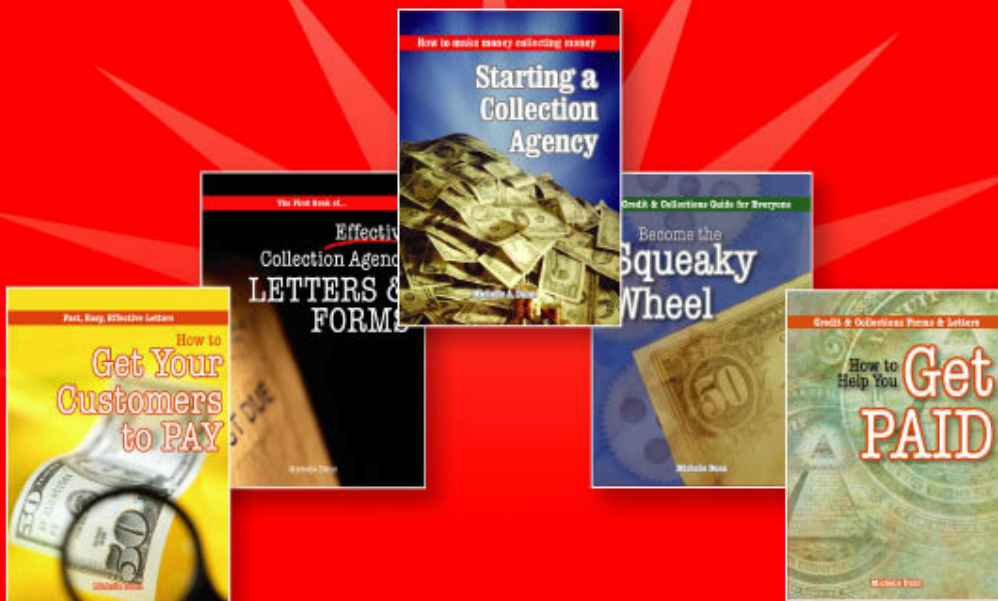


How to Make Money Collecting Money



Michelle Dunn

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*Starting a Collection Agency,
How to Make Money
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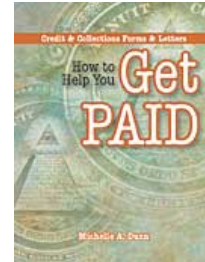
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Chapter 1

WHAT DO COLLECTION AGENCIES DO?

Collection agencies assist businesses and sometimes consumers in collecting money owed to them by their customers or tenants etc. while encouraging a continuing relationship, though this does not happen often. This usually entails mail and telephone correspondence as your primary tools for reaching delinquent customers. Home based collection services have a distinct advantage in serving small businesses, particularly health-care providers. Many large firms simply do not try to collect on smaller debts because it means less commission for the work and more time spent to make a small amount of money. However, home based collection agencies that specialize in small debts or do collections for small businesses are often successful.

HOW MUCH MONEY CAN I MAKE DOING THIS?

The majority of collection agencies do not get paid by the hour. Instead, they work on a commission basis, therefore if you do not collect, you do not get paid. Commissions range from 25% on young accounts to 50% on those that are older or a small amount. For instance, a collection service that gets the debtor to pay a \$1,000 medical bill will earn \$250 to \$500 depending the age of the bill and the agreement with the business. Typical annual gross revenues range from \$30,000 to \$60,000, based on a 25% commission for collections of \$10,000 to \$20,000 per month (the average for a small collection service)

Chapter 2

SHOULD I START MY OWN COLLECTION AGENCY?

If you are wondering if you should or can open your own collection agency, the answer is yes, you can! There are some things you should do before opening your own agency. You should have experience in the collection industry. You must know what type of business the collection business is before you can understand what you are getting into. You need to know the day-to-day activities of collections. You need to know the laws in the state you are in and the states you will be collecting in. You want to have experience dealing with people and negotiation skills.

You should also be ready to spend a lot of time getting people interested in your business. If you have worked in the industry for other people, new clients will know you have experience and be more comfortable placing accounts with you. If you don't have any experience, you need to build credibility so potential clients will know you can do the job and do it well.

