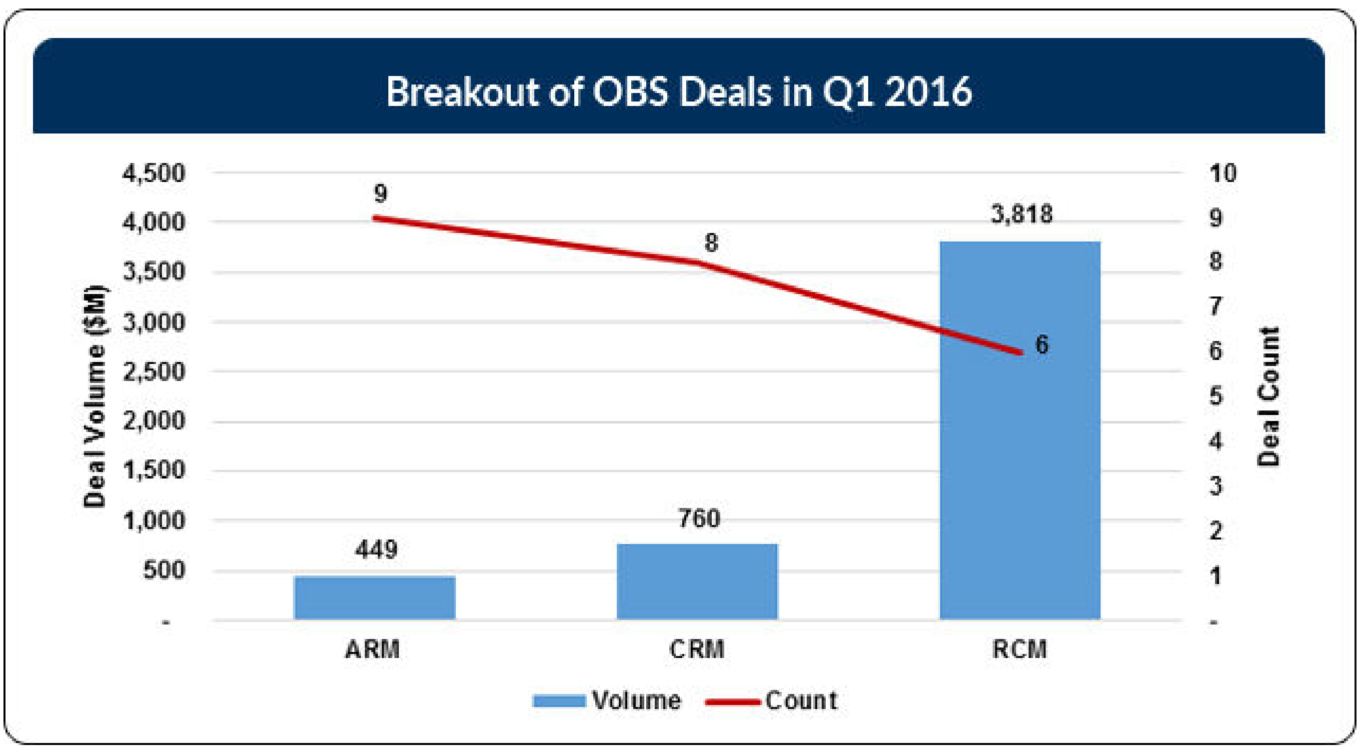

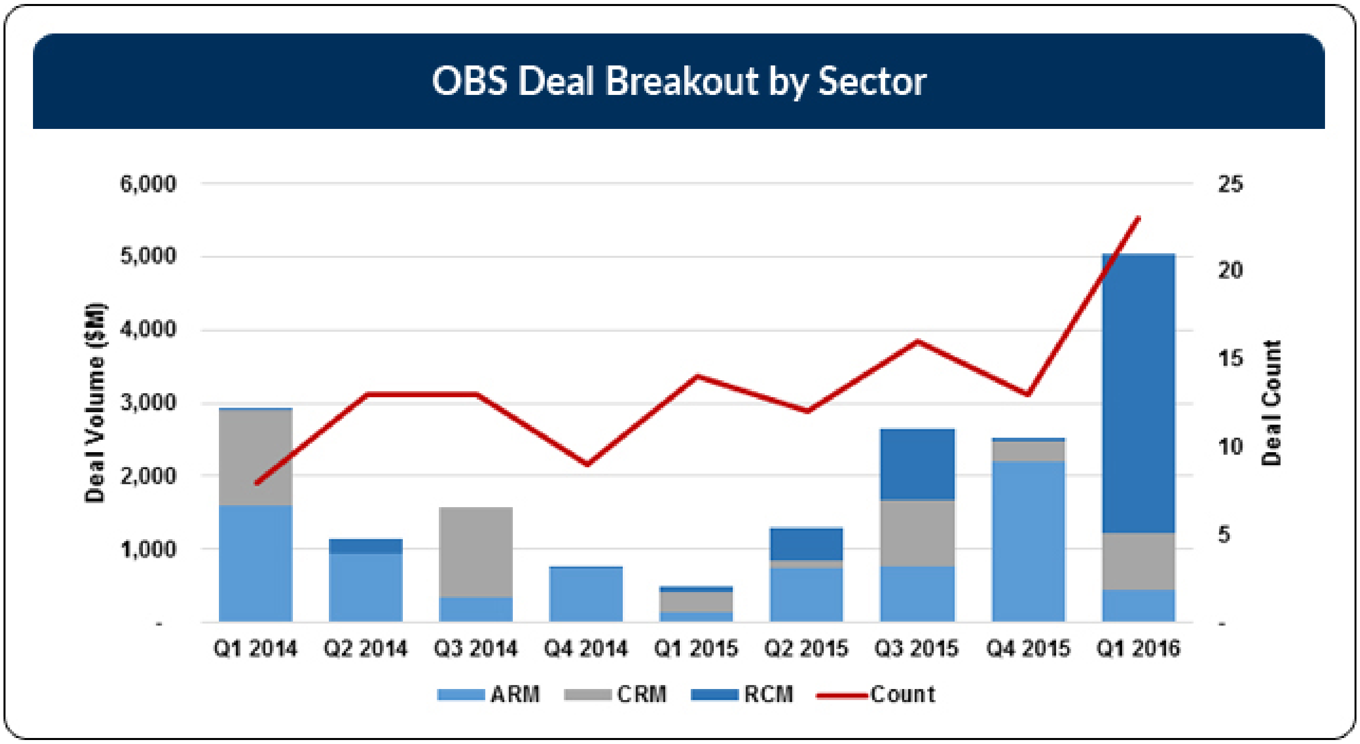

Through March 31st, deal volume in OBS totaled $5.03 billion dollars and comprised of 23 announced deals. Despite the slowdown in the overall M&A market, the OBS sector remained increasingly strong. Deal volume in the first quarter increased roughly 64% year over year; the deal volume in the first quarter of 2016 surpassed over 70% of the aggregate deal volume for 2015. Information for the OBS deals was obtained from public filings, press releases, confidential discussions with individuals in the OBS sector, and proprietary deal activity.

ACCOUNTS RECEIVABLE MANAGEMENT (ARM)

Overview:

The ARM sector experienced a solid quarter with nine completed deals comprising of roughly $449M in enterprise value. While we continued to see consolidation within the ARM sector, Q1 also reflected a trend of corporate divestitures in the space, most notably by Natixis and Encore Capital Management (NASDAQ: ECPG). Altus, a commercial ARM subsidiary of Natixis, was acquired by NewSpring Capital, Evergreen Industries and Spring Capital Partners. Encore Capital Group (NASDAQ: ECPG) also divested its property tax lien business Propel Financial Services to Prophet Capital Asset Management.

The corporate divestiture trend has been primarily driven by a shift in focus from parent companies due to changing economic and business conditions, motivating them to divest non-core products and services. These non-core operations offer a unique and valuable opportunity for acquirers to enter the ARM industry with a sizeable platform and experienced management team in place that can grow both organically and via acquisitions.

We expect the consolidation trend to continue as large creditors continue to consolidate their vendor networks to larger ARM companies that can support their collection and compliance needs. Smaller ARM companies will continue to find it challenging to remain independent with the rising regulatory and compliance requirements, and increasing needs of their clients.

