6 Financial Factors Impacting Debt Repayment

And What Your Business Can Do About Them

Retain

TrueML Products

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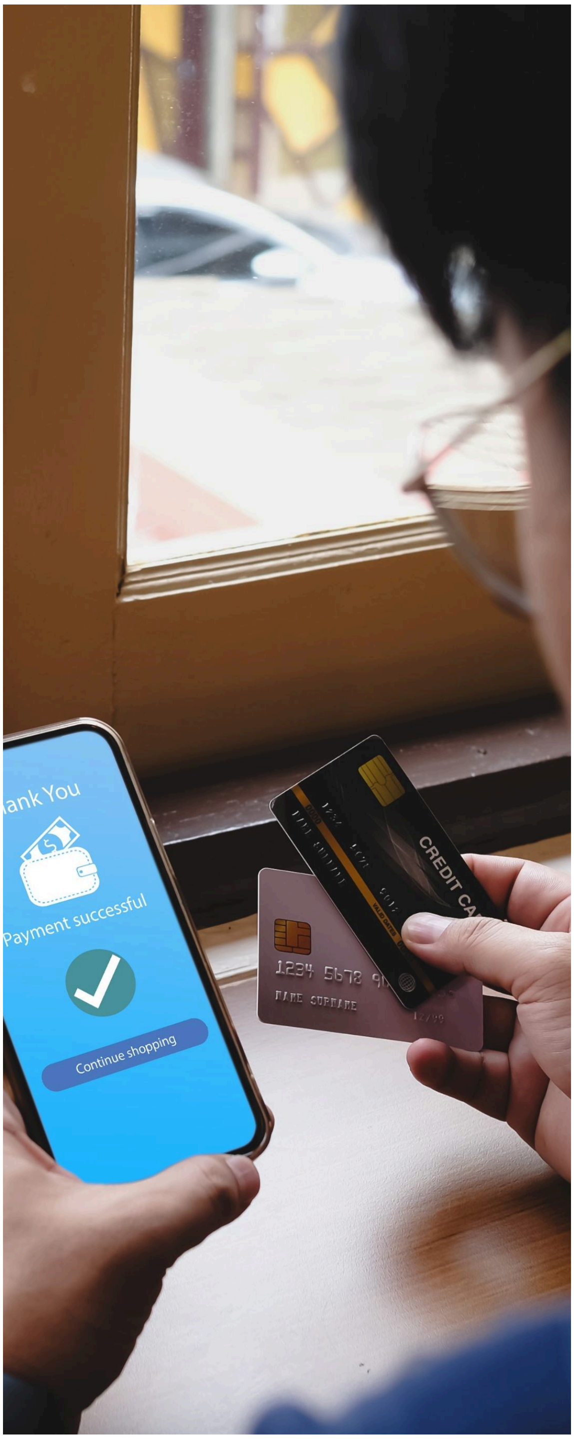
How would your business change if every time a bill or repayment notification was sent to a customer, they immediately acted on it? Your operations cost would go down, revenue would rise and there'd certainly be less stress for both parties. While it's nice to think about the result, there are so many outside factors that impact a customer's decision to interact with a message and make a repayment.

Each of these factors is a unique hurdle that your business faces, and many of the most challenging ones are financial. From current debts to living expenses and interest rates to inflation, the list is long.

In this ebook, we're going to focus on seven financial factors that have some of the strongest influences on your customers' ability to repay debts. But it's not enough just to identify them, the experts at Retain by TrueML Products are here to give your business insight into how to best engage with customers who are dealing with these financial pressures.



1

Student Loan Debt is Rising

Did you know that according to Congress, there are nearly 43 million consumers in the U.S. that have federal student loan debt? It's estimated that these borrowers owe a staggering $1.7 trillion. While people have dealt with repaying student loans for decades, what makes them so influential on potential repayments is that the system is changing.

The One Big Beautiful Bill Act that was signed into law on July 4, 2025, paused student loan forgiveness and restarted interest accrual on SAVE plans. This means that as of August 1, monthly student loan payments aren't just required, they'll likely increase and push more accounts into delinquency.

Borrowers with existing student loan accounts are going to have to choose between two new plans. The new Bill is creating the Repayment Assistance Plan (RAP), which is an income-based repayment plan that's calculated for each individual borrower and a Standard Repayment Plan with fixed payments. It's important to note that under RAP, borrowers won't be able to defer student loan payments in events of economic hardship like being laid off.

