



Is Digital Dangerous?

Understanding the Benefits and Risks of Using AI and Digital Communications in Delinquent Customer Engagement

Table of Contents

Part 1:

Introduction to AI / Use Cases in Debt Collection



Chapter 1: Intro to AI



Chapter 2: AI Buzzwords to Know



Chapter 3: Use Cases in Debt Collection

Part 2:

Is Digital Dangerous? Breaking Down the Benefits and Risks in Debt Collection Communications



Chapter 4: Regulations in Debt Collection



Chapter 5: Deliverability and Domain Reputation



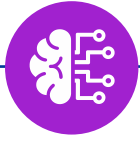
Chapter 6: Customer Experience

Part 3:

Retain by TrueML Products



Chapter 7: The Retain Approach and Benefits



Chapter 1: Intro to AI

An Introduction to Artificial Intelligence for Businesses

Artificial intelligence (AI) has quickly transformed from a vague, theoretical technology into an almost ubiquitous term seemingly overnight. Tools like ChatGPT, Voice.AI, DALL-E and Gemini have made AI widely accessible and found their way into many personal and business uses. But these tools only scratch the surface of use cases for AI. Today, businesses use AI for tasks from automating back office operations to consumer behavior analysis and engagement and myriad tasks in between.

As businesses use AI in more areas, they will see benefits in the forms of improved productivity, reduced costs, higher efficiency and even opportunities for growth. While the benefits of using AI in business are robust, that doesn't mean the technology doesn't come with potential downsides.

Let's take a look at how businesses can use AI to improve performance and some of the risks to consider if you want to put these new technologies to use.

Benefits of Using AI in Business

Efficient Automated Workflows: Automating routine and tedious tasks can make workflows more efficient, freeing up employees to focus on more important projects that are better served by humans and leading to cost savings. AI enables businesses to handle tasks at scale and with speed that humans can't achieve.

Understanding Consumer Behavior: When a business understands its customers and their behaviors, it can better serve them through tailored experiences. Using machine learning, AI systems can track, analyze and process human sentiments and behaviors, giving businesses invaluable insights.

Data-Driven Decisioning: Instead of relying on best guesses or estimations influenced by personal biases, businesses can leverage their data to better understand situations and make informed decisions.

Personalizing Customer Experiences: Using customer data combined with larger data sets, AI systems can determine what is most likely to resonate with individuals, offering a level of personalization that consumers have come to expect from businesses today.

Monitoring for Quick Action: Businesses can benefit from always-on, real-time monitoring powered by AI, which enables faster response times when something goes wrong.

Reducing Human Error: Even the most seasoned experts are prone to making mistakes, especially when dealing with large volumes or complex situations. Businesses can use AI to ensure they are following rules and regulations to avoid costly compliance violations and poor customer experience, which is critical in highly regulated industries such as consumer finance.

As businesses accelerate AI integrations to realize these benefits, they are also faced with challenges and risks, as with any new technology or process.

Broad concerns around AI range from bias and government regulation to data management and security, not to mention the existential threat of AI replacing human talent altogether.

Some of these risks are more tangible than others, and many of them can be mitigated through due diligence when adopting and implementing AI.

Let's look at some of the real risks you should consider when bringing AI into your business.

 **Ethical Concerns:** AI use raises ethical concerns around bias, accuracy, accountability and transparency. AI systems are built by humans and trained on data, both of which can be inherently biased or inaccurate. Those biases or inaccuracies might be perpetuated during the training and deployment of AI, resulting in skewed outcomes.

 **Precaution:** Your business or provider should implement an AI governance policy driven by relevant compliance frameworks that promote responsible development and use of AI and put bias and accuracy mitigation processes in place across the development and testing cycle.

 **Cybersecurity and Data Privacy Threats:** Using AI could result in the intentional or inadvertent collection or dissemination of data, making it easier for bad actors to access data and launch cyberattacks or fraud, and could also violate various statutes. For example, nearly one quarter of commonly used generative AI tools are not adequately secured, creating data security threats that can be costly or detrimental to a business.

 **Precaution:** Your business or provider should apply its existing information security and data privacy policies to AI tools, and ensure that they are updated to address any unique risks associated with AI (e.g., safeguarding training and customer data, continuous testing and training on proper use of such tools, etc.)



Regulatory Oversight: In order to ensure AI is used properly and mitigate risks, many governments are starting to regulate AI development and implementation. In a rapidly changing landscape, it can be difficult to keep up with what you can or can't do, or how things should be done, which can expose you to compliance risk.



Precaution: Your business or provider should establish an AI governance policy that includes monitoring and adjusting AI activities to comply with applicable laws. This isn't a set-it-and-forget-it operation. Having ongoing legal expertise or consulting is critical to keeping up with this risk.



