5 Steps You Can Take Today to **Maximize Debt Recoveries**

ConServe
Accounts Receivable Management

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Did you know 11.1% of student loans are 90 days or more delinquent or are in default? If you consider the fact that total U.S. student loan debt is $1.64 trillion, the amount of money in collections is truly staggering[1].

That is just student loan debt. There are countless other obligations being managed by credit unions, colleges and universities and other financial institutions. These challenges will only be exacerbated by the current economic crisis brought on by COVID-19.

Now more than ever, it is critical that colleges and universities, credit unions, and other institutional lenders do everything they can to maximize recoveries and reduce unnecessary charge offs.

Here are five steps you should be taking to do just that.

1.Data via the U.S. Federal Reserve and the Federal Reserve Bank of New York.

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1 Build a Strategic Approach

A strategic, data-driven approach is key for internal collection teams striving to optimize the debt recovery process. This involves three critical activities:

1. Establish accurate recovery baselines & develop a detailed plan for improving recoveries

The first critical step is to understand your baseline performance for recoveries. This will give you a metric to measure against as you implement your continuous improvement plans. These plans will vary depending on your business, but typical opportunities include an assessment of your inventory segments and their relative value, recovery potential, and likely repayment methods; the functional operations related to your collection efforts; and the development, management, and performance of your internal collections specialists.

For most organizations, the greatest untapped potential can be found within inventory segmentation strategies and recovery potentials. Scoring models are a tremendous tool at this point. A comprehensive scoring model can help predict the long and short-term recovery rates of various inventory segments, allowing you to focus your time, effort and resources on the accounts with the highest probability for resolution and the greatest return potential.

2. Utilize analytics and data to make better operational decisions

The foundation of your daily collection activities should be a structured approach that aligns the distribution of your collections efforts with the recovery potential of each inventory segment.

For instance, as accounts are worked in your Collection Management System (CMS), all collector and system actions should be captured as distinct transaction records. Using this data, heuristic algorithms can automatically determine the optimized criteria for "work lists" based on scoring model outputs within the CMS.

Once the optimum content of accounts has been auto-selected for a "work list," a second layer of heuristics can help determine a work schedule. Optimized contact attempt times within a work week and at the phone number level are prioritized. This accelerates the discovery of when a consumer will be most readily engaged to discuss their account.

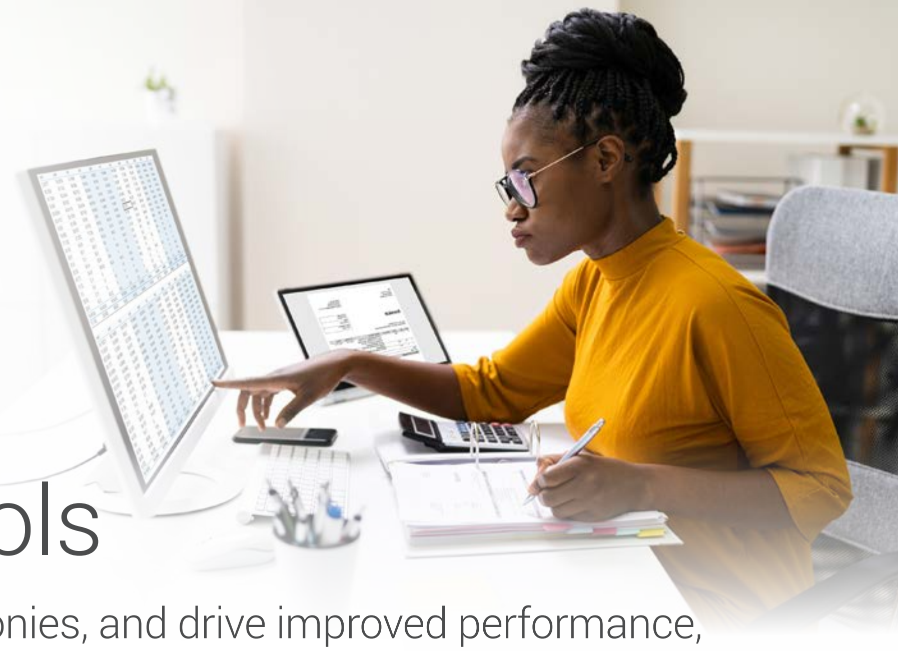
At the same time, reducing total contact attempts per right party contact creates a labor multiplier, reduces unwanted phone calls and associated complaints, and ultimately creates a right-time-experience for the consumer to speak with your collection specialist.

