CAPITAL CLUB RADIO INTERVIEW: DBA 2017 PRESIDENTS PANEL DISCUSSION

Walt Collins (1999), Robert Morris (2002), Mike Bendickson (2011-2012), Kay Dreifuerst (2015), Todd Lansky (2016)

00:00 Announcer: On behalf of the Pro Business Channel, we're excited to welcome Michael Flock, the host of Capital Club Radio. Broadcasting on Pro Business Channel networks out of Atlanta, and on nine syndicated platforms including iTunes, Google Play and iHeartRadio. And recently interviewed on NPR. And now, live from the 20th annual DBA conference, please welcome Chairman and CEO of FLOCK Specialty Finance, Michael Flock.

[applause]

00:27 Michael Flock: Good morning, good morning. We at FLOCK Specialty Finance believe in the power of community, and that's why a little over a year ago we started a radio show called the Capital Club Radio Show, to build a community of thought leaders, of creative people in this industry who have made a difference for the Debt Buyers Association and others in the accounts receivable management sector. We talk about lessons learned, the successes and failures of the different companies, of the different leaders in this space, and we convert these broadcasts to podcast, which we distribute to a few thousand followers we have, and then we also distribute the podcast to our guests, and they can use the podcast as they see fit.

01:08 MF: This morning I am absolutely honored to be here today, hosting the Capital Club Radio Show, as we help celebrate 20 years of the Debt Buyers Association, or DBA. We're celebrating 20 years of connections, 20 years of trust, 20 years of building a new industry. And, if you're a Falcons fan like me, maybe you're celebrating 20 years of drinking.

[laughter]

01:36 MF: To be more serious, this has been an incredible roller-coaster of 20 years for all of us. There have been good times and bad times, we've seen periods of great supply, we've seen periods of very tight supply. Periods of low prices and high prices. Periods of loose regulation, and periods of very onerous regulation. So we've thrived and survived in large part, thanks to the leaders of the Debt Buyers Association, some of whom are sitting right here, and also the members and staff of the Debt Buyers Association. DBA, I think, has been essential to this industry. It's been essential in defining it, supporting it, and helping grow, and helping legitimize it.

02:25 MF: In our company, FLOCK Specialty Finance, we talk a lot about the power and importance of passion and perseverance, which drive performance. And I can't think of five better leaders today who represent passion, perseverance, and performance than Walt Collins, Bob Morris, Mike Bendickson, Kaye Dreifuerst, and Todd Lansky. And we also want to recognize, Dennis, sitting right here, who helped start this association. He had the idea for the Debt Buyers Association, I think, along with these folks. It was his idea that brings us here today. So Dennis, thank you very much for that idea, and 20 years later we're celebrating it, it's now a reality.

03:17 MF: Without the passion and perseverance, there's no way this industry would ever have come so far from the gunslinger culture of the past, to the more professional, more consumer friendly culture, than the debt buying and collection industry that we are today. So, I think in general, the evolution of the past 20 years has been steady, but obviously not without its challenges, which we're going to discuss here in a few minutes. And Jan Stieger shared with me some very interesting and positive statistics. According to Jan, our Executive Director, who you just heard from, there were only 60 members back in 1997, and today, there are 546. At our first annual conference, there were only 125 attendees, and today we're going to be close to 900.

04:08 MF: So in spite of the recent consolidation in our industry, due to a drop of supply of consumer charged-off debt, and due to, obviously, the radical regulation that we've lived through, DBA is still alive and well, and our industry is actually, I think, changing for the better in spite of this adversity, and actually maybe because of this adversity. And as I prepare for this panel discussion, and in searching for some common themes between these five leaders sitting here, and their five administrations, there was something really impressive as I began to connect the dots, because in recent years, Mike, Kaye and Todd, when they were leading the organization, the focus is more on certification, compliance, standard setting, but that was actually quite similar to what Walt Collins and Bob Morris were talking about at the very inception of DBA back in 1999 and 2002. Then, they founded DBA to change the culture from again, the cowboy culture, to the consumer oriented culture. They took the word “debtor” out of the vocabulary, we now call them “consumers”.

05:23 MF: So today, DBS has stayed true to its initial constitution, it's focused, not just on certification and compliance, but now, how to codify the best practices, how to institutionalize things like chain of title and resales, and how to bring more liquidity to the market, how to promote standardization, and how to recruit and create a new generation of leaders in the debt buying industry. In addition, I think that the Debt Buyers Association has become the leader in advocacy for the total accounts receivable management industry overall. In fact, Todd and Kaye are probably going to talk about what they've heard, that some of the senators are actually designing legislation to legitimize and institutionalize this industry.

