



The **Kaulkin Ginsberg Bulletin** is sent each month to provide you and others in the Accounts Receivable Management (ARM) industry with valuable insight, access, and information. Each issue contains actionable content designed to assist you in making strategic business decisions.

We hope you enjoy this issue. Comments are always welcome at [hq@kaulkin.com](mailto:hq@kaulkin.com).

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The U.S. government has been in the collection industry headlines a lot lately as federal, state, and local agencies alike continue the trend to outsource recovery efforts to third party collect specialists. Now that the much anticipated IRS private debt collection program has generated controversy, expect to see even more attention on this topic. To get you up to speed, Patrick Lunsford has summarized the latest developments in what may be a huge opportunity for agencies.

While we're on the subject of potential new business, our Operations Consultant, Patti Dunn, has provided some excellent information on how to develop a successful response to an RFP. And finally, if you're considering buying credit card debt, Paul Legrady shares some information from our Global Debt Buying

Report that will be helpful in assessing your options.

You may notice that we are not including our quarterly M&A Wrap Up report in this *Bulletin*. We are still producing our in-depth analysis of activity in the market, but it is now its own publication. It is free of charge, but distributed only upon request. To receive your copy of the Q106 report (delivered in mid-April); please send an email to [nfleming@kaulkin.com](mailto:nfleming@kaulkin.com).

Wishing you success in all your business development endeavors,

Mike Ginsberg  
President & CEO



**Trouble in Paradise? Issues Raised About Government Collections**



By Patrick Lunsford  
Editor, *CollectionIndustry.com*

Over the past few years, state, local, and even the federal government have learned that private debt collection agencies make great partners in assuring a steady flow of revenue. The U.S. Department of Education has long used private firms to collect on delinquent student loans; and states like New York, along with cities such as Philadelphia and Chicago, have recently hired third-party collectors for their outstanding bills. But a few recent incidents may threaten the love-fest between government and private collectors.

On Sunday, March 26, the Ohio-based *Columbus Dispatch* [ran a story](#) that accused the state's attorney general of *quid pro quo* in the awarding of debt collection work for Ohio. Lawyers who gave generously to Attorney General Jim

Petro's campaigns earned, on average, \$175,616 in state debt-collection business. Lawyers who didn't contribute only pulled in \$33,158, according to the story. In another framing of the numbers, the *Dispatch* claimed that 93 percent of the \$16.5 million of state debt collected in Ohio went to lawyers who contributed significantly to Petro's political campaigns since 1999.

Further complicating matters in the Ohio case is the fact that Petro is running for governor this year. Under the lens of intense scrutiny that accompanies such a decision, the debt collection *quid pro quo* story appears to be the first catch by Ohio media. It just happened to involve debt collectors.

On March 3, the accounts receivable management industry was treated to a [decision](#) – finally – by the IRS on which  
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## Trouble in Paradise? Issues Raised About Government Collections *(Continued)*

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firms they would use to help collect some \$1.4 billion in back taxes. But the ink had barely dried on the press release when trouble popped up. Again.

The IRS private debt collection program has been under fire since day one, so new trouble was not exactly a shock. Most of the previous shots were fired by the National Treasury Employees Union, who, under the guise of protecting taxpayers, were just trying to speak up for their members and protect their jobs. But the latest fight is being picked by those in the industry.

Two collection agencies who were heavily involved in lobbying Congress to grant the IRS the right to hire private collectors were not awarded contracts. A couple of weeks ago, both companies [filed formal complaints/protests](#) against the contract awarding. Now the Government Accountability Office, an office not exactly known for its expediency, must resolve the protests. The contracts, as such, have been put on hold for 100 days.

Meanwhile, in a story by the Associated Press on March 30, IRS Commissioner Mark Everson was quoted as saying that the private debt collection program planned by his agency will actually cost the government more than if they

went after the money themselves. These comments, in effect, bolster some of the arguments made by detractors of the program.

So is there really trouble in paradise, or are we just seeing a natural reaction to the attempt to fit the smooth, round peg of collections into the rigid square hole of government? We all think, and hope, that it's the latter. Private collection agencies have proven over and over that they are a great partner for government. As the practice becomes more commonplace, there are bound to be trouble spots, as we're seeing now. But on the whole, it is a match made in heaven.

