



## Summary

The role of Intelitech is to increase recoveries by: 1) providing our clients with essential analytical tools, 2) assisting our clients in creating and implementing the most effective collection strategies in order to increase recoveries, and 3) providing the tools necessary to measure the achieved results.

## Definition of Terms

### *Consulting Services*

Education and training provided to help analyze and align business processes whereby synergy, harmony, and bottom-line results replace conflict, wasted resources, and lack of focus in order to optimize the functions of the entire organization.

### *Analytical Tools*

Mathematical and statistical analysis of historical data (geo-demographic, socioeconomic, and/or other database information) used to determine the probability of payment of a debt and create a rank ordering of accounts by highest potential collected dollars.

### *Measurable*

The Charts, graphs, reports, etc. used to quantify historical collection results to current.

### *Increase in Total Net Recoveries*

All other parts being equal, (clients, assignments, people, timing, skills, etc.) a measurable percentage increase in the amount of collected dollars as compared to gross assignments (dollars collected divided by dollars assigned).

### *Most Effective*

Means by which we best achieve the desired results with the least cost and in the shortest time.

### *Collection Strategies*

The methods used to combine all necessary collection actions into the most effective collection process.

### *Best Allocate*

The best way to utilize, apportion and distribute

### *Available Collection Resources*

All collection resources including people, tools, time, technology, and any other means or functions available to the agency used to produce collection results.

## **Collection Analytics Overview**

The Intelitech Group Collection analytics was designed to provide the collections industry with the analytical tools and consulting services necessary to accomplish the goal of increasing profitability.

Collection scoring is a tested and proven tool to assist collection entities in their overall collection strategies. If utilized correctly, it can enhance your ability to:

1. Predict total dollars of collections
2. Determine rank order for working accounts
3. Determine pricing for portfolio purchasing
4. Better “sell” your collection services to your clients
5. Provide opportunity to lower collection resource costs
6. Generally, increase your overall ability to collect the most money for the least cost.

The Intelitech Group's Analytic solutions requires most agencies to dramatically modify their existing collection processes. If these processes are not brought into alignment with the scores obtained, then scoring becomes relatively useless.

The account profiling component of Intelitech's analytics is essentially a statistical numerical prediction of an account's propensity to pay and the amount you might expect to collect from a given group of accounts. The higher the score, the more likely the debtor is able to pay. Generally, the collection efforts (Collection resources) should be expended in direct relation to the score on an account. The higher the score, the more effort should be expended; the lower the score, the less effort should be expended. Agencies must align their collection resources with the account scores (along with other collection functions and processes).

Collectability of an account is ultimately based upon two factors: 1) the individual's ability to pay the debt (can the debtor pay the bill) and 2) the

collection agency's ability to collect from that individual (will the debtor pay the bill, or will your agency convince the debtor to pay the bill). The agency needs to adjust their collection methods to best effectuate the total collection process.

The ultimate test of the effectiveness (your bottom line) is based upon the final combination of two business functions: increased dollar collections and/or reduced costs of collections. By correctly applying existing collection resources to the higher valued accounts, your costs may not change, but your collections should increase. If you have a limited number of these "collectable" accounts, you will likely not need all of your existing resources to effectively collect that smaller group of accounts. You should thereby be able to reduce resources and thereby reduce costs (keep in mind that these collection resources consist of not only collectors sitting at the phones, but also your non-human resources). Intelitech's function is to assist you in determining where your ultimate financial benefit might come (likely a combination of increased revenues and reduced costs) and to help you align your collection functions to realize the potential benefits.

### *Does a Collection Organization Need to Change to Benefit from Scoring?*

The answer is: "Absolutely!" In fact, the benefits of collection analytics directly relate to how effectively a collection organization uses the information available.

