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Harland Clarke Shopper Alert Webcast 10/22/2014

Close Loans With Your Account Holders Before Your Competition
TRANSCRIPT

Presenter: Stephen Nikitas, Senior Strategy Director, Harland Clarke

JAMES: Welcome to the Harland Clarke 'Close Loans With Your Account Holders Before Your Competition' webcast. This conference is being recorded. At this time, I'll turn the conference over to Mr. Steve Nikitas. Please go ahead, sir.

STEVE NIKITAS: Great. Thank you, James, and good afternoon everybody. Welcome to yet another, I believe our 23rd , webinar of 2014. It's probably a very opportune time to talk about the loan portfolio and ways financial institutions can build that portfolio. Many, if not most of us, are in planning for 2014; and I'm sure, based on the conversations I've had with other financial institutions, that loan growth is tantamount within your organization. So as you're planning for the next year, this is a very opportune topic to bring up.

So, during the course of the next hour, we're going to talk about lots of stuff relative to ways to grow your loan portfolio. At the end of the presentation today, we will send a hard copy of the slides; actually, we'll send an electronic copy, I'm sorry, of all the slides to all of today's attendees. A video replay of today's presentation will be made available to everybody who's on the line, within the next week. So again, digital copy of today's slides will be available to everybody, immediately following this presentation; and then within a week, we'll send out a video replay of today's presentation.

So with that, why don't we get started. Again, my name is Stephen Nikitas, I am a Senior Strategy Director with Harland Clarke. I've been with Harland Clarke now for just four years, I actually observed my anniversary a couple of weeks ago. Prior to that, I had 30+ years of financial services experience on the operations, strategic planning, marketing, sales, public relations side of the house. My role today is to provide consultative services to financial institutions throughout the country, talking about how they can implement various retail and marketing strategies that are focused on basically helping a financial institution get from point A to point B.

So, today's agenda, we're going to start by talking about the Harland Clarke marketing philosophy; the overall approach Harland Clarke takes when it comes to our focus on marketing. We'll then talk a little bit about the current loan to deposit and loan to share ratios within the credit union and banking industry. Then from there, we're going to talk about Shopper Alert. Shopper Alert is a program that Harland Clarke has offered now for a couple of years. We'll talk about how financial institutions can employee Shopper Alert to, again, grow their overall loan portfolios. We'll talk about the process that Harland Clarke employees in order to help financial institutions understand the impact that Shopper Alert can and does make. Then I'll share with you some results of financial institutions who have implemented Shopper Alert. I'm sure when we get there, you'll be impressed with what you see. Time permitting I'm going to ask James, at the end of the presentation, to come back in and open up the phone lines for any questions you might have. But in the meantime if you hear something that I say that sort of peaks your curiosity, feel free to type a question into the chat screen on your webinar page and make sure you address it to all panelists, and at the conclusion of today's presentation we'll go through those questions as well as any that you may ask over the phone lines.

Let's start by taking a look at the Harland Clarke overall philosophy. Harland Clarke does more than just make checks. Harland Clarke offers a wide variety of marketing programs and services to financial institutions of all asset sizes. Our approach is we help a financial institution from basically A to Z or, if you look at this continuum; helping financial institutions to generate awareness, acquire new account holders, onboard those new account holders in order to build product relationships, build share of wallet, stem attrition. We help financial institutions with a variety of activation programs and utilization programs for things like checking and debit cards, home equity lines of credit. We also offer cross-sell programs utilizing, among other things, the Harland Clarke propensity model; where we're able to identify account holders who show likelihoods for deposit products, loan products, services, so on and so forth. Then, of course, we offer a variety of retention programs that are; when all is said and done, aimed at helping financial institutions to retain their existing account holders to make sure that the relationship that an account holder has with the financial institution is going to be a long and fruitful one for both the account holder as well as the financial institution.

So with that information out of the way, let's talk about what's going on when it comes to loan growth or the loan position within financial institutions. This slide takes a look at the loan-to-deposit ratio among banks throughout the United States. This information through the end of the second quarter shows that the loan-to-deposit ratio right now stands at a little over 80%. Certainly off of the low that we saw coming out of the 2008 recession, but still probably not where banks would like it to be. As we know, as a financial institution, whether we're a bank or credit union; our soul purpose in life is to lend money. With a loan-to-deposit ratio hovering around 80%, we have lots of opportunity to grow our loan portfolios.

