How Can Your Financial Institution Help Its Consumers Prepare for Recession Predictions in the New Year?

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We enter the new year with an inflated economy and predictions of a recession. As a result of the economy in 2022, interest rates, debt in all loan types and the general cost of living have all increased dramatically. According to the Quarterly Report on Household Debt and Credit from the New York Fed's Center for Microeconomic Data, there have been increases in household debt and credit developments, including mortgage balances, credit card balances and auto loans. In addition, we saw an erratic housing market with high interest rates, as well as increases in auto loan rates, some of which have followed us into 2023.

A recent report from Liberty Street Economics showed consumers will find economic challenges in 2023. Due to interest rates increasing as a result of the Federal Reserve's efforts to slow inflation, we see predictions of a sharp slowdown in the economy. Financial institutions are already reporting delinquency rates rising as reported in our quarterly roundtable discussions with financial institutions within the TriVerity network around the country and referred to in a recent report from Aite Novarica. The increase in delinquency rates could be attributed to the end of the government assistance granted during the pandemic, as consumers are now less able to pay off debts like they could with this assistance, as well as rising prices on nearly everything. Many are forecasting the return of delinquency rates we saw before the pandemic in 2020.

Consumers felt the added pressure of the significant cost of living increase this past holiday season, which may be why holiday spending had a slow start, as decreases in both credit and debit purchases were shown in PSCU's November and December Payments Index reports. So how can your financial institution position your borrowers for success in preparation for the predicted recession and rising delinquency rates?

Here are a few ways to set your borrowers up for success before a recession hits:

- **Offer Skip-a-Pay.** Many financial institutions offer their consumers a skip-a-pay option which allows consumers to skip a payment with no penalty for that month. Financial institutions use this offer in different ways, with some only offering this option during the holiday season. Others provide this option year-round, although it is only available to be selected once a year, leaving the consumer to choose when to use it and not allowing them to abuse the opportunity.

- **Supply Frequent Updates.** Your borrowers may not be aware of the 2023 forecasts and predictions or may not know their extent. Sending frequent reminders of what they can expect to see throughout the year will keep them up-to-date and allow them the time they need to prepare.

- **Offer Credit Card Rewards Deals.** Another option to exercise with your consumers is offering rewards based on payments made on certain merchandise like food, gas, or household items. Offering rewards is an excellent incentive for consumers to pay down debt, a win-win for both parties.

- **Provide Education.** Your financial institution can still give its borrowers gifts after the holiday season, the gift of education! Offer educational tips, tricks, meetings, and more to help your borrowers improve their budgeting, organization, and financial health. Do you have tips and tricks or an expense template they could use to navigate their spending through the year? Now is a great time to have that conversation and help your consumers before they struggle.

These are just a few ways to set your borrowers up for success in the new year. Positively positioning them for the impact of the 2023 economic predictions will not only help consumers sit more comfortably during challenging times, it will also build loyalty to your financial institution as well.

Wendy Elieff has over 23 years of experience in the financial services industry. Wendy oversees the success of the client service and marketing teams at TriVerity, where she is responsible for developing, implementing and monitoring cohesive marketing strategies to increase brand awareness. She is also responsible for building and maintaining client relationships by staying abreast of and responding to changes in the marketplace.

TriVerity is a full-service collection agency managing non-performing and charged-off loans with a comprehensive menu of third-party collection services. Since 1990, TriVerity has worked with over 2,700 financial institutions nationwide and is a leading industry expert for financial institution collections of all loan types. The Loan Service Center (TLSC) provides first-party delinquency management to minimize loan loss by managing early-stage delinquency. TriVerity and TLSC's broad spectrum of collection resources and extensive training programs help financial institutions manage and mitigate loan delinquency rates. Our agents work under the direction and procedures of financial institution collection departments.