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Practical Collection Procedure

Containing over two hundred practical
letters and practical procedure for the
collection of mercantile accounts.

By
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INTRODUCTION

The heavy period of depression which followed the prosperous years of the World-War, plunging as it did, numberless business enterprises into bankruptcy and insolvency, necessitating the refinancing and reorganization of others which escaped, emphasized with telling force the need of sound credits and prompt collections in our present business structure. The deluge of cancellations of orders which, to a casual observer, and it would seem that most business men were guilty of assuming that rôle, came from a clear sky in the year 1920, forced business to abruptly center a large measure of its attention upon quick collections, and these past few years have perhaps contributed more largely to the placing of the credit and collection man in his proper sphere, than has the preceding decade.

Heretofore, in altogether too vast a number of instances, too much effort has been expended in the selling of merchandise in proportion to the attention given to the collection of accounts, it being somehow held that the sale having been made, collection would follow as a matter of course. While it is true that the great majority of people are honest (if it were not true, our credit system could not survive nor could we transact the volume of paper-business that we do) yet it must not be overlooked that a heavy percentage of the debtors, while honest, are more or less slow-

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pay, and that they can be educated to become prompt pay. Some accounts, of course, are absolutely uncollectible; they cannot be collected and never will be collected by the most efficient collection man, due to lack of assets, the smallness of the account, trickery, knavery, cleverness, or all of these combined.

In this work, but three chapters proper are devoted to the subject of credit. Instead, the primary object of the book is to aid in effecting collection of mercantile accounts after credit has been extended, indicating with numerous letters, which may be used as given, or which may be re-written or enlarged upon, various practical methods of approach and succeeding steps to stimulate desirable accounts to prompt remittances, as well as various letters and angles from which to proceed to secure remittances from debtors attempting to evade payment. It is presumed that the correspondent will be sufficiently acquainted with his work to permit it, and therefore simple letters such as the sending of claims to attorneys, or the requesting of reports, etc., or a complete description and reproduction of the draft, and the like, have been omitted.

Over two hundred effective letters are submitted, arranged in logical sequence to enable the correspondent to quickly locate different letters for the different stages of an account, and so that numerous series consisting of four, five, or six letters may be had. Some of the stronger second reminders may be used as third letters, some of the third letters as fourth letters, and so on, permitting an endless variety of correspondence. It will be found that after the sixth letter returns are small, and one should then revert to the house agency letters. Drafts may be used at

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any period in the series, but they appear to secure the best returns when used either between the second and third, or between the third and fourth letters of a series.

The author desires to acknowledge his indebtedness to Mr. J. C. Fifield of the Attorneys' National Clearing House Co. of Minneapolis, Minn. for his courtesy in permitting the use of the Condensed Collection Laws of All the States in Chapter XIV. The balance of the work, the letters, the manner of handling drafts, are original, and since they have not been in widespread use, will be found effective. It is believed that they will meet with the approval of the correspondent and that they will be found of assistance to him in his collection work.

La Crosse, Wisconsin.

July 10, 1923.

CHAPTER I

THE CREDIT DEPARTMENT

Responsibilities of the Credit Man.

The old saw, "The credit man can make or break a business," contains a great deal of truth. Although he will hardly be considered to alone "make" a business or single-handed to "break" a business, yet he can contribute largely to bring such a condition of affairs to pass, for his is a work of equal importance with that of sales, and one which directly affects the finances of a concern. If he be over-conservative and curtail sales by his timidity in extending credit, he may deal the business a staggering blow from which it may take months to recover. If he be over-zealous in the granting of credit and blindly allow orders, no matter to whom or of what magnitude, to be shipped, he may tie up the firm's capital to an alarming extent and place the company in an equally undesirable position.

The heavy responsibility resting upon the shoulders of the Credit Department, should be felt definitely by every one connected with the department. Ever increasing sales are vital to every business, but other factors are also vital, and the sales, therefore, must be watched carefully. Financial statements must be secured regularly, studied and compared carefully, and the manner of payments watched

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closely. No one is more ready to buy than the man who has nothing with which to settle for his purchases. On the other hand, sales must not be cut down except where the fullest investigation warrants such action. The customer is apt to be touched to the quick if his credit is stopped and his future business will be practically lost. Extreme care must be exercised at all times in refusing to grant credit.

However, the Credit Department must not be forward in the belief that they, and they only, constitute the firm. Finance, purchases, sales, credits, collections—these are all of equal importance, and it is only by all these units working in complete harmony, and without friction, that the company is enabled to progress. Let the credit men therefore, feel their importance, but not overstep their bounds.

Qualifications of the Credit Man.

The credit man, if he would be successful, should have a thorough knowledge of accounting. He should be able to interpret the financial statements which are received, to compare correctly the ratios of increases and decreases, to discern at once evidences of gaining or losing ground, and be able to decide intelligently and decisively as to who shall, and who shall not, receive credit. He should have the ability to interpret business conditions in general and especially conditions affecting the lines his house carries, as well as those affecting the main lines carried by the company's debtors.

He should have tact and diplomacy, and in a personal interview be able to draw from the applicant for credit, the

necessary information without seeming to do so, or in a letter, to secure the data courteously and tactfully, at all times leaving the debtor or would-be-debtor in a favorable state of mind, impressed with the good-will of the house, the benefits of remaining on good terms with them, and carrying away with him a wholesome respect for the house and those connected with it. At no time must he be swayed by personal motives nor personal enmity in handling credits, but should always be open and fair-minded, and governed by the sole idea of building up the business of his employers, making his decisions accordingly.

A knowledge of business law—at least to some extent—is essential. He should be familiar with the bankruptcy laws, negotiable papers of all kinds, contracts, bulk sales laws of his state and other states, etc. He should know the status of the account of a bankrupt who either through carelessness or for reason, has failed to secure a discharge from bankruptcy, how often the same party is by law allowed to file a petition in bankruptcy, the statutes of limitations, the securing of judgments, the exemptions allowed by the various states, etc., etc. There are many good books devoted to these different subjects, which may be obtained at any library, and which will well repay the student who will attentively read and study them.

The credit man should also be a good collector, equally apt personally, or through correspondence. In the larger corporations the credit and collection departments are separate, but they are so closely allied (in the smaller corporations they are often one and the same) that a good knowledge of collecting is essential.

His Attitude toward Competitors.

The value of the interchange of credit information is being recognized more and more in the granting of credit. Not only the ledger information should be given freely and willingly when requested by a competing house, but also any additional advice which will aid them in extending credit. Practically every credit man can recall instances when he saved his house a loss through the courtesy of some other firm giving him a comprehensive report on their experiences with the applicant for credit. The golden rule is quite applicable in present day business and it is only by always sending an intelligent and complete report when requested, that the tricky, unprincipled debtor can be stopped from "beating" some other house and thereby perhaps eventually be taught the lesson he so badly needs. If a credit man conducts himself in this manner, he has a right to expect and demand that the same treatment be accorded him when he is seeking information.

In extending credit it is necessary to know as many as possible of the other houses carrying the account, not only in the same line, but also in other lines that are carried by the applicant. This naturally brings the credit departments of various houses into contact with each other and as credit information is imparted to one, so it ought in every single instance to be returned when requested—freely and comprehensively. Any information given is always held strictly confidential, its source is never divulged, and it is a great boon to one's brother credit man. It matters not whether a request for information come from a house known to one or whether it come from an ab-

solite stranger; it should in every case be answered to the best of one's ability, and if the occasion warrant, a special letter written, giving the experience with and the confidence placed in the account.

Following the Accounts.

Watching the various accounts is an important phase of the credit department's work. It may seem a task almost impossible, but it can be accomplished without any noticeable effect even in the busy season, if the proper system has been installed in the office.

After credit has been granted, subsequent orders must be watched closely,—the size of the order, the amount due or the amount past due, the manner of payment, local conditions, crops, general business conditions, etc. All of this routine information can be prepared by some clerk and given to the manager, which leaves him free to make the decision. If no proper system is in use in the department, any responsible filing house will welcome the opportunity of advising as to how to secure the maximum of efficiency, by installing an up to date system.

If the account begins to go "wrong," the time to stop it is at the very outset. It is frequently very difficult to decide just where to draw the line, especially with the new account. One class of debtor, more or less tricky, but not perhaps entirely unprincipled, is apt to make the first two or three payments promptly at maturity and thereafter to fall behind gradually and gradually, until the credit manager, if he be not wide-awake, suddenly finds the account far in arrears. When this does happen he has no one to blame

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but himself. Just recently, a debtor to whom I had formerly extended credit, was adjudicated bankrupt. His assets were about \$4,000.00 with liabilities of \$8,000.00, and among the creditors listed was one with a claim of \$3200.00. This may seem exaggerated but it is an actual fact. An error in allowing the account to run up to such a figure, with the meager assets that the debtor possessed, was inexcusable and the alert credit man would have stopped this particular debtor's credit long before the crash came. Fortunately, however, the creditor in this case was financially able to withstand the loss.

The ability to make quick decisions should be cultivated. When the account begins to backslide, it is not necessary that the credit man become unduly alarmed, but he should at once make a thorough investigation, and if his suspicions be confirmed, he should make his decision quickly and act quickly. There should be no delay. Each day prolongs the agony and reduces the chances of collection. Prompt action is a virtue to be extolled when the credit manager finds himself in such a dilemma, and the more quickly he acts the better are his chances of obtaining the money.

CHAPTER II

THE GRANTING OF CREDIT

Basis for Extending Credit.

When credit is to be extended there are many factors to be considered, such as the applicant's integrity, ability, character, financial responsibility, location of the store, local conditions, crops, competition, general business conditions, references, etc. It would be unwise to extend credit merely upon the strength of any one of these essentials for they are so closely interwoven that they all contribute to success in business.

Honesty and integrity are, however, absolutely necessary. Any credit man is justified in approving orders up to a certain limit if there is no other qualification whatever than that of honesty. However, he must judge clearly when the limit has been reached and when to refuse further credit. For the sterling character, the honest man, may be weak financially, or he may have poor ability, or too close competition in comparison with his ability, and if he find himself eventually too deeply involved, he simply hasn't the means to settle his accounts. The best intentions in the world, coupled with integrity, have been, and will continue to be, wrecked on the shoals of business whenever other essentials are not joined to them. If the honest man becomes too deeply involved, what other course is

*Honesty
up to a
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hasn't the
means to
settle his
account.*

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there but bankruptcy, even though the disgrace of it practically break him?

A certain amount of financial responsibility is essential. When orders are shipped, the creditor wants to be able to feel that settlement will be made, if not voluntarily, then through process of law. Here again the credit man must be wary. A tricky and unprincipled debtor, with a certain financial responsibility, must be watched carefully. His contracts, the terms, etc., should be clearly defined, and his credit should be limited decidedly, or even refused entirely.

ability
Again, ability figures largely in the credit risk. By ability is not meant merely one's business ability. Age, physical fitness, education, personal appearance, the appearance of the stock, willingness to work,—all contribute to ability. Frequently one finds that a small merchant with ability but small assets meets his payments promptly, while his neighbor with a better rating is slower pay. The former makes prompt collections, is able to make quick turnovers, and probably gives the house a good deal of business, while the latter has not the ability for doing these same things.

Local business conditions must not be ignored. For instance, entire sections of the country sometimes have successive crop failures. The farmer without a doubt is the barometer of business, although there are those who belittle the idea. Business is carried on primarily that man may eat and clothe himself, and when the source of the necessities of life is injured by poor crops or low prices, business in general is affected. It is a common matter that in some sections where they have had successive crop fail-

ures, nobody even attempts to pay the interest on mortgages and the like, let alone paying bills. The holders are told to "forget your interest," which they must either do or foreclose, and as there is no ready market for the land, they are not always anxious to do so, or, if they do foreclose, it is frequently at a loss to them. Where there is no money, bills cannot be paid. They may be reduced to a judgment, but that is only an additional expense,—an additional loss unless the judgment can be satisfied. In olden times such a debtor could be cast into prison but that benefited no one then, nor would it now.

The desirable credit risk is the honest man who has financial means, who has character and personality combined with the necessary ability, who is watchful of business conditions and has a strict sense of his obligation in making payment of his bills at maturity. Where part of the attributes are lacking, the credit man must base his decision accordingly, making his investigation as thorough as possible and taking into consideration the various facts, pro and con. He should accustom himself to making decisions quickly and decisively, as soon as all the facts are laid before him. And, in cases of a doubtful nature, where even the best men would hardly know just what to do, it is better to be conservative—better to be safe than sorry.

Investigating the New Customer.

Every house doing a reasonable amount of credit business should be a subscriber to a commercial agency, such as R. G. Dun & Co. Such a subscriber receives a rating book semi-annually (the old one being returned to the

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agency) which lists every business, whether incorporated or not, in the United States. Every subscriber also has the privilege of obtaining a certain number of individual reports for credit purposes, upon request, according to the size of the contract which is signed. Additional reports will also be furnished at a charge which is very reasonable.

~~Immediately upon receipt of an order from a new customer, or a request for credit, one has only to refer to the rating book. If the rating is high, the credit man is justified in granting any credit he sees fit without further ado. If the rating is poor or is blank, he should request a report on the party, if the credit sought is large enough to warrant it. Such a report will show the correct name and address, whether married, antecedents (in nearly every case), a copy of a signed financial statement if it was possible to obtain one, the party's annual business, insurance, outside property, etc., and the manner in which he pays his bills. The reports are as complete as it is possible in each individual case to get them, and the figures submitted are corroborated at the local banks. Furthermore, when a report has been requested, should there be a material change in the debtor's affairs at a later date, should he be sued, have judgment entered against him, or should he mortgage his stock or property, the subscriber will be advised voluntarily by the commercial agency. This is of great benefit at times, especially if the credit man should later become lax with the debtor, as sometimes happens, or if the debtor does not volunteer any such information, when it is to his advantage to keep it secret as far as possible.~~

*will be given
I added info*

*all based
on report*

If, upon receiving such a report, one is in doubt, or if it is found necessary to do so, the applicant should be requested to furnish a detailed financial statement and when this is received it can be compared with the financial statement on the agency's report. On pages 12 and 13 will be found a very good form for requesting the statement.

This can be elaborated upon if desired, or it can further be improved upon by obtaining blanks such as this, from any reputable stationery house, so cut that they can be folded, sealed and sent as a letter. One big advantage of such a statement is that the original container—the envelope—is the statement itself. Should the statement be fraudulent and signed, it is imperative that one have the original container if the document is to be of value if produced in court. It is, of course, illegal to make a fraudulent statement for the purpose of obtaining credit, and if statements are mailed in ordinary envelopes, the credit department should carefully preserve them along with the statement in their files.

Assets.

~~In examining the financial statement, due allowance~~ must be made for shrinkage. Remember, the debtor wants credit and it is but natural that he report his assets as high as he possibly can. Sometimes the statement mentions that an allowance has been made for shrinkage, but unless it is known just what allowance has been made, the figures should be further discounted. Merchandise sold at a forced sale will never bring the full retail price. Similarly, accounts receivable are apt to shrink considerably—and they likewise should be cut sufficiently to

SMITH AND Co.,
Chicago, Ill. Date.....19....

For the purpose of obtaining goods, wares, and merchandise from you on credit, declare the following to be a correct statement of financial condition as of.....19....

ASSETS		LIABILITIES	
Cash on hand .....	.....	Owing for merchandise	.....
Cash in bank .....	.....	On open account, not due .....	.....
Accounts receivable, collectible .....	.....	On open account, past due .....	.....
Notes receivable, collectible .....	.....	Secured by notes .....	.....
Merchandise on hand .....	.....	Owing for borrowed money	.....
Furniture, fixtures, and equipment .....	.....	To bank .....	.....
Accounts due from members of firm .....	.....	To friends and relatives .....	.....
Land and buildings .....	.....	Owing for wages and salaries .....	.....
	.....	Owing for rental .....	.....
	.....	Owing on land and buildings .....	.....
Total .....	.....	Total .....	.....

RECORD OF LAND AND BUILDINGS

Title in name of	Description and Location	Book Value	Assessed Value	Amt. of Incumbrance	To Whom

State your average monthly sales.....Part in cash....., on credit.....
 State your average monthly expense..... Monthly rental.....
 State your insurance on Mdse.BuildingsEmployer's Liability.....
 Is any insurance assigned?.....To whom?.....
 What books of account do you keep?..... Are above figures from books of account?.....
 State date when inventory was taken..... Did you figure it at cost or market?.....
 Do you ever pledge accounts or notes receivable to banks or others?.....
 If so, are any now pledged?.....What amount?..... To whom?.....
 How long have you been established at present location?.....
 State previous business experience and where.....
 Are you in partnership?.....If so, name partners.....

I declare that the foregoing is an accurate and truthful statement of.....financial condition as of19..... Since that time there has been no material change in.....finances. If any change take place, I will at once notify you.

Firm (or individual).....Member of Firm
 By.....
 Address.....Town.....State.....
 Street.....

Give names of at least five houses with whom you have an account, and give their address.

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provide for such an event. It is important that the report show whether the item, Merchandise, is computed at cost price or market price, in order to interpret the report intelligently. Furniture and fixtures, and also equipment, are usually valued too high by the smaller merchant, being reported frequently at the original cost price or nearly so.

Cash in bank, land and buildings should be checked up to see that the figures are not exaggerated. Especially with land, it is cheaper to corroborate the figures and know for a certainty that it is valued correctly and is unencumbered, than to see this asset disappear entirely at a forced sale. With the notes receivable it is well to request a list of them if they aggregate a considerable sum and have the local bank check it over and advise how much of it they consider good. For a note, just like any account, is worthless if the maker has no means. Usually one does not give a note unless it is expected that it will be paid. If not paid, it can be reduced to a judgment, certainly, but of what value is that if there is nothing wherewith to satisfy the judgment?

The item of insurance is of importance. Unless the merchant shows enough assets, if he carries no insurance, to be able to withstand a fire loss, there is danger in shipping to him. No one knows when a fire will break out, and yet the average small merchant neglects his insurance to an alarming extent. Even a large number of individuals, married and single, belittle the importance of insurance. Whenever the credit man has an opportunity of doing so, he should drill into his customers the necessity of carrying ample insurance, not only as a benefit to his creditor, but for his own protection.

Liabilities.

The amount owing for merchandise, both not due and past due, and on notes, should be examined carefully. Rather than being over-estimated, like the assets, these figures are apt to be under-stated and should be checked up as far as possible at the banks. Likewise with loans ~~from banks and from friends or relatives.~~ If there be any doubt as to their correctness it is wise to write for a list of the friends who have loaned money and check this list thoroughly, writing direct to the parties, if necessary. The other items can also be checked up either through attorneys or banks.

The total yearly expenses of conducting the business should be compared with the total yearly volume of business. Insist on the applicant reporting his rent and clerk hire, and, if possible, his other operating expense. The size of the business will indicate about how much his total operating expenses ought to be and if there is a wide variation, inquire into it.

In judging a credit, one should consider whether the party is turning his stock with a reasonable rapidity, or whether his capital is being tied up in accounts receivable. Some merchants are so good hearted that they are imposed upon by their customers in the matter of the accounts owing by them, and for the merchant's own welfare, he should be forced to keep his accounts receivable within bounds.

Lastly, the references given should all be consulted. The exchange of ledger information is of particular value and helps to establish the item of merchandise indebtedness

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aside from indicating the manner in which the applicant's bills are paid. This interchange of ledger information is being regarded with such importance that the Credit Clearing House is recognized as being as vital to the credit work as the commercial agencies. The agencies report the customer's assets, liabilities, and character, whereas the Credit Clearing House, through its ledger interchange, shows just how he makes use of the confidence other credit men have reposed in him.

The debtor may pay his bills in a satisfactory manner, but if he makes unjust claims, takes discounts unfairly, returns goods in violation of a contract, or attempts to take unfair advantage of his position, his rating should be cut, and other firms should know it to protect themselves. Or, he may pay his larger bills promptly in his endeavor to keep his credit good with the bigger firms from whom he obtains the most of his supplies, and allow his small bills to go unpaid until they are placed in an attorney's hands, or even until suit is started. Or, he may give only five or six references the while he is scattering his purchases widely. All of these are danger signals and should result in a curtailment of the debtor's credit. This is just where the interchange of ledger information is of inestimable benefit and is just what the Credit Clearing House is designed to cover and which it does cover.

pay
by
bills not
small

CHAPTER III

SELLING CREDIT

Credit is a commodity. Credit is purchased through the prompt retirement of all obligations not later than the dates upon which they become due, through the legitimate acceptance of the terms of discounts, and through the refusal to at any time make unjust complaints or arbitrary deductions in making settlements. Perhaps a good many of the smaller business men have never considered credit in this light, assuming that since they are "good" for their bills, there is no need for punctuality in meeting any of their obligations and that their creditors are seeking their business so strenuously that they are able to secure all of the credit which they may wish. In fact, they become so self complacent that the creditor is treated with lordly condescension at settlement time. In the present day, the lax debtor, accustomed as he has been to being offered various inducements and special terms by his creditors' representatives, is unable to comprehend why his competitors should prosper more than he. The competitor has learned to buy credit. Conversely, the lax debtor must be sold credit.

The value of credit in present day business is of such tremendous importance, that in practically every case it is the determining factor in the success or failure of the

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business enterprise. One may reason with propriety, if a debtor is slow pay, or has little sense of responsibility regarding his obligations, that he is a poor credit risk and not worthy of any special consideration and that his account is not to be solicited. This is true up to a certain limit. The credit man who would grant a rather large line of credit to such a debtor with the hope of educating him to become a better credit risk, would be very unwise, and he who would refuse such a debtor credit entirely, would also be unwise. It is the credit man's duty to attempt to strike a happy medium, and to build up a good account for the house. Just as the percentage of losses through bad debts may be too large, so the percentage of losses due to bad debts may be too small. In other words, the credit man may do the house just as much harm by curtailing sales, as he may by granting credit too freely and by not being able to secure collection of the accounts.

Diplomacy.

A very important asset of the credit man is diplomacy. In fact, he who lacks this quality will find his horizon very limited. To be able to direct the conversation towards the proper end to be obtained, to be able to draw from the applicant for credit, his modes and methods of doing business, to learn something of his private life, his character, to tactfully lead him to reveal his personal traits, without causing any offense,—these are prime requisites of the credit man.

He should be able to adroitly point out to the applicant

any methods or modes of conducting his business, of which he may not approve, and to tactfully endeavor to have them corrected, or, if credit is not granted, to so refuse it that no ill-will is borne towards the house. In his personal interviews he should be able to sell the customer credit, to impress upon him, to have him visualize, the importance of credit and the part it plays in present day business.

Selling Credit through Salesmen.

The house who has its travelers making towns periodically, has an opportunity of selling credit through its representatives. Selling the firm's merchandise should not be the one aim of the salesmen, for sales alone do not constitute the successful business.

It would seem rather unwise to carry any men on the road entirely on a commission basis, unless they are known to be responsible salesmen. Where commissions are paid on sales, it is only natural that goods be sold to every merchant who will buy them, to the largest amount that he will order, so as to receive the commissions. Frequently travelers working on a straight salary basis, have sales dinned into their ears to such an extent that in order to secure results they too sell to any one who will buy in order to make sales.

The salesmen should be developed along the lines of selling credit as well as merchandise. Without a doubt, the failure of debtors to make settlement for purchases when due, in the majority of cases is caused by their unfamiliarity with business and the manner in which it

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should be conducted. The emissary from the house has in his hands the very corner stone for laying a solid foundation for credit, if he be able to advise soundly and sensibly as to how the business should be handled, and can thereby create an immense store of good-will for the house. Practical assistance along the lines of conducting sales, aiding the debtor to install an efficient method of keeping his books, helping him to make his collections when due, rearranging his stock, fixing his window displays, assisting him in his advertising, lending assistance unstintedly in every way wherever needed, all contributes to the making of a business man out of a storekeeper. He who becomes a business man will not require much selling of credit; he will of his own volition seek and maintain a sound credit rating. And too, when he becomes a business man, his purchases will increase, resulting in better business for the house, while the credit risk has diminished.

Selling Credit through Letters.

The selling of credit through correspondence is infinitely more difficult than it is through personal contact. The credit man may conscientiously endeavor to educate the debtor along the lines of better credit and find it a disheartening task. Frequently his letters are scrupulously ignored and he carries on a one-sided correspondence. The salesman's personality is an opening wedge in his dealings with the customer, and while the correspondent may inject personality into his letters, they may be laid aside as soon as perused, and be quickly forgotten. Unlike the salesman, he is unable to first strike a greater or lesser degree

of intimacy as a starting point and may find his letters considered uncalled for or impertinent.

The problem of the correspondent is to show the uneducated debtor the operation of the credit system, the interweaving of credit throughout all lines of business, and the dependence of our present business structure upon credit. He must endeavor to show the necessity of paying for purchases when due, to set forth the absolute need for frank, friendly relations between debtor and creditor, and the necessity of advising creditors promptly if settlement of bills cannot be made when they fall due.

The correspondent must try to resell the goods to the debtor, to re-awaken in him and keep alive in him a mental image of value received in the goods which were purchased; by this means endeavoring to stimulate a desire to make further purchases and through this increased interest, to visualize for the debtor the benefit to him, selfish though it be, of a good, sound, credit rating. This frequently requires months and even years to accomplish, but the alert credit man will grasp every opportunity which comes to hand, to tactfully lead his debtors to become better credit risks. Only he who has patiently dealt with a customer, urging him slowly but surely along the lines of good credit, can know the gratification of the end being obtained, and of seeing the customer develop into a good account. Full value, not by any means, however, more than full value, is required to be given the debtor in his purchases. Otherwise the labors of the correspondent are for naught.

Those firms who maintain house organs will find them ably suited to the accomplishment of credit propaganda. Where house organs are not issued, pamphlets and book-

lets, printed in attractive form, can be mailed to the customers at different intervals. An article on the subject of credit is given in Chapter VIII, for use in house organs, while short trite sayings are given below. Additional letters will also be found in Chapter VIII. It is a very good plan to have 1000 or so sheets of stationery bear some short pertinent remark pertaining to credit at the bottom of the sheet, for the use of the Credit Department; and when these are used up to have a different short saying printed on another 1000 sheets, and so on, in order to keep before the debtor continuously the subject of Credit.

Procrastination is the destroyer of CREDIT.

CREDIT is the best friend of business.

CREDIT is simplicity itself, but it is intricately complex in its simplicity.

Build upon the rock of good, sound CREDIT.

CREDIT is built by prompt payment of bills when due, Good CREDIT is the advance guard of prosperity.

CREDIT and PROSPERITY are fast friends—but they will never meet until good, old, sound CREDIT makes the first move (first makes his appearance).

Do you seek PROSPERITY? Then first find CREDIT.

CREDIT is built up by advising a creditor promptly if a bill cannot be paid on the due date.

CREDIT is faith in mankind.

CREDIT makes possible the world's daily business of billions of dollars.

CREDIT enables you and me to eat our daily bread before we have earned it.

Difficulties beset the path of he who does not guard his CREDIT.

Do you pay all of your obligations promptly when due?
If so, you are building a solid CREDIT RATING.

Six Specimen Letters.

Handling the new customer at the very outset, in an efficient manner, has much to do with his being placed in the proper attitude in regard to better credits. If the applicant's rating warrants it, there can be no objection to shipping his order immediately, but the credit department should request his financial statement as a basis for further orders. Or, if the rating be very high, this can sometimes even be dispensed with, as a very high rating indicates in itself that the debtor is a good risk. Letters should, of course, carry correspondent's signature, above official title.

The New Customer.

DEAR SIR:—

Thank you for your order of Oct. 8th, which came in this morning. This has already been approved for credit and passed on for shipment, which will be made tomorrow or the day following.

This is apparently your first order with us and I want to personally welcome you and trust I may number you as one of our steady customers. It is perhaps with pardonable pride that we point to the high standard of our products and to our ability to still meet responsible competition. Our goods are priced to give the merchant a goodly profit, and at the same time enable him to sell his customers merchandise backed by a reputation.

The rating assigned to you by the mercantile agencies warrants our shipping this first order without hesitation, but I am enclosing our usual financial statement for you to fill out,

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so that a basis may be established upon which we can extend credit to the amount you may need. Financial statements are always held by us in strict confidence, and they are the only means of our establishing frank and friendly credit relations with the merchant.

I shall look for your early response, and in the meantime, assure you that we shall do our utmost to set up a mutually pleasant and profitable business relationship.

Very truly yours,
Credit Manager.

Holding Up the Order.

DEAR SIR:—

We acknowledge with thanks your order of Feb. 2nd, which we received in this morning's mail.

Frankly, however, we are somewhat embarrassed. This is your first order with us and we have consequently had no opportunity of getting acquainted, and establishing a basis for credit. It will take some little time to do this, and I would like your permission therefore to ship this order with a draft attached to B/L.

With your frank and friendly cooperation in filling out the enclosed financial statement, you can assist us very much. It will be held in strict confidence, and while we can get your rating from the mercantile agencies, yet the fact remains that no one knows your business as well as yourself.

Your prompt response will be appreciated and you may rest assured that we shall do all in our power to number you as one of our steady customers, and that we shall do all we can to establish mutually profitable business relations.

Very truly yours,
Credit Manager.

Requesting Part Cash.

DEAR SIR:—

We acknowledge with thanks your order of January 16th for \$185.00.

Unfortunately, however, we find this to be your first order with us and consequently we have had no opportunity of becoming acquainted and establishing a basis upon which to grant credit to the amount that you may need.

If you will kindly send us your check for \$100.00 which is approximately half of the order, we shall be enabled to make shipment immediately, and can then extend credit for the balance. I am enclosing a financial statement to be filled out, which, of course, will be held in strict confidence. The friendly cooperation of our customers along this line aids us in extending credit in a manner not to be compared with ratings assigned by the mercantile agencies.

The goods which you have ordered comprise very fine values and will mean not only profitable business for you, but also satisfaction for your customers. It is a matter of pride to us that all of our products are made to a standard and are backed by fifty years of integrity.

You may be sure I shall gladly welcome you as a regular customer and I am looking forward to our entering upon a long period of mutually pleasant and profitable business relations.

Very truly yours,
Credit Manager.

Requesting Cash in Advance.

DEAR SIR:—

Thank you very kindly for your order amounting to \$24.00 which we received this morning.

Owing to the very close margin upon which we are selling our goods, however, in order to obtain for our dealers as large a profit as possible, we have discontinued extending credit except in those cases where the accounts have proved themselves a gilt-edge risk. This policy is saving us a great deal of collection expense, and is reverting back to the dealers in increased profits to them, while at the same time they are

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handling goods which are backed by our reputation and bound to give satisfaction to their customers.

We are sorry that our relations so far have been very limited, and trust that you will kindly let us have your check in advance in payment of this order. In the meantime, please fill out the enclosed financial statement and return to us at your convenience, stating thereon sufficient references so that we can establish a basis for your further orders.

Let me assure you we will do all in our power to enable us to number you as one of our regular dealers.

Very truly yours,
Credit Manager.

Refusing Credit.

DEAR SIR:—

Thank you very kindly for your order amounting to \$46.00.

However, I am genuinely sorry to have to state that the credit reports on file do not appear to warrant our shipping the order on open account. From these reports it seems that in the past you have been somewhat lax at times in taking care of credit when extended to you. This may have been due to pure carelessness on your part, or to some temporary local conditions.

If you will allow me to do so, and will accept it in the spirit in which it is given, I would like to urge you in a friendly way, to handle credit with every care. Credit is extended simply because of confidence that obligations will be paid promptly when due. Credit is so closely interwoven in our complex life, that neglect, even in trivial matters, assumes an aspect of large proportions and can only result disastrously. Make your own collections promptly. Do not buy in too large quantities and try to make fast turnovers.

Should you have any special problems confronting you, we shall be very glad to assist you wherever possible, and I want you to feel free at any and all times to ask our advice. If

you will kindly send us check for \$46.00, we can ship your order immediately, and you may rest assured that as soon as we feel we can do so, we will gladly ship all of your requirements on open account.

Very truly yours,
Credit Manager.

Because of Past Delinquency.

DEAR SIR:—

Thank you for your order amounting to \$165.00, which we have just received.

However, I am genuinely sorry that I do not feel it allowable for me to ship this on open account, in view of your delinquency in taking care of the credit extended on several occasions in the past. Credit is of such importance in the present day, and is so easily shaken by neglect of it, even in small obligations, that I want to say frankly and in all sincerity that we have regretted extremely your failure to answer our correspondence at times. If you will allow me, I would like to urge you in a friendly way to handle your credit with every care. Watch your stocks carefully, do not overbuy, make your collections promptly, use good advertising, and make all of your payments punctually when due.

I want you to feel free at any time to consult us if you think we can be of help in any way in overcoming any problems that may arise. Our customers' interests and our own interests are so closely allied, that what affects one, affects the other. If you will kindly send me your check for \$35.00, and give me permission to ship the order under a sight draft, we can let it go forward at once.

You may rest assured that we will gladly do all in our power to enable us to ship you on open account again. I believe you have always been well pleased with our lines, and I know your customers have been satisfied. Although our advertising was heavy this past year, it is going to be

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still heavier in the near future and is going to mean more business for our dealers.

I am enclosing a return envelope and hope I may hear from you by early mail.

Very truly yours,
Credit Manager.

CHAPTER IV

COLLECTING THE ACCOUNT

Psychology of Collection.

Psychology in the collection of accounts appears to be a very formidable word, but in plain terms it is simply the science of the operations of the human mind, the mental activities of the normal, average person under certain given conditions. Given the debtor of a certain type, given the cause of the indebtedness, given certain conditions, what is the resultant attitude of his mind when the bill is to be paid?

