PREFERRED COLLECTION AND MANAGEMENT SERVICES, INC.

D/B/A The Preferred Group of Tampa

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Frequently Asked Questions for Clients

What is the difference between a debt, a debtor, a consumer, a creditor, an original creditor and a client?

A debt is money that is owed for goods sold and delivered, services that were rendered, a ticket, fine, loan or some other obligation provided for by a contractual duty to pay. A debtor is the person or business that received the benefits of the goods or services or was ticketed or fined or by contract agreed to pay but didn't follow through. A consumer is synonymous with debtor in our industry. The consumer may be a patient if the debt is medical. A creditor is the party that may contract directly with an agency to collect on a debt it is owed. The original creditor is the party involved in the original transaction that created the debt and was once or still is the party of a legally-owed the debt. The original creditor could be different than the entity contracting with the agency to collect a debt if it sold the debt to another party called a debt-buyer. The client is the party contracting with the agency to collect money. The client could be a debt buyer, the original creditor, a government entity, or a business.

How much does it cost to use a collection agency?

The cost to recover on an account varies according to how old an account is, how good the data is, the data available to identify the debtor's address, phone, employer, social security number and date of birth, and the type of debt that it is. Agencies incur hard costs for data scrubbing, skiptracing, scoring, postage, phone calls and time and labor working to collect on the account numerous times and numerous dayparts in order to try and reach the right party and get them to pay. There are also costs associated with compliance, audits, licensing, legal fees, and continuous training.

Taking the above factors into consideration, along with the number of initial accounts you are placing and the volume thereafter, frequency of placement and the average balance of your accounts, an agency will calculate a rate of which they will keep that portion of any recovered money owed to a creditor. This is called the contingency rate.

What is contingency fee-based collections?

Instead of paying per account placed, contingency-based collections means the agency only gets paid if it collects money. It doesn't charge you for its hard and actual cost to work the account. So, for example, if the contingency rate is 35%, then the agency will be owed its fee of 35 cents of every dollar it collects from the debtor. If an account is settled for less than the amount placed, or the client permits or requires any other type of adjustment of the initial amount placed the agency does NOT take a fee on the adjusted amount, only the net amount collected.

What is credit reporting and what does it cost?

A consumer who has maintained a good record of paying their bills on time, manages their money wisely, doesn't take on too much debt in the forms of loans, and has a low debt to income ratio will be able to secure credit at lower and more preferable rates than a consumer who does not. Many times, if the consumer has not paid the original creditor when the amount owed became due, and the account goes to collections, if a client (creditor) allows us to credit report, then we can use credit reporting as leverage in order to get the creditor paid. Sometimes, despite searching for a consumer who has moved or changed their phone number through skiptracing, we cannot reach them and credit reporting is the only way they will know about the money you are owed. They will often dispute the debt which gives us an opportunity to get updated demographic information so that we can contact them and validate the debt. This gives us another opportunity to collect what you are owed.

We do not charge anything extra to credit report accounts even though there are hard costs associated with reporting and responding to disputes. We find clients that permit credit reporting enjoy greater recoveries than clients that do not credit report. Clients may choose to credit report or not for their own reasons and not all debts are credit reportable. In order for an account that is permitted to be credit reported, can actually be credit reported, we must have a social security number and/or birthdate of the debtor.

What is skiptracing?

When a consumer or business has moved and/or changed phone numbers, our letters and calls may not reach them. Therefore, we use a variety of methods and vendor services to try and locate the current phone number and/or address so that we can reach out to the right party and collect the debt.

What if a debtor gets an attorney?

If the original creditor knows that a consumer is represented by an attorney, it ***must*** notify the agency so that the agency can (by law) deal only with and through the consumer's attorney. If the agency finds out a consumer is represented by an attorney, it can't call or write the consumer or communicate in any way with the consumer while the consumer is represented unless the attorney permits it or, after a reasonable period of time trying to contact the attorney, we get negative results in our contact efforts. Accounts ***can*** be credit reported even if the consumer is represented by an attorney in most situations.

What is a Letter of Protection (LOP)?

Many times, if a consumer was, for instance, in an auto accident, they will get an attorney to represent them and offer an LOP either to the original creditor (like the medical provider) or to the agency. The LOP states that they will protect your claim and pay you once the matter is settled as long as you agree to protect the account from being reported to the credit bureaus and stop collection activity while the case is pending. This agency does not accept LOPs nor do we recommend our clients accept LOPs because they are not worth the paper they are written on. You have no control over when the case will settle. You won't receive any money during the time the case is pending. There is no guarantee of a recovery or that it will be enough to cover all of your costs (and that of other providers). Once the settlement is obtained, the consumer can change his/her mind regarding paying you. The attorney is more than likely, getting paid his/her full fee out of the recovery (with some exceptions).

What if a debtor files for bankruptcy?

If a debtor files for bankruptcy and your date of service or last charge off date precedes the filing, the debtor can include your account in the bankruptcy. If the debtor files under Chapter 7, all debts except student loans and certain government debt like fine, tickets and taxes, are dischargeable meaning we can't collect on them. They will also be removed from being credit reported due to changes made under the last administration. If the debtor files under a Chapter 13 (reorganization) certain debts will be prioritized over others (secured vs. unsecured) and the Bankruptcy Trustee will develop a payment plan whereby you ***may*** recover some or all of what you are owed depending on if the creditor or agency filed a claim and if the debt was secured or unsecured. We do not charge for filing a Chapter 13 claim form on the creditor's behalf.

What if a debtor dies?

When the debtor dies we have to rely on the person taking care of his/her affairs to make good on the amount owed. If Probate is filed (where the courts take control of disbursing money and assets, we can file a probate claim and try and collect all or part of the amount owed. We do not charge to file a probate claim.