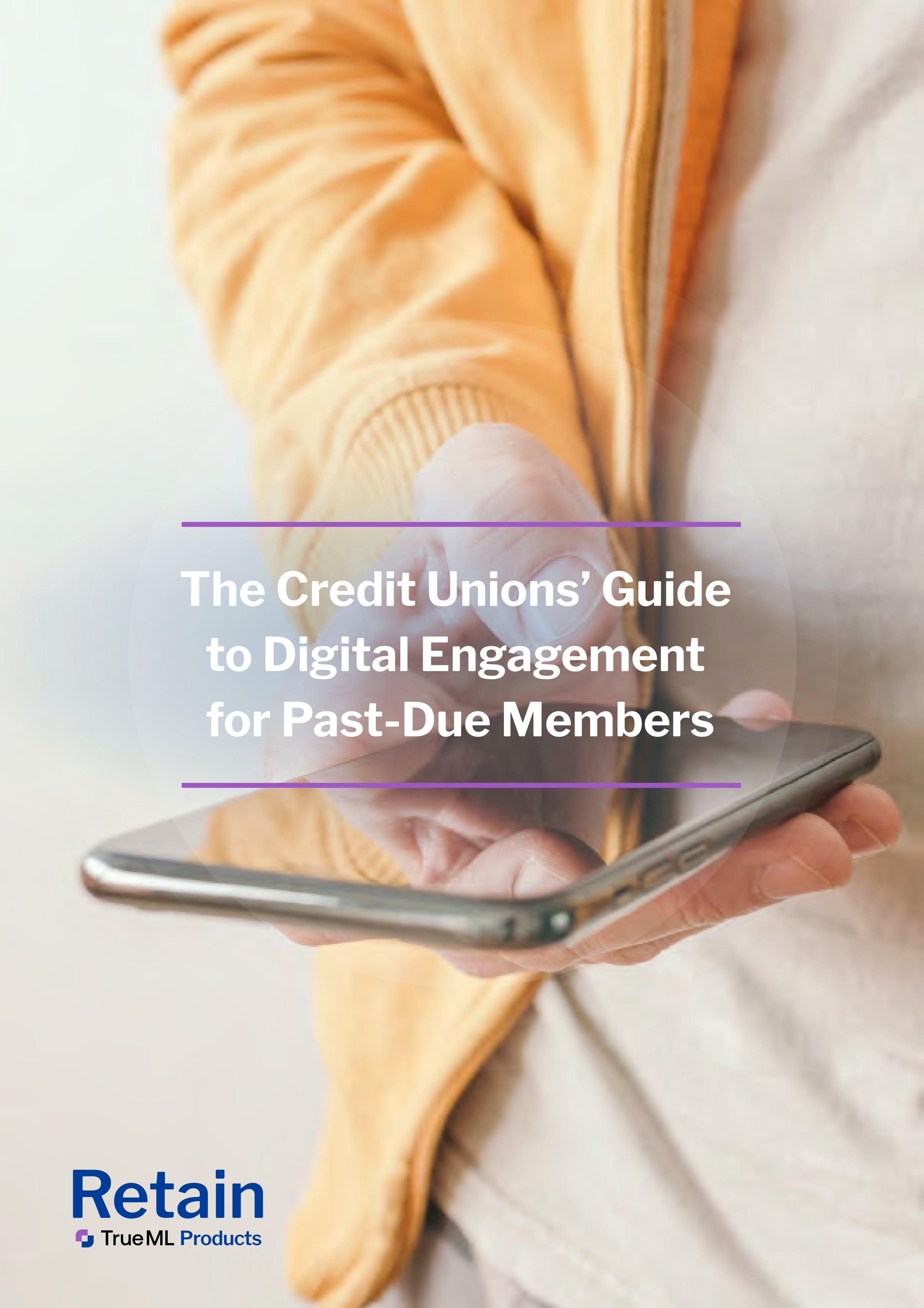


The Credit Unions' Guide to Digital Engagement for Past-Due Members

Retain
TrueML Products

As a credit union, you take pride in being a pillar of your community and a trusted part of the fabric of your members' financial lives.

And you know that recovering delinquent loans is essential to fulfilling your mission. Every dollar that you recover is a dollar that you can put to work for other members in need of a mortgage, a small business loan, or access to credit for critical expenditures like healthcare or education.

But perhaps you've encountered bumps along the road. In a tight labor market, you're struggling to make the economics of a call center work. Or you haven't found a way to deliver the exceptional, personalized experience that your members expect through the early-stage recovery process.

