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Improving Collectability of your Delinquent Debt

May 25, 2016

Presented by

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Presenters



Scott Purcell

As President & COO for Professional Credit Service, Scott is responsible for the collections processes at Professional. He has implemented Lean, established both a Behavioral Science and Decision Science department, and spearheaded the ISO/IEC 27002 Information Security Management System Implementation.

David Mort

As the Director of Kaizen, Coaching and Education David assists implement Lean practices in our organizations. He helps coach and train Professional's collectors and Hawes' leadership.



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Legal Disclaimer

This seminar should not be considered to constitute legal advice. The presenters are not attorney's, and do not practice law.

For specific legal advice, you should consult with your legal counsel.



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Today's Goals

1. Collectability: Increasing the liquidation of your delinquent debt.
2. Making the Invisible Visible
3. Working effectively with your Private Collection Agency

WHY ARE WE DOING THIS TODAY?

- It is important for your organization to be able to focus on your mission
- It is almost as equally important that the state collect it's bad debt in order to fund each agency's mission
- Continue the learning about how SB55 accomplishes this
- A strong relationship with your Private Collection Agency will help you accomplish both of those objectives more easily



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1. How to improve the collectability of your accounts.

FIRST THINGS FIRST!

- Two of the biggest factors of the collectability of an account are addressed in SB 55-The Omnibus Collections Bill.
 - The age of the account
 - The data available to improve collections
 - A side benefit is making the “invisible” visible—so we can all be more effective.

SB 55

- SB 55 The Omnibus Collections Bill, passed during the Oregon Legislature's 2015 regular session and implements important new guidelines which allow both state agencies and outside collection agencies to more effectively collect delinquent debt.
- The provisions provided direction on...

SB 55

- Granting permission for state agencies to securely share the SSN affiliated with a delinquent account to private collection agencies.
- Allowing the Oregon Department of Revenue and private agencies to propose and accept settlement offers on debts owned by state agencies.
- Requiring state agencies to include a statement identifying any debt older than 90 days when reporting annually to LFO.

SB 55

- Allowing state agencies to add a fee to the delinquent debt to be paid by the consumer, reducing overhead costs to the agency.
- Holding state agencies responsible for making reasonable efforts to collect liquidated and delinquent accounts.
- Requiring DAS to monitor state agency collection functions and assist state agencies to improve the collection of delinquent debt.

SB 55 (ORS 293.231 (1) – (4))

- At your Agency (certain exceptions apply):
 - If 90 days without a payment, then must refer to either:
 - Other Agency Accounts (“OAA”), or
 - Private Collection Agency (or earlier, you decide)
 - If at OAA and six months without a payment, then must refer to a Private Collection Agency

[This one behavior change will result in greater liquidation]