The successful credit and collection man is a student of the human race. He continuously endeavors to analyze the mental operations of the debtors with whom he has to deal, to penetrate the innermost workings of their minds, and to frame his personal interviews and his letters accordingly, in order to play upon certain emotions to stimulate the debtor to action, to payment of the bill. If the collection man can work upon the right emotions of the debtor, he (the debtor) is induced to make payment subconsciously, so to speak. He has no idea that he has been tactfully led to pay his bill, but rather believes that he is acting on his own initiative, and may even feel quite self-complacent, and self-righteous because of it.

Within a certain length of time after an obligation has

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been incurred, practically every debtor knows that he ought to pay the bill, the thing to do is to induce him, wherever possible, to pay without giving offense.

About 95% of all business is conducted on a credit basis; the percentage may even run higher but this is conservative. It can readily be seen then that practically every individual and every corporation throughout the country is always owing money to some one else, and hardly ever are they entirely caught up with their bills. Furthermore there is not enough money in circulation to permit the huge business ventures of today being transacted on a cash basis. If it were attempted, business activities would slump tremendously, there would be wreck and ruin on every hand and the millions of inhabitants in this country and other countries, would face starvation. Credit, in our complex life, working silently and smoothly, like a well oiled mechanism, is the mainstay of business, but, were it not for the fact that the majority of people are honest, the credit system would collapse like a house of cards.

The collection man must therefore remember that the big bulk of humanity is always owing money, that they are never even with the slate. He must further remember, however, that the big bulk of humanity is honest and fully intends to pay its bills. And he must likewise remember that the longer bills are allowed to become past due the more difficult it is going to be to collect them.

Let us consider a wage earner. He has a good reputation as a steady worker and as being good for the debts he contracts. However, he moves into the other end of town and trades at a different store. His former creditor has every confidence in him, because of his past record,

allows his bill to run, and after a length of time, forgets it more or less. Perhaps six or eight months later he awakes to find that the bill is still owing, but having forgotten about it and not pressed its settlement, the debtor has naturally forgotten it too. The debtor's first impulse on having it brought to his attention is to deny owing the money. He may conscientiously believe that he has paid it, but not finding the receipt concludes it has been lost and that the creditor is trying to collect a second time.

The skilful collector must now study his method of approach. He must overcome the debtor's impulse of surprise and anger and by persistent suggestion awaken in him a sense of his obligation as shown by his creditor's books of account. Constant suggestion, always courteous and tactful, causes the debtor to doubt whether he really paid his bill as he supposes. Skilful repetition will usually prompt him finally to action and to payment of the account. He must be shown that the creditor's books are considered correct, that the burden of proof in court rests on the debtor in proving the bill has been paid, and that if he has no receipt or cancelled check the bill must be settled. The account must always be so handled that the debtor can gracefully pay without being caused any humiliation. It is unwise to ever use the triumphant "I told you so" attitude.

Habit likewise plays an important part in collection work. Periodically some educator tells us through the press that only 14% or 16% of us adults are thinking people, and there is nothing that would indicate this assertion to be untrue. The lives of the unthinking individuals are not guided by reason, but instead by rote,

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by habit. They do various things not through any process of thinking, but because they have always been accustomed to doing them, and because they have nothing else to do. If they can be gotten into the habit of paying their indebtedness promptly, the problem resolves itself into keeping them there. When once the bill is paid the next bill should be presented punctually, and so on. Or, when a part payment is made, and a date set for the next payment, it is important that the call be made on that date, or a reminder mailed to reach the debtor the day before that date. One should never become lax in this respect. If payments cannot be made when due, then some payment, at least a part of the part-payment, should be insisted upon. The importance of instilling the suggestion of habit into the debtor, cannot be emphasized too strongly.

Likewise, suggestions through various emotions must be used. Suggestion through good-will and confidence is certain to obtain a favorable response, especially with the smaller accounts. When confidence is reposed in one, one usually attempts to merit such confidence and it is always well to begin all sets of letters with this appeal. Tactful suggestions to the pride of a debtor stimulate him to favorable action. Suggestion as to pride in his name, his credit, his reputation are excellent; every one wishes to be looked up to, to be held in respect by his neighbors and acquaintances. Where the debtor is acquisitive, an appeal to the saving of a discount or the cancelling of an interest charge is of value. The appeal to shame is successful at times, but of course shaming any one is bound to incur their ill-will. Also, the appeal to fear is effective

but at the same time it loses the debtor's good-will. When the account is far past due and other tactics have failed, the collection man has no alternative but to use these stronger appeals and consider himself well off for having offended the customer and lost his future business. Study your debtors well, their emotions, their likes and dislikes, and lay your plan of attack accordingly.

Classification of Debtors.

Debtors may be divided into four general classes, each group necessitating a different procedure, as follows:—

Prompt pay.

Slow pay.

Careless and bad pay.

Irresponsible and unreliable.

Prompt Pay.

This class of debtor, as a rule, requires little or no attention. It is comprised of those people who have a strict moral sense of their obligations and who pay as soon as the statement is received, or within a reasonable length of time thereafter. They may not necessarily be endowed with a large share of worldly goods but are so constituted that they dislike being under obligations to any one and they seldom purchase more than they know they can pay for.

Their manner of payments should be looked after from time to time however, merely to see that they do not fall

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from their pedestal. If not given attention when they fall in arrears, they may neglect their payments for a considerable length of time and allow their bills to accumulate with the result that they at length become quite seriously evaded. They may even eventually attempt to evade payment, and then when settlement is secured, it is only through unavoidable offense. But cases like this are not the general rule with this class of debtor. It is matter to be thankful for that they are the exception instead of the rule.

Whenever one of this class does fall in arrears, a simple short letter, expressing good-will and confidence is generally all that is needed to secure a remittance.

Slow Pay.

This constitutes about the largest percentage of the debtors upon any one's books and requires careful analysis as to the proper procedure. These debtors are mostly wage-earners, people of ordinary means, sometimes professional men, and they are mostly honest but for various reasons allow the account to become delinquent. This may be due to lack of employment, the purchase of necessities which is deemed more urgent than the account in question, required payments on a fixed date (such as taxes), sickness, death in the family, mismanagement,—or any one of a multitude of reasons with which every collection man is familiar.

When the account becomes past due because of lack of employment, no uneasiness need be felt if the party is perfectly honest. As soon as he is at work again the

money is almost sure to be forthcoming at an early date. If it isn't, a gentle reminder will bring it.

Sometimes a debtor neglects some particular account because he feels that his money should be paid for the necessities of life. With the approach of winter, for instance, he may consider that the purchase of his supply of coal, or the purchase of winter clothing, takes preference over a past due bill. If such be the case, he may be entirely justified in acting thus for it is not uncommon to find dealers in these commodities insisting upon cash sales; as these purchases are necessities, the debtor has no choice but to pay cash or suffer physically. Likewise in the payment of taxes. A vast amount of people are unable to lay aside money in advance with which to meet taxes and when the last date for payment arrives, they must bend every effort to pay them or be penalized. Be it remembered that small expenditures for taxes or necessities are more difficult for the man of small means to meet, than are the large disbursements of the wealthy. Sickness or death in the family also means much to the middle class and because of their conscientiousness they are apt to first pay the entire professional bill, whatever its size, without demur, to the detriment of other bills.

Whenever such cases come before the collection man he must be tactful and patient, he must use good judgment and nurse the account carefully. Undue pressure is liable to result disastrously. Personal calls or courteous letters, pointing out the leniency of the creditor, his desire to be of service, and the suggestion of small partial payments, or any suggestion deemed suitable, will help to secure payment and get the debtor on his feet again. Strong, sharp

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methods avail little, even though the party is almost down and out, while a helping hand secures good results and builds up good-will for the house.

Often the accounts of professional men become very far past due. When this occurs it is a delicate matter, because of their position, to obtain prompt payment and retain their good-will. The physicians' and dentists' practise is almost entirely on a credit basis. They have heavy, continual expense, frequently have a number of charitable calls, and where the patients have ample means with which to pay the bill promptly when rendered, many of them feel justified in "putting off the doctor" for a staggering length of time. And the medical men, doubtless from the ethics of their calling, do not generally press their debtors urgently for settlement of their bills, but instead write off a large sum yearly to bad debts. Whenever such a professional account falls in arrears the situation must be studied carefully. A courteous letter can be written, suggesting that the bill was overlooked due to the frequent calls of his patients; and subsequent letters sent, pointing out the service the house is endeavoring to maintain, or suggesting that they supply him with a special set of inoffensive but effective form letters to prompt patients to payment. These are always effective and retain good-will. The ingenious collection man will also find other angles from which to write, depending on local conditions. Lawyers' bills, however, are very difficult to collect if they persist in withholding payment. They are well acquainted with the law, know just how far the creditor can go, and are also smart enough to know that hardly any other lawyer will accept a claim for collection against them.

Another group of this class are those who have means, but relying upon the awe which they inspire and upon the favor with which their patronage is regarded, are wont to withhold payment for an unreasonable length of time. The collection man is sometimes in a quandary. If he presses too hard the debtor lets out a roar reaching to the president, and if he allows the account to go too far overdue he is open to censure by the house. These debtors are absolutely dishonest in their methods, for the interest which they receive on the money they are withholding (they generally run up fair, sized bills) is helping to retire the debt itself. It is well when dealing with this class, to take the matter up with higher authority and ascertain the course to be followed. If it is decided to collect, sharp, firm, but courteous letters should be sent, and these interspersed with personal calls, until the debtor is brought to time. If the instructions are to the effect that their tardiness is to be tolerated, for the sake of their patronage, as an advertisement as it were, then it is a very good plan to charge interest on all past due items, or to advance the retail price when the sale is made in order to secure enough profit to cover possible interest charges. The small merchant who caters to this class of trade, if he does not adopt such a course, will pay heavily for such patronage, in the lowering of his own credit standing. Prompt collections enable prompt payments, whether it be the small merchant or the large corporation.

The farmer who allows his account to fall in arrears also presents a difficult problem. The farmer is peculiar in that he has generally met with adversity more or less; he must labor hard for his money, consequently he knows

full well the value of a dollar and therefore does not lightly part with it. When the crops are sold, if he is honest, he will pay his bill, but after that he often expects a full line of credit until the next harvest. Whatever money is in the bank remains there. Farmers as a class are wealthy, a larger percentage of farmers than any other class are retired; statistics indicate that they, as a class, own the greatest percentage of automobiles. Yet they travel through a hard school and appreciate fully the money which they have earned in the past, and are not easily induced to pay their indebtedness except from current monies received. Recently I was told by a grocer in a small town that he had a farmer on his books for \$400.00. He was perfectly good for it but lax and touchy on that score. He had just been in and paid \$100.00 on the account saying, "Now, mustn't say anything about the balance for a while." By the time this debtor was ready to make another payment, the account in all probability was in excess of \$400.00. The collection man, when he has such past due accounts, must likewise be very carefully in his handling of them. Little money is lost on farmers—it is only that they are tardy, and have their own ideas as to payments.

When tardiness is due to mismanagement, the collector must be right on the job. In such cases money is going to the creditor who is the most insistent, and the one who clamors most will fare best. This class is not so easily offended but is rather apologetic, yet the skilful collection man will not resort to bluster and abuse, but will still be courteous and tactful, and through partial, regular payments, if necessary, arrange for payment with the least discomfort to the debtor.

Careless and Bad Pay.

The careless debtor is a precarious risk. He has no method in meeting any obligations and has little moral responsibility. He is not just dishonest, on the whole, but he allows bills to grow very old unless pressed urgently for settlement. Through their own careless, aimless habits, this type generally is not endowed with much worldly goods. They usually feel that the world owes them a living and that somehow or other it will be forthcoming; they are disgruntled if it is not and are inclined to think that a prosperous creditor, who presses for payment of his bills, is oppressive. When this kind is on the books, immediate persistent dunning is necessary to get the account. If the account grows old, collection becomes more difficult.

To sermonize, others of this type of debtor are seeking "worldly pleasures." They are vain, extravagant, live beyond their means, and are deeply offended if their creditors do not aid them in their frantic endeavor to secure a foothold in society—by allowing the accounts to run indefinitely. In their desire to imitate the smart set, to be deemed of consequence, they make extravagant purchases and have an apparent disregard for money. The most effectual way to deal with this class is to send four or five letters and then to give notice of garnishee or to serve suit papers. They are very sensitive over their imagined social standing and never in the world will they allow their name to be disgraced by a judgment. That would mean nothing less than ostracism by their really refined social acquaintances, who have a strict moral sense of their obliga-

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tions. If such debtors are notified that garnishment proceedings will be instituted or that suit is to be started, and they see that business is meant, they will usually pay up.

Where previous experience has been had with the same party of this class, one will know better just how much time to allow him before becoming severe. More often than not, these debtors ignore collection letters, viewing them with contempt, until they receive those just preceding court action. However, the collector generally feels somewhat better for having given them several opportunities of paying before using force. They can hardly be considered as having any credit standing, and ordinarily would not receive credit, but their affluent air and lofty utterances usually befuddle different managers at some time or other. The subsequent requests for credit should be turned down flatly.

Other debtors of this classification are those who will not pay if they can very well escape doing so, such as— journeymen of all mechanical trades, journeymen barbers, agents of all kinds, some traveling men of the less reputable houses, sometimes actors and the like. Please understand that not *all* of these callings are bad pay, but a good percentage are. The credit man should be wary in granting credit and ascertain how long they have resided in the vicinity. If credit is extended and they misuse the confidence reposed in them, it is better to ignore persuasive measures, and adopt decisive, firm measures, garnishing their wages if necessary.

It is frequently their habit to leave a locality after a

sufficient number of bills have been incurred, and a close tab on them and quick action is needed to collect the money.

Irresponsible and Unreliable.

Debtors who have no intention whatever of paying their bills comprise this class. If they have any resources they keep them hidden or transfer them to their wives' name. They deliberately buy as much as they possibly can and when no more can be had, shift the scene of their activities to some other house. They always solemnly agree to anything proposed, are always tricky, can seldom be reached personally, are aware that having no means, at least apparent means, action is not apt to be taken, and if they ever do pay a bill it is simply to lead the credit man on to allow them to get away with a larger bill than they otherwise would. They deserve no consideration whatever, although it is a pity that their families frequently suffer because of them. Sooner or later these debtors become very well known locally and it is then impossible for them to get credit, but until that happens, they can cause an enormous amount of loss to the community in the aggregate.

When one is once "stuck" with such a debtor, hard and harsh tactics are necessary at the very outset. Never paying their bills, they have all had much and varied experience with the methods of collection men and can almost intuitively discern the creditor's next step. Unless the account is large, it might as well be closed rather than

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waste too much effort on it, and the proper records made so that future credit will not be granted.

Classification of Merchant Debtors.

The grouping of debtors into these general classes applies equally well to merchants or to individuals. The mass of unincorporated businesses throughout the country are simply private individuals incurring, either singly or in groups, indebtedness for the purpose of barter instead of consumption. Small corporations are influenced by the same suggestions and appeals, while larger corporations, which are generally good pay, occasion their creditors little trouble except in those cases where the executives are shrewd or tricky.

The honest business man has the same high moral standard as the honest retail customer in meeting his obligations promptly. He is much more apt, however, to become deeply involved if allowed to fall very far in arrears, than is the individual debtor. The same suggestions to confidence and good-will usually result in prompt remittances if used at once.

Tardiness in business men is occasioned by the same principles as in the case of any person who is slow pay. Many factors contribute in the same manner to their delinquency—sickness, mismanagement, lack of employment for their debtors, much farmer trade, need for certain stocks sold only on cash terms, taxes, and similar causes. They likewise must be handled carefully by the collection man; it must be ascertained what particular causes are affecting them and the necessary procedure taken immedi-

ately. If not handled as they should be, the loss of their trade will be much more serious to the house than would the loss of a retail debtor's trade.

Careless and indifferent merchants require prompt, firm treatment. Persuasive measures will avail little with this type and one or two firm letters followed by hard tactics,—prompt, aggressive, severe measures at once,—will frequently bring in the money. Merchants living beyond their means must under no circumstances be handled gently. Any one who lives extravagantly without the necessary income is likely to withdraw money dishonestly from his business. He can easily quiet his conscience by persuading himself that the business is his very own, that being his very own, all of its receipts and revenues belong to him. He does not consider it theft to help himself to what he needs, whenever he runs a little short, instead of drawing a certain salary and taking his profits at the close of the year. Every extravagant debtor becomes sooner or later irretrievably involved. Credit must be extended very cautiously to this type and payments demanded immediately when due. Harsh measures will offend certainly, but their trade is undesirable and when they become known, they are given little credit except by those friendly to them.

The irresponsible merchant must likewise be handled unsparingly. He is on the road to insolvency, or to being finally forced to closing up shop and leaving for parts unknown. It is only a matter of time; perhaps he can hold out for some years, perhaps he will be gone tomorrow; he is an unknown quantity.

Let me reiterate the importance of knowing your debtor.

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Analyze him. Study him well. If persuasive measures will bring the money, use the procedure specially adapted to him and do not resort to harsh methods, but if hard measures are necessary, give him to understand that the bill is going to be collected.

CHAPTER V

COLLECTING THE ACCOUNT (*Continued*)

Personal Collections.

It is frequently much more satisfactory to collect local accounts in person rather than to send out a number of letters. In the large cities perhaps, the expense would be very high for the smaller corporations which have fewer accounts, and in those cases letters would be used. But the successful collection man arranges for personal collections locally after two or three friendly letters have been sent, except in those cases where the debtor is tricky or bad pay and his future business is not to be solicited. The large corporations which have salesmen traveling about making periodical calls on dealers have on the whole little trouble with collections. The salesmen secure payment on account while obtaining additional orders and should any one of them be refused a payment when due the alarm is quickly sounded and the credit department is thus enabled to immediately investigate. If the situation warrants, then the dealer may be at once pressed for settlement. Their problem is not so much the development of collection systems and letters, as the development of men into better collectors as well as better salesmen.

With smaller concerns, however, where the debtors are not seen periodically, the problem becomes more complex.

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One can likewise begin an investigation but one has no preliminary information as an aid, whereas in the former case, the credit department already has a salesman's report upon which to base further procedure. When feasible, collections in person are always preferable to numerous letters. Two or three letters are an aid to the collector while several letters make the debtor antagonistic. In the majority of cases one need not have a separate local collector but can arrange matters so that one or two of the collection department spend the necessary time once or twice a month on personal calls.

Requisites of the Collector.

To begin with, the collector is a representative of the firm and he should have a neat and respectable appearance. A slouchy, shabby appearance belittles one and causes both the representative and the firm to be regarded contemptuously, and lessens very much the chances of collection. Better results will also be obtained if the collector be not too young, and if he likewise possess in his manner a certain air of affluence. The average person always respects wealth. Frequently a bill is paid for no other reason except that the debtor is in the presence of one who skilfully assumes an air that the size of the bill is as nothing, to either him or the debtor, and the debtor, therefore, likewise endeavors to convey the impression that it is a mere trifle to him. Much finesse is essential in such tactics however, as too pronounced an attitude will entirely destroy any benefits to be derived therefrom and produce an opposite effect.

Honesty is, of course, absolutely essential in any collector. Many firms require their collectors to be bonded, which is very well in certain instances. But it would seem that the matter of bonding a person could in most cases be dispensed with. The most certain method of developing responsibility in an employee is to give him responsibility. He can only be known for his trustworthiness by being permitted to demonstrate that he is honest and one to be relied upon. The collector who is unfettered by any thoughts that he is only permitted to act in that capacity by the surety of some third party will give the best results, other things being equal. If he can feel that absolute confidence is placed in his integrity and ability he will work energetically and use every endeavor to secure all the collections possible with the idea of "making good," while another is apt to work half-heartedly and secure only enough collections to retain his position. Quite naturally, one must not give a dishonest person any tasks involving money, but it is presumed that the collection manager is a student of human nature and knows his subordinates. If one has not confidence in the employees of the department, one has no confidence in their work, and any such employee might as well be transferred first as last to some other department or discharged, and some other obtained who is honest.

The Personal Call.

In making the personal call one should not approach the door or enter the office with the bill in one's hand, but the approach should be made in a brisk, snappy manner with

the bill in an inside pocket. A sluggardly, lifeless air will be to your detriment; the debtor will at once judge that you can be easily put off. When you confront the party who pays the bills, then produce your bill. A little experience will soon enable you to judge your man quickly and to know how to phrase your words, what inflections to use, and to almost always immediately anticipate what the response will be. But, do not forget that at the same time you are judging the debtor, the debtor is mentally appraising you, and if your manner is laggardly and indifferent he may also be quickly forming his line of resistance. When he once begins to make excuses it is very hard to get payment on that particular call. Many people are so constituted that if they are opposed to any one thing, perhaps from a mere whim, all further urging and insistence only serves to entrench them more strongly in their determination to remain diametrically opposed. Never speak in a sort of fearful tone of voice, as though implying that you hope the bill will be paid, but that you will leave payment entirely to the debtor's good-will. If the obligation has been legitimately incurred, you have a perfect right to present your bill and you will be respected more if you do not commence with apologies, whether profuse or not.

In keeping the bill in your inside pocket, the retail debtor does not know you are a collector, nor does his neighbor. In entering the store with the bill under cover, customers in the store do not know the purpose of your call. It is irritating in the extreme to any storekeeper to have a collector standing around, with a bill displayed in his hand, shifting from one foot to the other, the while

he is waiting on trade. Also, in presenting bills to retail debtors especially, it is frequently well to withdraw other bills or papers from the pocket, along with the bill to be presented, and to make a pretense of locating it. There is an old saying "Misery loves company." You may not notice the intent of this saying in the debtor before you, but in a good many cases it is there. Such debtors reason that nothing else but a call from the creditor could be expected; the representative was out collecting a good many other bills and naturally stopped to get payment for his bill, which was a trifle overdue; he had received one or two letters certainly, but there seemed no pressing need and there evidently were others likewise who fell in arrears somewhat, as witness all of the other calls the collector still had to make. Any such debtors will feel very much better for not believing that a special call was made to collect from them.

Should the debtor begin to complain and abuse the company, retain your self-possession; do not become excited and do not make any remarks of a sarcastic nature. Reply in a firm, courteous tone and give evidence of wanting to treat him fairly. Show him that your house can only build business through service, and that it is the desire of the house that the customer receive service at all times. Many merchants do not make any complaints upon receipt of an order which is in poor condition, or which has a shortage, but instead, bring the matter up when settlement is made. Such claims are just, even tho they should have been entered promptly. The collector here has an opportunity of educating the debtor to prompt complaints on shipments, because of the desire of the house to

give service and eliminate errors or poor packing. If the claim is small and appears justified, it can be allowed at once. If it is large or there are grounds for suspicion, the debtor can be told firmly and courteously that the matter will be referred to higher authority, but given to understand that if the claim is not legitimate, full payment will be expected. As a matter of course, however, for practically every case collected without allowance for a dishonest claim, there are fully as many never collected until the claim is allowed. The debtor will insist by everything sacred to him that his claim is just, even in court, and the expense of forcing such settlements generally exceeds the amount in dispute. The better way is to collect what one can, after calls and letters have convinced one that the full amount is not forthcoming, and to refuse all credit in the future. If the debtor is making unjust claims with one house, he is making them with other creditors as well, and if his credit is stopped, it will help educate him along proper lines.

The Time and Place.

The time of the day or of the month that a personal call is made affects collections. Merchants have certain days of the week as well as certain periods of the day in which they are busier than usual. Mondays, Tuesdays, and Saturdays are generally busy days while Thursdays and Fridays are less busy, and Wednesdays are always slack days. Mornings are usually more busy than afternoons, with grocers, as they are receiving orders continuously which are being filled for the afternoon delivery. In the

corporations, and larger stores with offices, the period from the fifth to the tenth of the month is an excellent one in which to present bills. Most firms pay their bills, or those they intend paying, before or on the 10th of each month. In retail collections the most satisfactory time for both the creditor and debtor is on pay day or the day following. Ascertain if possible the date the debtor receives his salary and present your bill then. The debtor is in a good humor on pay day; he is more apt to pay the bill when he will still have some money left than he would be if he were approached when payment would leave him stranded until the next pay-day. Obviously, too, a call every day would not secure a payment if the debtor has nothing;—he must be called upon when he has money. Factories and stores generally pay weekly, either Saturday or Monday; railroads pay semi-monthly, the first and the fifteenth; and office men are usually paid either monthly or every two weeks. This is only roughly speaking, of course, as numerous concerns pay their help at altogether different times.

The place at which to call upon the debtor also deserves mention. The proper place to approach him is privately,—that is not in public, or at a time when he is with friends. Anybody is very much incensed at having a bill presented in the presence of others. However, it is one of the quickest ways to get the money from tricky or irresponsible debtors. If the debtor tries to avoid payment, a call at his place of employment, if it is possible to reach him there, will embarrass him considerably and be a powerful inducement to make him pay. Likewise a call in the evening is conducive to prompt payment if one can find a

time when the debtor is entertaining friends. For mercantile debtors who try to evade payment, entering the store with the bill openly displayed, and keeping it very much in evidence all the while (the call must be made at a busy period of the day) is decidedly disconcerting to the debtor. In his own mind he knows the bill should be paid, that he is withholding payment unjustly, and if called upon frequently at such times of the day, imagines his shortcomings are becoming evident to all of his trade. He will undoubtedly be angry and very brusque, even offensive, but the collector must contain himself and concentrate his thoughts on the fact that he is only there to get the money.

One trick employed frequently (one wonders it is used so often) is for the debtor to state that a check was just mailed the preceding or the same day, or that a check was mailed a short time ago and that the firm did not give proper credit. In the latter case the collector can be very sympathetic over such gross carelessness, and in his desire that the debtor be given service in every particular, ask to see the check stub so as to get the definite date and trace it at the office. If he is very propitious and plays his part well the merchant is surprised into complying with the request, searches for it but naturally does not find it and writes out a check, speaking the while of how positive he was that it had been sent. If he uses the former excuse the same request for check number can be made on the strength of the office either insisting on definite information, or holding the collector at fault, blaming them somewhat for their insistence, and also bringing in the desire to be of service in that he will notify the office to watch for the check and see to it that the debtor is given

proper credit. If the collector is alert and ingenious he will generally find means of side-tracking such tricks of the debtors. If the debtor refuse altogether to furnish the check number, the collector can do nothing, but further calls should be made and strong letters sent, resorting to force at an early date.

In making the personal call, one should always believe the money is going to be paid. There is a tremendous amount of power in any one if his mind is set on a fixed object. Convincing yourself firmly that the money is going to be forthcoming is an aid to approaching the debtor in the right manner; the debtor at once intuitively "feels" that your words are in earnest, that you mean business, and consequently he imagines somehow that you are not going to be easily put off. There is a something indefinable about you which emphasizes the need of paying the bill and tells him you are going to know the reason why, if it is not paid. Should the debtor have a legitimate reason for not paying, your resultant manner will express extreme disappointment, entirely unassumed, and a certain disconcertedness which will be an aid to securing a part payment, or making collection easier on the next call.

Whenever the debtor does not pay the bill, one should endeavor to obtain at least something on account. Or if he obstinately refuse to pay anything, than a definite promise should be gotten as to when something will be paid, and care taken that a second call is made punctually on the agreed date. Habit has something to do here—educating the debtor to get into the habit of making payments as agreed. Punctuality also impresses upon the

debtor that you mean business, that you are determined to get the money. If a call is made perhaps a week or two weeks after the date agreed upon, the debtor feels that the collector is more or less disinterested and careless, and that having been put off one time, he will be just as easily put off a second time.

Should the debtor not be in when called upon, it is well to leave the bill there after penciling thereon that a second call will be made the following day or several days later. If he cannot be reached upon the second call, the same performance may be repeated. It is always well to leave some evidence of your efforts to collect the bill; the debtor is thereby constantly reminded of the debt, is aware that you are becoming insistent, are in earnest, and when you finally do meet him, he may regard you as a pest, but will in all probability pay up. He is also very apt to be considerably ashamed for having ignored your repeated requests for payment, left in his absence, and be apologetic for having caused you so much trouble. Where you are convinced that the debtor is purposely avoiding you, then the sending of some very strong letters to him, mentioning the calls made, will be of great benefit.

Tracing Debtors.

Where the debtor has moved from his former location, it is often difficult to trace him. However, one who always carries the bills in an inside pocket and does not produce them until the debtor is confronted, has a great advantage over the man who is conspicuous as a collector. Most people have little liking for the collector and enjoy very

much his discomfiture. Neighbors or friends of a removed debtor will give very little, if any, information as to his whereabouts to one they know wants to locate him in order to collect a bill.

There is hardly a person, no matter who he be, who has not at least some friends in his neighborhood, even tho they be only children. The representative who gives no evidence of being a collector, upon finding a debtor removed, can make inquiries among the neighbors as to his present whereabouts, expressing much concern that he should have left without advising him, and intimating that the matter is of an urgent and beneficial, but confidential, nature. It is seldom that one who plays his part well is unable to find the present whereabouts of a debtor, merely through inquiries in the neighborhood. Should the neighbors be suspicious and vouchsafe no information, a phone call to one of the houses next door, sometimes secures the desired results. In making the call, assume an agitated manner, a confidential tone of voice, say that you are calling from the Western Union office, or the Express Co. office, that you have a message to give the debtor who has moved, or a package to deliver to him, but cannot locate him, and desire his present address. Where extreme urgency is indicated, the party called up will often give information which he otherwise would refuse upon deliberate thought. The average person if urged quickly, and surprised into action, will do what is requested, giving the desired information and pondering afterwards as to whether he should or should not have done it. Creditors frequently are opposed to such methods but where a debtor deliberately attempts to evade a debt through change

of residence, he deserves little consideration, and it would seem that any such means are justified to obtain the end.

Let me close this discussion of personal collections with an illustration of a collector's ingeniousness. The debtor in this particular case was tricky, made endless promises to pay but never made any attempt to keep them, always giving instead a new promise. The collector one day met a friend of his, a salesman of rather large build, about six feet tall, with a deep bass voice, whom he had not seen for some time. Possibly from thinking of the account so much, possibly from no particular reason at all, the collector suddenly had an idea and explained it to the salesman, who, from the very humor of it, agreed to do what was asked of him. They proceeded to the debtor's store and while the collector went in, his friend remained outside. The collector presented his bill again, which was again refused, and he then informed the debtor that patience had ceased to be a virtue and his employers refused to wait longer for the money justly due them. The debtor became a little uneasy, but only inwardly, and decided to see what would happen. The collector went to the door, and called his large proportioned friend, who immediately produced paper and pencil and to all appearances began taking inventory of the merchant's stock of goods. Although the merchant still had no definite idea as to just what the object was, and who the stranger was, and what his authority, the comedy worked to perfection, and the debtor hastened to write out his check for the bill, which incidentally was not a large one. When once outside the two friends laughed heartily over the episode.

While this incident may not appeal to many creditors and while it may engender possible complications, yet, in this case, the debtor did not know just who this third party was, and his imagination conjured up many explanations, each one distasteful to him, so that before long he paid the bill. It is only given to demonstrate the effect of ingeniousness outwitting trickery, for after all the collection of difficult accounts is, in the last analysis, a battle of wits. He who would be successful in making collections cannot work by any set rule, but must always be alert and have a goodly stock of resourcefulness, which he must be prepared to use at the psychological moment.

Collecting by Letter.

That the writing of collection letters is more difficult than the writing of any other kind of letter is admitted by every rational person. It is one thing to write a letter inducing people to buy merchandise of which they are in need, or which is attractive and appeals to them, and quite another matter to ask them to pay for the goods so purchased, without giving them offense. People know they ought to pay a bill, and very frequently, knowing full well that the account is long past due, and having the wherewithal with which to pay it, still withhold the money and become highly incensed at any request of a dunning nature. Care must always be taken that collection letters are correctly worded. In personally collecting an account, one may say many things which could never be written in a letter. The inflection of the voice and the facial expression can be made to modify very

much any statement which in writing would be very brusque, curt, or offensive. Even in writing one's personal correspondence one may use some phrase with kindly intent and the recipient upon reading or re-reading the letter, may place an entirely different construction upon the matter. What is written, is written, and when once delivered by the mail-man is beyond recall; if it can be interpreted in more than one way, it looms up in black and white, and the unintended construction placed upon the letter may sometimes prove decidedly embarrassing to the writer.

Especially is this true of the use of threats in collection letters. After a certain stage in the collection of an account, the creditor is very apt to become exasperated and dictate a letter of threatening character, hoping to secure a remittance through fear. He has no intention of "threatening" the debtor but his letter stands and convicts him in its very self of having actually threatened the debtor, and making him liable under the law. Just recently a creditor wrote such a letter in a fit of exasperation to one of his debtors. The debtor happened to be quite friendly with an attorney and one day incidentally showed him the letter. The result was that the creditor was prosecuted and in order to have the action dropped, compromised by giving the debtor a receipt in full. The status of certain accounts are exasperating in the extreme at times, but if one ever writes a letter in a fit of temper, it should not be mailed until the next day. When this is done, the letter will seldom be sent out until it has been materially changed. The law makers of our country have always found it a hard task to frame laws to suit both the debtor and creditor. The creditor must be protected as-

surely but the citizen likewise has certain rights which must not be trespassed upon. The correspondent should at all times bear in mind that threats of any kind are an offense and punishable by law. If there be any forceful letter of which one is in doubt, legal advice should be obtained on it before it is sent out, or the letter should be first submitted to the postal authorities to ascertain if it is mailable.

In the handling of a great number of accounts, under conditions which are quite similar, as in the mail order business, the use of form letters will be found advantageous. But, where there are special conditions to be met, or where the accounts vary largely in size, a form letter which would be applicable to one account might be worthless when used on another, and might cause the house to fall in the estimation of the debtor. In special cases, special letters should be dictated and form letters used never. Any account which is worth carrying on the books, deserves a little extra attention in collecting it, and the wise correspondent will not hesitate to discard the form letter when necessary.

