ELTMAN ELTMAN & COOPER

One in a series of White Papers
on Judgment Enforcement

Unlocking the Hidden Value of Your Dormant Judgment Inventory

Eighty percent of judgments go unpaid. This sobering statistic means that creditors lose more than just unrealized collections. They also throw away the highly expensive legal costs 8 out of 10 times they bring suit.

Assume a creditor brings 10,000 accounts to suit at an average legal cost of $100 per suit (the actual average cost is probably higher). Its out-of-pocket costs would be $1,000,000. If 80% of these suits never pay, that creditor remains $800,000 out-of-pocket.

Creditors do not tolerate this kind of inefficiency in other areas of their collection process where the out-of-pocket stakes are much smaller. By tolerating this in legal collections, creditors have left millions in collections on the table and spent millions more in uncollected legal costs.

Credit Grantors Do Not Segment Legal Collections

Segmentation is the key to success in collections. Sophisticated creditors cut their debt pools into finer and finer segments to take advantage of the specialized expertise collectors have developed. Experience demonstrates that this is the way to higher netback.

Many of these same savvy creditors revert to an inefficient "one size fits all" approach when it comes to legal collections, however. Accounts are simply referred to law firms who are then expected to collect, litigate and enforce judgments.

The law firm of Eltman, Eltman & Cooper has pioneered a new segment in legal collections by specializing in national judgment enforcement.

Eltman takes dormant judgments and applies sophisticated analytics derived from over 15 years in enforcing judgments to identify opportunities in the inventory. Accounts are then assigned to specially trained collectors to produce liquidations immediately. At the same time, Eltman's asset investigators - most of them ex-NYPD detectives, not skip tracers - search for employment information. When jobs or other assets are located, the accounts are sent for enforcement and managed by segment managers who are experts in the various post-judgment processes around the country.

This segment focus produces results far superior to the current generalized methods of Judgment Enforcement.

Current Methods of Judgment Enforcement

Creditors typically refer an account to a law firm and then expect that law firm to enforce the judgments it eventually obtains. An asset of the debtor, usually a job or a bank account, must be found against which to enforce these judgments.

These assets are usually found in a number of ways, all of which are deeply flawed and leave many judgments, which would otherwise pay, unenforced.

Skip tracing Companies

Many law firms and creditors use skip tracing companies which, for a fee, claim to locate places of employment or bank accounts that may be attached to satisfy a judgment. These companies may or may not find assets but even when they do they bring problems and inefficiencies to the judgment enforcement process.

Although some skip tracing companies are reputable, many are not. This introduces an element of reputation risk to both the law firms and the creditors. Just as troubling, the economic interests of these companies are often at variance with creditors.

Most of these companies offer so-called "no find / no fee" pricing. This means that they do not get paid unless they return a job "hit". This causes two sources of pressure in opposition to the best interest of the creditor.

One, since they are paid only upon success many skip tracing companies submit "confirmed" jobs that are merely reported on credit reports or are found in a 30 second Google search and have not actually been verified. Two, since they have no stake in the outcome of the enforcement process and emphasize "hit rates" instead of "pay rates," many of the jobs they submit are low paying or transient, which means the creditor will likely not be paid on them.

Skip tracing companies are simply not invested in the success of the accounts on which they find assets.

Databases

Some law firms and creditors use a well-known database that ties into the payroll systems of many large businesses in order to locate places of employment of judgment debtors. This can be a useful tool, but it too has shortcomings.

This database often does not provide all the necessary information needed to enforce judgments and again often provides low paying or transient jobs.

Simply having this information does not ensure payment.

An Economic Stalemate: Neither Client nor Servicer Wants to Invest the Money to Find Assets for Enforcement

Even if these methods are used effectively they still leave many potential paying accounts in a judgment pool untouched. This is because of an economic stalemate between the creditor and its servicers. The creditor is reluctant to invest more money for extended asset investigation because of a fear of "throwing good money after bad". The servicer simply cannot invest more money in asset investigation because of its lack of investigative resources.

This stalemate leaves an enormous amount of untouched opportunity in the typical judgment pool.

Eltman's judgment enforcement program breaks this stalemate with a solution that benefits creditors and their law firms.

A New Economic Paradigm for Judgment Enforcement: A Servicer Who Bears the Economic Risk of Asset Investigation

Eltman invests in its clients' accounts by absorbing the high investigative costs that are necessary to unlock the value in a dormant judgment pool.

This allows creditors to realize a high netback on accounts that were previously not producing at all without further investment. Plus, it produces revenue for its local attorneys without requiring those attorneys to bear heavy investigative costs their business model simply does not permit.

