

## Meet a Collection Dynamic Duo

What happens when a collection manager teams with a lawyer to form a collection agency? For Matthew Phillips and Adam Cohen, good things happen.

By Melissa Dittmann Tracey

**N**ever underestimate the power of your mother, even in your business plans. That's a lesson learned by Adam Cohen and Matthew Phillips, co-founders of the collection agency Phillips & Cohen Associates, Ltd.

If it wasn't for Phillips' mother and Cohen's mother-in-law, the two may have never become partners and launched a Westampton, N.J.-based collection agency in 1997, which since its founding has boasted a compound growth rate of 50 percent a year.

In just eight years, they've become industry leaders in collections — standing out for their professionalism and their company's continuous growth by carving out specific niches, says Thomas Edens, president of Marion Financial Corp. in Houston, who first met the two in 1998 when they were just beginning their agency.

In the process of building their agency, the duo strived to distinguish themselves from other collection agencies by adopting a best-in-class philosophy and diversifying their business. Cohen's mother-in-law and Phillips' mother reacquainted the childhood friends in 1995 when Phillips was working as a director of marketing at a collection agency in New Jersey and Cohen was an associate at a law firm in Pennsylvania.

The timing was fortunate: Phillips was looking to expand the collection agency with in-house legal services, and Cohen was looking for a new opportunity to apply his legal skills out-

side the typical law firm. Roughly a year later, the pair decided to set out on their own in the collections world and launch Phillips & Cohen Associates as co-chairmen and CEOs.

From a two-person shop in 1997, they have grown their agency to nearly 500 employees today, with facilities in Florida, New Jersey and Delaware, and plans for more offices in the coming year.

Phillips and Cohen — whose clients mostly consist of financial institutions, including credit card, installment loans and auto collections — aren't ones to shy away from tough debt collection accounts. In fact, it's part of the reason they've been able to grow their business, Phillips says. They have specialized in areas that are often overlooked by collection agencies, such as pre-litigation collection, arbitration and litigation management, bankruptcy services and deceased debt recovery.

"We're collecting from those who are considered the worst on paper — the dismissed and bankrupt accounts," Phillips says. "We've been successful in collecting where others have deemed uncollectable."

That's why Greg Beer first tapped them to handle mostly cease-and-desist accounts while he was working at Fleet Bank, now part of Bank of

America. Beer is now HSBC Card Services' group director of risk control, responsible for several collection functions, including recovery. He uses Phillips & Cohen Associates for HSBC Card Services' collections on mostly post-charge-off accounts and deceased accounts.

"When you look at their services, they do a nice job liquidating atypical portfolios," Beer says. "In essence, they have

become specialists and have responded to the need for greater segmentation. They do deceased collections, cease and desist, they have a legal program but they do your traditional recovery work as well."

#### Diversifying Services

That's because when Cohen and Phillips first started their collection agency they knew they would need to set themselves apart from the more than 6,500 other agencies already in existence.

Phillips was 27 at the time and Cohen was 26. Phillips recalls that he couldn't help but wonder "how is a 27-year-old going to go out and form this agency? I had some contacts, but it was going to be difficult unless we diversified."

The answer was to create what Phillips refers to as a "hybrid between collections and a law firm."

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***Matthew Phillips  
Phillips & Cohen Associates***

"We take the aggressiveness of a collection agency and the manpower and intelligence, and then combine it with the different skill sets of a law firm to work accounts nationally," says Phillips, adding they are a collection agency first and foremost, not a law firm.

When he entered the collection business after college, Phillips did everything from working as a collector to being a collection manager to running a marketing department. It's from his contacts with creditors that he saw potential for an in-house attorney to help clients better handle their accounts from beginning to end or even to court, if necessary. He convinced his supervisor at the time to hire a lawyer to join the team — ultimately, Adam Cohen.

When Cohen hit the collection floor, he provided legal guidance to clients, formed an attorney network and even did collections himself while learning the industry.