Write a business plan. If you are going to borrow money to start your agency you will need a business plan to show the bank. Usually a business plan is made up of:

- An Executive Summary
- A Business description
- Marketing Strategies
- Competitive analysis
- Operations and management plans
- Financial statements

I have an example of a Business Plan and Marketing Plan in my book ***Starting a Collection Agency, How to Make Money Collecting Money***. You should also include a cover or folder for your business plan. Include a title page and a table of contents. This will be very professional and impress any bank you may present it to.

You should LOVE collection work. You either love it or hate it! If you love it, you will be passionate about making your business work.

Chapter 3

FREQUENTLY ASKED QUESTIONS

Does the age of the debt make it more difficult to collect?

Yes, the older the debt is, the harder it is to collect. That is why some agencies charge more for older debts.

Is there a special software I can buy to install in my computer to skip trace?

Not that I am aware of, if you hear of any please let me know! There are a lot of online skip tracing sites you can use such as:

www.flatrateinfo.com

www accurint.com

Also always check our resources here for updated information on new sites.

What do you think about charging service charge/skip tracing charge to clients after commission?

I think that is up to the agency.

What Insurance coverage would I need?

That would depend on what state you're in and what's required. It will also depend on how large your agency is. If you are a member of The American Collectors Association, you can purchase insurance through a company they deal with that deals with collection agencies.

ACA's insurance program offers insurance packages and plans that specifically meet the needs of collection businesses. In today's litigious business environment, insurance through ACA takes advantage of group buying power for maximum asset protection.

How do you report to the major credit bureaus?

You would need to become a member of a credit bureau such as

www.equifax.com

www.experian.com

www.transunion.com

What do you mean by debt buying?

Some agencies purchase debt rather than get accounts from clients to work on a commission basis. You can check out purchasing debt at www.chargeoffclearinghouse.com . Louise Epstein has over twenty years of experience in the debt business, including executive-level structuring, issuing, managing and selling and she is very helpful and friendly.

Does NSF Check Collection does it just mean collection of bad checks?

Yes but NSF could also mean checks from a closed account.

What types of services do you include in the promotional packet?

We list all of our services in the packets we send out so potential client know what we offer and the cost of them.

Do I need to belong to American, CA Collection Association or National Trade Association?

You don't need to but I would recommend it. It lets your clients know you have integrity and have to follow the laws of the FDCPA. Being a member of The American Collectors Association gives you the following benefits:

- Tailored, accurate risk management products: insurance, bonding, and licensing services.
- On-target assistance in complying with industry laws and regulations
- Reduced rates for educational seminars, teleseminars, training programs and publications
- Access to timely information critical to success the collection industry

And also:

- Legislative and Compliance Support
- Education & Information
- Business Services
- Special Programs
- Blue Ware Media - Judgment recovery software made in Access.

Chapter 4

FORMS, LETTERS & DOCUMENTS

Following is a selection of FREE letters and documents to help you get started with your Collection Agency business. Click on the link to download the pdf format of each form.

1. Sales Letter
 2. Lead Follow-Up Letter - use this to introduce yourself and your agency to potential new clients
 3. Thank You for Becoming a Client Letter
 4. Rate Schedule
 5. Collection Placement Form
 6. Collection Agreement
 7. Final Notice
-

FREE Sales Letter

December 6, 2002

Frank's Heating & Air Conditioning
123 Main Street
Chicago IL 60614

Dear Frank Brown:

Thank you for your interest in MY Collection Agency!

When you place an account in our collection program we begin collection proceedings immediately. We charge a 25% commission on money that we Collect, if the debt is under \$75.00 or over one year old we charge a 50% commission on what we collect. The enclosed "What to do when you receive a collection notice" pamphlet is sent to all customers with the initial collection letter.

We also handle collections on customers that are past due that you would continue to do business with but that need some basic collection action taken. Either as a collection account or in our A/R Outsourcing program.

To place an account with us, simply mail or fax the enclosed Collection Placement Form. You can also call in your information or e-mail it to me@myagency.com . To place accounts online go to www.myagency.com. You can also just fax or mail copies of bad checks, statements, invoices etc. The basic information that we need is name, address, phone and amount owed. We

also offer credit reporting, skip tracing, A/R Outsourcing and a Letter Service for an additional fee.

At My AGENCY we are certain we will more than meet your needs.

