




Presentation materials and video replay will be provided within one week

Have questions? Use the questions panel  We'll field them as we go and during the Q&A recap at the end of the call

# Best Practices and Next Practices for Consumer Loan Growth

A Harland Clarke Webcast Series

July 21, 2016

## Today's Presenters



### **Steve Nikitas**

Senior Strategist Director, Harland Clarke

- 30 years experience, including senior executive at financial institution in New York, California and Massachusetts
- Loan portfolio and account holder retention specialist



### **Stephenie Williams**

Senior Market Strategist, Lending Solutions, Harland Clarke

- 20+ years direct marketing experience in retail and financial services
- CRM and ROI specialist

# Agenda

## **State of Lending Market**

*Latest trends*

## **Pain Points**

*Acquisition, Utilization, Retention*

## **Acquire and Retain**

*Best Practices to achieve growth*

## **Portfolio Engagement**

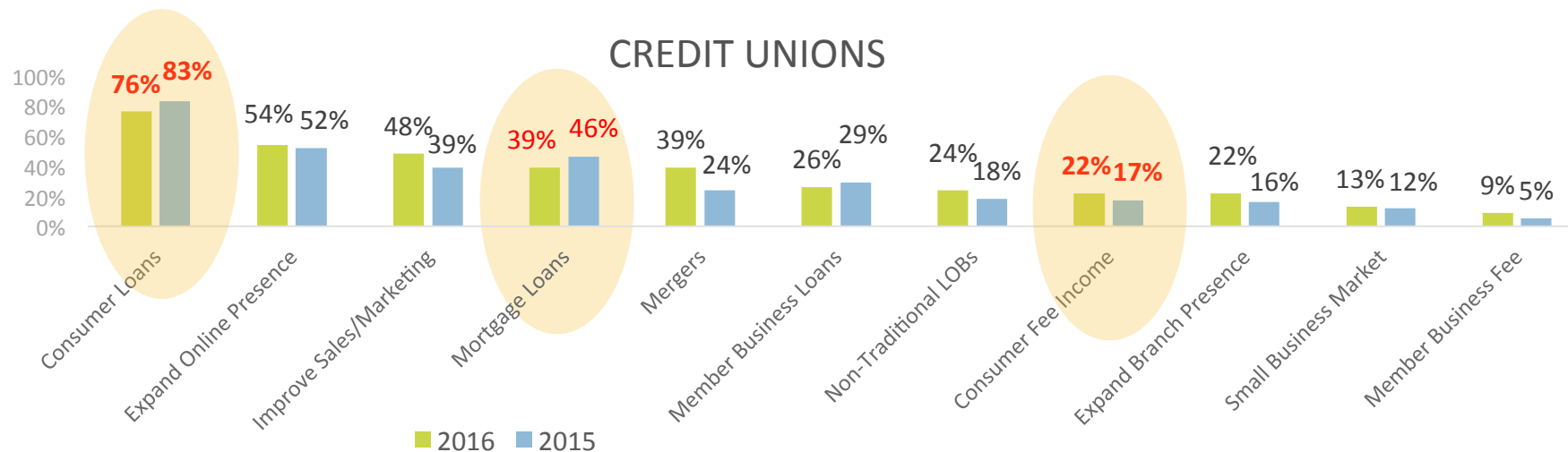
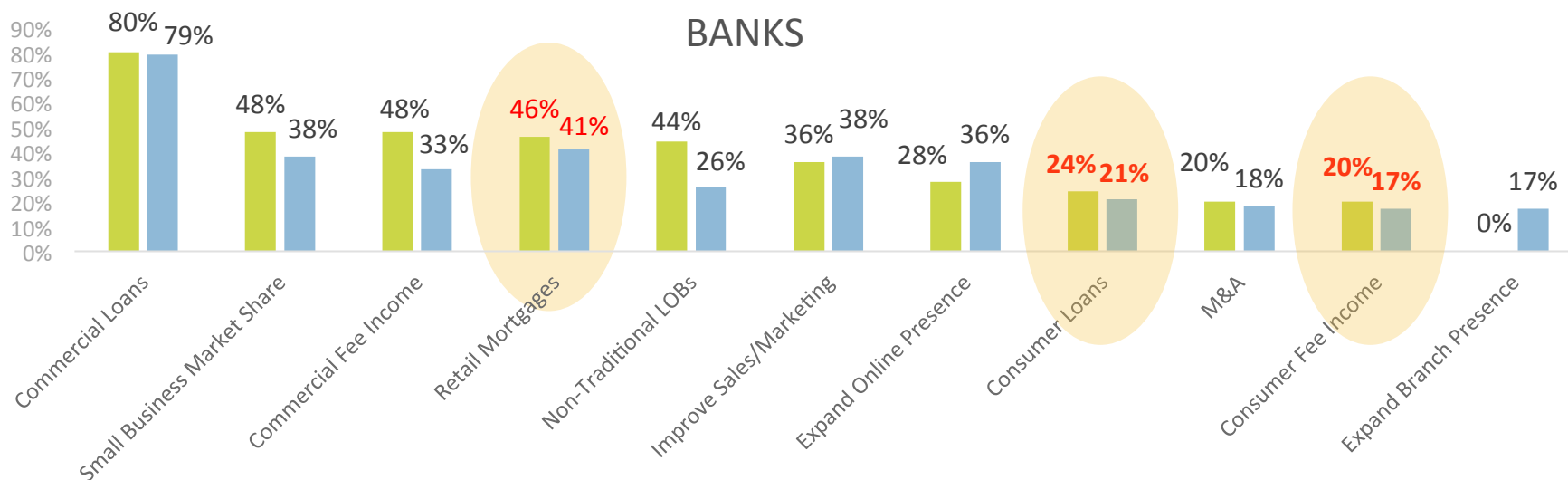
*Utilize and Retain*

## **Creative Approach**

*Going to market*

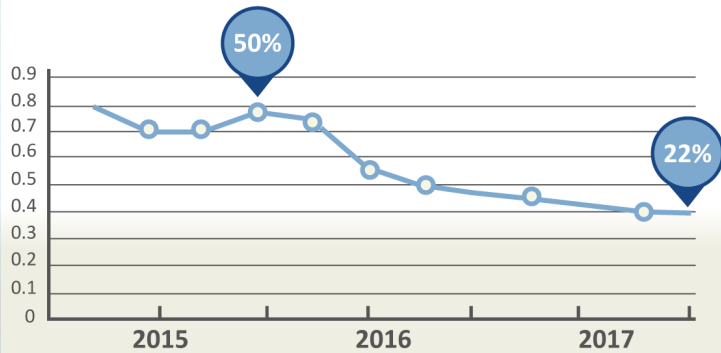
**State of Lending Market: *Latest trends*** > > >

