



- Skip Tracing - A different approach

About Quantrax Corporation

Quantrax Corporation is a software company that provides innovative technology solutions for the collection industry in the United States and Canada. Intelec, an expert system for collections was first installed in 1991. Today Quantrax supports over 100 clients in the US and Canada, has its own high-end, integrated predictive dialing platform.

Quantrax Corporation Inc.
4300 Montgomery Avenue – Suite 106
Bethesda, MD 20814

www.quantrax.com

Background and introduction

Collection operations have to perform skip-tracing services for several accounts. Collections could be described as being all about making “right party contacts”. The more you have, the greater are your opportunities to collect.

Today, skip-tracing is done using different methods. Some of these are:

- Looking up directories that are available in a book or directory format
- Calling parties that could assist when possible (local government, friends, neighbors etc.)
- Looking up free on-line services
- Using batch services or the internet to on a subscription basis (such as Accurint)

Other than for automated (batch) subscription services, the other options involve a person’s time being utilized. The true cost of skip-tracing depends on the value (and cost) of the person involved in the skip-tracing, and the quality of the work done. In most collection operations, collectors will do much of their own skip tracing. A good collector could make in excess of \$50,000 a year. A good skip tracer could probably make over \$20,000 a year. In the cases where a collector does their own skip tracing, you are compensating a highly skilled person for doing a job that a person with lesser skills could easily do. The time that a collector spends on skip-tracing can often exceed 2 hours per day. That may be as much as one third of their productive time! The cost is obvious.

The most economical option for skip tracing is the batched subscription service. You may pay around .35c per account and thousands of accounts could be processed very quickly. Unfortunately, automated systems are inaccurate! They will they provide inaccurate addresses and will also give you inaccurate or old phone numbers that you have previously deleted from an account! In these cases, you are paying for information that has no value. Often, more time has to be spent to learn that the information supplied was bad. The true cost of a batch, automated skip-tracing is therefore not .35c, but could easily approach or exceed \$.1.00 or more per account!

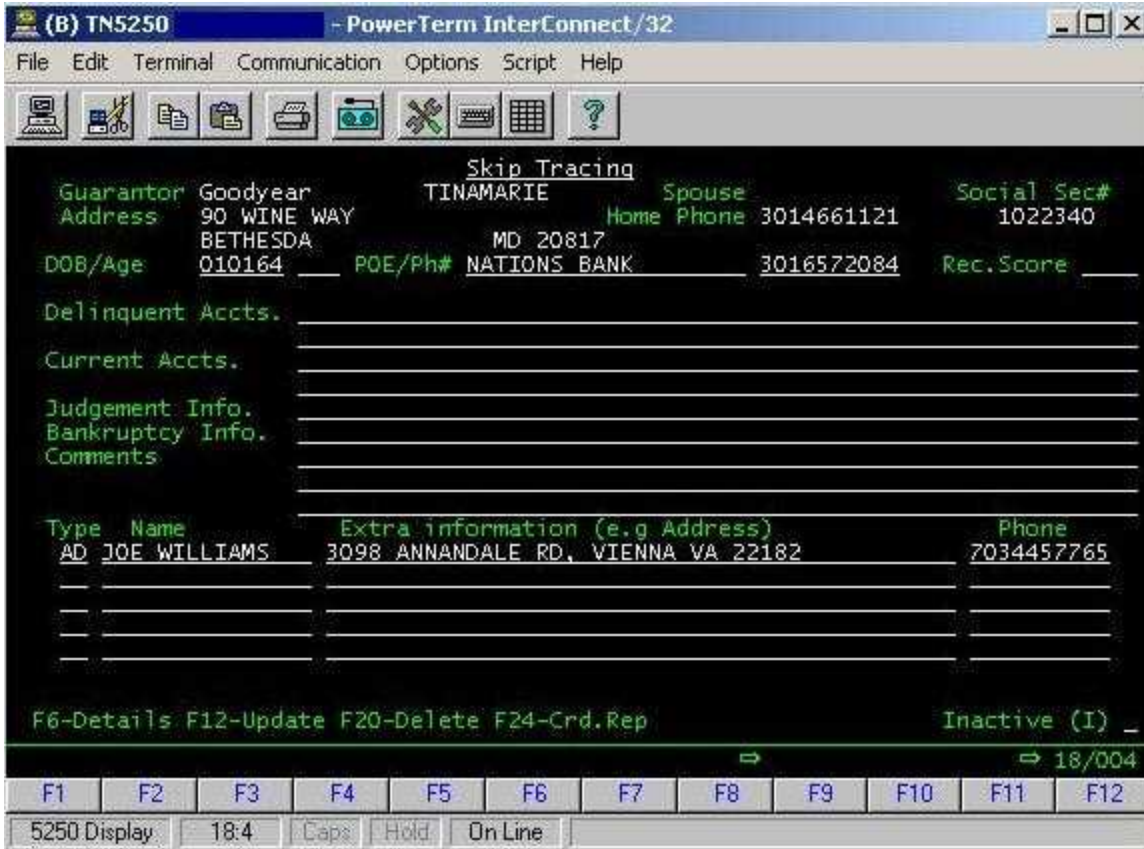
Is there a better solution? Yes - manual skip-tracing. A trained skip-tracer would look up each account, review the information and make an expert’s decision on what information should be passed to the collector. With Intelc Version 8.0, you have a history of bad numbers for each account. The skip-tracer will have access to this information and will not give you a new number that was previously removed from an account! Many collection experts have found that manual skip-tracing provides the most accuracy. This is why it continues to be used! But at what cost? We estimate that with collectors, manual skip-tracers and the cost of using the required skip-tracing data bases (e.g. Accurint) a typical collection operation will spend close to or more that \$1.00 per account that is traced.

