As the collections landscape continues to change, the act of collecting has become more and more complex. LexisNexis® Risk Solutions (LNRS) saw an opportunity for a research study to refine its long-term vision of the debt collections market and to clarify insights with its 1st party clients as it pertains to optimizing the customer experience.

SPECIFIC OBJECTIVES INCLUDED TO:

- Establish high-level steps in the consumer debt collections workflow process;
- Identify pain points/challenges associated with each step in the debt collections process, including their impact on the debt collections process and optimized customer experience;
- Determine the software/technology/data resources collectors use to support their workflows and identify challenges/gaps with those resources;
- Understand the communication methods used, contact customers, including frequency of contact, best time to contact, how they alter these methods to optimize the customer experience; and
- Identify generational differences between consumers in terms of overall trends with debt and the collections process.

To support these objectives, 20 one-hour in-depth telephone interviews were conducted by KS&R across a mix of first party debt collectors*. The mix of financial institutions were prioritized by LNRS. LexisNexis® Risk Solutions was not identified as the sponsor of this study.

*Other screening criteria can be found on the following page.
Methodology

LexisNexis® Risk Solutions retained KS&R, a global market research firm, to support this research study.

This research was conducted via telephone in-depth interviews from early-May to mid-June 2019. A total of 20 completions were obtained among first party debt collectors; 16 participants from banks and 4 from credit unions.

Recruited respondents include first party debt collectors that:

- Are employed by the department in a bank or credit union that is dedicated to seeking out and collecting on owed debts;
- The institution must have either their own internal debt collections departments than handles all debt collection activity or they handle some debt-collection in house, but they outsource no more than 25% of debts to a third party debt collection agency.
- Of the debts they collect on, at least 40% needed to be consumer-centric to qualify.
- Are a Department Level Manager, or higher (Director and Executive Levels);
- Are somewhat (if not fully) involved with at least two of the following:
  - Debt collections strategy;
  - Leading the collections team;
  - Overseeing the debt collections business unit;
  - Managing the implementation of debt collections processes/programs; and/or
  - Managing the daily resources for the debt collections process;
Methodology  (continued)

RECRUITED RESPONDENTS INCLUDE FIRST PARTY DEBT COLLECTORS THAT: (cont.)

• Have worked in the debt collection industry for at least one year; and
• Have at least an influential role (if not a major or sole role) in decisions regarding purchasing external software/solutions to support debt collection workflow.
Report Format

The following report is divided into three sections, each with key findings and supporting slides:

- Debt Collections Workflow
- Processes & Pain Points
- Communications Methods & Strategies
- Generational Differences & Trends
Debt Collections Workflow Processes & Pain Points
First party collections departments tend to think about the collections process from a functional and emotional standpoint. Keywords and messages that are salient are those related to functional benefits and activities, but also address their pain points.

Respondents agreed that the workflow design (provided anonymously by LexisNexis®) aligned with steps of their debt collections process. Some also added mitigation as a step to optimize the customer experience.

Each step in the debt collections workflow has associated pain points. Data Hygiene and Contact & Locate are the most challenging and interrelated.

- Data Hygiene and Contact & Locate pain points have the most negative impact on the debt collections process and customer experience as a whole.
- The challenges experienced with Data Hygiene also directly impact the challenges first party debt collectors experience with Contact & Locate (and vice versa).
- Data quality issues and data quality management are among the top pain points experienced with the Data Hygiene and Contact & Locate steps.

Pain points were cited with Scoring/Analytics, but more often by smaller institutions.

Litigation Strategy pain points are less critical, but still experienced widely. These relate to regulations and interpersonal relationships with consumers and those carrying out legal actions.

Other pain points relate to the current systems/technology and data resources respondents are using during the debt collections process.
Respondent’s top of mind reactions to the phrase ‘the debt collections workflow process’ are first functional and then emotional. They think first about the process and different steps. Then, they dive into pain points related to each step.
Key Finding 1

- Most mentioned very application-specific things, such as their communication methods, the way they prioritize accounts for collections, and litigation or legal proceedings associated with the debt collections process.

- The types of debts they collect on were less top of mind, but still mentioned frequently.

- Regulations were also mentioned early on and frequently, especially among those who work in larger banks, as there tend to be more regulations they need to keep up with to remain compliant. This later emerges as a major pain point.

- Other pain points were frequently mentioned, such as data quality issues, connecting with consumers, the time it takes to collect, and balancing different communication methods.

- A small minority of respondents mentioned generational associations and trends.
Respondents were shown the following workflow design intended to organize and focus the discussion. The definitions below the chart were read aloud to ensure full and common understanding:

**Data Hygiene**
Scrubbing data on individuals to ensure having the most up-to-date / accurate information on pertinent things for debt assessment and collection, such as bankruptcies, deceased/living, incarcerations, contact risk, etc.

**Scoring / Analytics**
Segmenting accounts to prioritize which to pursue first (i.e., which are more likely to pay, which are more urgent, best way to collect from them, etc.)

**Contact & Locate**
Gathering / ensuring that you have the most accurate / complete data for skip tracing and contacting consumers (i.e., phone numbers, addresses, e-mail); using this information to contact consumers for collection purposes

**Litigation Strategy**
Decision process to file suit against a consumer through methods of collecting post-judgments
The majority of respondents agreed that the following workflow design aligned with their key steps/activities in the debt collections process. However, there are some outliers who do not do all steps because they are lacking the resources. A little less than half of respondents explained they often attempt to mitigate an account before turning to litigation.

Some mentioned they simply do not have the time or the technology to clean their internal data. This causes pain points in the activities that follow. A handful of smaller banks and credit unions either do very little of this or none at all. Some have a low number of delinquent accounts that do not need to be prioritized. Others do not have the time, staff, and/or technologies to score and analyze accounts.

