FINANCIAL INSTITUTION ADVISORY

BRG

October 2026



Flipping the Model: Digital and AI-Enabled Collections in Consumer Banking

How digital engagement, AI/machine learning, and dynamic decisioning transform collections from an outbound transaction model into an inbound solutions model.

PREPARED BY: MAURICE BERBEL, MANAGING DIRECTOR

Executive Summary: The Case for Change

The next credit cycle will stress-test every consumer collections operation—and most are not built to pass that.

Demand is rising into an operation that was never designed to absorb it. Elevated borrowing costs and persistent pressure on household budgets are eroding borrowers' capacity to pay, and labor-market uncertainty compounds the risk of rising delinquencies and defaults. As of the second quarter of 2026, 4.7% of the $18.8 trillion in US household debt was in some stage of delinquency, and new delinquencies in credit cards and auto loans remained elevated. Lenders should expect not only more delinquent accounts but also a larger mix of loss mitigation requests and complex hardships that standard repayment arrangements cannot resolve.

Regulatory whiplash has exposed institutions. Repeated shifts in supervisory priorities and enforcement expectations have rewarded short-term remediation and deferred structural investment in collections and loss mitigation. Compliance infrastructure, risk management capabilities, and the technology beneath them have often been underfunded, and the resulting control gaps will surface as volumes climb. A change in enforcement posture suspends neither the underlying obligations nor the legal, financial, and reputational consequences of treating similar customers differently. Institutions that treated the lull as a reprieve rather than a window to invest now carry latent risk.

Headcount cannot close the gap. Hiring—the only scaling lever the traditional model offers—is slow, expensive, and subject to diminishing returns. Experienced collectors take months to reach proficiency, attrition is persistently high, and the next cycle will demand more skilled judgment as hardship assessments and workout decisions span multiple products and investor requirements. Meanwhile, every week of delayed intervention deepens arrears, narrows borrower options, and increases eventual losses. A default operation that can scale only by adding agents is a strategic liability.

The outbound-led engagement model is the binding constraint. Roughly 80% of collections contact at most banks is still outbound dialing, directed at borrowers selected solely on a credit score and payment history. Substantial agent capacity is consumed by repeated dial attempts, often before the lender understands the borrower's hardship or has identified a viable resolution. Contact rates are low and falling, intake is fragmented, and effort flows to borrowers who would have self-cured or cannot or will not resolve, while those most likely to respond to help are reached late or not at all. More dialing expands activity; it does not expand effective loss-mitigation capacity.

Flip the model from outbound pursuit to inbound resolution. The institutions that will lead the next cycle are inverting their contact strategy, moving from an 80% outbound/20% inbound model to an 80% inbound/20% outbound model so that the borrower contacts the bank rather than the bank chase the borrower. Targeted, compliant digital outreach invites borrowers to engage through the lender's authenticated app, portal, or contact center. Structured intake captures the reason for hardship at first contact, and decision support identifies the workout with the highest propensity to cure within approved policy. Outbound contact is retained where it is effective or required, but borrower-initiated engagement becomes the default path. Four capabilities make the inversion possible:

- **Multidimensional segmentation.** Machine-learning (ML) models that combine loan, relationship, external, and hardship data to place every delinquent borrower on two axes: willingness and ability to pay.

- **Digitally engineered right-party contact.** Behaviorally designed, compliance-screened outreach across email, text, app, and online banking that invites the willing but unable borrower to self-identify through an authenticated channel. Every response is, by definition, a right-party contact (RPC).

- **AI-driven resolution.** A decision engine that uses the hardship information captured at first contact to structure the workout with the highest propensity to cure and learns from every outcome.

- **Conditionally prequalified offer.** A cure tailored to the customer's hardship, with the highest propensity to cure, structured and offered prior to customer contact.

Redesign first, then scale with AI. Operational redesign makes the shift practical; artificial intelligence (AI) makes it scalable. Integrated workflows can reduce handoffs and repeated information gathering. AI supports borrower segmentation, offer evaluation, documentation, and exception identification, while specialists concentrate on complex hardships under clear escalation rules and auditable controls. Automating today's process would only accelerate its weaknesses. Performance is measured by sustained cures and cost to resolve alongside customer outcomes and control effectiveness.

Material value is at stake. BRG client deployments of these capabilities point to RPC improvements of 10% to 15% in initial pilots and 25% or more at scale, alongside lower cost to collect, shorter handle times, faster agent onboarding, fewer compliance failures, and higher customer and employee retention. Independent research reaches similar conclusions: digital-first customers are more likely to pay when reached through their preferred channel, and generative AI can lower collections operating expense by up to 40% while lifting recoveries by around 10%.

The window to act is now. Leaders must engineer compliance and risk management into the design, rather than layer them, while resolving four questions together: What operating model can scale through the next cycle? Which processes must be redesigned before they are automated? Where should digital self-service end and specialist judgment begin? How must workforce roles and skills evolve as technology absorbs routine work?

Loss-mitigation capacity can be built before rising demand exposes the limits of the current operation. Banks that modernize now will enter the next downturn with a scalable, auditable, and customer-centric default operation. Those that do not will meet it with more dialers. The practical starting point is a focused pilot in the segment where the inbound model has the most to prove and the fastest path to value: *willing but unable* borrowers in early stage delinquency.

