

Collections

The Collections area is responsible for collecting on delinquent loans. Credit Scoring and Collections provide you with the two “levers” available for managing credit risk.

In the simulation, you will set a Collections strategy for each of your loan products. You have three choices regarding collections strategy:

- High Service
- Moderate
- Aggressive

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 strategy.

More specifically, you can expect the following collections effectiveness on past due loans:

Collections Effectiveness	High Service	Moderate	Aggressive
Credit Cards	10.7%	14.4%	18.1%
Consumer Loans	22.7%	28.0%	33.1%
Mortgage Loans	96.3%	98.0%	99.3%

You can also expect the following Collections costs for each past due account that is serviced:

Collections Costs (per account)	High Service	Moderate	Aggressive
Credit Cards	\$900	\$1,275	\$1,725
Consumer Loans	\$900	\$1,275	\$1,725
Mortgage Loans	\$900	\$1,275	\$1,725