Instead of taking immediate legal action against consumers, some collectors mention they will try to mitigate the situation first. This is an important step to consider, as it helps to optimize the customer’s experience. Most collectors want to help consumers who are in debt if they are willing to work with the bank/credit union and mitigation is a way to do so.

Collectors will work with consumers to come up with a payment plan or a way to work within the consumers’ situation to pay back debts owed.
The degree to which pain points are top of mind and critical to the debt collections process vary by step.

- **Contact & Locate**: Pain points with contacting and locating are most top of mind, critical to the debt collections process, and have a large impact on the customer experience.

- **Data Hygiene**: While equally critical as Contact & Locate, pain points related to Data Hygiene are less top of mind (until it becomes a problem). This could be attributed to the way collectors learn their data is outdated. It is often realized when they are attempting to Contact & Locate consumers. Data Hygiene obviously directly impacts the ability to Contact & Locate.

- **Scoring / Analytics**: Smaller organizations tend to have more pain points with Scoring and Analytics based on more manual / less automated processes.

- **Litigation Strategy**: Pain points associated with litigation tend to be less top of mind and less critical than other steps. Smaller banks and credit unions tend to outsource this function and, therefore, they have less associated pain points with it.
Pain points associated with Contact & Locate are the most commonly experienced. Data challenges and right party contact are the most critical in terms of impact on the debt collections process and customer experience.

### Contact & Locate

<table>
<thead>
<tr>
<th>Pain Point Experienced</th>
<th># Of Mentions</th>
<th>Cause Of Pain Point</th>
<th>Impact On The Debt Collections Process</th>
<th>Impact On Customer Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of accurate/up-to-date data, such as contact information (last known home address, cell phone &amp; landline number, email), current place of employment, account history</td>
<td>20</td>
<td>Loan applications filled out by a third party (car dealership, real estate agent) that do not collect all required information</td>
<td>⚫ ⬤ ⬤ ⬤ ⬤ Slows and impedes contact with consumers</td>
<td>⬤ ⬤ ⬤ ⬤ ⬤ Consumer misinformation about the status of their account(s) could create larger problems over time, such as more fees/debt</td>
</tr>
<tr>
<td>Right party contact - establishing contact with the appropriate consumer (i.e., contacting the right person) and discussing the most appropriate options for delinquency resolution</td>
<td>20</td>
<td>Consumers ignore letters, emails and often refuse to answer phone calls (especially younger generations)</td>
<td>⬤ ⬤ ⬤ ⬤ ⬤ Without an open line of communication debt collectors have no way to collect on owed debts</td>
<td>⬤ ⬤ ⬤ ⬤ ⬤ If collectors are unable to speak with consumers, consumers could go further into debt or pay more in the long run</td>
</tr>
<tr>
<td>Regulations that limit the frequency and time of contact between collectors and consumers</td>
<td>20</td>
<td>State and Federal lawmakers, New regulations as technology advances, Internal guidance for compliance and protection</td>
<td>⬤ Makes the collection process longer</td>
<td>⬤ ⬤ ⬤ Drags out the process for the consumer which can increase customer friction</td>
</tr>
<tr>
<td>Contacting and locating consumers can be extremely time consuming and resource draining. This pain point is intensified when skip tracing is pertinent to the situation</td>
<td>17</td>
<td>Failure to right size the collections staff to handle the number of delinquent accounts, Consumers that ‘learn the game’ and hide from collectors, Out-dated/incomplete contact info</td>
<td>⬤ ⬤ ⬤ Limits ability to maximize productivity and handle more cases, Makes collecting less efficient</td>
<td>⬤ This could create customer friction by dragging out the collection process</td>
</tr>
</tbody>
</table>
**Key Finding 3 (cont.)**

Most collection departments cited a strong need for more quality consumer data, beyond just contact information.

Accessing new types of data could help collectors get a broader picture of those they are attempting to collect from; this could help collectors understand consumers’ situations better and tailor the customer experience accordingly.

<table>
<thead>
<tr>
<th>Less Critical To Have</th>
<th>More Critical To Have</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Relatives/Significant Others</strong></td>
<td><strong>Credit Bureau Information/Non-Public Information From Other Financial Institutions</strong></td>
</tr>
<tr>
<td>Seeing these connections could help collectors supplement poor contact information and improve opportunities to reach the intended party.</td>
<td>A consumer’s full credit history, including all assets they own or owe on and understanding their credit score, could help debt collectors get a fuller and more accurate picture of the consumer. Sometimes, consumers give false information when self-reporting their finances; having nonpublic information could help collectors discern fact from fiction. Information from other financial institutions could further help creditors understand if they are a priority in terms of who the consumer will pay back first.</td>
</tr>
<tr>
<td><strong>Employment Status &amp; History</strong></td>
<td><strong>Email Addresses</strong></td>
</tr>
<tr>
<td>Previous and current employers could help collectors understand the customer-specific situations that either enable or hinder debt collection; that could support ways to optimize the customer experience. Specifically, this information could help determine consumers’ ability to pay on their debts or if they need to be written off, as well as aid in skip tracing.</td>
<td>This communication method is gaining popularity for debt collection communications. As generational changes occur, it will become increasingly important.</td>
</tr>
<tr>
<td><strong>Home Addresses</strong></td>
<td><strong>Phonenumbers</strong></td>
</tr>
<tr>
<td>Having the most recent home address is necessary for communication methods such as sending letters and door to door visits used when skip tracing. An up-to-date address is necessary for litigation practices, especially among those with mortgage debt.</td>
<td>It is most critical that phone number data is accurate/up-to-date since calling is the primary communication method for the first contact. Up-to-date and accurate phone numbers (cell phones and landlines – though landlines are phasing out) could improve efficiency, reducing the time collectors need to spend conducting secondary research.</td>
</tr>
<tr>
<td><strong>Email Addresses</strong></td>
<td><strong>Phonenumbers</strong></td>
</tr>
<tr>
<td>Types of data most have access to; often outdated/inaccurate</td>
<td>Data the majority do not have access to that would help with the debt collection process</td>
</tr>
</tbody>
</table>
Similar issues also occur with Data Hygiene; the impacts on the debt collection process and customer experience are critical.

