

# Commercial Collection Agency Certification -

## What Is Entailed And Why Is It So Important?

By Annette Waggoner



*Editor's Note: The following article has been contributed to the CRF Newsletter by Ms. Annette M. Waggoner, Executive Director, COMMERCIAL COLLECTION AGENCIES OF AMERICA. It should be noted that the certification requirements process and resulting Certificate of Accreditation and Compliance from this association currently serve as the prototype and standard for third party commercial agency membership within the Credit Research Foundation. The same will be required annually with the renewals of any member third party collection firm.*

“Are you certified?” A simple question that credit professionals should ask when contemplating the use of an outside collection agency to handle the recovery of delinquent accounts receivable. Although at first blush it seems simple, there are many facets to a superior certification program to consider, and not all certifications are alike.

To attain certification means that an agency is complying with requirements set forth by a certifying body set up for the purpose of protecting the credit community. “When we certify an agency, the agency undergoes an in-depth analysis on many planes”, commented Annette M. Waggoner, Executive Director of Commercial Collection Agencies of America.

After the agency application is reviewed, an on-site visit is scheduled. The visit may last anywhere from one full workday to a day and a half. The association conducts a thorough examination of all trust accounts, a detailed audit of all bank reconciliations, an overview of account placements and a review of the legal department files. In addition, collection and sales staff operations are assessed and key personnel are interviewed. Following the visit, additional research is performed at the association headquarters.

Because certification programs rely on business survival rate studies, either from the Bureau of Labor Statistics or the Census Bureau, an important requirement is the number of years an agency has been in business.

Once an agency is deemed certified, it displays the certifying body logo, which gives credibility to the agency name and gives certain assurances to the credit granting community.

On an annual basis, agencies must meet the following important requirements to maintain the valuable certification:

### BONDING

First, an agency should be properly bonded. Certified collection agencies must obtain a minimum dollar amount of surety bond coverage, and many certified collection agencies exceed that minimum amount. Bonds should be issued by a surety company that is rated A.M. Best A or better. A valued certification program will also encourage additional bonds, such as fidelity and crime bonds, in addition to proper business insurance policies.

### LICENSING

Equally important is that an agency is properly licensed. There are, at minimum, over twenty states that require a commercial collection agency to be licensed. A high-caliber certification program requires that agencies also be licensed or registered in the city or cities in which it has offices, if required by state or local law. According to Terri Goins, licensing specialist, there are also city jurisdictions and secretary of state registrations required in addition to state licensing requirements, regardless of agency location. For a listing of states that require licenses for commercial collection agencies, credit managers can contact Annette M. Waggoner at [awaggoner@commercialcollectionagenciesofamerica.com](mailto:awaggoner@commercialcollectionagenciesofamerica.com).

### FIDUCIARY

An integral requirement for certification is that an agency must meet certain fiduciary responsibilities, which are found in the governing documents of the certifying body. For instance, an agency must promptly remit funds to creditors, submit semiannual trust account reports and maintain separate trust accounts, keeping the clients' monies separate from operating funds.

### OPERATING

Meeting operational standards is another vital requirement. The certifying body's code of ethics serves as an additional vehicle to deliver acceptable conduct to which a commercial collection agency adheres. A few of the many examples of operational standards are that a certified agency:

- ✓ Employs professional practices which help attain maximum dollar recovery
- ✓ Conducts accounting procedures and maintains accounting records in accordance with GAAP
- ✓ Does not engage the in practice of law<sup>1</sup>

<sup>1</sup> Commercial Collection Agencies of America Certification Requirements

It should be noted that while agencies do not engage in the practice of law, they have legal or “forwarding” departments which act as liaisons between clients and creditors’ rights attorneys if litigation is desired. Acting as a conduit, these departments provide for an efficient, streamlined operation, as creditors deal with one source at an agency - not numerous attorneys across many states. The legal department is yet another place where creditors benefit from a superior certification program, which requires that agencies “in relation to creditors, identify clearly and accurately all charges to the creditor. Suit requirements (litigation costs and attorney retainers) requested by an attorney should be communicated to the creditor as communicated by the attorney.”<sup>2</sup> This requirement prevents an agency from overcharging or inflating the cost of litigation, as well as makes sure that client funds are properly accounted for during and after the litigation process.

