

## Revenue Collections

Ohio Association of Public Treasurers  
Annual Training Program

Presented by Sara M. Costanzo

June 15, 2018

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Weltman, Weinberg & Reis Co., LPA

*The single solution for every single creditor.™*

## About Weltman

- Nationally-recognized full service collections firm
- We represent nearly every type of creditor, including some of the largest financial institutions in the U.S., in:
  - Bankruptcy
  - Consumer and commercial collections
  - Litigation
  - Real Estate Default matters

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## Overview

- Establishing internal guidelines to handle accounts receivable
  - Timelines
  - Appropriate actions to take at certain intervals
- Identifying sound collection techniques to address non-payers
- Understanding the legal process as an option in handling non-payers

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**Establishing Internal  
Guidelines**

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## Establishing Internal Guidelines

- Every municipality that has self pay accounts (or offers credit) needs to create policies that outline the processes used to deal with the past due accounts
  - Review and change standard collection policies on a *regular basis*
  - Find out what works in keeping past due account receivables at a minimum

## Establishing Internal Guidelines

- Considerations
  - Accept the philosophy and the fact
    - it's ok to collect cash from residents
    - there will always be a sliding scale of the economically-distressed
    - At all times, collect *something*
  - Set the expectation that *payment is due at the time of service*
    - Clearly post messages in the lobby and other areas
  - Train staff in collecting cash (and all forms of payment)
    - Assertive language is key
  - Establish a cash management policy and procedures with checks and balances

## Establishing Internal Guidelines

- Timelines
  - Collections begins on day ONE
    - Perception
      - 9/10s reality
    - Attitude
      - Collect something
    - Reputation
      - Maintaining goodwill



## Establishing Internal Guidelines

- Time is money
  - The value of receivables can reduce substantially over a short period of time
  - The potential to collect receivables that are 90 to 120 days or older decreases to approximately 20 to 60 percent

## Establishing Internal Guidelines

- Initial considerations
  - Late payment charges
    - Ordinance
    - Notice
  - Penalties
    - Applied
- Early/pre-payment discounts
- Amnesty programs
- Costs of collection
  - House Bill 5 (signed into law 12/19/14)
    - Post judgment costs



## Establishing Internal Guidelines

- Account contact and follow up
  - Actions to take
    - Timely billing
    - Follow up letters
    - Phone calls
    - Promise to pay agreements/notes
    - Pledge of security/collateral
    - Legal action



## Establishing Internal Guidelines

- Set up policies
  - Include letter timing and when phone calls should be made
  - Amount owed
    - Spend more time and effort to collect large balances
  - Two pitfalls:
    - The willingness to write-off small balances
      - Can add up over time
    - Obstinate, imprudent collection efforts
      - Holding onto the collection too long

## Establishing Internal Guidelines

- Make collections a top priority
  - Educate staff on the importance of continued follow up and contact
  - Approximately 5% of accounts over 90 days past due tend to pay voluntarily\*
  - It is estimated that accounts that are:\*
    - 90 days past due: 90% collectible
    - 180 days past due: 67% collectible
    - 1 year old: 40% collectible

## Sound Collection Techniques

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## Sound Collection Techniques

- Address non-payers
- Remedies available for non-payment
  - Options that can be addressed outside the parameters of a court
    - Settlement
    - Consensual lien or mortgage
    - Collateral
    - Additional guarantees
  - Civil and criminal remedies
    - Suit, judgment, lien, executions
    - Warrant, citation

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## Sound Collection Techniques

- If no arrangements are made and there has been no response, there are a few options to take:
  - Send out a notice with options
    - Amnesty
    - Waiver of penalties or interest
  - Outsource to a third party
  - File legal action



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## Sound Collection Techniques

- Overall strategy
  - Asset review and knowing the debtor
    - Identifying the debtor
    - Locating the debtor
    - Identifying the debtor's financial position
    - Understanding any pressure points

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## Sound Collection Techniques

