

Due Diligence Tips – Acquiring a Debt Buyer in Today’s Market

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1 Credit

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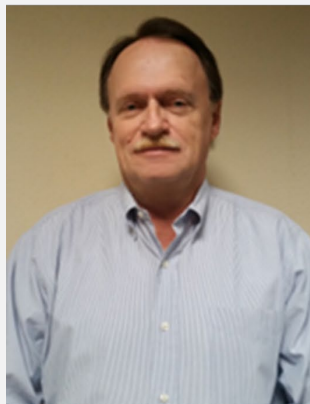
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Troy Capital was one of the first companies to become certified back in November 2013. From that time, over the next nearly 10 years, the certification program has provided us an always evolving basis to validate and enhance our compliance and best practices related policies and procedures, which in turn, are consistently applied at all levels of the business. That verifiable application consistency has proven to be of great benefit during state level regulatory audits, prospective seller due diligence reviews, automation studies and initiatives, and other key business function assessments.

Rance Willey, Troy Capital

Disclaimer

This information is not intended to be legal advice and may not be used as legal advice. Legal advice must be tailored to the specific circumstances of each case.

Every effort has been made to assure this information is up-to-date. It is not intended to be a full and exhaustive explanation of the law in any area, nor should it be used to replace the advice of your own legal counsel.

Any opinions expressed are the opinions of the speaker and not their organization or RMAI.