This almost always requires that the organization change the way it allocates its collection resources. These resources include (but are not limited to) the following:

1. Level of effort
  - a. Adequate resources (collectors, skip tracers, legal follow-up, etc.)
  - b. Outbound calling effort
  - c. Number of letters
  - d. Target penetration level and rotation in calling campaign
2. Type of effort
  - a. Specific Notice series
  - b. Collector requested letters
  - c. Number of collection attempts
  - d. Account distribution (skills of collectors)
  - e. Type of call (soft, hard, etc.)
  - f. Degree of skip-tracing effort
  - g. What to offer: demand for payment in full, settlement offers, payment plans, etc.

- h. Legal collection efforts
- i. Combinations of the above
- 3. Timing of effort
  - a. Different wait times between notices or letters
  - b. Out-bound calling campaigns
  - c. Movement of accounts in or out of the collection process

There are obviously numerous additional ways to vary the collection resources applied to each assigned account. Through analytics and consultation, we together will determine the specific collection actions needed for the different accounts. Using the score as one of the factors in determining the proper collection action, we can utilize all the tools at hand. The following table offers a simplistic example of how one might vary the collection treatment based strictly on strictly the accounts' score, and how the collection resources may vary.

*Example: Method of Dividing Efforts*

Collectability Score	Letter	Autodialer Use or collector calls	Skip Trace Info:
<40	1 <sup>st</sup> Notice only	None	NCOA
40-50	Minimal Notice	Minimal attempts	NCOA
50-60	Standard Notice	Six attempts	NCOA, EDA
60-70	Expanded Notice Series	Ten attempts	NCOA, Acolloid, EDA
70-80	Expanded Notice Series	Attempts three times a week during six weeks	NCOA, Acolloid, EDA
80-90	Maximum Notice Series	Attempts three times a week during ten weeks	NCOA, Acolloid, EDA, Credit Report, Legal functions

90-98	Maximum Notice Series	Maximum attempts except during scheduled waiting periods	NCOA, Acolloid, EDA, Credit Report, Legal functions
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## Scoring Provides Another Way of Segmenting Accounts

Collection organizations have long performed segmentation of the accounts that they collect. Collection letters, calling campaigns and skip trace efforts are varied depending on this segmentation. One of the most common methods of segmentation is by client. Another typical method of determining how much money (collection effort) to invest in attempting to collect an account is by assigned balance. Accounts over a certain balance receive one level of collection effort compared with accounts under a predetermined balance cut off. Sometimes the method of segmentation is determined by management, and sometimes by the individual collector. It is rare to find an organization that treats all debtors exactly the same, since this is unlikely to make good business sense in practice. Whatever method is used to segment accounts often becomes ingrained over time, and it can be unsettling to a collection organization to have to change (we have always done it this way). However, change does not have to be painful, and as described in this overview, some changes in collection procedures are virtually certain in order to improve collection results.

## How to Get the Most Out of Collection Scores

### Collect More from the More Collectable Accounts

Accounts that have a greater ability to pay, and/or are more likely to pay a higher amount can typically justify a more significant portion of the collection resources (auto dialer capacity, a more intense skip trace effort, property ownership searches, employment verification, etc). By applying more resources to the more collectable accounts, you should be able to collect more money from those accounts.

### Spend Less on Less Collectable Accounts

Accounts that have a lesser ability to pay and/or are likely to pay a smaller amount are typically not worth the expense of intense collection resources (extensive skip trace effort, extra collection letters, etc) and may not even merit a phone call. Some accounts may justify only a simple (single) letter campaign. If an agency is utilizing expensive collection efforts on accounts that are not

collectable, collections resources are wasted and *the opportunity to use those resources on more collectable accounts is lost*. These accounts essentially become a bottleneck in your collections process.

### Segment Accounts by Score

Because some form of account segmentation is almost certainly being used today and may have been used successfully over a long period time by a collection organization, it may be difficult to give up the old practices, even with the lure of scoring and the potential for significantly improved results. Understandably, a collection organization may be torn between using analytics and its own time-proven way of segmenting accounts. To receive the maximum benefit, you will (most likely) need to dramatically change how you segment your accounts and how you apply your collection resources.

