

The Collector Chronicle

NORTH AMERICAN RECOVERY

March 2012

Utah's Collection Authority

LAST MONTH'S LUCKY WINNER

The lucky winner of our client prize for February is Bruce J Kochevar DDS out of South Jordan, Utah. We work with Tracy and they have been using our agency for over *seventeen* years! Congratulations!! We will be sending Tracy a gift certificate to Ruth's Chris Steakhouse. Enjoy!



THIS MONTH'S PRIZE

This month we will be giving away two tickets to a Real Salt Lake or a Colorado Rapids soccer game. 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 tickets.

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



SPRING CLEANING

BY DAVID J. SAXTON

President, NORTH AMERICAN RECOVERY

It's that time of year again. The birds are singing, the flowers are blooming and the days are getting longer. It's also a good time of year to "clean out" any collection accounts that have been piling up.

There are only three months until traditional summer vacations start, so it's a good time to send accounts you've been holding on to right away.

I've talked about it before, but the longer you hold an account, the less collectable it becomes. Here's why: the first month a debtor doesn't pay, they don't worry about it too much. They figure, "I'm only one month behind, I'll be able to catch up next month." (30 days delinquent.)

During the second month, the debtor's guilt is at its highest level; almost every time the phone rings they wonder if it's the creditor calling to ask for payment. (60 days delinquent.) This is a critical point in the delinquent time-line. If a debtor can catch up on their bills now they will be okay, but if they let the bill slide into the 90 to 120 day period, the problems really start to compound. It's very important your internal collection process is focusing on accounts that are at this stage of delinquency. If you contact the debtor and get them back "on track" you will avoid sending the account to collections. If not, they'll be hearing from us.

After the third month of not paying, the debtor starts to rationalize their position. (90 days delinquent.) They think things like, "I have other bills that are more important." or "They're a big business and I'm just one person. They won't miss my payment." If you haven't made personal contact with the debtor they may start thinking, "Maybe they 'forgot' about me..."

If a debtor is allowed to remain delinquent

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for four months (120 days), they think they have "made it." They start believing they don't have to pay at all.

From the fifth month on, the account becomes increasingly difficult—if not impossible—for you to collect.

The chart to the right shows how account collectability decreases over time.

That's the bad news. Now for the good news: if you send the account to us at the end of the third month (90 days) you will see a 270% to 350% increase over what you would have collected without us!!

How is that possible? Well, I'll show you. I'll compare the kind of money you could collect on your own, to how much we will collect if you send the account to us at the right time.

Assume that despite your low delinquency rate, you still end up with \$100,000.00 in accounts more than 90 days old. If you try to collect these accounts for the next six months you can expect to recover five to seven percent, or \$5,000.00 to \$7,000.00. (See the chart above.)

However, if you send the \$100,000.00 to us no later than the 120-day mark, you can expect us to collect at least 31%. (That's the average we have

collected for all clients over the last five years.) And we could recover as much as 45%.

If we use the low figure of 31%, we will collect \$31,000.00. Because some accounts will have required legal action, our average commission will be 39%, or $(\$31,000.00 \times .39) = \$12,090.00$. After we deduct our commission, we send you \$18,910.00. That is 270% more than the \$7,000.00 you collected without us. If we use the higher recovery rate of 45%, you will realize a 350% increase!!!!

Why do we have such a higher success rate? Well, at the 90-day mark the debtor still has some feelings of guilt and responsibility. They need to be contacted immediately. If all they receive is a notice or letter from you, they can easily ignore it.

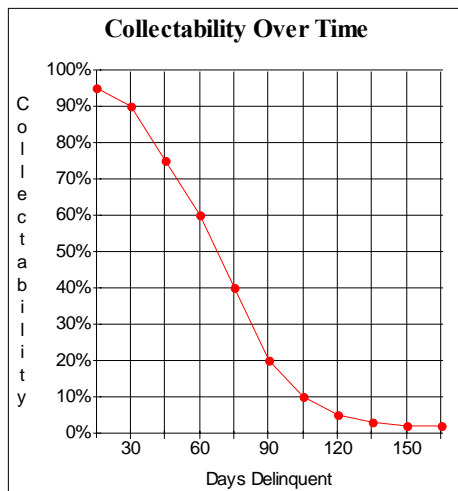
However, when they are personally contacted by a professional collection agency it really gets their attention, especially when we explain all the problems associated with having a bill collector after them.

Sometimes you won't want to wait 90 days before sending the account to us. I've listed a few items below that serve as an indicator that immediate action is required—regardless of the age of the account.

- Returned mail with no forwarding address
- Disconnected phone
- Bounced check/returned credit card
- Refusal to pay

If any of these happen on an account, you should immediately send it to us. Quick action in these cases will significantly increase your returns.

So don't hold back, clean out those accounts and send them to us so we can start collecting before it's too late.



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.*

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