

# How To

## Choose a Collection Agency

A partnership with your collection agencies can provide you with an excellent opportunity to collect important federal and institutional dollars. Federal regulations require an institution to use at least two collection agencies (one may be an institutional collector). The decision of which agency to use is important.

**Below is a list of key items to consider:**

**1. Are your agencies familiar with campus-based student loan programs?**

This is important to ensure that your borrowers receive all entitlements such as deferments, cancellations, or other loan benefits. And, you want to make sure that your collection agency is familiar with factors that affect your cohort default rate.

**2. Are your collection agencies member of professional organizations?**

Before selecting an agency, inquire about its membership in professional organizations such as the American Collectors Association (ACA) and the Coalition of Higher Education Assistance Organizations (COHEAO). Members of COHEAO receive regular updates on legislative and regulatory issues and are kept informed about industry news.

**3. Are your collection agencies dependable?**

*You need to check your agencies' references. The best way to know how an agency performs is to check their references. In addition, request that the agency provide you with a list of schools that no longer use their services. Call these schools and inquire about their reasons for terminating the relationship. Be cautious of agencies that offer lower rates. Low rates may affect the quality of service.*

**4. Are your collection agencies compliant with federal requirements?**

*Agencies are required to comply with federal third-party servicer audit requirements. Ask for a copy of their compliance attestation report and review it carefully.*

**5. Are your collection agencies bonded by the appropriate dollar amount?**

*Make sure the agency maintains a bonding amount equal to at least two times the anticipated monthly collection amount. Refer to Section 674.48(f) in the Perkins regulations for specific information about this requirement.*

**6. Do you visit your collection agencies regularly?**

*On-site visits should be conducted whenever possible. Visiting your collection agencies allows you to observe how your agency is working for you.*

**7. How successful are your collection agencies?**

*Determining the success of an agency's performance is a difficult task. However, the AMS Servicing Group Collection Agency Recovery Analysis report is designed to monitor the effectiveness of your collection agencies. This report shows the percentage collected for each for the past seven months by the length of placement. This report is standard with collection agency interface.*

**8. How do you select a new agency?**

*If you need to select or add a new agency, after completing the necessary paperwork with the agency, you should also complete the AMS Servicing Group Delinquent Accounts Processing Form and forward it to your customer service representative.*

If you would like more information, please contact your Customer Service Representative.

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