

The Collector Chronicle

North American Recovery

December 2024

America's Collection Authority

LAST MONTH'S LUCKY WINNER

The lucky winner of our client prize for November is MaxPro Properties—Tooele Gateway Apartments. They have been using our agency since 2004! We will be sending them a gift basket from Harry & David's! Enjoy!



THIS MONTH'S PRIZE

This month we will be giving away a gift basket from Harry and David's. Each client who sends new accounts during the month of December 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!!

Harry & David

\$750,000

BY: DAVID J. SAXTON

President, North American Recovery

Seven hundred fifty thousand dollars. That's a lot of money. So, what am I talking about? That's the amount of money it takes to be able to send a consumer their first collection notice.

Let me explain. As often happens in running a business, something that seems small or simple is often one of the most complex. For this article, I'm talking about the herculean effort it takes for us to be able to send a collection letter to a consumer. I know what some might be thinking: "Herculean effort? Really? Isn't it as simple as printing a letter, stuffing it into an envelope, pasting a stamp on it, and mailing it?" Reality couldn't be further from the truth.

Before we can send a letter to a consumer, we must be licensed in the state where the consumer resides—if required. If you're a collection agency, you can't even mail a letter to a consumer unless you've applied for and been approved by the licensing division for the state where you'll be sending the letter. The state licensing process is expensive and very time-consuming. The annual cost of licensing in all fifty states—including the personnel-hours needed to meet requirements and audit expenses totals to over \$85,000!

Colorado is a good example. They charge an initial investigation fee of \$300 and an original license fee of \$1,000. Also, you are required to



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have a physical office in Colorado, which costs an additional \$800 per year. And that's just Colorado! Idaho has similar requirements, as do Arizona and many other states. Nevada audits every licensed collection agency annually, and they charge the agency for the time it takes to complete the audit. I won't bore you with any more licensing talk, but let's just say it is very expensive.

Okay, that's the licensing and registration process. Now, BEFORE we can send the first notice, we need to make sure we have adequate staff to handle the calls we will receive. That staff needs to be trained in all appropriate collection laws. New collectors undergo a full week of in-classroom training before they start making or receiving calls. Currently we are starting our collectors at \$20/hr. When we hire a group of ten collectors, the cost to interview and train them for that first week ends up being in excess of \$10,000. And that's before they ever make their first call. We also need written policies and procedures. These policies must be continually reviewed and updated by the compliance staff. Since these compliance officers must have high-level experience and expertise with all federal and state collection laws, we pay them a much higher wage.

We need office space, a phone system, voicemail, and sophisticated computer software to manage our work. We need a digital voice recording system so we can record our calls. There are individual, dual computer monitors for every employee, desks, chairs, and an employee lounge so our employees have somewhere to go on their breaks and lunches. Office supplies don't sound like a large expense, but the costs add up.

We subsidize our employees' health insurance. We

pay an attorney to ensure our letters are in compliance. We need an Internet connection, a credit card payment portal, and a way to process phone checks or credit cards. We must be investigated and fully vetted by the credit bureaus so we can report accounts when a consumer doesn't pay. We have to create and design policies and procedures to make sure we handle dispute letters properly. These are just a few of the thousands of things we need to do BEFORE we can send a letter.

When you take into account everything we must do before we send a letter, it really does end up costing over \$750,000. Sending a collection notice is a VERY expensive and time-consuming task. In the words of Ron Burgundy, "It's a big deal."

Why am I sharing this? First off, a well-written collection notice from an established and reputable collection agency can have a big impact. A lot of people will pay because they received our letter. I want our clients to know what it takes to send that first letter because it strengthens our relationship. The more transparent and open we are, the better our relationship with you will be.

So, the next time a consumer calls you and says, "I just received a letter from your collection agency...", you'll know the amount of money we've invested to make that possible and referring them to our office will be an easy thing to do. 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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