The Outbound Model Has Reached Its Limits

The prevailing collections model is built on volume: identify every account that missed a payment, load it into a predictive dialer, and call until someone answers. It was designed for an era of landlines, predictable consumer behavior, and lighter regulation. None of those conditions still hold.

How most banks collect today. Delinquent accounts are typically segmented on credit score and payment history. This produces a high rate of false positives: effort flows to borrowers who would have self-cured and cannot or will not resolve while missing borrowers who would respond to the right offer. Roughly 80% of contact is outbound dialing, and the first conversation usually opens with a demand: "You owe $2,500. When can you pay?"

The structural weaknesses of this model are well understood inside most default organizations:

- **Dialing for dollars.** Contact rates are low and falling as consumers ignore unknown numbers and carriers label high-volume callers as suspected spam. Every unanswered attempt consumes dialer capacity, compliance budget under call-frequency limits, and customer goodwill.
- **A poor customer experience.** Outbound calls arrive at inconvenient times and feel adversarial. Customers under financial stress disengage, and many seek a new lending relationship once they recover.
- **A labor-intensive, largely manual operation.** Large agent populations, long training cycles, and high attrition create an unsustainable cost base that scales linearly with delinquency precisely when margins are under pressure.
- **Chronic underinvestment.** Default operations historically have received a fraction of the technology investment directed at origination and servicing, leaving fragmented platforms, siloed data, and limited analytics. Shifting supervisory priorities have compounded the gap, steering spend toward short-term remediation rather than durable compliance and loss-mitigation capability.
- **Regulatory complexity and velocity.** Velocity of regulatory changes, contact frequency limits, consent requirements, fair lending obligations, servicemember protections, and mortgage loss mitigation timelines all apply, and each manual touchpoint is a potential control failure.

– **Credit loss exposure without scale.** When delinquencies rise, the outbound model offers only more agents and more dials, a response that is slow, expensive, operationally risky, and subject to diminishing returns. Delayed intervention in turn deepens arrears and narrows the workout options available to the borrower.

The macroeconomic backdrop sharpens the urgency. US household debt stood at $18.8 trillion at the end of the second quarter of 2026, with 4.7% of outstanding balances in some stage of delinquency. Roughly 7% of credit card balances and 3% of auto balances transitioned into serious delinquency on an annualized basis, and the mortgage transition rate rose to 1.52% from 1.29% a year earlier. Delinquency is elevated and persistent, though not in crisis, and a default operation that can only scale by adding headcount is a strategic liability.

A New Operating Premise: From Transaction Collections to Solutions Collections

The central idea is simple: **start inviting borrowers in and stop chasing them**. A transaction model asks, "How do we get this payment?" A solutions model asks, "What is preventing this customer from paying, and what resolution has the highest probability of a sustained cure?" The second question produces better recoveries, lower cost, and a loyal customer.

Operationally, this inverts the contact mix. Outbound dialing does not disappear; it becomes the exception, reserved for segments and situations where a live outbound conversation is the best tool. The default path becomes a targeted digital invitation, followed by an inbound, authenticated contact initiated by the borrower.

Dimension	Transaction model (today)	Solutions model (target)
Contact mix	~80% outbound dialing, ~20% inbound	~80% inbound, digitally initiated; ~20% outbound
Segmentation	Credit score and payment history	Loan, relationship, external and hardship data, modeled dynamically
First message	Demand for payment	Offer: "We are here to help"
RPC	Agent verifies identity on outbound call	Borrower self-authenticates through the portal, app, or known phone line
Hardship capture	Late, inconsistent, often in agent notes	Captured up front through three structured questions
Treatment	Standard scripts and offers by delinquency bucket	Personalized workout with highest propensity to cure
Agent role	High-volume dialing	Skilled resolution of complex cases, routed by skill
Learning	Static scorecards refreshed periodically	Adaptive models that improve with every outcome
Controls	Manual quality assurance sampling after the fact	Automated screening, templated communications, and full audit trail

This is not a channel project but an operating model redesign that orchestrates data, analytics, digital engagement, and human expertise around a single objective: the right resolution for each borrower, reached at the lowest sustainable cost.

Seeing the Whole Borrower: Four Dimensions of Data

Segmentation is only as good as the data behind it, and most collections scores draw on one dimension of a four-dimensional picture. We deliberately describe these as *dimensions* rather than silos: each adds insight to the others. A ten-year record of on-time mortgage payments says little on its own. The four dimensions combine numerous data points to provide a more precise view of both the customer's ability and willingness to pay.

