e-book

How generative AI can help collections teams through the October shock

With the coming end of the student loan forbearance, there's a lot of chatter about "payment shock" for borrowers who need to find room in their budgets for a long-paused bill.

But what about the shock for collections teams?

Unemployment is still hanging around at record lows, meaning hiring is impossible and retention is trickier than a Cirque du Soleil act.

So how are you supposed to help borrowers through the shocks to their budgets - and keep them on track with payments on your accounts - if you don't have enough people as it is?

What's coming in October

Agents in collections know that a big part of the job can be financial coaching, and that is going to be a major part of helping borrowers get through the student loan payment shock.

Borrowers are going to need help with:

- Incorporating a payment they haven't included in over three years
- Managing priorities with record-high interest rates on other loans
- Squeezing out extra cash during a period of high inflation
- Adjusting payments due to additional obligations

Borrowers have always put housing and cars first on their "to pay" lists, and because student loans aren't dischargeable in bankruptcy and can be subject to wage garnishment, that's going to take the third spot.

The only way to collect on the debts you're handling will be to move *fast* - providing solid information, managing complaints, being empathetic, and helping borrowers stay current.

How borrowers have changed

Let's look in detail at how borrowers are different today than they were a few years ago:

1. They got used to not paying student loans.

Yeah, yeah, this feels obvious, but we have to think about it seriously.

For over three years, not only have they not paid, but there has been a major cultural shift in how we talk about student loans, including serious conversations about loan forgiveness.

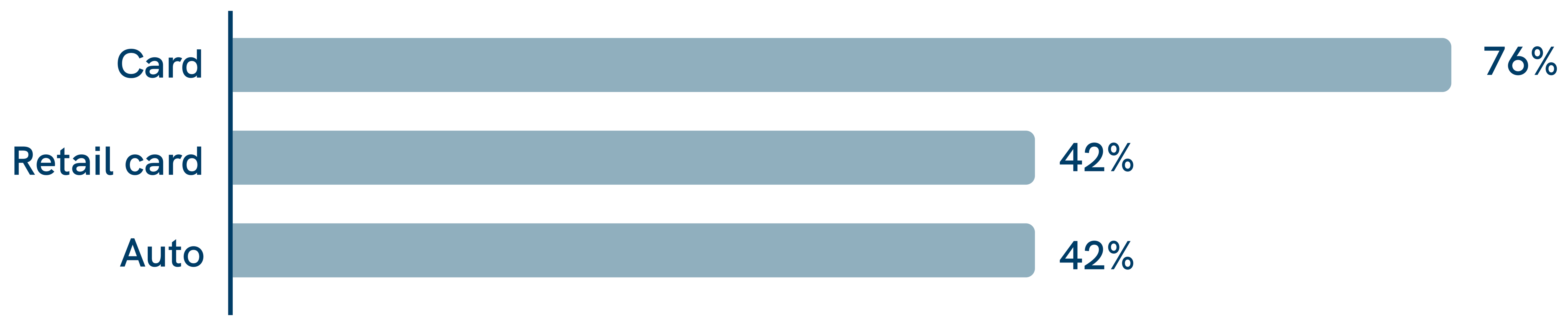
Many borrowers may be exploring the possibility of loan forgiveness under new initiatives, as well as revitalized programs including Public Service Loan Forgiveness, Borrower Defense, and Total and Permanent Disability Discharge.

And because the repayment pause has been set to resume and then re-paused before, borrowers may be assuming that this time it will be the same - someone will sweep in right before October and say, "Just kidding, you still don't have to pay."

These borrowers are going to be feeling like they have yet another surprise bill,

2. They've taken on additional debt.

According to TransUnion, people with student loans have other credit products:



And between March 2020 and May 2023, they took on new debt:

Those additional obligations are going to make things tight.

And again, student loans are going to be in the top three bills to pay. The debt you're collecting on might be far below that.

These borrowers are going to need help figuring out how to deal with their budgets without skipping paying what they owe your team.

3. 1/3 of them have never made a student loan payment.

Borrowers who graduated after March 2020 have never made a student loan payment. Ever.

In the meantime, their debt load has increased 23%, and they're going to be met with an average new payment of $348.

These folks are going to need some help #adulting.

4. A lot of people are going to have big payments.

About 19% of student loan borrowers are going to have payments of more than $500 a month. But almost 7% will be looking at payments of $1000 or more.

That's not a small amount of money, especially in an era with this much inflation.

