Navigating Rising Delinquencies

By: Wendy Elieff, SVP Client Service and Marketing, TriVerity and The Loan Service Center

As we progress through 2023, delinquencies are rising in many categories including credit cards and personal loans. With elevated interest rates and inflation, paired with low wage increases, consumers are feeling the financial strain. Although many consumers remain optimistic about their finances in 2023, the majority consider the economy to either be in recession or headed that way by the end of the year.

During the pandemic, with financial aid from stimulus checks, and less spending on high-dollar expenses like vacations, consumers were able to pay off their debts on loans and credit cards more than ever. As the pandemic came to an end, the economy inflated, and interest rates rose to try to slow inflation. As a result, consumers have resorted to using their credit cards and personal loans to help them stay afloat during these difficult times. Due to these trends, along with the continued rise of interest rates and inflation, many will soon be unable to make payments causing their accounts to go into delinquency. Delinquencies may also rise if predictions of an uptick in unemployment by the end of 2023 come to fruition. As people lose their jobs, they will be less equipped to pay off their debts.

So, what can your financial institution do about rising delinquency rates?

- **Keep an open line of communication with your borrowers.** Talking to your borrowers and understanding why they aren't making their payments is a good step in the right direction. With more information, you can attempt to set up a plan that works for both parties and assist your consumer in getting their debt paid off. In addition, they will remain aware of their debts and ideally try to continue paying off those debts.

- **Keep your financial institution equipped with staff.** Set your organization on its best foot forward by being well-staffed. During the pandemic, we experienced "The Great Resignation" during which it was difficult to find people willing to work. Now, as unemployment rises, more people will be looking for work – many with the ideal qualifications to bring aboard. Unemployment will likely add to the rising delinquency rates, so providing job opportunities will not only keep your organization running smoothly but also help you aid those in debt.

- **Assist your borrowers**. While you can't get rid of your borrower's debt, you can equip them with knowledge on how to pay off their debt and spend their money wisely with budgeting methods, organization skills and online help to track their spending. Providing a budgeting plan for borrowers to follow rather than free spending with no tracking methods will encourage healthier spending habits. Setting consumers on the right track to pay off their debts, especially during difficult times, will improve the relationships and trust between your financial institution and your accountholders.

- **Outsource your delinquencies.** If your financial institution is not equipped to handle the large number of delinquencies that are coming in 2023, outsourcing may be an option for you. Sending your delinquent accounts to a partner whose sole purpose is to gain back unpaid debt from consumers can free up your staff to focus on more customer-facing issues. TriVerity and The Loan Service Center are just one of the many options that you can utilize to set your institution up for success as delinquencies start pouring in.

The rise in delinquency rates is expected to continue through 2023 and many organizations and consumers alike will struggle with associated high costs. Remaining diligent in keeping communication open, assisting your employees and borrowers wherever you can, and asking for help when needed will put you in the right direction to get through the next year.

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.