Lack of Explainability, Transparency and Accountability:

The inner workings of AI models and algorithms are complex and to some extent a mystery, even for the data scientists who build them. Inability to understand or explain why an AI-generated outcome came to be can erode trust in the process and hide potentially risky activities. Uncertainty about who is accountable when an AI system goes awry and who is responsible for any negative outcomes can lead to a risk position too exposed for many organizations.



Precaution: Your business or provider should track and record details of both human and AI decisions made during the design, development, testing and deployment processes so they can be referenced if needed. Audit and standards of review should be addressed in AI governance policies and standards for explainability and transparency should also be set.

As you can see, integrating AI technology into your business operations presents both benefits and risks. Taking a responsible and comprehensive approach to AI means taking steps to reduce or remove the potential risks, and the result is unlocking a transformative tool for your business to carry it into the future. If you opt to build in-house AI programs, mitigating these risks is your business' responsibility, and if you use an AI-enabled product, make sure your provider is checking all the boxes for responsible AI development and implementation.



Chapter 2: AI Buzzwords to Know

Must-Know Buzzwords for Businesses Exploring Artificial Intelligence

If you're looking to put AI to work for you, you should start by understanding the basics to determine when and how to use which type of AI. Here's a look at some key AI-related terms that will help you understand the basic functions and breadth of this technology. Master these terms and you'll be on your way to productive conversations about leveraging AI in your business.

Artificial Intelligence (AI): AI is a blanket term describing a range of computer science capabilities designed to perform tasks typically associated with human beings.

AI Models: Software programs trained to perform specific tasks when analyzing large data sets. Models are trained using specific data to recognize certain patterns and relationships, and then use this information to make predictions.

Big Data: Big data describes large and diverse datasets that are huge in volume and also rapidly grow in size over time and that cannot be easily managed or analyzed with traditional data processing tools.

Conversational AI: AI technology that enables computers and software systems to engage in human-like conversations. It focuses on creating interactive and dynamic interactions between humans and machines, typically through chatbots, virtual assistants or voice-based interfaces.

Data Science: A cross-discipline combination of computer science, statistics, modeling and AI that focuses on utilizing as much as it can from data-rich environments. Data science requires massive amounts of data from various sources in order to build the models to make intelligent business decisions.

Data Mining: Data mining describes the process whereby you dig through data to discover hidden connections and patterns, and then use this data to predict future trends. Most often it uses a combination of machine learning and artificial intelligence and is very much related to Big Data.

Deep Learning (DL): Deep learning is a subset of machine learning that uses artificial neural networks to teach computers to perform tasks in a way that mimics the human brain. Deep learning models can analyze complex data patterns, such as text, images, and sounds, to make predictions and provide insights.

Generative AI: AI that creates new content like images, text, sound, etc. ChatGPT and Gemini are examples of tools using generative AI.

Hyper-personalization: Just like it sounds, hyper-personalization involves leveraging data, analytics, AI and automation to deliver highly customized and individualized customer experiences.

Intelligent Automation (IA): Sometimes called cognitive automation, IA uses automation technologies — such as artificial intelligence (AI) and robotic process automation (RPA) — to streamline and scale decision-making.

Large Language Models (LLMs): A type of machine learning model designed for natural language processing tasks such as language generation. LLMs are language models with many parameters, and are trained with self-supervised learning on a vast amount of text.

Machine Learning (ML): Machine learning is a subset of AI that automatically enables a machine or system to learn and improve from experience. Instead of explicit programming, machine learning uses algorithms to analyze large amounts of data, learn from the insights, make informed decisions, and continuously, automatically learn and improve at a massive scale as more data is observed.

Natural Language Processing (NLP): NLP is a branch of artificial intelligence focusing on the interaction between computers and human language. It involves understanding, interpreting, and generating human language meaningfully and within context.

Neural Network: A type of machine learning model designed to mimic the working of the human brain. Training data are fed into an input layer, where each represents a specific feature of the data. The neurons in subsequent hidden layers process this information by assigning weights to the connections allowing the network to capture patterns and relationships within the data.

Predictive Analytics: The process of using data to forecast future outcomes. This process uses data analysis, machine learning, artificial intelligence and statistical models to find patterns that might predict future behavior.

Robotic Process Automation (RPA): RPA refers to using software robots (bots) to automate repetitive and rule-based tasks within business processes without the self-learning capabilities of AI. This AI-adjacent technology mimics human interactions, performing tasks such as data entry, manipulation, file transfers, etc.

Sentiment Analysis: A natural language processing (NLP) technique used to determine the emotional tone or sentiment from a portion of text. The intent is to try to determine the attitude, emotions or feelings of the author. Commonly, the analytics will classify responses as positive, negative, or neutral, although more granular sentiment classifications are also possible.