# Loan Growth is Top Priority for Financial Institutions



# Lending Market Trends

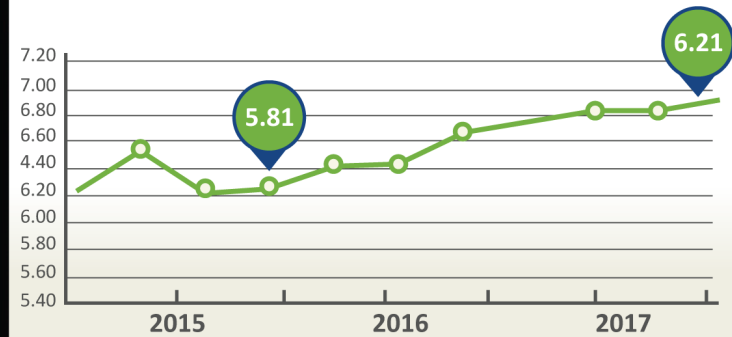
### Refinancing Share of Originations Forecast



**Refinancing** is trending down\*

\*while the overall refi market is trending down, recently refi activity has started to heat up again.

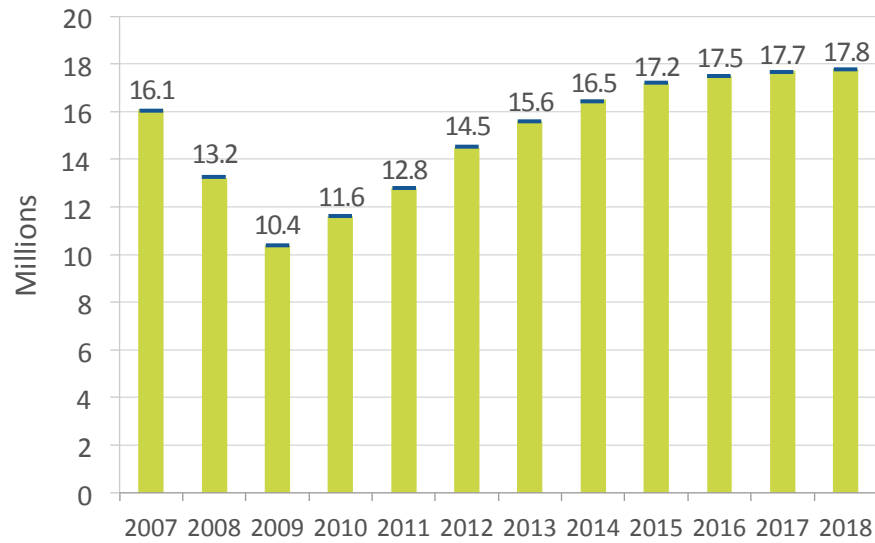
### Total Home Sales Forecast (Millions)



**Home sales** are trending up

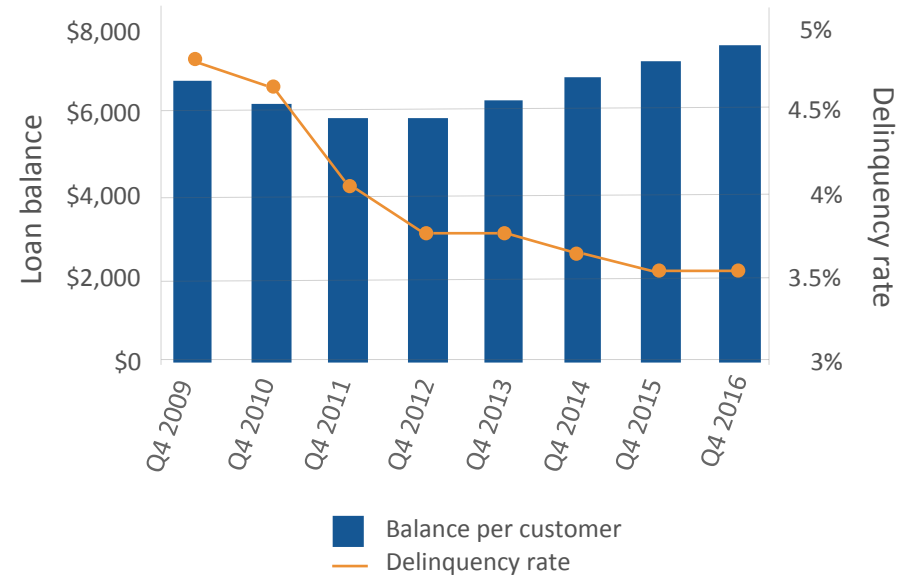
# The Market is Favorable

## Auto Sales (in Millions)



Source: Center for Auto Research, July 2015.

## Unsecured Loans (balances up, delinquencies down)



Source: Bankrate.com

**Pain Points:** *Acquisition, Utilization, Retention* > > >




$$\text{New loan growth goal} + \text{Refis} + \text{Payoffs} = \text{Net new loan growth goal}$$

# Growth Isn't Easy

## Challenges:

- Cautious economy
- Stock market volatility
- Increased competition (P2P, Fintech)
- HELOC resets
- Portfolio runoff
- Mortgage purchase vs. Refi
- Auto leasing
  - 2015 record year
  - 2016 projected to beat '15

## Opportunities:

- Home sales
- Auto sales
- Personal loans

## Solution:

Marketing and lending working together,  
cross function collaboration vs. working in silos