<table>
<thead>
<tr>
<th>Data Hygiene</th>
<th>Level of Critical Impact</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Pain Point Experienced</th>
<th># Of Mentions</th>
<th>Cause Of Pain Point</th>
<th>Impact On The Debt Collections Process</th>
<th>Impact On Customer Experience</th>
</tr>
</thead>
</table>
| Lack of accurate/up-to-date data, such as contact information (last known home address, cell phone & landline number, email), current place of employment, account history | 20 | ▶ In addition to the causes of this pain point previously stated, this challenge also occurs due to:  
  • Lack of processes to scrub and review internal data, especially among smaller banks/credit unions  
  • Disparate data from multiple systems | ⭐⭐⭐⭐⭐ | ⭐⭐⭐⭐⭐ Could lead to more debt, fees, and legal troubles for consumers if unable to reach them in a timely manner |
| Supplemental data resources/searches are too noisy and inaccurate. Many first party collections departments will externally purchase data resources (to remedy the above); however, sometimes the data resources return too many results or have outdated/inaccurate information | 5 | ▶ Searches are too broad  
  ▶ Not using industry leaders for external data resources  
  ▶ Internet searches via social media/search engines return unrelated information. | ⭐⭐ | ⭐⭐⭐⭐⭐ Similar to the above, irrelevant and inaccurate data impacts the ability to collect on debts which could have serious repercussions for consumers, such as increased debts, late fees, and lawsuits |
Key Finding 4

Most large-to-mid size banks have systems / technology in place to score and analyze accounts, while smaller banks and credit unions have more manually driven processes. Those with scoring / analytics technologies are typically satisfied with these processes, but still report some issues.

### Scoring Analytics

<table>
<thead>
<tr>
<th>Pain Point Experienced</th>
<th># Of Mentions</th>
<th>Cause Of Pain Point</th>
<th>Impact On The Debt Collections Process</th>
<th>Impact On Customer Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some (smaller/local banks and credit unions do not have scoring and analytics processes in place)</td>
<td>4</td>
<td>Smaller banks and credit unions do not have enough accounts to justify investments, Some do not have the time, skill set, or technology to score or prioritize accounts, Some collections systems do not have built-in analytics</td>
<td>🚨🚨🚨</td>
<td>🚨🚨🚨 Lead a collector to contact a consumer more or less than necessary depending on what they owe, increasing customer friction</td>
</tr>
<tr>
<td>Largely manual processes are time consuming and not as accurate</td>
<td>6</td>
<td>Do not have enough accounts to justify the cost associated with automated scoring/analytics technology, Do not have the budget to invest in systems that would automatically score and analyze accounts</td>
<td>🚨🚨</td>
<td>🚨🚨 Could cause collectors to contact consumers more than necessary, increasing customer friction</td>
</tr>
<tr>
<td>Scoring and analytical results are negatively impacted by inaccurate/outdated customer information</td>
<td>8</td>
<td>Lack of processes in place to scrub and update data, similar to data issues with Data Hygiene and Contact &amp; Locate</td>
<td>🚨🚨</td>
<td>🚨🚨 Incorrect information in causes incorrect analysis. As with the above, this could create customer friction or annoyance with collectors that attempt to contact consumers too frequently.</td>
</tr>
</tbody>
</table>
## Key Findings 5 & 6

Regulations are the most challenging aspect of Litigation Strategy by impacting the timeliness of action.

### Litigation Strategy

<table>
<thead>
<tr>
<th>Pain Point Experienced</th>
<th># Of Mentions</th>
<th>Cause Of Pain Point</th>
<th>Impact On The Debt Collections Process</th>
<th>Impact On Customer Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulations:</td>
<td>10</td>
<td>• Increasing regulatory restrictions are meant to protect consumers from harassment • Internal restrictions and guidelines • Advancements in consumer technology</td>
<td>🔴 🔴 🔴 🔴 🔴 🔴 🔴 🔴 🔴 🔴</td>
<td>🔴 Slows down the collection process 🔴 Some regulations work in the consumer’s favor; it reduces the frequency of contact, decreasing possible customer friction</td>
</tr>
<tr>
<td>Communication challenges with litigators</td>
<td>4</td>
<td>• Using a third-party litigation firm • Lawyers and collectors don’t agree on the best course of action for litigation</td>
<td>🔴 🔴</td>
<td>🔴 Collections departments could receive less money than expected 🔴 This could also add time to an already lengthy process</td>
</tr>
<tr>
<td>The decision process (cost-benefit analysis) to litigate or cut losses is complicated</td>
<td>2</td>
<td>• Some banks/credit unions do not have a defined set of processes/analytics to determine if they should litigate a specific account • Litigation is situational and varies consumer to consumer</td>
<td>🔴 🔴</td>
<td>🔴 🔴 The decision to litigate (or not) could have a major impact on the consumer experience. Consumers do not want to go through litigation since it is costly and time-consuming</td>
</tr>
</tbody>
</table>
Key Finding 6

Regulations have the potential to impact every step in the debt collections process.

- First party collectors have negative associations with regulations because these can slow the collections process, help consumers avoid payments and, therefore, add risk if collectors violate compliance.

- The Telephone Consumer Protection Act and regulations related to the Consumer Financial Protection Bureau were among the most frequently mentioned regulations.

- State-specific regulations were also mentioned frequently.
• Respondents mention this regulation as a pain point because it **limits the number of times a collector can contact a consumer by a specific method.** It regulates telemarketing calls, auto-dialed calls, prerecorded calls, text messages, and unsolicited faxes, and gives consumers the authority to be placed on a do not call list.

