

The Collector Chronicle

NORTH AMERICAN RECOVERY

JUNE 2016

Utah, Colorado, Idaho, & Ohio's
Collection Authority

LAST MONTH'S LUCKY WINNER

The lucky winner of our client prize for May is Healthcare for Women LLC. They have been using our agency since April 2014! We will be sending Lynette a \$100 Apple gift card. Enjoy!



THIS MONTH'S PRIZE

This month we will be giving away two tickets to a Salt Lake Bees or Colorado Rockies game (or a team in your area). Each client who sends new accounts during the month of June will have their name entered into a drawing. At the end of the month, we will draw a name. If it's yours, you'll win the prize.

Don't miss out on your chance to win.

Send new accounts in June!

Good Luck!!



LEGAL ACTION: EXPENSIVE, BUT WORTH IT

BY DAVID J. SAXTON

President, NORTH AMERICAN RECOVERY

The last thing we want to do is take legal action against a consumer. In fact, our collectors are trained to do everything possible to work with a consumer *before* ever considering legal action. (And this results in *many* a satisfied consumer. — Click on the link to listen to a real-life call from a truly happy consumer: [Consumer Complement.](#))

We only use legal action as a last resort. Sadly, it's a fact of collections: some consumers won't pay unless they are sued. Even though we would prefer to collect every account without using legal action, the fact that we are willing and ready to do so when necessary, helps us achieve a recovery rate of more than *triple* the national average.

One of the reasons we prefer to collect an account without legal action is the cost. It's *very* expensive. "How expensive?" you ask. Well, that's exactly what I'm going to discuss in this month's article.

I'll start with the amounts our primary law firm, Olson Shaner, charges. They have two different rates: \$225 per hour for work performed by an attorney, and \$75 per hour for work done by a paralegal.

When we forward an account to them, they immediately start charging fees. The first thing they do is have an attorney review the file. Next, they prepare a summons and send a complaint out for service. Once it has been served, the complaint is filed with the court. If the consumer doesn't respond to the complaint within the allowed time, a default judgment is submitted, and when granted, our attorney's office sends a copy to the consumer.

So from the moment they receive the account until they obtain the default judgment, our law office will incur \$250 or more in attorney's fees. But if the consumer disputes the debt or raises a defense, the fees can really add up.

For example, if the consumer calls our attorney's office disputing the bill, files an answer to the complaint, or does anything else that requires a

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response by our law firm; they add additional fees for the extra work.

Consumers don't understand that, by calling *our* attorney's office, consumers incur additional costs. They are confused about how things work and usually ask our attorney for legal advice. Since our law firm is representing us, it would be a conflict of interest for them to advise consumers of their rights or tell them how to respond to legal documents. The attorney's office can only tell consumers to pay in full or advise them to hire their own attorney. This is frustrating for some consumers, but our law firm is representing us—and in turn, representing you—so they are looking out for our collective best interest.

In addition to the attorney's fees, we have two other fees we must pay. We pay a fee to have the consumer served with the complaint—this ranges from \$15 to \$75. The court also charges a fee to file the complaint—this costs between \$75 and \$360, depending on the amount owed.

When we add the service fee and complaint-filing fee to the attorney's fees, we end up with a minimum of *\$363 in costs and fees just to obtain the judgment!*

Okay, so we've spent a substantial amount of money to get a judgment, but how are we going to collect it? Well, there are a couple of options, the most effective being a wage garnishment. Sometimes just the act of our filing the garnishment results in the consumer paying the account in full. If not, the consumer's employer must withhold money from the consumer's paycheck over the next four months and send that money to us. This usually pays the account in full. If one garnishment doesn't collect the total owed, a second one usually does.

How much does a wage garnishment cost? The costs vary from state to state. Let's look at what it costs in Utah. We start by paying the consumer's employer \$25 for their time. The court filing fee is \$45 or \$50, depending on location, and the process

server charges \$15 – \$45 as a service fee—for a total of up to \$120.

A garnishment brings our total costs to \$483! That's expensive!

But we don't let that stop us from suing a consumer if he or she refuses to pay in full. In fact, 75% of our revenue comes directly from our legal accounts.

Since it's so expensive, we take great care and make absolutely sure that we can recover these costs. And a big part of that has to do with your office. If you have each customer sign an agreement that allows us to charge them for attorney's fees and court costs, it improves our chances of collecting the account.

If, however, you don't have your customers sign a contract with these terms, we may not be able to sue those accounts. Generally, if the amount owed is less than \$1,000 and we cannot pass these costs onto the consumer, we won't be able to sue the account because it will be too expensive. (You should still send these accounts to us because we will report the debt to the credit bureaus. However, if the consumer refuses to pay, we won't be able to sue the account.)

If you have all your customers sign a financial agreement with the necessary terms, you are set. Most of our clients have very good agreements, and if you're one of them don't worry.

But if you think you need some help with an agreement, talking with your attorney is a good place to start. He or she can help you draft the appropriate wording. Then have every customer sign it. Doing this will help improve your collection results, and in turn, we'll do an even better job on the accounts you send us.



The Collector Chronicle is published by NORTH AMERICAN RECOVERY for prospective and current clients. The owner, David Saxton, welcomes questions or comments.

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