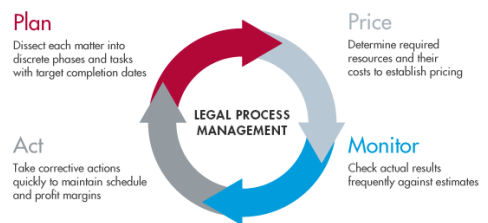
- Game plan
  - When **not** to pursue a judgment
  - How to effectively get a debtor's attention
    - Pre-litigation procedures
    - Pre-judgment procedures
    - Obtaining judgment

## Understanding the Legal Process

## Understanding the Legal Process

- Develop an understanding of the legal process as an option in handling non-payers
- Litigation considerations
  - Statute of limitations
  - Documentation
  - Collectability
  - Jurisdiction
  - Venue
  - Cost

## Understanding the Legal Process



## Understanding the Legal Process

- Results
  - Promise to pay agreements/notes
    - Extend statute of limitations
    - Waive defenses and counterclaims
    - Acknowledge balance
  - Legal action
    - A judgment may become a lien against any real property owned by the debtor in the county
    - In Ohio, failure to execute on a judgment for five years will result in the judgment becoming dormant
    - Non-exempt assets attachable

## Outsourcing

## Outsourcing

- Timing
  - Balance should be considered to control collection costs
    - How long has the item been unpaid?
  - Pattern of payment
    - Note whether there were partial payments or any effort to settle the debt
  - Relationship
    - How long have you been dealing with the person or business?
  - Previous dealings
    - How has the person or business lived up to its commitments in the past?

## Outsourcing

- Collection agency
  - A business that pursues payments of debts owed by individuals or businesses to another party
  - First party vs. third party collections
    - First party agencies
      - Often subsidiaries of the original company to which the debt is owed
    - Third party agencies
      - Separate companies contracted by a company to collect debts on their behalf for a fee

## Outsourcing

- Just the facts
  - Approximately 30 million Americans have at least one debt in collections
  - There was about \$3.5 trillion in total outstanding consumer credit as of October 2015. In the U.S. household participation in the major consumer credit markets is approximately:
    - Credit Cards: 70%
    - Mortgages: 45%
    - Auto Loans: 30%
    - Student Loans: 19%
  - In 2013, third party collectors recovered approximately \$55.2 billion in total debt, netting creditors nearly \$45 billion
    - Less than .01% of all collection contacts end in complaints\*
    - The collection industry saved the average American household \$389 in 2013
      - Represents dollars households would have spent if businesses were forced to raise prices to cover bad debt\*\*

## Outsourcing

- Just the facts
  - U.S. debt collection agencies were estimated to directly contribute:
    - \$724 million of federal tax
    - \$400 million of state tax
    - \$287 million of local tax
    - **Combined tax impact of more than \$1.4 billion**
  - U.S. collection agencies\*:
    - Directly employ approximately 136,100 people
    - Support the indirect and induced employment of more than 95,100 individuals in industries that sell goods and services to debt collection agencies and their employees

## Outsourcing

- Just the facts
  - Typically, once an account is 180 days or more past due, the creditor will charge-off the account. At this stage, implement one of several strategies:
    - Continued collections via in-house resources
    - Outsourcing collections to third-party agencies
    - Selling accounts to debt buyers
    - Pursuing litigation
    - Warehousing the account (hold the account while engaging in no further collections efforts)

## Outsourcing

- Checklist for choosing a collection agency
  - Capabilities and experience
    - Do they have the resources to carry out legal action?
  - Reputation/references
    - Are they affiliated with industry associations?
      - Better Business Bureau
      - Association of Credit and Collection Professionals
      - American Collectors Association
  - Do they have established policies and procedures?
    - On-going training
    - Compliance

## Outsourcing

- Compensation
  - Contingency fees
    - House Bill 5
    - Set fee
    - Sliding scale
  - Flat fees
    - Fee for service/action
  - Hourly fees
    - Rates per position



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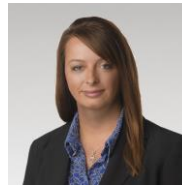
## Questions?



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*The single solution for every single creditor.™*

Please feel free to contact me anytime:



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