Public Comparables:

Analysis of Selected Publicly Traded Outsourced Business Services Companies (In Millions)

All data as of March 31, 2016

Company Name	Ticker	Price as of 3/31/16	Market Cap as of 3/31/16 (1)	TEV as of 3/31/16 (2)	LTM Revenue	LTM EBITDA	LTM Net Income	TEV/ Revenue	TEV/ EBITDA	TEV/ Net Income
Asta Funding, Inc.	ASFI	8.91	108.29	139.87	38.58	7.80	3.45	3.63	17.93	40.52
Collection House Limited (3)	CLH-AU	0.73	97.41	188.04	39.59	(27.19)	14.81	4.75	(6.92)	12.70
Credit Corp Group Limited (3)	CCP-AU	7.94	371.32	436.25	156.92	42.22	29.44	2.78	10.33	14.82
Encore Capital Group, Inc.	ECPG	25.74	650.91	3,759.80	1,161.03	175.52	45.14	3.24	21.42	83.30
Intrum Justitia AB (3)	IJ-SE	35.28	2,552.75	3,283.45	667.11	208.98	137.97	4.92	15.71	23.80
Performant Financial Corporation	PFMT	1.70	84.11	107.19	159.38	20.28	(1.80)	0.67	5.29	(59.72)
PRA Group Inc	PRAA	29.39	1,357.02	3,095.17	942.02	250.01	167.93	3.29	12.38	18.43
MEAN (ARM)			**745.97**	**1,572.83**	**452.09**	**96.80**	**56.71**	**3.32**	**10.88**	**19.12**
MEDIAN (ARM)			**371.32**	**436.25**	**159.38**	**42.22**	**29.44**	**3.29**	**12.38**	**18.43**

Notes:

(1) - Market Cap equates to total shares outstanding multiplied by the price per share.

(2) - Total enterprise value consists of market cap plus debt less cash.

(3) - Converted local currency to United States Dollars using the conversion rate at 3/31/16.

Source: FactSet Database

Within the publicly traded ARM sector, three transactions closed in the first quarter of 2016 and two transactions were pending at quarter end. PRA Group (NASDAQ: PRAA) strengthened their bankruptcy processing services through an acquisition of Recovery Management Systems Corporation. PRA Group also announced an offer to acquire DTP SA, an investment holding company in Poland, in an effort to expand operational capabilities within Europe. Credit Corp Group Limited's (ASX: CCP-AU) subsidiary Pioneer Credit Ltd. completed its expansion into the mortgage broking sector by acquiring Switchmyloan Pty Ltd in Australia. Alternatively, Encore Capital Group (NASDAQ: ECPG), in an effort to focus on its debt-buyer services business, divested its property tax lien business Propel Financial Services to Prophet Capital Asset Management. During the quarter, Asta Funding's (NASDAQ: ASFI) board of directors recommended shareholders to reject an offer from current shareholder Mangrove Partners to purchase an additional 25% of outstanding shares, which they believe significantly undervalues the company.

Below are some additional noteworthy transactions that took place in the ARM sector in Q1 2016:

- ✓ Andersen, Randall & Richards and The Bessenbacher Co. announced a merger to create BARR Credit Services, Inc. The combination of the two companies improves the scale of business operations and expands the range of credit and collection service offerings.
- ✓ Sigma Financial Group, was acquired by BPO firm Sanclare, the UK division of South African-based Digicall Group. The transaction will expand Sanclare's operations in the UK market and enhance their service offerings.

REVENUE CYCLE MANAGEMENT (RCM)

Overview:

The RCM sector experienced a record setting quarter with six deals comprising of roughly $3.8B in enterprise value. The volume was driven by mega-deals, such as MedAssets, which was completed in the first quarter. The RCM sector landscape continues to change as healthcare M&A activity continues to thrive with the implementation of ICD-10 and the Affordable Care Act. The continuing M&A activity among hospitals and health systems has an important effect on RCM companies. Larger hospitals are acquiring smaller regional health systems leading to a consolidation in revenue cycle departments and RCM vendors. Furthermore, the implementation of ICD-10 will require updated systems for healthcare providers. ICD-10 is recognized as one of the largest changes in U.S. healthcare in the last 25 years, and will bring new challenges to revenue cycle operations. Revenue cycle will be affected as providers must adhere to new guidelines for the purposes of billing and reimbursement. RCM companies have and will continue to evolve and grow with the changes in the U.S. healthcare system. We are continuing to see hospitals outsourcing their RCM efforts to adapt to the shift in more self-pay volume stemming from the Affordable Care Act. The 2016 HIMSS Cost Accounting Survey showed only 3% of providers believe their organization is prepared to make the pay-for-value transition. Struggling healthcare providers and hospitals will outsource RCM to increase their financial stability, while larger hospitals with greater resources will outsource portions of their RCM system. In the first quarter of 2016, hospitals and healthcare providers alike have continued to seek RCM expertise to ease their transition in the face of various changes impacting the industry.