5. Long-term ability to pay may be a bigger issue than short-term

Because we're all focused on the immediate October flood, it's hard to remember that we're not just talking about whether borrowers can make a single payment.

We need them to pay consistently.

And we don't know what this hit to so many - 41 million! - borrowers is going to do to individual budgets, let alone the economy.

If consumers have been using money they might otherwise have been putting towards student loan repayment for discretionary spending, what happens when they draw that back, or put it towards other debts?

And even if those borrowers are able to keep things going for three months, what about in six months? Or a year? What if the lowered spending causes an economic drain that leads to layoffs which leads to a recession which leads to more layoffs, which leads to a larger need for payment plans or settlement discussions or coaching?

6. Defaults are going to be a problem

We've already seen rising delinquency rates across lending sub-verticals - auto finance, credit cards, and personal loans.

In May 2023, TransUnion reports that, of all student loan borrowers:

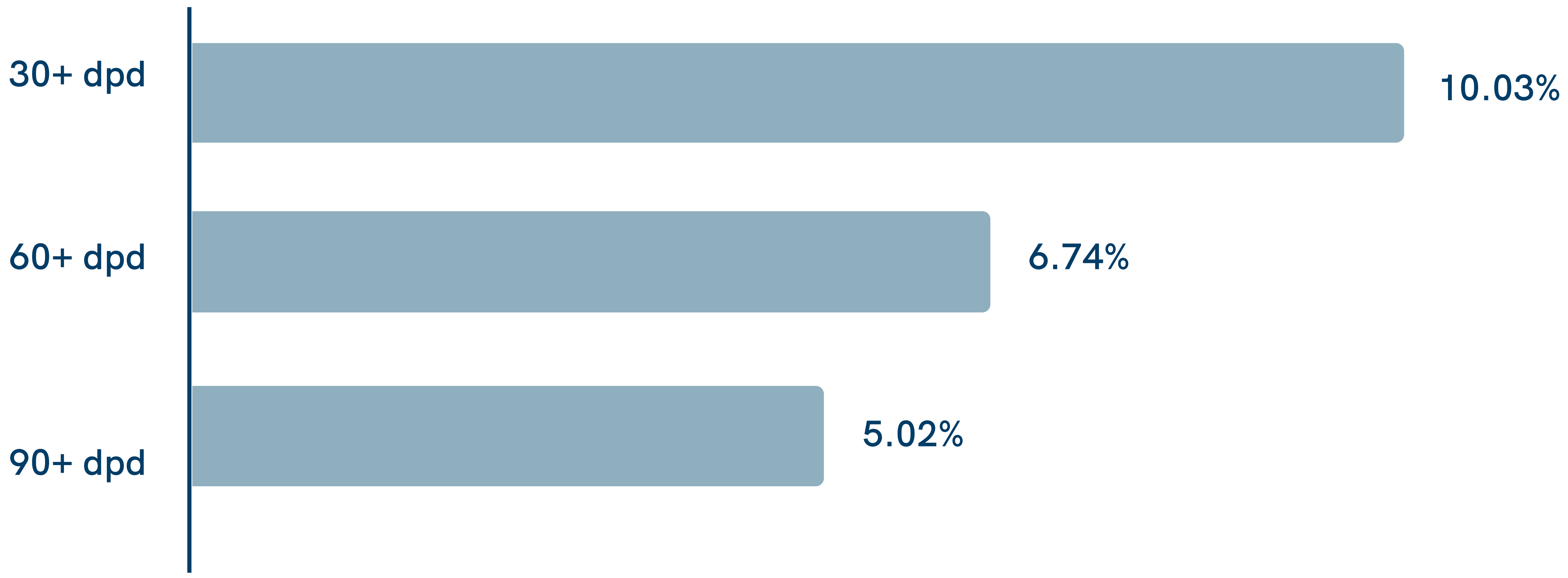
-10% had a 30-day past-due delinquency

-5% of those were a 90-day past-due delinquency

And of sub-prime student loan borrowers:-⅓ have a 30-day-plus past-due delinquency

In other words, we're already seeing a lot of people struggling to make the payments they have now. How will they cope when they have another one added on top of that?

29% of student loan borrowers fall into that sub-prime category. So that's a lot of potential problems.



What collections teams need to do to prepare

- Hire as much as possible (which may not be much, admittedly).
- Onboard new agents quickly.
- Train new agents on coaching in light of borrowers' likely financial situations.
- Support and coach agents on offering empathy and resolving problems.
- Streamline workflows to make sure agents can focus on calls and improve productivity.
- Improve QA and compliance processes to free up managers to train agents.

