CAS INSIGHTS

EXPERTS IN OUTSOURCED BUSINESS SERVICES

THIRD QUARTER 2017

CAS
Corporate Advisory Solutions
INTEGRITY • CONFIDENTIALITY • EXPERIENCE

INTRODUCTION

I would like to start with a few words about Hurricanes Harvey, Irma and Marie and the fires in Northern California. The loss of life and property damage are tragic and the human toll is immeasurable. CAS has been greatly concerned about our business associates, clients and friends in the affected areas and appreciate hearing from you to let us know how you are doing. This is a good time for all businesses and individuals to review their emergency contingency plan. We will be offering more information on disaster recovery in upcoming newsletters, however, this guide, Disasters and Financial Planning, A Guide for Preparedness and Recovery, prepared by the *National Endowment for Financial Education*, might be a good place to start. We found the guide easy to read, thorough and full of good information.

The economic data for these disasters, as with past major storms like Hurricane Katrina and Superstorm Sandy, are expected to have only a temporary impact on the overall economy. Recent economic data have remained consistent with moderate economic growth in the near term. Federal Reserve policymakers continue to expect that economic conditions will warrant a gradual pace of increases in short-term interest rates. Fiscal stimulus, through increased infrastructure spending programs or major tax reform, look doubtful, but lawmakers may still lower tax rates in the months ahead. After more than 80 consecutive months of growth, the U.S. labor market saw its first contraction, losing 33,000 jobs in net terms, largely a result of Hurricanes Harvey and Irma. The majority of losses were concentrated in the leisure and hospitality sector, particularly in Florida (Puerto Rico is not counted in monthly figures), further exacerbating this contraction. Although September recorded a contraction, underlying metrics remain solid, with unemployment dropping to a new cyclical low of 4.2 percent.

At CAS, we understand that unexpected events can occur and impact your business plan objectives. We are committed to helping our clients navigate through these turbulent times and achieve desirable outcomes when ready.

Market Overview

Within the Outsourced Business Services (OBS) industry, we are continuing to see high levels of deal activity. In the ARM sector, we have witnessed 7 transactions close in Q3. There have also been high levels of interest from financial investors looking to acquire a platform company in the sector.

RCM deal activity has remained level in Q3 with 7 transactions completed. Deal activity in the RCM sector has remained consistent and could see high activity as we begin to close out 2017.

The CRM market realized another strong quarter with 8 deals completed in Q3 2017. The CRM industry has seen a lot of renewed interest and we are witnessing multiple sizable deals that have already or will be closing in Q4 of 2017.

Q4 2017 is poised to be an even bigger quarter for the OBS as businesses push to try and close by year end.

(continued on next page)

Deal Hot Topics

The Joint Committee on Taxation (JCT) released a report providing descriptions of the proposals in the tax reform bill (H.R. 1).

While the OBS merger and acquisition (M&A) market is currently very active and transactions are consummating, there are certain issues that have delayed, or caused deals to terminate prematurely this year that you should be aware of if contemplating your own transaction. Pending and current legal issues are at the top of the list, along with regulatory compliance. If you have a strong compliance management system that is producing no class action suits and low volumes of nuisance legal issues, you stand a much greater chance of closing a transaction than if your company has a less stringent compliance program and is generating class action suits and/or legal action from regulatory authorities. In today's market, buyers are having a difficult time structuring a deal that involves current or pending class action suits, particularly those involving a Telephone Consumer Protection Act (TCPA), and/or pending action from one or more regulatory authorities. Insurance protection (tail coverage) can help buyers and sellers reach an understanding, but this is not a guarantee.

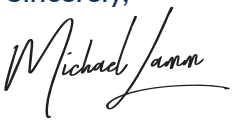
We understand these types of issues and can help you and your company properly present and manage them in a transaction process.

Lastly, we have three great articles in this newsletter we think you will find informative:

- Leslie Bender, "Contingency Planning/Disaster Recovery"
- Rex Knechtly, "Create a Competitive Advantage by Rethinking How You Sell"
- Ohad Samet, "Changes in the Collection Industry"

We are grateful for your interest in our newsletter and the OBS industry and appreciate any feedback or comments you may have. Our contact information can be found at the end of this report.

Sincerely,



Michael Lamm
Managing Partner

CAS CONFERENCE AND EVENT ACTIVITY

Please connect with us at these conferences/seminars that will be attended by CAS team members:

- November 17, 2017 – Webinar with Mike Gibb and Canvas Business Media
  - Click here for full description and to register.

  [Michael Lamm will be presenting: *Lessons Learned – M&A Activity in the ARM Industry* from 1:00-2:00 PM on Thursday, November 16]

- January 2018 – International Association of Commercial Collectors
  - Miami, Florida
  - Attended by: Michael Lamm

  [Michael Lamm will be presenting: *How Commercial Agencies are Being Valued in Today's Market* from 9:00-9:45 AM on Friday, January 12]

- February 2018 – RMA Annual Conference
  - ARIA Resort Las Vegas
  - Attended by: Michael Lamm, Mark Russell*

  [Michael Lamm will be presenting: *State of the Industry* from 4:10-5:00 PM on Wednesday, February 7]

*Corporate Advisory Solutions, LLC is an RMA Authorized Audit Provider.