Knowledge is power, as they say, and the first step to adopting advanced technologies into your organizations is to gain a better understanding of the basics. The team at TrueML Products is here to break down the buzzwords into manageable, actionable initiatives for your business.

With a foundation in AI technology, TrueML Products' experts are ready to be your guide to leveraging a SaaS solution with these kinds of advanced technologies already baked in.



Chapter 3: Use Cases in Debt Collection

AI and Its Uses in Debt Collection

In debt collection, AI is already used in myriad ways, from customer segmentation and propensity-to-pay analytics to personalizing communications and recommending communication channels. In fact, as of 2023, 60% of third-party debt collection companies were in some stage of the deployment path to use AI in some way. Though the type of AI implementation may vary by company and use, they all share a common goal: optimize consumer engagement to drive debt repayment.

What Kind of AI is Used in Debt Collection and How?

AI is a broad field that refers to the use of technologies to build machines and computers that have the ability to mimic cognitive functions associated with human intelligence. Most people are familiar with ‘Generative AI’, which has become popular with ChatGPT and similar programs that create new content (images, text, sound, etc.). Generative AI is a type of ‘Deep Learning’, in which a stack of layers is used to transform input data into a slightly more abstract and composite representation.

For example, if your generative AI prompt is “write an email message reminding a customer of their past-due account in a friendly, helpful tone,” the request would pass through layers of neural networks, with each layer pulling in available data to inform the related aspect. The output will give you a good jumping off point, albeit one that could still use human editing.

Deep learning and generative AI are built on the back of ‘Machine Learning’. Machine learning (ML) is a subset of AI that automatically enables a machine or system to learn and improve from experience. Instead of explicit programming, machine learning uses algorithms to analyze large amounts of data, learn from the insights, and then make informed decisions.

How are debt collectors using AI today?

- Default risk analytics
- Propensity/willingness to pay analytics
- Customer profiling and segmentation
- Financial scoring
- Personalized communications
- Debt surveillance
- Intelligent document processing
- To recommend methods of communication
- To anticipate the behavior of the consumer
- To monitor worker performance and behavior
- Voice and speech analytics

How Does Machine Learning Solve Common Debt Collection Challenges?

Going back to consumer expectations, we can see how machine learning can address the personalization-at-scale challenge in a number of ways:



Content: What message will appeal to and compel a customer to read and respond?

- The machine learning feedback loop determines which message is more likely to resonate based on data points that align with an individual customer.



Channel: Which is the best channel to reach out to a customer: phone, email, SMS, or something different?

- Faster than a human can analyze, an ideal channel is selected based on the customer and in the process it will create new learnings to influence future decisions.



Time: How can I reach a customer at just the right moment and within compliance guidelines?

- Machine learning learns the most appropriate contact times to spur action and recalibrates timing if the first outreach doesn't land while adapting to regulatory compliance, which can be the difference between no engagement and recovering debt.



Resource Optimization: How do you determine how much effort to spend per customer and what that effort looks like?

- A machine learning-driven strategy can take business outcomes, liability considerations and resources into account to build an outreach strategy to optimize your margins.



Financial Optimization: How do you create a compelling payment offer to maximize revenue and margins on accounts?

- Machine learning can optimize offers and negotiations across portfolios to maximize the leverage of payment plans and discounts.



Customer Experience: Is your customer in the debt collection experience treated in a way that reflects well on your brand?

- Machine learning can determine customer-preferred channels, select intuitive messaging and create self-serve options to provide a better overall customer experience, leading to better retention and lifetime value of customers.

“By leveraging AI and machine learning to personalize the debt collection experience for consumers, we can shift the incentivization structure. When you scale through technology, you can operate at better margins while operating in a manner that is more consumer centric, as opposed to having a workforce of many individuals who are trying to compel action.”

Thomas Overton

Chief Product & Technology Officer,



Using AI for Champion/Challenger Testing for Message Drafting

Whether your customer messaging is written by a human or a generative AI program, you can leverage artificial intelligence to easily test and optimize your content. AI can help identify experiments and assist in conducting A/B testing at scale to continually test behaviors to give you a clear idea of how to adjust the tone of your messages, use the right call to action (CTA) and send at an optimal time of day.

Beyond comparing open rates and subject lines, AI provides advanced ability to A/B test messaging at scale and personalize based on user behaviors prior, during and after an email is sent. Messaging test variables can include subject lines and previews, tone of voice, CTAs, personalization, design and visuals, and delivery time. AI works, analyses and acts quicker than humans and can seamlessly multivariate test and incorporate several changes in one version.

Compliance Considerations for Using AI in Debt Collection

AI is a rapidly evolving technology and is outpacing the regulatory scope. However, the Consumer Financial Protection Bureau has made it clear that products and services built with innovative technologies must conform with existing consumer protection laws and regulations.

