

Economic & Regulatory R E P O R T



The Changing Landscape




Making The Business Case For Modernized Debt Management

During the economic downturn, collections departments in financial, telecom, utility, healthcare and other organizations were able to achieve some quick wins by adding collectors to their rolls. Yet, many of these organizations are seeing low collector-to-collections ratios and have been unable to make sustainable gains due to the inefficiencies and limitations caused by their outdated systems.

While collections and recovery expenditures have increased, very little investment has been made to modernize or replace systems that were designed well before the advent of today's collections realities. For example, mobile devices were not even on the radar when many of these systems were built.

Most organizations recognize that improving their collections and recovery systems can reduce costs, lower bad debt and minimize risk, but they are unsure of how to move forward. Especially in tight-budget times, these organizations need to have a solid business case for modernization efforts.



“We provide the skills, technology, scale and financing to run our clients’ collections and recovery operations more efficiently.”

—Jeff Miller, *Vice President, CGI*

CGI, a leading IT and business process services firm with extensive collections management expertise, has partnered with numerous clients to create high-performing collections operations. The company also helps its clients build business cases for modernized debt management solutions using a proven methodology focused on maximizing return on investment.

Plan for Success

CGI works with each client upfront to uncover the true cost of their current operations, compared with the costs of future operations, with a proof-of-concept. This includes determining the optimal solution for each client based on a

keen understanding of their business priorities. For example, do they need to determine the appropriate treatment strategy by customer segment? Do they want to implement lower cost, self-service channels? Are they struggling with IT resources and prioritization? Have they been unable to keep their technology up to date? Do they feel their third-party vendors are not pulling their weight?

Here's an example of how CGI used a proof-of-concept to help a large financial services client build and validate its business case. The client sought to maximize its collections department's profit contribution by reducing implementation and operating costs, accelerating the reduction of net credit losses and minimizing operational risk. According to the client, “We didn't know where to start, but CGI made it easy.”

In just 6 weeks, CGI conducted an in-depth assessment of the applicability and value of its comprehensive debt management solution to meet the client's objectives. Alternative scenarios were evaluated based on client priorities. Among the challenges identified across technology, operations and management were:

- A mix of technology platforms created complexity in executing and measuring sophisticated collections treatment strategies
- A large number of external agencies resulted in a lack of control and visibility
- Significant time spent on data preparation was inhibiting speed to react

The proof-of-concept indicated that with the accelerated and enhanced capabilities of a centralized and modernized debt management system, the client could realize:

- 12 percent reduction in operating expenses over five years
- 3 percent reduction in net credit losses annually through accelerated and enhanced capabilities
- Complete transformation to new capabilities within 6 months with reduced upfront investment

Based on this business case, the client moved forward with CGI Collections360®, a solution which provides the full spectrum of cloud-based applications and business process services to improve collections operations with minimal upfront investment. According to Jeff Miller, CGI

vice president, “We provide the skills, technology, scale and financing to run our clients’ collections and recovery operations more efficiently.” By choosing a managed services model, clients benefit from CGI’s technology investments and domain expertise while maintaining ownership, oversight and control of their collections operations.

In the first year of the partnership, CGI’s financial services client gained a complete transformation to new capabilities, with results exceeding expectations for reductions in costs, net credit losses and operational risk, and improvements in management flexibility and oversight.

Results included:

- 4 percent reduction in net credit losses
- 10 percent improvement on payments against inventory within the first year
- 40 percent improvement in annualized contacts per hour
- 10 percent improvement in self-service collected per account
- Improved accuracy of third-party payment and invoice reconciliation
- Elimination of processing backlog
- 90 percent improvement in call abandonment
- Continuous improvement on agency scorecards

Keep Pace With Changing Demand

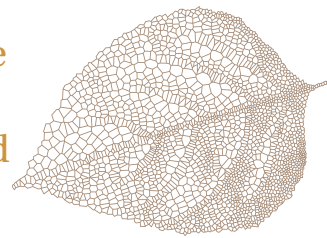
Rules, regulations and customer sentiments about contact frequency, channel preferences, consent, engagement and education are in a constant state of flux. As the world of customer communications continues to evolve, systems supporting customer interactions must also evolve.

