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Top Ways to Collect More Money Today!



Top Ways to Collect More Money Today!

Edited by Rockhurst University Continuing Education Center, Inc.

Contributions by: William Bogardus



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Table of Contents

Introduction

The seven characteristics of a good collections agent

How-to's for Getting the Money You're Owed

Start off on the right foot
Establish company policies
Faxes and e-mails
Letters

Using the Telephone to Collect More Money

Prime days for collecting
Hours for calling
The telephone

Excuses, Excuses, Excuses

Top excuses
The four keys to dealing with excuses

What to Say When: Solutions for the Most Common Situations

Scenarios

Tips for Dealing With Angry Customers

Soothing the irate customer
Handling abusive behavior

Checklists

What to include in a collection letter
Red flags
Customer information

The Ten Essentials of Successful Debt Collection

Secrets of Successful Collectors Revealed: Case Studies

Bankruptcy
Dealing with an angry customer
To sue or not to sue

Legal Definitions

Fair Debt Collection Practices Act (FDCPA)
Fair and Accurate Credit Reporting Act (FACT)
Bankruptcy law
Privacy laws or the Health Insurance Portability and
Protection Act (HIPPA)

Appendix

On-site Training Services
Resource Center
Super-effective techniques for collecting accounts receivable
The Essentials of Collections Law 2006

Introduction

As a collections professional, there isn't a single aspect of your job that's easy. From maintaining tons of accounts to dealing with angry customers, compiling collections letters, and making follow-up calls, your job can be downright unbearable some days. And that doesn't even factor in the unreal amount of excuses you wade through every day – just to get the money you're owed!

But collecting on past-due accounts doesn't have to be so hard. This desk reference was created to give you tips, tricks, and techniques for getting more money coming in faster – with a whole lot less stress on your part.

This reference was created specifically for collections professionals just like you by one of the nation's leading experts on collections, National Seminars Group. Take a few minutes each day to review this invaluable reference and you'll start ahead of the game, on your way to collecting more money than ever before.

The Seven Characteristics of a Good Collections Agent

1. Excellent listening skills
2. Good recordkeeping
3. Ability to pick up relevant facts
4. Knowledge of what your company will or will not do to collect debt
5. Creative thinking and problem solving
6. Maintaining a good recordkeeping system
7. Flexibility

How-to's for Getting the Money You're Owed

Start Off on the Right Foot

- Obtain all the information you need from customers when you start doing business with them; keep a credit application or customer information file.
- Require customers to sign a credit agreement. This agreement must state the “terms and conditions” of the credit arrangement; i.e. length of the grace period, penalties or other costs for late payment.
- Be sure to include all future costs you may charge to customers. You may choose not to add on additional costs; at least get the authorization, in writing, to add any additional charges.

Establish company policies in order to:

- Ensure all employees know their roles if discussing past-due accounts with customers. Some employees should not discuss the bills yet should know to whom they should refer the customer.
- Be consistent with customers to avoid discrimination.
- Ensure that your policies agree with the applicable collection laws.

Using the Telephone to Collect More Money

Faxes and E-mails

- Use when you have the customer's permission to do so.
- Avoid third parties that might have the opportunity to intercept the message.

Letters

- Use a 3-or-4 letter series for small balance accounts and hard-to-reach customers.
- Use letters to supplement telephone calls.
- Use letters to put verbal agreements into writing.
- Use letters to follow up as reminders of promises to pay.
- Change the color of the letters periodically

Fact:

Millions of dollars are lost annually because debts are written off or given up, rather than collected.

To most collection professionals, the telephone is the most important tool for getting the money they're owed. Your telephone skills could be the deciding factor between collecting the debt and not. Here is a quick checklist to keep in mind when using the telephone to contact a customer so you're sure to set a stage to get the money you're owed more often.

1. Start each call with a smile
2. Consider the time of day you call
3. Remember the best time to call debtors
4. Keep the details of your message short
5. Be specific
6. Give the debtor your attention
7. Always leave information when using the voice-mail system
8. Make sure you're speaking to the correct person
9. Practice solid communication
10. Keep a record of your phone calls

Prime Days for Collecting

First, Tuesdays through Thursdays work best. Second, Mondays and then Fridays (but not Friday afternoons).

*For consumers, consider calling on Saturdays and Sundays as well.

The Telephone

- This is your primary collection tool.
- Use it; don't procrastinate ("I'll wait until we receive the mail").
- Try calling at different times of the day, different days of the week.
- Leave a brief message: your name, telephone number, when to call back.
- **DO NOT** reveal the purpose of the call to anyone other than the responsible party.

