

TBF Financial Closes on \$125 Million Purchase of Commercial Bank Debt

DEERFIELD, ILLINOIS, NOVEMBER 10, 2015—TBF Financial, LLC, a leading commercial debt-buying company, announced it closed on a \$125 million deal, purchasing non-performing commercial bank loans and lines of credit on the books of a major U.S. bank, Oct. 29.

The bank cannot be named, but its managing executives were motivated to engage TBF Financial because, like many other banks of its size, there is intense federal regulatory scrutiny, including oversight on collections practices. It was prudent to sell off debt, rather than outsource it to third-party collectors, said Brett Boehm, TBF Financial principal. “It reduces their risks,” he said, “and it frees their staff to focus on other business processes and relationships.”

Big banks are cleaning up their books and reducing their liabilities; and, in this case, TBF’s client also has arranged for a continuing engagement to sell write-offs bi-annually. He said this strategy enables bank personnel to focus on more productive 30-day collections and also on new business growth.

“There are significant liabilities associated with hiring third-party collectors to attempt recovery. That, plus monetary advantages, is why lenders are turning to selling their debt as an integral part of their annual business plans,” said Boehm.

The bank’s commercial write-offs sold to TBF are unsecured and can be years or up to 18 months old, but Boehm’s company has decades of experience. TBF has been actively buying commercial equipment lease charge-offs and other non-performing commercial accounts since 1998. TBF is regarded as a pioneer in the debt-buying field.

“With its forward flow strategy, the bank will enjoy the benefit of anticipating a certain return that each year supports financial forecasting,” said Boehm.

In the past, banks preferred to manage collections internally, he said, but the financial crisis and recession, triggered by the overheated real estate market, has significantly changed the financial services regulatory environment, and it has pressured banks to modify many operations and review their collections activity. He said commercial lenders are expressing concerns about relying on third-party collectors who are compensated on commission because it can lead to undesirable tactics.

TBF’s relationship with the bank started several years ago, and the first assignment was to purchase non-performing real estate secured loan portfolios. Since then, Boehm explained, other areas of this financial institution are appreciating the wisdom in such a simple and efficient approach.

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