ELEMENTS THAT IMPACT LIQUIDATION

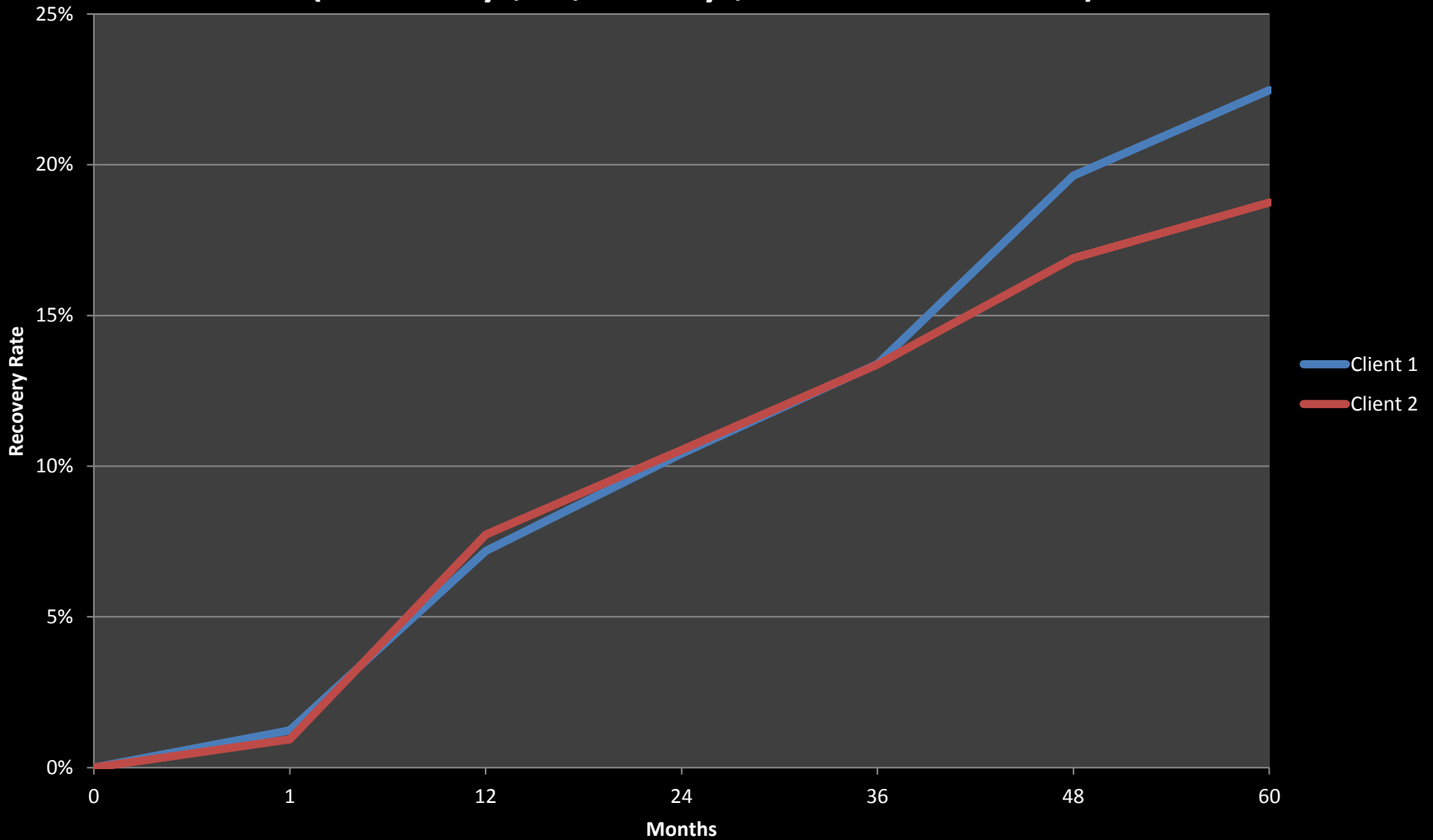
(Various levels of Controllable versus Non-Controllable, as well as System Capacity)

- Age of the Account
- Balance of the Account
- Type of Debt (Clinic versus Incarcerated)
- Understanding “Can or Cannot Pay” versus “Will or Won’t Pay”
- How long to work the Account
- Data Elements

IMPORTANCE OF AGE

- Clear communication with consumer.
- Data is fresh—which can aid if skip-tracing is needed.
- Help to determine “can’t pay” or “won’t pay”, which can help determine next steps.
- Demonstrates it’s important/urgent to the consumer.

Recovery Rate by Clients with Differing Age of Accounts (#1 263 days, #2, 660 days, both had 95%+ DOB)



IMPORTANCE OF SIZE/BALANCE

- Simply, larger balances take longer to collect, smaller balances typically liquidate higher and faster.
- The role of payment plans.

IMPORTANCE OF DEBT TYPE

- You don't control—simply a point of understanding.

Importance of “can’t” or “won’t” pay

- Most relevant for those agencies that have a viable legal program.
- “Can’t” typically changes over time—but the question is how long.
- “Won’t” typically doesn’t change over time.

HOW LONG TO WORK THE ACCOUNT

- Figuring out the “can’t” versus “won’t” is helpful.
- Robust monitoring—be notified when something positive happens in that consumer’s life—and reconnect to see if they are now “can pay”.

[Robust monitoring is an investment requiring technology, management of data vendors, and integrated systems, to be effective. Offered by some Private Collection Agencies]

IMPORTANCE OF DATA

One of the most important aspects of an increased rate of collecting is the data you have.

The more information you have, the better chance you have of finding the person.