Hours for calling

Call consumers in the evening or first thing in the morning. Remember: With consumers, you are limited to 8 a.m. to 9 p.m., unless you know that another time is also convenient to them.

For businesses, you can call at any time that is "not known to be inconvenient" to the customer. Calling first thing in the morning works best, but anytime during the day is fine.

Excuses, Excuses, Excuses

Chances are, if you've been collecting debts for more than one week, you've probably heard every excuse in the book – and then some. Debtors pay attention to how you handle their excuses, and how you handle excuses can often determine how soon you'll get paid or even if you'll get the money at all. This section looks at common excuses and quick ways to overcome them.

Top Excuses:

- ➔ ***"I never received the bill," or "I lost the bill."***
 - Send a fax or e-mail of the invoice. Or send another copy of the bill through certified mail. Always verify name and address before sending.
- ➔ ***Adversity (lost job or serious illness)***
 - Offer to set up a payment plan until things improve and then follow up often.
- ➔ ***"Our computer prints all checks once a month."***
 - Find out exactly when they print and call a week or so before to make sure your invoice is on the print run.
- ➔ ***"We are having cash-flow problems."***
 - Find out why. Are they waiting for money from someone else? Set up a payment plan.

- ➔ ***“I’ll pay in full when this check we’re expecting comes through.”***
– Insist that it isn’t necessary to delay the payment until that time. Ask that they make a partial payment on their receivables.
- ➔ ***“We can pay you when we get paid.”***
– Ask for a partial payment on the receivables.
- ➔ ***“My manager is out of town and won’t be able to sign for the check for two weeks.”***
– Call a week later to verify the boss is still returning at the expected time. Schedule a time to follow up and call to confirm it as well.
- ➔ ***“I’m the controller and I handle the payables.”***
– Establish a relationship with the controller and get specific information about when the bill will be paid. Let them know that you have to give this information to your boss. And follow up.
- ➔ ***“There is a problem with the invoice.”***
– Ask which part of the invoice has a problem and correct it immediately. Then send a new copy and follow up.
- ➔ ***“I have a problem with the product or services.”***
– Ask if they contacted anyone at the time of services rendered and follow up. If they didn’t, ask why and proceed with collecting your money.
- ➔ ***“We need proof of delivery before we pay.”***
– Send them a POD

- ➔ ***“We only pay from original invoices.”***
(not faxes or e-mails)
– Send the company another original invoice through certified mail and follow up.
- ➔ ***“Our accounts payable person quit/was fired.”***
– Find out when they expect a new hire. Then send a letter and all the past-due invoices.
- ➔ ***“Our company pays net 90.”***
– Make sure the organization has all the documentation they need to pay you and then follow up.
- ➔ ***“We’re still waiting for approval.”***
– Find out who approves them and where they are at. Find out how their system works and try to work with it.
- ➔ ***“My spouse (partner) pays the bills.”***
– Find out how to reach the partner and contact them. Offer additional ways to pay – credit card or a check over the phone.
- ➔ ***“I don’t owe anything.”***
– Ask why you owe money. Remind them of the goods or services they received and then send a copy of the invoice.

The Four Keys to Dealing With Excuses

1. Let the client talk.
2. Keep an open mind and keep your options open.
3. Listen with the goal of finding a solution.
4. Meet the excuse with action.

What to Say When: Solutions for the Most Common Situations

They Say:

“I’m in Bankruptcy.”

You Say:

“Have you received Notice of Bankruptcy from the courts?”

If not, ask:

“Who is your lawyer?” (name, phone, address)

“Have you filed for bankruptcy yet?”

“What is the case number?”

“In what court district did you file?”

Follow up accordingly

They Say:

“The check is in the mail.”

You Say:

“When was it mailed?”

“To what address was it mailed?”

“Check number, check date, payable to whom?”

“What is the amount on the check?”

“Has the check cleared your bank account?”

“Please stop payment and send another check.”

Follow up accordingly

They Say:

“I don’t have the money right now.”

You Say:

“What is the delay?”

“When do you expect to be able to pay this bill?”

“From whom are you expecting to receive the money?”

“Are you currently unemployed?”

“With whom have you been talking to get your money?”

“I’ll be glad to call them to check on the status for you.”

Follow up accordingly

They Say:

“Our computer system is down.”

You Say:

“We accept cash.”

“What credit card would you like to use?”

“The money can be wired; here is our banking information.”

“When will the computer be up and running again?”

“How are you paying other bills in the meantime?”

“Is the computer down for maintenance or a computer crash?”

