

Accounts Receivable Collection Policy

It is agreed that without Brotherhood there would be no sense in having a fraternity. Brotherhood is the main goal in our organization. However, a Chapter cannot service on just Brotherhood; it takes money to run the organization. It is therefore important to have good business management with rigid financial controls. Brotherhood must stop at the door of the treasury or the Chapter will find itself far in debt.

Running a fraternity is a business; it must be run in a business-like fashion. The Fraternity cannot afford to carry high accounts receivable. It is your responsibility as VNR-Finance to make sure each member pays his bill.

When a person first joins a fraternity, he is well aware that he is taking upon himself an obligation to support the organization financially through the payment of regular dues, assessments, rent, board, etc. Too many chapters and colonies have allowed their members to renege on this obligation and subsequently members run up accounts receivables that are uncontrollable and uncollectible .

Many members seem to believe that "true brotherhood" entails letting them go without paying their bill until such a time as they happen to have some money available. "After all," someone may argue, "we're all Brothers and it's not fair making me pay money that I don't have and I really **want** to belong to the fraternity." If a person who is not paying his bill truly believes in Brotherhood, and if the other "Brothers" in the Chapter truly believe that he is good for the money, he should be able to borrow a few bucks from each of his Brothers to meet his obligations. (Let that be a test of the Chapter's Brotherhood.)

IT IS THE RESPONSIBILITY OF EACH MEMBER TO CARRY HIS FAIR SHARE OF THE FINANCIAL BURDEN INVOLVED IN RUNNING THE FRATERNITY. The man who does not pay his bills on time becomes a parasite, feeding off of the generosity (or stupidity) of his Brothers. He is taking the services and benefits of the Chapter without returning his rightful contribution. In effect, he is stealing from the treasury just as much as if he had walked off with the cash box. There is no room for this type of individual in Alpha Gamma Rho, and he should be dealt with before the situation worsens.

The Chapter must make a written contract with each member for a room, meals, and dues. For the contract to be legal and binding, it must be co-signed by persons of legal age. Have a competent person review your house contracts.

Policies for Collection

The following are several policies and ideas that, if established by a Chapter or Colony, will facilitate the collection of accounts receivable on a steady and predictable basis. These policies must be built into the Chapter/Colony By-Laws in order to be effective. The implementation and courses of action taken are then automatic – regardless of the excuses of members in question. All procedures are then subject to appeal to a higher body such as the Executive Council, or preferably, the Alumni Board of Trustees of a Chapter or Colony. The member bears the burden of providing his case to the body of appeal.

1. **Educate** – Let recruits know what the financial obligations are before joining and make it very clear full payment is a necessity. Do not initiate someone who will later be unable to make his payments. After initiation, make new members aware of all payment and prepayment options. Be certain to have the presentation and approval of each yearly budget. Knowing where the money goes may motivate some to avoid late or nonpayment.
2. **Prepayment** – In order to insure that the money due is collected, the policy should be that each member pays before incurring his debt. Each member is normally required to pay his rent as well as a damage deposit before he can move into the house. This is a good business practice and should be included in the Chapter By-Laws, (See Appendix No. 9 for sample By-Laws.) Prepayment is not too much to ask each Chapter member. If he didn't have the house to move into, he would have to scrape the deposit money together to live somewhere else. Also keep in mind that most students have ample money when first returning to school in the Fall. There's no reason to let the member spend it before he can pay his bills.
3. **Discounts** – Prepayment may be encouraged by offering a discount on the entire bill. If a person pays for a full year at the beginning of school, he may receive a larger discount. If properly handled, the Chapter/Colony will not be losing any money as it may first appear. Prepaid money can be placed in a savings account and draw interest from day of deposit to day of withdrawal. Discounts may also be handled on a monthly basis. Under this plan the house bill is set \$2.00 to \$5.00 higher than the normal monthly charge. Those members who pay their bills by the fifth of the month receive a discount for the same amount. Others pay the full amount of the bill.
4. **Alumni Board of Trustees** – Alumni Boards are very useful in collection matters. With an ABT holding each member responsible, friction between the members and the VNR-Finance and/or president is greatly lessened. The ABT must meet on a regular basis – monthly is recommended. The Board will then review all overdue accounts and take necessary action during this meeting. The following is an example of how a collection policy involving the Alumni Board of Trustees can be used. Each member is billed by the first of the month. The bill is due on the tenth. If the member pays on or before the 5th, he receives a discount. If the bill is unpaid by the 10th, his account is submitted to the ABT and that member must go before the Board to explain why he has not met his responsibility. This procedure is fair to each member and takes a major part of the collection problem off the treasurer.

