

What's fair in collections practices?

A customer communications Bill of Rights.

Debt. It's the one word nearly every consumer dreads but deals with on a regular basis. For companies, it's perhaps one of the most difficult topics to communicate successfully with consumers. To further complicate matters, the Consumer Financial Protection Bureau (CFPB) has been given authority under the Dodd-Frank Act to regulate debt collection.

The CFPB is asking if current regulations are doing enough to protect consumers from harm by original creditors. What they learn is likely to result in big changes to how past due bills get collected. In November 2013, the CFPB issued an Advance Notice of Proposed Rulemaking (ANPR) as their first step toward considering additional consumer protection rules for the debt collection market.

To get to the heart of this issue, Nuance Communications commissioned a survey of 1,000 American consumers to unveil current perceptions and ask about the rules and practices that consumers actually want when it comes to collecting their debts.

The following findings reveal opportunities for companies and debt collection agencies to adjust their communications approach to drive better results without damaging their customer relationships.

Negative collections experiences still rule today

Debt collection is a huge bottom line issue for most U.S. businesses. Many companies write off significant losses every quarter when customers don't pay their bills. That makes collections communications a prominent part of many organization's business strategy – and a large portion of the U.S. population are affected. In fact, more than half (51 percent) of consumers have been contacted by a company to collect a payment for a bill. Further, nearly half (48 percent) of Americans admit that they have not paid a bill on time in the past 12 months.

Negative experiences in the majority



69%

of consumers have been forcefully or negatively communicated with by a company to which they owe money.

Research reveals that the majority of American consumers have had a negative experience when it comes to debt collections. With such a large percentage of the population receiving communications about collections, companies have an accountability— and perhaps soon, a mandate – to conduct this outreach responsibly.

More than two-thirds of consumers (69 percent) say they have been forcefully or negatively communicated with by a company to which they owe money. The most common complaints include being asked to pay a debt that they don't actually owe (22 percent); threatened with legal action (38 percent); and, being called constantly – more than a dozen times in a day (43 percent). Of those, consumers over 55 years old (47 percent) claim they have been threatened with legal action more than any other age group.

Harassment at work by a debt collector is also a concern for a small portion of respondents – 16 percent of respondents say they have been harassed at work to pay on a debt. Finally, while it's rare, five percent of consumers say they have even been threatened with violence. Surprisingly, for the youngest generation (those 18 to 24 years old), that number quadruples.

Top ways consumers have been harassed by companies collecting debt today



Help consumers help themselves

Consumers want proactive reminders to pay their bills before they go to collections. The research found that almost three-quarters of consumers (73 percent) believe a proactive reminder to pay a bill could have helped them avoid a late fee in the past. The consumers who want it most? Those under 40 years old (84 percent) and those with smartphones (81 percent).

Companies have a clear opportunity to capitalize on this desire for reminders. Today, many consumers see the first past due bill message as that reminder. By moving the first outreach closer to or even on the bill's due date, companies can meet their customer's preference for early warnings while at the same time reducing the risk that accounts will continue to go unpaid and require more aggressive, costly treatment down the line.

Consumers also openly admit that they are not as wise as they could be when it comes to finances. The vast majority of consumers believe they need more education on financial literacy. In fact, 88 percent of respondents said taking a course on financial literacy should be a requirement to graduate high school.

Consumer approved calling hours



Mid-morning (9 am to 11 am) is the time consumers prefer most (64 percent) for the earliest time of day to call.



Evening (6 pm to 9 pm) is the latest the majority of consumers (58 percent) believe companies should be permitted to call.

Preferences and permissions:

A collections communications bill of rights

The CFPB is likely to set new rules this year further restricting how businesses can communicate with consumers about their debts. Historically, such regulations have been much stricter and more limiting than what consumers actually believe they need to be. As companies look to adjust their collections communications strategies, one thousand consumers weighed in on the rules they wish companies would follow:

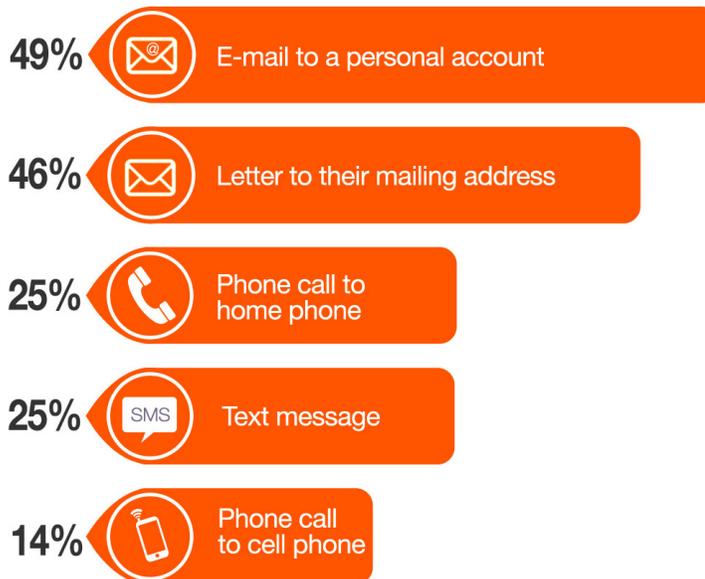
Call me at the right time: Consumers are open to calls at all times of the day. But, to accommodate the majority, companies should employ the general rule of calling between 9 a.m. and 9 p.m. based on where consumers are located.

But what about mobile phones, that allow consumers to be in locations that differ from their area code? This is one area of debate for compliance, causing many companies to avoid calling their customer's mobile phones rather than risk complaints or fines for calling outside of regulated calling hours. The research shows that 68 percent of consumers think it is reasonable for companies to assume that a person's mobile phone area code corresponds with the time zone of their location.

