



Business Impact

“Loan portfolio management could reduce pending credit losses by 35 percent.”

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Challenges

- Insufficient collection strategies.**
Credit unions and banks have traditionally determined collection treatment strategies through either a rules-based or experience-based approach, with very little or no true analysis being applied.
- Rising costs.** To increase collections, institutions have sought to increase capacity by adding staff, upgrading systems or outsourcing, all of which are expensive, inefficient, slow to implement and slow to return value.
- Limited skill sets.** Banks often lack the analytical skill sets and infrastructure necessary to better predict debtor behavior and assign optimal treatment strategies.
- Finite resources.** Financial institutions have limited resources – both dollars and people – available to execute collection processes.
- Recovery costs outpace dollars recovered.** When predictive models degrade in performance, inefficient collections activities are a direct result, driving up both cost and time components for the recovery of funds.

How can we reduce delinquencies and charge-offs in our auto loan portfolio?

YOUR GOAL: Increase profitability by optimizing collections

Credit unions and banks are experiencing unprecedented delinquencies and charge-offs, specifically in the area of auto loans, as a result of current economic conditions. According to TransUnion, the national 60-day auto delinquency rate (the rate of auto loan borrowers 60 or more days past due) rose by almost 11 percent between the second and third quarters of 2009. And as unemployment continues to rise, there is evidence that these trends will continue to worsen.

Financial institutions have responded to the increases in auto delinquencies and charge-offs by increasing their traditional collections capacity and efforts. This has led to hiring more staff, sending more letters, making more calls, etc. And the required investments have been significant. The result, however, has been a general increase in dollars spent on collections – but without a positive impact on delinquency rates or dollars charged off. And there has been little or no analysis of what collection activities are truly effective.

OUR APPROACH

Optimizing the collections process can have a dramatic positive effect on your profitability while greatly improving the customer/member experience. We approach the problem by providing software and services in a SAS-hosted solution to help you:

- Reduce charge-offs and delinquencies** by using customer behavioral models to gain critical insight so you can know which customers or members are most likely to respond and which communication channels will provide the highest return.
- Reduce your collections budget** by determining which channels to use for individual customers using advanced analytic techniques to evaluate multiple channels simultaneously.
- Establish an optimal contact policy to maximize the effectiveness of your collection activities** with an optimization engine that uses a patent-pending mathematical approach to increase recoveries while taking into account any constraints in capacity, budget or policy.
- Access and share reports** that show the likelihood for each account to become 60 or 120 days delinquent within the next 90 days or return to current status without engaging in a resource-intensive treatment strategy.

With a SAS-hosted solution, you can respond appropriately and quickly to changing economic conditions. Our business analytics platform allows optimal management of the end-to-end business, analytic and technological processes associated with the collections and recovery phases of the credit life cycle.



THE SAS® DIFFERENCE: The most accurate collections analytics available

SAS provides the most accurate collections analytics available, enabling you to reach the next level of effectiveness and profitability in your auto loan collections. With SAS, you get:

- **Award-winning predictive modeling and optimization software.** With more than 30 years of experience with optimization, SAS has developed a patented, custom algorithm for collections that includes innovative new approaches that ensure that the best predictive techniques are identified and used.
- **Experience and expertise.** The SAS Advanced Analytics Lab has the greatest concentration of advanced modelers in the industry, with each team member holding an advanced degree and from 10 to 30 years of modeling experience.
- **Proven methodology.** SAS uses a proven methodology for modeling that enables us to build models and tailor optimization routines based specifically on the unique collections experiences, policies and constraints of your institution – not based on aggregated industry data.
- **Faster ROI.** With the SAS-hosted solution, you can take advantage of analytic insight much faster and less expensively than if you were trying to do the analytics in-house.

As part of the modeling and optimization process, SAS will build a collections analytics platform specifically for your institution. When and if you are ready to build and deploy collections analytics in-house, SAS will enable you to move the platform and models to your institution, thereby protecting your investment.

CASE STUDY: A midsize auto finance company

Situation

The firm was experiencing rising delinquencies and, as a result, rising collections costs to cover the increasing delinquency volume. It needed a way to increase collections without increasing collections costs.

Solution

SAS provided a solution that helped the firm:

- Predict which delinquent accounts were most likely to respond to different collections efforts.
- Predict which delinquent accounts were most likely to pay without in-person or telephone collections staff contact.

Results

- Increased collections while reducing collections staff efforts by 30 percent.

What if you could ...

Reduce charge-offs and delinquencies

What if you could maximize total collections by simultaneously optimizing the expected amount to be collected, the preferred communication channel and the likelihood of response?

Maximize the effectiveness of collection activities

What if you could determine the best communication channel to use for each collection opportunity?

Reduce your collections budget

What if you could improve your efficiency and actually increase collections for less cost?

Establish an optimal contact policy

What if you could know which contact policy to enforce for maximum effectiveness and understand how often and when to contact customers to maximize the possibility of collecting debt?

You can. SAS gives you THE POWER TO KNOW®.

SAS FACTS

- Ninety-seven percent of banks in the FORTUNE Global 500® use SAS.
- SAS has more than three decades of experience working with financial institutions all over the world, and today more than 3,100 financial institutions worldwide are SAS customers.
- SAS is the preferred partner of NAFCU for risk analytics, predictive analytics and business intelligence.

Learn more about SAS® software and services at: www.sas.com



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