06:15 MF: Think about it. Who would've thought legitimizing debt buying, the government will be doing this. So we have come so far legitimizing debt buying. Who would've thought way back in '97 when Dennis had the idea, Walt and Bob took over, I mean it's incredible, it's exciting. So today, I want to debate the one idea is, could it be that this very adversity of the recent past may have actually planted seeds of growth? Seeds of creativity and legitimacy of DBA and our industry in the future?

06:49 MF: So, let's get started. I'd like to start in chronological order with Walt Collins, who became President in 1999. And so for those of you who don't know Walt, he got started in debt buying in 1996 after a long successful career in investments and mortgage banking. He founded Collins Financial Services which was dedicated to charged-off consumer, debt buying, and recoveries. He sold the company to a private equity firm in 2006 and remained active through consulting and board activity. He then re-entered the industry in December 2011, by founding Collins Asset Group. So Walt, let's get started. What motivated you to become President in 1999? What were your key goals then and accomplishments and the challenges that you faced back then?

07:42 Walt Collins: If I may, I first want to congratulate Jan on the attendance at this conference. This industry, I think the term “gunslinger” was used and “legitimized” term was used. And I'll just take you back to some of the gun slinging environment, very quickly, and then I'll turn to my colleagues to hear some of their experiences. This is how dramatically different this industry is today than back then. One of our early purchases, every date had been changed, the balances had been changed. If I remember correctly, even the issuing bank was not the same. Those things occurred back then, you had to be extremely careful. The technology wasn't there that we have today that can detect things like this.

08:44 WC: And so there was a trust element with whom you were dealing with. But we didn't have a DBA, we didn't have certification, we just didn't have those things. And it was a gunslinger environment. Almost taken out of the industry on a subsequent transaction when a million dollars was an awful lot of money for us, my firm at that time. And we were working with a well-known reputable entity, and wired our million dollars to participate in an acquisition. And the accounts just didn't come our way. They just kept, "Well tomorrow. Tomorrow, tomorrow, tomorrow." Tomorrow hit almost 10 days, we learned then that that company was filing bankruptcy, and there weren't going to be accounts coming to us.

09:40 WC: It would have put us out of business. Fortunately, one of the senior officers at that company went to our defense with ownership, and that million dollars was sent back, which is the only reason I'm sitting here today. Thank you, Jeff Moore. Those are the things that occurred. Those are the things that absolutely shouldn't happen today, you would have to be dealing with a street broker... I don't mean to disparage them, but certain types that might still be out there. But you wouldn't be dealing with them, so those things should not occur again. But those are the things that we went through early on. Any, my colleagues, experience any negatives in that arena?

10:32 MF: Thanks, Walt. Next is Bob Morris, who was President in 2002, having founded Oliphant Financial 10 years earlier with his family. So he's been in the industry, think about it, when debt buying was merely an experiment by a few banks. Today he is also a huge advocate of technology and the power of data and information, having created the first published recovery index. He also created the universal debt browser technology, and is the co-founder of Beam, a software system supporting both debt buyers and collection agencies. So Bob, when you were President back in 2002, what were your priorities? How did you move the industry forward during your tenure?

11:25 Bob Morris: Somewhere in the archives, in the early days when we were trying to seek out some form of legitimacy when portfolio trading was physically a disk being sent to you in the mail, or by Federal Express, things that we'd never consider doing today. And by the way, the big banks did it back then too, so I mean nobody can claim any innocence, here. And I think in a lot of ways, socially, we're grappling with a new era, we can store mega data, and we do, how we work with it and how we store it and how we protect it is a new thing, and I think that's why new laws are trying to tackle those issues.

12:10 BM: But going back in time to the early '90s, when music used to be good, and my hair was a little longer and darker, and Walt was but a child. The industry had no official recognition from most of the licensing out there at the time, and I remember pinging a lot of the state regulatory agencies, and they didn't know what to call us. So we just sort of got a pass in the old days. And I know for years that wasn't the standard, we didn't fit in any single category. And in fact, the ACA refused my membership, because as the owner of the paper, I was an agent of none, I was more like a direct creditor, than I was an agency, in their eyes at the time. So I think it was around August of 1996, when our good friend out here, Dennis Hammond and Judy were doing a road show, and I think they had three or four cities planned. And I saw this ad that had come over by paper, I think, at the time, there was no real Internet back then, unless you were on CompuServe or something.

13:16 BM: And it was the first real legitimate thing that mentioned that purchasing as the next big movement. And so I went to Buckhead, Atlanta, in your neck of the woods, and Dennis and Judy... I remember I'd seen... Dennis will enjoy this, I had seen Judy's picture in one of the trade mags and she was the first person that I had ever saw use the word 'charge off' as a concatenated word. And ever since, I've used that in the same way, I thought that was brilliant, I'm tired of hyphens, anyway. [chuckle] But I ran into Judy in the hallway, and I recognized her from her picture and I introduced myself as I was bringing my luggage up. And it was the first time I really felt good, like we were part of something really new, I mean it's starting to happen. And we always hoped that it would, I mean I think when you get into something like this, you have a lot thoughts - this could really go someplace if it takes off, because as you said, only three or four sellers were out there at the time.