The Fair Debt Collection Practices Act (FDCPA) and the CFPB's Regulation F dictate rules for debt collection activities, along with various state and local laws, including rules around the time and frequency of communication, required message content, required disclosures, clear and conspicuous unsubscribe, monitoring deliverability, and collector identification details. Code-based compliance controls in an AI-powered system can ensure compliance with regulations, eliminating human error as code-based guardrails can be easily updated to reflect the latest updates to rules. We'll further explore legal considerations for digital communications and using AI in debt collection in the next chapter.



Chapter 4: Regulations in debt collection

Compliance Considerations for Digital Communications and AI in Debt Recovery and Collection

Once upon a time, the option to receive bank statements by email was a novel and groundbreaking idea, but consumer expectations for more and better digital experiences have evolved in pace with technology. Consumers today expect more from their digital experiences, especially in financial matters—71% of consumers now expect a personalized experience even in debt recovery or collection. Bottom line: if you're still relying on letters or outbound calling for your customer engagement, you're missing the mark and leaving money on the table.

The challenge for businesses engaging with consumers digitally has become not if they should, but how they can do so at an effective and compliant scale. Artificial intelligence (AI) offers a solution to enable customized, digital communications at scale, and to do so compliantly. Let's take a look at compliance considerations for digital communications, the benefits AI can bring to stay compliant, and the risks of missing the mark with requirements.

Understanding the regulations that apply to your business is the first step, and the landscape is complex and can change quickly. While using a SaaS tool to enhance your in-house customer engagement for first-party debt recovery and collection does not mean you're beholden to the same regulations guiding third-party debt collectors, following these guidelines will keep you well clear from existing compliance issues and help safeguard around future developments that may impact your operations.

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Note: Some states do require originators to comply with regulations guiding third-party debt collectors. Following debt collection industry compliance best practices removes risk and creates a consumer-friendly experience.

And while there haven't been any federal laws regarding the use of AI in debt collection yet, federal agencies have put out significant guidance on using these advanced technologies and what sort of protections businesses need to have in place over them. The Department of Treasury is very interested in how organizations are using AI and have undertaken various initiatives to provide information to the public on AI security and best practices in the financial sector including bringing in industry members and government regulators to talk about the risks and the benefits and what sort of controls would be best to put in place.

Let's look at the benefits AI brings to keeping up with compliance in digital communications, and the inherent risks of non-compliance and not properly vetting digital solutions or service providers utilizing AI.

Benefits

Digital customer engagement solutions infused with AI can offer code-based compliance, but **what is code-based compliance?** Code-based compliance refers to the programmed rules and controls that ensure communications fall within all of the identified federal and state laws and regulations that a business needs to adhere to. When an algorithm is used to help make decisions on delinquent customer communications, compliance controls could be coded into that algorithm or work side-by-side with the algorithm to ensure that all digital communications fall within federal and state laws and regulations.

This code-based approach powered by AI helps with several collection-related regulations that creditors, law firms, and debt buyers benefit from following (for both compliance and customer satisfaction):

- **Communication frequency restrictions:** Regulation F's "inconvenient time" rule restricts debt collectors from contacting a customer before 8:00am and after 9:00pm local time at the customer's location. Digital automation dictated by compliance-driven AI and machine learning can help avoid violations and perceived harassment by preventing communications from being sent outside the approved times.
- **Consent & disclosure requirements:** A code-driven method means that digital communications sent to individual customers contain all the necessary disclosures appended, such as out-of-statute disclosures, state disclosures, etc.
- **Digital paper trail for audits:** Digital communication using advanced technology can automatically capture and create a traceable digital footprint to enhance transparency and compliance with regulatory standards.

Utilizing AI can enhance existing processes. Compliance controls in an AI-powered system can ensure compliance with these regulations, minimizing the risk of human error while code-based guardrails mentioned previously can be easily updated to reflect the latest rules and best practices.

Risks

 **Non-compliance with regulations opens your business to risk**—even if the violations come as the result of using a SaaS solution not up to date with the rules and laws your organization must adhere to. Consequences of non-compliance are very vast: fines and penalties, increased consumer complaints and lawsuits, erosion of consumer trust, and more.

 **Precaution:** Always perform rigorous due diligence when considering any software or service provider that offers AI-based solutions. This means including not only your procurement team, but compliance and any technical and information security teams available to vet the solution based on your business's risk appetite.





Tech fads can quickly turn into tech debt. Even if advanced technology is implemented and adopted it can be hard for in-house teams to keep up with fast-evolving compliance requirements. As mentioned above, there is no comprehensive federal law or regulations regarding AI yet, but the Department of Justice (DOJ) recently revised their Evaluation of Corporate Compliance Programs guidance and placed significant emphasis on the need for companies to implement structured processes to assess and manage risks tied to AI and other emerging technologies.



