



Welcome to GRCA



7 Ways to Motivate Employees



Credit Cards:  
Accept Cards,  
Except the Fees?



Emailing Debtors:  
Should I or  
Shouldn't I?



# Inside Government *collections*

*Issue 1 • Winter • 2008*

## Welcome to *GRCA*

*We'd like to take this opportunity to welcome you to GRCA. We're pleased you've chosen to join us in shaping the future of government collections.*

The year is winding to a close and GRCA has accomplished much in these first few months.

- Our membership continues to grow as we reach out to government collectors across the United States and Canada. If you know someone who might benefit from our Association, please let us know and we'll add them to our contact list.
- If you haven't been out to the website lately, we are expanding our Member Library with the acquisition of new documents from all levels of government. We recently added over 100 new sample letters!

- Preparation for the 1st Annual GRCA Conference will be in full swing starting the first of the year. The most attractive conference rates are good until late March, 2009.
- Lastly, we are delighted to present the first issue of our member newsletter, ***Inside Government Collections***.

Our members know that GRCA's primary mission is the education of government collectors. Presented in a reader-friendly format, ***Inside Government Collections*** will contain a selection of articles, news items, and regular features such as Q&A and Insider

Tips. Along with collection articles, we'll cover subjects that impact your ability to collect productively, like team-building and human resource topics.

We'll be producing a minimum of 3 publications per year and, like this edition, they will be delivered right to your inbox. Past editions are archived in our Members Only area to ensure you have access to all previous issues if you need them.

As always, our goal is to discover what interests you so we can create material you will find informative and helpful. Members are welcome to submit questions, ideas and articles for the newsletter at any time by simply emailing us at [info@govcollect.org](mailto:info@govcollect.org). If there's a topic you'd like to explore, just let us know.

Thank you again for participating in GRCA. The foundation of the Association is its membership and we look forward to working with and for you. Please enjoy the inaugural issue of ***Inside Government Collections!***



# Credit Cards

## *Accept Cards, Accept The Fees?*

*Consumers are clamoring for local governments to accept credit cards for services and fees.*

To address the consumer's desire for card payments, many governments are wrestling to balance customer service and the requirements associated with credit card acceptance.

Credit card acceptance brings a number of benefits to governments including: fewer lost payments and bad checks, more satisfied customers, more efficient cash flow, and reduced administrative costs. Governments are able to conduct business by phone or over the internet which helps reduce walk-up traffic and customer wait times. From a collection perspective, we are content to transfer the default risk to the card issuer. Our debt is paid and the consumer's overdrawn bank account or failure to pay their VISA bill is of little concern to us in the short-term.

The more challenging aspects of receiving card payments center around the ongoing fees related with card acceptance. In May

2008, the Government Accountability Office (GAO) released its report on Credit and Debit Cards. The report (GAO-08-558) examined credit card use by the Federal Government, both as merchants and as purchasers. The GAO reports that, "Federal entities accepted cards for \$27 billion dollars worth of revenue" and by doing so, paid an associated \$433 million in merchant discount fees.<sup>1</sup>



Merchant discount fees, particularly interchange fees, account for the majority of the cost associated with credit and debit cards. In simple terms, the interchange fee is deducted from the merchant's total to pay the banks who are handling the transaction.<sup>2</sup> Set by the credit card associations, interchange fees are determined based on a complex combination of factors such

as the brand of card and the size and type of merchant. Reward cards may have higher interchange rates than ordinary cards. The transaction type also figures into the mix with credit transactions having higher interchange fees than debit cards. Finally, the manner in which cardholder information is captured at the point of sale is also considered with PIN-based transactions having a lower rate than signed transactions or transactions conducted over the phone.

Governments are sometimes eligible for special rates that are not available to common merchants, however the card networks do not allow governments to pass the merchant fees on to the consumer.<sup>3</sup> Unlike businesses, governments may have little flexibility with regard to the pricing of fees or services and cannot readily adjust prices to accommodate the increasing merchant charges. Offsetting rising merchant fees has become the focus of many governments.

The card networks do allow governments to assess "convenience fees." The rules governing convenience fees are very specific and can become complicated prompting many governments to turn to third party payment processing services for help. Third party payment processors charge a convenience fee to the customer and return 100% of the original amount due to the government but are not

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### **Q. What is your relationship with Columbia Ultimate?**

**A.** As you might imagine, starting a new Association is both time consuming and expensive. Columbia Ultimate believes in the mission and goals of the Association and its ability to have a positive impact on government collections. They generously agreed to provide some initial capital and manpower to get GRCA off the ground.