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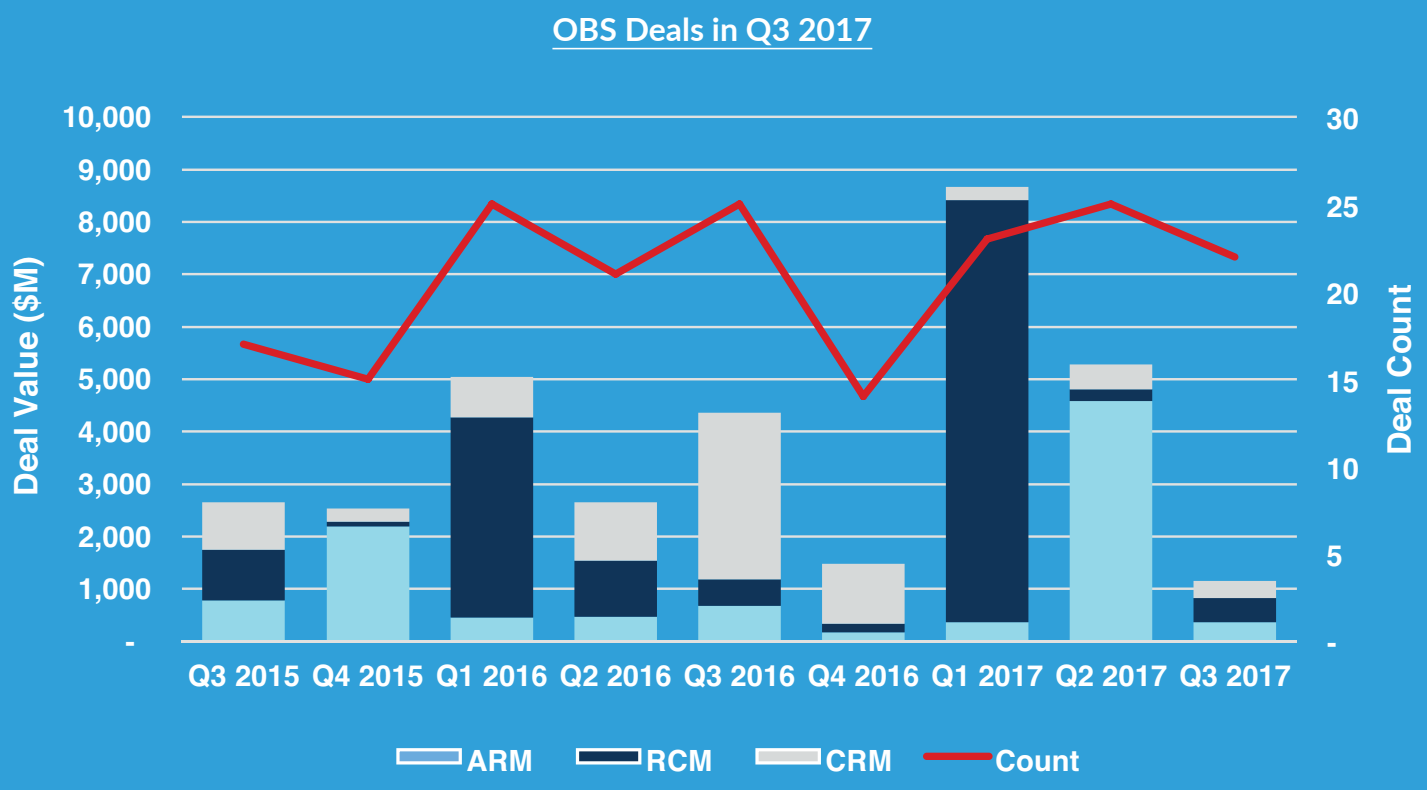
Here are some key highlights of what you will find in this newsletter:

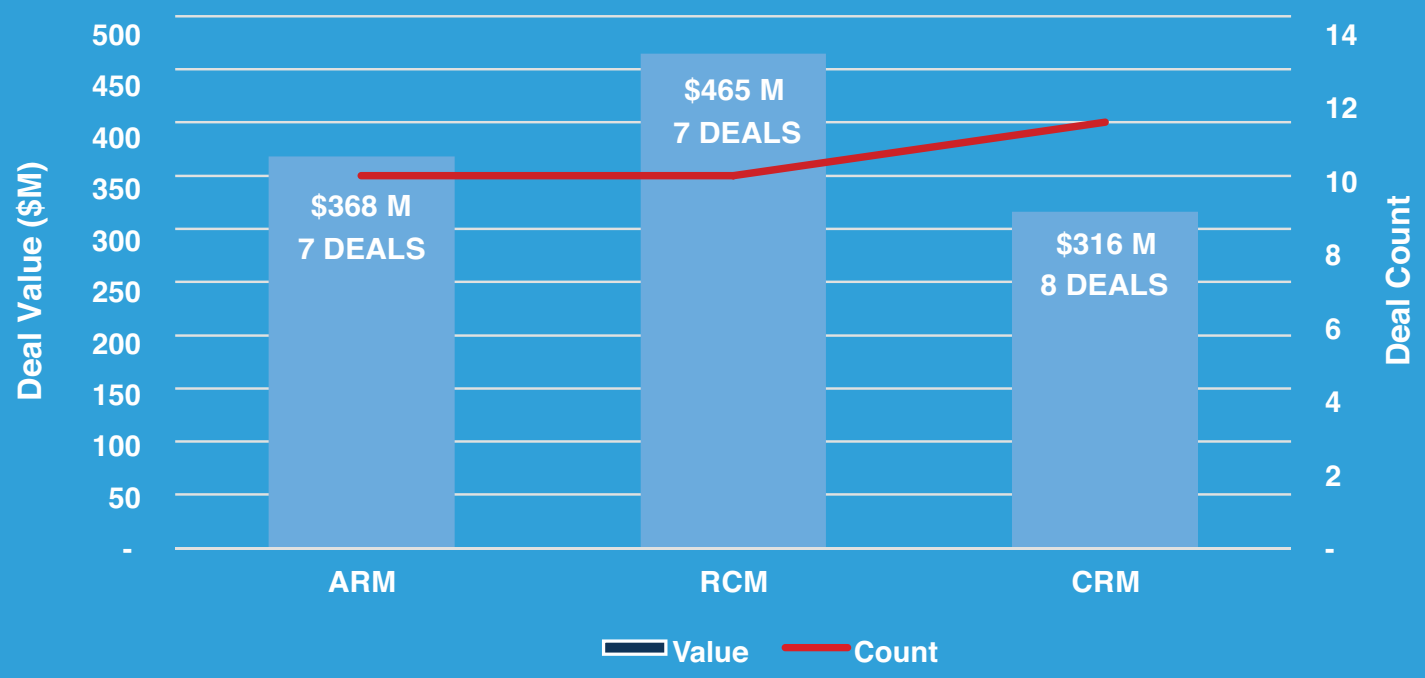
- **Overview of the M&A market for OBS sub-sectors (ARM, RCM and CRM).** Included in the overview: a breakdown on completed OBS transactions, leverage analysis for completed M&A transactions, OBS sub-sector overviews, public comparable research and details surrounding noteworthy transactions within each sub-sector.
- **Specialty Financing Industry Highlights.** Overview of some of the largest publicly traded specialty financing companies, key industry trends and noteworthy transactions.
- **ARM Regulatory Update from CAS team member Elaine Rowley** detailing the latest government news, regulation and compliance activities in the ARM sector.
- Articles from Leslie Bender, "Contingency Planning/Disaster Recovery", Rex Knechtly, "Create A Competitive Advantage by Rethinking How You Sell" and Ohad Samet, "Changes in the Collection Industry".