When there are a number of accounts to which form letters are adapted, it is an excellent plan to have the form letters numbered. A carbon copy is only necessary on the first letter then, and on all succeeding letters it is only required to mark the number of the letters on the carbon copy and the stenographer can place opposite the number, the date it was sent. When the bill is paid, the numbers of the letters sent can then be entered in the ledger for future reference. In numbering the form letters in this manner, much space is saved; it is not long,

when 500 letters are being sent out at one time, before a formidable mass of paper accumulates if carbons are taken of each letter.

Structure of the Letter.

In the same manner that the personal appearance of a collector, or the manner in which he presents a bill, affects its collection, so likewise does the appearance of a letter reflect the standing of the house from which it emanates, and enables the debtor to form a mental picture of the sender, and to base his future actions accordingly. The letter is an emissary from the house to the customer, a medium for the transaction of business between two parties who, it not infrequently happens, have never seen each other, and who perhaps never will. It is imperative therefore that the letters which are sent out create a favorable impression upon the recipient.

To begin with, the collection letter must carry the right tone. Let the debtor feel that you are fair, considerate of his problems, and are willing to help him to any reasonable extent, until you are convinced that he deserves no further consideration. Visualize him, study the conditions surrounding him, place yourself in his position and try to imagine how you would act in response to the same letter if it were sent you. Getting the right tone, the personal tone, to your letters is largely a matter of having an interest in your work and a personal interest in the debtor and his problems. Write to him as you would talk, were you and he side by side in the office. Do not be afraid to use the personal pronoun

"I." This pronoun should not be overworked but a happy medium struck; it helps much to inject personality into the letter and makes the recipient feel that the letter was not written by some abstract being in the employ of the creditor, who has no interest in him whatever except to secure his check.

The salutation, will, of course, be varied to fit the case. "Dear Mr. Smith" and "My dear Mr. Smith" or "My dear Sir" are much more indicative of personal consideration than "Dear Sir" or "Gentlemen." Likewise "Sir" or "Sirs" is a sharp salutation, which if used when one's patience is becoming exhausted, gives the debtor a jolt, so to speak, and causes him to read the letter with more attention. Care must be exercised that "Dear Mr. Smith" and "My dear Sir" are not used too frequently, as their constant use tends to diminish the respect for the writer. The debtor gains the impression that the writer is a good-natured, week-kneed creature who can easily be put off with some promise or other, or who can be simply ignored.

Avoid any stereotyped phrases in beginning your letter. Never in the world would any one in talking to a debtor use the words, "I beg to advise," "In reply to your valued favor," "Your esteemed favor of the 28th ult. is at hand." Just as it is ridiculous to use such phraseology in speaking, so is it ridiculous to use it in writing. Begin rather "I have your letter of Nov. 28th," "I am sorry to learn that the order reached you in damaged condition," or "Thank you for calling my attention to the poor manner in which your last order was packed."

In all of the early letters the body of the letter should

express confidence and good-will but one should never use any phraseology other than that payment of the bill is expected. Succeeding letters will request reasons for the debtor's failure to pay, i. e. whether there is any dissatisfaction with the goods or with the manner in which the order was handled, whether there is sickness, financial difficulties or some other cause temporarily preventing payment of the bill. If there is any cause for complaint efforts will be made to adjust the matter or if the debtor is temporarily embarrassed, suggestions will be made for a way out of his difficulty either through a note, extension of time or assistance in collecting his own accounts. Should the account continue to be neglected, more urgent appeals will be made; appeals to his fairness, to his pride, to the effect on his credit standing if the bill is not paid, to his sense of shame, to his desire to prevent the account being given undue publicity, to his desire to avoid trouble and annoyance. But the successful correspondent at all times writes in a direct, personal manner, endeavoring always to avoid stiffness or too much formality. It is not wise to write too long a letter at any time. The long letter is not read closely and frequently from its very length loses much if its directness and forcefulness. Sometimes a very short letter interspersed between longer letters carries a snap that brings results.

One should take note that a collection letter, to be successful, need not necessarily be a rhetorical masterpiece. A grammatically correct letter, with its perfectly formed sentences, is often apt to be too stiff, too formal, to be effective with a good many debtors, whereas a letter that is not perfect will sometimes secure better results. Here

again, one is reminded of the necessity of studying debtors. A cultured, educated debtor has contempt for an incorrectly written letter, while an entirely correct letter sent to an uneducated or less educated debtor (and there are many of them) is sometimes beyond his reach. This does not mean that gross errors are to be countenanced, but it does mean that some very effective collection letters could be severely criticized by the schooled rhetorician.

In closing the letter, there is seldom any need of any definite closing sentences. When you have finished what you have to say, close the letter with "Yours truly," "Very truly yours," "Cordially yours," or whatever you wish and sign your name. Writing "Hoping you will give this your early attention" or "Trusting to receive a check soon" adds little weight to the letter and can be generally omitted. It seems to me that a letter should always be signed in pen and ink with the correspondent's title beneath the signature, if it has any claim at all to personality. Never under any circumstances should the signature be rubber stamped. Whenever one receives a letter with a rubber stamped signature, one generally regards the sender as a conceited imbecile who is indifferent to his work and who regards the people to whom he writes as occupying a sphere in life far beneath his own. At times, if it is desired to make the letter more personal, the firm name can be omitted in the signature and just the writer's name be signed, over his title, although this is not just correct practice in letter writing.

In mailing a series of collection letters, an interval of seven or eight days should be allowed between letters. But they should be sent out promptly at the expiration

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of each seven or each eight days. Then as the letters progress and become more urgent, the interval can be shortened until the last letters are mailed about three days apart. This rapid fire of letters impresses upon the debtor the need for action and is an inducement to that end.

Postal Cards.

Practically every collection man knows that the use of postal cards for the purpose of dunning is expressly forbidden, and little need be said. However, the postal regulations are given below for the benefit of those who are not familiar with them.

Ruling in Article 92, Page 19, July 1919 Postal Guide: "The Department has ruled that the clause of the above section prohibiting delineations, epithets, terms, or language * * * calculated by the terms, or manner or style of display and obviously intended to reflect injuriously upon the character or conduct of another, covers and makes unmailable cards by which it appears that the addressee is being dunned for an account that is past due. This does not include cards that bear respectful requests for the settlement of current accounts, or that give notice when an account, paper, assessment, taxes, gas bills, etc. will be due, and such cards are regarded as mailable. The provision of this section against matter of a 'threatening character' is held by the Department to cover and make unmailable cards that threaten the bringing of suits or legal proceeding if debts, accounts, etc. are not paid. This does not include cards that bear notice of assessments of fraternal and other societies which contain a respectful

reference to the rules of such order or society that failure to pay such assessment will cause the member to be suspended or that his certificate will become void, if the assessment referred to does not appear to be past due.

Postmasters are expected to exercise vigilance in the enforcement of this regulation. If there is doubt as to whether a card should be excluded it should be forwarded to the Solicitor for the Post Office Department for a decision. It should be carefully noted that this regulation has no reference to matter that is under cover." See Sec. 481, P. L. & R. (Sec. 212, Criminal Code—March 4, 1909).

CHAPTER VI

FIRST LETTERS

How Soon Should Letters be Sent?

The most favorable time to send out the first letter is the afternoon of the day an account falls due, after the mail has been gone through and it is found the check has not arrived, or the day following. Promptness at this period is essential. It is the psychological time to approach the debtor; he is reminded that the bill is due when he himself probably knows it is due; he still has a good recollection of having received full value in his purchase; he may even still be enjoying the purchase; and while he is in this state of mind, he is much more easily urged to action. If the account is allowed to run thirty or sixty days past the due date, it is correspondingly more difficult to collect without giving offense. The longer it is allowed to run, the more are the imaginary complaints a debtor can devise if he be so inclined, the more hazy becomes his idea of having received full value, and the more he is apt to feel that he is paying for a "dead horse."

Some collection men in the early stages of an account, use statements altogether in reminding the debtor that the account is due. The second, third, and fourth statements respectively, are either rubber stamped, or written

in long hand, "Please remit"—"Above Balance now due"—"Please send check," and "Fourth Statement"—"Account past due"—"Kindly remit," or similar phrases, each a trifle more urgent. The first statement is sent the first of the month following date of purchase, and each statement thereafter at intervals, depending on the date of the bill. If the purchase was made the fore part of the month, the second statement would be mailed on the due date, and the third and fourth statements at intervals of seven or eight days thereafter. If the purchase was made towards the end of the month, the second statement would be mailed to reach the debtor one or two days before the account is thirty days old, and the other statements the same as in the first case. When several statements are mailed in this manner, the first letter that is written to the debtor would, of course, be more urgent than if only one statement had been sent, as the several statements are, in effect, letters.

"Variety is the spice of life" was never more true than in collection procedure. Any collection system should not be used month in and month out, without any change. When several statements are sent in the early stages of an account instead of letters, the next time the account falls in arrears, the statements should be discarded, and a letter sent. Likewise, when letters are sent entirely, the letters should be frequently changed. Any particular series of letters may be used on all of the similar accounts for some months, and then another series should be used. This reduces the possibility of a debtor receiving two letters identically alike. The numbering of the form letters, and later transferring the numbers of the

letters sent, to the ledger account, is of particular value. One is enabled at a glance to determine just how difficult it was to collect a previous account, and just where to commence in collecting a current bill.

Multigraph Letters.

While in some instances, houses are able to secure a perfect match for filling in the date, the salutation, and the amount in multigraphed letters, in the great majority of cases a perfect match is not secured, and to me it seems, therefore, that multigraphed letters should not be used. The urgency of a letter, the directness, the personality, is entirely lost when a debtor is enabled to ascertain that he has been sent a multigraphed form letter, and a consequent delay in remitting ensues. No debtor's attitude is improved by the belief that he is not worth the trouble of a personally dictated letter. Even though a good match is obtainable in multigraphed letters, competent stenographers are necessary to get the salutation correctly spaced and perfectly parallel with the body of the letter, so as to give it the appearance of a personal letter, and to fill in the amount so precisely that it is impossible to know it is a multigraphed letter. This is frequently impossible.

I have seen multigraphed collection letters that were so carelessly filled in and so imperfectly matched, that absolutely no one would consider them anything but a multigraphed letter. One of them in particular had altogether different shades of ink, the body of the letter was "shaded" due to faulty multigraphing, and the paper

was beginning to discolor; it was one of a yellowish tint. The letter was couched in strong terms, but whatever strength it had was absolutely lost through the short sightedness of the sender, in so carelessly filling in the necessary parts. He evidently had had some forms he disliked to throw away, but had he done so, he might have been successful in making the collection.

The expense of typing each individual letter is not exorbitant and does not justify the use of multigraphed letters. The more letters there are to be written, in all probability, the more are the outstandings to be collected. In sending out collection letters, I like to have the stenographer use a black ribbon, and when it begins to fade, to have her insert a new ribbon in the machine. Heavy black type, on a good grade of paper, seems almost to rise up, and audibly deliver the message of the sender. The debtor views it with more of respect; he can almost visualize the correspondent; he is impressed because it is apparently a personally dictated letter to him. The policy of penny wise and pound foolish in this particular is especially bad. If it is possible to have letters filled in so carefully that even the sender of them would be deceived, then there can be no objection to their use, of course.

Confidence and Good-Will.

It is always well in sending out the first letters—with new customers it should never be otherwise—to direct the appeal to the good-will which it is presumed the debtor bears the creditor. Severity in the early stages of col-

lection procedure is to be avoided. If the bill is legitimate, if value was received in the goods purchased, if courteous, efficient service was rendered, there is no reason why any ill-will should be borne towards the house, and the collection man will secure better results if he works on this assumption in approaching the debtor. The appeal to good-will is simple and it is diplomatic. Likewise, letting the debtor feel that full confidence is reposed in him is good policy. There is something about these appeals that urges the average human being to respond. One generally endeavors to merit the confidence that is reposed in one. These appeals are always safe; they can never offend even the touchy debtor, nor the debtor who carries a large account with the house. They need not be lengthy. However, one must remember that they should never contain any phraseology that would lead the debtor to believe that payment is not expected. (Obviously if they did, they would suggest that full confidence is not placed in the debtor.) At no period, in any series of letters, should any wording ever be used, which would lead the debtor to such a belief. When any bill is due, payment is to be rightly expected and one need never apologize for requesting it.

Notification.

Notification as to the status of an account generally forms the basis for the first letters, and indeed the element of notification often opens succeeding collection letters, or is embodied in the beginning of the letters. In the early stages it sometimes may be an informal reminder

implying that failure to pay is due to some oversight. However, the correspondent must use discretion in the frequency with which he suggests that the bill has been "overlooked." How many debtors actually overlook paying their bills when due? How often do you yourself overlook paying your own bills? Sometimes you do but more often you do not. When you make a purchase your sub-conscious mind tells you every now and then that you still owe so-and-so. Incidentally after a time, if your creditor does not remind you of it, and you have not paid it, it fails to tell you and you gradually forget. A letter suggesting oversight should be used sparingly and with discretion.

A debtor who is tardy with one creditor is likewise tardy with others, and in all probability is continually receiving letters from the various creditors requesting a remittance. Now if each creditor sends out a letter intimating that the debtor has overlooked his bill, one may easily imagine how effective they will be. Of course, one has no means of knowing what letters other creditors are sending out, but here again, one is reminded of knowing one's debtors. If the debtor has rather a poor rating, if the exchange of ledger information indicates that he is tardy, or if it has been repeatedly necessary to write him on former occasions, then one can be reasonably sure that a letter suggesting oversight is not the one to be used. Such debtors feel, if they don't actually know, that the creditor thinks it is about time to get after him for his tardiness. That if he doesn't remit, a second letter will be sent him, and after that, others, each stronger than the preceding ones. If such debtors are honest but of rather poor abil-

ity, and small resources, such a first letter is likely to kindle in them a dull resentment against one for not understanding their difficulties. This resentment may grow with each succeeding letter, until the debtor will hold back payment until he is forced to remit by legal action or the fear of it. Too frequent use of the expression "overlooked" indicates that the creditor has no other means than this hackneyed word for opening an avenue of approach to obtain his money. It is quite effective, however, when not used frequently. Without a doubt, the "you have overlooked our account" letter is the most stereotyped first letter in existence. Practically every tardy debtor has received them by the score.

Twenty-Two Specimen First Letters.

The following letters will be found of value for use as first letters, or they may of course be changed to fit the particular case.

DEAR SIR:—

Enclosed statement of account, which is now past due, has evidently been overlooked by you and if convenient, we shall be pleased to receive check to cover by early mail.

Yours respectfully,
Credit Department.

As stated before, the above letter, or letters of a similar strain, must not be used too frequently.

DEAR SIR:—

Faith in our customers does not allow us to become alarmed whenever payment is not made on the due date.

This little reminder, we know, will occasion your prompt remittance for our small bill of \$18.00.

Yours respectfully,
Credit Department.

DEAR SIR:—

Receiving several statements, as we all do, the first of each month, for our small numerous purchases, it is only natural to misplace some of them at times.

This little reminder, we know, will occasion your early remittance for our little bill of \$18.00, which is now due.

Yours respectfully,
Credit Department.

DEAR SIR:—

Giving every thought to the betterment of our service, we sometimes neglect following our accounts closely.

The knowledge that such service is generally appreciated prompts us to send this little reminder of our account for \$18.00, confident that it will receive your early attention.

Yours respectfully,
Credit Department.

DEAR SIR:—

A realization of the good-will of our patrons, manifested by their ever increasing patronage, prompts us to send this little reminder of our small bill of \$12.00, now slightly past due, which we know will have instant attention.

Yours respectfully,
Credit Department.

DEAR SIR:—

This letter will remind you in a friendly way that our account has become slightly past due. We know it is not your intention to let such a condition occur, and therefore send this little reminder, confident it will occasion an early response.

Yours respectfully,
Credit Department.

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DEAR SIR:—

The enclosed statement will remind you of a small bill we have against you, as shown by our books.

We rely on the good-will of our customers to promptly repair these little oversights, and will look forward to your early remittance.

Yours respectfully,
Credit Department.

DEAR SIR:—

Enclosed please find statement of account for \$23.00. Our past relations with you have been such as to warrant our confidence that this little reminder will have early attention.

Yours respectfully,
Credit Department.

DEAR SIR:—

You have possibly pigeon-holed our recent statements somewhere. It happens sometimes in the best regulated of families.

As the account,—only \$19.85—is now slightly past due, can we depend on receiving your check by early mail?

Yours respectfully,
Credit Department.

DEAR SIR:—

Enclosed please find statement of account for \$43.75.

We trust this will agree with your records and that you will send us check to cover by early mail, if you have not already done so.

Yours respectfully,
Credit Department.

DEAR SIR:—

Undoubtedly you have allowed your account with us to escape your attention, as it is now slightly delinquent.

We know that with this little reminder before you, you will let us have check for our small bill of \$16.00 by return mail.

Yours respectfully,
Credit Department.

DEAR SIR:—

Our books show a small balance due us on your account of \$19.00. As our records indicate you have always remitted promptly heretofore, we feel that perhaps this is an error in our books.

We would therefore be glad to have you check over the enclosed itemized statement to see if any discrepancy exists between it and your figures.

Should there be any difference, please advise, so that we can correct our books accordingly.

Yours respectfully,
Credit Department.

DEAR SIR:—

We should have received your check for \$12.85 yesterday, to cover the statement mailed you recently, and a copy of which we are enclosing. We know you will agree with us that our terms are very liberal.

Please send us a check for this small amount and accept our thanks in advance for the early attention we are sure you will give it.

Yours respectfully,
Credit Department.

Or the last paragraph in the above letter may be changed to—

Please send us check for this small amount by early mail and accept our thanks in advance for it.

Yours respectfully,
Credit Department.

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DEAR SIR:—

Our account for \$26.75 as shown by the enclosed statement is somewhat past due. The merchandise was shipped in accordance with our regular terms of 2%—10 days, net 30 days.

We will appreciate, therefore, your early remittance, for which we thank you in advance.

Yours respectfully,
Credit Department.

DEAR SIR:—

In looking over our accounts this morning, I noticed we have not received your check for our bill of \$16.75. It is only slightly past due, I know, but I wonder if you could favor me with a check to cover by the 7th. Thanks.

Yours respectfully,
Credit Manager.

DEAR SIR:—

Laying in our stocks at this time of the year, we are unable to follow up slight delinquencies closely.

Our small bill of \$8.50 is now a trifle overdue, and we rely on your good-will to send us a check for this amount at an early date.

Yours respectfully,
Credit Department.

DEAR SIR:—

In accordance with our uniform terms of 2%-10 days, net 30 days, the small balance of \$26.75 due on our account is now somewhat overdue.

One or two statements have already been mailed you, but we trust that with this reminder before you, you will let us have check by return mail.

Yours respectfully,
Credit Department.

DEAR SIR:—

Did you receive our statement of \$19.60, which we mailed you Dec. 1st? We sometimes find that at this time of the year mail is missent, and we therefore enclose another statement of account.

We will appreciate very much your early remittance. A return envelope is enclosed for your convenience.

Yours respectfully,
Credit Department.

DEAR SIR:—

The knowledge that you have always been very punctual in meeting all of your obligations at maturity, prompts us to send this reminder of our bill of \$189.65, which is now somewhat overdue.

We will appreciate your giving it your attention at this time and letting us have check to cover. A return envelope is enclosed for your convenience.

Yours respectfully,
Credit Department.

DEAR SIR:—

We do not seem to have received your check to cover the statement for \$189.65 which was mailed you Dec. 1st. Our terms are strictly uniform and are the regular terms of 2%-10 days, net 30 days, but even so, I find that our new customers frequently fail to notice them or become confused as to how we would like payments to be made.

We always send out statements the first of the month following purchases, but sometimes these are delayed in the mails, and I would like to ask that if they should ever fail to reach you, that you send us your check to reach us on the due date just the same. Of course, we would rather have you take advantage of our discount and always remit within the ten day period, as this not only gives us a faster turnover,

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but it also affords you a substantial saving by the end of the year. So it is mutually profitable.

If at any time circumstances should arise preventing payment on the due date of a bill, we shall be better enabled to handle the account intelligently if you will kindly write us to that effect. You will always find us ready to meet you halfway or to correct any errors which may at any time be made. We desire to give "service"—it's our middle name.

Will you send us your remittance in the enclosed envelope today sure?

Very truly yours,
Credit Manager.

The following letter to some debtors secures good results, both on petty accounts and larger accounts. To be sure, it is somewhat weak,—it is not claimed to be a perfectly ideal letter but nevertheless it brings good returns at times. It may be used either as a first letter or as a third or fourth letter, in fact, as any letter of a series. It should always be signed in pen and ink.

DEAR SIR:—

Would it be possible for you to send a check for our account of \$42.75 to reach me by the 23rd of this month? I'll appreciate it. Thanks.

Cordially yours,
John Doe & Co.
By.....
Credit Manager.

Fifteen Stronger Reminders.

Where sharper requests are to be made in the first letters, the following have produced good results. Obviously, they would not be used on accounts which are good pay,

as they are more likely to cause offense. The debtor who is inured to letters from his creditors, however, needs something to prick him a little.

DEAR SIR:—

Please favor us with check for \$24.00 to cover the enclosed statement, and greatly oblige.

Yours truly,
Credit Department.

DEAR SIR:—

We do not seem to have had any response to our recent statement of account for \$24.00. Please let us have check at this time and oblige.

Yours truly,
Credit Department.

DEAR SIR:—

Please find enclosed, statement of account for \$24.00. As this is made up of July purchases it is now considerably overdue.

Kindly let us have check at this time.

Yours truly,
Credit Department.

DEAR SIR:—

Apparently our last two statements for \$36.00 due on our account, have been mislaid.

Kindly remit and greatly oblige.

Yours truly,
Credit Department.

DEAR SIR:—

Enclosed find statement for \$36.00. This is now some time past due and should be given attention. Will you please let us have your check to cover?

Yours truly,
Credit Department.

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DEAR SIR:—

Enclosed find third statement of account for \$24.00, which is now some time past due. Can we rely upon receiving your check to cover by Friday of this week?

Yours truly,
Credit Department.

DEAR SIR:—

Please find enclosed, statement of account for \$19.50, now seventeen days overdue.

Will you kindly remit in settlement of same?

Yours truly,
Credit Department.

DEAR SIR:—

We enclose another statement of account showing \$54.00 due us, and by now considerably overdue. We (we shall) expect an early remittance.

Yours truly,
Credit Department.

DEAR SIR:—

May we ask you to send us check for \$94.00 by return mail to cover our account, now considerably overdue, as shown by three statements already mailed you?

Yours truly,
Credit Department.

DEAR SIR:—

Will you please send us check for \$38.00 by return mail, to cover our account as shown by the three statements mailed to you? Thank you.

Very truly yours,
Credit Department.

DEAR SIR:—

Kindly send us your remittance for our bill of \$43.00 now considerably past due.

Yours truly,
Credit Department.

DEAR SIR:—

In accordance with our terms of 30 days net, the balance of \$26.75 on our account is considerably overdue. Our terms are uniform, and we cannot deviate from them.

Three statements have been mailed you and we expect your remittance upon receipt of this reminder.

Yours truly,
Credit Department.

DEAR SIR:—

Our uniform terms of 2%-10 days, net 30 days, do not permit us to allow any of our customers to infringe upon them. It would not be fair to the others.

Two statements have been mailed you, and we must ask that your check be forwarded promptly upon receipt of this reminder.

Yours truly,
Credit Department.

DEAR SIR:—

Can we rely upon receiving your check for our past due account of \$36.00, promptly upon receipt of this reminder?

Yours truly,
Credit Department.

DEAR SIR:—

Kindly favor us with remittance to cover the enclosed statement for \$36.00, which is now considerably overdue.

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Extending our appreciation of your past valued patronage, and trusting we may enjoy a continuance of our pleasant business relations, we remain

Very truly yours,
Credit Department.

Three Reminders Before the Due Date.

It is sometimes advisable to send out letters to reach the debtors two or three days previous to the due date of the bills. Especially is this true of debtors inclined to be tardy, and in some cases where the bill is fairly large and one wishes to be certain that arrangements will be made to meet the obligation when due. The letters will, of course, be sent to fit the case, and good judgment must be used as to whom they are to be sent. Debtors are easily offended at this procedure unless it is done with tact, for it virtually assumes that they cannot be relied upon to meet their obligations of their own accord, when due.

A sales letter similar to the following is a good method of calling a debtor's attention to an approaching due date.

DEAR SIR:—

How do you find our Excelsior brand of tomatoes to be selling?

As you doubtless know, these are being advertised heavily, and I would suggest that you do not let your stock of these run too low. We always endeavor to make shipment the same day an order is received, but even so, shipments are sometimes delayed in transit and it is therefore well to carry a large enough stock on your shelves.

The price is still \$5.75 per case, F. O. B. here, which allows you a very good margin of profit.

I am taking the liberty of enclosing statement for \$365.00 covering your last bill, simply to remind you in a friendly way, that it will be due Monday the 18th. Your check for this amount and an order for your additional requirements, sent in the enclosed envelope, will be very welcome, and they will receive my personal attention.

Very truly yours,
Sales Manager.

Feb. 22, 1923.

DEAR SIR :—

We have just received a large shipment of Excelsior brand tomatoes, fresh from the packers. They are of exceptional quality and as heretofore, are put up in the same attractive containers, designed to attract the customer's attention as soon as he enters the store.

As you are aware, they are being heavily advertised through the leading magazines and I know you are going to have many calls for them.

We are still selling these at \$5.75 per case, F. O. B. here, with terms the same as on our bill of January 26th for \$43.00, i. e., net 30 days.

Look over our stock of these and let me have your order for your requirements in the enclosed self-addressed envelope, and it will have my personal attention.

Very truly yours,
Sales Manager.

Or, if the above letter is thought to remind the debtor in too delicate a manner, the last paragraph can be changed to read—

Incidentally this bill will be due in four days. When sending check for this amount, why not include an order for your requirements? We are in a position to make shipment immediately upon receipt of the order.

Very truly yours,
Sales Manager.

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A more direct request can be made if desired, for a remittance to reach the creditor on the due date.

Feb. 22, 1923.

DEAR SIR:—

Our credit files indicate that our bill of January 26th for \$131.00 will be due in four days, and we are therefore taking the liberty of sending you this little reminder.

Can we have the pleasure of serving you in any way?

Very truly yours,
Credit Manager.

Petty Accounts.

Whenever credit is granted, there are always at least some petty accounts; the incurrence of these small accounts is unavoidable. The creditor knows that the granting of credit and the placing on the books of these small items is hardly warranted by the profits of the transaction, and as he regards them as a sort of nuisance and necessary evil, so must he arrange to collect them with as small an expense as possible. Obviously he cannot bring into play the various tactics that are possible in handling larger accounts, nor can he adopt any hard measures, for such procedure would incur the debtor's animosity. Very satisfactory customers will frequently allow small items to run months before paying them, simply because of the small amount involved. There is no intention of avoiding payment, but rather one of waiting until they make some additional purchases, or are in the creditor's neighborhood, when they can pay without inconvenience to themselves. It is frequently good practice to send petty accounts about three statements with

some courteous request for payment written thereon in long hand, and then a letter. For all those still unpaid, a personal call can be made whenever there are enough accounts, and whenever it suits the creditor's convenience. At other times, two or three courteous letters may be written and then arrangements made for a personal call.

Letters similar to the following are very good for use on petty accounts.

DEAR SIR :—

In looking over our accounts this morning, I notice we have not received your check for our small bill of \$1.50. We dislike to trouble you with so small a matter, but like to get these small items closed as soon after the first of the month as possible. Will you not kindly favor us with the amount?

Yours respectfully,

Credit Manager.

DEAR SIR :—

We sent statement of your account to you a short time ago for 95¢, but have not heard from you to date. We would not trouble you so soon again, were it not that a number of these small accounts cause us considerable inconvenience, and some expense,—about 20% for book-keeping.

Will you not put your remittance in the enclosed envelope and mail, so we won't have to bother you again over it?

Yours respectfully,

Credit Manager.

DEAR SIR :—

Our books show a small balance due us of 95¢. We dislike to write you again over so small an item, but a number of these on our books aggregate several hundred dollars.

Perhaps you have already paid this. If so, please state date and how sent, so we can correct our books.

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Thanking you in advance for the attention we know you will give this little matter, we remain,

Yours respectfully,
Credit Manager.

DEAR SIR:—

We have sent you statement and also written you regarding our small bill of 95¢, but to date have not heard from you. Perhaps you are waiting to bring it in yourself. If so, please advise us, so we can handle the account intelligently, and save you annoyance and us the expense of reminders.

Our chrysanthemums are in full bloom now and are a beautiful sight. The greenhouses are always open to visitors, on Sundays as well as week days, and we shall be glad to have you come out any time and see the mums, as well as the other flowers. We believe you will be amply repaid for the time spent.

Yours respectfully,
Credit Manager.

The following kind of letter has been used with very good results on both petty and larger accounts. It can hardly be used more than once every six months, however, as no firm's books are closed more than once a year. It can be used to good effect though, every six months. There is little likelihood that the debtor will remember whether the books were really closed according to a fiscal or a calendar year. The two following letters have generally brought returns of 18% to 20% on the larger accounts and more on petty accounts.

DEAR SIR:—

Enclosed please find statement of account showing balance due us of \$24.00.

As we are at this time preparing to close our books for the

fiscal (calendar) year, we will greatly appreciate your sending us check by the 15th. You have no idea how, with a large number of active accounts, the payment of these bills aids us in closing the books.

We thank you in advance for this courtesy which we know you will extend us.

Respectfully yours,
Accounting Department.

DEAR SIR:—

Enclosed herewith please find statement of account for \$21.50.

We are at this time in the midst of closing our books for the calendar (fiscal) year, preparatory to the spring rush which comes on shortly after January 1st, and are asking our friends to assist us, wherever possible, by sending us checks for the balances due us.

If it will be convenient for you to let us have check for the above amount at this time, it will be very much appreciated, we assure you.

Respectfully yours,
Accounting Department.

CHAPTER VII

SECOND LETTERS

Discussion.

The debtors who ignore the first letters may have legitimate reasons which prevent immediate payment, or they may have adopted a sort of policy of "watchful waiting" to determine how insistent the creditor will be and how long they can withhold payment. It is frequently difficult for the correspondent to frame a second letter, especially with the newer accounts, but he must, above all, remember to still be courteous.

Perhaps the debtor is dissatisfied with the merchandise, perhaps it arrived in poor condition, or was not shipped promptly, but he has not made any complaint. Perhaps he has been lax in the extension of credit to his own customers, and does not know what methods to pursue to collect his outstandings without giving offense. Perhaps temporary sickness has prevented him from giving his business the necessary attention and making his collections as he should. Or, perhaps temporary local conditions make his own collections impossible. There are numerous reasons which may explain non-payment just as there are with the retail debtor. The larger corporations which extend a larger line of credit, generally have their travelers making each town periodically, and can thus

obtain first-hand and reliable information regarding an account, and can quickly ascertain what circumstances, if any, are responsible for non-payment. The creditor who has no travelers, but has debtors either locally or in other cities, whom he has never seen, frequently is non-plussed when his letters are completely ignored. He has no means of knowing whether the account is being neglected deliberately or through carelessness, or whether there is some valid reason for it. If debtors would only realize how important it is to advise the creditor when payment cannot be made, collection procedure would be greatly simplified.

When no response is received to the first letter, the proper step is to inquire as to what is the trouble. If there is any reason to believe that there are grounds for dissatisfaction, the correspondent asks the debtor to make his complaint known. At the same time he has a good opportunity of impressing upon him the desire of the house to give absolute satisfaction at all times, to all of its customers. If the creditor believes that the debtor lacks the ability to enforce his own collections he has a wonderful opportunity for cementing the debtor's good-will by offering assistance along this line. The woebegone efforts of some of the merchants to collect from their debtors is surprising. It is astonishing how little a great many men know about collections, and an offer to a debtor to aid him along this line is received with open arms. Should there be any temporary conditions preventing payment, then the creditor may ask for a frank explanation and declare the willingness of the house to assist him, through suitable arrangements, in tiding him over his difficulties.

90 PRACTICAL COLLECTION PROCEDURE

It must be remembered that sometimes the savings of years and years of labor are placed in some venture, and that the debtor worries over non-payment of some account every whit as much as the creditor. While the creditor is suffering sleepless nights, the debtor likewise is suffering from insomnia. The correspondent who frankly asks "How can we help you" or "What is the trouble? Can we help you?" has a chance for some real constructive credit work through the offering of some worth while assistance.

Sixteen Specimen Letters.

The following letters illustrate how one may enter into friendly discussion with a debtor, through offers of assistance, and the desire to give satisfaction:—

DEAR SIR:—

We do not seem to have any reply to our recent letter regarding our account of \$38.75.

What is the trouble? Write us frankly. Our interests and the interests of our customers are identical and if we can assist you in any way, you may rely upon our doing so.

I am enclosing a return envelope. Use it and your reply will come direct to me.

Very truly yours,
Credit Manager.

DEAR SIR:—

I have been daily expecting to receive your check for our account of \$42.00, but so far I've been disappointed.

Are there any temporary conditions which prevent you from remitting at this time? If there are, please advise me frankly. You will always find us ready to cooperate with our customers to any reasonable extent, as our interests and their interests are identically the same.

Simply use the back of this sheet and drop me a line. I shall then be able to handle the account in a manner both satisfactory to you and to the house.

Very truly yours,
Credit Manager.

DEAR SIR:—

So far I haven't had any reply to my letter of the 3rd regarding our account for \$63.00, now past due.

Perhaps there are some unusual conditions which prevent your making payment at this time. If there are, please write us frankly. Our terms are uniform, and we cannot allow any deviation from them. It would not be fair to the other customers. However, when any of our customers are unable to make payment, and request us, we bend every effort to assist them over their temporary difficulties, so that the account will be handled satisfactorily to all concerned.

I am enclosing a self-addressed envelope so that your reply will come direct to me.