Precaution: These updates to the DOJ's guidance underscore the need for organizations subject to compliance requirements to have a competency level when it comes to artificial intelligence and all of the various tools and solutions that may be used or inadvertently used through vendors.



Which leads to the **risks of skipping the vetting process and due diligence of digital solutions and partners, especially for debt collection.** Code-based compliance isn't "code it and forget it."



Precaution: Organizations should check that providers of SaaS solutions design their processes so that they promptly and effectively adapt to new regulations and are proactive with cybersecurity and data privacy.

It's important to keep in mind that most compliance rules were written for the benefit of consumers. The better we comply, the safer—and often happier—customers are. As the saying goes, "it is a poor workman that blames his tools"—don't risk compliance violations, customer complaints, or worse simply because your business did not properly vet an AI-driven solution.



Chapter 5: Deliverability and Domain Reputation

Understanding Domain Reputation and Deliverability (and Why They Matter) for Digital Debt Recovery and Collection Communications

So you're ready to start using AI to send intelligent digital communications to improve customer engagement in your debt recovery and collection operations—but don't start copy/pasting messages and clicking send just yet! There are important considerations for sending these communications that can impact your business, and they start before you even write your message. Understanding what affects your message's ability to get delivered to the intended recipient is the necessary first step to success, and mitigating risks involved should be top of mind.

Domain Reputation

Your email domain is your home—it's where your business' email operations begin. Your domain is the part of an email address that appears after the @ symbol and identifies the online location of an email account. For example, if your email address is johndoe@gmail.com, the email domain is gmail.com. You probably have this set up to be your business name to build brand recognition or a shortened version of it that's easier to remember and spell. Functionally, email domains are used to route emails to the correct mail servers.

Domain reputation is the overall health or credibility of your branded domain as determined by mailbox providers. You can think of your domain reputation like a credit score—the better your score, the more likely you are to get approved for a loan. Similarly, the better your domain reputation score, the more likely it is that your emails will be delivered to your intended recipient's inbox versus getting stuck in spam or rejected. Various factors such as engagement, spam complaint rates, spam traps and bounce rates factor into your domain reputation and impact your ability to get your emails delivered.

Common bad practices in sending email include low quality content that leads to negative recipient interactions or poor email list data that results in a high quantity of undeliverable messages. If you or your service provider have been engaging in bad practices when sending emails that have resulted in complaints or bounces, your domain reputation has likely taken a hit and it may need some tending to in order to recover. Conversely, if you haven't been sending any emails or engaging in bad practices, congratulations! You likely have a neutral or good domain reputation.



Here are some best practices for maintaining a good domain reputation:

- 1. Maintain Email List Hygiene:** Regularly remove unsubscribed, bounced or inactive email addresses from your send list.
- 2. Enable One-Click Unsubscribe:** Allow recipients to easily opt out with a clearly identifiable, single-click unsubscribe link.
- 3. Authenticate Your Emails:** Implement SPF, DKIM and DMARC protocols to verify the legitimacy of your emails and prevent spoofing (making it appear as if the message came from a trusted email).
- 4. Monitor Deliverability:** Track your email delivery and deliverability rates (more on this below).
- 5. Consider Your Sending Frequency:** Spikes in send volume can be a red flag—stick to a consistent send frequency and avoid the mass blast.
- 6. Send Relevant, Non-Spammy Content:** Craft subject lines and messages with targeted content and avoid common spam words that get your emails flagged.
- 7. Address Spam Complaints ASAP:** Respond to any spam complaints in a timely manner and figure out why they happened so you can adjust your strategy.

Risks of a Bad Domain Reputation

So how does domain reputation impact your digital debt recovery and collection communications? It's pretty straightforward—if your message never reaches your delinquent customer, there is no opportunity for engagement or repayment.

By implementing good email practices, you can ensure your domain reputation remains positive so you can continue sending emails effectively and avoid the main risk associated with a bad domain reputation: breaking your domain. Broken domains can do more than just prevent external email delivery, they can affect anything using your domain and impact your ability to send internal emails, use your business website, link back to your domain properties or can get your domain blacklisted altogether.



Precaution: Mitigating the risk of bad domain reputation involves adhering to best practices, using good data and closely monitoring results to make adjustments to email sending activities as needed, especially as your send volume grows and increases opportunities for things to go wrong. This is another case when “set it and forget it” just won’t work—ensure you or your provider are paying close attention to your domain reputation so you can reap the benefits of digital communications at scale.

Delivery vs. Deliverability

What’s the Difference and Why Do They Matter?

Domain reputation is just one piece of the puzzle to successfully sending emails. Email delivery and deliverability are also key to digital communications and can offer specific benefits in debt recovery and collection. The word “deliverability” may sound similar to “delivery,” but when it comes to customer engagement via email, it’s critical to understand the difference and measure each rate accordingly. Let’s break it down.

