

The Collector Chronicle

NORTH AMERICAN RECOVERY

December 2011

Utah's Collection Authority

LAST MONTH'S LUCKY WINNER

The lucky winner of our client prize for November is Snow Canyon Clinic out of Ivins, Utah. We work with Diane and they have been using our agency for over three years. Congratulations!! We will be sending Diane two all day ski passes to Brian Head Ski Resort. Enjoy!



THIS MONTH'S PRIZE

This month we will be giving away two tickets to an upcoming Utah Jazz or Denver Nuggets game. Each client who sends new accounts during the month of December will have their name entered into a drawing. At the end of the month we will draw a name and, if it's yours, you'll win the tickets.

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



WHAT SHOULD YOU DO WHEN A DEBTOR PAYS YOU?

BY DAVID J. SAXTON

President, NORTH AMERICAN RECOVERY

It's a common occurrence for many clients. After months of collecting from John Q. Debtor you finally send him to collections. Then, about a week later, you receive a check from him. What should you do? Deposit it? Send it to us? This scenario can be aggravating for a client, so this month I thought I would give you some suggestions on what you should do. But first, let me tell you why debtors do this.

There are basically three different types of debtors who exhibit this behavior: the *Procrastinator*, the *Avoider*, and the *Holy Cow, They Are Serious* debtor. Let me tell you about each one.

The first type of debtor pays your office right after they receive our first notice. They are called "*Procrastinators*." When we send our first collection letter to a procrastinator; he or she realizes they are in big trouble. They never meant to let their account go to collections; they simply misjudged what would happen (they thought they could let the bill slide for a few months), but now they've been "caught." These debtors feel guilty and try to avoid dealing with the situation by sending the payment directly to your office. This makes them feel like they've repented for their behavior and have redeemed themselves by finally paying their bill.

The next debtor that pays you instead of sending the money to us is the "*Avoider*." They pay because they want to avoid dealing with us. They've been in collections before, and they know what's going to happen if they don't pay, so they send a check to you. When we call an avoider, the debtor acts like *we* are doing something wrong by calling them because they "already sent the check" to your office.

The final type of debtor is what I call a "*Holy Cow, They Are Serious*" debtor. They are the ones who have ignored our collection efforts, and we ended up having our attorney sue them. When the

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debtor receives our attorney's letter, or is served with the lawsuit, they quickly send a check to you for the assigned amount. The problem is their account has had a substantial amount of legal costs added, so the amount they pay doesn't even come close to the amount they owe. They do this to avoid paying the legal costs—with the hope that you will accept the check. If you do, they can use that as justification for not paying the legal fees.

While these are the most common reasons a debtor will pay your office, there are other instances when you'll receive a payment for a debtor. One example is when an insurance company pays. But, for the most part, if a debtor pays you it's for one of the above reasons.

Now, when you receive a payment from a debtor who has already been sent to collections, what should you do? **YOU SHOULD ALWAYS, ALWAYS, ALWAYS SEND THE PAYMENT TO US.** (Always) :)

Seriously, you should send the payment to us. Don't deposit it, don't call the debtor, don't do anything other than put it in an envelope addressed to us and drop it in the mail. It's that simple. If the debtor calls asking if you received their payment, simply tell them, "I've turned your account over to North American Recovery and you need to call them at 801-364-0777 to discuss paying your account. Any payments you send to our office will be forwarded to NAR. I cannot discuss the account with you any longer; you will need to talk to them. Thank you."

If you use this phrase it will make your job much easier—and not just when it comes to discussing a payment. It will work any time a debtor calls. Just refer them to us and we will take care of everything.

Why am I so adamant about referring the

debtor to us? Well, there are several reasons. First, it's impossible for you to know everything that has happened with the account. The debtor may have promised to pay the balance to us, but they are now trying to get you to settle for half. Or, as I mentioned earlier, we may have added additional fees to the account for legal action and the debtor may be trying to get out of paying those fees. There are many other scenarios; but, regardless of the reason, **don't post the payment.** Send it to us and we will deal with it.

What about the times that, despite your best efforts, you end up depositing a payment from a debtor? Well, **it's imperative that you call us immediately.** In addition to avoiding confusion, if we continue to collect on a debt that's been paid, we will be in violation of the Fair Debt Collections Practices Act. This could result in a lawsuit where the debtor can be awarded up to \$1,000 in damages in addition to attorney fees. (These could be excessive. I've read about cases where attorney fees ended up being over \$25,000! I know that neither of us want to face a situation like that.) This alone is reason enough to immediately notify us if you deposit a payment from a debtor.

Another reason is there may have been charges added to the account, and they will need to be paid. If this is the case, we will review this when you call and tell you about any amounts we may need to invoice.

So, in summary, if you get a payment from a debtor:

1. Send the payment to us. If you can't, and you have to deposit the payment then:

2. Call us immediately.

If you make these policies part of your standard operating procedures, it will simplify things and eliminate a potentially frustrating situation. Thanks for reading and 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 Dave Saxton at the address or number listed below. *Edited by Bryce Packham.*

5225 Wiley Post Way, Suite 410 Salt Lake City, Utah 84116

801-364-0777 • Fax: 801-364-0784

www.North-American-Recovery.com