14:11 BM: But as a group, I felt really good. It was a great meeting, and we all sat in this room and we went through sample negotiations on contracts and what do you look for? How do you analyze the paper? What's the sort of metadata that you get out of the creditor? How do you sort of cross check your facts? And by doing so, you learn to avoid many of the nasty stories that certainly Walt and anybody at this table could tell you about people, very simply, misrepresenting data and selling it for millions of dollars. And I know one personal story where it resulted in a suicide of a young female broker, I don't know if you guys are aware of that. We helped put that guy in jail, if you remember Mandy? Mandy was witness number two in that case up in Cuyahoga County. And there are some bad people that are out there, it doesn't make them collectors, it makes them criminals. And its organizations like this that help to stamp it out. And I've said a lot already, so I'm shutting up.

15:13 MF: Speaking of data, Bob, didn't you also develop or invent an index with Robinson Humphrey called The Settlement in Full index?

15:21 BM: Yeah, the SIF index. Well, again, it wasn't very automated, but we were looking... About the only thing you can get with any regularity is what's called the G19 release, put out every month by the Federal Reserve. And it tracks... Well, it'll tell you the charge off rates of the top 100 banks, and the total amounts of consumer debt, which are the principal driver of what we all get, it's a derived business of lending, generally. And so I had met Bill at a conference, I think the same time I first met you, Michael, and we had this idea in the hallway, and we got a few of the debt purchasing companies at the time to contribute anonymous data to track the rate of compromise that was occurring on the collection floors of a lot of different companies. And it was interesting, because you could see the whole marketplace was becoming more of a consumer bazaar, negotiating down their balances, and settling, and it really took a dive every tax season, too. Not because they were collecting less, they were collecting more, but as you lowered the bar, no more cash would come in.

16:24 MF: Right. And Bob, because of your technology expertise, and you were one of the pioneers in debt buying, what did you learn in those early years of buying debt that you actually incorporated, you standardized it in Beam, your software system that you developed. Could you give the listeners here some examples of how you embedded in Beam some of the things you felt we needed to standardize in the world of debt buying?

16:54 BM: Well, I think there's still room for universal standards, but within the software, of course every software has its standard, and we've tried to keep certain elements relatively flat, so they can be instantly harnessed as a KPI as you're managing a collection floor, and tracking the progress of a portfolio. Everybody has their own view, or their own method of looking at a portfolio and how it's progressing, I certainly have mine, and some of that ultimately gets reflected in the software that I helped architect.

17:28 WC: I'd like to ask my colleagues a question. We developed our own software to analyze pools of debt, obviously prior to putting our lenders money into it. All of our systems produce basically the same elements of information. The last few years, we have been anything but traditional in acquisitions in the nature of the business, that very software that applied to traditional consumer assets, might as well throw it out the window in what we've been doing. Any of you experiencing that? We've had to get completely out of the box, so to speak, I mean completely. I look at us historically, I look at us today, it's not even apple and orange, it's apple and zebra. And so a lot of our technology, when you've gone from a $5,000 average balance credit card to $150,000 average balance, or $50,000, there's an enormous change in expectations, in how it's delivered, etcetera. Have you all been able to remain quite traditional over the last several years?

19:06 Kay Dreifuerst: Oh, thank you. Good morning everybody. I'm Kaye Dreifuerst, Walt you bring up an excellent point. No, we have definitely evolved, and had to evolve. It's kind of funny, there's a little sign on the back of my door, because I don't necessarily want the message to come through when auditors come in, but on the back of my door, all the folks who work for me see it, but it's, "Evolve or die." [chuckle] And truly, to go back 10 years ago, where there was much more of the, to your point, the standardized credit card products, it's just not like that anymore today. I mean there's an industry... The whole FinTech industry wasn't even in existence X number of years ago.

20:03 KD: So we've had to customize our software tremendously, and it's a whole different statistical database that we use in order to price it, in order what type of collection agencies when we send the assets out to. And then part of DBA, one of our big initiatives as we saw the contraction of the credit card market, there's other receivables out there, how do we get to those sellers? How do we introduce them to DBA so that our members can take advantage of those relationships as well? And we created an entire committee of expanding markets, specifically to try to get to know those non-credit card asset classes. So yeah it's been a huge change, and we just see that change continuing.

21:01 BM: I'm trying to think of what I can add to that., Just to sort of compare and contrast old versus new, credit card sales were all firsts and seconds, back in the day, and that's just not enough anymore. I mean a simple one-word descriptor of an entire file is just... oversimplified, so you really have to look at all the things that you can measure and couple that with what you can gain out of the seller, and what's been done to the file that's different, and certainly originations are much more complicated now that they come over the web. I mean there's just so many permutations and possibilities.

