

# The Collector Chronicle

NORTH AMERICAN RECOVERY

December 2021

America's Collection Authority

## LAST MONTH'S LUCKY WINNER

The lucky winner of our client prize for September is Finance Systems of Green Bay Inc. They have been using our agency for over nineteen years! 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 sent new accounts during the month of December had 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**

## DON'T WAIT

By **DAVID J. SAXTON**

President, NORTH AMERICAN RECOVERY

It's a dilemma every client faces: should I keep trying to collect this account or send it to NAR? I've discussed this topic before, and the same philosophy holds true. The longer you wait, the less collectable the account becomes. In the hopes of showing you why early and decisive action will help your collections, I thought I would discuss how an account's collectability decreases over time.

Let's start with the first month of delinquency (30 days delinquent). When a consumer is within this 30-day period, he doesn't worry about his account very much. He thinks things like, "I'm only one month behind. I'll be able to catch up next month." This period is a very important time in the collection cycle. If you actually speak with the consumer and express your concern, it may turn a future write-off into a current paying customer. If you don't talk to the consumer during the first 30 days, you still have one more chance, but it's important you take action.

During the second month (60 days delinquent) the consumer's guilt is actually at its highest level. Almost every time the phone rings he wonders if it's the creditor calling to ask for payment. This period is **the most** important because if a consumer brings his account current, he will be okay. If not, the problems really start to compound. It's very important that your internal collection process is focusing on accounts during this stage of delinquency. If you contact the consumer and get them back "on track" you will avoid sending the account to collections. If not, they'll be hearing from us.

After the third month of not paying, the consumer starts to rationalize his position (90 days delinquent). He thinks things like, "I have other bills that are more important, and they haven't called me anyway." or "They're a big business and I'm just one person. They won't miss my payment." If you haven't made personal contact with the consumer, they may start thinking, "Maybe they 'forgot' about me..."

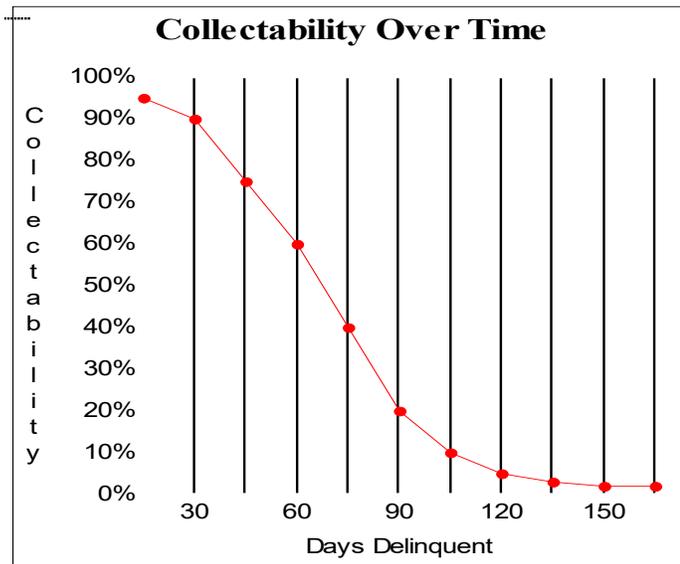
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If a consumer is allowed to remain delinquent for four months (120 days), they think they “made it.” They start believing they don’t have to pay at all, and from the fifth month on, the account becomes increasingly difficult, if not impossible, for you to collect. The following graph shows how an account’s collectability decreases over time.



That’s the bad news. Now for the good news: if you send the account to us right after the third month (100 days), you will see a 287% to 392% increase over what you would have collected without us!

How is that possible? Let me show you. Let’s compare the amount of money you would collect to how much we will collect.

Assume that despite your low delinquency rate, you still end up with \$10,000 in accounts more than 90 days old. If you try to collect these accounts for the next six months you can expect to recover five to seven percent, or \$500 to \$700. However, if you assign the \$10,000 to us no later than the 100-day mark, you can expect us to collect at least 33%.

That’s our overall average recovery rate for all clients. Depending on your industry, our results could be as high as 45% or more.

If we use the low figure of 33%, we will collect \$3,300. Since some accounts will have required legal action, our average commission will be 39%, (\$3,300. X .39 = \$1,287). After we deduct our commission, we send you \$2,013. That is 287 percent more than the \$700 you collected without us. If we use the higher recovery rate of 45%, you will realize a 392% increase!

Why is our success rate so high? Well, at the 90-day mark the consumer still has a remnant of guilt and responsibility. They need to be contacted immediately. If all they receive is a notice or letter from you, they will continue to ignore it. However, when a professional bill collector personally contacts them, it really gets their attention—especially when we explain all the problems associated with having an account in collections.

Sometimes you should assign the account before 90 days. I’ve listed a few exceptions below. These are indicators that immediate action is required regardless of the age of the account:

- Returned mail with no forwarding address
- Disconnected phone
- Refusal to pay

If you encounter any of these situations, you should immediately assign the account to us. Quick action in these cases will significantly improve your returns.

So don’t wait. Send your accounts when they become 100 days delinquent (if not sooner). We’ll collect your money quicker, you’ll receive **more** of it, and we’ll both be happy.

Have a great month!



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](mailto:DaveSaxton@North-American-Recovery.com)

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