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Asset Acceptance Capital Corp. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) And the first question comes from the line of Hugh Miller from Sidoti. Please proceed.

Hugh Miller – Sidoti

Good morning.

Rion Needs

Good morning, Hugh.

Hugh Miller – Sidoti

I was wondering if – this is a housekeeping question. Can you guys say whether or not there were any compensation accrual reversals in the fourth quarter? Obviously, the FTEs were up, but the comp was down. I was wondering if that had any impact in the compensation for the fourth quarter.

Mark Redman

Hugh, there weren't any significant compensation reversals in the fourth quarter.

Hugh Miller – Sidoti

Okay. And looking on a sequential basis in the fourth quarter, there was about \$2.5 million decline in the collection expense. In the past, you guys have talked about that you had experienced some cost deferrals that you were able to have and also some operating synergies that improved the expense line item. I was wondering if you can maybe talk to us about the sequential decline and maybe give us a sense of what percentage may have been more of a cost-deferral factor and what may have been operational synergies.

Rion Needs

Sure. So, from a cost-deferral perspective, we talked previously about matching a more accurate basis our expenses and revenues, our collections associated with the legal stream. And so, we were able to do that through third-party relationship that we had entered into. That has had the favorable impact on our expense improvement, cost to collect improvement, in addition to the fact that we went through reduction in force. Actually, it was in October – September, October we saw the economy

turning down pretty aggressively. We went to restructure a number of our groups and that reduction in force was predominantly driven by leadership positions, where we increased spending control on the minor sites from a leadership perspective.

The decline in collections have obviously been relative to the economic impact in the fourth quarter where we saw that the largest impact, specifically in October/November, where we saw the most dramatic declines in those collections. We continue to stay focused on operational efficiencies. And as I mentioned in my remarks, to make sure that we've got our capacity aligned and how we think about liquidating because we also know that we are better at liquidating our own portfolios than third-party agencies, but we also recognize and believe that inventory in-house where we don't have complete capacity would reduce the total collection. So, we are balancing those two off with each other, but we continue to focus on retention and we've made marked improvements in 2008 in retention numbers, which has also allowed us, as indicated in our press release to increase our headcounts by 111 collectors.

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