When we look at credit union loan-to-share ratios, again the picture is relatively similar, not quite where we'd like things to be. Albeit we are off the lows of the 2008 recession, we still have a way to go. Loan-to-share kind of bumping up a little bit from what we saw a year or two years ago, but still at just a little bit below 72%. We know we have a lot of opportunity on the credit union side of the world to make sure that we bring more loans in the door.

Now let's, from here, segue into the Harland Clarke Shopper Alert Solution. Shopper Alert is a product that Harland Clarke has now been offering for a couple of years. It is a trigger based program. It is a program that starts with an account holder shopping for a loan at a financial institution other than ours. So it's our customer or our member who, for one reason or another, has elected to go elsewhere for a loan product. Now, trigger programs are nothing new, they've been out there for a long time. When I was on the financial services side of the house, on occasion the credit bureaus would approach me and put in front of me a trigger based program.

Let me go through some of the key differentiators with you between the Harland Clarke program and what you may be familiar with through the bureaus. First off, Harland Clarke handles everything from A to Z. By that, I mean Harland Clarke will not only monitor the credit bureau activity, but it will handle the fulfillment once we see the trigger take place. So for example, in my former life when the bureaus would approach me with this kind of a program, they would tell me that they would give me the data; but then it was contingent upon me to find a way to fulfill that request or that trigger that I saw my account holder perform. Going out and finding a printer who can handle direct mail fulfillment can be a challenge because with a trigger program that is based on daily activity, volumes can fluctuate and volumes can be relatively low. So Harland Clarke handles all product fulfillment, all program fulfillment.

At the same time, another key differentiator is the fact that through Shopper Alert, Harland Clarke works with three credit bureaus: Experian, Equifax and TransUnion. As a result of working with the three credit bureaus, your pool of opportunity is going to be significantly larger than just working with one credit bureau. Typically, I find that no one credit bureau accounts for more than 50% of all the triggers for a particular institution. So with shopper alert, you're able to get a much bigger pool. By going with the bureau, on average, you're going to lose about one out of every two opportunities in front of you.

So a couple of key differentiators. Let's look at this particular slide and some other things I want to point out. All the way over to the right hand side; with Shopper Alert, we're monitoring activity for home loans, auto loans, credit cards and unsecure personal loans. So those are the four different loan types that a financial institution can track via the Shopper Alert program.

The luxury of Shopper Alert is that financial institutions can pick and choose which product they want to pursue. In some cases, you may have sold your credit card portfolio and are not interested in tracking credit activity, that's fine; we don't have to monitor those. At the same time, you might not be a player in the auto world, maybe have abandoned that space to the captives; so if you decide you don't want to track auto activity, you don't have to.

So with Shopper Alert, you have the ability to track four different types of products, you can really cherry pick which ones you want. At the very least though, we want to make sure that we're tracking mortgage activity because that's where the bulk of the activity is going to take place, and that's where the bigger dollars are.

So as we start tracking products, how does Shopper Alert work? Let me direct your attention to the bottom of this particular slide. Shopper Alert encompasses three outreach channels: mail, email and telephone. So as I just mentioned, the Harland Clarke Marketing Philosophy, our philosophy when it comes to marketing is also taking multi-channel approach which is at the very least; incorporating mail, email and phone with whatever you do.

So with Shopper Alert, let's assume that a trigger takes place today. It is 3:14 in the afternoon on Wednesday, and if we see a trigger occur at one of the bureaus, we get an immediate head's up; a real-time head's up. Within 24 hours, a pre-qualified loan letter is going to go to your particular account holder, letting him or her know that you have pre-qualified or pre-approved or pre-selected that account holder for the specific loan type for which the trigger occurred. That letter is going to go first class mail, that letter is going to possess all the necessary disclosure information that has to accompany any pre-screened endeavor. If we have your account holder's email, we will send an email to that same account holder, pretty much mirroring the message and the look and feel of the postal mail piece. It will let the account holder know that they have been pre-approved or pre-screened or pre-qualified for the particular loan type for which the trigger was generated. The call to action will be similar. That email will contain links to your website, maybe to your homepage, maybe to the page where that account holder could apply for the mortgage or the auto loan or whatever the trigger was for. That email might also include a link to the necessary disclosure information that has to accompany the pre-screened offer.

