

# ***Pre-collections***

## ***Preventing payment problems for residential mortgages***

***Marcel den Hollander***

***Achmea Bank, Balancesheet Management & Financial Risk  
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# Agenda

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- Achmea Bank
- Credit Risk
- Credit Cycle
- Pre-Collections

# Achmea Bank

## Achmea

- Since 1811
- Largest insurance company in NL
- Cooperative
- 25.000 Employees



*Interpolis*



**FBTO**

## Achmea Bank

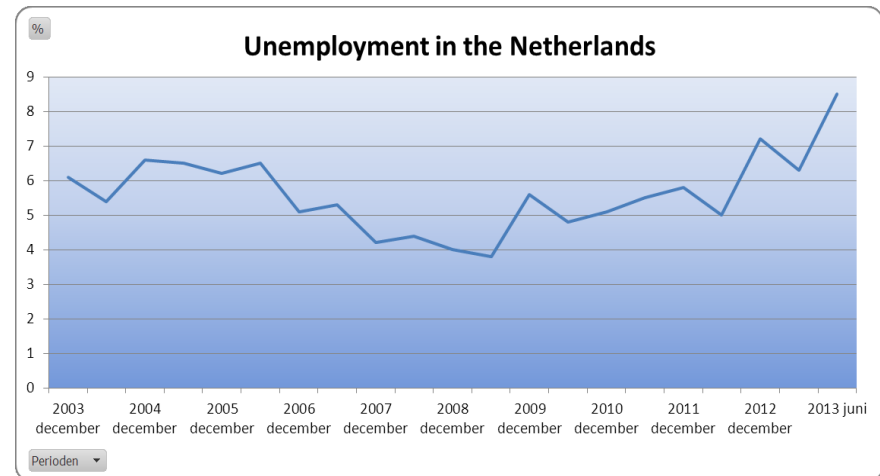
- Mortgages and savings
- 300 Employees
- Balance sheet total of €16 billion



# Credit Risk

# Credit Risk - Current challenges

- House prices ↘
- Unemployment ↗
- Purchasing power ↘
  
- Demographic
- Increasing demands investors and regulators
- Governmental policy and tax changes



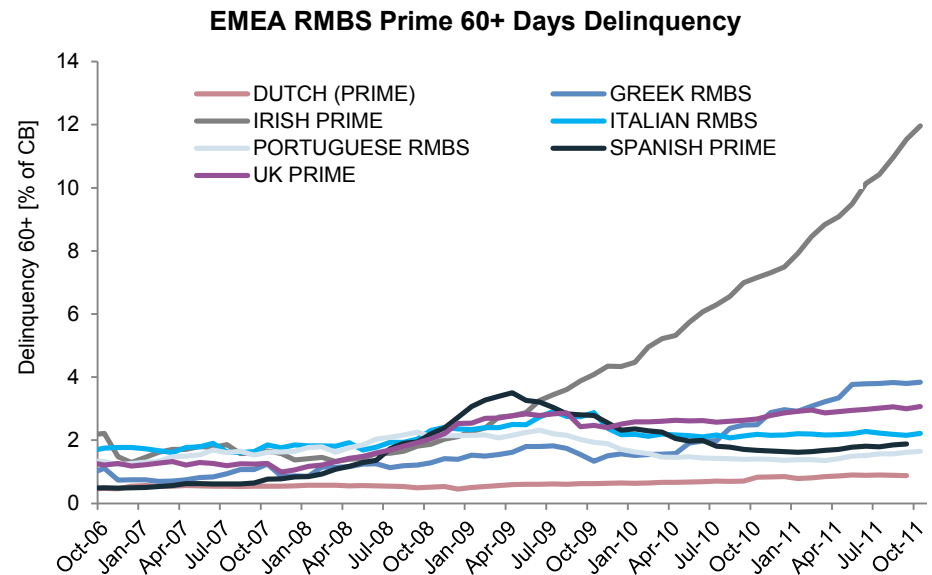
# Credit Risk – on the bright side

## Netherlands

- Supply of new houses decreases
- # Households increasing
- # Arrears relatively low