The two became skilled in recognizing creditors' needs in debt collection and so they could diversify their services from the get-go when they set up shop on their own — starting from their first client.

Inaugural client Advanta Business Services, a provider of business credit cards to small business based, was unsure how to handle a spike in bankruptcy filings in 1997. Wilmington, Del.-based Advanta asked Cohen and Phillips if there were any value-added services they could offer to help with its collections. In response, The cred-

### How Phillips and Cohen Found Each Other

- Matthew Phillips graduates from Pennsylvania State University with a bachelor's degree in marketing and a minor in business management in 1992.
- In 1992, Phillips joins a collection agency in New Jersey, working there for five years as a collector, collections manager and director of marketing.
- In 1993, Adam Cohen receives his bachelor's degree in political communication from George Washington University, and, in 1996, he earns a law degree from Villanova University School of Law.
- In 1996, Cohen begins working as a real estate attorney at Benner & Wild in Doylestown, Pa.

itors rights and bankruptcy group was formed within Phillips & Cohen Associates to handle bankruptcy accounts — today it accounts for about half their business. The department handles pre-filing and post-filing bankruptcy accounts, handling such tasks as having attorneys contact debtors to prevent them from filing for bankruptcy or listing the creditor's account when they file or preventing the use of delay tactics to stall paying.

"It was off the needs of our clients how we started what has been the biggest and most profitable of our business," Phillips says.

Similarly, Beer says that Phillips and Cohen first approached him when he was working for Fleet Bank and offered to handle cease-and-desist accounts. That came at a time when Fleet was unsure how to handle these accounts, besides occasionally taking the debtor to court. Phillips and Cohen offered a no-law-suit solution.

"I think one of the things that allowed them to differentiate themselves from the rest of the industry is that they have found niche markets," Beer says. "In an industry that has been less innovative until recent years, its allowed them to get out above the curve."

Phillips and Cohen also have branched out services to help clients with other tricky collection problems such as collecting when a person has died with unpaid debt. That specialty has been the company's largest growing area with 200 collectors.

Phillips & Cohen Associates assists creditors with navigating pro-

bate court statutes to help recover money with the help of attorneys. In cases where there is no estate, collectors' contact family members or personal representatives to initiate repayment negotiations.

Such unique services in a collection agency mean clients don't have to outsource services when an account hits a wall when a debtor goes bankrupt or dies, for example. Often, Phillips and Cohen offer several services — such as bankruptcy, cease and desist recovery, and litigation and arbitration — concurrently to clients so accounts are kept moving through the process.

"It saves them a lot of time and money to use a company that can handle all those different collections all in one shop," Phillips says. "We look at each department as a separate entity, but they can perform under one umbrella."

### A Legal Component

And, they take legal matters into their own hands as well. Their in-house legal department includes seven attorneys, offering such services as management and information on national bankruptcy portfolios. They have a network of 200 attorneys nationwide.

The key is to find attorneys who understand the business and who recognize the value of professional debt

collection, Cohen says.

The company's attorneys "have all sat in that chair and cubicle and collected," Cohen says. "They are business people and excited about the collection industry. That law degree just gives them an extra level of credibility."

While many collection agencies use a network of attorneys to tap when needed, having an in-house attorney is becoming more popular within the collections industry, says Rozanne Andersen, general counsel and vice president of legal and govern-

ment affairs for ACA International.

An in-house attorney can pose several benefits. "The number one benefit is to oversee, implement and audit an effective compliance program," Andersen says.

Also, they can handle the agency's certification process, respond to all disputes and take on public relations issues for the agency, such as communicating to clients or the press on their collection practices.

Ira Leisker, president of the National Association of Retail Collection Attorneys, says in-house attorneys also can review collection letters or scripts the agencies uses to ensure compliance and advise on legal issues rather than outsourcing that to another firm. "They can be excellent tools to prevent problems that may occur in the collection agency," Leisker says.

