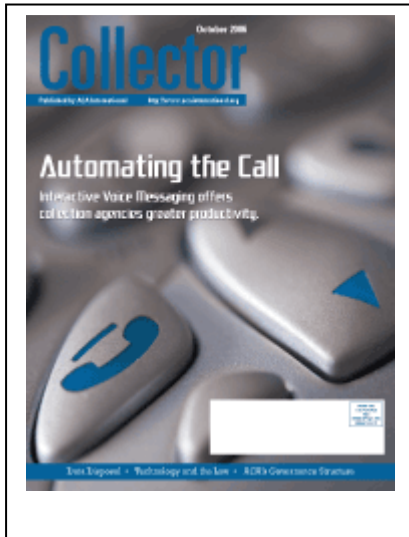


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Automating the Call



Interactive Voice Messaging offers collection agencies greater productivity.

By Anne Rosso

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“The good news and bad news for the credit and collection industry is that there is more debt than there’s ever been but less ability to pay,” said Holly Caid, director of business development for IAT in Salt Lake City. “My clients say it takes them 30 percent more contacts to collect the same amount of money they were collecting 10 months ago.”

In fact, for the first time in recorded history, American household debt now exceeds household income, according to the U.S. Department of Commerce.

In order to earn enough revenue to keep an agency in the black, collection professionals need to reach as many consumers as possible. However, the time it takes to establish a right-party contact over the phone—either due to a busy signal, answering machine or wrong number—results in a great deal of lost productivity. Today, agencies must become more efficient with technology in order to collect more money with fewer resources. That’s why an increasing number of collection agencies are turning to Interactive Voice Messaging (IVM).

Also known as automated voice messaging or voice broadcast messaging, IVM is part of a larger Interactive Voice Response (IVR) system. In general, IVR relates to the use of automated voice systems, which most businesses use every day. Those systems are “interactive” because callers can touch a button to progress through the voice system. IVM is the application of IVR that relates to messaging.

IVM works like this: A collection agency provides a vendor with a batch of phone numbers. The vendor's software launches a large phone campaign, automatically calling each consumer. When the consumer answers the phone, the software plays an automated message—personalized by the agency—that typically verifies the identity of the debtor (“Is this Joe Smith? If yes, press 1. If no, press 2.”). When the right party is correctly verified, the call is immediately routed to a live collection professional at the agency.

“In a collection shop using a predictive dialer, an agent might talk to anywhere from one to five right parties in a given hour, because they’re also talking to wrong parties and answering machines,” said Matt Edmunds, vice president of collections and financial services for SoundBite in Burlington, Mass. “With IVM, you can fill up a whole hour with right contacts. Because IVM weeds out unproductive conversations, your agents are now talking to 10–12 right parties per hour.”

“Plus,” he continued, “Collectors love it. It can really boost morale in collection agencies. It makes for a better, more satisfying job because they feel more productive.”

Industry experts note that while IVM has been used in some business circles since 2000, it's only started to gain popularity amongst collection agencies within the last two to three years. As pressure continues to drive down prices, more and more agencies are looking to technology to help boost profits. According to ACA's 2005 Benchmarking and Agency Operations Survey, 41 percent of collection agencies currently use an automated outbound messaging system.

“There’s no doubt that IVM is significantly changing the industry,” Edmunds said.

How it Can Help

Paul Konkell, president of TrueLogic Financial in Englewood, Colo., bought IVM for his agency three years ago, having become familiar with the system in his previous career in the technology sector.

“We felt that using an automated dialer and automated messaging would help us get more predictable results and increase our ability to talk to more consumers,” Konkell said. “Because people are our most valuable and expensive asset, it's important to figure out ways to keep your collectors as productive as possible.”

Konkell believes IVM is a key factor in his agency's success. Today,

approximately 80 percent of TrueLogic's outbound calls are placed through the IVM system, while the rest are done manually.

This is a route many agencies choose to take with IVM. While businesses can—and do—build their entire collection strategies around an IVM system, others use it as a complement to manual dialing in order to establish an initial personal relationship with the consumer. Taking this a step further, some agencies opt to contract the service for only a few months out of the year—say, during a particularly busy period—or on an every-other-month basis.

