



Capital Club Radio Interviews

Tim Bauer President of insideARM

00:05: Broadcasting live from the Pro Business Channel studios in Atlanta, Georgia. It's time for Capital Club Radio. Brought to you by FLOCK Specialty Finance. Please welcome your host, Chairman and CEO, Michael Flock.

00:24 Michael Flock: Good morning, and welcome to this edition of Capital Club Radio. We are absolutely excited, delighted today to have Tim Bauer with us. Tim is the current President of insideARM and The iA Institute. insideARM, of course, as many of you know, is like the leading website information provider for the accounts receivable management industry. Tim is an industry veteran with an incredible resume. He could write the encyclopedia on the debt collection and ARM industry over the last 30 years. Tim got into the industry right after law school with the law firm in Minneapolis, Messerli & Kramer, where he was head of their Credit and Collection department. He then joined Nationwide Credit, running the Legal Products Group. Following that he was Executive Vice President for Business Development at RMA, a major collection agency years ago. Following that, in '04 to '06, he was with Outsourcing Solutions, Inc., OSI. Took it out of bankruptcy. Then was one of the leaders at Academy Collection Service, Inc., ACS, from September '07 to February '09. And then he headed up as CEO of Integrity Solution Services, ISS. Tim has many, many stories for us this morning. Lessons learned, ups and downs of how to build businesses. Tim, tell us a little bit about your thought process. How you got into this space?

01:58 Tim Bauer: Well, first of all, nobody goes to law school and says, "I can't wait to get out and be a collection lawyer." When I got out I got the job offer from this firm, Messerli Roe Baylor & Kramer back then. And they took me in and said, "Listen, we don't know which department we want to put you in." And this firm was very interesting. They had a small collection department, they had a lobbying practice in the state of Minnesota, and they had another part of the firm that did aviation crash cases - plaintiffs cases. So, I came in and they said, "We're hiring you and this other guy at the same time. He can't start right away. We need you right now in this Credit department." And the guy who started two weeks after me went into the aviation crash business, and is still doing it today.

02:51 MF: Aviation, wow. Okay.

02:52 TB: Yeah. Well, not only that. It was very, very specialized. For the longest while all they did was crash cases involving C-130s. Back in the mid '80s apparently, they were going down with alarming regularity. So, I got into this firm and we had this collection practice. The guy who hired me left the firm and told everybody, "Well, I'm taking Tim with me." And I said, "Well, wait a minute. We never talked about that. I'm staying and by the way and I'm keeping these clients and we're going to continue to grow." So that's how I got into that business".

03:29 MF: Right. And you were there, I think you said 15 years?

03:31 TB: 15 years.

03:32 MF: And you were running all the credit and collection operations. Is that right?

03:35 TB: Yeah, we were at the time the largest law firm collection practice in Minnesota. And we grew it quite rapidly, and it was all a very large part of that firm's practices.

03:50 MF: So, why would you want leave? For Nationwide Credit?

03:54 TB: I'll tell you. Two things. I ran what I tell everybody was the squeakiest, cleanest law firm collection practice in the United States - and we did this work for 15 years. And in that 15 years I had never gotten two things which were very common in that arena. One, I'd never got an ethics complaint. And ethics complaints against collection lawyers are very, very common. It's right after divorce lawyers. Because everybody goes through a divorce, one party or the other, and in most cases both, think their lawyer did a rotten job, so they turn them in to the ethics board. So I'd never received one and I'd never had a fair debt case against us. And back to back, about two weeks apart, I got both. And the ethics

complaint was a letter on a federal student loan that was forwarded to an individual that was in a shelter for battered women. Very tragic story. But the director of the shelter thought that they should turn me into the ethics board for having this letter forwarded to them.

