

# Staff Training And Recognition

**STAR** is a complete self study course that provides:



- ✓ *Flexibility for employees*
- ✓ *Credit union specific training*
- ✓ *Training tailored to front-line staff*
- ✓ *Activities to practice lessons learned*
- ✓ *A 40-question test for participants*
- ✓ *A certificate program that rewards achievement*
- ✓ *College credit for selected courses*

**Successful  
Collections:  
Balancing Member Service  
and Credit Union Interests**



## Contents

STAR courses are focused on the development of frontline and operational staff. The enclosed table of contents and introduction section provides a general overview of the topics covered in this course.

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## Introduction

Lending is central to the mission of every credit union. We make funds available at a reasonable cost to members to help them improve their financial lives. Granting a loan assumes that the member will repay the obligation, on time and in full. The vast majority of members live up to this responsibility by repaying their loans promptly, thereby protecting their own creditworthiness and the savings of fellow members. Unfortunately, however, not all of them do.

That's why effective collections is so important. By minimizing the losses due to unpaid loans, the assets of all members are safeguarded. The collections department is part of an overall risk management strategy. It's one of the best ways to ensure effective stewardship of member resources entrusted to a credit union. It's always more pleasant

to lend money than to collect it. Yet, a credit union's financial stability depends on timely repayment, and delinquent loans cannot go unpaid.

Over the past decade, the collections process has changed dramatically, not only in credit unions but throughout the financial services industry. Today's successful collectors can't afford to be heavy-handed in their dealings with members. They've developed methods that respect the rights and privileges of the debtor and also improve the recovery rate of credit union funds.

STAR module S220, Collections, introduces credit union staff members to the subject and presents the fundamental tools used by collectors in practicing their trade. This module builds on the basic principles and procedures covered in module

S220. It demonstrates the techniques used by today's successful collectors, and it challenges you to apply those techniques to real-life situations. Completion of module S220, however, is not a prerequisite to successful study of this module.

Today's collectors are trained professionals whose high standards ensure both creditors and debtors of ethical and efficient procedures. Collectors' activities are governed by both law and regulation, including the Fair Debt Collection Practices Act, the Soldiers and Sailors Civil Relief Act, bankruptcy statutes, the Uniform Commercial Code, and numerous state laws and regulations. For a review of the laws applicable to various lending activities, see module S210, Lending Products and Regulations.



## Introduction (cont.)

In this module, chapter 1 presents the member service role played by collectors. Even when delinquent, a debtor may have great potential as a long-term asset to the credit union. The methods of today's collector are a result of increased consumer education, the laws that regulate the industry, and an understanding that collections should produce solutions, not problems.

In chapter 2 we look at the psychological underpinnings of delinquency. These factors involve both the motives of the delinquent member and the methods available to address those motives—acting within legal and ethical guidelines. We examine the causes of delinquency, the profile of a typical debtor, and the kinds of appeals that are most productive in recovering funds.

Communication is a key element in successful collections practice. Chapter 3 examines the communication process and the skills a collector needs to develop in dealing with debtors. We review the ways in which communication skills can be honed and offer a communication model upon which to base member relations.

The successful collector now helps members with information on alternatives to work themselves out of delinquency. In chapter 4 we take a look at those alternatives, including specific tips for contacting members, and the alternatives to legal action that the credit union can pursue in obtaining repayment.

As a credit union staff member, you are not expected to set policy on lending and collections for the organization.

However, an introduction to best practices in this area will serve you well in understanding the larger picture of collections. Chapter 5 takes a look at those practices by examining how the credit union can segment its risks for greater effectiveness, the role played by incentives, the internal auditing function, and more.

Larger lending issues, including credit scoring, risk-based lending, and bankruptcy, are important subjects related to collections. In chapter 6, we review the basics and give a synopsis of the reforms in the U.S. Bankruptcy Code supported by the credit unions. We also look at who is likely to declare bankruptcy, who benefits from bankruptcy, and how financial institutions respond to the rising wave of bankruptcies.

In chapter 7, we consider the special circumstances involved in



## Introduction (cont.)

real estate defaults. No credit union wants to see a member become so mired in financial distress that foreclosure becomes necessary. But there are times when there is no alternative, and the funds of other members must be protected.

Each chapter in this module opens with a case study based on actual events from the files of credit unions. In some case studies, we changed the names to protect the privacy of members. Throughout the module, activities are presented

to allow you to apply what you've learned to these case studies.

Your credit union is certain to have unique delinquency problems requiring specific solutions. Although this module provides practical information to address collections, it can't cover every possible delinquency problem. Although the procedures discussed here have proven effective in many credit unions, you may need to customize the solution to meet your own requirements.

## Successful Collections

Remember, too, that laws pertaining to collections differ among the states. It pays to check state statutes and regulations to ensure that your collections efforts comply with current consumer laws. If you work in the collections department, you know that your manager is likely to seek legal advice in any case that requires special handling. The time and attention of an attorney can be a good investment. If you have questions in this area, be sure to consult your supervisor.



## STAR General Information

The Staff Training and Recognition (STAR) Program focuses on the needs of frontline and operational staff. STAR offers 43 practical, job-specific courses in twelve operational areas. Videotapes are also available to enhance and enrich your learning experience.

For more information on STAR:

1. Visit [training.cuna.org](http://training.cuna.org) and choose "self-study certificate programs".
2. Call (800) 356-9655 ext. 4072
3. email [eLearning@cuna.com](mailto:eLearning@cuna.com)

### Ordering STAR is easy

*Print-Based Courses and Exams*

Contact your league for prices on specific courses, exams, leader's guides, and certificates. Credit unions in Alaska, California, and Nevada can order from CUNA Member Service at 1-800-356-8010, press 3.

### Explore the benefits of CUNA CPD web-based education

STAR courses are also available online with affordable subscription pricing or as individual *eCourses*. Our *eCourse* subscription offers STAR and *RegTraC* compliance courses and provides unlimited access 24/7. Web-based courses include text, graphics, animation, and audio for an interactive learning experience.

### Now you can test online!

Online exams are cost-effective and offer immediate exam scoring. No need to wait for test results in the mail!



Get **FREE** unlimited access to STAR and *RegTraC* online courses for 30 days! Check out our courses and decide if an annual subscription is right for you.

### For more information on eCourse & Exams

Visit [training.cuna.org](http://training.cuna.org), choose "eLearning", then "ecourses and exams"

### Highlights of **STAR** Courses:

- ✓ **Over 40 practical job-specific training courses**
- ✓ **Credit union-specific language and case studies**
- ✓ **College credit for selected STAR courses**
- ✓ **Certificates and lapel pins awarded for each track**
- ✓ **One exam included with each course**