Last month we answered a couple of frequently asked questions and encouraged you to send yours in. A couple of you did. Thanks for your questions and keep them coming in.

THIS MONTH'S COLLECTION TIP

Frequestnly Asked Questions

Question: What is a wage garnishment and how does it work?

Answer: A common method used by creditors and collection agencies to enforce judgments is wage garnishment, in which a judgment creditor would contact the debtor's employer and require the employer to deduct a certain portion of the debtor's wages each pay period and send the money to the creditor. Wage garnishments are not allowed in some states and the rules vary state by state. Following are the basic rules for wage garnishment in Illinois.

Wage garnishments must be initiated by court order. After a creditor obtains a judgment against a consumer, the creditor may ask the court to issue a writ of garnishment, which allows the creditor (garnishor) to garnish the personal earnings of the consumer (garnishee). Once the creditor has obtained the writ of garnishment, the garnishor must provide notice to the consumer's employer and to the consumer that a garnishment has been adjudicated against them, the amount to be garnished, the length of time, and information regarding their rights.

The amount of pay subject to garnishment is based on the consumer's disposable earnings. Disposable earnings are the amount left after legally required deductions have been made. Legally required deductions include federal, state, and local taxes, and Social Security benefits. In Illinois, the maximum wages, salary, commissions and bonuses subject to collection under a deduction order, for any work week shall not exceed the lesser of (1) 15% of the gross amount paid for the week or (2) the amount by which disposable earnings exceed 45 times the federal minimum wage ($8.25 x 45 = $371.25). Child support or other court ordered deductions are given priority before any new garnishment can be applied.

Garnishment of Social Security benefits and pensions for consumer debts is not allowed under federal law. They may be allowed for child support. In Illinois, 401(K) or other retirement funds are exempt from garnishment. It is possible to be garnishing a consumer's wages and have them bumped because a garnishment for child support or other court

ordered deductions (federal taxes) have a higher priority. If the consumer who is being garnished is no longer employed, the garnishment will cease until a new job can be verified and they meet the above requirements to be garnished.

Question: Our office has been adding bright stickers to our past due bills that say "Payment Is Past Due". Are they effective or are we wasting our time?

Answer: We have many clients that use bright colored "Past Due" stickers and they have seen their collections improve. Anything that brings attention to the consumer that their bill is past due is a good thing. However, we believe that using stickers alone is not the best practice. Best practice would be to use an alternating approach between mailing past due letters and making phone calls. Here is our suggestion:

1. Send your normal first bill.
2. 30-45 days later send your normal bill with a colored sticker.
3. 7 days later make 1st phone call. If no contact, send a past due letter (examples on our website at www.cdac.biz/library).
4. Continue #3 until you feel your efforts are not working. At that point, you should consider sending them into collections.
5. Our experience has shown that if you have made two phone call attempts and two mailing attempts without success, it is time to send them to collections. The longer you hold accounts, the harder it for us to collect. Time is not our friend in collections.

INDUSTRY NEWS

Below is an article that I read recently in Collection and Credit Risks Newsletter regarding the new Consumer Financial Protection Bureau and how they plan on regulating collection agencies in the future:

John Tonetti, debt collection program manager for the Consumer Financial Protection Bureau, on Thursday told an audience of collection industry leaders that the regulatory agency is listening to debt collectors.

"We will be descriptive before we are prescriptive," Tonetti said, during a speech at the National Collections & Credit Risk Conference in New Orleans. "We're making sure we understand how the [debt collection] industry works. We will be careful to judge the impact of our decisions."

Under a proposal announced last month, the CFPB announced plans to supervise collection agencies with more than $10 million in annual receipts from collection activities. Credit reporting firms with more than

$7 million in annual receipts also would be supervised. The two industries are the first identified in the agency's nonbank supervision program, which launched Jan. 5. The proposal must be finalized by July 21,

"We're not doing this in a vacuum," said Tonetti, referring to the agency's oversight plans. "We're not saying, 'You should do this.' We're reaching out and listening - both to consumer advocates but also your industry," he said.

Collections and debt buying insiders are eager to gauge how they will be viewed by the CFPB. Last year, the appointment of Richard Cordray was widely considered a red flag. Cordray has been a debt collection watchdog. As Ohio's Attorney General, he won a lawsuit settlement of more than $400,000 from National Enterprise Systems. Republican lawmakers may still contest Cordray's appointment.??The plans to supervise agencies with more than $10 million in annual receipts translates to an estimated 175 collection firms, roughly 4% of the market but a group representing an estimated 63% of annual receipts in the market.??Tonetti was asked if the roughly 175 collection agencies generate 63% of the complaints.??"[Cordray] has said that the smaller agencies seem to generate a disproportionate number of the complaints. I understand that people [in the debt collection industry] are concerned about what we could do. We intend to look closely at the complaints and set up a system to have agencies respond and resolve them [before issuing penalties]."??It's unclear exactly how strictly the CFPB will regulate collectors and debt buyers in that $10 million in receipts category. They may be asked to submit reports to the CFPB, but also could be subject to examinations.?Tonetti said his discussions with collection leaders largely have been fruitful. He has had at least eight formal meetings, including with ACA International, the largest association for collection agencies, and DBA International, the association for debt buyers.??"Of course, we find out that nobody wants to be regulated but everyone feels that someone else should be regulated. The overwhelming emphasis is that we want to protect the consumer and help them understand what they're getting into," he said. ??Tonetti cited a personal example of how consumers often are confused by credit terms and various agreements - and why oversight is necessary. "I'm in the market for a student loan for my son and I can tell you I have no idea what some of the language is trying to say," he said.??Debt collectors and creditors attending the conference were realistic. Those interviewed were quick to remember that the CFPB is in place to protect consumers - not debt collection industry interests.

But most seemed hopeful for a good start with the CFPB. The idea is to turn the negative potential for an onslaught of new rules into a positive opportunity to reform existing regulations that hamper the industry

TRAINING & EDUCATION OPPORTUNITIES

Play on Demand Webinar - Now Available!

Many of you belong to various professional medical office management associations and are looking for industry professionals to conduct a seminar at your local or state meetings.

CDA is now offering a free seminar called **"9 Red Hot Ingredients to Fire Up you're A/R Collections in Just 30 Minutes a Week?"** for your medical or office managers association. We just conducted the seminar for the American Association of Professional Coders and they received 1.5 CEUs towards their professional certification for attending. You can view a short video on the seminar by going to https://www.cdac.biz/spiceitup

If you are interested in learning more about how you can bring our seminar to your association, please call Dave or Tony.

FROM CHEF DAVE'S KITCHEN

This is Dave's granddaughter's favorite recipe. Dave calls it Anna's Pasta after her:

4 Tablespoons sun dried tomatoes in oil

1/3 Cup extra-virgin olive oil

3 Kalmatto Olives

3Tablespoons roasted red peppers from jar

¼ Cup grated romano cheese

1/8 Teaspoon salt & pepper (or to taste)

2 cloves garlic chopped

(can be made spicy with ¼ teaspoon crushed red pepper flakes)

Put all ingredients into a food processor and blend. Add to pan and heat slowly while ½ pound of spaghetti cooks. Add pasta to pan and toss to coat (it may need a little more extra virgin olive oil or pasta water). Top it with more romano cheese. Serve hot with garlic bread and salad.

A wonderful and quick (20 minute) meal.

HAVE A GREAT MONTH!!

Tony Muscato, Vice President Creditors' Audit & Discount Company

Creditors' Audit & Discount Company
415 E. Main St. Streator, IL 61364
Phone: 815-672-3176
www.CDAC.biz