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**Greg Beer**  
**HSBC Card Services**

### How Phillips and Cohen Found Each Other (continued)

■ Cohen joins the collection agency where Phillips works in 1996 to provide legal services.

■ Phillips and Cohen begin their own collection agency in September 1997.

■ In eight years, the agency grows from two people to nearly 500, with offices in Florida, New Jersey and Delaware.

■ The compound growth rate for the company has been 50 percent a year over eight years.

The biggest challenge for an in-house attorney is to bridge the gap between compliance with the law and operating a business, says Andersen, who adds that is a typical problem whether in collections or a business environment. "The skills of an in-house lawyer is that they can understand the law and regulations pertaining to a particular practice and then adapt his or her interpretation so the business can continue to function and make money," Andersen says.

### 'Best in Class' Culture

Phillips and Cohen don't just attribute their continuous growth to the diverse services they offer. They also credit it to how they deliver them.

"If clients have their business with an agency that is performing and that they can trust, then you are going to be able to expand your business," Cohen says.

They also attribute some of the company's growth to a surge of creditor mergers and acquisitions in the late '90s, when they were able to add new clients based on their work with one of the companies before the merge. Case in point: Phillips and Cohen were handling accounts for Household Credit Services when it was bought by HSBC.

They then began handling accounts for Salinas, Calif.-based HSBC Card Services.

To keep their performance and trust high within the industry, Cohen and Phillips adopted a corporate slogan "Best in class," which they display on office screensavers, banners and mouse pads.

"We find that the collection agency mentality is one of perseverance, persistence, technological

advance and is based on having good people," Cohen says. "That's where we focus our efforts."

They've created five value drivers, which they emphasize to their employees:

- A will to win
- Integrity
- Respect
- Accountability
- Commitment

The biggest challenge for the two-some is hiring and retaining the right people to help do that.

They put their collectors through a two-week training session before they reach the collection floor. Training includes a classroom and real-life setting on a simulated collections floor.

Training is repeated at three months, six months and a year, and retraining sessions are offered based on supervisors' feedback.

Phillips and Cohen say they train their employees to consider every collections credit account they receive as a contract between their client and the debtor. They train their employees to fully understand those contracts so that they can make a

case to the debtor that conveys credibility in getting them to repay their debt.

"Most people want to pay their bills, and we are helping them find an avenue to do it," says Cohen, who adds that many of the debtors they work with are not paying because they are facing a medical situation or perhaps a spouse who has lost a job.

"We come at it from the point of view that if we're calling them that

means about five or six others are probably calling them too," Cohen says. "If we can treat them with respect and give them the ability to explain how they got into that situation, they will more likely deal with us than someone who bullies them to get paid."

To help in collections, they use multiple dial strategies with automated dialers blended with a live collector. They also use data-mining software that provides a statistical analysis of such items as a person's credit experiences, bill payment history and collection actions. They can use those factors to develop a credit scoring model.

For example, they use demographic reports to detail such information as which regions are experiencing more bankruptcy filings and where the most money is being recovered from bankruptcy filings.

### Charging Ahead

Cohen and Phillips don't spend a lot of time reminiscing over their successes but instead remain focused on continuing to grow their business.

"You don't ever allow yourself to sit back and smell the roses because if you sit back and look around, something will pass you by," Cohen says. "You have to maintain your forward-thinking focus. In a business where basis points matters, you need to be focused because it can be very demanding. You have to live for it."

They plan to open a fourth office in Las Vegas in April and an international office later this year. They have invested more than a year looking for opportunities abroad.

While not in the habit of looking back, in a rare backward glimpse the pair see eight years during which their company has expanded debt collection services, grown its client base and expanded by about 80 collectors per year.

"Sometimes it feels like a snap of the fingers," Cohen says about the journey. "Sometimes you feel it every day. But it's been an excellent ride." ■

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