



**COLLECTION
ADVISOR**

Secrets of
**Commercial
Collections**

Wanda Henning
Industrial Credit Service

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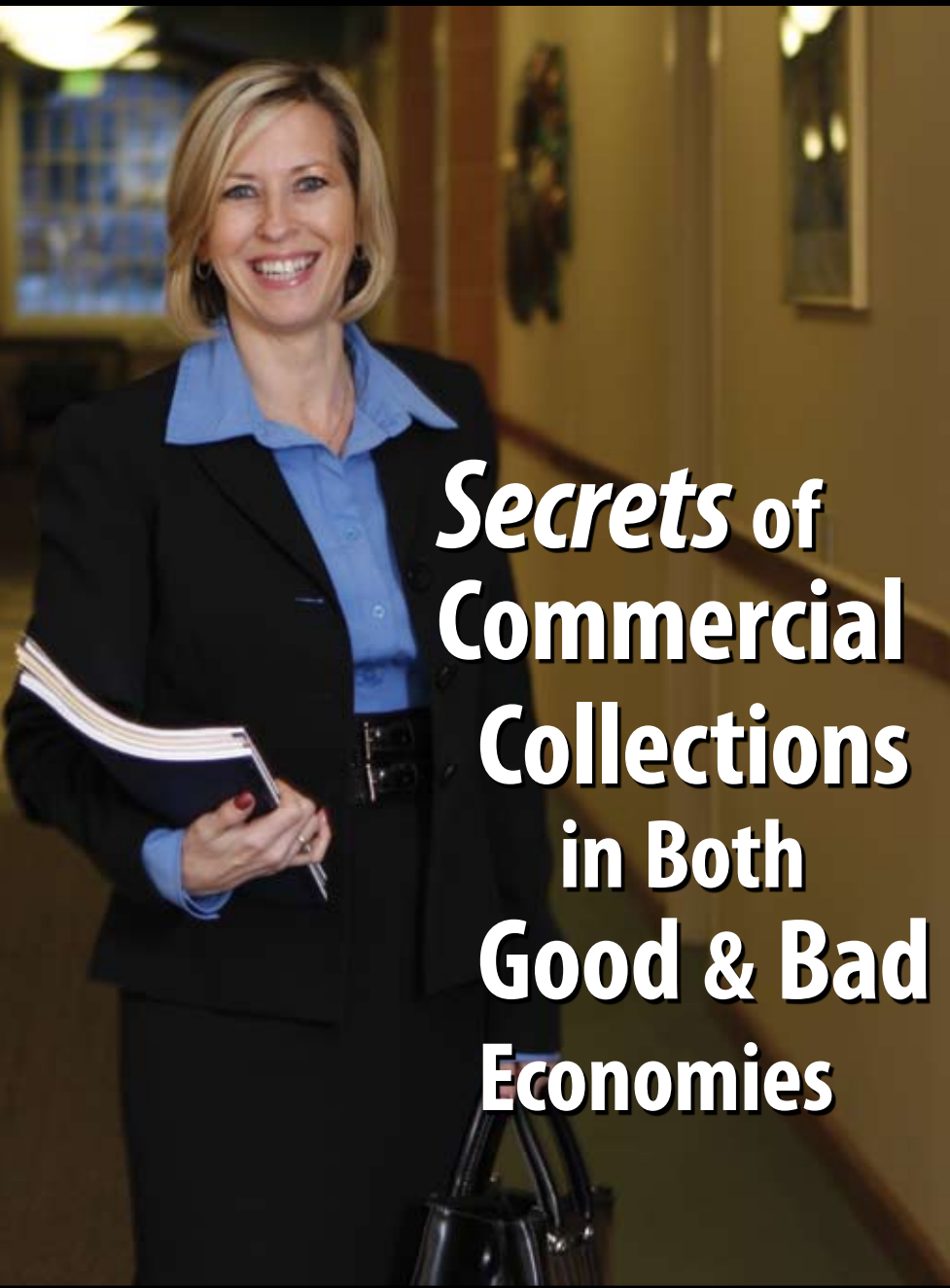
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Secrets of Commercial Collections in Both Good & Bad Economies