21:41 KD: And you fellas will for sure understand, when you ask for an application and they're like, "This was an online origination, there is no... " Back in the day, when you get the manila file folders, with the signatures...

21:56 BM: Oh, "And here's the email, but don't use it."

21:57 KD: Exactly, exactly.

[laughter]

22:01 MF: Our next President on the panel is someone I'm sure you all know, one of our more colorful Presidents of DBA, Mike Bendickson. Mike was President for two terms, 2011 and 2012, so he must have really loved the job, came back for more punishment. Mike founded Absolute Resolutions in 2001 to appraise, purchase and collect high quality portfolios. Prior to founding that company, Mike started his career as a collector, Mike started as a collector at American Creditor's Bureau in Phoenix. So he learned about the industry and collections from the ground up. He then became a Collections Manager and joined Sagres later, when he became Vice President, but he left Sagres in 2001 to found Absolute. But I think there's a lesson here in the bio of Mike Bendickson, because Mike started at the very bottom of the ladder in collections, he learned all aspects of the debt purchasing transactions, and gained from that tremendous credibility from that learning and experience, personally and professionally. So Mike, tell us now in the two years when you were President, how did that kind of ground up experience help you as President of DBA? What were the lessons from that ground up experience that you applied during those two years?

23:30 Mike Bendickson: Well I'm going to regress before I answer that question a little bit, because I've got a good little story that Walt kind of reminded me of something when he was telling his story. And this sort of catapulted why I got involved with DBA, so I'm going to head back to your question, but I'm going to take you back to a story what kind of got me involved with DBA. When I started my company, the third deal I did... I think actually the first deal I did was with Bob here. So the...

24:05 BM: You did good.

24:05 MB: And I did good.

[laughter]

24:09 MB: So I did a deal, about the third deal I did, and during that transaction... And I didn't have a lot of money back then, I was starting with a minimal amount in the industry, where trying to get in the industry today with that kind of money, people would look at you like you're insane, because this is a capital driven business. But back then, you could roll a little bit, do this, and you know... I remember taking a mortgage out on my house, and all in on a portfolio to get one of our first deals done with Bob. But I go to the third deal that I did, which really got me to really say, "Why should I get involved with DBA?" Well, I almost got burnt, and it was like $120,000. Well, you might say, "Well, that's not a lot of money." Well, when it's your third deal and you're just starting, $120,000 is a lot of dough.

25:01 MF: Absolutely, absolutely.

25:02 MB: And so when I look back and have done deals that were $10 million in funding, shortly before I sold my company, times had changed, and they changed within DBA also. But that third deal I did where somebody almost burnt me, I remember sending the wire, and it was just out of a complete fluke that I happened to be talking to somebody that night, and I said, "You know, I just did a deal with so and so and sent the wire tonight." And they said to me, "Oh my God, Mike, they're a scam artist."

[laughter]

25:36 MB: And so, I was like, "What? !" And so at that point, I'm like... The wire was sent to a place in Texas, and I was in California at my office, and I remember like, "Okay, I've got to figure this out." I'm on the phone that night calling the FBI, anybody that would care. And by the way, calling the FBI, they don't care about a businessman losing $120,000.

[laughter]

26:00 MB: So, the next morning, Ivan, my right hand guy, and Mark, my other right hand guy at my company, I'm like, "Guys, meet me at the office at 5:00 in the morning. We have got to stop this wire. We lose this $120,000 and we're under." And so, I remember calling the bank every 15 minutes. And I happened to have a friend in the town where I sent the wire in Texas. And so I called him and I said, "Hey, I'm trying to get somebody on the phone at the bank where I sent this wire, but it was a smaller bank, a regionalized bank. I need you to go to the branch. There happens to be one in your town. Just get somebody live." Because I start calling, I'm not getting anybody on the phone in the wire department until 9:00. The guy that I had wired to is standing at the branch in the town where my friend is, waiting for them to open the door, so he can pull the money out. Literally.

27:00 MB: So my friend calls me and says, "Oh my gosh, I think the guy is pacing out in front of the bank doors, and it hasn't opened yet." And I'm trying to get somebody on the phone at the wire department, and I couldn't get anybody on the phone. I finally got a lady, somebody that answered one of the phones in the branches, and she says to me... I said, "Look, I need somebody to get into the wire department, and do not put this money in the account." And so, I got a call back. She got a hold of somebody within five minutes, and I get a call back literally five minutes before the bank opens. The guy's pacing out in front, waiting to go in and get that, and I know for a fact because my friend is there ready to run in and tell the bank, "Don't give him the money. It's all fraud." And so, it was just... So you say, "Why did you get it?" Well anyways, I got a hold of the wire department, and it was the interesting thing that's the lady in the wire department said, "You know, we saw that wire come in and we thought it was an awful odd amount for this customer's account, and we didn't put it in last night. We were going to put it in today."

