PSCU Companies

Navigating the Labor Shortage and Rising Delinquencies with Outsourcing

According to the U.S. Department of Labor, nearly 4.5 million people quit their jobs in March 2022 and there were 11.5 million job openings. Both figures were record highs. While data points to a strong U.S. labor market, demand for workers remains high despite the best attempts by many employers to attract and retain talent.

“The Great Resignation” is one of the pandemic’s unforeseen outcomes, and a trend that shows no signs of abating any time soon. Like many employers, financial institutions are grappling with the question of how to survive the current labor shortage and still maintain the experience their accountholders have grown accustomed to.

Another unforeseen outcome of the pandemic is its long-term impact on credit card delinquencies. A notable decline in delinquencies coincided with government stimulus payments throughout the early stages of the pandemic. However, now that most government assistance has ended and consumers have returned to more normal spending patterns, delinquency rates are ticking back up, with March data putting it above 2021 levels and close to pre-pandemic levels. Financial institutions now need to devise plans for consumer-centric strategies to collect on outstanding debts without alienating accountholders and possibly jeopardizing future business with them.

This white paper will look at the current state of the market as it relates to the labor shortage and delinquencies, along with its impact on the financial institution industry. Additionally, it will take a deep dive into how outsourcing can relieve pressure in a tight labor market – specifically, outsourcing portions of jobs that deliver delinquency management solutions. Finally, we will explore how TriVerity and The Loan Service Center’s delinquency management outsourcing options can help.

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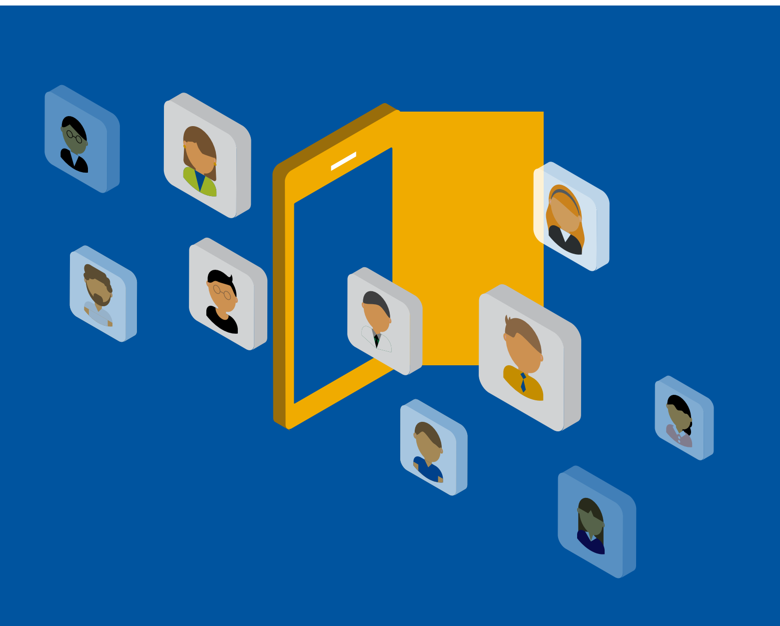
State of the Market

The current war for talent is expected to continue throughout 2022. What's driving the mass exodus from the workplace?

- Many workers who contemplated leaving their jobs pre-pandemic held off on making a move until the job market improved.
- The global pandemic caused many workers to reevaluate life priorities and even career choices.
- After becoming accustomed to working remotely, many employees decided not to return to in-person work environments once their physical offices reopened.
- There are more opportunities for lower-wage workers to earn more by changing jobs.
- Some workers are leaving their current positions for more traditional reasons like higher compensation, better benefits or more opportunities for advancement.



Financial institutions are feeling the labor crunch. According to a January 2022 article on Callahan & Associates' CreditUnions.com:

> *"Employee totals across the U.S. credit union industry increased 2.6% year-over-year to 324,198, but lagged strong member growth, which surged 4.0% over the same period. As a result, members per employee averages increased to 401 as of Sept. 30, a five-member increase during the past year. Employees are now serving more members than at any prior point this millennium."*

The average cost per hire is $4,425, and it takes around 42 days to fill an open position, according to a survey by Zippia. As the competitive labor market has pushed up salaries, costs can snowball quickly at the current rate of employee departure, and today's labor shortages may only be a glimpse into the uncertainty of longer-term employment trends.

When it comes to delinquencies, it's important to note that while there is a return to typical seasonal patterns, U.S. credit card debt is at an all-time high. While higher wages may be helping to offset delinquencies, the ongoing economic effects of inflation, rising interest rates, and a volatile geopolitical environment make it challenging to predict the sustainability of consumer spending habits and their ability to pay down debt.