By Chelsea Gamble

Listening to the recent topic of the current economic conditions on talk radio, *Collection Advisor* ventured out to find the current environment in commercial collection. Not only was the current state discussed, so was the future outlook and continually improving technology to create the bottom line agencies are looking for. We sat down with three collectors in learning a bit more on the position of commercial collections. They are **Wanda Henning**, CEO of Industrial Credit Service in Bellevue, Washington; **Stuart Spivack**, President of Stuart

Allan & Associates in Tucson, Arizona; and **Mark Vengroff**, CEO of Vengroff, Williams & Associates in Irvine, California.

Collection Advisor: Tell me what you do for your company and a bit more about your organization?

Wanda Henning: Gene H. Trott founded Industrial Credit Service in 1966. By operating with unquestionable integrity and providing clients with industry leading commercial collection returns

and services, the Trott family has built ICS into a nationally recognized leader in commercial accounts receivables collection.

Over the years, ICS and its staff have become well known throughout the collection industry as valued resources, industry advocates and commercial collection experts. This knowledge and expertise has helped provide unmatched benefits and returns for our clients.

Stuart Spivack: Stuart Allan and Associates, Inc., an agency section member of The Commercial Law League of America, is a national collection agency with a special emphasis on insurance, surety, premium finance, structured finance and non FDCPA focused first placement accounts.

As President of the Company, I am actively involved with large client sales and servicing and agency operations, planning and implementation.

Mark Vengroff: Founded in 1963, and with \$23 billion dollars under its management, Vengroff, Williams & Associates is a leading provider of receivables management business process outsourcing (BPO) solutions for Fortune 1000 companies such as Ford Motor Company, Federal Express, Kodak, Microsoft, Yamaha and others. Applying state-of-the-art proprietary information systems, best practice workflow and people to realize cost reductions, operating efficiencies, and improved process design, VWA's approach enables clients to easily insource or outsource all or part of the quote-to-cash function. Solutions are customized to each client's requirements or expanded to incorporate specialized tools and SAS 70 compliant processes and procedures. Services include full order to cash processing, third party collections, EIPP systems, deduction management, dispute management, auto cash solutions, front-end risk mitigation, and tax resolution. VWA has been named a Top 21 enterprise-level FAO service provider by FAO Today Magazine.

Collection Advisor: How did you come about either starting your own business or being where you are today?

Wanda Henning: I started in the collec-

Improvement in the Economy Will Benefit All Business, Including the Collection Industry

tion industry in 1979 inputting accounts while I was attending college. That of course was just going to be a temporary job; I never imagined I would spend my career in the industry. In 1993 I became President of Creditors Collection Service located in Newport Oregon, a retail collection agency owned by my mother, Bea Shaw, and myself. In 2007 I purchased Industrial Credit Service located in Bellevue Washington, another family owned business that has the same philosophy as mine, which is to always provide the very best in customer service to our clients while keeping an eye on the bottom-line.

Stuart Spivack: My sales background was originally focused within the property & casualty and life and health insurance industries.



Stuart Spivack

During this time, I noticed a large need for specialized collection services that was not being tapped. I partnered with an existing Arizona collection agency and we began the process of reinventing the agency and refocusing our efforts. Since 1992, we've grown from a small consumer agency with 20 employees to a large national commercial agency with over 200 employees.

Mark Vengroff: From a small store front in Long Island, measuring a scant 300 square feet, VWA was founded by patriarch, Harvey Vengroff, who started the business when a client owed his janitorial company the sum of \$35,000. Since opening its doors in 1963 as a collections management agency, VWA has grown to 1000 employees, gained the trust of 3000+ leading companies representing \$23 billion in accounts receivable and began offering a full range of accounts receivable services. I began my career

with VWA more than 20 years ago as a collection specialist.

Collection Advisor: What do you think is the current state of commercial collections? Is it on the upswing, about the same or down?