One purpose of this document is to give you ideas and examples of how that collection treatment may be and should be modified according to the analytics of the collection function. Since the score predicts the ability of an individual to pay the debt, it only makes sense that an agency put the effort where the ability to pay is greatest. This ability to pay is derived from a proprietary statistical algorithm utilizing many fields of data and multiple databases including your own collection information on accounts you have collected in the past (your historical data). These fields are weighted to best predict the collectability score. From this score you will be able to determine which accounts have the greatest ability to pay and/or pay the most money.

### Substantially Vary Collection Treatment Methods by Score

Collection scores typically have a greater positive impact on results when the collection treatment methods (letters, calling campaign, skip trace efforts, etc) are varied according to the score of the accounts. For example, the least collectable accounts (those with a lower score) might be sent a single notice only, while the most collectable accounts (those with a high score) might receive the greatest collection resources using extensive calling campaigns, skip tracing efforts, maximum notices, and possible legal action.

### Provide Feedback Data

Collection scoring is very different from credit scoring. Credit scoring is designed to determine credit worthiness, while collection scoring is designed to determine delinquent debt recovery. By utilizing a collection score, we can better determine to which accounts should be applied more resources, and to which accounts should be applied fewer resources. When more resources are applied to an account (e.g., when auto dialer penetration is increased or more letters

are sent), the account will typically become more collectable. Consequently, there is a self-fulfilling prophecy effect. The only way that this self-fulfilling effect can be taken into account by the scoring model is to take into account the collection results of accounts that have been previously scored along with the external data that is applied. This should allow the scoring model to improve based on if accounts do pay or do not pay *after* scores are put into use. As you upload and download your scoring information on a daily basis, you will be providing information back to the model for it to “learn” your collections in order to better predict or score succeeding accounts. This information indicates which accounts paid, when they paid, how much they paid, and, to some extent, what collection efforts were used. This feedback loop is critical to improving the performance of the analytics logic over time.

## How do I Implement Analytics in My Collection Process?

Remember that each account scored will contain a numeric score ranging from 1 to 99 in a specified fiscal field of the account. The higher the score, the higher the propensity for payment, or the more likely a larger amount of money will be collected. For example, accounts with a score of 95 will, with the appropriate collection strategy, generally produce more money than accounts with a score of 40. You must keep in mind, however, that a score of 95 will still need a concentrated effort in order to collect the money – these are not necessarily “self-curing” accounts. According to the much referred to 80/20 rule, you can likely expect to see upwards of 80% of your collections coming from probably 40-60% of your accounts (there may be slight variations on this rule).

Does this mean that there can be no money expected in the accounts with low scores?

Absolutely not! It means that there is likely little money to be collected from those accounts without a considerable amount of repeated effort. Even if much effort is expended on these accounts, there is little likelihood that they will pay.

Does this mean that all the accounts with high scores will pay?

Again, absolutely not. It does mean that those with a fairly high score have a greater likelihood to pay if the correct amount and type of effort is put forth.

This is where you need to be proactive with scoring – putting forth the correct and right amount of effort for the appropriate accounts. This effort should include expending resources (both personnel and other out of pocket costs, such as letters) more wisely. You must spend those resources on “collectable”

accounts and spend minimal resources on the “uncollectable” accounts, keeping in mind this is a statistical mathematical model and that we are “playing the numbers”.

Is this model perfect? No, but it is highly effective if used properly. We can become more efficient by becoming more effective. That is the goal – become as effective as we possibly can be in our collection functions. It is no longer a game of making as many calls to as many accounts as we possibly can. That is too expensive, and is not a wise use of our resources. Now we must spend our valuable resources where they will do us the most good.

#### A note on accounts with a score of either 1 or 99

The way the model is constructed means that those accounts with a score of 1 or a score of 99 may be a minor anomaly.