## Achmea: healthy portfolio

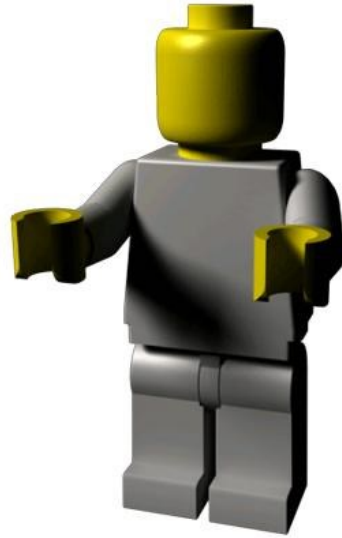
- Prudent acceptance policy
- Seasoned portfolio



Source: Moody's, Rabobank

NL March 2013: 0.87%

# Credit Risk - Decomposed

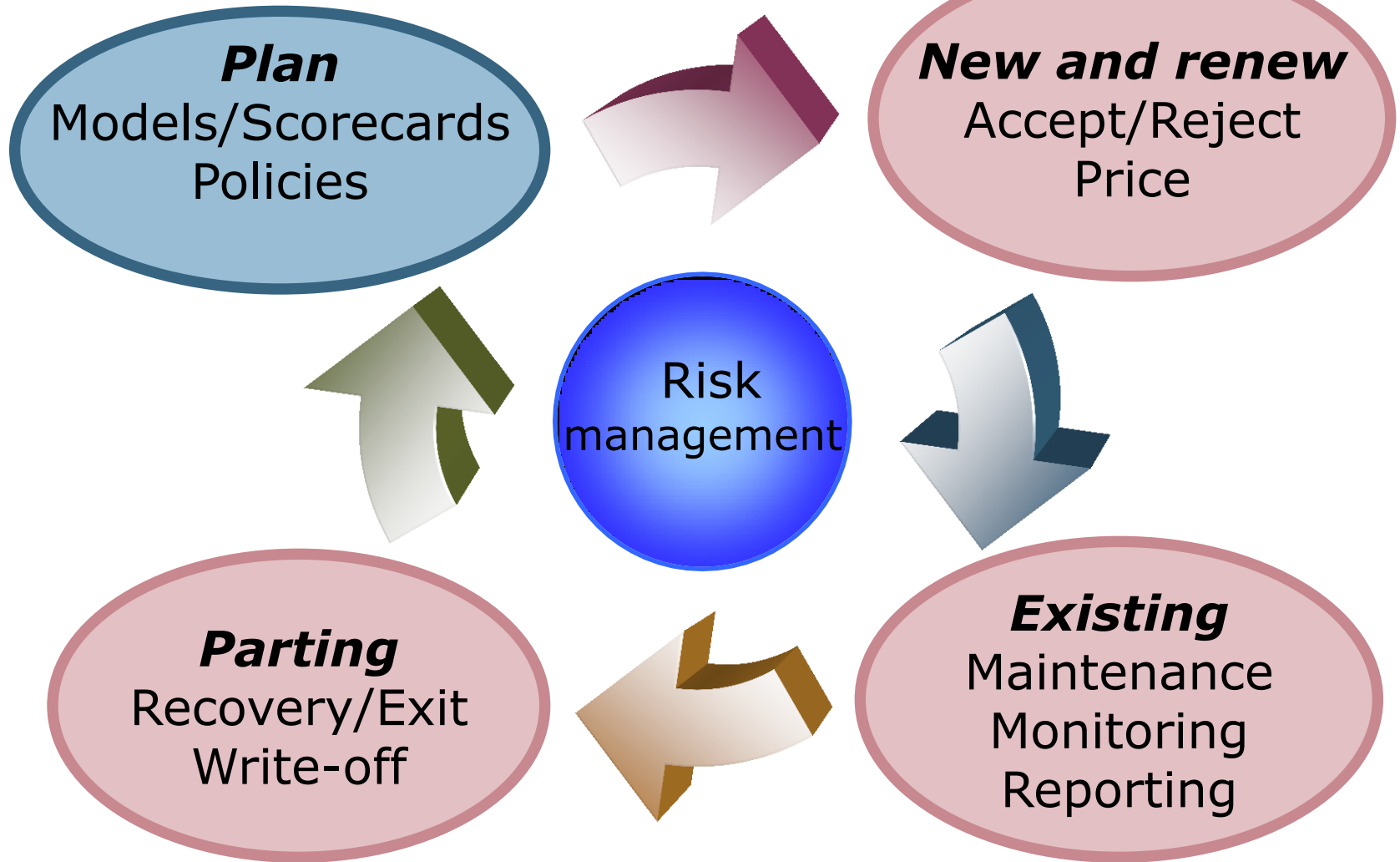


# Causes for delinquencies

- LTMV too high to sell without remaining debt
- Reduced income
- Divorce
- Illness
- Discipline
- Financial knowledge
- Denial
- Debt overburden
- Acceptance policy
- Overrides
- Monthly cost increase (interest, cost)
- Policies & processes
- Resources
- Collection infrastructure
- Economic
- Political
- Social

# Credit Cycle

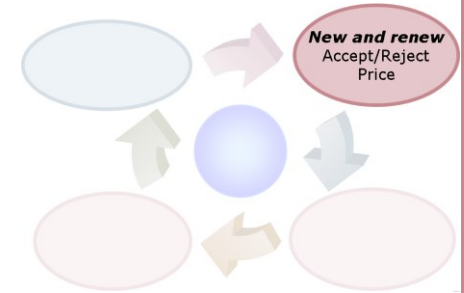
# Credit cycle



# Credit cycle

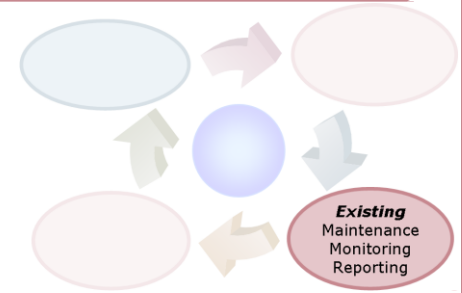
## New loans

- Interest rate
  - Risk premium (LTV)
  - Fixed period
- Decision to accept
  - Acceptance Policy (rules)
  - Application Scorecard
    - Accept/reject
    - Not required for Basel II
- Reporting on production



# Credit cycle

## Existing loans



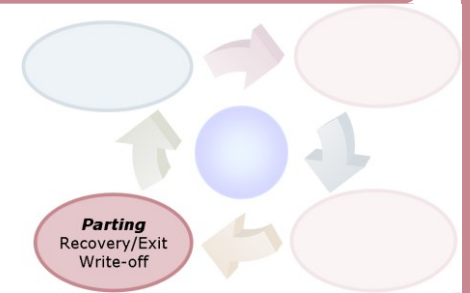
- Usually low maintenance
- Behavioural models
  - Required for Basel II
  - Possible to *prevent* arrears?
  - Used for reporting and stress testing
- Reporting
  - Risk (e.g. Economic capital)
  - Operational (e.g. process time, events)
  - Financial (e.g. volume)

	Non- Defaults	Defaults
EL =		
LGD	Loss Given Default model	LGD Best Estimate model
PD <sup>x</sup>	Probability of Default model	PD fixed (100%)
EAD <sup>x</sup>	Exposure at Default estimate	