# Strategic Planning Process



**Acquire & Retain: *Best Practices to achieve growth*** > > >

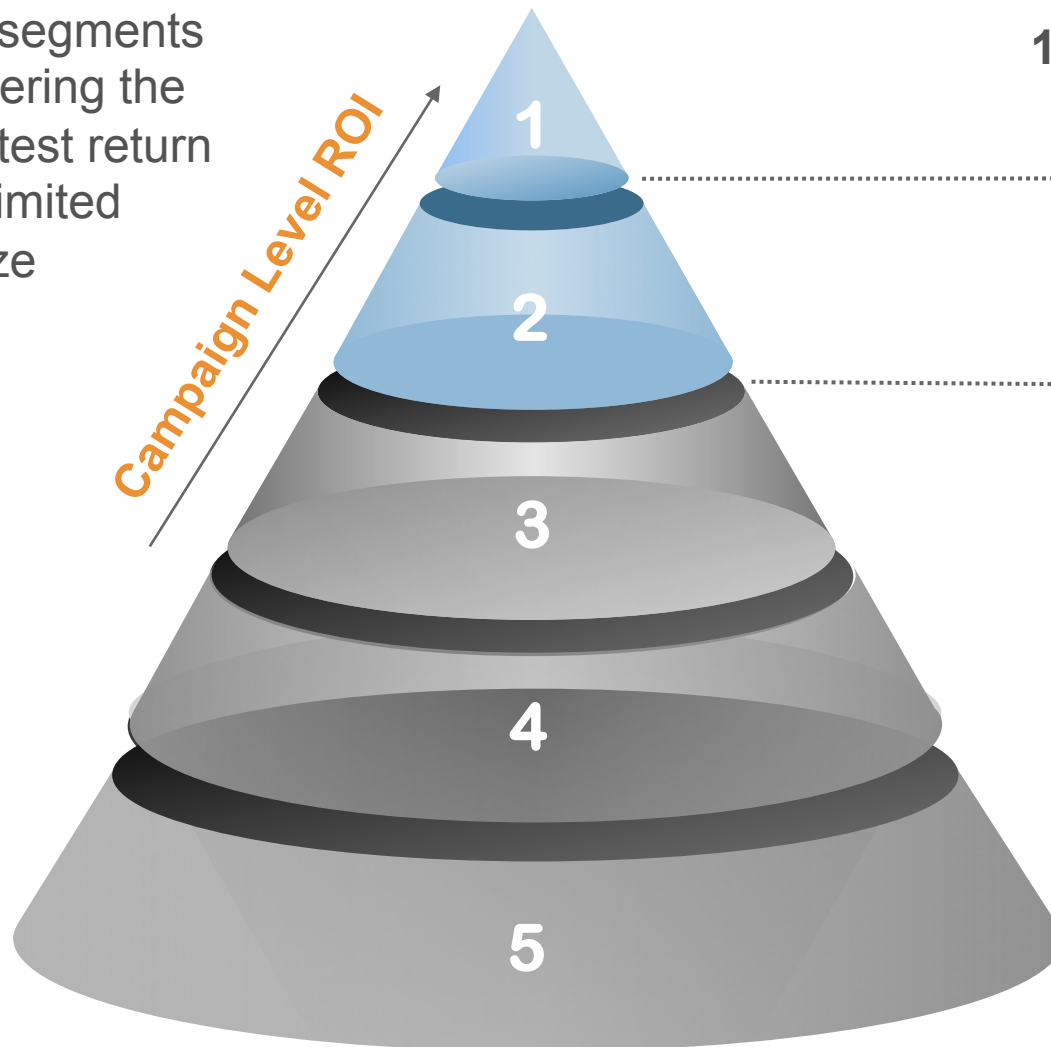
# Loan Generation Audiences

The segments delivering the greatest return are limited in size



# Pre-Screen Credit Triggers

The segments delivering the greatest return are limited in size



- 1 Shopping Account Holders  
**Credit Triggers**
- 2 Shopping Prospects  
**Credit Triggers**

# Grow & Retain with Credit Triggers

Daily identification of your account holders and prospects who are shopping for a loan



Your message is sent to account holders or prospects

within  
**24**  
hrs  
of an inquiry alert



**Up to  
75% lift**



3 credit bureaus



# Up to 5% of Account Holders Are Loan Shopping

Credit inquiries made in the last 30 days

Product Type	Count	Percent of File
Mortgage	3,802	52%
Auto	816	11%
Credit Card	1,806	25%
Installment	897	12%
<b>Total</b>	<b>7,320</b>	<b>100%</b>

Credit Score	Count	Percent of File
<620	1,528	21%
620-639	486	7%
640-719	2,604	36%
720+	2,702	37%
<b>Total</b>	<b>7,320</b>	<b>100%</b>

**3-5%**  
of account  
holders *are*  
shopping  
each month

Estimated number of new loan applications generated based on historical campaign response rate of 7.8% data is **571 new loans\***

\*Many variables impact campaign success. The information on earnings or percentage increases that is contained within this case study is provided for demonstrative purposes only. Harland Clarke does not guarantee or warrant earnings or a particular level of success with a campaign.

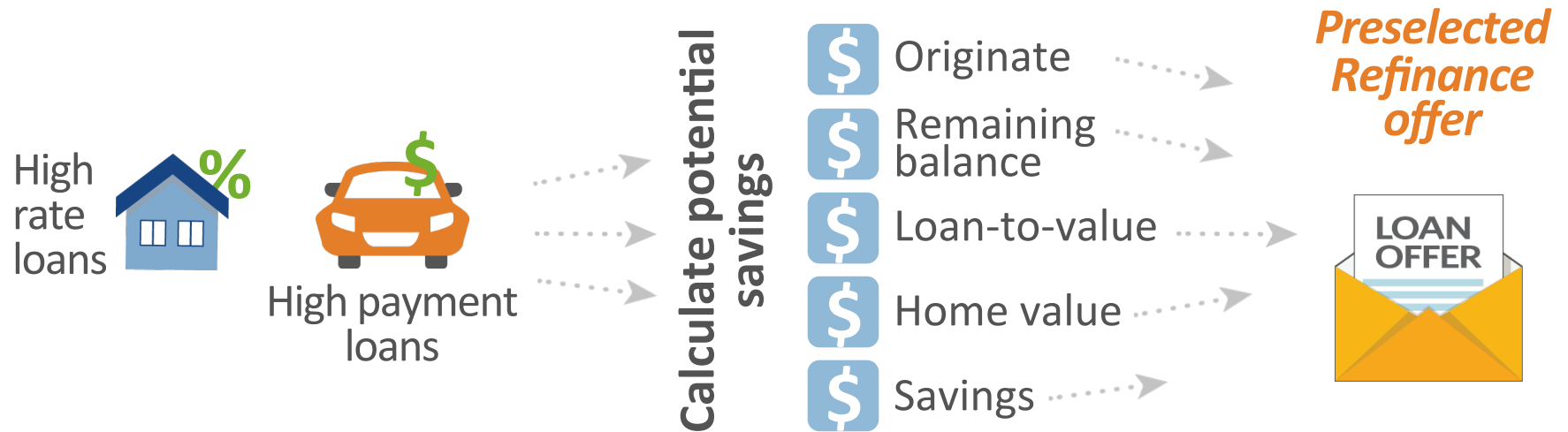


# Be Proactive With Pre-Screen Campaigns

The segments delivering the greatest return are limited in size

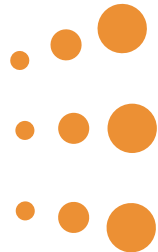
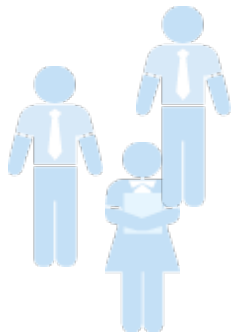