So thus far, two channels of communication: mail and email, both going out the door within 24 hours of the trigger. The third channel, and probably the most critical channel, is the outbound phone call. The outbound phone call takes place the following day. So, the trigger takes place on Wednesday at 3:14 in the afternoon. Within 24 hours, out goes the postal mail piece, out goes the email. The following business day, Monday through Friday, the financial institution involved with Shopper Alert receives what I call a feedback file from Harland Clarke. That feedback file possesses the names of everyone for whom a trigger was generated the prior day. So each morning, Monday through Friday, the financial institutions receive that feedback file.

With the feedback file, two things can happen: A. If the financial institution elects to, it can start picking up the phone and making the outbound phone call to the account holder, letting the account holder know that the institution may be able to save them money if they happen to be in the market for a credit product. We don't want to let the institution know that we're working with the credit bureaus and tracked their activity, that can take the conversation in a direction that we don't want it to go in, but we want to let the account holder know that we may be able to save them money on credit opportunity. If the financial institution elects that they cannot make the phone call because of bandwith issues, Harland Clarke can make those outbound phone calls for the financial institution. Harland Clarke has a very robust outbound contact center, we make calls for financial institutions every day of the week and we've been doing it for years, so Harland Clarke's contact center is very adept at understanding the sensitivities that banks and credit unions have when it comes to talking to our account holders; and we take all of that into account.

So, three levels of communication; postal mail piece, email and outbound phone calls. Shopper Alert is a Monday through Friday program. Feedback files are delivered to financial institutions Monday through Friday. Postal mail pieces and emails go to account holders Monday through Friday. So as you consider Shopper Alert as a way to grow your loan portfolio, two key things to understand: Shopper Alert is first and foremost about timing. While a member or an account holder is out there shopping for a loan, our focus is on getting in front of that account holder as quickly as possible, before the account holder gets too far down the application process. Then Shopper Alert is also about efficiency. We'll talk a little bit more about this, but because it is a pre-screened program, we are only reaching out to your account holders who meet your credit criteria for pre-approved or pre-qual or pre-screened. So we're not reaching out to every account holder, we're only reaching out to those account holders who, once they submit an application; stay on the highest likelihood of seeing that application cross the goal line.

I mentioned earlier that a key differentiator for Shopper Alert is the fact that Harland Clarke works with all three credit bureaus; Experian, Equifax and TransUnion. Some of you who have maybe had the bureaus knock on your door in the past, may have considered a similar program, but we find that when we work with the three bureaus; you're getting a much bigger pool of opportunity. You're account holders are out there shopping, working with the three bureaus ensures that you're going to get the biggest bang for your buck, if you will because you will be reaching out to more account holders than if you were just working with a single bureau.

So some of the key points I want to make about Shopper Alert right now:

First off, first bullet, we're reaching account holders when they are shopping. Secondly, we're working with all three credit bureaus, or the three leading credit bureaus. Because you are only reaching out to account holders who meet your criteria for a pre-qual or pre-approval or pre-screen, your decline rates are going to be low. Currently I work with about four dozen financial institutions on a regular basis. I see declination rates as low as three percent. So that's where the efficiency comes into play. Shopper Alert is also about timing, as I mentioned. Things go out the door very quickly, within 24 hours of us seeing a trigger. In order to ensure that we get the maximum lift for the program; we utilize a multi-channel approach via direct mail, postal mail, email and phone – should you elect to make the phone call. I strongly urge either financial institutions to make the call or allow Harland Clarke to make the call. Again, because we are working with your account holders, that helps to add to the list. These are account holders who would rather be doing business with you, they are your account holders, but for one reason or another our account holders may not fully understand that we offer all of the credit products that they would ever need; and sometimes they elect to go elsewhere not understanding that the solution may be right around the corner from then.

Then lastly, a benefit of Shopper Alert is the fact that we measure the results of the program on a monthly basis. One of my roles is to meet with the institutions that I work with, every month, and share with them the ongoing results of their program reflecting month's end activity. That helps to ensure that we're getting the maximum lift from the program, that the financial institution is satisfied with the performance of the program, and if they're not; it gives us an opportunity to go in and tweak things if we need to, and if everybody's satisfied with the program at the very least, the financial institution is fully aware of how the program is performing and can convey that information to others within the management team, to show them how effectively marketing dollars are being expended.