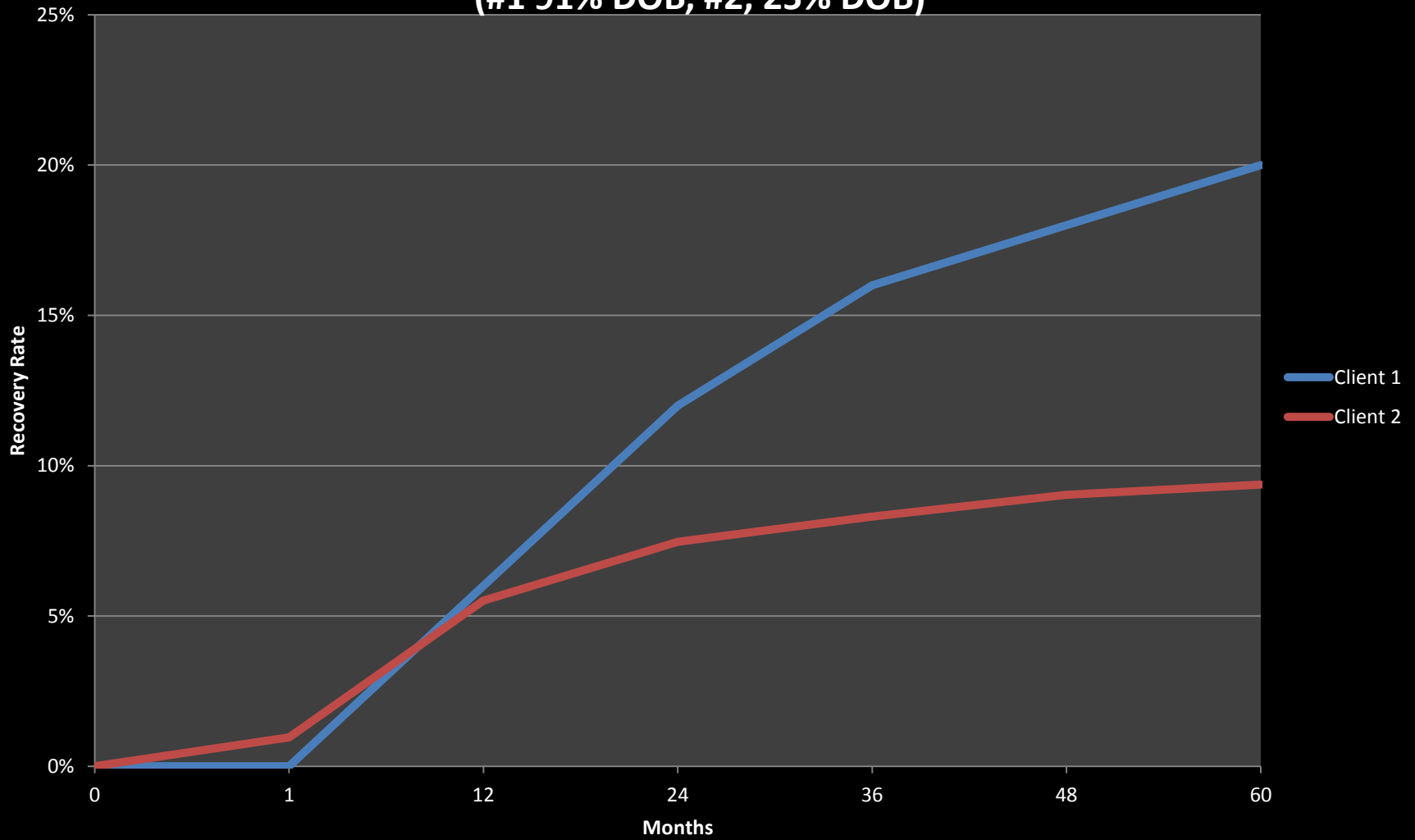
- Name
- DL#
- Date of Birth
- SSN
- Spouses Name
- Current Address
- Current Phone Number
- Employment
- Mother-in-law's cell #

IMPORTANCE OF DATA

Good Data	Increase in Recovery*
Name, Address	
Name, Address, SSN	10x
Name, Address, SSN, Employment	15x
Name, Address, SSN, Employment, License, Phone Number	56x

**Up to this value over having only the Name and Address*

Recovery Rate by Clients with Differeing Number of Data Elements (#1 91% DOB, #2, 25% DOB)



DATA VENDORS

Data Vendors provide consumer data to financial firms, traders, and investors. The data distributed is collected from a wide variety of sources such as employers, regulatory filings, court filings, pizza delivery, utilities, (truly a very wide source of data sources, and managed under tight government controls).