Student Loan Changes Could Spark More Aggressive Collection

Student loans are one of the most common types of debt for consumers in America. With payments being required again, we'll likely see a widespread increase in delinquent accounts and aggressive collection tactics as a result. The majority of companies that collect on student loan debt primarily use traditional communication channels like phone calls and sending physical mail.

As the new rules roll out and take effect, borrowers are likely going to see an avalanche of notifications. That means more competition for your communications to get attention through these traditional channels. An increase in collections messages also means consumers could easily get tired of seeing them, which makes it more difficult for your notification to not get immediately dismissed.

What Can Your Business Do About This?

When student loan debt is hanging over someone's head, it's easy for other debts to get overlooked. With the forgiveness period ending, many people feel like their student debt is an insurmountable obstacle that will cast a shadow over their life for a long time. It holds their attention, making it harder for other collection communications to break through. But the right approach can help your business overcome this hurdle.

It's important to understand that your customers might be carrying larger monthly financial obligations. So, offering flexibility and options for making repayments is essential to success. A good first step towards that goal is to send communications that honor your customer's preferences and break through the noise. In the wake of student loan changes, businesses need to be more strategic about their communications.

With phone calls and physical mail becoming more crowded, now is the time for your business to go digital for collection messages. Roughly 59.5% of consumers prefer email as their first choice of communication when hearing from a business. And younger generations like Millennials and Gen Z are increasingly preferring text message as their preferred channel. So going digital not only helps you subvert the increase in traffic in traditional channels, it also makes your message more likely to be engaged with by customers.

Bonus: leveraging tools that use machine learning technology can automate the digital communication sending process while finding the right message, channel and time for peak engagement, so you can easily scale up operations if delinquencies increase.

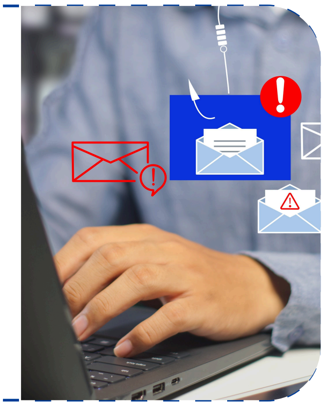
2

Dramatic Increases in Financial Scams

Chances are that in the past few weeks if not today, you've received some type of scam communication. A CNET survey found that a whopping 96% of Americans get at least one scam email, text or phone every week. Over the past few years, there's been a dramatic increase in financial scams across the country. Last year alone, 2.6 million people reported scams to the FTC, and scammers continue to devise new strategies in an effort to steal money.

This rise in scams has made it more challenging for collections communications to be effective. Financial scams continue to cause new roadblocks by shifting the behavior of consumers and influential companies. With consumers getting more scam messages, there are two main obstacles that come up collection strategies:

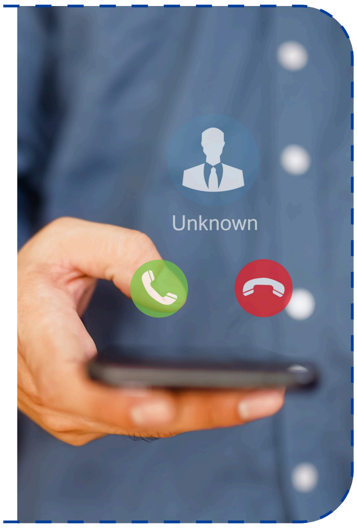
- **Loss of trust:** The rise in financial scam activity makes any communication a person wasn't expecting seem less trustworthy. For businesses and collectors, it's harder to get customers to actively engage with communications.
- **Record low patience:** The rise in scam communications has directly contributed to people having much less patience for any message they don't feel is legitimate. If a message doesn't grab attention, people are more likely to just delete it and move on.



Corporate Reactions to Financial Scams and Their Impact on Collection Strategies

Consumers aren't the only ones reacting to the rise in financial scam activity. Major corporations are updating their products and services to better shield their customers from these bad actors. Some of these moves have major impacts on the effectiveness of your collection strategies:

- **Email service providers upgrading spam filters:** With more scam emails being sent to consumers and businesses, many email providers are upgrading their security. Without a good domain reputation behind them, emails are more likely to end up in spam folders.
- **Cold calling is getting harder:** Apple's IOS 26 is implementing a new call screening feature that will automatically screen calls from unknown numbers. The caller now has to state the reason for the call, giving the recipient more power to stop unwanted calls. Many tech industry experts are saying this feature is killing the "cold call".



What Can Your Business Do About This?

Since it's harder to be successful with collections using phone calling methods, more creditors and collectors will switch to email. And with more senders using email for customer communications, your business' domain reputation and deliverability practices will be more important than ever, making the difference between successful delivery or getting caught up in spam.