28:00 MB: And I said, "Well, please return the wire." And they bounced the wire back to me, and didn't put it in the gentleman's account. And that was the guy, because he walked into the bank, my buddy calls me, he's standing outside the branch, and he said, "The guy just walked in and he's walking out madder than hell."

[laughter]

28:18 MB: And so, the story being is we all have one of those stories, as Walt was saying. But it kind of refreshed my memory on why I really got involved. And so after that happened, I was like, "You know, there's some bad actors in this space." And we have an association that Dennis had created, involved with the other great leaders at the time, and, "I want to get involved with that. I want to make sure this doesn't happen to somebody else. I'd like to see some standardization to this industry." Back then, standardization about contracts, and how you look at data, and how you send the data, boy, did I not know what I was getting into.

29:00 WC: Even standardization of terms, I mean it was like a bond salesman, "These be AA." What the hell do you say? Are they AA? Or BAA?

29:11 MB: Right, right. We would call these probably CCC, what we're dealing in. But the...

29:18 WC: Fresh paper first, all of it... I mean, different definitions.

29:21 MB: Right, right.

29:23 MF: Mike, I think you also wanted to talk about how your priorities changed during those two years, because at the very beginning of your administration, I think you had one objective which changed, I think, by the time you left, meaning you were focused on something completely different, which was I think...

29:38 MB: Absolutely, so that's where I'm heading to. So, when I joined the Board, I was on the Board for almost 14 years, so I sort of came in at a time where the association had started to be established because of these great people, Dennis and Walt and the leaders before me. But there was a change of things and how things... I remember the early days on the Board meetings, and discussions were heavily around where the conference was going to be, budget issues, making sure... Managing the money that we had in the association. And as my time on that Board evolved, the discussions evolved, and the discussions moved away from where the conference was going to be, and I remember one time having a huge debate about how much coffee we had, and I think we spent 30 minutes on it. And that was a joke, but it was over... I think we ran out of coffee in the exhibit hall one day, and so it was, "We need more coffee. Keep everybody juiced up on coffee. If they've got coffee, they're happy."

30:51 MB: When I joined the association, it was run by Dennis and Judy, and Dennis and Judy moved on, and we had end up hiring an outside management company. And by the time I became President, I felt like it was a time for us to move to our own staff, meaning open an office, hire an internal Executive Director, not use an outside management company, and build and offer more member services. So the years on the Board, the priorities changed, and so the reason I took a second term is... Or was willing to take a second term, or got talked into it, or decided to, I don't know what it was.

31:41 KD: We talked him into it at about 2:00 in the morning at a bar, is the truth of it.

[laughter]

31:49 MB: And so the reason I took it, because my first year was spent basically getting rid of the management company that we had hired out there, and hiring in an Executive Director that was going to have their own office, their own staff, and answer to the Board, and manage the money, manage the association, where it was all under one hat. So I spent most of my year with that transition piece.

32:20 MF: So you really took charge of the destiny of the industry directly, right? You weren't outsourcing it.

32:23 MB: Well, I would say our Board members did, I don't want to take credit for that. [chuckle]

32:29 MF: Mike, you were an outstanding leader, you were outstanding, absolutely outstanding.

32:33 MB: Thank you. And I had a great team to work with, and I had great people to follow, and so I really appreciate what everybody's contributed to this association. So in my second year, my priority was when I said I wanted to be President, was to create committees, and make these committees run on their own, okay? So I didn't get to do that my first year, because we got stuck dealing with a whole lot of management issues that nobody seen coming, you know what I mean? So my second year was spent really contributing to setting up these committee structures. And I look today at where those committee structures have evolved, and state ledge, and federal ledge, and fundraising, and there's so many people involved. And I remember, when I got put on the committee as Chair of the committee, and I'm sure I've run out, so I'll make it quick here, when I got put on the committee, I was a one-man fundraising committee. [chuckle] And I had to call every member to ask for money. I think it was my second year on the Board, and when they handed me that assignment, I was like, "Oh my God, I couldn't have been put on the worst committee." [laughter] And there were no other committee people at the time, everybody was a one-man committee, you were either over fed, state or whatever.

33:53 MB: And so my priority was get others involved, and when I look at where it's evolved today, it just blows my mind. We have so many members that get involved. So if you're not involved in the association, get involved, get in a committee, reach out to DBA, because DBA needs your help to continue to grow, to continue to educate, and get us to where we are going to go in the future. This is an evolving association; it always has been. I've watched it change, Walt, I'm sure, has watched it. It goes to all the Presidents, right down to Todd, where he's taking it. This thing has evolved so far, but it can only be done with member involvement. So, that's my...