# Loan Acquisition – Quarterly Pre-screen Campaigns



# Loan Acquisition – Quarterly Pre-Screen Campaigns

## Non-Shopping Account Holders and Prospects



- Meet your underwriting criteria
- High propensity to respond
- Scored on demographics, credit behavior and usage



# Paradigm Shift: Traditional Approach



- Resource constraints
- Work effort inefficiency
- Limited product promotion

## Paradigm Shift: Next Approach

- More efficient use of marketing resources
- Only have to develop criteria for loan products
- Capture loans that don't get marketing support

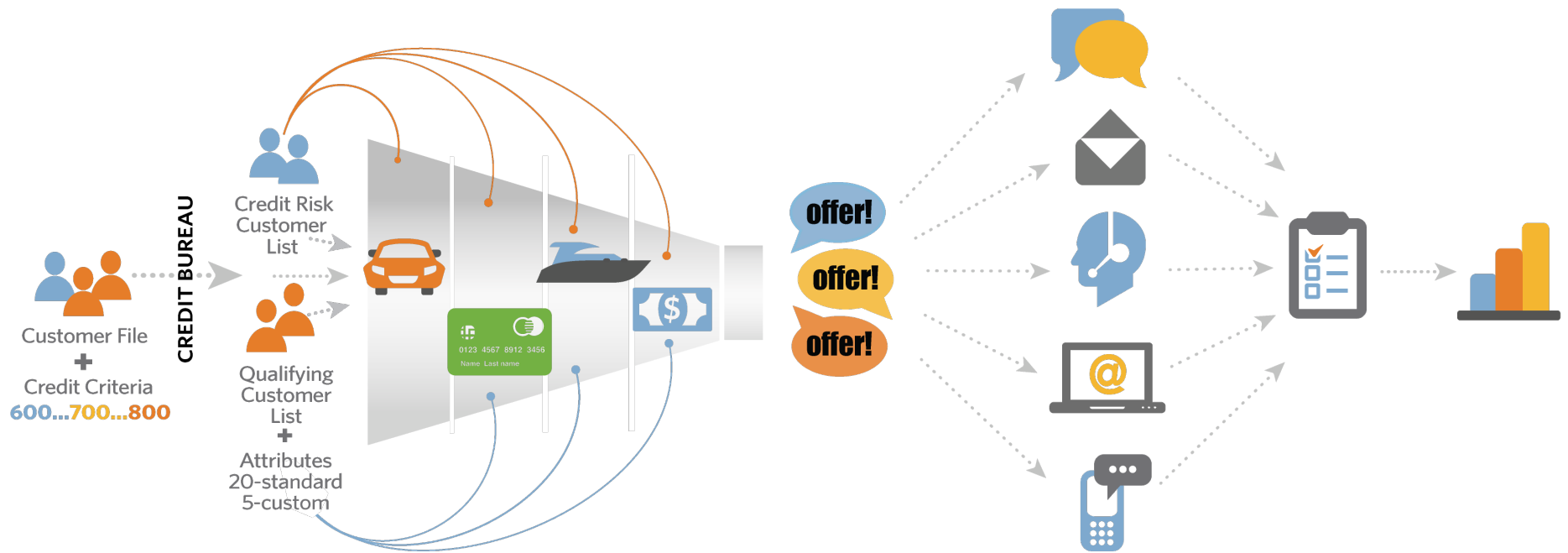
