Choosing an Agency

The first choice in
consumer and commercial
debt collection

"Rate vs Rate of Return" when choosing an Agency

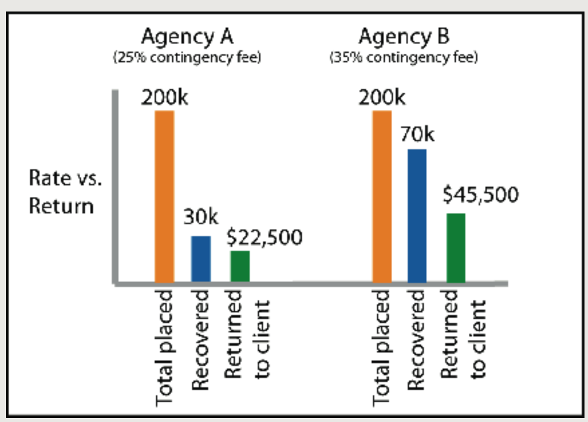
Fees are only one factor in selecting an Agency

Selecting a collection agency based upon the lowest contingency fee charged is often not the best choice. While price is a factor in making any business decision, it should not be the sole determining factor, particularly where qualitative factors also need to be assessed.

Most of us are familiar with the old adage, "You get what you pay for." Low collection rates usually result in an agency scaling back its collection efforts, resulting in what is referred to in the collection industry as "skimming" the portfolio. This happens when low contingency rates result in an agency cutting back on its collection efforts on difficult accounts to reduce expenses and earn profit on accounts more easily collected.

Instead of a low collection fee, a creditor should focus on a measure called "rate of return". Simply stated, rate of return means the amount of money to a company from accounts placed for collections after the agency has been paid its fee.

In this example of rate of return, Agency B returned $23,000 more to the client than Agency A although it had a 10% higher collection fee, 35% vs. 25%. Obviously in this example, acreditor should have chosen Agency B.



It is important in selecting an agency that you look beyond the fee that it charges and understand the resources that will be applied to collect your accounts. At Cypress Asset Recovery, we focus on all accounts, not just the easy ones. Our goal is to bring the greatest amount to our client's bottom line and to retain the good will and trust of our clients.