



Effective collection practices for parking operations

How to get the most from your collection procedures, policies and employees

A thought paper from T2 Systems

About T2 Systems

Since 1994, T2 Systems has delivered proven parking solutions that meet the ever-changing needs of the parking industry. This commitment is evident in T2's quality products and services, thought leadership and strong customer relationships. With its broad range of software, hardware, management services and technology services, T2 Systems is trusted by more than 300 organizations in the United States and Canada including universities, cities, towns, hospitals and airports.

T2 Systems is headquartered in Indianapolis, Ind., and has virtual offices throughout the United States and Canada.

For more information on how T2 Systems can help you manage parking more efficiently and effectively, call 800-434-1502 or visit www.t2systems.com.

COLLECTING ON DEBT - A KEY TO SUCCESS

More and more parking operations are looking to outsource some or all of their citation processing and collections work to an outside agency. Outsourcing to a third party agency is one alternative that could be considered in order to eliminate the administrative headaches associated with collecting payments. The major benefit of doing so is that the parking staff can focus on other tasks and aspects of the business.

In addition to improving cash flow for organizations, collection agencies have adopted new technology that benefits their clients. The use of newer sophisticated systems helps make debt collection easier, data management more organized and reports more useful.

Organizations with outstanding debt may experience an increase in collection revenue through the following: using a collection agency's services; embracing new technology; and adhering to governmental acts.

COLLECTION PARTIES

There are two perspectives in the world of collection parties: First Party Accounts and Third Party Accounts. "First Party" is a client who owns business accounts, while a "Third Party" is a collection agency.

The difference between the two positions is ownership.

The First Party position, or business, owns the item on which a payment is required. For example, the bank owns a car title and car payments are collected in-house from the same institution.

A Third Party position, such as a collection agency, is hired to collect on the client's (business') behalf. For example, a parking department hires a third party agency to track down delinquent payments on outstanding parking citations.

WHY A COLLECTION AGENCY?

Collection agencies can simplify the collection process for parking departments in many ways, allowing them to focus on more prevalent issues. There are several scenarios when parking professionals might want to consider using a collection agency instead of handling the processing activities (letters, mailings, etc.) and collections in-house:

Reason #1: Outsourcing the labor associated with mailing citation notices. By outsourcing the labor associated with printing, stuffing and mailing notices, employees can focus on more important tasks.

Reason #2: Outsourcing payment processing for delinquent citations. This is ideal for organizations that are unable to collect through regular processes, or that choose not to process the payments. By outsourcing these tasks, parking organizations can rely on a collection agency to locate debtors and obtain outstanding debt – without spending valuable time that could be designated for other parking-related projects.

Reason #3: Complete outsourcing of all citation processing helps achieve labor savings, revenue increases and/or audit trail goals.

Reason #4: Understanding that a systematic, professional collections approach will improve cash flow.

Reason #5: The organization may be sensitive to performing certain delinquent collection tactics and wish to use a third party as the “bad cop.”

Reason #6: Outsourcing collections on delinquent citations to realize increased revenue.

RULES OF THUMB

Because most parking organizations have been directed to collect as much money owed to them as possible, it is important to remember a few friendly customer-service rules when speaking with customers. Although a lengthy list of effective collections rules exist, the following are some of the most important and useful ones used by professional collection agencies:

Rule 1: It is not your job to collect the debt. Instead, remember your job is to help the customer solve a problem.

Keep in mind it is important to use other tactics, besides the “bully approach,” to educate customers on the importance of providing payment. If one form or amount of payment does not work, suggest a second or third option to try and accommodate the customer’s needs.

Rule 2: Regardless of what customers say or do, always revert back to rule number one; help them solve a problem.

If a customer says they cannot pay at the moment, continue to educate them on the importance of paying their debt and work to find a solution that will meet their needs. Keep in mind, these people are customers and parking is a business of customer service.

Rule 3: If you don’t ask, you won’t receive.

Instead of making an assumption about why a debt is not being paid, ask questions and listen to the customer's response. Relaying confusing or complicated information to a customer can result in problems. With some guidance from collection experts, the importance of making a payment can be explained in a professional and efficient way, beneficial to both the customer and organization involved.

By following these simple rules most organizations notice an improvement in collection revenue and maintain positive customer relationships.

IMPROVE CASH FLOW

Although working to collect outstanding debt may not be the most exciting part of the daily job, it is important and deserves the same level of attention, resources and commitment as all other departments. Healthy cash flow provides the locomotion to drive every aspect of the parking business, from operations to administration.

To obtain and maintain productive cash flow, standard and consistent collection procedures are imperative. Without solid procedures, any outstanding debt may continue to be worthless.