Within OBS sub-verticals, consolidation is a continuing trend. Many OBS businesses are shifting towards higher utilization of technology. The expansion of technology has been a popular talking point in this quarter especially within the RCM industry where companies are looking to add technology to help improve back office functions of hospital systems.

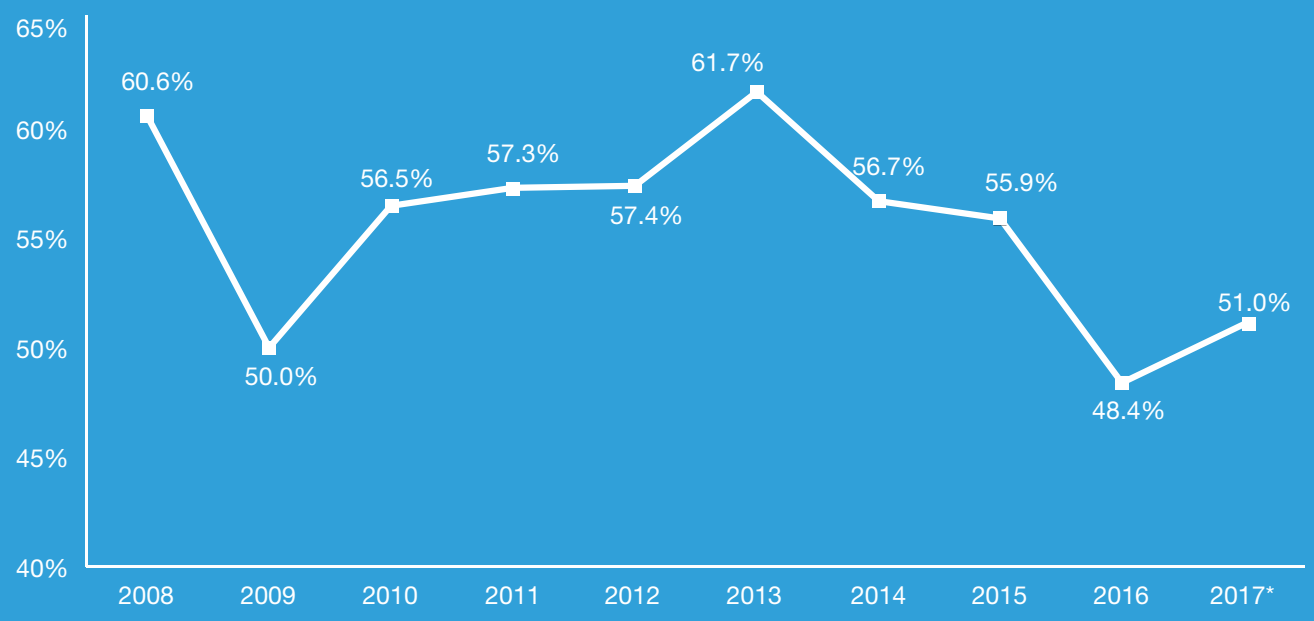
In Q3 2017, deal value in the OBS industry totaled $1.15 billion and was comprised of 22 completed deals. Deal values from previous quarters have been inflated by one or two large deals closing (i.e., Blackstone's acquisition of Team Health Holdings in Q1 2017, and Intrum Justitia and Lindorff Group's merger in Q2 2017). Q3 2017 deal values have increased by 46% from Q2 2017 when excluding the Intrum Justitia and Lindorff Group merger. Information for the OBS deals was obtained from public filings, press releases, confidential discussions with individuals in the OBS industry and proprietary deal activity.



OBS Deal Breakout by Sector in Q3 2017



We have also included an analysis of the trend of leverage utilized to complete M&A transactions market-wide as of September 18, 2017. The chart below illustrates the median debt levels used to complete and fund U.S. M&A transactions.



Note: 2017 data is through 9/18/2017. Source: PitchBook.

Accounts Receivable Management (ARM)

Overview:

In Q3 2017, the ARM industry witnessed seven deals close, accounting for $368 million in enterprise value. The U.S. macroeconomic environment continues to be conducive to the ARM industry, debt levels continue to rise, while delinquency rates remain relatively constant. Household income is rising, and unemployment remains low, increasing propensity to pay. Debt purchasing prospects continue to increase with creditors placing a higher supply of paper with ARM providers and CAS continues to see fundless sponsors expressing an interest in ARM. While the U.S. environment is very interesting, we have not overlooked opportunities outside the U.S. CAS recently advised on the sale of a multinational ARM service provider that was headquartered in Canada to a strategic buyer based in the U.S. The transaction was consummated to facilitate a strong and sizable platform for the buyer in the Canadian marketplace. In Europe, the Europe Central Bank (ECB) is considering asking banks to increase provisions for bad debt levels. (Reuters) The comments, while merely recommendations at this stage illustrate the issues with non-performing loans in Italy, Greece, Cyprus and the surrounding areas. Intrum Justitia is one of the groups looking to capitalize on this trend and expand into Italy, after previously growing operations in Spain[1]. It continues to remain an exciting time in ARM around the globe.