The right early-stage recovery strategy aligns what's good for your business and what's good for your members—and the right digital engagement strategy is what puts that plan into action with real results. This ebook provides you with the insights and evaluation techniques to ensure that you're partnering with the right digital engagement delivery provider for the long run.

Managing Delinquencies the Credit Union Way

Credit unions are soaring—the market size of the credit unions industry increased 5.4% in 2023. And annual credit union loan growth rate is increasing too with a whopping jump from 5% in 2020 to 22.9% in 2022. But with that growth comes the flipside: Total loans outstanding $1.59 trillion, and for the third quarter of 2023 the delinquency rate was 83 basis points, up 21 basis points from one year earlier.

Engaging with members, both before they miss a payment and after they slip into delinquency, must be a priority for all organizations—especially for credit unions with dedication to supporting their members' financial health.

It's no secret that consumers' preferences have been shifting overwhelmingly to digital channels. With right-party-contact rates declining and consumers increasingly gravitating towards email and SMS, traditional "call-and-collect" models are facing historic headwinds.

This shift can present significant challenges for fast-growing credit unions. It's easy to become overwhelmed by keeping up with members' digital preferences. Smaller credit unions may view the process of rehabilitating delinquent loans as logistically or financially infeasible. And larger credit unions may be struggling to scale their recovery operations after a year of heavy lending, particularly in a challenging and unstable labor market. As a result, many credit unions may accept high loan losses as a "cost of doing business."

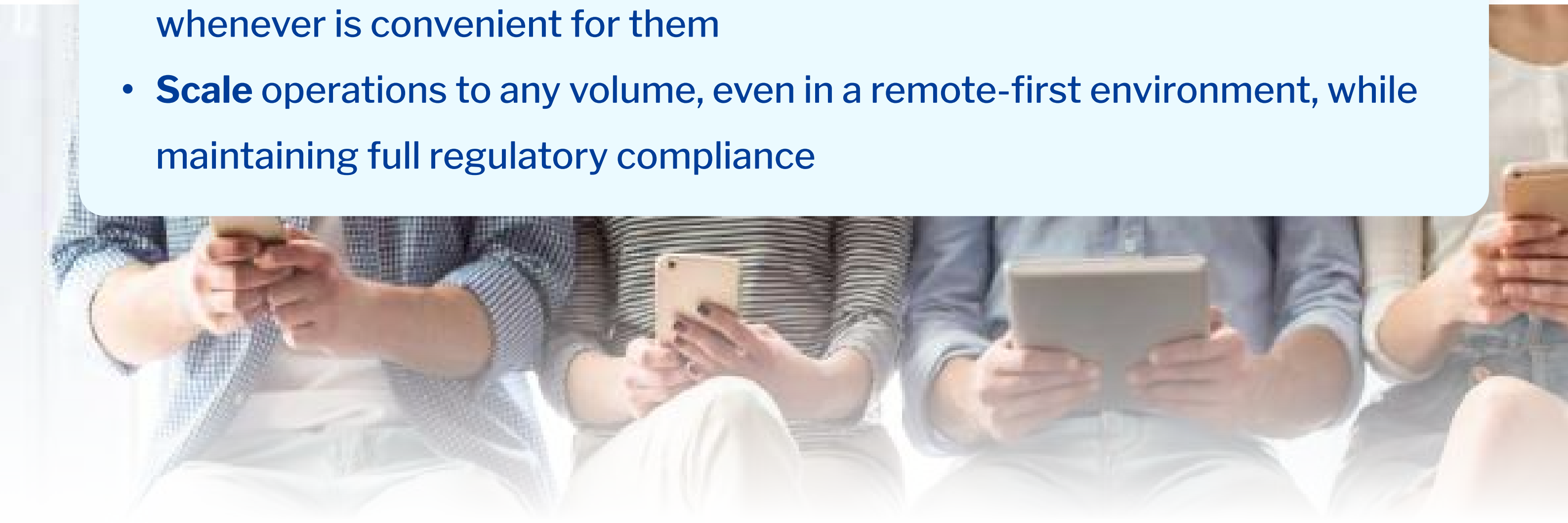
There's a better way for credit unions to continue expanding financial access through lending, while empowering members with the tools they need to repay their loans. There *is* a **win-win solution** for credit unions and members.

Enter digital-first engagement through optimized delivery platforms designed with credit unions' dedication to member experience in mind.

Why Digital Engagement for Past-Due Members? Why Now?