Follow up accordingly

Soothing the Irate Customer

- Remind them that this is a business call.
- Focus on the customer and not the message.
- Use the customer's name and let the customer know that when this matter is settled, there will be no need for future collection calls.
- Keep on-topic; why you called in the first place.
- Ask "what is the matter?" and "does this pertain directly to the account itself?"

Handling Abusive Behavior

- Try silence first.
- Let the customer speak, do not interrupt.
- Use their name, speak more slowly, lower your voice.
- Do not get angry at the customer.
- You can hang up BUT first let the customer know you are going to hang up.

What to Include in a Collection Letter

- The amount owed
- Where to send the payment
- When the payment is expected
- Your name and your contact information: telephone number, Fax number, e-mail address
- Invitation to respond

Red Flags

- Broken promises: Have a follow-up date scheduled to review the account
- No responses to telephone messages
- Mail returns; phone number disconnected
- Incorrect name
- Customer's refusal to provide basic business information
- A customer who defaults on the first invoice

Customer Information

- Correct and complete customer name
- Correct and complete customer mailing address
- Direct telephone numbers; e-mail addresses and fax numbers.
- Customer's tax identification number or social security number

The Ten Essentials of Successful Debt Collection

Customer Information (cont'd)

- If you do not require social security numbers, what alternative form of identity will you accept from the customer?
- How does the customer intend to pay the bill: cash, check, credit card?
- What information will the customer need on the invoice in order to pay the bill?
- Is there additional documentation the customer may require in order to process payment of your invoice?
- How long will your customer need in order to pay the bill?

Fact:

Nothing helps you collect a due payment better than having everything in writing from the start.

1. Money is essential if you intend to stay in business. Get paid for your work.
2. Keep track. Poor recordkeeping will lose you more money than bad debt.
3. Establish clear credit parameters before opening an account.
4. Do credit checks on a client before granting credit with your organization.
5. Remember: **YOU ARE NOT THE VILLAIN!**
6. Listen to debtors. Solve problems. Do not blame.
7. Maintain an open mind and try to put yourself in the debtor's shoes.
8. Make sure your invoices are clear, precise, and correct before mailing.
9. Know when to go to a collections agency or attorney.
10. Stay in control by knowing what you can and cannot do.

Secrets of Successful Collectors

Revealed: Case Studies

Bankruptcy

Bankruptcy is a voluntary or involuntary act on the part of a consumer or business to declare itself insolvent in the courts. Once a customer has filed a bankruptcy petition, all collection efforts must cease.

There are three types of bankruptcy:

Chapter 7, Outright liquidation: All of a customer's non-exempt assets are collected by the trustee representing the creditors. The assets are liquidated and the proceeds distributed to the creditors. The distribution is determined by several factors including whether the debt is secured, or if the debt is with or without priority. The customer is then discharged from most pre-petition debts except those incurred fraudulently. Once a customer has filed under Chapter 7, he or she is prevented from filing for bankruptcy again for a period of six (6) years.

Chapter 11, Liquidation: This is a complicated voluntary form of bankruptcy that allows an insolvent corporation time to reorganize and recover its debt-paying ability. The company remains in business under supervision of a court-appointed trustee who determines whether the company can survive. If the trustee determines that the company can survive, the company submits a plan of reorganization to the court for approval. When approval is granted, a new company is created, made up of the old owners and creditors. It usually takes several years before all the company's debts are settled. All new debts will take priority over any old debts included in the bankruptcy filing.

Chapter 13, Wage earner's reorganization: This is voluntary, where the consumer may ask to pay off only a proportion of the debts, receive extra time to pay them, or both. A repayment plan is submitted that must be approved by the creditors and the court. This provides for the adoption of extended-time payment plans for consumers with unsecured debts of less than \$100,000 and secured debts of less than \$350,000. This allows the consumer to keep all assets (exempt and non-exempt) and make a settlement that is acceptable to the majority of creditors. The decision is binding on the minority.

Dealing With an Angry Customer

When customers are angry, remember they are angry at the situation; however they are taking it out on the messenger. Never argue, never prove a customer is wrong, and never respond in a similar manner; if you want to respond, stick only to the facts. The natural instinct is to answer negative responses by trying to prove the customer wrong.

Instead, keep your cool:

- Use silence.
- Lower your voice.
- Speak more slowly.
- Do not get angry back at the customer.
- Never argue.
- Use the person's name.
- Pass the call on to a colleague.
- Keep on the topic.
- Avoid humor.

Remember, you can discontinue the call; we recommend that you inform the customer first before hanging up.

