CFPB Rule Changes

Navigating key decisions amid evolving regulations and uncertainty

Debt collectors' priorities include adapting to significant change and uncovering value in customer relationships. Will digital transformation support these goals?

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Be Informed

Significant rules changes have been drafted by the *Consumer Financial Protection Bureau (CFPB),* and the industry is now within the comment period before final rules are published. Almost immediately, legislation has been drafted within Congress to offset portions of the rules. All this means that the final rules could look quite different from the current version.

For debt collectors, these changes will have major impacts. Previously permissible outbound contacts strategies must evolve, while new preferred customer channels will open up opportunities to interact in new ways.

It may feel like you need to be a chess master to predict the many different ways theses changes can play out. Of course, artificial intelligence has been beating humans at chess for years because computers rapidly calculate multiple moves into the future.

Why not harness that tactical decision-making power for your business?

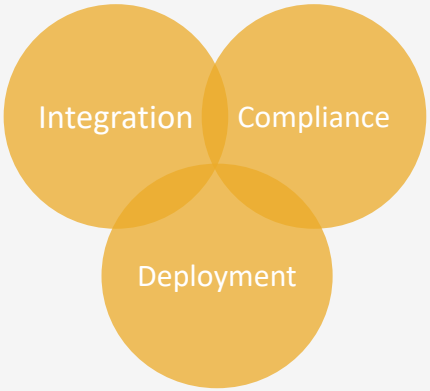
Solutions are available to automate compliance, ensure auditability, and optimize contact strategies using machine learning.

Take the First Steps

Implementing a digital debt collections strategy involves integration, compliance, and deployment considerations. Planning in all three areas leads to the clearest route to value creation.

To learn more, check out the whitepaper *3 Roadblocks to Implementing a Digital Collections Strategy…and How to Solve Them*.

Digital Collections Strategy



Identify Your Big-Picture Contact Strategy

Many factors can prevent a customer from paying on their debts, and not all factors are obvious.

Your challenge is to make it simple for each customer to pay as much as they can, as soon as possible—and to make paying your balance their priority. But you don't always have the insights or information you need about their situation.

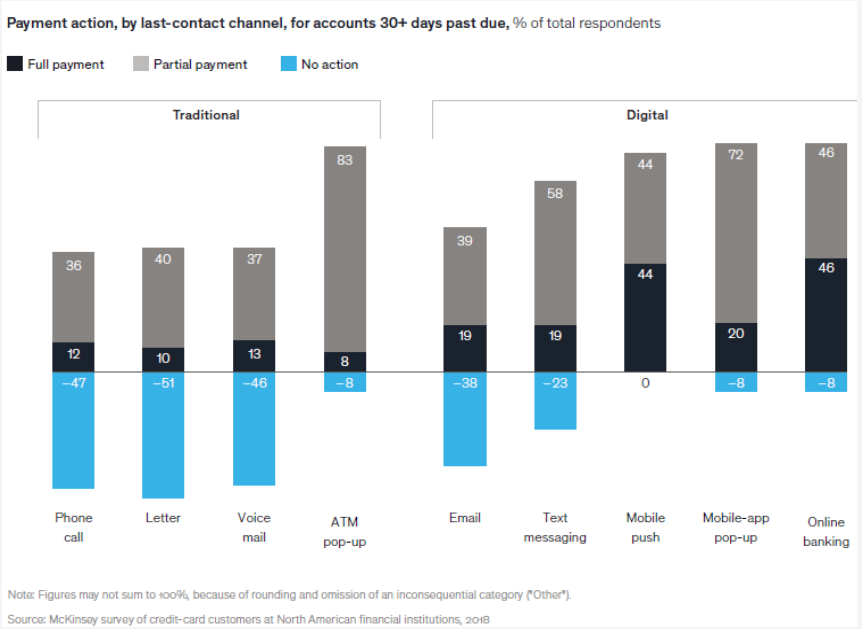
In these circumstances, gathering an understanding and continuously learning customer preferences is key. Well designed communications strategies build engagement as well as your understanding of the optimal treatment for a segment.

This is the philosophy behind omnichannel. The bonus?

Many debt collectors who have tried new contact methods are finding that customers prefer digital communication over traditional phone and letter approaches. They find the payment process easier and more seamless. As a result, they pay more, faster, and report fewer complaints to regulators.

