Internal Collections Procedures

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The Second Alliance Workshop Series

Second Alliance, INC.

Campus Based Loans and Receivables

Policy and Procedure Checklist

- FDCPA – Fair Debt Collection Practices Act
- The Consumer Financial Protection Bureau
- FCRA – Fair Credit Reporting Act
- FERPA – Family Educational Rights and Privacy Act
- Student Debts in Bankruptcy
- TILA – Truth in Lending Act
- Gramm-Leach-Bliley
- Red Flag Policy
- Identity Theft
- Statute of Limitations
- Policy and Procedure Writing

- And many more

Policy and Procedure Webinars

- Past Webinar Library

- Policy and Procedures
- Collection Phone Calls, UDAAP's, and the FDCPA
- FERPA Compliance and Student Financial Services
- Making Institutional Loans A-Z Compliance
- Guarding Against Identity Theft: Red Flag Rules, and Student Awareness
- Financial Literacy 101 – Understanding Credit and Collections
- 1098-T Reporting Changes
- Account Receivables Best Practices

- Past Webinars
- http://www.secondalliance.com/events/category/client-webinars/list/?tribe_paged=1&tribe_event_display=past

Collections Procedures Planning: *The First Step*

When doing collections it is important to have a plan in place. Having and committing a Collection Plan will:

1. Make the work you do more streamlined and efficient
2. Remove the stress of making personal decisions
3. Be consistent with every student and situation
4. Make it easier to respond to complaints by students or parents about your decisions to superiors
5. Benefit the student by having a clear understanding of what is required and the consequences of non-compliance

Develop Procedures

Collection Procedures for Tuition and Fees need to be written and cover every step from billing through write-off.

Be sure to include:

- Internal billing procedures
  - Including all payment plans
  - Coding and record keeping entries
  - Varied Department responsibilities
- Decision Making Process:
  - Holds
  - Third-party referral
  - Suit
- Write-off
  - Reversal of write-off

Sample University Procedures

Current Accounts:

- Bills (or e-bills) are sent monthly to all students
  - Required Payment
    - In Full or a percentage prior to the start of the semester (School specific)
    - If required is NOT paid- --- classes are cancelled and registration wiped out
  - If a percentage is required (ie: one-third prior to the start of classes)
    - Then bills continue monthly with 1/3 due each of the first two months of the semester

Sample University Procedures

If the payments are NOT received as required:

- Holds are placed and future services including registering for classes and transcripts are restricted
- Outreach to cooperating Departments
  - Collections overseas
    - Advisors from Departments contact the student about future registration and refer to Collections or Financial Aid
    - Financial Aid looks for additional money based on “Change in Circumstances”
    - Collections makes a courtesy telephone call and e-mail contact seeking a payment plan to resolve internally before the next semester to promote continued attendance
  - Late bills (e-bills) are sent

Sample University Procedures

Current Accounts –*End of the Semester*:

- FINAL Bills (or e-bills) are sent to all with an outstanding balance
  - The HOLD is changed to a more restrictive Collection controlled Hold.
    - The Bookkeeping system is coded as delinquent
    - Collections makes a follow up calls to promote payment and keep the student in school (work with Departments and Financial Aid to retain student)

Sample University Procedures

- Then we WAIT for the next semester ….
  - After Drop/Add the system is coded as out of school and delinquent
  - Collections will then work the account actively for 45-60 days
    - Telephone calls & Letters
    - Past due Bills are sent
    - HOLDS remain in force
- All accounts that pay in full have the HOLDS removed and the student may receive University services (reregister, transcripts etc.)
- Accounts that have established payment plans are so coded and monitored (Holds remain until the debt is Paid in Full)

Sample University Procedures

The Next Step:

- All the Accounts that have NOT established payment arrangements.
  - After Drop/Add the system is coded as out of school and delinquent
  - Collections will then work the account actively for 45-60 days
    - Telephone calls & Letters
    - Past due Bills are sent
    - HOLDS remain in force
- The Review/Referral Process begins
  - A list of delinquent students who did not:
    - Pay in Full or establish payment plans (and are current)
    - Respond to Bills
    - Or e-mail
    - Or Hold Notices (2)
    - Or Letters
    - Or Telephone Calls (Courtesy and Collection)

Sample University Procedures

Collection Referral Process:

- The Director and Senior Tuition Collector meet:
  - The Receivable Situation is analyzed:
    - Based on the University Referral Criteria:
      - First Placement (new delinquents) are placed with Agencies
      - Closed and Returned Accounts are reviewed and placed with a different Agency
      - Closed and Returned after two (2) Agency referrals are reviewed for Suit
        - Based on School Criteria accounts are placed with a Law Firm for Suit

Sample University Procedures

Collection Referral Process:

- Accounts are placed based on results the previous year with Agencies that produce the best receiving more placements and more 1st Placements. *(No agency likes to see accounts they failed on collected by another agency therefore this policy promotes better results from all)*

- All accounts are coded on the system as “Third Party Collection” or “Legal Collections”

Sample University Procedures

Legal Issues:

- Accounts are Referred to a Law Firm when:
  - They have been worked by 2 Collection Agencies with NO results
  - They REFUSED to pay evoking their federal rights
  - Bankruptcy becomes an issue
  - A Written Promissory Note was executed and arrangements broken
  - The Debtor was abusive to a Staff Member (University decision)
  - Director decides direct to a Law Firm is the best alternative

Sample University Procedures

Write-Offs

Writing-off an account is an ACCOUNTING procedure and does NOT forgive a debt!