What is Email Delivery Rate?

Email Delivery Rate refers to the successful transmission of an email from the sender to the recipient’s mail server. It is the measurement of emails delivered divided by the number of emails sent. Bounces (when an email gets rejected by the mail server for any reason) and failures will impact this number.

Measuring delivery rates helps answer the question “did the email you sent actually make it to the recipient?” But if your email gets caught in the recipient’s spam filter or junk folder, how much will a good delivery rate help? That’s why it is important to also measure deliverability.

What is Email Deliverability?

Successful email delivery, when your email was accepted by the recipient's mail server, doesn't mean that it actually makes it into their inbox. Deliverability, or inboxing rate, divides how many emails reach the recipient's inbox, as opposed to their spam folder, by the total number of emails sent. Your deliverability is influenced by a variety of fluctuating factors, including Internet Service Providers (ISPs).

Measuring deliverability rates helps answer the question “Did the email you sent actually make it to the inbox—or did it get caught in spam?”

Best Practices to Get Your Emails Delivered into Your Recipient's Inbox

Understanding these different metrics can help influence your email strategy to delinquent accounts, but there's more to a successful email program than just measuring data and analytics and hitting “send.” Several best practices to follow include:

- Build and maintain a positive sender reputation with ISPs and Email Service Providers (ESPs)
- Ensure good email list hygiene
- Send to actively engaged recipients
- Maintain consistent volume and cadence (avoid spikes)
- Avoid spammy subject lines
- Develop valuable content that engages customers

While many of these best practices may seem like no-brainers, achieving them can take more skill and effort than most businesses expect. Each of these contribute to email delivery rates and more importantly, deliverability to recipients' inboxes—key drivers towards consumer engagement and your bottom line.

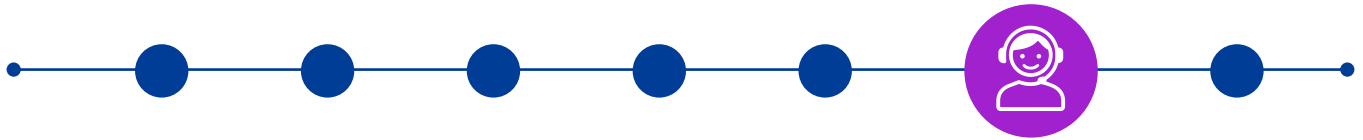
Risks of Not Monitoring Deliverability

The main risk from not monitoring for deliverability is failing to get your message to your customer, and in the process, potentially damaging your domain reputation and ability to send emails altogether. If your business is sending legally required disclosures, Regulation F requires that you monitor and report deliverability. While sending digital communications creates the need to mitigate this risk, it also creates an opportunity for increased visibility into your email operations to optimize outreach and can create a required paper trail in your debt collection activities.

Can AI Help Manage Domain Reputation and Deliverability?

Put simply, not entirely. You can leverage AI into some aspects like optimizing send frequency, crafting or selecting non-spammy and engaging content and customizing it for better engagement or automating certain list maintenance tasks to ensure good quality data, but many aspects on the back end of maintaining good domain reputation and deliverability require relationship building with ISPs and ESPs, human monitoring and intervention.

Further, managing your domain reputation is not a set-it-and-forget-it task. Working with domain management and email delivery experts allows you to reap the benefits without dedicating additional internal resources to this task. Having dedicated delivery experts to monitor and identify diminishing domain reputation means they can proactively make changes to address potential issues and keep your email operation on the right track.



Chapter 6: Customer Experience

Using AI to Craft a Better Customer Experience

Outdated call-and-collect practices have been notorious for leaving consumers frustrated with impersonal, sometimes even aggressive tactics. In fact, one survey found 20% of respondents said they withheld a planned payment after receiving an unpleasant call from a collector.

However, AI is now changing the game for the delinquent customer experience, allowing businesses to create more streamlined, intuitive, and customer-friendly strategies for managing debt recovery. Personalizing customer interactions and gaining deeper insights into consumer behavior all lead to a more seamless and empathetic debt recovery or collection experience.

Personalization:

Tailoring the Experience for Each Customer

In today's digital age, consumers are increasingly looking for tailored experiences that cater to their individual preferences. This is especially true for younger generations like Millennials and Generation Z, who are accustomed to on-demand services and expect more flexible, convenient ways to manage their finances. Consumers already want and expect personalized communications from financial service providers—debt recovery and collection communications should deliver the same experience:

- 74% of customers want more personalized experiences from their banks
- 53% of consumers expect their financial provider to leverage the data they have about them to personalize their experience
- 56% of consumers expect financial institutions to use the data they have about them to provide them with actionable and clear insights about their finances
- And in wealth management, AI personalization tools are projected to increase client engagement by up to 25%

Taking the data-driven approach—that consumers not only condone but encourage personalization—ensures that debt recovery and collection communications are more targeted versus using a one-size-fits-all approach.