• Because the TCPA regulates the number of times collectors can reach out to consumers in a specific way, it **often takes longer to get in contact with a consumer**, which impacts Contact & Locate.

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**Telephone Consumer Protection Act**

• The CFPB creates and enforces regulations (with the help of the FCC) to protect consumers and increase confidence in financial transactions.

• One rule collectors must follow is **UDAAP.** This regulation states that collectors can not commit Unfair, Deceptive or Abusive Acts or Practices when it comes to debt collection. This makes collecting **more challenging** because they have to treat every consumer fairly and there are certain words they can not say (threats to litigate / sue) during the collection process. This regulation **impacts the Contact & Locate step,** as well as **Litigation Strategy** by limiting communication.

• Consumers must ‘**opt in**’ to communications that use their cell phone numbers; CFPB guidelines state that to contact someone on their cell phones (either via text or call), the consumer must first give permission. This naturally **impacts the ability to Contact & Locate** consumers and limits communication methods that collectors can use.
Some regulations are state and federally mandated, so the number of regulations that collectors need to be aware of and compliant with can vary depending on the size of the collections agency.

Smaller banks and credit unions typically only collect from consumers within their state; therefore, they have fewer regulations to juggle.

Larger banks tend to do business in other states and, therefore, must be compliant with a broader set of state regulations.

State regulations are similar to TCPA and CFPB regarding the number of times a collector can contact a consumer. Others deal with the amount of time collectors must wait before they take legal action on home equity loans, foreclosures, etc.
The software / technology / data resources that collections departments use are sufficient, but also come with their own set of challenges.

Collectors that use multiple systems for collections and banking experience more data problems than those with one.

- Many banks / credit unions use at least two separate systems to conduct business, one for banking and one for collections. Other platforms / systems are often used to supplement data and help make decisions. Some banks even have different platforms for each product line (ex. ending, credit cards, mortgages, vehicles).

- These systems seldom have the capabilities to communicate information back and forth, which can cause disparate information between these systems regarding the same consumer. This is only intensified by the different roles within these institutions – tellers and collectors are part of two completely different departments so the information in one system could be up-to-date because of a recent transaction while data in the other system remains outdated.
Key Finding 6 (cont.)

**System Inefficiencies**

- Using more than one system for collections is time-consuming; collectors have to manually compare information from one system to another to assure that it is accurate.

- Collectors also often use multiple resources to supplement their in-house data and gather the most up-to-date information on consumers. Visiting these different resources (logging in, performing the search) often takes longer a long time.

- Some collection departments use antiquated in-house built systems, which contribute to inefficiencies with analytics and speed of delivering information.

**Lack Of Built-in Analytics**

- Some collection systems are lacking features to score / analyze accounts, impacting prioritization and the ability to determine consumer’s willingness to pay.

- These systems tend to be found more often in smaller banks and credit unions.

When asked how a solution provider could help with the challenges / pain points related to their systems, many said by providing a system for both collections and banking (i.e., one place to do everything) that incorporates and updates their data in real-time.

Others mentioned real time scoring and analytics that can be customized to incorporate the most up-to-date consumer data, thereby helping to better prioritize accounts and understand the risk of lending to / collecting from specific consumers.
Communications Methods & Strategies
A combination of different communication methods are used to collect on debts, though the frequency of using each method can vary and be dependent on the specific collection case and the size of the bank/credit union doing the collecting.

- Phone calls using auto or manual dialing are most frequently used by first party collections departments.
- Mailed letters tend to be used in most collection cases as well, but more as a reminder or secondary communication method.
- Use of email for collection purposes is on the rise as a newer method, some are hesitant to adopt it because of regulations and privacy; however, those that are using email find it effective, particularly with younger consumers.
- A few collectors are starting to explore communicating via text, but the majority are hesitant because of cost and regulations.
- Door to door/door knockers are used a few as well for cases where skip tracing is necessary.

Phone calls are considered the most effective communication method used to collect debt.

Letters tend to be the least effective and often most frustrating communication method.

The frequency of contact between first party debt collectors and consumers is largely dictated by internal and external regulations, however, the communication method and amount of debt owed can also play into contact frequency.
The methods used for determining the best time to contact consumers is often directly related to the size of the first-party collection institution.

Larger organizations tend to have more analytics in place, while smaller banks rely on manual notes and randomization (i.e., attempting to make contact on a different day of the week, or time of the day than prior attempts).

Optimizing the customer experience is important to most, especially among local and smaller banks/credit unions. Strategies used to optimize this experience range from noting contact preferences (methods and best time to call), to special collector trainings, and eventually adopting new communication methods.
Key Findings 1-3

Credit unions and banks tend to use similar communication methods and strategies to contact consumers for debt collection.

- Phone calls are used the most and are considered as being the most effective to collect on debts (getting the consumer to actually pay).
- Door knockers are used infrequently, but when they are used, they are often effective in terms of making consumer contact or uncovering hidden information.

Communications Methods & Strategies

<table>
<thead>
<tr>
<th>Method</th>
<th>Frequency</th>
<th>Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letters / Standard Mail</td>
<td>Very Frequently</td>
<td>Somewhat effective</td>
</tr>
<tr>
<td>Phone Calls</td>
<td>Very Frequently</td>
<td>Very effective</td>
</tr>
<tr>
<td>Email</td>
<td>Somewhat Frequently</td>
<td>Effective</td>
</tr>
<tr>
<td>Text Messaging</td>
<td>Infrequently</td>
<td>Effective with younger consumers</td>
</tr>
<tr>
<td>Door Knocking (door-to-door)</td>
<td>Infrequently</td>
<td>Time-consuming and resource draining, used in specific cases such as skip tracing or address verification.</td>
</tr>
</tbody>
</table>

LexisNexis® Risk Solutions First Party Debt Collections Report 26
Key Findings 1 & 2

Along with door knockers, collecting via the phone is considered an ‘old school’ method by most. Regardless, phone calls remain the most effective collection method in terms of receiving payment, even among younger consumers.

