Leading Strategically Through the Recovery:
The Industry Outlook

Mike Bevel
Welcome all, and thank you for attending this insideARM Webinar, *Leading Strategically Through the Recovery: The Industry Outlook*. This is part of our Leading Strategically Through the Recovery series that has been generously underwritten by LiveVox, so we're very happy to be working with them on presenting this.

Amy is going to introduce herself when we get to her. She is our president at insideARM, and she also is the key thinker and the key architect behind our **Strategy & Tech conference** that's going to be coming up in July.

I have some housekeeping to get through really quickly. You're going to know that there is a question box for you, and there's also a chat box for you. Your microphones have been muted. However, you can send your questions via that questions box any time during the presentation, and we'll have a Q&A probably at the very end. If there's something that seems especially—if you have a very urgent question about something at that point, maybe I will kindly ask Amy if I can interrupt. But otherwise assume we're going to spend time together in the Q&A. The webinar will be up on our site after this for those who want to re-watch.

The final bit of housekeeping is some legalese. What you're about to hear in this webinar is not intended to be legal advice and may not be used as legal advice. It is simply the informed opinions from our panel.

Legal advice must be tailored to the specific circumstances of each case. Every effort has been made to ensure that this information is up-to-date. It is not intended to be a full and exhaustive explanation of the law in any area. However, nor should it be used to replace any advice of your own legal counsel.

And with that, I'm going to turn things over to Amy Perkins, and she will walk you through what we think it will look like starting now to recovery. Amy?

Amy Perkins
All right. Thank you, Mike, for a stellar intro, as always. And thank you all for joining today. And it's interesting, here at insideARM, as we were gathering to talk about how we needed to manage our content differently through COVID-19 and knowing what the impacts of that were going be to the industry, I recognized that on our team, we have a varying degree of core knowledge or roles that we've played in the industry.

So I was like, how can I help our team sort of illustrate the way that this bubble is going to come through the delinquency cycle and impact charge offs, and ultimately the post-charge off side of things, and how that's going to evolve.

So I put together an illustration for them and we sort of overlaid that with what content and information we felt like was going to be most important for you guys as we were going through each of those phases.

And so as we talked about that, and we're talking about it in relation to our Strategy in Tech conference that Mike mentioned is coming up in July, as well as this webinar series that we've put together. And we agree that it may be good for us to share this with the broader group, once you have insight of where we're coming from as we're developing and creating content.

But more importantly, I recognize that out in the industry there are, at least for our audience, there are varying degrees of knowledge with delinquency forecasting, or really understanding the entire life cycle of collections. If you were in operations you probably understand the front-end impacts. If you're in strategies you probably understand it very intimately. And right now we're in the hot seat on the backend of collections and behind the scenes, really trying to figure out how to optimize everything for the consumers or for collectors.

So we decided, hey, I think it would be good for us to go through this and walk through this. This is, again, just an illustration. Obviously, as I talk about the bubble that's coming through, there's no way for me to, on a macro scale, be able to forecast what that's going to mean for every single company that's here and represented today. But I can sort of show you the timing of the way things are going to flow through, and then talk a little bit about when in each of those phases, at least in my own personal opinion., I think different companies, depending on what they're starting point is, are going to be focused on.

So if you're a lender and you're on this call, obviously the creditor-focused section of this discussion will be geared more towards you. If you are representing an agency of some kind collecting on behalf of the creditor, then this might lead to what your partners are thinking about on the front end of the business, but also some of the things that we know you all are thinking about, and looking at that in relation to the timeline that we have.

So that is why this is a little tactical looking, because we thought, hey, let's just roll up our sleeves and look at this together. So here we go.

All right, I'm going to start down here at this section, where I have the months laid out, and have first party and third party separated down here. So I want to talk about how I set this up, again, just to illustrate for our team at the beginning how this is going to come through. And the way I stated it to the team is, I think most of us know who have been in collections and recoveries, when an event like this happens, the first thing that we're all worried about, really throughout this entire phase, the real people on the other end of the phone who are impacted personally by this.

We certainly are handling the other end of this aspect of their transactions within their life. You know, this being the loans that they've had or what have you. But I think at this point we're all really focused on the consumers, the employees, the human side of the impact that's been associated with all of this. And I'll talk a little bit about what that means even in terms of the strategies that we're looking at, and that the industry is deploying.

But really, right now, the way I laid this out is if you look at the delinquency months that we have here, so assuming that March, which is the first month of what I would consider our starting point for the pandemic, or this event. If you look at this, and where I was going with that sort of illustration, I think of delinquency on this slide, if you think of—and this is probably not everyone's favorite analogy—but this is almost like on a regular day, a snake eats a meal and they take their mouse and they eat their mouse and you can see them digest it through the process.

