

# Selecting a Professional Collection Service

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**C**hoosing a professional collection service to manage your delinquent accounts and other related tasks can be a wise decision, but where do you start? You want an agency that will represent your organization in a responsible and professional manner, and one that provides a satisfactory rate of recovery while maintaining your public image. The decision involves more than just giving your business to the lowest bidder – it requires careful consideration.

Getting the most from your collection agency requires cooperation and strong communication. The following are some key issues that can help businesses determine the quality of an agency and help increase your success in the future.

## Capabilities

What can the agency do for you? Collection agencies use experience and resources to provide professional accounts receivable management services for numerous industries.

Agencies can offer skiptracing services to locate consumers when they can no longer be reached at the address or telephone numbers listed on the accounts. Many also have the ability to forward accounts to other agencies if a consumer has relocated. You should consider the types of technology the agencies are using and how your technology might interface to allow for the electronic transfer of data and information.

In addition, some agencies provide billing services, including coding, processing, printing and mailing, while others offer business administration and accounting services. Sometimes an agency provides pre-collect services, where collectors start working an account before it becomes past due. Other service agencies provide consulting, telemarketing, campaign calling, reminder and follow-up appointment calls and temporary office administration.

## Market Knowledge

Make sure the agency has the skills and knowledge needed to successfully collect on your particular type of account. For example, collectors working in medical collections must be familiar with medical terminology and insurance requirements, while collectors working in student loan collections need to demonstrate knowledge of the regulatory framework devised by the Secretary of Education, the lender/guarantor relationship and bankruptcy rules related to the collection of student loans. It's important for agencies and credit managers to be aware that each collection market needs to be handled differently.

## Recovery

Discuss recovery percentages and rates. The percentage rate of commission may be less important than the agency's percentage of return on the total dollars you refer for collection. For example, if you turn over \$1,000 worth of accounts at a 25% commission rate and the collector recovers only \$300, you will receive \$225 from these "bad

debts." If you refer \$1,000 at a 35% commission rate, but the collector recovers \$500, you will receive \$325.

Even though the commission rate is higher, your profit would be greater in the second example because the agency's recovery rate is higher. Remember that the commission rate by itself is meaningless – net return is the key.

## Procedures and Policies

Investigate the procedures an agency uses to collect, including when it begins working an account, the collection letters it uses and whether it has trained employees. Become familiar with the agency's policies and standards. A visit to the collection office can be helpful and allows you to observe the operation of the business.

Compliance with the Fair Debt Collection Practices Act (FDCPA), a federal law regulating the collection industry, is critical to third-party debt collection agencies. Inquire about the policies and practices the agency has in place to facilitate compliance.

## References

Another step in selecting a reputable agency is checking references. Try to contact at least two creditors in your industry currently using the agency's services. Find out if the arrangement is successful and how satisfied clients have been with the services they've received. Also, try to determine if the agency has a good reputation in the community by contacting other credit grantors, the Better Business Bureau or the Chamber of Commerce.

## Professional Credentials

Make sure the agency complies with all state licensing and bonding laws, if applicable. If licensing or bonding is not required in your state, find out how long the agency has been in business. Experience is often a good indication of quality.

Also, determine if the agency holds membership in state or national trade associations such as ACA International, the Association of Credit and Collection Professionals (ACA). Members of ACA agree to comply with all federal and state laws and regulations, as well as the ethical standards and guidelines established by the association.

## Training and Development

Ask if the agency's employees receive on-going training and education. ACA members have access to educational materials and seminars covering all aspects of collections. Collectors can earn ACA certificates by successfully completing courses and passing tests on professional telephone collection techniques and the FDCPA. ACA agencies can also earn agency certification by completing the Professional Practices Management System. Although these opportunities are voluntary, participation indicates that the agency is responsible and recognizes the importance of professional, competent employees.

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## Insurance

The purchasing of Errors and Omissions Liability Insurance (E & O) can also be an indicator of a conscientious agency. This insurance often extends coverage to the credit grantor as well as the agency. This is important because creditors can face litigation as a result of alleged violations by their collection agency. Look for coverage on claims brought by consumers for wrongful acts such as libel, slander, wrongful eviction, wrongful entry, false arrest, harassment, invasion of privacy or interference with business. E&O Insurance should specifically cover violations of the FDCPA or Fair Credit Reporting Act (FCRA). Clients of ACA members can request to see an insurance certificate for Errors and Omissions Liability Insurance.

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The above suggestions are important to consider when selecting an agency. Competition among collection services is good for you as the client. This competition contributes to a more professional and efficient industry. By carefully evaluating your company's needs, as well as the capabilities of the collection services available, you can maximize your accounts receivable income and ensure that your customers are handled properly. Careful selection of a third-party collection agency strengthens your bottom line and helps you retain customers, leading to a more profitable business.

ACA is an international trade organization with approximately 5,300 members including, third-party collection agencies, creditors, attorneys and vendor affiliates. Headquartered in Minneapolis, ACA serves members in the United States, Canada and 58 other countries worldwide.

ACA was formed in 1939 to help third-party collection businesses provide the best possible services to their clients, to serve as a clearinghouse for information and establish nationwide professional and ethical standards for the collection industry.

Today, as a key source of information for the collection industry our commitment to our members and their professions shows through in our emphasis on leadership, innovation and information. From technology to legislation, ACA represents the best interests of our members, especially in areas that directly affect their daily business operations.

ACA members are required to comply with all federal and state laws and regulations, as well as the ethical standards and guidelines established by the organization. For more information visit ACA's Web site at <http://www.acainternational.org>.

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