

Dear Friends:

I hope all of you are enjoying a wonderful holiday season. Our annual Christmas party was great fun, with lots of friends in attendance and terrific rock 'n' roll by the Honey Canyon Yodelers.

During this first quarter, we're introducing a major advertising campaign for Szabo Associates. You'll be seeing some fresh ads in a variety of trade publications, and we'd love to hear how you like them.

Conventions we'll be attending in the next three months will keep us close to home: Georgia Association of Broadcasters, January 23rd through the 25th in Athens, Ga.; Broadcast Credit Association, February 13th and 14th in Atlanta, Ga.; and the National Association of Broadcasters, March 31st through April 3rd in Atlanta. Hope to see many of you there!

Best wishes,



Pete Szabo, President
Szabo Associates, Inc.

Credit Execs—Watch Out For Common Errors!

We wish to thank Donald B. Kramer for contributing this article to our newsletter. Mr. Kramer is president of the St. Louis law firm of Kramer & Frank, which engages exclusively in collection of delinquent creditor accounts.

As I studied delinquencies in the last 36 years, a pattern of major mistakes emerged. These prominent errors are not presented here in order of frequency or importance, except for number one, which is by far the most common and most costly mistake. If you are a credit executive, study this list carefully—and act to correct any of these errors found within your operations.

1. Failure To Know Who The Debtor Is

a. In establishing a commercial account, the credit manager often fails to get the *exact* name of the corporate debtor, or find out if the corporation is in good standing with the state. In most states, a letter to the Corporation Division of the Secretary of State accompanied by a small check (\$5 in Missouri) will get the needed information.

b. If the debtor firm is not a corporation, make certain you know who the owner is, where the owner resides, and the business background of the owner.

c. On the retail consumer claim,

did you check the reference? Was the reference information sketchy? Were all references at the same address, or all out of town? Are there lapses in employment? Is the address a post office box in a metropolitan area? Did you review the relationship of the monthly required payment with the net income of the debtor?

2. Failure To Note The Restrictive Endorsement

The deposit of a check marked "Payment in Full" could be a mistake, if you expect to recover more on the account. The notation could be on either side of the check *or* in the letter which accompanies it. If the account is "disputed" and you deposit the check, most courts will say you are bound by the wording. And remember, debtors can figure out a "dispute" on almost every account.

3. Failure To Closely Review The Guarantee

The common mistakes in this arise:

a. when the signature fails to show that the party is signing *personally*. Make sure the word "President" or other title does not appear after the name or a company name does not appear directly above the signature.

b. when the name of the account being guaranteed does not

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match the name of the account shown on your books.

c. when the guarantee fails to show it is binding upon the "heirs, executors and administrators."

d. when the guarantee fails to show *clearly* that it truly is a guarantee.

e. when you fail to notify a guarantor in the event of a default and fail to give notices of the sale of collateral.

f. when you fail to select a guarantor with financial security.

4. Failure To Act Within Time Limits

In many areas, the laws and courts have established deadlines for claims. Probate claims, lien claims and bankruptcy claims *must* be filed within a very limited period of time. A procedure must be developed by each credit manager to keep these items in the forefront until the claim is filed. Perhaps the file should be surrounded by a red plastic folder which will make it show up on the desk regardless of what is put on top of the file. Everyone in the office should be aware that the "Red Folder" is the next item to have attention. It works if there are just six red folders in the office—not 200.

5. Sending The Debtor A Copy Of The Wrong Statement After The "Charge Off"

When a firm "charges off" an account, this may result in a zero balance in the computer. Care should be taken that the debtor does not receive a computer-generated statement reflecting a "zero" balance. It gives the debtor an excuse not to pay.

6. Stopping At The End Of Demand Letters

Just because you did not succeed in collecting with a few letters to the debtor, it does not mean the

claim is uncollectible. Remember the professional collector. Contingent fee rates on collections are now very low (if you look around), and it makes sense to let the collection attorney or collection agency handle the claim. Make certain you select a reliable firm with integrity, since that firm is *your agent*.

7. Failure To Communicate Promptly With The Collection Attorney Or Collection Agency

This failure occurs in two areas:

a. The mistake of holding the claim for many months after you know you have a problem. Studies have found that a claim placed within four months of delinquency has a remarkably greater prospect of recovery than the claim placed after one year.

b. Once the claim is placed with the professional, a prompt communication line must be established to transmit information if the debtor pays directly to the creditor. If the professional is using a court order, and the payment has already been made, the consequences can be severe.

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True Collections

The following story is true. The names, places, and dates have been changed to protect the persons involved.

That Man, He Dun Me Wrong

This past spring, Szabo Associates sent a "dun" letter to a person whose name and address corresponded to information supplied to us by the client. The following letter was received in response. The name of the letter's author and of the client/station's call letters have been changed.

Dear Sir:

You may appreciate my disquietude upon receiving your missive, as it is the only thing of the kind ever to be addressed to me. Though the newspapers as well as the broadcast news are of late continually filled with tales of horror involving citizens victimized by the oft-cited "bureaucracy gone mad," I have thus far—

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"Collector's Corner" is our readers' forum for suggestions, comments, and idea swapping. If you have information to share or input on how our newsletter can better serve you, please write or call. We want to hear from you!