Very truly yours,
Credit Manager.

DEAR SIR:—

We have not received your check for \$53.75 as yet, although the account is becoming seriously overdue.

Have you any cause for dissatisfaction with the goods? Did they reach you promptly and in good condition?

By all means, let us know if there was anything wrong with the shipment. Our desire is to give service at all times, and we want every one of our dealers to feel free at all times to enter complaint if everything isn't "up to snuff."

Please use the enclosed envelope and mail me your check or a frank letter telling me what the trouble is. Don't put it off, but do it now.

Very truly yours,
Credit Manager.

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DEAR SIR:—

You have disappointed me. I expected a reply to my letter of the 3rd regarding payment of our account for \$38.00.

I am sure you want to keep your credit perfectly clear. The only certain way to do this, as you know, is to meet your bills promptly as they fall due. Any delay is apt to cause a bad impression which is often very difficult to overcome later on.

Perhaps unusual circumstances have prevented you from settling this account, and if such be the case, won't you write me frankly? We can then handle your account intelligently.

Just write on the reverse side of this sheet and mail in the enclosed envelope so it will come direct to me.

Very truly yours,
Credit Manager.

DEAR SIR:—

I confidently expected to receive your check by now. Is there anything wrong with the account?

Let me know if there is and I'll have it straightened out at once. We want every one of our customers to be satisfied customers and you will always find us ready to rectify any errors which may have been made.

I am enclosing a return envelope for your convenience, and know you will let me hear from you by early mail.

Very truly yours,
Credit Manager.

DEAR SIR:—

We confidently expected to receive a reply to our letter of the 5th, regarding our account of \$365.82, now past due, but so far we've been disappointed.

It occurs to me that perhaps you are having some slight financial trouble right at this time due to the present (temporary) business depression. Business is somewhat dull now, but all recent press and financial reports indicate it is going to stage a regular come-back within a short time.

If it will be of any assistance to you at this time, I am glad to say that we will be willing to accept your notes for \$100.00 due in 30 days, \$100.00 due in 60 days, and \$165.82 due in 90 days. This will help you out and it will likewise help us out, as we can have them discounted at our bank.

Please let me hear from you in the enclosed envelope by early mail, as we are anxious to get this past due balance settled soon, in a manner which will be both satisfactory to you and to us.

Very truly yours,
Credit Manager.

DEAR SIR:—

It occurs to me that perhaps you are experiencing some trouble in effecting collection of your own outstanding accounts, which probably is the reason why our past due account of \$365.82 is being neglected.

Is this the case? If it is, write me fully, and without a doubt we can offer you some assistance along this line. You may rest assured that our own credit and collection department will cooperate with you to the best of their ability,—not only in credit matters but in others as well. We want you to feel free at all times to ask our advice or assistance in anything that comes up in which you think we can be of help. We realize full well that our own welfare depends upon our customer's welfare, and we are always anxious to be of service whenever we can.

Write me fully if this or any other matter is delaying your remittance. You, as a business man, know the value of a good credit standing. As you have always been punctual in the past in meeting your obligations we are taking the liberty of writing you frankly, so that you will not neglect this comparatively small account any longer. Will you tend to this matter at once?—today?

Very truly yours,
Credit Manager.

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DEAR SIR:—

You have disappointed me. I expected a reply to my recent letter regarding payment of our account for \$365.82.

Our uniform terms of 2%-10 days, net 60 days, are not severe—on the contrary, they are very liberal—and we have established these terms because we appreciate the fact that it makes it easier for our customers to do business. Also under such liberal terms, responsible merchants are careful to maintain their credit in every particular.

Will you not mail us your check at once? Or, if that is not possible today, will you not send us at least a part payment and we can then arrange for further part payments, if that will make it easier for you? I am enclosing a return envelope and trust you will not further jeopardize your credit by neglecting this comparatively small account.

Very truly yours,
Credit Manager.

DEAR SIR:—

We wrote you on the 18th to send us remittance for our account of \$44.00, but so far have not heard from you.

The account is now overdue, and as we feel sure it is not your intention to have any bills go unpaid beyond their due date, we are again bringing it to your attention.

Your prompt response to this letter will be greatly appreciated.

Can we have the pleasure of serving you in any way?

Very truly yours,
Credit Manager.

DEAR SIR:—

Our letter of Nov. 18th, regarding our account of \$283.00, apparently remains unanswered as we have so far received no word from you, although the account is overdue.

You as a business man, know the necessity of insisting upon adherence to agreed dates of payments. In our own business we can extend first hand service to our customers only as long as we can obtain punctual payments of accounts when due.

This policy benefits our customers not only through increased service but also through the systematic handling of all our accounts.

We feel that our terms are very liberal, and make it easy for our customers to do business, but even so we wish to be as lenient with them as we possibly can. Perhaps some temporary conditions have prevented your making payment when due, and if this be the case, we can probably suggest a way out of your present difficulties. The saying "Make your banker your confidant" should be changed to "Your banker and your creditor." A good credit standing is of inestimable value to any man, whether in or out of business.

Will you not make a special effort to send us your check today or tomorrow? And if that isn't possible, at least write me frankly. Come to some understanding with us. I am enclosing a return envelope for your convenience and will look for some early word from you.

Very truly yours,
Credit Manager.

DEAR SIR:—

It seems my letter of the 17th must have been misdirected in the mails as I have not heard from you nor has your remittance come in.

Or perhaps the amount is in dispute. If such should be the case do not hesitate to advise me at once, as we too make mistakes at times, just like the other fellow. But the House of — stands ever ready to adjust any grievances or errors. We desire at all times to give service—a service that really serves—and our efforts along this line are a matter of constant pride to us.

I am enclosing a self-addressed envelope so your letter will be sure to reach me.

Write me frankly, and if you should be unable to enclose a check in full, I will appreciate a part payment just as much.

Very truly yours,
Credit Manager.

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DEAR SIR:—

It seems you must have pigeon-holed our statements and our letter of the 22nd regarding our account of \$189.50.

We would appreciate your remittance at an early date, for while we desire always to be as reasonable and lenient with all our customers as we possibly can, yet we are obliged to observe certain rules in the matter of payments. Were we to become lax in this respect we would no longer be enabled to render them the excellent service which is a matter of constant pride to us, and which our present financial status enables us to maintain.

In order to get the best terms from our seed growers, which in turn permits us to give the lowest prices to our customers, it is necessary that we ourselves pay spot cash for all of our seeds upon arrival, and in view of this you will readily see that our terms of thirty days to our customers are very liberal, and that we can hardly be expected not to ask for an adherence to these terms.

We have at all times the interests of our customers at heart and this fact alone compels us to observe a systematic method in the handling of all of our accounts. We shall be very glad indeed to receive your further orders, and shall always endeavor to fill them to the very best of our ability.

Very truly yours,
Credit Manager.

DEAR SIR:—

The new crops of seeds are rolling in daily—hardy, virile, northern grown seeds, true to type, fresh from our own growers. "Hard times" are already Ancient History, and we are preparing to give a service this next spring which will be better and bigger than ever before,—a greater service as to price and quality, on the same high plane we have always endeavored to maintain in the past.

The receipt of the new crops entails heavy obligations at the present time, and to meet these, the Credit Department is asked to try to bring in a percentage of the outstanding accounts by Oct. 14th. With this in view I am writing you

again asking that you give this and our letter of the 26th prompt attention. (With this in view I am writing to remind you that our account will be due on the 11th and to ask you in a friendly way to forward remittance promptly.) Your bill is \$——. Not a large sum in itself but 500 of such make a sizable amount.

Will you favor me with an early remittance? I will surely appreciate it and if I can at any time be of service to you, I will be glad to reciprocate.

Very truly yours,
Credit Manager.

DEAR SIR:—

We have not yet had any reply to our letter of the 13th.

We are wondering what you would do if the situation were reversed. It is true that we are a large concern, and customers sometimes think that because we are large we can without any inconvenience "carry" them indefinitely. The very fact that we are large however, indicates that we have corresponding much larger obligations to meet, and it is only by adhering to strict rules of payment that we can maintain our present status, and afford the wonderful service we are giving.

We have given you a very reasonable credit dating and isn't it logical that you should be just as reasonable with us?

There is \$74.83 due us, and we hope you will let us have this by return mail.

Very truly yours,
Credit Manager.

The second paragraph in the above letter may be changed to read as follows, to fit any particular business,—

We are wondering what you would do if the situation were reversed. At this time of the year we need large sums of money with which to handle the new crops of seed which are

rolling in daily and it is necessary that all of our outstandings be collected promptly when due.

The following letter has been used with equally good results on both new petty accounts and those which are not very large.

DEAR SIR:—

We have received no response to our letter of the 12th requesting remittance for our account of \$9.85, -which is overdue.

No goods are sold by us on credit unless the party desiring credit sends us as reference the names of at least two reputable business houses with whom they have had business dealings. In your case, however, rather than delay your order we made shipment at once, trusting to your integrity to pay the bill promptly within thirty days from date of invoice. Thus far you have neglected to do so. As it costs us approximately 20% of your account to carry it on our books for longer than 30 days, you will readily see the necessity of prompt remittance.

We are enclosing a self-addressed envelope for your convenience, and ask that you kindly enclose remittance and mail it to us at once, so that we can close the account at this time.

Very truly yours,
Credit Manager.

Eight Stronger Second Letters.

Those debtors who have been habitually tardy in their payments in the past, or who have previously ignored one's correspondence, will perhaps not be considered worthy of any special consideration, and second letters similar to the following will be found of use in urging them to action.

DEAR SIR :—

Our letter of the 16th remains unanswered. Kindly let us have your check for \$86.00 to cover our past due account, by return mail.

Very truly yours,
Credit Manager.

DEAR SIR :—

May we trouble you for a check for \$44.82 to cover our past due account, as requested in our letter of the 12th?

Very truly yours,
Credit Manager.

DEAR SIR :—

Kindly remit by return mail \$38.00 to cover our account. We wrote you on Nov. 12th, pointing out that it was past due and asking you to let us have check, but up to this writing our request has been ignored. We must have remittance at once.

Very truly yours,
Credit Manager.

DEAR SIR :—

Will you please send us remittance by return mail in payment of our past due account of \$49.00? This is the second letter we are obliged to write to request it.

Very truly yours,
Credit Manager.

DEAR SIR :—

Kindly remit \$49.00 to cover our account, now far overdue. You have seen fit to ignore our letter of the 18th, but we must have a response to this letter.

Very truly yours,
Credit Manager.

DEAR SIR :—

Our records indicate that you have not always been punctual in the past in meeting your various purchases as

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they fell due. The account at present amounts to \$219.14, and is today precisely twenty-six days past due.

It is neither pleasant for us to write dunning letters, nor can it be pleasant for you to receive them. In the past we have at various times offered to meet you half-way in finding some means whereby the account could be handled in a manner satisfactory to both of us. These offers have always been ignored, although they were made in good faith. We still shall be glad to extend the helping hand if you care to accept it.

We must have punctual remittances of bills when due, or some advice from you if that is ever impossible. Otherwise I shall have no other recourse but to curtail your credit accordingly. I am sorry that it has become necessary for me to write you so pointedly, but you may believe me, when I say that it is for your own welfare as much as for ours. The interests of our customers and our own interests are so closely interwoven that what affects one, affects the other.

I am enclosing a return envelope for your convenience and will expect to hear from you by return mail.

Very truly yours,
Credit Manager.

DEAR SIR:—

You have apparently seen fit to ignore our recent letter requesting remittance for our overdue account of \$126.00.

You will greatly oblige by letting remittance come forward without further delay.

Very truly yours,
Credit Manager.

DEAR SIR:—

When may we expect your check to retire our past due account of \$117.35?

Very truly yours,
Credit Manager.

CHAPTER VIII

THIRD LETTERS

Three Specimen Letters.

The next step of the correspondent will depend upon the nature of the debtor's reply. If he make some just complaint and it is adjusted, in most cases, the probabilities are that the account will be paid. If the debtor advises that he is temporarily embarrassed, or has met with temporary reverses that could not have been foreseen, the correspondent must suggest some way out of the difficulty. Below are three specimen letters which indicate how the debtor may be assisted.

DEAR SIR :—

Thank you for your letter which I received this morning. I am sorry indeed to learn that you have been ill, but am very glad to find that you are recovering rapidly.

We of course want to make it as easy as possible for you to meet your obligation of \$219.00 with us, and at the same time have it handled in a manner satisfactory to us. We will let you settle therefore with your notes, at 5% interest (with interest at 5% after maturity, if the interest is waived). Send us your notes for \$50.00, \$69.00, and \$100.00, due in thirty, sixty, and ninety days respectively, or two notes for \$119.00 and \$100.00 due in sixty and ninety days, or one note for \$219.00 due in sixty or ninety days, whichever

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you prefer. Choose whichever of the above is most convenient for you.

This arrangement will tide you over your present difficulties nicely (and we are glad to be able to further assist you by waiving the interest). No doubt you will be coming into town before long, and whenever you do, we shall be glad to have you stop in and call on us.

Very truly yours,
Credit Manager.

DEAR SIR:—

In response to your letter of the 9th, it will be satisfactory to us to have you send us regular weekly installments of \$5.00 until our account of \$56.00 is settled. Send us your check for \$5.00 to reach us Monday the 15th, and one every Saturday to reach us on each Monday morning following.

The account is now twenty-six days past due and under this arrangement it will be ten weeks before the account is settled, which practically is an extension of ninety days on the account. To further assist you, we will not charge you any interest on the account, if we can depend upon receiving your checks regularly each week. Our usual course is to charge interest at 7%, but in this instance we shall be glad to waive it.

I am sure that before long you will find business picking up faster, and as soon as you do, it will of course be no more than fair to us, to send us larger instalments so that the bill can be balanced more quickly.

Very truly yours,
Credit Manager.

DEAR SIR:—

Thank you for your letter of the 9th. I am sorry to learn that you are experiencing such difficulty at present, due to temporary poor business conditions.

Our account of \$182.50 is today thirty-four days past due, and since you will be unable to make payment within the next ten days we will let you return all of the merchandise

which is still left and will give you full credit for the amount returned, if we find it in good condition. Ship back to us not later than tomorrow, by prepaid freight, securely packed, all of the merchandise still on hand and mail us the original Bill of Lading, so we know just what you are returning. We will then mail you a credit memo and you can then send us your check for the balance due us.

It is entirely contrary to our terms, for us to take back goods which were shipped as ordered and at another time we would probably be willing to allow you an additional thirty days on the account, but at the present time we are having so many calls for this kind of goods, and our own stock is so limited, that we must have either the goods or the money at once.

I am enclosing a self-addressed envelope so that your letter will not be delayed in reaching me, and if at any future time you are in need of similar or other goods in our line, we shall be very glad to receive your order.

Very truly yours,
Credit Manager.

Reselling Credit.

Where no reply is received to the first two letters the debtor may be withholding payment because he is simply careless, or because he is too deeply involved and it is impossible for him to send a remittance. It may also be due to his desire to avoid payment or it may be due to his pride; his pride may not allow him to write and explain matters; he may be hoping against hope that matters will develop somehow so that he can in a very short time send the desired remittance. In other cases, remittance is being withheld simply because the debtor is attempting to evade payment.

After two letters are ignored, the correspondent may

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proceed at once to send drafts or very strong letters, or if he feel that the account is a desirable one, he should endeavor to resell credit to the debtor. The subject of drafts will be treated in a subsequent chapter. The following letters are indicative of using the principle of resale at this stage.

Seventeen Specimen Letters.

DEAR SIR:—

Have you forgotten us?

I have written you twice regarding our account of \$219.00, but so far I've had no reply, nor have I received any remittance.

The account is now over thirty days past due. You as a business man know the value, the necessity, of credit and the necessity of punctuality in the matter of payments when a bill is due, or the need of advising one's creditor if that is ever impossible, precisely on the due date. Where would present day business be without the CREDIT SYSTEM? We would have regular stone age stuff, that is sure. CREDIT is the very life-blood of business.

Don't neglect this account any longer—for your own good as well as ours. Neglect of any bills, no matter how small, means a constant undermining of the CREDIT SYSTEM! Likewise prompt attention to every single bill, means a strengthening of one's credit standing! Don't compel me to write another dunning letter—it's not pleasant for either of us—but give this matter your attention now.

We haven't received any orders from you since our last bill of Sept. 11th. Undoubtedly you are again in need of some of our goods by this time, so send along an order with your remittance in the enclosed envelope. I'll appreciate one as much as the other.

Very truly yours,
Credit Manager.

DEAR SIR:—

Have you forgotten us?

I've been looking for your check for \$96.00 or some word from you as to when you would let us have it, but so far I've been disappointed.

There is no doubt in my mind whatever but that you've been intending to send it long before this, but have been neglecting it from day to day, never really getting around to it. The account is now over thirty days past due, and I know you value your credit standing too highly to jeopardize it through this bill, which isn't large.

Won't you write out a check immediately and send it to me in the next mail? I'll look for it.

Very truly yours,
Credit Manager.

DEAR SIR:—

You have disappointed me. I expected fully to receive your check for \$96.00 before this, or at least some word from you as to when you would send it.

We established our terms of sixty days net because we realized it was easier for our customers to do business under these terms. In our long business experience we have never had the slightest hesitancy in extending credit on this basis, as responsible men are careful to maintain their credit standing for they realize what an aid such terms are to them. Where would any business house be that was obliged to do business on a cash basis? You as well as I know that they wouldn't get very far.

Don't neglect this bill any longer. When you lay this letter aside, just reach for your check book at the same time and let your check come forward in the next mail.

Very truly yours,
Credit Manager.

DEAR SIR:—

I am sorry that my letter of the 22nd like my former letter, has apparently been neglected. You know our account of \$124.50 is now over thirty days past due.

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You, of course, without a doubt realize the necessity of maintaining one's credit standing at all times. If at any time payment cannot be made on the due date it is imperative that we, or any other creditor for that matter, be advised promptly to that effect and as to when check will be sent. I am inclined to think that you have had our bill in mind and have been intending to send us your check, but it has just been neglected from day to day.

Won't you give this matter your attention today?—while you have this letter before you? You will then have added another stone to the foundation of your own credit standing. I will look for your early reply.

Very truly yours,
Credit Manager.

DEAR SIR:—

After having written you two letters regarding our past due bills, amounting to \$84.00, and receiving no payment or reply from you, I have decided your trouble must be that you are either too busy to give this matter your attention, you haven't received my letters (which haven't been returned), are not in a position to pay at this time, or don't intend to pay your just obligation.

Of these four possible reasons I have mentioned, I am inclined to think you are too busy, as I am sure you would not deliberately endanger your credit standing by purposely neglecting this account. You without a doubt realize the necessity of a high credit standing in our present day business life, just as much as I do.

At any rate, we must insist that you give this matter your attention now—today—as you will agree that we are entitled to hear from you one way or another, without any further delay.

If you will kindly use the enclosed envelope, your reply will come directly to me.

Very truly yours,
Credit Manager.

DEAR SIR:—

Do you realize that modern prosperity is entirely dependent upon the credit system? That only small and insignificant business transactions would be possible if men were not able to trust one another? That this wonderful system would soon be disrupted if people were to become negligent in meeting their obligations promptly as they fell due? Frankly, you are helping to destroy the credit system and at the same time are dealing a blow at your own credit standing. A high credit rating is invaluable to any man, whether he be in or out of business.

The value of credit is becoming so widely recognized that we feel reasonably safe in filling practically every order that we receive as soon as received. It is seldom indeed that we find the confidence we repose in our customers, is misplaced. People value their reputation for meeting their obligations too highly to permit it.

There is only one way to build a high credit rating, and that is to meet all bills promptly as they fall due. Incidentally this enables one's creditors to meet his own accounts when due, and you have probably heard about the thousands of dollars of bills, \$10.00 will pay when it is sent on its way.

Don't neglect this matter any longer. Either let us have your remittance by return mail, or let me know the reason why. The amount still due is \$87.00.

Very truly yours,
Credit Manager.

DEAR SIR:—

Although we might talk about oversight, etc., it is possible that you haven't sent us remittance for our overdue account of \$54.00 because you are short of money right now and simply haven't enough to go around.

However, I don't intend to try to "scare" you into sending us payment. I'd rather rely on your fairness in the matter. I have never yet found any of our customers who were not

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willing to do the right thing with us on a fair and square proposition.

This is my proposition: If you have other accounts older than ours, pay them first and we'll wait our turn, otherwise let ours be the next check that you write out, and send it on to us just as soon as possible. Our bill isn't large—it's \$56.00 and it is past due.

What do you think?

Very truly yours,
Credit Manager.

DEAR SIR:—

I don't know whether you have forgotten about our bill of \$28.00, whether you've been ill, away on a vacation, or just what is the matter. I haven't had any reply to my two letters regarding it, although the mail hasn't been returned, and it is now getting considerably overdue.

Now, Mr. Gordon, I don't want to write you any more letters requesting remittance—they're not pleasant to write and they're not pleasant to receive. If you'll just get out your check book and send me a check while this matter is fresh in your mind, it will put us both at ease.

Will you do this for the sake of CREDIT? Thanks.

Very truly yours,
Credit Manager.

DEAR SIR:—

You gain as much as we do by sending check for our bill pronto!

We reduce our outstandings somewhat and save some postage stamps, but—

You are strengthening your own credit rating!

Let no injury befall your CREDIT.

It is of inestimable value to any man.

Cordially yours,
Credit Manager.

DEAR SIR:—

This is essentially an age of cooperation.

We find cooperation among retailers, professional men, labor, communities, and even nations. In our intensive present day life, cooperation is a necessity.

And cooperation is especially necessary in the credit field. In cooperation between the retailer and the wholesaler or jobber, or between the consumer and the producer, there lies a bond which even at the present time is seldom recognized. The benefits of a frank friendly relation between one house and another, or the house and the consumer, and the benefits of a sound credit rating to one at all times, could be extolled in volumes.

Mr. — (Gentlemen), without a doubt you recognize the value of cooperation and the benefit of frank credit relations.

I have written you two letters—this is the third. They have not been answered. To speak candidly, you are not only withholding money which is justly due us, but you are at the very same time injuring your own credit standing.

Will you not let me have at least a *reply* to this letter?

Very truly yours,

Credit Manager.

DEAR SIR:—

Has it ever occurred to you that different firms ask us how Mr. Jones or Mr. Smith has paid his bill when credit was extended to them?

Have you ever thought that some firm might inquire how you paid your bill? What do you think we should have to tell them, if any should ask us?

Do you not think that by neglecting to write us, we may feel that you are attempting to evade payment of our account?

Modern prosperity is made possible by one thing and one thing only—**CREDIT**. If men were not to feel that they could trust each other, that they could not rely on one's promise to pay on a certain date, this wonderful credit system would

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be disrupted completely. Conversely, with the expansion and development of credit, greater prosperity is not only possible but is sure to follow.

Neglect of our bill of \$74.00 may not seem very vital—to be sure it will not “make” us—but by continued neglect you are helping to undermine the CREDIT SYSTEM.

My two former letters were apparently disregarded. Won't you send me your check by return mail, or if that should be impossible, then a line advising me when you will send it?

Very truly yours,
Credit Manager.

DEAR SIR:—

THERE IS MANY
AN EXCUSE
BUT NOT A SINGLE
REASON

for neglecting one's credit standing.

Send me a check quick for our little bill of
\$74.00.

Very truly yours,
Credit Manager.

DEAR SIR:—

A man is judged by his friends. Similarly, a business is judged by its credit rating.

Credit, in the last analysis, is nothing more than absolute faith that the party receiving credit will promptly pay the obligation when due. Neglect in such matters may seem a trivial thing but—constant neglect will irretrievably damage one's credit rating. Faith in one's fellow man, in his absolutely meeting all of his obligations *promptly* when due, makes possible our wonderful present credit system.

My two letters to you have so far not been answered nor has your check come in. You are injuring your own credit! Will you not send check or let me hear from you at this time, and thereby help build your credit? I am enclosing

a return envelope so your reply will not be delayed in reaching me.

Very truly yours,
Credit Manager.

DEAR SIR:—

From the most divine sermon ever preached, the sermon on the Mount, which will live forever, came the rule for the conduct of man to man, "Whatsoever ye would that men should do unto you, do ye even so unto them."

The Golden Rule,—just as applicable today as it was 2000 years ago—and the spirit of which is strong in every creature on God's earth!

Credit is extended on a positive or an implied promise to pay an obligation on some agreed date. Absolute regard for such obligations has developed the credit system to what it is today. Every disregard for such obligations helps to destroy the credit system, and one's own credit, and retards present day business just that much.

We have long ago realized how closely interwoven are our interests and those of our customers. Good credit means just as much to them as it does to us, and by a strict sense of their obligations they benefit more than we do.

Consider our past due account of \$56.00 from the credit standpoint. Can you afford to ignore this account any longer? Will you not think this over and then sit down and send me a check or a letter *at once!*

Very truly yours,
Credit Manager.

DEAR SIR:—

Here's a pertinent suggestion which I want you to take in the spirit in which it's given.

Turn your desk calendar pad ahead to next Monday, the 8th, and mark, "Send Jones & Co. check for \$87.32 today. Account past due. Our credit demands that I remit today sure."

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What do you think of it? The interests of good credit requires that our bill be paid by next Tuesday at least. By then it will be forty-one days over due.

Will you do this for not only me, but for your own self as well? Thanks.

Earnestly yours,
Credit Manager.

With the following letter there is enclosed a check all filled out with the correct amount and needing only the signature.

DEAR SIR:—

Not only is
Procrastination the thief of Time,
but
Procrastination is the Destroyer of Credit!
Let no injury befall your credit—guard it
zealously. It is of incalculable value to every
man.

Yours truly,
Credit Manager.

With the following letter, a check is likewise enclosed. However, the letter is not signed but the stationery and the payee on the check indicate the sender.

I am . . .
The best friend . . .
Of business . . .
And of nations . . .
Without me there . . .
Would be dire . . .
Calamity . . .
I am ever . . .
Ready to help my . . .

Friends when . . .
Business slumps . . .
I help them . . .
To build anew when . . .
Disaster o'ertakes them . . .
Howbeit I . . .
Depart if not . . .
Watched closely . . .
My name is . . .
CREDIT . . .
I thank you . . .

DEAR SIR:—

I am genuinely sorry to find you have not yet paid our small bill of \$——. What is the trouble? Payment will not break you, just as it will not make us, and it ought to be paid.

Perhaps you think such a small bill will not affect your credit standing. But, there you are mistaken. Believe me, if you were to sit at my desk for only one day, you would be astonished at the number of requests received from all parts of the country, as to how various firms pay their bills, whether small or large.

If you and I could get together, in your store, or in my office, we would get this settled in two minutes. Why not just as well by mail? Here's a return envelope. Use it and your reply will come direct to me.

Sincerely yours,
Credit Manager.

Circulars on Credit.

With the increasing use of house organs, there is an unparalleled opportunity for bringing home to one's customers and dealers, the urging of prompt payment of bills, through articles on credit. There are instances on every hand which one may cite in such articles regarding the

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inevitable result of neglecting one's credit, of the loss of prestige and of inability, finally, to continue in business. The imaginative writer may easily compose such articles if he desire, and though they be imaginative yet they are not apt to be far from the truth, for every one dealing with credits knows the folly of neglecting one's bills, and the disaster certain to follow.

One great advantage of the house organ is that it is usually read entirely through; one reads it for the pert sayings and quotations, and for the witticisms which are interspersed throughout the booklet. Although they may be read idly, yet the articles leave some impress on the reader, and repeated little articles and constant trite sayings on credit are bound to eventually effect some results.

Where no house organ is gotten out, it is a very good idea to write up some article on the subject of credits and have it printed in attractive booklet form, and mailed out to the customers. This can either be mailed out separately or it can be enclosed in the same envelope with some collection letter.

The following circular can be treated in this manner. If desired, it can be elaborated upon or it may be shortened, to suit one's convenience.

CREDIT

Credit is one of the most, if not the most, potent factors in present-day business. Without it, the intricate wheels of industry would cease to turn, demoralization would be

universal, and the world would face starvation. The force of this assertion is perhaps brought home more vividly, when one realizes that approximately one-tenth of the business of the world is transacted on a cash basis—that approximately nine-tenths of the world's business, involving multiplied millions and billions of dollars is transacted on CREDIT. Faith in fellowman, and confidence in his word, in his signature, that he will faithfully and promptly fulfil his obligations when due, make possible the huge business ventures of today. Without CREDIT, business would collapse like a house of cards.

Happy is he who has builded for himself a solid credit standing. He is on the road to financial independence. If at any time he finds himself without dollars—he still has his CREDIT STANDING—the equivalent of dollars—and with this he can obtain either money, merchandise, raw material, or whatever he wishes, with which to get dollars!

Let him who has no credit, or who has abused his credit, begin this very day to build anew. Let him begin at once to pay his obligations when due—let him inspire those with whom he comes in contact that his word or his signature is worth, dollar for dollar, that to which it has been pledged, whether it be a grocery bill, a butcher's bill, a doctor bill, a bill for merchandise, a note, a check, or whatever it be. When he has once learned to do this he will see before him a bright future, he will find merchants eager to sell their goods to him, he will take an increased pride in his own name, he will begin to live a new life, he will find himself honored and respected in the community.

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Your credit is an invaluable asset to you. Guard it zealously, carefully. Do not abuse it. Damage to your credit will cause an irreparable loss to you, a loss which may be measured in dollars and cents.

CHAPTER IX

FOURTH LETTERS

Need for Action.

Should the correspondent receive no reply to his third letter, he may quite properly assume that in nine cases out of ten the debtor is attempting to evade payment and that he will not remit until he is forced to do so. With some accounts who persistently have ignored three letters, it is desirable to still urge them to action through further letters, although most credit men will be rather wary in granting them another line of credit.

It has been stated before that the intervals between the early collection letters should be either seven, eight, nine or ten days, and whichever of these the interval be, it should be punctually observed. However, the interval between the third and fourth letters should now be reduced one day and on any subsequent letters which are sent out, for each letter it should likewise be reduced one day. If the early letters were mailed every seven days, the fourth letter would be mailed on the sixth day, the fifth letter on the fifth day, and so on. Through this means alone the debtor is impressed with the urgency of the matter, and even though the letters be not as forceful as they might be, the frequency with which they arrive is an incentive to action.

It might be argued that three letters are sufficient to send to any debtor, and that if no response is received to three letters, he is not entitled to any further consideration, and the bill should immediately be placed in the hands of attorneys. This is a matter which the correspondent must decide for himself.

With each letter sent out, as the series of letters progresses, the returns correspondingly diminish, due to the class of pay the debtor is in. By his failure to respond to the various letters, the debtor classifies himself. The good pay remit on the first letter, and the extremely slow pay send in their checks when they receive a notice of suit, and frequently not then. Accordingly, rather than proceed with more than three letters, force may be employed at once, as those debtors requiring four letters, could be classed as undesirable.

On the other hand, some creditors object to this because of the loss of good-will which immediately follows, the loss of practically all of the debtor's future business, and the expense of collection through outside means. It must be remembered that a good many merchants have their own method of payment; they leisurely take their own time in sending a check, reasoning that since they are solvent, the creditor has no cause to fear he will never collect the money, and ought to know that he (the debtor) is perfectly "good" for it.

In this work, a series of five letters has been in mind. If a draft is used at the end of the second letter, the series will then consist of at least six letters, and more probably, seven. If it is desired to send out still further letters,

some of the letters given as being suitable for the second in a series, may be used as the third of a series, more especially the stronger second reminders, and some of the third as the fourth letters, and so on.

In sending out fourth and fifth letters, the correspondent need feel no scruples over sending sharp ones, in order to jolt the debtor into remittance, so to speak. He will also find that rather short letters bring better results at this stage. At no time should the collection letter be overly long. The very long letter, from its very length, loses its force, and when the creditor is becoming insistent, brevity accomplishes results.

In the following letters, note the style of the letters carefully. Some of the letters are double spaced, which causes the reading matter to stand out more prominently, while in others, the word "Dear" is omitted in the salutation, which gives the effect of abruptness and imparts a more decisive tone to the letter.

Twelve Specimen Letters.

DEAR SIR:—

Have you any cause for complaint as to the manner in which your account has been handled?

How do you wish us to handle it?

It's not fair to me that I should be forced to write you repeatedly in an effort to get payment for our bill of \$96.00.

Silence may be golden, but not in this instance. In fact, I want money that talks, by return mail. Will you send it along, please?

Yours truly,
Credit Manager.

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SIR:—

Does any one owe you money, which they seemingly are not going to pay?

What do you do in such cases?

Precisely.

Just what I shall be forced to do unless I hear from you at once.

Yours truly,
Credit Manager.

P. S.—The amount due us is \$87.00.

DEAR SIR:—

Your continued silence leaves me no alternative but to assume you are endeavoring to evade payment of our account for \$60.00.

I am loath to think this, but how else can we construe your continued neglect of our past due account and our courteous letters?

Can you conscientiously say that we have not done all in our power to meet you half-way?

Further disregard can result in only one thing and it is unnecessary to point out what that will be. I hope you will send check at once to obviate any unpleasant steps.

Yours truly,
Credit Manager.

DEAR SIR:—

I am indeed surprised to find you have not yet paid our past due account of \$48.50.

Our files indicate that this is the fourth letter we have written you, but so far we've received nothing but silence.

Do you consider that fair to us?

To be sure, Silence is Golden (at times) but not in credit matters. In such instances, the very worst one can do is to do nothing.

I must have your check in my hands by the 21st SURE.

Promises will not bring it here! So get busy, quick.

Yours truly,
Credit Manager.

DEAR SIR :—

Just recently a local business house was unable to collect a small bill of \$65.00. They wrote the party numerous letters requesting payment, and in return for their courtesy and leniency they received—silence.

Although they disliked doing it, at the end of a designated period, they instructed their attorney to sue for the money and they got—the money.

