

How to Use This Manual

Debt Collection Manual: Regulation, Law, and Best Practices is designed to assist your collections department in recovering the maximum amount for your bank from delinquent accounts. This manual can be used as a reference guide not only to answer questions but also to design strategies for future collection activity. It is organized into five sections that take you through the entire collections process. The sections are:

Precollection Considerations

Collection Techniques

Mass Layoffs, Bankruptcy

Methods of Recovery

Legal and Regulatory Issues

The first section, Precollection Considerations, provides an overview of pertinent information that your bank should obtain when a customer applies for a loan and explains how this information relates to an account in delinquent or charge-off status. This section also contains suggestions on how to design your collections department. Arranging a department to operate efficiently can give you an edge on your collection activities and help you track delinquent accounts. Sample procedures are also included to assist you in building a successful collections department.

The second section, Collection Techniques, contains information on how to identify a problem loan or potential problem loan and how to collect on an account. Chapter 3 lists suggestions for detecting a customer account that will probably remain in the collections department for a long period of time as opposed to an account whose owner merely forgot to make his or her payment. A questionnaire is included to help you identify any problems that may be affecting the customer's ability to pay on a debt. Chapter 4 lists various strategies the bank can use to increase the amount of money recovered by its collections department and reduce the number of accounts that are sent for recovery. Sample letters and a discussion of proper etiquette when making collection calls are included as a guide to help collection personnel deal with customers who are delinquent. Finally, Chapter 5 explores different options for skip tracing — when a bank tries to

locate a customer who does not intend to repay a debt and is attempting to evade the bank. This in-depth discussion of skip tracing will assist you in finding a customer who does not wish to be found.

In the third section, Mass Layoffs, Bankruptcy, the manual describes several ways to conquer the two problems every bank faces: mass layoffs at major local area companies and bankruptcy. Chapter 6 identifies ways in which a collections manager can advise a bank of its options to prevent a corporate mass layoff from increasing the bank's delinquency ratio. In addition, the manual includes a questionnaire that allows you to determine a customer's current financial status and provides an overview of programs that can help solve both the short-term and long-term needs of your customers. Chapter 7 explains bankruptcy and contains general information to reduce your bank's losses if a customer/debtor files for bankruptcy. This chapter provides several forms and checklists to use to manage and protect your interests when a customer goes through the bankruptcy process. Full coverage of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 is included throughout the chapter.

In the fourth section, Methods of Recovery, the manual discusses when to use various methods of recovery and what you can do if an account is deemed uncollectible. Chapter 8 explains how to identify an account that may not be worth pursuing because it may not yield great returns. It also describes the information you should gather to show your bank's board of directors when you want to charge off the account. A discussion of what information should be gathered and presented to the board will assist you in identifying which accounts should be recommended for charge-off and which accounts should be pursued further. Chapter 9 offers guidance on how to use outside resources to transform accounts that have been deemed uncollectible into paying accounts. This chapter focuses on how to select a collection agency or collection attorney and provides suggestions for avoiding those outside sources that can create more problems for a bank than positive results. Chapter 10, Workouts and Settlements, discusses ways in which your bank can offer different solutions to customers' financial woes that allow customers to repay the outstanding indebtedness. Chapter 11 discusses the necessary procedures that you must follow when you repossess an automobile from a delinquent customer. Repossession is a delicate process and can present a challenge to even the most experienced reposessor. This chapter will assist you by identifying the advantages and disadvantages of repossession and execution of this decision. Chapter 12 describes the manner by which a mortgage is foreclosed and discusses the means through which a bank can offer its assistance to a customer. Offering such assistance may prevent having to use foreclosure to secure repayment of a debt.

The fifth section, Legal and Regulatory Issues, provides general information on how to use the legal process to collect on debts and an overview of relevant state laws. Chapter 13 supplies a basic analysis of the law so that collections managers can effectively communicate with an attorney or outside collection agency. Chapter 14 discusses federal and some state laws and regulations that apply to financial institutions regarding the collection on outstanding accounts.

In addition, we provide a glossary of terms pertinent to the collection process. This glossary includes legal, regulatory, and commonly used terms. The manual also has a companion CD that is fully searchable.