Those with a score of 1 are usually very low balance accounts with little or no collection information (phone number, address, etc). You may want to review a sampling of these accounts to verify which types of accounts in your portfolio actually receive a score of 1.

On the other end of that scale, you will find a certain group of accounts that receive a score of 99. Again, this may be an anomaly in your portfolio – some will have very high balances but may only have a minimal ability to pay. It is recommended that you review each of these accounts to further determine their collectability in your organization. Sometimes these accounts are very high balance accounts that with enough effort (possibly including extensive skip tracing), you have a fairly good chance of collecting at least something. Again, it is best to review these accounts individually if possible. One method of doing this could be to assign these accounts to a special collector desk (possibly via the AFM – Account Flow Manager) and assign an experienced collector or manager to review each individually. These can then be reassigned to specific collector(s) or receive other recommended treatment as appropriate.

Generally, implementation of Intelitech analytics in your Columbia Ultimate environment would take place in one or more of the specific areas of the Columbia Ultimate Collector System®. These areas include: 1) Miscellaneous WIPs (Work in Process), 2) Sub-WIPs, 3) WIP Sorting, and 4) Overview of collection Analytics: Functional Implementation of Account Flow Manager. This, coupled with your Notice Series Strategies, dialer campaigns, skip tracing efforts, and potential legal efforts would be your general methodology to utilize scoring. We will address each individually.

## Miscellaneous WIP

A Miscellaneous WIP list is created at will via a Recall statement and is selected from any file that contains debtor IDs (e.g., Debtor file, CF files, Fiscal file, etc.). Via a select or a sort select, you can select specific debtor records to include in the special Miscellaneous WIP. These accounts may be selected with a specific score range (such as all accounts with a score of 80-98), with a specific balance (such as all accounts with a current balance over \$200), with a CBR phone (either home or job) and with other criteria that makes sense for your operations (i.e., specific client(s), certain time zones, valid address, specific type of debt, etc.). This then allows you to create the Miscellaneous WIP(s) and have certain collectors or groups of collectors focus on these accounts at prime collection hours. The Misc WIP can be worked to completion over multiple days or re-selected the following day with the appropriate criteria needed. By utilizing the collectability score as one of the main selection criteria, you can focus your collection efforts on accounts where the probability of collection is greatest.

## Sub WIP

Sub WIPs, as the name suggests, are a sub-set of an existing WIP list. Agency-wide Sub WIPs are created in the Management Strategies section of the Collector System® (if management decides to create the “universal” Sub WIP and to not allow the individual collector to create his or her own Sub WIP). When a Sub WIP is created, it will contain only those accounts from within the original collector WIP list. It will also be sorted in the same order as the original WIP list. By utilizing a Sub WIP, you might set selection criteria that select only those accounts with a collection score (fiscal field nn) of say, between 60 and 98. Since the WIP is already in the original sort order (possibly an order of Priority 1 accounts → Required Work → New Business → Today's Work, etc; each category is then sorted by phone number – Y/N, larger balances, valid address, etc.) you can then give those accounts with certain scores to the collectors at the prime collection times of the day. These Sub WIPs can be pre-determined by management and then utilized by the collectors at any time management desires. An example of how the Sub WIP select statement may look to get all scores of 60 to 98 would be as follows: “SELECT CFn WITH Fnn (this is the attribute number in your Fiscal file where the collection score is stored) GE 60 AND WITH Fnn LE 98.” This is a valid way of utilizing scoring for more effective collections. Also, you would not select accounts with a score below a certain level because you may want to treat these accounts in a totally different manner (again, allocation of resources).

## WIP Sorting

In the Management Strategies area of Collector System® is the section where you

determine the order in which your collector WIP lists are formulated— essentially the order in which the collection accounts show up on a collector's WIP list. You have the option of setting up your Collector Default (Menu 10.26) and, if desired, you can override that default with a WIP sort by individual collector (/W in the collector name field in setting up a collector desk). There are 7 categories of accounts: New Business, Today's Work, Required Work, etc. Each category is put in a sort sequence: Prom Pmt Amt, Phone, Address, Bal, etc.