*Be sure to subscribe to Credit and Collection Daily™ for the day's top stories delivered to your email. Subscribe at [www.collectionindustry.com](http://www.collectionindustry.com).*

### New on CollectionIndustry.com!

Are you an agency thinking of getting into debt purchasing? We assembled a panel of debt purchasers who understand the transition from a contingency-only shop to one with full debt purchasing capabilities. The full panel discussion is now [available online!](#) (Requires free registration.)  
[collectionindustry.com/leaders/panels/dp\\_agencies.cfm](http://collectionindustry.com/leaders/panels/dp_agencies.cfm)

## Winning The Account: Tips For Successful RFP Responses



By Patti J. Dunn  
Operations Consultant,  
Strategic Advisory Group

Many clients use an RFI/RFP process to identify agencies that meet their needs, but even if none of your clients request an RFP, it is a good practice to develop this material. In fact, I recommend that you keep a library of materials that are typically requested on hand and ready to use. It will save time in replying to prospective clients, enable you to respond quickly to a request, and ensure that you can have the best response ready. Since the information asked is an opportunity to capitalize on the strengths of your agency to a prospect, this exercise can also help you in developing supplemental marketing materials.

An RFP response is your company's resume – a presentation of the facts – as well as an opportunity to “sell” your agency. Learn as much as you can about what the prospective client is looking for, and then design your RFP response to fit that need. In other words, tell your prospect *exactly what they want to hear*.

Even some of the general questions can become opportunities to communicate your strengths to a prospect. Here is a sampling of questions, and suggested information you may wish to include:

### Mission, Vision, and Value Statements

Prospective clients, particularly large clients, are interested in this information because it provides insights into your culture, management philosophy, client customer care, employee care, and management discipline. Why include it? As a client I would expect you to be able to state who you are and where you are going in a set of concise statements.

### Process management systems

If not asked to provide information on process management systems, such as PPMS or 6 Sigma or some hybrid program you have developed, you may want to. Consider including the PPMS logo in your RFP if you are certified.

### Data and Physical Security

This is a huge concern for most credit grantors these days. Clients want to know you are concerned also, and are addressing security. Consider including a list all certifications: SAS 70, ISO 17799, PPMS or any independent audits or reviews. Explain all data security protocols and procedures. List all security software in use – firewalls, encryption, antivirus, password setup, etc. Describe your area access, cameras, opening and closing procedures, physical security set up: badges, building and secured etc.

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**Winning The Account: Tips For Successful RFP Responses (Continued)**

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Describe all backup procedures and storage. Lastly, be sure to describe your process of destruction of documents with confidential data.

**Disaster Recovery/Contingency Plans**

Some large credit grantors not only require disaster recovery plans but want to know the last time they were tested. Clients want to know if you have a plan first, then second, if it covers all possible disasters for your area. They will be looking for how comprehensive your contingency plans are: Do you have an alternate operating site? Do you have back up systems available?

**A description of trust account, remittance, and payment processing procedures**

Frequently these may be worded as yes or no questions, but take the opportunity to describe the sound practices you have in place. If the question is how often you remit, the best answer is to say you remit on any schedule the client requests. The remittance can be net or gross and remittance made via ACH, check, etc. Clients want to be reassured that you have a secure, controlled process for handling payments received by you on their accounts. Clients today want to know that you can accept payments via as many options as possible: ACH, checks by phone, credit card, Western Union, etc. Clients asking for an NSF rate want to understand if your rate is unusually high or unusually low – either could be viewed as a negative.

**Hours of Operation**

This may seem like a “throw-away” question, but keep in mind, the client wants to know how your hours match up with the time zone where their debtors are located and they are also comparing your information to their model of ideal collector schedules. For example, if you say you can work west coast accounts but are located on the east coast, be sure your hours of operation accommodate calling hours on the west coast. If you are willing to do so, offer to adjust operating schedules to meet their needs.

**Workflows and Explanations of Collection Efforts**

The client wants to know how their paper will be worked. If you have sufficient information about the prospect to design a specific workflow or have a current client workflow with a similar profile, use that. Include all analytics, scoring models and sort criteria you use to decide work efforts on accounts. Clients may want to know that you have a systematic plan using analytics in place. If you are not sure what that workflow should look like, giving the wrong workflow will create a negative. I once reviewed an RFP where an agency gave me a workflow for \$5000+ balances, but we placed \$500 balances. I interpreted this as the agency not understanding my business.

**Reports, scorecards, and measurements**

How you measure your collectors and their success is a pretty standard question in RFPs. What prospects are looking for is not only that you track collections, post dates, promises, etc., but that you have standards and that you forecast results as well as set goals. This is an example of a

question that frequently gets answered with a list of reports when this could be turned into a valuable opportunity to sell your indepth knowledge of collection call center analytics. The goal here is to instill confidence about your agency’s management capabilities. Think about that as you prepare your response – what will make the client come to the conclusion that you have a well-managed operation?

**Standard Scripts and Letters**

What I looked for in this question was how well the agency understood my business based on the scripts and letters provided. For example, if I told the agencies responding to the RFP that there is no litigation, no credit bureau reporting, etc., and all the scripts and letters contain that type of language, I might question how much time and attention they are giving my RFP and wonder if that will reflect on how much time they will give my placements.