Your email domain reputation measures how trustworthy your sending domain is. Email providers look at the history of messages being sent by the company and use that data to help determine if an email should go to spam, or be delivered to the recipient's inbox. There are a variety of metrics that go into determining your domain reputation, such as how well you follow email best practices, spam complaints and engagement rates.

To reliably get into your customer's inboxes, your business needs to have a great domain reputation and follow delivery best practices. Retain has an Email Operations and Deliverability team that can help your business navigate this area. They monitor and make updates to your branded digital communications in real time along with our patented optimization engine working in the background to manage delivery and protect your domain reputation.

3

Shifts in Interest and Inflation Rates

Back in 2022, the Federal Reserve raised interest rates to help combat inflation that was being fueled by the pandemic. Since then, interest rates have remained steady but somewhat elevated and inflation remains high compared to where it was before the pandemic. Consumers are still feeling the financial pressure from both interest rates and inflation. As an example, a recent survey done by The Associated Press-NORC Center for Public Affairs Research found that over half of Americans have major stress over the cost of groceries.

Prices are still roughly 23% higher than they were compared to where they were pre-pandemic. Essentials like eggs, bread and gas are more expensive, which leaves less money for people to address their debt. Periods of higher inflation and interest rates also shift consumer buying behavior as well. People are more likely to eat meals at home, watch for sales on groceries and buy in bulk in an effort to stretch their budget further.

A high cost of living could make it harder for companies to collect repayments on larger debts that are more than $500. In fact, more consumers might not think about making repayments or paying off debt at all. If inflation or interest rates get worse, many consumers will focus most of their attention on covering their basic needs and will have less disposable income.

Usually when the cost of living increases, consumers leverage credit cards to help offset the strain. And while many people have been doing this to help make ends meet, it isn't as helpful as it used to be. Credit card interest rates remain high compared to just a few years ago, making it harder to pay off debt at various levels. And when paired with higher inflation, more consumers often turn to high interest credit cards or loans to stay afloat. In fact, the median credit card interest rate as of June 2025 was 23.99%. High interest rates make it easier for consumers to get caught in a vicious cycle of only being able to pay down smaller amounts of the principle they owe.

Buy Now Pay Later Services Surge in Usage

High interest and inflation rates also likely contribute to the rise of consumers using Buy Now Pay Later (BNPL) services. In 2024 alone, roughly 30% of the U.S. population used BNPL services in some way. While many people see these services for large purchases, the data shows consumers turning to them for necessities as well. Surveys found that 4 out of 10 consumers under the age of 45 used BNPL services for groceries.

It's clear that more consumers are using BNPL services as a short-term solution to their wallet tightening. More consumers report that spreading out payments for goods and services is the only way they can afford them.

High interest rates often prompt consumers to slow their spending and to start saving money or paying off existing debt. While interest rates can pose challenges to collection strategies, they also present a unique opportunity to communicate with customers about the importance of making repayments.

What Can Your Business Do About This?

With new lines of credit being more expensive to access, using existing accounts becomes a better option. This creates added incentive for delinquent account holders to make payments so that they can maintain access to your product or service. One of the best ways to improve repayment performance for your business is to contact customers early in the delinquency cycle. Early communication helps prevent escalation of the debt which eases the overall financial burden and earns more trust from the customer.

To engage with customers early in the delinquency cycle, your business needs to communicate in a way that meets their unique preferences and situation. Every one of your customers has a preferred channel, time and place to handle their financial matters, and catering to those preferences increases the likelihood of engagement.

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What Can Your Business Do About This?

Digital communication platforms like Retain use data-driven feedback and customization to help your business meet the unique preferences of each customer. This is essential since inflation and interest rates change throughout the year and the same content or channel might not always be effective. Debt collection software like Retain uses AI to help your business stay flexible to optimize your collection strategy.

Retain software uses machine learning to leverage millions of customer interactions with digital communications to create an optimal approach for each individual. Based on each individual's engagement feedback, Retain uncovers the right time, channel and message most likely to resonate with them. As the software is running, it will make dynamic adjustments to improve your digital communication strategy - no fine tuning necessary.