Dimension	What it contains	What it reveals	Typical state today
Loan data	Payment history, balance, arrearage, aging, prior delinquencies and forbearance, application data from servicing platform	Delinquency severity and trajectory	Used, but often in isolation
Relationship data	Other products held: deposits, credit cards, brokerage, personal loans; transfers, remittances and payments; digital engagement (logins, clicks, app use)	Liquidity, loyalty, and total exposure	Held by bank but rarely joined to collections view
External and macro data	Bureau data; bankruptcy, lien, divorce and death records; employment sector; home price index by ZIP code; unemployment claims; disaster events and government response; rate environment	Shocks the borrower is exposed to and early warning of distress	Frequently purchased for marketing but not applied to delinquent population
Hardship data	The reason for default and borrower's current sources of income	Whether the problem is temporary or structural; and which resolution fits	Usually missing or buried in unstructured agent notes

Three observations follow for executives:

- **Hardship is the most valuable dimension—and the one most often missing**. The reason for default is worth more than any other data element, including income and payment history. A borrower who lost a job in a sector that is rehiring needs a very different resolution from one going through a divorce. The solutions model is designed to capture this data directly from the borrower at first contact.
- **Much of the data is already paid for.** Most banks purchase bureau, public records, and property data from third-party providers, then use it primarily to target marketing offers. Pointing the same data at the delinquent portfolio is among the highest-return, lowest-cost moves available.
- **Macro context changes the risk picture overnight.** In spring 2020, a hospitality worker in Orlando represented a far higher default risk than their payment history suggested. Regional employment, sector trends, and catastrophic events must flow into models in near real time. Generative AI now makes it practical to add unstructured data (e.g., call transcripts, agent notes, correspondence) to the same view.

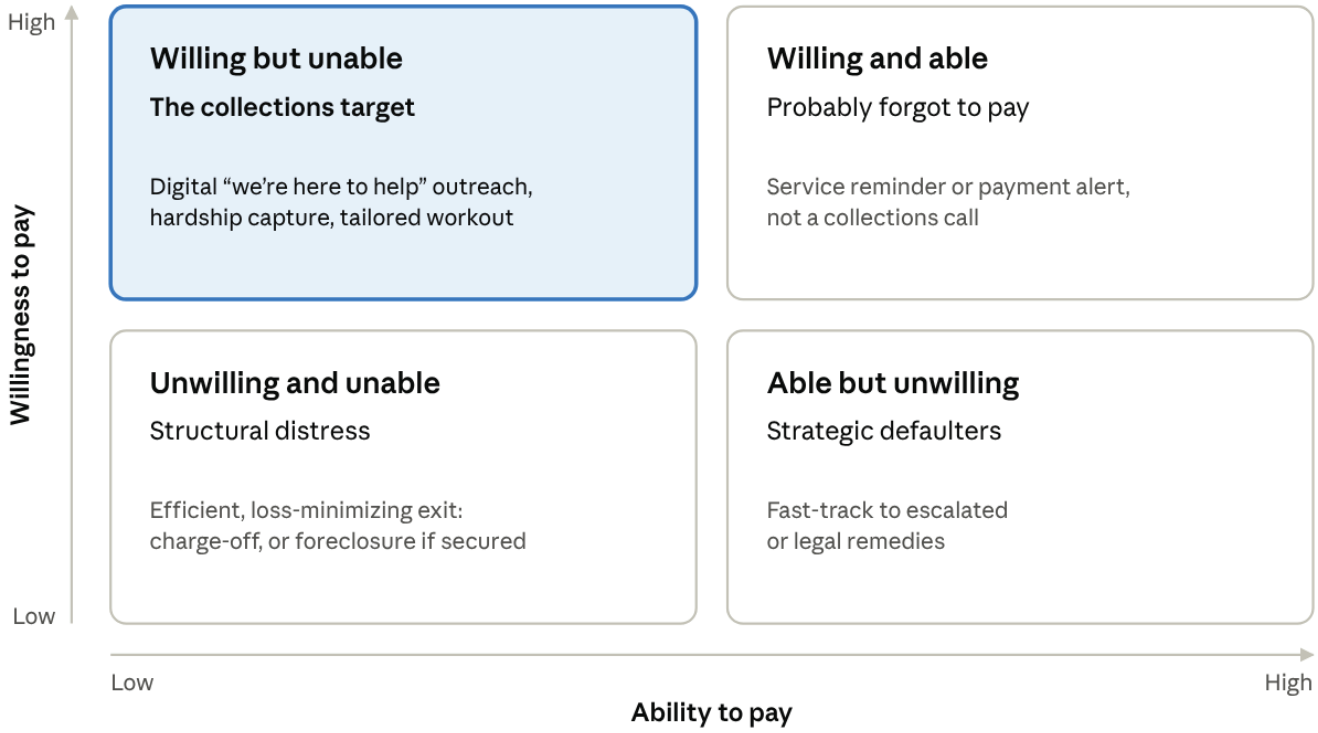
Delivering this view requires a consolidated, governed data store with a single source of truth, clear lineage, and data quality management. That foundation serves the entire customer lifecycle, not only collections.

Segmentation: Willingness and Ability to Pay

With four dimensions of data in place, an ML engine can place every delinquent borrower on two axes: **ability to pay** inferred from balances, income signals, employment, and regional trends; and **willingness to pay** inferred from payment hierarchy, engagement, and sentiment in prior interactions and confirmed by the borrower's response to outreach. The result is a four-quadrant segmentation in which each quadrant receives a fundamentally different treatment.

