

Profiles: meet small business leaders

Friday, February 20, 2009 | Modified: Monday, February 23, 2009, 11:53am

Recession as a business bonanza

Creditors are quicker to call the Repo Man

Boston Business Journal - by [Jackie Noblett](#)

The life of a repo man is always intense.

While Dan Potts tries to help leasing agencies and business debtors avoid repossession through collections, he's often faced with the inevitable.

"At the end of the day, the liability doesn't change," he said. "We can either do it the easy way or we can do it the hard way."

If necessary, his company will hunt down a slippery personal guarantor or show up at a business with a truck, court order and police escort to take equipment away.

Potts is the vice president of receivables management at **Nassau Asset Management Inc.** and his Wrentham office is the hub of the company's collection business. Collection activity is feverish as struggling businesses fall behind on equipment payments, making leasing companies nervous.

The growth is indicative of the counter-cyclical nature of the collections business, but even collectors themselves are worried about how a deep recession and credit crunch could affect business.

Nassau's agents are on the front line when it comes to dealing with good companies in bad situations and bad companies exploiting the situation.

"We're professional, but these are serious issues ... We have to be careful with some accounts, but because of serious delinquency issues we're being asked to be a little bit more aggressive," Potts said.

Headquartered in Westbury, N.Y., Nassau Asset Management works with leasing agents to repossess and resell equipment linked to delinquent accounts. Nassau set up a full-fledged collection business led by Potts, who was working in Massachusetts, six years ago to expand its offerings.

"The collections end can feed the repossession and remarketing end of the business," said company president Ed Castagna. .

Potts' staff of 10 often uses repossession as both a carrot and a stick with businesses in default of lease agreements. If a business cannot afford to make past-due payments, it can let Nassau repossess the equipment and resell it on the open market, with most of the proceeds going toward the debt.

But if a business owner refuses to cooperate, Nassau will flex its repo arm. "We aren't bluffing like a lot of collectors," Potts said. "That creates a very important piece of leverage."

The company does not disclose what percentage of collected funds it earns, although Potts said it varies.

Many leasing agents want to avoid taking large losses, and the business-to-business collections industry has never been stronger. For the year ended Sept. 30, accounts placed for collection reached \$13.5 billion, according to the **Commercial Collection Agency Association**. The previous record for collection volume was 2002 with \$13.2 billion.

Much of the surge is in industries hit hardest by the credit crisis.

Nassau's internal data show machine-tool repossessions surged 150 percent in 2008 over 2007 and construction equipment repossessions grew by 11 percent.

Its collections volume has doubled since the fall. The company recently tripled its office space. The February move "was absolutely necessary for resource growth," Potts said, and the company is also using new computer systems to speed collections processing.

But some in the collections industry worry about companies growing too fast to meet increased volume but smaller margins, knowing that the good times won't last forever.

"Nobody wants to walk away from business, but you still want to earn a profit from that business," said Emil Hartleb, executive director of the Commercial Collection Agency Association. "This volume increase is going to come to an end soon."



Courtesy W. Marc Bernsau
Leasing companies nervous about rising delinquencies are calling in Dan Potts from Nassau Asset Management.

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While employee recruiting depends on his volume projections, Potts said he has made two hiring offers in the past several weeks.

But finding the right people is easier said than done. For one, collectors must be flexible yet forceful when dealing with businesses.

“We have some pretty nasty conversations that take place. You need to be able to handle a wide variety of personalities,” Potts said. “You’re basically a salesman when you are a collector.”

Potts tells a story of a personal guarantor in a restaurant default who was “particularly evasive” after Nassau made a settlement offer. Potts left the guarantor a message that the company would pursue a court order for repossession if he did not respond.

Several days later, he received a call from a mysterious international number. The man was calling from the 2004 Olympics.

“Great, how are you going to pay from overseas?” Potts recalls saying, to which the man responded he would not be able to pay until he returned, adding that Potts should have tried to reach him nearly 5,000 miles away.

“Apparently in his mind, I guess I was supposed to track him down and call him in Athens at the Olympics,” he said.

Jackie Noblett can be reached at jnoblett@bizjournals.com.