Benchmarks for Choosing a Collections Agency

Before choosing a commercial collections agency, please review the important checklist below. This list is also a good tool when performing your annual review of your current agency.

1. **Meets all states’ licensing requirements.**
   It is imperative that the agency you choose be licensed in all states that require licensing and that those licenses are current. This requires a close relationship with each state and many require testing in the certification process and annual audits.

   Many agencies claim to be licensed, but you should ask for written proof or contact the individual state to validate the certification claim. The cost of maintaining certifications will often prevent agencies from going through the process. Doing business with an agency that is not properly licensed exposes you to an unnecessary element of risk.

2. **Professionally insured.**
   An agency should maintain a minimum of $1 million in professional liability insurance. This will protect you in the event your agency does something illegal. If your agency does not have liability insurance and they do something wrong, it is possible your debtor could sue you for any damages.

3. **Certified by the CLLA and IACC.**
   An agency that is Commercial Law League of America (CLLA) certified will provide you with the bond coverage, oversight and dispute resolution services that most credit grantors desire.

   A certification from the International Association of Commercial Collectors (IACC) ensures that the agency’s collectors are in compliance with state laws and regulations. Collectors and managers must individually pass examinations and participate in continuing education and training. Membership indicates professionalism and that the agency adheres to a strict code of conduct.

4. **PCI DSS Compliant.**
   It’s important to ensure the agency you are working with is in compliance with the PCI Data Security Standard (PCI DSS) to keep your customer’s payment card data secure. PCI
DSS compliant organizations adhere to a framework of specifications, tools, measurements and support resources to ensure the safe handling of cardholder information at every step. An agency that is PCI DSS compliant is committed to the highest identity and security standards, which protects you and your customers.

5. **SSAE 16 Type II audit and certification.**

The SSAE 16 audit examines an agency’s controls, processes policies, procedures, personnel and operational activities. If the agency or provider meets the quality, security, confidentiality, compliance and safety-related requirements, it will receive the American Institute of Certified Public Accountants’ [Statement on Standards for Attestation Engagements](https://www.aicpa.org/assets/aicpa-org-content-library-statement-on-standards-for-attestation-engagements.pdf) (SSAE) 16. This certification distinguishes an agency within the collections industry and represents a significant achievement.

6. **Ability to collect international debt.**

When choosing an agency, it is important that they have the global reach to collect in all 50 states and abroad. Understanding the laws governing collections around the globe requires expertise and an international presence. An agency with a physical presence in the countries in which you do business is an added plus.

7. **Properly bonded.**

An agency should maintain a minimum security bond of $300,000 for the protection of the creditors it serves. Ask the agency to provide proof of bonding prior to agreeing to do business with them.

8. **Verifiable references.**

A prospective agency should provide an extensive list of references. Always contact the references and ask direct questions about the agency's successes, failures, reporting, payment remittance, professionalism and responsiveness to inquiries from the creditor.

9. **Adheres to the FDCPA polices.**

The agency should follow the guidelines of the Fair Debt Collection Practices Act as well as all other applicable federal and state regulations. The FDCPA was enacted to protect consumers from unscrupulous consumer collection agencies and the requirements are set forth as it applies to consumer collections. Commercial Collection Agencies should follow the basic guidelines but are not required to follow the rules for consumer collections in
collecting commercial debt. Knowledge and understanding of the differences as well as maintaining the highest ethical behavior in the collection process is critical.

10. Remits more than once a month.
Remittance practices can vary greatly, so make sure you understand the procedures for the prospective agency. Choose an agency that will remit more than once a month based on when funds are actually received from debtors. Make sure that the agency maintains separate trust funds and that those funds are not intermingled with operational funds.

11. Relevant experience and tenure.
It is important to choose an agency that specializes in commercial collections and has a proven track record of at least five years. More experienced agencies are often more successful in recovering your past due funds.

Remember, you are taking a risk if you work with an agency that cannot meet these basic requirements. Managers that fail to properly vet their collection agencies can expose their companies to litigation and compromise sensitive and private data. While not all agencies are dishonest, it is imperative that you exercise due diligence when you engage the services of a collection agency.

Altus stands ready to assist you in your duties and decisions. If you need guidance navigating through the considerations involved with choosing a collection agency, do not hesitate to contact us. If you are already a client, please ask your account executive for more information.

We’ve also created a checklist on the next page that you can use to help you compare agencies and choose one that is right for you. Simply print the page and compare away!
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