The Equifax Breach, felt by more than half of Americans and many foreign citizens, will continue to impact the industry for quite some time. Many consumers, seeking to secure their financial standing, have placed credit freezes on their accounts. Auto dealers and private label credit cards face headwinds as they combat difficulties with the instant approval process. ARM providers will continue to face increased challenges having consumers verify their identity to a customer service rep, as required by law, at the outset of a conversation with very guarded consumers who are reluctant to provide their name to a perceived "stranger". We are closely monitoring the FTC and efforts on the robocall front. Filtering algorithms are increasingly tagging legitimate ARM service providers as spam, causing problems to providers limiting their ability to communicate financial options to consumers. Creditors continue to put increasing pressure on ARM service providers to stay ahead of regulatory concerns. The hope is that regulators will allow for greater use of email, text message and other virtual forms of communication to allow consumers to interact in the manner most convenient for them. Today, the regulatory environment makes using technology very difficult. Just recently, we learned Congress will repeal the CFPB proposed arbitration rule, which is likely the most sizable win for financial institutions since President Trump took office[2]. This move could signal significant challenges the CFPB is set to face with the Trump Administration at the helm. Earlier this year, the CFPB released a report outlining findings on bank fees and pay by phone fees. We believe a ruling on convenience fees will be imminent. Our discussions with regulators continue to reiterate our perspective.

CAS members have recently attended multiple investor conferences and initiated conversations to confirm interest in the ARM markets (M&A East, Axial Concordia, NewSpring Capital Roundtable, etc.). Given the favorable macroeconomic and political environment, we continue to see increased interest compared to this same time last year. Several investors that were involved in the ARM market in the past 10-15 years believe timing is appropriate to re-enter the market. We are also seeing significant interest from fundless/independent sponsors, who are interesting in running a platform in the ARM industry. Criteria on the "ideal company" would possess the following characteristics: Sophisticated compliance management systems in place, exposure to the commercial (B2B) end markets, specialized market verticals along with a strategic competitive advantage and differentiator, limited vendor network risk or exclusive client relationships, long client retention and longer term and sticky contracts, all along a solid management team in place who may be incentivized with equity to continue to run and grow the business. Investor groups have been enamored with how continued consolidation in the ARM market bodes well for add-on acquisitions. Lending in the services space can be difficult to collateralize against, especially given the contingent nature of ARM revenue, but we have met with multiple groups with an affinity to our markets who have money they would like to put to work.

[1] Reuters
[2] Wall Street Journal

Public Comparables:

Analysis of Selected Publicly Traded Accounts Receivable Management Companies (In Millions)
All Data as of 9/30/2017

Company Name	Ticker	Price	Market Cap (1)	TEV (2)	LTM Revenue	LTM EBITDA	LTM Net Income	TEV/ Revenue	TEV/ EBITDA	TEV/ Net Income
Arrow Global Group, PLC (3)	LON:ARW	5.68	991.41	2,117.42	338.74	83.94	14.66	6.25x	25.23x	144.41x
Asta Funding Inc.	ASFI	7.55	75.77	--	44.12	2.08	(0.71)	--	--	--
Collection House Limited (3)	ASX:CLH	1.07	145.17	205.03	100.36	26.72	13.12	2.04x	7.67x	15.63x
Credit Corp Group Limited (3)	ASX:CCP	15.33	723.60	--	193.08	66.59	41.61	--	--	--
Encore Capital Group	ECPG	44.30	1,144.59	3,950.06	1,013.66	263.87	63.64	3.90x	14.97x	62.07x
Intrum Justitia (3)	STO:INTRUM	36.03	2,624.10	7,426.31	964.14	331.24	173.21	7.70x	22.42x	42.87x
Performant Financial Group	PFMT	1.82	91.51	113.20	134.02	11.24	(18.41)	0.84x	10.08x	--
PRA Group	PRAA	28.65	1,325.11	3,104.54	784.13	242.98	76.50	3.96x	12.78x	40.58x
Mean (ARM)			890.16	2819.43	446.53	128.58	45.45	4.12x	15.52x	61.11x
Median (ARM)			857.50	2610.98	265.91	75.26	28.14	3.93x	13.87x	42.87x

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 to USD from Pitchbook using exchange rate as of 9/30/2017

Source: PitchBook

Below is an additional noteworthy transaction that took place in Q3 2017: ProVest LLC has acquired J.J.L. Process Corp. to expand market share and strengthen their presence as the nation's largest process serving company.

- ProVest and J.J.L are both vendors to the ARM sector and have not been accounted for in deal count or enterprise value.

Revenue Cycle Management (RCM)

Overview:

In Q3 2017, seven deals worth $465 million were completed in the RCM sector. The market landscape is endlessly changing as healthcare providers move towards the value-based model. This shift, along with sky-rocketing healthcare costs, has resulted in steady levels of M&A activity and an interest in front-end and tech enabled RCM services.

The healthcare industry is under pressure due to rising healthcare costs. Financial realities (lower revenue and increased expenses as well as consumer, regulatory, and competitive pressures) have demanded a change in the healthcare providers' business model. Nearly 80% of senior executives surveyed cite the need to be proactive in refining the organization's cost structure as they transition to the value-based model and 75% of the executives have identified specific cost reduction goals. Current efforts focus on traditional areas of cost improvement: labor costs, supply chain, and revenue cycle enhancement.

As reimbursements shrink and margins tighten, the need for hospitals to reduce inefficiencies and eliminate processes that do not add value for patients or clinicians is more critical than ever. This escalation of out-of-pocket costs represents a major revenue cycle challenge for healthcare providers and is the driver of their interest in front-end and tech enabled revenue cycle management. This has driven RCM vendor consolidation, as companies look to develop comprehensive front-end systems that meet the clients' needs and provide more efficient financial processes and real-time analytics. Healthcare providers needing to expand their technological capabilities is exemplified by UnitedHealth's acquisition of the Advisory Board Company's healthcare business, which includes data analytics, consulting and population health in its offerings.

