

The Collector Chronicle

North American Recovery

May 2024

America's Collection Authority

LAST MONTH'S LUCKY WINNER

The lucky winner of our client prize for April is Torro Holdings LLC. They have been using our agency since 2020! 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 May 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**

Should You Settle?

By: David J. Saxton

President, North American Recovery

My first collection job was calling people who were a month behind on their fifteen-dollar gym membership. I was a 30-day collector, and it was my job to get ahold of the gym members and work with them to bring their accounts current. The name of the company was Paramount Acceptance, and I was collecting for "Spa Fitness." I stayed with this company for three years, holding different jobs during my tenure. After almost a year as a 30-day collector, I moved on to a 60-day collector. After doing that job for a while, I did a stint as a 90-day collector as well. Finally, I moved into the "Federal Recovery" department. A Federal Recovery collector handled accounts that were 120 days delinquent. These were the tough accounts because three collectors in front of me hadn't been able to bring these accounts current, so I had my work cut out.

After moving on from this company, I got a job as a collector at Knight Adjustment Bureau. This is where I had my first experience with someone wanting to "settle" an account. The term was foreign to me. Growing up, my parents did a good job of sheltering my eight siblings and me from any financial struggles they may have had. However, we didn't know because my dad worked two jobs for the majority of my childhood, and we always seemed to have what we needed. As far as we knew, they always paid their bills, and they paid what they owed. So, when someone asked me if they could pay less than what they owed and call the debt settled, I was like, "Wait. What?!"

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I'd never really heard of a situation where someone didn't have to pay what they owed. The more I thought about it, the less I liked it. I always paid what I owed. Unless, of course, something was on sale; but otherwise, the price was the price. And it's what I paid. This concept of "settling" got me thinking. I finally worked out the following scenario in my head: Let's say I went to the local Smith's Food King and filled a cart with groceries. If, when I got to the register, they told me I owed \$289.00, but instead of paying the amount I owed, I said something like, "Yeah, I see that, but will you settle for \$150.00?" They would look at me like I was crazy—and rightly so. When I thought about it this way, settling didn't make sense, and so I didn't buy into the whole "settling" model. (Now, I'm not going to admit to anything, however, I may or may not have used that analogy back in the day when I was a young collector talking to a consumer and trying to explain why I wasn't going to agree to settle their account.)

The first time I personally dealt with a settlement offer while doing my job was as a collector at Knight Adjustment Bureau. A consumer called in regarding their unpaid debt. They shared with me a very convincing story as to why they hadn't paid for the past two years, and how they couldn't possibly pay the full \$4,000 they owed, but had been able to come up with \$2,000, and they were hoping we would settle. My instincts told me no, but my employer was a fan of settling. They had made that clear in my training. I think the phrase they used was, "A bird in the hand is worth two in the bush." Their words—not mine.

So, I took the settlement offer to my supervisor. She told me to counter at \$2,500. I did, and they agreed. I processed the payment and provided a

receipt to the consumer. The next day, I got a call from a mortgage officer asking if I could verify that the consumer had settled their debt. I said they had, and I naively asked why. The officer told me it was because the consumer had applied for a \$250,000 (\$1.25 million in today's money) mortgage, but they couldn't be approved if this debt was still outstanding. I literally sat there, staring at my computer screen with my mouth wide open. Not saying a thing. I felt like I had been duped. After what seemed like several minutes, I sheepishly said (sounding like a small child), "Okay... Thanks, bye." My disdain for settling was forevermore firmly cemented.

When I started my own agency, I was not going to be duped or fooled. My policy would be that we never settle. Now, as I found out over the years, never say never. Sometimes we have to settle, and I'll explain when and why in a moment, but most of the time—in fact, almost all of the time when a consumer calls our office and wants to settle, it's because they need to pay the account in order to qualify for a mortgage, an apartment, or some other financial arrangement. So, we don't settle in these situations.

Now, as you can imagine, since just about everyone else in our industry does settle, consumers sometimes become frustrated. My collectors routinely hear things like, "What do you mean you don't settle???! Collection agencies always settle." When they hear this, our collectors remain calm, professional, and respectful, and reply with something like, "I'm sorry if this is frustrating for you, Mr. Consumer, and we realized that other companies choose to settle, but we don't. I am more than happy to set you up on a reasonable payment plan, but we don't settle for



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anything less than the full amount that's owed. What monthly payment would be convenient for you?"

Sometimes this works, but other times a consumer will say something like, "Okay, "Mr. Collector," if you're not going to settle, then I won't pay you anything at all." Click! The first time a collector experiences this, it frightens them a little. They think, "Oh, no. Um, maybe we should have settled." However, we prepare them for this during their initial training, and they know what's going to happen. And what does happen? Well, a day or two later, or even that same afternoon, the consumer calls back and pays their account in full. It only takes this happening once or twice for a new collector to be convinced—and be fully bought into our no settlement policy—when a consumer calls in and asks to settle.

Now, as mentioned earlier, there are instances when we will settle. One is when we have sued a consumer, they have answered the lawsuit, and the account will require a trial. No one wins at a trial. Not us, not the client, not the consumer—regardless of the final outcome. One of the first trials we had during my first year in business was what I've come to refer to as a successful disaster. It was a success because we won. We were granted a seven-thousand-dollar judgment against the consumer. However, the client had to spend five hours at the courthouse, the consumer said some very unkind things about the client, and, to top it off, the consumer filed bankruptcy a week after the judgment was entered. So, as I said, we won, but the amount of time and money wrapped up in a trial—and our eventual zero collections—meant it was ultimately a failure. We settle if an account requires a trial.

There are other unique, one-off instances where we do consider and eventually agree to settle, but

for the most part, when a consumer is motivated and asks if we will settle, we don't. And we eventually collect the full amount. Thanks for reading. I'm off to Smith's; I haven't done my grocery shopping this week.

Have a great month!

Dave



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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