A certification program which “is a cut above” also requires that its agencies avoid deceptive practices and vehemently disallows agencies from engaging in subterfuge, such as stating that the agency is a private investigator conducting an investigation of the debtor.<sup>3</sup> Furthermore, a certifying body should state in its code of ethics that the marketing of services must be professional and courteous, and that certified agencies not engage in any activity that brings reproach to the industry or the organization.

Certified programs may also require that agencies provide statistical data regarding account placement in order for the association to provide useful trend reports to the credit industry. Credit managers welcome these reports and often share them with their sales departments and upper management. These valuable reports are also used as training tools in the credit and collection department.

## **EDUCATION**

One of the most important certification requirements is that the agency representative fulfill continuing education classes annually. These sessions bring the agency current with new licensing requirements and laws, compliance regulations, emerging technologies and useful procedures, all of which improve processes and better protect creditors.

The agency, as an entity, earns certification. However, there is another important certification of which credit managers should be aware - individual collector certification. Once the agency is certified, it is incumbent upon its operations manager to ensure that collection and sales personnel receive the proper training to support each aspect of that agency certification program. One way to achieve that goal is to require individual collector certification.

The value such a program brings to its agency is that their collectors see it as a tangible employee benefit, the program assists in creating tenure amongst the collection staff, there

<sup>2</sup> Commercial Collection Agencies of America Agency Member Code of Ethics

<sup>3</sup> Commercial Collection Agencies of America Agency Member Code of Ethics

is less risk of the agency facing litigation because of collector error, and if a majority of the agency’s collectors receive individual collector certification, the agency can certainly be differentiated from other agencies in marketing efforts.

Benefit is also realized by the credit community when an agency certifies its individual collectors. These types of programs assure that staff is knowledgeable, competently trained and works continually to elevate the standards of the commercial collection industry.

When crafting a syllabus for an individual collector certification program, many things should be considered, including the tenure of the collectors being trained. For example, a “sampling” of courses included in the junior and senior levels of the individual collector certification program of Commercial Collection Agencies of America are:

- Code of conduct of a collector
- Key methods to achieve client satisfaction Negotiations
- A civil litigation overview
- Training on regulations such as the Fair Debt Collection Practices Act (FDCPA), Telephone Consumer Protection Act (TCPA) and various state regulations.<sup>4</sup>

One may ask if these courses are geared toward commercial collections, why cover consumer-oriented regulations, such as FDCPA and TCPA? The answer is that many times in a commercial case, the corporate principal has signed a personal guarantee and contact with the guarantor needs to be established. When those occasions arise, the collector is best suited to have full training on what can be said, or better yet, what to avoid saying.

Although the question “Are you certified?” is perhaps a simple one, attaining and maintaining certification, whether on the agency level or as an individual collector is complex, with many facets. The certifying body has the responsibility to consistently warrant that its agencies sustain a high level of proficiency, as it is crucial to uphold the professionalism of the collection industry.



### **About the author:**

**Annette M. Waggoner** currently serves as the Executive Director of Commercial Collection Agencies of America.

Her past and present experience includes:

- Executive director of Commercial Collection Agency Association
- Executive Council member of Commercial Collection Agency Association, Chair, vice chair, secretary and board member of the Midwest Region, chairing the 2010 Midwest meeting
- Vice President of Cosmopolitan Service Corporation
- President of Centurion Service Corporation
- Accounting officer at Chicago Title & Trust Company
- Business consultant, specializing in financial services to clients nationwide
- Member of International Womens Associates
- Member of the Hellenic Womens’ Philanthropic Organization

<sup>4</sup> Commercial Collection Agencies of America Individual Collector Certification Program