The Future of Debt Collections

What You Need to Know

EXUS®

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The New Emerging Loan Technology Landscape

Collections costs are spiraling out of control, according to consultancy CEB TowerGroup.

“Loan collections costs have been the fastest-growing segment in loan servicing,” they note. This is because of a fourfold increase in delinquency rates from 2007 to 2010. As a result, the cost to service a delinquent loan is 15 times greater than that of servicing a performing loan.

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Controlling these costs is a mission-critical priority for organizations that want to protect profits and grow. But process improvements alone are not enough to close the gap between the cost of servicing a delinquent loan and a performing one.

The industry is quickly realizing that it cannot “outwork” this problem by throwing more personnel at accounts. And the pressure is on to address the situation. Global non-performing loan portfolios are decreasing outside Europe, but collections operations are growing more complex as more products (like Islamic banking ones) become available.

The solution is adopting the right technology from the emerging loan collections technology landscape.

This landscape has changed dramatically in recent years, which has profound implications for how banks collect and recover. There now exist market-ready technologies that can streamline and improve each stage of the collections cycle, from managing documents to preventing delinquency.

Specifically, CEB TowerGroup has identified four types of technology as highly important for organizations that wish to capture the highest ROI from loan collections technology:

- **Process Automation**
- **Collections Analysis**
- **Self-Service Portals**
- **Third Party Portals**

These technologies represent the future of loan collections. This guide will explain what each one is, why it's important, and the benefits.

All told, the guide will give you a primer on how to make the future of loan collections work for you.

Process Automation

Process automation gives banks a key advantage in the marketplace. The technology, says CEB TowerGroup, "facilitates end-to-end automation of processes in the collections process to help banks manage large volumes of loans."

Too often, these organizations manage the collections cycle with siloed departments and technology separated by organizational (and often geographic) boundaries. Process automation, however, integrates the tools, systems and data used by banks across the cycle into one cohesive system.

Process automation may cover any and all of the following activities:

Bankruptcy

Customer service inquiries

Delinquent loan collections letters

Foreclosure

Loan write-offs

Payment collection

Payment reminder calls

Pre-delinquency

Recovery from customer

Recovery from insurer / guarantor

Sending and receiving mid-to-late stage loan modification documents

Across these categories, process automation delivers a number of organizational benefits:

Complete key tasks in less time or automate them entirely.

Gain insight into the whole collections and recovery cycle at once.

Cut costs by eliminating wasteful, lengthy or repetitive actions.

Simplify each stage of the collections and recovery cycle.

It's no longer enough to perform processes faster.

Savvy organizations that want to transform their collections departments must automate processes entirely to see significant savings.

Collections Analytics

Collections analytics technology gathers insight during each stage of the collections cycle and stores it all in one system.

To make intelligent collections decisions, you must properly monitor performance. In the past, this monitoring may have occurred manually or thanks to various legacy systems that did not talk to one another.

This made the analytics picture incomplete at best, and erroneous and confusing at worst. Technology has finally caught up to the needs of collectors: collections analytics technology gathers insight during each stage of the collections cycle and stores it all in one system.

Collections analytics technology achieves superior insight from a few **key capabilities:**

Scoring tools

Software that uses behavioral and quantitative criteria to rate new borrower risk and flag those accounts at-risk of delinquency, whether they're retail or corporate borrowers.

Custom reports

Reports that help your team quickly and accurately track scores, warning levels and segmentation to develop more strategic long-term collections plans such as flow rate analysis, collections efficiency and productivity.

Performance tracking

Data on customers, accounts, payments, actions, assignments, transitions and more can be used to provide a real-time pulse on organizational performance.

The right collections analytics functionality gives adopters significant advantages:

Better assess your organization's liabilities.

Prevent accounts from becoming delinquent.

Improve loan disbursement, CRM profiling, marketing and portfolio segmentation.

Gain insight into customers and collector activities through every stage of the collections process.

Focus on keeping customers happy and maximizing revenue generation thanks to flexible insights.

What gets measured gets managed, and collections is no different.

Self-Service Portals

"if possible, consumers prefer the option to see, monitor and resolve their debts on their own..."

Writer Ogden Nash famously said "Some debts are fun when you're acquiring them, but none are fun when you set about retiring them." He could have been speaking to the modern-day collections market. Too often, interacting with a debt collector is an embarrassing, undesirable task for a consumer. Even if it was enjoyable (an unlikely scenario), these interruptive calls from companies looking for restitution don't map to modern customer behavior.