04:57 TB: It was dismissed in about two weeks, but it was still... Having never gotten one of these things and you get it and you see "The Office of Professional Responsibility" and the sweat starts pouring down your forehead. And then we got our first fair debt case against us. A lawyer up there, who I knew very well, thought it was a great idea to sue the law firm and he named my partner in the lawsuit. And I just said, "This is nuts." And at the same time, I was approached by the leadership at... It was actually back then a company called ACB, in Phoenix. I was living in Minneapolis. Minneapolis vs. Phoenix... Weather wise, not a tough call. And I moved out there to... This firm's leadership was really way ahead of the game. They wanted to start up a legal forwarding department and brought me in to do that.

05:54 MF: Okay. Ahead of the game, meaning that was a new collection process that could make a difference in results?

06:00 TB: Well, a lot of the old time collection agencies had lawyers on retainer. To me it was disgusting. They basically rented their lawyer's letterhead and sent out a bunch of letters under lawyer's letterhead. I wouldn't have anything to do with that. So, we decided we were going to put more accounts into the litigation process earlier, and engage the top lawyers throughout the country to do that.

06:28 MF: So it was a reengineering opportunity?

06:30 TB: Yeah. Absolutely.

06:31 MF: And you brought your expertise and legal collections to the game and...

06:34 TB: Yeah. In my law firm we started what was then the first legal network out there. It was a group called AACA. We all have either three or four stupid initials but this was American Association of Creditors Attorneys.

06:50 MF: Okay. It still exists?

06:51 TB: Yeah, it still exists. And we started that and I went out and recruited the clients to put the first volume of accounts through that network.

07:01 MF: Okay. And how much difference did it make for the results of ACB which I guess later became Nationwide? What was the impact?

07:09 TB: First of all, I was there for about two months and ACB and Nationwide merged.

07:14 MF: Okay. And that was the Frank Hanna company?

07:17 TB: That was the Nationwide...

07:18 MF: Nationwide acquired ACB?

07:20 TB: It was owned by First Financial here in Atlanta.

07:25 MF: That was Pat. Who's the owner of ACB? His name was...

07:31 TB: By that time, it was owned by First Data when I got there. So First Data owned ACB and First Financial owned Nationwide, and First Financial and First Data merged.

07:42 MF: Put them together, yeah.

07:43 TB: And the ACB management team was convinced they were going to run the whole show. A month later, I was the only member of the senior management team at ACB left standing, everybody else was gone.

07:56 MF: So it was a clash of cultures or organizations?

08:00 TB: Anytime you do any mergers, and we can talk about this later but, you don't need three shortstops. You have to make some hard decisions. And then the management team here in Atlanta that ran Nationwide asked me to come out and move here and I did.

08:21 MF: And you ran the legal collection network for Nationwide then?

08:25 TB: Yeah. And then I got recruited away to join RMA.

08:31 MF: What were some of the lessons learned throughout that transition from ACB, Nationwide, and then to RMA?

08:40 TB: Well, I will tell you what I did learn very quickly having never been involved in any law firm mergers. You have to make decisions quickly and you can't do anything other than decide what is the best of the best. Again, you don't need two shortstops, you don't need three shortstops. We don't need two chief operating officers, we don't need two heads of IT. You've gotta make the decision, but what you've got to do is take a look at strengths of both and make the decision and live with it.

09:14 MF: And how did you get through some of those days where the management teams were clashing? Were you like an arbitrator? Did you try to pull the team together?

09:22 TB: On the first one with the ACB and Nationwide, I was more of an observer. As I moved through my career, I went to RMA, we began acquiring companies. And so we were involved in the decision-making process as we made the acquisitions. Some decisions are so obvious that it doesn't take a ton of skill to make. We bought a company from Equifax, back in the day. They had bought a company called CSC Credit Services. They were an agency. They had, something like 14 offices. All small, couple fairly large. But during our due diligence process, we began to look and say, "It doesn't make any sense to have all of these offices." We had a small office in Lafayette, Indiana and another office in Indianapolis. And even our financial analyst could come in and say, "You know what, at the end of the day, we need these three offices or these four offices, whatever it was, and we're going to merge the other ones into them."

10:32 MF: So it's merging real estate, merging infrastructure, organizations.

10:36 TB: Yup. You have take a look at all of it. You have to take a look at leases. You may have an office that you would otherwise say it's too small to keep but you've got a seven-year lease that you've have to deal with. Things like that.