So when it comes to Shopper Alert, as I mentioned, there is a pre-screening component to the overall program. We find, at Harland Clarke, through experience with other financial institutions; that pre-screens really carry the highest return on investment, much more so than simple invitations to apply, much more so than pre-screens that are not focused on a trigger event. So coupling a trigger event with a pre-screen component helps to ensure that the results that we see with shopper alert are the strongest that we see with any type of direct marketing program. We'll talk more about results in a little bit, so hang in there.

So because there is a pre-screen component to Shopper Alert, there are considerations, there are issues that we want to make sure that financial institutions are aware of and we will work with them through all of this. First off, regulatory. Because this is a pre-screen component for a pre-screen program, we have to comply with the fair credit reporting act. So at the very outset of the implementation of a Shopper Alert Program, we encourage strongly that the financial institutions make sure that they're compliant to the departments that are involved. We want to make sure that compliance is comfortable with the program, compliance is comfortable with the communication pieces of the program and compliance has an opportunity to get their say into the language in the letter, the language in the outbound call scripts, the language in the email that we utilize as part of the outreach.

Because this is falling within the pre-screen criteria and it does fall within the guidelines of the Fair Credit Reporting Act, we have to make a firm offer of credit, we'll talk a little big more about that in a moment. There has to be a rate offer involved in the communication to the account holder, among other things. We need to state minimum dollar amounts for which loans are approved, we'll talk more about that in a moment.

We also want to make sure that while marketing and retail might be involved in the purchase of a Shopper Alert program, on top of having compliance fully involved at the very outset, we strongly recommend that there is lending representation and IT representation during the implementation and even during the sales process. We want to make sure there are no silos involved during the consideration and sales process of Shopper Alert, so what we find is not only compliance, but involvement from lending and IT can go a long way toward making sure that the program gets implemented as quickly and smoothly as possible.

So let's talk a little bit more about those requirements that the financial institution needs to consider because we are working with a pre-screen program. First of all, for the Fair Credit Reporting Act, we have to list the terms and conditions of the offer, including the interest rate. So whether we state an as-low-as interest rate, an interest rate starting at, or a definitive interest rate; we need to make sure that either of those are included in everything we communicate to the customer or to the member. If it is an as-low-as or a rate that starts at, we need to, for the Fair Credit Reporting Act; state the range of interest rates for which the consumer may qualify.

At the same time, we need to include a minimum dollar amount for the loan for which the consumer has been qualified. Now all that information is going to go in the disclosure that we provide. We ensure that there is a short-form opt-out and a long-form opt-out, as well as all of the necessary legalese on the letter, to ensure that we comply with the Fair Credit Reporting Act.

Now, as part of the Fair Credit Reporting Act, and I know sometimes financial institutions can get a little bit concerned about pre-screened programs; just to make sure that everybody understands, through the Fair Credit

Reporting Act, Congress – when it created the law so many years ago – it understood that financial institutions did not probably have all of the information necessary about a consumer to make a prudent decision on whether or not to grant the loan. So Congress, while it allows financial institutions to look at credit reports and identify opportunities for extending credit. It also granted financial institutions the ability to make a final decision only after a loan application was completed by the consumer. So once we are able to identify a consumer's income, their employment situation, the collateral that they're looking to purchase; at that point, the financial institution is able to make a decision on how much money to grant to the consumer, what the final interest rate will be to the consumer based on their ability to repay and ultimately whether to grant the loan or not. So as part of all of the disclosure information that accompanies the email and postal mail pieces of the Shopper Alert outreach efforts, Harland Clarke ensures that the disclosures meet Fair Credit Reporting Act requirements.

As part of the Shopper Alert program, we work with the three credit bureaus, as I mentioned. During the implementation process, which takes eight weeks, during that implementation process; among other things, financial institutions will need to complete an application to be submitted to each of the three credit bureaus with whom we work. Again, it's a very simple process, it does not take very long to complete the credit bureau application; but the end result will be returns on your investment that are going to be much higher than what you find with a simple invitation to apply. You'll find that the paper that comes into the financial institution stands a much higher likelihood to get approved, so you're not throwing paper over the wall to the lending department for the sake of sending them a loan application. But the loan application that does go to the lending department stands the highest likelihood of getting approved and crossing the goal line.