In addition, healthcare provider consolidation is further pushing revenue cycle consolidation. For hospital systems, large systems have a clear advantage when it comes to achieving cost reduction targets. Systems of ten or more hospitals tend to have the highest average success score. As hospitals and health systems consolidate to scale their operations and gain access to capital, the healthcare vendors have experienced an of M&A activity, as health system mergers drive vendor consolidation.

As the industry landscape continues to grow and change, we at CAS expect growing interest in the market from both financial and strategic buyers. RCM companies that adapt to healthcare providers technology and front-end service needs will be in high demand for financial buyers. Strategic buyers will look to consolidate their operations while providing end-to-end service to their customers.

Public Comparables:

Analysis of Selected Publicly Traded Outsourced Revenue Cycle Management Companies (In Millions)
All Data as of 9/30/2017

Company Name	Ticker	Price	Market Cap (1)	TEV (2)	LTM Revenue	LTM EBITDA	LTM Net Income	TEV/ Revenue	TEV/ EBITDA	TEV/ Net Income
Advisory Board Company	ABCO	1.69	186.03	—	32.56	18.69	17.69	—	—	—
HMS Holdings Corp.	HMSY	19.86	1,667.54	1,856.18	493.45	94.96	32.47	3.76x	19.55x	57.17x
Allscripts Healthcare Solutions, Inc.	MDRX	14.23	2,612.54	3,917.27	1,657.39	101.05	—	2.36x	38.77x	—
Cerner Corporation	CERN	71.32	23,846.79	23,410.44	5,086.31	1,511.54	680.01	4.60x	15.49x	34.43x
Huron Consulting Group Inc.	HURN	34.30	727.94	1,114.52	805.84	(109.56)	(128.43)	1.38x	—	—
Quality Systems Inc.	QSII	15.73	978.11	1,013.85	523.78	76.43	26.83	1.94x	13.26x	37.79x
Mean (RCM)			5,003.16	6,262.45	1,433.22	282.18	125.71	2.81x	21.77x	43.13x
Median (RCM)			1,322.83	1,856.18	664.81	85.70	26.83	2.36x	17.52x	37.79x

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

Source: PitchBook

Below is an additional noteworthy transaction that took place in Q3 2017:

- McKesson Specialty Health has acquired intraFUSION to increase their service offerings for community-based physician practices.

Customer Relationship Management (CRM)

Overview:

In Q3 2017 we have seen continued interest in the Customer Relationship Management (CRM) industry with eight deals closed, representing $316 million in deal value. The CRM industry has continued in its pursuit to utilize more technology to help mitigate increasing wage pressures in the market as well as assist in adapting to changing consumer needs.

Technologies such as artificial intelligence (AI), translation services and live chat functionality are more commonly being utilized in customer contact centers for communication. AI enables CRM companies to provide consumers with information and address basic problems without having them speak with a representative, which can reduce wait times and increase customer satisfaction. Live chat functions are also more common among CRM businesses to assist in reducing wait times and provide direct interaction with the consumer. This enables CRM representatives to serve a consumer immediately with minimal wait time. Additionally, with the advancement of technology, we have seen many CRM businesses work with or implement translation services that allow the customer contact representative to communicate with a consumer that speaks a different language.

Much of this implementation of technology has been put in place to better assist the consumer but has also been due to the rising labor costs that are being witnessed all around the globe. According to a survey conducted on the CRM industry, 88% of business have recently experienced wage pressure or expect an increase in wages in the following 6-12 months (Baird). With rising wage costs having the potential to negativity affect the profitability of CRM companies, we are expecting to see technology will play an increasing role in the daily business operations of CRM companies.

Private Equity has seen a renewed interest in the CRM industry with the closing of Apollo Global acquisition of West Corporation. The $2 billion acquisition is one of the largest CRM deals of the year and should open the door to more private equity transactions in the CRM industry. The acquisition of West Corporation was closed in October 2017 and will be included in our Q4 2017 done deal totals. The company has since been delisted from the NASDAQ stock exchange.

We have also witnessed Minority Business Enterprise (MBE) call center companies garner increasing interest as suppliers look to allocate diversity spend dollars. CRM and suppliers will look to partner with MBE businesses as look to take diversify their lines of business.

As the CRM industry continues to change and adapt to the current market landscape, we expect increased interest from strategic buyers in addition to the current interest we are seeing from financial buyers. With CRM companies expanding their technological capabilities, we expect the industry to continue to have significant M&A activity through the rest of the year.

Public Comparables:

Analysis of Selected Publicly Traded Customer Relationship Management Companies (In Millions)
All Data as of 9/30/2017

Company Name	Ticker	Price	Market Cap (1)	TEV (2)	LTM Revenue	LTM EBITDA	LTM Net Income	TEV/ Revenue	TEV/ EBITDA	TEV/ Net Income
Atento SA	ATTO	11.60	856.72	1,264.68	1,831.12	205.91	18.04	0.69x	6.14x	70.11x
Convergys Corporation	CVG	28.86	438.83	—	75.75	39.41	34.76	—	—	—
Sykes Enterprises. Incorporated	SYKE	29.16	1,219.57	1,185.11	1,534.34	173.09	66.86	0.77x	6.85x	17.73x
StarTek, Inc.	SRT	11.75	185.64	190.34	307.06	17.75	4.40	0.62x	10.72x	43.31x
Teleperformance SE (3)	PAR:RCF	150.54	8,620.47	10,363.05	3,846.76	542.91	225.60	2.69x	19.09x	45.94x
TeleTech Holdings, Inc.	TTEC	41.75	1,942.59	2,128.82	1,349.45	135.26	44.78	1.58x	15.74x	47.54x
Genpact Ltd.	G	28.75	5,775.49	6,609.64	2,624.22	440.91	268.17	2.52x	14.99x	24.65x
West Corporation	WSTC	23.47	1,952.45	4,873.29	2,285.72	616.07	214.72	2.13x	7.91x	22.70x
Mean (CRM)			2,623.97	3,802.14	1,731.80	271.41	109.66	1.57x	11.63x	38.85x
Median (CRM)			1,581.08	2,128.82	1,682.73	189.50	55.82	1.58x	10.72x	43.31x

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(3) - Converted to USD from Pitchbook using exchange rate as of 6/30/2017

Source: PitchBook

Below is an additional noteworthy transaction that took place in Q3 2017:

- Telus International has acquired Voxpro in order to expand their technological capabilities.

