

View From The Other Side: Creditor Criteria For Selecting An Agency

By Patti Dunn

From the creditor perspective, "one size fits all" does not apply to the agency selection process. At the end of the day it is all about net back, but the fee is only part of that equation: fitting the agency to the business is a larger consideration. For creditors, the most important factor in selecting agencies is finding ones that fit their needs and want their business.

The first step for creditors is to define their requirements of an agency. To anticipate the questions that prospective clients may ask, it's good to know the standards against which you're likely to be measured. Here is a sampling of some of the criteria that creditors use internally to define expectations:

Licensing

Where should the agency be licensed - in all states, cities, and territories that require it; or is licensing in only specific regions necessary?

Insurance

What insurance coverage is required? What are the types and dollar amounts of insurance coverage?

Experience

Should the agency and/or collectors have a certain number of years in the business, or experience working certain types or levels of placements?

Size

Is agency size a determining factor? Is a 1,000 person agency with 15 branches required, or is one regional agency with 10 collectors a better fit? Do we want to be the largest client at the agency or are we comfortable being the smallest?

Geographic Coverage

What coverage area is needed based on account demographics?

ACA or other industry membership affiliations

Will membership be a requirement for awarding placements?

Security Requirements/Certifications

What data and physical security processes and procedures does the agency have in place? Have they been reviewed or certified by an independent third party? Is this a requirement for them in order to receive placements?

Audited Financials

What proof of financial stability is required? Will only audited financials be accepted?

Off Shore/Near Shore Capabilities

Is there a preference or requirement for off-shore/near-shore operations? Is there a prohibition on accounts being worked off shore?

Other Clients/ Client mix

Are the other clients the agency does business with important? Is the amount and percentage of the agency's total business from those clients critical?

Reporting

What reporting will be required from the agency? Are the internal measures the agency uses important?

Website

Client Access, Debtor Access, Online Payments - are any or all of these features on the agency's website? Is this important?

Legal

What capabilities or resources for legal or pre-legal processing are necessary?

Credit Bureau Reporting

Should the agency be required to report to the credit bureaus?

Type of debt to be serviced

Primary, Secondary, Tertiary, Quad, Pre Collect, Early Out, Special Projects, Small Balance, Probate, Bankruptcies, Warehouse: what type and level of business is the placement? Are there specialty types that are needed to assess the agency's capabilities?

Work Flow Design

How does the agency develop workflows? Do they use scoring models? Do they document client specific workflows?

Collector experience

Is information regarding average tenure at the agency and industry experience important?

Collector turnover

Is turnover rate at the agency important?

Training

Is the content, length, and frequency of collector training important?

Management experience

What is the experience level of the agency's management/time with the agency, etc.?

Senior management involvement with your account

Is the involvement of senior management / executives / owners important?

Branch operations

Is the existence of branch operations an important consideration? What about whether our business will be worked there?

Technology and Vendor relationships

Is it necessary to know what vendors the agency uses for letter processing, skiptracing, etc? Is the

collection software, dialers, telephony they use part of the decision process? Is specific technology required?

Regional vs. national mix

Is most of the agency's business in one geographic area or is it distributed nationally?

Quality Control/Quality Assurance/Compliance/Compliant Handling

Is a review of procedures in these areas part of the selection process? Are there minimum requirements?
Is a list of complaints or lawsuits received in a defined period required?

Once selection criteria have been defined, ranking those items as to importance should be the next step in the agency selection process. There are also some internal considerations for creditors in designing the selection process:

Request For Proposal

Is a formal RFP process going to be required?

Site Visits/Presentations/Interviews

Will there be a site visit prior to selection decision? Will there be phone interviews or presentations required?

Fees

Will the fees be dictated or will a bid process be used?

Contract requirements

Are certain work standards a part of the contractual agreement? What are they? Is a separate trust account required? What other contractual requirements are there?

References

Are references required? How many? How many should be required from clients with similar businesses?

After creditors have defined expectations and have begun the selection process, a more subjective evaluation is necessary to determine how well the agencies demonstrate that they want the business and are willing and able to commit the necessary resources on a timeline that fits the creditor's needs.

A number of large credit grantors do have formal vendor approval processes in place. Some focus primarily on financial and compliance requirements; others are broader in scope. In any case, whether a credit grantor or debt buyer has a formal selection process or not, it may be worthwhile to craft your proposal using some of these criteria to demonstrate the full value your agency would bring to their network.

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