During the implementation process, Harland Clarke will provide what we call Quick-to-Market templates. Quick-to-Market creative copy, Quick-to-Market design copy. We'll provide templated design, templated copy, to ensure that we get these programs up and running as quickly as possible; because if there's one thing we've learned over the last couple of years since we've started offering Shopper Alert, is that financial institutions want to start growing those loan portfolios as quickly as they possibly can. With these quick to market templates, financial institutions can make some limited editorial changes. We encourage the institutions to make sure that they're compliant. People have the opportunity to review all the compliance language and make sure that if they need to, they make changes to the copy to ensure that they're comfortable with the verbiage. Even though these are templated designs; they are branded to your specific financial institution, your logo, your colors. When all is said and done, the letters that are mailed on behalf of a financial institution look pretty much like anything that a financial institution would mail to its customers or to its members. So, Quick-to-Market templates to make sure that the programs get up and running as quickly as possible. We know they work, we know they're effective, we'll talk about results in a little bit; but when all is said and done, it helps the programs get moving and off the dock as quickly as possible.

Another benefit with Shopper Alert – Up until now, we've been talking organically. We've been talking reaching out to your customers or your members who are shopping for a loan at another financial institution. With Shopper Alert, you can also extend it to identify prospects who are shopping for a loan. Now with Shopper Alert, my recommendation is first and foremost, make sure you get the program up and running internally; let it run 30, 60, 90 days before you look to prospects. Make sure everyone in the organization understands how Shopper Alert works, make sure the outbound phone calls are taking place or the follow-up is taking place. Once you're comfortable with all of the wheels moving in the same direction, then look at prospecting.

Now prospecting can be done, I see some financial institutions do it in order to maybe support a branch or two that might not be hitting its loan targets for the year, I see other financial institutions implement Shopper Alert in order to support a new branch; in order to get new customers or new members in that branch as quickly possible.

I've seen clients implement shopper alert strictly around the geography of a new branch location. Or other financial institutions will implement Shopper Alert system wide, covering all of their branches, going within a radius of each particular branch location.

So, Shopper Alert; organic, but also can be used to help a financial institution to prospect.

So, let's take a look at the overall Shopper Alert process. As part of that, let me start by saying that Harland Clarke, in order to help a financial institution understand how Shopper Alert works; Harland Clarke will conduct what we call a Look Back. So basically a Look Back goes 30 days prior, looking at your account holders to see what kind of credit activity is going on out there. I have probably done 200 Look Backs over the course of the last year or so, and never does a Look Back get presented where the financial institution does not express surprise at how many of their account holders are out there shopping for a loan. Typically, what we see is roughly 4-6% on average of a financial institution's account holder base, is shopping for a loan each month.

This is a sample of a Look Back that was done for a financial institution. In this case, 3800 of its particular account holders were shopping for a mortgage loan. That mortgage product could have been a purchase, a re-fi or it could have been a home equity loan or a home equity line. Eight hundred and sixteen of this particular financial institution's account holders were shopping for an auto loan during that one month window. Bank card or credit card, 1800 account holders were shopping for that type of product. Installment or unsecured personal loan, nearly 900 account holders were shopping for that product during the one month window. The percentage of total on the right hand size, so in all 52% of account holders were shopping for a mortgage, 11% auto, 25% credit card, 12% installment or unsecured personal loan. Now from one Look Back to another, those numbers can vary, but typically what I see is first and foremost; most of the activity taking place out there is home loan or mortgage related, usually followed by unsecured personal loans, auto and credit card.

So, again, key point; Harland Clarke will conduct a Look Back for your financial institution if you're interested. We'll put this type of data in front of you to help you understand what sort of an opportunity is out there for you, so you get a feel for how many of your account holders happen to be shopping for a loan. We'll usually take two to three weeks once we get your data file, in order to complete that Look Back.

Now, as I mentioned earlier, a key benefit of Shopper Alert is simply the fact that it is about efficiency. Efficiency in the sense that we're not reaching out to all of your account holders, we're only reaching out to your account holders who show the highest likelihood of getting approved for that loan. So as part of that process, you the bank or you the credit union are identifying those credit attributes that you would consider during the pre-screen process. It's not us dictating who we're going to look for, it's you the financial institution identifying who you want us to target. Now with this particular institution that we did the Look Back for, here are the results of what happened when we looked at the credit or the FICO scores of those account holders who shopped during the one month window. In all, what do we have? Seventy-three percent of the account holders have FICO scores of 640 or above. That 73% number is pretty typical with what I see in the Look Backs that I conduct. Again, that just means that your pool of opportunity, should you elect to track FICO scores over 640; means that your pool of opportunity is going to be that much larger.