Since Collections360 is a managed service, CGI is responsible for updating the technology to meet changing market demands. For example, the solution has been enhanced to integrate with client websites to provide self-service capability for managing delinquencies, including making payments and providing contact information. CGI is also developing ways to incorporate social media channels into the solution.

CGI hosts Collections360 in the cloud uniquely for each client. “When clients need application changes to support strategic initiatives, those changes can be made on their schedule as opposed to a standard release schedule,” says Miller. “That sort of flexibility is very important to our clients.”

Collections360 was developed in response to overwhelming client demand for CGI to help fill internal gaps in collections and recovery technology, strategy and operations. “When collections departments are unable to use existing technology to optimize dollars collected and minimize the cost to collect, there are significant capacity corrections CGI can help them make,” says CGI Collections Offering Executive, Paul Gallucci.

“Our members have real-life collections and recovery experience and understand the impacts of strategy and technology changes on the collections operation.”



—Paul Gallucci, *Collections Offering Executive*, CGI

Another strategic advantage CGI offers is its deep industry expertise. “Our members have real-life collections and recovery experience and understand the impacts of strategy and technology changes on the collections operation,” adds Gallucci. “Their know-how is leveraged throughout our client engagements, including participation in client discussions on operations and strategy management.”

For more than 30 years, CGI’s collections solutions have helped banking, consumer finance, telecom, utility, healthcare and government organizations reduce costs and increase dollars collected. Six of the top 10 U.S. banks and more than 300 organizations worldwide use CGI collections products and services.

Based on this experience, CGI knows the critical questions that must be answered before any recommendations can be made. It all starts with a proof-of-concept to make the business case that will help clients quickly understand the benefits associated with a collections managed service model. Organizations that choose to leverage this unique model will achieve rapid results, enhance their bottom line, reduce costs, lower bad debt and minimize risk. •

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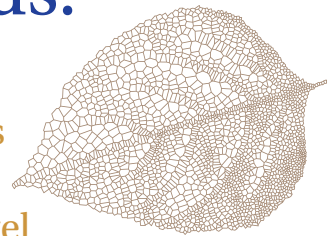


Real Time Emotion and Talkover Detection and Analysis—In Seconds!

Castel Detect™ provides users the ability to view real-time emotion analysis of customer/agent phone experiences and take action while call is active. Castel Detect™ provides easy to understand displays for agent and management desktops, visual and audio alerts to management as calls exceed set thresholds for emotion or talkover, immediate opportunities to address calls affecting business integrity and liability exposure, and assists in profiling agents to best suited to answer particular customer calls. Castel Detect™ provides all of these benefits, regardless of language.

Castel Detect™ focuses upon reducing customer complaints and reducing business liability exposure. The application brings tremendous value to any environment employing a customer service team, from help desks, to telemarketing. In the example of a collection agency environment, the client who has hired the agency to collect on their behalf can now listen to any call in real time. No

“Prevention, quality process measuring and behavior modification are what Castel Detect™ delivers...in real time.”



longer does a bank's quality assurance team have to wait for post-call analysis from its agency to appreciate the level of service provided to customers. Castel Detect™ provides the ability for the bank's remote team to monitor business in real time, and receive objective, consistent reporting quickly and easily.

The business determines which emotions and at what levels (frequency and duration of emotion event) Castel Detect™ will monitor. Agents easily see their emotion levels versus that of their customer on their desktops

and proactively respond to best manage the call. Should emotion levels cross over business thresholds, management is alerted through visual and audio notification. At this point management may monitor, coach and even barge in on the call. Castel Detect™ is also capable of learning emotions for detection in future calls. Providing businesses with the ability to identify risks and provide a proactive resolution to the customer before the call ends is instrumental in achieving best-in-class customer service and protecting brand value. Prevention, quality process measuring and behavior modification are the core values Castel Detect™ delivers in real time. Pricing for Castel Detect™ is approximately \$500 - \$700 per license. The solution is scalable and may be implemented in contact centers of any size. For more information go to casteldetector.com, or call 800.657.8215 today. •





REGULATIONS TAKE CENTER STAGE

As The Economy Continues To Sputter

The collections, risk and credit climate is changing fast in today's uncertain economy. Liquidation rates are down and claims are up as consumers continue to grapple with too much debt and not enough income. Debt buyers face a quickly shifting landscape as well, while lenders continually tweak their risk models.

