Webinar 11:00am Pacific Time

Looking at the Aspects of Everything Managers Manage – People, Vendors and Internal Collections – Part 2

Vendor Oversight

What it requires

What it looks like in real life

Internal Collections

How to do it right and Fair!

Second Alliance, INC.

Campus Based Loans and Receivables

Vendor Oversight

What it requires

What it looks like in real life

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Disclaimer

* The information contained within this presentation is not legal advice and is not a full and exhaustive explanation of compliance requirements or oversight requirements. This information should not be used to replace the sound advice of your own legal counsel who has a working knowledge of your business and all its applicable state and federal laws. This information is provided for informational and educational purpose only.

Why Oversight Matters

- Vendors are a reflection of the institution
- Institutions are responsible for the actions of vendors
- Integrity of programs
- Compliance with programs and regulations
- Accountability

What Vendors?

What types of vendors do we deal with?

- Collection Agencies
- Skip Tracers
- Billing Servicers
- Payment Processors
- Payment Plans
- Law Firms
- Delivery Services

Ones we don't think about

- Phone Systems
- Shredding
- Cleaning
- Office Plants
- Coffee
- ?????

Perspective

From the Institution:

- Customer Service
- Reports
- Payments
- Consistency
- Complaints
- Reputation
- Business Partners – We're in this together
- They are the experts but we are still responsible

From the Vendor:

- Fulfill terms of contractual agreement
- Deliver expected results for institution
- Comply with all applicable laws and regulations
- Reflect favorably on client

Steps to Develop Oversight Process

Practical Experience

COHEAO Task Force on Vendor Oversight

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Checklist

- Oversight Team
- Scope of Audit
- Request Information
- Review Material Received
- Follow-up
- Update Protocols/Procedures
- Update Contracts and/or RFP
- Update Audit Requirements

Putting It Into Practice

Resources

FSA/Department of Education

- OSFA School Participation Division (Regional)
- OIG Audit Guides

Colleagues and Networks

- Colleagues/networking
- List-Serv
- Conferences
- COHEAO
- State Conferences
- Other Organizations

https://www2.ed.gov/offices/OSFAP/services/casemanagement.html

Audit guide from the Office of the Inspector General

https://www2.ed.gov/about/offices/list/oig/nonfed/sfgd2000.pdf

Thank You

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Karmen Grondin
Collections Manager

STUDENT ACCOUNT SERVICES AND UNIVERSITY BILLING OFFICE

Collections Prior to 2010

- System generated dunning letters for 4 months.
- All staff worked “Pro-Actives” which were accounts 30-60 days past due.
- Accounts referred to 1st collection agency at month 5 (1year).
- 2nd referrals year 2 for 12 months.
- Accounts written off and referred to the State of Michigan Department of Treasury.

Collections Department Est. 2010

External Collector retiring – how can we improve our collections??

- 2 Office coordinators under the manager of the Student Service Court – Split duties – one handle telephone and front-line issues, other handle collections issues.

- Great idea ☺ Promoted to Collections Manager!!!
- Internal Collector
- External Collector
- Payment Plan Coordinator

IMPLEMENTATION

Determined Job Duties for Each Person

- Internal Collector assumed all “pro-actives” from staff
  - Auto-Dialers, emails, paper letters, research into financial aid, personal contacts
- Payment Plan Coordinator – maintains all in-house past due payment plans.
- External Collector focuses on referrals, write-offs, bankruptcies, evictions.
- Me???? Supervise the above staff, handle disputes and make phone calls

Implementation #2, #3, #4 …..

- Many changes over the course of the first 2 years
- Allowed my staff to give input into the processes
- Worked closely with our Collection Agency Reps
  - Staff training session, Ask Questions
- Learned the law – FDCPA, TCPA, CFPB, etc.
- Financial Terms and Conditions
- Attend workshops and conferences
  - Added Pre-Collect Letter

ADVANTAGES OF AN INTERNAL COLLECTIONS DEPARTMENT

- Ability to Resolve Billing Issues Quickly
  - Staff has more in-depth knowledge of issues
  - More frequent contacts to overdue account holders
  - One area that handles the fraud complaints
- Creates a Team Approach
  - Able to control information delivered
  - Monitor that all collection laws are being follow
  - Give your staff the ability to make exceptions
  - Support your staff – retains your staff
- Increase Knowledge of Federal and State Collection Laws
  - Make use of conferences, workshops and your agencies

