

# ***New Data, Tools and Technologies for Loss Management***

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Association***

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# Today's Panelists

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# Loss Management Concerns Today

Auto financing executives and loss management teams are dealing with a “tsunami” of financial challenges that have been building momentum over the last decade.

## The Global Financial Crisis:

Falling home prices  
Rising unemployment  
Lack of credit availability

## The Government Response:

Bailout/relief/stimulus dollars  
Government-“owned” businesses/industries  
Severely tightening regulatory activity

# Loss Management Concerns Today

And, consumers are facing greater credit challenges than ever before.

## The Consumer Impact:

More credit-strapped, debt-burdened households

Record number of home foreclosures

Loss of home equity

Declining net wealth

Lower consumer confidence

## On car payments, issues heightened by:

Longer monthly terms

Higher loan-to-value (LTV) allowances

Declining collateral values

Tier exceptions



# Loss Management Metrics

The result has been higher numbers of delinquencies, bankruptcies, voluntary and involuntary repossessions, deficiency balances and charge-offs. NAF's Annual Survey shows the following:

## Annualized 30-Day Account Delinquencies

2008 = 7.14%, 2007 = 8.09%, 2006 = 11.6%, 2005 = 6.5%

## Annualized 30-Day Dollar Delinquencies

2008 = 5.33%, 2007 = 6.05%, 2006 = 11.3%, 2005 = 6.8%%

## \$ Bankruptcies as % of Outstandings

2008 = 3.4%, 2007 = 2.09%, 2006 = 3.00%, 2005 = 3.0%

## Average Annualized Repossession Rate

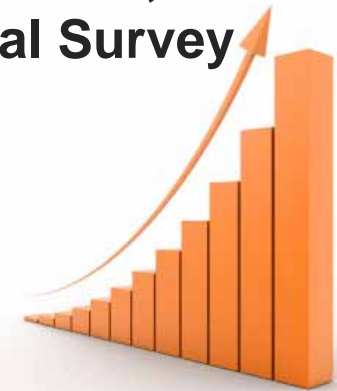
2008 = 9.41%, 2007 = 8.78%

## Average Repo Loss per Unit

2008 = -\$ 6,473, 2007 = -\$6,804, 2006 = -\$6, 881, 2005 = - \$5,997 (repos only)

## Annualized Net Charge-Off Rate

2008 = 6.54%, 2007 = 6.58%



# Opportunities for Improvement

Data and Tools

Policies and Programs

Process

Reporting and Analytics

Technology

People/Organization

# Best Practices – Data/Tools

- Clean and updated application data (contact info, references, etc) at point-of-sale
- Additional info including mobile and e-mail contact info, communication preferences and consent
- Continuously updated customer data
- Insurance tracking/triggering and collateral insurance coverage
- Cellular data and text messaging
- License plate recognition data
- E-mail customer communications



# Best Practices – Policies/Programs

- Payment options (e.g., auto debits, wire transfers, electronic bill presentment and payment, phone payments, e-mail or PDF payments)
- Flexibility with payment dates
- Payment extensions
- Interest rate reduction or loan restructuring options
- Collaboration across product lines



# Best Practices - Process

- Well-established strategy – structured dialer campaigns, specialized units, etc.
- Champion/challenger contest
- Inbound/outbound voice response units (VRU); “right-time” calling by account
- Expanded hours
- Outsourcing
- Auction process management
- Portfolio sales – Distressed and not



# Best Practices – Reporting/Analytics

- Consistent and constant tracking of goals (e.g., right-party contacts, promises kept, roll rates dollars collected) analyzed by:
  - *Day of week, time of day*
  - *Geography*
  - *Credit score*
  - *Product type*
  - *Reason for delinquency*
  - *Dealer, manufacturer, etc*
- Review of policies versus performance (e.g., extensions, rewrites)
- Incorporation of analytics into strategic planning (e.g., loss forecasting, staffing and incentives)



# Best Practices - Technology

- Calling (blended inbound/outbound) software/messaging
- Power/predictive dialing
- Behavioral scoring
- Insurance tracking/triggering
- Starter-interrupter devices
- Skip tracing software and integrated data
- Workflow management tools
- Loan rewrite software
- Customer-specific letter generation
- Integration of all of the above, where possible



# Best Practices – People/Organization

- Capacity planning and hours
- Collections staff performance measurement and incentive programs
- Customer to account management strategies
- Customer satisfaction surveys
- In-home collections staff
- Call-monitoring
- Ongoing training



Collections

Bankruptcy  
Processing

Charge-Offs

Recovery

Remarketing

# Performance Goals

To stay ahead of the collections game, you'll need to:

	Data	Policies/ Programs	Process	Reporting	Technology	People/ Organization
Right-Party Contacts	X			X	X	
Promises Kept	X	X	X	X	X	X
Dollars Collected	X	X	X	X	X	X
Staffing and Incentives	X		X	X	X	X
Loss Forecasting	X	X		X	X	

# Conclusions

To stay ahead of the collections game, you'll need to:

- First, try to keep current customers current by proactively identifying “near delinquent” accounts
- Learn how to work with first-time delinquent customers
- Be able to still out-smart the habitually delinquent customers

# Conclusions

To stay ahead of the collections game, you'll need to also:

- Constantly evaluate balance and effectiveness of current processes, people, tools and technology
- Continuously reassess need for new tools and technologies and recalculate models, as necessary
- Assess efficiencies of current organizational structure and cost savings with options such as centralized and decentralized operations and in-house versus outsourced processes
- Monitor legislative activities and impact on business
- Learn from industry peers and benchmark performance, where possible
- Be open to change

# Thank You!

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