Factors impacting debt collectability

Dealing with challenges is just part of the collections process. But in today's economic environment, there are even more barriers to overcome. By leveraging data-driven insights to strengthen your operations and enhance your capabilities, you can increase the success rate of your debt collection efforts.

2020 **MARCH**

- ▶ World Health Organization (WHO) declares coronavirus (COVID-19) a pandemic
- ► Coronavirus Aid, Relief, and Economic Security (CARES) Act is signed into law
- ► Federal regulatory agencies encourage small-dollar loans for consumers and small businesses



U.S. unemployment rises to **4.4%**⁷



Personal income declines by **\$423 billion** as people lose jobs and wages⁸

- of U.S. consumers fear they may not be able to pay down existing debt1
- of U.S. consumers have contacted a lender to make payment arrangements¹

APRIL

- ► Stimulus checks are sent to eligible recipients
- Bureau of Labor Statistics reports historic unemployment and job loss numbers
- ► Paycheck Protection Program and Health Care Enhancement Act is signed into law
- ▶ 17 U.S. states ban debt collection during the COVID-19 crisis



U.S. unemployment rises to **14.7%**⁷



Personal income jumps by 10.8% as federal stimulus arrives⁸

- of U.S. consumers who received a stimulus check plan to use it to pay down monthly obligations²
- % of home mortgages are in some form of delinquency¹

MAY

▶ 1,855,296 COVID-19 cases in U.S.¹³



U.S. unemployment declines to 13.3%7

accommodated³



Personal income drops 4.2% as boost from stimulus checks fade8

million

64.8

million

U.S. consumers granted a payment accomodation³

\$950

total average balance on the accommodated collections trades³

JUNE

- ► Bureau of Labor Statistics reports surprising job gains
- ► Small Business Association (SBA) reopens loan program
- ► Federal reserve expands Main Street Lending Program to further support for small and medium-sized businesses

U.S. unemployment declines to **11.1%**⁷

U.S. consumers with one or more collection trades

jobs created⁶

of U.S. small businesses reported supply chain disruptions⁴

of U.S. small businesses have less than four weeks of operational cash on hand⁴



Nearly 66,000 U.S. businesses have folded

since March 19

16,341,920

confirmed global COVID-19 cases⁵

8,728,962

confirmed U.S. COVID-19 cases⁵

U.S. Gross Domestic Product (GDP) estimated to plunge by annual rate of **34.1%** based on Q2 performance¹²

JULY

- ► The \$600 CARES Act unemployment benefits end
- ▶ Daily COVID-19 cases in U.S. surpass **50,000**
- ► President Trump signs extension of Payment Protection Program (PPP)

AUGUST

▶ End of CARES Act Foreclosure Relief for federally backed home loans



Consumer behavior, including spending and payment patterns, may become harder to predict due to a fluctuating macroeconomic environment

NOVEMBER

- ▶ 2020 U.S. presidential election
- ► Many states are expected to experience significant increases in COVID-19 cases¹⁰



OCTOBER

- ▶ New Fair Debt Collections Practices Act proposal to be finalized
- ► Airlines that received federal aid can begin laying off workers



With new rules on how and when collectors may contact debtors, digital and self-serve processes will become key

DECEMBER

- ► Expanded Unemployment program ends
- ► Mortgage Loan Forbearance ends
- ► End of Federal Student Loan Repayment Suspension



Consumers may fall behind on payments and debt obligations due to decreased income



An increased number of student loans may fall into collections

For more insights and trends, visit **experian.com/debtcollection**.

- ¹ Findings from Experian survey of over 1,400 consumers throughout the United States The survey was fielded March 27–April 3, 2020 and was among consumers age 25+, representative of census (on age, ethnicity, region, gender and household income).
- ² Experian conducted a consumer research study with 1,005 consumers to better understand how the coronavirus (COVID-19) pandemic is impacting spending, credit and financial well-being. The survey was conducted March 27–April 3, 2020, using a third-party online consumer panel.
- ³ Attributes were computed from Experian consumer credit data from May 2020.
- ⁵ World Health Organization (2020, July 28) COVID-19 Dashboard.

⁴ U.S. Census (2020, June 18). <u>Small Business Pulse Survey</u>.

- ⁶ Bureau of Labor Statistics (2020, July 2)
- ⁸ Federal Reserve Bank of St. Louis (2020) Personal Income Dashboard.

⁹ The New York Times (2020) <u>Small Business Owners Are Giving Up.</u>

⁷ Federal Reserve Bank of St. Louis (2020) Unemployment Rate Dashboard.

- ¹⁰ CDC (2020) Coronavirus Disease Forecast.
- ¹¹ Business Insider (2020). <u>Delinquent Mortgages Spike to Highest Level in 21 Years</u>.
- ¹² Fox News (2020). U.S. <u>Growth Report</u> Shows Record Breaking Economic Plunge.
- ¹³ Worldometer (2020). <u>Daily U.S. COVID-19 Cases</u>.

