

The Challenge of Debt Collection Policy

Dan Becker

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The views expressed are those of the speaker and do not necessarily reflect those of the Federal Trade Commission.

Background

- | Unique (and problematic) market
- | Market size: \$110b
- | Largest source of complaints to FTC

Collections Lower Cost of Credit

- | Transfer from non-payers to payers (lower interest rates)
- | Pass through depends on industry structure
- | Cost of collecting

DWL Example

- | Policy restricting collections activity
 - | Raises interest rate from 10% to 15%
 - | Inframarginal consumer priced out of market

Collections as Painful Process

- | Collection as series of sticks/threats
- | FDCP
- | Direct harm is social cost too

Loans s Bundle

- | Bundle of price and collection protections
- | What is optimal bundle
 - | Empirically: No variation in bundle
 - | Adverse selection
 - | No one knows current protections

Research Frontier: supply

- | relationship between collections and interest rate
 - | Insight from industrial structure
- | How laws affect collections

Big Picture Questions

- | Other ways to search for optimal policy?
 - | Quantity doesn't do it
- | How many mistakes are there?
- | Improving signaling