Loan Collections
Strategies, tactics and practical approaches
The Anatomy of Loan Delinquencies and Collections

- Successful collections begin with the loan underwriting process
- Repayment of the loan is centered in comprehensive post loan technical assistance—not collection calls
- Taking collateral can be a false sense of security
- Studying customers with existing credit histories determines how they will repay a business loan
- Showing customers without credit histories how they can earn the ability to repay is important
- Managing how loan delinquencies and collections are handled by your organization dictates how customers will repay
Strategies: Understanding the Do’s and Don’ts

- Make sure staff:
  - have a good understanding of customer’s rights under the “federal fair credit reporting act”
  - have access to your organization’s established policies about delinquency management and loan collections
  - are trained and accountable to pre-established performance goals

- Visit www.ftc.gov/credit for the latest information
Tactics

• Make sure your files are in order
• Intensive high touch contact needs to occur after the loan is closed
• Frequent visits to a business before, during and/or after a loan is made is critically important
• When collecting, you should distinguish between enterprise failure and management failure
• Learn where your customer will go if they fail to repay you
• Distinguish your approach from standard collections practices and activities of other creditors
• Taking pictures of the business and its owners is significant
Tales From the Cautionary Side

• How your peers are dealing with delinquency and default
• What has worked and not worked
• Innovative solutions that make a difference
• How the current economic turmoil has produced both new problems and new solutions
What will you do when you get home!

Developing a Culture of Loan Repayment
Practical Approaches

- **Bad debt goes quickly!**
- **Are you a debt collector or a technical assistance provider**
- **Step loans can mitigate risk**
- **Get help for family related problems and understand that this is not business technical assistance**
- **Develop a post loan business performance plan and integrate with loan closing documents**
- **Resist making or adding new loan requirements based on your recent experience with bad loans**
- **Never ask for information that you are not willing to review**
Questions, Answers and Follow-up

• Who has the experience to help me with my collection problems?
• Will we need to develop or refine our delinquency management and collection policies?
• Will we need to provide further training to our staff?
• Can ISED help me with technical assistance?
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