One successful way to improve cash flow is through careful management of citation receivables. Citation receivables - or money owed from citations - is among the largest and most liquid assets on the financial statements for almost all parking organizations.

ANALYZE THE EXISTING COLLECTION SYSTEM

Another way to improve cash flow is by analyzing and improving existing collection procedures. When it comes to analyzing the current collection system, it is important to determine existing collection percentages. This gives the collection agency or parking department a benchmark number to compare month-to-month collection rates.

Identifying and analyzing trends can also help an existing collection system. For example, comparing citation collections from area A, which has an 80 percent collection rate, to area B, which has a 30 percent collection rate, can help shed light on less productive collection practices. By looking at both collection rates, the organization can analyze why area A's rate is higher, and potentially apply some of A's collection policies to area B.

ORGANIZATION BUY-IN

It's no secret that when all personnel within an organization support a decision, everyone is more productive and operations are more efficient. This is no different for a parking department or organization that's working to implement a collection policy and process.

Before any collection procedures are put into place — especially if it involves outsourcing — it's imperative that the parking department achieve wide-spread company buy-in and support. If employees don't believe in the organization, or the policies and procedures that accompany it, the organization will suffer and will not achieve its business objectives and revenue goals.

One way to help employees buy-in to new policies and procedures is to educate them on the benefits of improving collections. Increasing revenue benefits the parking organization and its employees in many ways and employees are more willing to work for a goal that positively affects them.

To keep employees focused on raising collection revenue, it is important for the management team to push active collection goals. Employee incentive programs and friendly employee competitions are just two of many ways to encourage active, employee involvement.

COLLECTION “BIG STICKS”

An additional way that collection agencies help their clients increase revenue is by leveraging the different services they provide. They do this by working closely with their client to learn the stress points of their client's customer.

For example, collection agencies that represent a municipality can offer to send a “suspended registration” letter as part of the collection process. For parkers who have not paid within 30 days of receiving the initial collection letter, the municipality can choose to suspend their registration.

Collection agencies offer many in-house services to parking organizations and can give appropriate recommendations to customers — no matter what type of organization — on a case-by-case basis. Such services include: letter services, holds transcript, suspended registrations, late fees, judgment fees and other collection agency services.

COLLECTION AGENCIES AND NEW TECHNOLOGY

Using new technology also helps collection agencies collect higher dollar amounts for their clients.

New technologies in collections can alleviate problems associated with disparate systems. In the parking market specifically, it's possible for both the collection agency and the parking department to work in the same management system. Both parties share the same data and make updates in the same system; thereby eliminating the delay associated with data sharing and data transfer.

Advanced collection software also helps attribute to more efficient operations. The collection software used today by most agencies benefits their clients in many ways including comprehensive reports that assist with proper auditing and other internal processes.

FAIR DEBT COLLECTION PRACTICES ACT (FDCPA)

Keep in mind, in order to obtain information from a debtor, it is important for collection parties to follow all formal rules established by national and local governing bodies.

The FDCPA was passed by the Federal Trade Commission (FTC), in response to abusive conduct by collection agencies and a growing concern that abuse was causing an increase of personal bankruptcy filings. This act applies to personal, family and household debts, including car, medical, retail, mortgage and credit card accounts.

Protection under the act includes any person who regularly collects debts owed to other, including lawyers who regularly collect. It does not cover in-house collection agencies.

Section 807 of the FDCPA provides that, "false, deceptive or misleading representation" includes the failure to disclose in the initial oral or written communication with the consumer that *"the debt collector is attempting to collect a debt and that any information obtained will be used for that purpose."* The failure to disclose in subsequent communications that "the communication is from a debt collector," is referred to as the "mini-Miranda" requirement.

TIPS FOR WORKING WITH A COLLECTION AGENCY

To provide a smooth and easy partnership between a parking organization and a collection agency, here are a few simple tips.

Tip #1: The more information the agency has, the better the chances of collection success.

Tip #2: Good communication between the collection agency and the organization guarantees better collection results.

Tip #3: Establish “how” and “when” events occur in the relationship between collection agencies and those they collect from.

EFFECTIVE COLLECTION PRACTICES

For any parking organization with outstanding debt, it’s important to understand how to best implement a collections process. This paper provides some general guidelines and best practices that should be considered.

Whether you are new to the world of collections or an old pro, it’s also important to understand how collection agencies can provide helpful, time-saving services, allowing a company to focus on other important aspects: products and customers.

For more information about T2 Systems and effective collection practices, call 800-434-1502 or visit www.t2systems.com.