The regulatory environment is changing fast too. New laws are bubbling up in the states. At the same time, state attorneys general are stepping up efforts to curb abuses in the debt purchase market.

The biggest change on the federal level is the creation of the Consumer Financial Protection Bureau. It was authorized under the Dodd-Frank Wall Street Reform & Consumer Protection Act which was signed into law in 2010 by President Obama.

Details on how the Bureau will operate are still being worked out. Richard Cordray, former Ohio Attorney General, has been

nominated to head the new agency but his appointment has been held up by a dispute in the U.S. Congress over the structure of the agency.

Even so, the Bureau is already hiring staff and setting up new departments. Observers agree the new agency will probably have a big impact on the industry in the years ahead, though no one knows the scope of its jurisdiction or how it might work with other regulators.

Enforcement is still a question too. "That hasn't been determined yet," says Keith Dubanevich, chief of staff and

special counsel with the Oregon Attorney General, Salem. He thinks enforcement authority might be determined on a case-by-case basis, with the Bureau turning cases over to the state in some situations. "We'll work with the new Bureau," says Dubanevich.

Industry executives admit they're apprehensive about a new layer of regulation. They figure the Bureau will eventually issue new rules that could make it more difficult to do business while also resulting in added costs for compliance.

Meanwhile, the industry is taking a proactive approach. Representatives of ACA International, the trade group for credit and collection firms, are meeting with the staffers at the new agency.

"We won't be the first priority on the new Bureau's list," says Mark Neeb, ACA president and head of the Affiliated Group, a collection agency in Rochester, Minn. "But we want to make sure the lines of communication are open."

Industry Pushes To Update Laws

Efforts are also under way to modernize the laws that govern the industry. Many laws were written decades ago—before the introduction of cell phones, answering machines and auto-dialers.

In September, a longtime industry goal came closer to realization when legislation was introduced to the U.S. House of Representatives to modernize the Telephone Consumer Protection Act (TCPA). The reform would allow collection agencies to call debtors' cell phones, a practice currently prohibited. "About 65% of the numbers we get are for cell phones," says Tom Stockton, ACA president-elect and head of The CMI Group, Inc., Carrollton, Texas. "The old laws were written before everyone had a cell phone."

Another big industry push is under way to clear up the growing confusion over whether collectors can leave messages on answering machines. Some courts have ruled that collectors can leave a message and identify themselves. But federal law prohibits the practice.

The industry is seeking to amend the language in the Fair Debt Collection Practices Act to specify precisely the language a collector can leave in a voicemail message. "We want clarity," says Stockton.

On the state level, backlogs of collection lawsuits have raised concerns about the litigation process. Some 15 states have initiated proposals—either through legislation, the state attorney general's office or by judicial rules—to make it tougher for debt collectors and buyers to sue consumers. North Carolina was among the first states, in 2009, to pass

a law requiring debt buyers to produce documents proving they owned the debt.

The Maryland Court of Appeals recently issued an order to change its rules so that debt collection companies must now show proof of a debt and also that they own the underlying debt. The rule change takes effect January 1, 2012.

Debt buyers and collectors were allegedly using the kind of robo-signing practices rampant in the mortgage industry, according to W. Thomas Lawrie, assistant attorney general for Maryland.

Lawrie claims that tens of thousands of affidavits were being signed every month as proof that a consumer owed a debt when the company or firm had no proof that it actually owned

the underlying debt. The affidavit was then used to win court judgments against consumers who were unaware they were being sued. "The courts are clogged with these collection cases," says Lawrie.

The industry has ramped up its lobbying efforts on the state level to temper the new laws and rulings. "We've defeated some onerous legislation," says David Cherner, ACA's director of state government affairs.

The ACA helped to stop Minnesota legislation similar to that enacted in North Carolina. An Oregon bill that would have required debt buyers to provide evidence of debt ownership failed to pass the legislature earlier this year, though the measure may be reintroduced next year.