Note:

The sort sequence at the bottom of the screen listed as "8. Scoring" does not reference the Collection Score— it is retained in an attribute of the Fiscal record of the account. If the sort sequence column is left blank for any or all the categories, then the system will look to see what you put at the bottom of the table in the area called "Additional Sort." This is one place where you would utilize Intelitech's analytic solutions. In the Additional Sort field, you would put the equivalent of the balance of a Recall statement that is using the CF (collector) files. This might look something like the following: "BY-DSND Fnn (again this is where the you are storing the account's collection score) BY-DSND D8 (phone) BY-DSND D15 (assigned amount) BY-DSND D3 (address)."

The additional sort option within the WIP sort function is probably not the best method for utilizing scoring because of the difficulty of sorting your WIPs in the way you really want them sorted, but also still utilizing the scoring as the major criteria in the sorting. You would probably best serve you to utilize Sub WIPs or the Account Flow Manager.

### *Account Flow Manager*

The Account Flow Manager (AFM) is probably the most effective (albeit the most involved to set up) method within The Collector System® to utilize the analytic score. By using the field/attribute where the score is stored in the Strategy Conditions of the AFM as one of the first "tests," you then have tight control of Actions that you intend to utilize for each score or range of scores. You might then assign the "higher" scores to specific experienced collectors and the lower scored accounts to less experienced or not as strong collectors. The accounts with scores below a certain threshold may be put through a modified or shortened Notice Series (possibly only one notice) and distributed to a special "non-collection" desk where minimal or no collection efforts are exercised—essentially saving resources for the more collectable accounts.

One method that has been used effectively by some organizations utilizing collection scoring is to start the AFM by testing the attribute where the score is

stored. A range of scores is tested (e.g. accounts with a score of 85 to 98 followed by a range of 70 to 84, etc.) so that each range is tested down to a score of 1.

Each range is then sent off to a Next Strategy to be analyzed further. In the secondary strategy you can then determine other aspects about the accounts in that score range. You can separate those accounts with and without phone numbers and addresses, those with higher or smaller balances, those of certain clients, those of specific type of debt, etc. You can then set Actions to determine the desk(s) these accounts will be assigned (the higher the score the “better” the collector), the Notice Series to be assigned to each account (more “effort” for the more collectable accounts—those with the higher scores, and less mail expenses for those considered not as collectable), the number of collection attempts an account may have (few or none for the lowest scores), whether it is best to utilize the dialer and how, whether to utilize skip tracing or not, whether to proceed to legal action if internal collections are unsuccessful, etc.