10:51 MF: And inevitably, I think a lot of these consolidation plays affect people, and people have relationships with customers. How did you navigate through that?

11:02 TB: The one thing I learned in doing all of these acquisitions is first of all, confidentiality about the deal is the utmost important. The minute word gets out that the company that you're looking at is for sale, people get nervous, it's human nature. If I'm at a company that I hear through the grapevine or the coffee klatch conversation, "Oh did you hear we're getting sold?" People get nervous and people that you don't want to leave, leave. So, the one thing I learned is confidentiality is everything. So later in my life and when I was at Integrity and we made I think five different acquisitions, I was most proud of the fact that on everyone of them I had people call me up and said, "We didn't hear a word about this until the day... "

11:52 MF: So that's the number one lesson learned, confidentiality.

11:54 TB: Yeah. Absolutely. There is certainly challenges that way because you need to, if you are selling, you need to bring in certain portions of your team into the loop. But you got to impress upon those people the need to... This is need to know only.

12:20 MF: And did you have to make an assessment on the people, their personalities, their skillsets, their history, their customer relationships, and...

12:30 TB: There's tons of ways to look at it. For instance, IT is of utmost importance. And so you begin to look at systems. In a perfect world, the acquisition you would make is a company that's on the exact same platform that you're on, so that you can make that transfer very easily. If not, you've got multiple platforms that you're going to have to deal with. You've got increased expense to maintain multiple platforms, you've got data in different formats in different locations. It's hard to combine the data, you end up having to create a data warehouse and funnel information up to the data warehouse. So IT is one of the first items you look at. We talked about real estate, big item.

13:21 TB: The other, to me and this was an area where I always focused in our team, was the clients. It didn't make sense if I were a buyer for instance, and my largest client was ABC Bank, it didn't make sense for me to buy a company whose largest client was ABC Bank. Because in our industry, most clients get nervous to concentrate that much work in one company. So if you make that deal, you're immediately devaluing the company you just bought, because you're not going to be able to maintain both market shares. And the other thing is this whole discussion about confidentiality, it also comes into play with clients. As a seller, you want control when you're going to tell the clients. As a buyer, I'm not going do the deal, I'm not going to close until I talk to these clients. So, that's friction right from the start as to when that happens, and you have to come up with a point in time where both parties agree, "Okay, now we can go talk."

14:32 MF: So you really developed lots of M&A experience and expertise along the way. You started in legal collections but it sounds like your job... Also at RMA you were in business development, but you were also involved in acquiring businesses. So you really built your personal skill portfolio along the way as well, because you were never an M&A guy initially.

14:56 TB: No, not at all. And so you learned on the fly on what was important. But at RMA, we had a team of senior execs that were involved in every transaction and we all took our little section of this. But as you get into meetings every day, you learn from the IT guys what's important. And I learned from the HR people what's important. Who's got employment contracts, who does not, who do we need to give an employment contract to, to maintain the value of an acquisition. Things like that.

15:30 MF: At RMA you were head of business development, right?

15:32 TB: And then I was Chief Operating Officer for three, four years as well.

15:37 MF: Okay. And that's when you got involved in all the M&A work

15:40 TB: Actually, when I went to RMA, I think I was employee number four. So, we did everything. And you got a little flavor of everything. But after the first acquisition, then we oddly enough, the first acquisition was a company up in Minnesota.

16:00 MF: Which one was that?

16:02 TB: It was a company that was called Credit Converters. And the guy that owned it was a legend in the industry, a guy by the name of Jack Hurley.

16:11 MF: Okay. Okay.

16:13 TB: And Jack was... Just a quick side story. Jack was a legendary big game hunter, internationally known big game hunter. And if you went up to the office there, they had all of these animals on the walls everywhere. And it's not me, I'm not a hunter, and I don't really get it. But I thought, "This is what this guy likes." The one I never really understood was the zebra. I didn't understand why anybody would want to go shoot a zebra. And it was an interesting deal. Right before we closed on that, they were telling us they had a hot prospect lined up and I won't say who it is, but it was one of the major credit card providers out there. And they were down to, the client was just going to do the last site visit before placement started. And the lady showed up, walked into the office, saw all of the stuffed animals, and walked out. Said, "I'm not doing business with these guys."