34:35 MF: That's terrific, thanks, Mike. Todd, did you want to say something? We've got less than 10 minutes.

34:40 Todd Lansky: No problem. Technically, I shouldn't even be on this panel, I've got six more hours as President.

[laughter]

34:46 TL: I'm happy to let the pioneers take the way, but I wanted to make a comment to Mike's point, as Mike was President when I came on the Board. And looking at how the association's evolved, we look at what Dennis and Judy created in '97, 60 debt-buying members, to what the former Presidents have added to that. You talk about a single structure with no staff and no committees to an organization with 540 companies, or 540 businesses that have built not only a dedicated nine-person staff headquartered in Sacramento that does a tremendous amount of work behind the scenes that really makes this organization run, and then what Mike had built with the committee structure has really taken it to the next level as well. We've this year, alone, had I believe over 90 volunteers working on behalf of the association for the betterment of it.

35:41 TL: But when I took over, from where I've seen this over the last 20 years is, quite honestly, amazing. I think we owe all of these past Presidents and founders a huge debt of gratitude, because taking it from a singular concept to an organization with staff, committees, in addition to the fact that we employ an AG Consultant, outside counsel, federal counsel, state lobbyist, it has evolved in the right way. I want to touch on a few things but we'll...

36:15 MF: Okay. I'd like to let Kaye say a few words, we've got a little less than 10 minutes here. Kaye was President of DBA in 2015, and she had over 20 years of experience in the collection of debt purchasing industries, including work at Household International, where she was responsible for asset sales, and also at the US Bank in Denver, where she was responsible for selling $5 billion of charge-off receivables. Kaye is now President of Security Credit, and she oversees acquisitions and collections and plays a key role in raising their capitol. So, Kaye, tell us why you wanted to become President of DBA, what did you achieve in your administration? What were some of the challenges that you faced?

36:57 KD: As I joked before about we talked Mike into two terms, really is no joke, we really did have to talk him into it. However, honestly I got calls from Walt, Bob, Mike Bendickson and a couple other key industry leaders asking me and encouraging me to run. I was always involved, but I really didn't necessarily know if it was the right fit for me. I did have the passion of some of the past fellows. And as they convinced me of how much you could impact the industry, my influence being on the issuer side, honestly, a female voice in the industry where balance is good, I said, "Yeah." I said, "I can do this." And I'm very glad I did, it's been a great experience.

38:00 KD: I'll tell you one of the things, Michael, you asked as far as maybe challenges, or controversial things about, I guess, the time when I was President is, as Mike and some of the prior Board of directors actually built out and we completed the certification program, there was a phase in period. So we weren't going to instantaneously take the certification program and make it a requirement of DBA, it needed to be a phased in approach, a lot of education around it, and I was fully supportive. And then I'm counting the years it's going to mandatory and I realized, "Oh my gosh, that's going to be on my watch. So now I'm going to have to make that decision, are we going to stick with certification being a requirement to be a member? Or, is it going to be a special group of members that are going to happen to be certified?"

39:09 KD: It was a lot more challenging than I thought it would be, I mean literally, people called who I'd known for 15 years in the industry who were really upset, and these were friends of mine, colleagues, "If you're going to make it mandatory you're going to shrink the reduction of members on the association, what are you thinking?" So it was a lot more challenging than I thought it would be. But at the end of the day with the support of the vast majority of people, fellow Board members, past Presidents, we made the right decision, we phased it in. It is now today, as everyone knows, a requirement for all active debt buyers. And the industry and the association is stronger for it, so that was truly kind of a surprise on my watch.

40:04 MF: We're going to go over just a few minutes, because this is a unique opportunity, I think, to have these five leaders here. So we're going to over a little bit, but we can't end the program without having Todd Lansky say a few words. He's the current President, outgoing President now, Mark Naiman is taking his place. But since 2002, Todd has been the managing partner, and COO of Resurgence Capital. Resurgence is a leading purchaser of defaulted consumer portfolios that uses a controlled litigation strategy to collect. Todd's got offices in Illinois, Wisconsin, Minnesota and California, and Resurgence ranked number 28 in the INC 500 list of fast growing privately held companies in 2006. Todd, as you know, was heavily involved in state federal regulatory and legislative activity. So, Todd, you already commented a little bit about some of the highlights of your administration, could you also talk, as you are leaving the position, what is your outlook on the future and what is your parting advise to the next President Mark Naiman?

41:04 TL: Great question. To start and just to build upon some of the themes of the past Presidents have spoken about, I took a look back in doing some of my research for the 20-year anniversary and I came across the very first brochure. Our marketing has improved, Dennis, but this was it.

