Deposits are High and Margins are Low.

What's a marketer to do?

INTRODUCTION

OPTIMIZE ROMI THROUGH TARGETED MORTGAGE LOAN ACQUISITION

ONE BUREAU IS NOT ENOUGH

TARGETING THE RIGHT CUSTOMER

CONCLUSION

HARLAND CLARKE® | MARKETING SERVICES

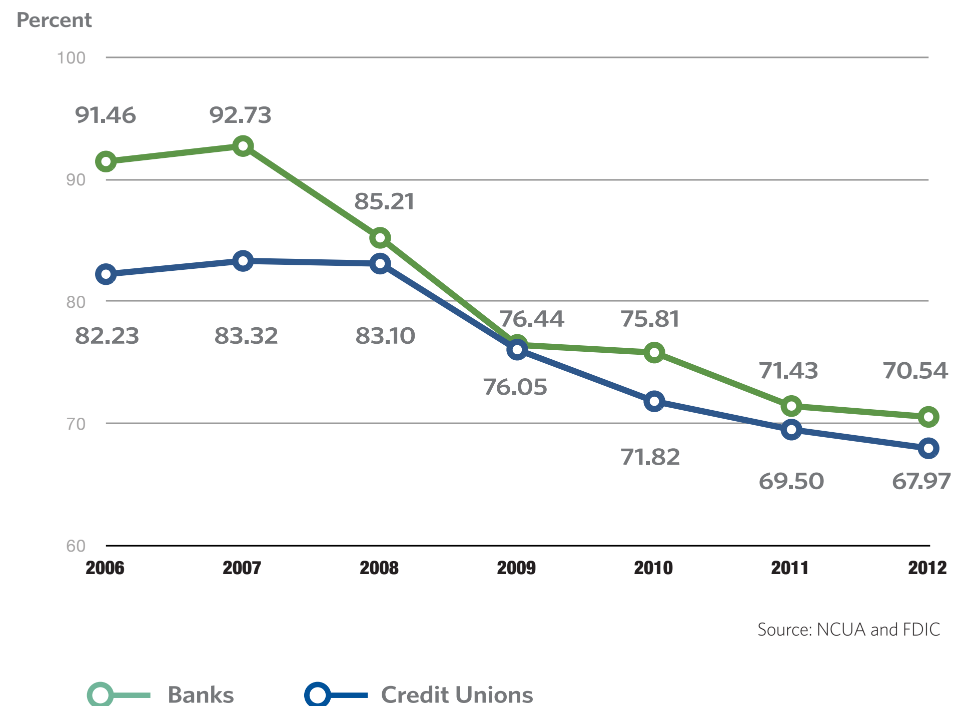
INTRODUCTION

The financial services industry has been through unprecedented change over the last several years. Although the worst of times may be behind us, the vast array of challenges, from earning back customers' trust to an ever-increasing regulatory environment, pose a daunting task for even the most experienced financial services executive.

One of the major results of the crisis was a flight to safety in which deposits increased dramatically as lending was severely curtailed. Even today, the loan-to-deposit ratio remains historically depressed.

This imbalance is negatively impacting net interest margins at a time when non-interest income has been also severely reduced by recent regulatory changes. All of this, combined with several years of loan losses, is no less than the perfect storm that the industry is still working to overcome.

But there is good news. As the economy recovers, the housing market stabilizes, the job market continues to expand, and consumers improve their balance sheets, banks and credits unions are poised to ramp up lending.



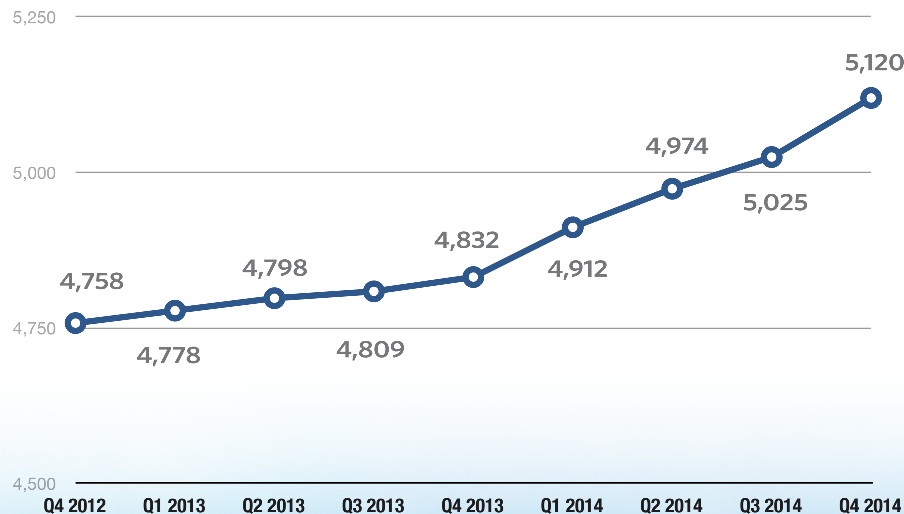
Mortgages are a good example of the change in the economy. Fueled by a combination of low interest rates and government-backed programs, consumers are seeking to refinance or buy their first home.

The important question for financial services marketers is how to design a strategy that most cost effectively optimizes revenue potential while mitigating risk. Of course, after the events of the last few years, financial institutions know that going back to pre-crisis programs is not the best strategy to generate a high-performing and sustainable loan portfolio.

To handle the onslaught of new applicants, some financial institutions may be inclined to try blanket marketing and staff up to meet the increased demand. Spending money to staff up quickly and to cast a wide net that attracts unqualified buyers drives up processing costs, while amplifying the lost opportunity costs of not servicing — as well or as quickly — those that are well qualified.

