

# The Collector Chronicle

NORTH AMERICAN RECOVERY

March 2015

America's Collection Authority

## LAST MONTH'S LUCKY WINNER

The lucky winner of our client prize for the month of March is Rosewood Dental. Congratulations! We have been collecting for Rosewood Dental for almost 10 years! We will be sending them gift card for dinner for two at Ruth's Chris Steak House. Enjoy!



## THIS MONTH'S PRIZE

This month we will be giving away a \$100 gift card to City Creek Center, or to a shopping mall in your area. Each client who sends new accounts during the month of March will have their name entered into a drawing. At the end of the month we'll draw a name, and if it's yours, you'll win the gift card.

**Don't miss out on your chance to win;  
Send new accounts in March!  
Good luck!!**



## Should You Settle?

BY: David J. Saxton

President, NORTH AMERICAN RECOVERY

One of the most difficult situations a new collector encounters is trying to decide if he or she should settle an account. If you aren't familiar with the term, it means you accept less than what's owed and write off the remaining balance.

When I first started collections I struggled with the concept of settlements because in my personal life, I'd never thought of paying anything less than what I owed. As it turned out, I was in for a big surprise. Consumers seemed to think that since they hadn't paid their bill, ignored their statements, changed their phone number, and avoided the creditor, they could offer to settle their account. I also learned that some clients believe settling an account is a good idea. (It's the old adage about a bird in the hand is worth two in the bush.)

Here's what would happen: A consumer would call a client and offer to settle their account by paying \$2,000 instead of the \$3,000 they owed. It sounded like a great deal to the client because they hadn't heard from the consumer in years. They had essentially given up on the account. On top of that, the consumer would follow up by saying the offer is only good for 10 days or they would file bankruptcy. If the account was current, the client wouldn't even think of settling, but since it was a collection account (and they hadn't received a payment in years) the client reasoned that \$2,000 is better than nothing, and agreed to settle.

However, more often than not, this would end up being a bad move and here's why: A consumer NEVER calls "out of the blue." There is always a good reason for their call. I promise you the consumer didn't wake up one morning and freak-out because they had an unpaid bill. There is something else motivating the call. Usually it's because they are trying to qualify for a mortgage, a car loan or some other type of credit account. But,

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because we reported the collection account to the credit bureaus, the bad mark has caused them to be turned down and now they are trying to clean up their credit. In order for them to qualify, they have to do one of two things: (1) Convince the client to settle or (2) Pay the full amount. That is why the client gets the "settlement call."

All the consumer really cares about is a clean credit report and when the debt is settled, the consumer gets the loan and the client never knows anything about it. I found this out the hard way when I settled an account in my early collection years. Two weeks after we settled, I received a call from a mortgage company asking to verify that the bill was paid. I asked why and they said it was because the consumer was applying for a \$250,000 mortgage! From that day on I decided that if it was up to me I would NEVER settle an account again.

That worked for a while until I discovered I needed to make exceptions sometimes. There are two situations in which I advise a client to settle. The first is when we sue the consumer and it looks like the case will end up going to trial. This very rarely happens and the percentage of our accounts that go to trial is very small. However, when this situation arises I attempt to settle before the trial.

The reason we want to settle is purely economics. We're confident we would win the case, but if the account is under \$7,500, the eventual return for our client is not worth the effort. Here's why: In a civil action lawsuit, the plaintiff (us) must prove their case by a preponderance of the evidence. This means that the evidence we present must be more convincing than the consumer's. This takes a lot of additional time and expense for our clients. The consumer, in turn, has the opportunity to tell their side of the story. We've found that they

sometimes "forget" what really happened and make less than accurate statements. This causes quite a bit of frustration for our clients. And even if the defendant (consumer) doesn't have a leg to stand on, and all of their reasons for not paying are completely unfounded, they still have the right to call witnesses, present evidence, and testify.

The trial will take a full day, and when we factor in the pre-trial conference, the research and prep time, and the fact that at least two, or possibly three people from our client's office will be required to attend the trial, we're investing a lot of our client's time in something that isn't guaranteed. When an account has a balance of \$7,500 or less, the maximum return for the client will be \$3,750. And when you consider things like two full days away from the office for two or three key employees, and the loss of new business because the employees are out, it makes sense to settle these accounts. However, accounts with balances well over \$7,500 are a different story. The time it takes for a trial on these is usually worth it.

The other instance you would consider settling is if you receive a call from a consumer's bankruptcy attorney. This is a good sign that they are, in fact, going to file. If the attorney offers a settlement, you should take it. Otherwise, if a consumer threatens bankruptcy, but doesn't have an attorney, it's probably just a bluff.

In conclusion, it's best to take the approach that you never settle. That way you will flush out the consumers who are bluffing. When you do find yourself agreeing to settle, you will know that you've made the right business decision.

Have a great month!



*The Collector Chronicle* is published monthly by NORTH AMERICAN RECOVERY for prospective and current clients. Please direct questions or comments to the Editor, Stephen Halling, at: [StephenHalling@North-American-Recovery.com](mailto:StephenHalling@North-American-Recovery.com)

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