

# 8 Best Collection Practices

By [Melissa Dewey Brumback](#)

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COLLECTION "TIPS"

Readers of [my blog](#) may not know this, but in addition to construction law I also head our firm's Collections practice. What that means is that, once your client is no longer paying your bills or taking your calls, you can hire [our Firm](#) to either (1) get the client's attention or, failing that, (2) sue the (former) client for unpaid fees or merchandise. However, if you establish good collection practices up front, before you extend credit to any client, you may be able to avoid having to hire a collection attorney to do the dirty work for you. Here are my top 8 collection practice management tips:

1. Be careful on the front side in who you extend credit to. Get personal guarantee if possible. Make a copy of the person's driver's license. (This helps if you have to sue to collect). Check their credit.
2. Have a [written contract](#). Failing that, a signed purchase order agreement, with contract terms on the back, would be good. Just [don't rely on a handshake](#). You can include language for interest (up to 18% per annum in North Carolina) and reasonable attorney fees and collection costs. If you don't have this in writing, you may not be able to get these items later.
3. With the first payment by the customer, make a photocopy of the check. (This is helpful to know where they bank in case they later stop making payments).
4. Bill regularly- at least monthly.
5. Charge an interest rate on past due accounts so your money isn't being used for your client's "float".

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6. If you are in the position to file a mechanic's lien (contractor, subcontractor, etc)-- be [aware of time deadlines](#) for both (1) filing a lien and (2) perfecting that lien. These are state-dependent so consult an attorney in your state.

7. Create a system for large A/R accounts. For example, when account is X days late, send a polite but firm demand letter. When account is Y days late, initiate lawsuit/have your attorney send demand letter.

8. Consider alternative payment arrangements. If your customer acknowledges the debt, and is willing to sign a note or confession of judgment, you can offer payment terms. If the payment terms are not met, then you can file the note and judgment.

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### Bonus tips

#### Steps for after a judgment, to help your collection efforts:

- Send a copy of the debtor's drivers license to the sheriff for execution on your judgment.
- See if your jurisdiction allows for the seizure of bank funds. If so, provide the banking information to the sheriff to aid in his seizing assets.
- If a judgment comes back with "no assets," consider having your attorney serve supplemental discovery questions if allowed in your jurisdiction.
- Some states (but NOT North Carolina) allow you garnish wages. Ask your local attorney if this is an option.

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Comments? Questions? Other good collection practices? [Drop me a line.](#)

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Melissa Dewey Brumback is a Raleigh, NC attorney who focuses on construction law. She blogs on construction law at [www.constructionlawNC.com](http://www.constructionlawNC.com). Her twitter handle is @melissabrumback.

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