The concept of digital outreach isn't new. Email and SMS have been around for decades, but a **digital engagement strategy** involves more than just reaching members on digital channels. It involves using digital technology to support members throughout the entire repayment journey. This requires a provider to be able to:

- **Reach** members with the right messages and on the right channels
- **Tailor** and optimize outreach over time to drive engagement, commitment, and follow-through
- **Empower** members to self-serve by providing information accessible whenever is convenient for them
- **Scale** operations to any volume, even in a remote-first environment, while maintaining full regulatory compliance



Consumer behavior and expectations have undergone significant changes over the past few years. The end result is that digital engagement, specifically for delinquent members, has shifted from a "nice to have" into a necessity for any credit union.

Let's take a look at some of the key trends among members, why they're happening now and what it means for credit unions.

Key trend	Root cause	What it means for credit unions
Members are digital-first.	The decline of the landline has made it harder to reliably reach members at home. And advances in mobile technology (e.g., call blocking) have made it easier for members to screen calls.	Organizations must embrace a **multi-channel digital approach** that meets members where they are, empowering them to respond at their own convenience.
Members won't accept one-size-fits-all treatment.	The explosion of personalization in marketing (from product recommendations to programmatic advertising) means that members expect to be communicated with as individuals, in a way that is relevant and tailored to them.	Organizations must seek out a digital communications approach that **tailors messages and outreach** to individual members.
Members expect a seamless, self-serve experience.	From Amazon to Instacart, members have become accustomed to being able to do everything digitally – without interacting with a human being.	It's not enough to communicate with members over digital channels. A digital engagement solution must offer a robust and intuitive **delivery method** that enables members to take action on their own time.
There are now major logistical challenges in scaling the contact center model.	Now more than ever, it's more challenging to hire, train, house, and monitor contact center agents – creating obstacles with the traditional outsourcing model.	A digital engagement solution must be built for **scalability**, enabling credit unions to meet recovery volume without adding agents to make outbound calls.

But Not All Digital Engagement Solutions Are Created Equal

For all of these reasons, digital engagement to recoup past-due payments has quickly become the most effective path forward for the industry. And there's been a substantial uptick in interest from credit unions over the past few years in exploring how they can "future-proof" themselves with a digital communication and engagement strategy.

Some of these credit unions, particularly the largest enterprises, will try to build parts of a digital engagement operation in-house. They're likely to encounter numerous hurdles along the way:

- The critical volume of **proprietary data** needed for advanced optimization
- The **domain expertise** required to optimize digital channel deliverability
- The **engineering challenges** of building an optimized digital experience
- Growing **regulatory and compliance** hurdles

Given the immense complexity involved—and the benefits of working with a provider that has performance data and expertise across many companies—the majority of credit unions seek out a partner to help them accelerate their digital delivery and engagement capabilities to reach members before and after they become delinquent.

Unfortunately, it can often be difficult to evaluate the differences between one digital engagement solution and the next. Many providers use similar terms or make claims that are hard to assess critically. And the reality is....not all of these solutions are created equal.

That's why we've created the following decision guide for evaluating digital engagement providers.

Critical Questions to Ask When Evaluating a Digital Engagement Provider

Below you'll find some of the most important questions to ask any digital engagement provider before moving ahead with a partnership. Asking and answering these questions will ensure that you know exactly what to expect—and that you're choosing the right partner for your needs.

What channels do you support?

Why It Matters	What to Look For
Members are engaging on more digital channels than ever before. Unfortunately, many "digital" engagement providers are essentially little more than services sending emails on an organization's behalf. Email is, of course, a critical digital channel – but it's only one way of reaching members. And there's a good body of research to suggest that other digital channels are powerful components of a balanced, multi-channel strategy.	Look for a digital engagement provider that supports a wide variety of digital channels – with referenceable case studies. The list of digital channels is always growing, but at a very minimum should include: • Email • SMS • Voicemail drop

The Retain Difference

Retain has built-in support to reach the customer on their channel of choice as guided by client requirements (even offering multi-language options for certain channels):

- Email
- Call
- Letter
- SMS
- Voicemail Drop

What is your email deliverability rate and strategy?

Why It Matters	What to Look For
Email deliverability measures the rate at which a provider is able to successfully "place" emails in a user's inbox (as opposed to getting caught in spam traps). It's important to remember that email is just one channel in a successful digital engagement strategy to reach delinquent members. But deliverability is one of the most important metrics for evaluating how successful that channel is. After all, an email that never reaches a consumer's inbox has no chance of driving engagement and action.	Research suggests that the average deliverability rate across industries hovers around 84%. There are a variety of strategies that credit unions can use to improve deliverability – and best-in-class digital engagement providers often see inbox placement rates well above the overall average. Look for a partner that can clearly articulate their deliverability strategy, and has consistently seen higher-than-average deliverability across different clients.