Again, you have the ability to set the credit attributes that we look at, and another luxury of Shopper Alert is that you can apply different pre-screen criteria to each of the different products. You may underwrite mortgages differently than the way you underwrite unsecured personal loans, so your credit attributes for a personal loan may look very different than the credit attributes that you establish for a mortgage loan.

Typically, I see financial institutions usually settle on a handful of attributes that they look at. Typically FICO, delinquency, bankruptcy, foreclosure. So when all is said and done, usually a handful of attributes for each of the particular loan types.

Finally, as part of the Shopper Alert Look Back process, where we're giving the institution a feel for just how much opportunity is out there; we will also provide annual projections based on the actual numbers. So in this case, what we also did was provide closing percentages. Let me just very quickly walk you through here. At the very top, we have a response rate of three percent. In this particular institution's Look Back, what we did was we identified that there were 57,003 Shopper Alert triggers that would occur over the course of a year, based on its 30 day Look Back. At a three percent closure rate, this institution would, at the end of the year; close 1710 loans. We use 5300 reports or balance sheets in order to identify average balances, and based on the average balances for this particular institution for each loan type, those 1710 loans; a mix of auto, mortgage, personal, unsecured loans and credit cards would result in almost 76 million dollars in balances to this particular institution. Then we utilize the institution's net interest margin to calculate overall interest income, which in this case, at a three percent response rate; they would realize interest income of almost 2.3 million dollars for the year.

At a five percent response rate, this institution would close 2850 loans. Again, based on its actual loan balances, those 2850 loans; again a mix of home loans, credit cards, auto loans and unsecured personal loans would result in balances of about 126 million dollars back to the financial institution. Based on its net interest margin, which I think in this case was probably three percent, the financial institution would realize interest income of almost 3.8 million dollars.

Not a bad way to grow your loan portfolio.

Let's now segue into some of the results. I want to talk here about a handful of financial institutions that have been running Shopper Alert. As I mentioned, Shopper Alert has been running now for about two years, little over two years.

Here are a couple of examples from banks, not providing the name of the bank or the credit union when we get there. So here's a large Northeast regional bank with 13.5 million dollars in assets. Since they've been at Shopper Alert, they've closed more than 111 million dollars in loans, with a 2000% return on their investment.

A bank in Texas, five billion in assets. They've been at Shopper Alert for about a year, and during that time they closed six million dollars in new mortgage loans, auto loans and unsecured personal loans. I know that bank really well, their response rate is almost six percent. So almost six percent of all of their customers who trigger a Shopper Alert inquiry, are coming back to the bank and submitting a loan application to that bank, even though they originally went to another financial institution for that loan product. As those of you on the phone, I'm sure know, the Direct Marketing Association says a 1 ½ to 2% response rate in the financial services world, is considered to be a very strong direct mail program. So with this institution, they're about three times better than what DMA says is a well run, well managed direct mail campaign.

Let's talk about some credit unions for a moment. So here's an eight billion dollar credit union in California. Since they started the program, 15 million dollars in funded loans. We've got a one billion dollar credit union in Maryland, a better than 10% response rate. And then a credit union in New Jersey, 400 million in assets, they closed almost five million dollars in loans; or are about to close five million dollars in loans. Their borrower to member ratio since they started the program has grown by almost six percent and their consumer loan portfolio has grown by 11% since they kicked off with the Shopper Alert program.

So it's opportune that I bring up this next slide. This is HAR-CO Credit Union, and I see on our list of attendees that Sarah Benson has joined us today. Sarah, thank you very much for joining us, hi there.

SARAH BENSON: Thank you.

STEVE NIKITAS: So Sarah, welcome. Thank you for joining the webinar. Sarah, you are the VP of Sales, Service and Marketing at HAR-CO Credit Union.

SARAH BENSON: Correct.

STEVE NIKITAS: Sarah, I want to walk through this chart if I could, but before I do; tell us a little bit about HAR-CO Credit Union. How long have you been at Shopper Alert?