But what you have in a case like a disaster or what you have in this case with COVID-19, is you have this huge event that basically forces a snake to almost eat, let's say like an opossum. And they're trying to take this opossum in, and literally, they're going to have to process that all the way through the system. And if you think about a pandemic in our delinquency cycles, everyone out there before March had varying rates of delinquency based on the credit risk within their portfolio, and had processes to manage at the levels and the forecasted rates that were out there.

An event like this happens, and boom, we all have to digest something much bigger than any of us had forecasted or planned when we were either originating loans or as we were managing our prior delinquencies.

So now we have this compounding case that we have existing delinquencies that are already out there, consumers who before COVID-19 were already stressed or had hit some type of negative financial impact in their life. And then that's compounded by the fact that now, beginning in March, which is illustrated here, we're adding in all these consumers who are starting to have stress and likely will continue to have stress for an elongated period of time.

So what that means for us here in collections is we need to look at that whole span of impact, at least to the extent we can, and begin to understand when the different milestones of this will start working its way through our system.

So if you look at the consumers in March, and the C just represents sort of, C1 is really like COVID month one, COVID month two, COVID month three. So that's really what the C and the numbers represent, is how many months away from the first month of COVID are we.

Now up here, and I don't want you guys to get too hung up on this, but again, this is really just to illustrate, and was used to illustrate for our team, that this number that I have in parentheses next to the month, that really represents, again, just estimated. Don't go build this into your forecast and capacity plans. But assuming that of the consumers that are out there that will come through our process, assuming 40 percent or so who were going to be impacted knew they were going to be impacted as of March.

And then these percentages that go on through here is just of the consumers who were impacted, what percent are already feeling that impact as each month goes on.

So the assumption I had in here is that by September—and again, this is changing every day with guidance on when we can get back to sort of life as usual if we want to call it that, or back to normal. Really what I'm assuming here is, by September, based on what we know now, that likely those who are going to be financially impacted likely know at that point. And know the extent to which they're impacted, meaning, if they were in a position to be able to qualify for unemployment, or if their small business has been performing or had a period of time where they couldn't be open, and they're starting to recover to see if they're going to be able to sustain.

My assumption is that by the September/October timeframe, those consumers who are going to be impacted will likely know they're impacted, and will have some way to start work their way into the system beginning from March up until that point.

Now that being said, what I've tried to do here, and again, I did this for our team, is I took, basically just to show that those month one consumers who are current in March but now have started to feel the impact are going to start to go delinquent in April. They'll go further, potentially further delinquent in May if nothing with their circumstances change or companies aren't able to find a program or a deferment or a solution that's going to work to stave off the impact that they've had.

So with this, the assumption here is that some percentage of consumers from this first wave, the first month of March, are going to continue to funnel through the system, some percentage of them. And then those consumers in April, the first month consumers will be there to whatever degree they're still working through the system. As well as, you're going to start to add those customers from month two in April, who then are going to move through. So our COVID month two newly impacted consumers are working their way through the system.

And so what you can see here is, you can just see this slow build of new waves of consumers coming into delinquency, becoming one month, two months, three months, up to six months past due. And this illustration is for like a typical unsecured, let's call it a credit card that has six-month terms.

So what this illustrates is, from April to September, or by September, we will have at least six batches or tranches of customers who are all in the system together. Meaning, they're represented in every single delinquency bucket.

So what I'm assuming is by October, November and December, again, just based on conversations with consultants and leaders across the industry, really the fourth quarter from a volume standpoint is when you will essentially have matured pandemic impact in customers all the way through in every stage of delinquency and starting to move into your post-charge off environment as well, which is represented down here.

So you can see, by the first quarter you have pandemic levels of delinquency in every single bucket, in addition to those consumers we already had in our delinquency before this event took place. And then your third party is going to start to grow. So your post-charge off strategies that you have after you've taken a loss for the account, or if you're an agency, those of you who work those accounts after companies have taken the loss.

I'm assuming, based on the way that these consumers are going to flow through, your month one pandemic customers from this most recent March, well, if nothing has been able to—if we have not been able to find a good solution for them or they have not been able to find a way to offset their loss of income and financial impact, to some extent, some volume of those customers will have aged all the way through to your third party stage of delinquency.

So if you look at that, we're talking about first quarter of next year you're going to start to see some pretty significant volumes on the third party side, as this, again, we could think about this horrible example of the opossum. If you think about that opossum coming through, that opossum is going to be nearing the end, or in that final phase of sort of digestion that's coming through. So that's going to be the starting point for a lot of the pressure on the third-party side of the business.