[laughter]

41:27 TL: Now, if you look at this, and as we evolve as businesses and an association into various marketplaces, and we talk about the change and our name change and our tagline approach later today, what hasn't changed is the fundamental principle of legitimizing the practice of debt. The goal back then was sure identifying outliers, potentially weeding them out, but really legitimizing the practice of debt and creating a credibility standard. And the very first words of the very first marketing brochure of the first conference were a network of buyers dedicated to building a reliable, incredible market for delinquent receivables. That concept has not changed at all; it's evolved into what Kaye helped create with a certification program. But what we've done is simply reinforce the original concepts, certainly we've evolved with data, with technology, with marketplace, with experience, but the fundamental principles were the same.

42:32 TL: And so I think it's really unique to look at that, and look at 20 years as to how we have grown up as an industry, but we've never loosed focus of our priorities, and that was about heightening the standards for debt buyers and debt collectors, creating a legitimate marketplace, a legitimate sale process. And I think we've done that. I mean, clearly as we move into the next year, the membership base has changed too, right? If you were to be at the conference perhaps four or five years ago, it really would be primarily debt buyer driven. Today, we've got 540 companies, as I said earlier, in 15 different countries that are not just buyers, there's the law firm piece, the agencies, the vendors, originating creditors, international members. And so what it's done is really create a comprehensive marketplace, one place where you can go and connect with anyone in the industry that you think would be a credible component to your business model.

43:29 TL: And so, the contraction in the marketplace and the regulations have had an effect, there's no question, you have less traditional debt buyers. But it's also become a smarter process. So when you talk about some of the past contracts and the data elements, the transactions have changed, and that's okay. We have a smarter process today. If you were to buy a pool of credit card accounts today, you're going to receive 18 months' statement, you're going to receive account-level affidavits that just didn't just exists 20 years ago, let alone five years ago. I think that's a testament to all the work that we've done internally and externally. And so from my involvement, I've always been active on the state legislative side, as well as the federal, and what I saw was regulators that quite honestly are trying to do the right thing in terms of protecting consumers, but oftentimes they may not have the mechanism to do it. So they need practitioners that are in the field, that are going through the work, that are doing the business on a day-to-day basis to educate.

44:38 TL: And that's what we do, we've educated at the local level, the state level, the federal level, and from a regulatory environment, we're okay with that. We've wanted, and we've wanted since 1997, clarity. I think that's what we all seek, right? So even when you saw the CFPB propose rules, quite honestly the industry was comfortable with about 85% of it. We embraced the regulation, we want to know the rules, tell us what they are and we'll follow them. The challenge is when you have local state and federal rules that conflict, and there's confusion and gray areas, that creates an uncomfortable environment, and that creates problems. And so, we've grown up, we've evolved. I think the industry is in a good place. I think people are almost uncomfortable to stay positive anymore, we're so jaded, whether it'd from the media or the regulators or the contraction in the space. But at the end of the day, look at where this association has come. Two years ago, I don't think anyone would have imagined this, 540 companies, multiple platforms, comprehensive marketplace, the cost per regulatory reform, that now we have an opportunity in DC with the change in the administration, quite honestly, to be proactive and dictate policy. We want rules, we just want fair and sensible rules.

46:01 TL: We now have an opportunity to do that at the federal level. We need to continue to work at the state level, because I clearly think that the AGs as you'd read and seen, will certainly pick up the pace there, but DBA is active. And we're active at every state level, and we are, regardless of the number of constituents that we have in a state. We look at the issues and the toxicity of an issue and determine whether we spend resources there. Our ledge fund raised to close to $200,000 this year, those goes towards those resources to help to fight the right fights, in the right areas. So it's not the geography, it's really the issue itself, that if we think relevant, we will go into a state like Rhode Island, where we may have no debt buyer constituents, yet we know the issue is important to get involved in and advocate and educate for, because it will spread to the New York and California, and Oregon and elsewhere.

47:00 TL: Opportunistic in the concept of diversification, folks have found ways to reinvent their models. Those that are simply relying on just credit card pools likely are not still just relying on credit card pools, or they aren't here, so folks have found new marketplaces. We've done outreach to 20 different trade associations where there are avenues to expand the reach. Subprime Auto carry through to the FinTech space. There are large players that are actively engaged in that marketplace, but there's also a whole lower mid to small tier layer, that is quite honestly untapped, that is looking for the right buyers, the right partners, the right consultants, the right information. So we have an opportunity, again, to build on the successes of the past, not ever wavering from the fundamental principles that Dennis and Judy and past Presidents have founded, but again, evolving it and continuing to find opportunities for the members.