SARAH BENSON: Sure. So we started the Shopper Alert Program back in, I want to say April or May of 2012, and we've been going strong with that since then. Our asset size is about 180 million. We're located in Bel Air, Maryland and we have three branch locations.

STEVE NIKITAS: OK, so you are actually the first financial institution that implemented Shopper Alert. I'm not sure you're aware of that, Sarah, but for those folks who are on the phone; I wanted to let everybody know that Sarah was the first to implement shopper alert and has been at the program now for better than two years.

So, Sarah, let me just walk through this; and for everybody on the screen as you heard, it's a small financial institution, under 200 million in assets. So Shopper Alert can work for financial institutions large and small. It's an effective way for institutions to spend their marketing dollars. Right? Because we know newspaper advertising can be expensive, radio advertising isn't cheap, television advertising can be very expensive and it's not easy to create a television commercial. So Shopper Alert, identifying your members or your account holders when they're shopping, can be very effective.

These numbers reflect the applications that HAR-CO has brought in so far in 2014, through the end of September. As I mentioned earlier, part of my role with Shopper Alert is to help financial institutions inspect what they expect. On a monthly basis, I sit down with Sarah and go through information like this. So during the first nine months of the year; the credit union has brought in 10 mortgage applications, 45 auto loan applications, eight unsecured personal or consumer loan applications and 19 credit card applications. As I mentioned, most of these will cross the goal line because declination rates, and Sarah I'm not sure what your credit union's decline rates are, but what I see is typically in the low single digit percentile.

So, just wanted to share with everybody the experience that HAR-CO credit union, our first financial institution that has been up and running with Shopper Alert, is thus far experiencing. Sarah, can I ask a couple questions, if you don't mind?

SARAH BENSON: Absolutely.

STVE NIKITAS: How much time does it take out of your day . . . you've got Shopper Alert, you've been at two years now, better than two years; you're our key contact at HAR-CO, how much time out of your day does into managing this program?

SARAH BENSON: For me, personally, it's not much time at all. Jokingly, 10 minutes a day. I get an email that is the alert saying I have a file ready. I go onto the secure site and I download that file and I just give that to my sales people. So that's it, that's my involvement. Something you said earlier though, Steve, that I think is really important is to know how helpful Harland is along the way with the setup and process. I was someone who, at that point, really wasn't dialed in to what to expect with this and you guys did a wonderful job of getting us though the credit bureau applications. Even now when we have changes, whether it's a rate change or something to that effect and I have to make a quick change to that letter, you guys make it very easy for us to do that. If you didn't, that would be a different story. Oftentimes our rates will change, especially with the mortgages, and that literally is a quick email that I send to my rep who makes that change very quickly on the letter; gets it back to me and I proof it and we're good to go. I know that updated letter is out pretty much within the same week. Just a few days letter, that updated letter is the one going out to the members on a daily basis.

STEVE NIKITAS: That's outstanding, Sarah, thanks. You know while we're on that point, I was working with a financial institution earlier this week that wanted to make a change to the credit criteria that they were looking at. This particular institution thought that it could probably be bringing in even more . . . or I'm sorry, seeing more particular triggers. So after we held our monthly review meeting, we decided to lighten up a little bit on the FICO score. That decision was made yesterday and, as of today we have now opened up the FICO score a little bit deeper for this institution, so that's how quickly the change takes place.

Sarah, another question, I know we're going to be running tight on time here, but do you make the calls or do you have Harland Clarke make the calls; those outbound phone calls.

SARAH BENSON: We made the decision to make those ourselves in house. We have a unique situation with this program in particular in that I have sales people that are just responsible for sales, so they don't have any member service responsibility, so they're able to do that. I know I've talked to people in other institutions who just don't have that set up or don't have the people or the expertise, and I know Hyland is great at doing that as well. But you had said earlier that those phone calls are an important piece and I definitely will agree with you on that. That follow-up is a big piece of it.

STEVE NIKITAS: And as part of that, what Harland Clarke does is we will go into a financial and provide training to help whoever is making the phone calls be better at it. So based on best practice, based on maybe pitfalls that we see or challenges that we see other financial institutions experience, prior to implementation of Shopper Alert; we'll go in and train those folks who are going to be making the outbound calls on what they should be saying, how they can overcome objections, what kind of call cadence they should implement. For example, my recommendation is make three phone calls, make them on three successive days, leave a voice mail after each phone call. We'll train you on the scripting, we'll train you on what to say on the voice mail, etc. etc.

