A Review of Delinquent Accounts Placed with Certified Third-Party Collection Agencies
How 2018 Measures Up to Previous Years

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As originally published in the Credit Research Foundation 1Q 2019 CRF News

A mission of Commercial Collection Agencies of America is to be the premier industry resource to the credit community by furnishing insightful data. A primary path is to consistently supply credit practitioners with useful, analytical resources by way of a scope into the commercial collection industry.

One of these resources is the analysis of commercial accounts placed with third-party agencies for collection. Credit practitioners routinely use this data, most effectively, when interfacing with their sales teams and upper management, as well as in benchmarking exercises.

The data is gathered in accordance with a certification requirement mandated by an Independent Standards Board, to submit quarterly account placement reports by each of the member agencies of Commercial Collection Agencies of America. The requirement coupled with numerous others are promulgated by the Board to create an unparalleled certification program which aids and protects the credit community.

The compilation of this data allows the Association to produce an aggregate, comprehensive, quarter-by-quarter analysis for both the credit and collection industries.

To prepare this report, three indices are examined:

- ✔ *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* analysis, the association has studied the last three (3) years, (twelve quarters) and made notations of historical statistics where applicable. It should be noted that since membership has changed over the years, adjustments have been made to previous reports to reflect 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. Over the years, analysis has proven that any change over eight percent (8%) is considered significant.

NUMBER OF ACCOUNTS PLACED FOR COLLECTION

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.

Fourth Quarter

When we compare the *number of accounts placed for collection* in the fourth quarter of 2018 to the fourth quarters of the previous years, we see a notable increase of 10.3% from the placements in 4Q 2017, and an increase of 3.16% from placements in 4Q 2016.

Third Quarter

When we compare the *number of accounts placed for collection* in the third quarter of 2018 to the third quarters of the previous years, the placements impressively increased at a rate of 19.44% from 3Q 2017, yet decreased 7.69% from 3Q 2016.

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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 until the fourth quarter
2017 showed a consistent decrease from Q1 to Q3, followed by a < 1% increase from Q3 to Q4
2018 showed increases over 2017 and 2016
2018 by quarter showed a 4% decrease from Q1 to Q2, a 5% increase from Q2 to Q3
and a 6.8% decrease from Q3 to Q4

Second Quarter

When we compare the *number of accounts placed for collection* in the second quarter of 2018 to the second quarters of the previous years, the placements increased a modest 2.55% from 2Q 2017, and increased 4.75% when compared to 2Q 2016.

First Quarter

When we compare the *number of accounts placed for collection* in the first quarter of 2018 to the first quarters of the previous years, we see an increase of 4.22% from the placements in 1Q 2017, and a significant increase of 15.91% from the placements in 1Q 2016.

Movement Between Quarters

Atypically, the third quarters of 2018 and 2016 registered the largest *number of accounts placed for collection*, while in 2017 that title went to the first quarter. As we have reported in the past, usually our research bears out that credit practitioners place the largest number of accounts with third party agencies prior to year-end to accommodate write-off policies. Most notably was in 2015 when there was a strong 26% gain in the *number of accounts placed for collection* in the fourth quarter when compared to the third quarter. The Association will further study with credit managers why this trend has changed.

In 2018 the number of accounts placed in the fourth quarter dropped 6.8% from the number of accounts placed in the third quarter.

In 2017 placements in the third and fourth quarters were relatively the same, experiencing only a modest decrease from 3Q 2017 to 4Q 2017.

In 2016 we saw a significant drop when comparing fourth quarter placements to third quarter placements.

Full Year Review

For FY 2018 the *number of accounts placed for collection* was 8.81% higher than FY 2017 and 3.32% higher than FY 2016.

DOLLAR AMOUNT OF ACCOUNTS PLACED FOR COLLECTION

Another measure used is the *dollar amount of accounts placed for collection*.

In 2018 the results were as follows:

Fourth Quarter

When we compare the *dollar amount of accounts placed for collection* in the fourth quarter of 2018 to the fourth quarters of the previous years, we see an increase of 13.15% over the *dollar amount of placements* in 4Q 2017, and a sharp 10% decline from the placements in 4Q 2016.

Third Quarter

The *dollar amount of accounts placed for collection* in the third quarter of 2018 compared to the third quarters of the previous years was 11.4% higher than the *dollar amount of accounts placed* in 3Q 2017, and 2.52% lower than the *dollar amount of accounts placed* in 3Q 2016.