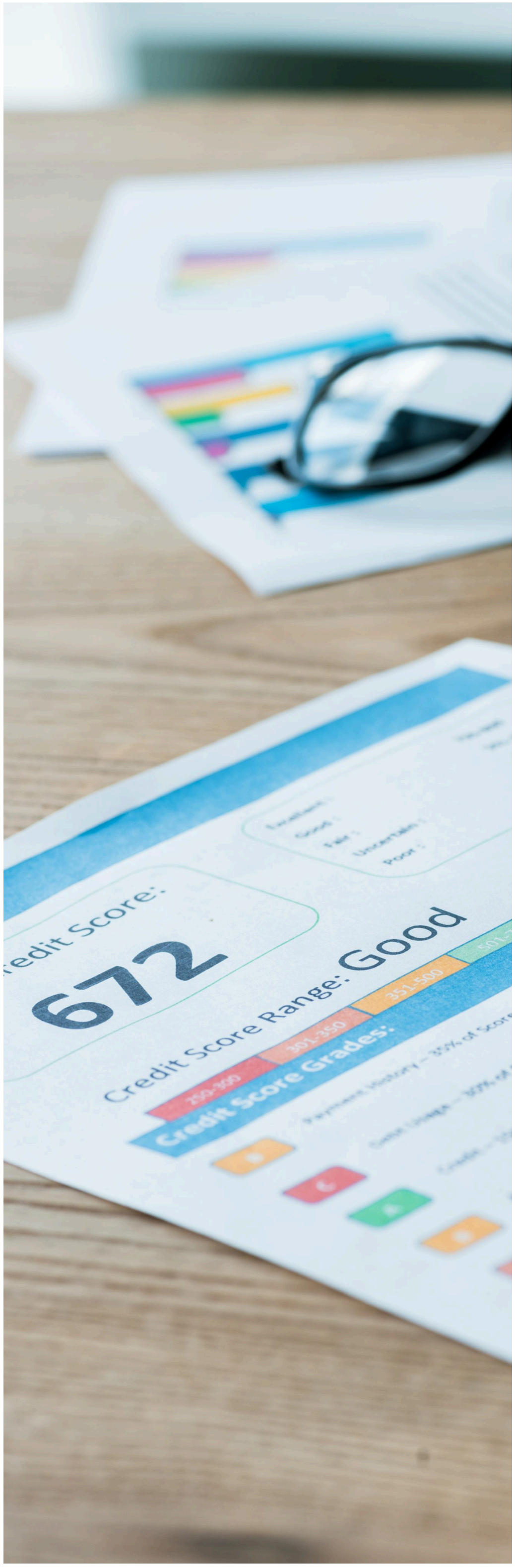
4

Medical Debt Can Now Show Up On Credit Reports

According to the American Hospital Association, Americans currently owe roughly $220 billion in medical debt. Medical debt continues to be a major financial hardship for many consumers, and the rules around it have recently changed. In July of 2025, a federal judge overturned a previous rule set by the CFPB to exclude medical debt from credit reports (in Cornerstone Credit Union League v. Consumer Financial Protection Bureau).

While major credit reporting institutions have agreed to omit medical debts under $500, this ruling means that obligations over that amount can stay on credit reports for up to seven years. This change is going to cause serious damage to credit reports for many consumers. Lower credit scores make it harder for consumers to participate in the financial system by reducing access to new lines of credit, renting or owning a home, or even impacting the ability to get certain jobs.

It’s estimated that 14 million consumers in the U.S. owe $1,000 or more in medical debt. Unfortunately, medical debt in the country is expected to grow, especially when the cuts to Medicaid and increased Health Insurance Marketplace premiums become even more contributing factors.



Opportunities for Repayments on Smaller Obligations

These changes to the medical debt rules could introduce opportunities for collecting on smaller balances. For starters, it's common for medical debts to be for larger amounts that are daunting to repay. Consumers may try and limit damage to their credit report by making payments on smaller debts that are more realistic for them to resolve in a short period of time. Another reason is that outstanding medical bills are one of the most common debts disputed because they're prone to having errors. In fact, AARP data suggests that 50% of medical bills have at least one type of error.

What Can Your Business Do About This?

With the new change to medical debt reporting, more Americans are going to be dealing with this type of financial burden. Since many medical debt collectors tend to use more aggressive collection strategies, your business can stand out with clear communications and an empathic approach. One of the best ways to show empathy to customers is to understand the frustration that comes from invasive collection practices like sending too many notifications.

Instead of sending out repayment notifications en masse, more customized messages that grab attention often lead to better engagement with customers. The process of finding the right communication channel, time and message is made easier with AI. Retain, for example, uses patented machine learning that leverages millions of customer interaction variables to find the best approach for each individual customer.

5

Consumer Communication Preferences Have Changed

For financial matters, there were decades where people only trusted messages over the phone, in person or sent through the mail. However, there's been a big shift in consumer preferences towards digital communications. A recent TCN consumer survey found that 47% of adults in the U.S. prefer getting an email for bill and debt notifications.