EXHIBIT 1. WILLINGNESS AND ABILITY SEGMENTATION AND TREATMENT BY QUADRANT

Only one quadrant needs active collections effort.



Source: Berbel (2026).

- **Willing and able: service, not collections.** These customers have always paid and have probably forgotten. They receive a service reminder or payment alert, not a collections call. Routing them to collections wastes capacity and damages a profitable relationship.
- **Willing but unable: the collections target.** Customers who want to resolve but have experienced hardship are where outreach and workout options change outcomes and the digital, inbound model concentrates its effort.
- **Able but unwilling: escalate.** Strategic defaulters with stable credit, available liquidity, and current payments on other obligations who decline to engage after repeated outreach are fast-tracked to escalated or legal remedies.
- **Unwilling and unable: exit efficiently.** Borrowers with no recent payments, broad delinquency, liens, or pending bankruptcy are routed to the most efficient loss-minimizing path rather than to repeated dialing.

Product context matters. In unsecured lending, the bottom-left quadrant usually ends in charge-off and recovery. In mortgage, collateral changes the calculus: borrowers want to keep their homes, which gives servicers substantial but underused leverage to reach a workout. For secured loans, *unwilling and unable* generally means foreclosure or liquidation rather than write-off, and loss severity depends on local home values. That is one more reason ZIP-level home price data belongs in the model.

Segmentation is dynamic, not a one-time score. Customer circumstances evolve and devolve. The same engine should rescore the portfolio at each stage of delinquency: for example, at day sixty to identify borrowers who no longer need outreach and those whose position has deteriorated. Reinforcement learning allows models to adjust continuously as outcomes arrive, rather than waiting for an annual redevelopment cycle.

Engineering the Inbound Contact

Once the *willing but unable* segment has been identified, the objective of first contact changes to: **get the borrower to reach into the bank through an authenticated channel, and tell us what happened.**

A digital-first, "we're here to help" campaign

The bank already holds verified contact details for its own customers from origination and servicing. The campaign uses them to place a consistent, supportive message across every channel the customer uses: email, text, banners in online banking and the servicing portal, and in-app messages. Four design principles distinguish an effective campaign:

1. **Behavioral design.** Messaging is built with behavioral science techniques (e.g., a clear incentive to engage, a single low-effort call to action, social and loss-aversion framing) to produce the highest probability of interaction. It looks and feels like a well-designed customer communication, not a dunning notice.

2. **Templated, not bespoke.** Communications are drawn from a small library of approved templates varied by risk tier, balance, arrearage, and days past due. Tone firms up as delinquency ages. Templates keep compliance review manageable and outcomes measurable.

3. **Channel and timing intelligence.** The AI engine selects each customer's preferred channel and the best time to reach them and suppresses bad or incorrect contact information.

4. **No links.** Outreach directs customers to the bank's authenticated website, app, or published phone number rather than an embedded link. This removes a common phishing vector and protects the brand.

Right-party contact redefined

In the outbound model, RPC is an authentication hurdle: the agent must confirm that the person who answered is the borrower. In the inbound model, borrowers authenticate themselves by logging into the app or portal or calling from a verified number. **Every authenticated inbound response is an RPC.** This is why RPC rates rise so sharply: the customer reaches the bank rather than the bank hunting for the customer.

On arrival, the borrower answers three questions:

1. What is the reason for your delinquency?
2. Is your hardship long or short term?
3. Do you have a current source of income or expect a future source of income?

That is all that is required at this stage. The bank thanks the customer and commits to tailoring a resolution. The hardship data captured here—the fourth and most valuable dimension—flows directly into the decision engine. Opening the email or answering the text itself is a signal of willingness that sharpens the segmentation.

Compliance redefined

An inbound, authenticated contact is compliant by design. Many compliance failures in collections trace back to the unstructured nature of outbound conversations. Calls are placed at the wrong time or too often, debt information is disclosed to a third party that answers the phone, and agents improvise questions about income, expenses, and hardship. Offers are then structured on the fly, under pressure to secure a promise to pay. Each of these is a point where unfair, deceptive, or abusive acts or practices (UDAAP), Fair Debt Collection Practices Act (FDCPA), fair lending, and servicing requirements can be breached and where treatment of similar customers drifts apart.

The inbound model removes most of these conditions at the source. The borrower chooses when and how to engage, so contact frequency and time-of-day exposure largely fall away. Identity is confirmed through the borrower's own secured channel before any account detail is discussed. Hardship and income information have already been captured through structured digital questions. Most important, the resolution itself has been generated by the decision engine within approved policy and investor guidelines, with its rationale recorded and auditable, before the conversation begins.

