Financial Literacy

True Confessions of a Former Debt Collector

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Aug 18th 2014 6:00AM
Updated Aug 18th 2014 4:10PM

Wavebreak Media/Alamy

I have been yelled at. My family and my life have been threatened. I've heard every inappropriate word in the English language. It was all in a day's work for a mortgage debt collector.

There's nothing glamorous about debt collecting, but it's a necessary evil. Let's be honest, there are some people who can't pay their outstanding debts, and there are some people who *won't*.

I collected outstanding mortgage debt for one of the largest mortgage servicing companies, handling loans from Bank of America (BAC), Bear Sterns, Merrill Lynch, Countrywide and many others. The start of my time there predated the mortgage bust by a year, so I got to see exactly how banks had structured loans and people stretching themselves too thin. The job opened my eyes to the problems before they became supremely obvious to everyone back in 2008.

We had our hands in many of the most toxic and volatile mortgages being spun out during the run up to the bursting of the bubble.

We Don't Personally Call You

While I don't regret my time as a debt collector, I do regret many of my employer's policies.

Most of the large loan servicing companies use automated dialing systems. When I got to work, I logged into a system and within seconds, the dialing system would attempt to connect me to a delinquent account holder. Our goal was to connect with as many people -- and collect as much money -- as possible during our shifts. If we were able to get in contact with someone, we'd go through our script and try to convince them to pay their delinquent debt. Most calls were hangups or "no connects," but we did have a good handful of conversations with borrowers each shift.

Our dialing system would call a borrower once an hour until they was reached. We couldn't leave any messages and had to get in touch with the actual borrower. Our calling hours were 8 a.m. to 9 p.m. local time. This was seven days a week, with only a few holidays off.

Shady Payment Processing Happened Every Day

As a mortgage servicing company, it was our responsibility to take payments -- whether mailed checks, automatic bank drafts, or over-the-phone payments -- and apply them to loans. Seems straightforward, but it only took me a few months to realize we were creating trouble for borrowers. In a few cases, I discovered our payment processing department holding checks we'd received until after the due date. They would then charge the borrower a late fee, saying they hadn't received the check on time.

I got calls on a regular basis from borrowers who'd had their checking accounts double drafted: Our system would debit the mortgage payment on the regular date, then draft it again a day or two later. Not only would we not tell borrowers about it when we made these mistakes, but it would take us weeks to refund the money. Having seen this practice firsthand (plus an experience I had in which an auto-draft payment glitch led to me being briefly sued by a gym), I no longer allow companies to set up auto-drafts on my bank accounts.

You are Late the Day After Your Due Date

While your loan may indicate you are not charged a late fee until the 16th day after your due date, we had a different system. We considered all borrowers "late" as of the day after your mortgage was due. I had to discuss this policy on countless occasions until it was ingrained in my head. If your due date is the first of every month, then you were considered late as of the second. This is still technically true with most mortgage companies. They want their money on the due date. While they don't charge you a late fee, they can still start calling you to ask for the payment.

If Your Credit Score Drops, We Call You

Mortgage servicers had algorithms built into their systems to monitor your credit score. If your score dropped by a certain percentage, our system would add you into the calling queue - even if you'd paid your bill every month with no issues or late fees.

There was no worse feeling than getting connected to a borrower in good standing at 8 a.m on a Saturday morning. Since I could see all of the borrower's payment history, I would tend to try to end the call quickly and apologize. While my employer frowned upon this, I didn't like to disrespect those who were paying their bills on time.

We're Not All Rude Because We *Want* to Be

During my two-plus years as a debt collector, I learned I got the best results when I was kind to the borrowers and worked to help them. But I can honestly tell you the company I worked for didn't like it when I tried to help. Like many businesses with phone banks, they randomly monitored our calls to make sure we were "in compliance" with their policies. And I got in trouble a few times for providing helpful information to borrowers. I was told my job was to collect money and I shouldn't be focusing on helping. I even got written up a few times for it.

Still, I realized there were many people who were genuinely in need of a bit of good advice. Despite my employer having only one goal in mind, I felt it was my job to teach some of these borrowers what they could do to get around the collection calls and get current. Though I got in trouble here and there for that, I got away with it because I was still one of the top performing debt collectors in the company. Kindness, sympathy, and common sense worked.

Both Borrowers and Banks Were to Blame

When the bubble burst in 2008, we found out how many terrible mortgages banks had been giving out, then packaging up and selling to investors. The methods behind the securitization were terrible. Unfortunately, I got to see both sides of the story. Not all of the borrowers I encountered had fallen upon hard times. Many just wanted to "have it all" even though they couldn't afford it. I lost track of the number of people the auto-dialer connected me to who owned luxury homes and expensive cars -- but who had never earned enough money to cover their debts. I would talk to them about what they owed, and they didn't really seem to care.

I would argue both banks and borrowers were to blame for the mortgage crisis. Banks were giving away money to people whom they should have known couldn't afford to pay it back. Some borrowers were accepting the loans knowing they couldn't afford them. It was a vicious cycle. When my wife and I bought our first home at the height of the market in 2006, we were pre-approved for nearly $400,000 -- though our household income was only around $55,000 a year. Luckily for me, my time in the debt industry had taught me enough to recognize that amount was *way* more than we could afford. Banks never told you the amount they pre-approved you for was the maximum you could afford to pay just for the home. They didn't even factor our normal expenses into the equation. Millions of people all over the country were becoming instantly house poor the moment they signed the papers.

I left debt collecting after I realized I would rather help people than harass them. In a business where policies were dictated solely by profits, I was a poor fit.

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