

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).

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.

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

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.

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REVENUE RECOVERY | ANALYTICS | ATTORNEYS

Harris & Harris

in partnership with:

City of Milwaukee

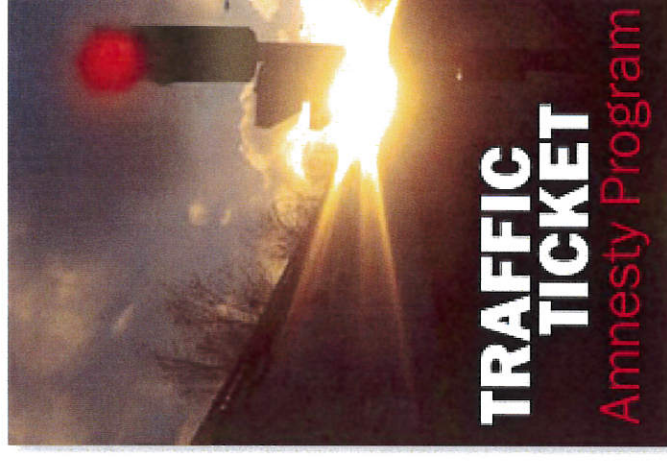


July 28, 2016

20 Revenue Enhancement Initiatives

Revenue Enhancement Initiatives

1. Collection Fee
 - Ordinance to allow for addition of fee to bad debt to cover internal costs of delinquencies and use of outside collection vendors
2. Amnesty Program
 - Allow for amnesty period in collection fee ordinance
 - Publicize period to pay prior to collection fee add on



Revenue Enhancement Initiatives

3. Tax Intercept Program (TRIP)

- Ordinance limiting vendor fee to less than 5% of collection (State Department of Revenue wants 15%)
- Require outside vendor to administer debt matching program to significantly improve intercept rate
- Require vendor to implement I/T interface with TRIP program



Revenue Enhancement Initiatives

4. Booting program
5. Driver's license suspension program
6. Plate renewal suspension program
7. Business license hold and revocation
8. Set up payment plan program for withholding any of the above consequences provided the defendant stays current and pays off their debts



Revenue Enhancement Initiatives

9. Actively pursue arrest warrants
10. Pursue garnishment power through our law firm
 - Firm responsibility to initiate wage detection program
11. Leverage property docketed in lien status



Revenue Enhancement Initiatives



12. Set up a first party Harris & Harris payment window which judges require defendant to visit after court hearing and secure payment or set up payment plans
 - Take financial applications to update financial and demographic information

Revenue Enhancement Initiatives

13. Set settlement terms by ordinance

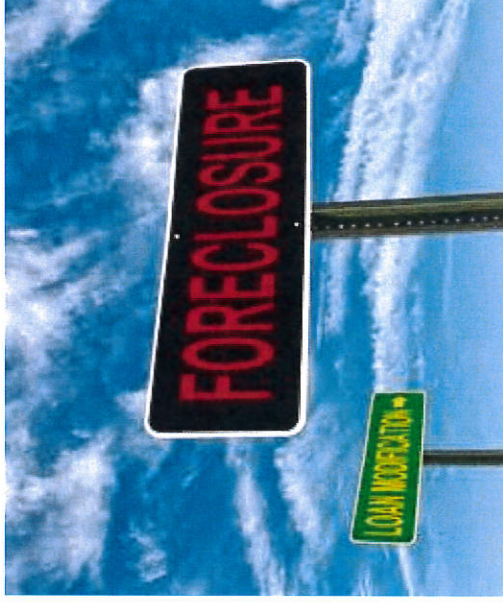
- Settlement criteria for debt older than 5 years – Hardship Plans
- 25% negotiation discount for debts older than 5 years with a payment plan
- 40% negotiation discount for debts older than 5 years with a one-time payment
- Large debts over \$2,000 and 5 years old, consider 60% discount for one time payment or payment plan



Revenue Enhancement Initiatives

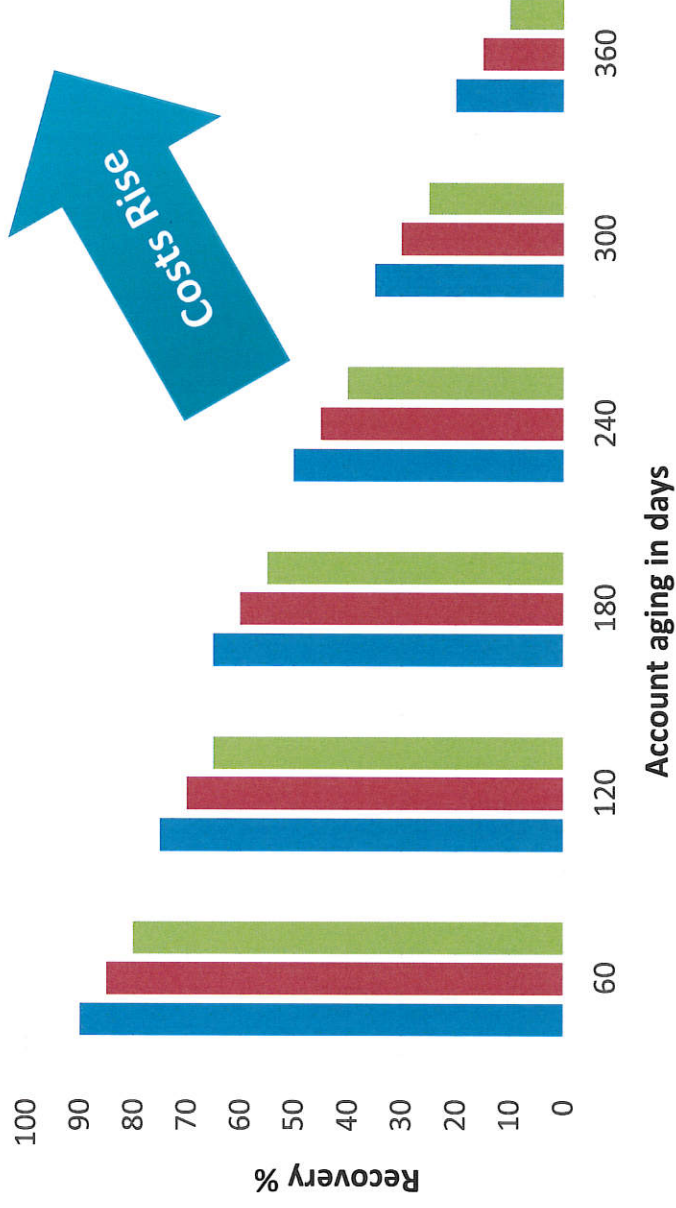
14. Hardship payment plan and discount:

- Any defendant who qualifies for a hardship discount can enter into a payment plan and receive a settlement as they pay their debts through a payment plan
- Example: Federal and state government assistance programs, under foreclosure, filed bankruptcy in the last 2 years, under a child support order, etc.



Revenue Enhancement Initiatives

15. Referring debt at an earlier age to affect collections



Revenue Enhancement Initiatives

16. City vehicle sticker and residential permit parking stickers
17. Red-light violation cameras
18. Consider LPR software/hardware to issue parking violations
19. Consider speed cameras in school zones and other high traffic areas



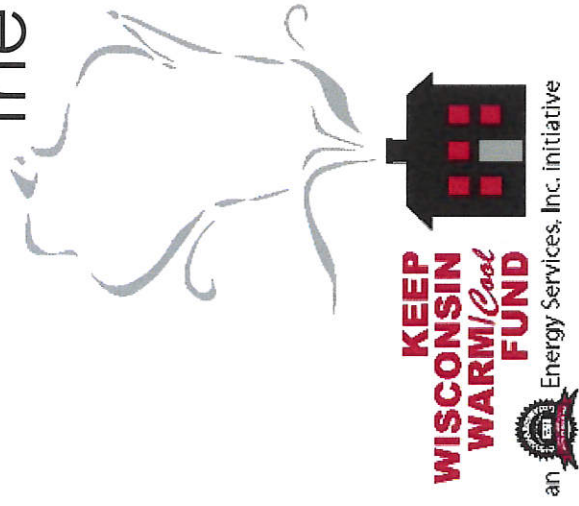
Revenue Enhancement Initiatives

20. Charge a convenience fee for paying at the courthouse payment window and waive with supervisor approval



Philanthropies

Harris & Harris is committed to **supporting ALL of the communities we do business in** across the country. But in the Milwaukee area, we have had long standing partnerships with the Keep Wisconsin Warm/Cool Fund and the Hunger Task Force!



Milwaukee Parking Citation Debt Categories								
Jurisdiction	2010	2011	2012	2013	2014	2015	2016	Total
Wisconsin	\$1,173,171	\$1,591,309	\$1,661,065	\$2,577,351	\$3,329,305	\$4,677,070	\$3,562,557	\$18,571,828
Out-Of-State	\$212,870	\$275,863	\$271,824	\$311,791	\$361,599	\$374,194	\$204,725	\$2,012,806
Non-US	\$3,291	\$4,134	\$2,587	\$2,201	\$2,713	\$3,800	\$1,464	\$20,190
No Plate	\$503,398	\$804,378	\$1,078,877	\$880,295	\$719,491	\$824,719	\$476,068	\$5,287,226
No Owner Info	\$1,243,267	\$1,740,047	\$826,634	\$889,334	\$720,638	\$721,798	\$507,020	\$6,648,738
Totals	\$3,135,997	\$4,415,731	\$3,840,987	\$4,660,912	\$5,133,746	\$6,601,581	\$4,751,834	\$32,540,788

Reasonably Collectable \$15,593,821

Active collectable accounts with verified owner and likely certified with TRIP

Accounts could possibly be forwarded to another agency for possible legal action. Possibly after PPS has worked them for 1 year (Non-TRIP accounts only)

Accounts should be deemed uncollectable and consideration should be given to writeoff

Wisconsin	Any account that has a driver's license number or social security number has been sent to TRIP for certification
	2013 to 2016 accounts are reasonably collectable based on continued efforts and TRIP listing
	Most of the 2016 accounts have not yet aged to collections
Out-Of-State	2010 to 2012 accounts either couldn't be listed with TRIP or have gone through several tax cycles without payment and traditional collection efforts have not been successful
	Any account that we have worked for 2.5 years and haven't been able to list with TRIP, we forward to a secondary collection agency (PPS) for another swing at it.
	2010 through 2013 accounts have small possibility of collection given the lack of collection tools available (TRIP, registration suspension)
Non-US	2014 through 2015 accounts may tie to newer citations or be collected through traditional collection means
	Most of the 2016 accounts have not yet aged to collections
	2010 to 2015 accounts have very small possibility of collection as there is no way to tie the vehicle to the owner. The only chance of payment is a conscientious violator.
No Plate	2016 accounts may be paid by a conscientious violator
	2010 to 2015 accounts have very small possibility of collection as there is no way to tie the vehicle to the owner. The only chance of payment is a conscientious violator.
	2016 accounts may be paid by a conscientious violator
No Owner Info	2010 to 2015 accounts have very small possibility of collection as registration records could not link the vehicle to an owner.
	The only chance of payment is a conscientious violator.
	2016 accounts are in active owner acquisition status throughout the year