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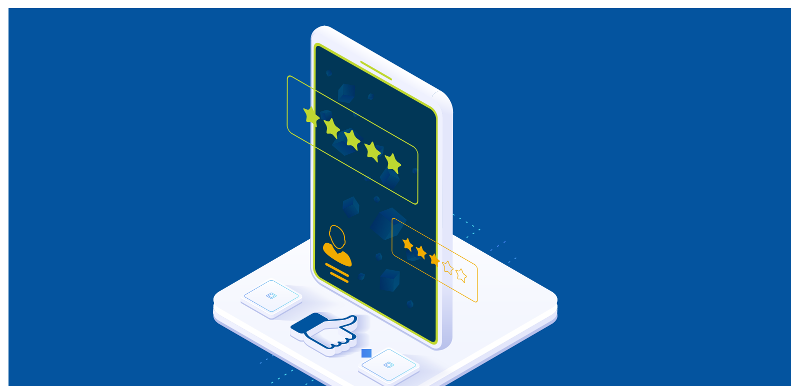
Benefits of Outsourcing

Financial institutions may find themselves needing offensive and defensive strategies at the same time, struggling to fill openings while holding on to existing workers. There have been numerous articles written on getting creative with recruitment, perking up employee benefits and being flexible with schedules, but even these approaches may fall short of what is needed.

While a variety of reasons have led to the ongoing labor shortage, financial institutions will benefit from re-examining their approach to attracting and maintaining workers. If growth is a key initiative for your financial institution, now may be the time to evaluate ways to save money and reduce expenses by outsourcing portions of jobs that are typically kept in-house. In weighing internal vs. external solutions, if there is access to the skillset and experience needed to fulfill certain needs outside your company, you may want to consider letting your problem become theirs. Delinquency management is one of those areas that carries risk and requires a specific set of skills and training that is becoming harder to find. The benefits of outsourcing collections include:

- **Governance, risk management and compliance (GRC):** The biggest driver for GRC is regulation. Keeping up with changes in regulations is one of the most critical responsibilities for collection management. A solid outsourcing partner will have well-established management capabilities and a proven history of performance, risk management and compliance results.



- **New hire risk and consequence:** Outsourcing may be the best way to stay competitive, as well as avoid the risk and consequences of an inexperienced staff member making mistakes. This is not to mention recruitment and training costs, and the time it takes for a collector to become proficient.
- **Outsource specialized, regulation-based tasks:** Collection professionals require a certain skill set, not unlike lending. If the department loses or has been unable to hire staff with the right qualifications, developing a partnership with a company proficient in those areas is a win.
- **Reduce upfront costs of automation:** In some cases, turning to an outsourcing partner can help reduce the upfront costs of acquiring automation by directly connecting to the technology they have in place.
- **Relieve temporary or long-term job functions:** Eliminating the need to hire and train for certain positions means focus can be placed on the existing team and what they do best.
- **Economies of scale:** In many cases, you will gain broader expertise, experience and access to innovation that some financial institutions just cannot afford on their own.

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TriVerity and The Loan Service Center

TriVerity, a PSCU company, has worked with over 2,700 financial institutions nationwide as a full-service collection agency, providing delinquency management services and collections training exclusively for financial institutions.

For more than 30 years, TriVerity has worked with financial institution accountholders to resolve their debts, while keeping a close pulse on economic indicators, business and credit cycles, and changes in the regulatory environment.

As a consumer-centric collections unit, the company's goal is to help financial institutions build relationships with their accountholders, so they remain productive and loyal. In addition to TriVerity, The Loan Service Center provides first-party collection services to minimize loan loss by managing early-stage delinquency. Together, TriVerity and The Loan Service Center have repossessed over 16,000 pieces of collateral and collected over $290 million for our financial institutions.

TriVerity and The Loan Service Center offer early dial and post charge-off collections:

- Conducted by The Loan Service Center, first-party or "early dials" is the managing of early-stage collections. It entails making reminder calls to ensure delinquency does not turn into debt. This is generally a fixed monthly cost.
- Third-party or "post charge-off" collection is driven by TriVerity, whereby the agency is managing recovery efforts after a loan has been written off as bad debt. The cost is purely contingency-based, which means TriVerity does not get paid until and unless it collects on behalf of the financial institution.

PSCU Owners leveraging TriVerity and The Loan Service Center's delinquency management solutions as an extension of their existing team are seeing immediate results. These services are proven and available to be used as a la carte items or permanent solutions. From early-stage collection calls, charge-offs and estate recoveries to credit dispute processing, repossessions and bankruptcy, TriVerity & The Loan Service Center boost efficiencies and helps ensure successful outcomes while freeing up resources for more consumer-facing and strategic initiatives.

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The implementation process for both solutions is quick and easy – it generally takes less than a month for financial institutions to be fully implemented. Unlike other collection firms, TriVerity provides a dedicated client service representative to ensure all expectations and service levels are being met. TriVerity's annual Collection Academy also offers a curriculum of collection processes with tools that are geared toward making your in-house collection department more efficient and productive.

Delinquency rate is a key indicator of a financial institution's financial health. The most effective loan collection activities, when done well, will go a long way toward protecting the bottom line. Being proactive in today's labor market can help ensure your financial institution is prepared for success in today's collection environment.

About TriVerity and The Loan Service Center

TriVerity, a PSCU company, 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 provides first-party collection services to minimize loan loss by managing early-stage delinquency. The Loan Service Center's agents work under the direction of financial institution collection departments to follow procedures, while its broad spectrum of collection resources and training programs help financial institutions manage and mitigate loan delinquency rates.

For more information, visit TriVerity.com.

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