



Press Release

Welcome

This press release is provided by Dynamic Interface Systems Corporation (DISC), creators of **LOANLEDGER++**, the world's leading supplier of loan servicing software for microcomputers. Since 1982, DISC has provided loan software, collection software and other sophisticated yet affordable products for lenders and financial institutions. Nearly half of Fortune 100 Companies use **LOANLEDGER++**.

To find out how **LOANLEDGER++** Loan Servicing Software can greatly enhance all of your lending activities, please call **(310) 568-4567**.

The Benefits of Automation

Collection performance is a by-product of the quality and accuracy of information provided by the loan management system. Using a manual system to keep loan balances, payment due dates, notes and other relevant information current and organized is, at best, inefficient. A profitable collections program calls for departmental organization utilizing automated programs that emphasize speed and flexibility while providing collectors with more control.

While lenders have embraced technology for loan origination, the collections function, a source of significant potential revenue, has been left to archaic manual processes or third party service vendors such as collection agencies. In either case, collections effectiveness is difficult to measure. This foot-dragging is surprising, since the foundation for reduced delinquencies and high recovery rates is accurate tracking of problem accounts with productive telephone follow up, activities which both benefit from automation.

Because the index card and telephone method is labor intensive and susceptible to errors, the cost of manual collecting will continue to rise as portfolio and delinquency ratios grow. Unless some form of automation is introduced, many credit grantors will find it difficult to cost justify the additional overhead. Software technology has developed to the point that its impact on reducing delinquencies can no longer be ignored.

Loan-origination policies and credit screenings have a limited effectiveness in diminishing problem loans. And in a flat economy, credit reports often fail to accurately reflect the clients repayment ability. Once a loan is approved, the lenders loan servicing system is the only control over delinquencies and defaults.

Automation Benefits

The primary advantage of an in-house automated collection system is increased cash flow as a result of cutting days or weeks off the average collection time. Without automation, less time is available to work on problem loans, and more loans must be prematurely sent to outside collection agencies, who command up to 50% of the money collected and "cherry-pick" the most collectible outstanding loans. Ironically, those outside agencies report sizeable productivity gains as a result of using automated systems. A survey by the American Collectors Association found that collectors using computerized systems handle twice as many accounts as those with manual systems.

The challenge is finding cost-effective collection software to support delinquency reduction. Collection software should provide documentation that clearly records information, activity, tracking and correspondence, while providing decision support reports.

Evaluating Software Programs

Much of the software designed to handle the needs of commercial lenders is generally designed for mini and mainframe computers - both prohibitively expensive for smaller lenders. However, the emergence of PC-based local area networks (LANs) and wide area networks (WANs) has triggered the introduction of an array of collection software designed for the PC platform.

Making a smart software choice calls for matching software capabilities to organizational needs. Here are the primary considerations for most lenders:

Conduct a needs analysis

Determine how work and documents currently flow through the loan servicing department and how the process might be improved. Focus on the most important problems and try to solve them first. Avoid the temptation to find an all-encompassing solution; it probably doesn't exist.

Get the right people involved in the decision process

Typically, collection systems are selected by upper management for upper management. But most of the systems interfacing is done by collectors and the collection manager. Don't buy a system if the hands-on operators don't like it. The collectors who will be working on the system, as well as the loan servicing manager, should be asked to evaluate each software option. For example, the manager will need productivity data such as the number of calls collectors have placed, the length and results of the calls and the number of unanswered calls. Involving them in the decision process also provides idea ownership. There is likely to be less criticism for a system they helped select than for one imposed upon them.

Watch out for hidden costs

Establish a budget for the system acquisition, and be prepared to identify ancillary costs. What will software upgrades cost? Will computer modifications be necessary? What will be the costs of back-up systems and training expenses?

Choose short-term solutions for both hardware and software

Collection technology is moving too rapidly to commit to long-term solutions. For example, the power of a mini-computer and corresponding software may be attractive, but the attendant high start-up and training

costs eliminate it from consideration for most lenders. The software should operate on hardware that is readily available. Lenders should see a demonstration of the selected software working on a hardware platform before acquiring it.

If possible, select the software program before the hardware

Often software will operate on existing hardware, but the purchase decision should not be based solely on the desire to reduce hardware costs. Finding a computer that is compatible with a specific software program is much easier than finding a program that addresses the lender's needs and is compatible with existing hardware. It is unwise to attempt to operate state-of-the-art software on obsolete or non-standard hardware.

The program should be user-friendly

Possibly the most important feature in collection software is "menu driven," meaning the system tells collectors what to do, step by step. This reduces training costs. Look for on-screen help windows. Read the accompanying documentation. Collectors should be able to learn how to use the system and train others in a short period of time.

The system should be expandable

This means modular software programs that can integrate with other software, such as loan origination or tracking programs, and operate on a LAN or WAN. The move to an automated collection department may cause some operational difficulties at the onset, but consider having to change to yet another system in a couple of years because the software package could not grow with the loan portfolio or integrate new loan products.

Conclusion

Choosing an appropriate collection software system can be an exhausting and confusing search, but discussions with front-line collections people, combined with some diligent research, can make the search much easier. Lenders should evaluate their specific requirements and how the capabilities of potential automation solutions can meet them. The right software, combined with a stable management support program, will create a sense of professionalism and aggressiveness among collectors, a sense of urgency among delinquent clients and significantly enhanced cash flow for the organization.

Questions / Comments

If you have questions or comments, please write to pressrelease@servicingsoftware.com

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