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# In changing consumer debt arena, Cincinnati-based Unifund branches out

Business Courier of Cincinnati - by [Dan Monk](#) Senior Staff Reporter

With a weak economy tempering growth, one of the nation's largest purchasers of consumer debt has turned to debit cards and mortgage defaults as areas for expansion.

David Rosenberg, founder of Blue Ash-based **Unifund LLC**, achieved rapid growth in the last decade by acquiring huge blocks of overdue credit card debt. His 160-employee firm uses proprietary software to sort which buyers have the greatest potential to repay, then resells the best accounts to collection specialists. Unifund ranks 29th on the Business Courier's list of Greater Cincinnati's largest privately held firms.

It is among the nation's 10 largest buyers of consumer debt, said Mike Ginsburg, president and CEO of Rockville, Md.-based consulting firm **Kaulkin Ginsburg**.

The mergers and acquisition firm estimates that Unifund and accounts-receivable management (ARM) firms handled \$28.5 billion in charged-off consumer credit worldwide in 2008, including \$16.7 billion in the U.S. Rising unemployment and stricter standards on home-equity loans are pinching collectors by drying up major sources of cash for debt repayment. Lenders rely on ARM vendors to clear their books of bad accounts, so weakness in that sector causes problems for all financial companies.

"It's a volatile market," said Ginsburg. "Some are going to weather the storm. Some are being severely and negatively impacted because they paid too high a price for portfolios that they can't collect on today."

Unifund is not immune to industry slump. Its portfolio of consumer debt has shrunk to \$10 billion from \$16 billion in May. Rosenberg eliminated 10 to 15 jobs, although he continues to hunt for computer programmers, analysts and portfolio managers. Total revenue, which topped \$375 million in 2006, fell below \$300 million last year, he said.

"We're still active buyers (of consumer debt), but with the economy, things have changed," Rosenberg said. "It's harder to collect, easier to acquire portfolios but harder to finance them."

### Debit cards, mortgage defaults

Still, Rosenberg sees opportunity in **UniRush LLC**, a debit card issuer in which he owns a 50 percent stake. And he's experimenting with a consulting service in which Unifund would advise buyers of mortgage defaults on how best to collect.

"UniRush card holders deposited more than \$1 billion on their RushCards in 2008," a new company record, Rosenberg said.

He co-founded the company with **Def Jam Recordings** founder Russell Simmons. It charges \$20 to activate its prepaid Visa card – targeted to people without traditional bank accounts – and \$1 for every transaction. UniRush employs 18 at Unifund's Techwoods Circle headquarters and handles most of its customer service activities through outsourcing.

In September, the company announced a partnership with an Annapolis, Md.-based credit scoring company, **Pay Rent Build Credit Inc.** It is aimed at helping users of UniRush build credit histories by using their card to pay rent, utility and cable bills.

Rosenberg wants to roll out a series of new products through UniRush, including small loans, a savings plan and health coverage.

"It's a star," he said. "I feel like it really changes peoples' lives."

In addition, Rosenberg has been pilot-testing ventures involving mortgage defaults. In November, he told trade publication Collections & Credit Risk that Unifund had purchased about \$500 million in mortgage debt but was restricting purchases to "whole loans" – mortgages that had not been bundled into collateralized debt obligations.

Rosenberg said he acquired the mortgage debt because he wanted to explore whether Unifund's methods for analyzing consumer debt could be used to predict which borrowers made good bets for loan restructuring.

"We're not as interested in buying mortgage defaults, but we could be involved as a manager of portfolios," said Rosenberg. "We're really about exploring. 'How does the information we have show us whether this person is going to have stability in the future? Who can you prevent foreclosing on? I'm more interested in that, as opposed to determining that the home is worth 'X' and you owe 'Y.'"

Experts have estimated the total volume of troubled mortgage loans at more than \$1 trillion. The U.S. Treasury planned to rid the



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David Rosenberg said Unifund is changing along with the changing debt environment.

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financial system of these with the \$700 billion Troubled Asset Relief Program. But that was sidetracked when Treasury Secretary Henry Paulsen opted to use the money to invest in banks, in an attempt to bolster their balance sheets. Speculators have purchased some troubled assets. Federal Reserve Chairman Ben Bernanke recently renewed the call to buy or back the purchase of “troubled, hard-to-value assets.”

Although he doesn't want to buy mortgage debt, Rosenberg said his company could earn millions in fees by acting as a consultant for loan originators and speculators trying to sort through piles of troubled loans.

“We could charge for research or analysis,” he said.

Ginsburg said Unifund has an advantage in marketing consulting since many banks holding these “toxic assets” have been selling consumer debt to Unifund for years.

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