Kendall Tierney, the former head of collections at the City of Boise, Idaho is the President of our Board. Employees of Columbia Ultimate currently occupy three of the five Board positions. At the end of our first operating year, they will vacate two of the three positions in accordance with our bylaws. They

will retain their minority position for a second year in order to provide continuity on the Board. GRCA expects to be totally self-funded through memberships and advertising by the end of 2010.

GRCA is not a vehicle for the marketing of Columbia Ultimate products or services. In fact, Columbia Ultimate does not and will not be marketing any of their services through this Association. RevQ, Columbia Ultimate's government section, is a full-fee paying member and any advertising or sponsorships are purchased at the same rate we charge other corporate partners. In addition, we have not restricted the participation of their competitors.

Although Columbia Ultimate has been instrumental in terms of our initial funding, they have no desire to alter the direction of the Association in any way.

We live in a world where it's common to believe everyone has an "angle" or that people are only out for themselves. It's refreshing to see a company do something good, something of value, for an industry without expecting anything in return. Columbia Ultimate's philanthropy has given government collectors a new and exciting way to improve their profession.

*If you have a question for the newsletter, please send it to us at [info.govcollect.org](mailto:info.govcollect.org).*





# Motivate *your team*

## 7 Tips When Money is Short

**1** You can't get much less expensive than a pat on the back. Accomplishments deserve a prompt, personal thank you. Thank you notes and letters of appreciation are simple but powerful forms of recognition.

**2** Give employees some latitude to manage their responsibilities. Letting them call the shots will illustrate your trust in their judgment and abilities.

**3** Offering training opportunities shows your staff you are invested in their education. Is there a better way to express their value to the team and the organization?

**4** Involve your employees. There are plenty of opportunities to include employees in the decision making process. Find ways for them to contribute and watch your department excel.

**5** Employees flourish when they're given the chance to learn a new skill or demonstrate an underutilized talent. Breathe new life into your collectors by giving them a variety of tasks and projects.

**6** Reward employees with flexibility for a job well done. Allowing an employee to leave an hour early or take a long lunch won't make or break your results. We guarantee employees will appreciate the free time.

**7** Communication is a fundamental motivator. Talk to each member of your staff daily and share any new information with your team as soon as you're able.



# Contacting Debtors by Email

## *Should I or Shouldn't I?*



*Texting, Instant Messaging, Email, Society, through technology, continues to invent new ways of communicating but the collection laws haven't quite caught up.*

Written 31 years ago, the FDCPA couldn't have imagined the advancements now considered part of our daily routine.

Substituting our routine collection letters with email seems like a winner. Email might be the solution to battling the rising cost of postage and with receipt confirmation, collectors could be assured their message was delivered and read. The idea of instantaneous contact with debtors is undeniably appealing, however email as a form of contact has some major pitfalls.

The potential for third party disclosure is perhaps the most troubling aspect of using email to contact debtors. In addition to common prohibitions against receiving personal email at work, many employers have policies allowing them to access employees' email. Some email service providers have provisions in their user agreements allowing the provider to

monitor email in their system to ensure their service is not being used for illegal enterprises. It is also not uncommon for members of a household to share a single email address.

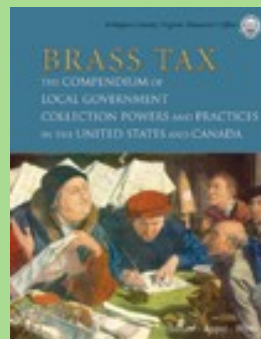
In short, there is virtually no way to guarantee your email will not be seen by a third party.

The ease with which email can be edited adds another layer of complexity to the discussion. Altered documents may encourage disputes over payment terms or complicate potential legal action.

Attaching the collection letter or payment agreement as a PDF could make modifications more difficult thereby easing concerns.

Industry organizations like ACA International have explored the topic but the Federal Trade Commission has provided no direction on the use of email as a communication tool. If your organization does choose to communicate with its debtors via email, consider the following:

- Have the customer initiate email contact by sending you an email.
- The best policy might be to obtain written permission allowing email communication prior to conducting business by email.
- Like traditional forms of communication, email must comply with all state and federal regulations. Be sure to include state-specific or FDCPA mandated language with your email.




# Required *Reading*

**BRASS TAX** guides readers through the tools available to collectors in each state and province. Complete with a glossary of terms, model legislation, and more, the Arlington County Virginia Treasurer's Office has put together a resource that will encourage collectors to expand their collection knowledge.