### **Greater ROMI**

**Creates loyalty w/ the financial institution**

**Better consumer experience**

- Offer available when they need
- No guessing on approval

# “Next Practice”: Perpetual Pre-screens



Financial Institution account holder base

Quarterly credit prescreen

Check individual prescreens against product lending criteria

Compile personalized multi-product offers

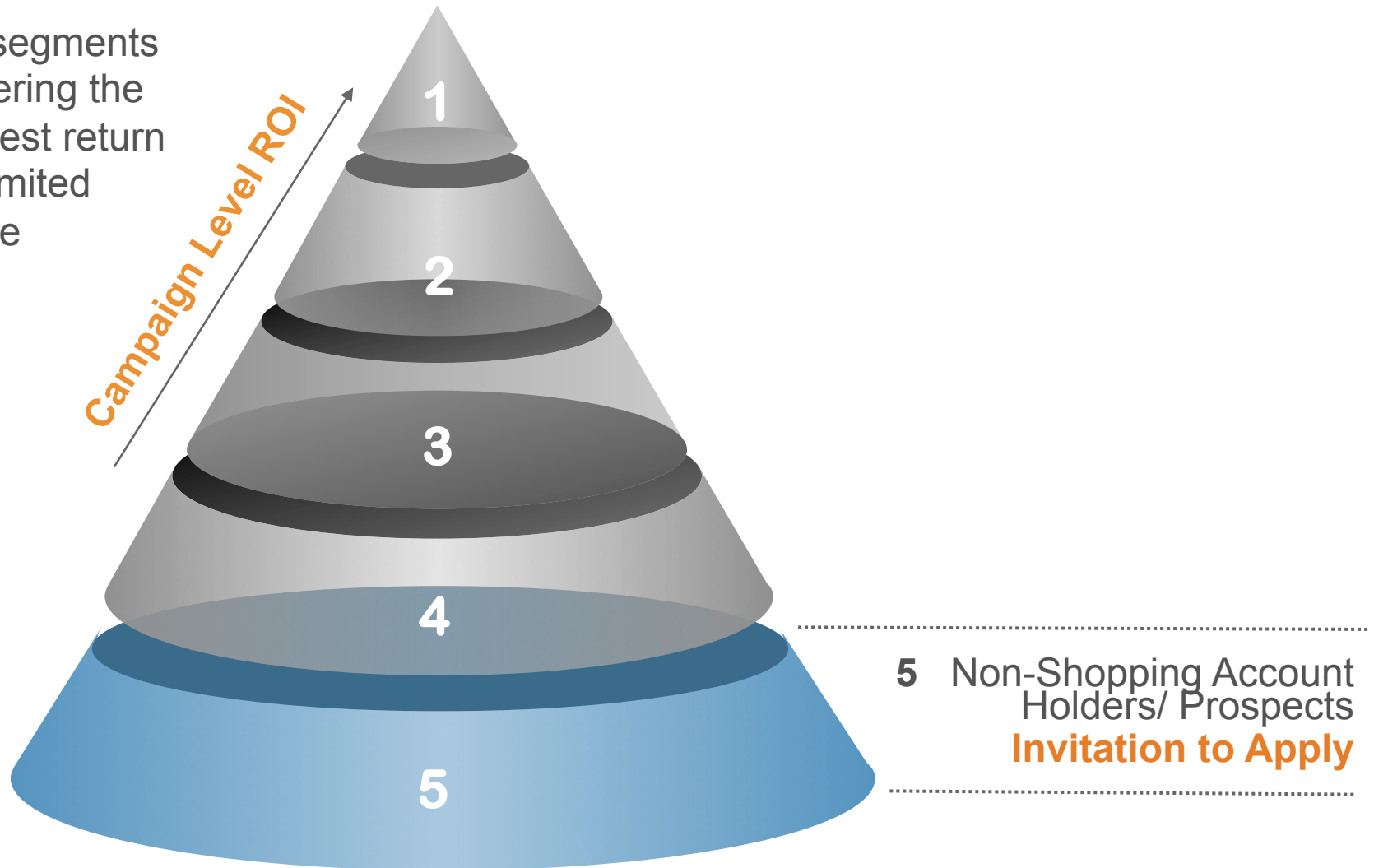
Communicate at all touchpoints

Convert preselected leads to funded loans

Campaign analysis

# Invitation to Apply

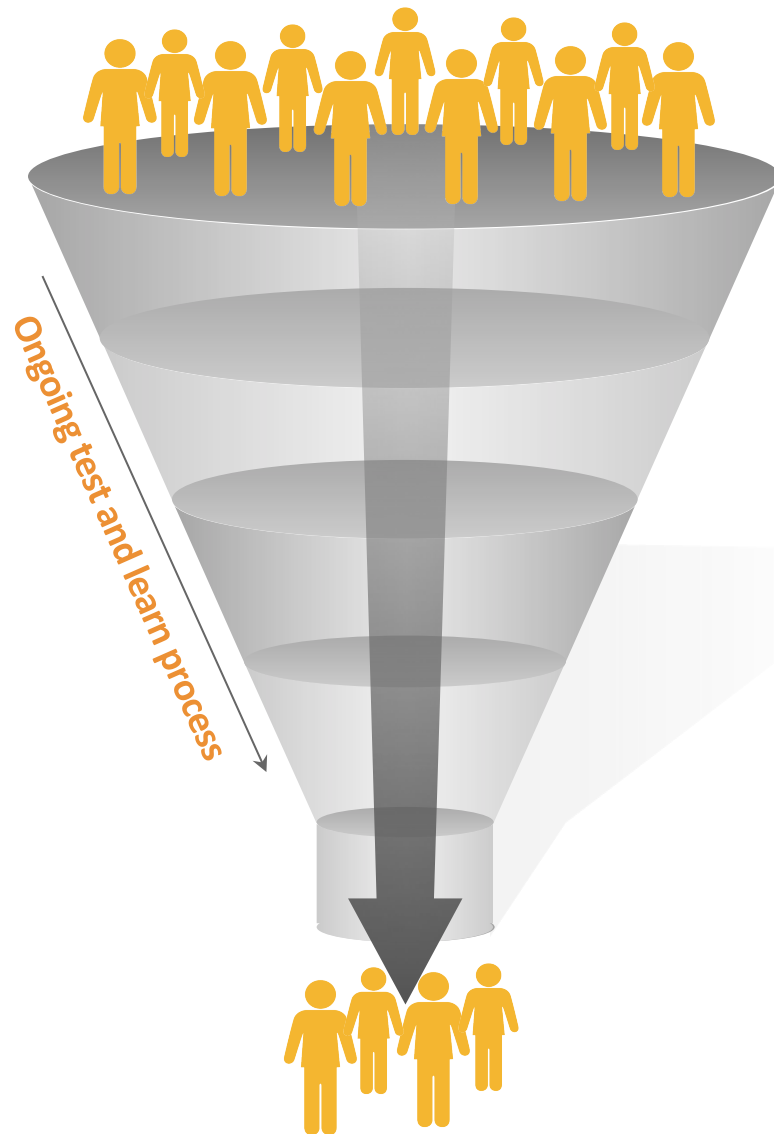
The segments delivering the greatest return are limited in size