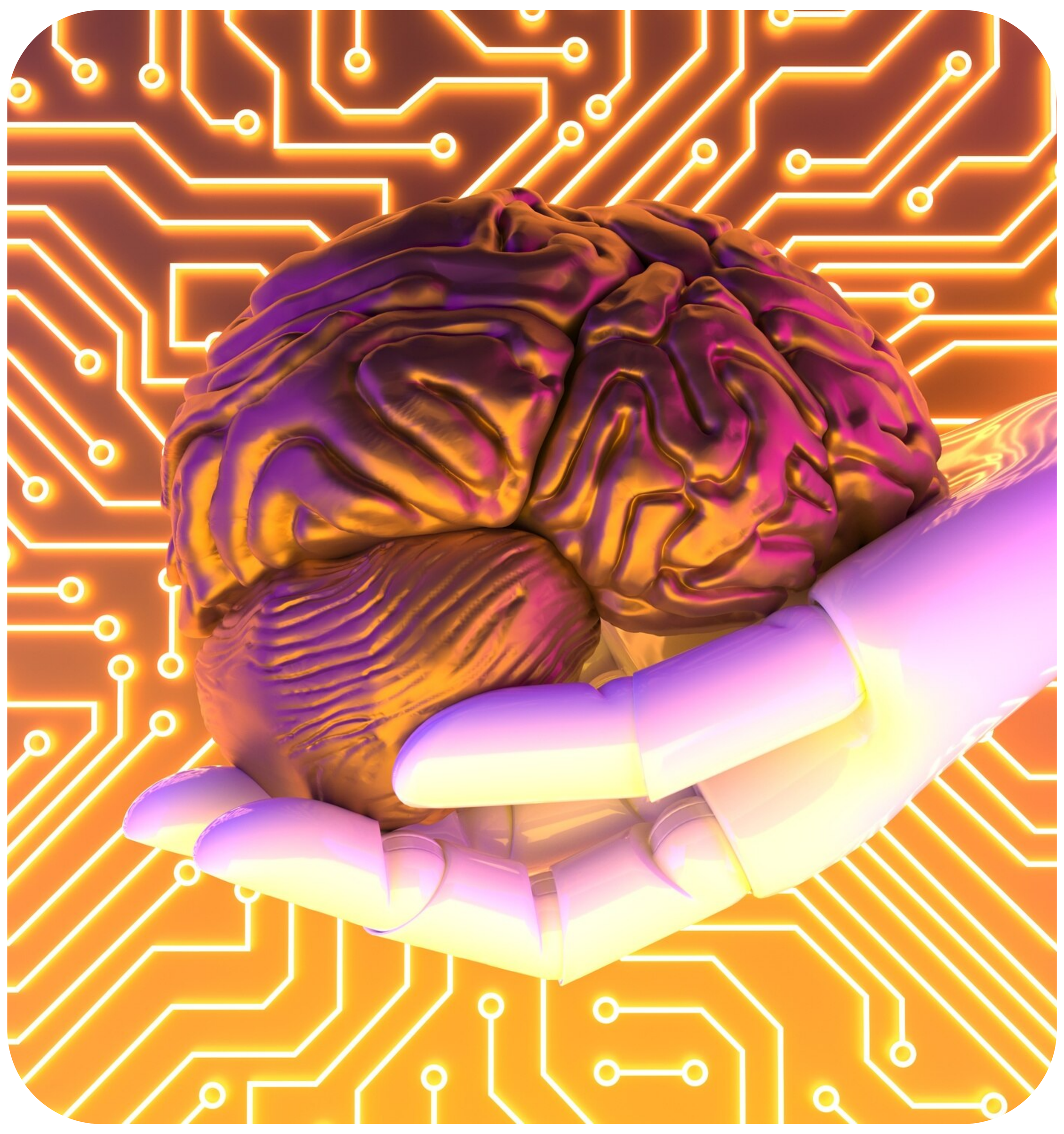
How generative AI can soften the October shock

We've all been talking about generative AI this year - asking ChatGPT to write limericks or telling DALL-E to create images that give our dogs mermaid tails.

But generative AI isn't just for fun. With the right solutions, you can help make your collections team feel like this October earthquake is more like a speed bump.

Here's what to look for in a solution:

Trained on consumer finance



Quick lesson: Generative AI like ChatGPT is built on large language models (LLM). An LLM is trained by learning to recognize patterns in information.