Public Comparables:

Analysis of Selected Publicly Traded Outsourced Business Services Companies (In Millions)

All data as of March 31, 2016

Company Name	Ticker	Price as of 3/31/16	Market Cap as of 3/31/16 (1)	TEV as of 3/31/16 (2)	LTM Revenue	LTM EBITDA	LTM Net Income	TEV/ Revenue	TEV/ EBITDA	TEV/ Net Income
Accretive Health, Inc.	ACHI	2.55	274.67	170.15	117.24	(118.24)	(84.26)	1.45	(1.44)	(2.02)
Advisory Board Company	ABCO	32.25	1,340.71	1,821.81	768.35	130.98	(119.01)	2.37	13.91	(15.31)
HMS Holdings Corp.	HMSY	14.35	1,205.25	1,257.44	474.22	106.05	24.53	2.65	11.86	51.27
Allscripts Healthcare Solutions, Inc.	MDRX	13.21	2,500.76	3,020.65	1,386.39	199.95	(2.23)	2.18	15.11	(1356.99)
Cerner Corporation	CERN	52.96	18,004.21	18,096.18	4,425.27	1,347.36	539.36	4.09	13.43	33.55
Huron Consulting Group Inc.	HURN	58.19	1,310.80	1,564.36	769.02	156.60	61.90	2.03	9.99	25.27
Quality Systems, Inc.	QSII	15.24	927.90	818.64	492.95	70.41	32.72	1.66	11.63	25.02
MEAN (RCM)			**3,652.04**	**3,821.32**	**1,204.78**	**270.44**	**64.72**	**2.35**	**10.64**	**(177.03)**
MEDIAN (RCM)			**1,310.80**	**1,564.36**	**768.35**	**130.98**	**24.53**	**2.18**	**11.86**	**25.02**

Notes:

(1) - Market Cap equates to total shares outstanding multiplied by the price per share.

(2) - Total enterprise value consists of market cap plus debt less cash.

Source: FactSet Database

Within the publically traded RCM sector, three transactions closed and one was announced in the first quarter of 2016. The most notable deal this quarter was Pamplona Capital

Management's acquisition of MedAssets (NASDAQ: MDAS); this acquisition de-listed MedAssets from the NASDAQ. The transaction was approximately $2.75B and was completed in an attempt to combine MedAssets' RCM platform with Precyse, a Pamplona-owned health information management service platform, creating an end-to-end RCM product. Quality Systems, Inc. (NASDAQ: QSII) acquired HealthFusion to strengthen their cloud-based applications and position within the ambulatory care market. Huron Consulting Group, Inc. (NASDAQ: HURN) acquired MyRounding Solutions LLC, expanding its cultural transformation services. Allscripts Healthcare Solutions, Inc. (NASDAQ: MDRX) announced an agreement to acquire Netsmart Technologies, Inc., in an effort to expand and strengthen their service offerings.

Below are some additional noteworthy transactions that took place in the RCM sector in Q1 2016:

- ✓ ResMed, a tech-driven medical device company, acquired Brightree, a HME / DME billing and business management software solutions and RCM servicing firm.
- ✓ Riverside Partners, a Boston-based private equity firm, completed a majority investment in Bottom Line Systems, a provider of revenue cycle management technology and services.
- ✓ Syncordia Technologies, a tech-enabled RCM company, acquired Billing Solutions, LLC, a full-service third-party billing company.

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

Overview:

The CRM sector experienced a solid quarter with eight deals comprising of roughly $760M in enterprise value. We are continuing to see successful call center companies investing into technology improvements and increasing their omni-channel opportunities. We are seeing a multitude of transactions stemming from the omni-channel trend and its associated complexities. Firms in the CRM sector are seeking the true end-to-end communications solution, frequently through acquisitions, to help win new clients and take advantage of cross-selling opportunities. We are also seeing acquisitions as a vehicle to enter into new market verticals. We believe the consolidation trend in the CRM sector will continue as companies seek growth opportunities in uncertain global macro environments.

