

COLLECTIONS WORKSHOP

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Portland, Oregon**

Collections Workshop
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I. Introduction.

A. Backgrounds of Moderators

B. Importance of optimizing collection.

1. As many as 50 good checks to make up for one write-off.
2. Dollar Financial says that its net income is about equal to collections.

C. Our objective: Each participant leaves the room with at least one good idea.

1. No one in the room knows as much about collections as the collective group.
2. We will present some ideas that have been productive for us.
3. Please feel free to express your experiences and ideas.

II. Importance of managing the collections function

A. Examining returned items is the best single way to gain insights about the overall management of a check cashing store or company.

1. Reveals weaknesses in the check cashing decision.
 - a. Weakness in company policies or procedures.
 - b. Failure of the teller to follow procedures.
2. Reveals weaknesses in collection policies and/or procedures.

III. Managing the collection function.

A. Setting performance objectives.

1. Written and communicated to everyone in the organization.
2. Realistic & achievable.
3. Measurable.

- a. % of items deposited that are returned.
- b. % of revenues that become uncollectable bad debts.
 - 1) E.g., 1-5% for check cashing
 - 2) 5-10% for payday loans.
- c. Bad debt figure should include costs of collection.
- d. Too low may signal over-conservative policies or decisions.

B. Planning to achieve objectives.

1. Establish written policies and procedures for collections.
 - a. Procedures when check is returned.
 - b. Letters.
 - c. Phone collection calls.
 - d. Small claim filings
 - e. Attendance at small claims hearing
 - f. Collections of judgments.
2. Educating yourself about legal rights, responsibilities, remedies.
 - a. Study Negotiable Instruments (Commercial Paper) using a college business law textbook or other publication.
 - b. Secure copies of state statutes corresponding to UCC Articles 3 & 4
 - c. Maintain library of reference books.

C. Organizing to achieve objectives.

1. Who is responsible for each collection step?
 - a. Tellers
 - b. Store managers
 - c. District managers
 - d. Owner
2. Decide when, if ever, to turn collections over to a third party.

D. Staffing to achieve objectives.

1. Hiring people qualified to perform duties in C.1. above.
2. Separate Collections Manager or Department?

E. Motivating to achieve objectives.

1. Incentive or bonus program to tellers, store managers, district managers, collection managers, district managers, etc.
2. Recognition and spiffs for superior collection performance.

F. Directing to achieve objectives.

1. Directing means showing the way; not pointing to it.
2. Training.

G. Controlling: using information to achieve objectives.

1. Defining accounting treatment of returned items: asset or expense?
2. Preparation and routine examination of individual collection files.
3. Auditing the returned items “box” for errors and/or embezzlement.
4. Using reports to identify exceptions.

IV. Our business philosophies regarding “difficult” returned items.

A. It’s never our fault.

B. Somebody else screwed up: carelessness, negligence, failure to safeguard checks, failure to use business sense, etc.

C. First collection call should have as its purpose to find out as much as possible about the details of the check.

1. Be extremely courteous.
2. Person on the other end is just doing their job.
3. Be empathetic to the situation.
4. “Help me understand” demeanor.
5. Don’t be threatening or argumentative.
6. Ask probing questions.

7. Take notes: whom talked to, what was said, etc.

D. Use the information in writing collection letter, follow-up, and legal proceedings.

E. Push the collections activities down the organization chart as far as possible.

1. All employees have free time to spend on collections.

2. Train employees to be able to perform the entire collection process.

3. The personnel and other costs of a collection department should be included in calculating bad debt expense and percentages.

4. Commissions of third-party collectors should be considered part of bad debt expense.

V. Some examples.

A. Regular Stop Payment.

1. Car purchase example.

B. Money Order stop payment.

C. Insurance stop payment.

D. Cashier's Check.

E. State Government Check

F. Federal Government Check

G. Fictitious Payee case.

1. Transportation Specialists v. Oak Brook (Barbara Weller/NW Wedding Directory).

VI. Bankruptcy issues.

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Credit & Collection Letters That Get Results, Harold E. Meyer, et al.

Complete Guide to Credit and Collection Law (1st ed), Arthur Winston, et al.

The Complete Book of Collection Letters, Telephone Scripts, and Faxes and Disk, Cecil J. Bond.

Paid in Full, Timothy R. Paulsen.

Credit and Collection: Letters Ready to Go!, Edward Joseph Halloran, Ed Halloran.

How to Collect Debts (And Still Keep Your Customers), by David Sher, Martin Sher.

Collections Made Easy: Fast, Efficient, Proven Techniques to Get Cash From Your Customers, Carol S. Frischer.

Power Collecting: Automation for Effective Asset Management, David A. Schmidt, Frederick A. Piumellie.