3. Provide higher levels of service to your consumers

Once contact is established with a consumer, your collection specialists need to take the approach of understanding each consumer's situation, and then educating and counseling the consumer on all options for resolving their defaulted loans. A high level of professionalism and performance should be the expected norm.

Training and development is your single most effective tool for ensuring these expectations are met. Ongoing training around collection techniques, verbal cues and listening skills, and compliance with applicable regulations regarding privacy and confidentiality (e.g., FDCPA, FCRA, GLB, HIPAA, FERPA, and The Privacy Act of 1974) can all help contribute to a better customer experience.

How individual collection specialists actually perform can be measured in a variety of ways, but to capture how they are representing your institution and connecting with consumers, it is best to implement regular customer service surveys. Be transparent with the results, and with your expectations, to ensure the entire team understands that this is a priority.



2 Leverage All Available Tools

To locate debtors, recoup owed monies, and drive improved performance, the most effective recovery teams take advantage of all the tools and technologies at their disposal. These can improve efficiencies – and results – as they are highly specialized to the collection industry. Here are just a few examples you should be aware of:

Skip-Tracing

Locating debtors is often the most significant challenge collection teams encounter, as many move or even flee to avoid meeting their obligations. This is where skip-tracing comes into play. This service relies on automated information gathering systems across different databases to find debtors who have moved and left you with no forwarding address. More advanced techniques introduce a second level of manual review via integrated data suites to derive another layer of meaning and insight from the automated results.

Speech Analytics

These systems allow organizations to analyze interactions between collection specialists and consumers by automatically processing thousands of hours of audio recordings in a short period of time. This can provide valuable insights and feedback to help individual team members improve, and also help ensure compliance with applicable laws and regulations.

Digital Engagement

Today's consumers communicate digitally, and your team needs to meet them on their own terms. Emails and chat work especially well with younger debtors, who may be uncomfortable discussing their payment obligations over the phone. In addition, online access via secure portals allows you and your consumers a convenient vehicle for payment plans and ongoing status updates. Algorithm-based programs can help you tailor these collection strategies to the individual debtor.

Performance Measurement

As the old saying goes, you can't manage what you can't measure. Metrics that drive performance include call activity, quality of talk offs, quality of work performed, and collector gross recoveries. These metrics not only drive improvement, but also allow you to establish individual performance goals and develop more accurate revenue recovery projections.

3 Lean on the Experts

Rather than hire staff and train internal employees, many institutions turn to collection agencies to help them recover debts from their defaulted consumers more quickly. There are a few reasons they make this choice.

First, established collection agencies have successful, fully trained, and skilled professionals on staff. These are performers who know how to handle debtor issues.

At the same time, the agency's collection specialists, or Debt Counselors, need to know how to legally collect debts, so they are often supported by rigorous training programs that ensure they are always up to date on the latest regulations.

Finally, and perhaps most importantly, this is their entire business, spread out across multiple clients. This means collection agencies can bring economies of scale that can help individual universities and credit unions get the work done at a significantly lower cost.

How do you know when it's time to do what you do best, and lean on these kinds of experts to collect past-due debts? Consider these four factors.

1. Staff

You do not have enough staff or enough time dedicated to handling delinquent receivables.

2. ROI

The money your organization invests handling receivables is more than it would cost to partner with an agency.