ADVANTAGES OF AN INTERNAL COLLECTIONS DEPARTMENT

- Establishes a Written Collection Policy
  - Maintains the Terms and Conditions/Financial Responsibility Statement
  - NACUBO – Plug and Play
    - https://www.nacubo.org/News/2018/5/NACUBO-Updates-Guidance-on-Financial-Responsibility-Agreements
  - Define all actions to be taken
    - Suspension of Services, Registration and Transcript Holds, Eviction, External Collections
- Manages All Outgoing Documents
  - Review and update all system generated documents
  - Supplement School Generated Letters
  - Be consistent in delivering the statements
  - Make use of your General Counsel

Metrics – How Are We Doing????

First Year Statistics FY12

Payment Plans	FY12	%
Total Dollar	$ 1,917,389.04	
Total Collected	$ 824,493.79	43%
Total Referred	$ 148,444.52	8%
Collection Agency Referral FY12		
# Accts Referred	1365	
Dollars Referred*	$ 3,131,312.84	
*includes collection costs		
Write Offs - Uncollectible FY12		
Dollars Written Off	$ 3,279,755.78*	
CMU Payments	$ (25,565.79)	
State Payments	$ (518,767.83)	
Net Write-Offs	$ 2,735,422.16	

Last Year's Statistics FY19

Past Due Payment Plans	FY19	%
Total Balance	$2,009,151.39	
Total Collected	$ 975,825.79	48%
Total Referred	$ 350,999.30	17%
Collection Agency Referrals FY19		% Change
# Accts Referred	1097	33% Reduction
Dollars Referred*	$2,613,843.12	41% Reduction
*includes collection costs		
Write Offs - Uncollectible FY16		% Change
Dollars Written Off	$ 1,551,345.22	47% Reduction
CMU Payments	$ (16802.79)	
State Payments	$ (705,007.87)	
Net Write-Offs	$ 829,534.56	60% Reduction

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Methods to Calculate Rate of Return

Annual Tracking of Referred Accounts

FISCAL YEAR TOTAL ACCRUED PLACEMENTS BY MONTH (GRC)		NUMBERS/DOLLAR AMOUNTS			
FISCAL YEAR	MONTH	NUMBER OF ACCTS PLACED MONTHLY	DOLLAR AMT OF ACCTS PLACED MONTHLY	TOTAL NUMBER OF ACCOUNTS PLACED for month	TOTAL DOLLAR AMOUNT OF ACCOUNTS PLACED*
FY12	Jul-11	0	$ -	0	$ -
FY12	Aug-11	110	$ 203,525.00	110	$ 203,525.00
FY12	Sep-11	80	$ 140,410.00	190	$ 343,935.00
FY12	Oct-11	0	$ -	190	$ 343,935.00
FY12	Nov-11	89	$ 129,144.00	279	$ 473,079.00
FY12	Dec-11	0	$ -	279	$ 473,079.00
FY12	Jan-12	0	$ -	279	$ 473,079.00
FY12	Feb-12	142	$ 254,874.00	421	$ 727,953.00
FY12	Mar-12	0	$ -	421	$ 727,953.00
FY12	Apr-12	219	$ 1,071,156.05	640	$ 1,799,109.05
FY12	May-12	0	$ -	640	$ 1,799,109.05
FY12	Jun-12	70	$ 176,189.05	710	$ 1,975,298.10
FY12	TOTAL	710	$ 1,975,298.10		
FY12	COMBINED AGENCY TOTAL			1365	$ 3,131,312.84

