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CCI Contract Callers Inc.

CASE STUDY: Multi-State Utility Accounts Greater Than 3 Years Old

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The Situation

A large eastern utility with a multi-state regulated foot print, for many years warehoused accounts greater than 3-year-old debt after they had passed through their network of collection agencies. Their collection network consists of a short 45 day early out program, a 6-month primary tier, an 8-month secondary tier, and then a 1-year tertiary tier. All stages of collection being multi-vendor and competitively based. They then had 1 collection agency, hard credit bureau report their accounts from year 3 to year 5 from service termination with no active collection outreach. The only dialogue about the debt occurred when the Consumer wanted to have the matter marked as paid on their credit file. So, the Consumer needed to reach out to either the Utility or the Agency who reported the debt. This made this Warehousing program reactive and complaint prone, due to the nature of the effect on the Consumer's credit worthiness.

After the Warehousing tier reached 5 years from service termination, the debt was then sold to a large Debt Buyer for less than a penny on the dollar; while the Utility needed to continually provide oversight on the Debt Buyer and continue to provide support to escalated validation of the debts owed. The purchased debt had the sale condition that any account that went out of statue was no longer allowed to be collected on, nor would the Utility demand payment from the Consumer as a condition of starting future service. From the Warehouse tier through to the Debt Purchase stage, the gross annual liquidation value of their debts was 1.7% and the netback value to the Utility was 1.3% which again was inclusive of the purchase value received.

In the middle of 2014, after an outside consulting study was concluded and they determined that after the debt was sold their soft cost values of validation and their administration of regulated oversight measures had increased year over year, to erode the netback value to 0.50%. From the consultant's input, the Executive of the Utility set out an action plan to improve netback value of their aged debt asset and mitigate their regulated risk, during the third quarter of 2014.

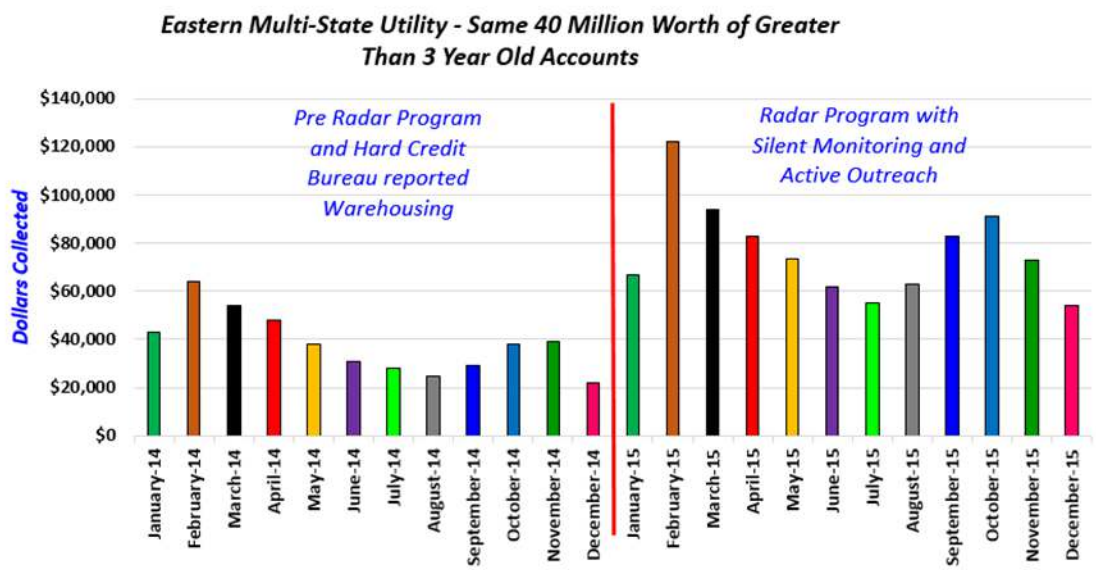
CCI's RADAR Solution

CCI was contacted by the Utility after the Utility's Director of Credit Operations had listened to a presentation on our RADAR late stage debt solution at a conference. CCI was engaged to complete a detailed analysis of the Utilities collection continuum in mid-September of 2014. After our study was completed in late October of 2014 it was collectively determined that the Warehousing tier and the sale of the debt would be terminated to make way for CCI's RADAR program. CCI determined based on like type Utilities that currently used the RADAR program that the Utility would: eliminate the need for two vendor's oversight, migrate into the current agency network's protocol for debt validation, shrink the population of complaints to either the Utility or any regulatory authority by over 50% of the current volume, and most importantly liquidate the same batch of 40 million dollars' worth of accounts at 2% in year 1 and 1.3% in year 2. CCI also committed to a netback result of 1.33% in year 1 and then a netback result of 0.80% in year 2 on the same account set. The program was integrated using the same agency account placement / recall system the Utility had always utilized and CCI set 89 different positive credit attributes we silently monitored this account set credit files for, in order to drive outreach populations for 120-day collection cycles. Based on the age and balance of the account, a preauthorized settlement authority was also established for this program.

The Results

After year 1 (2015) of CCI's Radar program:

- Cut the cost of audit oversight of the late stage process in half (net the previous debt sales).
- Shrunk the population of complaints to the Utility or any regulatory authority by 85%.
- Achieved a liquidation rate of 2.32% on the 40 million batch placed.
- Yielded a 1.49% netback result, which was 198% increase over 2014 to the Utility.



"We couldn't be more pleased with our decision to partner with CCI and use their Radar program. This return on our aged debt is a tremendous win for us financially and has proven to pose vastly less risk for us from a regulatory point of view. All in all, a great success."

Director of Credit Operations