So again, you can see COVID month one customers, two, three, four, all the way through. So all the way through into next summer, you're going to start to see on the third party side that increase in staffing, that increase in need for additional capacity as this bubble starts to work its way from the front end to the backend of the system.

Now things that I don't know, that there's no way at this point for me to be able to, without a staffing team of forecasters like I used it be lucky enough to have, there's no way for me to specifically say how long I think new pandemic volumes of consumers at an elevated rate are going to continue aging in. Again, there's so many unknowns right now about how long this is going to go on and what the guidance is going to be and how exactly we're going to be returned back to life as, if we want to call it, normal. I can't say that enough, just because I don't—this is changing so much every day. We're trying to do the best we can to try to anticipate what we need to do.

Now that being said, what I tried to do from a content standpoint, and as we think about the webinars and the conference that we have, the digital conference that we have coming on **July 21st through 23rd**, is to say, okay, knowing now visually how consumers who are impacted are going to be working their way through the system, and knowing it's going to be a really potentially high volume of consumers, although I know everyone is doing everything they can to help those consumers now to avoid that.

But when we're looking at recent surveys that have said 61 percent of consumers have, in some way, been financially impacted by this, this takes the impact to a whole new level. When there's normally a disaster, you can isolate exactly where that disaster has happened. You can start to size and impact and localize that impact and really be able to figure that out more strategically within your strategy.

One of the big unknowns with this, and one of the things that makes this even more complex for banks and others to come up with the right solutions, or to be able to proactively support consumers is because it's happening in every state. Obviously on some sides of the country it's happening in a more accelerated rate than others, or to a higher degree than others.

But the point is, every zip code is having it, to every area code. So our traditional methods of being able to identify and proactively get to these consumers is much more complicated.

But having said all of that, knowing there's going to be increased volume, and then it's tougher to proactively try to do some of the things to mitigate that, I know that some of the steps that are being taken in this phase of April, May and June, which is when all of us are trying to just assess and figure out exactly what can be done right now. But also, smart strategy leaders in my mind are already looking at their existing strategies, everything from their segmentation to prioritization to contact strategies, and rethinking all of that.

The world as we know it essentially has changed in terms of how we can or should interact with consumers right now. So I believe that many of the creditors first and foremost, as well as the agencies, immediately were looking at how to move their workforce from physical locations to being able to work from their homes.

I know there's been a lot of great information. Webinars; we've provided some information on guidance around those policies. But we know that that's been one of the first things that we've all tried to do, is make sure that we're taking care of agents where we can, or that we're creating safe work environments where people need to still physically come in and go to work.

I know there's been a reduction in outbound calling, with some limited proactive outreach. I was interested to read in the survey the other day that 70 percent of companies have reported that they're doing some sort of proactive outreach on the first party side, really as a means to communicate with consumers, to let them know that there are options that companies are coming up with that are available to them where applicable. So some proactive outreach is being done.

I know that companies that don't have low cost channels like SMS and email, again, especially on the first party side for those lenders, even those lenders who leverage agencies. If they don't have SMS and text, I'm sure this is going to be a catalyst for them to look at that, because as I think about this, any time you have an increase in delinquency, if 100 percent of your response is to handle that increase in delinquency with staffing, it's going to cost you a tremendous amount of money to do 100 percent of that with people.

But you don't want to compromise the level of support and care that you provide your consumers. So every strategists' job is to figure out how to balance those two things, while also trying to mitigate losses that weren't forecasted because this was an unforeseen event.

So at the time that you have all this P&L pressure already from those losses that are coming, to answer the cry long term, with just one for one adding people, we all know isn't really a smart, viable solution.

So for those companies who don't have those levers to pull, that's what I always call them. When you have text and you have email, when there are times when you don't or can't respond 100 percent with that human support, you should be able to have those levers now to start migrating some of your strategy that way. If you don't, you need to be sourcing and standing up SMS and email, in my personal opinion.

That is not a legal opinion. That is not a professional consultant opinion. But I'm telling you on the first party side, if you're a bank, even if you leverage agencies, you should be launching text and email. And feel free to put your agency's callback number on there, but you can manage it, you can control it, you can make sure it's being done in the ways that your company needs to, to feel comfortable with those strategies.

Beyond that, for companies that have already passed the SMS and email hurdles, those companies are likely looking at solutions that maybe they felt like they just weren't ready for before, but this is going to push them further in that direction. Those things that I would be looking at if it were me, I would be looking at a self-service web portal if my company didn't already have that. To stand that up and make that available to consumers, to come to us at a time that is comfortable for them, in a way that is comfortable for them, to go on and peruse and get education.

