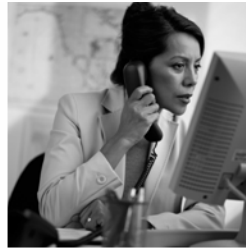


The Complete Collection Manager

*The Ultimate Sourcebook for
Running Your Collection Floor*



Christopher Coelho

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About the Author

Christopher Coelho is an author, a career collection management professional, and the president of VISTA Consulting. He's been a top manager in the collection world for more than thirteen years. With his outstanding leadership, training, and characteristic insistence on excellence, Chris has managed to transform every organization with which he's been involved. His articles have appeared in numerous collection industry trade journals, including *Collector Magazine*, *Collections and Credit Risk*, *Collection Advisor*, *InsideARM*, *Business Credit Magazine*, *Collector's Ink*, and *Southwest Collector Connector*.

VISTA Consulting is an independent consulting firm providing concrete solutions for collection professionals. With creditors re-emphasizing in-house collection efforts, increased competition among collection agencies, and the rising costs and decreasing margins of the debt-buying business, collectors of every stripe are having to do more with less. Chris created VISTA Consulting in 2006 in order to meet that need. VISTA allows collection agencies and departments to add critical expertise when they need it, instead of putting it on their payroll. VISTA Consulting is a member of ACA International, the Association of Credit and Collection Professionals.

This book, *The Complete Collection Manager*, is the sum of Chris' expertise and experience in collection work. It's intended to provide collection professionals with the training and the tools they need to achieve the money mission, keep their organizations safe and thriving, and to handle their collection personnel professionally and effectively. It, along with VISTA's acclaimed consulting services, are designed to help collection agency owners and managers turn challenges into triumphs.

You can contact Chris by e-mail at chris@vistaknows.com, or visit www.vistaknows.com for more information.

Dedication

For Alice,

Who gives everything.

And for Pa,

*For though the old oak does not grow, or obtain more life, he is tall and tough
still.*

Foreword

The collection business is a little like the Wild West. We've got good sheriffs, deputies, *federales*, banditos, and plenty of gunslingers. But we're all after the same thing—that astronomical bankroll, guarded by federal marshals, that's just about to pass through town on a steam locomotive. We're going to do whatever it takes to grab those greenbacks—or die trying.

If you're one of the sheriffs—a creditor or a collection agency owner, either a veteran or new to the business—then you know how hard it is to find a deputy who'll have your back—who won't switch sides, or get out of Dodge when the going gets rough, or need to have his badge taken away for getting drunk in the saloon. For you, this book is an exposé: a manifesto that tells you exactly what your deputy should be and should do every day he or she is on your payroll. It tells you how your collection floor should run—should *really* run, from policy and procedure to actual negotiations to training and motivation, to give you the best chance at grabbing that bankroll. Not just the principles and grand ideas you already know, but the actual methodologies, techniques, skills and *mindset* that makes a collection manager—one of your most highly compensated employees—the best deputy you could ask for.

And if you're a collection manager—or aspiring to be one—then you and the author of this book have had a similar experience. You've ridden into town and found everything in a state of chaos. You've been charged with the daunting duty of turning the sheriff's vision of a prosperous and law-abiding settlement into a reality—with nothing else but your wits, your sense of fair play, and your six-shooter. For you, this is a sourcebook and guidebook, a map that *really* gives you the lay of the land. It tells you where the banditos are hiding, who the gunslingers are, and how to stay on the right side of the *federales*. To be more precise, it tells you how to manage your collectors—from hiring to discipline to termination and everything in between. It tells you what to look out for in the laws—not just the FDCPA, but *all* the laws—to avoid painful regulatory complaints and lawsuits. It arms you with references—contests, key concepts, and summaries of state laws and legal doctrines. It fortifies you with techniques for discipline, communication, and for navigating change. It hands you the twin “firing-irons” of reporting and metrics, revealing key performance indicators and formulas that can tell you everything you need to know about what your staff is doing—or not doing—out there in the showdown that is the collection floor. In short, this is the book that has long been missing from the world of receivables management. This is the book that actually teaches you how to do your job—and do it well.