The Retain Difference

Our best-in-class deliverability ensures that your emails and text messages land in your customers' inbox, including:

- 98.6% email delivery rate (compared to 90% overall industry average)
- 87% email deliverability rate (compared to 84.8% overall industry average)
- 32.8% open rate (compared to 27.76% overall industry average)
- 1.74% click rate (compared to 1.3% overall industry average)

Do you use advanced technology for optimization?

Why It Matters	What to Look For
Advanced technology can include a set of modeling techniques that "learn" and self-optimize over time. Businesses across industries are quickly coming around to the value of systems whose performance automatically improves over time—credit unions are no exception. Unfortunately, many digital engagement vendors have also caught onto the buzz, and have started using this language, even when their actual approach bears very little resemblance to true advanced technology. For example, business rules ("If a consumer does X, then do Y") or static models that don't actually self-optimize, or only prioritize which members to call, but not to continuously personalize ongoing digital touchpoints.	Ask digital engagement vendors to explain their optimization approaches using advanced technology. Vendors should be able to articulate clearly how their algorithms self-optimize for performance over time as more data is observed. They should be able to provide evidence from client placements of liquidation rates improving within a given portfolio over time as their models automatically self-tuned to the specifics of the client's data. The most sophisticated providers will likely have patented intellectual property (IP) relating to their machine learning algorithms. Finally, vendors should be able to demonstrate that they use advanced technology in a holistic, integrated fashion throughout the entire customer journey, not just at one stage or for one outreach channel.

The Retain Difference

Retain's optimization engine assesses a multitude of key variables from your interactions with your members, your message content to engagement feedback and provides continuous performance improvements to your operations. Whether they are late or just need a reminder to pay on time, our optimization engine lets you send communications to your members digitally to encourage repayment and reduce roll rates.

On average, how many accounts does each call center agent handle?

Why It Matters	What to Look For
Traditional “call-and-collect” agencies service between 1,000 and 2,500 accounts per call center agent. In contrast, one of the key benefits of the digital engagement model for past-due members is the ability to scale far beyond that ratio by using automation, machine learning, and self-serve technology. But not all digital engagement vendors are created equal. Some use digital channels to reach members, but still rely primarily on interaction with a contact center to resolve debts. That model ultimately doesn’t scale – a limitation that’s reflected in the number of accounts per agent.	A true digital engagement delivery provider should be able to serve tens of times more accounts per call center agent than the traditional model. Of course this relies on having built a complete, end-to-end digital experience: robust multi-channel outreach, machine learning-powered engagement, and a self-service experience for digital debt resolution.

The Retain Difference
Retain has shown a 4x increase in agent productivity when paired with digital engagement. And no need for additional headcount to manage your unresponsive member relationships—our digital-first solution has delivered a 75% reduction in required full-time employees. Automating your digital communications allows you to keep your costs low and member engagement high—especially as you scale up.

How much execution risk do you expose me to?

Why It Matters	What to Look For
“Execution risk” refers to the operating liabilities associated with a recovery operation for delinquent funds: complaints, lawsuits, compliance violations, and more. Operations that rely on more call center agents will carry more risk exposure. Poor agent attendance or high attrition will impact expected coverage. Poor quality or agent errors across a varied labor pool will impact recovery results and pose compliance risks.	A digital-first strategy will be the most reliable, most consistent, and least risky when it comes to execution, and will provide a preferred consumer experience. Regardless of the type of partner you’re evaluating, ensure that they have strong operating procedures and controls to ensure a consistent, positive, and compliant consumer experience.

The Retain Difference
Retain offers built-in, advanced compliance functionality including strict ownership and deliverability checks, the ability to restrict your messaging by state or set your desired state disclosures, and safely deliver emails and SMS based on members’ local times. Retain clients also have access to a team of compliance experts with 50+ years of industry experience.

Reinventing Consumer Engagement and Debt Recovery

Credit unions have reshaped the consumer banking landscape over the past decade by vastly expanding financial access, while delivering a personalized member experience.

Now it's time for credit unions to embrace the same disruptive, obsessively member-centric mindset for recovery and collection.

We wrote this ebook because members deserve a better experience than the current adversarial status quo. And we believe that—armed with an understanding of the economics of member rehabilitation and a framework for getting started—forward-thinking credit unions will bring the same energy and innovation to recovery challenges as they do to their core businesses.

Ready to get started?
Schedule a consultation today»»

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TrueML Products

About Retain

Retain by TrueML Products is an intelligent delivery platform that leverages a patented optimization engine to determine the optimal time and channel to deliver the client's communications within the confines of the compliance requirements outlined by the client. Visit www.GetRetain.com to learn more.

TrueML Products is a fintech software company developing machine learning-driven products that enable intelligent, digital communication and prioritize customer experience for consumers seeking financial health.