

# The Collector Chronicle

NORTH AMERICAN RECOVERY

MARCH 2019

AMERICA'S COLLECTION AUTHORITY

## LAST MONTH'S LUCKY WINNER

The lucky winner of our client prize for February is Allan and Easton, LLC. They have been using our agency since 2017! We will be sending Barbara 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 gift card to Nordstrom! 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!!*

**NORDSTROM**

## \$750,000

**BY: DAVID J. SAXTON**  
**PRESIDENT, NORTH AMERICAN RECOVERY**

Seven hundred fifty thousand dollars. A lot of money. What am I talking about? Believe it or not, that's the amount of money it takes to be able to send a collection letter. Or, in other words, the cost of a first collection notice.

Let me explain. As it often happens in running a business, something that seems like a small or simple item is actually 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?" Unfortunately, nothing could be further from the truth. Bear with me as I explain why.

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 current annual cost for us to be licensed in all fifty states (including the man-hours necessary to ensure all requirements are met and the annual state audit expenses) is in excess of \$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 have a physical office in Colorado, which costs an additional \$800 per year. *And that's just Colorado!* Idaho has similar requirements, as does Arizona and many other states. Nevada audits every licensed collection agency every year, and they

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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. Our new collectors spend a full week in classroom training before they start making or receiving calls. Currently we are starting our collectors at \$16/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 or receive a collection call.*

We also need written policies and procedures. These must be constantly reviewed and updated by compliance staff. These compliance officers must have high-level experience and expertise—with all federal and state collection laws. We pay these people a much higher wage because of their training and skill set. This is added to the cost of being able to send a collection letter.

We need office space, a phone system, voice mail. A sophisticated computer software program to manage our work. Individual computers for every employee, dual computer monitors, desks, chairs. An employee lounge so our employees have somewhere to go on their breaks and lunches.

We provide health insurance and pay for it. We need office supplies. We pay an attorney to ensure our letters are in compliance. We need an Internet connection, a credit card payment portal, a way to process phone checks or credit cards.

We need a digital voice recording system so we can record our calls. 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. *It's a big deal.* (Like Ron Burgundy.)

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 will be with our clients.

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 be able to do that, and referring them to our office will be an easy thing to do.

Have a great month!



*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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