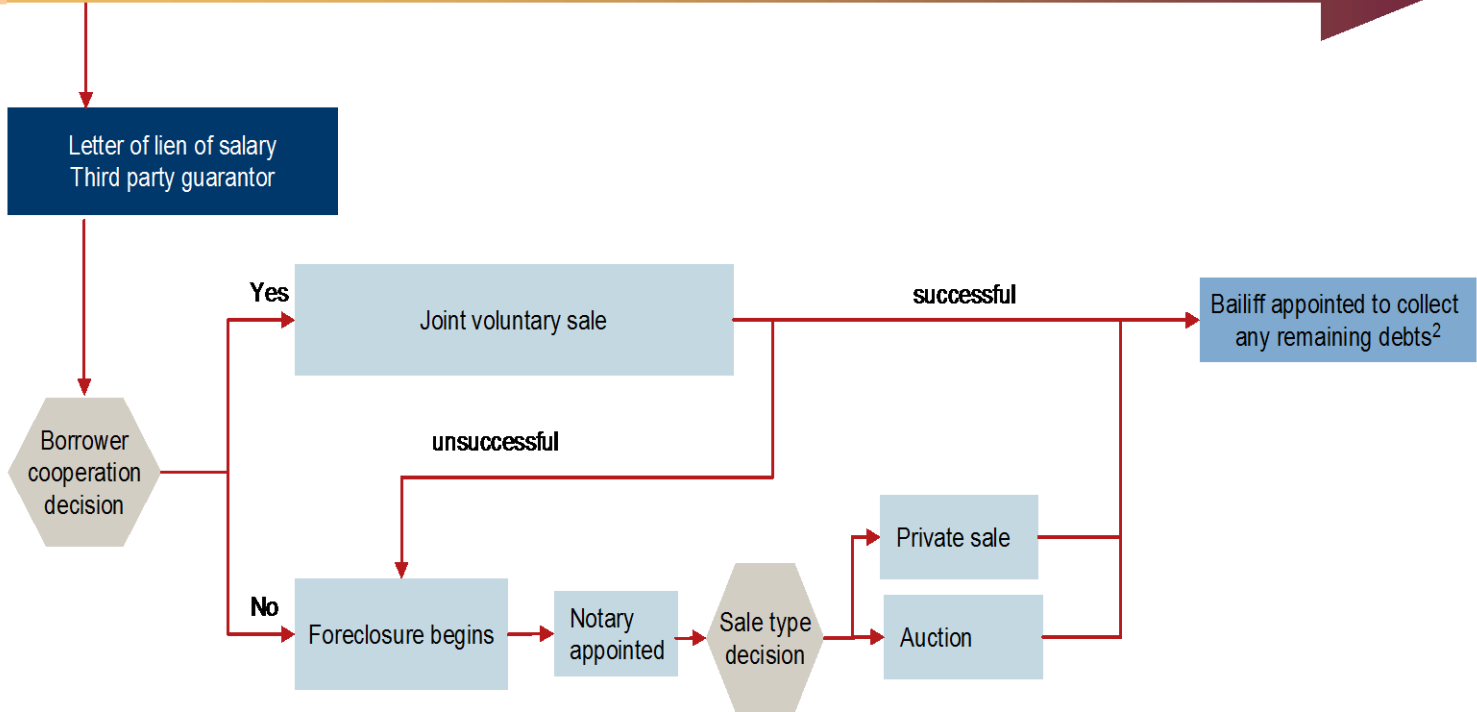
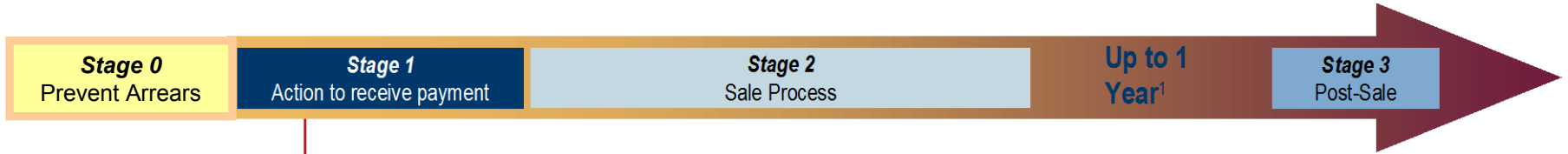
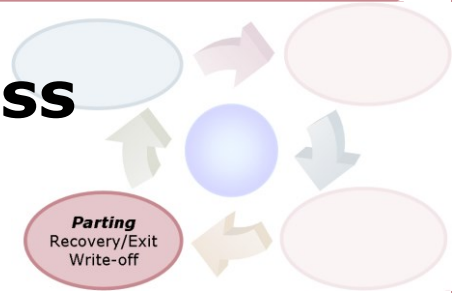
# Credit cycle