Public Comparables:

Analysis of Selected Publicly Traded Outsourced Business Services Companies (In Millions)

All data as of March 31, 2016

Company Name	Ticker	Price as of 3/31/16	Market Cap as of 3/31/16 (1)	TEV as of 3/31/16 (2)	LTM Revenue	LTM EBITDA	LTM Net Income	TEV/ Revenue	TEV/ EBITDA	TEV/ Net Income
Atento SA	ATTO	8.19	602.94	994.49	1,965.60	218.14	49.15	0.51	4.56	20.23
Convergys Corporation	CVG	27.77	2,688.14	2,874.94	2,950.60	406.60	168.40	0.97	7.07	17.07
Sykes Enterprises, Incorporated	SYKE	30.18	1,287.84	1,103.67	1,284.19	151.77	68.60	0.86	7.27	16.09
StarTek, Inc.	SRT	4.20	65.94	107.21	282.13	7.03	(15.62)	0.38	15.26	(6.87)
Teleperformance SE (3)	RCF-FR	87.93	5,016.86	5,426.58	3,768.11	520.08	221.78	1.44	10.43	24.47
TeleTech Holdings, Inc.	TTEC	27.76	1,345.84	1,396.87	1,300.07	177.21	61.67	1.07	7.88	22.65
West Corporation	WSTC	22.82	1,902.43	5,100.39	2,280.26	651.81	190.92	2.24	7.82	26.72
MEAN (CRM)			1,844.29	2,429.16	1,975.85	304.66	106.41	1.07	8.61	17.20
MEDIAN (CRM)			1,345.84	1,396.87	1,965.60	218.14	68.60	0.97	7.82	20.23

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Source: FactSet Database

Within the publically traded CRM sector, one transaction was announced in the first quarter of 2016. Sykes Enterprises (NASDAQ: SYKE) entered into an agreement to purchase Clear Link Holdings LLC, an inbound call center, in an effort to drive differentiation and further capitalize on vendor consolidation in the market.

Below are some additional noteworthy transactions that took place in the CRM sector in Q1 2016:

- ✓ ResMed, a tech-driven medical device company, acquired Brightree, a HME / DME billing and business management software solutions and RCM servicing firm.
- ✓ Riverside Partners, a Boston-based private equity firm, completed a majority investment in Bottom Line Systems, a provider of revenue cycle management technology and services.
- ✓ Syncordia Technologies, a tech-enabled RCM company, acquired Billing Solutions, LLC, a full-service third-party billing company.

OBS MACROECONOMIC OVERVIEW FOR THE FIRST QUARTER

Despite a global slowdown in M&A activity in the first quarter of 2016, many companies will continue their strategy for corporate growth through acquisitions. This is especially true for companies within the OBS sector who are facing more stringent regulation. M&A activity in the ARM and CRM space has been spurred by CFPB regulation. However, the most activity thus far has been in the RCM sector; largely due to government initiatives like the Affordable Care Act. Thus, companies in healthcare feel the need to add scale to combat heavy competition and an ever-changing industry landscape.

Healthcare, as expected, was the primary driver of U.S. M&A activity in the first quarter of 2016 with 427 deals completed valued at $55.9B[1]. The healthcare system is undergoing major changes, especially in regard to the reimbursement process. For example, the Center for Medicare and Medicaid Services ("CMS") finalized changes in regulation in February and March. CMS has slowly implemented value-based purchasing programs, which has shifted the reimbursement model for providers[2] , creating a need for updated RCM systems.

Furthermore, the shift to value-based payment models continues to lead many healthcare companies to look to strategic acquisitions for this upcoming year. For these companies, consolidating revenue cycle departments is likely the best place to start. The structure of RCM tends to look very similar between hospitals, making it an appealing place to begin standardization processes between separate companies[3] . The healthcare M&A activity will cause a ripple effect on RCM consolidation activity.

Like RCM, the ARM & CRM sectors have also continued to experience a high level of M&A activity. The unemployment rate plateaued this quarter, remaining largely unchanged at 5% as of March 31[4] . With low unemployment and historically low interest rates, U.S. credit card debt grew to $917B[5] . This increase in consumption is reflected in greater consumer confidence this quarter, as well as a modest rise in wages.

In addition, due to financial market volatility and slow global growth, the Federal Reserve announced it would raise interest rate only two times this year, instead of four, as it has initially planned. Policy makers expect the rate to be up to 0.875% by the end of the year[6] . This will lead corporations and private equity funds, who are sitting on records amounts of cash, to take advantage of today's low interest rate environment.

The past five years of consistent growth and steady recovery will provide buyers confidence as they are faced with limited improvements this year. Additionally, the slowing economic recovery in the U.S. has made M&A a much more attractive strategy to corporations rather than organic growth, as M&A allows companies to grow into a market at a much faster pace. While slower activity is anticipated in the first quarter, we experienced high growth in the OBS sector. We expect that consolidation will continue to increase across all OBS sectors, as companies turn to M&A as a means for achieving previously unattainable growth and to gain a competitive advantage in their respective market.