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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, 2016 & 1Q 2017, followed by a steady decline in placements for the remainder of 2017
An impressive comeback in 2018

Second Quarter

When we compare the *dollar amount of accounts placed for collection* in the second quarter of 2018 to the second quarters of the previous years, the placements increased 11.62% when compared to 2Q 2017, and decreased 2.25% when compared 2Q 2016.

First Quarter

When we compare the *dollar amount of accounts placed for collection* in the first quarter of 2018 to the first quarters of the previous years, we see a 4.26% increase from the placements in 1Q 2017, which is the smallest increase of all quarters, and unlike the other quarter movements which declined when compared to 2016, Q1 2018 was 4.73% higher than 1Q 2016.

A Look at the Full Year Activity for 2016-2018

Clearly 1Q 2018 and 2Q 2018 showed the largest *dollar amount of accounts placed for collection* when looking at the full year. 3Q 2018 dipped nearly 9% from the *dollar amount of accounts placed for collection* in 2Q 2018, only to see a slight rebound of 2.61% in 4Q 2018.

From 1Q 2017 to 4Q 2017 there was a significant decline in the *dollar amount of accounts placed for collection*. The first quarter of 2017 exhibited the largest *dollar amount of accounts placed for collection* of any previous quarter. The third and fourth quarters were relatively flat.

From 1Q 2016 to 4Q 2016 the *dollar amount of accounts placed for collection* increased by 6.15%.

A review of the archives gives us a historical perspective on the *dollar amount of accounts placed for collection*:

AVERAGE-SIZED ACCOUNT

During the last twelve (12) quarters, our analysis shows that the *average dollar amount* of a delinquent receivable placed with a certified commercial collection agency ranges from just below $3,000 to slightly less than $4,000, which is considerably higher than previous years studied.

Fourth Quarter

The *average-sized account* in 4Q 2018 showed a 2.6% increase from the average-sized account in 4Q 2017, but severely declined by12.79% when compared to 4Q 2016 (it should be noted that the

AVERAGE-SIZED ACCOUNT

Consistent increase between 2007 to 2013
In 2014 a decrease from previous years
2015 increased each quarter until the last quarter
2016 continued to rise - higher than the average-sized accounts during 2007-2014
The average-sized account for 2016 was higher than 2017 and 2018
In 2017 the average-sized account stayed consistent throughout the quarters
In 2018 the average-sized account was higher than in 2017

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4Q 2016 *average-sized account* was the **highest** in the twelve [12] months studied).

Third Quarter

The *average sized account* in 3Q 2018 was 6.72% lower than in 3Q 2017, but 5.63% higher than in 3Q 2016 (it should be noted that the 3Q 2016 *average-sized account* was the **lowest** in the twelve [12] months studied).

Second Quarter

The *average-sized account* in 2Q 2018 was 8.84% higher when compared to 2Q 2017, and 6.68% lower when compared to 2Q 2016.

First Quarter

The *average-sized account* in 1Q 2018 was within $2 of the *average-sized account* in 1Q 2017, yet it was 9.63% lower than the *average-sized account* in 1Q 2016.

Full Year Overview

From 1Q 2018 to 4Q 2018 there was nominal fluctuation between the *average-sized accounts* from quarter to quarter. From 1Q 2018 to 2Q 2018 the *average-sized account* increased 6.88%, from 2Q to 3Q 2018 the *average-sized account* decreased 13.33% and from 3Q to 4Q 2018, the *average-sized account* increased 10%.

In past years the *average-sized account* decreased slightly from 1Q 2017 to 4Q 2017. The *average-sized account* in 2017 was approximately $200 less than the *average-sized account* for FY 2016. From 1Q 2016 to 4Q 2016 the *average-sized account* increased over 5%.

SUMMARY

Last year we stated that certified agency members of Commercial Collection Agencies of America, who are tenured practitioners in their field, were optimistic that they will see increases in the indices studied in 2018. Our research shows that they realized those increases.

While we look to the economic indicators such as GDP growth, manufacturing output and employment, especially in manufacturing, we must also recognize that credit practitioners realize the necessity of promptly placing delinquent accounts with third party agencies.

Another one of the Association's studies indicates that the probability of full collection on a delinquent account drops ***drastically*** according to the length of the delinquency. We routinely share our studies with credit practitioners and encourage the services of a certified commercial collection agency on a regular basis to ensure a healthy cash flow.

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