



An Analysis of Delinquent Commercial Accounts Placed for Collection First Quarter 2016

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In an effort to serve the credit community by supplying useful statistical data, each quarter, Commercial Collection Agencies of America surveys its members. As part of the rigorous requirements to maintain a Certificate of Accreditation and Compliance, an agency must submit a report on the accounts it has received for collection each quarter. Routinely, the Association analyzes three indices included in that placement report:

- ✓ *The number of accounts placed for collection (received by agencies)*
- ✓ *The dollar amount of accounts placed for collection (received by agencies)*
- ✓ *The resulting average-sized account*

For the purposes of this analytical report, the association has expanded the study to cover the last eight (8) quarters.

Number Of Accounts

When the movements between quarters within a particular year are reviewed and compared from year to year, we find that the *number of accounts placed for collection* declined from 4Q 2015 to 1Q 2016 by 7.03%.

The decrease was expected. Industry observers note that the final quarter of the year consistently holds the largest *number of accounts placed for collection* when compared to the previous three quarters of the year. This trend is seen in 2014 and 2015, as well as in previous years studied.

When 1Q 2016 is compared to 1Q 2015, we find that the *number of accounts placed for collection* has increased substantially: 22.52%. Our analysis historically has shown that any change over eight percent (8%) is considered significant.

Prior to 1Q 2016, the *number of accounts placed for collection* in a quarter exceeded the 400,000 claim mark only twice in the timeframe studied – most recently in 4Q 2015 and 4Q 2014, when the *number of accounts placed for collection* was 401,015.

We then delved deeper into the account placement history, using the same sampling of commercial collection agencies. When the *number of accounts placed for collection* is examined between the years of 2007 to 2016, we see the following results:

- An increase from 2007-2009
- A significant decline from 2010-2013
- Numerous fluctuations between quarters in 2014, 2015 and 1Q 2016

Dollar Amount Of Accounts

When we examine the *dollar amount of accounts placed for collection*, we see an increase of 4.51% when we compare 1Q 2016 to 4Q 2015.

Our members' statistics have supported that a steady increase has occurred since 1Q 2015. In 2015, we saw increases from quarter to quarter, with the larger increase of 6.58% from third quarter to fourth quarter, which brought the *dollar amount of accounts placed for collection* back up to the 2Q 2014 level, approximately \$1.1 billion. As indicated in the reports, in 1Q 2016, the *dollar amount of accounts placed for collection* exceeded that level and stood at over \$1.2 billion.

When we look at 1Q 2015 and compare it to 1Q 2016, we find that the *dollar amount of accounts placed* has increased significantly: 23.05%.

As the Association did with the *number of accounts placed for collection*, we turned to the archives for a historical perspective-keeping the sampling of agencies consistent. When the *dollar amount of accounts placed for collection* is reviewed for the period of 2007-2009, there was a consistent increase, but a consistent decline for the period of 2010 to 2013. In 2014, we witnessed fluctuations from quarter to quarter. From 2015 to 1Q 2016, the trend is upward, as we have seen an increase in each successive quarter in the *dollar amount of accounts placed*.

Average-Sized Account

During the last eight (8) quarters, our analysis shows that the *average dollar amount* of a delinquent receivable placed with a certified commercial collection agency ranged from just above \$2,400 to slightly less than \$3,100.

From 4Q 2015 to 1Q 2016, the *average-sized account* rose from \$2,468 to \$2,775, exhibiting an increase of 12.44%.

The *average-sized account* in 1Q 2015 was a negligible 0.4% lower than the *average-sized account* in 1Q 2016.

Again, keeping the same sampling of agencies, historically we see that the *average-sized account* placed for collection consistently increased over the time span studied: 2007-2013. But in 2014, agencies reported a decline in the *average-sized account*. Yet in 2015, the average increased consistently until fourth quarter. In 1Q 2016, we see the average just below \$2,800. This level, while relatively consistent with the previous seven (7) quarters, is considerably higher when compared to the same quarter between the years of 2007-2011.

Summary

When examining the three indices for the first quarter of 2016 and comparing them to the same indices for the previous seven (7) quarters, there were not any surprises for the commercial collection agency members of Commercial Collection Agencies of America, most of which have been certified for over four (4) decades.

These seasoned professionals are cautiously optimistic regarding future placement of accounts, expecting a moderate increase, given the slow growth of the economy.

These practitioners realize that with the expectation that growth will be at or around trend (2%), they will have to wait until creditors experience significant gains in sales, in addition to improvements in other commercial transactions, to realize a marked increase in the amount of accounts placed for collection with their agencies.

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