Specialty Finance

Overview:

Specialty Finance continues to remain a major trend and growth area within OBS verticals. According to Tracxn, the Alternative Lending sector has witnessed a total funding of $47B with $23.3B invested in the last two years, making it one of the fastest growing industries in the U.S. As a frame of reference, the entire ARM market is estimated at $11.4B[1]. According to a study done by Capgemini and BNP Paribas, digital payments are estimated to hit $726 billion by 2020. The market is experiencing explosive growth and companies focused on payment processing, lending and adjacent markets continue to draw interest from large ARM providers and financial investors. Navient is another sizable player in the market staying abreast of the industry, recently committing $155M to the purchase of Earnest, a start-up FinTech platform dedicated to refinancing student loans (WSJ).

The Equifax Breach has re-ignited conversations for a change in how we assess a consumer's credit worthiness. FinTech companies continue to rely on alternative data, not captured within the major credit bureau reports. A report from TransUnion cited that credit card usage with millennials is on the decline. It becomes critical to analyze things such as bank account usage to assess financial responsibility. Ford recently announced they have begun to factor alternative data into their lending algorithms[2]. Online platforms, such as CreditKarma, are building holistic snapshots of consumers, utilizing data including bank activity, credit cards, annual income, age, outstanding loans, assets, and recently tax returns. We will continue to see a greater shift toward alternative data being used in lending decisions.

Technology companies are thriving on their transparency compared to traditional financial institutions. The convenience of quick and easy approval processes is drawing consumers to alternative lending measures. Regulatory tailwinds, including the CFPB announcing a major blow to the Payday Lending industry, will fuel growth in an era of mistrust in financial institutions. The decrease in Payday Lending will create a hole in the market for consumers seeking short-term loans, which will likely be filled by digital microlenders. These groups have been gearing up for a massive increase in volume given the shift in the market. It is critical for operators in OBS verticals to stay apprised of opportunities arising in the Alternative and Specialty Finance marketplace.

[1] IBIS World
[2] FOX Business

Public Comparables:

Analysis of Selected Publicly Traded Specialty Finance Companies (In Millions)
All Data as of 9/30/2017

Company Name	Ticker	Price	Market Cap (1)	TEV (2)	LTM Revenue	LTM EBITDA	LTM Net Income	TEV/ Revenue	TEV/ EBITDA	TEV/ Net Income
LendingClub Corporation	LC	6.09	2,414.99	—	512.08	555.70	(124.05)	—	—	—
Navient Solutions Inc.	NAVI	15.02	4,397.11	—	2,226.00	—	522.00	—	—	—
OneMain Holdings, Inc.	OMF	28.19	3,805.07	—	2,815.00	1,408.00	127.00	—	—	—
Credit Acceptance Corp.	CACC	280.17	5,595.83	8,477.54	1,078.90	733.20	380.70	7.86x	11.56x	22.27x
Mean (Speciality Finance)			4,053.25	8,477.54	1,658.00	898.97	226.41	7.86x	11.56x	22.27x
Median (Speciality Finance)			4,101.09	8,477.54	1,652.45	733.20	253.85	7.86x	11.56x	22.27x

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

Source: PitchBook

CAS is pleased to provide a link to the Site Selection Group's Location *Intelligence Newsletter*

Overview:

Site Selection Group is a leading, conflict-free location advisory, economic incentive and corporate real estate services firm providing solutions to corporations and communities across the world. We offer four core services to our customers: Location Advisory Services, Economic Incentive Services, Corporate Real Estate Services and Economic Development Consulting. Our mission is to align the needs of corporations with the optimal locations in order to provide the absolute maximum economic benefit. Click HERE for the latest *Location Intelligence Newsletter.*

ARM REGULATORY RESOURCE

Elaine Rowley | Corporate Advisory Solutions, LLC
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The *ARM Regulatory Resource* is the CAS quarterly Newsletter feature focused on government news, regulation and compliance so you are informed of the latest activities of government agencies with oversight over the ARM sector. Your comments and suggestions are welcome!

Highlights:

- The Consumer Financial Protection Bureau has issued a "50-state snapshot of student debt," which provides student debt data on a state-by-state basis.

  The report states that the complaint data "reflects over 50,000 student loan complaints and over 10,000 debt collection complaints related to private or federal student loan debt, submitted through September 30, 2017." The CFPB began accepting private student loan complaints in March 2012, debt collection complaints in July 2013, and federal student loan servicing complaints in February 2016.

- The U.S. Senate voted October 24, 2017, 51 to 50, to override the Consumer Financial Protection Bureau's final arbitration rule. The rule would have prohibited the use of class action waivers in consumer arbitration agreements, among other provisions.

  The Senate took action pursuant to the Congressional Review Act (CRA), which allows the House of Representatives and Senate to override a federal agency's final rule by passing a resolution of disapproval by a simple majority vote within a specified time period following the rule's receipt by Congress. In July 2017, the House passed a joint resolution of disapproval by a vote of 231-190.

- There is some speculation that the current CFPB Director, Richard Cordray, will step down from the CFPB in 2018 to run for Governor of Ohio. Ohio Gov. John Kasich is barred by term limits to run for the state's highest office again in 2018, which leaves the race open for Cordray and other candidates. As of this writing, no formal announcement to join the Ohio Governor's race has been announced.

