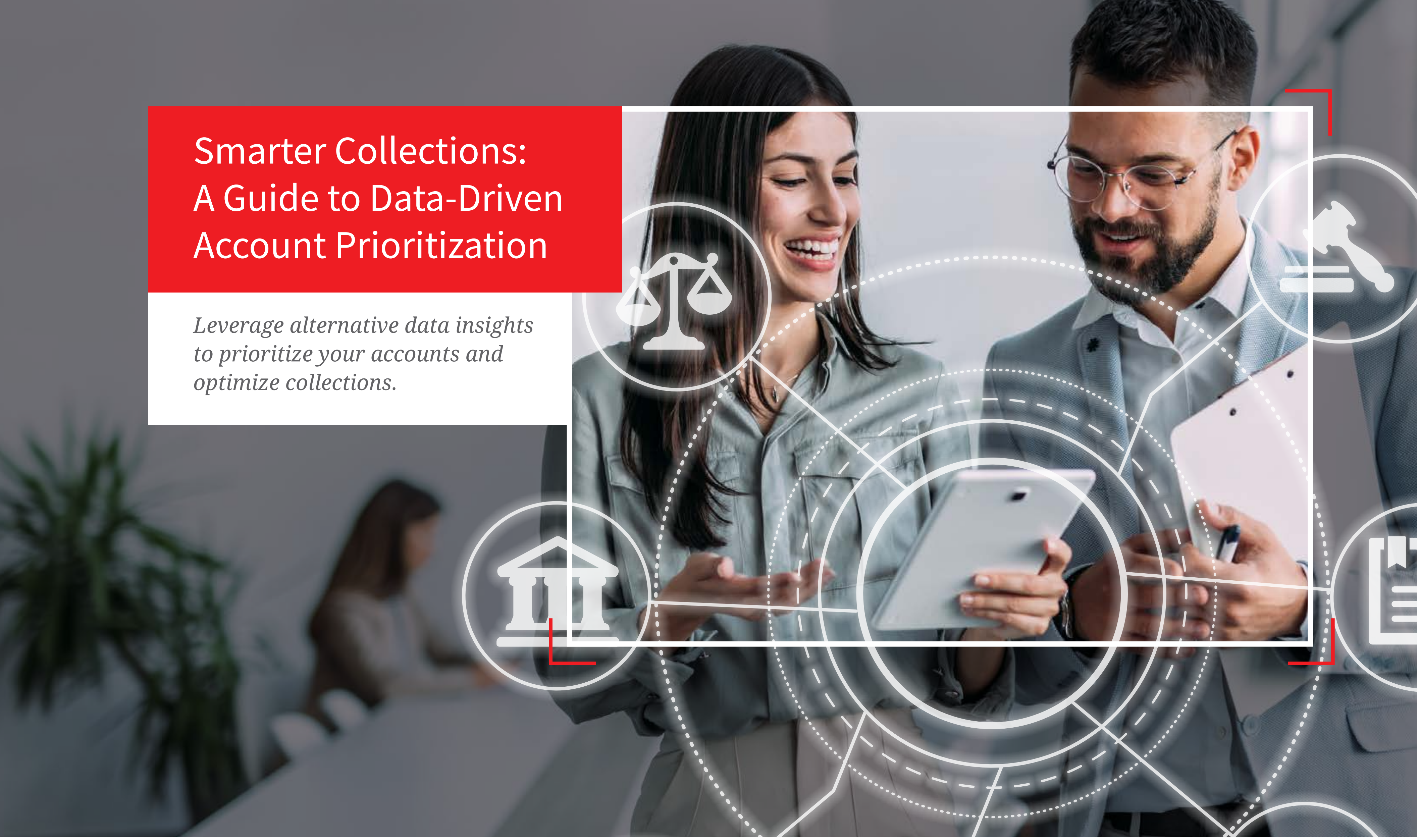
Smarter Collections: A Guide to Data-Driven Account Prioritization

Leverage alternative data insights to prioritize your accounts and optimize collections.



LexisNexis® RISK SOLUTIONS

Rethinking collections in a high-risk climate

The collections landscape is undergoing a significant transformation. Rising debt levels, shifting regulatory scrutiny and evolving consumer behavior have made the process of recovering debt more complex — and more costly. As we enter a new era of collections, success hinges not on how many accounts you touch, but on how wisely you choose which accounts to pursue.

Household Debt
$18.2 trillion

Student Loan Delinquencies
7.74%

Delinquencies and defaults are climbing

Recent financial data paints a concerning picture. During Q1 2025, total household debt increased by $167 billion to a record $18.2 trillion, according to the Federal Reserve Bank of New York, signaling worsening financial conditions among consumers.[1] Student loan delinquencies expectedly jumped to 7.74% from 1% following the end of a pandemic-era pause of reporting past-due loans on credit reports.[2] Auto loans and credit card delinquencies remain elevated, widening the gap between consumers' financial obligations and their ability — or willingness — to meet them.