5. **Suspension of Privileges** – If a person refuses to pay his bill and the ABT cannot work out a solution with him, the next step is to suspend his privileges. Privileges include the right to vote in meetings, to take part in ritual activities, to attend social gatherings, to eat meals, and to live in the Chapter house. Another remedy is to place delinquent bills on kitchen duty until full payment is received. This works as an incentive for the member to pay his bill.
6. **Parents** – After a bill has become overdue and the Chapter has worked with the member to make arrangements, his parents should be notified. Send a copy of his bill with a letter explaining the situation directly to his parents. Request their help in clearing up the matter. This action should be taken only after the member is made aware that this step will take place.
7. **Legal Action** – If at this point the bill is still uncollected, take the person to a small claims court. This is not an unfair action; **failure to take this action is unfair to those that pay their fair share.** Keep in mind, this step is almost impossible without legally signed contracts and promissory or installment notes (see the following Useful Ideas and Appendix No. 10 and No. 11 for sample promissory and installment notes).
8. **Expulsion** – The Constitution and By-Laws of the Fraternity provides for expulsion and details the procedure for expulsion of a member from the Fraternity. Indebtedness of a member to a Chapter constitutes unworthy conduct and such a member may be punished by expulsion from the Fraternity.

Any Chapter or Colony with a high accounts receivable problem should consider this course of action. Expulsion proceedings are not to be taken lightly by anyone. Care must be taken to observe the procedures outlined in the Constitution and By-Laws of the Fraternity. Failure to observe the proper procedures may result in having a conviction overturned by the Board of Directors (see Procedures for Expulsion).

Useful Ideas

- A. **Chapter Meetings** – Read an entire list of accounts receivable at each Chapter meeting. This generally tends to get all of those members who have paid their bills to exert pressure on the members who haven't.
- B. **Posting** – Posting a list of those who owe money may encourage several to pay, especially since people do not want to be considered irresponsible by their friends.
- C. **Legal Notes** – If a person's bill reaches a set limit, require him to sign a promissory or installment note (see Appendix No. 10 for copy of forms). This requires him to remain current thereafter while regularly paying off his indebtedness. This is a legal note and can be easily collected if the person fails to pay. Failure to sign a note after he has reached the upper limit of credit may be automatic grounds for expulsion.
- D. **Fines** – The idea of using a system of fines for failure to meet membership responsibility – financial or behavioral – has some **negative** overtones. If the fines are not enforced, members may learn disregard for the rules, thereby weakening the organization. The use of fines may also cause interpersonal problems between the person fined and the person enforcing or collecting the fine. At any rate, if the Chapter uses fines, the fines should be automatically levied and put on the house bill. If the person wishes to appeal the fine, he should do so to the Executive Committee or Alumni Board of Trustees.
- E. **University** – Make yourself aware of what the university can offer. Many times an institution will withhold grades and transcripts in lieu of payments.
- F. **Peer Pressure** – Solicit the help of the delinquent member's close friends to help collect the bill.
- G. **Loans** – If a person is having financial difficulty he may be able to receive a short-term loan from a bank or the university. Check what is available from your college/university business affairs or financial aids office.

The best solution to the problem of Chapter accounts receivable is not to allow them to accumulate in the first place. You and the members of your Alumni Board of Trustees are in complete control of this situation. If you insist on the payment of every account and are supported by the Board, there is little chance of your Chapter/Colony running up a long list of accounts receivable. **You, and every member of the Chapter are supporting the members who don't pay their bills.**

Set the rules down firmly and enforce them. Don't make exceptions to the rules. This can only lead to people looking for ways to get around paying their bills.