The preference for digital communications highlights how consumers want more convenience when they're interacting with companies. Unless there is a difficult issue that needs resolved, people also prefer not to interact with a human when making a payment. This has contributed to the rise of businesses leveraging self-service portals. Consumers expect less hassle with communications and services that empower them to take action on their own terms.

These preference trends have had a big impact on collection strategies for a variety of businesses. For example, a recent McKinsey survey found that consumers who are able to resolve their debt through self-service portals are more likely to pay them off in full.

Consider An Omnichannel Approach to Collections

While more consumers prefer digital communications, there are a variety of channels to choose from when your business sends a message. To optimize the engagement rate of collection messages, your best bet is using an omnichannel approach. By having the ability to send notifications through several digital channels like email, SMS text and voicemail, your business has a better chance of matching each customer's preferences. Even though setting up multiple digital channels seems like a challenge, the right partner can work with your business to manage and automate the process.

What Can Your Business Do About This?

The majority of consumers prefer email as the first method of communication, but there are more nuances when you get down to individual customers. Machine learning software can help your business narrow down the right digital channel for each customer. But the optimization and work doesn't stop there. Every interaction trains machine learning software to become better at identifying and honoring customer communication preferences.

It's never been harder to get a customer's attention. There's so much competition and messages being sent to your customers everyday. Just imagine if your customers got a repayment notification on their preferred channel at the time they're most likely to respond? Not only would that message break through the noise, your customers would engage with it at a much higher rate. That's the power an automated digital collections tool like Retain can deliver.

6

Consumers Want and Expect More Empathy

It's no secret that since the start of the Pandemic, consumers have been facing more financial turmoil. Many of the financial factors discussed in this ebook likely put a strain on your customer's wallets. When times are hard, the desire for empathy rises. A recent report from PayPal found that 78% of consumers said they would be loyal to a business if it helped them through a tough time.

There is a big opportunity for companies to extend more empathy to their customers in debt collection. By putting empathy into practice, your business can build customer loyalty, stand out among competition, attract new customers and lower the chance of getting negative reviews.

Similar to small acts of kindness in everyday life, even small showings of empathy from a business to their customer carries a bigger ripple effect than you might think. For debt collection, this could take the form of sending customers fewer, more customized and well-messaged digital communications instead of calling until they answer.

The Root Behind the Empathy Movement

The core reason why consumers want more empathy is because many people feel businesses have lost touch with their customers' pain points. They want companies to put themselves in their shoes and gain a deeper understanding of their situation. The businesses that practice this approach often uncover insights to help improve their customer acquisition and retention strategies. For example, one of the most popular exercises in corporate empathy is price-comparision tools. The main goal of these tools is to provide tangible value to potential customers, even if they decide to go with another provider.

What does this look like in a collections strategy? It all starts with the communications being sent. Ready for a quick test? Let's say you owe your credit union a small overdue balance of $150. Would you rather the business call you and send mailed notices a few times a week? Or a text that links directly to a self-service portal where you can make a payment on your own terms?

What Can Your Business Do About This?

You're already doing something about it by reading this ebook to better understand the financial factors your customers could be going through! One of the best ways to practice empathy in your collections strategy is personalizing your communications. How much is your business personalizing the repayment notifications you're sending out today? It's common for companies to use just a handful of templates and one delivery channel.

When the process of sending out digital collection communications is automated, your team has more time to develop messages that connect with your customers. Plus, a partner like Retain has content experts who can advise your collections content development. By treating each customer as an individual, your business is already practicing empathy.

The process of personalizing communications and showing empathy will benefit your business as well. When a message is tailored to your customer's preferences, they're more likely to make a repayment and have gratitude for the effort your business made. This type of positive brand interaction can cause ripple effects like positive word of mouth and happier customers.

Is Your Business Ready to Drive More Repayments While Reducing OpEx?

There's no shortage of financial challenges that can impact your customers' ability to make a payment. But with the right collections strategy, your business can overcome them and increase repayment rates. Retain by TrueML Products was designed to do just that.

Retain is a white-label digital collections software that's powered by patented machine learning that helps businesses like yours reduce OpEx costs by optimizing your customer communications. By leveraging millions of consumer interactions, Retain offers personalized messages and industry leading delivery practices, all with built-in compliance controls.

If you're ready to engage more accounts than what's possible with manual outreach:

Schedule a free consultation with our team.

Spend less to recover more with Retain - digital collections software made with your customers in mind.