

Collections

The Collections area is responsible for collecting on delinquent loans. Credit Policy and Collections provide you with two “levers” for managing credit losses.

For each loan type, you have three choices regarding collections strategy:

- High Service
- Moderate
- Aggressive

| Collections Effectiveness | High Service | Moderate | Aggressive |
|------------------------------|--------------|----------|------------|
| Commercial Lines of Credit | 45.6% | 51.5% | 60.1% |
| Commercial Real Estate Loans | 69.0% | 72.0% | 74.8% |

An Aggressive strategy will maximize your Collections effectiveness, but it has the highest costs and largest negative impact on customer service. A High Service strategy is at the other end of the spectrum with the lowest costs and least impact on customer service. However, it is the least effective collections strategy.

More specifically, the collections effectiveness you can expect for each category is shown on the chart to the right. Loans are charged off at 180 days.

You can also expect the following Collections costs:

| Collections Costs (per account) | High Service | Moderate | Aggressive |
|---------------------------------|--------------|-----------|------------|
| Commercial Lines of Credit | \$229,440 | \$367,830 | \$437,958 |
| Commercial Real Estate Loans | \$157,716 | \$258,000 | \$335,124 |