17:21 MF: Wow, because they're hunters?

17:23 TB: Yeah. She found it offensive.

17:26 MF: Offensive.

17:27 TB: Yeah.

17:27 MF: That's interesting. So you weren't politically or culturally correct I guess?

17:35 TB: I was.

17:40 MF: Speaking of culture by the way, you haven't touched on that. And I know just from my own experience that cultural values can clash sometimes in mergers and acquisitions. And I never really thought it was important till later when I was running companies for Dun & Bradstreet and I saw, "Wow. Shared values are critical." What stories do you have where that was something you learned?

18:04 TB: It is interesting. When I went, and started Integrity, I went and was working with a private equity group out of Miami called HIG Capital. They've also got another office here in the Atlanta area.

18:21 MF: Right. Are they still on track?

18:23 TB: Yes. And I remember talking to them about what the ideal transaction would be, and I said, "Listen, to me, the ideal transaction is we find a company that we like. We negotiate the right price, and you give the former owner a bushel basket full of money and say, 'Please go away.'" Because, particularly if you're putting companies together, you're often

gonna make changes to one or two companies, and it's like telling the former owner their baby was ugly. Any change you make. It's just human nature.

19:02 TB: However, back when we did RMA, and this is again things you learn over a period of time, because the financial markets were such that doing those kinds of deals of, "Here, take your money. Go," you just couldn't do that deal. So you had to do deals where former owners stayed, had earnouts, and that is where culture was really a challenge because you've got a former owner who's got a chunk of money now, more than likely not the same incentive to work as hard as they did before, and you are inevitably going to make some changes. And you also get saddled with some of the management team that in a perfect world you wouldn't want, but that's because the deal had to be done in that fashion.

19:57 MF: And because there's an earnout, you couldn't make those management changes?

20:00 TB: Exactly.

20:01 MF: Right. So you were sort of frozen.

20:02 TB: Yeah. Real challenge.

20:05 MF: Now, at OSI, you said you took that out of bankruptcy.

20:08 TB: I can't take credit for that. I was one of the... Part of the management team. I came on just as they were exiting, and what they asked me to do there was relaunch their portfolio purchasing arm, which they had shut down.

20:31 MF: And how did you do that? How did you relaunch it?

20:34 TB: I'll come back to that, but my other piece of that was running the sales team. So we got into the debt buying world at OSI, and we had some deals that we had done that were in the bag before I got there, and so we had some ongoing transactions. And we did one very large deal that was the largest transaction they had ever done at the time. But what we found out was debt buying at that period of time was absolutely crazy. Prices were stupid.

21:12 MF: Stupid high?

21:13 TB: Stupid high. And so we were bidding on portfolios, and I used to say, we're not even in the...

21:22 MF: This is '06, '07?

21:23 TB: Yeah. We're not even in the wedding party. We're so far removed from the price needed to get that deal done. And so I was there about a year-and-a-half and was talking to the management team. I said, "We can't get a deal because our model..." And they had terrific modeling, but their modeling was based on their historical results on an earlier paper. And our model would say 8 cents, and that paper was selling for 12 cents. So it was a real challenging time.

21:58 MF: Now in OSI, in RMA, and Nationwide, these were other businesses that someone else had started. You helped take them to the next step. As CEO of Integrity Solution Services, however, that was your baby, wasn't it?

22:14 TB: Yeah.

22:15 MF: That was what you personally initiated.

22:17 TB: Yeah.

22:17 MF: Share with our listeners, what really inspired you. What motivated you to personally start that at a time when a lot of other deals like that weren't working out?