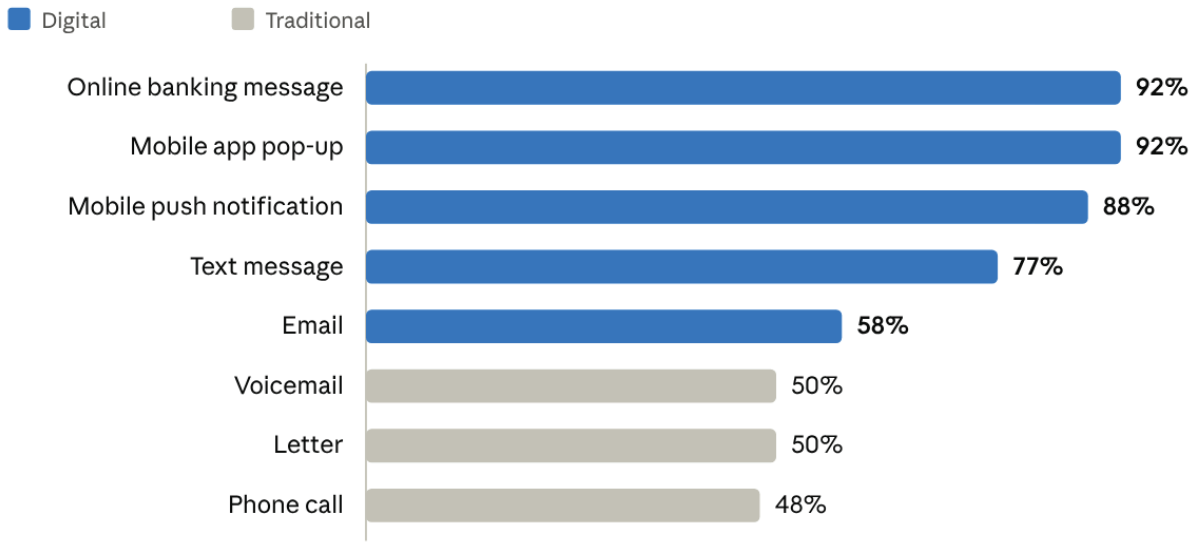
The customer service representative becomes a customer advocate. When a customer chooses to call, the representative is not gathering financial data, probing for hardship details, or structuring a cure in real time. Instead, the representative presents the prequalified solution the bank has already prepared, answers the customer's questions, and helps them complete the transaction. The conversation is shorter, more amicable, more consistent, and easier to monitor. Customers receive the same treatment for the same circumstances, and every step leaves an audit trail. The result is a dramatic reduction in compliance failures and a better experience for both the customer and the employee.

The evidence on channels

Customer response data supports the shift. In McKinsey research on US card issuers, customers contacted through digital channels were more likely to act than those reached by phone, voicemail, or letter; and full-payment rates in digital channels were roughly two to four times those of traditional channels. Digital-first customers were 12% more likely to pay when contacted through their preferred channel in early delinquency, rising to about 30% beyond thirty days past due.

EXHIBIT 2. CUSTOMERS CONTACTED ABOUT A PAST-DUE BALANCE

Customers act on digital prompts far more often than on phone calls.
Share of contacted customers who took action, by contact channel (%)



Customers of U S credit card issuers contacted about a past-due balance.

Source: Higginson, Jacques, and Kushta (2019).

The regulatory environment now accommodates this model. The Consumer Financial Protection Bureau's Regulation F, effective November 2021, clarified how email and text messages may be used in debt collection, including opt-out requirements and a presumptive limit of seven call attempts in seven days for third-party collectors. Many first-party lenders apply similar standards as best practice, which further tilts the economics toward digital, inbound engagement.

From Contact to Cure: AI-Driven Resolution

RPC is the beginning of resolution, not the end. The hardship answers captured at first contact trigger a second pass of the decision engine to identify the resolution with the **highest propensity to cure.**

Next best offer. The engine combines the borrower's stated hardship and income position with all four data dimensions and generates a ranked set of treatment options. These might include a payment reminder and grace, short-term forbearance, a repayment plan, a loan modification, a settlement, or, where the situation is structural, a managed exit such as a short sale or deed-in-lieu. Accuracy improves over time because every executed treatment and its outcome feed back into the model.

Workout structuring and prequalification. Offer terms are structured by the engine within predefined eligibility rules and investor or policy guidelines with the rationale recorded for audit. Borrowers can be conditionally prequalified so the second outreach carries a concrete proposal: "Here is the solution we have prepared for you. Review it and contact us by app, portal, or phone to accept."

Honest outcomes. A solutions model does not always produce a happy ending. If the reason for default is a divorce and the arrearage is large, the answer may be to sell the property in an orderly way. The discipline is to find the right resolution quickly rather than prolong a cycle of broken promises and re-default.

Re-default prevention. The same early warning models that identify distress before the first missed payment also monitor borrowers on workout plans, flagging deterioration early enough to adjust terms before a second default.