Positives about phone calls as a method for debt collection

- Consumers are the most accustomed to this method, particularly older generations.
- Most consumers feel confident paying collectors over the phone, especially compared to other methods, such as mail, email or text messaging.
- Collectors are familiar and comfortable with this method based on being an established, tried and true approach.
- Autodialing allows consumers to contact more consumers faster, but manual dialing is also heavily relied on, particularly in smaller banks / credit unions that don’t have a budget for autodialing technology.

- This method also increases the opportunity for more immediate results; there is no need to wait days for a reply such as with email, text or standard mail. When the collector gets the consumer on the phone they are usually able to solve the problem faster than other methods.

Biggest challenges with collection calls:

- Getting consumers to answer the phone or follow up and return voicemail messages is the biggest challenge with this method. This problem is more pronounced among younger generations.
- If collections departments do not have accurate phone numbers, this method can become frustrating or even unusable.
“Phone calls are the most effective for the volume. It is also our primary method, we aren’t doing a lot of other things.”

“We’re just dialing, dialing, dialing. They’re not answering the phone, they’re not returning our calls. We’re just spinning our wheels and that’s a huge pain point.”

“In terms of phone calls, it’s definitely people that are older that we contact through a phone call. Whether it’s a call or a message, they tend to respond. They pick up the phone or they’ll call you back.”

“With the phone, you are getting someone right away. It’s the ability to resolve the issue right then.”
Key Findings 1 & 3

The frequency of collecting via letters is influenced by regulations more so than by the success of this method.

Positives about letters/standard mail as a method for debt collection:
- Most have automated processes to create and mail letters/reminders. This has no significant impact on workflows. The majority do not spend a significant amount of time on this compared to other communication methods.
- When noticed and actually read by consumers (seldom), these usually prompt consumers to take action since they are taken seriously.

Biggest challenges with collecting/communicating with letters:
- People tend to overlook their mail; they don’t see what could be urgent messages. This is frustrating for many collectors as they view reminders sent via mail as a help to consumers. When consumers ignore these, then they are doing themselves and the bank a disservice.
- Consumers get bombarded with too much mail (junk mail, coupons, credit card offers); it is hard for collection notices to stand out from the rest while also remaining compliant with regulations.
- If addresses are incomplete or not up to date, it becomes challenging to know if letters are being received (unless they get returned to sender or a response from the consumer). These factors contribute to collectors’ frustrations with this method.

This was also mentioned as the most frustrating method; collectors are very limited in knowing if communications have reached consumers.
“So, we’ve tried to automate [mailing] through business rules. A file gets put out and we send it to a third party vendor who then does all the mailings for us.”

“…if we’re lucky enough to get that letter into your hands, and you don’t throw it away, and you actually read that? Those are really effective.”

“So, you have to send letters. You cannot not send letters because you have to have that disclosure sent to people by the 60th day of delinquency.”

“There’s letters that need to be sent. Some states require certain letters to be sent.”

“I mean, we can mail you letters. You’re throwing our mail away”
A little less than half of respondents indicated the use of email as a communication method for collections purposes. However, many are considering adopting this method in the near future for its efficiency and effectiveness among tech-savvy consumers.

**Positives about email as a method for debt collection:**

- This often catches the attention of the consumer more than does standard mail; consumers more frequently check email.

- Younger generations are more likely to respond to an email as it is a digital form of communication and something with which they are comfortable and familiar.

- Offers independence and convenience to consumers; they appreciate the ability to answer on their own time. This removes many of the challenges associated with the best time to contact a consumer. For these reasons, those who do not currently offer email collection communications are strongly considering it for the future.

- This method is considered quick and easy.

**Biggest challenges with email collections:**

- Regulations limit what can be said in emails; collectors cannot customize emails to include more than 'please contact the bank / credit union'. Some regulations come from federal and state governments, while others are enacted by the collector's bank / credit union to avoid legal issues.

- Consumers need to opt in to email communications, per some bank / credit union regulations. If they do not, collectors are not legally allowed to contact them through this channel for debt collection communication.
Email

Select Verbatim Responses

“When we start to skew younger in terms of consumers, then it’s a lot more text and email to get higher response rates from those consumers.”

“When we email we have to be very general, we typically say something like, “Hey, we’ve been unable to reach you via telephone or mail. It is important that you contact us. We have some important information regarding your credit card account ending 1234.” We have to keep it very general, we just cannot include details.”

[So there’s no manpower that has to go into drafting those emails?]

“No. No way.”

“Only when we have your permission. So, we just can’t randomly email you.”

“We have to get your permission to try to get your cell phone on our dialer and then we have to get your permission to email you.”
Key Finding 1

As the number of young consumers taking on debt increases, more first party collections departments are considering communications using text messaging.

**Positives about text messaging as a method for debt collection:**

- Similar to email, collectors that use text messaging for collections view this as efficient and easy to do.
- Millennials and Gen Z consumers are more likely to be responsive, thereby lessening the struggle to connect with these consumers.
- This communication method limits the need for collectors to decipher the best times to call.

**Biggest challenges with collecting via text messaging:**

- Regulations restrict the information that collectors are able to include in texts (ex. Telephone Consumer Protection Act). Texts cannot be specific about the details of the accounts; they can only prompt customers to contact the bank.
- Some collections departments lack the technology to collect through text messaging.
- Others are wary of the regulations surrounding text communications – their employers are risk-averse given potential non-compliance concerns and subsequent legal actions / fines.
Select Verbatim Responses

“Younger consumers, they don’t want to talk to us on the phone or they don’t have time to talk to us on the phone. But, they’re more than willing to chat with us, say when they’re at a job where they have the liberty to have their cell phone out?”