The Winning Edge: Eltman's Approach to Judgment Enforcement

Eltman is able to aggressively invest in its clients' dormant judgments because of a four-prong approach to judgment enforcement that it has developed over 15 years.

15 Years of Judgment Enforcement Analytics

Eltman has enforced judgments for a well-known debt buyer for more than 15 years. In that time, it has developed a proprietary scoring model that predicts likely jobholders in any pool and segments the pool to maximize collections.

Specialized Judgment Collections

Eltman employs in-house collectors who specialize in collecting judgment accounts and nothing else. Eltman's data mining process identifies the most promising accounts and refers them to these specialized collectors for rapid liquidation. The firm then enhances the remaining accounts with investigative information and refers them to a network of agencies that specialize in late stage collections. These collectors then return potential asset information to Eltman's investigators for confirmation in a seamless process melding liquidation and investigation.

This allows clients to realize liquidations immediately as the legal process begins to work. This also allows a client to offset any legal costs in the enforcement process thus alleviating any concern of "good money after bad."

Law Enforcement Grade Investigations

Eltman uses many former law enforcement officers in its investigative unit, which is led by a nationally known former commander of the NYPD Gang Division. This unit is extremely effective in locating asset information even where conventional methods have been used and prides itself on its professionalism and adherence to all regulatory standards. This unit is unique in the collections industry.

Specialized Enforcement Managers

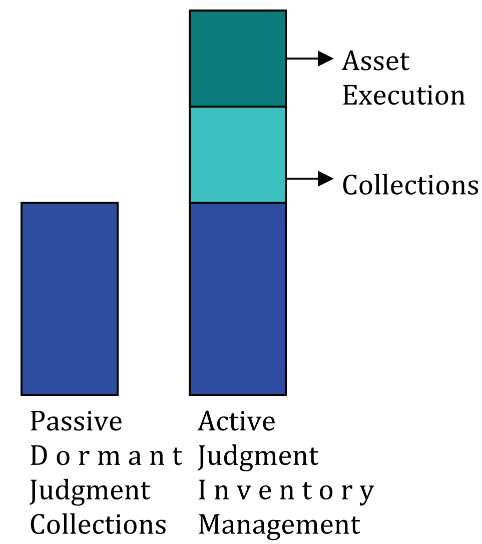
Locating jobs and other assets is, of course, only half the job. Getting those jobs to pay is the crucial part of Eltman's role. Eltman is much more than a network, which in the best circumstances might do some generic performance monitoring. At Eltman, managers work closely with local attorneys and sheriffs to make sure those jobs pay throughout the garnishment process. After investing the high cost of quality investigation in an account Eltman has much more incentive than a network to manage its clients' business on the account level.

Windfall Collections With No Investigative Risk

Eltman's process unlocks value from accounts that would otherwise go unpaid if left to passive collection efforts. Every dollar collected is additive to a pool's return beyond the usual legal collection projections. Since Eltman pays the substantial investigative costs itself its clients realize this windfall

The Eltman Difference: Active Dormant Judgment Inventory Management

Passive Judgment Inventory Management versus Active Enforcement Management



Passive Judgment Collections in the past have relied heavily on housing re-financing to produce call-ins, which have disappeared. This increases the disparity between a passive approach and active inventory management.

Eltman runs a client's inventory through its investigative process every 180 to 270 days depending on portfolio characteristics. This active inventory approach produces revenue streams that last for years.

without taking further financial risk in paying the investigative costs themselves.

A Competitive Edge

Many leading debt buyers and creditors are already finding windfall collections in their judgment inventories through Eltman's Judgment Enforcement program. Now that this is becoming a lucrative part of a complete collections arsenal, it is time for all creditor grantors to evaluate whether a judgment enforcement program makes sense for their own recovery programs.

For more information about Eltman, Eltman & Cooper and Judgment Enforcement, contact Howard Barnard at 212.660.3136 or hbarnard@eltmanlaw.com

Your Judgment is in New York But Your Debtor Works in Florida

According to The U.S. Census Bureau statistics Americans move on the average of every 5 years. More than 40 million people move every year. Census Bureau statistics also show that Americans are moving farther when they do move.

Government statistics suggest that a judgment pool will have a substantial portion of relocated debtors every year with many of them moving to a distant state.

This is especially relevant to dormant judgment management. Many clients obtain a judgment in one state and leave that judgment with the local attorney without knowing that the judgment debtor has moved. Local attorneys have no ability to enforce a judgment in another state even if they could find an asset.

A highly mobile society requires a judgment solution with a national focus. Eltman's focus spans from coast to coast and includes a special enforcement department that focuses on relocated judgments.