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COLLECTIONS: RFPS, CONTRACTS and CONSIDERATIONS

Presented By:
Ken Duncan
Senior Account Executive

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Best Practices in Collections

Ken Duncan,
Senior Account Executive
October 3, 2015

Pioneer. Performing Beyond

COMPANY BACKGROUND

- A Fortune 500 financial services company which assists governments with collections, asset management and student loans. In 2014 we helped over 2000 clients recovery over $10 Billion.
- A Division of Navient that works with Federal and State Governments to Collect Outstanding Receivables
- MSB/Gila is a newly acquired division that works with State and Local Governments collecting outstanding debts, payment processing and toll operations
- A Division of Navient that works with schools to collect various forms of campus debt.

AGENDA

Overview: Best Practices

- What is stopping us?
- The Importance of Best Practices
- Common Best Practices
- Next Generation Best Practices
- A National Perspective

Action Plan: Building a Collection Program

- Economics of Collections
- Structuring 3rd Party Collections
- Selecting a Partner/Building an RFP

According to Governing Magazine July 29, 2014

“About 1/3 of Americans Have Debts That Have Been Sent to a Collections Agency”

OVERVIEW: BEST PRACTICES

IS THERE A SILVER BULLET FOR COLLECTIONS?

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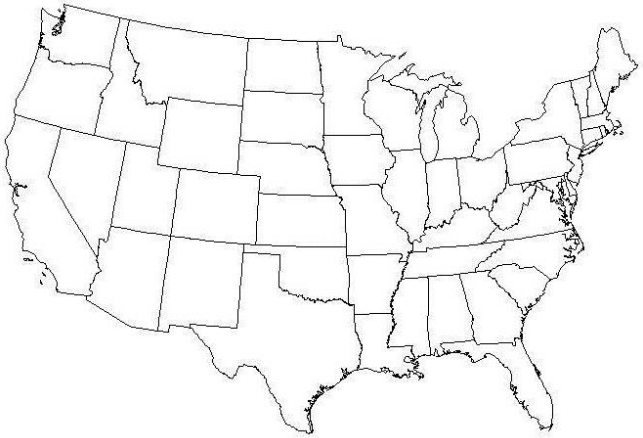
Question: Which state or county is the best at collecting tax, non-tax, and other revenues?



Answer: There is no “one size fits all” model when it comes to collections. Entities use different methods for collections, which yield varying levels of success and revenue.

PROBLEMS AND BARRIERS.

- Most government entities have a decentralized collection process
- Commodore 64s in an iPhone era
- Entity-wide system integration is needed
- Outstanding receivables not worked in a uniform manner
- Insufficient reporting capabilities and lack of measurement metrics
- Identification of known and unknown filers
- The public demands fairness…I paid mine you pay yours

WHAT IS STOPPING US?

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IN TENNESSEE

Decentralized Process

Available technology

Limited budget

Inefficient/ineffective receivable management

A complete picture of debtors outstanding obligations

Finding the debtors

The political risk of collections

NATIONALLY

Decentralized Process

Available technology

Limited budget

Inefficient/ineffective receivable management

A complete picture of debtors outstanding obligations

Finding the debtors

The political risk of collections

BEST PRACTICES ALLOW US TO…

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1) Leverage the learning from peers, partners, and experts

- Avoid making the most common mistakes, if you're going to make a mistake – be original

2) Use a standard approach to create a custom solution

- Start with a proven and established strategy and then tailor it to your jurisdiction to save time and more quickly ramp-up high performance

3) Establish a baseline so we can measure progress against our goals

- Greater compliance, reduction in shared burden, better use of constrained resources…and increased revenue

USUALLY WE'D RECOMMEND….

- Promote **strategic collections partnerships** across all levels of Government
  - Use private collectors for most difficult debt.
- Advocate for the passage of **enhanced collections legislation** from the state legislature
- When allowed by law, **added collection fees** create a sense of urgency and support increased compliance

BUT IT'S IMPORTANT TO REMEMBER

- **Online payments** and payments by phone can be convenient for the delinquent party, thus increasing the chance a payment will be made

- Whether contracting with one vendor or with multiple vendors, **performance measures** should be put in place to measure success

- Performance measures: How do you know if your collector is doing a good job?