When the Going Gets Tough, Go Digital

A recent McKinsey study found that digital communication methods inspired much higher payment rates than traditional channels, especially when customers were already delinquent.



Source: "Going Digital in Collections to Improve Resilience Against Credit Losses.", McKinsey & Company

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Ask the Right Questions

When it comes down to it, the right solutions from the right software provider make a huge difference in your ability to build a relationship with borrowers.

Asking the right questions can set you up for success and avoid headaches or surprises.

Sample Questions to Ask:

1. Can you demo specific use cases that reflect CFPB proposed guidance?
2. What if my interpretation changes—can I easily reconfigure strategies?
3. What would the deployment timeline look like from contract to go-live?
4. What time commitment do I need to expect from my staff as we set up strategies or reconfigure them later?
5. Can I pick and choose the features I need, or add features later?
6. How do I use the system to handle complaints or audits?

Going Digital Massively Improves Workflow, Reduces Operational Costs and Improves MRR

4Finance is one of Europe's largest and fastest growing online and mobile consumer lending groups and a disrupter to conventional bank lending. The company's explosive growth strained its internal capabilities. Management set a strategic objective of increasing consistency and efficiency across the network while maintaining flexibility.

Utilizing the Katabat digital collections platform, 4Finance automated and synchronized a number of operational processes, increasing efficiencies; reducing human error and operational costs; and improving the end-customer experience.

4 FINANCE **Key outcomes**

Efficiency metrics resulting from Katabat deployment

+89%	+86%	+86%	~$110k MRR
Workflow improvements	Configuring payment schedules	User notifications	over 7.4x initial MRR[1]

1 – Month 6 MRR (avoiding initial roll out period)

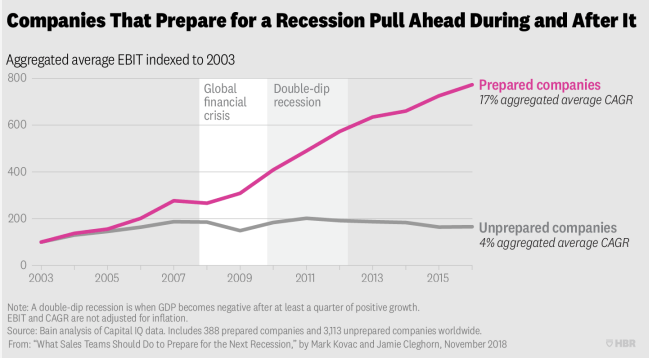
Big Picture Goals

Digital debt collections is a critical first step on the journey.

Having clear benefits identified and a well-conceived customer experience management strategy are key.

Return on Investment	Plan has specific timelines & manageable deliverables
	Deployment of functionality measured in weeks/months
	Integrates well with existing strategies & tech stack
Customer Experience	Solution enables strategic understanding of how often you contact borrowers on each channel
	Offers increased payment & contact options to borrowers

Tougher Times Ahead. Now Is the Time to Prepare.



Source: "What Sales Teams Should Do to Prepare for the Next Recession", Harvard Business Review

The recently published joint annual report from the CFPB and FTC confirms the trend in rising delinquencies. We believe that these delinquency characteristics are already creating real pressure on lenders, and will simply grow over time. At a macro level, the rising consumer lending (40% since the 2008 recession) and consumer debt ratio (steading rising since Q1 2013) are also clear recession indicators.

We believe that now is the time to evaluate your omnichannel capabilities and assess if they are fit-for-purpose. A recent *Harvard Business Review (HBR)* article points to clear data that companies who prepare ahead perform better during and after recessions.

Five Steps You Can Take Now to Prepare

1. **Beef up your digital and web presence**. If your plan is to rely solely on dialers and letters, you're going to struggle.
2. **Start vetting a debt collection agency or agencies**. Run a few agencies through your Compliance, Procurement, and Vendor Management areas so you're ready if inventory suddenly spikes.
3. **Get consent NOW.** We know our next wave of delinquent consumers will demand digital communication **channels such as email, 2 way SMS, and social media.**
4. **Line up payment-program offers now.** Ask yourself: if our losses were to double, what would you be willing to offer?
5. **Make sure your account-scrubbing processes are tight and look for efficiencies.** Are you set up to filter bankruptcy filings near real-time? Are you taking advantage of demographic-update services that can alert you to changes in customer-contact information?