Caid noted that many of IAT's clients use IVM messages for new accounts, as it speeds up the skiptracing process. And, while most IAT customers use the company's on-site solution, even some of the company's largest clients still outsource their calls through IAT.

"If you're trying to woo a new client and you have to show some immediate due diligence," Caid said, "do you want to pay to license additional predictive dialing workstations and commit so many people to that process or do you want to move some older accounts to an outsource solution while you concentrate on new customers?"

Hosted automated messaging can also be an excellent part of an agency's disaster recovery plan.

"One of our clients recently found out—abruptly—that their T-1 lines had corroded into their building," said Tiffany Kreinbrink, president of the collection division for TouchStar Software in Aurora, Colo. "It shut the agency's system down, and they had no lines to deliver messages. We were able to get them up and running in that same day with our hosted messaging."

How it Works

Most IVM systems require little management—you can set them up once and run new accounts whenever you want. And, while some services require equipment or software installation, many are hosted entirely through the Internet.

With IVM, a collection manager gives the vendor a list of calls to be made that day in addition to details about the campaign, such as when to start and stop it, which messages to use, how fast the calls should go out, etc. When the vendor uploads the list, the system begins making the calls at the designated time. Often agencies are able to run several telephone campaigns at once. Most systems offer real-time reporting on every number dialed, which helps agencies evaluate the campaign's effectiveness and pick out bad phone numbers.

Automated messages can be personalized with the debtor's name and account number, and agencies can choose exactly which voice will greet each consumer—male, female, young, old, etc. Messages can even cater to regional audiences with specific languages or accents. Agencies can use their own voice, or they can opt to have one of vendor's professionals record the message. If you know a specific call will go to an assigned collector, it may be helpful to have the collector record the message in his own voice so that when the debtor calls back, she is routed to the collector whose voice she recognizes.

The IVM system can also verify the customer's identity by asking him to confirm his name or type in the last four digits of his Social Security number.

Each call can be routed back to a particular collector or pool of collectors, and the collection agency can pause or stop the campaign whenever it likes. The time of transfer back to an agency's call center after verification depends both on the IVM system and on how the call center runs, though typically it ranges anywhere from five to 35 seconds. That said, if you notice that hold time is too long, you can slow the campaign down to reduce it, and vice versa.

Agencies can also dictate how often numbers are dialed, including at what point the campaign leaves a message on the consumer's answering machine. For instance, you could opt to have the campaign only leave a message the second or third time it attempts to reach the consumer.

Prior to Purchase

Before you dive into IVM, it's important to have a good business model in place that will indicate which types of accounts could benefit from using IVM versus a live collector. Take the time to consider your goals: Are you looking to increase your revenue or are you looking to increase your profits? Your answer will determine the best way to utilize IVM.

“If you want to maximize profit, you can use the technology to actually take the place of whatever dialing method you currently have and you could do it with fewer collectors,” Edmunds said. “Or maybe your profitability is fine but you want to be more competitive and maximize revenue. That’s when you could use the technology to supplement what you’re already doing—keep doing predictive and manual dialing, and use IVM to supplement your activities.”

IVM also requires agencies to take a good look at how they handle calls. Because the system will increase the number of inbound calls coming into your agency, you will need to staff your collection floor accordingly.

“We had a very small agency that wanted to use our outbound IVM solution,” Caid said. “They had three collectors and they sent us 300 accounts. We told them that they’d need to have more staff, but the agency still wanted to go ahead with it. We ran the campaign for 20 minutes and they called us immediately and said, ‘Shut it down! We can’t keep up!’”

Legal Issues

When considering IVM, there are laws and regulations agencies need to be aware of, including the Fair Debt Collection Practices Act (FDCPA), Fair Credit Reporting Act (FCRA), Telephone Consumer Protection Act (TCPA), state laws and regulations, and applicable court cases.

According to Section 807(11) of the FDCPA, a debt collector must disclose in the initial written or oral communication with the consumer that the collector is attempting to collect a debt and any information obtained will be used for that purpose—better known as the Mini-Miranda. Additionally, all subsequent communications with the consumer must disclose that the communication is from a debt collector.

