The Pandemic's Effect on the Placement of Delinquent Commercial Accounts for Collection

Commercial Collection Agencies of America collects and tracks the placement of commercial accounts with its member agencies by their clientele. Each agency member submits a report of its account placement on a quarterly basis. In aggregate, the report offers the number of accounts placed and the dollar value of said accounts. The submission of the reports is one of the requirements for an agency to maintain its Certificate of Accreditation and Compliance.

Why does Commercial Collection Agencies of America require this information? The Association's mission includes being a premier industry resource to credit grantors. The aggregate report is a vehicle which offers an overview of placements so practitioners may have a scope into collection activity across the discipline. Feedback reveals that this information is used in a multitude of ways: from furnishing C-level executives with reports to making a necessary case with the sales department for action….and everything in between.

Additionally, this data collection supplies our member agencies with a barometer-a wider lens into how like peers in the industry are faring.

Three indices are reviewed and compared by quarter and then compared to past years:

- ✓ *The number of accounts placed for collection*
- ✓ *The dollar amount of accounts placed for collection*
- ✓ *The resulting average-sized account*

It has been stated time and time again, that 2020 created a "new normal". Perhaps. Perhaps not. While all aspects of our day-to-day life, especially our work lives drastically changed like a tsunami, in the world of commercial collections, the waves were calmer.

The association studied each quarter of 2020 and made notations of historical statistics where applicable. It should be noted that since membership has changed, adjustments have been made to previous reports to reflect said additions and deletions of members to give an accurate comparison. Further, when historical numbers are quoted, only current members' historical numbers are utilized when analyzing placements. Our analysis historically shows that any change over eight percent (8%) is considered significant.

A LOOK INTO THE YEAR

In Q1 2020, member agencies had two complete months of "regular" activity…employees firmly planted in their routines: salespeople on the road visiting clients, collectors at their desks, with headsets on, contacting past due customers and "work from home" was more of an infrequent benefit to some. And then March happened, and most states went on lockdown within that third month of the quarter. Transitioning was immediate and seamless for all of the CCA of A agencies. With contingency and disaster plans in place, as part of compliance audit requirements, in addition to the consistent assistance of the Association, moving collectors to a home environment was not as daunting of a task as one may have thought.

In Q2 2020, all of the certified agencies were 100% in an agile work environment. Some managers sporadically went into their offices, some had a limited number of staff members in the office on alternate days and some had key accounting staff as the sole occupants of what used to be very busy offices.

Another requirement to be a Commercial Collection Agencies of America certified agency is that the agency must hold licenses in the states in which it conducts business. In most cases, agencies hold licenses in the over twenty-two states (and some cities) which require a commercial agency to do business. During Q2, the departments in each state with the responsibility of overseeing agency operations and issue licensure were creating their guidelines and each state government was issuing executive orders to communicate the new rules…sometimes weekly. For instance, in Illinois, in order for an agency to have collectors work from home, the state required the names and home addresses of each of an agency's collectors to be submitted within a short timeframe. Each state had a different set of rules. The Association updated its members daily on the changing guidelines.

A LOOK INTO THE NUMBERS

Overall, agencies predicted that placements would be at an all-time low because of the impact on their day-to-day operations. Despite the novelty of a pandemic, the agency owners and operators who have witnessed downturns previously, took the necessary precautions and were not surprised by much.

During previous economic downturns, placements are high at the beginning, but this situation was different. Many agencies were informed early-on, there was a moratorium on placements; some credit practitioners did not have the authority to place accounts and others were simply tending to emergent tasks in their credit departments and managing their remote staffs.

When we compare Q1 to Q2, we found that:

The number of claims placed with third party agencies **decreased by over 10%** while…
The dollar amount of those claims placed **increased by over 5%,** resulting in less claims but larger dollar amounts for the agencies to collect.

By Q3, some states' positivity rates began to decline to the lowest they had been since March. By late September, some agencies were transitioning more of their staff members back into their offices. Historically, the third quarter of the year registers as the quarter with the lowest *number of accounts placed for collection.* But, as with many other factors, 2020 was "different".

When we compare Q2 to Q3 we found that:

The number of claims placed with third party agencies **increased by over 5%**
While….
The dollar amount of those claims placed **increased by over 4%**
So much for history.

During Q4, agencies remained in hybrid work environments. Anecdotally, some agencies which brought back staff in the third quarter experienced Covid breakouts and were forced to transition back to a work-from-home environment once again.

When we compare Q3 to Q4, we found that:

The number of claims placed with third party agencies **increased a whopping 10.45%**
while….
The dollar amount of those claims placed **decreased by 7.76%,** resulting in a smaller average claim placed for collection.

The Association also gauged how the agencies fared at the end of the year (Q4) and compared it to the beginning of the year (Q1) "pre-pandemic."

Two-thirds of the agencies experienced a decrease in the number of claims they received while one-third experienced an increase.

Although only one-third of the agencies experienced an increase, apparently those increases were significant because they caused an **INCREASE of 4%** in the number of accounts placed with third party agencies.

Kudos to the credit community as the importance of moving aged receivables into the hands of the trusted agencies was recognized.

Finally, the dollar amount of the claims increased 1.4% when Q4 is compared to Q1.

The Association will continue to monitor and analyze the placements of its certified agencies. We will examine the indices and poll our members. The Association's agency members remain steadfast that continued good communication with their credit practitioner clients, with the emphasis on placing troublesome accounts on a regular and timely basis, which allows for a better rate of recovery, will result in the effective handling of delinquencies, no matter the "storm"…or once in a lifetime pandemic. .

A listing of agencies which hold a Certificate of Accreditation and Certification from Commercial Collection Agencies of America can be found at www.commercialcollectionagenciesofamerica.com.

Annette M. Waggoner, Executive Director
COMMERCIAL COLLETION AGENCIES OF AMERICA
P.O. Box 1695
Arlington Heights, IL 60006
847-907-4670
www.commercialcollectionagenciesofamerica.com
awaggoner@commercialcollectionagenciesofamerica.com