To Sue or Not to Sue

The first question is: Does the dollar amount owing justify the time and expense of a lawsuit?

The second question is: Does the customer have sufficient assets that can be used to pay the claim?

Litigation is a time-consuming and costly process. Does the balance outstanding justify the time, money, and aggravation of working through the court system? If the debt can be resolved in other ways, do explore those options before filing a lawsuit.

When filing a claim in court, be sure you have all the necessary documentation at hand: a written contract, a signed agreement to pay, a statement of account, copies of all invoices, credit memos, shipping and/or receiving documents, etc. Research your customer to discover what assets they possess that can be used to settle your claim: checking and/or savings accounts, buildings, machinery, automobiles and trucks, and any other property that can be claimed after you obtain a judgment. A collection agency or a law firm can do this research for you if you wish to turn the claim directly over to them.

Some customers will settle a claim rather than go through the time and hassle of a trial and public recording of an outstanding claim. However, even if you win a judgment, you may not get your money. A money judgment, awarded by the court, does not mean that you are going to be paid. It will be your responsibility to pursue the money judgment by filing the appropriate documents (writ of execution) within the appropriate jurisdiction. Filing of liens or involuntary attachments requires knowledge of the legal process; however, they can be effective in ultimately getting your money.

As always, you should consult an attorney before undertaking this action. With experience and the knowledge gained from using this tactic, your company will be able to decide if suing the customer is a good long-term strategy for collecting unpaid accounts.

“Never feel embarrassed about asking for money legally owed to yourself or your company.”

– B.J. Pierce

Legal Definitions

Fair Debt Collection Practices Act (FDCPA)

- This is a federal law that applies to bill collection agencies and attorneys who collect bills for others.
- These rules apply to original credit grantors and you need to be aware of the rules.
- All fifty (50) states use basically the same rules as applied to businesses collecting their own debts.
- Knowledge of the laws governing collection activities is a must.

Fair and Accurate Credit Reporting Act (FACT)

- All businesses can report unpaid accounts (as well as paid) to credit bureaus, or to Dun and Bradstreet or other credit reporting entities, with or without their customers' consent.
- Any information reported must be accurate, the reporter identifiable, and the reporter should be able to support the information as accurate if requested to do so.

Bankruptcy Law

- When you receive notice from a court of competent jurisdiction that the customer has filed for bankruptcy, STOP all further collection activities with the customer.

Bankruptcy Law (cont'd)

- Read the notices.
- Send an itemized bill to the court if requested for “proof of claim.”
- Read the subsequent court-issued notices.
- Accounts are typically either:
 - (a) Discharged: The debt is written off and the customer has no legal obligation to pay, or
 - (b) Dismissed: The customer's bankruptcy petition is dismissed and you are free to contact the customer to make payment arrangements on the original debt.
- The new bankruptcy provisions apply to consumers. You must be willing to negotiate payment arrangements, over time, with a consumer in bankruptcy in order to maintain your claim.

Privacy Laws or the Health Insurance Portability and Protection Act (HIPAA)

Like all privacy laws, the information you obtain about your customer must be maintained according to your company's privacy statement.

You may obtain information, as necessary, to establish a credit account with your customer; you agree not to reveal information unless necessary to collect the account.

Appendix

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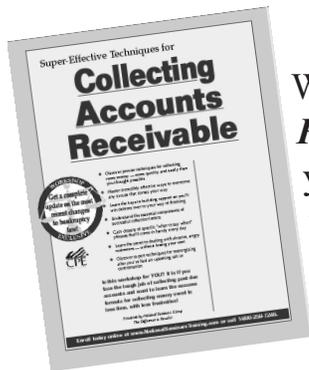
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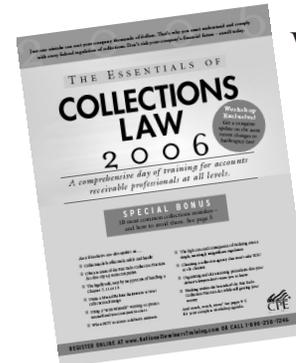
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Attend and you'll learn:

- Tips for getting prompt payment after one phone call
- Effective ways to overcome debtors' excuses, lies, and complaints
- What your organization's legal rights and limitations are
- Exactly what has to be included in a collections letter and what shouldn't be
- And so much more!!!

Find out more about these and any of our other training programs at
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The Essentials of Collections Law 2006



We've boiled down the confusing and complex world of federal collection law into a one-day workshop where you and your peers will learn how to protect your interests AND learn legally safer ways to collect money faster and easier.

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