Collections Workflow

# On Status

In the system there are going to be three sets of status: the Merchant status, the Contract status and the Collections status. The contract status has been specified in the Contract Workflow document.

## The Merchant status

The Merchant status will change depending on the status of the active contract. If the Merchant has an active contract that is paying over 30% faster than expected when calculating the offer, then the Merchant status will be marked as “Contract being paid faster than expected”. If the active contract is being paid over 30% slower than expected, the Merchant status will be marked as “Contract being paid slower than expected”. If the contract is being paid within +-20% then it will be marked as “Contract being paid on time”.

Now, how will we know how fast or slow the contract is being paid? When the offer is calculated, we set an expected time for the offer to be repaid in. For example, we could lend $100,000 with a 1.3 price and expect the full $130,000 to be paid in 8 months. That means that we expect the Merchant to pay the contract in full in around 243 days (8 \* (365/12)). For that to be true, he’d need to pay around $535 every day ($130,000 / 243). Now let’s say that the Merchant, instead, is paying $500 every day, it would take him 260 days to pay the contract in full, which is about 8.55 months, so he’s paying 6.88% slower than he should.

The time calculated in the offer is called the **Expected Turn** and the actual time the contract is being paid in is called the **Real Turn**.

If we don’t receive any payment for an active contract for 4 days then the Merchant status will be “Investigation”. And, if an active contract has not received any payment for 30 days, the Merchant status will be marked as “Collections”.

If there isn’t any active contract (either because the latest contract was paid in full and not renewed or the latest contract was marked as Written Off) then the Merchant will be marked as “Inactive”.

## The Contract Status

At first, the contract status will change according to the stage the contract is at in the workflow. Once the contract has been funded, the contract will be marked with the status “Funded” until the contract has been paid off in full. In that case, the contract status will be “Closed – Paid”. If the contract has not received any payment for the last 180 days, then the contract will be marked as “Written Off” and the Merchant will be inactive.

## The Collections status

When a Merchant has been marked with the “Collections” status, the default Collections status (which we will see in the Collections screen) will be “In Investigation”. If we have an active Payment Agreement with the Merchant, then the Collections status will change to “Payment Agreement”. If we have assigned the case to an external lawyer then the Collection status will change to “Collections – External”. All this will be done through the Collections workflow.

# The Workflow

The Collections workflow will work in two branches. The first branch, which will be a sort of prevention workflow, will show us a list of all contracts that are paying 30% (or more) slower than expected and all contracts funded more than 30 days ago that are paying 20% (or more) slower than expected. This first branch will who us the information of the Merchant and the Contract and, if we click one of the Merchants, it will lead us to the Collections screen for that Merchant (a screen we will specify in the second branch).

It could be something like this:



The second branch, which will be the actual Collections workflow, will show a list of all the Merchants that have 4 or more days without registering any payment for their active contract by default, but there should be an option to select merchants that haven’t been paying for X amount of days. The merchants will be ordered by the amount of days without processing in descending order. In this list, if there’s a Merchant that has being showing for a monthly average of 2 times or more, it should be marked red as a warning. The monthly average will be calculated by dividing the number of times the merchant has showed up in the Collections workflow by the number of months the contract has been active for. For example, if Merchant A has an active contract that was funded 4 months ago and it has showed up in the Collections workflow 8 times, then it shows up an average of 2 times a month, and it should be marked red.

In this list we should also see the clients that have missed payments from a Payment Agreement.

It could look like this:



Once we click a merchant, it will take us to the Merchant’s Collection screen.

## The Collections Screen

In this screen we will look at the information and decide what to do with the Merchant. This screen should have all the information we need plus a series of buttons that will let us take action.

It could look like this:



## Datacrédito

If we click this button the system should ask us if we want to pull the latest generated credit report or if we want to generate a new one, and then show us the credit report in a popup.

## Affiliations

As we have specified before, a company or owner might own several different business which are created as separate Merchants in our system. But we still need a way to link them, so an affiliation is a link that exists between all the Merchants that have the same RNC number (this means they are owned by the same company) or the same Owner ID (which means they are owned by the same person).

This button will pull the Merchant’s affiliation screen, which could look something like this:



As you can see, there are two tabs. One tab is for the merchants with the same RNC and the other is for the Merchants with the same Owner.