Utilize & Retain: *Portfolio engagement* > > >



# Portfolio Engagement



Credit Risk, Marketing, Finance

## Segmentation

- Identify
  - Target
  - Incentivize
- 

## Grading

- Sub-classify
- 

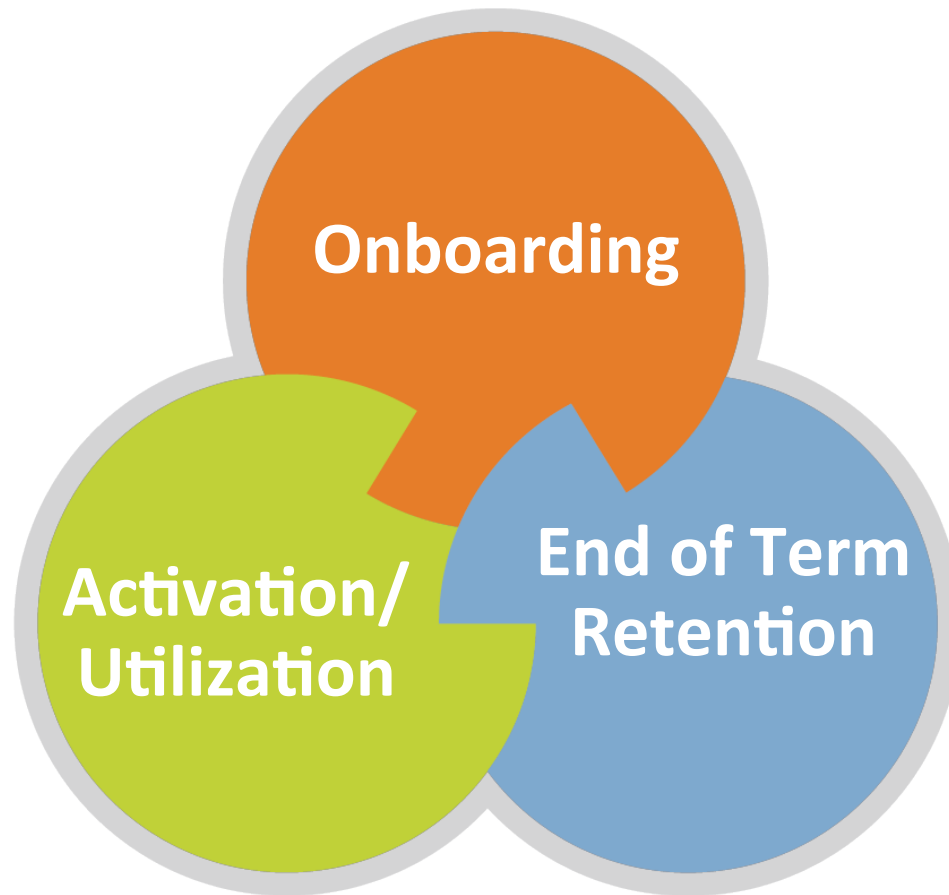
## Solicitation

- Create, implement campaigns
- 

## Optimal Targeting

- Develop statistical modes
- Match offers
- Optimize timing

## Best Practice – Engagement Activities

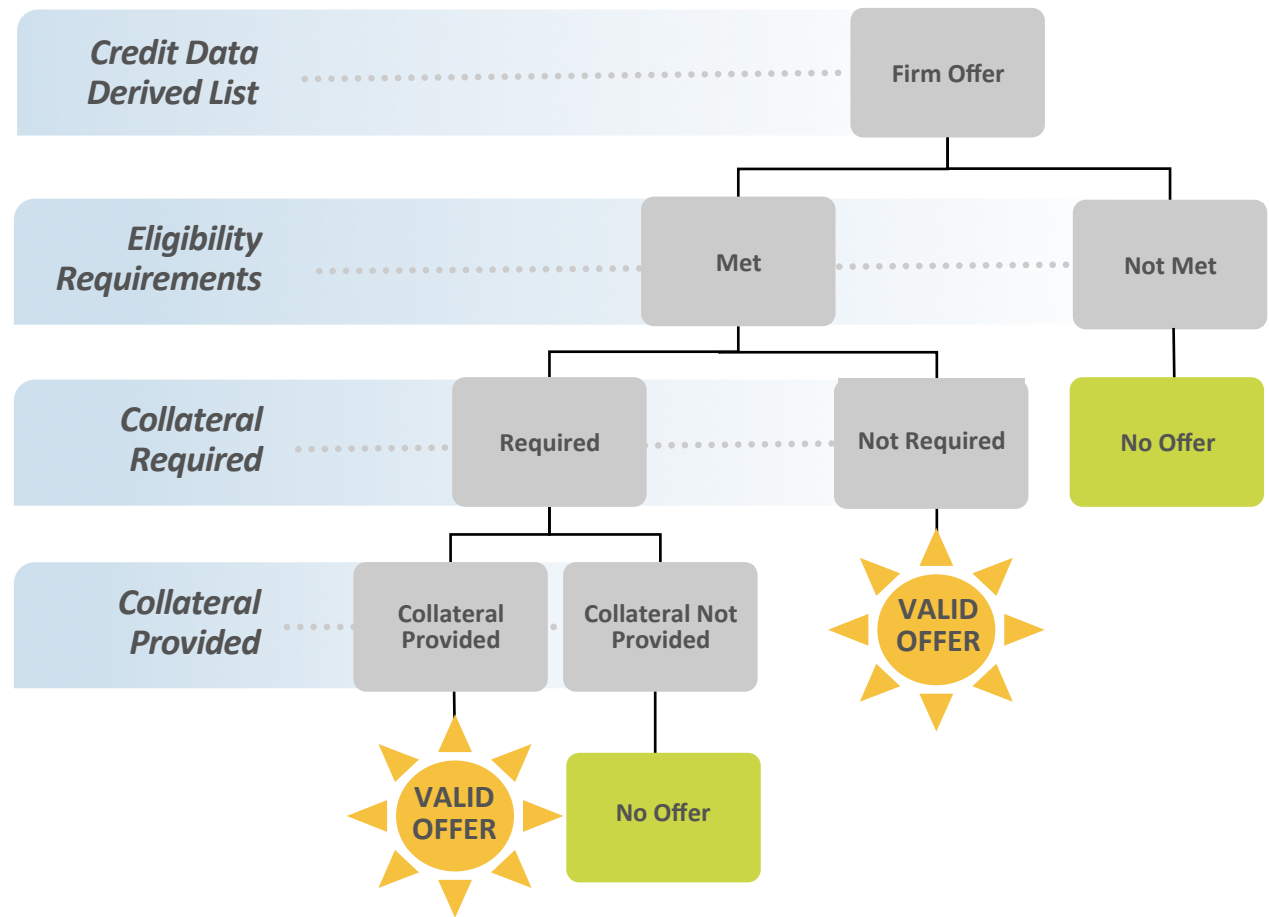


**Creative Approach: *Going to market*** > > >

# Firm Offer of Credit

## An offer that must be honored... IF

- Consumer still meets criteria used in selection process
- Consumer meets other credit criteria established prior to offer



# Remember Your Alphabet

## OFFER REQUIREMENTS

<b>O</b>	<b>Opt-Out Notice</b>	Consumer has to be given a reasonable means to discontinue advertisements of this sort.
<b>P</b>	<b>Product</b>	Product which the consumer is being presented.
<b>Q</b>	<b>Qualification</b>	A statement of “pre-qualified”, “pre-approved,” “pre-selected”.
<b>R</b>	<b>Rate</b>	The rate the consumer can pay. When the term “as low as” is used, a maximum must also be provided.
<b>S</b>	<b>Sum of Money</b>	The minimum loan amount. A range is fine, so long as there is a minimum.
<b>T</b>	<b>Terms and Conditions</b>	<ol style="list-style-type: none"><li>1. Terms: The length of time that the offer is valid; typically greater than two days.</li><li>2. Conditions: The eligibility conditions that must be met for the offer to be valid. If collateral is required, it must be mentioned.</li></ol>

Content is intended to convey general information only and not to provide legal advice or opinions.

