

## NEWS

## Technology Tools, Internal Processes Help CUs Deal With Delinquencies

By MARC RAPPORT

LOS GATOS, Calif. -- Troubled times for lenders and borrowers alike means rising delinquency rates and increasing demand on the people and technology that credit unions are using.

Bill Garcia sees it daily in his firm, Solutions in Finance, a Los Gatos-based lending and collections consultancy with a client list of about 40 financial institutions.



**Bill Garcia**

"This is the worst I've seen in 12 years working with credit unions," Garcia said. "The institutions feeling it the most are the ones not prepared by having the software necessary and the collections strategies and workflows in place."

"The ones that are prepared will obviously fare better in this economy, but the fact is that all credit unions are feeling this, just some more than others."

As far as collections technology goes, credit unions typically must choose between what's built into their core system or lending software platforms or third-party add-ons.

At VyStar Credit Union in Jacksonville, Fla., those software duties fall to the collections system built into the credit union's Fidelity MISER core platform. The CU also uses a portfolio view, rather than one account at a time, since working with Garcia in 2004.

The collections piece works with the core system, the CU's APPRO lending system and the marketing department's MCIF functionality to craft that holistic look at the member relationship.

"When we talk to a member about potential past due problems, we want to look at the whole picture, everywhere they're having financial difficulties," said Kathy Bonaventura, chief lending officer at \$3.5 billion VyStar.

A software dashboard provides that view, giving managers functionality such as the ability to change the number of days delinquent a payment can be before moving to a queue that routes it to an internal collector.

Being able to quickly shorten that window is a key to helping credit unions deal effectively with potential charge-offs and recoveries, said Garcia of Solutions in Finance.

"One of the best practices is really simple: You need to collect sooner--as soon as five days instead of 15 to 17 to start working these accounts," he said. "You also need to base your strategies on risk as opposed to no strategies at all, and you have got to have proper configurations in your queue to leverage the skills of your collectors."

Configuration of everything from collections queues to the people who are managing it has been a strategy at another Garcia client, \$1.4 billion Premier America CU in Chatsworth, Calif.

That credit union is in the process of converting to the MISER platform and is entrusting its collections technology to a third-party platform from Akcelerator, said Marge McNaught, Premier America's senior vice president of lending and support services.

The credit union also has upgraded the management level of its senior collections manager from director to vice president and hired someone with external collections experience at a major bank to fill that role, McNaught said.

"There's really a ton of stuff we've done, including such things as taking our call system for collections off our telephone service center and getting it its own ACD [automated call distribution] system," she said.

"We've also redistributed some workflow, put more expertise in the collections process and put some extra staffing on the 30-to-90-day category with autos, which

is where our issue is right now," McNaught said. "We haven't had as much of an issue with mortgages as our counterparts, knock on wood."

Premier America has 18 FTEs assigned to collection, although some are assigned right now to helping with the core platform conversion. "We think we have the head count we need to stay on top of this rising tide," McNaught said.

VyStar, meanwhile, has 27 collectors on the consumer side and three collectors and a separate manager on the mortgage side, said President/CEO Terry West.

The credit union now is looking at bringing its PSCU credit card portfolio into the fold.

"We already service all our own mortgage loans, auto, personal, signature, home equity, and we're always looking at ways we can be more efficient, provide better service to members, and manage risk in a way that protects us as well," West said.



**Terry West**

Software is crucial in that approach, but remains just a tool. It doesn't replace the human touch in these sensitive interactions.

"While you can get a snapshot of the member with these technologies, I think these are tools we never want to rely on fully," said West. "The most successful approach to collections in general is to have a one-on-one conversation with the members to understand their situation and really tailor a solution for them."

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