Annual Comparison

MONTHLY PLACEMENT OF ACCOUNTS AT OUTSIDE COLLECTION AGENCIES					
AGENCY	FISCAL YEAR	TOTAL # PLACED	TOTAL $ PLACED	TOTAL PLACED-NUMBER	TOTAL PLACED-AMOUNT ***INCLUDES COLLECTION COSTS OF 23%
Agency 1	FY12	655	$ 1,156,014.74		
Agency 2	FY12	710	$ 1,975,298.10	1365	$3,131,312.84
Agency 1	FY13	595	$ 1,597,585.15		
Agency 2	FY13	559	$ 1,367,843.92	1154	$2,965,429.07
Agency 1	FY14	449	$ 1,045,880.57		
Agency 2	FY14	583	$ 1,503,494.05	1032	$2,549,374.62
Agency 1	FY15	467	$ 1,344,085.61		
Agency 2	FY15	483	$ 1,251,233.85	950	$2,595,319.46
Agency 1	FY16	440	$ 1,103,028.31		
Agency 2	FY16	469	$ 731,589.06	909	$1,834,617.37
Agency 1	FY17	606	$ 1,327,538.86		
Agency 2	FY17	462	$ 1,037,758.04	1068	$2,365,296.90
Agency 1	FY18	731	$ 2,011,312.28		
Agency 2	FY18	566	$ 1,387,165.21	1297	$3,398,477.49
Agency 1	FY19	435	$ 822,342.63		
Agency 2	FY19	145	$ 263,229.78	1097	$2,613,843.12
Agency 3	FY19	99	$ 301,750.48		
Agency 4	FY19	216	$ 618,298.40		
Agency 5	FY19	202	$ 608,221.83		
GRAND TOTAL REFERRED		8872	$ 21,453,670.87		

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$ MONTHLY PLACEMENT AND RATE OF RETURN

AGENCY	MONTH	TOTAL CLOSED AND RETURNED BALANCE	MONTHLY AMOUNT PLACED	TOTAL LISTED AT AGENCY (INCLUDES COLL/COSTS)	TOTAL DOLLARS RECOVERED	MONTHLY AMOUNT CLOSED BY CMU	TOTAL AMOUNT CLOSED BY CMU	AGENCY STATED AVERAGE RECOVERY RATE (F/(E-C)	AVERAGE RECOVERY RATE OF TOTAL PLACED (F/E-G)	CURRENT NUMBER ACCOUNTS LISTED	CURRENT AMOUNT LISTED	PYMTS COLLECTED	MONTHLY RATE OF RETURN (M/L)
Agency 1	July	$4,447,440.32	-	$6,635,776.69	952,954.07	$2,050.00	$359,868.82	43.55%	15%	382	$914,884.29	$32,612.04	4%
Agency 1	Aug	$4,464,450.78	$99,300.64	$6,735,077.33	961,236.61	$10,025.67	$369,894.49	42.33%	15%	384	$918,776.31	$8,282.54	1%
Agency 1	Sept	$4,556,078.32	-	$6,735,077.33	968,704.10	-	$369,894.49	44.46%	15%	369	$894,253.14	$7,467.49	1%
Agency 1	Oct	$4,580,400.14	$46,492.71	$6,781,570.04	985,250.23	-	$369,894.49	44.76%	15%	372	$874,019.04	$16,546.13	2%
Agency 1	Nov	$4,629,781.74	-	$6,781,570.04	991,913.51	$298.07	$370,192.56	46.10%	15%	367	$865,787.95	$6,663.28	1%
Agency 1	Dec	$4,633,331.19	$117,436.43	$6,899,006.47	997,571.62		$370,192.56	44.03%	15%	300	$746,027.43	$5,658.11	1%
Agency 1	Jan	$4,739,242.28	-	$6,899,006.47	1,004,571.01	$1,025.00	$371,217.56	46.51%	15%	333	$811,562.30	$6,999.39	1%
Agency 1	Feb	$4,754,964.27	-	$6,899,006.47	1,012,195.48	$365.78	$371,583.34	47.21%	16%	270	$630,718.79	$7,624.47	1%

DO I REALLY NEED A PROCEDURE MANUAL?? YES!

Advantages

- Time Saver
- Training Tool
- Decreases Mistakes
  - It's like the telephone game ☺
- Holds Employee Accountable
- Keeps Organization Knowledge
- Centralizes Business Knowledge
  - Anyone should be able to step right in and do the job

* http://www.amandawhetstone.com/blog/why-you-need-job-procedure-manuals-how-to-create-them-your-free-tutorial

How to Get There

- How Will You Share It?
- Create a Template
  - Consistent Format
- List Out All Positions
- List Tasks By Position
- Outline Each Task
- Start With the Purpose

- Procedures for Dummies
  - Limit the Words
  - Use Screen Shots
    - Better to have 10 pages of an easy to read written procedure over a 2 page, single line document
- Review, Test, Revise
  - Have someone test it that has no idea how to do it