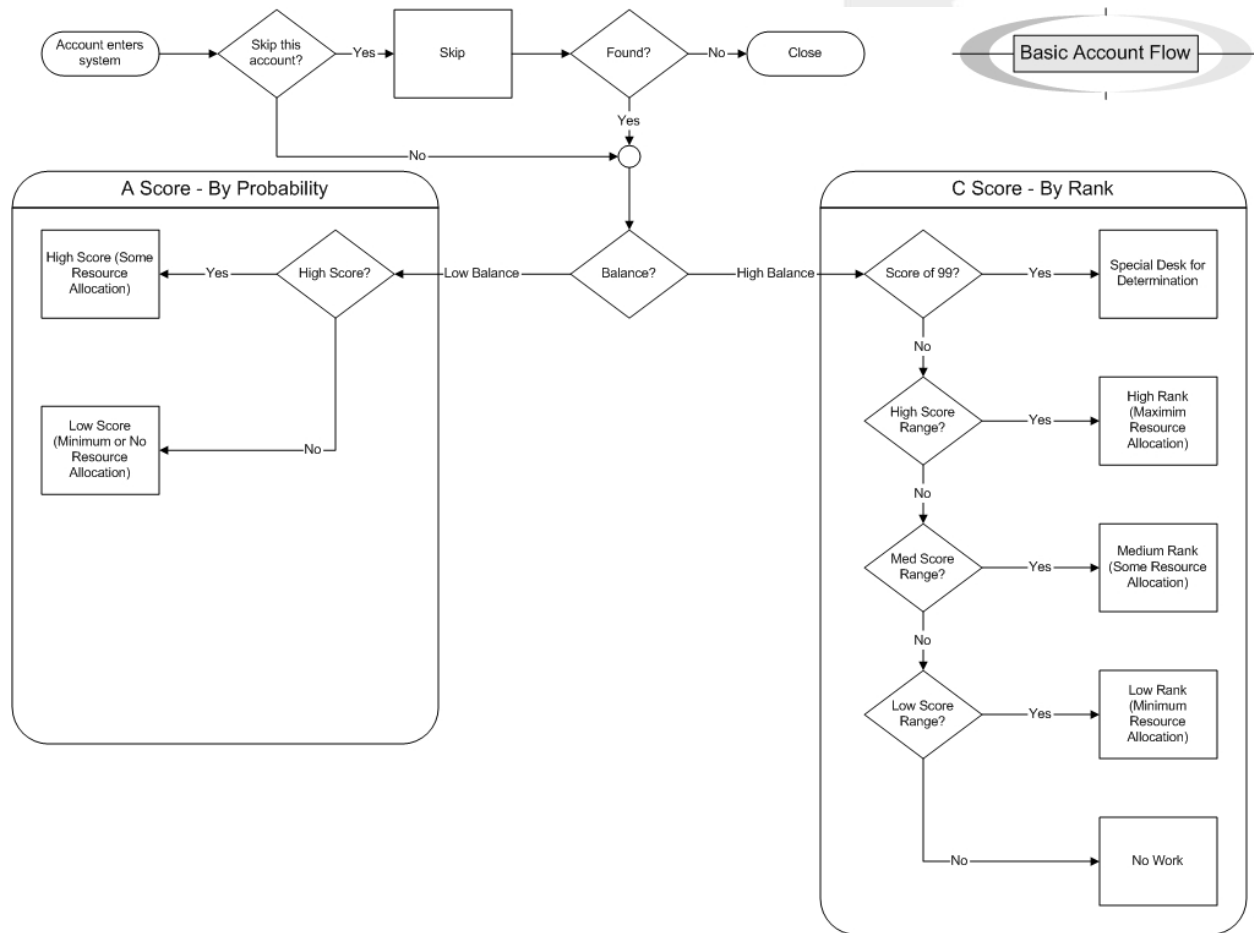
Here are a couple of things to keep in mind if you are, or plan to use the AFM. Since it takes a day to send the accounts out for scoring and about 24 hours to return a score, you will probably want to have a 2-day delay before initiating the strategy where you assign a collector and Notice Series. If in the originating strategy you put a 2-day delay and assign the accounts to a “null” notice series and a house desk, then the accounts would not “fall through” to your series and desk defaults. Also, if you are doing any skip tracing on specific accounts on the front end (NCOA, Acolloid, etc.) you will need to delay the scoring of the accounts until that information is back on the accounts. You obviously want to score the account with the most recent available demographic information to get the most accurate score possible.

Another option within The Collector System® is the ability to have a group of accounts be re-evaluated at any point in time via the AFM by putting the accounts through a reassignment desk. This would be useful in the event that you re-score an account (or group of accounts), or if there are new accounts that are added to the packet. This could also be applicable if you are getting scores back after the abovementioned “delay” period.

Remember, it is necessary to “let go” of your typical collection segregation methods and now utilize the collectability rank score as a primary determination for collection effort. The higher the score, the more effort and resources should be allocated for maximum collection revenue. If you are not utilizing the AFM or are unfamiliar with its operations, you can contact The Intelitech Group for help in setting it up. A very simplified example of an AFM utilizing Intelitech’s analytics is included below.

