Is Outsourcing Right for You?

Be Proactive in Weighing Collection Department Capacity

In the face of tepid economic predictions, it is a fact that changes in the pulse of the credit union marketplace are an economic indicator that can be measured by an up-tick in loan growth. And, the natural offshoot of loan growth is loan delinquency. Finding the most effective strategy for collection success often depends on incorporating resources that are outside of your collection department.

Depending on the expertise of outside experts has gained popularity as an effective way to transfer labor-intensive tasks to a third-party, while maintaining the reliability and integrity of daily operations. Credit unions have voiced an objection to outsourcing, stating that there would be a loss of control in day-to-day member relationships that they have depended upon for growth. But with growth the credit union is often faced with a lack of physical space, an insufficient employment base for recruiting, or a shortage of time and specialized training needed to bring a new employee up to speed.

Changing economic conditions and the need to find practical ways to cut costs have resulted in a reconsideration of providing non-core functions by staff. Many credit unions are finding success in outsourcing specific functions requiring strengths that their staff do not possess. This can also give department's access to a larger pool of knowledgeable employees.

Most frequently, the goal is to cut costs while building member loyalty, strengthening risk management, and meeting regulatory compliance requirements. Many agree that their IT department is the perfect candidate for outsourcing all or part of its function. Let's look at another area that other experts rank very high on the 'consider outsourcing' list – collections.

A Deloitte Consulting Analysis found that the total cost savings from outsourcing 'Getting Paid' for services already delivered to be a 25 to 55% savings from original budgets prior to outsourcing. They found that two-thirds of payment processing costs are staff related. The conclusion was that changes or additions to staff by outsourcing had the quickest and largest impact on cost reductions. Combining payroll reductions with necessary training to keep up with regulatory compliance changes and specific knowledge needed for complicated collection scenarios makes a solid case for outsourcing all or part of the collection department functions.

What to Outsource:

- Highly repetitive tasks
- Specialized knowledge
- Tasks you don't want to do, or don't have time to maintain

Strategy for choosing an outsourcing partner:

- Look for a partner that can help you deliver your value system to your members.
- Look for a staff of highly-trained, experienced collectors with a record of delivering exceptional service and operational excellence
- Look for a record of compliance expertise
- Look for a technology infrastructure that supports reliable operation

The result of outsourcing all or part of the collection process will be a consistent, thorough approach to debt resolution that allows the department to make better use of its in-house resources.

The Loan Service Center provides first-party collection services to minimize loan loss by managing early stage delinquency. Our agents work under the direction of your collection department following your procedures. Our broad spectrum of collection resources combined with our training programs help credit unions manage and mitigate loan delinquency rates. All powered by PSCU. Contact us for more details.