22:27 TB: And I'll back up. Just before that, I did what I tell everybody was the most professional and rewarding deal of my life. I had got a call to talk to the owner of Academy Collection Services out of Philadelphia. And they were going through an FTC investigation at the time, and it did not look good for them. And so they asked me if I would come up as President of the company and get 'em through the FTC investigation, get the case settled, and move on. And I remember, I get up there and we finally got a meeting with the FTC, and they were gonna present to us what the findings they had. And we were in their offices in New York, and the chief person there said, "Okay Mr. Bauer, we know you've got a lot of questions, but we just have one of you first." And I said, "What's that?" And they go, "What are you doing with these guys?"

23:28 MF: 'Cause they had quite a history.

23:29 TB: They had a lot of very bad data. They had a site in Las Vegas that really hit some challenges, and so I remember when I...

23:40 MF: Operational challenges or legal challenges?

23:42 TB: Compliance challenges.

23:44 MF: Okay.

23:45 TB: I remember when I got done with that meeting, it was a Friday afternoon, and I came home that afternoon, thought about it all weekend. I got on a flight to Las Vegas on Monday morning, and I went out and fired the top three guys in the branch, and just, "You're going, you're going, you're going."

24:01 MF: Because of compliance?

24:02 TB: Because of compliance and...

24:04 MF: Flagrant violations or...

24:05 TB: It was over the top and I brought in a friend of mine who... You can't make this up. This guy had been in the hospital in a medically-induced coma and had been out a couple of weeks, three weeks. And I call him up and I said, "Rich, how you feeling?" And he goes, "Oh, getting better." And I said, "What do you think about going out to Las Vegas for me?" It's a true story and he went out there and he ended up firing three or four more people down the line.

24:35 MF: After he came out of this medically-induced coma?

24:37 TB: Yeah. Yeah.

24:38 MF: Okay. Wow.

[laughter]

24:40 TB: You can't make it up. We did that, we got the FTC...

24:47 MF: He must have liked turnarounds, I guess then he liked to follow your lead.

24:51 TB: Rich was... He's just one of the all time great guys that...

24:54 MF: What's his last name?

24:55 TB: Plachta.

24:56 MF: Plachta, okay sure.

24:56 TB: Yeah. And he did a terrific job for me.

25:00 MF: So you turned around Academy.

25:01 TB: Well, I don't want to say we turned it around, we got the case settled and the company got sold.

25:05 MF: You fixed the compliance problem.

25:06 TB: Yeah, we had to do a lot of cleanup, and to their credit, they had started a lot of it before I got there. But the people that the FTC had identified, they had actually named them in the complaint, were still working there and I said, "This is crazy."

25:24 MF: Right. So what was your vision of... Now to Integrity Solutions? That was the last deal you did, that was your baby. You were the founder of it. Share with our listeners a little bit about your dreams and how you got started and...

25:36 TB: Well again, I had been involved in RMA where we did a bunch of roll-ups, Nationwide which had been a bunch of roll-ups and OSI had been a bunch of roll-ups by the time I had gotten there. And I thought, "Jeez, I've seen the good, the bad," I've seen things that we would do differently in hindsight and convinced the people at HIG that this was a good idea to get into this. I remember my pitch was the industry is at its all time low, and we'll be able to make decent buys 'cause the profits were down. All the things that...

26:14 MF: The price of deals were low.

26:15 TB: The price of deals were low.

26:16 MF: Right, because of the market.

26:18 TB: And so, what my pitch was to do the acquisition exactly as I mentioned before, which is give the former owners a bushel basket full of money, have them go away. We couldn't do that to get deals funded.

26:34 MF: You had earnouts then?

26:35 TB: Yeah, earnouts on every deal we did.

26:40 MF: So that created a complication I guess, for the management integration?

26:43 TB: Yes, incredibly so. And in a perfect world if I could do it differently, I would. But we did deals to get them done and so Integrity made three acquisitions.

27:02 MF: And they were?

27:03 TB: NARS, Pinnacle out of Minneapolis, and Integrity which then we used that name out of Kansas City. It's Al Summerland's company.

27:16 MF: That's right.