**Quality Control/Quality Assurance**

I think this is an area that is frequently not given the level of attention that the creditor gives it. The creditor is looking for established, quality procedures in call monitoring, account auditing, call recordings, collector reviews, and call scoring. You may have a separate department or it may be done by ops, or both. Provide detail about all. Whether you have an existing quality program or not, include everything you do to insure that accounts are handled correctly and collectors are in legal and procedural compliance.

**Complaint Handling**

Obviously in this question, the client is looking for information that will make them comfortable that you respond, not only quickly, but investigate complaints thoroughly, and – as importantly – that you take steps to correct anything that needs to be corrected going forward, such as a procedural change or disciplinary action or both. As a credit grantor, I want to see specific and separate procedures for debtor, attorney, third-party – like the Better Business Bureau – and governmental agency (attorney general, FTC) complaints. Yes, everybody has and handles complaints, but do your procedures look more comprehensive and well thought out than your competitors?

**General RFP Dos and Don'ts****DO:**

- ✓ Use color, pictures, graphs, charts, etc.
- ✓ Send a softcopy and overnight a hardcopy. It shows your level of interest and shows the prospect importance to you as a future client.
- ✓ Include a cover letter. This is really the “executive summary.” Emphasize why you are qualified and why you want the business.
- ✓ Have multiple people in your organization read the RFP responses for accuracy and quality.
- ✓ Provide incremental or additional information even if not specifically requested in the RFP if you feel it is important to presenting your agency’s strengths.

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Winning The Account: Tips For Successful RFP Responses (Continued)

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- ✓ Think about what your agency does that is unique, is a best practice, is above average, or is exceptional.
- ✓ Lay things out clearly and concisely. Clients will like it if you make their job of evaluating the RFP easier.
- ✓ Customize your responses to the prospect's needs.
- ✓ Check your references!

**DON'T**

- ✗ Answer questions with only yes or no or one sentence.
- ✗ Have conflicting information in different sections of the RFP or in attached documents.
- ✗ Feel you have to use the client's exact RFP form. You need to answer their questions but you can reformat – but check with the client first.
- ✗ Skip a question. If you are unable or unwilling to answer a question – say *something*. For example, explain that you cannot answer the precise question because of current client confidentiality agreements but you can provide "x" information. Or you do not have an audited financial statement but you have provided an unaudited statement and would be willing to do "x" in addition.

Make your RFP response stand out from the rest. Be sure you think about why the creditor is asking each question and consider how they will view the answer. Would you be impressed with your answer?

To make your proposal as compelling as possible, remember to customize your responses to the prospect's needs. The creditor wants to feel that you took the time and effort to specifically prepare this RFP for them. That customization indicates how interested you are in their business – and how responsive you are likely to be as their agency!

**Typical RFPs request the following information:**

**GENERAL**

- Company history
- Officers
- Licensing
- Insurance
- Locations
- Memberships, affiliations, certifications, boards you serve on, awards
- Org chart and employee format
- Mission, Vision and Value statements

**FINANCIAL**

- Financial Statement
- Trust Account and Payment Processing Procedures

**TECHNOLOGY**

- Technology Description

**OPERATIONS**

- Hours of operation
- Typical account workflow and written explanation
- Typical skiptracing waterfall and scrub and skip sources
- Description of hiring practices
- Description of training process
- Description of quality control/assurance, call monitoring, and account auditing
- Description of compliant handling
- Description of employee evaluation practices
- List of typical reporting and explanations of what is measured and why

*Patti Dunn has 25+ years of professional experience in the credit and collections field. She provides consulting services to agencies, debt buyers, and creditors as a part of Kaulkin Ginsberg Company's Strategic Advisory Group. Patti can be contacted at [hq@kaulkin.com](mailto:hq@kaulkin.com).*

U.S. Credit Card Paper Remains the Mainstay of the Debt Buying Market



*By Paul Legrady  
Director, Research Group*

The debt buying market has grown more diverse in recent years, involving the purchase and sale of alternative asset classes such as bankruptcy receivables, telecommunications receivables, automobile deficiencies, and healthcare debts, as well as considerable debt buying in countries such as the United Kingdom, Germany, and Australia. Still, the purchase and sale of credit card paper in the United States remains the mainstay of the global debt buying market.

A review of the total volume of purchased paper within these segments demonstrates the ongoing importance of credit card debt to debt buyers. In the United States, alternative asset classes saw an estimated \$10 billion in face value purchased in 2005. In markets other than the U.S., debt buyers purchased an estimated \$48 billion in

face value of delinquent receivables in 2005. The U.S. credit card sector of the debt buying market saw an estimated \$100 billion in face value of delinquent receivables changing hands in 2005, taking into account primary sales from credit issuers as well as subsequent reselling on the secondary market – demonstrating that this is by far the largest and most important part of the global debt buying market.

