

CCR

TIMES OF FORBEARANCE

While consumers continue the slow recovery from the recession, lenders must work with them to improve results
By Trish Norman

WHAT have we learnt about arrears in 2009 and what will we do differently in 2010? We celebrate 150 years of business this year, and having weathered several economic downturns over our long history, we understand the need to be cautious in today's environment.

Since 2008, the lending environment has undergone a revolution, and the worsening economic climate has impacted borrowers' circumstances, causing lenders to develop a range of effective forbearance measures to support those facing financial difficulties.

But as the arrears picture becomes clearer, it is important that we look at how prepared we are to provide better solutions for customers in the future, in the aftermath of the recession.

Looking back

Initial signs would suggest that we are over the worst of the recent recession, but insight tells us that the effects will continue to bite as customers struggle

to take control of their personal financial affairs. The threat of unemployment remains and despite reports that we are now officially out of recession, it will take some time before consumer confidence completely returns.

We have seen a change in the profile of our arrears customer over the past 18 months and in the proportion of high-risk accounts. We believe this has been triggered by an increase in lower-income earners, borrowers under the age of 45, age of loan and reduced property prices. However, possessions have not increased in parallel, in percentage terms, as we target support towards those who need it most, extending forbearance where possible.

We continue to be actively engaged with the Welsh Assembly Government-sponsored Mortgage Rescue Scheme and have close links with local advice agencies including Shelter Cymru and the National Housing Debt Helpline Wales.

Looking ahead

Driving the right solutions will be the key to success in 2010 and this will be underpinned by our three-fold approach:

- ◆ Pre-emptive arrears action based on customer profiles for those currently not in arrears.
- ◆ Targeted support provided by specialist negotiators when certain 'triggers' are identified, such as a request to switch from repayment basis to interest only.
- ◆ Continuing forbearance for customers working towards a sustainable repayment plan.

We believe repossession is rarely in the best interest of either our customers or indeed us. By implementing what we consider to be the most appropriate and effective arrears solutions we aim to ensure repossession really does remain the last resort. **CCR**

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MOTIVATE COLLECTORS IN TODAY'S CLIMATE

SINCE September 2008 we have read countless articles on how to overcome the collections challenges companies are facing during this global economic recession, including creative repayment programmes, technology upgrades to increase contact rates and advanced collections techniques.

But these discussions are missing a critical piece in consumer collections success: motivating our collection teams.

Debt collectors are experiencing a very negative work environment. Many debtors are worried, angry, frustrated, untruthful and more. Collectors are working to meet goals and expectations that are, at best, much harder than last year's targets and, at worst, unrealistic. Companies are tightening their financial belts by cutting resources and personnel,

causing collectors to feel even more pressure. Collectors, who previously met and exceeded incentive and commission goals, are also now earning less.

Have you considered that many on your team may also be suffering financial difficulties within their own families due to a partner's job loss, a cut in overtime or pay cuts? Furthermore, since other jobs are scarce, you have probably noticed that collector turnover has greatly reduced – so some people on your team may be biding their time before they seek a new career.

In this challenging environment of budget cuts, team leaders must put new energy and creativity into implementing monetary and non-monetary rewards and recognition programmes to motivate collectors, both individually and as a team. Reinforcing desired

behaviours while identifying and correcting collectors' opportunities for improvement is a management art.

Supervisors who take on the role of 'coach' are the most successful in creating a positive work environment that inspires collectors to perform at optimal levels. Coaches must be upbeat and inspiring teachers who use a combination of tangible, intangible, formal and informal strategies to involve and empower collectors to strive to improve their performance every day.

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