27:17 TB: And again, we ended up with three systems. We run three different platforms, had to make decisions to get to that and again you can easily say this, "Okay, we're going to go to this platform", but harder to do.

27:35 MF: Oh, conversions can be nightmares.

27:36 TB: Conversions are a challenge.

27:37 MF: Did it keep you up at night?

27:39 TB: It kept the IT people up at night and the old line. I slept like a baby - I just got up every hour and cried...

[laughter]

27:48 MF: Okay, okay.

27:49 TB: But Integrity was an interesting deal. We had a lot of first party outsourcing work. And we had facilities in Jamaica and in Panama City, Panama. And what was interesting about that is the facility in Panama City, when I was at RMA, we had looked at this facility to acquire it.

28:17 MF: You walked away from it then?

28:19 TB: Well, it wasn't the company, back then it was an empty Sears store. And I couldn't convince my boss at the time that this was the way we should go. And the people who owned NARS, it's very funny. We talked to each other afterwards, they were in either a week before or a week after me. Got the same tour that I did, same meeting with the government officials, etcetera. They did the deal, we didn't and this was a terrific facility for a long time until just before we sold Integrity. The outgoing president unilaterally raised minimum wage down there that just took the price structure out of control.

29:11 MF: And when did you sell Integrity?

29:13 TB: Two years ago, in July.

29:15 MF: And the buyer was?

29:17 TB: It was initially a lady out of India, and she owned it for about 30 days and in turn sold it to Radius.

29:29 MF: Okay. Gotcha.

29:31 TB: Michael Barrist, again. And Steve Leckerman...

29:32 MF: Right. And Radius just acquired Northland.

29:36 TB: Yeah, they've been very active, it's Michael and Steven were the key guys at NCO, and they were out of the business for a couple of years and have come back in quite nicely.

29:50 MF: So fast forward now to insideARM, you went from being a founder, CEO of a large ARM services company, now you're with the leading website information service provider in our industry. Tell us a little bit about your plan for that and how did you make the leap and how's it going?

30:08 TB: Well, I jokingly tell people that I got out of this lousy industry and stayed in this lousy industry all at the same time. And that I got tired of the litigious environment, the TCPA cases, the fair-debt cases, and the challenges of day-to-day business. Now I get to cover the industry and I get to write about it, and I didn't throw away any of my contacts. So, I get to talk to clients that I've had done work with forever and other agency people.

30:42 MF: Okay. And our listeners, I'm sure are dying to know what your thoughts are on the implications of the Trump presidency for our industry and the highly regulated nature of it, the CFPB, the TCPA. What are your thoughts on that and what words of wisdom can you share with everyone?

31:01 TB: First of all, I don't know that anybody knows for sure. But, things seem to be changing on a daily basis. But, I think if you look at the two entities that have the biggest impact in our space, you start with the FCC, because of the TCPA. The President-elect Trump will have two commissioners that he will appoint after he is in office, which will flip that commission from a Democratic-controlled commission to a Republican-controlled commission. Current chairman Wheeler is Democrat, his term does not expire until 2018. So that could change things. We've gotten some... Their rule that they proposed, their rule making back in July of 2015, was very anti-business. And particularly, anti-businesses that had relationships with consumers.

32:02 TB: The ARM industry has been killed by this term Robocall. And robocall, and that statute was designed to limit telemarketers who had no prior relationship with an individual, who are just randomly calling phone numbers. It has been twisted to involve companies that have relationships with the consumer, and any call made using an auto-dialer, automated telephone dialing system. And what it's done, it's turned the industry back 20 years to making manual calls, which put compliance risk out there because many people use the equipment to cover all the time zone restrictions and make sure you're calling the West coast only on times you can call the West coast, etcetera. And now you've said, "No, we don't want you to use any of that technology"

32:57 MF: So standardization becomes very difficult.