“We’re somewhat handcuffed in that I can’t send a text message even though I believe I have their cell phone number. Even if I can send them a text message, I can’t send them a text message with any meat and potatoes in it. I can’t say, “Hey, this is the credit union reaching out to you. We noticed that you’re past due.” You can’t give that detail because of the privacy laws out there.

“So, with text messaging, it is still very unclear as to should you do it, shouldn’t you do it? Can you do it, can you not do it? Are you going to be subject to CFPB problems if you’re doing it? I think that’s the consensus of the industry overall.”

“I think just the texting and emailing, I think is the better experience for the customers. It’s less intrusive, I think, takes less of their time.”
Door knocking is one of the only methods used for case-specific purposes; most banks and credit unions only turn to this approach when needing to skip trace or verify consumer possession of an asset, such as a vehicle or home.

**Positives about door-to-door as debt collection method:**
- Baby Boomers seem responsive to this method, as it plays into their customer experience expectations of conducting business in person.
- In cases where skip tracing is needed, this method is extremely helpful and usually yields at least information for the collectors to use going forward.

**Biggest challenges with door-to-door as debt collection method:**
- Door-to-door is extremely time-consuming and resource draining.
- In collections departments where there are seemingly endless accounts to contact (larger banks), collectors do not have the time. Smaller credit unions and banks don’t have enough human resources and budget to do this.
- Consumers that know how to game the system can often hide from or be evasive of door knockers.

**Select Verbatim Responses**

“We do door-to-door, but it is limited. It is kind of a skip tracing tool. We used to do it a lot more but we've pulled back on that quite a bit.”

“We don’t do door knockers or any of that kind of thing. We’re not big enough for that.”
Key Findings 4-6

All of the previously mentioned communication methods are used in conjunction with various strategies to optimize the customer experience.

An optimized customer experience is at the heart of many of these institutions, especially those that work in credit unions or smaller local banks.

COLLECTOR’S POV: OPTIMIZED EXPERIENCE

- Access to all necessary information on customers that is as accurate, recent, and detailed as possible. Customer data, such as contact information, addresses, employment history, and credit history help collectors know their customers which, in turn, helps them provide the best possible service.
- By implementing training, collectors learn the most effective ways to speak to consumers who owe on debts while remaining respectful.
- Systems that incorporate analytics to suggest best communication methods per consumer (using demographics or previously noted information), as well as the best day of the week/time of day to contact each consumer, help collectors contact consumers the way they prefer.
- Providing choices to the consumer in terms of communication methods; many are considering expanding their methods to include email and text messaging to reach all consumers via their favored communication method.

CONSUMER’S POV: OPTIMIZED EXPERIENCE

- Kind and courteous collectors who are willing to work with them (consumers) and are sympathetic to their situations (i.e., will work out a payment plan with them, if they are not able to pay off full debts immediately).
- Providing the consumer with communication method options (i.e., if a consumer prefers to talk with a collector through texts, then collections departments should have the capability to communicate via text).
- Working with consumers to resolve problems in an efficient way that works for both the lender and the borrower.

“An optimal customer experience is contacting them in the channel that they prefer. From the experience perspective it is really trying to understand how that consumer wants us to handle them.”

“Member experience for a credit union is by far a priority. So I would say that collections have the opportunity to be one of the extreme negatives if you don’t handle it correctly.”
To optimize the customer experience, a majority of collectors strategies include making note of consumer preferences for communication methods and the best time to call.

Other popular customer optimization methods deal with the way collectors talk to and work with consumers, to ensure a consistent and positive experience; most banks/credit unions frequently hold employee training for continued education. Only a few are using analytics to optimize the customer experience; these collectors tend to come from larger banks.

### STRATEGIES USED MOST

- **Collector education/training**
  Many believe they can improve the customer experience simply by training collectors to be sensitive, respectful, and flexible.

- **Notes on consumer preferences**
  The majority take notes on consumer preferences and use that information to contact them in ways and timeframes that make consumers feel less bothered.

### STRATEGIES LEAST USED

- **Analytics**
  Analytics are used by some to determine the frequency of contact as well as predict the best times to contact consumers; this helps reduce customer friction.
We have a quality assurance team on site, who regularly monitors and records phone calls and all of my collectors are regularly scored.”

“We consistently do refreshers and call personality training to really connect with that customer.”

“The whole thought behind it is if they don’t have the money, we want to be the first people they call when they do. We make them feel comfortable on the phone with us, so it’s less intimidating. They know they’re going to be addressed with dignity and respect, and we’re hoping that enough so we are the first people they call when they have money.”

“The customer experience is super important. It’s 100% controllable by how we treat you.”

“If we have spoken with them in the past, we make the proper notes and that it aids the conversations.”

“We put notes in our system like promises to pay and other reminders for those working the accounts.”

“We update our collections systems with details on the borrower, like he works nights or call him at this number at this time. If it’s a one time thing you’re not going to really take too many notes about contacting them, but when you start calling the same people every month you do because you try to develop some kind of report with them.”

“Analytics suggest how we talk in terms of the communication channel. Customers self-select preferences, prioritizations, preferred calling times, preferred calling numbers, preferred means of communication.”
Key Finding 4

Contact frequency is typically dictated by internal and external regulations.

- The size of the collection's banks and credit unions can also play a part in contact frequency; larger financial institutions tend to have more analytics in place which can impact account prioritization and how often collectors try to contact consumers.

• Some collectors also increase/decrease contact frequency based on the amount of debts they are attempting to collect.

Internal Guidelines

Banks / credit unions make their own internal protocols regarding contact frequency as an attempt to stay compliant with the more stringent external regulations, while decreasing risk and optimizing the customer experience. These in-house rules tend to be more conservative than external regulations (particularly when it comes to the number of days between attempted contacts).

External Regulation

Different states have their own sets of rules that outline the number of times a consumer can be contacted by a collector. This regulation is specifically challenging for larger banks that collect across the United States. Contact frequency regulations are becoming more strict, forcing collectors to modify their methods and consider other processes.