Across the default lifecycle

The approach applies at every stage, with the engine re-segmenting the portfolio as accounts age:

Stage	Typical window	Primary objective	Role of the engine
Early collections	Days 1–30	Separate forgot-to-pay from hardship; generate inbound RPC	Segmentation, channel and timing selection, service reminders
Loss mitigation	Days 30–90 (mortgage 60–90)	Structure the workout with the highest propensity to cure	Next best offer, prequalification, re-segmentation at 60 days
Late stage	90+ days to charge-off or foreclosure referral	Minimize loss; escalate strategic defaulters	Recovery valuation, legal fast-track, exit strategy selection
Post-workout	Ongoing	Prevent re-default	Early warning, proactive plan adjustment

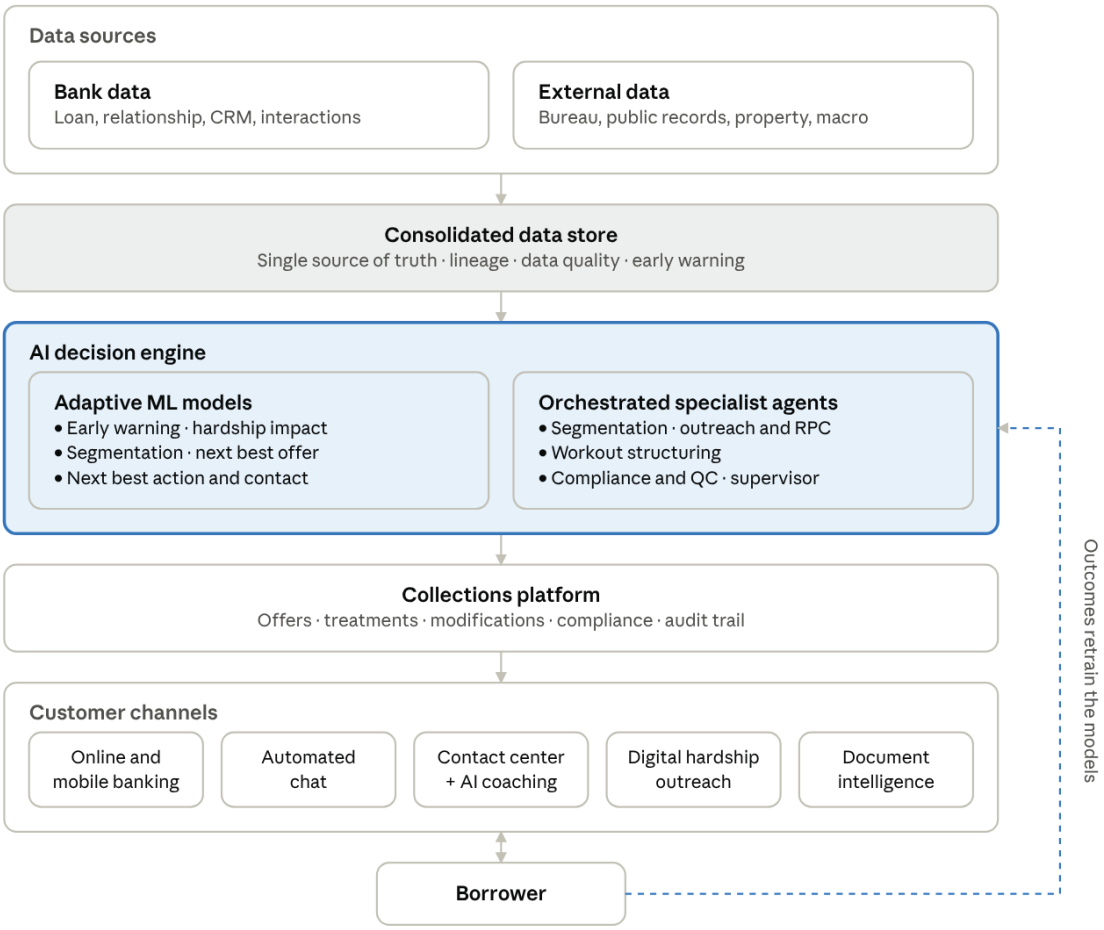
For unsecured products, the late stage runs to regulatory charge-off at 120 days for closed-end and 180 days for open-end credit. For mortgage, loss mitigation timelines under Regulation X, including live-contact and written-notice requirements early in delinquency, must be built into the workflow.

The Enabling Architecture

The solutions model rests on an integrated, end-to-end architecture in which data flows in, decisions flow out, and outcomes flow back. Importantly, it does not require a wholesale platform replacement. The engine's output—a prioritized list of who to contact through which channel and why—plugs into the bank's existing marketing or servicing communications stack.

EXHIBIT 3. DIGITAL COLLECTIONS SOLUTION ARCHITECTURE

One engine turns integrated data into inbound contact and resolution.



Source: Berbel (2026).

Consolidated data store. Internal loan, customer relationship management, and other relationship data are joined with bureau, public records, property, employment, and macroeconomic feeds into a governed single source of truth with lineage, quality controls, and an early warning layer.

AI and ML engine. A family of adaptive models, supported by an action catalog, scorecards, and interaction history, delivers early warning, hardship impact assessment, segmentation, next best offer, and next best action and contact. A macro-insights capability projects hardship volumes and deferral demand by geography and segment, informing capacity, liquidity, and capital planning.

Collections platform and channels. A central platform manages offers, treatments, modifications, compliance, and audit and connects to every customer touchpoint: online and mobile banking, automated chat, contact center, digital hardship outreach, and document intelligence for intake and verification.

Orchestrated specialist agents

The emerging design pattern for AI in operations involves a **team of specialist agents**, each trained and qualified for a narrow role and coordinated by a supervisor agent. The analogy is a well-run collections team: one specialist each for segmentation, outreach and RPC, and workout structuring; an independent compliance and quality-control reviewer; and a manager coordinating the work.

