Economic Forecasts for the Collection Markets


- RealtyTrac- One in every 706 U.S. housing units with a foreclosure filing during the month Oct 2012

- The share of strategic delinquencies among the total has risen to about 27 percent from 20 percent a year ago. Bloomberg Oct 3, 2011

- Over the last 12 months, the All Consumer Price Index increased 2.0 percent before seasonal adjustment. U.S. Bureau of Labor Statistics March 15, 2013

- Real median household income in the United States in 2011 was $50,054, a 1.5 percent decline from the 2010 median and the second consecutive annual drop. U.S. Census Bureau, Sept. 12, 2013

- Outstanding student loan balance now stands at about $870 billion, and has surpassed the nation's $693 billion credit card balance, according to the report. Federal Reserve Bank of New York Report
Innovation is a Blood-Squeezing Tool
1. Predictability Scoring Models
2. Dynamic Skip Tracing Waterfalls
3. Use of Automated Dialers and the TCPA
4. Use of E-mail – blend of FOTI and TCPA Expressed Consent
5. Social Media

Bleeding-Edge
1. Predictability Scoring
   ➢ Drive your objectives
     ❖ Activate accounts equally and then
     ❖ Put more resources on accounts with the highest propensity to pay
   ➢ Monitor change in score to drive strategy
   ➢ Uses External and Internal Data Sources
   ➢ Accounts when propensity to pay changes (up or down)
     ❖ Warehouse data mining
Bleeding-Edge

2. Skip Tracing Waterfalls
   ➢ Software that interfaces with your recovery systems to rank success of data sources
     ❖ Most Effective Data Searches
     ❖ Interactive with Specific Account Data
     ❖ Dynamic – changes with the result data
       ✓ Requires capture of result data
     ❖ Integrates with performance (payment) Data

Bleeding-Edge

3. Use of Automated Dialers and the TCPA
   ➢ Efficient tool to increase contact production
      Preview Mode
      Predictive Mode
       – With IVR
       – Without IVR
      Messaging Campaign Mode
   ➢ Telephone Consumer Protection Act
      Prohibits calls to cell phone (scrub phone data)
       – Obtaining Expressed Consent to call cell phone
       – Time Zone challenges
       – Wireless hub home phones

Bleeding-Edge

4. Use of E-mail – blend of FOTI and TCPA
   ➢ Must be secure and authenticate right party
   ➢ 3rd Party must include FDCPA Disclaimer
     ❖ “This communication is from a debt collector and any information obtained will be used for that purpose”
   ➢ Automatic 3rd Party Disclosure
5. Social Media for Skip Tracing & Asset ID

Hottest Topic for Locating Consumers
Powerful Tool for obvious reasons
However be very careful with use of Social Media
Public access only, NO Account Sign on
Internal Security to prevent sign on or disclosure
NO misrepresentations to 3rd parties
PROCEED WITH CAUTION
PLENITY OF EDUCATION OUT THERE ON THIS TOPIC!

6. Locating Hidden Assets in the Underground Economy

Definition:
“A group of clandestine transactions that create (financial) value, but are conducted with the intention of escaping something – primarily taxes, revelation of bribes, government regulations, exchange controls, or criminal prosecution”

Ingo Walter; Professor of Finance, Stern School of Business New York University

Locating Hidden Assets

Financial Analysis - Consumer
- Credit Bureau Report vs. Income
  - Size of payments on personal finance obligations compared to earnings (Expenses > Income)
  - Credit granting activity
    » Down payments
    » Interest Rates (high or low)
    » Open / close account activity

Lifestyle Analysis – Consumer
- Personal Property Values vs. Income
  - Auto / Home / Real Estate
  - Form of Payment – Money Orders – Western Union
Squeezing-Edge

BEHAVIORAL PROGRAMS

• We don’t really need research to understand that behavior programs can have significant impact on performance and production in debt collection operations.