DATA VENDORS AT PROFESSIONAL CREDIT

- Verified Place of Employment
- Unverified Place of Employment
- Bank and Brokerage Searches
- Phone and Address Vendors (proprietary waterfall)
- Monitoring Vendors
- Credit Bureau data where allowed
- Real-estate ownership
- Probate and estate notifications
- SS#

DATA VENDORS AT PROFESSIONAL CREDIT

- Deceased
- Bankrupt
- Active Military
- Health insurance coverage (and POE)
- Automobile ownership; Driver's License data
- Utility information
- Fish and Wildlife

STRATEGIES THAT IMPACT LIQUIDATION

- Turning Accounts Quickly (SB55)
- Confirming consumer data at each contact
- Calling Strategy (different times of day; diff days)
- Letter Strategy (readability scores, phrasing)
- Skip-Trace Strategy (SB55)
- Legal
- Credit Reporting (pretty much going away)
- Long-Term Monitoring (SB55)
- System Capabilities for Workflow (SB55)



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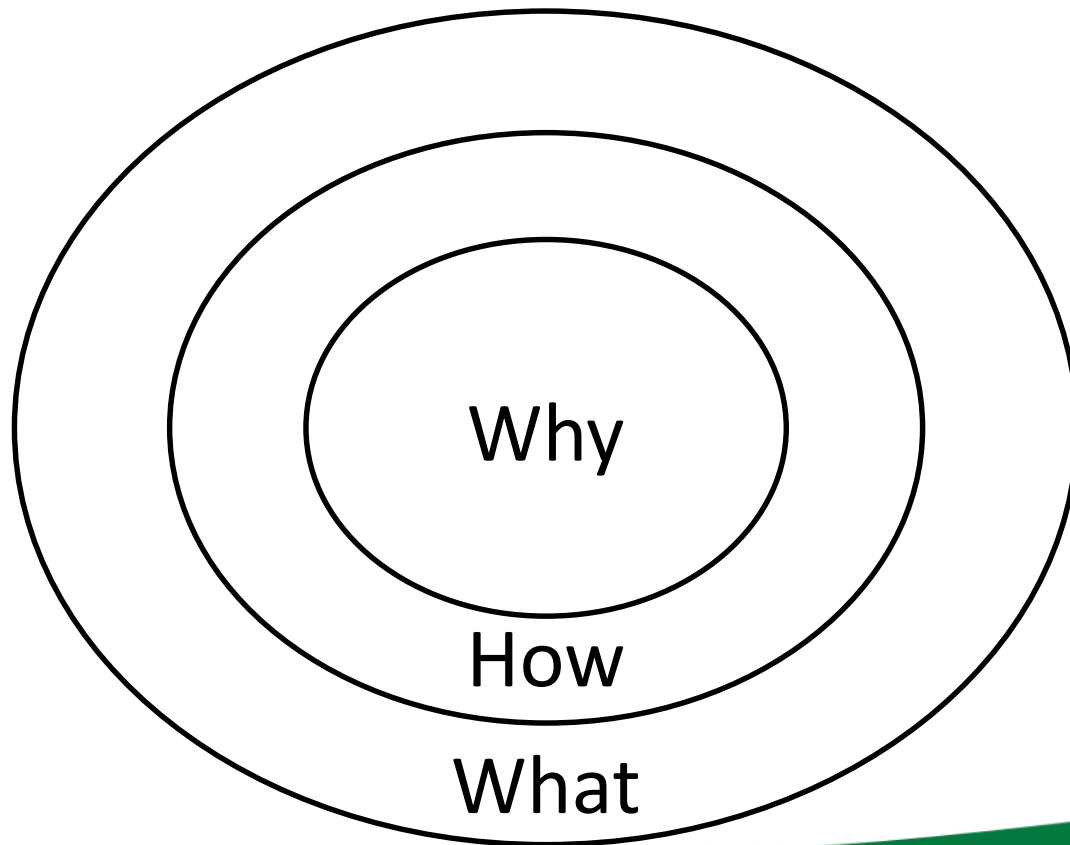


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2. Creating Strong Collections: Making the Invisible Visible