As delinquencies grow, so does the cost to collect. Between staffing to meet expanding workloads and ever shifting compliance demands, collections departments are seeing their overhead swell. Allocating resources to chase uncollectable or low-value accounts is inefficient; more importantly, it's unsustainable.

Who's worth pursuing?

In late 2024, LexisNexis® Risk Solutions with Celent, a globally respected research firm, surveyed first- and third-party collections professionals about how they prioritize accounts. Findings revealed that most rely on surface-level criteria.

When asked about their top factors for determining collections outreach, respondents cited the following three factors:

Eligibility for repayment
Is the debt still legally and practically collectable?

Type and size of loan
Is the loan secured or unsecured, and is it a high-value target?

Likely ability to repay
Does the borrower appear to have funds or assets to repay?

Without the aid of enriched data solutions, most collection teams still rely on traditional credit data that, unfortunately, only tells part of the story. While credit scores and payment history offer some insight, they can fall short of identifying a consumer's current financial behavior and circumstances.

Leverage account prioritization strategies for higher recoveries

Having the ability to identify which accounts are most collectable will help your team recover more funds and protect your organization's reputation. **Here are six steps to help strengthen your account prioritization strategy:**

1. **Filter for collectability early** — Before determining how — or even if — you should pursue an account, you need to know whether the debt is legally or practically collectable. Pursuing accounts that fall under bankruptcy protection or belong to deceased individuals, military personnel (Servicemembers Civil Relief Act), or incarcerated individuals wastes resources and can also result in potential compliance violations and reputational risk.

   Specialized data tools can help identify these types of non-collectable accounts upfront, allowing your collections team to stay focused on outreach that's likely to generate results.

2. **Refresh consumer data** — Consumer circumstances can change quickly — and collections strategies need to keep up. Relying on static data can be risky. Traditional credit reports may not provide the same warning signs of default as they have historically. Many data elements, such as medical debt and civil judgments, may not be consistently reported. And consumer-friendly policies included in the National Consumer Assistance Plan (NCAP), such as non-reporting in lieu of payment, can also contribute to an inaccurate assessment of the customer.

   You need data that updates regularly to detect shifts in financial stability. Alternative data can help amplify a consumer's financial situation well beyond traditional credit scores or reports providing a more holistic view of a consumer's ability to pay.

Leverage account prioritization strategies for higher recoveries

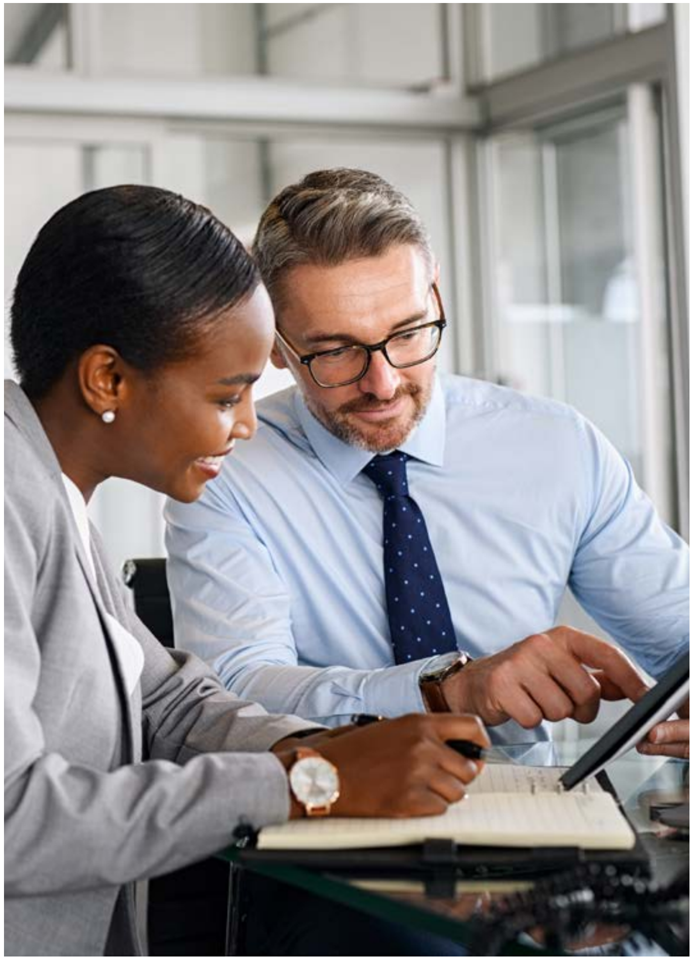
3

Tailor insights to your portfolio — Lenders and third-party collection agencies have different needs. A one-size-fits-all approach across portfolios may not work. Instead, consider the types of assets you manage — credit cards, auto loans, personal loans — and your risk thresholds. The asset type can help inform your recovery strategy from garnishments and litigation to repossession.