And the party that owed the money?—he received a serious impairment to his credit rating.

No, it wasn't our firm in this instance, although we have collected accounts at various times through suit.

But can you tell me of any reason why we shouldn't collect your account in this manner?

There is still \$42.83 due us.

Yours truly,
Credit Manager.

DEAR SIR :—

Do you realize that by your continued disregard of our bill for \$38.00, we can only believe that you don't intend to pay it and that we shall have to act accordingly?

We don't want to go to extreme measures.

Nor should your own credit (or any one's credit for that matter) permit such steps.

But,—

We've got to have your remittance for this small bill by the 18th! We can't afford to waste any more time over it.

Yours truly,
Credit Manager.

DEAR SIR :—

Our patience is exhausted.

Send check for \$74.00 quick, as your account, along with four others, will pass out of my hands in five days.

Yours truly,
Credit Manager.

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DEAR SIR:—

Although this is my fourth letter regarding our past due account of \$110.00, I am still loath to believe you are deliberately ignoring it.

I would prefer to think that my letters reached some clerk in your establishment and not you, and that consequently they have been inadvertently neglected.

I have held the fullest confidence right along that you would pay our account, and still believe that you can give some entirely satisfactory reason for not having paid before.

You, I am certain, realize full well, that neglect of any account is not conducive to a good credit rating—no more for you than for us.

Will you give the matter your attention at this time? We will both feel better if you will.

Yours truly,
Credit Manager.

DEAR SIR:—

Our courtesy is seemingly being imposed upon.

Your accounts with us, amounting to \$52.00, was due exactly 43 days ago, and to our three letters (and our draft) we have received no response.

Will you please settle at this time?

Rest assured, we have no desire to embarrass you, but the period of grace which we usually allow delinquent customers has long since expired, and we trust you will see that it is for your very own interests to settle this small bill without further delay.

Yours truly,
Credit Manager.

DEAR SIR:—

We like at all times to remain on cordial and pleasant terms with all of our customers, just as you do with yours.

However, your disregard for our account and for my letters, precludes the possibility of our longer remaining on such terms with you, unless you will treat us in a business-like way.

This letter is a formal demand that you send the amount due us, \$47.00, to reach me not later than Thursday, Nov. 16th.

Yours truly,
Credit Manager.

DEAR SIR:—

Do you realize that by neglecting to reply to our letters we can only conclude that you are attempting to evade payment?

Do you realize that further neglect of our account will leave us no other alternative but to start suit?

Do you know what the court costs of a suit amount to and who has to pay them?

Do you know how long a judgment is in force and collectible?

Is there any reason why we should not start suit at once for the \$36.00 due us?

Yours truly,
Credit Manager.

A Special Letter.

The following letter has secured almost phenomenal results at various times. It may seem an exaggeration to state that this simple little letter has brought returns regularly of from 30% to 37%; nevertheless, it is a fact, and that, when used as a fourth, fifth, or even later letter. When one considers that after the first letter the percentage of returns diminishes considerably and that a percentage of from 5% to 10% is considered good, even with letters giving notice of suit, returns of 37% are exceptionally high indeed.

This letter was used by the writer on ten debtors as a trial. It brought in three remittances within four days. Thereafter it was used regularly as either the fifth or sixth letter of a series, and it has always secured very satisfactory returns. There is nothing unusual about the letter

except its simplicity and brevity. It was written primarily to allow the debtor's imagination to work and thereby assist in separating him from the desired remittance.

The salutation "Sir" or "Sirs"—(not Gentlemen) indicates to the debtor that the leniency and friendliness of the house is at an end. The omission of any beginning to the letter and the abrupt question allow his imagination full rein. He does not know just what is going to happen, and his own conscience tells him that he is to blame for the sudden evident break in the relations of the house toward him. The second sentence increases the debtor's agitation, if one may call it that, and the word "quick" impresses upon him the urgency of the matter. He is not asked directly for a remittance; he is merely asked if he intends to pay and he remits to avoid whatever his imagination conjures as being likely to follow. Instead of using "Credit Department" in the signature, "Collection Department" is used to further indicate that it is not a matter of credit any longer, but instead, a matter of collections. Any subordinate may sign the letter, instead of the credit manager, but the signature should be in a man's handwriting.

In the many times that this letter has been used, it has so far brought only one angry reply, and that particular party wrote—"Herewith find check to stop your sweating over our bill. Cancel whatever orders we have with you." All other remittances received through it were sent with some line of apology or no remarks whatever. One debtor wrote "Sure I am going to pay. I am short now, but I will send check in a week." In this particular case four letters and a draft brought no reply, but this let-

ter turned the trick without any apparent offense. It would appear to be very safe for those cases where it is desired to retain the debtor's good-will, and yet write sharply enough to get the transaction closed.

Because of its brevity, the letter should be set in the middle of the sheet, using a wide margin, and double spacing as indicated.

Mr. Robert Doe,
Anytown, Ill.

SIR:—

Are you going to pay our bill
of \$38.71?

Advise quick if you are.

Roe Wholesale Co.

By.....
Collection Dept.

A : R

Appeals to Pride.

At this stage of the collection procedure, more or less sharp appeals through pride are very effective. Every creature is imbued with a certain sense of responsibility and in the case of the extremely slow pay, the problem here is to direct a sharp enough appeal to reawaken his pride in his name and his reputation as a business man.

The following appeals are directed towards this end :

Six Specimen Letters.

DEAR SIR:—

I am entirely at a loss to understand your continued neglect of our account of \$63.00.

We have taken an unusual degree of pride in the class of

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customers which are ours, and have at all times felt that this pride was reciprocated in the customers' attitude towards us. Pride in one's family—in one's city—in one's name,—they all contribute to make the citizen who is viewed with respect and whose word is considered authority.

I have been watching your account steadily and I regret very much that you should have allowed it to become so far in arrears, merely through carelessness. Such action surely cannot benefit you.

The enclosed return envelope is for a purpose. Place your check in it, or at least some word from you, and mail it to me TODAY.

Yours truly,
Credit Manager.

DEAR SIR:—

It is a matter of regret that you should have allowed our account of \$58.00 to become so seriously delinquent.

Your past record, both with us and from references to whom we have written, has been so good that when I extended credit to you, I had no hesitancy in believing you a gilt-edge risk. The pride with which a man regards his name, and with which he regards his obligations, are the determining factors with me, when credit is asked of us. As ye pay, so shall ye be judged, and at the expiration of a certain period, I have no recourse whatever but to allow any account which is assiduously ignored, to pass into channels where it is summarily treated.

Will you restore my confidence in you as a business man? A prompt reply, if nothing more, in the return envelope enclosed, will do it.

Yours truly,
Credit Manager.

DEAR SIR:—

To one who enjoys the good opinion and the high respect of his business associates and neighbors, such a small thing as a neglected bill becomes a serious matter.

It is seldom indeed that I find a man who is not jealous of his own standing in the community,—who has not pride in his name. One does run across them occasionally, but they are rare.

Perhaps you have never considered a neglected bill in just this light; nevertheless it is true that a stain upon one's reputation as prompt pay, diminishes his standing in his circle of acquaintances. That is why I am writing you so frankly.

Will you send check by return mail and thus restore the confidence we have always placed in your self-esteem?

Yours truly,
Credit Manager.

DEAR SIR:—

Prompt Pay!

Two small big words, which, when merited by any man, may well cause him to raise his head proudly.

They mean worlds to the business man in his own community—they contribute largely to his success—they are the contributing factors to the respect with which he is regarded by his acquaintances.

Can you afford to risk your reputation by the neglect of a small bill?

You cannot—neither could I.

I have too much pride, just as I am sure that you have also.

But, I do think you have not regarded our past due bill in this manner.

Will you think it over? Then mail me that check for \$31.00 so we can clean the slate.

Yours truly,
Credit Manager.

DEAR SIR:—

You owe it to your self-respect and to your pride to give our past due account of \$67.00 attention without further delay.

You **MUST** have taken a good deal of pride in your name

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in the past, otherwise you could not have attained the credit rating which you did, and upon which we based our extension of credit. A trifling bill of \$67.00 is too small a matter to neglect and thereby risk one's reputation as a desirable account.

You have always seemingly been jealous of your reputation and your name. Can you afford not to be any longer?—to trifle with it?

Think it over, and then send your check or let me hear from you, so we can get this bill settled.

Yours truly,
Credit Manager.

DEAR SIR :—

How do you feel when you write any one a letter and they do not reply?

What feelings animate you when you address a party and he ignores you?

I am human. The same feelings run riot through me.

I have held all along that your pride,—your courtesy, would hurry along the check I've been looking for, and when sending each letter, I've thought—"This will surely bring a reply."

Don't let neglect of your bill of \$86.30 reflect on the pride I know you bear for your name, any longer. You can't afford to, neither could I.

Simply put your check in the enclosed envelope and mail TODAY.

Yours truly,
Credit Manager.

Appeals through Shame.

The following letters are indicative of the manner in which a debtor may be shamed into a remittance.

Five Specimen Letters.

DEAR SIR:—

Viewed from the angle of leniency and courteous treatment, aren't you somewhat ashamed of yourself?

We have taken the trouble to write you three letters and to pass draft against your account. My letters remain unanswered, our draft was returned "no attention," and our account remains unpaid.

Hardly what one would consider fair treatment, is it?

Of course, we could enter suit at once to collect this bill, but it is rather out of consideration for you, than for ourselves, that we have so far withheld such action.

May I not, with propriety, ask that you send check for \$53.00 at once and obviate further dunning letters?

Yours truly,
Credit Manager.

The fourth paragraph in the above letter may be omitted, if it is thought that the letter is too antagonistic.

DEAR SIR:—

Reformers of all creeds tell us that wrongdoers start their headlong career through the practice of not checking themselves in the little things. Has it ever occurred to you that the neglect of our bill may lead you to the neglect of others, and that sooner or later you will thereby cause your family a great deal of shame?

A reputation for slow pay carries a stigma that is very difficult to overcome. It benefits no one, and diminishes the regard in which one is held by one's friends.

Would you ignore any of your acquaintances as you have ignored my letters? I hardly think you would.

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The only right thing to do then, is to send us a remittance for our bill of \$29.00. Then you will have a clean slate.

Yours truly,
Credit Manager.

DEAR SIR:—

Most assuredly you must realize that any further neglect of our account for \$26.00 can only result in our finally bringing suit, and that when we are forced to such action, it can only cause those near to you, considerable shame.

You know as well as I, that court records are open to public inspection, and that legal proceedings are printed in the daily papers, where it is not improbable that they will be seen by one's friends.

Is the possibility of disgrace from such proceedings, and the embarrassment to your family, worth the amount involved?

Pardon my writing so frankly. We have the interests of our customers at heart, and I want to show the folly of neglecting a bill, no matter how small.

Will you not show an appreciation of our past leniency by at least a *reply* to this letter, if a remittance is impossible?

Yours truly,
Credit Manager.

DEAR SIR:—

It occurs to me that perhaps the payment of our account will cause suffering to either you, or to those near and dear to you. Am I to understand that such is the case?

You will agree that the account must be settled. If our bill of \$44.50 is going to embarrass you, it will be satisfactory if you will remit a small sum each week regularly. If you wish such an arrangement, please advise me just how much you can send us weekly.

We must hear from you definitely by the 19th.

Yours truly,
Credit Manager.

DEAR SIR:—

Our account for \$46.00 is over 60 days past due. In other words, you have been using our money for over sixty days, as we paid for these goods 10 days from the date when we purchased them.

Frankly, does not this thought make you a trifle ashamed?

We have been very lenient in treating the account so considerately. Ought not the spirit of reciprocity entitle us to at least some word from you?

Please put yourself right with us and yourself. Payment will not break you, and the money is justly due us.

Yours truly,

Credit Manager.

Appeals through Saving.

Appeals to saving may be made very effectively through the discount in those instances where the account is not very old. They may also be made where it is thought that a remittance will be sent if some allowance is made on the account. This latter practice is not very commendable, however, as any policy of making an arbitrary adjustment indicates a weakness on the part of the house. In addition, it encourages the debtor to withhold payment as long as possible at future times, in the hope that the house will again be willing to settle for less money.

If it is decided to make some arbitrary adjustment as an incentive to action, then a very good plan is to write the debtor a strong letter, and to mention therein, the amount the house is willing to accept as full settlement, but to mention it as being the total amount due. In other words, it should be made to appear as though the amount mentioned is a stenographical error, and is not any actual allowance made by the house. One must also state in the

letter that a receipt in full will be sent immediately. Not only those debtors who have been expecting an allowance will now remit promptly, before the "error" is discovered, but likewise other debtors will be inspired with the sudden idea that by remitting the stated amount, they will receive a receipt in full. The correspondent should therefore make allowances only as a last resort, although he still has the option, after a remittance has been received, of advising the debtor that a clerical error was made and requesting check for the balance.

Eight Specimen Letters.

DEAR SIR:—

I rather expected you to take advantage of the discount of 2% which we allow for remittance within ten days from date of invoice.

Our terms are net after thirty days and although your account of \$138.00 is six days overdue, yet it occurs to me that perhaps the terms of sale were not clearly understood. You are one of our more recent customers, and we generally find that when our dealers realize the large saving through the discount, they bend every effort to obtain it, because of its advantages.

My letter of the 25th probably failed to reach you, and I am glad to be able to advise that in this particular instance we will extend the discount period to within seven days from today. This means a saving to you of \$2.76—just as though you received 2% interest on \$100.00, which, however, is not tied up in the bank.

Now that our terms are clearly defined, I am certain that in the future you will always remit within 10 days after purchases, and thereby benefit by these terms.

Very truly yours,
Credit Manager.

DEAR SIR:—

The savings through taking advantage of the discount of 2% by remitting within ten days from date of purchases, are very great in the course of a year. One might state that in some cases they represent entirely the item of profits.

Realizing long ago the benefit to our customers of the discount, we have for years past made our terms 2%-10 days, net, 30 days. On your bill of \$150.00, now past due, the saving would amount to \$3.00, which is equivalent to 3% on \$100.00 in the bank for a year. Figure up how much 2% of your last year's purchases will amount to and how much money in the bank would have brought the same sum. Then don't tell me that one can afford not to discount his bills.

As an incentive to you to begin discounting our bills TODAY, I am empowered to allow you the regular 2% discount for remittance within six days. Otherwise, the bill will be net.

I know this saving will appeal to you, and am sure that in the future you will endeavor to obtain the discount regularly by remittance within the ten day period. I am enclosing a return envelope for your convenience.

Very truly yours,
Credit Manager.

DEAR SIR:—

Who pays for the loss through the discount?

A business man's purchases last year amounted to \$40,000.00. He discounted all his bills and saved 2% or \$800.00.

Who paid it? Not his creditor, for he in turn discounted his own bills, and not his creditor's creditor, for he likewise discounted.

But, I can tell you who loses. Every business man who does not take advantage of the terms of discount, loses a sum of money every year, depending on the amount of his purchases. The individual saving on a bill may not seem great, but in the course of a year it counts up.

The discount has long been a hobby with me. Most of our customers take it regularly, by payment within the ten day period. I would like to see you do the same.

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As an inducement to you to "get the habit" we will allow you to take 2% discount on our bill of \$54.00 until Nov. 6th, although it is now 30 days old, and would therefore be net. I know that this saving will interest you and am certain you will make it a point to remit within the 10 days period in future, for that will mean more profit for you.

Earnestly yours,
Credit Manager.

DEAR SIR:—

Not having received your remittance for our bill of \$83.00, it occurs to me that perhaps our letter of Nov. 17th either was overlooked or failed to reach you.

It would not be fair to the rest of our customers to permit any deviation from our uniform terms of 2%-10 days, net 30 days. We endeavor to be impartial to all of our accounts, always, and I find that this is as a rule greatly appreciated by our dealers.

However, the matter of discounts is so important to business men, and is so frequently little understood and all too frequently neglected by them, that I want to urge you personally to take advantage of the discount whenever the purchase terms permit it.

Our small bill is now slightly over 30 days old, and therefore net, but as an inducement to you to get the discount "habit," I am going to allow you a discount of 1% for payment by Nov. 30th.

The saving to you will be 83¢—not much in itself but in the course of a year it helps to make a snug sum. I know that if you will look into the matter of discounts, you will see its great advantages and I feel sure that you will be glad to get in on it in the future, by remitting always within the ten day period.

Very truly yours,
Credit Manager.

Where an allowance has been made at any time by extending the discount period and the debtor endeavors

to take advantage of the creditor at some future time by deducting 2% when the discount is no longer operative, a letter similar to the following may be sent him.

DEAR SIR:—

Thank you for your check of \$95.06 which we received this morning and which is today being credited to your account.

We find that it is \$1.94 short, however. Apparently this is due to your having (I note that you have) deducted the 2% discount, which we allow for payment within 10 days from date of invoice. I am sorry that we cannot allow the discount at this late date. The discount ceased to operate on Nov. 14th—the bill was dated Nov. 4th—and as this is now Nov. 29th, we can hardly be expected to grant the discount 25 days after the invoice was mailed out.

Our files indicate that on Sept. 7th I extended the discount period as an accommodation to you, in the belief that our letters had failed to reach you, or that our terms were not clearly understood, and at the time, stated definitely that in the future we must expect an adherence to our terms to secure the discount.

I will appreciate therefore your letting me have check for the balance of \$1.94 still due us, by early mail.

Yours truly,
Credit Manager.

DEAR SIR:—

We acknowledge with thanks your kind check for \$95.06 which we received this morning, and which we have credited to your account.

However, the remittance is \$1.94 short, which is 2% discount on \$97.00. I am sorry that we cannot allow this deduction, as the discount was operative only until Nov. 14th. It is utterly impossible for me to allow any discount except where the discount is earned by payment within 10 days from the date of the invoice.

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Although we extend the discount period as an accommodation to you some time ago, it was as an inducement to you to always settle within the 10 day period, but except for that initial offer, we must insist upon an adherence to our terms, to secure the discount.

If you will kindly send me the balance of \$1.94 due us, we can then balance the account to date.

Yours truly,
Credit Manager.

The following letter will illustrate how one may through an apparent clerical error make an allowance on a bill in order to secure payment. In this case, the original bill was \$56.00.

DEAR SIR:—

Why is it that we are unable to draw out any sort of response to our letters requesting payment of our bill of \$53.50? Surely you realize that this little bill must be paid some day. Eventually, why not now?

Perhaps some of my letters failed to reach you,—perhaps you have simply been neglecting it from day to day. At any rate, don't you think we are entitled to our money now, without any further delay whatever?

You'll feel better if this little bill is paid now, and we will too. So, send on your check for \$53.50 at once—TODAY—and I'll have Uncle Sam bring you back a receipt in full in the very next mail.

Very truly yours,
Credit Manager.

If this letter brings the remittance, and it is desired to secure the balance of \$2.50, the following letter may be written:—

DEAR SIR:—

Thank you for your check for \$53.50 which was received this afternoon.

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Upon crediting it to your account, however, I find that it is \$2.50 short. I notice that in our letter of the 16th the stenographer referred to our account as being \$53.50, whereas the correct amount due us is \$56.00.

Although this is something over ninety days past due, we have not charged you any interest, and I am sure that under the circumstances you will appreciate our desire to have the entire balance due us, settled as soon as possible.

I am sorry that the stenographer did not state the correct amount due us in my last letter, but we all make mistakes at times.

I trust it will be convenient for you to send us a check for \$2.50, by return mail, so that we can then balance the account.

Very truly yours,
Credit Manager.

CHAPTER X

FIFTH LETTERS

Two Worth-While Letters.

After an account has withstood the battery of the correspondent's letters up to this point, the debtor may well be finally considered unworthy of any further consideration. Indeed, the creditor may feel certain that the money will not be forthcoming except through the use of force.

Before proceeding to notification of legal action, however, the following letter may be used. This letter was given in Chapter VI and it was there stated that it could doubtless be considered of rather a catering tone, but nevertheless it brings fairly satisfactory results, and has the advantage of not being antagonistic. When used as a fifth or even subsequent letter, it has brought returns of 10% and better. While some may consider this a small percentage, yet it must be remembered that letters at this stage of collection procedure, which average 2% to 5% returns, are not considered valueless, nor can this letter in any way antagonize the debtor.

Just recently after writing a certain debtor four letters and having passed draft against his account, his bill of \$35.00 was still unpaid. The correspondent was on the point of notifying the debtor that the matter would be

placed in an attorney's hands, when a remittance of \$28.00 was received. There still remained a balance due of \$7.00, and it was rather a problem to know just how to proceed further. Because of the smallness of the account it seemed that the full amount should have been sent. The debtor was unknown to the creditor, he was located some 500 miles away, and when remitting \$28.00 had not promised to send in the balance—in fact, had not mentioned it at all.

The creditor did not want to start his series of letters entirely over again, to secure the \$7.00 still due, and he disliked to abruptly notify the debtor of action by attorneys, because of seemingly being unmindful of the remittance which he had received. Altho the debtor had sent no letter with his check, it may have caused him some effort to send it. After a week's interval, therefore, the following letter was sent out and it brought the balance of \$7.00 within five days.

DEAR SIR:—

Would it be possible for you to send a check for our account of \$7.00 to reach me by the 25th of this month? I'll appreciate it. Thanks.

Cordially yours,
Credit Manager.

Unlike the above letter, the following letter is quite sharp and antagonistic, but at this point of the procedure, one wants the remittance and one is not so much concerned over the means through which it is secured. It is an absolute fact that returns of as high as 50% have been secured through this letter, and that the lowest returns so far obtained have been 14%. Like the two sentence

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letter on page 125, it is aimed to stimulate the debtor's imagination, and has followed that letter after an interval of five days.

Perhaps there is nothing so harassing to a debtor as to feel that his creditor is contemplating some move which is going to be complete surprise to him. Even though he is accustomed to all the moves of the insistent creditors, and inured to all of their appeals, yet this letter causes him to doubt whether he perhaps is as clever as he had imagined himself to be. His reasoning leads him to believe that there may be some loop-hole which he has overlooked, that the creditor may have obtained some information about him, which is to his disadvantage, or that the creditor may have discovered some new trick for forcing payment, of which he (the debtor), in his apparent security, has been continually unaware.

The uncertainty, the knowledge that the bill should have been paid, and should be paid now, the innumerable possible happenings his mind may conjure up, all combine to place him in the necessary state of mind to secure the desired check, and to have done with a creditor who proceeds so mysteriously. The creditor may be only bluffing, but—he also may not be bluffing. The debtor does not know. And in order to get the whole uncomfortable business off his mind, he sends in his remittance.

The word "Dear" is omitted in the salutation, and if the letter is addressed to a partnership or corporation, the salutation is "Sirs," to indicate abruptness. Because of its brevity, there should be double spacing between the lines and the word "amaze" should be all capital letters and also double-spaced. In all of the letters given in this

work, the title has been merely indicated in the signature. It is presumed that the correspondents will be sufficiently informed to sign their letters as follows:-

John Doe Wholesale Co.
By.....
Credit Manager.

or, whatever their title may be. In the following letter, however, the firm name is entirely omitted. The only signature is the sender's pen and ink signature over the title "Collection Dept." The returns on this letter have been secured by using it precisely as it is given below.

MR. RICHARD ROE,
Anywhere, Ill.

SIR:—

Unless we receive remittance for our account of \$35.00 within seventy-two hours, you may expect us to take some steps which will simply **A M A Z E** you.

.....
Collection Dept.

The Officer's Letter.

It is also sometimes effective to send the debtor a letter signed by some officer of the house, preferably by the president or one of the vice-presidents. This officer may point out the folly of neglecting one's credit, may express his belief that the account was not handled correctly and state his confidence in the debtor. Sometimes such a letter is of value, for at times, debtors do not pay in their desire to be contrary, and will not send a remittance to the correspondent who has written them numerous letters. More than this, however, an officer's letter is read with

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more attention by the debtor and carries more weight, because of its source. It is a good plan to enclose a return envelope, bearing the official's name on it, so that the debtor may feel that he is dealing with the heads of the concern.

Two Specimen Letters.

DEAR MR. JONES:—

I have just had my attention brought to our overdue account with you, amounting to \$108.27.

I have the entire correspondence before me—that is, copies of all the letters that were sent to you—, and have been asked for permission to turn the matter over to our attorneys for action.

However, it would not be fair to you to allow any such steps before taking the matter up with you personally. A law suit over such a comparatively small account would injure your credit standing tremendously, and to speak candidly, I am inclined to think that there may be some satisfactory reason for your having ignored our former letters. It may just be that some of the letters did not reach you.

I shall retain this correspondence on my desk for another week. Let me hear from you promptly in the enclosed envelope, sending me your check or advising me as to what has been the trouble. I sincerely hope you will give the matter your early attention.

Very truly yours,

JOHN DOE & COMPANY.

By.....

President.

DEAR MR. JONES:—

Your account for \$48.00, along with our other accounts, was laid on my desk this morning by the Collection Dept.,

with the request that they be allowed to hand it to our attorneys for collection.

I have forbidden them, however, to take any such steps for the present. Our business relations have always been pleasant heretofore, and it seems to me that possibly there is some misunderstanding or that the account is not correct, which would explain your not having sent check.

Will you write me at once in the enclosed envelope and send me your check? They have my instructions not to consult legal counsel until Dec. 14th at least. I certainly want you to continue to handle our goods, and would dislike very much to have this small bill break our pleasant business relations.

Very truly yours,
JOHN DOE & Co.
By.....
President.

Two Special Letters.

The cheerful tone of the following letter is very effective with some debtors, bringing good results at times after numerous letters have been sent them, because it indicates to the debtors that no ill-will is as yet borne towards them.

DEAR SIR:—

Cheerfulness is a goodly possession—a possession most helpful to its possessor and to the world at large.

In the same cheerful manner in which we extended credit, we ask for a remittance to cover our overdue account.

Very truly yours,
Credit Manager.

The following letter, through its quiet humor, likewise indicates that the debtor is still in the good graces of the house, and is also very effective after a number of letters have been written him.

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DEAR SIR:—

Some one has said that about all the difference between children and us grown-ups is that we weigh more and aren't so happy.

Mr. — (Gentlemen), send me a check for \$. and make me smile once more.

Expectantly yours,
Credit Manager.

The Ultimatum.

In notifying a debtor that legal action is to be started if his remittance is not forthcoming within a specified period, the use of direct threats should be avoided. Threats do not bring any better results, and they may sometimes prove entangling. The correspondent should endeavor to be courteous in conveying the information to the debtor, and the following letters are given with that aim in view.

Eight Specimen Letters.

DEAR SIR:—

Your unbroken silence regarding our past due account of \$94.00 leaves me no alternative but to proceed to law.

Should we not hear from you within seven days, I shall be obliged to assume you are not going to pay our account and shall at once place the matter in our attorney's hands, with instructions to take any steps necessary to force collection.

Please do not make such action necessary.

Yours truly,
Credit Manager.

DEAR SIR:—

I am sorry to find our account of \$43.00 has been persistently ignored.

You know there is only one thing left for us to do in such cases.

This will, therefore, be a formal notice to you, that failing to receive your remittance in full, on or before Nov. 21st, the entire matter will be handed to our attorneys with instructions to effect collection through due process of law.

I assure you, however, that we will regret having to take such action.

Yours truly,
Credit Manager.

DEAR SIR:—

Our letters appear to have been scrupulously ignored.

We have written you many of them, and have suggested part payment, notes, and even extensions of time without interest.

You know as well as I know, the damage a law suit will do to one's credit standing. That's another reason why I've written you so often.

However, this is the last letter I shall write you.

Failing to receive remittance in full of our account for \$33.00, on or before Oct. 10th, the entire matter will be placed in our attorneys' hands, with instructions to secure collection at the earliest possible date, through any methods they deem advisable.

Yours truly,
Credit Manager.

DEAR SIR:—

We regret that we shall be obliged to turn our account of \$64.50 against you, over to our attorneys if remittance is not received within the next seven days.

From the number of letters we have sent you, we presume you have seen what our policy is. The time for leniency is past, and since we have gone to considerable expense to urge an amicable settlement, rest assured we shall instruct our attorneys to adopt any means they consider advisable to secure the earliest possible settlement.

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If you will send check within the next seven days, it will obviate legal procedure.

Yours truly,
Credit Manager.

DEAR SIR:—

Not having had any reply to our letter of Nov. 4th in which we allowed you until Nov. 11th to settle our account of \$36.87, we are proceeding to turn it over to attorneys for collection.

While this is hardly the method of procedure I myself would choose in settling any of my own bills, I must assume that this is the one most satisfactory to you, and hope that the matter will advance quickly enough to meet with your entire approval.

With all good wishes, I remain

Very truly yours,
Credit Manager.

DEAR SIR:—

The persistent disregard of our account for \$86.00 leaves me no alternative but to have recourse to legal procedure.

This is always a serious matter, as it affects a debtor's credit standing enormously. Because of its seriousness I have written you six letters in an endeavor to urge you to remit. I feel that my own conscience is clear and that the unfavorable publicity which will follow, cannot be attributed to me.

If you will remit in full within the next five days, there will be no necessity of a law-suit. In five days from today the entire matter will pass out of my hands, and to prevent any possibility of delay in the mails I sincerely hope you will send me your check by *return mail*.

Yours truly,
Credit Manager.

The following letters give the debtor the impression that he has already been notified of attorney's action, but as the letter never reached him, he is led to believe that it

may have fallen into some other's hands. The date of the supposed letter can be given as three or four days after the last one which was really mailed him.

SIR:—

As outlined in our letter of Feb. 27th, we are forced to start suit to effect settlement of our account of \$44.56 against you.

We hesitate to do this, but your continued silence has left us no other alternative. We, however, are going to give you a final opportunity to settle, and therefore will wait four more days for remittance before dragging this account into court.

Whether or not we shall continue the litigation rests with you, and prompt attention to this matter will be to your advantage.

Yours truly,
Credit Manager.

SIR:—

In accordance with our letter of Nov. 5th we are forced to place your account with our attorneys for the purpose of effecting collection through due process of law.

I regret very much that this action has become necessary, as I had held the fullest confidence that you would pay the account when due as you had agreed.

If you will remit \$32.67 in full settlement immediately, we will be glad to withdraw legal action, save you the additional costs, and avoid a suit to recover a past due account being aired in your local courts.

Yours truly,
Credit Manager.

Registered and Special Delivery Letters.

It is a very good plan to send the "ultimatum" letter by registered mail, and in doing this a return receipt

should always be requested. This is for the psychological effect upon the debtor.

The registered letter is always more impressive than ordinary first-class mail, and when it becomes necessary to sign a receipt before receiving it, the effect is heightened. When the debtor opens the envelope and learns its contents, he cannot fail to realize that it must be considered quite serious by the house since they desired to be quite certain that the letter would reach the addressee. It likewise gives more weight to the reference to legal procedure and emphasizes the statement that it is going to follow at the end of a stated period. Because of the increased expense, on a number of accounts, some houses object to the registered letter, but it is well to at least use it now and then, if not regularly.

Special delivery letters likewise bring good results. The debtor who receives such a letter at the supper hour or while he is partaking of his breakfast, is impressed with the urgency of the matter and the possibilities of his remitting are increased. When special delivery letters are sent out, one should consult the various train schedules and endeavor to mail them so that they will be delivered at other than regular business hours.

The Telephone.

The telephone is a great aid in the collection of accounts. It may be used at any stage of the procedure. When used in the early stages it is not necessary that the credit man personally telephone the debtors, but practically just as good results will be obtained if a list of them is

given the operator and the calling up left to her, to be done at her convenience during the day. The telephone produces the effect of insistence on the part of the creditor, and in the early stages all that is necessary is a courteous request as to whether a remittance will be convenient.

On long distance calls or after the account has become further overdue, the credit or the collection man should do the speaking. Either of these may use credit arguments, the approaching due date of some large note or obligation, etc., to set forth the urgency of the matter, speaking in either a friendly or formal tone of voice, as the occasion may require. The effect upon the debtor is practically the same as though the creditor was confronting the debtor, or as though the debtor was in the creditor's office. Should promises be made to pay at an early date and they are not fulfilled, the correspondent will then write much sharper letters than he otherwise would.

The Use of Telegrams.

At the present time the telegram will be found very effective in collection work. When its value as an attention-getter becomes more generally known, as it will, and it thereby comes into more general use, the results obtained through it will be correspondingly diminished. Because of the crisp, incisive manner in which the telegram is written, the broken sentences, omission of punctuation marks, and the manner in which it is delivered, it carries a "punch" that can be obtained through no letter, be it registered, special delivery or otherwise.

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When its possibilities are recognized and it is more frequently used, however, it is not difficult to foresee that its appeal to urgency will not be so great, but this is not likely to happen for some time to come.

The house which does not object to the expense of telegrams will find them a great aid in collections. Especially is this true when used on the more uneducated debtor. Very many people receive few, if any, messages and those they do receive generally refer to serious accidents, death, or sickness. One may easily imagine, therefore, the "sweating" process such a debtor undergoes upon receipt of a telegram, the frame of mind he is in, the sort of relief and the promptings to settle when he reads its contents.

The collection man must not make the mistake of always sending debtors a stated number of letters and then wiring them. Such a procedure is satisfactory the first time it is used. But, when a debtor has once remitted in response to a telegram, the next time he falls in arrears, one or two letters only should be mailed to him and then a telegram sent. In other words, one should never follow the same routine on the same debtor without change.

In a circular entitled "Delinquent Accounts Collected by Telegraph," the Western Union Telegraph Co. suggests the following messages for past due accounts. They will all be found very effective.

Please settle our outstanding account. Unwilling to wait longer.

You have probably overlooked outstanding account. Kindly favor with remittance.

Account overdue. Unless receive prompt remittance collection proceedings will be instituted.

Will draw on you Monday unless we receive remittance.
Our account long past due. Please remit at once.
Please remit for account due. Imperative need. Thank you.
In order to clear our books kindly send check.
Very important that we receive remittance by January 1st. Answer.