Wanda Henning: When the economy starts to go soft I always hear from others that this must be a great time for the collection industry. I am careful to explain that yes, when things get tight sure we receive more business but it definitely becomes more difficult to collect. We want the economy to improve, as it will benefit all business including the collection industry.

Right now with the downturn in the housing industry, clients that react first have the better chance of collecting.

Stuart Spivack: I expect collection assignments to increase as the economy continues to decline. I also anticipate that the collectability of those increased placements will also show a proportionate decline.

Mark Vengroff: As the availability of credit tightens companies will put more focus on shortening the recovery cycle time to improve cash flow. Cash becomes more important than increasing market share, resulting in an increase in commercial placements to agencies earlier in the collection cycle on their tier 2 or tier 3 customers. Though we expect collections will dramatically increase over the next six months, we expect the liquidity to reduce over the next year.

Collection Advisor: What kind of collection technology are you using in your business?

Wanda Henning: Our collection technol-

ogy is always improving with the latest and greatest products and you have to be careful in choosing what to use. These products can impact the bottom line in either a positive or negative way.

Stuart Spivack: Stuart Allan & Associates utilizes DAKCS' Sting/Beyond collection and predictive dialing software. The Sting is a fully expandable, customizable and user-friendly system, which allows for a unified workflow between departments within the collection agency setting.

The flexibility of this software provides our clients the ability to review notes, place accounts, update account information or report direct payments via the internet, and in real-time as well as allowing debtors to pay their bills online.

Mark Vengroff: VWA has made large investments over the past three years



Mark Vengroff

to completely redesign its current proprietary systems from the ground up. The new collection system focuses on automating work flow and most of the collector administrative functions to reduce labor cost with greater automation, improve collection cycle times and increase liquidation by deploying greater portfolio analytics.

Collection Advisor: What is the future for commercial collection agencies, attorneys and credit grantors?

Wanda Henning: In terms of planning our approach is short-term. We must constantly look at economic factors and industry indicators to determine which industry may be heading for possible
Commercial Collections, cont'd on page 22

Commercial Collection Agencies Only Stand to Benefit From Adopting FDCPA Protocol

Commercial Collections, cont'd from page 21 trouble. Right now with the downturn in the housing industry, clients that react first have the better chance of collecting. We have clients in the construction industry who are taking a proactive response to the current downward trend in the housing industry. They are meeting with their customers to help in any way they can, talk about their business practices and how they are dealing with the economy.

Stuart Spivack: I think the future looks bright for collection agencies and attorneys, as this industry is traditionally recession proof. When the economy is bad there is more debt to collect and when the economy is good more debtors have the ability to pay. I would also estimate credit grantors will be tightening available credit and terms over the next twelve to thirty-six months.

Mark Vengroff: As commercial collection agency placements increase and the collectability declines, margins will also decline. Many collection agencies if properly capitalized will look for new revenue streams that will leverage their current infrastructure and internal talent. Alternatives in pricing will start to be introduced more often to reduce some of the collection risks i.e. non-contingency fees, and transactional pricing. This will be more prevalent as attorneys will require more upfront fees and less contingency fees to cover their litigation costs.

Collection Advisor: Although the FDCPA does not govern commercial collections, to what extent do you think commercial agencies adopt FDCPA protocol these days?

Wanda Henning: Many commercial agencies are members of IACC (International Association of Commercial Collectors, Inc.) and are very conservative when it comes to the laws for collection of any type of account. Agencies are aware that

they should be following all aspects of the FDCPA until they can absolutely be certain that the debt was not for personal, family or household use.

Stuart Spivack: In this day and age where FDCPA lawsuits are being filed at a feverish pace, and considering many credit grantors now require personal guarantees to complete their commercial transactions, commercial collection agencies only stand to benefit from adopting FDCPA protocols.

Stuart Allan & Associates strictly fol-

Business to business debt includes many different variables and levels of sophistication that could not be applicable under the current FDCPA.

lows the FDCPA as it relates to our interactions with the personal guarantors of commercial transactions. This is done as an added security for our clients and has enabled us to avoid the time and expense involved with defending frivolous lawsuits.