What if we could take advantage of the lower costs of overseas outsourcing to address the important area of skip-tracing? This document discusses this opportunity with special reference to Intelc users.

Concepts and proposed flow

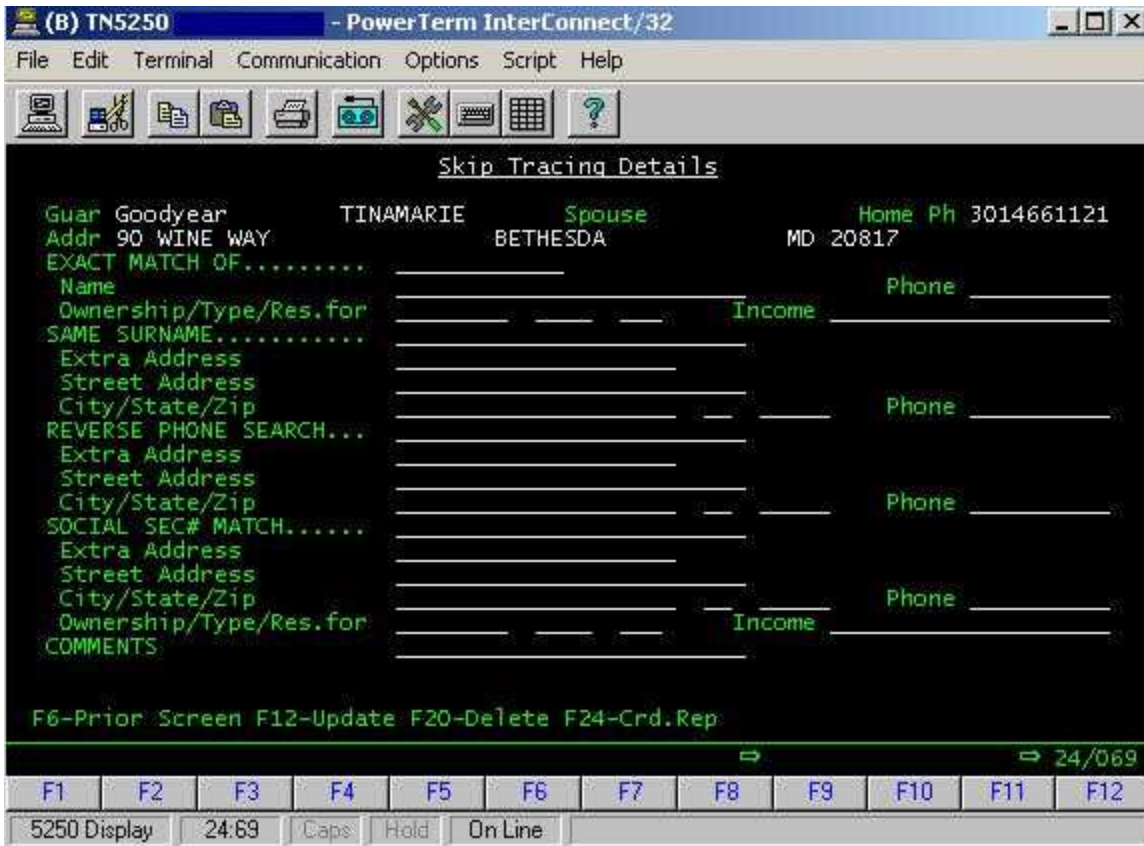
The following describes the key aspects of the concept.