(continued on next page)

Highlights *(continued)*:

- The CFPB has released the sixth annual report of the CFPB Student Loan Ombudsman containing an analysis of approximately 12,900 federal student loan complaints, 7,700 private student loan complaints, and 2,300 debt collection complaints related to private or federal student loans handled by the CFPB between September 1, 2016 and August 31, 2017. The CFPB began taking complaints about federal student loans in February 2016. (The number of complaints handled by the CFPB continues to represent an exceedingly low complaint rate given the millions of federal and private student loans outstanding.) The report also provides examples of how consumer complaints have resulted in beneficial changes for borrowers and makes recommendations to policymakers and market participants.

- On Thursday, October 12, 2017, the CFPB filed suit in federal court against the Federal Debt Assistance Association, LLC, and the Financial Document Assistance Administration, Inc., service providers from Baltimore, MD, for presenting themselves as affiliated in some way with the federal government. The CFPB also alleged the companies' debt-validation programs violated the law by falsely promising to eliminate consumer debts and improve credit scores in exchange for advance fees. The lawsuit seeks to end the practices mentioned, obtain redress for harmed consumers, and impose civil money penalties.

For the latest agency reports and information, click on the icons below!

OTHER HELPFUL LINKS:

- A CFPB Resource to Understand the New Payday Loan Rule can be found here.
- CFPB Consumer Complaint Database
- FTC, Fair Debt Collection Practices Act
- FTC Provides Additional Guidance on COPPA and Voice Recordings. See press release here.
- IRS, Internal Revenue Service Affordable Care Act

CONTINGENCY PLANNING/DISASTER RECOVERY

Leslie Bender, CIPP/US, CCCO, IFCCE, Chief Strategy Officer and General Counsel,
BCA Financial Services, www.bcafs.com

"You've always had the power .... You just had to learn it for yourself."
Source: The Wizard of Oz

Our lessons learned this year include assuring our contingency planning, business continuity and disaster recovery plans meet our businesses' current needs. After a fall including two significant hurricanes and widespread fires and earthquakes, contingency/business continuity planning is at the forefront of all "C" suite folks' minds. While all organizations know how important it is to plan for business continuity in the face of uncontrollable disasters (e.g., fires, hurricanes, earthquakes, tornadoes, flooding), until the actual contingency occurs or has occurred it is often a difficult exercise. "Foreseeable risk" that intersection among harm, threat, likelihood, and vulnerability is easy to understand conceptually but not always so easy for which to plan.

Once your organization emerges from a disaster it is a critical time to take a look at the "even better ifs" to learn your organization's strengths and vulnerabilities and to make a sensible decision going forward how to implement some changes or improvements to prepare for the potential the disaster would recur. Is it logical to invest in redundancies in your technology and operations resources in a different geographic or virtual location so that if your primary site is down due to weather or other contingency your core operations will continue uninterrupted? When was the last time you took your primary operations down and attempted to run through your redundant resources? How long can you afford to be "down" before you begin to suffer harm or damage or loss of critical clients? There is no time or place like the present to take a serious look at your organization's ability to replicate its resources and draw on its strengths to thrive and recover should it be interrupted by events beyond its control.

Leslie Bender is an attorney who specializes in corporate, compliance, privacy, transactional, and credit and collections matters. Leslie is Chief Strategy Officer and General Counsel for BCA Financial Services, Inc. Prior to BCA, she was general counsel and vice president of government affairs at ARS National Services in Escondido, CA.

Recognized as a national expert on information privacy and security law, Leslie was one of the first privacy officers accredited as a "Certified Information Privacy Professional".
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CREATE A COMPETITIVE ADVANTAGE BY RETHINKING HOW YOU SELL

Rex Knechtly, Owner, First Avenue Advisors, www.firstavenueadvisors.com

Your old approach to selling could be preventing you from reaching your goal. It's time to stop selling to your customers. This advice sounds counterintuitive, but by helping them buy rather than selling to them, you could see more responsiveness from your customers.

Imagine yourself as the customer. When you want to buy something, how does it feel when the salesperson "sells" you? On the other hand, how does it feel when the salesperson helps you buy what you want?

Different? Different better? Do you know why?

A good salesperson possesses:

- vast experience in the market
- a deep knowledge about what he or she is representing
- a personality that could sell ice to, well, anyone

Each of these qualities is important; however, none of them are the reason a salesperson's approach to helping you buy feels better. It's a better experience because when someone genuinely helps you, it feels good. You leave with confidence in all aspects of your transaction.

The Buying Process

Regardless of their purchase type, customers go through the same process. Let's call this *the buying process*. When acquiring a pair of jeans, a car, a house, and — yes — even professional services involving accounts receivable management, the acquisition is exactly the same on the buyer's side.

Consider the following example of your typical customer's buying process:

1. Recognition of an unmet or underserved need
2. Establishment of Evaluation Criteria
3. Risk Mitigation
4. Negotiation
5. Acquisition

Now frame this process from the salesperson's position. As a salesperson, this approach to selling requires a shift in thinking and preparation. Organize your tactics by thinking about how you prepare, asking questions, answering questions, knowing when and how a customer listens, understanding what a customer is listening for, and comprehending how and when they speak. When each of these actions is based on your understanding of the actual process your customer is going through, your customer can feel more confident throughout the buying process.

This approach gives great advantage to the salesperson, as most salespeople remain acutely focused on selling versus helping someone buy. These salespeople, including competitors, sell based on being a subject matter expert with a rigid sales process. They spend little time actually helping customers buy based on the customer's need. Highly successful salespeople are experts in their field AND thoughtfully draw on their understanding about the hows and whys of a customer's purchase journey.

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The dated approach to selling has an even greater disconnect today, as today's buyers are more informed than ever and do not require the talking brochure of the past to make a good decision. Many studies suggest the buyer's journey is well over 50 percent complete before engaging with a salesperson. This means the customer likely already knows the information in a sales pitch, making that approach much less effective, and the customer can sense it.

On the other hand, when a salesperson has fully and collaboratively developed the first three elements of the customer's buying process with the technique above, she or he has effectively reduced the number of possible solutions that actually satisfy what the customer really wants to buy. Consequently, negotiating becomes much less painful for both parties, and the customer feels better about the process because his or her needs were considered throughout.

