

System of Record Success Comes Down to Functionality and Configurability

Key to a single technology for collections and recovery is a System of Record with deep functionality and vast configurability. This paper outlines the capabilities to look for.

Introduction

Organizations collecting debt are increasingly leaning towards a single technology solution to manage their entire debt portfolio, from pre-delinquency, through collections, charge-off and recovery. By avoiding the need for multiple collections and recovery systems, you significantly reduce capital investment and on-going costs of ownership.

Using one solution reduces agent on-boarding time and enhances productivity, with a single user interface to handle accounts at all stages, providing consistency in management information and statutory reporting. It also means system updates are simultaneously available to the benefit of the entire collections and recovery organization.

The System of Record Challenge

While an account is in collections, the host system continues to act as the financial system of record, applying payments and financial adjustments, charging interest and fees, and meeting financial reporting needs

Once an account has been charged off and enters recovery, the situation radically changes. It is common to close the account on the host system, in which case the collections and recovery system will need to take over system of record responsibilities, and the list of

system requirements increases dramatically. In addition to functionality to support workflow and collections activities, the system now needs to provide the financial capabilities which previously were a host system remit.

A True System of Record

The extensive feature set, which is necessary to maintain the financial integrity of an account, is often underestimated by creditors and underplayed by technology vendors.

Although many functions are industry and product type dependent, typical needs will include:

- **User-Defined Balances and Financial ‘Buckets’** – Configurable ‘buckets’, or components of a debt, might include principal, interest, penalty fees, court fees, collection costs, and more. Furthermore, various balances may be needed, such as a recoverable balance, an interest-charging balance, and a legal balance, each of which is composed of a specified set of financial buckets.
- **User-Defined Payment Types** – Tracking different types of payment can be important from a management reporting perspective, and to drive payment application and apportionment. Payment types can include cash, check, online and mobile, including debit card and credit card payments.

“Customers want and need consistency and putting all information into the same system has been very beneficial.”

Terry Collins, Vice President, Head of Collection and Recovery, Trustmark Bank, US.

C&R Software
Collections & Recovery Simplified

C&R Software’s vision is to provide systemically complex systems which simplify collections and recovery for our clients. We deliver solutions which are simple to deploy, implement, configure and use, enabling collections operations to drive process automation and easily adapt to change.

Support for single and recurring payments is often required, including electronically scheduled payments.

- **Prior-Period Adjustments** – A back-valued adjustment might be needed, for example if an incorrectly applied fee has to be subsequently backed out. This will involve reverting account balances prior to the original transaction and reapplying all subsequent transactions including accrued interest.
- **Interest Processing** – Configurable interest processing provides the ability to accrue interest in a number of ways to support legal requirements and contractual terms. Types of interest calculation can include simple, complex, and compound, on a 360-day or 365-day basis.
- **Payment Application and Apportionment** – In recovery, it is not uncommon for a customer to make a single payment, and for the system of record to

apply the payment across the customer’s delinquent accounts. Furthermore, the payment will also need to be apportioned across the financial buckets on each account, for example in order of interest, then principal, then fees. Configurable rules ensure that payments are applied in accordance with company policy and external regulation.

- **Reversal Processing** – When correcting a financial transaction posted in error, a reversal transaction will need to be tied directly to the original transaction. The system will need to ensure that elements of the original transaction, such as paid principal and paid interest, are individually reversed out.
- **Future Balance Calculations** – Future balance projections are important to support payoff quotes. Based on a specified date, the balance calculation will include current and future accrued interest.
- **Fee and Commission Calculations** – Configurable fee calculations should support the range of fees

Debt Manager



Cloud-Native

Deployed in the C&R Cloud, Debt Manager is the leading cloud native, end-to-end collections and recovery platform in the world. No other provider comes close.



End-to-End Solution

Debt Manager connects collections, recovery, and communications in one system. It prioritizes the consumer journey, automating operational processes and making consumers happy.



System of Record

More than \$4 trillion is managed on Debt Manager as a System of Record, offering extensive capabilities unmatched by any other provider.

encountered in recovery, including legal fees based on a tiered fee schedule, and third-party vendor commission based on a percentage of payments received. Monthly invoices or statements for third parties may also be required.

- **Suspense Payments** – Transactions the system has received but has been unable to apply will need to be held in suspense. Manual review facilities should include an option for correcting errors and resubmitting transactions.
- **Settlement Processing** – A settlement request for an amount lower than the outstanding balance may need manager approval based on the settlement percentage requested. Once approved, the system should monitor for the agreed settlement payments, either as a lump sum or as an agreed series of installments and write off the residual balance once the account is settled.
- **Integration with Payment Processors** – Interfacing with the collecting organization's payment processor of choice, for ACH and card payments, should support both ad hoc and scheduled payments from customers.
- **General Ledger Functionality** – The system of record should include internal general ledgers, as well as the ability to extract all financial activity for posting to an external General Ledger system.
- **Full Audit and Traceability** – The system will need to track all financial and non-financial activity on accounts, to provide the robust auditing required of a system of record.
- **Financial Reporting** – Comprehensive financial reporting will be required for internal accounting purposes and to support statutory reporting needs. A custom reporting capability will ensure that current and future reporting needs can be met, along with a set of out-of-the-box reports.

Configurability and Flexibility

System of record requirements can be very complex, and vary between industries, geographies, and individual organizations. The system must be flexible enough to meet organization-specific needs and incorporate ongoing regulatory updates and strategy changes, without expensive and time-consuming customization. Through configuration alone, the business user should be able to set up any number of balances, buckets, and payment types, and configure the myriad rules governing the financial processing and reporting functionality inherent in a true system of record. IT teams should be relied upon to configure ongoing strategies, rather than customize one-off solutions.

Debt Manager Solution from C&R Software

C&R Software's Debt Manager solution supports the entire debt lifecycle, from pre-collection through debt recovery and operationalizes analytics throughout. This cloud-native solution provides significant configuration capabilities and comes with comprehensive system of record functionality. Organizations around the globe are using Debt Manager to seamlessly manage both their collections accounts and charged-off debt portfolio. This ultimately drives increased efficiencies, greater recoveries, and higher and faster ROI. It also contributes to an improved customer experience. Over \$4 trillion of debt is managed on Debt Manager as the system of record.

To learn how Debt Manager's System of Record can boost your Collections and Recovery success, go to crsoftware.com or email us at inquiries@crsoftware.com