

Sallie Mae says its troubles won't affect Pioneer Credit

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Sallie Mae, the student loan company being squeezed by the U. S. credit crunch, has reaffirmed the strength of its debt collection business that employs more than 1,000 people in Western New York.

The collection business, which includes Pioneer Credit Recovery in Arcade, generated \$16 million in profits for the second quarter.

“The contingent collection business remains a core strength,” Sallie Mae chief executive Albert L. Lord said in a conference call with analysts last week.

Contingent collection is a fee-generating business, performed on behalf of other creditors. Sallie Mae has two units that perform contingent collections: Pioneer and General Revenue Corp. based in Cincinnati.

The remarks came as Sallie Mae announced a 72 percent plunge in second-quarter profits. As a writer of student loans, the Reston, Va.-based company has been hit by woes including high cost of funds and uncertainty about the financial sector.

The company plans to drop its debt-purchasing business as a non-core unit, Lord said. That business, investing in distressed loans and mortgages, lost \$26 million in the quarter.

Debt-purchasing is unrelated to the collection business, a company spokesman said. The sale of the business is not expected to reduce the volume of collection work at Pioneer.

The U. S. collection industry is benefiting from high levels of activity, as defaults on loans rise, said Michael Ginsberg, president of industry analyst Kaulkin Ginsberg in Rockville, Md.

“Most collection agencies, in spite of the economic climate, are doing well,” he said.

If economic woes continue and translate into higher unemployment, however, agencies' profits will probably take a hit, as the collectibility of accounts declines.

Pioneer was founded in 1980 and sold to Sallie Mae in 2002. It is based in Arcade with additional collection offices in Perry and Batavia, with a total of about 1,200 jobs throughout Western New York.

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