Strategies on how to increase cash flow for community colleges
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Collection Facts

• **Age** is the biggest deteriorating factor in the collectability of an account.

• **Slow-pays** are 0-60 days overdue. Focusing internal efforts here can prevent 80% from reaching 90 days delinquent.

• For accounts that exceed 90 days, seeking third party intervention early greatly reduces write-offs.
Types of Agency

Conventional Collection Agency’s

Fee For Service Agency
Dept of Commerce Depreciation Chart

- Accounts 3 months past due are worth $.83 on the dollar
- Accounts 6 months past due are worth $.67 on the dollar
- Accounts 1 year past due are worth $.45 on the dollar
Problems Persist

• To avoid high fees, harsh tactics and poor results, colleges tend to hold onto accounts working them internally.
• Creates a lot of extra work with college staff
• Collectability deteriorates and results are minimal
Preventative Measures

• Take internal steps to prevent accounts from reaching 60-90 days overdue
• Engage with a reputable third party to support internal team and supplement efforts
Internal Steps

• Identify student outstanding balance and send statement
• After 30 days, place a courtesy call
  – Opportunity to follow up
  – Often arrangements can be made simply by re-opening lines of communication
Internal Steps

At 45 days, place another **phone call**
- Keeps financial obligation top of mind
- Shows you intend to follow through
Internal Steps

At 60-75 days, submit **written final demand**

- Student has 10-15 days to remit payment before account is placed with third party
- College completed due diligence

Student has been fully informed

At 75-90 days, place account with third party
Engage a Third Party

Choose a **partner**, not just a provider

- **Full-service agency**
  - Submits both written and verbal contacts
  - Perform skip tracing on invalid addresses
  - Nationwide agency that can collect in all states
  - Specializes in higher education
  - Works in conjunction with the Illinois Offset Program
Engage a Third Party

• Commitment to non-alienation
  – Contacts encourage prompt payment without employing harsh tactics
  – Preserves college’s reputation
  – Collection efforts conducted with integrity
  – Willing to work with student
Engage a Third Party

• Conducts **credit reporting**
  – Reports to all three major national credit bureaus

• **Keeps you informed and in control**
  – Provides easy, secure account placement
  – Tracks collection activity, updates and payments in a structured manner
  – Makes all information accessible at your fingertips
Understanding Third Party Workflow

- Types of contacts made through the collection process
- Number of contacts made per student
- Importance of both written and phone contacts
- Where our collection calls originating from
- Assurance that each and every student account will be worked
Long Term Benefits

• Streamline and structure processes for internal staff
• Establish clear protocol for students to understand and follow
• Optimize cash flow on an ongoing basis
• Decrease internal cost and expenses