

The Collector Chronicle

NORTH AMERICAN RECOVERY

January 2023

America's Collection Authority

LAST MONTH'S LUCKY WINNER

The lucky winner of our client prize for December is Wasatch County Ambulance. They have been using our agency since 2004! We will be sending them a gift basket from the Chocolate Covered Wagon. Enjoy!



THIS MONTH'S PRIZE

This month we will be giving away a gift basket from the Chocolate Covered Wagon. Each client who sends new accounts during the month of January 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 basket!

Don't miss out on your chance to win!

Send new accounts before the end of the month!

Good luck!!



**CHOCOLATE
COVERED
WAGON**

HOW LONG WILL IT TAKE TO COLLECT MY ACCOUNTS?

BY DAVID J. SAXTON

President, NORTH AMERICAN RECOVERY

This is one of the first questions I'm asked when we begin collecting for a new client. A fair question, no doubt, but the answer takes some time to explain. This month, I thought I'd describe in detail the "collection cycle" and show you how long it takes to collect a given group of accounts.

I want to start by first talking about our recovery rate. For most clients, it is double or triple the national average, and we're very proud of that. However, before we can produce these outstanding results, it takes a lot of time and extra effort. For a new client who isn't familiar with our particular business model, it might feel like nothing is happening during the first few months, and that can be frustrating. To prevent this, we meet with each new client at 30, 60, and 90 days to review our initial results and our expected recovery rate.

There are several factors that influence our recovery rate, but I'm getting ahead of myself. Before I get into the details, I want to take a moment and explain what our recovery rate refers to. To calculate our recovery rate, we take the total amount collected and divide that by the net amount assigned. For example, if a client's net amount assigned is \$200,000 and we collect \$76,000, the recovery rate is 38%.

Talking about a client's recovery rate can be confusing if you don't understand how the collection cycle affects it. For instance, 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. Then, if we use the recovery rate of 30%, we can expect that, after the collection cycle has been completed, six of these accounts, totaling \$9,000, will have been collected.

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For this example, let's say these 20 accounts are all that a client is ever going to assign. Continuing with this example, we project collecting 6 of the 20 accounts during the full collection cycle. What does that mean? Well, it means that during the first 6 to 12 months, we will collect an account or two right away. Then one or two more accounts within 12 to 24 months, and finally, the remaining one or two accounts will take the full 36 months or longer.

The collection cycle can be separated into three distinct groups:

- Group I – The first 6 to 12 months: Collections before legal action.
- Group II – 12 to 24 months: Collections in the first stage of legal action.
- Group III – 24 months and beyond: Collections taking the entire legal process and beyond.

Let's go over each group in detail.

Group I: Accounts We Collect Without Needing Legal Action

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

When these consumers express interest in paying, we allow them to set up whatever payment plan is convenient for them. This virtually eliminates complaints or unhappy consumers, which is a very important part of our business model.

Group II: Accounts That Pay During the Initial Stages of Legal Action

Accounts in this group are usually collected within 12 to 24 months. This group makes up another 1/3 of the accounts we collect. These consumers have steady jobs, and after a wage garnishment is in place, they realize how serious we are, and they quickly find a way to pay their account in full.

Group III: Accounts Requiring Substantial Use of the Legal Process

These accounts are the ones that take a lot of skiptracing before we even find the consumer. These consumers account for the final 1/3 we eventually collect from.

If we take a snapshot of our progress at 12, 24, and 36 months, our recovery rates will usually be 10%, 20%, and 30%, respectively (if our eventual maximum recovery rate is 30%). During this period, the exact size of our checks will fluctuate due to the cyclical nature of collections.

As a client, you play a major role in the consistency of our results. Why? Well, if you assign on a regular basis—such as every month—you won't see big swings in the size of your check. Your checks will be consistent, and after about 24 months of regular monthly assignments, your checks will always be big.

When it's all said and done, we both want the same thing: a big check for you each month. If you send us accounts every month, we will collect 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, Dave Saxton, at DaveSaxton@North-American-Recovery.com

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