ARM REGULATORY UPDATE

Elaine Rowley
Corporate Advisory Solutions, LLC
Chevy Chase, Maryland
240-235-6008

Prior to the enactment and implementation of Title X of the Dodd-Frank Act, the actions of the nation's large debt collectors had been governed by federal statutes, but debt collectors had never been subject to direct supervision by the federal government. We hope this new feature focused on government news, regulation and compliance will keep you informed of the latest activities of government agencies with oversight over the ARM industry.

Consumer Financial Protection Bureau (CFPB)

Since 2010, there have been 22 rules – either proposed, in the pre-rule stage, or implemented by the CFPB that have a direct impact on the financial services industry, including debt collection. In the recently released report, CFPB, March 2016 Annual Report on Fair Debt Collection Practices Act, the CFPB describes the federal government's efforts to administer the Fair Debt Collection Practices Act. In 2015, the CFPB returned $360 million dollars to consumers, and collected over $79 million dollars in fines. Additionally, 30 companies and individuals were banned from working in debt collection.

Debt Collection Complaints by Issue:

Primary Issue	%
Continued attempts to collect debt not owed	40%
Communication Tactics	18%
Disclosure verification of debt	15%
Taking or threatening legal action	11%
False statements or representation	9%
Improper contact or sharing of information	7%
Total Debt Collection Complaints	**100%**

How Companies Have Responded to Consumer Complaints to the CFPB:

Company Response	#	%
Closed with explanation	27,200	67%
Closed with non-monetary relief	6,100	15%
Company did not provide a timely response	3,300	8%
Closed (without relief or explanation)	1,700	4%
Company reviewing	1,100	3%
Closed with monetary relief	400	1%
Administrative response	600	1%
Total Complaints Sent to Companies for Response	**40,400**	**100%**

Department of Education (DOE)

In March, The U.S. Department of Education released its **Quarterly Student Aid Report**, a collection of key performance data on the federal student loan portfolio, revealing continued increases in income-driven repayment enrollment with notable decreases in

defaults and delinquencies.

Within the report, the Department's office of **Federal Student Aid** unveiled new, expanded data on the $357 billion **Federal Family Education Loan (FFEL)** program, which typically consists of federal student loans originated by banks. The quarterly update includes three new reports to shed light on the FFEL portfolio owned by the Department—showing loan status, repayment plan and delinquency level.

Federal Trade Commission (FTC)

If you're in the business of buying or selling debts, many of the documents in your files or on your network contain confidential information that shouldn't be made publicly available. It's your obligation to take reasonable steps to keep sensitive information secure. The FTC has a free guide available **Protecting Personal Information: A Guide for Business.**

Office of the Comptroller of the Currency (OCC)

The Risk Management Guidance bulletin provides guidance from the Office of the Comptroller of the Currency (OCC) to national banks and federal savings associations (collectively, banks) on the application of consumer protection requirements and safe and sound banking practices to consumer debt-sale arrangements with third parties (e.g., debt buyers) that intend to pursue collection of the underlying obligations. This bulletin is a statement of policy intended to advise banks about the OCC's supervisory expectations for structuring debt-sale arrangements in a manner that is consistent with safety and soundness and promotes fair treatment of customers.

The links below are for reports referenced in this update. We hope they are helpful for you:

CFPB, March 2016 Annual Report on Fair Debt Collection Practices Act
CFPB, Monthly Complaint Report
CFPB Report on Private Student Loans
FTC, Fair Debt Collection Practices Act
FTC, Memorandum of Understanding between the CFPB and the FTC, March 2015.
Office of the Comptroller of the Currency, Risk Management Guidance
Protecting Personal Information: A Guide for Business.

ACA International is heading to Denver for the 2016 Convention & Expo

The three-day event, June 16-18 at the Hyatt Regency Denver and Colorado Convention Center, will feature interactive educational sessions, peer-to-peer learning, and endless networking opportunities. Registration is now open on ACA International's 2016 Convention & Expo website.

ACA International's Annual Convention is the largest and most influential event in the credit and collection industry. Expect sessions on compliance, legal education, management, training, and professional development presented by experts on those topics during the event as well as discussions on new technologies in the industry and critical topics for credit and collection professionals. Our Expo is the biggest and most exciting expo of the year. A stunning line-up of speakers includes former CEO of Starbucks Jim Donald taking on leadership in the 21st Century.