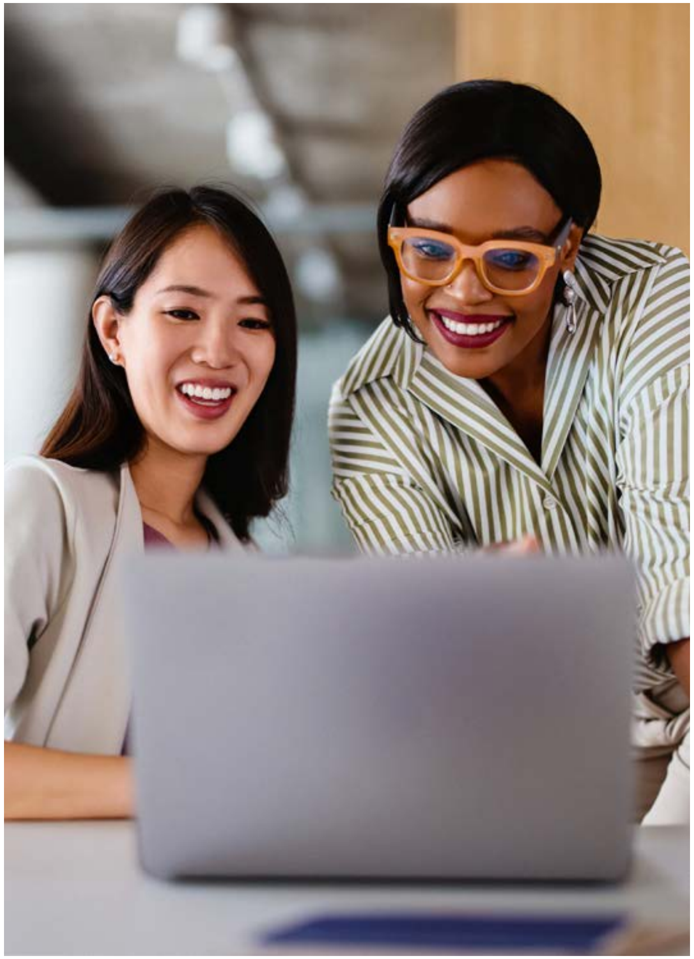
Segment and score accounts based on your business's priorities. Assess the consumer's holistic financial standing — including liens and judgments, bankruptcy filings, litigation, credit data and more — in order to evaluate collectability. Predictive modeling can help pinpoint which accounts to pursue and their profit potential.

4

Rank accounts using traditional and alternative data — Some debtors are able and willing to pay, while others may be unreachable or financially incapable. Combining traditional data with alternative data provides powerful, granular insights on the customer to use in rank ordering accounts based on repayment likelihood. Focus your efforts on those accounts with the highest collectability scores to increase efficiency and ROI.



Leverage account prioritization strategies for higher recoveries



5

Evaluate litigation potential — Litigation is costly. Leverage nuanced data points such as liens on file, count of judgments, dollar amount of tax liens and court costs. They fall outside the scope of a standard traditional credit report but can offer vital clues about a customer's probability to pay. Alternative data can inform litigation strategies, improve the collections experience for customers and even identify previously undiscovered consumer assets, which can increase recovery on otherwise exhausted receivable portfolios.

6

Protect portfolio health — When prioritizing accounts for outreach, access to information about the customer can give you actionable insights that improve your collections success. Alternative data allows you to gain a much clearer picture of the consumer and factor that information into your recovery efforts. You're able to distinguish the low-hanging fruit from time-wasting accounts likely to have little or no payoff. And you can zero in on accounts of high-balance, high-risk customers that may benefit from special handling.