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- **State and Local Government Level:**
  - Connect the ability to renew a driver's license to tax compliance and unpaid court cost
    - Massachusetts 1996
    - Rhode Island 2005
    - Tennessee 2010 & 2013
  - Can enter into agreements with Federal departments and State agencies:
    - Exchange information regarding outstanding debt liabilities (Treasury Off Set Program - TOP)

ACTION PLAN: BUILDING A COLLECTION PROGRAM

1. Review the Realities & Requirements
2. Establish a Timeline
3. Build an RFP
4. Evaluate and Choose a Partner
5. Test and Review

REVIEW THE ECONOMICS

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COLLECTION REALITIES

1) Collections in house have a lower tax rate, so you keep more of the money you recover

HOWEVER…

2) In-house collection resources are limited

AND…

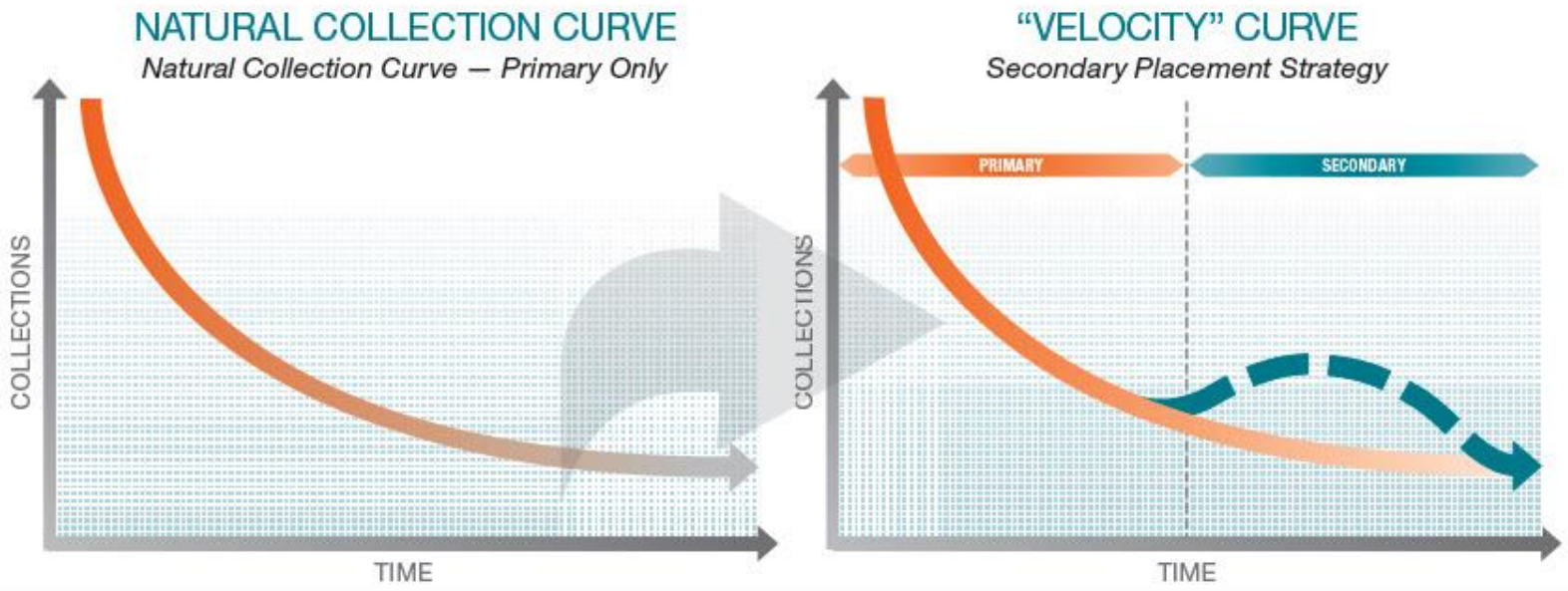
3) The older the debt, the lower the recovery rate

COLLECTION REQUIREMENTS

1) Strong compliance
2) Policy & controls aligned with applicable laws and regulations
3) Scalable operations for
    1) Payment processing
    2) Mail handling & Fulfillment
    3) Inbound calls and stop-ins
    4) Skip-tracing
    5) Discovery/Recovery
4) Dedicated Focus & Time

ESTABLISH A TIMELINE

- If you collect on your own, you “keep” more of the money due to reduced tax rate on those monies, but your recoveries **WILL** reduce over time.
- Establish a timeline that maximizes your revenue and recognized when a partner can enhance your program beyond your in-house capabilities.
- Ask yourself: ***“What are the trade-offs of doing this in house?” “What am I not doing when I spend my time on collections?” “What am I not recovering, when I keep the debt in-house?”***



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Are you currently contracting with a third party for collection services?