In Washington, the state has a "huge" problem with debt documentation law-

suits, says Bob Lipson, assistant attorney general, Seattle. He thinks the best solution is to use the Maryland approach and seek tougher court rules. "It seems like the rational solution since the system is not operating very rationally," he says.

Lately, fraudulent debt collection agencies are appearing in a number of states, creating problems for law enforcement while damaging the reputation of legitimate agencies.

In West Virginia, the state attorney general's office has seen "an explosion of fraudulent collections agencies," according to Norman Googel, assistant attorney general. He explains that the fake agencies operate from offices overseas trying to collect debts that don't even exist. "The collections industry is upset about this too," says Googel.

Industry executives admit rogue collectors continue to plague the industry and present an ongoing problem. "These crooks have to be stopped," says Neeb at the Affiliated Group. Industry groups must continue to work with regulators to shut down criminal rings, adds Neeb. "The good guys want laws to get the bad guys out of business." ■



"We won't be the first priority on the new Bureau's list. But we want to make sure the lines of communication are open."

Mark Neeb, ACA president and head of the Affiliated Group



Is Capital A Commodity?



By Michael Flock, Managing Director, Flock Advisors

Flock Advisors, an M&A Advisory firm, and owner of the Falcon Fund, a capital source for middle market debt buyers, maximizes value through a unique combination of operating and financial experience and expertise. Its Falcon Fund provides financing that is flexible, fair, and fast with risk management expertise that offers more than just a transaction.

Accessing capital is complex.

The crash of 2008 radically changed the structure of the capital markets in the debt-buying industry. Before the Great Recession, dozens of hedge funds and commercial banks provided portfolio financing to medium and large debt buyers on a regular basis.

Warehouse lines of credit were common and readily accessible. Pricing and returns were at an all time high. Debt buyers spent up to 13 cents for fresh paper. Gross collections were projected to average 2.5 to 3 times the investment over five years.

All that changed overnight. The implosion in both the employment and housing markets has had a devastating effect on portfolio liquidation rates and therefore, the debt buyers' returns. Many debt buyers were forced to take impairments on their inventory, restructure their loan facilities and, in certain situations, were forced to close their business.



“We have been a customer of Flock Advisors and the Falcon Fund for the past two years. Partnering with Flock has been great. The team has provided valuable input in underwriting, performance oversight and access to co-buying opportunities.”

—Nick Papeo, *President & CEO Financial Debt Recovery, Limited*

Consequently, the financial markets for debt buyers have tightened dramatically. Only a handful of funds now will finance debt buyers, and no longer will they provide “blank



checks” or blank lines of credit. Typically, funds lending to this space require their own level of underwriting and approval for individual portfolio acquisitions. Due diligence is deep and rigorous on each transaction.

Making matters worse is the tight supply of paper for sale. Because of a steady decline of new credit card originations since 2008, the supply of charged-off credit card debt for sale is at an all-time low. What's a debt buyer to do? No paper. No financing. The drought is deadly and threatens the livelihood of middle market debt buyers who haven't diversified out of credit cards or found a niche that they can exploit.

Some new sources of financing have emerged. There are large industry buyers who have created their own funds. But their due diligence and underwriting standards and processes can be onerous. Friends and families remain a trusted source as always, but can be fickle and not a source for sustained large amounts of capital. Commercial banks have exited the market entirely, except for a few very large banks who supply very large debt buyers, and almost always with guarantees.

We are now in an era when capital is no longer a commodity. It is scarce. But that doesn't mean a debt buyer or collection agency should not be selective about what kind

of capital they want and what kind of capital provider source they want to partner with.

Finding and Selecting the Right Kind of Capital

First, hire an investment banker or broker to help find capital sources. Finding capital, especially on attractive terms, can be a full-time job and you already have one running your business.

Investment bankers have much bigger networks than most agencies and debt buyers, and are mostly compensated by success fees. So if they don't find capital, they don't get paid. On the surface, the fees may appear high, but the structure and terms of the deal will far surpass anything you can do on your own, not to mention the time and distraction from running your business.



Third, be sure to have a sound financial strategy. What is the best capital mix for the kind of debt you are raising? What cost of capital can you afford for the kind of debt you are buying? Will the structure of the capital enable you to buy the right kind of debt and provide you the cash flow and equity you need to maximize debt buying volumes?