Our account past due. Please send check without further delay.

Very important we receive your remittance without further delay.

May we remind you that your account is long overdue?

What is delaying remittance? Urgent need of funds. Answer collect.

Disappointed failure receive your check. When may we expect it?

Have been very patient. Won't you kindly remit now? Urgent.

Regret cannot extend further credit until account is paid.

Pleased to fill order when you remit for account due.

Can we have remittance by January 1st? Please accommodate us.

Large obligations to meet next few days. Remittance greatly appreciated.

Closing our books for audit. Remittance on account much appreciated.

Remittance for our invoice of Dec. 1st will be much appreciated.

Unless remittance is received promptly must decline further credit.

Our account overdue. Please send check. Thank you.

Have you overlooked us? Oblige us with check if possible. If account correct please remit as per terms of order.

Unexpectedly in need of funds. Please accommodate us.

Closing our books. Anxious to collect outstanding accounts. Please remit.

Have you overlooked us? Remittance on account much appreciated just now.

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No reply to our letters. Expect to hear from you without further delay.

Why have you not paid December invoices? Remittance greatly appreciated.

Your remittance must be here by January 1st. Patience exhausted. Answer.

Should not telegraph unless very imperative. Kindly send check on account.

Must take sharp action if remittance not received at once.

Please accommodate us with prompt remittance. Many payments to meet.

Have you overlooked invoice of Dec. tenth? Attention greatly appreciated. Reply our expense.

Understand your collections are good. Kindly let us have check on account.

Wire our expense if we can have remittance by December 1st. Your help appreciated.

A check for account by return mail will be greatly appreciated.

Cannot understand failure to receive remittance. Account long overdue. Please advise.

CHAPTER XI

THE HOUSE COLLECTION AGENCY

Its Advantages.

There are several reasons why the collection agency operated by the house is preferable to the outside agency. The house agency has the option of being more lenient in dealing with the debtor, with the view of possibly retaining his good-will, whereas the outside agency endeavors to secure the money as quickly as possible, although the more responsible ones will endeavor as much as lies in their power, not to destroy good-will. Obviously the mere turning over of an account to attorneys or collection agencies for attention, constitutes a break in the relations of the creditor and the debtor, but even so, the house agency may direct its attack more or less along the line of the resulting injuries to the debtor's credit, rather than using force immediately. When so handled, debtors will frequently return to the house for purchases, and when they do, they are usually more careful in meeting their obligations when due.

Then too, it not infrequently happens that creditors delay sending their bad accounts to collection agencies promptly, because of the expense of collection by them. Although they are unable to secure a remittance themselves, or any reply to their letters, yet they are reluctant

to allow the account to pass out of their hands in the hope that by dropping the matter for a time, the debtor will voluntarily remit, or if he does not, that he will if they write him another series of letters and that they will then have saved the expense of special collectors. They deceive themselves, however, for not only is it seldom that the debtor remits, if the account is not followed to a conclusion, but the delay likewise reduces the chances of collection by outside agencies, for the older the account becomes, the more difficult is it to secure settlement. Indeed, many agencies base their commission charges entirely upon the age of the account to be collected, the percentage of commission increasing according to the age of the bill. And it would appear that this method of basing their charges, is entirely justified. However, where one has installed their own agency, the attack on the bad accounts may be continued from a different angle, without any interruption whatever.

The effect of the House Collection Agency on a debtor is largely psychological and a goodly percentage of very bad accounts may be collected without any additional expense and without actually resorting to legal procedure. The correspondent who has written a debtor eight or ten letters, passed draft against his account, and used all of the means at his command, and for his labors received nothing but a stony silence, will very often find one letter on agency stationery, written in only a slightly different tone, to be the "Open Sesame." No one wants to be mixed up in law-suits, garnishments, etc., and furthermore, comparatively very few people know the operation of our legal machinery. What is more natural then, that

debtors, receiving letters from a Mercantile Agency, which they know makes the collection of accounts its business, and prompted by the fear of the law, inherent in every one, and by the knowledge that they are in the wrong, should remit promptly?

Choosing a Name.

In choosing the title of the house agency the word "collection" should be omitted. The postal regulations do not permit its use for such purposes (as it would tend to expose the shortcomings of another; see page 64, and any violation of them may bring one into conflict with the postal authorities.

Instead one may use the words "Mercantile Agency," "Business Service" "Adjustment Bureau," etc. "Mercantile Agency" would appear to be the best, and for the name of the agency, one may use one's surname (or some subordinate's) or the name of one's city, state, or any name which suggests itself, providing it does not conflict with some corporate title. It is inadvisable to use the word "Company" as the use of it might lead one to believe it to be a corporation, and this is expressly forbidden in many states by statute.

Although the use of "Mercantile Agency" would not appear to any one to be a corporate title, yet it sometimes is, and the best procedure therefore is to decide upon the complete title one decides to use and then to submit it to the Secretary of one's State to ascertain if it is permissible to use it. He will then also advise one if there are any special provisions to be complied with. For instance, in

Wisconsin, if one uses a title purporting to be a corporation it is necessary that a verified statement be first filed in the office of the register of deeds, disclosing the name or names of all persons using such title.

Bonding the Agency.

In some states it is required by law that collection agencies be bonded to a certain sum, and where the Secretary of State is consulted, he will likewise advise if a bond is necessary. The Wisconsin statutes read that "no person, firm, association, or corporation shall conduct a collection agency or engage in the business of collecting or receiving payment for others, of any account, . . . or advertise for or solicit in print the right to collect or receive payment unless such agency . . . shall have on file with the Secretary of State a good and sufficient bond in the sum of five thousand dollars."

Obviously, the collection of moneys for one's self only would not require a bond, but the phrase "advertise for or solicit in print" might prove a technicality for having violated the law, if the stationery should mention the collection of accounts. The bonds required for this purpose are not severe, and there is no expense connected with it. In this state, the signature of two responsible parties is all that is necessary, and these, two officers of the firm can in most cases supply.

The Agency Stationery.

Where the house agency is bonded, this fact can be stated to good advantage on the stationery. For instance—

“Bonded to the State of Wisconsin in the sum of \$5,000.00,” lends an air of responsibility to the agency, and impresses the debtor. Other statements may be made on the letterhead, such as “Accounts collected in all parts of the world”—“Correspondents in all of the principal cities of the world”—“Reliable connections made with every town, village, and hamlet in the United States”—“No collection, no charge—therefore we collect”—“All classes of claims bought outright”—“Adjustments made on all classes of accounts”—“Credit reports furnished”—“Claim Department”—“Adjustment Department”—“File No——”—“In your reply, please refer to File No——,” and similar phrases and statements. However, one should avoid any reference to legal departments, as this is prohibited in many states, unless one actually has legal counsel connected with the agency.

The stationery should be of good quality, and may incline towards the pretentious.

Receiving the Mail.

All that is necessary to receive the agency mail is to leave instructions at the post-office to deliver it to the firm or to leave it in the box, if the house rents a box at the post-office.

Unperforated Postage Stamps.

If the house has been in the habit of perforating the postage stamps used on its mail, it must be remembered to use unperforated stamps on the agency letters. This is

but a trivial point, but it is pertinent, as neglect of such a small matter may enable the debtor to learn that the agency mail emanates from his debtor, and this may mean all the difference between remittance and non-remittance.

Another small point that should not be overlooked is the stenographer's initials in the lower left hand corner of the letter, which follow the correspondent's. When writing agency letters, the initials may be reversed, or the stenographer may write the correspondent's middle initial, and then use her own middle initial. It is not so easy to identify the letter through the size of the typewriter type, although to preclude any such possibility, a different machine may be used.

Interest Charges.

Before writing the Agency letter, always add interest charges to the account. This has the double advantage of perhaps collecting the interest and of making an allowance of the interest charges as an inducement for prompt payment, if the debtor should object to them. Sometimes by making such an allowance, the debtor feels he is getting off cheaper, is "slipping one over" on the creditor, and at the same time the creditor is not making an allowance on his principal, although of course, the interest is collectible and that much certainly will be a dead loss to him. It is not at all uncommon to write a debtor numerous letters, and then one letter by the agency, and have the bill paid with all interest charges within the next two or three days. The interest charges also reimburse one for at least the postage stamps used on the former letters.

Four House Agency First Letters.

DEAR SIR:—

An account against you amounting to \$48.32 has been turned over to us by the Doe Wholesale Co. for collection.

We are rather surprised to receive this claim, as our office records indicate that you have generally been very careful of your credit rating. We ourselves stand as a mediator between debtor and creditor, and find that there is frequently some good reason for non-payment.

To the end that we may be of assistance to you in keeping your credit clear, and at the same time serve our clients, will you kindly advise us promptly, your version of the misunderstanding.

Very truly yours,
The Roe Mercantile Agency.

DEAR SIR:—

Among other claims handed to us for collection, we find one against you for \$83.32 in favor of the Doe Wholesale Co.

We are sorry to find your name classed among "delinquents" as our credit files show you have presumably considered a good credit rating very important, since in the past there has been no complaint regarding the manner in which you paid your bills.

Our aim is to give our clients a constructive service rather than a destructive service. Credit is a very important factor in present day business. No one realizes it more than we.

It will be to your advantage, therefore, to advise us promptly if the account is incorrect or if there is any other reason which accounts for non-payment. We shall expect to hear from you by early mail.

Very truly yours,
The Roe Mercantile Agency.

DEAR SIR:—

There has been turned over to us for collection, by the Doe Wholesale Co., a claim against you amounting to \$98.74.

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We find frequently that accounts handed to us for attention have not been paid, because of the mere fact that the debtor never received his creditor's letters, or because he was ill, and even sometimes because the account was in dispute. For that reason we endeavor to first act as a mediator between the two parties.

Our clients assured us that they had no ill-feelings toward you, but not receiving any reply to their letters and their draft, could do nothing else but give it to attorneys for collection.

Will you write us by return mail? We are not unreasonable human beings, but instead you will find us ready and willing to adjust any differences, with the view of keeping your own credit intact.

Yours truly,
The Roe Mercantile Agency.

DEAR SIR:—

The Doe Wholesale Co. has placed in our hands for collection, a claim against you, amounting to \$53.66.

They advised us that they have received no reply to the numerous letters they sent you, and that consequently they could do nothing else but to pass it on to us to handle. Perhaps some of their letters were never received by you—perhaps there is some sufficient reason for non-payment, as your credit rating should not allow you to neglect such a small bill purposely.

If the claim is correct (they assured us it is) kindly mail check to the Doe Wholesale Co., and they will send you receipt, and advise us to drop the matter.

Yours truly,
The Roe Mercantile Agency.

Three Stronger First Letters.

DEAR SIR:—

A claim against you amounting to \$44.50 has been placed in our hands for collection by the Doe Wholesale Co.

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Kindly advise by return mail your reason for withholding payment.

We follow a certain procedure in the collection of accounts and if we hear from you IMMEDIATELY, it may obviate our taking any unpleasant steps.

Yours truly,
The Roe Mercantile Agency.

DEAR SIR:—

A claim against you amounting to \$110.37 has been given to us for attention by the Doe Wholesale Co.

It will be to your advantage to advise us by RETURN MAIL as to any legitimate reasons you may have for not paying this bill.

If we hear from you promptly, we perhaps shall not be obliged to pursue our usual course to force settlement, otherwise we shall assume certain things and act accordingly.

Yours truly,
The Roe Mercantile Agency.

DEAR SIR:—

The Doe Wholesale Co., has turned over to us for collection an account against you amounting to \$88.94.

HAVE YOU ANY LEGITIMATE REASONS FOR NOT SETTLING AT ONCE?

If you have, advise us by return mail. Otherwise send check immediately to either us or to the Doe Co. However, you must act quick, as after a certain short period, we are instructed to proceed to suit without further notice, and any extra costs resulting therefrom will be yours to pay.

Yours truly,
The Roe Mercantile Agency.

Six House Agency Second Letters.

DEAR SIR:—

We are very sorry that we have received no reply to our letter of Nov. 6th, nor has the Doe Co. heard from you.

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You surely do not realize the importance of attending to this matter at once, or you would have written either us or them. You ought to know that various laws of our country are made expressly for compelling people to pay their just debts. Furthermore, the credit system is becoming so well recognized that we are receiving many claims for collection, not so much for the amount involved, as for the principle involved.

Further neglect can only result disastrously to your own credit standing. Therefore, if you cannot send check for \$98.42 today, send us what you can, and let us know when we can expect the balance.

Yours truly,
The Roe Mercantile Agency.

DEAR SIR:—

You have not yet replied to our letter of Nov. 6th regarding the claim of the Doe Wholesale Co. for \$58.46.

We are sorry that you have not. Believe us, we are protecting your own credit interests by writing you a second letter, rather than assuming off-hand that you are not going to pay. Evidently you do not think it a very urgent matter, but let us say that if you were to change places with us and glance through our recent files, we are confident you would be impressed with the necessity of attending to this at once.

That we shall not be forced to take other steps, which will mean additional costs added to the bill, send us check by return mail. Should that be impossible, then send as much as you can as an evidence of good faith.

Yours truly,
The Roe Mercantile Agency.

DEAR SIR:—

We've been looking for some word from you relative to the claim of the Doe Wholesale Co. for \$87.33.

Did our letter of Nov. 12th not reach you?

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Perhaps it did not.

Therefore we shall wait three days more to allow you an opportunity for an amicable settlement. If you will give this matter instant attention, it will be to your advantage.

Yours truly,

The Roe Mercantile Agency.

DEAR SIR:—

In the belief that some temporary cause might be contributing to your neglect of the claim of the Doe Wholesale Co., amounting to \$73.65, turned over to us for attention, we want to state that we will endeavor to assist you in this matter, if you wish us to do so, and if you will ask us.

If regular part payments will help you out, we no doubt can make some arrangement which will be satisfactory to you as well as to our clients. If you wish such terms, however, we must hear from you at once. Otherwise, we expect a check in full, for you realize of course, that the claim must be paid, and the sooner arrangements are made for its payment, the less expensive it will be for you.

Yours truly,

The Roe Mercantile Agency.

DEAR SIR:—

Regarding the claim of the Doe Wholesale Co. for \$108.10, we were advised by them this morning that they had had no word from you as yet. We haven't either.

Frankly, the policy of neglecting this matter will hurt only yourself. We always endeavor to settle without actual law suits, whenever we can, for, besides avoiding unnecessary publicity (which sometimes can be quite embarrassing) we thereby save the debtors the additional costs which law suits entail.

No doubt, upon a little thought, you will see the wisdom of a confidential settlement. We shall wait about three days longer for your check. Our subsequent procedure will depend

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upon whether or not you take advantage of these three days.

Yours truly,

The Roe Mercantile Agency.

DEAR SIR:—

Was it Poor Richard who said "It is better to have money in your pockets and rags on your back, than a writ on your back and no money with which to pay it?"

After our experience in the collection of accounts, we agree fully to the logic of this statement.

Our letter of Nov. 22nd notified you of the claim for \$96.74 of the Doe Wholesale Co., in our hands for collection. We expected your check ere this, or some arrangement whereby we could advise our clients that the claim would be taken care of. We have not heard from you.

To give you the opportunity of settling this matter peaceably, we are writing you a second time. Our future procedure will depend on whether you take advantage of this opportunity or not. We shall dislike having to take any unpleasant steps.

Yours truly,

The Roe Mercantile Agency.

Handling Replies to Agency Letters.

Although in the majority of cases, the claims will be paid or the letters disregarded entirely, some debtors will advise various reasons for non-payment, such as sickness, poor collections, or absolute inability to pay. They may also advise that the account was paid, or request an extension of time, or advise that they are enclosing a check, but will remember not to enclose it. The following letters are illustrative of how their replies may be treated. Should the correspondent's letter in answer to theirs be ignored, then he may simply follow with other strong agency letters.

Six Specimen Letters.

DEAR SIR:—

We have your letter of Nov. 18th and upon taking this matter up with the Doe Company, they advise us that since you have been ill (are ill) we are authorized to accept weekly payments of \$2.00 (to make an extension of 30 days without additional interest charges) on your account with them amounting to \$46.52, until the account is settled.

This authority is given us by them however with the distinct proviso that payments be made regularly each week (that the account be settled promptly at the end of 30 days). We are instructed to consider the entire balance due and payable at once, should any weekly payment not be made, unless you specially advise us that payment for that week will be impossible.

We know this part payment plan will aid you considerably, and are glad that you wrote us and thus enabled us to secure it for you. Kindly send us first remittance of \$2.00 by return mail.

Yours truly,
The Roe Mercantile Agency.

DEAR SIR:—

Replying to yours of Nov. 15th, we have to advise that the Doe Co., instructs us to obtain your note for 60 days, with interest at 8%, in settlement of their claim against you for \$108.32.

Although you have found collections somewhat poor in the past, we know you will find them much better within a short period and we feel that a 60 day note is not going to cramp you, but will be a help to you. It will also settle this claim and thus obviate our forcing collection.

They instruct us further, however, that this proposition holds good for three days only. We trust therefore, you will take advantage of it by sending us your note at once.

Yours truly,
The Roe Mercantile Agency.

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DEAR SIR:—

In reply to your letter of Nov. 19th in which you state that it is absolutely impossible at the present time to settle the claim of \$182.43 of the Doe Wholesale Co., in our hands for collection, we have to advise that our instructions received from them today, authorize us to accept in lieu of immediate cash settlement, your note for the full amount, due in 30 days, with interest at 6% after maturity.

We are sure that the acceptance by the Doe Co. of your note is going to help you out considerably. Business is decidedly on the pickup and you will find collections much improved in a very short time. All businesses right now must keep money in circulation, as the larger corporations are affected by business conditions just as well as the smaller ones, and collections **MUST** be made when due.

We trust you will send us your note by return mail, or a part payment and your note for the balance, and this will then make unnecessary the serving of papers for suit, which we would dislike to do, because of the burden of additional costs that a suit always adds to the claim.

Yours truly,

The Roe Mercantile Agency.

DEAR SIR:—

Replying to your letter of Oct. 16th we have to advise that the Doe Wholesale Co. stated this morning that their claim of \$87.48 has not been paid by you, as your letter of the 15th informed us was the case.

We of course are unable to say who is in error. Our clients assure us that check was never received and that their books show the amount as being unpaid to date. However, if they are in the wrong they will gladly correct their books, and we therefore must ask that you send us either the canceled check with their endorsement on it, or the receipt showing payment.

For your information we wish to advise you that the burden of proof rests upon the debtor. In other words, the court

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assumes the creditor's books to be correct until they are proven to be in error.

We hope you will send the canceled check or the receipt by return mail, as our instructions are to start suit in another four days if the account is not settled or is not proved already paid, by then.

Yours truly,
The Roe Mercantile Agency.

DEAR SIR:—

The extension of time requested in your letter of Dec. 4th will be satisfactory to the Doe Co. However, they advise that the account is so small and is so far overdue, that they must positively have the full amount of the claim—\$39.47—settled on Dec. 19th as your letter of the 4th stated you would do.

They advise us further that should we fail to receive settlement in full by Dec. 19th we are to proceed to serve papers for suit immediately, without further notice. As the costs of suit are always added to the claim, and are sometimes quite heavy, and as the claim itself is not large, we hope you will arrange to get remittance here by the 19th without fail.

Yours truly,
The Roe Mercantile Agency.

DEAR SIR:—

Thank you for your letter of Nov. 18th advising you were enclosing check for \$54.60 in settlement of the claim of the Doe Wholesale Company. However the check was not enclosed.

Perhaps this was merely overlooked in the press of business. I am sure you would not deliberately omit the check, for you must realize the effect that suit for this small account will have upon your credit. We find sometimes that checks are purposely omitted, and in those cases we generally consider the debtor unworthy of further consideration and we accordingly take immediate action.

Perhaps you will have noticed the omission of the check

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before this letter reaches you, and it may be the check is right now on the way to us. Otherwise, please tend to this matter promptly on receipt of this letter, to prevent our clients instructing us to proceed to suit, which will not only damage your credit, but add costs to the claim.

Yours truly,
The Roe Mercantile Agency.

Seven House Agency Third Letters.

DEAR SIR:—

What are we to understand regarding the claim of the Doe Wholesale Co. for \$58.96?

Is it correct, or isn't it correct?

Do you intend paying it or not?

Answer quick.

Yours truly,
The Roe Mercantile Agency.

DEAR SIR:—

Are we to assume from your silence that the claim for \$31.15 of the Doe Wholesale Co. is correct, but that you do not intend to pay it?

We will wait until Oct. 18th.

Should we not receive at least part payment by then, we shall be obliged to pursue certain necessary steps, though they be unpleasant ones.

Yours truly,
The Roe Mercantile Agency.

DEAR SIR:—

Permit us to state the terms under which we engage to effect settlement of past due accounts.

We operate under the rule of No Collection—No Charge.

Obviously, when we accept a claim for collection, don't you think we make reasonably sure it can be collected before spending our time and money on it?

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By our several letters thus far, we have attempted to impress upon you the BENEFIT TO YOU of an amicable settlement of the Doe Company account of \$26.00. We don't want to sue, nor do we suppose you want us to.

But,

We are out to settle this claim.

The point is clear we hope, and further, we hope you will take advantage of the opportunity which still lies at hand.

Yours truly,

The Roe Mercantile Agency.

DEAR SIR:—

We are in the sole business of collecting past due accounts.

The Doe Co. claim of \$34.50 is, among others, in our hands for collection.

Being in the business of collecting accounts, and operating under the terms of no collection—no charge, it appears self-evident that we cannot afford to spend as much time as we already have on this claim, without carrying it through to a settlement. Otherwise we are out.

Collection through legal measures is not pleasant—either for the debtor or for us. But, if we *must* get settlement through legal action, we do it.

Our letters so far have been with the view of settling this bill confidentially. We shall give you another four days to take advantage of this chance. On the fifth day from today, should we not have heard from you, our only method, to get *our* commission, is to have recourse to legal measures.

Yours truly,

The Roe Mercantile Agency.

DEAR SIR:—

What are we to understand about the Doe Co. claim for \$37.50.

Is it correct?

Are you going to settle?

We want to know,—by return mail.

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DEAR SIR:—

We are out to collect the claim of the Doe Co. for \$76.43. If we don't collect it, we don't get any commission.

By our several letters so far, we have been trying to urge you to settle peaceably.

Should this last letter bring no response, our next step will of necessity be legal action. Legal action does not reduce our commission, but it increases it. Our clients do not pay it, but the increased costs are added to the claim.

Then why haven't we sued before this?

Simply to save your credit standing as much as possible. A little sober thought will convince you that our withholding action so far has been beneficial only to you.

An additional three days is all the longer we can wait for your check.

The Roe Mercantile Agency.

SIR:—

Our instructions permit us to wait seventy-two hours more for your remittance to cover the Doe Co. claim of \$84.56.

Promises are not going to bring your check here.

So, get busy quick.

The Roe Mercantile Agency.

Two Notices of Legal Action.

The following suit notices may be either type-written as a letter, without any salutation, or they may be printed. If they be printed, the letterhead can be omitted, and the words "Final Notice Before Suit" printed at the top. It might be well to send these out as special delivery mail, in plain envelopes, as some debtors become incensed at strong agency letters, and will not open any further mail bearing the agency's return address.

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The Doe Wholesale Co.—Creditor

To

John Jones.—Debtor.

Kindly take notice that the above named creditor claims you are indebted to them in the sum of \$54.75 for goods, wares, and merchandise, sold and delivered to you at your special request, and

That, although duly demanded, this sum has not been paid nor any part thereof, and is still due and owing on their books of account, and

Now, therefore, unless you remit or appear at the office of the Doe Wholesale Co., Creditor, 365 M— St., Chicago, Illinois, on or before November 15th, A. D. 1922, before 4 o'clock P. M., and make full payment of said claim, suit will forthwith be brought for the full amount of said claim, with interest thereon at the rate of 6% per annum, together with all of the costs of the action.

Dated at Chicago, Ill., this 10th day of November, A. D., 1922.

The Roe Mercantile Agency.

The Doe Wholesale Co.—Creditor

To

John Jones—Debtor.

You are hereby formally notified that the above named creditor claims you are indebted to them in the sum of sixty-five and 25/100.....dollars, and that,

Although duly demanded, this sum has not been paid and is justly due and owing, and

Now, therefore, unless you appear at the above named creditor's office at 365 M— St., Chicago, Illinois, on or before November 15th, A. D. 1922, before 4 o'clock P. M. of said day, or send remittance in full to reach the above named creditor on or before said date, legal proceedings will be forthwith instituted for the full amount of said claim, with interest thereon at the rate of 6% per annum, together with

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all costs of the action, including all such fees as are duly authorized by law.

Dated at Chicago, Cook County, State of Illinois, this 10th day of November, 1922.

The Roe Mercantile Agency.

Attorneys' Lists.

The accounts of the debtors who have resisted every appeal, including the notice of legal action, can be turned over to attorneys for legal action. It will be an easy matter to secure a local attorney to sue or garnishee, if the house so desire, but the cost of such action will most probably be \$7.50 plus 15% of the claim, the whole not to exceed 50% of the claim. These are the usual bar rates prevailing, but very many responsible collection agencies will secure legal action on a straight contingent basis of 50%, no collection—no charge. While this straight rate of commission may upon first thought seem exorbitant, yet it is a fact that a large number of cases are reduced to a judgment, which in the end is uncollectible, and the expense of securing the judgment is for nought. For of what benefit is a judgment, if the debtor has not the money with which to satisfy it? The judgment may be renewed of course, and in some cases eventually be collected, while in other cases many debtors who at a later period prosper, will be clever enough to keep their assets in some friend's or relative's name if the judgment is still operative.

The basis upon which suit is to be brought will have to be determined by the house. Some will choose attorneys who proceed on a basis of 50% without any ad-

vance fee, arguing that as long as there be no initial outlay, they will be willing to allow a larger commission, while others prefer to advance the necessary fees, and gamble on the suit being successful and a smaller commission being finally charged.

All of the collection agencies listed by the American Collection Service, Detroit, Michigan, will be found reliable, and practically all of them will handle suits on a contingent basis of 50% commission. Attorneys who are guided by the local bar rates, or by the usual rates of 15% commission, plus an advance fee of \$7.50 for suit, may be found in the following lists, both of which are good: *The Clearing House Quarterly*, published by The Attorney's National Clearing House Co., Minneapolis, Minn., and Lane's *Blue Book*, published by The Lane Publishing Company, Milwaukee, Wis. These latter two lists will be sent to any firm, upon request, without charge, the only stipulation being that a reasonable amount of business is expected to be forwarded to the attorneys listed therein. There are many other lists, some of which doubtless are already in use in the concern with which the reader may be connected, and which are all reliable.

One need feel no hesitancy in sending claims for collection to attorneys found in these law lists, as the makers of these lists usually carry sufficient bonds in surety companies. As an added precaution, however, when a claim is forwarded, a slip is filled out, and sent to the main office, stating to whom the claim was sent, the amount of the claim, by whom sent, name of the debtor, etc., and should one have any complaint to make, it is only necessary to promptly take the matter up with the main office

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to have it adjusted. Aside from this, the sending in of the slip enables the office to learn how much business one is forwarding to the attorneys listed in their book.

Insufficient Fund Checks.

Mail order houses much more than others, have at times comparatively large numbers of checks returned by their banks because of insufficient funds on deposit to the credit of the drawers, and which they are obliged to make good. The issuing of checks without the necessary funds with which to pay them is a serious matter in most states and carries severe penalties, but the majority of houses however, will not care to bring criminal action for the worthless check of the average amount.

An excellent plan, albeit a very simple one, when a check is made good because of no funds, and one which will frequently secure immediate settlement, is to send the check to the bank on which it was drawn, with a request that they hold it until the drawer has sufficient funds on deposit with which to pay it. A letter similar to the following can be written to the bank:—

Four Specimen Letters.

Cashier,
The National Bank,
Chicago, Ill.

DEAR SIR:—

Enclosed please find for collection Check No. 87, amount \$22.00, drawn by John Jones, which we have been obliged to make good because of insufficient funds to Mr. Jones' credit.

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This check is in payment of merchandise which has already been shipped him, and which he already has received.

We would appreciate your holding this check for about two weeks at least, and if during that time he make deposits large enough to cover it, as he perhaps will, charging it against his account, and sending us a cashier's check or a bank draft less the exchange for your services.

We thank you in advance for any courtesy you may show us, and enclose stamped return envelope for your convenience in remitting.

Very truly yours,
Credit Manager.

At the same time the above letter is sent to the bank, the following letter is written to Mr. Jones.

Mr. John Jones,
Chicago, Ill.

DEAR SIR:—

We are today sending for collection, to The National Bank, of your city, your check No. 87, amount \$22.00, which you sent us recently in payment of your order (of your account) but which we were obliged to make good at our local bank because of insufficient funds on deposit, to your credit.

You are presumably aware of the penalties which the laws of this state impose upon one for issuing checks without the necessary funds on deposit with which to pay them upon presentation, and so we feel certain that without a doubt the protesting of this particular check was due to some oversight on your part or an error on the part of some employee of the bank.

The check is today being sent to your bank with the request that they present it again and charge it to your account, as we are sure you will take care of this matter immediately upon learning of it.

Very truly yours,
Credit Manager.

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After an interval of two weeks, if the check has not been paid, the bank is requested to return it.

Cashier,
The National Bank,
Chicago, Ill.

DEAR SIR :—

Referring to Mr. John Jones' check No. 87 for \$22.00, which we were obliged to make good because of no funds and which we sent you on Oct. 16th for collection, please present this check again, and should Mr. Jones still neglect to take care of it, kindly return it to us in the enclosed stamped envelope.

Very truly yours,
Credit Manager.

Upon receipt of the check, Mr. Jones is sent the following letter, which gives him the impression that previous letters were mailed him, but never having reached him, that they presumably fell into other hands. The letter is written upon house agency stationery.

Mr. John Jones,
Chicago, Ill.

DEAR SIR :—

Why do you not reply to our several letters regarding your check No. 87, amount \$22.00, which you sent to the Doe Wholesale Company, in payment of your order (account) and which they were obliged to make good at their local bank because of insufficient funds on deposit to your credit?

Do you not consider the matter of much importance?

If you will kindly take the trouble to look up the laws of this State regarding the issuance of checks without the necessary funds to meet them when they are presented for payment, we are sure you will not neglect this check any longer but will give it your IMMEDIATE attention.

To prevent this matter being prosecuted, kindly tend to this at once and send us bank draft, money order, or express money

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order, by RETURN MAIL. Promptness will be to your advantage. Immediately upon receipt of draft or money order, we will send the worthless check to you.

Yours truly,

The Roe Mercantile Agency.

Should any debtors withhold remittance after the receipt of the above letter, other strong agency letters may be written them, and there will be very few debtors indeed, who will not settle within a very short time.

CHAPTER XII

TURNING THE DRAFT TO ADVANTAGE

Declining of the Draft.

In practically every bank throughout the country the new clerks that are engaged, enter the employment of the bank in its Collection Department. This is true hardly without exception. Of late years, especially during and since the World War, very many banks have and are employing girls in this department and where it formerly was quite unusual to see girls working in banks, it is now a common-place sight. That this should be so, need not necessarily be contemned, but I believe it will be conceded that women have not the business ability of men and that the successful business woman is the exception rather than the rule.

The inexperienced help of the collection departments of banks has contributed largely to the marked decline in the returns secured by the use of drafts for the collection of accounts. Firms who regularly depended for payment of accounts through the honoring of drafts by their debtors, have found that this medium is failing them. This is primarily due, I believe, to the employee's unfamiliarity with the instrument and to the indifferent manner in which it is presented. Whether notice of a draft is given by the bank, personally, or by telephone,

the debtor may give any reason he wishes for dishonoring it and it is promptly returned. This has no effect whatever upon drafts attached to order bills of lading, as no ability of any kind is required to collect such items. If such drafts are not paid the merchant simply does not receive the bill of lading with which to obtain the goods, and in order to obtain the goods, he pays the draft.

Another determining factor in the decline of the returns secured from drafts, is the familiarity of the merchants with them, and their knowledge of present day banking. Time was, when a draft sent to a bank for collection, "frightened" a merchant more or less into paying. In those days, a draft was a most impressive instrument and a bank an awe-inspiring institution. In the past, only a favored few, only the wealthy, had bank accounts, and the checks which they wrote were pompously referred to as an "order on my banker." Today, checking accounts are held by the thousands—laborers, farmers, wage-earners, practically every merchant in the country, and people of every walk of life, as well as the wealthy. Formerly, a bank was regarded as an institution builded of dollars, while today it is regarded by the depositors as their own institution; it is recognized as one of the pillars of business and as a very important factor in a nation's development. It is only natural then, that the layman knows more or less how the banking business is carried on.

Another item, which in no manner affects the returns secured by drafts, but which deters many firms from using them more frequently, is the matter of exchange. While the banks cannot be expected to handle drafts without any fees whatever, in the case of regular depositors it

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would seem that a fee to cover actual expenses only would be sufficient, and that a charge of 15¢ for each draft is excessive. Banks strive to give accommodation to their depositors, but what better accommodation could they give them, than along this line? It is imperative that outstandings be collected promptly when due, and when collections are so made, they directly affect the bank, through the increased prosperity of the depositor, other things being equal.

A house sends on through their local bank, for collection, 100 drafts and, in cases where a fee of 15¢ is the rule, is required to pay the bank \$15.00. The bank forwards these at an actual expense of \$2.00 for postage, about 50¢ for stationery, and two hours, at the most, of labor of the newest help. It is not at all an unusual occurrence to have the collecting bank at the other end make a charge of 10¢, 15¢, or more, for forwarding the remittance if the draft is honored. Only very recently on a \$12.00 draft, which the writer passed against a debtor's account, the remitting bank deducted 50¢ exchange; in other words, it cost approximately 6% to collect the account by the use of a draft. It is of little use to take the matter up with such banks—it is impossible to collect the exchange which may have been deducted. To cite another instance, a customer requested that the invoice for his purchase (about \$6.00) be sent to his bank for payment, he being absent on a trip. The bill was sent as requested and was paid by the bank, but a deduction of 25¢ was made for their services. Why the creditor should pay for services rendered the debtor remains incomprehensible. The abuse of the exchange fee is a

matter which the Bankers' Associations of the various states should correct, and which if corrected would permit of more frequent use of the draft by the collection man. Under present conditions, it is practically prohibitive for a creditor to send more than one draft against his debtor's account.

