

Your Own Recession-Proof Collection Service

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Your Own Recession-Proof Collection Service

A collection agency is a business that collect bills, NSF (non Sufficient Fund) checks or debts for individuals or other businesses.

One type of collection agency merely collects funds WHEN DUE on behalf of an absentee owner or company; the other specializes in collecting overdue accounts-- those the debtors apparently do not intend to pay. The former is the easiest, but doesn't pay as well as the latter because there is less work and more competition.

The second type is the most lucrative to the entrepreneur. If you are one of those who isn't comfortable being a "nice guy" all the time, this could be it! A collection agency is a business that offers a good income with hardly any investment and minimal direct public contact.

Every locality needs a good collection agency. There are people who simply won't pay their bills unless and until they believe they must. The companies owed haven't the time, expertise or determination to collect from people who don't pay their bills when due.

Often the company person responsible for collecting overdue accounts has other responsibilities that require a sunny disposition and the customer-is-always-right attitude.

In fact, most who are appointed to this position are former clerks who are simply asked to start collecting overdue accounts. Sometimes a clerk is simply given this duty as an additional responsibility. These people seldom make good collectors.

Individual companies usually soon become frustrated and willingly turn their delinquent accounts over to a lawyer or collection agency. In either case they will then get back only a part of the original debt, if anything at all.

Their only other choice is to forget (therefore, forgive) the debt, which encourages the non-payers to continue their practices -- and perhaps even tell their friends.

Since a collection agency specializes in the collection of legitimate debts and is so much concerned with keeping a "nice guy" image, they are more successful

They have a collection plan: a series of letters and/or phone calls, each a little more demanding; they can go to small claims court, contact the district or county attorney, or forward

information to credit agencies in the area.

In practice, most agencies have a varied approach, such as the initial notification by an official looking letter. This is followed in a few days by a phone call, and then a registered or certified letter referencing the first two contacts. Next, there may be a personal visit by a representative to try and "save their credit."

They learn to use every legal means of collecting delinquent accounts and usually collect at least part of most accounts. Financially, they do quite well -- their fees average about half of the money they collect. Interestingly, the collection agency receives its share first, because they do the collecting.

Potential customers are any business or individual that gives credit; the drug store, dentist, travel bureau, even bank and lawyers (very few lawyers handle collections).

Don't overlook the private sector (just be sure the debt is legitimate). Maintaining a small ad in the paper (better still, the phone book) is a good way to keep your name handy for those who discover they have overdue or "uncollectible" (to them) accounts on their books.

A quick review of the situation should tell you if the debt is legitimate and a good prospect for you. You need a signed contract for every debt. The contract authorizes you to collect the debt and to take whatever legal actions that may become necessary to do that. Your contract should make provisions for lawsuits -- that is, you will recommend when such action should be taken, but will do so only at the direction of the client (he is responsible for the cost). The written and signed contract also serves as your proof that the debt is legitimate.

The first step in starting a collection agency is consult a lawyer to learn the legal do's and don'ts in your state (this is very important).

There are federal controls and harassment laws in many (some are quite stringent) states concerning things like what time of the day calls can be made, which statements and representatives can or cannot be made legally, which information you must treat as confidential, plus any special steps a collector must take in your state to avoid being liable.

You must be aware of ALL the rules because some of those habitual delinquents are EXPERTS! While at the lawyer's office, have him recommend contract working about fees and your legal appointment as the agent for the specified debt collection, including authorization to use your best judgement in settling the debt.

Collection agencies routinely have the right to reach an agreement with the debtor for a settlement when they believe it is the best thing for the client (something is better than nothing). The experienced collection agent can recognize situations where settlement is the only practical answer, and most clients understand this. In this case, the collection agent also serves as an arbitrator. A tip for the lawyer's office: It is usually cheaper for a lawyer to "look over" an existing contract than to write an original. Therefore you should write (or obtain) a contract that sounds good to you then ask the lawyer to look it over. They will still charge a fee for their time and expertise, but it is usually much lower than if they had to start from "scratch."

If you draft a contract that the lawyer edits and the fee ends up being half of what it would have been you if he (or his secretary) drafted it -- they, you and the lawyer have split the fee (you made as much as he did).