Fourth, develop and leverage the depth and breadth of your management. Show how the leaders of your business have a full complement of skills and experiences, analytical processes and technologies to scale the business with the capital.

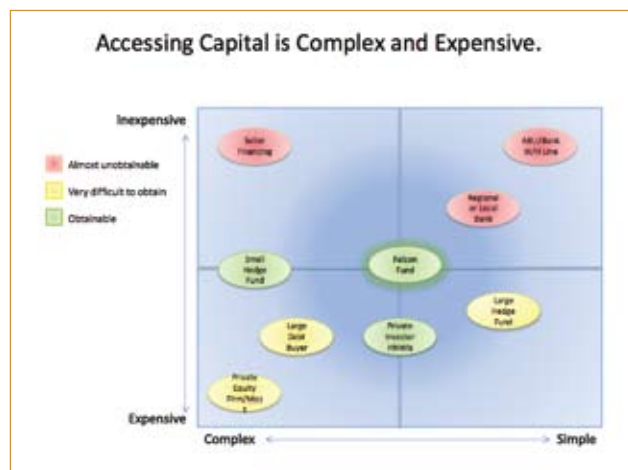
Select Your Capital Source Based On Value, Not Just Cost

Lastly, interview and do due diligence on the capital sources that interest you. The best lenders are like investors. They want to help you grow so they can grow with you. They will provide added value. They prefer long-term relationships with years of recurring revenues over immediate or short term gains, especially in segments that are less competitive, on roads less traveled.

That is certainly the practice of the Falcon Fund, which was developed by Flock Advisors to meet the specific needs of the middle market. At Flock Advisors, we are "more than a transaction," meaning we provide value beyond just capital. We help you navigate the complexities of the new economic environment.

This is accomplished by offering new relationships to debt buyers, communities of debt buyers with whom one can partner to reduce competition and improve decision making through additional data points that are provided by our systems and processes. And, we provide risk management expertise and information from our experience in financing more than 80 portfolios, bringing deep intelligence to debt buying.

So, capital is not a commodity. Different kinds of capital have much different values to the debt buyer. The right capital partner can be an invaluable resource that brings power and intelligence to the debt-buying process in a way that generates long term profits and cash flow for you, as well as certainty for investors at a time when other markets are not profitable and cash flow is uncertain. •



Just running a professional capital raising process will create more alternatives for you. Those alternatives will create competition and pressure for the capital sources to propose the best deals for you in a timely fashion. A professionally run capital raise process will generate serious proposals at optimal terms.

Second, be sure to have a sound business strategy, a story that differentiates you from the masses. Find a niche or segment in which you specialize or enjoy special relationships that enable you to buy debt outside of large auctions. Be sure to present a solid track record and pipeline that reflects a successful past and a bright future.



Building a Better Database

(An abundance of new consumer information is making it possible
for collectors to track and locate debtors in more efficient ways.)

Falling off the radar. It's a phrase used to describe someone who has suddenly become difficult to locate because of an address change, a new non-published phone number, or even death.

Finding these debtors is critical, of course, for collection shops to succeed. While collectors historically have relied on traditional data sources such as white pages and U.S. Postal Service address lists, such data sources have become less reliable in recent years.

A more restrictive regulatory climate means it's tougher for collectors to contact debtors, without consent, via mobile channels—which consumers count on for their daily communications. Traditional data sources, meanwhile, do not indicate if a debtor has passed away.

Rather than abandon the hunt for debtors who have fallen from radar, collectors are turning to trigger solutions to scour consumer databases and flag a long lost debtor who suddenly applies for a credit card or makes a payment on an old debt.

Trigger technology is not new but has been refined to provide collectors account activity alerts each day, rather than monthly or quarterly. Faster reporting means more relevant data to help re-establish contact with a debtor, such as a new address or phone number.

"There has been an explosion of consumer data sources that lenders and agencies can use to locate and contact debtors, but it comes down to having the right tools to optimally make use of that data to interact with debtors," says Jeff Bernstein, an executive strategic consultant at Experian

Decision Analytics, the credit bureau's global consulting arm. "Optimization of data is the direction the collection industry is heading."

