



Business Impact

“Although we will save multiple full-time employee hours because we can model better and faster, the real monetary benefit comes because we can make better business decisions on the revenue, which we expect to be in the millions.”

L. Heath Sampson
Chief Financial Officer
SquareTwo Financial

Challenges

- **Insufficient data.** The lack of usable and reliable loan application data seriously inhibits collections.
- **Poor credit decisioning processes.** Credit decision processes often lack the kind of enhanced credit information that can produce reliable probability of default predictions.
- **Credit scoring model deficiency.** Many institutions do not have in-house credit scoring models and tend to over-rely on third-party models that are updated infrequently and are, therefore, unreliable.
- **Incomplete view of customer relationships.** Without a holistic, 360-degree view of customer relationships, institutions cannot have a complete picture of indebtedness across all loan types.

How can we maximize returns from our collection efforts?

YOUR GOAL: Increase profitability by optimizing collections

Banks and other lending institutions are experiencing continual stress in their loan portfolios as a result of the financial crisis and an economy that is proving slow to recover. High unemployment rates throughout the US and Europe are expected to continue for the foreseeable future. The continued high levels of unemployment, coupled with the long duration of unemployment and forecasts for weak GDP growth in areas around the world, all point to the conclusion that financial institutions will continue to experience high rates of delinquencies and net charge-offs in their loan portfolios.

The impact of existing economic factors and the growth of bad loans mean that banks and other lending institutions must be as competent in their collections efforts as they were in initiating loans during the economic expansion that occurred prior to the crisis. Financial institutions have responded to rising loan 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.

OUR APPROACH

Optimizing the collections process can have a dramatic positive effect on your profitability while greatly improving the customer experience. We approach the problem by delivering software and services to help you:

- **Gain a complete 360-degree view of your customer relationships** across all accounts, including all outstanding loans using advanced data management capabilities to access, cleanse and integrate data from all source systems.
- **Create an enriched credit score** that provides better predictability of loans in danger of default and the resulting losses to the institution using proprietary credit scoring models that can be updated frequently and enriched using other in-house customer data attributes.
- **Optimize collections department activities** to maximize recovery amounts and minimize recovery costs by analyzing all possible collections activities by debtor segment to determine the highest probability of success given multiple constraints, including people, costs, time and related items.

SAS gives you the ability to formulate optimal collections strategies that account for various risk/reward trade-off scenarios, as well as the ability to execute on those strategies. This enables you to manage the balance sheet to meet both short- and long-term goals that may cross different phases of the economic cycle.



THE SAS® DIFFERENCE: The most effective collections analytics available

Only SAS provides a platform with embedded mechanisms to ensure that you can quickly formulate, expeditiously execute and maintain a portfolio of optimal collections strategies over time across changing economic landscapes – all in a manner that minimizes IT support requirements. With SAS, you get:

- **An analytic data mart for collections-specific analytics**, which enables predictive models and challenger segmentation strategies to be designed, developed and deployed rapidly to the operational infrastructure supporting collections.
- **An optimization engine** that enables you to design, test and simulate advanced optimization routines against a variety of what-if conditions that take into account multiple constraint-based scenarios and metrics so you can determine the “best” and “optimal” courses of action for delinquent accounts.
- **A user-friendly dashboard, self-service portal and automatically generated alerts** that give business users and managers easy access to collections effectiveness metrics along with drilldown capabilities to ensure that collections-specific issues can be assessed and uncovered quickly to facilitate rapid mitigation and resolution.

With more than 34 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.

CASE STUDY: SquareTwo Financial

Situation

The asset recovery firm needed to model and forecast loan portfolio returns and predicted recovery rates more quickly in order to make better bids for distressed loans.

Solution

SAS provided the firm with a solution that:

- Streamlines the data mining process to create highly accurate predictive and descriptive models based on analysis of vast amounts of data from across the enterprise.
- Generates large quantities of high-quality forecasts quickly and automatically.

Result

- The firm can now predict the future values of loan portfolios based on internal and external data.
- The firm can also predict and improve the recovery rate from those portfolios, thereby improving its returns.

What if you could ...

Gain a 360-degree view of your customer relationships

What if you could get a complete picture of customer relationships and outstanding loans across all accounts and lines of business?

Reduce charge-offs and delinquencies

What if you could better predict the likelihood of default so you could take action to collect outstanding loans before default?

Maximize collections while minimizing collections costs

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

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

SAS FACTS

- More than 3,100 financial institutions worldwide are SAS customers.
- SAS customers make up 97 percent of banks in the FORTUNE Global 500®.
- SAS has more than three decades of experience working with financial institutions all over the world.

Learn more about SAS software and services for banking at:
www.sas.com/industry/fsi



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