## Loans with (payment) problems

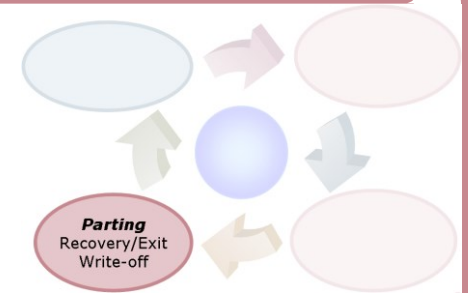
- Collections department
- Decisions
  - Recovery vs exit
  - Effective use of instruments
- Reporting on e.g. arrears, provisions (IFRS) and write-off



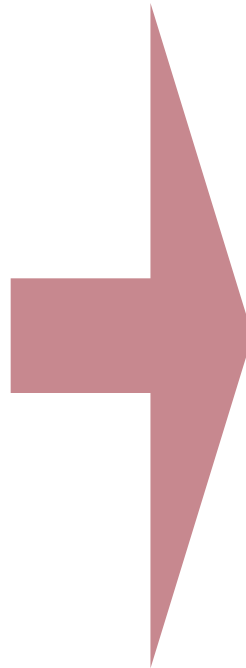
# Servicing: Repossession & Sale Process



# Collections – New focus



- Collateral
- Process
- Legal
- React
- Loss minimization
- Collections department

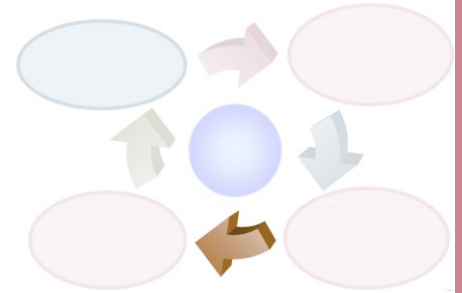


- Customer
- Soft skills
- Entire organization
- **Preventing**



# Pre-collections

# Pre-collections - Objective



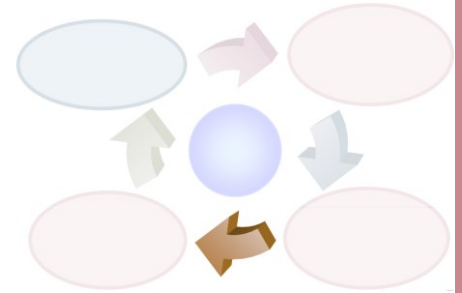
- Better to prevent than to cure

*Voorkomen is beter dan genezen*

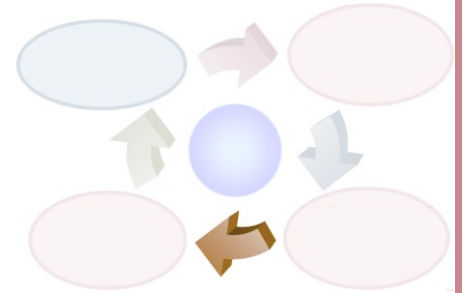
# Pre-Collections – Instruments

- Direct contact
- Budget coach
- Renting out
- Restructuring the mortgage
- Intermediary (Advice)

Note: Customer is responsible



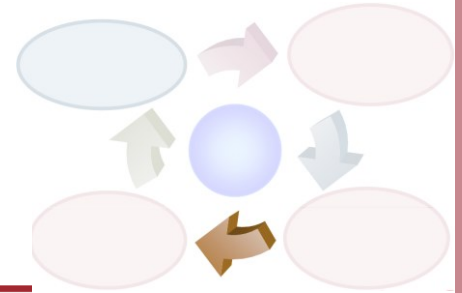
# Pre-Collections roadmap



- Organisation
  - Pre-collections department
  - Responsibilities
  - Policy
  - Processes
  - Practical items
    - > Phone number, e-Mail
    - > Flyers
    - > Website
    - > Collections software
- Just do it
  - Direct customers questions to precollections department
  - Follow-up customer events
  - Portfolio analysis
- Monitor impact
- Improve



# Example – Websites



- Save Your Money
- Check it Out
- My House
- My Credit
- Investing Tools
- Homeowner Help

Overview Protect Yourself FAQ & Common Terms

## Having trouble making your mortgage payments?

Capital One understands the importance of homeownership and that sometimes unexpected events can happen. We're here to help.