What it is companies are offering them during this time that they're distressed? So that's anything from if you have new, modified programs, or if you're willing to defer past due payments, or whatever the solutions are that companies must be coming up with now for their consumers. All of that could be on this self-service portal.

First and foremost is education, which I think is going to be so, so critical for the high volume of consumers that are going to be facing financial stress, a lot of them for the very first time, potentially. And this is going to be a whole new world for them. So I think self-service portals, beyond helping alleviate some of the staffing problems, are huge consumer wins from an education standpoint, as we try to help them navigate what is going to be new territory.

Additionally, most really good self-service web portals have self-service negotiation, where you can set up rules and models in the background that set up all the limits based on the customer's specific information. And will allow them to negotiate within the thresholds that you felt like are appropriate, be it they're trying to set up some type of payment plan or program, or if they're at the point where they're going to need to consider settling an account.

You can educate them about that through the web portal. You can let them click around and choose what's going to be right for them. I really do think that allowing more people to leverage a self-service web portal would make a lot of consumers very happy. But I also think it will help with the staffing challenge.

I think many of you have also heard of virtual agents. Virtual agents is an example of one of those technologies where so many people have been interested. They just haven't been sure what the right time is. So I think many of them are considering now could potentially be that right time. I know that virtual agents have been tested within the collection recovery industry, and that's another thing that I think is worth reevaluating and considering, if now is that time to start introducing some of those types of technological solutions that have proven to be positive for consumers, but also have been proven to help alleviate staffing challenges.

Even if these things aren't going to be a part of your long term strategy, I think between now and October, when you do have pandemic volume across all of your delinquency buckets, in addition to your increasingly stressed current delinquent portfolio, you're going to want to consider having these outlets there for you to use short term, and then you can revisit it if it's something that your company wants to pursue longer term.

Naturally, companies are coming up with offers. I just met with some consultants yesterday who are going to share with us in a webinar next week some of the offers and programs, be it suppression of fees, suppression of interest, delaying of payments. There are a lot of options out there which I know creditors are looking at, but also looking at and working very closely with their partners at the OCC and the CFPB to make sure that those are within guidance, and aren't going to do anything to harm consumers.

But at the same time, aren't going to do anything to mask true delinquency and risk within the portfolio. That's a balance that every company right now who loans money is really having to think about. And so I know that they are creating those and socializing those with regulators to make sure they can quickly answer those calls and be able to be there for their consumers.

And we're going to talk more about that, like I said, on some of the things that companies are doing along those lines to be able to help consumers short term. So we'll talk more about that next week with our folks at Second Order Solutions and BCG.

I'm sure that delayed policy and charge off policies are some of the discussion, especially for those consumers that hit in month one and month two. But then there's the matter of fairness and consistency.

So again, I'm sure companies are partnering with the OCC as well as looking for advice from the CFPB and other regulators to determine, what is a good, solid, compliant way to potentially—and I don't know, I know this can be controversial—but where appropriate, delaying charge off of consumers who were in that last phase right when this hit. When potentially communication or information or solutions that are now going to be available to other consumers who are in debt, should also potentially apply to them if they were in that final stage about the charge off right as all of this hit. So I know that that's happening.

I've hit on this a few times, but I have to say, if I was still a strategy exec like I once was, I'd be in very, very close contact with my partners that have been designated to support my company, and all the regulatory agencies, just to make sure that we were handling things appropriately and consistently with others in the industry, and that our policies were well documented, approved. We have all the practices in place to know which consumers elected to take advantage of different options that we may be offering companies.

Again, just to make sure that nobody falls through the cracks, and that the treatment and deployment of any offers or delays in charge offs are going to be handling appropriately. And that all that can be tracked and measured and monitored throughout this whole life cycle.

Credit bureau is another area. I have a meeting later today to talk with some experts in this area around what everyone is doing with credit bureau reporting. We're looking to potentially add this as another webinar we're going to do. But I know that on the backend a lot of companies are looking at how to be consistent with credit bureau reporting, which is another key aspect of that, and to make sure that we're following all the rules and guidance that are coming out. So I'm sure that's being looked at.

Forecasting future delinquency. Naturally, I think everybody right now is updating their delinquency, their capacity plans. Which is why pulling all these levers that I just mentioned is so important, because what everybody is seeing is those volumes are going to be coming through over the next five to six months, or four to six months, and really starting to put these other things in place.

I'm confident, based on everyone that I've talked to so far, and those who are doing it the right way, they're looking at stopping any punitive action for the time being. You know, repo, garnishments, all of that is being considered and evaluated. How to handle that differently now post-pandemic versus pre-pandemic.