STARTING WITH WHY

At Professional one of our coaching and training goals is to always use Simon Sinek's Golden Circle



LINKING PERFORMANCE TO BEHAVIORS

- Metrics are an incredibly important part of any organizations success or failure
 - But often metrics are wasted
- If a metric (KPI's) is not tied to a changeable behavior (KBI's) than improving performance almost becomes impossible

A Metric Tree Can Help

Let's use ...as an example

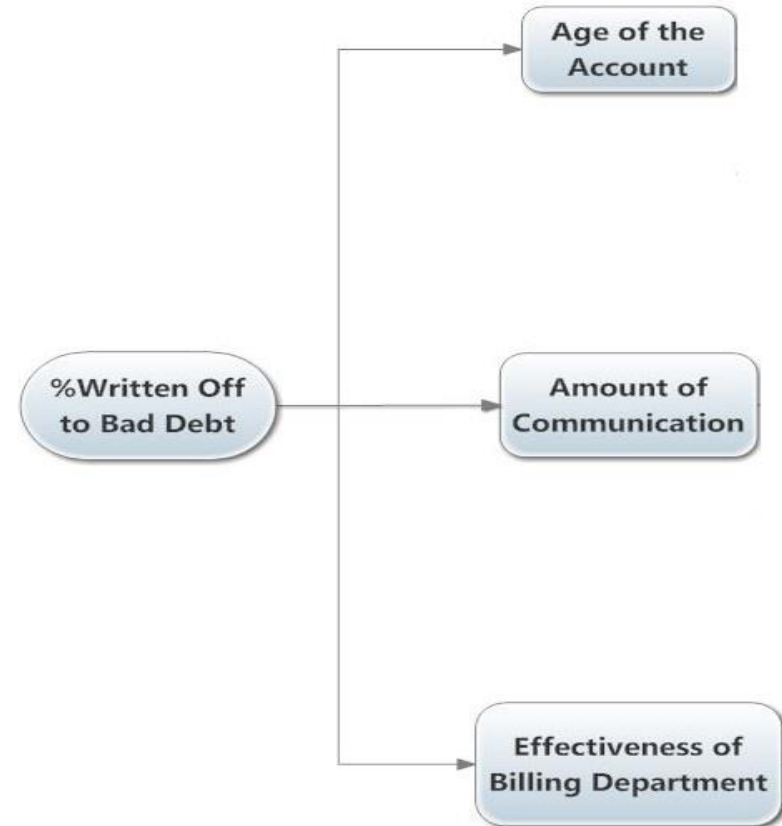
% written off
to bad debt



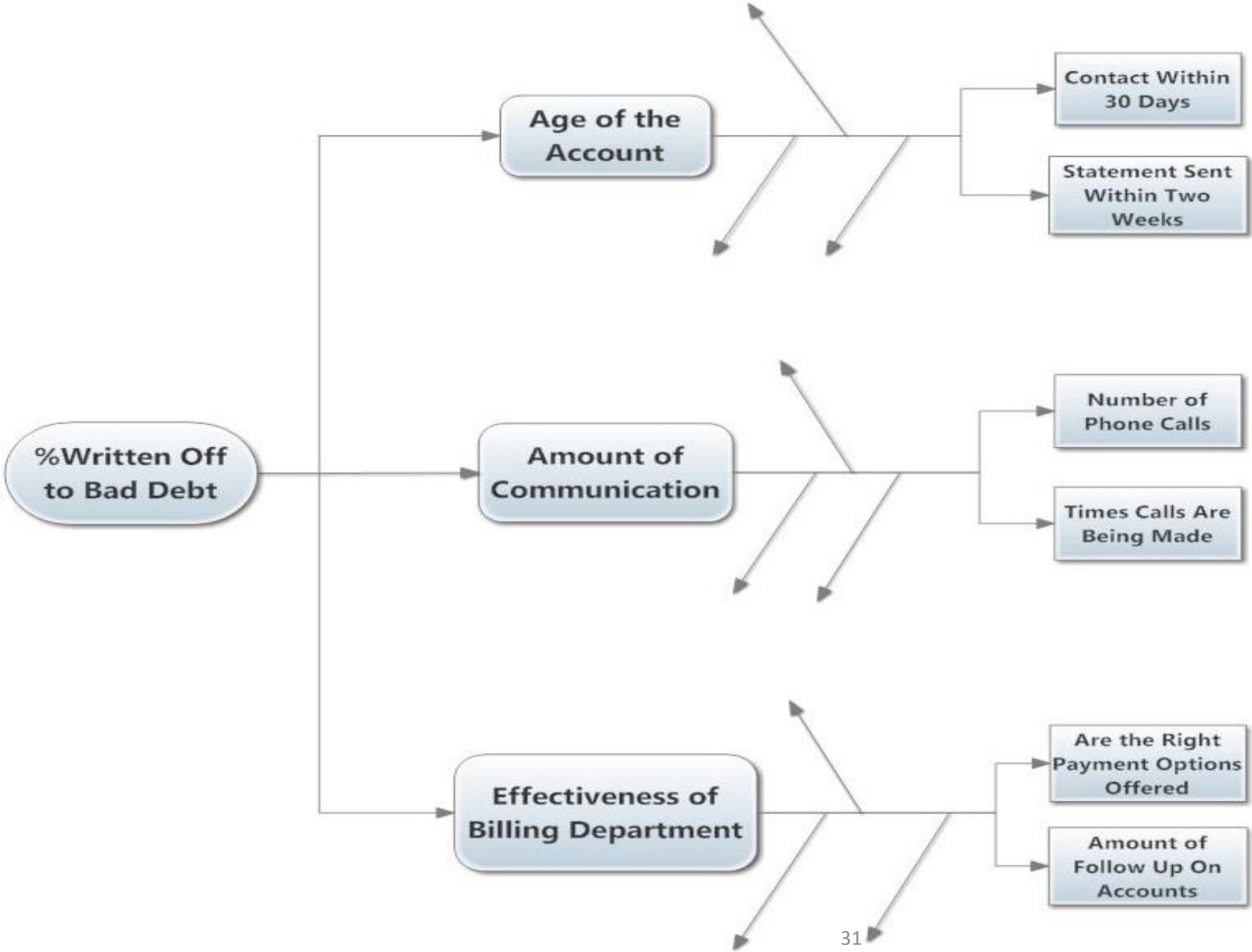
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Finding the Metrics

What are some of the things that increase or decrease...?



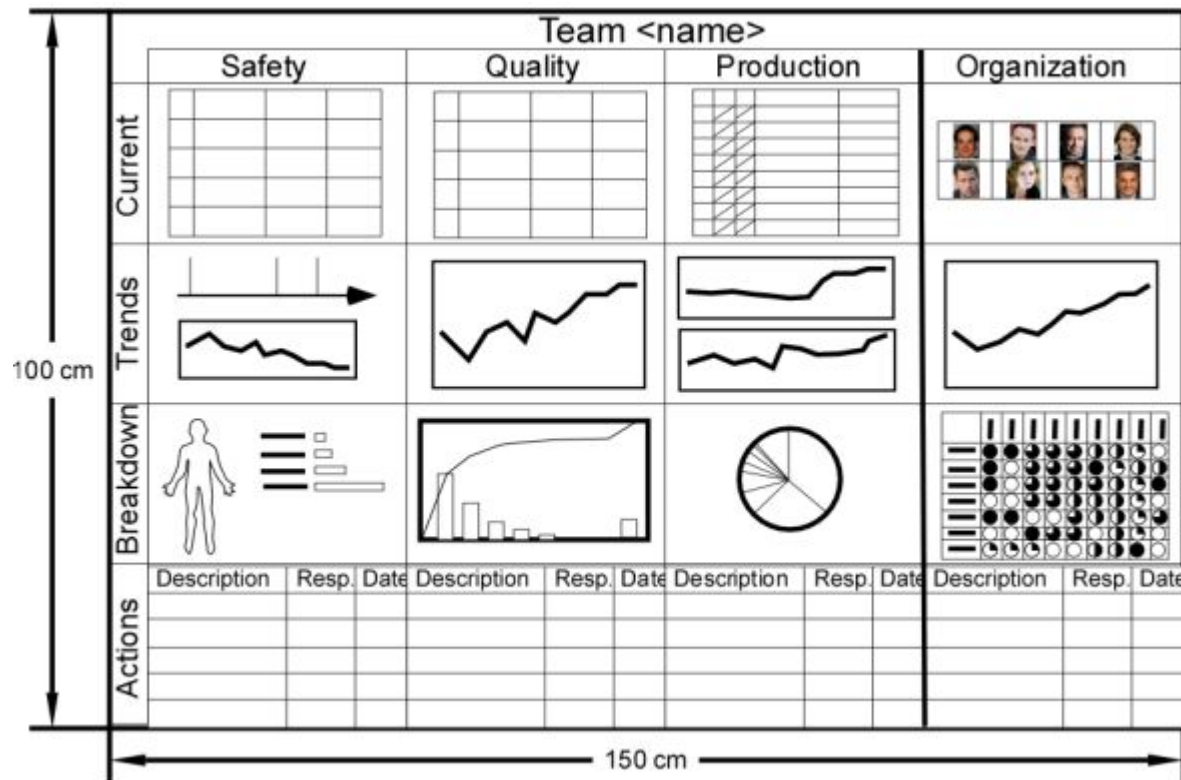
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Influencer – Motivation vs Ability