Amount Of Debt Owed

- Some have processes (manual or automated) to prioritize contacting
- The more debt a consumer owes, the more frequently a collector will contact them, but they still need to abide by CFPB regulations.
- However, some do not alter contact frequency based on debts owed due to regulations and the institution’s philosophy regarding the way their customers are treated. These collectors do not want to create customer friction by bombarding consumers with phone calls, letters, email and text messages.

Communication Methods

Regulations also dictate the frequency of communications by the method. By law, reminder letters about delinquent accounts must be sent after a specific number of days (30 days, 60 days, 120 days, etc.). The Fair Debt Collection Practice Act (FDCPA) influences the number of times a collector is allowed to call a consumer in the course of a day. Contact frequency via phone call is dependent on if the collector left a voice mail or was able to connect with the consumer.

Analytics

A few banks have collections systems with built-in analytics to score accounts and deliver daily reports on account prioritization. Factors for account prioritization include customers ability to pay (i.e., bank account balance) willingness to pay (i.e., they paid off debts in the past) as well as other risk factors, such as employment status and income.
Similar to the frequency of customer contact, determining the best time to call consumers is dictated by a combination of government regulations and internal standards and practices.

- Internally, a few collections departments have analytics in place that help them decipher the best time to call.
- A majority establish the best time to call manually and individually by specific consumer; most agree that their processes could be more accurate and effective.
- Determining the best time to contact is largely associated with collecting via phone calls. Letters, email, and text are considered more passive; there is no need for both consumers and collectors to be present with those communication methods.

### Internal Processes

- Some determine the best time to contact based on manual notes about previous communications.
- They also ask consumers about their preferred day of the week / the time of day to be contacted (along with the communication method(s) they prefer).
- Others randomize the days / times they call specific consumers, but this tends to be the least effective method based on trial and error.
- Some institutions have analytics in place that help them decipher the best time to call those that owe on debts; these analytics are based on past interactions and are considered more effective.
- In an effort to prevent customer friction, some collections departments limit the hours they will call consumers (i.e., only call them during ‘normal’ business hours – these are typically self-defined).

While these methods may be less effective, they are generally considered more efficient and cost-effective for debt collections. Overall, the goal is to establish a balance between staying in compliance with regulations and delivering a positive experience for consumers.

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### External Regulations

- In addition to how often collectors can contact consumers, external regulations limit the days of the week and the times of day collectors can call.
- These regulations vary by state, but are based on the same ‘reasonable time’ principle.
- Staying compliant with this regulation is more challenging for larger banks since they often collect debts across various states and need to stay compliant with all regulations as time zones differ.
Generational Differences & Trends
As would be expected, most agencies take generational differences into account and attribute importance when creating and implementing new debt collection strategies.

Common stereotypes apply to generational communication preferences. Millennial and Gen Z consumers are extremely unlikely to answer phone calls and prefer to be contacted digitally (via email, text, app notification). Gen X and Baby Boomer consumers prefer phone calls over digital communications.

- This is urging some to consider adopting technology that would include the preferences of the younger generations (ex. different ways via online chat, in-app pop-up notifications and text messages).
- That said, there is some hesitancy among others based on perceived negative impacts from regulations and cost concerns.

Customer service expectations are also dependent on consumers’ age / generation. Millennials and Generation Z consumers prefer a completely digital customer experience; they expect the process to be efficient, immediate, and business centric. Baby Boomers prefer an in-person customer experience, while Gen X tends to favor in-person or phone interactions; both of these interactions are expected to take longer and be more conversational in nature.

- Therefore, some collections departments are starting to consider changing the ways they interact with customers based on their ages and preferences in order to optimize the customer experience.

There is a split between younger and older consumers when it comes to their willingness to take on and remain in debt. Most collectors believe younger consumers are more willing to take on larger amounts of debt because they’re less educated about the long term consequences associated with it.
Key Findings 1 & 2

Most first party debt collection agencies take generational differences into account when serving customers, however, a small minority do not due to varying circumstances.

<table>
<thead>
<tr>
<th>Does your agency take generational differences into account?</th>
<th># Of Mentions</th>
<th>Rationale</th>
<th>Impact On The Debt Collections Process</th>
<th>Impact On Customer Experience</th>
</tr>
</thead>
</table>
| "Yes, it is something that we take into account with almost every consumer we are attempting to collect on." | 16            | ▶ Banks and credit unions are seeing more Millennial and Generation Z consumers opening accounts and borrowing money.  
▶ Generational differences are very top of mind in the collection’s space. Industry leaders are taking this into consideration; other banks/credit unions must do the same to stay competitive.  
▶ Observing and reacting to changes in customer culture is important for some of these banks and credit unions, as it can impact the customer experience as a whole. | The Contact & Locate process becomes more efficient:  
▶ Collectors can estimate consumers’ preferred communication method(s) (i.e., those they are more likely to respond to)  
They can also use estimate the best time to contact  
▶ Some are evaluating their communication methods to include email and text given that younger generations prefer digital communication. This could alleviate Contact & Locate pain points with right party contact | When collectors account for differences and pivot their strategy, it helps reduce customer friction (customers are contacted the way they prefer, the first time.  
Customers observe these changes and are pleased with their customized experience; this helps with the optimal customer experience |
| "No, our agency is not concerned with generational differences at this time." | 4             | ▶ Some do not have the resources (data) or the time to look into the age of the consumer when collecting because their workloads are too full (too many accounts are delinquent).  
▶ Others are not aware of the trend to observe generations and pivot collections methods based on that information.  
▶ Some also feel their current processes involving notes about customer preference are enough to optimize the customer experience. | Lack of generational information (i.e., customer preferences based on age) could lead to more trial and error with Contact & Locate, which could impact the efficiency of collecting. | This could lead to customer friction (i.e., consumers being contacted in ways they do not prefer) |
Consumers’ preferred communication methods differ by generation, according to a majority of respondents.

