

Implementing Effective Collection Practices and Guarding against Common Abuses

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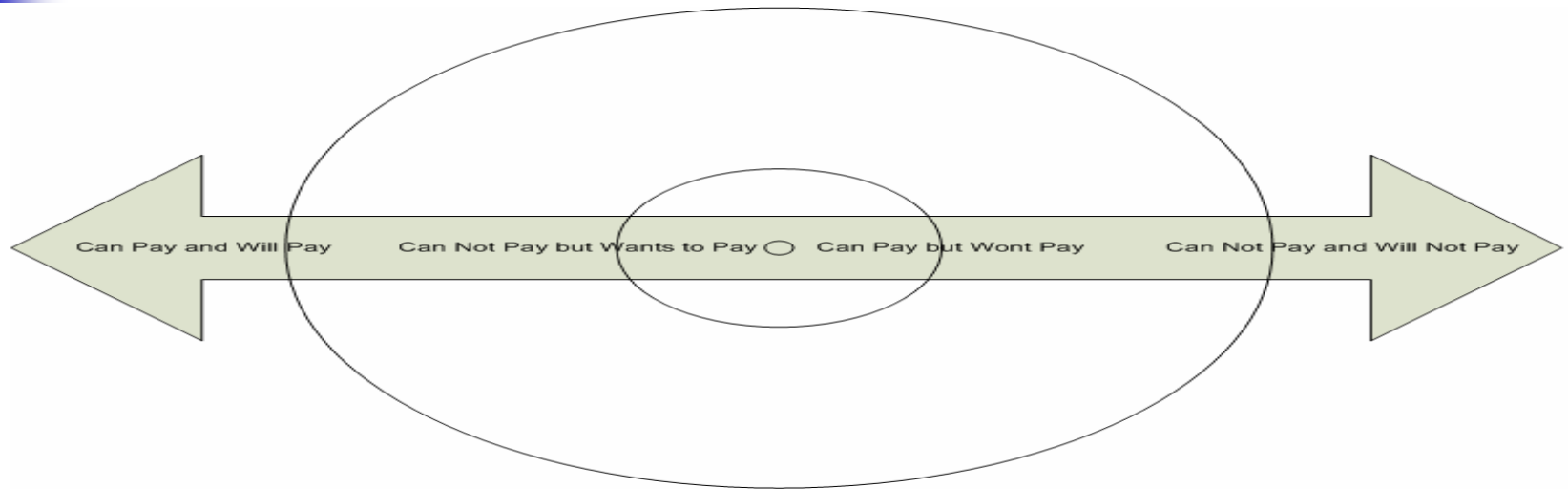
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Understanding Borrower Behavior

- There are four (4) primary behavioral categories which defaulted customers comprise. They are:
 - Customers who can pay and will pay
 - Customers who can not pay but want to pay
 - Customers who can pay but will not pay
 - Customers who can not pay and will not pay
- The key to an efficient and effective collection program is to develop specific collection strategies designed to address each of these categories.

Directing Collector Focus



- To optimize performance your focus must be on the segment of business that you have the greatest influence over.



Linier vs. Segmented Recovery Strategies

- **A Linier Strategy** applies a single collection approach to all inventory.
 - All accounts enter and exist the collection process in generally the same manor.
 - It applies the same work efforts to all accounts.
 - Extremely simple to manage.
 - Not an optimal method as collection resources overwork some accounts and under work others.



Linear vs. Segmented Recovery Strategies

- **A Segmented Strategy** categorizes accounts and applies a specific treatment to that particular segment of the portfolio.
 - Classifies “like type” business together and applies an effective treatment strategy to collect the debt.
 - Creates specialization that allows collection associates assigned to that portfolio segment to be trained specifically for that task at hand.
 - Allows for focused efforts.
 - Is cost effective in that it applies the correct amount of effort on each segment.



Segmentation Categories

- Basic segmentation starts with grouping accounts into similar product categories
 - Check Cashing
 - Consumer Loan Products
 - Extended Repayment Products
 - Payday Advances
 - Title Loans
- By segmenting accounts into products, you assist collectors in improving the flow of each call.



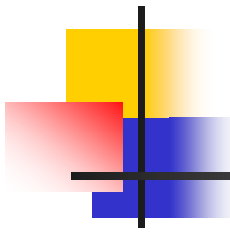
Segmentation Categories

- Once separated into products, further segmentation occurs by categorizing similar characteristics within each product. These can include:
 - Fraud Accounts
 - First Loan Defaults
 - Closed Bank Accounts, Starter Checks and Stopped Payment items
 - Public Assistance Recipients
 - High Risk Consumers
 - Repeat Customers
 - Balance
 - Age
- Your objective is to apply work efforts that are proportional and targeted to each business segment.



Specialization

- Within each category, collectors work the assigned business under designed workflows, standards and strategies to affect collection and recovery of the accounts in the shortest possible time.
- While this process is more complicated than assigning accounts equally, it eliminates the “jack of all trades, master of none” effect of having collectors be partially effective on a lot of different products.



Performance Standards

Measuring your success

- Collector performance should not be solely based upon the amount collected (although, its a substantial part) because each segment will liquidate differently. Collectors should also be evaluated on the following:
 - Prime time hours worked
 - Number of calls made
 - Number of promises to pay obtained
 - Dollars promised per hour
 - MTD running totals for all matrix categories



Performance Standards

Measuring your success - Continued

- Work standards for each performance matrix allow the collector and manager to know the expectation, and how they compare to their peer group (similar collectors working similar products).
- Collectors should be goaled to obtain 80% of best performance for their peer group.



Technology and Collections



Technology and Collections

- Technology is the foundation of the "smarter" part of working "smarter not harder".
- Technology abounds to increase efficiency in collections. Items such as:
 - Automated collection systems
 - Auto dialers
 - Skip tracing tools
 - Payment systems
 - Predictive analytics
 - Call recording and reporting systems



Common collection abuses you need to
be aware of and prevent



Common collection abuses you need to be aware of and prevent

- Never has the old adage “an ounce of prevention is worth a pound of cure” been more applicable than in managing collection complaints.
- Collection related complaints and lawsuits have risen dramatically during this most recent economic downturn.
- Our industry makes us easy targets of complaints.
- Your greatest exposure occurs during calls your collectors make daily.



Common collection abuses you need to be aware of and prevent - Continued

- Debt Collectors Banned From Harassing Marylanders State Says Company Violated Statute Of Limitations Law - September 17, 2009
- FTC Slaps \$1 Million Fine on Internet Lender Over Collection and Loan Practices - September 22, 2009
- Widow Sues Debt Collection Firm for Wrongful Death of Her Husband - September 25, 2009



Common collection abuses you need to be aware of and prevent - Continued

- Establish and enforce corporate collection policies and practices based upon best practices and the FDCPA.
- Train all associates on the importance of properly handling accounts.
- Institute random “testing” (mystery calls) to ensure that calls are being worked to your established standards.
- Include best practices and FDCPA compliance testing during annual reviews.



General Questions