	Motivation	Ability
Personal	1 Make the Undesirable Desirable	2 Surpass Your Limits
Social	3 Harness Peer Pressure	4 Find Strength in Numbers
Structural	5 Design Rewards and Demand Accountability	6 Change the Environment

Visual Boards are also helpful in staff understanding the “Why”





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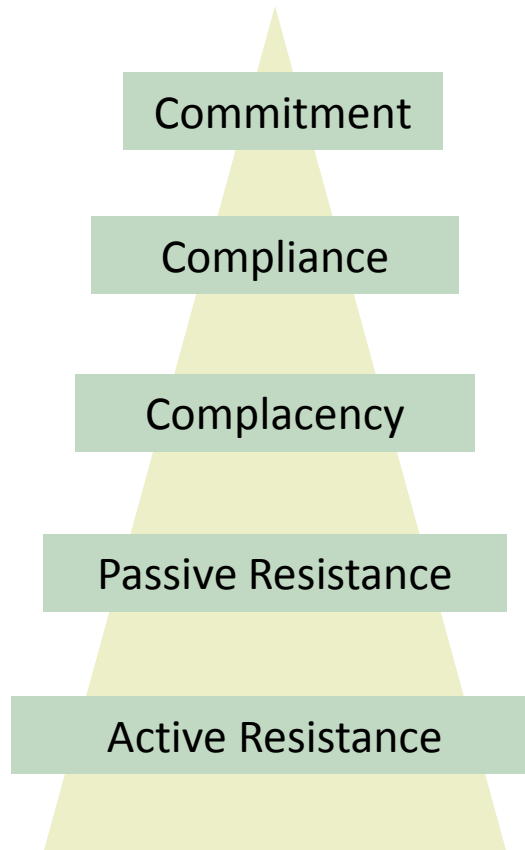
3. Working effectively with your Private Collection Agency

Partnership



Government

Vision and Values



Collection Agency

Vision and Values

COMPARE MARGINAL REVENUE



PCA-Agency 1

\$100

\$23% Commission

Marginal Revenue = \$23.00



PCA-Agency 2

\$400

23% Commission

Marginal Revenue = \$92.00

Cost



\$100



\$400

	Times	Cost Per	Cost	Times	Cost Per	Cost
Letters	2	\$0.50	\$1.00	4	\$0.50	\$2.00
Calls	2	\$1.25	\$2.50	3	\$1.25	\$3.75
Scoring	1	\$0.50	\$0.50	1	\$0.50	\$0.50
Credit Bureau	1	\$2.00	\$2.00	1	\$2.00	\$2.00
Skiptracing	1	\$0.75	\$0.75	1	\$0.75	\$0.75

Collection Cost = \$6.75

Collection Cost = \$9.00

Actual working of 100 Accounts
(25% Liquidity Rate)



\$100 Accounts



\$400 Accounts

Marginal Revenue	\$575	\$2,300
Marginal Cost	\$675	\$900
Variable Margin	- \$100.00	\$1,400.00