**BABY BOOMERS**

<table>
<thead>
<tr>
<th>Aversions</th>
<th>Preferences</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Baby Boomers are less likely to respond to collection emails and text messages. Respondents believe that for the most part, these consumers are not tech-savvy; this creates a barrier for text and email communications.</td>
<td>• Baby Boomers prefer collectors to call them directly; many still have landlines in addition to cell phones.</td>
</tr>
<tr>
<td>• Text and email are viewed as impersonal by Baby Boomer consumers.</td>
<td>• This method aligns with their customer service expectations (personal relationships) and they are accustomed to conducting business (paying bills, settling debts, etc.) over the phone.</td>
</tr>
<tr>
<td></td>
<td>• This generation is also more likely to notice and take action on collection letters.</td>
</tr>
</tbody>
</table>
Consumers’ preferred communication methods differ by generation, according to a majority of respondents.

**GENERATION X**

**Aversions**

- Similar to millennials, this generation tends to overlook standard letter communications as they are often inundated with other types of mail (other bills, magazine subscriptions, junk mail).

**Preferences**

- Generation X consumers are the most flexible when it comes to their preferred communication method(s), but this makes their preferences unpredictable.
- Some prefer phone calls, while others are more inclined to communicate via email. This generation is more familiar with technology as a means to communicate, but similar to Baby Boomers, they are also used to conducting business over the phone.
Consumers’ preferred communication methods differ by generation, according to a majority of respondents.

MILLENNIALS AND GENERATION Z

Aversions

- Millennial and Generation Z consumers often ignore phone calls completely.
- This is not surprising as Millennials and Gen Z consumers are often perceived as unlikely to answer phone calls.
- Respondents cite this as a major pain point as it impacts right party contact and slows down the collections process in general.

Preferences

- Unlike Generation X, Millennial and Generation Z consumers have very specific ways they prefer to be contacted.
- Collector contact via email or text message (if the collection agency is capable) is favored. This aligns with their customer experience expectations and their affinity for instant gratification.

LexisNexis® Risk Solutions First Party Debt Collections Report 46
Similar to communication preferences, the generation of each consumer also contributes to their customer service expectations, their willingness to take on debt and overall trends with debt and collections.

**Key Finding 4**

**Baby Boomers**

**Customer Service Expectations**
- Baby Boomer consumers expect a personal relationship with collectors.
- They define an optimal customer service experience as communicating with someone who cares about them and their situations (i.e., asks them about their personal life and seems genuinely interested).

**Overall Trends With Debt**
- Older consumers tend to be more sensitive than others in terms of being in debt. These consumers are more likely to try and remedy their debts in any way they can, even if they cannot pay the full amount.
- They are also less likely than Millennials and Gen Z consumers to take on debts, however, some respondents note they can easily assume debt due to unforeseen medical circumstances or poor retirement planning.
Similar to communication preferences, the generation of each consumer also contributes to their customer service expectations, their willingness to take on debt and overall trends with debt and collections.

**Generation X**

**Customer Service Expectations**
- Similar to contact method preferences, Generation X consumers are accepting of many different customer service experiences.
- Some prefer in-person, while others favor a completely digital customer service experience.
- Regardless of the way they are interacting with collectors, this generation expects to be treated fairly and with respect.

**Overall Trends With Debt**
- Generation X consumers are the least likely to be in large amounts of debt because they are more educated about debt.
- They are also one of the more likely generations to pay on their debts because they are financially stable (usually have a steady income).
Similar to communication preferences, the generation of each consumer also contributes to their customer service expectations, their willingness to take on debt and overall trends with debt and collections.

### Millennials and Generation Z

**Customer Service Expectations**
- Millennials and Generation Z consumers prefer to deal with collectors remotely (on their devices).
- Collectors note that most young consumers prefer all customer service interactions to take place over email, text or web browser chat.
- These consumers prioritize an efficient customer experience over a personal one; the ability for a customer service representative to resolve their problem immediately reigns supreme for Millennials and Generation Z consumers.

**Overall Trends With Debt**
- Younger consumers are regarded as uneducated when it comes to debt and the long term impact of being in debt.
- For this reason, many collectors believe Millennial and Gen Z consumers are willing to take on more debts than any other generation.
- These consumers are slower to pay back their debts as they are less financially secure than other generations.
Select Verbatim Responses

**Baby Boomers**

“They typically have higher credit scores so when they go bad, something has happened, like they’ve lost a spouse or they got a medical bill that prevented them from paying.”

“Baby boomers still prefer to come in and sit down with you, face-to-face.”

“I’ve definitely seen some older individuals care much more about debt. They care more about being past due than people who are middle aged, and younger. They’re way more apologetic.”

“The older consumers definitely respond better to having conversation.”

“Some have had a life altering events come up which kind of effects their abilities to pay.”

**Generation X**

“Gen X-ers typically are very responsive. I think they’ll still respond to phone calls, they’ll still respond to letters when they get them. They will communicate very often via email.”

“The Gen X consumer is getting more savvy. From what I’ve seen they’re taking better care of their finances, more than any other generation, I think. They have a better understanding of how to keep good credit.”

“It’s easier to secure a debt with someone my age. What would I be? A Gen X? These accounts are a lot easier to cure because they are easier to reason with and talk to.”

**Millennials and Generation Z**

“They do not really understand how credit cards work. The will say, “I thought I could spend it, and I didn’t have to pay it all.” So, there is a lot of education that needs to happen with the younger generations.”

“The younger generation doesn’t want to come into the bank. They’re more apt to communicate through their mobile phones. People don’t come into the bank like they used to because everything can be done either online or over the phone.”

“The younger generation, that’s the millennials, they don’t understand that their credit is important and it impacts them long term.”

“I think they just want it to work pretty fast and be accurate”

“It’s the gratification. If they have a problem, they want to have a settlement available for them right here”