Triggers also can be established to notify lenders if a debtor had their credit report pulled by a landlord, as well as the type of credit or loan the debtor is seeking. Both are behavioral traits that indicate the debtor has a new job or received a financial windfall, which can mean it is a good time to renew contact.

"It makes more sense to apply triggers to accounts with a low likelihood of success when there are more profitable accounts that can be worked in the meantime," says Bernstein.

Making triggers useful requires knowing what data is relevant to the lender. Credit bureau TransUnion, for example, flags accounts considered dormant when the debtor applies for a new credit card or loan. Only new information, such as a change in address is reported.

"There is a lot of information that an activated trigger can yield, but not all of it is new or relevant," says Dan Brackle, a vice president at TransUnion Collection Solution. "The goal is to remove duplicate data that can overwhelm the debt owner."

TransUnion recommends using five-to-six triggers and testing them to determine their value. End-users tend to see liquidation rates improve two- to three-fold when using triggers.

One of the most often used triggers tracks increases in a debtor's credit score. Typically, the collector will place a range on the increase before activating the trigger, such as an upward swing of 50 points or 100 points or a rise to a predetermined level, such as from 400 to 600.



"An improving credit score is a good sign, but debt owners prefer notification of meaningful swings that they feel put the debtor in their sweet spot to initiate contact again."

—Dan Brackle, vice president,
TransUnion Collection Solution

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Just as triggers have made it easy for lenders and agencies to track a dormant account, technology streamlines the process of identifying when a debtor has passed away and their estate gone into probate.

"This is not a gold mine in terms of recoveries, but in the past a lot of these accounts ended up getting closed without a settlement. In this economy, every recoverable dollar needs to be looked at."



—Michael Lammers, vice president of operations,
United Resource Systems

Traditionally, verifying that a debtor's estate has entered probate was a labor-intensive task that meant scouring death notices and the records of probate courts.

When it was learned that a deceased debtor's estate entered probate, lenders and agencies had to scramble to file the proper paperwork and follow Fair Debt Collection Practices Act guidelines about non-disclosure of the deceased's debt when communicating with non-attorney executors of the estate.

Rather than jump through these hoops, most lenders and agencies would opt to close the account. Advances in database technology, however, have made it possible to compile the records of the 3,400 probate courts in the United States.

Minneapolis-based Forte LLC's Probate Finder database enables end-users to conduct a search for debtors whose estates have gone into probate.

When a hit is scored, collectors can print the appropriate claim forms and either electronically file them with or mail them to the court of record, depending on the court's ability to receive electronic documents.

"The FTC's policy is that debt collectors search public records for a probate case before contacting a probate court," says Angela Horn, vice president and general counsel at Forte. "This tool makes it feasible to do it."

Indeed, most small to mid-sized collection agencies avoid probate work because it is so labor intensive.

"It takes a lot of manpower to check the probate courts and contact relatives to find out the status of the debtor," says Michael Lammers, vice president of operations at United Resource Systems, a Lakewood, Colo.-based collection agency that specializes in medical debt and now uses Probate Finder. "Some of the accounts we work are for air ambulance companies and those bills can run up to \$25,000."

Lammers says his firm has filed about 125 cases from January through mid-September, compared to four or five in previous years.

"We have settled several cases already and we have received calls from several attorneys about settling," he says. "This is not a gold mine in terms of recoveries, but in the past a lot of these accounts ended up getting closed without a settlement. In this economy, every recoverable dollar needs to be looked at." ■



Tracking The Evolution of The

Auto Dialer

Auto dialers are moving from expensive, bulky hardware to sleek, software-based solutions that offer features to help agencies become more compliant.

Complaints from debtors about collection agents making false and misleading statements, using abusive language and taking a harassing tone is the last thing any collection manager wants to hear about—especially in today's murky regulatory and legislative climate.

It takes only a few large fines for violating the Fair Debt Collection Practices Act or the Telephone Consumer Protection Act—which governs the phone conduct of agents and telemarketers—and an agency can find itself losing clients, or worse, out of business.

While the obvious remedy is to screen agent calls for red flags, manually reviewing thousands of calls placed daily is a monumental task and requires resources far beyond that of most agencies. After all, on average, some of the largest collection agencies place more than 500,000 calls a day.