But whether you're a creditor, an agency owner, a collection manager, or an up-and-coming collector—one of those gunslingers mentioned above—you'll find everything you need in *The Complete Collection Manager*. Now you've got the information at your fingertips. Now you can get that bankroll, and if you do it right, the banditos and the *federales* can't stop you. Now it's up to *you*.

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A Brief History of Credit and Collection

“Words pay no debts.”

WILLIAM SHAKESPEARE
THE HISTORY OF TROILUS AND CRESSIDA, ACT III, SCENE II

You can’t get blood out of a turnip!” cried the frustrated gentleman on the telephone just before hanging up. His observation was hardly original, perhaps, but true. A debtor who can’t pay can’t pay, and no amount of discussion—or even legal remedy—can change that. As a colleague of mine once wittily remarked, “all you get when you squeeze a turnip is a *dead beet*.”

But as creditors throughout the ages have discovered, oftentimes debtors who *can* pay *won’t*, at least not without some persuasion. Enter the professional debt collector. He’s a specialist in identifying and squeezing the juicy turnips, ripened to perfection. With his expert help, the creditor will soon be enjoying a tall, ice-cold, refreshing glass of turnip juice.

As long as there’s been exchange, there’s been debt. And as long as there’s been debt, there’s been debt collection. Debt collectors, in one form or another, have been a necessary part of society since long before the existence of money as we know it today. The tradition is a long (if not always honorable) one. But learning about the role credit and debt have played in history may give you a sense of your place in that long tradition. It may even change your perspective on who you are, where you’ve come from, and what you do every day.

Throughout history, changing ideas about property have propelled the evolution of human society. The idea of producing and possessing a thing, of deriving a benefit from its intrinsic value, is a significant human achievement. It was the creation of tools which allowed our species to survive the Stone Age. The next step, exchanging a thing with someone else for a more useful thing, is even more remarkable. The invention of trade allowed us to create societies.

But the notion that things can be useful beyond their intrinsic value, that they can produce an income if loaned at interest, is perhaps just as profound. This unique and powerful driver of change—finance—allowed the development of commerce and consumerism, which in turn has created the mega-economies of the modern world.

Key Concept: Borrowing, Lending, and the Evolution of Modern Society

As a debt collector, you fill a necessary role created by one of the most awesome drivers of change human society has ever seen – the development of the art of finance. Throughout history, changing ideas about property along with the evolution of techniques and technologies for borrowing and lending have transformed human civilization, resulting inevitably in the mega-economies of the modern world.

The Origins of Lending

Any survey of human history begins with the Sumerians. These were an inventive and industrious people who first appeared in what is now southeastern Iraq about 7,000 years ago. Their chief advantage over other groups was that they had figured out how to irrigate land, thus ensuring a steady food supply and allowing them to settle down and remain in one place. Their stomping ground, Mesopotamia, is usually regarded the birthplace of human civilization.

We know a great deal about the Sumerians because of another handy invention of theirs—writing. The Sumerians inscribed durable clay tablets, clay being in ample supply in the river valleys in which they lived. Hundreds of thousands of these clay tablets have been found and deciphered. Probably, many more are yet to be unearthed.

But the Sumerians didn't make billions of tiny marks in wet clay in order to share their poetry, philosophy, or tabloid shockers with us. They created this trick of writing for the sole purpose of recording their financial transactions. In fact, the earliest known examples of writing are lists of livestock and farming tools from the Sumerian city of Uruk, dating from around 3100 B.C.

It didn't take the Sumerians very long to see that they were on to something big. Once records could be produced, stored, and presented to authorities, people could add a dimension to property transactions: the dimension of time. Now the Sumerians could pay later for something received today. Soon, Sumerian priests and politicians would learn to control the productivity of their people with the art of banking.