Your collection fee is usually a fixed percentage of the amount collected, the actual percentage varies with the age of the debt and the debtor's availability.

It can also be a percentage plus expenses, if they are out of the ordinary (make these arrangements in advance). Collection fees normally range from 35 to 50 percent of the amount collected, regardless of whether all the debt is collect, or if there is a settlement.. The lower percentage is for debts less than six months in arrears and the highest for those over a year overdue.

You will need an office (at least a telephone, desk and files), business cards, and advertisements in the paper and phone book (under Collections).

Have brochures that describe your service and ask interested parties to contact you for consultation at their convenience. Mail or distribute (in person whenever possible) your brochures in your area.

Arrange with the Chamber of commerce to when new businesses open, so you can stop by and meet them and leave a brochure.. Contact all local credit bureaus that are not also collection agencies and offer to work with them -- they could be a valuable referral source. Call on as many individual businesses **IN PERSON** As possible to explain first hand, your services and answer their questions. Always leave your card or brochure.

Later on, when you have enough business, you can hire someone on a commission basis,, to solicit accounts for your service.

If you feel some experience in this area would be good, try soliciting collection accounts for local or mail order collection

agencies -- or get a job with an agency making collection calls by phone.. A few weeks of this type of experience would be equivalent to a fairly expensive school.

a variation or sideline of the collection business could be a repossession service. In fact, your contract and licenses may cover both.. Actual recover a vehicle on a commission basis; another with a truck up large appliance.

Check with banks, finance companies, furniture and appliance companies -- especially the small ones who are not likely to have their own means of repossession. It may also be possible to offer a credit referral service, but ask your lawyer first about what information you are allowed to divulge and under what circumstances in your state.

We get pretty mad when someone owes us money, but we must remember that debtors have rights too and that not all lenders are totally honest either.

Tip: Consider having your business cards printed either on Rolodex stock (fairly expensive), or getting a rolodex type cutter that you can use to notch your cards. Then, put an attention getting line, logo or color on the top of the card to attract attention. When secretaries put these cards on their Rolodex files, your card will "pop out" at them.

The major potential problem area in this business is violating the law. Most people who get behind in their payments are law-bidding citizens who are truly sorry they haven't paid. It is very easy for a collector to go beyond the law with them and they don't complain.

However,, all it takes is one to document your illegal actions and you are in trouble! For example, in some states it is illegal to dun the debtor after he officially advises the collector to stop calling or sue.

The way to avoid this problem is to follow the previous advice about checking with a good lawyer on just what is not legal in your state currently. By doing so, you can reap the benefits of a good business without suffering needless losses. The bottom line is that debtors are legally responsible to pay debts they incur and that lenders are allowed to appoint representatives to collect those debts if they are not paid in accordance with the agreement.

In most cases, the merchant who gives credit oriented to selling -- not collecting. This creates a need (opportunity) for someone willing to specialize in collecting overdue accounts. Is that you?

BUSINESS SOURCES, 781 W. Oakland Park Blvd., Ft Lauderdale, FL 33311. Sells a "course" in debt collecting for \$60, which is refund if you become one of their agents and send a minimum amount of contracts. The agents solicit collection accounts; the company does all the collecting (by long distance telephone). Caution advised with this one.

MORGAN CURTIS ASSOCIATES, 95 Broadway, Hicksville, NY 11801. Offers training to set up a collection agency.

NATIONAL BOND & COLLECTION, 150 Wells St., Wiles-Barre, PA 18703, 717/287-6023. Wants agents to solicit accounts for their company to collect by phone.. Probably good opportunity for people in northeastern area.

METROPOLITAN FINANCE, 11298-187 W 41st St., Kansas City, MO 64111. Wants agents to solicit accounts for collection on commission basis. Kit - \$3.

QUILL CORPORATION, 100 Schelter Rd., Lincolnshire, IL 60917-4700, 312/634-4800. Office and computer supplies.

ZPS, Box 581, Libertyville, IL 60048-2556. Business cards (raised print - low prices) and letterhead stationery. Will print your copy ready logo or design, even whole card.

WALTER DRAKE, 4119 Drake Bldg., Colorado Springs, CO 80940. Short run business cards and stationery. No choice of color or style, but good quality.