A New Angle from Which to Send Drafts.

In order to overcome the obstacles which are today hindering them from being effective, drafts may be sent out from a different angle—from the standpoint of their being an ACCOMMODATION TO THE DEBTOR.

Upon first thought, this may seem futile. But, let us see.

When the draft is presented by the bank it is handled by the newest help, or, if by more experienced help, in an indifferent manner. The new employees have no thought of trying to tactfully urge the debtor to pay, and it is immaterial to the experienced help whether it is paid or not. If the drawee pays, all well and good, and if he doesn't pay, the draft is simply returned with the reason for non-payment endorsed. This reason may be anything, "Amount not correct"; "Remitted direct"; "Will write"; "Will remit direct"; "Never pays drafts"; "Party removed"; "No attention"; and others with which all collection men are familiar.

If the debtor advises the amount is incorrect, the efficient collection department of the bank would ask the debtor to pay the correct amount; if he advised remittance had been made direct, the date of the remittance, and would ask to see the receipt or cancelled check; if he

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advised he would write direct, they would ask for the details and attempt settlement; if he advised he would remit direct, they would urge him to pay the draft, and likewise if he advised that he never pays drafts; if the party was removed, they would obtain his present address, if possible, etc. Seldom is the draft returned with the advice "refused." The drawees of the present day have become too familiar with it to refuse it in so crude a way.

Mr. Slow Pay knows as well as you or I, that he can give any reason he wishes for not paying your draft, and the bank will return it without any questions whatever, and without its affecting his credit in the least. For, how can he be expected to pay a draft which isn't correct, or for which he remitted several days ago, or, concerning which there is a dispute and which must first be adjusted. The most conscientious debtor has a large loophole for evading a draft, if he be temporarily pressed for money, and has a multitude of reasons for refusing it if he be attempting to evade payment. Therefore, if the debtor need not pay if he be not so inclined, why not attempt to induce him to pay it, by having him do so with the least physical effort, by showing the draft to be an ACCOMMODATION to him?

In suggesting that the draft is an accommodation to the debtor and not a benefit to the creditor, the following letters can be sent out the same day as the draft. Drafts have been sent in this manner and have secured regular returns ranging from 25% to 40% during the year 1922, when collections were a serious problem (and indeed, still are), which all business had to face.

Five Specimen Letters.

DEAR SIR:—

Not hearing from you, I presume you've been too busy to forward a check for our account of \$89.50.

I'm therefore sending out a draft in today's mail through our local bank, as I find that the use of a draft is often a real accommodation to our customers. When the bank phones, or presents it, merely give them a check, or tell them to pay it and charge to your account. No bother to you whatever, and our little (comparatively little) balance will be all settled.

Can we have the pleasure of serving you in any way?

Very truly yours,
Credit Manager.

DEAR SIR:—

Since I haven't received your remittance or any word from you to date, I am sending a sight draft to your local bank, in today's mail, to cover our account of \$86.00

I find that in most cases, drafts are a real ACCOMMODATION to our customers, although to be sure they mean additional expense to us. Without any bother to you, our comparatively small account, which is overdue, will be all taken care of. When the bank phones, or presents it, merely tell them to pay it and charge to your account, or give them your check and they will do the rest.

I know you will cooperate with us in our endeavor to get this small overdue balance cleaned up with the least bother to you.

Very truly yours,
Credit Manager.

The following letter endeavors to resell credit to the customer in the last paragraph.

DEAR SIR:—

Not hearing from you I presume you've been too busy to send that check for \$24.00, which I've been looking for.

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I'm therefore sending out a draft against your account in today's mail, simply as an accommodation to you. When the bank phones or presents it, merely give them a check or tell them to charge it to your account. No bother to you whatever and our account will be settled.

I've also been looking for an order from you. We haven't received any for some time. Our Excelsior brand of tomatoes are selling heavily and if your stock of these is getting low, you ought to order now, to prevent any delay in transit. We are still selling these at \$5.75 per case F. O. B. here, and I would like to have your order for some of them, before any possible advance in price takes place.

Very truly yours,
Credit Manager.

The letter below is of value when used near the holiday season.

DEAR SIR:—

At this period of the year, you are without a doubt, greatly rushed and probably will be even more so, next week. Simply as an accommodation to you, therefore, I'm sending out a draft in today's mail thru our local bank, for our account of \$33.00.

When the bank presents it, simply give them your check and without any bother to you, our bill will be all taken care of.

Let me take this opportunity of wishing a Merry Christmas and a very Happy and Prosperous New Year to you and all of yours.

Cordially yours,
Credit Manager.

To all those who do not honor the draft within a week, or in all those cases where the draft has not been returned, the following letter is written.

DEAR SIR:—

I am quite disappointed in not having had returns on the draft I sent the bank on the 9th.

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You know it cost us 25¢ to send it. Although on a number of drafts this amounts to quite a sum, yet the house is always glad to stand the expense since it's an accommodation to our customers.

If you have not already done so, instruct the bank to honor the draft and I will also write them today, as it may just be that they failed to report its arrival.

Or, if you prefer, you may remit direct to us and I will notify the bank accordingly.

Very truly yours,
Credit Manager.

Acknowledging Payment of the Draft.

To all those who honor the draft, it may be well to acknowledge receipt of the remittance from the bank. This is entirely optional with the correspondent, but for all those who wish to do so, specimen letters are given below.

Three Specimen Letters.

DEAR SIR:—

The bank sent us their remittance this morning for \$74.65 in payment of our draft of Sept. 7th.

I have passed this to your credit, and desire to thank you very kindly for your prompt cooperation.

Very truly yours,
Credit Manager.

DEAR SIR:—

I acknowledge with thanks your valued cooperation in promptly taking up the draft which we sent your bank on Sept. 7th.

They sent us their cashier's check for \$58.90 this morning,

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which was at once placed to your credit, and which now balances the account.

Very truly yours,
Credit Manager.

DEAR SIR:—

I appreciate very much your cooperation in promptly taking up the draft which we sent to your bank on Oct. 12th.

They sent us a bank draft this morning for \$95.75 which now balances the account to date.

However, I've been rather expecting your order for some more of our Excelsior brand of tomatoes. These are very fine tomatoes and I am sure they have been giving your customers the utmost satisfaction. If you still have plenty of these on hand, send us your order promptly when you run low on them, or if you are in need of any other goods in our line, I will appreciate very much your order for your requirements.

Very truly yours,
Credit Manager.

Eight Specimen Refusal Letters.

In those cases where the draft is immediately returned without any reason for its refusal, a letter similar to the one below may be sent. To a certain extent the debtor is shamed by the thought that through his tardiness, the creditor has been put to needless expense.

DEAR SIR:—

It is quite a surprise to have the bank return unpaid this morning, our draft for \$38.42, without any reasons endorsed for its non-payment.

You know it cost us 25¢ to send out this draft. On a number of drafts this amounts to quite a sum, but even so, the house is always glad to stand any expense which is an accommodation to the customers.

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Under the circumstances, I shall expect your check for \$38.42 within the next five days. I cannot incur any further expense for the house by sending out a second draft, and must therefore ask for your remittance direct within the time stated above.

Yours truly,
Credit Manager.

DEAR SIR:—

It goes without saying that I was much surprised to have our draft for \$54.65 returned unpaid, this morning, without any reasons endorsed for its non-payment.

Of course, you know that it costs money to send drafts to banks, and though on a number of drafts it amounts to quite a sum, we have always been willing to stand the expense since it's an accommodation to our customers.

However, we cannot afford to be put to this expense needlessly. Under the circumstances, I must ask that you kindly remit direct to us your check in full settlement of the account, within the next few days.

Yours truly,
Credit Manager.

Amount Not Correct.

DEAR SIR:—

The Bank returned our draft of \$65.80 this morning with the endorsement, "Unpaid, because amount not correct."

Will you please advise us the correct amount?

We wrote you on Sept. 8th, requesting you specifically to advise us if there was any discrepancy between your figures and ours, and not receiving any reply to our letters, naturally concluded our books were correct. You, of course, know that the banks make a charge before they will present a draft and while we are always glad to stand this expense as an accommodation to our customers, yet we cannot afford to be put to such expense needlessly.

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We expect you therefore, to advise us at once the correct amount which is due us.

Yours truly,
Credit Manager.

Remitted Direct.

DEAR SIR:—

Our draft for \$95.40 came back to us this morning, unpaid, with the endorsement "Remitted direct."

Will you kindly advise us when this remittance was sent us?

A careful search of our records fails to reveal receipt of this check from you. It is perhaps unnecessary to state that there is a fixed charge which must accompany every draft before the bank will present it, and that we cannot afford to be put to this expense needlessly, although we are always willing to stand it as an accomodation to our customers. On an individual draft, the expense is not great, but on a number of them, it amounts to a considerable sum.

I will look for your early reply therefore, with the enclosure of the receipt or canceled check, in order to enable us to correct our books. The canceled check or the receipt will be promptly returned to you.

Yours truly,
Credit Manager.

Will Write.

DEAR SIR:—

The Bank returned our draft for \$35.50 this morning, unpaid, with the endorsement "Will Write," and altho I expected a letter from you in the same mail, I failed to find any.

Will you kindly let us hear from you at once?

It is perhaps unnecessary to remind you that the banks demand a fixed charge before they will present a draft, and that it costs money to send them out. We have always willingly incurred this expense, since a draft is an accomodation

to the customer, although, incidentally, in the course of a year, it amounts to a considerable sum.

I also feel that we should have heard from you before this if the account be in question in any way, or if there be any reason for non-payment at this time. My two (three) letters have apparently remained unanswered.

Under the circumstances, I shall expect to hear from you by return mail.

Yours truly,
Credit Manager.

Will Remit Direct.

DEAR SIR:—

I received our draft for \$48.00 from the bank this morning, with the endorsement—"Refused, will remit direct."

Needless to say, Mr. Doe, I was somewhat taken aback. You know as well as I do, that it costs money to have the bank present a draft. Since my several letters to you were ignored, I naturally concluded that the account is absolutely correct, and that a draft would be a real accommodation to you. However, it would be hardly allowable for me to incur any such expense needlessly, for where several drafts are sent out, it quickly amounts to a considerable sum.

Under the circumstances, therefore, you are requested to forward your remittance by return mail.

Yours truly,
Credit Manager.

Never Pays Drafts.

DEAR SIR:—

Our draft for \$64.00 was returned unpaid this morning by the bank, with the endorsement, "never pays drafts."

Frankly, gentlemen, it was with a great deal of surprise that I read the endorsement.

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It costs money to send drafts to banks for collection, and in a very short time the expense runs up to a considerable sum. Being an accommodation to our customers, we stand this expense gladly, but permit me to state that we cannot afford to be put to it needlessly.

Inasmuch as we took the trouble to write you three courteous letters requesting your attention to our past due account, and since these requests were ignored, I cannot help but feel that if it is your usual custom not to honor drafts, in this instance our draft should have been paid.

You will therefore greatly oblige by letting us have remittance in full within the next few days.

Yours truly,
Credit Manager.

No Attention.

DEAR SIR:—

Our draft for \$95.00 was returned unpaid this morning, with the advice "no attention" endorsed on the back of the draft.

Has it occurred to you that the banks require a fee for handling drafts, before they present them?

Since the draft is an accommodation to the customer, and not any special benefit to us, we have been willing to stand this expense, but it is absolutely prohibitive for us to be put to such expense needlessly.

Are you satisfied that you are treating us as you would wish to be treated, were conditions reversed?

I have written you three letters which have apparently been ignored in the same manner as the draft.

Under the circumstances, will you kindly forward us remittance for our account, **IN FULL**, by return mail, and greatly oblige?

Yours truly,
Credit Manager.

Drafts as Affecting Credit.

As stated before, it appears to the writer, that the day has passed for the refusal of a draft to have any decided effect upon the credit of a debtor and many debtors are aware of this. In some cases one has drafts returned unpaid, weeks after the date they were sent out, which would indicate that they have been presented, and then forgotten, laying dormant in the files until resurrected and it would appear that in such cases they were not deemed of much importance as affecting one's credit.

Where it is desired, however, to send drafts from the standpoint of their affecting the customer's credit standing, a letter should first be written him pointing out the desirability of not allowing the passing of a draft against his account and then designating some date when draft will be sent if remittance is not received.

The following letters will be found of value for this purpose. The various reasons for urging them not to allow a draft to be sent will, of course, carry more weight with the more recent debtors, or rather with those who have been in business a comparatively short time.

Six Specimen Letters.

DEAR SIR:—

Not receiving any reply to my letter of Sept. 8th regarding our account of \$38.00, I am arranging to draw on you on the 21st for this amount.

I dislike to do this for various reasons. The sending of a draft always affects the customer's credit standing more or

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less, as always happens when a third party is requested to act, and for that simple reason alone we always prefer a direct remittance. Also, there is the matter of exchange. It is usually the rule for the collecting bank to add at least 15¢ exchange to drafts, and sometimes more, which the customer is obliged to pay in addition to the face amount of the draft.

I trust, therefore, that you will kindly send me your remittance before the 21st, so that we shall not be obliged to draw on you.

Very truly yours,
Credit Manager.

DEAR SIR:—

Should we not receive your remittance in payment of our overdue account of \$54.00 by Sept. 8th, we shall be forced to pass a sight draft through your bank.

We dislike drawing on you or any of our customers for their purchases, as it very often affects their credit ratings. It is only natural that any third party thru whom an account is paid, thinks there is something wrong because their services are necessary, altho the underlying cause may be simply an oversight.

As a matter of fact, it may be that my other letters never reached you, which would account for my not having heard from you. I trust you will kindly write me at once if it should be impossible to send a check in full by the 8th, so that it will not be necessary to draw against your bank account.

Very truly yours,
Credit Manager.

DEAR SIR:—

My two letters regarding our overdue account of \$73.50 remain unanswered and we have not received your remittance to date. Should we not hear from you by the 6th of this month, I shall be obliged to send a sight draft to your local bank.

Frankly, we haven't done this before because of the matter

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of exchange. The bank presenting a draft always adds the exchange of 25¢, and sometimes more, and whereas if our bill had been paid within ten days from date, the discount would have been operative, when a draft is sent, it is necessary that more than the actual amount due us be paid for having the bank handle it.

I trust, therefore, that you will kindly let me have your check on or before Sept. 6th, so as to obviate our sending sight draft to your bank.

Very truly yours,
Credit Manager.

DEAR SIR:—

It will be necessary for us to send a sight draft to your local bank for our account of \$57.60 unless we receive your check by Sept. 6th.

We haven't done this earlier, not only because of the matter of exchange which the drawee is obliged to pay (and in a short time this amounts to quite a sum), but because a draft against any of our customers' open accounts always has an effect upon their credit. Although a bill may be neglected simply through carelessness, the banks cannot be expected to know that, but can only surmise that the drawee is careless of his credit rating. Then, the matter of exchange increases the amount the drawee pays, as this is frequently added to the amount of the draft.

Will you not therefore, kindly remit by the 6th so that we will not have to draw on you for this small amount?

Very truly yours,
Credit Manager.

On the designated day, the draft should be forwarded, and a letter similar to the one below, sent.

DEAR SIR:—

In accordance with our letter of Sept. 2nd, we are today drawing on you for our account of \$42.75.

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Kindly arrange to take care of this upon presentation.

Yours truly,
Credit Manager.

In the case of refusals, the letters need only be changed somewhat from those given earlier in this chapter.

No Reason Endorsed.

DEAR SIR:—

The bank returned unpaid this morning, our draft for \$59.00, without any reason endorsed for non-payment.

Do you not intend to pay our account?

In our former letter we pointed out the effect of a draft on one's credit and where a draft is returned in this manner, one is certainly justified in assuming that payment is being evaded and is justified in taking steps accordingly.

You will greatly oblige by kindly sending check in full payment within the next four days.

Yours truly,
Credit Manager.

Only slight changes need be made in the above letter, to handle other refusals.

Amount not Correct.

Will you kindly advise us wherein the amount is incorrect?

In one of our former letters we asked if it was correct, and receiving no reply, we of course assumed, and assume now, that it is correct. Frankly, in instances like this, we can only surmise that payment is being unjustly withheld.

Remitted Direct.

Kindly forward us receipt or canceled check at once.

We have gone over our files again and find no record of your

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remittance. I feel that the courtesy of giving the bank the exact date of payment, should have been shown us.

Will Write.

Frankly, it is with surprise I read the endorsement.

My several letters to you have remained unanswered and since you are going to write us I feel that your letter should have been attached to the draft which was returned, or that it should have arrived in the morning's mail.

Will Remit Direct.

Will you kindly favor with a remittance direct, at once?

The account is seriously overdue, and frankly, Mr. Doe from the manner in which my letters which preceded the draft, were ignored, I feel that the refusal of the draft in this manner, was unjustified, especially since remittance has not arrived to date.

Never Pays Drafts.

If it be your customary procedure not to honor drafts in this instance, I feel that our draft should have been paid. From the manner in which our letters have been ignored, and considering the length of time the account is overdue, you must realize that we shall be forced to pursue other methods before long.

No Attention.

It is with a great deal of regret that I find our draft treated in the same manner as my letters. I cannot continue this one-sided correspondence any longer.

Should our account not be given a little "attention" at

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once, we shall be forced to drop our considerate policy and resort to extreme measures.

Drafts as an Ultimatum.

A carbon copy of the following letter is mailed to the debtor on the same day the original is sent to the bank. It is well to address the letter to the "Cashier" of the bank for the effect upon the debtor, although naturally it will be turned over to the Collection Department.

Cashier,
The National Bank,
Chicago, Ill.

DEAR SIR:—

Enclosed herewith please find sight draft for \$38.90, drawn against the account of John Doe, of your city, which covers merchandise sold and delivered to him.

We have written him numerous letters, offering extensions of time, requesting part payments, etc., and although the account is seriously delinquent, we have been thus far unable to get any response from him.

We would be pleased to have you present this draft to Mr. Doe and should he fail to honor it within the next five days, kindly turn the draft, along with this letter, over to Jones & Jones, Attorneys, 365 M— St., for collection through any means which they may deem advisable.

We are sorry that Mr. Doe has ignored every means of settlement. He apparently does not realize the effect this little bill may have on his credit, but under the circumstances, we can pursue no other course.

Very truly yours,
Credit Manager.

On the same date, a letter is written to the attorneys, and a copy of this letter is also sent to the debtor.

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Jones & Jones,
Attorneys-at-Law
Chicago, Illinois.

GENTLEMEN:—

We are today sending to the National Bank of your city, a sight draft for \$38.90, drawn against the account of John Doe, 300 F— Ave.

This draft covers our account against him for merchandise sold and delivered to him, but for which he apparently will not pay. We have written him numerous letters, offering to accept part-payments, and offering to accept extensions of time, etc., but so far have received no reply from him.

We have asked the bank to present this draft upon arrival, and if it is not honored within the next five days, to turn the entire matter over to you for attention. As soon as you hear from the bank, kindly endeavor to make collection at the earliest possible date, through whatever means you may deem advisable.

We know you will give this matter your usual prompt attention.

Very truly yours,
Credit Manager.

The following letter is mailed to the debtor.

DEAR SIR:—

You will note from the attached carbon copies that we are giving you a final opportunity for settling our account.

We are sorry that you have allowed the matter to go so far, but trust that, to protect your own interests, you will avail yourself of the time still left for an amicable settlement, by paying the draft immediately upon presentation by the bank.

Yours truly,
Credit Manager.

Protest Drafts.

In handling drafts as outlined thus far "no protest" drafts have been in mind. Drafts sent under protest secure a high rate of returns, but in the case of those refused (protested), the protest fees revert back to the drawer, and as these fees usually amount to about \$2.50 for each draft, they are seldom used by the collection man except in the case of large accounts or where the drawee is known to be a responsible party.

Drafts sent under protest must be paid the same date that they arrive at the collecting bank, and if not paid on that date they are "protested." The act of protesting negotiable paper consists of sending each endorser of the paper a notarial certificate, notifying them that the instrument was presented for payment and that payment or acceptance was refused, in order to charge them with liability for their indorsement. Obviously in the case of the draft for collection purposes there is very seldom any endorser except the forwarding bank and the use of a protest draft is of benefit only to secure immediate attention. A rather amusing incident comes to mind. An account of about \$80.00 owing by a bank in a small town was ignored and all letters disregarded. There happened to be another bank in the same town and a draft was drawn thru this second bank for the amount of the bill, under protest. Within forty-eight hours the proceeds of the draft were received. It was reasoned that the debtor bank could hardly allow the instrument for the past due account go to protest, and hence the draft was sent in this manner, although the creditor would not have

been kindly disposed at being subjected to protest fees. If one is certain the debtor is responsible, drafts sent under protest are certain to be effective.

Drafts through Express Companies.

In the smaller towns it not infrequently happens that there are no banks to which one may send the draft. In such instances, if there be an express office in the town, the draft may be sent to the express agent for collection. When this is done, the better way is to make it payable to the American Railway Express Co., sending it to the local agent, and having him forward it to the collecting agent. The employees of the Express Company are reliable and in any extreme cases where it should happen that the proceeds are not remitted to the creditor, it is only necessary that a claim be filed against the company for the amount of the draft, less their charge for having presented it.

Drafts sent to express agents are often very effective, as the towns in which there are no banks, are generally so small that every inhabitant knows the other, and the slow-pay debtor as a rule will not be desirous of having his shortcomings known to any others, and will prefer to pay the draft as soon as presented.

Another factor is that frequently the agents of the smaller towns are young men, and being the sole employee of the company in that town, they often feel their responsibility and will endeavor to effect collection with the view of giving service. In the larger cities this element is perhaps not so marked because of the larger

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amount of business, and the number of employees. However, drafts may be sent to the express agents in the larger cities as well, and simply because they are sent to them and not to the banks, as the debtors expect, and because of their being presented personally, practically in every case, they will promptly secure settlement of the account.

A letter similar to the one below may be sent with the draft to the local express agent.

Agent,

American Railway Express Co.,
City.

DEAR SIR:—

Enclosed herewith please find for collection, draft for \$37.50 against John Doe, Smith's Junction, Ill., covering our account against him.

We will appreciate your kindly forwarding this to the agent at Smith's Junction, for presentation, and if he will kindly urge Mr. Doe to honor this draft, simply for the protection of his own credit rating, I am sure the draft will be paid.

Please instruct the agent to return the draft promptly if it is not paid within seven days from date, and if it is paid, to remit the proceeds direct to us after deducting the necessary charges.

Please accept my thanks in advance for any courtesy you may show us.

Very truly yours,
Credit Manager.

In the case of very difficult accounts, it is sometimes well to allow a commission if the agent can effect collection.

Agent,
American Railway Express Co.,
City.

DEAR SIR:—

Enclosed please find draft for \$27.50 against John Doe, Smith's Junction, Ill., covering our account against him.

We wish you would kindly forward this draft to the agent at Smith's Junction for collection, and if he can secure payment of the draft, you may remit to us \$25.00, deducting from this the necessary charges for presenting and remitting.

If the agent will tactfully urge Mr. Doe to honor the draft to prevent any impairment to his credit rating, I believe he will be able to obtain payment.

Should the draft not be paid within ten days, kindly return it to us promptly so that we can begin suit at once.

Very truly yours,
Credit Manager.

Drafts through Employers.

In the case of retail debtors, the average collection man has perhaps never realized that a draft may be drawn against the debtor and sent to his employer for collection, if one is able to ascertain where he is employed. The employee has far less conception of the status of a draft, is consequently much more impressed by it than the merchant, and aside from this is embarrassed by having his delinquency reach the notice of his employer. Because of his unfamiliarity with it, a draft sent in this manner will arouse less ire in him than would the signing of an order directing the employer to deduct a stipulated sum from his earnings each week.

There is one drawback to this however, and that is,

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that the firm to whom the draft is sent, be a responsible one. If the firm itself be not responsible, then the correspondent has simply exchanged one slow-pay debtor for another.

In sending a draft to the employer, it is good policy to allow him a commission for making collection. This has the double advantage of inducing him to secure an early settlement, if he retains the commission, and also of enabling him to apply the commission on the account for the benefit of the debtor, if he be inclined to assist him, which in itself is an incentive to the debtor without making him any actual allowance.

DEAR SIR:—

Enclosed please find draft for \$16.50 against John Doe, who I understand is in your employ.

This draft covers our account against him for merchandise for which he agreed to pay on our usual terms of 30 days, but which is now seriously delinquent. I have written him numerous courteous letters, offering to accept part payments, etc., to none of which he has replied, and as a last resort, before garnisheeing his wages, I am drawing upon him through you.

If you can effect collection, as you no doubt can by showing him the folly of neglecting his bills and the increased cost that garnishment entails, we will suggest that you remit \$13.50, retaining the balance for your trouble.

I will appreciate your letting me hear from you at an early date, and if I can ever be of assistance to you in a similar capacity, I shall be glad to do so.

Very truly yours,
Credit Manager.

CHAPTER XIII

COLLECTING FIFTY PER CENT. OF THE ACCOUNTS IN THREE WEEKS

Intimacy in Collection Letters.

The debtor who is tardy in his payments, who ignores your letters, who refuses your drafts, who sometimes has claims reach attorneys for collection, is not always a hard-shell creature attempting to advance financially at the expense of his creditors. Quite frequently, debtors are caused endless sleepless nights by their inability to run their business as ably as their competitors, to make their own collections promptly when due, to meet the bills of their creditors when due. They are honest, of good intentions, work industriously, but are of limited ability and find themselves steadily losing ground. Somehow or other, their own debtors, instead of making payments on their accounts, expect unlimited credit, and those retail debtors who are disposed to incur large bills with the hope of never paying them, almost instinctively seem to scent the merchant who will "carry" them indefinitely. And the merchant, in his desperate effort to make sales, sees his outstandings mount up and finds himself hard put to it to satisfy the clamorings of his creditors.

He receives all sorts of letters, some courteous, some threatening, some even abusive, etc., and while he can

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hardly find fault with his creditors for their insistence, yet he feels dull resentment that his honest labor is not more fruitful. Incidentally, the creditor who is not insistent in his demands for payment, will be the last one to receive payment. The debtor may have the best intentions in the world towards a creditor who has been patient with him, but unless he receives some unexpected good fortune, he will never have the money with which to pay him. In this world of ours, where the survival of the fittest is the rule, the relations between the creditors and slow-pay debtors are ably, if not politely, expressed in the trite-saying, "Every one for himself, and woe unto the hindmost."

To such a debtor, receiving as he does, endless letters pressing for payment, a cheerful, intimate letter, which presents the request for remittance almost incidentally, a letter which does not appear to be primarily written for a collection letter, can be expressed in almost any simile. It is as refreshing to him as the evening breeze at the close of a sweltering midsummer day, as welcome as a sincere word of encouragement in the hours of despondency. Three accounts out of twenty, on which the letters below were used, were of very limited credit rating as reported by the mercantile agencies. Two of these three frequently had claims given to attorneys for collection. The credit extended them in this instance ranged from \$30.00 to \$50.00, and it was considered an absolute certainty that settlement would not be secured except through outside means, because of all the transactions having been by mail. Two of them paid in full upon receipt of the third letter, while the third debtor wrote a letter claiming

a credit of several dollars. Upon investigation, his contention was found to be correct, and upon its being allowed, he likewise remitted.

Not only do letters similar to those given below bring good returns with difficult debtors, but they likewise are successful with those that are better pay. All people are more or less susceptible to one who treats them openly and frankly, whether it be an important matter or a trivial one, and impulsively respond more or less to expressions of enthusiasm. In some cases, it strikes their sense of humor through what they may consider the naïvety of the correspondent and propels them to the desired action. In other instances, the entirely different approach prompts them to settle. And likewise, in other instances, some debtors are angered, because they believe they are being trifled with, but these have so far been found to constitute a very small number.

Danger of Intimacy.

The successful correspondent will use tact and discretion as to how far he goes in his efforts to write letters from the standpoint of intimacy. He must remember that "Familiarity breeds contempt" and guide himself accordingly. For, if he go too far, the debtor belittles the correspondent and the house which he represents. One very important point to remember is always to sign personally such letters underneath or above the firm name. It is permissible to have the firm name typewritten, and let this be the only signature on the ordinary letter, whether it be a collection letter or otherwise; many houses make this a common practice. But a pen and ink

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signature should always be attached to "intimacy" letters, for if the correspondent should overreach himself and cause the house to be held in contempt by the debtor, some official can take the matter up with him, and place the blame entirely on the correspondent, or advise that in his zeal to secure results, he overstepped his bounds, etc.

Two Specimen First Letters.

These letters are written before one is leaving on a vacation, in this instance on a hunting trip. Obviously, they could also be used when one isn't really leaving on any trip, providing the debtor will be unable to learn of the fact. At different periods of the year one may go on fishing trips, automobile, shooting, camping trips, or on visits to different cities for sight-seeing, or for the purpose of witnessing football games or baseball games, etc. In fact, one need only speak of their natural propensities, their likes, etc., and material will not be lacking for letters of this kind. The following were written in the fall of the year, at first on a few and later on all of the then overdue accounts, the entire returns on the three letters averaging 49 per cent. or practically 50 per cent. They were mailed at intervals of seven days between the first two letters, it being necessary to commence the series a sufficient length of time in advance. Note the omission of the word "overdue." Letters like these may be used on accounts which are not due at the time of mailing.

DEAR SIR:—

Have you had your vacation as yet, this year? If you have, let me congratulate you, and if you haven't, do not

decide not to take one because it's getting late. Every person needs one to keep fit for the job.

Which reminds me, I have planned somewhat to do a little shooting up North, but so far I've been unable to break away—you know how it goes. However, I've decided on ten days beginning October 12th, providing I can get in a certain percentage of our outstandings by then. Your bill is \$36.82, not a large sum in itself but 1000 of such an average make a sizable amount, and the incoming stocks in the fall of the year entail heavy obligations to be met on our part.

Will you send me an early remittance? I will surely appreciate it, and if I can at any time be of service to you, I shall be glad to reciprocate.

Cordially yours,
John Doe Wholesale Co.
By
Credit Manager.

The following letter may be used where a collection letter has already been used on an account.

DEAR SIR:—

Have you had your vacation as yet, this year? If you have, let me congratulate you, and if you haven't, do not decide not to take one because it's getting late. Every person needs one to keep fit for the job.

Which reminds me, I've planned somewhat to do a little shooting up North, but so far I've been unable to break away—you know how it goes. However, I've decided on ten days beginning October 12th, providing I can get in some more outstandings by then. The general response to my letter of Oct. 2nd was very good (I wrote a number of our good accounts), but more money is still needed, as very large sums are required to handle the stocks which are coming in at this time of the year.

Can I depend on you for a check for our bill of \$32.00 by

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the 12th? If I can at any time return the service in any way, or help you in any way to make a get-away for a fishing or hunting trip, or a vacation, I'll gladly do so.

Cordially yours,

John Doe Wholesale Co.

By

Credit Manager.

Three Specimen Second Letters.

DEAR SIR:—

Am all set to leave Wednesday morning the 12th, for a little outing up North a ways. I had fully expected to receive your check for \$35.00 before I left, but I suppose you've simply neglected to get around to it.

The big majority of the dealers to whom I wrote on the 4th, responded nicely and cooperation like that surely makes one feel good. It makes me feel that they are not merely "accounts" but that they are good friends of mine, whom I have known for a long while; though, frankly, I have never personally met over 40% of them.

I'll be greatly pleased to find, upon my return, that your check was received while I was away. I'll drop you a line on the 23rd, when I get back, and let you know what success I had hunting.

Cordially yours,

John Doe Wholesale Co.

By

Credit Manager.

DEAR SIR:—

Well, I am all set to leave Wednesday morning, the 12th. I was expecting to receive your check for \$35.00 before I left, but undoubtedly you'll send it in the near future.

The big majority of the dealers to whom I wrote on the second, responded nicely, and cooperation like that surely makes one feel fine. Makes me feel that they are not merely

"accounts," but that they are good friends of mine, whom I have known for a long while; though I have never personally met over 40% of them.

I'll be greatly pleased to find your check awaiting me, upon my return. Or if it should just be that it will be inconvenient to send it, drop me a line anyway. I'll appreciate it.

Cordially yours,
 John Doe Wholesale Co.
 By
 Credit Manager.

Where a very large number of letters had to be written, in an effort to save time and labor, the second letter of the series was shortened to the following, which brought in the same percentage of returns.

DEAR SIR:—

Am all set to leave tomorrow for up North a ways.

Will you send in that little old check for \$35.00 while yours truly is gone?

Thanks.

Cordially yours,
 John Doe Wholesale Co.
 By
 Credit Manager.

Two Specimen Third Letters.

DEAR SIR:—

Isn't it a grand and glorious feeling when you get back from a trip, to be welcomed by the ol' faded blotter, the rusty ink-well, sagging chair, et cetera? And even to find a stub of a cigar which you overlooked when you went away? It's great! At that, I believe the best part of a trip is the coming back, and starting in at the old grind again.

The shooting surely was good and all of the boys had fine

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success. It's great sport. The weather was ideal, although the chilly mornings made a fellow move pronto.

I don't find your remittance on my desk. What's wrong? If the bill isn't right, let me know and I'll see that it's fixed up right away.

Cordially yours,
John Doe Wholesale Co.
By
Credit Manager.