From the agency standpoint, I know many of the first party agencies currently have made the similar shifts to move their agents to work from home, as well as third party. But for the purposes of where these consumers are coming through, those agencies that are right now likely supporting companies that have first party customers being hit, they're working client by client to determine how their clients, agency's clients, want them to handle this in moving who they can to work from home.

I'm sure a lot of the agencies are evaluating their forecasted revenue, as well as their forecasted expenses, as they figure out what the outsourcing volumes are likely to look like over this period where we're sort of taking a step back. Which means on the first party side that volumes are down, outbound outreach is suppressed.

While other strategies are being built to replace those, a lot of agencies actually are going to see, I believe, a decline in placements or a decline in volumes until we get to this point where that opossum has worked its way far enough through the cycle where there's such a demand for that capacity that's back that the agencies will shift from sort of taking this little forced breather or break that's happening. And then, as those volumes start to come up, I'm sure that creditors are going to come to their agency partners or look to source new partners, to try to help them alleviate some of the pressure that is going to be there on the staffing side as these volumes come through.

So that's really what I believe is a lot of the focus that's happening right now and will be happening, depending on where people are in their evolution of their strategies over the next several months.

If I look at July, August and September, I think that's where companies are going to say, okay, we've put in a lot of our quick hit solutions. We figured out how we're going to handle our consumers, how we're going to handle our employees, and making sure that everyone is abiding by what's happening. But also, starting to assess what needs to be done to be able to weather this long term.

So when you get to July to September, then you're going a level down. So I think the first thing companies are likely starting to do but will deeper in, just looking at their segmentation, and really trying to figure out, before the October to December timeframe, how best to start differentiating the risk for these consumers.

Because if you think about it, what's a little bit different post-pandemic, pre-pandemic in our environment is, you can really historically count on, when you originate a loan, that is based on some credit criteria, credit worthiness. And that's a huge assumption that goes all the way through the forecasting up until the losses that happen in a bank.

Well now, those consumers who likely did and should have modeled really well, there was no way to have predicted this type of event. So as I mentioned at the onset of the call, you're going to have a flood of new consumers in the delinquency life cycle that likely never would have been there otherwise, at any stage. And so just using their historical data, or even their historical transactions, aren't necessarily as indicative of their risk as anyone else. The main things that are going be driving risk are a lot of the unknowns, company by company, where people are employed or companies that these people own.

And so because of all those unknowns, when you go to try to determine who you should be making the proactive outreach to, regardless of what channel that is, it's going to be a little bit more difficult to figure out. That's another element of what we'll talk about in addition to offers next week, in next weeks' webinar. This series is really going deeper into what nontraditional data points do companies have. You know, either the lenders who originate and primarily service lines, or even those data points that can be provided to agencies that may not be provided now.

That could help us be smarter about how to get to the right consumers who need the help the most, or who match best with the solutions that companies are coming up with right now. So I think that's going to be an interesting webinar next week. I'm excited to go deeper on that topic as we talk through that.

I'm sure in the July through September timeframe, companies will also be reevaluating their offers, looking at the volume of consumers who have accepted the offers; what's working, what's not. And modifying those as needed, again, as more and more of these consumers start to build in each of the buckets that's there. And go from being primarily early stage consumers who are delinquent, with those who can pay moving out, and those who have longer term stress, or just can't recoup as quickly for whatever reasons. Those consumers still being there and represented in every bucket.

Also at this time, I think if banks or lenders or agencies have decided that they are going to introduce a web portal or push more to IDR or stand up virtual agents, or any type of self-service type solutions, I would say by the July or September timeframe, you need to already be in the selecting and onboarding if you can.

Now I realize that the time horizon of knowing you want to go down the path with a certain technology and actually having that technology in place, depending on where you work; and for all the right reasons, there's some bureaucracy that goes into sourcing and making those selections and onboarding those companies. Right now you need to be really streamlining that process so that now that you know you're going down that path, you can stand up those solutions as quickly as possible.
I can't say this strongly enough. Right now is when companies need to stand up the protocols for change that you need so you can make change in a solid, predictable, compliant way. But you can do it quickly. Because I think those companies who drag their feet or get in their own way by dragging out that process, that procurement and onboarding process longer than it needs to be, I think are going to be behind, and every month is going to count as we get into higher and higher volumes.

And your customers, and rightfully so, are going to have that expectation that you're there and have what they need, and it can be accessible to them in the ways that you need.

So I think that selecting and onboarding those tech solutions, most of that is going to happen in the July through September timeframe. Part of the reason why when we moved our conference digital, a big aspect of the conference is, we've selected 15 companies to demo literally in their system—no PowerPoints and all that jazz—specific solutions that align with what we know is right here, and what we think people are going to want to be looking for at this point in time. So we're hoping that will help expedite the selection and onboarding process for companies who are looking to stand up multiple solutions.