Regardless of where a customer is within the buying process, who do you think will earn his or her business? Is it your competitor whose approach is processing customers, or is it you, and your team, which is helping customers buy? Who do you think will soon be doing business with that customer? Which salesperson would you work with?

Rex Knechtly is the founder of First Avenue Advisors, which he launched in 2006. First Avenue Advisors is an **industry agnostic** professional service firm based on process discipline and the belief that ordinary people can accomplish extraordinary outcomes when they know how, why and on what to focus. The firm enables middle-market and lower-market businesses to increase organic revenue and retention. Clients are generally pre- or post-ownership change transaction involving entrepreneurs and private equity firms. rex@firstavenueadvisors.com

CHANGES IN THE COLLECTION INDUSTRY

Ohad Samet, co-founder and CEO of TrueAccord, www.trueaccord.com

Q4 2017 continues to see changes in regulatory challenges for the ARM industry, continuing the trend we've seen in the past few years.

Earlier this quarter, the CFPB announced its 2017 rulemaking agenda. In its message, the CFPB stated that it has "decided to issue a proposed rule later in 2017 concerning debt collectors' communications practices and consumer disclosures." InsideARM put the date at September of this year. Though September has come and gone and we've yet to see a rule, the chances of it coming in Q4 are quite high. I expect more news following the Consumer Advisory Board's November meeting in DC.

When it comes, the debt collection rule is expected to focus on collector communication practices. Judging by the CFPB's 2016 outline, that includes clarifications on the use of social media and emails for collections, as well as a cap on weekly contact attempts per account.

Emails and social media are consumers' preferred channels for communication, even with debt collectors. I expect this rule to open the flood gates on responsible, consumer-centric, and scalable collection practices that will benefit everyone involved. We've written extensively on how machine learning based, digital first systems collect better than traditional solutions, and we expect these clarifications to greatly aid in giving consumers what they want.

Contact caps continue the trend of limiting the use of phone calls as means to communicate with consumers in the debt collection process. As we wrote before, the biggest challenge to the debt collection industry is that phone calls are becoming irrelevant. The CFPB is continuing the regulatory trends following consumer preference, and while it's opening up new communication channels, it's severely limiting phone calls. I expect this trend to worsen.

The CFPB isn't the only active regulator impacting the industry. In an article on InsideARM.com, Tim Bauer, former President of InsideARM, described a somber state of affairs:

The TCPA and the 2015 FCC Rules interpreting the act have effectively eliminated the use of technology to efficiently call cell phones. Land line usage is dropping like an anchor. The CFPB is on the brink of announcing proposed debt collection rules that are likely to reduce the number of call attempts that can be made. Now, add this latest call blocking technology and the industry is challenged again.

Mr. Bauer pointed out many efforts by different regulatory agencies and how they impact call centers: "anecdotal reports of right party connects down by 15-30%", as the FCC includes debt collection calls as an "unwanted call" category in it's "robocall" blocking initiatives.

We know consumer preference is changing. 97% of business calls go unanswered, according to Neustar. Phone calls are real-time interactions, imposing on the consumer's time and attention. If consumers pick up, they often feel embarrassed by their situation and needing to discuss something personal with a stranger, who now has to earn their trust while asking for personal information. It's a stressful situation, especially for someone paid a commission for collected dollars. Often this devolves into a heated exchange between a stressed consumer and an equally stressed collector, in which the consumer feels like the person on the other end is not there to help them work through a difficult time. Calls aren't only bad for reaching consumers; they are bad for engaging them in a meaningful exchange, because consumers prefer to resolve the debt through digital means, where they feel they have flexibility, control and privacy.

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These regulatory and market pressures continue to make an impact on small and medium players in the ARM market. I expect to see more consolidation, as issuers seek new technologies and technology-forward vendors, and continue to reduce the number of agencies they work with. 2018 is around the corner and with it, another chapter for the ARM industry.

Ohad Samet is the co-founder and CEO of TrueAccord, reinventing debt collection using data and behavioral analytics. TrueAccord uses machine learning, behavioral economics and a humanistic approach to change the debt collection process.

Ohad is interested in fraud and loss prevention, influencing user behavior, expert-based learning systems, data analysis, payments and more. Ohad is also a member of the Consumer Financial Protection Bureau (CFPB) Consumer Advisory Board. Contact Ohad at osamet67@gmail.com

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Corporate Advisory Solutions, LLC (CAS) is a proud supporter of the Institute for Collection Leadership (ICL)

The Institute for Collection Leadership is a new and innovative organization in the credit and collection industry created with the sole purpose of promoting and advancing the specific interests of its large-company members.

Through research, networking, thought-leadership, and targeted financial support, the ICL works to deepen relationships with policymakers, government regulatory and judicial bodies, thought-leaders, and other critical decision-makers whose actions and opinions impact our industry.

Why you should join:

- Proactive and effective advocacy that will develop consumer-centric solutions, deepen relationships, and advance common positions;
- Long-term strategic public relations initiatives that strive to change persistent negative perceptions of our valuable industry;
- Proprietary research aimed to inform its members, empower communications with real numbers, and combat negative stereotypes;
- Surveys, position papers, aggregated analysis and data collection that will move the needle on the issues that impact our industry.

ICL
Institute for Collection Leadership
The size is right. The time is now.

Here is an excerpt from an interview with ICL's current and next chair, Jim Richards, chairman of Capio Partners LLC, and Lisa Im, CEO and president of Performant Recovery, to discuss the new website and ICL's role in moving the needle on issues that directly impact the collection industry by *Collector magazine* editor Anne Rosso May.

Contact ICL for information about the organization, membership qualifications or any other questions you may have, here.

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We encourage you to contact CAS to confidentially discuss your growth and exit interests. Contact Elaine Rowley at erowley@corpadvisorysolutions.com to submit an article or advertisement.

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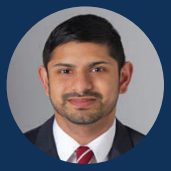

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