Additionally, AI's ability to perform sentiment analysis can help businesses better understand the emotional state of their customers and, in turn, adjust the message content to resonate for each individual. By evaluating customer feedback and interactions, AI can detect frustration, anxiety, or confusion, which allows businesses to respond with more empathy and understanding. This emotional intelligence enables businesses and collectors to modify their approach, fostering positive customer relationships even in the midst of difficult financial circumstances.

Predictive Analytics: Smarter Decision-Making

Harnessing the power of consumer data, AI can tailor communication strategies to individual needs. For example, if a customer prefers text messages over phone calls, AI can ensure that all reminders and communication are sent through their preferred channel—not just a nicety for the customer but also a boost towards the business's bottom line:

- Contacting first through a customer's preferred channel can lead to a more than 10% increase in payments
- Digital-first customers contacted digitally make 12% more payments than those contacted via traditional channels
- 14% of bill-payers prioritize payments to billers that offer lower-friction payment experiences

Using predictive models to identify patterns in customer interactions and adapt approaches accordingly helps businesses identify the likelihood of a customer making a payment. AI can analyze customer data, automate communications, and track payment behavior to reach out to the right people at the right time and via the most effective communication channels—ultimately improving recovery rates while minimizing the risk of unnecessary or intrusive interactions.



Risks of Using AI for Personalization

As mentioned in chapter 4, although AI can enhance the overall customer experience, it is not without its challenges. The CFPB has expressed concerns on over-reliance on technology when it comes to customer interactions. Without knowing it, you could inadvertently create a bad or illegal digital experience for your customers, but working with customer experience (CX) experts ensures all the elements are addressed.

 **Eroding consumer trust:** Automation programs masquerading as more advanced technology can continue sending reminders despite a customer's clear preference for a different communication channel, or it may fail to recognize when a consumer is struggling financially and needs a more empathetic approach to messaging. Ignoring these cues can be perceived as aggressive tactics that raise the red flag of potential scam or phishing, even if legitimate.

 **Precaution:** Introduce and ensure failsafe mechanisms to track lack of engagement through a particular channel, such as open or click rates, and to compliantly follow customers requests to unsubscribe or stop contact through that channel.

 **Bad design is bad CX:** Poor design, especially in digital communications, is often a first indicator for consumers to be skeptical of engaging. User flow design carries the same risk—rudimentary AI systems may trap consumers in repetitive loops, not fully understanding the nuances of a customer's situation, leading to frustration or confusion or even abandonment of completing the task at hand.

 **Precaution:** To avoid the endless loops, more sophisticated AI systems can have triggers in place after a certain number of unsuccessful automated attempts for a human agent to step in to offer personalized assistance.

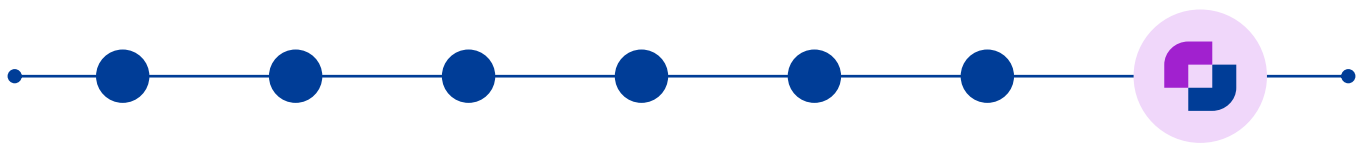


Dark patterns equal non-compliance: These nefarious design practices mislead or manipulate consumers into taking actions that do not align with their true intent or preferences, through tactics such as creating a false sense of urgency, confirmation-shaming, burying key information, and more. Not only do dark patterns harm customers' experience, but they are illegal under the CFPB and FTC. If you aren't aware of best practices to avoid dark patterns, you could be inadvertently creating them through uninformed design choices. This is especially important to keep in mind when designing communications that may be viewed on platforms that display information differently (e.g., checking email on a desktop vs. on a mobile device).



Precaution: Knowledge is power when designing communications, so you or your provider should be up to speed on digital communication design best practices. When using generative AI for content creation, ensure oversight in editing and approval before messages are sent. Just like inputting brand guidelines into an AI engine, make sure all regulations and best practices are also baked in as well through transparency, simplicity, and honesty.

Embracing AI's capabilities while maintaining a customer-first mindset can provide more positive, productive experiences for customers. With personalization improving customer satisfaction, predictive analytics driving smarter decisions, and proper oversight and safeguards in place, AI can create better experiences that improve engagement and help customers navigate financial challenges with greater ease and understanding.