* http://www.amandawhetstone.com/blog/why-you-need-job-procedure-manuals-how-to-create-them-your-free-tutorial

Collection Tools

- Expand Tuition Payment Plan Offered by 3rd Party
  - Are there other options? Year Round, Summer
  - Increase Enrollment Fee
- International Collections
  - Find a collection agency that specializes in international collections
  - Work with departments to limit the risk
    - Make students prepay their tuition or have a down payment
    - Limit charging privileges to necessary items only
    - Prevent receipt of diploma and transcripts for past due accounts
- Financial Aid Chargebacks
  - Restrict financial aid to disburse only after classes have started
  - Success Coaches – interact with students who may be high risk
  - Start a financial wellness program. Who manages it?

Collection Tools

- Make Use of Your School Resources
  - Financial Wellness Program
  - Require departments to collect W9
    - Police Department
    - Health Services
    - Library
    - Alumni Services
    - Accounts Payable (do you owe them money)
    - Academic and Athletic Advisors
    - Faculty
  - General Counsel
    - Employees – Wage Garnishment
    - Pre-Collect Letters

Pre-Collect Letter

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Office of the General Counsel
1303A West Campus Drive
Mt. Pleasant MI 48859

FINAL DEMAND

March 3, 2016

«First_Name» «Last_Name»
«Address»
«City», «State» «Zip»

Campus ID Number: «Campus_ID»

BALANCE DUE IF PAID BY March 22, 2016:	**$«BALANCE»**
PENDING COLLECTION COSTS IF PAID AFTER March 22, 2016: (23% of balance due)	**$«Collection_Costs»**
TOTAL BALANCE DUE IF REFERRED TO A COLLECTION AGENCY:	**$«TOTAL»**

Dear «First_Name»,

Please be advised that your account has been turned over to our office in a final attempt to collect the debt that you owe to Central Michigan University. This is a demand for payment in full in the amount of $«BALANCE» as listed above.

Collection Tools

- Auto-Dialers – One Call Now, DialMyCalls
  - Web Based – Record Message, Import Contacts and Run
  - Saves Reoccurring Messages for later use
  - Cost Savings - $.06 to $.15 per minute or Monthly Plan
  - Reporting Available – Who Answered, Voicemail, Bad #s
  - Do Not Call Option – Company will no longer dial that #
  - Easy to Record Messages
  - Male Voices Deeper, More Authoritative

Collection Tools

- Cross Training Staff
  - All Staff are Collectors
    - Financial Aid Knowledge
    - Decision Making Abilities
    - Remove late fees
    - Establish payment plans
  - Give Knowledge to Other Departments
    - It doesn’t mean they advise the students but they understand the process
  - Relieves Stress
    - Duties can be completed even if open position

Collection Tools

Second Alliance Website

- Provides Links to FCRA, FDCPA, DOE, FERPA
  - Found under Industry Links
- Online Training Events
  - Webinars
  - Past Webinars
  - Financial Literacy Program
- Local Training Events
  - They come to your area
  - Ability to have your staff attend
  - He may come to your school for on-site training

WHAT REALLY WORKED FOR CMU???
THINK OUTSIDE THE BOX

- Someone monitoring all accounts - reduced “lost” accounts.
  - I can spot issues by looking at various reports.
- Not being afraid to implement ideas and then scrap them.
  - Past due payment plans – process reworked multiple times.
  - Pre-Collect Letter – Idea stems from an agency at a conference
- Suspension of Services – Cellular Service, Charging Privileges at Bookstore
- Pre-Payment Holds
- Tuition Deferment Program
  - Those students that get reimbursed at the end of the class
  - Good opportunity to get a new 3rd Party Account

What's next????

- Out of State Students Referred to the State of Michigan Department of Treasury – WHY?
  - Reinstated 2nd referrals for out-of-state students
- Tighten Up Terms and Conditions/Financial Responsibility Agreements
  - Change "collection costs" to "collection fees"
  - Where and how do the students agree to the T&C
  - NACUBO – Plug and Play
    - https://www.nacubo.org/News/2018/5/NACUBO-Updates-Guidance-on-Financial-Responsibility-Agreements
- Non-Student Collections – collect more information
  - Require an W9 for all customers – collects Federal ID #

Questions?

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Thank You!!!