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REVENUE RECOVERY | ANALYTICS | ATTORNEYS

Harris & Harris

in partnership with:

City of Milwaukee



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Revenue Enhancement Initiatives

Revenue Enhancement Initiatives

While all revenue enhancement initiatives should be considered, many may have negative ramifications that could outweigh the benefits.

Below is a listing of a number of initiatives for discussion, some of which are highly recommended by Harris & Harris, while others are not.

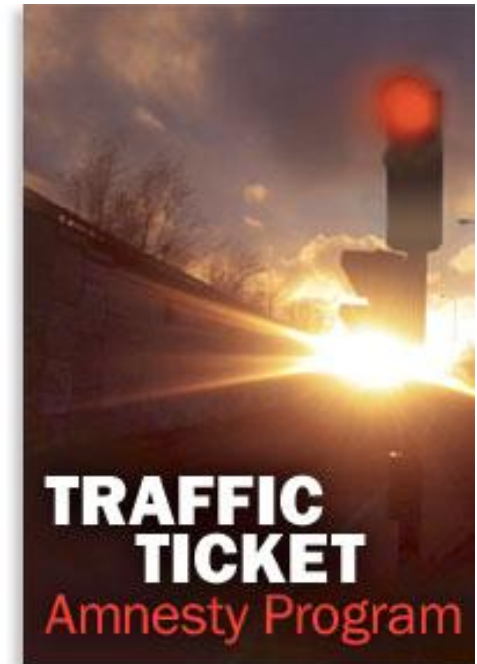
Revenue Enhancement Initiatives

1. Amnesty program

- Consideration of a short period of amnesty offering various alternatives for payment and payment plans

2. TRIP – limitation of contingent fee

- Require department to use outside experts to increase match rate, apply analytics, and handle interface, however mandate a contingent fee of 5% of collections



Revenue Enhancement Initiatives



3. Court debt initiative

- Judges require defendants to meet with vendor reps if not paying full fine at court date – vendor sets up payment terms, takes financial applications and demographic information

4. Ordinance for debt settlement

- Provided certain terms are met, allow vendors to negotiate settlement based on debt age, debt amount, payment plans

Revenue Enhancement Initiatives

5. Hardship payment plans/discount
 - Provided certain terms are met, allow vendors to negotiate settlement based on debt age, debt amount, payment plans
6. Implement convenience fees
 - Cover City cost of credit card and in-person transactions



Revenue Enhancement Initiatives

7. Coordinate City vendor contracts

- Coordinate end dates of all City collection contracts allowing for bidders to bid on multiple business lines simultaneously to drive down vendor fees for additional market share



8. Ordinance for addition of collection fee

- Allow City to be at least partially reimbursed for vendor collection fees with partial add-on of percentage of debt when placed for collection

Revenue Enhancement Initiatives

9. Stepped up enforcement tools

- Booting, driver's license suspension, arrest warrants, license plate recognition



10. Less aggressive enforcement tools

- Business license holds/revocations, garnishment, city vehicle sticker

Revenue Enhancement Initiatives

11. Aggressive revenue thoughts

- Red-light violation cameras, speed enforcement cameras

12. Debt selling

- Abusive practices, Federal Government scrutiny, lone wolf strategy, loss of control
- White paper attached



Debt Selling White Paper Analysis

Introduction

The debt buying industry has been decimated by both federal and state regulatory bodies, sometimes even unfairly. Consumer advocates have convinced the relevant watchdogs in government agencies and the media that debt collection sales occur flippantly within that industry and usually long after documentation is available to substantiate the debts. In turn, they say, this has led to the collection of debts from the wrong people, or in the wrong amounts, and sometimes purposefully. Naturally, due to the fact that these accounts were already worked heavily and unsuccessfully, legal action is often necessary to effectuate solid recoveries, and as a result, high volumes of lawsuits are filed – which only makes people more afraid and skeptical of the process. This is compounded by the fact that the debts are bought fairly cheaply, which makes sense for all parties financially but casts the debt seller and buyer in a very “greedy” or negative light when they file a lawsuit to recover upon a debt they purchased for pennies. A government associating with debt sales does not sit well politically in light of all the government-initiated efforts to introduce widespread reforms and the media following closely along (see government efforts below).

Debt Selling White Paper Analysis

Consumer Financial Protection Bureau (CFPB)

In light of the above, the Consumer Financial Protection Bureau (CFPB), the Federal agency newly charged with regulating the industry, has already taken steps to create new rules and regulations in the debt buying field which has put new responsibilities on the buyers (and in turn, sellers). This will be exacerbated when the CFPB engages in debt collection rulemaking, which may very well be coming soon if industry sources are correct. The CFPB has already released certain checklist items in their field exam reviews they conduct for debt buyers and others. These items indicate that examiners should be looking at such areas as the “nature of the account-level information provided to the debt buyer” and “any representations or disclaimers made relating to the accuracy of the account-level information provided to the debt buyer,” among other things. Essentially, regulators of all types now seem to be moving down a path where efforts from creditors to debt buyers must be supported by the possession and review of media at different stages of the process – and this is just the beginning of the scrutiny. More than 3 consent orders from the CFPB since 2012 have contained provisions about media gathering requirements for debt buyers and these same requirements are finding their way into laws in various states and local jurisdictions.

Debt Selling White Paper Analysis

For government entities like the City of Milwaukee, this means that there will be burdensome requirements to both provide upfront and follow up documentation upon and after any sale – the production of evidentiary documentation is going to be an absolute requirement that the purchaser would have to resolve with the City at different stages and will be embedded in contract. But there are going to be even more intricate restrictions related to other “creditor-buyer” partnerships that arise in the coming months.

In a 2015 consent order, the CFPB attacked the nation’s 2 largest debt buyers, finding that Encore and Portfolio Recovery Associates attempted to collect debts that they knew, or should have known, were inaccurate or could not legally be enforced based on contractual disclaimers, past practices of debt sellers, lack of original documentation, etc.:

http://files.consumerfinance.gov/f/201509_cfpb_consent-order-encore-capital-group.pdf

Debt Selling White Paper Analysis

Loss of Control of Debt

Whenever government functions are privatized, independent voting groups or citizen's rights advocates may challenge it. Government debt often comes with leverage that can be administered by the government itself – tax intercepts, license suspensions, etc. Once a debt is sold, private parties are never going to be able, absent clear legislation or carve outs, to come in and act as the government. Finally, debt buyers want complete discretion on how to handle accounts from the ability to settle the debt to taking whatever action is necessary to collect. Many of the City of Milwaukee debt is a result of a court awarded judgment whereby State law would require a judge's order to modify the terms of the debt.

Conclusion

These are just a few of the concerns relative to the City selling some of its debt. While we are immersed in the government collection of debt on the Federal, State, and local levels, we are not aware of any debt selling activity whatsoever being done at this time by a unit of local government.