There should be two boxes of information, one for all the merchants with the same RNC or Owner as the Merchant we are currently in that have Active Contracts and another box for all the affiliations that don’t have Active Contracts.

For the inactive contracts we need a button that will let us request the CC volumes for the merchants to the Processor Company. If we request the volumes, this list should show a Volumes Status that will be marked as pending until the Processor Company sends the requested volumes.

## Documents

This button should bring up the regular documents screen and let us upload or see any document we need and then let us return to the collections workflow.

## Landlord

This button should bring up the regular landlord screen so that we can see the information of the landlord and the script of the landlord call as was filled out during the contract workflow.

## Payment Agreement

This section will be used when we agree with the client to a payment plan where the client will pay us a fixed amount every agreed period until the owed amount is met.



In this screen the user will upload the signed physical agreement document, which will be stored along with all the other documents from the merchant.

The date of the agreement will be the date the agreement was signed and the start date and end date are the dates of the first and last payment, respectively. The start date will be set by the user, but the end date will, by default, depend on the contract. If the contract has been active for two months at the moment of the start date, and the offer had an estimated turn of 8 months, then the end date will be set by default in a date that will allow the contract to be paid within the 8 months. In the case of the example it would be 6 months from the start date. Although this will be set like this by default, we should be able to modify it.

The interval is the amount of the days between each payment. For example, if we set the interval to 15, then the client will pays us every 15 days.

The amount of the payments will be decided by dividing the pending amount of the contract by the number of periods. In the case of the example, if we have 6 months between the start and date, and payments every 15 days, then we have 12 periods ((6 \* 30) / 15). If this contract has a pending amount of $60,000, then the payments should be $5,000 each for 12 periods.

The date of the first payment will be the start date and the following dates will be the previous date plus the number of days of interval. For example, if the start date is January 1st and the interval is 15 days, then the first payment will be on January 1st, the second payment on January 16th, the third payment on February 1st and so on.

Every payment due should be detailed from start to finish, and every payment should have the status of the payment. This will make more sense once we go over the Finances module but if this contract receives the payment on the set date, it will be pulled out of the Collections workflow and return to normal. But if the merchant misses one payment, or does not pay the full amount of the period, it should go back into the Collections workflow.

If the client does not pay the full amount in a certain period, the remaining amount should be added up to the next period. For example, if a client has a payment of $5,000 due February 1st, but come the day he only pays $4,000, then the next payment, say it’s supposed to be on February 16th, should be $6,000, which is the corresponding $5,000 plus the remaining $1,000 from the previous period. The status should be “Paid”, “Incomplete” and “Missed Payment”.

Every payment should detail the date the payment was received. If the client has missed payments and pays on a later date, the system will take the money and apply it to the earliest missed payment and the date of the payment will be the date the client actually pays.

## Legal

We will use this screen if we assign the client to an external legal firm. In this screen we should store the information of who has the case and what documents they have.

It could look like this:



It should have the information of the Lawyer, and below, we should see a list of all the documents uploaded for this particular merchant, with a checkbox mark beside the document that we will mark if the external legal firm is in possession of said document. For example, if we handed the Leasing Agreement, Corporative Documents and Contract for this merchant to an external legal firm, we would mark the corresponding checkbox of these documents in this screen.

The Lawyer will be selected through a drop list that will have all the lawyers created in the system.

There should be a Create New Lawyer button that will let use create and save new lawyers.

This button should bring up a screen like this:



As you can see it could show us a list of all the created lawyers and let us edit or delete them, as well as let us save new lawyers to the system.

## Generate Letter

With this button we will access a letter that we will send to the Merchant as a physical letter or through email. We will give you a template of the letter and tell you what information the system should populate automatically.

## Activity

Here the user will mark what he or she had done in the Collections screen and write a note. It should be a drop list for the user to choose with the following options:

* Contacted by telephone
* Contacted by email
* Investigative visit
* Letter
* Legal warning
* Contacted landlord
* Notify Payment
* Payment Agreement
* Other

In order for the system to be able to save an activity, some conditions have to be met. For all activities a note should be written and saved. In the case of “Notify Payment” the system should check if the Payment Receipt document has been uploaded before it lets us save this activity. For “Payment Agreement” it shouldn’t let us save unless a Payment Agreement has been activated through the Payment Agreement button and the Payment Agreement document has been uploaded.