Sarah, that's all good stuff and I know this was kind of spontaneous today. Any closing remarks that you'd like to make on Shopper Alert for anyone on the webinar today?

SARAH BENSON: For me, the one thing I always think about with this is whether or not I'm here, whether or not the sales people are here; if somebody's out sick or on vacation, those letters are still going out. Regardless of what else you get caught up with, that's the one constant that, for me; is the best part. Those letters go out regardless of we have other things going on or vacations or anything. That really makes a difference and it's just knowing that our name is constantly getting out there to our members with our information. It makes a big difference.

STEVE NIKITAS: Yes, it's very programatic, you know it's going to happen.

SARAH BENSON: Yeah, exactly.

STEVE NIKITAS: Sarah, I believe we're going to meet next week and go through your results, but I'll tell you your overall results are around seven percent. Seven percent of all the letters going out the door are coming back to the credit union in the form of a loan application, and that's certainly a good thing. Sarah, thank you very much, I appreciate you being on the phone today.

SARAH BENSON: Any time. Thank you, sure.

STEVE NIKITAS: Thank you. OK, let's just . . . before we sign off, and I'm going to call James back in; in a moment to open up the phone lines and invite any of you folks to ask questions. Just in summary, Shopper Alert, we're reaching your account holders or your prospects; should you decide to implement the prospecting piece of the program. We're reaching them when they are in the act of shopping. A key benefit of that is among other things, you don't necessarily have to make a financial offer of any sort, like come on in; get a car loan from us and we'll give you $100. The customer or members are already shopping, we want to get in front of them and let them know that they may get a better rate with us, their own financial institution.

We utilize the three leading credit bureaus; Equifax, Experian and TransUnion. That ensures that your pool of opportunity is going to be large. Three channels of outreach; postal mail, email and telephone. We can track four different loan types; home loans, auto loans, personal loans and credit cards. It's a pre-screen program to ensure that our ROI is as high as it can be. We provide monthly reporting, we at Harland Clarke are great believers in the philosophy of inspecting what you expect to make sure that the program is performing on all eight cylinders.

Our advantage, again, we work with all three credit bureaus; you're going to be able to reach more people. Typically what we see is loan acquisition comes in at under $100. When we know that we're in front of customers within 24 hours, we stand a high likelihood of encouraging them to finance that loan with us. We're only reaching out to people who meet your credit criteria for pre-screen. We provide quick-to-market, but award winning creative, that we know works; based on some of the results that I've shared with you today. Multichannel approach and lastly, monthly reporting to make sure that everyone is abreast of how the program is performing for you.

With that, James, would you mind coming back and telling our attendees how they can ask a question over the phone? For either me or Sarah. Are you still with us?

SARAH BENSON: I am.

STEVE NIKITAS: Would you be kind enough to answer any questions if one pops up?

SARAH BENSON: Sure.

STEVE NIKITAS: Excellent. So, James, how does an attendee ask a question?

JAMES: Thank you, Mr. Nikitas. If you would like to ask a question, please signal by pressing *1 on your telephone keypad. If you are using a speaker phone, please make sure your mute function is turned off to allow your signal to reach our equipment. A voice prompt on your phone line will indicate when your line is open. Again, press *1 to ask a question, and we'll pause for just a moment to allow everyone an opportunity to signal for questions.

STEVE NIKITAS: While we're waiting, James, if anyone is shy about getting on the phone and would like to ask a question discreetly; you can do so in the chat screen and just make sure that you address the question to all panelists.

James, no questions?

JAMES: There are no phone questions, Mr. Nikitas.

STEVE NIKITAS: Okey doke. I guess we did a good job, Sarah. So, I don't see any questions that have popped up in chat, so why don't we sign off. Again, just two reminders; we'll send you a copy of today's slides right after this presentation, and then within the next week be on the lookout for a recording of this webcast.

With that, Sarah, thank you very much for calling in.

SARAH BENSON: No problem, thank you, it was enjoyable.

STEVE NIKITAS: Thank you. And everybody who attended, thank you very much and good luck with your planning for 2015. Bye, bye.