Continually Measure Agency Performance

- Quantitative
 - Activity Reports
 - Actuary Reports
- Qualitative

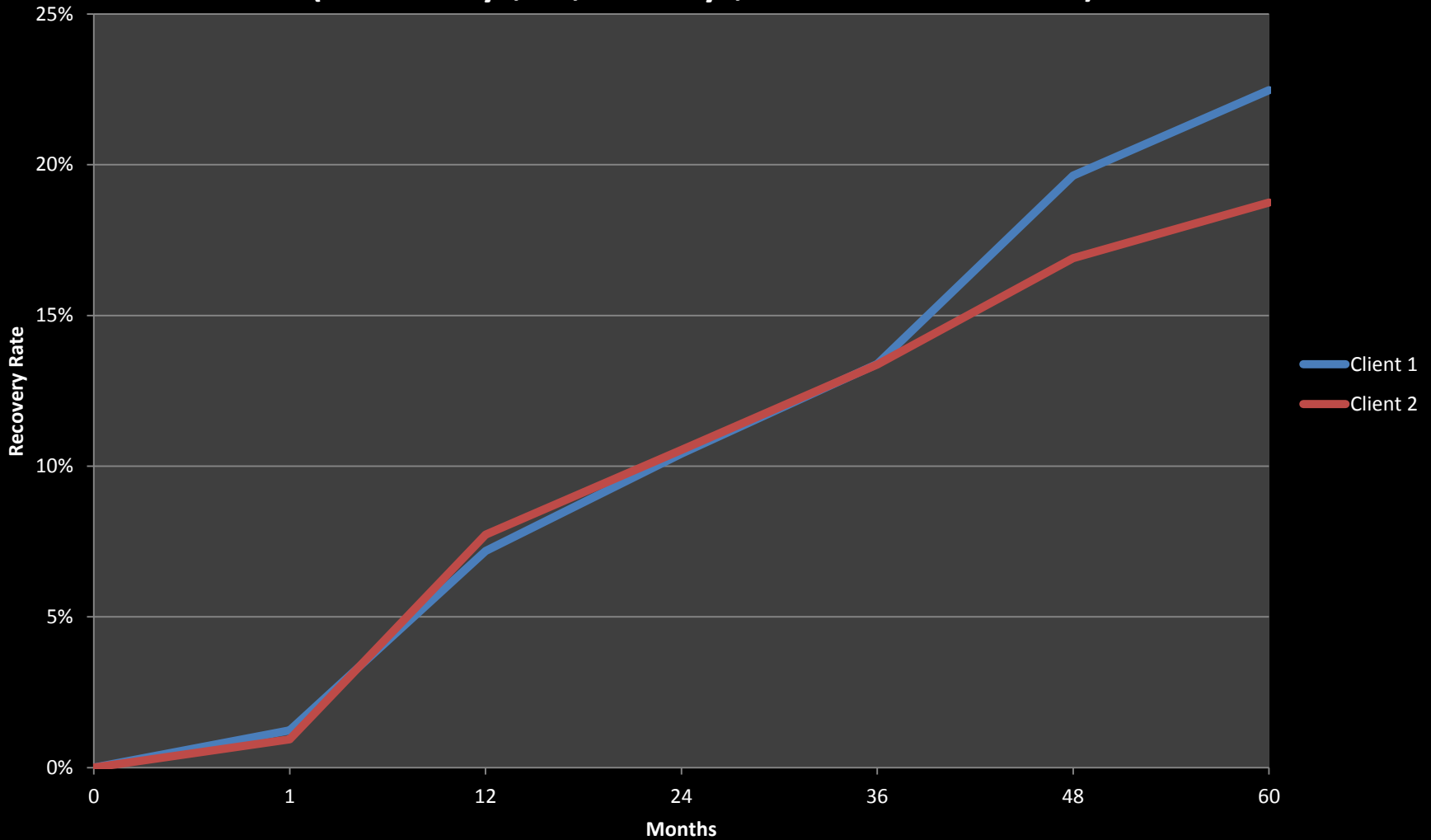
Consider

- Firing the Bottom performers
- Do I need an account recall strategy?
- Does the private collection agency monitor consumers for changes in their ability to pay (aka Robust Monitoring program)?

End Strategies

- What to do with recalled or returned accounts:
 - Second and tertiary placement
 - Selling receivables
 - Litigation
 - Nothing—Compared to Active Monitoring

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A HAWES FINANCIAL GROUP COMPANY

Thank You!

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Better Science. Better People. Better Results. Better World.