# Putting it All Together

**YourFI**

Your Bank Address

(XFULLNAME1)  
(XFULLNAME2)  
(XADDRESS1)  
(XADDRESS2)  
(XCITY), (XSTATE) (XZIP)-(XZIP4)

(DATE)

Dear (XFULLNAME1),

Helping you get more for your money is what we do best here at (FI Name). That's why we're happy to tell you that you're pre-approved for a new or pre-owned vehicle loan at a great low rate. You can even get a rate discount!

**SHOP WITH CONFIDENCE**

<b>AMOUNT:</b>	Up to 100% MSRP (new vehicles) and NADA (used vehicles)*
<b>RATE:</b>	As low as (Auto Rate Minimum)% APR*
<b>BONUS:</b>	(AU Discount Rate % rate discount)* when you have your Auto loan payment automatically deducted from any (FI Name) checking account

Imagine walking onto the car lot and knowing how much you can spend before you even begin your search? You'll save time—and money—and be driving your new or pre-owned vehicle while other people are still getting approved for their loan.

**GO WITH (FI Name)—YOUR LOCAL CHOICE FOR LOANS!**  
For all your borrowing needs, choose the lender you already know and trust. (FI Name) has convenient locations to serve you, and a friendly, knowledgeable staff ready to work for you.

Sincerely,  
**Auto Letter Signatory I**  
Auto Letter Signatory Name  
Auto Letter Signatory Title

P.S. Save at the same low pre-approved rate when you refinance your existing auto loan!

**PRE-APPROVED FOR ((XFULLNAME1))**

ACCEPT YOUR (FI Name) AUTO LOAN TODAY.

CALL: Auto Phone Number  
CLICK: Auto Web Address  
COME IN: Convenient locations to serve you

**HURRY—offer ends ((AU Offer End Month)) ((AU Offer End Day)), 2013!**

You can choose to stop receiving "prescreened" offers of credit from this and other companies by calling toll-free 1-888-567-8688. See **PRESCREEN & OPT-OUT NOTICE** on other side for more information about prescreened offers.

**RIGHT HERE, RIGHT NOW!**

You're pre-approved\* for an auto loan as low as (Auto Rate Minimum)% APR. Plus an additional rate discount!



**EXTRA VEHICLE PROTECTION ONLY FROM (FI Name)**

Also ask about our low-cost vehicle protection programs that cover repairs and your unpaid loan balance.

LOCATIONS:

Bank Location 1



Statement of Qualification

Long-Form Opt-Out

Terms and Conditions

Maximum Rate

Minimum Amount

Short-Form Opt-Out

**PRESCREEN & OPT OUT NOTICE**

This "prescreened" offer of credit is based on information in your credit report indicating that you meet certain criteria. This offer is not guaranteed if you do not continue to meet our criteria and other factors bearing on your creditworthiness (including acceptable property collateral, income and employment history). If you do not want to receive prescreened offers of credit from this and other companies, call the consumer reporting agencies toll-free at 1-888-567-8688; or write TransUnion Opt Out Request, P.O. Box 505, Woodland, PA 19094-0505 Experian Consumer OPT-OUT, P.O. Box 919, Allen, TX 75013 Equifax Options, P.O. Box 740123, Atlanta, GA 30374-0123

(Loan Transfer Amt) loan transfer fee will be assessed to each refinanced vehicle loan. Other rates and terms available. Ask for details.

1 We used information on you that we obtained from a consumer reporting agency in connection with this "Pre-Approved" offer. You were selected to receive this offer because you satisfied certain criteria for creditworthiness which we previously established. The offered credit may not be extended if, after you respond to this offer, we determine that you do not meet the criteria used to select you for this offer or any other applicable criteria bearing on creditworthiness, or if you do not provide the required collateral. This offer may also be withdrawn if the value of the vehicle you are refinancing exceeds 125% of Loan-to-Value (LTV). Not all applicants will qualify for the lowest rate.

2 APR = Annual Percentage Rate. Offered (Auto Rate Minimum) months. (FI Name) finances 100% of MSRP (new vehicles) or the NADA Retail value (used vehicles). The maximum interest rate for this offer is (Auto Rate Max) % APR and the minimum approved loan amount is \$ (Auto Loan Amount Minimum). Refinance restrictions apply. Rates current as of (Auto Rate Date (AU Offer End Day)), and are subject to change based on market conditions and borrower eligibility. Other rates and terms available. Subject to credit review. May not be combined with other offers. Membership eligibility is required.

3 Annual Percentage Rate of (Auto Rate Minimum) % reflects a (Auto Rate Discount) % rate reduction for having monthly payment auto deducted from a (FI Name) checking account. Automatic payment is not a requirement to obtain a loan. (Auto Rate Subject to Change) % rate subject to change without notice. Terms and rates are available. Subject to credit approval.

Auto Disclosures

# Personalized Omni-Channel



# Strong Creative Elevates Success!

Three key elements for effective direct marketing of lending products





# Allocating Creative Real Estate:

1. Clearly branded
2. **Competitive rate offer**
3. Preapproved
4. **Full offer**
5. Deal sweetener
6. Thought starters
7. Urgency
8. Call to action
9. Response channels
10. Short notice terms and conditions
11. Long notice terms and conditions (back of letter)

**1** **YourFI**  
FI MAILING ADDRESS

((XFULLNAME1))  
((XFULLNAME2))  
((XADDRESS1))  
((XADDRESS2))  
((XCITY)), ((XSTATE)) ((XZIP))-(XZIP4)

**2** **Say Yes To Getting Things Done!**  
You're pre-approved<sup>1</sup> for a Home Equity Loan as low as **X.XX% APR<sup>2</sup>**

**3** **Pre-Approved for ((XFullName1))**

**4** Dear ((XFullName1)),  
Your business is important to us. That's why we have pre-approved<sup>1</sup> you for a Home Equity Loan with a fixed rate as low as X.XX% for XX years.<sup>2</sup>

**5** **Act Now!**  
Accept this offer by ((Month XX)), ((Year)), and save up to \$XXXXX more in closing costs.

**6** **Our Home Equity Loan is a Smart Choice**

- ✓ Consolidate higher-interest debt into one lower monthly payment
- ✓ Make home improvements, upgrades, or repairs
- ✓ Pay tuition or medical bills
- ✓ Cover unexpected expenses
- ✓ Make other large purchases

**7** **HURRY—offer ends ((Month XX)), ((20XX))!**

**8** **CALL: 800-000-0000**

**9** **CLICK: yourfi.com/mortgage**

**10** You can choose to stop receiving "prescreened" offers of credit from this and other companies by calling toll-free 1-888-567-8688. See **PRESCREEN & OPT-OUT NOTICE<sup>2</sup>** on other side for more information about prescreened offers.