Michael Lamm, Managing Partner and Mars Shah, Analyst, will be attending the ACA International 2016 Convention in Denver this year. Contact Elaine Rowley to schedule an appointment.

Other Conferences coming up attended by CAS team members:

April 20-21, 2016 – ACA International Insights Conference – Mark Russell
May 4-7, 2016 - The National Creditors Bar Association (NARCA) – Michael Lamm, Speaking
June 16-18, 2016 – ACA International 2016 Convention & Expo – Michael Lamm, Mars Shah
June 26-29, 2016 – Healthcare Financial Management Association (HFMA) – Mark Russell

CAS TRANSACTIONS

altus
GLOBAL TRADE SOLUTIONS
A SUBSIDIARY OF
NATIXIS

WAS ACQUIRED BY

NewSpring Capital
Spring Capital
Evergreen

The undersigned initiated the transaction and served as M&A advisor to Altus Global Trade Solutions.

CAS
Corporate Advisory Solutions

Securites conducted through StillPoint Capital Member FINRA/SIPC, Tampa, FL.

Penncro Associates, Inc.
A FINANCIAL SERVICES COMPANY

WAS ACQUIRED BY

radius

The undersigned initiated the transaction and served as M&A advisor to Penncro.

CAS
Corporate Advisory Solutions

Credit Bureau of Traverse City, Inc.

WAS ACQUIRED BY

MERCHANTS ASSOCIATION COLLECTION DIVISION, INC

The undersigned initiated the transaction and served as M&A advisor to Credit Bureau of Traverse City.

CAS
Corporate Advisory Solutions

Berlin-Wheeler, Inc.
A Receivables Management Company

WAS ACQUIRED BY

WAKEFIELD & ASSOCIATES

The undersigned initiated the transaction and served as M&A advisor to Berlin-Wheeler, Inc.

CAS
Corporate Advisory Solutions

Securites conducted through StillPoint Capital Member FINRA/SIPC, Tampa, FL.

PRS®
PROFESSIONAL RECOVERY SERVICES, INC.

WAS ACQUIRED BY

CREDITCONTROL™

The undersigned initiated the transaction and served as M&A advisor to PRS.

CAS
Corporate Advisory Solutions

Securites conducted through StillPoint Capital Member FINRA/SIPC, Tampa, FL.

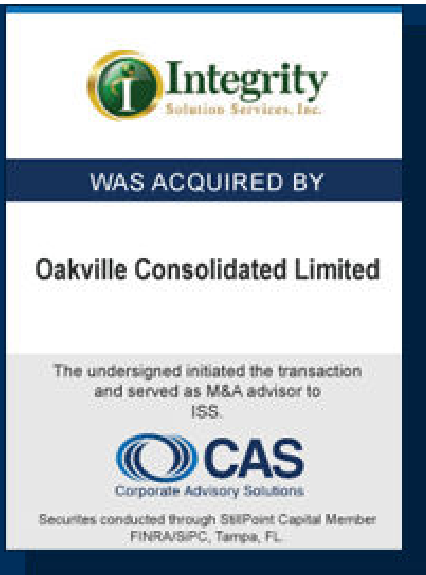
KADENT
THE TEAM THAT COUNTS

WAS ACQUIRED BY

ARB
ARCADIA RECOVERY BUREAU

The undersigned initiated the transaction and served as M&A advisor to Kadent Corporation.

CAS
Corporate Advisory Solutions



"THEN AND NOW"...A Q&A WITH PHIL ROSENTHAL

CAS Analyst, Mars Shah, caught up with industry veteran Phil Rosenthal, who shared some great insight with us.

Phil Rosenthal is President of Nationwide Credit Corporation (NCC) based in Alexandria, Virginia. Mr. Rosenthal joined NCC as a collector in 1967, and a year later, purchased the company. In those early years, NCC consisted of Phil Rosenthal in an office with a telephone collecting bad checks and working for small businesses. NCC has grown from one employee and one phone to one of the largest, most respected collection agencies in our region.

CAS had a Q&A with Mr. Rosenthal for his perspective on the regulatory changes he has experienced in his career and what he expects going forward.

(Phil) Collection agencies prior to 1990 did not face nearly as much litigation or compliance issues. With the implementation of the TCPA, automatic dialing systems and pre-recorded voice messages were limited. Changes in technology, especially the widespread use of cellphones, increased the regulation by adding SMS text messages to the list, in addition to cell phone dialing. Today, the increase in regulation has become a burden for many firms, leading to a trend in consolidation.