1 | **State of the Industry**

2 | Key Due Diligence Items

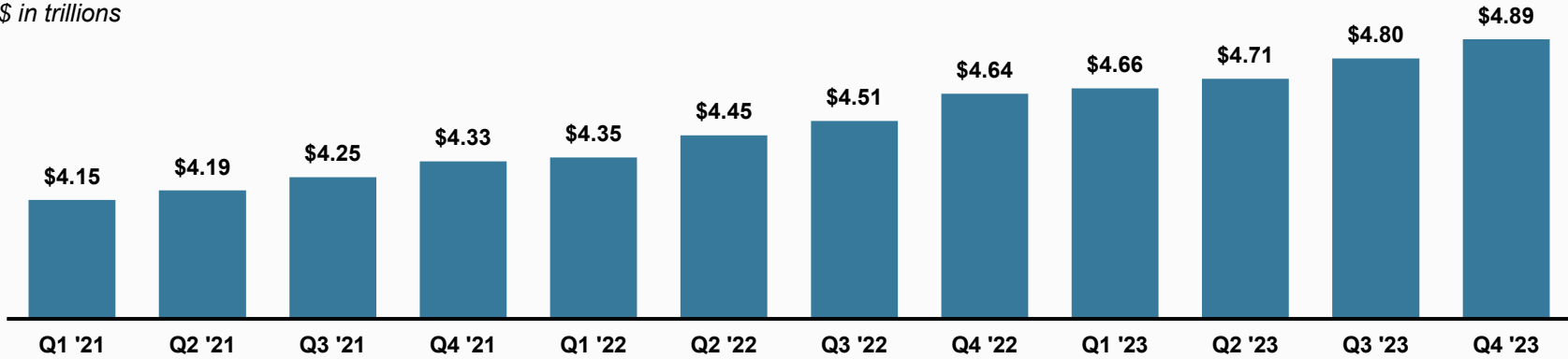
3 | Key Underwriting Guidelines

4 | Q&A

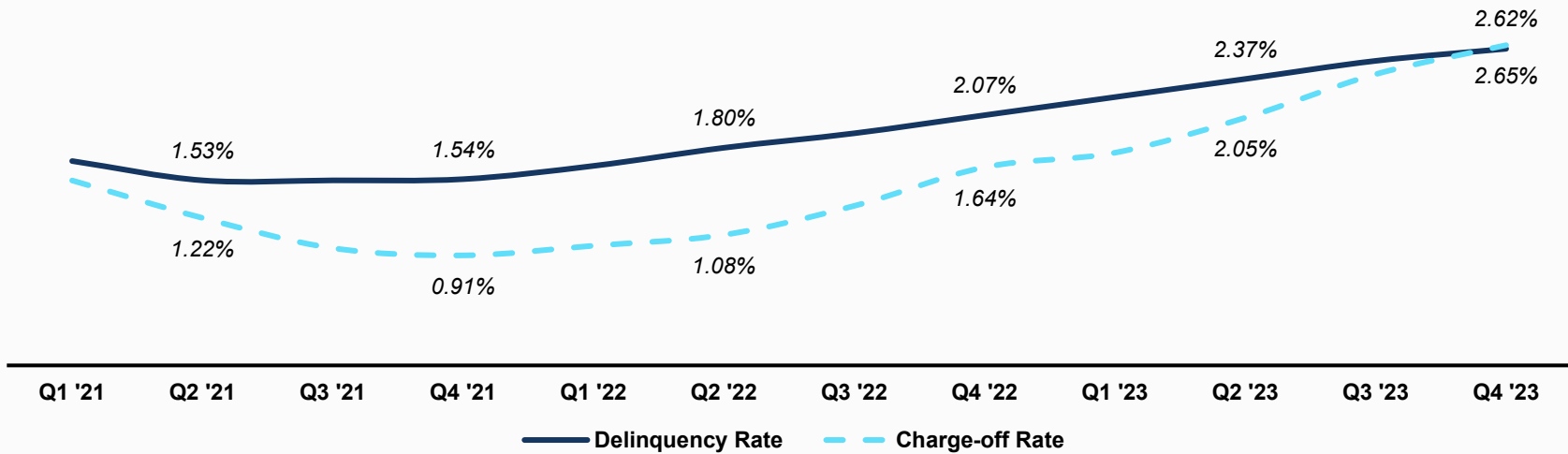
State of the Industry

Total Non-Housing Consumer Debt

\$ in trillions



Historical Delinquency & Charge-Off Rates (%)



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Key Due Diligence Items When Acquiring a Consumer Debt Buying Business

Financial and Economic Viability

Cost of Capital



Track Record in Different Economic Cycles

Resale Ability to Free Up Capital

Operational and Strategic Capabilities

Internal vs. External Capabilities



Scalability of the Platform

Creditor Relationship and Expertise

Compliance, Risk Management, and Legalities

Compliance and Compliance Management Systems



Data Security

Legal Eligibility of the Portfolio

Documentation, Media, and Agreements

Financial and Economic Viability

Cost of Capital

Variable interest rate impact

Risk assessment in unpredictable rate environments

Fixed vs. variable financing

ROI and financial planning effects

Track Record in Different Economic Cycles

Economic stress performance

Business model resilience

Profitability and loss trends

Economic stress testing results

Resale Ability to Free Up Capital

Portfolio liquidity evaluation

Capital optimization via asset divestiture

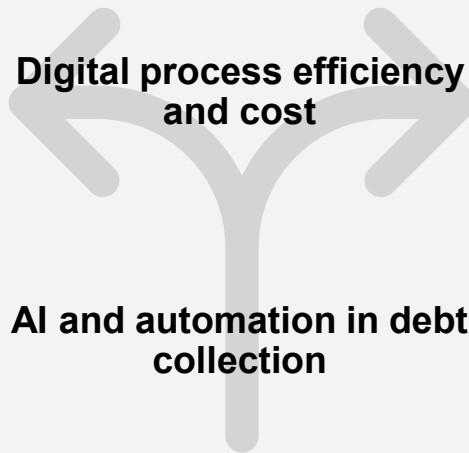
Debt portfolio market analysis

Resale impact on investment strategy

Operational and Strategic Capabilities

Internal vs. External Capabilities

In-house vs. outsourced tech comparison



AI and automation in debt collection

Digital customer engagement analysis

Scalability of the Platform

Tech infrastructure evaluation

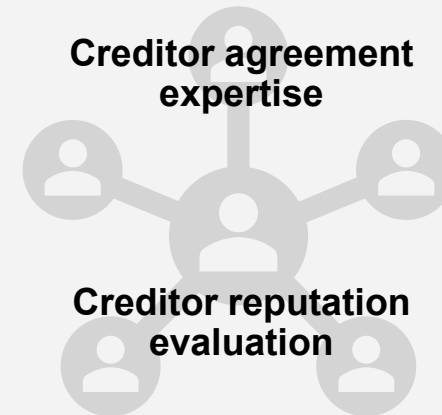


Operational efficiency and scalability

Tech integration capability assessment

Creditor Relationship and Expertise

Creditor relationship history and quality



Creditor reputation evaluation

Post-acquisition creditor strategy

Compliance, Risk Management, and Legalities

Compliance & Compliance Management Systems

Compliance track record review

Compliance system assessment

Lawsuit analysis and handling

Regulatory landscape understanding

Data Security

Data breach prevalence study

Cybersecurity measures assessment

Data encryption importance

Data breach history evaluation

Legal Eligibility of the Portfolio

Debt portfolio legal standing

Legal cost estimations

Collection practice compliance review

Legal issue impact on valuation

Documentation, Media, and Agreements

Contractual document review

Media and PR impact analysis

Financial record accuracy verification

Undisclosed liabilities assessment

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Key Underwriting Guidelines When Acquiring a Consumer Debt Buying Business

Risk Evaluation and Pricing Strategy

1

**Risk Weighted Pricing
Models**

**Cash Flow and Recovery
Rate Projections**

Portfolio Composition and Diversification

2

Diversification Criteria

Capital Adequacy

Regulatory Alignment and Compliance

3

**Regulatory Compliance
Standards**

**Stress Testing for Regulatory
Changes**

Strategic Financial Planning

4

**Performance in Various
Economic Scenarios**

Exit Strategy Formulation

Q&A

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