POLL QUESTION #2

If you are currently working with an agency, would you give them a positive reference if another government entity requested it?

POLL QUESTION #3

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What is most important to you when partnering with an agency to outsource collections?

-Fee Charged

- Revenue Collected

- Customer Service

-Knowledge of State and Federal laws, rules and regulations pertaining to collections

-Licensing and Compliance

-Technology

BUILDING AN RFP

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The purpose of an RFP is to:

1) define your specific business requirements

2) identify vendors capable of meeting those requirements

3) recognize differentiation amongst bidders to select the best suited candidate

WHEN SELECTING A PARTNER

- Best **not to rely** on **“lowest cost”** or **“lowest bid”** vendors.
  - When selecting a vendor, consider compliance, training, and the quality of the treatment provided to debtors, who are also voters.
  - Select the vendor who provides the most operational scalability to ensure maximum recoveries.

BUILDING AN EFFECTIVE RFP:

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1) Compact and organized layout

2) Defined Product/Service Requirements and Statement of Work

3) Clear and concise questions

4) Tailor the RFP

5) Communicate with potential bidders

AN EFFECTIVE RFP INCLUDES:

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1) Compact and organized layout

--The layout of the RFP sets the tone for the submission process.
--Keep it short and in an organized format.
--Objective is not to challenge or confuse the bidder but educate them on the business requirements to be met, allowing them to propose their product/service offering and capabilities that best meet YOUR needs and requirements.

2) Defined Product/Service Requirements and Statement of Work

--Require all vendors submit a Statement of Work, complete with timeline, tasks to be preformed and how the vendor proposes to measure their performance.
--Vendor capabilities that are required must be clearly defined.
--Non-negotiable items should be called out.

3) Clear and concise questions

--Ensure your questions are clear, are not redundant, and serve an important purpose.
--Break the questions up into categories.
--Develop a ranking and weighting system to prioritize requirements.

AN EFFECTIVE RFP INCLUDES:

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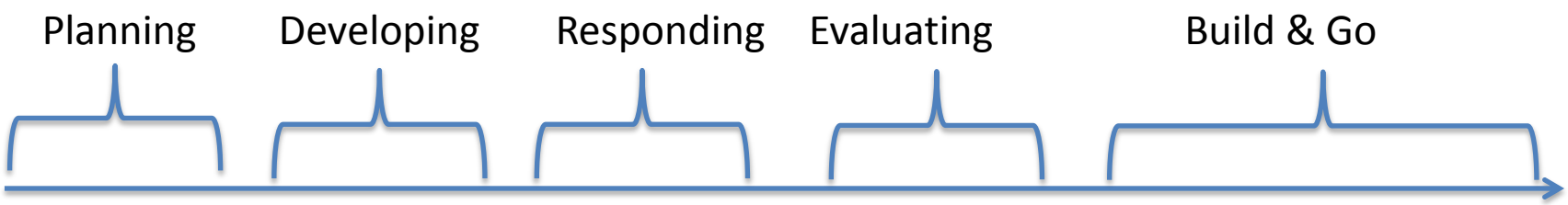
4) Tailor the RFP

--Define the your goals and objectives of the RFP
--Make the number of recipients proportional to the number of firms to be hired
--Consider asking for a non-disclosure agreement

5) Communicate with potential bidders

--Contact firms directly before sending the RFP (provides an opportunity to discuss goals and objectives)
--Allow recipients to contact us for clarifications or ask questions
--Provide a forum to get those questions answered
--Respect the confidentiality of the firms' information
--Return the proposal to the firm/s not chosen

SAMPLE TIMELINE



- Define Goals
- Define Scope
- Establish timeline
- Identify Evaluation Committee

- Gather past performance metrics
- Collection questions from stakeholders and partners
- Consider issuing an RFI to get new ideas
- Contact potential vendors to do discovery session

- Pick distribution channel
- Designate Single Point of Contact for Q/A

- Have a scorecard ready to help guide discovery
- Issue requests for clarification if desired
- Bring in potential vendors for in-person interview

- Make selection
- Designate Point of Contact for client relationship
- Work together to shape standards of performance to achieve your goals

The Ideal Collection Partner

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- Longevity in the industry
- Ethical Processes and Procedures
- Professionally Trained Staff
- Specialization in governmental collections
- Nationwide service
- Financial stability
- Professional liability
- Credentials and Compliance
- Technology
- Transparency

Questions?

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Contacts

Ken Duncan– 615-238-1582

kenneth.duncan@pioneer-credit.com

Or

ken.duncan@gilacorp.com

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QUESTIONS?

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