Consumer behavior has changed: if possible, consumers prefer the option to see, monitor and resolve their debts on their own, without involvement from a debt collector. Self-service technology makes this possible, and many organizations are using it to build collections programs that perform better.

These portals are typically web or mobile platforms that give customers a clear picture of their obligations with a company. Consumers are presented with the ability to say why they cannot pay, customized terms so they can pay what they can afford at the moment, and features that open up a possible conversation about refinancing or other products.

Self-service portals:

Align with how customers buy and interact online.

Scale collections capabilities quickly and cost-effectively by providing self-cure features to more customers without higher costs for the organization.

Free up internal resources to work on higher priority tasks.

Improve transparency, since the debtor has access to a complete picture of his or her financial situation 24/7.

Increase an organization's ability to reach customers, since there is no limit to the number and size of segments in the system.

In many cases, giving customers the opportunity to settle their obligations is the surest path to profits.

Third-Party Portals

Collections and recovery software should include or incorporate process automation, collections analytics and self-service functionality. These features help your organization do its job better. But what about the organizations you work with? These organizations need to use technology to capture better results, too. And how they use technology will impact your organization's performance.

Organizations your collections department works with break down into two categories:

Compliance

Providing the right information in a timely fashion to the legal teams or government agencies that may regulate your activities.

Outsourcing

Managing a third-party debt collection agency you've hired to help perform collections work.

In both cases, a third party portal allows you to give compliance and outsourced partners limited access to your collections operations in a centralized location. Using a portal makes sure each party can access the information, documents and data they need to do their job. This results in better compliance and performance for your organization thanks to the following benefits:

Transparency of services and results.

Better monitoring of third party involvement with your organization's accounts.

Better compliance monitoring, both for your organization and third-party debt collection agencies.

Increased adherence to bank policies and approach.

Improved collaboration between all parties.

Whether the third party is a regulator or an agency that needs to be regulated, a third party portal is a must in any next-generation loan collections technology solution.

Best-in-Class in Emerging Loan Technology

EXUS' debt collections software was profiled in a recent CEB TowerGroup analyst report "Loan Collections Systems Technology Analysis" as being a "best-in-class" solution for core collections, enterprise technology and customer management.

The report, published in **March 2016**, is the **first-ever global technology analysis of loan collections systems** by an industry analyst firm. Fifty vendors were considered in the preliminary phase, with fourteen vendors selected for the final evaluation report.

CEB's analysis and comparison framework employs a five-point rating system on which individual systems are scored. The report identifies 22 attributes that define a "best-in-class" system and groups them into four categories that reflect organizations' needs around debt collections. Top-performing systems identified in each of the four categories are given a "best-in-class" recognition.

EXUS
Loan Collections System

"best-in-class"

CEB TowerGroup
"Loan Collections Systems Technology Analysis"

As the report observes:

"EXUS' IT architecture and deployment capabilities have enabled it to sell its system to financial institutions of any size, including smaller institutions that many other vendors don't support.

Although lesser known outside its primary regions of operation, EXUS' loan collections technology, staff experience, and focus on retail banking make it a very attractive solution for institutions of any size to consider when replacing or upgrading their collections technology."

Learn more by reading the full report.

About EXUS

EXUS is an international enterprise software company specializing in credit life cycle management. EXUS was founded in 1989 with the vision to transform the complex software industry, making it simple, accessible and exciting. Our products have been designed through a deep understanding of our customers' needs and in line with our purpose to simplify complexity and enable intelligent action.
Through our corporate headquarters in London, our offices in Athens and our partners, we support financial organizations and telecom operators around the world to improve their credit risk management efficiency, increase confidence in their strategic decision-making, and achieve success in demanding and competitive markets.

EXUS. FINANCIAL SUITE

"EXUS Financial Suite" (EFS) is our comprehensive suite of software applications that manages credit risk along the whole lifecycle of accounts, from the moment of disbursement until write-off or debt sale. EFS helps organisations in 26 countries around the world to identify and treat credit risk early, perform efficient collections, manage legal proceedings and recoveries and again detailed insight into portfolio evolution, collections strategies and resource efficiency.

EFS was rated "**best-in-class**" solution for collections in the first ever global technology analysis of loan collections systems by leading industry analyst issued by Gartner.

To find out how EFS can help you manage your collections teams effectively and turn your collections operations into a profit centre, join one of our free product webinars by sending us a mail at info@exus.co.uk

Gain collections insights every week by subscribing to the EXUS Collections Blog.

For up-to-date collections news, follow us on: LinkedIn

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