Additionally, marketing to those who are unable to meet stricter underwriting standards may negatively impact a financial institution's brand — especially at a time when trust is at an all-time low, particularly in the era of social media. Other, more progressive institutions are taking an innovative approach, turning to new technologies and marketing strategies to cost-effectively drive growth.

U.S. HOME SALES PROJECTIONS (In Thousands)



Progressive institutions are taking an innovative approach, turning to new technologies and marketing strategies.

OPTIMIZE ROMI THROUGH TARGETED MORTGAGE LOAN ACQUISITION

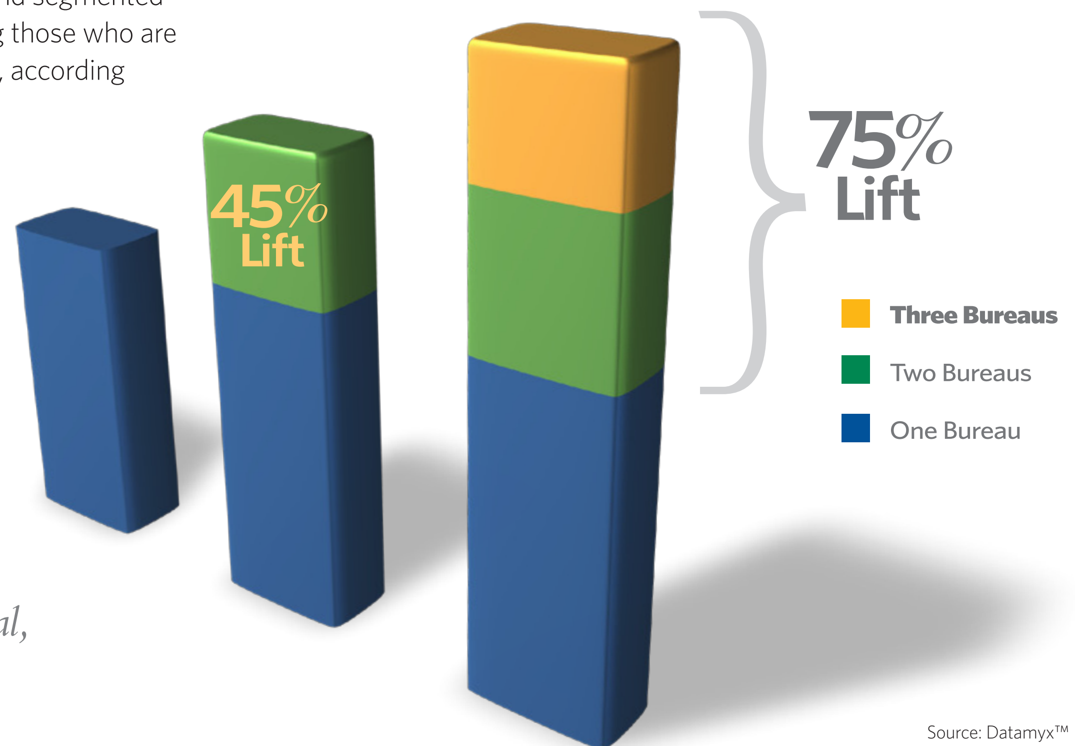
Leveraging data and technology to identify the most qualified prospects and eliminate unlikely or high-risk prospects, financial services marketers can reduce their acquisition costs and improve their return on marketing investment (ROMI).

The latest multi-bureau data strategies, for example, give financial services marketers the ability to generate a highly targeted pipeline of incremental, *qualified* applicants. Using prescreening techniques, a qualified and segmented prospect universe can be created, identifying those who are most likely to respond to preapproved offers, according to a customized data set of lending criteria. These criteria can range from predefined, standard attributes to a multidimensional combination of attributes, such as payment history, loan-to-value (LTV) ratios and FICO/ credit scores. The result: marketing only to the *right* prospects.

Multi-bureau data strategies give the ability to generate a highly targeted pipeline of incremental, qualified applicants.

ONE BUREAU IS NOT ENOUGH

While credit bureaus are the de facto standard for credit scores, individually they lack full market coverage. Where Equifax® is stronger on the east coast, the strength of TransUnion® lies in the mid-west and Experian® on the west coast. In addition, each uses different reporting and aggregation techniques. But by integrating all three bureaus ("3-screen") using the same criteria, full market coverage and lift can be achieved.



Source: Datamyx™

TARGETING THE RIGHT CUSTOMERS

In the face of a challenging marketing environment, many financial services marketers are looking for new ways to better support their customer acquisition strategy. Many are experiencing declining response rates while their marketing universe is becoming more difficult to identify and expensive to reach.

An integrated, multi-bureau marketing solution provides superior targeting capabilities and campaign execution, whether used for mortgages, home equity or auto loans. For example, based on geography or other modeling techniques, marketers can select the order in which each of the bureaus is prioritized when duplicate records are eliminated, allowing them to achieve maximum results.

The result? Lower overall loan processing costs, higher margins and increased customer satisfaction.

With multi-bureau data strategies, financial services marketers can achieve a significant improvement in their marketing ROI.

CONCLUSION

With multi-bureau data strategies, financial services marketers can achieve a significant improvement in their marketing ROI. By expanding the marketing universe of higher potential customers while improving targeting efforts for increased response and conversion rates, they can improve both revenue and profit results.

For information about Harland Clarke and its data-driven solutions, including its loan acquisition program, Shopper Alert™, call **1.800.351.3843**, email us at **contacthc@harlandclarke.com** or visit **www.harlandclarke.com/ShopperAlert**.

© 2013 Harland Clarke Corp. MKSVC-0469-01