- Each company would have total control over what accounts need to be skip-traced. With Intelec, you would find a way to change the User ID in the account processing queue to QXS, QXS1, QXS2 or QXS3. These will be a User ID you set up and associate with a specific worker codes (Quantrax does not care what the worker codes are). You can use any QCat codes and have multiple codes if you so wish.
- We plan to give you four options. Each “category” would be placed in a different User ID in account processing. Basic traces would be placed in User ID QXS. Basic traces of a higher priority (e.g. based on client) would be placed in User ID QXS1. Detailed searches (to be defined later) will be set up in QXS2 and QXS3 (Standard and priority accounts respectively).
- Every night, at the end of Nightly Processing, a program would run and create a file of accounts that needed to be skip-traced.
- The file would then be transferred to an iSeries located at Quantrax’s offices at Bethesda in Maryland. The data will only reside on machines located in the US.
- The accounts would be worked by trained individuals based in Sri Lanka and the accounts worked would be sent back to your system the next day, to be processed prior to the Nightly Processing that starts on the following day.
- For basic skip-tracing information a new screen would be populated. This is a modification of the present skip-tracing (F4) screen. A sample screen is shown on the next page.
- The above would be sufficient for a basic search. Debtor address and phone numbers would go onto the account detail screen if there was no name and/or address on the account. In other cases, the notes would be populated with the new information, for review by a collector. A phone number that was previously removed will *not* be given back to you! A DOB would be obtained if possible and the names, addresses and phone numbers of “associates” would also be supplied if found.
- There is the potential for a more detailed search. This has yet to be defined. It would probably require the analysis of a summary or detailed credit report. The following skip tracing detail screen would be populated for a detail search. This is an existing Intelec screen. A sample is shown later.
- The skip-tracers would also apply smart codes for phone found, address found, no number found, no address found or no information found. If relevant, notes would also be added to explain special circumstances.



The above is a sample of the new skip-tracing data screen.

The following is the detailed skip-tracing screen (to be used with detailed searches).



About the offshore skip-tracing operation

The initial concept for an offshore skip-tracing operation was developed by Capital Management Services (CMSI), a rapidly-growing, innovative and creative company that has utilized Intelec for over 2 years. CMSI will be providing much of the infrastructure for Quantrax's skip-tracing services (presently Accurant) through its company C O One Inc. CMSI industry experience and partnership in Quantrax's skip-tracing platform is of great value to the industry and all of the Quantrax clients. CMSI's mission statement reads as follows "To be the *best in class receivables specialist* throughout the industry through deliberate and definitive response to growth and change ". They also refer to the fact that in collections "Time is money". A successful skip-tracing methodology saves time.

The operation was set up in Sri Lanka to meet or exceed the highest standards of workplace efficiency and security that could be defined by a US Corporation. The name of the company in Sri Lanka is QXS (Private) Limited and it is located in Colombo, the business capital of Sri Lanka.

QXS is wholly owned and managed by Quantrax Corporation. Some of the features of the company are the following.



- All employees must have qualified to enter university. Unless there are very compelling reasons, a good education in English and Mathematics is *required*.
- All employees are given FDCPA training and are tested. Training is then provided in the use of the full range of skip-tracing tools offered by Accurant.
- The offices are secured with standard security at the entrances and fingerprint scanning and identification systems are used for entry and attendance tracking.
- The company uses current hardware technology, with flat-panel monitors and licensed software.
- Security cameras record the work place during working hours.
- Employees are not permitted to have paper or any writing instruments at their desks.
- Shifts are very carefully monitored and all breaks are coordinated and strictly managed.
- The company follows local and government rules with regard to employee benefits and vacations.
- As competition for outsourcing increases all over the world, especially in Asia, Quantrax has set compensation, benefits and workplace comforts at some of the best and highest in the country. We have been able to attract and retain very good people as a result of those policies.
- Quantrax does not discriminate in any way with regard to race, religion or sex when employment is considered. The only requirement is the ability to do the job at the expected standards.