Additionally, when it comes to electronic communications such as text messages or email, companies have greater leeway. Sixty-nine percent of consumers think the window of time companies should be permitted to contact them electronically should be the same or wider than phone calling hours.

Interestingly, the only group that was open to late night collections conversations were those 18 to 24 years old. Nearly 20 percent of this age group were fine with calls between 10 p.m. and 8 a.m. from companies calling to try to collect on a debt.

Top preferred channels of communications



Attempt to call me at least 8 times: So what do consumers think is fair? On average, consumers believe companies should try to contact them eight times. During a single day, consumers believe a company should be permitted to try to contact them three times. At the same time, one in five consumers think there should be no limit on how many times a company attempts to reach them in a single day.

Give me choice: The majority of consumers (87 percent) believe they should be able to pick the communication channels they prefer companies use to contact them about paying a bill. And, while traditional communications channels are most preferred, mobile and digital channels are on the rise.

Let me set limitations: Additionally, consumers want the freedom to restrict outreach. Eighty-two percent believe consumers should be able to limit the communications channels companies can use. In fact, the primary channels consumers believe should be permitted are slightly different than those they prefer. Consumers tend to be more conservative on giving permissions for companies to call about collections – with letters, emails and calls to a home phone leading the way.

However, text messages and calls to cell phones round out the top channels consumers believe should be permitted. Other digital channels are on the rise among younger generations. One-quarter of those between 18 and 24 years old also believe smartphone push notifications should be permitted – compared to just five percent of those over 55 years old.

Compliance overkill?**Consumers less concerned than the CFPB**

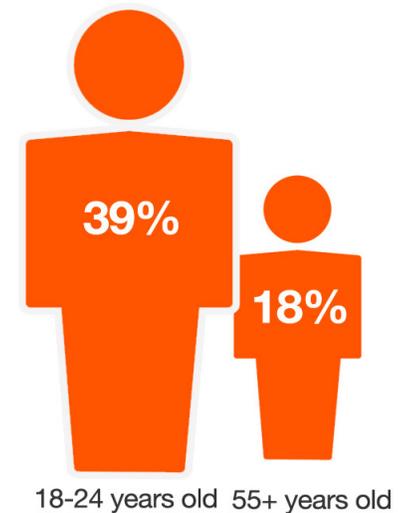
Contrary to what the regulations say, consumers may be less concerned about some collections practices than organizations such as the CFPB may think. For example, companies attempting to collect on a debt today face a Catch-22 when it comes to voicemails.

The FDCPA states that collectors cannot disclose that a communication concerns a debt to anyone but the debtor. At the same time, the FDCPA requires that every communication with a debtor makes clear it is a collection attempt. This creates a dilemma. How do you leave a voicemail that might be listened to by someone other than the debtor, while still saying that the call is about an unpaid bill? The majority of consumers aren't worried about this. Seventy-six percent of respondents agree that companies should be permitted to leave them detailed voice messages. For those 18 to 24 years old, this rises to nearly 90 percent.

There are also strict rules on communications of any kind to consumer's mobile phones. For instance, the Telephone Consumer Protection Act (TCPA) dictates that in the vast majority of situations, the consumer must grant specific oral or written consent before a company can contact them on their mobile phone using automated dialing system, prerecorded voice message or system generated text message.

But, research shows that more than two-thirds of consumers (68 percent) believe companies should be allowed to contact them if they have a past due account – regardless of previous communications or permissions. Surprisingly, the most passionate group on this topic is those over 55 years old. In this age demographic, 72 percent of consumers believe companies can contact them regardless of prior permissions.

And, consumers inherently want to pay their bills. While there will always be a small portion of the population that actively tries to avoid paying debts, nearly half (49 percent) say it is not fair for consumers to have the option to opt-out of any attempts from companies to communicate with them about a past due bill. Among those over 55 years old, this number again rises with 60 percent saying it is unfair.

To Automate or Not?

For millennials, the option to self-serve is enticing – 39 percent would most like to communicate with a company about a past due bill through self-service with an automated system. For those over 55 years old, this drops to just 18 percent.

Collections done right

The research makes it clear that consumers value and want reminders to pay unpaid bills from the organizations to whom they owe money. But, they are unsatisfied today with the customer experience when they are involved in the collections process. The insights from this research, if acted upon by the CFPB in their rulemaking, will help businesses deliver a more positive collections experience that also drives better results.

The New York Federal Reserve estimated total consumer debt in 2013 at over \$11.2 trillion, not including bills for utilities, phone & cable service or medical expenses. Bad debt can be a significant business expense, and warrants the investment companies make in the collections process.

However, collections can be a highly emotional experience for consumers – and if a customer owes more than one debt, they may pay those that offer the most engaging, positive experience first. To make sure they are conducting collections practices the right way, businesses need to take personal preferences and the experiences of their customers into account.

Successful collections practices will balance regulatory compliance with what consumers actually want by delivering messages that are personal, informative and reach consumers proactively at the right time on the right channel. For more information on balancing compliance regulations with customer service, please visit www.ContactCompliance.com.

About proactive engagement

Nuance works with the nation's leading brands, improving the reach and effectiveness of their customer service and collections campaigns. We deliver results by blending the scalability and efficiency of cloud-based automation with sophisticated personalization based on known preferences and previous response patterns. Orchestrating the use of channels most preferred by consumers – voice, text, email, mobile application and live agent– further ensures cost-effective results. Fortune 500 companies who build loyalty based on their service, trust Nuance to proactively engage one in five Americans each year with the right information at the right time. Follow us on Twitter: @NuanceEnt

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