DEAR SIR:—

Back on the job again and at the old grind once more. We all had pretty good success. For my part, I was lucky enough to bag seventeen teal and nine ducks—probably not so much but then I haven't reach the stage yet where I can call myself a crack shot.

It surely is great sport though, and the weather was ideal, but the mornings were cold—cool doesn't express it—and made a fellow move pronto.

I don't find your remittance on my desk. What's wrong? If the bill isn't right, if there's any error in it, let me know and I'll see that it's fixed up quick.

Cordially yours,
John Doe Wholesale Co.
By
Credit Manager.

Acknowledging Payment.

While in a great majority of instances, acknowledgment of the receipt of remittance is unnecessary, as the cancelled check in itself is a receipt, in the case of letters designed to be intimate, it is well to acknowledge all checks received. By this means, the idea of intimacy is carried out completely.

Four Specimen Letters.

DEAR SIR:—

Thank you for your check for \$35.00 which we received this morning, and which is today being credited to your account.

I appreciate very much your kind cooperation.

Sincerely yours,

John Doe Wholesale Co.

By

Credit Manager.

DEAR SIR:—

Thanks very much for your check for \$35.00, which came in this morning. This has already been passed on to the Accounting Department to be placed to your credit.

If all of the dealers to whom I wrote, respond as promptly as you did, I'll manage to leave earlier than the 12th. Hope I can return the favor some day.

Sincerely yours,

John Doe Wholesale Co.

By

Credit Manager.

DEAR SIR:—

Thank you very much for the remittance of \$35.00, which I received today, and which balances the account completely.

I appreciate your kind cooperation. Am all set to leave early tomorrow A. M. on my little trip, thanks to the fine response to my letter.

Cordially yours,

John Doe Wholesale Co.

By

Credit Manager.

DEAR SIR:—

Returned from my short trip this A. M. and it surely was

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welcome news to hear that a very big bunch of remittances came in while I was away.

Your check for \$35.00 was among them and this will acknowledge receipt of it, and for which I want to personally thank you. I certainly had a nice little outing, and though it was very short, even so I'm glad to be back on the old job again.

Cordially yours,
John Doe Wholesale Co.
By
Credit Manager.

Eight other "Intimate" Letters.

The following letters will serve as a guide to writing letters on other occasions. These letters are to be used as the first in the series. They may be deemed somewhat long, but the correspondent may omit certain sentences, or parts of sentences, at his option. For second and third letters only slight changes need be made from those given above.

Fishing.

DEAR SIR :—

I get quite a lot of kidding from the fellows around here for my devotion to the sport of fishing. Really, I do land some big ones sometimes, but they won't believe me. Be that as it may, I believe if any one at all had a good steel pole, and a snappy two pound bass at the other end of it, and felt the thrill of "playing" him and then of landing him, he would soon get as enthusiastic over fishing, as the next one.

The season opens next Wednesday, and yours truly is banking heavily on "beating it" for the old fishing hole early in the morning of the day before.

'There's only one thing may prevent, and that is the matter of our outstandings. Getting in heavy stocks recently, we've been neglecting our accounts somewhat and haven't followed them as closely as we should have. I'm therefore sending out a bunch of letters like this one with which I'm favoring you,—a sort of hurry-up call, as it were.

Will it be convenient to send me a check for our bill of \$67.00 to reach me by Monday sure? You may just lay to it that I'll appreciate it mightily.

Cordially yours,

John Doe Wholesale Co.

By

Credit Manager.

Motoring.

DEAR SIR:—

I've been working late the last few nights and early the last few mornings, trying to get the old Lizzie in working order. She's been all right for kicking around town, but I want to get her tuned up for a little trip to Milwaukee of a week or ten days. And, it's some job too, to do that sometimes, as you maybe know. I've been getting all kinds of sympathy around here lately.

Be that as it may, I've been planning on a week's trip next Tuesday, but before going I'd like to reduce our outstandings quite a bit. Our spring business was so heavy that about all we could do was to keep orders moving and now we need some money.

I'm therefore writing a bunch of our accounts today and I wonder if I can depend on receiving your check for our bill of \$65.00 by next Monday. The bill isn't large but a number of them on the books mean thousands of dollars to us and incidentally, we have some very heavy notes maturing just eleven days from today.

Your check will be mighty welcome, you may be sure, for

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every little bit helps, and if I can at any time render you a similar service, you may be sure I'll be glad to do it.

Cordially yours,

John Doe Wholesale Co.

By

Credit Manager.

Camping.

DEAR SIR:—

Remember the good old days when we were kids and sometimes we did "dast go camping," along with the older folks? Those days are gone forever but their memory lingers pleasantly. Those were the days of real sport, believe me.

Which reminds me, I'm looking forward to being one of a party to go on a camping trip next Thursday, and instead of my being the kid, I'll have mine along. No cottages for them—it must be real tents and all the trimmings that go with them and I know for a fact that I'm going to enjoy it every bit as much as they are.

But, before going I'd like to reduce our outstandings somewhat. The amount of work lately has been so heavy, that our collections have been slighted. If it's convenient for you therefore, will you favor me with your check for \$42.00 to reach me here by next Wednesday sure? You can just bank on it that it will be appreciated mightily, and if I can at any time help you make a get-away for a vacation or a trip, I'll surely be glad to do so.

Cordially yours,

John Doe Wholesale Co.

By

Credit Manager.

Trips to Cities.

DEAR SIR:—

It's been so long since I've been fortunate enough to enjoy a vacation, that I'm really getting quite enthusiastic about

a trip the wife has been planning to some of the eastern cities, including Niagara Falls, etc. You know when a fellow doesn't take a vacation for a few years, he sort of gets in a rut and soon doesn't miss it, but leave it to the women folks, they remind one of it. And, I suppose it's good that they do—for us as well as them. Work gets sort of stale, when there's no break in it.

But I'm getting away from the subject. I started a letter primarily to ask if a remittance would be convenient for our bill of \$164.00, which is slightly overdue (although it's not quite due as yet). Before leaving, one likes to get all of the work cleaned up as much as possible,—there's more excuse for staying a day or two longer. That's why I'm sending this letter to several of our accounts.

Will it be possible for you to accommodate me by next Thursday? I'm leaving on Friday. I'll appreciate it tremendously, and needless to say, if I can ever do likewise to you, I'll be glad to repay the favor.

Cordially yours,

John Doe Wholesale Co.

By

Credit Manager.

Football Games.

In letters such as these, one will of course, substitute names to fit the sections of country.

DEAR SIR:—

What did you think of Ohio's victory over Indiana Saturday? Some surprise, wasn't it? I was fortunate enough to see that game, and man, it certainly was a corker. It was a sight wonderful to behold to see the backs smash down the field in the last quarter. I don't believe a brick wall could have stopped them. Why, in one play, Smith made three yards actually carrying a tackler, and then twisted and fell perfectly for another yard. Real football, and small wonder the crowd went wild.

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You'll have to overlook my enthusiasm. I didn't start out to write football, but at this time of the year, it gets in one's blood and just naturally creeps in everywhere.

I haven't received any reply to my letter of the 5th. Did you receive it? Not hearing from you I had my doubts as to whether you did. Our account of \$268.00 was due on the 2nd and I know you'll be glad to be reminded of it, to maintain your perfect record. Will you just mail it along pronto?—today? Yours truly will appreciate it mightily.

Cordially yours,

John Doe Wholesale Co.

By

Credit Manager.

Baseball Games.

DEAR SIR:—

Aren't the Athletics holding their own, though? The game yesterday was a corker, and I was lucky enough to get out to the Park early enough to see the last four innings. Yesterday's battery is a hard one to beat and they received perfect support all the way through. Two hits in four innings is good playing, I'll say.

I didn't start out to write baseball, but at this time of the year, it sort of creeps in everywhere. I wanted to ask what's happened to the check you were going to send us. I wrote you on the 6th about our account of \$112.50 being overdue, but haven't heard from you. Won't you send it along quick? I'll appreciate your cooperation tremendously.

Cordially yours,

John Doe Wholesale Co.

By

Credit Manager.

DEAR SIR:—

The Series starts next Thursday, as you know, and yours truly is going to run over to Boston to take in a game or

two at least,—that is, he hopes to! I wrote a number of letters on the 8th and the response so far has been fine. Your check for our account of \$588.00 didn't arrive so far but I wonder if you could hurry it along so as to get here by Wednesday. We have some very heavy obligations to meet, to take care of the early Fall shipments that have been (are) coming in, and I must absolutely get in some of our outstandings in order to make a get-away for the Series.

I'll appreciate your early response tremendously.

I expect to stay at the — Hotel while in Boston and if by any chance you are planning on seeing any of the games yourself, look me up, and we can probably take in one at least together.

Cordially yours,

John Doe Wholesale Co.

By

Credit Manager.

Ford Day.

DEAR SIR:—

The check for \$176.32 which I've been looking for has turned up missing. I'll appreciate very much your kindly sending it to reach me before next Saturday.

We had Ford Day in the city here Thursday, and I never knew so many Fords could be gotten together at one time and in one place. It's quite an advertising stunt and pulled a tremendous lot of business into town. From all appearances it is going to be an annual event in the future.

You probably have a Merchants' Association in your city, and I want to tell you, there's a proposition that will bring a very large number of farmers into your town. I understand the Merchants' Ass'n. here cooperated with the Ford dealers, and it certainly was put across in great shape.

If you are ever interested in having something like that

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put on in your city, I'll be glad to try and get all the details for you, to make it a success.

Cordially yours,

John Doe Wholesale Co.

By

Credit Manager.

**CONDENSED COLLECTION LAWS
OF ALL THE STATES**

COLLECTION LAWS CONDENSED
EXEMPTIONS

STATE	HOMESTEAD	PERSONAL PROPERTY	WAGES
Alabama	\$2,000	\$1,000	\$25. Cannot be waived.
Alaska	\$2,500	Resident family; specified articles, for instance: 1 horse, 2 cows, pigs, etc.	Earnings preceding 15 days.
Arizona	\$4,000; head of resident family	Married, or head of family, \$500 and wearing apparel; others, \$200 and wearing apparel.	For 60 days if not over \$200; limit, including personal property \$500.
Arkansas	160 acres if not more than \$2,500, not less than 80 acres, regardless of value; in towns, 1 acre limit; \$2,500, not less than 1/4 acre, regardless of value.	Specified articles	Earnings, preceding 30 days.
California	Head of family, \$5,000; others \$1,000	Specified articles	Earnings, preceding 30 days.
Colorado	\$2,000	Specified articles	60% to head of family.
Connecticut	\$1,000, if claim recorded	Furniture, implements, etc.; library, \$500, etc.	\$15.
Delaware	None	Special law for each County	All; but on accounts for necessities 90 per cent exempt.

Dist. of Columbia	None	\$300 to head of family in household goods; \$200 in stock in trade and \$200 in fixtures to a merchant who is the head of family; other specified articles.	Head of family \$100 per month for 2 months.
Florida	160 acres; in towns 1/2 acre	\$1,000 to the head of family residing in this State	Included with personal property.
Georgia	Total real and personal, \$1,600	\$300 household furniture	Of all persons on \$1.25 per day and (50%) of the excess thereof.
Idaho	\$5,000, head of family; \$1,000 others, if selected and declaration filed before execution.	Specified articles	75% of earnings preceding 90 days necessary for support of family residing in State. For details see statute.
Illinois	\$1,000	\$100 to person not head of family; head of family same and \$300 in addition.	Head of family, \$15 per week.
Indiana	Total real and personal, \$600 to householder.	.....	One month.
Iowa	40 acres; 1/2 acre in city. No exemption if debt or liability existed prior to purchase of land.	Pension money; specified articles	Head of family, 90 days wages.

**COLLECTION LAWS CONDENSED
EXEMPTIONS**

STATE	HOMESTEAD	PERSONAL PROPERTY	WAGES
Kansas	160 acres; 1 acre in city..	Specified articles	Head of family, preceding 3 months except 10% plus \$4.00 costs. The exception subject to numerous exceptions.
Kentucky	\$1,000, no exemption if debt or liability existed prior to purchase of land.	Specified articles	All over \$75.00 subject to debts and 10% under that also subject to debts. No exemptions if party single and not having any party dependent on him for support.
Louisiana	160 acres; building and appurtenances, whether rural or urban.	Specified articles	All wages of laborers.
Maine	\$500; must be registered..	Specified articles	\$20 within one month. In addition \$10 per week is always exempt.

Maryland	No homestead	Specified articles; other exemptions not exceeding \$100.	\$100.00 due and owing.
Massachusetts ..	\$800; must be recorded ..	Specified articles	\$20; against debts for necessities \$10.
Michigan	40 acres; not exceeding \$1,500, or one city lot not exceeding \$1,500	Specified articles; \$250 stock in trade	Minimum \$8; 60% not exceeding \$30 to householder; to non-householder ½ the same.
Minnesota	80 acres; in city, 5,000 or over, ½ acre; in town under 5,000, ½ acre.	Specified articles	\$35 within 30 days.
Mississippi	160 acres; not exceeding \$3,000	Specified articles; in towns, \$250 to heads of family; life insurance, \$10,000 to specified beneficiary or \$3,000 to estate	Head of family \$50 per month.
Missouri	In cities over 40,000, \$3,000 and not over 18 sq. rods. In cities of 10,000 to 40,000, \$1,500 and not over 30 sq. rods. In cities of less than 10,000, \$1,500 and not over 5 acres. In the country, not over 160 acres and \$1,500 value.	\$100 in household goods to head of family; provisions on hand to \$100; also specified articles, or other property \$300. Not head of family; tools of mechanic; and wearing apparel.	None, if not head of family. 90% to head of family.

**COLLECTION LAWS CONDENSED
EXEMPTIONS**

STATE	HOMESTEAD	PERSONAL PROPERTY	WAGES
Montana	160 acres; in towns, $\frac{1}{4}$ acre, not exceeding \$2,500; must be record- ed.	Specified articles	For 30 days when head of family; some cases one-half the same.
Nebraska	160 acres; in city, 2 lots, \$2,000.	\$500	For 60 days.
Nevada	\$5,000	Specified articles	Reasonable amount nec- essary for debtor's family actually resid- ing in State.
New Hampshire.	\$500	Specified articles	\$20; not exempt as against necessaries.
New Jersey ...	\$1,000; must be recorded.	\$200 and wearing ap- parel, provided, how- ever, exemption does not apply as against goods actually sold to purchaser by seller.	All wages under \$18 a week exempt.
New Mexico ...	\$1,000	Specified articles	For 30 days. When head of family.

New York	.....\$1,000 when declared	.....Specified articles	.....10% of earnings, if more than \$12 per week, subject to continuous garnishee execution.
North Carolina	.....\$1,000	.....\$500	.....For 60 days.
North Dakota	.....\$5,000; not exceeding 160 acres in country, 2 acres in town.	.....Specified articles; also others not exceeding \$1,000.00.	.....Exempt only as other personalty.
Ohio	.....\$1,000; or in lieu of homestead \$500 in real or personal property.	.....Specified articles	.....For 3 months, not exceeding \$150; if head of family; if for necessaries 90% exempt. For 90 days.
Oklahoma	.....160 acres; 1 acre in town not exceeding \$5,000 in value.	.....Specified articles	.....For 90 days.
Oregon	.....\$3,000; not exceeding 160 acres in country, or one block in city.	.....Specified articles	.....For 30 days, up to \$75 if necessary for use of family; only 50% of above if debt for family expenses.
Pennsylvania	.....Total exemptions, excluding wages, \$300.	.....	.....All wages, except for board of less than 4 weeks.
Rhode Island	.....None	.....Specified articles	.....\$10.
South Carolina	.....\$1,000	.....\$500 to heads of families; others, \$300.	.....For 60 days.
South Dakota	.....160 acres, 1 acre in town; \$5,000.	.....Specified articles; additional selected by head of family \$750; others, \$300.	.....See Statute.

**COLLECTION LAWS CONDENSED
EXEMPTIONS**

STATE	HOMESTEAD	PERSONAL PROPERTY	WAGES
Tennessee	\$1,000	Specified articles	90% of wages up to \$40, \$36 if wages exceed \$40.
Texas	200 acres in town lot or lots not exceeding \$5,000, exclusive of improvements.	Specified articles	Current wages for personal services.
Utah	\$1,500; also \$500 for wife and \$250 for each member of family.	Specified articles	½ wages 30 days, minimum \$30 per month, if earning \$2 per day or less.
Vermont	\$1,000	Specified articles; all household goods.	\$10.
Virginia	\$2,000 to head of family in real or personal property or both.	\$2,000 in lieu of home- stead if desired; (not in stock of goods) and specified articles.	\$50 per month to house- holder and head of family.
Washington	\$2,000	Specified articles	\$100.
West Virginia	\$1,000, when registered	\$200, including wages	
Wisconsin	¼ acre in town, limit \$5,000; country, 40 acres.	Specified articles; Lib- erty Bonds up to \$200.	3 months' earnings, not exceeding \$60 in each month to head of family.

Wyoming	\$2,500	Specified articles; additional \$500 for head of family; stock in trade \$300.	½ earnings 60 days preceding.
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GRACE		INTEREST			
STATE	Is grace allowed on sight or demand paper?	On time paper?	Legal Rate	Limit Allowed by Law	PENALTY FOR USURY
Alabama	No	No	8	8	Forfeiture of interest.
Alaska			8	10	
Arizona	No; except if falls due on holiday or Sunday then next business day.	Yes	6	10	Forfeiture of interest.
Arkansas	No	No	6	10	Forfeiture of principal and interest.
California	No	No	7	12	Forfeiture of interest.
Colorado	No	No	8	Not to exceed 1% per month.	Forfeiture of interest.
Connecticut	No	No	6	No limit	No penalty if loan is over \$500.
Delaware	No	No	6	6	Forfeiture of principal and interest.
Dist. of Columbia	No	No	6	6	Forfeiture of all interest and part of principal.

Florida	No	No	8	10	Forfeiture of all interest. If contract provides for payment of money as interest in sum equal to 25% of the principal, both principal and interest are forfeited.
Georgia	No	No	7	8	Forfeiture of excess of interest.
Idaho	No	No	7	10	Forfeiture of all interest and 10 per cent of principal per year to the school funds of the State.
Illinois	No	No	5	7	Forfeiture of all interest.
Indiana	No	No	6	8	Forfeiture of excess of 6 per cent.
Iowa	No	No	6	8	Loan agents or companies licensed by the State Banking Board may charge 3½% per month in sums not to exceed \$300 with penalties for violation. To charge in excess of 8% by individuals, banks, etc., is usury, punishable by forfeiture of 8%.
Kansas	No	No	6	10	Forfeiture of double excess.
Kentucky	No	No	6	6	Forfeiture of excess.
Louisiana	No	No	5	8	Forfeiture of all interest.
Maine	No	No	6	No limit	No penalty.

GRACE			INTEREST		
STATE	Is grace allowed on sight or demand paper?	On time paper?	Legal Rate	Limit Allowed by Law	PENALTY FOR USURY
Maryland	No	No	6	6	Forfeiture of excess of interest. Corporations cannot plead usury. No penalty.
Massachusetts	Yes	No	6	On loans less than \$1,000 18%; otherwise no limit.	Forfeiture of interest. Forfeiture of principal and all interest.
Michigan	No	No	5	7	Forfeiture of all interest.
Minnesota	No	No	6	10	Forfeiture of excess of interest. All liens void if usury is charged. In suit on obligation bearing usurious interest, such portion of usurious interest as has been paid, is credited on the principal sum, and costs are taxed against party exacting the usury.
Mississippi	No	No	6	8	
Missouri	No	No	6	8	

Montana	No	No	8	10	Forfeiture of double the interest.
Nebraska	No	No	7	10	Forfeiture of all interest and costs.
Nevada	No	No	7	12	No penalty except loss of excess interest.
New Hampshire	Sight, yes; demand, no	No	6	6	Excess over 6% recoverable.
New Jersey	No	No	6	6	Forfeiture of interest and costs.
New Mexico	No	No	6	12	Forfeiture of double amount interest collected.
New York	No	No	6	6	Forfeiture of contract; in case of banks forfeiture of interest.
North Carolina	No	Yes	6	6	Forfeiture of all interest; double the interest paid may be recovered within two years.
North Dakota	No	No	6	10	Forfeiture of interest; if paid, double interest may be recovered within two years.
Ohio	No	No	6	8	Forfeiture of excess of interest.
Oklahoma	No	No	6	10	Forfeiture of all interest and costs of suit.
Oregon	No	No	6	10	Forfeiture of entire debt to school fund.

GRACE			INTEREST		
STATE	Is grace allowed on sight or demand paper?	On time paper?	Legal Rate	Limit Allowed by Law	PENALTY FOR USURY
Pennsylvania ..	No	No .....	.....6.....	.....6.....	Forfeiture of excess of interest.
Rhode Island ..	No	No .....	.....6.....	30% over \$50. Not exceeding \$50.00, 5% per month first 6 months, 2½% per month thereafter.	\$500 fine, 6 mos. imprisonment. Forfeiture of principal and interest.
South Carolina	No	No .....	.....7.....	.....8.....	Forfeiture of all interest; if paid, double excess may be recovered.
South Dakota ...	No	No .....	.....7.....	12 but 10 when secured by real estate.	Forfeiture of all interest.
Tennessee	No	No .....	.....6.....	.....8.....	Forfeiture of excess of interest.
Texas	No	No .....	.....6.....	.....10.....	Forfeiture of all interest; if paid recovery of double interest.

Utah	No	No	8.....	12.....	Forfeiture of principal and interest.
Vermont	No	No	6.....	6.....	Forfeiture of excess of interest paid.
Virginia	No	No	6.....	6.....	Forfeiture of all interest paid within one year.
Washington	No	No	6.....	12.....	Forfeiture of interest; double amount of interest if paid.
West Virginia	No	No	6.....	6.....	Forfeiture of excess of interest.
Wisconsin	No	No	6.....	10.....	Forfeiture of all interest; if paid, forfeiture of treble usurious excess if suit within one year.
Wyoming	No	No	8.....	12.....	Forfeiture of all interest.

LIMITATIONS

STATE	ACCOUNTS	NOTES AND ACCEPTANCES	ON JUDGMENTS RENDERED IN THE STATE	ON JUDGMENTS RENDERED OUT OF THE STATE
Alabama	3 yrs; stated 6 yrs.	6 yrs; sealed, 10 yrs.	20 yrs.; J. P. judgments, 6 yrs.	20 yrs.; J. P. judgment, 6 years.
Arizona	3 yrs.	6 yrs.	5 yrs.	5 yrs. (but see new code, Sept. 1, 1901).
Arkansas	3 yrs.	5 yrs.	10 yrs.	10 yrs.
California	Mutual and current accounts and open book accounts 4 yrs; others 2 yrs.	4 yrs.	5 yrs.	5 yrs. 4 yrs. outside of U. S.
Colorado	6 yrs.	6 yrs.	20 yrs., but lien only for 6 yrs. 6 yrs.	
Connecticut	6 yrs.	6 yrs.; if non-negotiable, 17 yrs.	No limit	No limit.
Delaware	3 yrs.	6 yrs.	20 yrs.	20 yrs.
Dist. of Columbia	3 yrs.	3 yrs.	12 yrs.	Not barred if enforceable where rendered.
Ida				

Florida	3 yrs.	5 yrs.	20 yrs.	7 yrs.
Georgia	4 yrs.	6 yrs.; sealed, 20 yrs.	7 yrs. Become dormant in 7 yrs., unless entry made on file. May be revived in 3 yrs. from date of becoming dor- mant, by scire facias.	5 yrs.
Idaho	4 yrs.	5 yrs.	6 yrs.	6 yrs.; if not barred in State where rendered.
Illinois	5 yrs.	10 yrs.	Courts of Record 20 yrs. No execution can issue after 7 yrs. from time judgment becomes a lien, except on revival of same by scire facias. Jus- tice Courts 10 yrs.	
Indiana	6 yrs.	10 yrs.	20 yrs.	5 yrs.; if not barred in State where rendered.
Iowa	5 yrs.	10 yrs.	Courts of record, 20 yrs.; Justice Courts, 10 yrs.	20 yrs.; J. P. Courts 10 yrs.
Kansas	3 yrs.	5 yrs.	Dormant in 5 yrs.; may be revived in 2 yrs. thereafter.	5 yrs.
Kentucky	2 yrs;	15 yrs, notes; merchants, 5 yrs.	15 yrs.	15 yrs.
Louisiana	3 yrs.	5 yrs.	10 yrs.	10 yrs.

LIMITATIONS

STATE	ACCOUNTS	NOTES AND ACCEPTANCES	ON JUDGMENTS RENDERED IN THE STATE	ON JUDGMENTS RENDERED OUT OF THE STATE
Maine	6 yrs.	6 yrs.; if witnessed 20 yrs.	20 yrs.	20 yrs.
Maryland	3 yrs.	3 yrs.; if sealed, 12 yrs.	12 yrs.	12 yrs.
Massachusetts	6 yrs.	6 yrs.; if sealed or witnessed, 20 yrs.	After 20 years payment is presumed.	20 yrs.
Michigan	6 yrs.	6 yrs.	Courts of record, 10 yrs.; J. P. judgments, 6 yrs.	Courts of record, 10 yrs.; others, 6 yrs.
Minnesota	6 yrs.	6 yrs.	10 yrs.	10 yrs.
Mississippi	3 yrs.	6 yrs.	7 yrs.	7 yrs. If judgment creditor becomes resident of Miss., suit must be brought within 8 yrs. from date of judgment.

Missouri	5 yrs.	10 yrs.	10 yrs.	Courts of record, 10 yrs.; J. P. Courts 5 yrs. Barred if not enforceable where rendered.
Montana	5 yrs.	8 yrs.	10 yrs.; J. P. judgments 5 yrs.	10 yrs.
Nebraska	4 yrs.	5 yrs.	5 yrs. from last date of execution.	5 yrs.
Nevada	4 yrs.	6 yrs.	6 yrs.	6 yrs.
New Hampshire	6 yrs.	6 yrs.; mortgage, 20 yrs.	20 yrs.	20 yrs.
New Jersey	6 yrs.	6 yrs.	20 yrs.	20 yrs.
New Mexico	4 yrs.	6 yrs.	Execution within 5 yrs.; judgments may be revived after 5 and before 7 yrs.	57 yrs.
New York	6 yrs.	6 yrs.	Court of record, 20 yrs.; As in State where rendered.	10 yrs.; J. P. judgments, 7 yrs.
North Carolina	3 yrs.	3 yrs.; sealed, 10 yrs.	10 yrs.; J. P. judgments, 7 yrs.	10 yrs.
North Dakota	6 yrs.	6 yrs.	10 yrs.	10 yrs.
Ohio	6 yrs.	15 yrs.	21 yrs.; lien only 5 yrs.	15 yrs.
Oklahoma	3 yrs.	5 yrs.	5 yrs.; every execution renews for 5 yrs.	1 yr.
Oregon	6 yrs.	6 yrs.	10 yrs. but may be renewed for 10 yrs. on motion.	Same as "in state."

LIMITATIONS

STATE	ACCOUNTS	NOTES AND ACCEPTANCES	ON JUDGMENTS RENDERED IN THE STATE	ON JUDGMENTS RENDERED OUT OF THE STATE
Pennsylvania ..	6 yrs.	6 yrs.	20 yrs.; but no lien after 5 yrs. unless revived.	20 yrs.
Rhode Island ..	6 yrs.	6 yrs.	20 yrs.	20 yrs.
South Carolina	6 yrs.	6 yrs.	20 yrs.; lien only 10 yrs.	10 yrs.
South Dakota .	6 yrs.	6 yrs.	20 yrs.	10 yrs.
Tennessee	6 yrs.	6 yrs.	10 yrs.	20 yrs.
Texas	2 yrs.	4 yrs.	10 yrs.; if execution issued within 1 yr.	Governed by laws of state in which obtained.
Utah	4 yrs.	6 yrs.	8 yrs.	8 yrs.
Vermont	6 yrs.	6 yrs.; witnessed notes 14 yrs.; specialties, 8 yrs.	8 yrs.; Wit-8 yrs.	8 yrs., unless barred in State where rendered; exception in favor of citizen.
Virginia	3 yrs.	5 yrs.; sealed, 10 yrs.	if 20 yrs. if execution issued; if not, 10 yrs.	As in State where rendered, unless debtor has been resident 10 yrs.; in which case 10 yrs.

Washington	3 yrs.	6 yrs.	6 yrs.	6 yrs. after debtor becomes resident.
West Virginia	5 yrs.	10 yrs.	10 yrs.; extended if execution issued; if not, 10 yrs.	10 yrs., unless barred in State where rendered.
Wisconsin	6 yrs.	6 yrs.	Court of record, 6 yrs.; not of record, 6 yrs.	Court of record, 10 yrs.; not of record, 6 yrs.
Wyoming	8 yrs.	10 yrs.	5 yrs.	5 yrs. after debtor becomes resident.

STATE	JURISDICTION	MARRIED WOMEN
	Justice of the Peace	Are the contracts of a married woman in business as a sole trader enforceable at law, as they would be if she were unmarried?
Alabama	\$100	Yes.
Arizona	\$200	No statute on the subject.
Arkansas	\$300	Yes.
California	\$300	Yes.
Colorado	\$300	Yes.
Connecticut	\$100	Yes.
Delaware	\$200	Yes.
Dist. of Columbia	Justice of Peace abolished. Municipal court jurisdiction \$500.00.	Yes, except as surety, endorser or guarantor.
Florida	\$100	Yes, when made a free dealer. Her separate property liable in equity, if not a free dealer.
Georgia	\$100	Yes, regardless of coverture if a trader, and liable on express contracts whether trader or not, but cannot be liable as surety or for debt of husband.
Idaho	\$300	Yes.
Illinois	\$300	Yes, but cannot enter into partnership without husband's consent, unless he has deserted her or is idiotic or insane or is confined in penitentiary.
Indiana	\$200	Yes. Her husband must join in conveyance and mortgages.

Iowa	\$100; by consent, \$300. Municipal Court Jurisdiction all large cities—\$1,000.00.	Yes.
Kansas	\$300; replevin, \$300.	Yes.
Kentucky	\$100	Yes, but she cannot bind herself as surety. She may bind her property for debt of another by mortgage. If wife is public merchant she may obligate herself to anything relating to her trade. She is a public merchant if she carries on a separate trade in her own name.
Louisiana	\$100	If wife is public merchant she may obligate herself to anything relating to her trade. She is a public merchant if she carries on a separate trade in her own name.
Maine	None. Trial justice	Yes.
Maryland	\$20	Yes.
Massachusetts	\$100 in Baltimore, and elsewhere. None. Trial justice, \$300.	Yes, but statute does not authorize contracts between husband and wife, except that husband and wife may make conveyances of real estate to each other, but not by way of mortgage. Wife must file certificate of business.
Michigan	In certain large cities, \$500. Elsewhere, \$100 in tort; \$300 on contracts.	Yes, if contracts were made for benefit of her own separate estate exclusively; cannot be surety.
Minnesota	\$100	Yes, except a conveyance of her real estate is subject to her husband's right of dower, and mortgage or sale of homestead requires joint signature of husband and wife.

STATE	JURISDICTION	MARRIED WOMEN
	Justice of the Peace	Are the contracts of a married woman in business as a sole trader enforceable at law, as they would be if she were unmarried?
Mississippi	..... \$200	Yes.
Missouri	..... \$250; in counties and cities of 50,000, \$300; in St. Louis, \$500.	Yes.
Montana	..... \$300	Yes.
Nebraska	..... \$200	Yes, but where she signs with husband or another as surety, note cannot be enforced unless she pledges her separate estate in body of note.
Nevada	..... \$300	Yes, when allowed by order of court to carry on business in her own name.
New Hampshire	..... \$13.33. Manchester Municipal Court \$500, no appeal.	Yes, but she cannot become security for her husband.
New Jersey	..... \$200; no jurisdiction in cities having District Courts.	Yes, but she cannot become accommodation endorser, guarantor or surety, nor is she liable on any promise to answer for the debts, etc., of any other person, unless she or her estate derives a benefit from the contract.
New Mexico	..... \$200; exclusive of interest.	Yes.

New York	\$200. Many cities have Municipal Courts for larger jurisdiction.	Yes.
North Carolina	Contract, \$200, Tort \$50.	Yes, except in conveying her real estate her husband must join in the conveyance.
North Dakota ..	\$200	Yes.
Ohio	\$300 concurrent with Common Pleas; below \$100 exclusive. In certain cities justice courts abolished but Municipal Courts there have exclusive jurisdiction up to and including \$300, and concurrent with Common Pleas from \$500.00 to \$2,500.00 depending upon locality.	Yes.
Oklahoma	\$200; County court \$1,000.	Yes.
Oregon	\$250. In Multnomah County, \$800.	Yes.
Pennsylvania ..	\$300 concurrent with Common Pleas and County Court; below \$100, original.	Yes, but her contract to convey real estate must be joined in by her husband in order to convey title.

STATE	MARRIED WOMEN	
	JURISDICTION	Are the contracts of a married woman in business as a sole trader enforceable at law, as they would be if she were unmarried?
Rhode Island	No jurisdiction	Yes.
South Carolina	\$100	Yes.
South Dakota	\$100	Yes.
Tennessee	Notes \$1,000; Endorsements waiving demand and notice \$1000, Accounts \$500; Contracts and torts, (except libel and slander) \$500.	Yes. All disabilities of married women have now been removed except that estates by entireties are not abolished. See Act of 1919, Chapter 128.
Texas	\$200	Yes, upon application to District to trade as feme sole.
Utah	\$299.99; City courts, \$1,000 exclusive of Court costs. In cities of first and second class.	Yes.
Vermont	\$200. City court \$200	Yes.
Virginia	\$800	Yes.
Washington	\$100	Yes.
West Virginia	\$300	Yes.
Wisconsin	\$200; by confession, \$300.	Yes.
Wyoming	\$200	Yes.

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