(CAS) Phil, what regulatory initiatives have you seen in your career? Please go into specifics regarding the formation of the TCPA and CFPB.

(Phil) The collection industry has evolved greatly since I began my career in 1965. I have seen the dynamics of debt collection evolve through the implementation of the Telephone Consumer Protection Act of 1991 ("TCPA") and creation of the Consumer Financial Protection Bureau ("CFPB") in 2010. Both the TCPA and CFPB have created more stringent regulations and compliance issues for collection agencies.

(CAS) Do you believe there will be greater regulation over the next five years and what will be the next sector of focus for the government?

(Phil) Looking ahead to the next five years, I believe the TCPA will continue to have a widespread effect on the industry. The CFPB's annual report for 2015 showed 271,600 consumer complaints, with 31% of them made against debt collection agencies[7] . As a response to this report, the CFPB will likely come out with more stringent and difficult rules for collection agencies to comply with, which will increase the rights of consumers. While the industry has found ways to adapt in the past, and will likely continue to do so going forward, consolidation in the face of the rising compliance issues will be essential for agencies to endure.

(CAS) Consolidation has been one of the key trends in our sector, what are you seeing in the marketplace?

(Phil) Consolidation will be stimulated through two avenues. First, hospitals and utility companies will continue to dwindle the number of agencies they utilize. These companies will compare the vendors' performance scorecards and drop the bottom performers. Second, consolidation will increase within the industry. This is due to regulation as well as increasing client demands. Smaller companies will struggle to comply with more stringent regulations and will either go out of business or be absorbed by larger players that have the resources to adjust to increasing regulation. In addition, clients are increasing demands that smaller agencies are not able to afford.

Government regulation has steadily increased since 1990. While smaller agencies have found ways to adapt in the past, growing concern over consumer rights will continue to create compliance issues, leaving these agencies no choice but to join large players in the market.

Source:
[1] Pitchbook
[2] Modern Healthcare
[3] Becker's healthcare
[4] Bureau of Labor Statistics
[5] CNBC
[6] WSJ
[7] CFPB Report:

COLLECTING EDUCATIONAL DEBT – MORE THAN JUST STUDENT LOAN PORTFOLIOS BY DAVID R. GLEZERMAN, MCE

David R. Glezerman is an Assistant Vice President and Bursar at Temple University in Philadelphia, PA. He also is a senior partner in The DRG Group, LLC, which offers strategic consulting and training services for companies working in the educational finance market. You can reach Glezerman directly at david@thedrggroup.com

With $1.3 trillion in student loan debt potentially available for ARM services in the marketplace, much of this loan volume falls under the U.S. Department of Education and its debt collection contracts. Yet, with $200 billion in non-federal student loans also having default rates higher than credit cards and other financial markets, there are many opportunities for third party collectors interested in diversifying their business lines.

Companies interested in entering the educational debt vertical also have vast opportunities in working with colleges and universities which may have their own student loan portfolios, but also find themselves with non-loan debt. These "student account" debts are caused by consumers having unpaid balances after registering for classes or other related expenses such as housing and parking.

While debt buying opportunities likely are limited to non-federal loans and student account debt from certain for-profit schools, collection opportunities abound since most institutions will utilize an average of 2-4 collection agencies, dividing placements among their firms regardless of account aging. Marketing models for this vertical suggest a willingness to initially accept secondary referrals will provide opportunity to prove effectiveness and frequently leads to earlier and larger placements.

Student account debt has some similarities to other forms of unsecured obligations. While older "student account" debt likely has no promissory note or written contract for services, a growing trend in higher education has seen colleges and universities adapt electronic or hard copy "financial responsibility agreements" that not only serve as a contract for repayment, but also provide compliance waivers for TCPA and other statutory requirements.

Selling prospects in the education vertical can take an extended period because of institutional requirements and philosophies. Some colleges and universities, particularly public schools, use the RFP process to select agencies, though many others are less formal with selection criteria.

As other markets shrink or face serious compliance barriers, student loan and other educational debt collection opportunities will be available for those firms willing to commit the time, energy and human resources. One example is demonstrating the firm's ability and knowledge about educational debt and related compliance requirements for colleges and universities, such as the Family Educational Rights to Privacy Act (FERPA). Knowledge about the prospective client and the various entry points also will provide an advantage to companies interested in entering this sector.

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