Companies are going to naturally always be updating delinquency and loss forecasts as new data and new interpretations of the time period of this impact, the duration of this impact. As those policies, you know, state and local and federal policies change, everyone is going to be adapting and releasing different aspects of the forecast. So that's going to happen inevitably.

This is also when I believe that creditors are going to be reaching out and sourcing and onboarding new agencies. As you can imagine, again, no matter how many alternative channels you put in place, non-contact channels you put in place, everyone's staffing volumes are going to be significantly elevated come the end of the year. So for that reason, agencies who are preparing now and working with their creditor partners now and introducing themselves to new credit partners, these creditors are going to be looking and sourcing and building out their outsourcing strategies as much as they can.

This is also a time where the third party strategies are going to start to be ready, because there is a longer timeframe because of the nature of third party collections, the rules that govern third party collections, the limited technology solutions that are adopted or have been adopted on the third party side. I think in the July, August and September timeframe, we should already be thinking about that volume that's going to be hitting the third-party side of the business, depending on how long your long terms are.

In this example, for an unsecured credit card, we're looking at that January to February timeframe, where you'll have four or five months into your post-charge off volume. You're going to need to be putting all your first party modifiers in place, but also preparing for your post-charge off strategy. And what I mean by that is, you should be looking now at what streams are going to be viable post-charge off, when these customers start coming through there.

So debt sales is a good example of, any time a delinquency increases so massively like this, and across so many different companies, there is going to be potentially higher demand for debt sales. And what that means is, when there is so much more volume on the market for debt buyers, then that can influence the price.

But also, because of the impact that this has had on GDP and just investment in general, that can be further compacted by just limits in cash out there available for debt buyers to have to purchase more portfolios.

So for all of those reasons, I think when you're modeling the value of a debt sale now, that's going to look very different than it even did three months ago. And so that's an example of the type of thing that I think in the July through September timeframe, strategists need to be looking at on the third party side, to figure out what the right mix is going to be between debt sales, internal collections, outsourced third party collections, legal referrals, all the typical streams that are available post-charge off.

The value is going to have to be reassessed. The volumes are going to have to be reassessed. And the strategies to alleviate the capacity constraints associated with that are going to have to be put in place and talked about now.

Recruiting, hiring, both internally and at agencies, depending on what each company's insource/outsource allocations are. And then reevaluating the work from home policies; I think this is going to be something that's going to be continuously done. I think some companies are likely going to talk about what the long-term viability is of having agents work from home.

One, depending on how long this goes. But two, because now that we've had to accelerate doing it and we see the pros and cons, it may be something that is a win and works for some companies long term. So all of that will be reevaluated.

On the agency side, so onboarding new clients and agents. I think a lot of that is going to start to seriously happen, probably in the August/September timeframe, if not sooner. I would say short term, the existing relationships that creditors and agencies had will continue, and just grow initially. And then naturally, as companies look to diversify the placement of their volume on the front end, that's likely to mean new onboarding and new relationships with new agencies. So I think all of that is going to be taking place on the agency side as it flows through from the creditors.

And then I think continuing to figure out how to defer expenses on the agency side while there's some depressed revenue streams that are coming in because of all the rules now with calling, and just our attempts to really focus on, again, like the human side of this piece of it. Naturally, agencies are going to have to keep doing that. And then as this volume comes through and things start to grow again, any collections on the agency side, naturally that term will happen and those agencies that come through will be stronger and ready and able to handle the increased volumes that are coming through.

And so then, by the time we get to October, November and December, I would expect that all of the new and modified strategies to get them optimized should be in place, should be running, and literally should be levers in the capacity plan.

And then companies are going to be constantly reevaluating those strategies to see what's working and what's not. And continuing to adjust and tweak, just like you would in a BAU environment.

This is also where I think standing up some early testing control with new strategies on your third-party side before the volume gets there makes a ton of sense. Because you can educate yourself now on what's going to work and what's not going to work as those huge volumes start to come through and you start to figure out your post-charge off modifications that you need to make. The more you can test and control those assumptions, the better off you're going to be when the time comes to actually put them in play.

And then the agencies are going to be, at this point, I would say executing on their new volumes. They will have staffed up to new volumes based on guidance that they've gotten on placements that are going to be coming their way with the opossum having come through the system. I'm going to really need to think about a better analogy for that, but today I appreciate you guys hanging with me.

And then the third-party agencies, I think here, are going to start hiring and onboarding in the fourth quarter of this year to really start preparing for the opossum to be at that stage of digestion on the back end.