**11** **PRESCREEN & OPT OUT NOTICE**  
This "prescreened" offer of credit is based on information in your credit report indicating that you meet certain criteria. This offer is not guaranteed if you do not continue to meet our criteria and other factors bearing on your creditworthiness (including acceptable property collateral, income and employment history). If you do not want to receive prescreened offers of credit from this and other companies, call the consumer reporting agencies toll-free at 1-888-567-8688; or write TransUnion Opt Out Request, P.O. Box 305, Woodland, PA 19094-0505; Experian Consumer OPT-OUT, P.O. Box 919, Allen, TX 75013; Equifax Options, P.O. Box 740123, Atlanta, GA 30374-0123

**Home Sweet Home Equity**  
Use your pre-approved Home Equity Loan to pay off high-interest debt, improve your home, or for any other smart reason!

**Other Smart Reasons To Use An Equity Loan**

- ✓ No annual fees
- ✓ Potential tax benefits (consult with your tax advisor)
- ✓ Low predictable payments each month

**Call The Lender You Know, Start Saving Now**  
For local decision-making, a fast closing and dependable service, work with the local lender you already know. We have convenient locations and a friendly, helpful staff ready to help you save money. Call 800-000-0000 today ... your special equity rate expires on ((Month XX)), ((Year))!

Sincerely,  
*Signature Name*  
Signatory Name  
Signatory Title

**Locations**

**Branch Location1**  
Address  
Phone Number

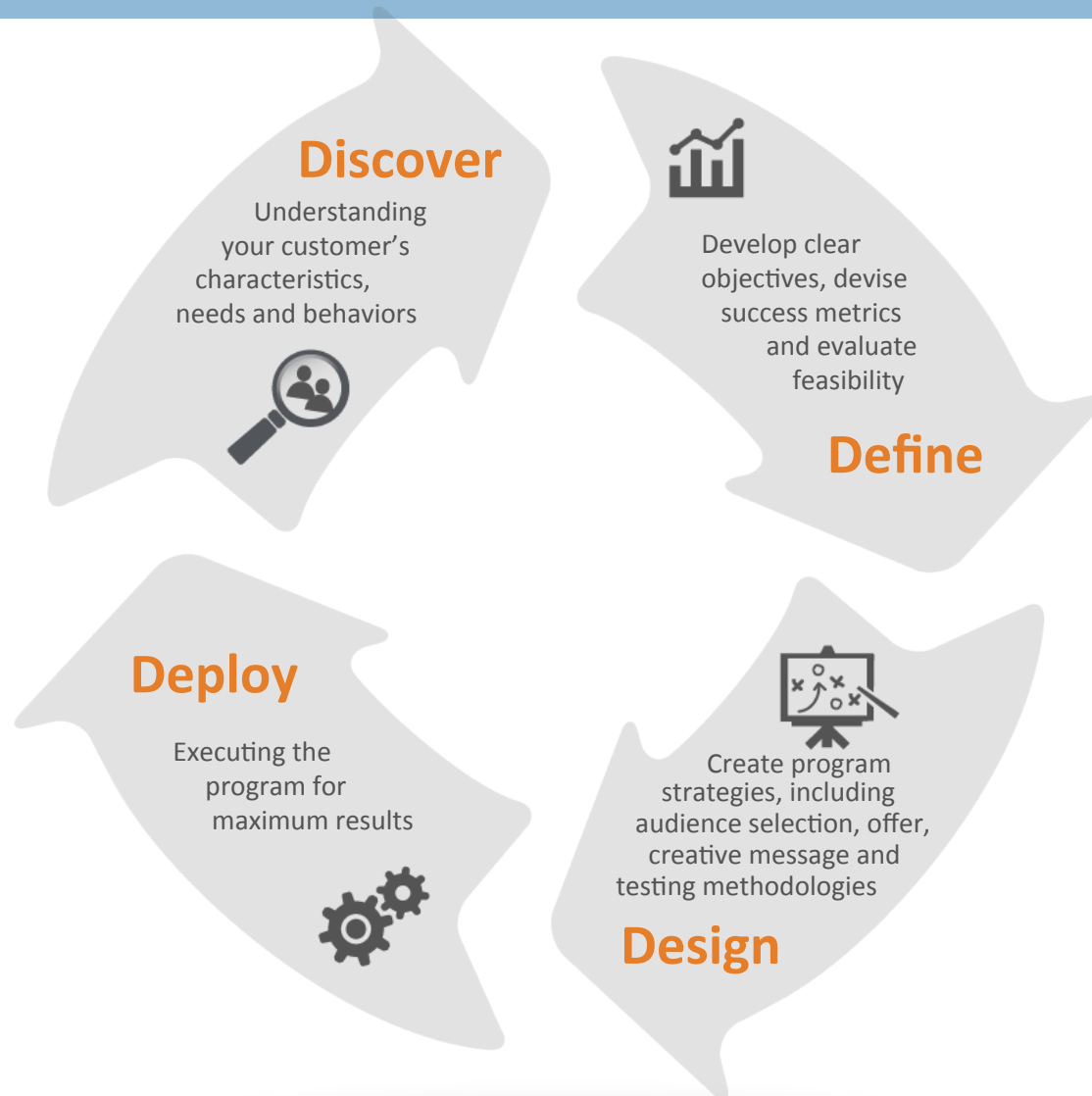
**Branch Location2**  
Address  
Phone Number

**Branch Location3**  
Address  
Phone Number

MEMBER FDIC EQUAL HOUSING LENDER

**YourFI**

# Strategic Planning Process



# Q&A Wrap Up

Type your question in the questions panel 

**Stephenie Williams**  
Senior Lending Strategist

**Steve Nikitas**  
Senior Strategist

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and previous events.

*Thank You*

