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Rosemount bill collector's license revoked

A Rosemount debt-collection firm pocketed debtors' money instead of paying creditors.

By **CHRIS SERRES**, Star Tribune

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State regulators revoked the license of a Rosemount debt collector for taking in money from debtors, then spending it on himself, rather than handing it over to creditors.

Scott Alan Schoaf, 47, president and owner of Alternative Receivables Solutions Inc., used money for personal expenses that was meant to reimburse creditors, including lawn service at his home in Rosemount, according to a license revocation order issued last week by the Minnesota Commerce Department.

Schoaf admitted to state investigators that \$29,586 is missing from trust funds set aside to pay creditors.

Consumers who repaid debts may still be on the hook with creditors, though state

officials could not say for sure.

"There is a certain outrage here," said Todd Murray, a consumer debt attorney in Minneapolis. "People making these payments believe the money is going to extinguish their debts. It turns out that, either because of sloppiness or bad faith, that's not happening."

The license revocation is the latest in a series of state enforcement actions involving debt collectors. The Commerce Department stepped up audits of debt collection firms a year ago in response to reports that some were misappropriating funds.

"In this time of economic dislocation, we have particularly focused on those [debt collection] licensees who hold funds on behalf of other people," said Emmanuel Munson-Regala, deputy commerce commissioner. "It's not surprising, though disappointing, that we're discovering that as the economic tide receded, we found a number of licensees engaged in unfortunate behavior."

Under state law, debt collection agencies are required to place all money collected from consumers in special trust accounts, from which payments are made to creditors.

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The collection agency is allowed to withdraw a commission -- typically, 30 percent of the amount collected -- to pay for the agency's operating expenses, such as salaries.

Some debt collection firms are deducting money from trust accounts beyond what is owed for the commission.

Last year, the Commerce Department alleged that Lee Patrick Hanna, owner of HS and Associates, a South St. Paul debt collection firm, misappropriated \$75,000 for personal expenses, including more than \$19,000 to a bar and \$6,000 in cash. And William Sobieck, a debt collector in Willmar, Minn., had his license revoked in 2008 for allegedly using money collected from consumers to pay for gas, groceries, unpaid taxes and other personal expenses.

Negative daily balances

The Commerce Department reviewed Schoaf's bank records and found that his firm's trust account had negative daily balances on at least 44 occasions in 2009.

Schoaf said his firm's accounts were overdrawn by nearly \$30,000 because he had overstaffed and guaranteed employee

compensation, according to the Commerce Department order.

In addition, he said, clients had been slow to pay commissions, resulting in higher-than-normal insufficient fund payments.

Rosemount police executed a search warrant on Schoaf's home and vehicles last Wednesday.

Schoaf told state investigators he was in the process of securing a \$35,000 loan that would replace the missing trust funds.

However, as of March 22, "there is no evidence this has been done," according to the search warrant.

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