



## Ease of Payment an Important Collection Strategy

### **Jill Point Senior Vice President, Card Services**

To maximize payment streams and liquidation rates on delinquencies, it is important to accept multiple payment methods from consumers. At CAPITAL Card Services, our goal is to continue providing you with convenient, cost effective, and efficient payment methods to offer your holders.

Due to the change in ACH payment fees, the focus on payment options was of particular importance in 2010. Requirements for timely posting of payments as a result of the C.A.R.D Act became effective this year.

We offer our clients a wide range of payment method options:

- check or money order
- ACH via live agent, Voice Response Unit or Internet
- guaranteed options through third party payment vendors
- debit cards

Consumers can use debit cards to make a payment to a credit card serviced by CAPITAL Card Services simply by contacting us. The payment information will be taken over the phone and payments are posted the same business day.

We've had extremely positive responses to our ability to provide varied payment options. In today's environment, more and more consumers are using alternate payment vehicles, and we are seeing an increase in the use of debit cards. Upon opening a checking account, many banks issue a debit card to the account owner to withdraw funds rather than issuing paper checks. The major tax preparers are loading consumer tax refunds on a debit card rather than issuing a check. In June 2008, the U.S. Department of the Treasury's Financial Management System (FMS) announced that a prepaid debit card for Social Security payments and other federal benefits is available. According to a recent industry report on bill payment trends, cards are the fastest growing payment type and are expected to grow at over 15 percent annually between 2008 and 2012, reaching nearly 17 percent of all bill payments.

### **Moving to a Win-Win with Cardholder Retention Strategies**

At CAPITAL Card Services, we are often asked, "how do we keep our best customers?" and "how do we know who our best customers are?" We have the knowledge, experience, and disciplined approach to help you understand and identify your "best" card holders as well as the proven ability to build effective card holder retention programs. We work with our clients to develop solid risk and reward based strategies to achieve a "win-win" situation. Our retention strategies are designed to maximize card holder satisfaction and loyalty while allowing our clients to retain their best customers, maintaining a more profitable card program.



As we develop and deploy card holder retention strategies, we have the ability to track, analyze, and understand information critical to your program, including account save rates, account closure rates, charge-off rates, and revenue and cost elements which ultimately drive the bottom line effectiveness for each retention strategy. We are also able to capture card holder feedback and consumer behavior to develop better strategies to meet both card holder needs and overall business goals. Retention strategies can be targeted for specific segments of a card portfolio and may be tiered by risk, profitability, or other marketing segmentation. Our clients have experienced a lift in accounts retained and card holder satisfaction through effective retention programs.

### **Collection Benchmarks that Tell the Story**

In managing your Accounts Receivable and Collections efforts, there are key benchmarks that are important to consider for your card portfolio. Consider the following scenario: You have seen a decline in your overall gross charge-off dollars over the past year and feel that your portfolio performance is improving. However, you later determine that while your charge-off dollars are shrinking in pure dollars, the actual ratio of charge-offs to your total portfolio receivables has increased, and your card portfolio performance may actually be deteriorating. Analyzing additional factors will allow you to understand the true “health” of your card portfolio and to better dimension future credit risk. There are some additional benchmarks to consider:

- Any change in percentage of charge-off dollars compared to your total outstanding receivables
- Total Receivables– is your portfolio increasing or decreasing in size?
- Charge-offs related to bankruptcy
- Average account balance
- Card utilization – comparison of amount outstanding and credit limit
- Number and dollar amount of accounts moving into further stages of delinquency
- Payment trends such as average payment amount, number of payments made

Considering these additional benchmarks in addition to traditional collections statistics (contact rates, collector productivity metrics including payment arrangements made, and returned payment rates) will give you a more comprehensive view of your Accounts Receivable and Collections efforts.