



## High Tech Collection

technology performance business customers

**Summary:** Collections are a hassle for all banks for a host of reasons. Some banks are finding new ways to address this age-old issue.

Research by [projecttimeoff.com](http://projecttimeoff.com) examined how Americans take vacation. Among the findings: 52% of employees end the year with unused vacation and the average employee earned 23.2 paid time off days with 17.2 of those used (26% unused). This could be your year for vacation, because 76% of those who travel and use their vacation say they are happy vs. only 48% of those who identify as homebodies. Go somewhere and have fun.

What isn't fun is collecting on your small and medium business (SMB) customers. But, bankers inevitably need to do so on some customers. For many, the methods used are stuck in the past, such as letters and phone calls.

We note this to identify some forward-thinking banks that are starting to use newer technologies to combat such issues. Certainly, collections are a hassle for all banks for a host of reasons. That's why some banks are trying to address potential issues earlier in the process, by developing self-help portals through which borrowers who have fallen behind on payments can pay bills online, make a promise to pay or schedule a call with someone at the bank who can help them. The idea is that customers can easily connect with the bank on their own terms and timeframe, which helps to minimize delinquencies.

In certain instances, banks are also starting to use other tools, such as text alerts and chats to help customers better understand their payment issues and potentially seek assistance. There's also software available that lets customers explain why they might be late and offers different repayment options.

Most SMB customers don't want to miss payments, but they may not know what to do when they have an issue. By using technology to keep in touch with these businesses throughout the loan life cycle, banks will be more prepared to anticipate trouble spots and can reach out to customers proactively. This affords them more latitude to find ways to make payment more palatable for business customers, such as partial loan payments for a few months, a temporary postponement, or an extension of the loan term to lower the customer's monthly payments.

Machine learning is yet another new area that can be useful for collections. For example, a system employed by one fintech startup uses machine learning to predict a customer's reaction to communication frequency, timing, channel and content. It tracks real-time events such as email opens, link clicks, browsing patterns and interaction with call centers to decide what its next step should be.

Yet another startup offers borrowers multiple ways to interact with their lender, claiming on its website to generate an improvement of 20% in repayments. These types of services may offer enhanced collections processes for both banks and customers perhaps.

Proactively staying on top of the ups and downs of SMBs will help curtail collection issues of course. Now that high tech options abound, some may be worthwhile too. While some of the actual methods are still a work-in-

progress, using big data, artificial intelligence and modeling for collections purposes is a growing area that your bank may want to explore down the road.

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