

Oracle Banking Enterprise Collections

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Executive Summary

The historical challenge facing consumer lenders is how to achieve an optimal balance between Risk and Reward. An imbalance in the Risk/Reward dynamic can create business stress and if not corrected may result in unprofitability and loss of market share, or both. The level, or amount, of risk a consumer lender can prudently carry in its loan portfolio depends partly upon the strength of organization's collection operation. A strong and robust collection operation allows Credit Underwriting to buy deeper into the high risk bands without a proportional increase in risk to future credit losses. This paper highlights the need and importance of a robust Collections system and how Oracle answers this need.

Current Debt Collection Dynamics

Many lenders around the globe are disappointed with their current levels of delinquencies and charge-offs and believe a constriction of their credit policy will damage their competitiveness and erode valuable market share. The tightening of credit policy to manage delinquencies and credit losses has been a typical response and likely mask the underlying cause – an underperforming collection operation. A different approach would be to strengthen their collection technologies in concert with improving operational processes resulting in lower loss rates allowing greater flexibility and opportunity in credit decisioning.

Consider this: Hypothetically, the goal of a consumer collection operation is to be so good that underwriting has the confidence to approve any loan knowing it will be collected.

There are a number of improvement opportunities that will allow consumer lenders to grow their loan portfolios by strengthening collections. One of these opportunities is the implementation of a borrower centric approach across all consumer products in an enterprise. Adopting a borrower centric approach will result in:

				
Longer term resolutions to financial problems	Improved collection efficiencies & effectiveness	An enhanced customer experience	Improved collection consistency	Greater regulatory and compliance governance

Achieving true borrower centricity is a technical challenge and one that Oracle has solved.

Another opportunity, and one that is closely related to borrower centricity, is providing a digital self-help capability to create an optimal customer experience and causing a positive change in behaviors. With the cultural shift in mobile and internet technology usage driven by the Gen X, Y and millennials, lenders must have an effective digital collection self-help capability that seamlessly integrates with the core collection application. According to Weltweite Digital Marketing #1, internet usage continues to rise each year and is currently just over half of the global population of 7.3 billion people access the internet from their mobile device. (See Figure 1 below) It is becoming

increasingly more important for consumer loan collection operations to have an effective digital strategy to compete in the new world.



Figure 1

The following sections of this document highlight how Oracle has developed collection tools for lenders to achieve a true borrower centric approach combined with a proven digital self-help capability in one of Oracle's newest assets – Oracle Banking Collections.

Making a Difference

Borrower Centricity

The goal of Oracle's borrower centric approach is to improve the customer experience and collection results by managing past dues at the borrower level rather than at the traditional account level.

In many collection operations, if a customer has multiple delinquent loans, the loans proceed through the collection system, dialer & IVRs separately and are treated separately – each loan is independent of the others and the customer is the only common thread. It is likely each delinquent loan will be queued for processing, worked by a different collection agent, and multiple calls are placed to a single customer and from different agents. This scenario occurs every day with many lenders creating an inefficient operation by illogically increasing workload and collection cost. The long term issue, however, may be the erosion of customer satisfaction leading to customer attrition.

The combined relationship is rarely considered when determining collection remedies mostly due to technical limitations inherent in existing collection platforms. Resistance to change and organization structure barriers additionally diminish the ability to collect at a borrower level across an enterprise.

A better collection approach would be to treat the borrower as the unit of work rather than each of their delinquent loans. This borrower centric approach has many advantages including, the focus on resolving long term financial problems of a borrower rather than just “kicking the can down the road” by collecting one payment on one of the borrowers loans.

Oracle provides lenders with flexibility and allows lenders to choose when to use borrower centricity and when to use account centricity. This hybrid approach allows for a smooth and measured transition. Lenders establish systemic triggers that will evoke borrower centricity or they can continuously operate in the borrower centric mode.

While there are many important dimensions to deploying an effective borrower centric strategy there are two key capabilities that standout. First, the collection platform should provide a full 360 degree view of the borrower’s financial relationship with drill down capability to more detailed account information. Second, to keep agents efficient, notes of collection transactions and diary notations of collection activities should only be entered once but be recorded to all pertinent accounts. This replication of collection activity notes maintains an accurate and timely recordation of all collection activity eliminating the need to re-enter notes on each account.

Figure 2 below highlights the benefits of a borrower centric approach on a borrower having three delinquent loans and contrasts it with the common account centric strategy.