Question: How should a credit manager determine which delinquent accounts to work on first?

F.H., Philadelphia, PA

Answer: Work on large balances first to maximize cash flow. Second, work on new customer accounts. Enforcing your credit policies from the beginning will help you to avoid future problems.



True Collections

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perhaps miraculously—escaped. Now, finally, this dreaded tentacle has stretched here to the slack backwaters of America: Shelby County, Alabama, where in innocence upon the rugged landscape we have long dwelt in peace.

I liked your letter. I thought it was carefully composed, not in the least insulting, demeaning, patronizing, threatful or demanding. You should accept this as a rare compliment, as subtlety and tact are dying crafts in America. But ain't it curious: I have never heard of KSOX but I have heard of Szabo. You have there an odd series of letters ("z" for example, unless one has some compulsive predilection for writing "zigzag" or "zucchini," is a letter virtually absent from human lexicon). Couple this with the dried blood color of the script and it tends to catch the eye.

So it caught my eye when flying recently with an associate and he began to extricate an unwieldy

sheaf of papers from his case; your letterhead was prominent, easily distinguished from the bland, white tractor-feed. My exact words were, "What the hell is Szabo?" (By the way, if I may presume to offer you advice, I believe I would change the subtitle of your company. "Media" is the latin plural of "medium" and a medium is an intervening thing through which a force acts; in short, an environment. How can one specialize in collecting for such a thing? Of course, in less common usage, medium can mean a person through whom one can supposedly communicate with the spirits of the dead, as in a seance. Surely there could not exist in America a large enough number of spiritualists and tarot readers to warrant an agency devoted exclusively to the collection of their dead accounts. Besides, I had always assumed that such business was on a cash-and-carry basis.) Anyway, my associate's reply was, "I think they're a bunch of leg-breakers for the Costa Nostra—I don't know—but they've gotten my name somewhere and are dum-

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"GOOD NEWS, BOSS. I COMPARED OUR RECEIVABLES WITH PAYABLES LIKE YOU ASKED, AND THE RECEIVABLES ARE DEFINITELY 25% HIGHER."

szabo's

FORECAST

At the time of our last writing, the nation's economy was muddling through the summer without any major problems, albeit at a slower rate of growth than in past years.

As fall begins to give way to winter, however, some ominous signs have begun to appear on the horizon.



Pete Szabo, President

The seven-year economic expansion which began in 1983 is beginning to show signs of old age. Housing starts and building permits have fallen off substantially, and automobile sales are running under six million units per year despite generous incentives offered by manufacturers. Add to this the sogginess in technology, retailing, and heavy industry, and a picture begins to materialize.

The economic softness that we are beginning to experience will likely continue until sometime in mid- to latter 1990. It will, however, cause at least one long-run economic benefit for the United States: substantially lower interest rates.

High interest rates in the U.S. have been one of our country's most pressing problems in terms of competition in the international market. The cost of capital here has been much greater than in Germany and Japan, for instance. Between lower interest rates and the now cheaper dollar, the competitive position of the United States will be enhanced considerably in the coming decade.

We have been advising caution in our prior forecasts. While we are by no means ready to abandon that strategy, we anticipate 1990 to be a year of unprecedented opportunity. ♦

Credit Execs

8. Accepting The Unsolicited Major Order

Numerous merchandise creditors fail to examine carefully the background when a major unsolicited order arrives. Why did you get the order? Has another supplier shut them off? Have other creditors denied similar orders?

The credit manager must be a detective and a mind reader! It is difficult to look for all of these errors in making every credit decision—yet that is exactly what is necessary. ♦

True Collections

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ning me for a sum of money they claim I owe and I've never heard of the outfit they claim I owe it to. But look at this," at which point he shows me the name and it's one he stopped using when he was eighteen. The name is not even on his social security records or tax returns, so where did you get it?

And where did you get *my* name? Here's the way I've got it figured: If you sent enough of these letters, some of them would inevitably reach people who employ book-keepers to pay their bills, and so payment would be made without questioning if the amount was owed or not. If only one percent did this, it would be a pretty good return. The rest, people like me, would call or write to say they didn't know what you were talking about, and you would just reply, "Oh, it's obviously a mistake; forget about it." And they would. Then on to the next mailing list. See what I mean?

Anyway, go through your records and ferret out the glitch that caused my name to appear, apparition-like and unsummoned, upon your mailing lists, and send me a note telling me you have done so. Because even though it is all an error, errors can and have persisted for decades—centuries even—clouding the truth and damaging lives. I want absolution. I will be dead someday and I don't want any loose ends haunting my family. I was too much trouble

for them while I was alive; it seems little enough to leave them in peace when I pass on to my reward...whatever that may be.

Very truly yours,

Jerome Whatley ♦

The Fine Art of Media Collections

At Szabo Associates, we're more than just collection experts. We're well-versed in the fine art of media collections. In fact, Szabo Associates is the nation's first—and only—collections firm exclusively for the electronic and print media. And we do it with diplomacy and goodwill. Call us collect.

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Media Collection Specialists

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