

# The Collector Chronicle

NORTH AMERICAN RECOVERY

MARCH 2017

AMERICA'S COLLECTION AUTHORITY

## LAST MONTH'S LUCKY WINNER

The lucky winner of our client prize for February is Registered Physical Therapists. They have been using our agency since 2015!

We will be sending Amanda a gift card to Ruth's Chris Steak House. Enjoy!

**RUTH'S**

**CHRIS  
STEAK HOUSE**

## THIS MONTH'S PRIZE

This month we will be giving away a \$100 gift card to City Creek Center!

Each client who sends new accounts during the month of March will have their name entered into a drawing. At the end of the month, we will draw a name. If it's yours, you'll win the prize.

**Don't miss out on your chance to win.**

***Send new accounts in March!***

***Good Luck!!***

**CITY CREEK  
CENTER**

## SPRING CLEANING

By DAVID J. SAXTON

PRESIDENT, NORTH AMERICAN RECOVERY

It's that time of year again. The birds are singing, the flowers are blooming, and the days are getting longer. It's also a good time of year to "clean out" any collection accounts that have been piling up.

There are only three months until traditional summer vacations start, so it's a good time to send accounts you've been holding on to.

I've talked about it before, but the longer you hold an account, the less collectable it becomes. Here's why. The first month a consumer doesn't pay, they don't worry about it too much. They figure, "I'm only one month behind, I'll be able to catch up next month," (30 days delinquent).

During the second month, the consumer's guilt is at its highest level; almost every time the phone rings they wonder if it's the creditor calling to ask for payment (60 days delinquent). This is a critical point in the delinquent time-line. If a consumer can catch up on their bills now, they will be okay, but if they let the bill slide into the 90 to 120-day period, the problems really start to compound. It's very important your internal collection process is focusing on accounts that are at 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 their position (90 days delinquent). They think things like, "I have other bills that are more important," 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." If a consumer is allowed to remain delinquent for four months (120 days), they think they have made it. They start believing they don't have to pay at all.

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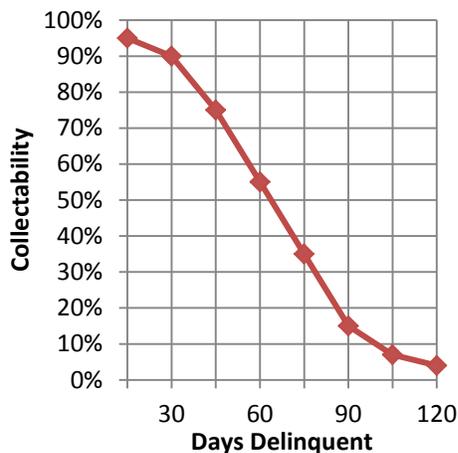
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From the fifth month on, the account becomes increasingly difficult—if not impossible—for you to collect.

The chart to below shows how the collectability of an account decreases over time.

## Collectability Over Time



That's the bad news.

Now for the good news: if you send the account to us at the end of the third month (90 days), you will see a 270% to 350% increase over what you would have collected without us!!

How is that possible? Let me show you. I'll compare the kind of money you could collect on your own with how much we will collect if you send the account to us at the right time.

Assume that, despite your low delinquency rate, you still end up with \$100,000 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 \$5,000 – \$7,000. (See the chart above).

However, if you send the \$100,000 to us no later than the 120-day mark, you can expect us to collect at least 31%. (That's the average we have collected for all clients over the last five years.) And we could recover as much as 45%.

If we use the low figure of 31%, we will collect \$31,000. Because some accounts will have required legal action, our average commission will be 39%, or  $(\$31,000 \times .39) = \$12,090$ . After we deduct our commission, we send you \$18,910. That is 270% more than the \$7,000 you collected without us. If we use the higher recovery rate of 45%, you will realize a 350% increase!!!

Why do we have such a higher success rate? Well, at the 90-day mark, the consumer still has some feelings of guilt and responsibility. They need to be contacted immediately. If all they receive is a notice or letter from you, they can easily ignore it.

However, when they are personally contacted by a professional collection agency, it really gets their attention—especially when we explain what could happen if we end up sending the account to our attorney.

Sometimes you won't want to wait 90 days before sending the account to us. I've listed a few items below that serve as an indicator that immediate action is required—regardless of the age of the account.

- Returned mail with no forwarding address
- Disconnected phone
- Bounced check or returned credit card
- Refusal to pay

If any of these happen on an account, you should immediately send it to us. Quick action in these cases will significantly increase your returns.

So don't hold back. Clean out those accounts and send them to us so we can start collecting before it's too late.



The Collector Chronicle is published by NORTH AMERICAN RECOVERY for prospective and current clients. The owner, David Saxton, welcomes your questions or comments.

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