

HARD COLLECTION AS AN EFFECTIVE MECHANISM OF OVERDUE DEBT ENFORCEMENT BY BANKING INSTITUTION

Problem of loan defaults in a difficult economic situation, which is observed in Ukraine, attracts attention of experts, practitioners, and academics for improvement of methods and mechanisms for return troubled loans.

Every banking institution is seeking to increase their profits mainly through lending operations. However, performance of defaulted loans on time and in appropriate amounts is significantly increased. Banks are creating structures in their debt collection units, or involving the collection of “bad” loans to foreign collectors. The most powerful mechanism, which has in its arsenal the largest collection of tools, is Hard Collection – the stage of gathering delays and, as a result, it will bring the most redemption of debts. Stages recover overdue debts – Hard Collection precedes the early harvest (Soft Collection), i.e. the stage where debts are going softly and without any coercive leverage. When the early harvest is failing, then troubled borrower transfers to units of late fee.

Prioritization in dealing with loans, which comes in proceedings divisions of Hard Collection, is under the risk strategy of the bank. If the highest priority is given to the loan and the given credit for amounts debt is large (more than 1 million), then the used measures in attracting all available forces and means to work with such loans are effective.

Each stage of debt collection of clients is pursuing not only tangible goals to return money of the bank, but also change the behavior of debt clients.

Properly chosen foreclosure strategy troubled debts, carefully and thoroughly constructed the model of collection provide transformation from the stage of early collection to the late harvest followed by the application (in case of necessity) of banking products designed for introducing of credits without any problems. To these decisions, in particular, we can include the possible voluntary or forced sale of collateral, as well as restructuring debt problem by introducing numerous special events.