Brotherhood is every member carrying an equal share of the burden.

Appendix No. 9

Sample By-Laws

Each Chapter should have Constitutional By-Laws similar to these to insure proper collection of monies owed to the Fraternity.

Article I, Section I

In order to insure the financial stability of the Chapter, each member is required to pay in advance, any charges he will incur.

- i. **Deposit** – There will be a \$_____ security deposit paid by each member before he is allowed to move into Chapter housing. This deposit will be forfeited if physical damage is done or if the member moves out without paying before the contracted date. This deposit will be refunded in full within 30 days of the end of the contractual period, if there are no violations. (This deposit should be at least \$50 and put in a savings account to earn interest.)
- ii. Each monthly bill (billed the first day of the month) is to be paid on or before the tenth day of the month. After the tenth day, the member's account is delinquent and the VNR-Finance must turn his name into the ABT and notify the member that he is required to be at the next Board meeting. The last months charges will be included on the next to the last months bill. This money is also to be collected before the 10th day of the next to the last billing month.
- iii. No person in areas shall be allowed to live in Chapter housing for a period of more than one month except by approval of the ABT.

Discounts – If a member pays his bill in full for the term prior to the tenth day of classes, he is entitled to a 6% reduction (discount). For the member who pays his monthly bill on or before the fifth day of the month, he is entitled to a 3% discount.

Failure of a member to appear before the ABT, after notification of delinquency, will subject said member to an automatic suspension of privileges.

Appendix No. 10

Promissory Note

Amount: \$ _____

Date: _____
Mo Day Year

FOR VALUE RECEIVED, I, the undersigned, (hereinafter called the maker), promise to pay to the order of the _____ Chapter of the Alpha Gamma Rho Fraternity, located at _____, in the city of _____ in the state of _____, the sum of _____ dollars (\$ _____) with interest at the rate of _____ per cent (_____ %) per annum.

The makers and endorser of this note, each and severally, waive notice of non-payment, protest, and notice of protest.

It is further agreed that in case of failure to pay the amount due hereon at maturity, said note shall bear interest at _____ per cent (_____ %) per annum thereafter until paid in full and said Chapter may proceed against an endorser or co-signor individually without first proceeding against the maker.

DATE DUE: _____
Mo Day Year

(Maker)

(VNR-Finance)

(Co-Signor)

(Noble Ruler)

(Notary Public)

(NOTE: The above note should be filled out and signed in triplicate. The original should be filed and retained in a safe place; one copy should be kept with the VNR-Finance records; and one copy should be returned to the maker of the note.)

Appendix No. 11

Installment Note

AMOUNT: \$ _____

DATE: _____
Mo Day Year

FOR VALUE RECEIVED, I, the undersigned (hereinafter called the maker), promise to pay to the order of the _____ Chapter of the Alpha Gamma Rho Fraternity, located at _____, in the city of _____, in the state of _____, the sum of _____ dollars (\$ _____) with interest at the rate of _____ percent (_____%) per annum, payable according to the following schedule:

\$ _____ due _____ Mo Day, Year \$ _____ due _____ Mo Day, Year

\$ _____ due _____ Mo Day, Year \$ _____ due _____ Mo Day, Year

\$ _____ due _____ Mo Day, Year \$ _____ due _____ Mo Day, Year

The makers and endorser of this note, each and severally waive notice of nonpayment, protest, and notice of protest.

It is further agreed that in case of failure to pay the amount due hereon at maturity, said note shall bear interest at _____ per cent (_____%) **per annum** thereafter until paid in full and said Chapter may proceed against an endorser or co-signor individually without first proceeding against the maker.

DATE DUE: _____
Mo Day, Year

(Maker)

(VNR-Finance)

(Co-Signor)

(Noble Ruler)

(NOTE: The above note should be filled out and signed in triplicate. The original should be filed and retained in a safe place; one copy should be kept with the VNR-Finance's records; and one copy should be returned to the maker of the note.)