*Kaulkin Ginsberg's Global Debt Buying Report* includes an extensive review of this sector of the debt buying market, detailing portfolio sizes, expected returns, volume, pricing, resales, and globalization trends for U.S. credit card paper. The results of this research are sure to interest both established market players and those considering the purchase of debt for the first time.

**Pricing:** Many suggest that the prices of credit card debt have reached a plateau or have even decreased since

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## U.S. Credit Card Paper Remains the Mainstay of the Debt Buying Market *(Continued)*

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the fourth quarter of 2005, given the consolidation of credit card issuers and an increased volume of paper on the market.

**Expected Returns:** Recent pricing increases have led many debt buyers to contract their expected returns from 3X to 2.5X purchase price, or lower, five years after purchasing a debt portfolio. Just a few years ago, 3X over 3 years was the debt buying market's standard expected return.

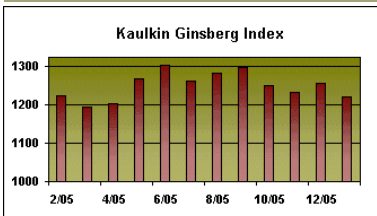
**Resale Market:** Many suggest that the resale market has contributed considerably to the development and maturity of the debt buying market. Many also suggest that limitless reselling of the same portfolio presents considerable risks to debt buyers and credit issuers alike.

These and other subjects make debt buying and credit card portfolios in particular a fascinating subject for research – and, potentially, a basis for company growth as well.

*This article was based on Kaulkin Ginsberg Company's newest research report, Global Debt Buying Report: Experts Analyze the Worldwide Debt Buying Market. For more information on this report, please visit [www.kaulkin.com/research](http://www.kaulkin.com/research).*

*As Director of the Research Group, Paul oversees custom research projects and publications focusing on the accounts receivable management industry. Contact Paul at 301-907-0840 ext. 104.*

## Bankruptcy Filings Drag Down KGI Upcoming



The Kaulkin Ginsberg Index (KGI) fell 2.8% to 1222.8 in January, weighed down by the historic rise in fourth quarter bankruptcy filings. This was a result of the new bankruptcy

laws enacted in September. More bankruptcy filings were made during that quarter than any other quarter on record at the Administrative Office of the U.S. Courts.

The KGI would have continued its upward movement had it not been for the bankruptcy statistics that have just been made public. These numbers suggest that it will be more difficult for creditors and collectors to convert receivables into cash, at least on certain accounts.

For more information about the Kaulkin Ginsberg Index, see [www.kaulkin.com/research/kgi.cfm](http://www.kaulkin.com/research/kgi.cfm) or call Paul Legrady, Director of Kaulkin Ginsberg's Research Group, at 301-907-0840 ext. 104.

## Upcoming Events

Meet us at these upcoming shows! To schedule a confidential meeting, please email [hq@kaulkin.com](mailto:hq@kaulkin.com).

### [Washington Collectors Association Annual Meeting](#) April 26-29, Spokane, WA

Michael Lamm, an Associate from the Strategic Advisory Group, will be speaking on "The State of the Industry" at this year's annual conference.

### [Collection Recovery Solutions 2006](#) May 2-4, Las Vegas, NV

Mike Ginsberg, President & CEO, and Brian Greenberg, Managing Director, will be attending this premiere event for creditors and their agencies. They will both be available and happy to discuss your interests in confidence.

### [Coming this fall:](#) [Debt Connection Symposium and Expo 2006!](#) September 6-8, Los Angeles, CA

Dennis and Judy Hammond are creating a brand new industry event - with a special focus on networking for both creditors and collection agencies. Mike Ginsberg will be kicking off the educational program by presenting the keynote on the State of the Industry. Later in the program, he will also be presenting a special session on "selling your agency in today's market." For more information on the conference as it becomes available, please visit [www.dcs2006.com](http://www.dcs2006.com).

#### **What can we do for you?**

To discuss your business needs in confidence, send an email to [hq@kaulkin.com](mailto:hq@kaulkin.com) or call us at 301.907.0840.

## About Kaulkin Ginsberg

Since 1989, Kaulkin Ginsberg has provided solutions to accounts receivable management and related business services companies. The Strategic Advisory Group provides merger, acquisition and valuation advice; operational consulting; and executive search services. The Research Group produces industry-specific publications and custom research products. The Kaulkin Ginsberg family of companies also includes Kaulkin Media, publisher of the

most popular sources of industry information such as [CollectionIndustry.com](http://CollectionIndustry.com)™ and Credit & Collection Daily™, and Kaulkin Information Systems, provider of secure and affordable document and process management technology ([www.KISTrack.com](http://www.KISTrack.com)).

Read more about Kaulkin Ginsberg at [www.kaulkin.com](http://www.kaulkin.com).