Most Universities review accounts that have been returned as “uncollectible” and code them for “write-off” after 2 or 3 years. The student record is so coded, BUT if the account is ever collected the Write-off is reversed – *this is a common accounting process.*

Collection Tips

Follow the Procedures and Timeline

- Example of a Timeline:
  - Current Students worked Internally (described previously)
  - After Drop/Add:
    - Holds
    - Final Bill
    - E-mail (promote contact)
    - Final Demand Letter
    - Telephone Call(s)

Collection Tips

Recognize National Surveys that state a first party is only effective for the first 45-75 days

- Refer to Agency #1 for 10-12 months
- Refer to Agency #2 for 10 months
- Recall and review for placement at a Law Firm
  - Litigate
- Collect or Write-off

Always note every step on the system and follow the Procedures

Collection Phone Calls

- The telephone can be your best resource as a collector.

- Keep a Regular Schedule
- Return Your Calls
- Schedule Your Telephone Attempts
- Do you or your agency use any auto-dial technology?
- Be Compliant!!
- Skip Trace Efficiently
- Making Collection Calls
- Using Scripts
- Document Your Efforts

Collection Phone Calles

- Collection Call Protocol
- Introduction
- Sale or Body
- Close
- * Appeal to Engage

Collection Phone Calles

- **Introduction**
- The Who's Who, What's What
- Elements of the introduction
- • Obtains permission to engage the discussion
- • Establishes your authority to be there
- • Prepares the recipient to receive and focus on your data

Collection Phone Calles

- **Sale or Body**
- Discussing options, objections and asserting accountability
- Elements of the Sale
- • Overcome objections
- • Handle disputes
- • Assert compliance
- • Negotiate repayment options
- • Guide, Mentor, Educate

Collection Phone Calles

- **Close**
- Reiterating what was agreed upon, What/when will happen next
- Elements of the Close
- • Confirm the arrangement
- • Confirm the next step or appointment
- • Ask if the sale is complete
- • Assert your commitment and availability

Collection Phone Calles

- *Appeals to engage

- Qualities of an appeal to engage
- Empathy
- Compassion
- Sympathy
- Humility
- Transparency
- Vulnerability
- Value
- *Accountability

Payment Plans

- You are working this account because the student either did not pay the balance due on their tuition or the have defaulted or lapsed on payments on a payment plan.
- You will need to be prepared for:

1. Standard Payment Plans
2. Financial Based Payment Plans
3. 2nd Chance Payment Plans
4. Other Variables Such as Unemployment or In-school

Standard Payment Plans

- It is good to have a set of standard payment.

1. The student feels as though they have choices and when they can choose this will cement their commitment level to the plan.
2. You can refer to these plans from policy and not personal decision. This way the student knows they are getting the same treatment as everyone else and it narrows their escape routes.
3. Payment processing and collection follow-up becomes much easier.

Payment Examples

Plan 1

1. Eighteen months with half down
2. Twelve months with a quarter down
3. Six months with zero down

Plan 2

1. Six months
2. Twelve months
3. Eighteen months

Payment Guidelines

- All Standard payment plans should begin **Immediately**
- All payment plans should be due on the same day of the month and set by Your Policy
- All payments should have the same amount of grace period

Plan Failures

- It is important to reinforce to your student that once they have committed to a payment plan that they must complete THAT plan
- You must further decide what you will do if they lapse on their plan. How many times will you allow your student to “Catch Up” or change a plan. It is less important how many changes you will tolerate than it is having this thereshold written into ***POLICY***

Financial Based Plans

- Unless your repayment options include deferment or forbearance, payment of school debt should not be optional or discretionary. It should be immediate and required. We understand that paying money is never convenient and we have all learned to either do it or suffer the consequences of non-payment.

Financial Based Plans

- If you choose and if your student can not meet your requirements for a standard plan have the student complete a **Financial Statement.**
- Your financial statement should include a list of verifiable assets and liabilities including:
- Income. You should require the submission of a pay stub or other verifiable income
- Assets. Vehicles, Savings, Checking, Property, 401k, Spouse
- Debts. This sections should be complete
- Deferrable Debts. Such as student loans to free up income or consolidation to reduce payments

Financial Based Plans

- When accepting financial statements you must already have a policy to refer to of minimum payment amounts. It matters less how liberal you are than having a defined policy.
- Example:

1. A minimum payment for a period of time (12 months we'll say) then opt for any standard plan
2. A minimum payment for a period of time (6 months we'll say) to be considered as part of a maximum period of a standard plan, (24 months we'll say)

Collection Letters

- You should decide on how many letters you will have in your series and how long you will chase a student down with letters and skip tracing.