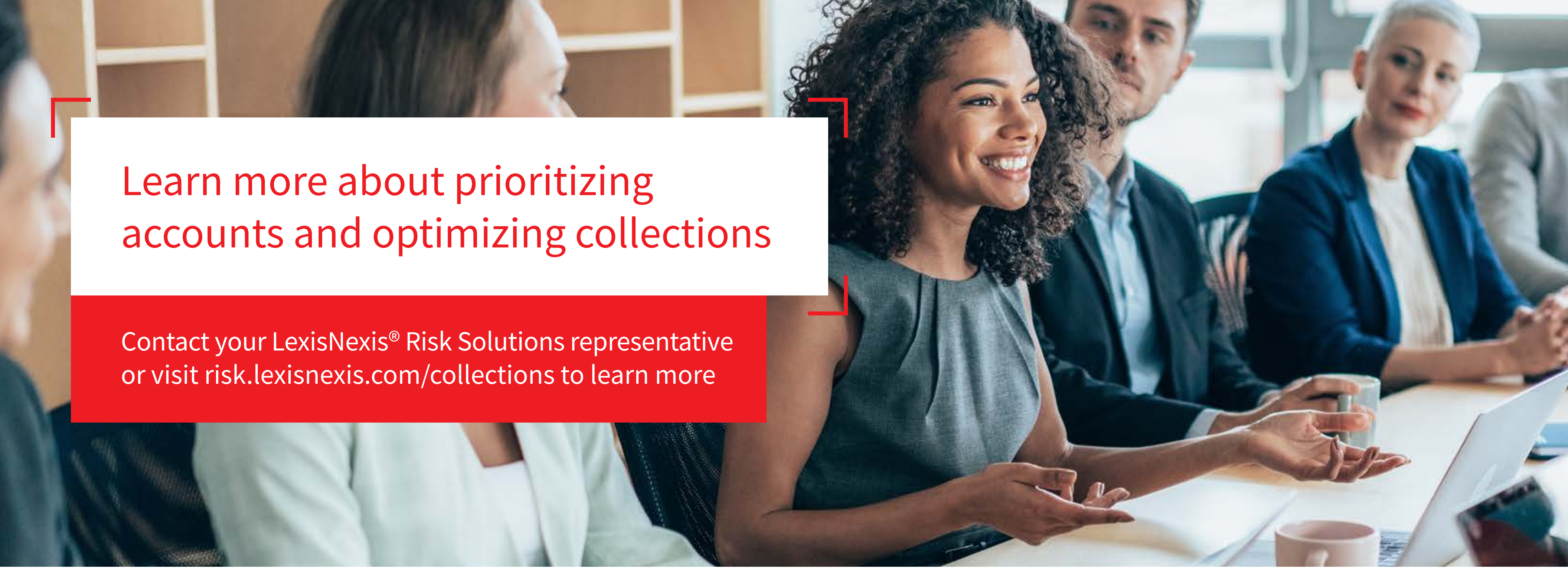
Data-driven prioritization: the edge your collection team needs

Effective account prioritization is no longer just a best practice; it's mission critical. With rising delinquency rates, shifting compliance requirements and growing pressure to collect more with fewer resources, collections operations must embrace smarter, data-driven strategies to help stay compliant and be successful in collecting on debt before others.

Strategically ranking accounts based on robust, real-time data from monitoring alerts — especially when enhanced with alternative data sources — gives you a clearer view of a borrower's financial standing. Better intelligence enables smarter collections decisions and strengthens compliance.

LexisNexis® Risk Solutions has a comprehensive suite of powerful, data-based tools that can help you prioritize accounts and maximize collections recovery, including:

- **RiskView™ Payment Score** uses predictive analytics to deliver a dual-performance score, ranking delinquent accounts based on their likelihood to repay in three months and their capacity to repay the highest percentage of outstanding debt.
- **Banko®** helps you discover, monitor and manage changes in bankruptcy case information via automated alerts. You avoid potential regulatory fines by steering clear of consumers who've declared bankruptcy and can focus your efforts on the most collectable accounts in your portfolio.
- **PAYMETRIX®** gives you the power to identify previously undiscovered consumer assets, which can increase recovery on otherwise exhausted receivable portfolios and inform your litigation decisions.
- **Liens & Judgments** optimizes your risk management strategies with monitoring and access to timely lien and civil judgment data, which no longer appears on traditional credit reports.



Learn more about prioritizing accounts and optimizing collections

Contact your LexisNexis® Risk Solutions representative or visit risk.lexisnexis.com/collections to learn more

Sources:

[1] Americans' credit card debt falls, but past-due student loans drag on credit scores | CNN Business

[2] Student Loan Delinquencies Are Back, and Credit Scores Take a Tumble

About LexisNexis® Risk Solutions

LexisNexis® Risk Solutions harnesses the power of data, sophisticated analytics platforms and technology solutions to provide insights that help businesses across multiple industries and governmental entities reduce risk and improve decisions to benefit people around the globe. Headquartered in metro Atlanta, Georgia, we have offices throughout the world and are part of RELX (LSE: REL/NYSE: RELX), a global provider of information-based analytics and decision tools for professional and business customers. For more information, please visit www.risk.lexisnexis.com and www.relx.com.

Our solutions assist organizations with preventing financial crime, achieving regulatory compliance, mitigating business risk, improving operational efficiencies and enhancing profitability.