

## How Our Library Employs A Collection Agency

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If it strikes you a little odd that someone would be grateful for collection agencies, consider that a collection agency saved our library, Michigan City Public Library, over \$10,000 in one year by handling our long overdue accounts. Therefore, the gratitude is not unfounded.

The Library moved in 1977 from a Carnegie type library building to a very modern structure with almost three times the area space and in 1978 came online with a CLSI automated system. The result of these changes was a tremendous growth in circulation, traffic flow, and registration of borrowers. The automated circulation system was able to handle the climb in circulation from the 1977 level of 98,000 to the 1983 level of 305,000, but during the hustle and bustle of all that growth, no one bothered to come up with an effective system to control the increasing number of long overdue accounts until 1982, when a collection agency program was established.

The problem of what to do about people who keep materials out for very long periods of time is probably as old as the first library card. When the increase in delinquent borrowers surfaced a year after the automated system was in operation, several remedies were suggested. The library staff had the options of going through small

claims court, through a collection agency, or enlisting the aid of city government to impose fees or restrict services unless fines and materials were returned.

At that time the staff considered the collection agency route too strict and the possibility of enlisting city government to help too unrealistic, so we tried using small claims court. Sending overdue accounts to small claims court was a project our director gave me. From a time management standpoint, I certainly understand why he delegated such a task. Taking overdue accounts to small claims court takes up a lot of time. Submitting the forms to bring the cases to trial plus waiting in court for the cases to come up can make a librarian feel more like an attorney. More often than not, the patrons called to court did not show, so more forms, fees, and court time had to be logged before a settlement could be obtained. The garnishment of wages from the accused patron was a legal entitlement the library did not use. Instead, we expected the patron to pay, usually on an installment plan handled by the library. The results obtained from this method did not justify the form filing fees and staff time.

When I took charge of the circulation department in 1980, one of my first assignments was to try and find a solution to this old problem of long-overdue accounts. Through reading the CLSI documentation on our system, I found a notice program that could generate all of our long overdue accounts. By setting up a small manual file and establishing a data processing routine for such accounts, I was able (with the assistance of employees of the Suburban Library System of Illinois, and staff members of our circulation department) to present our director with a workable method for processing overdue accounts and sending them to a collection agency. The library tried the system on a limited basis, using a test case of accounts that were at least two years overdue. With the success of these cases (roughly a 5 percent return, which was good when you consider the time frame) we kept moving the date parameter up until we processed accounts due after three months.

According to a recent study by Assistant Circulation Supervisor Steven Laesch, the project had a settlement rate of 39 percent from September 1982 through February 1984. A total of \$38,914 in accounts was turned over to the agency with settled accounts totaling \$15,187. Of the settled accounts figure, \$4,965 was received as cash, not allowing for the collection agency's fee of 40 to 50 percent of a cash settlement. We predict that the settlement rate will greatly improve now that the library is turning over accounts not more than three months old, rather than much older accounts that made up the bulk of the study.

In considering these figures, it is important to point out that the library's arrangement with the collection agency on items returned

created an unusual situation for the agency. The agency was not used to dealing with an institution that turned over accounts and settled for either the actual material or the case value of the materials. It was agreed, therefore, that the agency would bill patrons for the dollar value of the item, a processing charge, and back fines. If the item was returned, the patron owed only the fines. If the item was not returned, the patron had to pay the full amount. If patrons failed to pay or to return the item or items, they would receive a black mark against their credit rating.

The clerical procedures used to process these accounts are easy to implement with the CLSI system. The first step is to run the collection notice program at monthly or bi-weekly intervals. One clerk is assigned to take the notices and to put aside the accounts that total over \$15 with processing fees and fines added. These accounts are accessed in the computer under a different program to list all charges against the patron and to include detailed information on other charges against the patron. The clerk then adds in the fine charge on items not returned and the processing fee; the total bill then goes to the collection agency. The next step is to set the patron's record with a special status in the computer so that staff members will know the patron's account has been sent to the collection agency. According to the library's agreement with the agency, staff members will settle only for the amount specified on the bill to the collection agency. A separate manual file gives information on the name, address, and computer number of the patron, as well as the amount of the bill. Such a manual file provides a complete listing of all accounts sent to the collection agency, how many settlements, how many partial settlements, and on what date patrons paid what amount—something that the library's mini-computer system cannot yet do the degree of specificity that is needed.

Perhaps it is unfortunate that a library needs to use a collection agency to persuade some patrons to return materials. The advantage the agency has over the library's in-house notice system is that the agency is more intensive in its notification system; the agency's telephone calls and letter are more numerous than our library notice system. A second advantage of the agency is that it can place a black mark against the credit rating of a patron who does not settle his account. It is possible that a person can be turned down for a loan if library material has not been returned or account paid.

When you consider the services offered by the collection agency, the fee on cash received from a settlement is not excessive. For a library with a 300,000 circulation to be as intensive in its notification of overdue materials would not be financially practical from the standpoint of staff time and postage expended. The library staff did a survey on the effect of cutting down on the number of overdue notices issued and the savings involved. The library realized a \$2,000

savings per year on paper and postage. When the number of books checked in for a three-month time period with three notices was compared to the number of books checked in for a three-month time period with one notice, the staff found the rate of books checked in remained the same.

The big difference between the library's notification method and the collection agency's method is that the agency has the power to place a black mark against one's credit rating; the library cannot levy such a threat. All the library can do is discontinue borrowing privileges, which is not a strong enough deterrent, as demonstrated by the large number of overdue accounts. Agreeable relatives or friends can loan their library card to the accused to permit borrowing.

In the area of public relations, the library's image has not suffered because of the collection agency. Staff members find patrons who have dealt with the collection agency slightly more agreeable than patrons who do not deal with the agency to pay fines and lost book charges. Perhaps the fact that the library is serious enough to employ a collection agency lets the community know that the library cares as much about its materials as a business cares about its services, for businesses have always employed such agencies.