Mark Vengroff: I believe most commercial collection agencies are already using FDCPA protocols as guidelines when collecting on commercial portfolios. This was a result of the necessity to follow these protocols when pursuing personal guarantees, collecting on the NSF checks written on corporate accounts or during the attempts to pierce the corporate veil. Agencies are also getting more pressure to ensure that these protocols are being adhered to as a result of the increased claims being filed against agencies by attorneys who have made a career focusing in this area and as debtors have become more sophisticated and informed on their rights.

Collection Advisor: Do you think Congress will ever extend the FDCPA to govern commercial collectors? What do you predict?

Wanda Henning: I don't believe the FDCPA will be extended to commercial agencies. Retail agencies continue to be in the forefront of the media and will continue to be the story of the day when an unscrupulous agency gets caught.

Stuart Spivack: I don't believe Congress will extend the FDCPA to govern commercial collectors due to the fact that the FDCPA was established for the sole purpose of protecting consumers. Business to business debt includes many different variables and levels of sophistication that could not be applicable under the current FDCPA.

Mark Vengroff: It appears things may be moving in this area, especially as the collection efforts become more aggressive during a recession.

Collection Advisor: What constitutes the real heart of a successful collection agency or business?

Wanda Henning: The real heart and sole of a successful collection agency is relationships,



Wanda Henning

personal contact and reputation. As I visit clients they tell me over and over again that they receive numerous calls from agencies. Meeting with clients and communicating on a regular basis, both by the sales staff and collector, is invaluable.

Stuart Spivack: The unique value we place on our employees and having long-term mutually profitable relationships with our clients, constitute the real heart of our successful agency.

Mark Vengroff: Ability to find and leverage talent, continually innovate, and manage

Commercial Accounts Will Not See Any Real Debt Buying Traction For at Least a Few More Years

ahead of the curve.

Collection Advisor: How important is skip tracing to commercial collections?

Wanda Henning: Skip tracing is very important in the industry as businesses close and reopen under a different name. Personal guarantees by credit grantors are on the increase and a smart credit department can lend itself to future recoveries.

Stuart Spivack: It's directly related to having a successful collection work flow process and recovery ratio. If you can't find them, you can't demand the money.

Mark Vengroff: The ability to skip trace and find assets is extremely important in commercial collections, especially during a down turn in the economy. A majority of the recoveries on accounts placed for collection will be a result of locating the debtor and any hidden assets.

Collection Advisor: What do you see as the future for debt buying of commercial accounts?

Wanda Henning: Time diminishes the collectability of commercial accounts much faster than retail accounts. With the

increase of debt buying you may see an increase in the purchase of commercial accounts but not near as large as the increase in retail accounts. Commercial portfolios with a healthy percentage of personal guarantees would have a greater chance of being purchased on the debt buying market.

The future for consumer debt purchasing is much greater than commercial debt purchasing as the consumer market is much larger and consumer credit grantors are set up to systematically sell charged off receivables.

Stuart Spivack: Because the purchasing of consumer debt has become more common in the collection industry, it was naturally expected that groups of commercial accounts would eventually be offered up for sale. However, I believe the future for consumer debt purchasing is much greater than commercial debt purchasing as the consumer market is much larger and consumer credit grantors are set up to systematically sell charged off receivables.

Mark Vengroff: Until credit becomes more available, the future of debt buying for

accounts will be bleak at best. Therefore, commercial accounts will not see any real traction for at least a few more years.

Collection Advisor: What type of training does your agency or business have in place?

Wanda Henning: Our training practices are tailored to the collector's area of commercial collections. Civil litigation, liens, bonds, international law and individual state law changes keep the modern collector on a continual education path.

Stuart Spivack: Stuart Allan & Associates is dedicated to providing an ongoing training program in all aspects of our recovery operation. Regular training sessions are required for every collection specialist in relevant insurance law, state regulations, and contracts. Their thorough understanding of current practices means more responsive service, more efficient handling of files, and a higher return to our clients.

Mark Vengroff: VWA deploys a strengths modeling methodology that ties to EQ (Emotional Intelligence Quotient). This is used for recruitment, career development and course curriculum. 