

The Collector Chronicle

NORTH AMERICAN RECOVERY

September 2014

America's Collection Authority

LAST MONTH'S LUCKY WINNER

The lucky winner of our client prize for the month of August is Oral and Facial Surgery Institute. They have been assigning accounts since February 2010. We will be sending Darian a gift card for dinner for two to The Cheesecake Factory. Enjoy!



THIS MONTH'S PRIZE

This month we will be giving away a \$100 gift card to a spa in the winner's hometown. Each client who sends new accounts during the month of September 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 September!
Good luck!!**



The "Collection Cycle"

BY: David J. Saxton

President, NORTH AMERICAN RECOVERY

When we begin collecting for a new client it takes time before our recovery rates reach the level we're known for. A slow start can be frustrating to a new client when our sales literature boasts of great recovery rates. If these results are not seen within the first three to six months our clients might wonder what's wrong. We assure them that nothing is wrong of course, but if a client does not understand what the collection cycle is and how it influences their totals, it's still frustrating.

So this month I want to address this subject and explain what the collection cycle is, and why it can take from 18 to 36 months before we establish consistent recovery results for you.

But, before I start talking about the collection cycle, I want to take a moment to explain what a recovery rate refers to. Recovery rate is defined as the percentage of money we collect for a client. To determine a recovery rate, we take the total amount collected for a client and divide that by the total dollar amount assigned. For example, if a client assigned \$200,000 and we collect \$76,000, the recovery rate is figured by dividing the \$76,000 by \$200,000. In this example the recovery rate is 38%.

A recovery rate can be confusing if you don't understand how the collection cycle affects it. For example, if we take a group of 20 accounts with an average balance of \$1,500, we will have a total amount assigned of \$30,000. By using a recovery rate of 30%, we can expect six of these accounts, totaling \$9,000, will be collected by the end of the collection cycle.

In this example we know we are going to collect six of the twenty accounts during the collection cycle. So what does that mean? Well, it means that over the next 18 to 36 months, (which is the average amount of time it takes to achieve maximum results) we will collect some accounts right away, some within 6 to 18 months, and the others will take the full 36 months, or longer, to collect.

The collection cycle can be broken down into three distinct groups:

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- Group I (The first six months of the cycle): Collections before legal action.
- Group II (6 to 18 months): Collections in the first stage of legal action.
- Group III (Months 18 to 36 and beyond): Collections taking the entire legal process.

Let's go over each group in detail.

Group I: Accounts we collect without legal action.

These consumers are the ones who respond to our calls and letters because they don't want their credit damaged and don't want to be sued. This group makes up about 1/3 of the accounts we collect.

We take an aggressive approach to collections, so if a consumer is going to pay before we sue, they are usually going to do so within 90 days – and for sure within six months.

Group II: Accounts that pay in the initial stage of legal action.

Accounts in this group are usually collected between 6 and 18 months. This group makes up another 1/3 of the accounts we collect.

It takes about a year with these accounts because the legal process has so many built-in delays designed to give the consumer time to respond or fight the action. This means we spend a lot of time waiting on the account rather than collecting it.

Even though we had to sue these consumers, they are the ones with steady jobs. After they are garnished they realize how serious we are and they pay their account in full. If they do not pay, it takes about one to three garnishments to collect the full balance.

Group III: Accounts requiring substantial use of the legal process.

These consumers are the most difficult to collect from and can take between 18 and 36 months to collect.

This group makes up the last 1/3 of the accounts collected.

These accounts are the ones that require a great deal of skiptracing before we even find the consumer. Once we are able to locate and sue them, the consumer "skips" again so we have to track them down before we can garnish their wages.

If we take a snap shot of our progress at six, eighteen and thirty-six months, our recovery rate will be 10%, 20%, and 30% respectively. During the three-year period there will be about 12 months where we send a good-sized check to our client, 12 months where we send an average to small check, and 12 months where we don't send a check at all, but not specifically in that order. For example, in the first four months only a few consumers pay, so the checks are very small. The next two months our client doesn't even receive a check. Then for the next three months, our client receives three large-sized checks. This is due to the cyclical nature of collections and the scenario described above.

As a client, you can make a difference in how consistent our checks are. If you make one assignment a year you will see results like I outlined above; your check amount will fluctuate from a big check, to nothing at all. It will appear that we are inconsistent in our results, when in fact we are being very thorough.

If, however, you assign on a regular basis you will not see big variations in the size of the check we send each month. Our collections will even out because each month we will receive new accounts, and there will always be several accounts in each stage of the collection cycle, and most importantly in the paying part of the cycle. Your checks will be consistent, and after about a year of regular monthly assignments, your checks will always be significant.

When it's all said and done, we both want the same thing: a large check for you each month. So if you send accounts every month, we will make sure we are collecting them, and together, we will achieve that goal.



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

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