

Asset Acceptance Pays Nearly 3 Cents Per Dollar to Control \$2 Billion in Consumer Debt

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Asset Acceptance Capital Corp. (NASDAQ: AACC), the parent company of the increasingly familiar “Asset Acceptance, LLC,” is a publicly-traded junk debt buyer located in Warren, Michigan. Through its predecessors, it has been in existence in one form or another since 1962. Asset Acceptance is one of the few debt collection agencies where ownership can be traded on a stock market.

In a recent quarterly earnings report, it disclosed that while revenues increased, its earnings did not and were similar to previous quarters. Of note to consumers, however, Asset Acceptance spent roughly \$59 million to purchase new junk debt portfolios. Those portfolios allow Asset Acceptance to control roughly \$2 billion in defaulted consumer debt. The \$59 million it spent to control \$2 billion in debt was its most aggressive pull in 4 years.

Asset Acceptance effectively paid \$0.0295 for each dollar of debt it now controls. To value the portfolios’ per dollar cost, you divide the \$59 million purchase price with the face value of \$2 billion to arrive at just under 3 cents per dollar.

“We are pleased with our overall performance in the quarter. We achieved our objective of significant increased purchasing during the quarter, which resulted in near record levels for the company,” said Rion Needs, president and CEO of Asset Acceptance. “We also continued to execute incremental investments in our legal channel that, while dilutive to our near term results, will provide meaningful benefits in future liquidation and related profits.”

Asset Acceptance reported that its regular junk debt collection brought in roughly \$49 million, and its legal collection (where it hires local debt collection law firms to collect and sue on debts) brought in \$43 million for the quarter.

Asset Acceptance in Prior Trouble with the FTC

In 2011 Asset Acceptance was sued by the Federal Trade Commission (FTC) for misleading consumers on whether it can sue them for failing to pay old alleged debts and for misleading consumers regarding the application of the statute of limitations. With the assistance of the Department of Justice, the FTC assessed Asset Acceptance with a \$2.5 million fine.

Of particular concern to the FTC, Asset Acceptance allegedly trained and encouraged its debt collection agents to persuade consumers to make token payments on their expired debts because even a small payment would revive a debt against the statute of limitations.

Although Asset Acceptance did not admit liability and agreed to pay the \$2.5 million civil fine via settlement, Needs said Asset Acceptance was “pleased to have this matter behind us, and to have clarity on the FTC’s policies and expectations of the debt collection industry.”

Tony West, an assistant attorney general with the Department of Justice said the settlement with Asset Acceptance is meant to serve as a framework for the entire debt collection industry to follow.

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