But Here’s Some Proof Anyway…

Game-Based Incentives
Behavioral Tools
Balancing Tools with HR Constraints

- Incentive Programs (don’t tune me out and say… ‘We can’t incent our collectors because we are government’)
  - Incentive Programs that cost NO money (merchant Coupons / Manager Discretion Time off / Dress Down)
  - Incentive Programs that cost very little money
  - ILLUSTRATION – SLOT MACHINE GAMES

Behavioral Tools

“Variable/Intermittent reward is far more influential on reinforcing behavior than a known reward, the theory being that the possibility of a big jackpot is more desirable”

(Games Work and Human Motivation by Dr. Brooks Mitchell)

Survey of 6,236,867 employees: 99.7% Prefer an Opportunity to Play the Game versus Sure Deal

“I like the Games Because You Never Know What You Might Win.” Workplace Gamer
Characteristics of Effective Performance Reward Games

1. Played Quickly
2. Easy to Learn
3. Clear Rules and Scorekeeping
4. FUN!
5. Accommodate Different Skill Levels
6. Instant Feedback
7. Monitors Players’ Progress

8. Team & Individual Play
9. Relationship Between Performance and Outcomes
10. Continuous & Intermittent Reinforcement
11. Challenging but NOT Impossible
12. Hold Long Term Interest
13. Desirable Rewards
14. Include Managers & Supervisors

Behavioral Tools

Workplace Culture

• Build a team culture through
  – Teams with goals – goals that play off incentives
  – Something Special About Where We Work
    » Example – UCB PWD Program
    » WWDWWD – Why We Do What We Do
  – Humor – is it fun to go to work?
  – Keeping it new and different over the years to avoid workplace apathy

• Take Pride in Those Who You Serve
  – This is an easy one for Child Support – not so easy for other creditors and collectors
    Recognition to include the benefactor
Behavioral Tools
Change the Office Culture

Specialized Education & Training

• Empower individuals who learn, grow, and share with management and staff

• Managers do not have to be the expert in everything!

Managers Don’t Have to Do All
Change the Office Culture

• Discover Personal Development and Knowledge Sharing

EXAMPLE
– CFE
  » Search and Locate
  » Asset Investigations
  » Interview Techniques
– Social Media In Depth
– Your Initiatives

Better Performance If You DON’T

Behavioral Tools
Change the Office Culture

• It’s exciting to share new knowledge
  – Presentation to Management
  – Train the Trainer
    » Subject Matter Experts – One and ALL
    » Learn and Grow Together
Transform Relationships
Employees and Consumers
Example: Debt Collection Services Are a Transformative Service
- By engaging with a collector, consumers are transformed in some way...
  Pay on Account
  Improve personal financial situation
  Improve consumer credit standing / score
  Reduce stress from burden of unpaid account
  IN THIS CASE – KNOWING CHILD RECEIVES BENEFITS FROM PAYMENT

Transform Relationships
Beware the Unintended Consequences
(Consumers)
» Stress of taking the calls
» Embarrassment with spouse, family, or on the job
» Rob-Peter-to-Pay Paul syndrome

Beware the Unintended Consequences
(Consumers)
» Stress of taking the calls
» Embarrassment with spouse, family, or on the job
» Rob-Peter-to-Pay Paul syndrome

Beware the Unintended Consequences
(Consumers)
» Stress of taking the calls
» Embarrassment with spouse, family, or on the job
» Rob-Peter-to-Pay Paul syndrome

Beware the Unintended Consequences
(Consumers)
» Stress of taking the calls
» Embarrassment with spouse, family, or on the job
» Rob-Peter-to-Pay Paul syndrome

Beware the Unintended Consequences
(Consumers)
» Stress of taking the calls
» Embarrassment with spouse, family, or on the job
» Rob-Peter-to-Pay Paul syndrome

Beware the Unintended Consequences
(Consumers)
- Collector training should address the positive and negative consequences of Transformative Services
  - Give Your Collectors Perspective
    » Give collectors tools to achieve INTENDED consequences in building the relationship with debtor
    » Give the collector tools to avoid the UNINTENDED consequences in contacting the debtor
    » Improve the collectors understanding of how and why consumers respond the way they do.