

# ACA International Report on Mass Generic Disputes

## Introduction

Mass generic disputes refer to uninformative or generic form letters that appear to originate from consumers, but are actually mailed in bulk by consumer law firms or credit repair companies to debt collection agencies. This tactic includes sending multiple letters disputing information on a consumer's credit report that is often accurately reported. The intended outcome of this tactic is to encourage collection agencies who furnish credit information to either delete all of the consumer's trade lines or report them as "disputed," even in cases where there is no basis for a dispute.

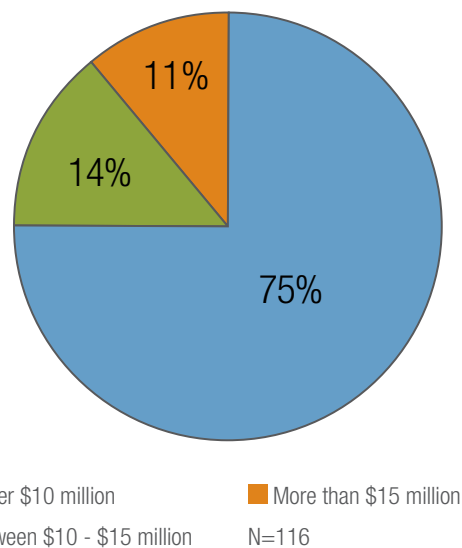
Furthermore, this approach is used to inundate collection agencies with disputes expecting that the data furnisher will be overwhelmed by the volume of disputes and fail to appropriately respond. As a consequence of this failure to respond, the credit information provider can then be targeted with a Fair Debt Collection Practices Act lawsuit. The practice is harmful to both collection agencies and consumers.

To gain insight into the impact of handling, processing, and responding to letters disputing consumer debt that do not represent a legitimate, consumer-initiated dispute, ACA International conducted a survey of member experiences with mass generic (non-consumer generated) disputes. This report reflects both the volume and costs associated with managing mass generic disputes.

## Size of Responding ACA Member Organizations

The SBA has set the size standard at \$15 million in average annual receipts for the debt collection industry. Similarly, the Consumer Financial Protection Bureau (CFPB) uses the lower value of annual revenue over \$10 million dollars to classify Larger Market Participants (LMP). Using these metrics, the majority of responding ACA members qualifies as small businesses. Specifically, 75% of members report average annual receipts of \$10 million or less while 89% of responding members report average annual receipts of \$15 million or less. Only 11% of respondents report average annual receipts in excess of \$15 million

**Figure 1. Respondents by Average Annual Receipts**



## Volume and Type of Disputes

For the purposes of this report, *legitimate disputes* are defined as those that are consumer initiated disputes; *invalid disputes* are defined as those disputes that are initiated by an entity other than the consumer.

Throughout this report, two values are reported: the average and the median. The median represents the middle value in the range of reported numbers. The median value helps compensate for extreme outliers that may skew the average.

Table 1 shows the total number of disputes received annually. This value can vary dramatically depending on organization size and account volume. The average reported number of disputes received annually is 60,408; the median reported is 4,100.

**Table 1. Total Number of Disputes Received Annually**

	Total Disputes
Average	60,408
Median	4,100
N	170

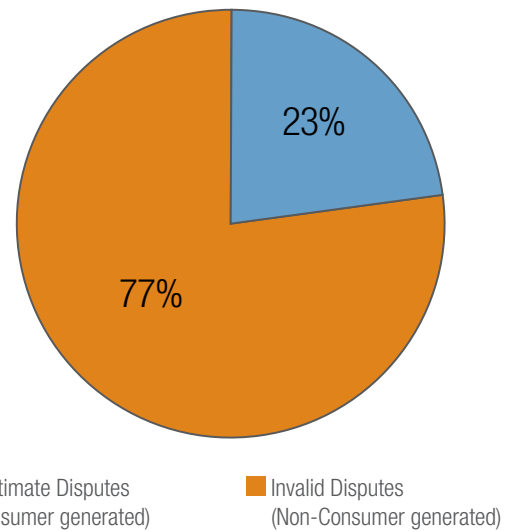
While disputes are an expected and normal part of doing business in the credit and collection space, respondents estimate that an unusually large number of these disputes are actually invalid. Figure 2 shows the estimated percentage of legitimate disputes received annually relative to invalid disputes. In total, respondents report the vast majority of disputes (77%) are invalid disputes and do not originate from a consumer.

Indirect disputes refer to those disputes received via the e-OSCAR platform. These disputes can be costly to collection agencies and are easily automated by consumer law firms or credit repair organizations, thus they are often characterized as “robo-disputes”, particularly when received in continuous or large batches. Table 2 shows the disproportionate numbers of indirect disputes relative to direct disputes received by ACA members. The median number of indirect disputes is *seven times greater* than the median number of direct disputes received by ACA members.

## Costs Associated With Responding to Disputes

Table 3 shows the overall costs associated with responding to disputes. Of particular interest here are the reported annual costs associated with the e-OSCAR platform and the total estimated costs of responding to invalid disputes. Respondents report average annual e-OSCAR costs of \$10,683 (with a reported median cost of \$2,086). Additionally, the total average estimated annual cost of responding to invalid disputes was \$35,651 (with a reported median cost of \$16,250).

**Figure 2. Percent of Disputes Estimated to be Legitimate vs. Invalid**



N = 152

**Table 2. Types of Disputes Received Annually**

	Total Form Letters	Total Direct Disputes	Total Indirect Disputes
Average	15,030	13,048	31,982
Median	2,000	500	3,600
N	158	154	157

**Table 3. Costs Associated with Responding to Disputes**

	Annual e-Oscar platform costs	Annual Estimated Costs of Mailing Responses to Form Letters	Annual Estimated Costs of Mailing Responses to Direct Disputes	Total Estimated FTE Employee Costs Associated with Invalid Disputes	Total Estimated Costs Associated With Responding to Invalid Disputes Annually
Average	\$10,683	\$7,002	\$8,215	\$24,481	\$35,651
Median	\$2,086	\$1,500	\$800	\$10,000	\$16,250
N	104	120	121	109	108

## Conclusion

This data suggests that there are an extraordinarily high number of indirect disputes received by ACA members, with little evidence that these disputes are originating from an actual consumer. Indeed, the total numbers of indirect disputes received far exceed direct disputes, suggesting that a majority of these disputes are being generated by a third-party. Furthermore, there are significant operational costs associated with responding to invalid disputes