- Employees work an average of a 40 hour week, with 37.5 hours of that being productive work on the job. This is *very* high productivity compared to the average US worker.

What you can expect

The success of any service operation is ultimately measured by how close the parties came to meeting each other's expectations. Most of the Quantrax clients know and appreciate Quantrax's commitment to the highest standards of excellence. It is extremely difficult to know what happens 10,000 miles away and it is for this reason that Quantrax chose Sri Lanka as a location for this service. Quantrax already has a presence and significant technical operation in that area and has a great deal of experience with managing resources and delivering quality through an offshore operation.

What can you expect from the skip-tracing service?

- On an average, a skip tracer will do about 2940 *basic* searches per month. We will be speaking in terms of averages because in some months you may see a higher number of accounts worked, while less may be worked in other months. Over a 6-month period, you can expect about at least 2950 accounts to be worked a month.
- There will be reporting available on your system to review exactly how many accounts have been worked. There will be summaries by period, and you will also be able to review information at the account level.
- Obviously, the results you obtain (percentage of finds) will vary depending on several factors. We offer much better than average results compared to *any* automated or manual skip-tracing services. There will be a method for your collectors to indicate (through a Smart Code) that the information supplied on a positive find was not accurate. This will be used to measure the accuracy of the service provided (can be viewed with the reporting supplied).
- The skip-tracing account-level information will be linked to the payment processing system in Intelec and we will be able to show you contacts and payments received *since the accounts were worked!* It will be necessary for you to reset the contacts on an account through a Smart Code, when an account is moved to the skip-tracing queues. You will be able to inquire based on a date range.
- You will need to provide Quantrax with high-speed access to your AS/400. It is very likely that we will use FTP to transfer data between your system and ours. We will need to work through the security issues.

"Capital Management's decision to expand and create hundreds of jobs shows how state initiatives like the Empire Zone program continue to bring new jobs and economic opportunities to New York," Gov. George E. Pataki

Financial considerations

There will be a fixed monthly charge per skip-tracer. That is all you will be required to pay. The cost of the skip tracing data bases (e.g. Accurant) is included in the monthly charge. We expect a company to contract for at least 3 skip-tracers.

In addition to the monthly charges, there will be a one-time set up fee to cover the cost of software development for Intelec, infrastructure set up and system set up. You will be responsible for costs relating to providing us with a high speed connection to your data.

Justifying the costs of the service

The great value of this service is that it is very easily justified in terms of costs. Let us consider the cost of a *single* skip tracer.

- At an hourly salary of \$12, you would pay about \$2160 per month per skip-tracer
- Assuming they work 2950 accounts a month using an on-line service from Accurant, if you were paying .35c per search, you would pay a total of about \$1030 per skip-tracer, per month, to Accurant.
- Add \$200 per month for office space, benefits and computer equipment and the total cost of an in-house manual skip tracer is almost \$3300 per person!
- If your collectors (valued at over \$12 per hour) do any skip tracing, that could be costing you \$4500 per “month of time” a collector spent on skip-tracing (that is about \$25 per hour)! If a collector spends a third of a day on skip work, you are making an investment of over \$1500 *per collector per month* for only about 2 hours of skip tracing work – time they could be spending on the phone with right party connects!
- The increased collections with less expense will more than compensate for the cost of the service. Unfortunately, you *are* presently paying for skip-tracing, but significantly more than you should. *It makes sense to consider getting a better job done at a lower cost.*

Fortunately, the cost of the service being offered is significantly less than the costs of in-house skip-tracing. The quality and the cost of the service make this both a unique opportunity and a *necessary* tool for *every* collection operation.

Please contact Quantrax for more information.

QUANTRAX CORPORATION INC. 

For more information, please e-mail ranjan@quantrax.com