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## Best Practices To Receive Payments And Avoid Collections

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Fraternities and sororities continue to focus on the collection of various payments owed by its members. One area where issues may arise is a member enjoying all the benefits of membership in the organization and simultaneously becoming delinquent in required payments. Below are the best ways to ensure that your organization can continue to thrive economically while holding individual members responsible for payments due and – as a last resort – taking legal action via collections.

### 1. Formalize the relationship between the organization and the member, including communication with the member's parent(s) or guardian(s)

Ensuring that your organization can continue to be financially solvent requires formalizing an agreement between the member and the organization, usually in a form resembling a Membership Services Agreement.

The agreement should include both the member of the organization and the member's parent(s) or guardian(s) as signed parties. Including the parent(s) or guardian(s) as a party to the agreement serves as an insurance policy for the organization in the event that a large outstanding balance is due.

It is imperative that the member and its parent(s) or guardian(s) view the organization as any other business entity or membership organization that collects money. Proactive, early communication is effective to solidify the monetary requirements of the member. An alumni board member discussing specific details with the parent(s) or guardian(s) could provide clarity and comfort. This agreement sets the foundation for all parties to

understand their rights and responsibilities.

## **2. Clearly define payment due dates**

The agreement may vary depending on the services the organization is able to offer to its members. Such services include housing (including utilities, parking, or furniture and fixtures), meals, and social activities. Within the agreement, various payment categories must have clear, specific due dates. For example, housing costs may be paid in installments throughout the school calendar year, with the initial payment made before or during the first week of undergraduate classes.

For payments past due, the agreement should include a provision for "liquidated damages." Late fees is one form of liquidated damages, and the late fee can be payable either as a percentage of the total outstanding amount due or a specific dollar amount for each day such payment is late.

## **3. Be proactive in finding alternative solutions to legal recourse**

When late payments have accrued or such delinquent behavior has become commonplace for a member, it is best for either an undergraduate executive board member or an individual on the alumni association to speak directly to the member. Agreeing to a payment plan is a good first step.

A payment plan illustrates the organization's flexibility and willingness to work with the member. Changes in the member, parent's or guardian's life, such as losing a job or an unexpected medical cost, may not allow for such payment currently but sometime in the near future. Some members may use a portion of student loans to pay for membership housing or dues and must wait until receiving those funds to pay.

Instilling good financial habits is also a valuable life lesson for a college student. Consequences, both minimal and severe, occur if the member does not make required payments as an adult "in the real world." This teachable moment reinforces the organization's appreciation of its membership and simultaneously gives the member a reminder of its current financial responsibility.

## **4. Protect the financial health of the organization**

If payment plans and communication fall on deaf ears, be sure the agreement includes actions the organization can take to collect all payments owed. Including a joint and several liabilities provision fully protects the organization by having both the member and its parent(s) or guardian(s) be liable for all payment obligations under the agreement.

An attachment to the agreement may include a credit card authorization form that allows the organization to charge a credit card on file (of either the member, its parent(s) or guardian(s), or both) if payments are delinquent. This scenario is most applicable because of a severe delinquency in housing payments.

As a last resort, the organization should have the right to take any party under the agreement to collections. Collections may come in the form of third-party debt collectors or the organization enforcing the contract against all parties to the agreement in court, with the specific venue and jurisdiction spelled out in the agreement. Liens on assets or the

garnishment of certain wages are mechanisms for the organization to be made whole.

Balancing a member's financial responsibilities and the organization's need to function as a legitimate business is a necessary exercise that relies on a well-drafted agreement and constant communication between all parties. In the end, it's a best practice to be sure your organization has all protections available to collect payments due.