Sincerely,

My Agency

Michelle Dunn
President

Click here – www.credit-and-collections.com/forms-docs/sales_letter.pdf to download the PDF version

FREE Lead Follow-up Letter

September 11, 2005

Blair Medical Center
1 Main Street
Holderness NH 03245

Dear Barbara:

I just wanted to follow up with you on the information I sent you about My Collection Agency.

Enclosed is my card, please let me know if you have any questions or need any further information.

I look forward to working with you and helping you lower your receivables!

Thank you!

My Collection Agency
Michelle Dunn
President

Click here - www.credit-and-collections.com/forms-docs/lead_follow_up.pdf to download the PDF version

FREE Thank You for Becoming a Client Letter

March 19, 2000

Bobs Animal Hospital
1 Main Street
Holderness NH 03245

Dear Bob:

Thank you for choosing My Collection Agency for your collection needs!
By the time you receive this letter your debtor has already been contacted.

Enclosed is my card, please call or email me anytime you have any questions. I have also enclosed some other information on our services as well as a Collection Agreement.

Please fill out and sign the collection agreement and mail or fax it back to us.
Our fax number is (603) 794-8503.

Sincerely,

My Collection Agency

Michelle Dunn
President

Click here - www.credit-and-collections.com/forms-docs/thank_you.pdf to download the PDF version

FREE Rate Schedule

RATE SCHEDULE

My COLLECTION AGENCY
PO Box 123
Plymouth NH 12345

Phone (603) 777-5555
Fax (603) 794-8503
www.myagency.com

COLLECTION RATES

- Collection rate is 25% of what is collected.
- Accounts over one (1) year old or under \$75.00 are 50%.
- Second Placement accounts are 50%
- Returned merchandise/equipment as payment of claim: 50% of normal fee

You will be charged if a debtor pays us or pays you directly. If the debtor pays My Agency, we keep our commission and send you the balance. Payments are sent out monthly. If the debtor pays you, you must advise us IMMEDIATELY and we will invoice you for the commission. Reporting direct payments is required by law to avoid legal issues.

Payments made directly to you will be invoiced subject to the standard rates. My Collection Agency invoice payment terms are "Payable upon receipt"

SKIP TRACING RATES

- FREE on accounts placed with us!
- Locate current address by Social Security number — Price: \$25.00.
- Locate current address by telephone number — Price: \$35.00
- Locate by name and state — Price: \$40.00

To place an account for collection online or order a skip trace online go to www.myagency.com

Call for Pricing on our Letter Service and A/R Outsourcing Programs

Click here - www.credit-and-collections.com/forms-docs/rate_schedule.pdf to download the PDF version

FREE Collection Placement Form

Click here - www.credit-and-collections.com/forms-docs/collection_placement_form.pdf to download the PDF version

FREE Collection Agreement

COLLECTION AGREEMENT

My Collection Agency agrees to the following terms and conditions:

- That all collection efforts will be carried out in compliance with all applicable federal, state and local laws.
- All monies collected will be remitted to the client with their monthly statement.
- The Client, agrees to the following terms and conditions:
- The Client agrees to report all payments, bankruptcy notices, and any and all communications from the debtor or any third party.
- Once an account has been placed for collection with the Agency, the Client will stop all collection efforts on the account.
- The Client agrees to provide copies of invoices, checks or statements that will verify the debt, if requested by the debtor or the Agency as needed.
- The Client agrees to pay any commission or court costs owed upon receipt of our monthly statement. Once accounts are placed commission is due if MAD collects, finds bill was paid previously or resolves account and client decides to write off or close account.
- This agreement shall remain in effect for one full year from the date of signing, and unless terminated in writing by either party with a ninety- (90) day notice it shall automatically be renewed from year to year.

My Collection Agency
Michelle Dunn/President

Signature _____ Date _____

Company Name _____

Type of business _____

Signature _____ Date: _____

Title: _____

Facsimile signatures shall be sufficient unless originals are required by a third party.

Click here - www.credit-and-collections.com/forms-docs/collection_agreement.pdf to download the PDF version

FREE Final Notice Letters

Sample Letter #1:

These letters should be printed on your own company letterhead.

Final Notice

[date]

[customer name]

[address]

Dear Mr. Cashless:

We have not heard from you regarding your balance of \$_____. This balance is extremely overdue.

If we do not receive payment in full within (10) ten days of the date of this letter, we will be placing your account with MAD Collection Agency.