So with that, Mike, I think I'm going to stop talking and I'm going to open it up to see if there are any questions or comments from the audience. Mike, are you there?

Mike Bevel
Sorry, it's live television, so everything within the exact wrong spot for me to get to you quickly. I do have some questions.

All right, so the first question here is, someone said, you sometimes refer to small businesses in the same contexts as consumers. Are the analytics the same for these two distinct groups? Or do small businesses have different trend lines?

Amy Perkins
Who made that point?

Mike Bevel
In case people want to not say who they are—

Amy Perkins
The first name?

Mike Bevel
David.

Amy Perkins
Okay, David, thank you. Well, David, I appreciate that question. The reason why I refer to small businesses at all in the context of this conversation is that maybe consumers work for small businesses or own small businesses, but have loans that aren't business loans. They have their home loans, they have their car loans, things that they pay with the proceeds from their company.

So the context there for me in my mind was that their personal loans are affected because of the performance of their small business loans. But I will say that, yes, those definitely model differently; the criteria and credit worthiness that companies look at to evaluate a small business, and if they're going to loan them money versus an individual consumer.

Naturally, the factors are going to be different and they're going to model differently. The reason why I noted small businesses in addition to just the downstream impact of those two consumers is because we know that a lot of small businesses, particularly, have been hit particularly hard by this, just because the length of time it's happening in small businesses.

We don't want to make this generalization about all of them, but we're a small business, right, Mike? So we know what we've been looking at. The stakes are just a little bit higher when you potentially have less capital to be able to sustain employment and operating when you have such a decline in incoming revenue at the same time.

Mike Bevel
Terrific. The next one is from Emily. Any statistics on what percentage of the 61 percent of consumers affected are consumers that are experiencing first time collections?

Amy Perkins
No, I don't have that data point, but it's one that I want to get my hands on. So I do have an inquiry with someone to try to see what percentage that might be that are first timers.

Now I would imagine that a lot of creditors are evaluating now, since we're in April and the first month of impact consumers were in March. I'm sure, like I mentioned about using nontraditional segmentation data points, I'm sure that's something that they're trying to triangulate now to see how many first pay defaults are going to come through the system that normally wouldn't have come through had the pandemic not happened, and trying to see what percentage there are. I think we'll know that answer within the portfolios pretty soon.

Sorry. I'm just apologizing to Emily that I don't have the data points yet.

Mike Bevel
But you're looking for it, and that is good to know. Michael asks, what strategies are available for PCAs?

Amy Perkins
For what?

Mike Bevel
PCAs? Okay, so let's move on to the next question. Michael, if you're listening, tell us what PCA is and then we'll come back to your question better prepared for it.

Anne writes, we have deferred payments for three months for anyone that requested assistance. What are your thoughts on how to transition customers back to making payments after COVID deferment plans?

Amy Perkins
That's a really good question, and I know that companies probably feel a little bit limited or constrained in what their options are, because you really have to balance the reporting and the accounting and the loss forecasting the appropriate way, while also trying to handle the customers.

I think a three-month delay is good. What I worry about for consumers, and I've even heard this from people I know who are going through this for the first time and have reached out and asked me for help, a lot of them are concerned about the compounding effects of some of these delayed payments. I do know a lot of companies have worked with or are working with regulators to try to figure out a way that—to strike a balance there where you aren't necessarily just compounding all of those payments and then in September saying, hey, okay, we bought you three months. Now you own three months' worth of payments and this current month's payment.

So I know a lot of companies are looking at if there's a way to break that up after that three month period of deferral happens, and then put them on a payment plan. Or for some accounts, obviously you guys know if they're eligible for being able to double up on some of those types of things, which again, I know would have to have a great deal of oversight with banks and their regulators.

But I think as an industry, lenders have a responsibility to figure out how to not just make the burden greater after the relief is provided. Because to me that makes it a little bit of a bait and switch.

Mike Bevel
We learned from so many of you. Thank you very much. We've learned what PCA is, which is private collection agencies. So the question then was, what strategies are available for private collection agencies?

Amy Perkins
I think for private collection agencies right now, they're a little bit at the mercy of the guidance of the clients that they service. So if I owned a private collection agency right now, obviously the first thing I'd be looking at is taking care of my employee safety.

But after that, I would be looking at ways to weather the next few months. And then that volume increase and that incremental work is going to be flowing through the system and coming through the private collection agencies, which should mean, for the ones who are ready for it and are solid agencies, I would imagine that they're going to grow tremendously.