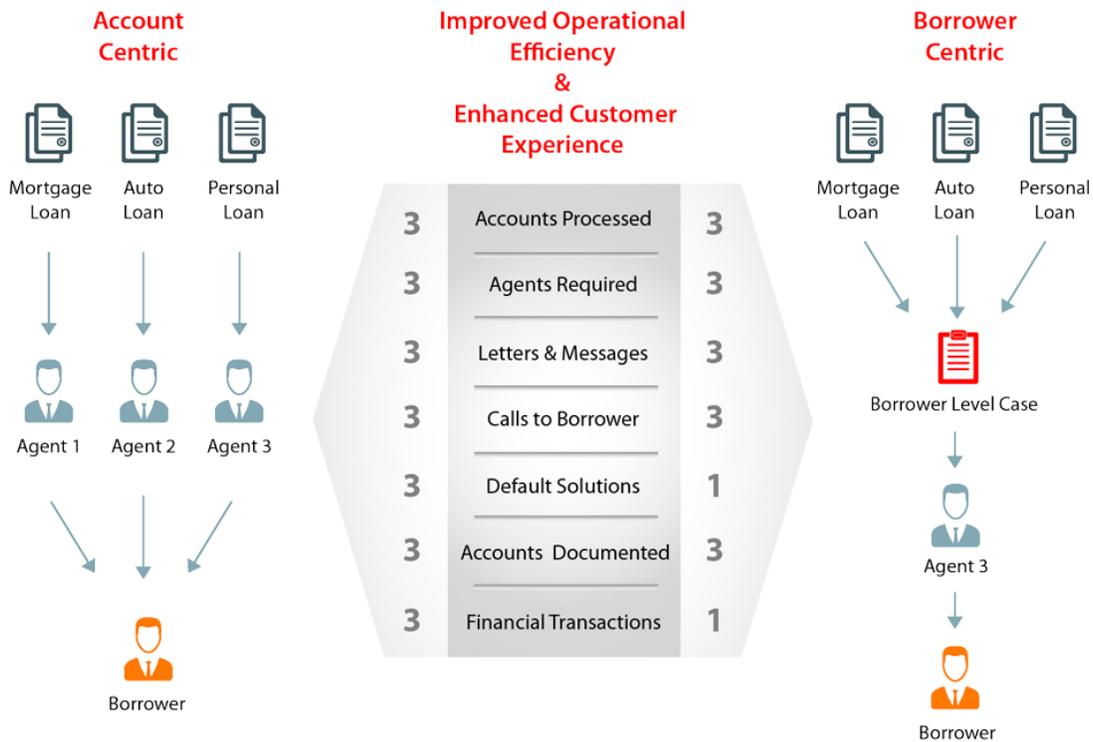


Figure 2



Self-help Collection Capability

As mentioned before, the explosion of new technologies, especially those in social media have fueled a global cultural transformation regarding what borrowers expect, including how and when they interact with collections. An increasing number of borrowers prefer to transact business digitally at the time and place of their choosing. It could be on their morning commute, at lunch or on an airplane. Leading lenders deploy an omni-channel contact strategy in collections that has replaced the aging and increasingly ineffective mono-line telephonic strategy of the past. Lenders that do not have an effective digital self-help capability working in concert with an outbound messaging campaign may not be effectively reaching a large portion of their delinquent customers causing low contact rates, inherently driving up delinquencies and eventually credit losses.

How important is achieving and maintaining high contact rates in collections? Consider that raising contact rates by a mere 8% on a delinquent book of 10,000 automobile loans could result in a \$3 million USD annual reduction in credit losses. Deploying an effective self-help capability has shown to increase contact rates in the 8% - 15% range. There is another benefit of deploying a self-help capability – an operational expense reduction. In the example above there were 800 more borrowers contacted by using self-help. To achieve 800 more contacts without self-help it would require approximately 25 agents equating to a \$1 million USD expense impact.

Oracle Banking Collections provides omni-channel digital self-help capabilities to enhance the borrower's ability to manage their own financial relationship and provides each borrower with customized remedies, or options, to self-cure. These options are based on the borrower's risk profile and are lender configurable. The 24/7 digital self-help experience is not limited to just delinquent borrowers – all borrowers can use this capability to manage their financial relationships.

Lenders can also choose to use the customer self help screens – but in reverse – to assist collectors by providing them a script and available delinquent cure options during the conversation with the borrower.

The blending of a digital self-help capability with a borrower centric outbound strategy is a new paradigm shift in the collection of consumer loans and one that Oracle is determined to lead.

Conclusion

Oracle Banking Collections is a new enterprise level debt management solution for lenders that are looking to revolutionize and strengthen their collection operation. Aside from normal content management capabilities that most collection platforms provide, Oracle Banking Collections delivers key market differentiating capabilities to drive lenders to a higher level of success. Borrower centricity and a digital self-help capability are two ways Oracle provides value.

Oracle Banking Collections also provides:

- » A robust business process workflow engine with case management
- » Intelligent segmentation to rank order accounts by risk and apply customized treatments
- » Powerful compliance and governance checkpoints
- » Enhanced queuing
- » Dynamic and role specific UIs
- » Specialized processes

Oracle Banking Collections Enterprise Level Capabilities

- Able to integrate with multiple hosts and product processors.
- Service Oriented Architecture allowing orchestration with other internal and external applications using web services
- Powerful, flexible and agile platform
- Dynamic & Role specific UIs
- Account segmentation enabling product specialization & customized collection strategies for different investor portfolios
- Specialized process throughout the delinquency life-cycle
- A 360 degree view of a borrowers total relationship
- Borrower centric capabilities
- Digital self-help borrower experience



With borrower centricity at its core, complemented by a digital self-help layer, Oracle Banking Collections provides a unique solution to lenders looking for more evolved methods to service debt portfolios.

Oracle Banking Collections provides a distinct advantage to meet the ever growing challenges of debt collection. The Service Oriented Architecture (SOA) provides comprehensive, pre-integrated solution that reduces the complexity and cost of technology and redirects investment from simply maintaining the status quo to executing a strategic progressive transformation of your collection operation.

Oracle Banking Collections provides capabilities to provide lenders with the ability to manage risk more efficiently and effectively while enabling underwriting to extend credit to a broader range of potential borrowers or to optimize the Risk vs. Reward dynamic.

Let us show you how we can make a difference in your organization.

Sources

1. Weltweite Digital Marketing - <https://wearesocial-net.s3.amazonaws.com/uk/wp-content/uploads/sites/2/2016/01/Global-Snapshot-Jan-2016.png>



Oracle Corporation, World Headquarters

500 Oracle Parkway
Redwood Shores, CA 94065, USA

Worldwide Inquiries

Phone: +1.650.506.7000
Fax: +1.650.506.7200

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