Chapter 7: The Retain Approach and Benefits

The Retain Approach and Benefits

The Retain Approach and Benefits

Using AI in debt recovery and collection is quickly becoming table stakes for better customer engagement and repayment results, and the benefits of top-notch customer engagement can also be applied in early delinquency. Now that you have a foundational understanding of AI and its use cases in digital communications in debt recovery and collection, you're ready to determine how to integrate this technology into your business operations.

As you've seen, there are myriad ways to leverage AI programs to help in digital communications for debt recovery and collection, but how you do it will dictate both your costs and risk level. With ready-to-use, white-labeled AI-driven software, companies can now easily deploy best-in-class digital engagement methods to manage their own in-house delinquency communications and realize the benefits of positive brand experiences and decreased costs.

The winning approach for Retain by TrueML Products uses machine learning to create an effective, engaging experience in customer communications. Retain is a scalable, white-labeled digital delivery software-as-a-service (SaaS) tool using AI to optimize your customer engagement at scale while keeping recovery costs low.

How does it work? Retain's patented machine learning engine dynamically learns from customer engagement data to select the next best communication attempt to account for the optimal channel, message and time to create the best opportunity for engagement. What's more, Retain's technology is built with functionality based on best practices for debt collection regulatory compliance and consumer engagement trends, so you can apply standardized guardrails to your digital communications operation.

“Our ML system codifies regulation, making sure that any intents, any optimization and any decisioning goes through a compliance check. Supporting all of those requirements really ensures being consumer-first, making sure that the debt recovery or collection experience is clear, articulate, and low friction for the customer as it relates to any of these particular compliance needs.”

Thomas Overton

Chief Product & Technology Officer,



Leaning on TrueML Products’ Industry Expertise

TrueML Products’ team of data scientists, financial services industry experts and customer experience enthusiasts builds technology to serve people in a way that recognizes their unique needs and preferences as human beings. Informed by decades of debt collection industry knowledge, Retain was built by subject matter experts to offer a SaaS product that can customize and increase engagement with delinquent customers at scale while keeping up with evolving regulatory guidelines and best practices, helping you mitigate the risks associated with using AI while reaping the benefits of automation and personalization.

Mitigating AI Risk with Retain

The artificial intelligence program at the heart of Retain is developed under a robust machine learning governance model that accounts for ethical concerns, data privacy threats and regulatory oversight. Combined with teams of human experts who focus on compliance, email deliverability and a seamless integration experience, Retain brings AI to your business without the stress of building it yourself or wondering if your provider has checked all the risk mitigation boxes.



Code-based Compliance: Retain's compliance features are built into the code so you can set your requirements and let the tech do the work. A team of legal experts keep up with the latest regulatory developments to improve your compliance. Built-in functionality includes ownership and deliverability checks and unsubscribes to support a right-party contact and log opt-outs, the ability to set state-level messaging and disclosure requirements, and controls for local time delivery and contact frequency in line with industry best practices.



Email Deliverability: Retain's dedicated Email Operations and Deliverability Team proactively monitors and makes adjustments, along with using our patented machine learning engine to dynamically make updates that benefit your domain reputation and email delivery in real-time. Our team of deliverability experts proactively stay on top of ESP best practices and maintain relationships with ISPs for optimal email acceptance rates.



Easy Implementation and Ongoing Client Success: Retain's experienced Implementations Team prioritizes accelerated time to revenue and delivers outcomes quickly and efficiently, while ongoing performance is managed by a dedicated Client Success Manager. As with using any new technology, you'll likely have questions along the way—our software-as-a-service also comes with human service to bridge the gap between you and the technology, keeping you apprised of program performance via a comprehensive client dashboard and on-demand reporting when you need it.

Retain's Electronic Validation Notices: Designed for Compliance

Using Retain to manage your digital customer communications in debt recovery and collection, you can now deliver required validation notices to consumers via email and still be fully compliant. While switching from physical letters to digital notifications can significantly reduce paper and postage costs along with providing a compliant digital “paper trail,” it’s not as easy as copying Regulation F’s model validation notice (MVN) and pasting it into an email. Under 12 CFR § 1006.34(d)(2)(iii), debt collectors may modify the model form while retaining the safe harbor for compliance, provided that the form remains substantially similar to the original.

For Retain’s Electronic Validation Notice (EVN), our legal and design experts have thoughtfully adapted Regulation F’s model validation notice for digital presentation, ensuring it aligns with best practices for mobile-friendly communication design. Our adaptations prioritize clarity, usability and compliance and avoid any design elements that could be interpreted as “dark patterns”. By optimizing the layout for mobile formats, we also ensure that key information is easily accessible and legible on smaller screens. Our design fosters transparency and consumer trust, delivering a positive consumer experience while upholding the regulatory intent of clear, accessible and fair communication.

**Ready to put AI and digital communications
to work for your past-due customer
communications?**

[Schedule a consultation to get started»»](#)