I think the strategies at that point would be, if your creditor or clients allow you do to on the first party side any email or SMS or those types of things on the first party side, I would say do that. I would say for private collection agencies who are predominantly third party, I think revisiting the serious discussion about how well you're capturing consent and those types of things to allow yourself to do more SMS and email type outreach, knowing all the rules and regulations that are out there. I think this is the time to allow innovation to be a push forward in the right direction there to service consumes in the right way. So I would be standing those things up.

Mike Bevel
So Joe would like to know, any forecast around the amount of delinquency expected to hit collections? Or is it still too soon to tell?

Amy Perkins
I think it's too soon to tell. But I will say this, if 60 percent of consumers have in some way been impacted by this, and we anticipate that anywhere from 20 percent or higher of those will have sustained impact after this release happens, then I think you can pretty much assume that some percentage of those aren't already consumers who would be or were in the delinquency cycle, and that some percentage of that, of the subset, will likely be an increased flow through delinquency.

Mike Bevel
All right. And then the final one that I'll throw at you is, this is Geronimo who wants to know what new technologies a third-party agency could implement to assist with the increase in volume of accounts?

Amy Perkins
Well, I think on the third-party side, a solid self-service web portal. I keep saying this, but this should be a really easy solution, compliant solution. One of the things I notice a lot with third party agencies, and this is only my opinion and my opinion only, I think there is an opportunity to make it really clear for consumers when they come to your website, since we know there's confusion about should I trust you or not trust you, when it's a new name and a new company than one that people have dealt with who lent them the money.

The more you can make sure that you have your brand consistently there, but also that it's very clear that it's the consumers self-service portal versus your company's standard website where you talk about the services and things you offer. I think now more than ever, given the increased volume, having that clarity and distinction on how people can get to you and how they navigate that self-service web portal, is going to be so critical.

Because so many third-party agencies already have some type of payment portal that you can go to. But I think beefing that up and improving how well it educates consumers, but also the functionality that resides within that, making it easy for to find and get to, is going to be really, really important.

And if you're not texting and emailing, I think working through the rules and regulations on that, and figuring out how to do that in a compliant way, and to be able to have it that you're doing that in a compliant way. If you're not doing that, now is the time to do it. And people have heard me on that soapbox for a long time.

Mike Bevel
All right. I'm going to draw this to a close, because we're almost at the top of the hour.

Amy Perkins
Well, before you close, I'm going to make a closing remark and just say, I appreciate everyone who joined today. Again, I know that this was likely more applicable to some of you than others. But what's important for me to say from this is, if any of these sub-topics were of particular interest to you, keep in mind what I said at the beginning. Which is, we go to this level of detail to make sure we're delivering the right—we meaning insideARM—are delivering the right content to you guys at the right time; the right articles, the right webinars, the right sessions at our conferences.

And so as Mike mentioned, I mentioned, we have a number of webinars that this will build upon that talk about many of these items. The ones highlighted here are in line with webinars that we have.

So we'll be publishing more information about this. Reach out to us if you're not on the list to get notified of when those are, and the dates and times. Let us know, because this is a high-level sort of thought leadership type discussion, but the rest of the webinars get into very specific topics, much more deeply. And they'll help you figure out how to do all the things I have here.

And then **July 21st through 23rd at our digital conference**, our sessions are really built around this whole concept. So you can get more there if you want to come join us on that journey.

So with that, Mike, I'll hand it over to you.

Mike Bevel
Why don't just the people go to insideARM.com. We have, on the right side of the page, a section called "Events." And you will see all of these webinars in this series up there, so you can even start registering for them now. But you will also see some marketing for them as well.

So I also want to thank all of you for spending this time with us. I feel it was incredibly valuable, and I am glad and hopeful that you found that to be the case, too. If you have questions that we did not get to in the chat, we keep a record of that, and Amy and I will go over those and probably put something together.

If you have a question in general about the presentation you can send those to Amy@insideARM.com. And that would also include specific topics you might want to see deeper presentations on. That would be helpful to us.

Finally, I want to thank LiveVox very much for their generous support through both this webinar series and our COVID-19 page. And for those of you who may not know or those of you who just want to hear this again, with over 15 years of experience, LiveVox has been developing pure cloud context solutions, and their cloud architecture combines innovation, stability and discipline to support the complex needs of enterprise operations.

LiveVox's steady rapid growth in these organizations exemplifies their ability to provide consistency, scale, flexibility, cost advantages, in a rapidly changing environment for larger businesses. These differentiators have helped us effectively manage a huge volume of interactions per year for multi-set operations, or meaning 99 percent up time.

That is all. Check out our Events page again, please, to see where you can register for others in this series. And you can now safely disconnect from this webinar.

Thank you so much.