

# An Analysis of the Placement of Delinquent Commercial Accounts for Collection FY 2016

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In an effort to offer the credit community useful statistical data, in tandem with supplying a barometer to our member commercial collection agencies, each quarter, Commercial Collection Agencies of America prepares a report of placement of commercial accounts to its member agencies in aggregate. Individual agency members submit an account placement report, which is one of the many requirements to maintain a Certificate of Accreditation and Compliance.

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 studied the last eight (8) quarters and made notations of historical statistics where applicable. It should be noted that since membership has changed, adjustments have been made to previous reports to reflect said additions and deletions of members to give an accurate comparison. Further, when historical numbers are quoted, only current members' historical numbers are utilized when analyzing placements.

## **NUMBER OF ACCOUNTS**

The association studies the *number of accounts placed for collection* and their movements between quarters within a particular year and compares those movements from year to year.

Full year 2016 set itself apart from historical trends. First, the *total annual number of accounts placed for collection* was significantly higher in 2016 than it was in 2015. Prior to 1Q 2016, the *number of accounts placed for collection* in a quarter exceeded the 400,000-account mark only twice in the timeframe studied. In each quarter of 2016, the *number of accounts placed for collection* exceeded that benchmark, with the third quarter's tally well over a half million accounts placed for collection with members.

Second, traditionally, the third quarter of the year registers as the quarter with the lowest *number of accounts placed for collection*. The decreased number of placements reflects the seasonality of the data. Conversely, the final quarter of the

year typically holds the largest *number of accounts placed for collection* because credit practitioners place accounts with a third-party agency prior to year-end to accommodate write-off policies. While the *number of accounts placed for collection* in 2016 was remarkable, we did not see the aforementioned third and fourth quarter trends.

In 2016, the *number of accounts placed for collection* increased from quarter to quarter until the fourth quarter. From the first quarter to the second quarter, the *number of accounts placed for collection* with members increased by 2.8%. From the second quarter to the third quarter, the number increased 8.84%. **The third quarter produced the highest number of accounts placed for collection with member agencies in a thirty-six-month period.** However, the *number of accounts placed for collection* in the fourth quarter was 11.2% less than the third quarter.

Interestingly, when 3Q 2016 is compared to 3Q 2015, we find that the *number of accounts placed for collection* increased substantially: 28.67%. Our analysis historically has shown that any change over eight percent (8%) is considered significant.

### **NUMBER OF ACCOUNTS PLACED FOR COLLECTION**

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

How does 2016 compare to previous years? We delved deeper into the account placement history

archives and noted that in the last decade, the *number of accounts placed for collection* behaved as follows:

## **DOLLAR AMOUNT OF ACCOUNTS**

We then studied the movements of the second index within the quarters of 2016. When we examined the *dollar amount of accounts placed for collection*, we saw an increase of 10.47% when we compared 1Q 2016 to 2Q 2016. From 2Q 2016 to 3Q 2016, a decrease of 9.76% and a 6.49% increase from 3Q 2016 to 4Q 2016.

The net increase has brought the FY 2016 level of *dollar amount of accounts placed for collection* to approximately \$5.3 billion, a significant increase of 10.57% over FY 2015.

When we look at the first period of the study, 1Q 2015, and compare it to the last period of the study, 4Q 2016, the *dollar amount of accounts placed* has increased an impressive 21.92%.

Again, how does this compare to previous years? The archives gave us a historical perspective on the *dollar amount of accounts placed for collection*:

## **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 1Q 2016 to 2Q 2016, the *average-sized account* rose from \$2,799 to \$3,008, exhibiting an increase

of 7.46%. Although the average slightly dipped between 2Q 2016 and 3Q 2016, it rose again from third quarter to fourth quarter by 20%. The *average-sized account* in 4Q 2016 was higher than the *average-sized account* in 4Q 2015 by 16.64%.

The *average-sized account* placed for collection consistently increased between the years 2007 to 2013. In 2014, the *average-sized account* decreased. However, in 2015, the average increased consistently until the last quarter of the year. In 2016, the average was above \$2800, with two quarters exhibiting averages hovering around the \$3000 mark. The average, while relatively consistent with the previous year, is considerably higher when compared to the years of 2007-2014.

## **SUMMARY**

At first blush, when examining the three indices for full year 2016 and comparing to previous years, a sense of optimism is felt. Obviously, when creditors experience gains in sales, the resulting effect is an uptick in the account placement with

commercial agencies, which was undoubtedly seen in 2016. However, recent history also has lent itself to an environment which is difficult to establish trends. Therefore, seasoned collection professionals are still “cautiously optimistic”

regarding future placement of accounts for 2017. They know that the establishment of effective communication between the credit department and

the collection agency allows for the effective handling of delinquencies. Further, it ensures that the troublesome accounts are placed on a regular and timely basis, thus allowing for a better rate of recovery and the opportunity to restore billions of dollars to the US economy.

### **DOLLAR AMOUNT OF ACCOUNTS PLACED FOR COLLECTION**

A consistent increase for the period of 2007-2009

A consistent decline for the period of 2010 to 2013

Fluctuations from quarter to quarter in 2014.

The highest levels of dollar amount of accounts placed in 2015 and 2016.

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