



E-BOOK

CREATING AN OPTIMIZED COLLECTION DECISION STRATEGY

Using advanced analytics to determine the next optimal action for each customer



Maximizing portfolio performance in the current debt management and collections landscape demands adapting to dynamic markets and implementing optimized, customer-centric strategies. This e-book explores the current landscape of debt and delinquency, offering solutions to increase recoveries, streamline operations, and enhance the consumer experience.

The current collections landscape

While the U.S. economy has outperformed expectations on many fronts, consumer debt and delinquency metrics remain in a long-term uptrend.

Debt by the numbers¹

In Q1 2024, total household debt increased by \$184 billion, reaching \$17.69 trillion and hitting an all-time high.



Mortgage balances rose by \$190 billion QoQ to hit \$12.44 trillion.



Auto loans, trending upward since 2020, saw an additional \$9 billion increase QoQ, totaling \$1.62 trillion.



Credit card balances stand at \$1.12 trillion, up 13.7% YoY.

Delinquency by the numbers

In Q1 2024, aggregated delinquency rates reached 3.2%, with delinquency transition rates increasing for all debt types.¹



Total bank delinquency balances rose \$9.7 billion YoY.²

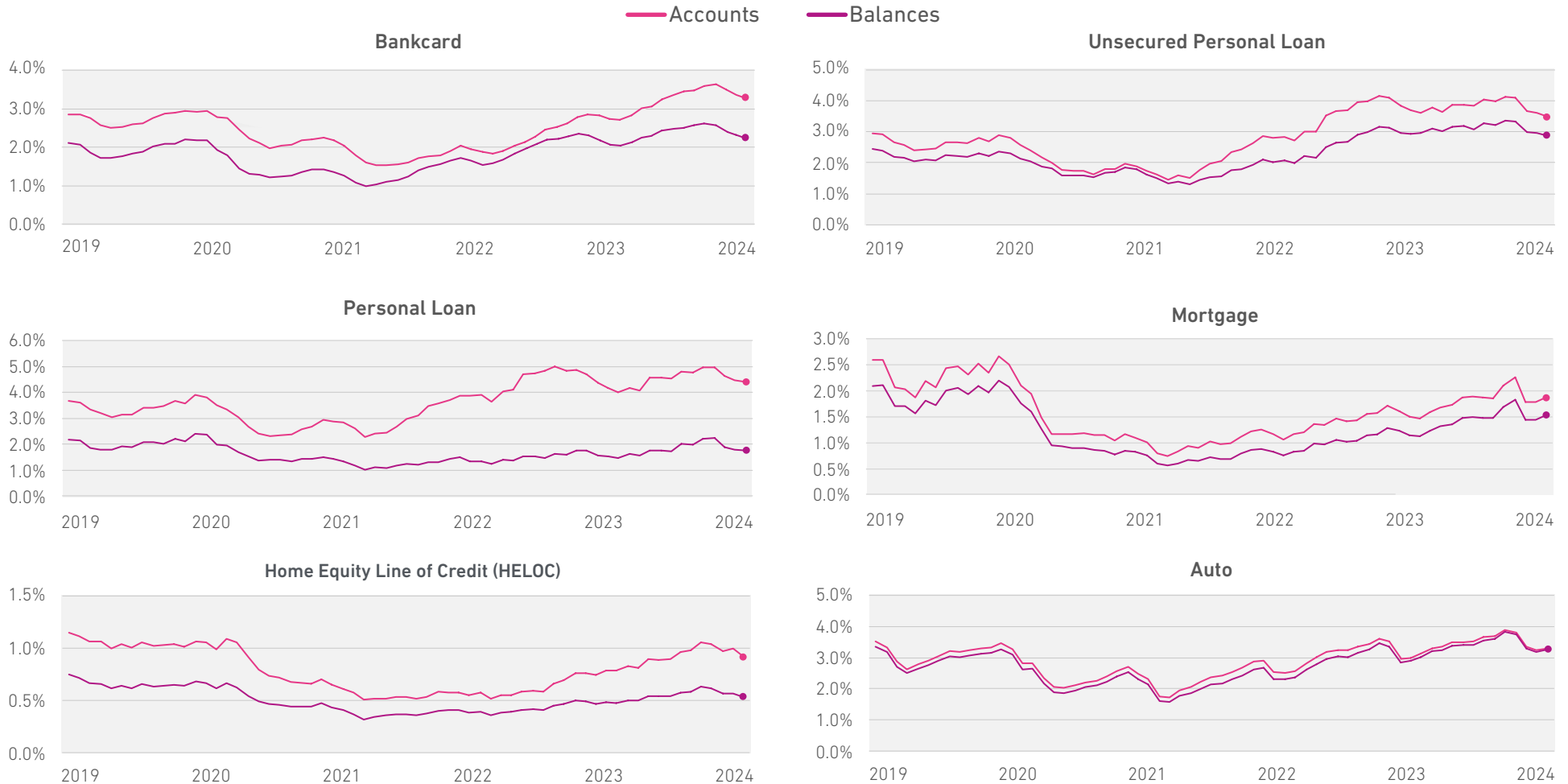


Total overall credit union delinquency rates rose by 25 basis points.²

¹ Federal Reserve Bank of New York Quarterly Report on Household Debt and Credit.
² FIEC & NCUA call reports.

Overall, delinquencies have continued to trend higher

30+ Days Past Due by Product



Source: Experian Ascend Markets Insight Dashboard and Experian Economic Strategy Group

Best practices for debt collectors

With elevated debt levels and rising early-stage delinquency rates, collection managers and teams face many challenges sustaining portfolio growth, such as resource constraints and increased workload. To enhance the effectiveness of your collection efforts, optimizing your strategy by streamlining resources and tapping into more predictive, customer-centric analytics is imperative.

What is an optimized collection strategy?

An optimized collection strategy is driven by advanced analytics, including predictive analytics and mathematical optimization, and vast data sources for smarter, faster decisioning. These techniques can help determine the most profitable collection treatment and contact method for each account to help improve recovery rates and increase efficiency while accounting for day-to-day constraints and regulatory requirements.

THE CHALLENGE

THE SOLUTION

REDUCE OPERATING COSTS	Contacting delinquent customers, negotiating payments, and managing recovery efforts entail labor-intensive and costly processes. This encompasses expenses related to staffing call centers, sending mailers, and deploying collections management software.	By incorporating advanced analytics, artificial intelligence, and machine learning , organizations can gain deeper insights from comprehensive datasets to better understand channel preferences and reach out to the right person via the right channel at the right time. This allows them to allocate their resources efficiently, move away from costly and time-consuming manual efforts, and expand their outreach.