In 2003, the court in *Joseph v. J.J. MacIntyre Cos., L.L.C.*, held that, under the FDCPA, both an automated message system and a live caller calling on behalf of a debt collection company must accurately disclose the name of the company and the nature of the business of the company when placing telephone calls to debtors. And in March 2006, the Southern District of New York found in *Foti v. NCO* that the disclosure requirement under the FDCPA extends to pre-recorded and live messages left on a consumer’s answering system.

Unfortunately, these requirements place agencies in a bind because disclosing that the communication is from a debt collector on an answering machine creates the possibility of unauthorized third-party disclosure, which violates Section 805(b) of the FDCPA .

Moreover, individual states can have restrictions on the use of automatic dialers and/or what a message can contain. For example, IVM cannot be used in Minnesota due to regulations requiring that all calls have a live caller on the line.

While most IVM vendors will discuss potential legal issues with agencies, ultimately the burden is on the agency to consult its attorney when considering IVM.

Automated Payments

Automated payment solutions are becoming increasingly popular in conjunction with IVM, and agencies can apply this service to both

inbound and outbound calls. For instance, when a debtor calls a collection agency, a voicemail prompt can give her the option of paying her debt through an automated payment system. Or, if the call is outbound and the IVM service has verified the right-party, the debtor can be automatically routed to an automated payment system that can state the balance on the account and prompt the consumer for payment—as well as offering a list of payment options that have been predetermined by the agency. Payment options can include credit cards, ACH, Western Union—whatever the agency chooses to offer.

“Because the automated payment system is handling inbound and outbound payments while collectors make calls, your profitability improves because you’re giving collectors more opportunities to talk to more people,” Kreinbrink said. “Plus, you now have the ability to offer payment services 24 hours a day, seven days a week.”

Some consumers aren’t comfortable using automated payments, preferring instead to speak with a live person, whether out of familiarity or because they want to negotiate payment. For this reason, automated payments are most commonly used for early-out or first-party low balance accounts.

“Once you get to 120- or 180-days delinquent, I think the automated payment system is underutilized by agencies,” Edmunds said. “I’d guess maybe 15 percent of our clients use it in a post-charge-off environment, whereas 100 percent of our first-party clients with early-stage debt are either using automated payments or are in talks to use it. Later-stage debt is a growing area of interest for automated payments, but it’s not nearly as predominant yet.”

The next big thing in the world of automated payments is payment negotiation, wherein debtors use push-button technology to negotiate payment arrangements. The service first tries to capture payment in full, but if that’s not possible, it offers payment plans predetermined by agency.

Choosing a Vendor

Look for an IVM vendor with experience, good messaging capabilities, unlimited calling capacity and excellent references. It’s also important that the service have high-accuracy answering machine detection to best ensure that there will be virtually no hang-ups on a live consumer.

Invite potential vendors to come into your agency and give a demonstration of their services or ask for a free trial-run of the system—if a vendor doesn’t offer it, don’t be afraid to push for it.

“IVM is not a commodity,” Edmunds said. “You can’t just go with whatever is cheapest. It’s about total value and profit and what will work best with your particular agency. You want technology that will be the most effective but will also give you the most flexibility.”

Vendors offer a myriad of ways to bill agencies, but the simplest and most common is a price-per-minute structure. Setup times for IVM systems range from a few hours to two weeks. Also, expect some adjustment time within your agency. Konkel said it took about three months for the collectors at TrueLogic to feel completely comfortable with the IVM system.

Looking Ahead

IVM is helping to define call management in the credit and collection industry, and it’s poised to expand into new fields soon. Dallin Bird, president of sales for Global Connect in Mays Landing, N.J, noted that Global Connect’s IVM service is gradually taking on a wider variety of clients, including debt buyers and financial institutions.

By automating collection messages and increasing right-party contacts, IVM lets agencies focus on securing payment in full. And, because IVM systems can track at what point the consumer receiving the message is either acting or hanging up, companies can identify where a message can be improved or changed, thereby refining the agency’s collection techniques.

“As rates go down and the business evolves, IVR is a necessity in order to stay competitive,” Konkel said. “I think it will soon be almost a requirement in this industry.”

Anne Rosso is associate editor of Collector.