32:58 TB: Yeah, because that's a robo dialer. A robocall. So that's the bigger issue everybody is looking at is what will become of the CFPB, okay? Director Cordray's term expires in 2018 as well. There was a very recent case decided on October, called PHH versus the Consumer Financial Protection Bureau. And the result of that case was a decision out of the Court of Appeals, that said, the structure of the CFPB as it stands, was unconstitutional. They have a single director that the president could only fire for cause. Just last Friday, late Friday afternoon, the CFPB filed an appeal, but it's not truly an appeal, they've asked the Court of Appeals to hear the case again en banc. Which means, all members of the Court of Appeals, rather than the initial three-person panel that heard the case. But highly unlikely that that will get heard and a decision out of that before the inauguration. So, in theory, there are lots of speculation, will President-elect Trump terminate Director Cordray? Will Director Cordray resign? Then there's the issue of rule-making that's gone on. There are two rules that have...

34:28 MF: Rule-making in CFPB or with the FCC?

34:30 TB: Yeah, rule-making in the CFPB. They've got three areas of rule-making that really are very critical right now. One, is in the arbitration rule. The CFPB would like to eliminate all mandatory arbitration clauses so that we can create more class action litigation for class action lawyers. I may be the only lawyer in the world who hates class action litigation.

34:53 MF: I think so too. Pretty painful.

34:55 TB: So, that was fairly far along and the question is, will the CFPB try to get that through before the inauguration? I doubt it. Payday lending rules, another hot topic. And then, the one that we're all interested in, in the ARM industry are the debt collection rules.

35:15 MF: Right.

35:15 TB: And, the issue there is, they have gone so far as to issue an outline of proposed rules, and they had what they call a SBREFA hearing, which is meeting with small businesses to talk about the financial impact of their proposed rules. So everything is up in the air, will the rule-making go forward under a new regime? Will they stall somehow? Will it go

forward faster or will priorities change? And I personally think, my thought is it's potentially likely that the CFPB will be restructured as a commission like the...

36:01 MF: So it won't be eliminated completely?

36:04 TB: No. It's hard to argue against consumer protection. And quite frankly, those of us in the ARM industry, we would love to see some more regulation on the FDCPA. It's a statute from 1977, completely outdated, doesn't address issues of how consumers want to be contacted today. They want to be contacted on their cell phone, text, emails. They don't want to be called on the phone. But you've got a statute that doesn't address that at all. So, if I would bet and I don't gamble, but if I would, I would say it gets reconstituted as a commission. A five person commission and rule making continues, but perhaps with more pro-business, leaning on a couple critical issues. And the one most critical is the number of call attempts. The outlined proposals that is out there right now has got fairly stringent restrictions on number of attempts to call a person.

37:08 MF: So Tim, it seems like your career has come full circle here in the last 30 years. You started in legal collections, you got into operations, you got into business development, doing M&A work, you became a founder of a major collection agency, and now president of insideARM and you're back into the focus on legal again because of the compliance issues which dominate the industry. We are going wrap it up. What parting words of wisdom do you have for other younger Tim Bauer's that are coming up in the industry today? What would you like to share with them in closing?

37:43 TB: That's a good question and this just came up. I had breakfast the other day with an individual that's a chief compliance officer at a company here in Atlanta, and I was asked this very same question. And I said, "You know what, get diverse. Spread out. Get wide and deep. You got your legal background, that'll never leave you. And if you want to practice law again, you can practice law again." I have no desire to do that. But, if asked to get involved in operations or asked to get involved in HR, do it because I think the legal background is something that everybody always will see and say, "Okay, that's a skillset, a way of thinking that we can use." But if you've got exposure to these other areas, you can do a lot more.

38:33 MF: Go wide and deep, that's your advice for young people coming up in this space.

38:39 TB: That's what we used to tell our sales team about clients. Go wide, go deep.

38:44 MF: Well, that's exactly what you did in your 30 years in this industry. And Tim again, many thanks for taking our listeners through your history in the ARM industry and implications for the future. Thank you very much.

39:00: Thank you for joining Michael Flock and his guest on the Capital Club Radio show. For more information on future interviews, please visit us at flockfinance.com. This program is brought to you by FLOCK Specialty Finance, where clients are provided knowledge and insights to help them grow their business in complex and risky markets. Flock is more than a transaction.

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