We have a team dedicated to helping homeowners in real financial distress. We'll look at your current situation and work with you to find the best possible solution.

### How can I get assistance?

Give us a call at 1-877-230-8516 Monday through Thursday from 8 AM to 11 PM ET, Friday from 9 AM to 6 PM ET or Saturday from 9 AM to 1 PM ET.



Products and services

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## Facing financial difficulty

### Please don't ignore the problem

If you are having trouble paying your mortgage, there are a variety of options available that may ease your situation and ultimately help to resolve the issue. This section explains the things that you should consider and the actions that we will take to help you.

### Important information

You'll need to quote your mortgage account n mortgage query. This can be found on your m related letters.



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HOME MORTGAGES HELP & GUIDANCE EXISTING CUSTOMERS

Renew your deal Additional borrowing Mortgage services General help Follow on rates

## Existing mortgage customer help & guidance

We've been helping people buy their own homes for 150 years, so let us help you. Use the guides below to find out more on a range of topics.

### How to switch to a new deal

Applying for a new mortgage deal with us is easy to do and you can start your application online.

How to switch your deal

### How to borrow more on your mortgage

Have a look here if your mortgage is with us and you want to borrow more on your existing mortgage.

How to borrow more

### Managing & servicing your mortgage

Have a look here if you need help servicing a mortgage you hold with us.

Mortgage services

### General help for existing customers

Have a look here if your mortgage is with us and you want to make changes or have questions.

General mortgage help

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE



Over Woonfonds Hypotheken Hy

Nieuws

Grote momenten in uw leven

Uw hypotheek veranderen

Uw rente wijzigen

Betalingsproblemen?

Heeft u een klacht?

## Problemen bij betalen?

### U betaalt elke eerste werkdag van de maand de hypotheek

Heeft u een hypotheek bij ons? Dan betaalt u iedere maand rente. Wij berekenen de rente elke maand over de maand ervoor. U betaalt de rente dus achteraf. Dat doet u elke eerste werkdag van de maand. Wij schrijven het geld automatisch van uw rekening. Daarvoor heeft u ons gemachtigd.

### Kunnen wij de hypotheek niet van uw rekening schrijven?

Dan proberen wij het over tien dagen opnieuw. Staat er dan nog niet genoeg geld op uw rekening? Dan krijgt u van ons een brief over de betaling voor de hypotheek. Ook betaalt u dan een boete, omdat u te laat betaalt. Zorg daarom dat er altijd genoeg geld op uw rekening staat.

Staat er niet genoeg geld op uw rekening?

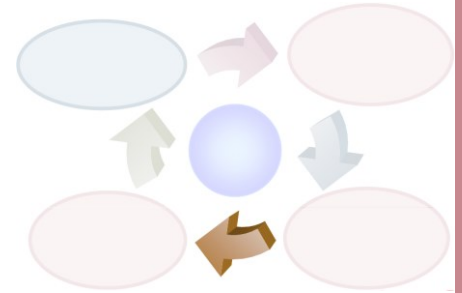
Bel ons dan even. Ons telefoonnummer is 013 - 461 2040. We kijken dan graag wat we voor u kunnen doen. We vragen u waarom u de hypotheek niet kunt betalen. En u kunt met ons een betaalafpraak maken.

### Problemen bij betalen? Wij helpen u.

U denkt er liever niet aan, maar het kan iedereen gebeuren. U raakt uw baan kwijt of u wordt ziek. Daardoor heeft u minder inkomen. Of kunt u de

# Pre-Collections - Impact

- Process
  - More interaction
  - Not one size fits all
- People
  - Soft skills
- IT
  - Fit for change
  - Integration
- Model prediction
  - Changed process → similar start, different result
- Bottom line
  - Hard to predict or measure
  - € per case



# In Conclusion

# In conclusion

## Summary

- Focus on customer
- Holistic approach
- Better to prevent

## Contact

[Marcel.den.Hollander@Achmea.nl](mailto:Marcel.den.Hollander@Achmea.nl)

+31 (0) 6 230 63 562

achmeamortgagebank.com