

ECONOMIC DEVELOPMENT

Sallie Mae subsidiary to close call center, cut 200 jobs

By Joe Coombs
Senior Staff Reporter

A subsidiary of Reston-based Sallie Mae is shutting down its Gaithersburg division and laying off 200 workers.

Arrow Financial Services, an Illinois-based company that purchases and manages consumer debt, will close its call-center offices on Perry Parkway Oct. 31, according to filings with the Maryland Department of Labor, Licensing and Regulation.

Sallie Mae, which bought a majority interest in Arrow Financial about two years ago, is providing outplacement and job relocation assistance to the workers, says Bill

Bodie, a manager with the state labor department's dislocated worker unit.

Representatives from Sallie Mae and Arrow Financial could not be reached for comment regarding the layoffs.

Debt collection is a \$15 billion industry that is growing now and adding jobs annually, says Paul Legrady, director of research for Bethesda-based Kaulkin Ginsberg, a merger and acquisition consultant that specializes in the accounts-receivable management industry. But many debt buyers have been changing their business plans recently, says Legrady, who would not comment specifically on the layoffs at Arrow Financial.

"Debt buyers have a revenue model that's

different from the stereotypical collection agency," Legrady says. "They have changed their strategy and instead of receiving placements from collectors, they're buying the debts outright and then determining what to do with them. Many are subcontracting out the collection aspect to other companies, and that makes call center-type operations unnecessary."

Arrow Financial was founded in 1961 and has grown to more than 1,000 employees who work at its headquarters in Niles, Ill., the Gaithersburg call center, another in Whitewater, Wis., and a finance and capital markets division in New York.

Sallie Mae, the nation's largest student loan manager with a \$127 billion portfolio, bought Arrow Financial in September 2004 from Parthenon Capital, a private equity firm.

Arrow Financial has gradually been shedding jobs since Sallie Mae took the reins. Before the Gaithersburg layoffs, the company closed down a division in San Diego in August 2005, and 220 workers lost their jobs.

Arrow Financial's Gaithersburg operation is in a business park just off Interstate 270, where other tenants include several biotechnology companies, including Danacos Pharmaceuticals and Quanta Biosciences.

E-MAIL: JCOOMBS@BIZJOURNALS.COM PHONE: 703/258-6800

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