These agents are trained the way a bank would train new analysts: orientation to the business, a curated reading list of policies and regulations, a documented step-by-step procedure that captures expert reasoning, and supervised practice with feedback. Critically, each agent is restricted to a **ring-fenced, bank-approved knowledge base**, not open internet content.

Deployment follows an expert-in-the-loop discipline. Agents work in a sandbox, then on live data under full review, and are released into production only once they perform to a defined accuracy standard (e.g., 95%) and can reliably recognize when they are uncertain. Uncertain cases are routed to a human specialist whose decision is fed back into training, so accuracy improves steadily over time.

Augmenting the human workforce

AI changes the work of collections agents rather than eliminating it. **Skill-based routing** directs customers with high willingness or ability to newer agents and customers facing complex hardship or frustration to experienced specialists. **AI coaching** monitors call reasons, emerging issues, customer distress signals, and complaints in real time, guiding agents and surfacing product or service breakdowns. **Automated documentation** captures hardship details and overlays history so that handoffs are seamless and customers never have to repeat their story.

Controls by Design

A frequent objection to digital collections involves regulatory risk. In practice, a well-designed inbound model is **easier to control** than an outbound dialing operation. It replaces thousands of unscripted phone conversations with a small number of approved templates, systematic screening, and a complete digital audit trail. The shift to borrower-initiated contact also reduces exposure to contact-frequency and time-of-day violations.

Controls are embedded at three points in the process and can be executed by a dedicated compliance agent operating independently of the agents that segment and contact customers:

1. **Before outreach: list screening.** Every contact list is screened to remove deceased borrowers, customers in active bankruptcy, servicemembers protected under the Servicemembers Civil Relief Act, customers with cease-communication requests or channel opt-outs, and anyone excluded by bank policy. Consent for text and electronic delivery is verified.

2. **In the message: content review.** Templates are reviewed against UDAAP standards to ensure language is neither deceptive nor abusive and include required collections disclosures clearly. Where the FDCPA and Regulation F apply, their channel, frequency, and opt-out requirements are enforced; for mortgage, Real Estate Settlement Procedures Act and Regulation X loss-mitigation requirements govern requests for information and workout offers. Because initial outreach is high level and templated, the compliance lift is modest.

3. **In decisioning: fair treatment and auditability.** Segmentation and offer models are tested for disparate impact under Equal Credit Opportunity Act and fair lending standards, with bias detection built into model development and monitoring. Every decision, offer, and communication is logged with its rationale, supporting regulatory lookback, model risk management, and internal audit.

The design principle is to build an efficient process first and then layer controls systematically across it, rather than allow compliance considerations to fragment the design. The result is a process that is more effective and defensible than the one it replaces.

The Value at Stake

The benefits of the solutions model compound across three objectives: **recovery maximization, cost optimization, and customer experience**. BRG client experience and published industry research point in the same direction.

Value lever	Mechanism	Indicative impact
RPC	Inbound, authenticated contact; AI-selected channel and timing	10–15% RPC lift in pilot; 25%+ at scale (BRG client experience)
Recoveries	Better targeting, hardship-based offers, faster cure	~10% recovery improvement with generative AI (McKinsey, 2024); 20% cash collections uplift and 20–25% lower NPLs from analytics-led, digital-first programs (McKinsey, 2021)
Charge-offs	Self-cure identification, value-at-risk prioritization, cure vs. pre-charge-off offer optimization	5–15% lower charge-offs from value-at-risk models; 10–20% from offer optimization (Crespo and Govindarajan, 2018)
Cost to collect	Reduced dialing, self-service, risk-based prioritization of low-risk profiles	Up to 40% lower operating expense with advanced generative AI (McKinsey, 2024); 30%+ savings from ML-automated communications at one European bank (Crespo and Govindarajan, 2018)
Agent productivity	Skill-based routing, AI coaching, automated documentation	Up to 14% agent productivity gain; ~10% lower handle time (McKinsey, 2024)
Customer experience	Supportive messaging, preferred channels, self-service	Up to 30% higher customer satisfaction (McKinsey, 2024)
Workforce	On-demand guides, intuitive tools, less adversarial work	Shorter training times; higher agent retention (BRG client experience)
Compliance	Borrower-initiated, authenticated contact	Dramatically fewer compliance failures: reduced contact-frequency, time-of-day and third-party disclosure exposure; consistent treatment of like customers for fair lending (BRG client experience)
Risk and reputation	Templated communications, automated screening, full audit trail	Fewer complaints and control failures; lower reputational risk (BRG client experience)

These figures come from different institutions, products, and time periods and should not be summed. They are best read as a range of what well-executed programs have achieved. A bank's own opportunity should be sized from its portfolio, contact data, and cost base during the assessment phase.

The strategic value extends beyond the profit and loss. A borrower helped through a hardship with dignity is a customer retained. A default operation that scales through automation rather than headcount is a source of resilience in the next downturn.