MAINTAIN COMPLIANCE	Navigating federal, state, and local debt collection regulations presents a complex challenge. Understanding laws such as the Fair Debt Collection Practices Act (FDCPA) and the Telephone Consumer Protection Act (TCPA) is imperative, dictating borrower contacts' permissible methods and timing.	With optimized decisioning in your collection strategy, seamlessly adhere to regulatory requirements , including permissible contact times and frequency limits. This added automation can help protect organizations from noncompliance and legal fines.
ENHANCE CUSTOMER SATISFACTION	Balancing effective debt recovery with maintaining positive customer relationships is essential. Employing aggressive collection tactics can risk damaging customer relationships and tarnishing brand reputation, potentially impacting long-term customer retention.	An optimized collection strategy facilitates a tailored approach to debt collection, significantly enhancing the borrower's experience. By considering the borrower's unique circumstances and preferences , lenders can offer better treatment plans to boost customer satisfaction and loyalty.
MANAGE DATA AND INTEGRATE NEW TECHNOLOGY	Incorporating vast data sources and modern technologies like machine learning, predictive analytics, and automation into the collections process can pose implementation challenges. These technologies require substantial investment and expertise to streamline operations effectively.	Organizations can leapfrog technological hurdles and expenses by partnering with a data and analytics team with off-the-shelf and managed services . Unlocking accurate data analysis is pivotal to identifying at-risk accounts early, predicting delinquencies likely to self-cure, and determining appropriate contact channels.

Getting started

As the financial landscape continues to fluctuate, acting with precision is paramount. Adopting an optimized collection strategy can streamline your collection processes, enhance collection activities, improve recovery rates, and increase efficiency while staying within operational constraints and regulatory requirements. Experian's optimized collection strategies are driven by industry-leading predictive analytics that determine each customer's next best action and contact channel.

With our new Ascend Intelligence Services™ Collect solution, you can:



Increase recovery rates with customer-specific treatments.



Stay compliant by considering contact frequency limitations and consumer consent.



Control declining right-party contact rates by considering customers contact channel preferences.



Lower operational costs by optimizing communication strategies.

Our seamless engagement process



Learn more about **Ascend Intelligence Services™ Collect** or click below to connect with an expert.

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