Available for purchase by contacting The Public Treasury Institute of North America, LLC at <http://www.publictreasuryinstitute.com>.



# Learn. Collect. Excel.



*The economy is playing a tremendous role in today's collections success. Mounting debt would seemingly guarantee the need for collectors, but with foreclosures, bankruptcies, and budget cuts, collectors are being asked to do more with less than ever before.*

We couldn't be more excited about the dynamic sessions at this year's conference. The sessions include The Effects of the Economy, Handling Bankruptcy Today, Working Foreclosures and much more. We've also left a session open so you can decide what content most interests you. If you haven't already, cast your vote for the People's Choice session at [www.govcollect.org](http://www.govcollect.org).

Spending time with government collectors from all across the country and Canada will enrich your conference experience. We're expecting participants who are responsible for all types of revenue and from every level of government. The conference promises to be a great opportunity for you to network with your peers and meet vendors whose products and services might complement your collection efforts.

Our 1st Annual Conference will be held in San Francisco, California at the Westin San Francisco Airport, April 20-22, 2009. You won't want to miss it! The best conference and hotel rates are being offered until late **March 2009** so book now to reserve your spot. All the conference details, including a complete agenda, can be found at the GRCA website <http://www.govcollect.org/events/annual-conference>.

## Why should I care about the *FDCPA*?

*As a first party collector, and a government one at that, why should the Fair Debt Collection Practices Act (FDCPA) matter to me?*

The FDCPA was enacted to curb the abuse of consumers in the collection industry. Though the FDCPA does not define government entities and first party collectors as "debt collectors", thereby exempting them from the terms of the Act, the FDCPA sets out guidelines that government collectors can adopt to ensure the fair treatment of their customers.

The regulations laid out in the FDCPA are extensive so we'll go through the highlights in broad terms. The Federal Trade Commission provides the entire document as well as some consumer-directed materials on their website.

Sections 804 and 805 of the FDCPA address how collectors may communicate with debtors. Collectors may contact persons other than the debtor to establish the debtor's location. However, unless the debtor gives their consent, collectors may not disclose the nature of the communication to anyone but the debtor, the debtor's spouse, their parent (if the debtor is a minor), guardian, executor, administrator or the

debtor's attorney. These issues are generally considered "third party disclosure" and are at the heart of the discussion on using email as a means of contact.

Collectors are also prohibited from contacting the debtor at any time or place "known to be inconvenient" to the consumer. This includes their place of employment if the employer prohibits personal communications, and any contact before 8am or after 9pm. Finally, the debtor can request that the collector cease communication and with some exceptions, the collector is required to comply.

The next sections, 806 through 808, address what constitutes harassment, false representation, and unfair practices. In short, these sections disallow annoying, threatening, obscene, dishonest, or otherwise unconscionable behavior on the part of the collector.

Collectors may not, for example, use the threat of violence or call a debtor repeatedly as a means of annoying or harassing the debtor into paying. Collectors are also barred from misleading the debtor into believing they are an

## Reinventing *the wheel*

The strength of our Association comes in large part from contributions by members. We have a lot of experts out there who can offer their vast experience and knowledge to improve the government collections community.

Members can get involved in the Association by participating in surveys, submitting topics for the website or newsletter, attending the conference, and providing material for our growing Library. We encourage each member to consider sharing any suitable items you're using in your government.

Your fellow members are seeking:

- Policy manuals
- Standards and best practices
- Performance measures
- Sample RFPs and contracts for outsourced services
- Sample job descriptions
- Training materials
- Codes, statutes and legislation for your geographic area

The design of the Library allows members to copy all or part of any document for use in their own government. With that in mind, please do not offer any proprietary documents that cannot be copied by another member.



**SHARE** with us

Please explore the website for [SHARE with us](http://www.sharewithus.org) areas and submit your information by emailing it to [info@govcollect.org](mailto:info@govcollect.org). GRCA may need to do some minor formatting to accommodate documents, but we generally display them as they were submitted.

Thank you to all those members and non-members who have shared your expertise with the rest of us.



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## Credit Cards

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without their downside. Many collectors believe convenience fees discourage delinquent customers from paying by inflicting another fee.

Having paid over \$1,000,000 in processing fees last year, Washington State University has restricted the use of credit cards to help lower the processing fees.<sup>4</sup> They rationalized that raising tuition across the board to cover merchant fees wrongly penalized students who paid by cash or check. Using a third party vendor, their convenience fee model excludes VISA from certain types of payments like tuition and housing. This restriction permits a percentage based convenience fee rather than the flat fee demanded by VISA.