At first, banking was all about grain. Deposits and withdrawals were strictly in produce, agricultural tools, animals, or seeds. A worker would borrow what he needed at planting-time and repay with interest after the harvest. It's thought that this idea of interest—of returning more than you borrowed—came from the productive nature of agriculture and animal husbandry. If you borrow animals for a season, some will reproduce. If you borrow seeds for planting, you'll yield more than you borrow. These 'surpluses' were thought to be the property of the lender, not the borrower.

But by the time of King Hammurabi in the 18th century B.C., lending and borrowing in precious metal had become commonplace in Mesopotamia. By now, the notion of interest had evolved from the natural increase in crops or herds into a stated fee for the use of something. According to the Hammurabic Code (one of the first examples of written law) interest rates were standardized at 20 percent per annum. If the debtor didn't have any silver, he still had the option of repaying (with interest, of course) in good old grain.

Even the Hammurabic Code, now remembered for its "eye-for-an-eye, tooth-for-a-tooth" approach to legal remedy, provided protections for a debtor whose default was the result of circumstances beyond his control. The Code provided for "extensions" in the event of drought, storms, or bad harvests. These were the first "hardship plans" in the history of debt collection. Even the earliest creditors saw the wisdom of extending time to their debtors in conditions of bona fide adversity.

In Mesopotamia, such ‘agricultural loans’ were made exclusively through the Temple (the center of social activity) or through the King (who had walls and soldiers to protect deposits.) Later, private banking concerns arose. These were family businesses which acted as pawn brokers, extending loans against security, and even taking deposits.

But borrowing was a risky business. Mesopotamia had no bankruptcy courts and no refinancing. If a debtor couldn’t pay up at harvest time, the creditor satisfied the obligation by selling the debtor—and his family—into slavery.

Fortunately, Hammurabic law limited the term of debt-servitude to three years and made provision for a debt-servant to buy himself or his family out of bondage. Nonetheless, it was noted that farmers who had debts to repay at harvest time were generally far more productive than their debt-free neighbors. It seems the carrot and the stick were hard at work even in the ancient world.

Things were a little better in neighboring Elam, the kingdom just to the east. There, a debtor pledged property (such as an animal or farm implements) against the loan a creditor extended to him. Upon default, the creditor would simply seize the pledged property and use it until the loan could be repaid—if ever. However, the penalties for trying to avoid liability could be pretty stiff—including the not-so-surgical removal of the debtor’s hand and tongue. Evidently the Elamites believed that you really could get blood out of a turnip.

It had taken a thousand years or so, but people had learned to think about property in a new way. A thing was no longer just a commodity, to be used as a tool, consumed, or traded away, but a means of generating greater wealth. As a result of this evolution in thought, society had been transformed. Wealth could now be accumulated and lent at interest; new enterprises could be conceived and executed; and a greater variety of goods and services had become available.

But trade, lending, and borrowing were still cumbersome propositions. Metal ingots are heavy. Grain must be stored and then liquidated before it rots. Livestock tends to leave an unpleasant smell if left too long in your living room. The *evolution* of the concept of property had taken borrowing and lending as far as it could. It would take a *revolution* to bring them to the next level.

You Can Learn a Lot from Lydia

That revolution happened in the neighborhood of Greece, of course. And ironically, it happened long after the Sumerians had been all but forgotten.

It was the invention of money, particularly of coins, that allowed borrowing and lending to evolve into tools for building real wealth. This happened around 640 B.C. in an otherwise insignificant region of Asia Minor called Lydia. The Lydians weren’t Greeks, exactly; they lived inland, in the general vicinity of Izmir in modern-day Turkey. But they were consummate traders, dealing in expensive perfumes and cosmetics.

The Lydians had more going for them than just being the Avon ladies of antiquity. The rivers that flowed down from the mountains into Lydia were