47:55 MF: Terrific. I have to ask one question that I know that's on everybody's mind, then we'll wrap this up. So with the change in administration, which was totally un-forecast, and even though I know we embraced some of the regulation, I think some of us thought some of it was a little onerous and we're still looking for some relief, we know even though we have 540 members now at DBA, that's in spite of this massive consolidation of the middle market and small market of the debt buying industry. What's your outlook in the year or two ahead, in terms of the political environment? Now that may or may not help the debt buying industry, and in fact I think your bias is that it has helped, the adversity that we've been through has actually helped us. And Kaye and Todd told me that there are serious senators putting together this legislation to legitimize this industry. Can you guys just quickly, we're over time, but quickly comment on your outlook, and specifically maybe that legislation that we're hearing about. Kaye, Todd, or anyone.

49:01 TL: There is absolutely an opportunity. So as we've spent the last year intimately involved in the CFPB, SBREFA (Small Business Regulatory Enforcement Fairness Act) process, we've taken the appropriate steps and worked with the appropriate regulators on their behalf. That being said with the change in administration, there is an opportunity to continue with proactive legislation. What that means is in lieu of a potential rule that may or may not come, I think we have an opportunity to now promote the right balance and the right components of what you may have seen in the rules to provide a sensible piece of legislation that can proved clarity. What does that mean? Well, a lot of it has already been implemented in our certification program, so some of the concepts that Kaye and I and others on the Federal legislative committee have looked at, is codifying some of the DBA standards that really legitimize the practice, and incorporate that into legislation. And last year, we did put out a placeholder bill that was primarily more geared towards CFPB influence, but there's an opportunity this year, again, to be proactive with the components of the rules, and with components of our certification program, to try to develop a fair balance and a fair bill.

50:15 MF: Mike?

50:16 MB: I've got a little something to add to that. Administrations changed every four years, so what is today, and we're all hopeful, and I know Todd and Mark, the future President will do a great job, working to educate those government agencies, let’s all be mindful of one thing. Administrations come and go every four years, and we could have regulatory environment at a whole new level, as a result of changes that happen in this administration. It could come back to really haunt us in four years. And also what I hear out there is the states that are not so happy with this administration are about to throw some real legislation down, that are on the other side of the aisle, at a state level. So, it’s not a breath-easy moment, but it is definitely, I think there's been a couple of chips taken off the shoulder, but this is an evolving in terms of who's in office and who's not. So be mindful of that.

51:28 MF: Thanks Mike.

51:28 KD: Yeah. And just to kind of finish up on that, that's a great point, Mike. One of the things that I see that DBA has always gotten right, so to speak, and it's really continued the last four or five years, and that's building relationships. Building relationships on the hill, both sides of the aisle, for exactly what you're referencing to. You don't know what the next four years are. Where when we started, going to the hill and talking to the CFPB, we didn't even know who to talk to, we didn't have a relationship. It took Jan years, now Jan has their cell phone numbers, they have hers, there is a robust exchange, there is a lot of building in the relationship that took many, many years and a lot of, quite frankly, all of our money to invest in. So, I see in the future, at least there is a solid foundation for communication back and forth. Todd I think you said it well...

52:38 MF: Todd can have the last word.

52:39 KD: Oh, absolutely he will but, I think you said well that there needs to be fair and reasonable rules, and I think that's where we'll continue to go.

52:52 MF: Todd?

52:53 TL: Thank you, and great points, absolutely. And the relationships that we built, as Kaye eludes to, are critical because what we've done, and to Mike's point that the states are picking up where the Feds may be leaving off, no question. But what we've done over the years is try to get into AG's offices, not during a toxic legislation, or a toxic bill, but pre-emptively to go build those relationships so that when something does come through that affects our industry, we've already established the relationships, and we're in a working capacity. I think the biggest difference in what we've tried to accomplish over the last number of years is, to at the very least, have a seat at the table. And I do believe we have a seat at the table. So our involvement at the local and state level will not stop, and I would agree with Mike that cautiously optimistic is probably the best prognosis. And we agree, I think that there's an opportunity to institute proactive legislation, it will take time, administrations will change, but I think again... I'll close in the concept that the relationships that have been built and the work that's been done over the last 20 years have put us in a position to, again, have a seat at the table, educate and hopefully better the interests.

54:14 MF: Thank you Todd. Thank you Todd. We began the forum today talking about the power of community, and I think the evidence is right here at this table with these five spectacular leaders, there is a great community at DBA. We're celebrating 20 years of connections. Connections are all about community. That's how were going to make it in the future. Let's have a round of applause for our five panelists today. Thank you very much and thank you for coming.

[applause]

54:36 Announcer: And this concludes the special broadcast episode of the Capital Club Radio Show live from the 2017 DBA international conference in Las Vegas, made possible in part by FLOCK Specialty Finance, more than a transaction. For more info, visit flockfinance.com. And the Pro Business Channel, converting conversations into content. For more information, visit probusinesschannel.com. We want to thank on behalf of, again of Michael Flock the show host, our panel of the five Presidents of the DBA, our audience here in Las Vegas, and our listeners. Tune in to a re-broadcast of this episode and more at capitalclubradio.com.

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