A DEBT TO KINDER COLLECTIONS

GREGORY B. SHEPERD

MATTHEW MEYERS

WADE BURNS

A NEW WAVE OF COLLECTIONS EXPERTS IS PUTTING ON A FRIENDLIER FACE, PLACING CUSTOMERS — NOT BOTTOM LINES — FIRST.

BY PAUL SISOLAK

Compassion, empathy, and consideration. They're not usually descriptions that come to mind when thinking of debt collection: of some hapless debtor strong-armed to pay up, absent any semblance of caring customer service.

A growing group of first- and third-party collections experts seeks to transform this stereotype with a kinder, gentler touch. Advocates of this new approach maintain it can ultimately prove better for business and signal a much-needed message: Collection companies care about their customers and sincerely want to help erase their debt.

This attitudinal shift can be traced back a decade to the Great Recession. Lawsuits against collectors were commonplace, and collection agencies felt the financial sting. It was time for a change, according to Gregory B. Sheperd, president of debt collection and financial services provider Meridian Financial Services, Inc. "Collection agencies realized they needed to be gentler," he recalls. "Not only to abide by the rules, but to treat consumers with more empathy, dignity, and respect."

Crafting a new mode of collections might spell a better financial future for all parties. "I think that the industry — in order to survive long term — has to stop looking at our customers as someone who only purchased a deed," says Matthew Meyers, vice president of Star Island Development. "If you continue to treat your customers in a customer-unfriendly way, you'll lose 1 percent one year, 2 percent the next year, and that can turn into 20 percent in the next 10 years."

Proposed federal rules all but reinforcing the debt collection status quo might make the push for a kinder collections strategy a greater challenge. In May, the Consumer Financial Protection Bureau suggested new regulations permitting collections agencies to call customers up to seven times a week, and putting no limits on contact via text messages and emails.

While that might signal an uphill battle for those advocating a change in their collections practices, some collections professionals see it as an opportunity to adopt new strategies implementing a kinder, gentler approach. Here are seven to start:

1. Survey the Situation

Initiate a conversation with consumers to ask the right exploratory questions about themselves, their profession, income, timeshare investment, plus potential reasons why their debt persists (like a job loss or illness). Understanding that every financial situation and circumstance is different prevents unnecessary assumptions.

"If you can find a way to shepherd people through those things, big and small, you can enhance the relationship you have with them," says Wade Burns, director of Equiant Financial Services Inc.'s contact center.

2. Customize Channels of Contact

Confirm your consumers' preferred method of contact to ensure no communication goes overlooked — and that your agents and account managers accommodate their needs.

A phone call may work for one demographic. Others may prefer communication via snail mail, email, or text. "I want to be able to facilitate whatever channel of contact the consumer wants," says Burns. "Whether it's video chat, text, call, I don't need to force the interaction either way."

3. Introduce Incentives

Incentivize consumers with perks, discounts, and special offers thanking them for their business; motivate them to pay; offset their financial burden; and in some cases, prevent interruptions to travel and vacation plans.

"Come to them not from a collection point of view, but a 'We're looking to help you' point of view," advises Meyers. "If an owner pays by a certain date if they've stayed at Star Island,

Continued on page 18

Allow consumers the opportunity to have a say in how they pay. As with independence choosing their preferred payment plan and communication channel ... it's one more avenue to empower owners with added leverage.

Continued from page 16

they'll get 30 percent off massages and 25 percent off drinks at the bar. Little things like that give them more value for their membership while they're here."

If allowed by Meridian's client, consumers who pay in full are offered a Dream Vacation Week certificate from Interval International. "It's a great way for us to reward those who keep their payment arrangements and, if they had previously lost usage of their week, still give them an opportunity to take a vacation," says Sheperd.

4. Negotiate Payment Plans

Embrace the art of negotiating with the goal of reaching a financial solution amicable for both consumer and collector — even if it means collecting only a portion of an outstanding balance.

"We want to work with our owners," says Meyers. "People who bought timeshare in 2006 or 2007, they put 10 percent down on a $25,000 sale, the economy was looking great, and then they lost their job or house. And the $20,000 they owed with interest and fees ballooned to $40,000 or $50,000. We have to be realistic that they're not going to pay that mortgage. Are we willing to settle with them where the developer doesn't recoup those costs? Of course, we are."

Star Island proposes flexible payment plans for owners delinquent up to two years; for others, a one-time settlement payment. Since the offers started in 2017, 73 Star Island owners have paid in full — proof that a more amenable strategy can produce results.

5. Cultivate Autonomous Consumers

Allow consumers the opportunity to have a say in how they pay. As with independence choosing their preferred payment plan and communication channel — rather than deciding for them — it's one more avenue to empower owners with added leverage.

Meridian, for example, exhibits online virtual payment technologies. "The consumer can make their own payment arrangements and bypass the agent completely," says Sheperd. "Say the consumers' reason for nonpayment is a financial one, and they are embarrassed by their situation: We try to remove those obstacles by letting them make the payments online and avoid dealing with our agents altogether."

6. Do Your Due Diligence

Contact consumers as early as possible before too much time passes, interest compounds, late fees pile up, and debt snowballs. "I start calling early in the process as soon as someone is one day past due," says Burns. "The sooner you head up the problem, the more options you have. If I call one day past due, that's 29 days until the 30-day delinquency period. It's about getting out in front, having options, and having more time."

Offering preventive alternatives also helps protect consumers. "One of the things we've done is educate our clients on the importance of allowing consumers an opportunity to exit their timeshare ownership," says Sheperd. "It is better and cheaper for the consumer to work with Meridian on an exit solution than paying a relief company for a transfer that may be bogus."

Meridian also considers issues such as natural disasters that may affect a consumer's ability to do business. For example, agents proactively determine, via zip or area code, if a consumer lives in an area declared a state or federal disaster zone, ceasing collection efforts until the declaration is concluded. Meridian also reduced communication with clients, and removed or delayed credit reporting, if the consumer was adversely hindered by the government shutdown that occurred at the end of 2018.

7. Analyze Your Accountability

Adopt guidelines to keep collection agents and account managers on point, holding them accountable for their behavior.

Meridian monitors its phone calls, intently listening for abusive exchanges, vulgar language, hostility, or negative words. "By using call analytics, we can review large groups of call recordings to ensure compliance, as well as agent behavior," says Sheperd. "We also use the recordings to determine compliance with internal policies, federal and state laws, as well as how the consumer was treated by the agent. They're given a score based upon each call reviewed."

Collectors are obligated to follow the Federal Trade Commission's Fair Debt Collection Practices Act — but Burns maintains that empathetic collectors need to go above and beyond. "It comes down to the interaction. It's the questions I ask, whether I listen, or answer appropriately, and empathize and bridge. You can still deliver a poor experience even when giving them what they want. It's about conversation as much as it is what you can offer."

Gaining a new perspective to debt collection based in sincerity and empathy isn't focused on the money a consumer owes the collector, but the respect and professionalism the collector owes the consumer.

"The key catchphrase is the customer experience," says Meyers. "I think that while we've always said the customer experience is important, it's becoming more of a truth than ever. People are expecting more from the companies they do business with than ever before. We have to make sure our customers are happy." [ ]