We urge you to give this matter your immediate attention.

Sincerely,

Barbara Bucks
BABS BOOK PALACE

Sample Letter #2:

March 19, 2001

Franks Fittings
100 Bayview Avenue
Concord, CA 90012

Re: Demand for Payment

Dear Frank:

Our numerous attempts to resolve your long overdue account have been unsuccessful. As you know, your overdue balance now equals \$1,200,000.00 (which includes interest on the overdue account).

Your failure to make payment on your account may prompt us to take drastic action to collect the account immediately. We are hopeful that you will act promptly and forward payment of the outstanding amount as quickly as possible.

Interest will continue to accrue on this past due account. If you have any questions, please call my office immediately.

Sincerely,

William Clinton
President

Before sending this Final Notice creditors must know that:

- Once such a threat is made, you must follow through or you will lose credibility and the letter will be ineffective.
- This letter requests "payment in full" (PIF), do not accept payment plans.
- This letter could be faxed to demonstrate urgency.

Print this letter out on your own company letterhead and use as a final demand. Though this is not necessary, some creditors like to give a debtor one last chance before placing the account with a collection agency

Chapter 5

HELPFUL LINKS AND RESOURCES

- ▶ **Blue Ware Media** - Judgment recovery software made in Access.
www.bluewaremedia.com
- ▶ **CalliPay** - Want a credit card merchant account but can't get one because you're in collections? CalliPay has a proven track record in getting merchant accounts approved.
www.callipay.com/ccraddefault.asp
- ▶ **Collect! for Windows** - Improve your cash flow with collection software that is easy to customize to suit your needs. Financial tracking and contact management are integrated into this flexible program.
www.collect.org
- ▶ **Collections Management**- Improve your cash flow with collection software that is easy to customize to suit your needs. Financial tracking and contact management are integrated into this flexible program.
www.collectionsmanagement.net
- ▶ **Columbia Ultimate** - This software application specializes in debt recovery, collections and accounts receivable management. Automates all of your collection processes.
www.columbiaultimate.com
- ▶ **Credit to Cash Advisor** - This resource center is designed to help commercial credit, collections and finance professionals. It brings together relevant articles, bankruptcy and trade receivable statistics, country risk reports and much more.
www.credit-to-cash-advisor.com/document_2.html
- ▶ **CyberResources** - providing debt collection solutions since 1975. Our CyberCollect product is a flexible software program at a modest cost that integrates contact management, dynamic queuing, custom letters and reports, promise history, automatic dialing, and much more for the collection of delinquent and charged-off accounts.

For more information about CyberCollect, please visit www.cybercollect.net or contact Sharon Amschler with CyberResources at 800-395-9700 or softwaresales@cyberresources.net

- ▶ **Data-Tel Info Solutions** - Predictive Dialer, Call Center & Debt Collection Software Technology. Data-Tel is a leading provider of advanced call center software, debt collection software, CRM

software, predictive dialing, call recording, monitoring, and evaluation solutions. All our features are also offered over the Internet including our predictive dialer with Voice over IP - VoIP.

www.datatel-info.com

- ▶ **First Detroit Corporation** - News, Research & Expert Analysis of the Debt Collection Industry.
www.firstdetroit.com
- ▶ **Internet Transaction Solutions**- Our mission is to enable billers to efficiently achieve the substantial benefits of Total ePayment Solutions.
www.transactionsolutions.com/index.html
- ▶ **Online Women's Business Center**
www.onlinewbc.gov
- ▶ **National Payments**- Checks by phone and Credit cards and they will do business with collection agencies. Call 949-722-7755 and ask for Peter Hoyt.
www.nationalpayments.com
- ▶ **Teledata Communications Inc.**- TCI Credit offers real time, on-line consumer and commercial credit retrieval, decisioning, and workflow automation for small and mid-sized consumer and commercial lending institutions.
www.ticredit.com

Chapter 6

CONCLUSION

Thank you for downloading this free e-book. I hope the information was helpful to you. Please email me with any comments or suggestions so I can keep making this free e-book better – [**michelle@michelledunn.com**](mailto:michelle@michelledunn.com)

If you are starting your own agency and need more information, please **click here** to join

¢redit & Collection\$

for free resources, information and a group of over 600 members knowledgeable about Credit & Collections to network with.

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Michelle Dunn