

Maximizing the Recovery of Delinquent Receivables



Maximizing Recoveries of Delinquent A/R



Topics :

- Overview of the Generic Credit to Cash Cycle
- The Need to effectively review current environment
- Pre-default/pre-delinquency collection activity
 - Internal/External/Combination
- Post Delinquency Collection Activity
 - Internal/External/Combination
- Specialty Post Delinquency Collection Activity
 - Legal Involvement/Bankruptcy Processing/Deceased Processing/Etc.
- Can/How Much can technology help?
- Sale of Delinquent A/R

The Generic Credit to Cash Cycle

Review of Current Environment



- There is no one-size-fits-all answer to maximizing recoveries
- Need for thoughtful analysis of people/processes/technology
- Are the people (including vendors) working on the project "best in class"?
 - How do you know?
 - What are the indicators of poor/good/great performance?
 - What tools are utilized to measure the indicators?
 - How often are indicators measured
- Are you utilizing all available means to maximize liquidations?
 - How do you know? (Industry events such as NASACT)
- Are you utilizing latest/greatest technology tools
 - How do you know?



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	Pre-default Pre-delinquency Activity



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Pre-Default, Pre-delinquency Activity



- Often, maximizing recoveries is best handled by activities to prevent default or delinquency in the first place
- Internal collection efforts focused on default prevention
- Creative calling and lettering campaigns
 - Increase "prime-time" calling activity
- Automated Inbound IVR and outbound messaging
- Internal efforts vs. outsourcing
- Settlement campaigns
- Use of web based payment portals



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Post-Default, Delinquency Activity

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Post-Default, Delinquency Activity



- Internal Efforts? External Efforts? Both?
- At what point should internal efforts be supplemented by use of external resources?
- Define selection process for outside vendors
- Determine how many outside vendors are needed
- Define criteria for selection process
 - Size
 - Prior experience
 - Reputation
 - Technology (security and privacy concerns)
 - Price (base price or netback return)
 - Location (should work be performed in your state?)
- Define service level expectations

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Specialty Collections

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Specialty Collections



- There are generally always accounts that will liquidate better through special collection activity and/or special expertise
 - Accounts that should have legal involvement
 - Bankruptcy Accounts
 - Deceased Accounts
 - Corporate Accounts
 - CCCS Accounts
 - Fraud/Restitution Accounts or other special accounts
- Does expertise exist internally?
- Define selection process for outside vendors
- Determine how many outside vendors are needed
- Define criteria for selection process
- Define service level expectations



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Can Technology Help?



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Can Technology Help?



- Evolution of technology enhancements in collections arena
 - Collection software packages
 - Electronic interfaces with clients
 - Dialer Technology
 - Skip Tracing databases
 - IVR Technology
 - Web bases payment settlement portals
 - Law Firm automation/Legal Networks
- Technology is always helpful, but technology alone doesn't collect money
- Technology improvements have also hurt collections
 - Caller ID, Cell Phones, Privacy directors, etc.




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Case Studies

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1ST Party Outsourcing Case Study 

- A State issued an RFP seeking a professional accounts receivable management firm to enter a working partnership involving collection activities and establish a collections unit within their facility.
- All State agency debts including Court liabilities for 99 District Courts were to be centralized through the State's tax agency.
- Vendor's personnel were to be responsible for all facets of the Stage 1 (Day 1 to Day 120) collection activities for accounts entering the State's system.
- Vendor activities included:
 - Initial and follow-up telephone calls to obligors
 - Reviewing obligors financial condition to engage in payment plans, setting up those plans and then monitoring those plans
 - Requesting and monitoring legal action on accounts
 - Documenting and reviewing Offers of Compromise submitted by obligors
- This project is currently collecting more than \$3 million per month for the State and in the past five years has collected more than \$127 million.

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3rd Party Outsourcing Case Study 

- A State issued an RFP seeking a professional accounts receivable management firm to handle collection activities for the State.
- Prior to this project most State agencies had minimal collection efforts.
- All State agency debts were centralized through the Controller's Office for control and auditing purposes then submitted to the vendor for collections.
- Vendor was to be responsible for all facets of collection activities for accounts previously processed through internal State agency collection efforts.
- Vendor activities included:
 - Skip-tracing for new address location and contact information
 - Sending various collection notices to obligors
 - Initial and follow-up telephone calls to obligors
 - Reviewing obligors financial condition to engage in payment plans, setting up those plans and then monitoring those plans
- This project has collected over \$5 million for the State.

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	Keys to Success

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1 st and 3 rd Party Outsourcing Key's to Success	
<p>1st Party Outsourcing</p> <ul style="list-style-type: none"> • Voice and Data Connectivity • Outstanding Project Planning to move from concept to "live" • Training Program for vendor with active client involvement • Well defined Service Level Agreements (SLA's) • Scheduled and frequent Communication • Outsourcing Partner participation in client meetings <p>Third Party Outsourcing</p> <ul style="list-style-type: none"> • Vendor Experience in area • Vendor selection process • Well defined Service Level Agreements • Reporting (From vendors and from client) • Well defined liquidation and performance goals • Vendor management process 	


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Debt Purchasing Key's to Success	
<p>Debt Purchasing</p> <ul style="list-style-type: none"> • Integrity of Data • Account selection criteria • Data scrubs prior to sale • Buyer selection process • Balance between price and future collection efforts • Well defined Purchase and sale agreement • Post sale communication process between buyer and seller • Well defined information request process and availability of account information 	

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	Q & A / Wrap Up
	
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