Surprisingly, a solution to the problem can be found in a time-tested technology—the auto dialer. Thanks to advances in software and telephony technology, the dialer has evolved from a big box piece of hardware to a virtual software application that can be hosted by a third party and integrated with a variety of functions, such as voice analytics.

Dialers today are more technologically sophisticated, and more affordable, when compared with the total cost of ownership of a traditional dialer. In the hosted model, up-front implementation expenses and ongoing support costs are eliminated.

End users typically pay a monthly fee to access the software, which can scale to capacity on demand, and that covers regular upgrades and maintenance costs.

Agencies also can take advantage of voice over Internet pro-

(Continued on page 15)



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protocols (VoIP) to connect the server hosting the dialer application to the Internet to transport phone calls at a fraction of the cost of calls sent over a packet switched telephone network.

“The scales are starting to tilt toward hosted dialers because of the lower costs of VoIP connectivity and because the cost of a hosted solution is much less than buying and maintaining dialer hardware,” says Brian Cutler, senior director, project management for Ontario Systems, a Muncie, Ind.-based provider of accounts receivable management technologies. “A lot of collection shops are looking to replace older dialers with hosted solutions when it’s time for an upgrade.”

Cost efficiencies aside, a big advantage of hosted dialers is the suite of technical capabilities often included. Along with voice analytics, some dialer applications can detect when the program connects to an answering machine or voicemail.

The hosted dialer can be instructed to disconnect or automatically leave a fully compliant message, thus freeing the agent to be connected to the next live contact, increasing their productivity.

Voice analytics, however, are among the most intriguing capabilities of the new breed of telephony technologies that can be integrated into dialers. Collection managers can use the feature to detect omissions, such as mini-Miranda warnings, or the use of inappropriate keywords and phrases, such as an agent saying the word “garnish” on a non-garnishment-eligible account.

When omissions, inappropriate keywords or phrases are detected, a supervisor can intervene to prevent further comments by the agent that can lead to a complaint.

“These features are not necessarily related to the predictive algorithms and the dialing functionality, but are part of the phone systems,” John Watson, chief operating officer at ARS National Services, an Escondido, Calif.-based collection agency said during a workshop on collections technology sponsored by the Federal Trade Commission earlier this year. “These are some great new emerging technologies that will help the industry further protect consumers and ensure quality interactions with customers.”

Use of voice analytics also can be reversed to monitor the language and voice inflections of the debtor to determine if they provoked an agent.

“There are a lot of instances of debtors swearing at collectors, which sets off a confrontation,” says David Schultz, a partner in the Chicago office at law firm Hinshaw & Culbertson LLP. “Using voice analytics to screen calls can diffuse situations that can lead to attorneys filing claims on behalf of debtors based on the content of a collections call. There has been an uptick in litigation from he said/she said situations.”

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Given the volume of calls some collection agencies generate, and the length of those calls, there is no way to screen each call in its entirety using voice analytics, according to collection experts.

An alternative solution is to provide agents with the tools to guide them through a dialogue with the debtor so they can apply the appropriate treatment strategy.

“This approach is not about scripting the conversation, but asking questions based on the debtor’s responses to yield information to determine the appropriate treatment strategy,” says Vytas Kisielius, CEO at Wilmington, Del.-based Collections Marketing Center Inc., a provider of collection platforms.

An agent, for example, may ask a debtor questions such as what is their monthly income or total monthly debt obligations. Based on the debtor’s response, which is entered into the system, and past behavior data and the debtor’s level of indebtedness, agents can be prompted to ask additional questions or offer a certain treatment plan.

“The idea is use debtor responses as actionable data, along with other known account and behavioral characteristics of the debtor to help the agent guide the dialog,” says Kisielius, who adds CMC provides this capability as part of its FlexCollect platform.

Given the myriad legislative changes regarding consumer rights during a collection call occurring on a state-by-state basis, auto dialers with voice analytics capabilities are expected to become a must for collection agencies.

“Voice analytics help the agency to become much more compliant and make sure, even from a training perspective, that collectors’ are using the right terminology,” says Ontario Systems’ Cutler. “It’s a hot topic in the industry.” ■



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