

# Stop Working Worthless Accounts

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For the last couple of years it seems that the collection industry has been squeezed from all directions. Our clients are coming from one direction, demanding lower and lower fees. In the opposite direction, the economy has lowered overall collections rates. The combination of the two are making it more and more difficult to maintain profitability while meeting client expectations. Worse, we waste tons of money each year mailing letters to invalid addresses, having our collectors call bad phone numbers, and skip-tracing.

We can no longer afford to keep working our accounts this way, especially if we want to maintain a certain level of profitability. We need three basic things:

One: Good data is a must. Unfortunately, in many cases, the data we have is incomplete, incorrect, or out of date.

Two: Identifying accounts that are likely to pay, as well as unlikely to pay is crucial. Attempting to collect worthless accounts is not just a waste of time and money, it prevents us from directing our resources toward those accounts most likely to pay.

Three: Skip-tracing costs a small fortune and should be considered only when finding the debtor is likely to result in payment of the account.

Most of us are not doing these things. We simply load the accounts into our systems, mail the letters and have the collectors begin to make phone calls. When mail is returned, or we find a bad phone number, only then do we start to think about the data contained in the account. So, we send the account for skip-tracing. And we send them in bulk, rather than selectively. This way of operating our businesses is very costly and can even be a competitive disadvantage. But there is something we can do to change this.

As data is loaded into our systems, it should be validated and corrected, before a single penny is spent mailing letters or making phone calls. Accounts should then be scored, and the least collectable segment of accounts closed (or at least worked very lightly). Only the collectable accounts should be sent for skip-tracing.

Not only does this approach save money, it also allows us to concentrate our efforts on those debtors most likely to pay, increasing overall collections.

The address situation is so bad that you cannot even count on a mail return these days. "The Boston Globe recently sent out 100 letters to known wrong address. Only 50 were returned," said Dave Philipps, a suburban Chicago consumer attorney. In other words, you probably have hundreds of bad addresses, and you don't even know it.

I once found several mail returns from a small number of addresses. Upon investigation, I learned that these were addresses to homeless shelters, churches, public housing projects and nursing homes. I then searched for other accounts in our system with these addresses and found at least three times as many accounts that did not have mail returns. Obviously, attempting to collect from persons in homeless shelters, housing projects and nursing homes is a waste of time and money.

Address correction, standardization and scoring accounts with a provider who understands our industry can solve this problem.

Lower scoring accounts and those with undeliverable addresses can be closed. Higher scoring accounts can be worked and those that need better data can be sent for skip-tracing before any money is spent on mailing and phone calls. Being proactive in these matters can save time, money and headaches. Not to mention, that by sharpening our focus on accounts that are likely to pay, we can increase overall collection rates and improve our competitive standing.

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