Discussion Points

- What are the benefits of keeping your account in-house longer?
- What are the benefits of getting your account to collections faster?

Collection Letters

- Collection letters should serve a purpose. Less is better.
- Less correspondence from your office will garner more of your students attention and urgency and will be taken more seriously.
- More correspondence will foster a sense unimportance and Second Chance Syndrome.

Collection Letters

- Your letters should be purposeful and clear in their intent. They should include:

1. The introduction. This sets the stage for your purpose. A who's who and what's what.
2. The Body. This describes what did or did not happen.
3. The close. This is a statement of what is required and what will happen if that requirement is not met.

Collection Letter Introduction 1

July 7, 2013

Kerry Sneed
12 Oak Street
Dallas TX 75215

Re: #-467675920-()
Dear Kerry:

- (INTRO) We are writing you as our records indicate that your above referenced student account is now **PAST DUE**.

Collection Letter Introduction 2

July 7, 2013

Kerry Sneed
12 Oak Street
Dallas TX 75215

Re: #-467675920-()
Dear Kerry:

- (INTRO) We are writing you as our records indicate that your above referenced student account is now **SEVERELY PAST DUE**.

Collection Letter Introduction 3

July 7, 2013

Kerry Sneed
12 Oak Street
Dallas TX 75215

Re: #-467675920-()
Dear Kerry:

- (INTRO) We are compelled to write you as our records indicate that your above referenced student account is now **DEFAULT**.

Collection Letter Body 1

- (BODY) You have been given the opportunity to volunteer for a written repayment plan but to date have not opted to do so or made payment on your account.

Collection Letter Body 2

- (BODY) We have written and advised you of the seriousness of your student account but thus far you have not responded.

Collection Letter Body 3

- (BODY) We have written and advised you of the seriousness of your student account but thus far you have not responded.
- We do not wish to take any further action to collect your outstanding debt but will if necessary.

Collection Letter Close 1

- (CLOSE) If you are experiencing financial difficulties and are unable to send payment for the amount due, we urge you to immediately contact this office to discuss alternative repayment options that may be available to you.

Collection Letter Close 2

- (CLOSE) If you are experiencing financial difficulties and are unable to send payment for the amount due, we urge you to immediately contact this office.
If we do not hear from you we will be forced to take further action on your account. In addition, transcripts will not be released unless this account is brought current.

Collection Letter Close 3

- (CLOSE) It is imperative that you contact us regarding your student account. We urge you to consider the seriousness of this matter and contact this office without further notice.

If we do not receive payment due or hear from you on or before the 30th of this month your account will be sent to our collection agency. In addition, transcripts will not be released unless this account is paid in full.

Deferment and Forbearance

- You will need to if you will accept these and reasons for non-payment.
- Will you defer your debt while the student is enrolled at another institution and if so, for how long?
- Is the student aware of who's responsibility it is to obtain proof of enrollment

Deferment and Forbearance

- Will you entertain an unemployment or economic hardship forbearance and if so, for how long?
- Will you pull your account from collections if they qualify?

Discussion Points

What are the benefits and consequences of deferment, forbearance and collection removal?

Collection Agency Referral

- Do you know your agency and do you know their AGENDA?
- What is your policy on Pre-Collect?
- What is your policy on Arrearage?
- What is your policy on Rehabilitation?
- What is your policy on Consolidation
- What is your policy on Cancellation?
- What is your policy on Complaints or Post-Placement communication

Collections Plans and Procedures

Questions

Upcoming Events

Collector's Corner

The Collector's Corner is a monthly online discussion series. You are invited to join us the 1st Wednesday of every month.

We start with the top news stories from the month followed by an open Q&A where panelists and attendee's will answer questions and lead discussions on the Hot Topics of the day as they relate to Compliance, Strategy and Collections.

This will be a live LISTSERVE and the topics will be up to those who participate. New laws and rules, old requirements or just "How do you handle ____?

Please join us for one question or every month's entire discussion. If you have a topic or question let us know in advance or bring it up as we go. All are welcome to participate or just listen and learn!

Bring any questions you like. Share experiences or just listen in.

February 7th and every first Wednesday

Collections Karate Part One

February 21 @ 11:00 am - 12:00 pm

February 21st and March 21st

Cruisin' to Collections SFS Compliance and Strategy Conference 2018

July 8 - July 11

NEW YORK
NEW YORK
LAS VEGAS HOTEL & CASINO

July 8–11