## Summary

A flow chart of a typical account moving through the scoring and Account Flow Manager may look something like the following. This is an example of a very simplified method. Your operation may look quite different, but the general idea is expressed here. Make sure to adapt to your particular situation and needs, but utilize the scoring as the primary account segregation method.



It is important to understand effort and resources must be aligned with the score of the account. The higher the score, the more resources and effort that should be applied to collect the account. If there is no change in the way accounts are worked, there will be no collection improvement.

## Account Flow Manager Strategy Conditions, Events, & Actions

The following are some examples of Account Flow Manager Strategy Conditions, Events and Actions. These are very basic. You will need to create Strategy Conditions, Events and Actions specific to your situation.



**STRATEGY EVENTS**

```

*****
CODE: DELAY2 DESC(?): 2 DAY DELAY
TYPE: T
EVENT DESCRIPTION VALUE STRATEGY EVENT DESCRIPTION VALUE STRATEGY
-----
DAYS ON STEP/DESK 2 CONTINUE |
*****
CODE: LOW DESC(?): LOW EFFORT
TYPE: T
EVENT DESCRIPTION VALUE STRATEGY EVENT DESCRIPTION VALUE STRATEGY
-----
NUMBER OF ATTEMPTS 2 CONTINUE |
*****
CODE: MED DESC(?): MEDIUM EFFORT
TYPE: T
EVENT DESCRIPTION VALUE STRATEGY EVENT DESCRIPTION VALUE STRATEGY
-----
NUMBER OF ATTEMPTS 15 CONTINUE |
*****
CODE: HIGH DESC(?): UNLIMITED WORK EFFORT
TYPE: T
EVENT DESCRIPTION VALUE STRATEGY EVENT DESCRIPTION VALUE STRATEGY
-----
NUMBER OF ATTEMPTS 999 CONTINUE |
*****

```

**STRATEGY ACTIONS**

```

*****
CODE: 99'S DESC(?): SCORES OF 99
TYPE: T
ACTION VALUE
-----
CHANGE DESK 99
START NOTICE NONOTICE
*****
CODE: 1'S DESC(?): ACCTS WITH SCORE OF 1
TYPE: T
ACTION VALUE
-----
START NOTICE VALIDATE
CHANGE DESK 3
*****
CODE: 2-44 DESC(?): SCORES OF 2-44
TYPE: T
ACTION VALUE
-----
START NOTICE VALIDATE
CHANGE DESK HSE
*****
CODE: GOOD DESC(?): SCORES > 45 & < 75 THAT NEED WORK
TYPE: T
ACTION VALUE
-----
START NOTICE NOTICE-2
CHANGE DESK 5
*****
CODE: SMALL DESC(?): SMALL BAL W/ SCORE > 75
TYPE: T
ACTION VALUE
-----
START NOTICE NOTICE-3

```

```

CHANGE DESK 2
*****
CODE: LARGE DESC(?): LARGE BAL ACCTS WITH SCORE > 75
TYPE: T
ACTION VALUE
-----
CHANGE DESK 1
START NOTICE NOTICE-4
*****
CODE: NO-SCORE DESC(?): NON SCORED ACCOUNTS
TYPE: T
ACTION VALUE
-----
START NOTICE NO-SCORE
CHANGE DESK 12
*****
CODE: SKIP DESC(?): SKIP TRACE ACTION
TYPE: T
ACTION VALUE
-----
CHANGE DESK SKP
START NOTICE NULL
*****
CODE: STOP DESC(?): STOP EFFORTS
TYPE: T
ACTION VALUE
-----
CHANGE STATUS CNR
CHANGE DESK HSE
CREATE A NOTE EFFORTS EXPIRED

```

Please contact The Intelitech Group with questions you may have about the implementation of Intelitech’s analytic services. We would appreciate your comments on how we can improve this paper to better serve you and our other clients.

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