3. Impact

The balances of your receivables are low, but the volume is still high.

4. Training Resources

You're having trouble keeping your team abreast of the many changing laws and regulations.

When seeking out an agency, be sure to first seek out a partner that is focused on accountability, efficiency, and performance. In these delicate matters, values and culture can be just as important as price and reputation.

You should also demand the same rigor when it comes to technology, data security, and compliance. Look for Federal Information Security Management Act (FISMA) Compliance, SSAE 18/SOC 2 Type 2 Engagement, and PCI-DSS Compliance.

There are also industry certifications you can look for, such as the ACA International Blueprint Quality Management System® certification. Currently less than 1% of the more than 6,000 collection agencies have been able to successfully achieve and maintain this certification, which has been recognized as the collection industry's standard for quality management.

4 Streamline Your Agency Roster

If you are already working with collection agencies, now is the time to re-examine your processes. We have found that educational and financial institutions typically award around 5 vendors. Unfortunately, that portfolio approach often leads to wasted money and a lower return on your investment.

Instead, many creditors are relying on proven relationships with fewer (but higher performing) partners to deliver better results, and savings that range from 20% to 30%.

By consolidating your business with one or two of your top performing collection agencies, you will immediately see better results, because that is what they are already delivering.

You are guaranteed to increase the percentage you recover for every dollar you spend. It is an instant return on your investment, and you can start recovering more right away.

To see how much you could save, we've provided this simple calculator to see how much you can increase recoveries for every dollar you spend: **www.conserve-arm.com/calculator**

Another way to streamline the process is to place your accounts within 6-12 months to optimize collection results. Once again, it only makes sense to move accounts to your top performing partners to begin yielding a higher return more quickly.

Finally, you should demand real-time reporting from your agency partners. With this kind of transparency and accountability, you can monitor performance in real-time, identify trends, and rapidly make any necessary adjustments or changes to ensure they deliver ongoing results.

You won't be managing vendors. You'll be working with a partner, which means a better experience for you and for your consumers.

5 Manage Agency Partners for Maximum Value

The economics of these agency relationships can go a long way toward you getting the best possible results. Here are four factors you should consider.

Best Results

Leverage your experience and dashboard reports to put a fair value on the results you require, and the effort required to deliver them. Once you know how your agency partners are performing, based on monthly agreed-upon metrics, you can assess the return on investment and the overall value to your organization. Likewise, a fair rate lets the agency invest in the people, resources, and tools they need to match up with your expectations.

Establish Set Pricing

Establishing a preset fee structure will allow you to focus your assessments on key performance-related criteria rather than price. The percentage rate of commission should be less important than the agency's percentage of return on the total dollars referred for collection.

Understand the Correlation Between Rate and Success

Often, a higher fee percentage will allow for a higher rate of success. Low collection rates often result in an agency scaling back its collection efforts. Instead of a low collection fee rate, you should focus on return on investment (ROI).

Example

Agency 1

- **State placed $1,000,000**
- Agency Fee 20%
- **Agency collected 190,000 (19% of the $1,000,000)**
- After paying the collection fee, the client retained a net amount of $152,000
- **A net return on investment of 15.2%**

Agency 2

- **State placed $1,000,000**
- Agency Fee 25%
- **Agency collected 350,000 (35% of the $1,000,000)**
- After paying the collection fee, the client retained a net amount of $262,000
- **A net return on investment of 26.2%**

Don't Forget to Account for Added Value

The best partners will share industry knowledge and complimentary training, which can help cut your costs as you implement proactive default prevention solutions. Look for these types of added-value services, and take full advantage of these opportunities.

At the same time, compliant, professional collection agencies can help ensure your consumers will receive the support they deserve and the help they need to reestablish their good standing, and their own financial freedom.

Call (866) 761-0700, email salesinfo@conserve-arm.com or visit www.conserve-arm.com/meet-conserve

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