ChatGPT is trained on general information. But you don't do something general. You do something specific. You help people repay their debts.

So you don't need generative AI that's an expert in dinosaurs or Taylor Swift. You need generative AI that understands finance.

This may seem like another gimme, but it's important. Having a solution that's built for the conversations you have every day with borrowers delivers human-level accuracy.

Supports agents from day 1 - and doesn't stop there

A real-time agent assistance solution will save your proverbial bacon in four big ways:

Slashes ramp time -

You can reduce onboarding time for brand-new agents by 50%. Experienced agents by 75%. Real-time agent assistance will get them learning by talking to customers - while still giving them a safety net.

Identifies and captures complaints -

You've seen the CFPB come down hard on businesses over complaints, and traditional speech analytics and manual identification and capture haven't gotten the job done. But custom-built AI can help your agents spot - and solve - problems before they escalate.

Coaches agents on compliance -

Come October, your agents are going to be working hard. When their attention is on the customer, it's easy to miss the checklist of regulatory must-do's. But real-time agent assistance coaches agents through calls, reminding them of compliance tasks and freeing them up to focus on what matters - people and payments.

Supports the agent/customer relationship -

AI can understand the context of conversations, as well as tone and sentiment, enabling a consumer-finance-trained solution to make sure agents are acting with empathy and connecting with customers to encourage a positive experience and increase payments.

Relieves agent stress by handling monotonous tasks

Consumer finance AI company Prodigal's CEO Shantanu Gangal talks about the relationship between humans and AI this way:

"Anything you are doing several times a day or that you spend several hours in a month doing is something you should figure out how you can automate."

In collections, one easy win that delivers a pile of benefits is automating conversation notes.

Normally, after every call, agents have to spend time manually writing notes to record the interaction.

There are three big problems with that:

It takes agents' attention away from customers during the call as they're often note-taking during the conversation.

After-call work delays agents' ability to move on to help the next customer.

Manual notes are inconsistent and unstandardized, making it difficult to get up to speed on future calls, and leaving opportunities for managers to gain insight on the table.

But generative AI can solve for all that by:

Relieving agents of having to scramble to talk to customers and take notes at the same time, putting their focus back on the conversation.

Generating notes in seconds after a call ends, allowing agents to move on to the next call, or to take a genuine break if they need one.

Creating automated, standardized notes that are easy to scan and search.

Streamlines QA and compliance work to save time and guarantee coverage

Manual QA and compliance tasks in collections have always been slow, incomplete, and error-prone.

And unfortunately, transcription-dependent technology didn't do much to help that. In addition to being slow and relying on faulty speech recognition, those tools also produced endless false positives and negatives.

But consumer finance-trained AI can solve both of those problems. Instead of relying on keyword and phrase searches of already-flawed transcriptions, it understands the conversation as a whole, delivering human-level accuracy.

And because AI works so quickly, you can get automated QA scoring and compliance reporting on Every. Single. Conversation.

Yup. No more wondering what you've missed in the 98% of calls your QA team couldn't review. They're all covered.

Now those QA teams can be reallocated - or you can stop desperately trying to hire additional QA staff to meet the October rush. Managers can spend their time gaining insight into calls to improve operations and pinpointing opportunities for training and coaching. Agents can get immediate feedback.

Win. Win. Win. (Was that enough wins? We lost count, what with all the winning.)

What you need

So, winter is coming.

No, wait, that's *Game of Thrones*.

So, October is coming.

Customers are going to need help figuring out their budgets. Lots of it. Highly personalized help that chatbots and self-serve account portals can't deliver.

And they're going to continue to need help over time.

Unemployment is still hanging around 3.6%.

Your team's success is going to depend on keeping payments and customer contacts high, without being able to boost headcount in any significant way.

Oh, and did we mention October is coming?

You need to be ready.

The good news is this. If this had happened five years ago, we would have had to throw up our hands.

But it's happening now, and generative AI can make the difference you need.

You can deliver exceptional results with a lean team by making use of modern solutions built for exactly the conversations you happen every day.

Real-time agent assistance.

Automated call notes.

Streamlined QA and compliance workflows.

The future is here now. Let's get you ready for collections success, in October and beyond.

Meet the 3 AI-powered solutions that will transform your collections team

ProAssist

ProNotes

ProInsight

Prodigaltech.com

Get a free personalized demo

In your customized product tour, learn how AI can maximize your borrowers' experience through improved agent productivity.

Request a demo

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