A Phased Path to Value

The transformation is best delivered in stages that prove value early and fund the next step. A focused pilot on a single product and a single segment, typically the *willing but unable* population in early stage delinquency, can demonstrate RPC and cure-rate improvement within months while the multiyear roadmap is built in parallel.

1. **Assess.** Map current-state collections processes, contact strategy, and economics. Inventory the four data dimensions and assess data readiness, including which external data the bank already purchases. Define configuration requirements and size the opportunity. *Gate: a quantified business case and prioritized pilot scope.*

2. **Design and build.** Develop the segmentation and decision models, treatment and offer strategy, behaviorally designed outreach templates, and control framework. Integrate outputs with the existing communications stack. Test in a sandbox against historical data. *Gate: model validation, compliance signoff, and a champion–challenger test design.*

3. **Pilot.** Run the digital, inbound strategy against a control group using current processes and reporting. Measure RPC rate, promise-kept and cure rates, roll rates, cost to collect, and customer satisfaction. Feed outcomes back into the models. *Gate: statistically significant uplift against control.*

4. **Scale.** Execute a multiyear roadmap that extends the model across products, delinquency stages, and channels; adds the resolution engine and self-service workout experience; and introduces orchestrated agents as each earns production qualification.

Sequencing matters. Start where data is richest and leverage greatest. Mortgage is the most complex product, but its collateral and long customer relationships make it the most powerful proof point for the inbound model. Cards and personal loans offer volume and speed to results.

Questions for the Executive Team

Leaders considering this transformation can test their organization's readiness with six questions:

1. What share of our collections contact is outbound, and what is our RPC rate per dial?
2. How many data dimensions does our collections segmentation use, and which purchased external data sits idle for the delinquent population?
3. Do we capture the reason for default systematically, at first contact, in structured form?
4. How much agent capacity is spent on customers who would have self-cured?
5. For any individual customer, could we show why they were contacted, through which channel, and why they received the offer they did?
6. If delinquencies doubled next year, could our default operation scale without increasing headcount?

Closing Perspective

Collections have long been treated as a cost center to be managed rather than a customer moment to be designed. That view is no longer tenable. The tools exist to understand each delinquent borrower in depth, invite them to engage on their own terms, and structure a resolution with a high probability of success—at lower cost and with stronger controls than the dialer-driven model allows.

Banks that flip the model from outbound transactions to inbound solutions will recover more, reduce costs and compliance failures, and strengthen customer retention. The question for most institutions is how quickly they can begin to make this shift.

For more information about this point of view, contact:



Maurice Berbel
Managing Director
Financial Institution Advisory
Technology & Operations
mberbel@thinkbrg.com

Sources

Berbel, Maurice, *Digital Collections: Transforming Collections from an Outbound Transaction Model to an Inbound Client Solutions Model* (2026); and working sessions on segmentation and right-party contact in default servicing.

Consumer Financial Protection Bureau, "Debt Collection Rule FAQs" (last modified March 13, 2024).

Crespo, Ignacio, and Arvind Govindarajan, "The analytics-enabled collections model," McKinsey & Company (April 23, 2018).

Federal Reserve Bank of New York, "Household Debt Balances Decreased Slightly; Credit Card Delinquency Transition Rates Remained Steady," press release (August 11, 2026).

Higginson, Matt, Frédéric Jacques, and Glen Kushta, "The customer mandate to digitize debt collection strategies," McKinsey & Company (July 29, 2019).

Higginson, Matt, Frédéric Jacques, Marta Matecsa, and Davide Tesini, "Going digital in collections to improve resilience against credit losses," McKinsey & Company (April 29, 2019).

McKinsey & Company, "Holistic customer assistance through digital-first collections" (May 21, 2021).

McKinsey & Company, "The promise of generative AI for credit customer assistance" (June 25, 2024).

BRG combines world-leading academic credentials with world-tested business expertise, purpose-built for agility and connectivity, which sets us apart—and gets you ahead.

Our top-tier professionals include specialist consultants, industry experts, renowned academics, and leading-edge data scientists. Together, they bring a diversity of proven real-world experience to economics, disputes, and investigations; corporate finance; and performance improvement services that address the most complex challenges for organizations across the globe.

Our unique structure nurtures the interdisciplinary relationships that give us the edge, laying the groundwork for more informed insights and more original, incisive thinking from diverse perspectives that, when paired with our global reach and resources, make us uniquely capable to address our clients' challenges.

VISIT THINKBRG.COM TO LEARN MORE.

Copyright ©2026 by Berkeley Research Group, LLC. Except as may be expressly provided elsewhere in this publication, permission is hereby granted to produce and distribute copies of individual works from this publication for non-profit educational purposes, provided that the author, source, and copyright notice are included on each copy. This permission is in addition to rights of reproduction granted under Sections 107, 108, and other provisions of the US Copyright Act and its amendments.

Disclaimer: The opinions expressed in this publication are those of the individual author and do not represent the opinions of BRG or its other employees and affiliates. The information provided in the publication is not intended to and does not render legal, accounting, tax, or other professional advice or services, and no client relationship is established with BRG by making any information available in this publication, or from you transmitting an email or other message to us. None of the information contained herein should be used as a substitute for consultation with competent advisors.