Governments have also become more vigilant about the transaction type (debit or credit) and how the customer is identified at the time of the transaction (signature or PIN-based). PIN-based debit transactions are subject to lower interchange rates than other transactions so some governments are investing in the equipment needed to process PIN debit cards.

The GAO reports that some federal entities have attempted to negotiate with banks and the card networks for reduced fees but their success has varied. GFOA also encourages governments to negotiate merchant service fees in their banking service contracts to ensure they are receiving the most favorable rates.<sup>5</sup>

Much legislation has been introduced recently to address merchant fees. Two examples are the Credit Card Fair Fee Act of 2008 and the Credit Card Interchange Fees Act of 2008.

The Credit Card Fair Fee Act, introduced in March 2008, does not impose rates on the card industry but emphasizes the need for negotiation and joint acceptance of rates between card providers and merchants. The Act is currently pending House consideration.

The Credit Card Interchange Fees Act of 2008, was introduced in June 2008. Amid its issues, it seeks to amend the Truth in Lending Act to prohibit additional charges to merchants and consumers for "premium" card payments and to disallow the imposition of fees for failure of the merchant to provide a required number of transactions. As of November 6, 2008, this bill was being reviewed by the House Committee on Financial Services.

It is clear the demand for card acceptance will remain high as credit and debit cards have become a universal form of payment for most consumers. Governments will continue to be faced with difficult decisions that will affect the payment methods available to collectors.

<sup>1</sup> United States Government Accountability Office. (May 2008). *Credit and Debit Cards: Federal Entities are Taking Actions to Limit Their Interchange Fees, but Additional Revenue Collection Cost Savings May Exist*. GAO.

<sup>2</sup> *Interchange Fees*. (n.d.). Retrieved December 4, 2008, from Wikipedia: [http://en.wikipedia.org/wiki/Interchange\\_fee](http://en.wikipedia.org/wiki/Interchange_fee)

<sup>3</sup> Government Finance Officers Association. (January 2008). *Issue Brief: Credit Card Fees and Surcharges*. GFOA.

<sup>4</sup> Washington State University. (2008). *Student Accounts: Washington State University*. Retrieved November 21, 2008, from [www.wsu.edu/studacct/pdf/FAQsCreditCardPayments.pdf](http://www.wsu.edu/studacct/pdf/FAQsCreditCardPayments.pdf)

<sup>5</sup> Government Finance Officers Association. (2008). *Acceptance of Credit and Debit Cards*. GFOA.



## Insider Tip #15

Social and professional networking sites like Facebook, MySpace, and LinkedIn have grown in popularity over the past few years. Their huge membership numbers make them great skip tracing resources. Be sure you have the right person by validating more than one piece of known information against your possible match.

## FDCPA

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attorney or that the collector intends to take action that cannot legally be taken. Collectors may not misrepresent the amount of the debt, deposit post-dated checks prematurely, or send debtors forms designed to look like official court or legal documents when they are not. In general, collectors are required to be truthful about why they are calling and who they represent.

Section 808 is the subject of recent discussions as technology collides with the FDCPA. Section 808 (5) bars collectors from "Causing charges to be made to any person for communications..." including "...collect telephone calls and telegram fees." It does not address cell phones but customers may incur charges for minutes, roaming and airtime. There is an ongoing debate about whether debt collectors can contact debtors on their cell phones but the FTC has yet to weigh in.

Section 809 sets forth provisions for the consumer to dispute a debt. At the customer's request, the collector must provide proof that the debt is legitimate or "valid." Section 810 prohibits the application of a

payment to a disputed debt, if more than one debt is owed.

Penalties and enforcement are dealt with in sections 813 through 816. There is a significant provision regarding State regulation in sections 816 and 817 allowing collectors to abide by state laws that offer greater consumer protection than the FDCPA. Many states have adopted legislation that mirrors the FDCPA in recent years. Debt collection practices in States with laws "substantially similar" to the FDCPA who provide adequate enforcement can be exempted.

The last section of the FDCPA, section 818, addresses bad check enforcement as it relates to the criminality of passing bad checks.

The provisions outlined in the FDCPA are largely commonsensical and your department may function under most of these guidelines already. At its core, the FDCPA is a consumer protection measure. Aligning your policies with the FDCPA ensures your department is operating with the customer's interest in mind.

**To read more about the Fair Debt Collection Practices Act, please visit [www.ftc.gov](http://www.ftc.gov).**