



# Rev Up Your Loan Marketing Strategy With LoanEngine™

*A New Paradigm in Consumer  
Loan Marketing for Banks  
and Credit Unions*



HARLAND CLARKE®

# Matching prequalified loan candidates with multiple products quickly and cost-efficiently

LoanEngine™ is a groundbreaking marketing solution for banks and credit unions. Its user-friendly approach improves the consumer loan-shopping experience and positions the financial institution as “top of mind.”

LoanEngine’s automated platform helps to:

- Increase consumer loan volume potential
- Grow revenue streams
- Decrease loan acquisition costs

Analyze account holder credit profiles

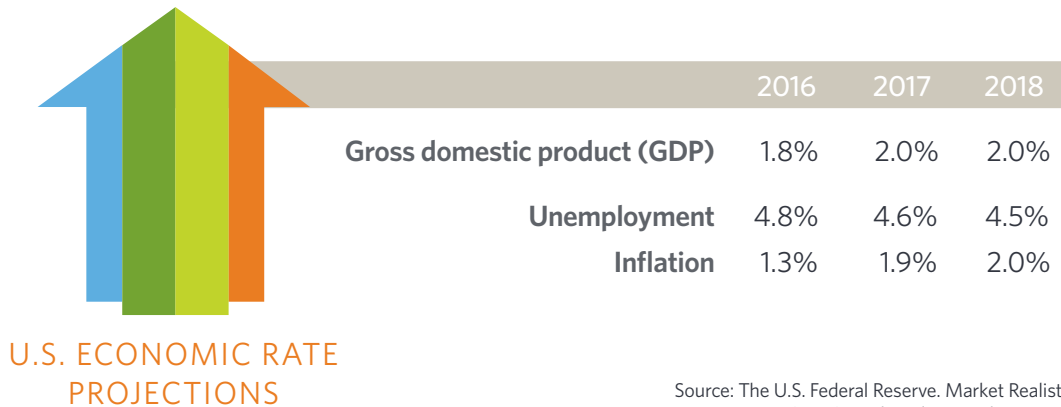
Identify candidates who meet financial institution’s credit criteria

Communicate “prequalified” status to loan candidates

Convert preselected leads to affordable loans

## Loan Growth Among Top Goals for Financial Institutions

Over 75 percent of credit union chief executive officers (CEOs), and nearly 25 percent of bank CEOs, say that growing consumer loans is a top business priority.<sup>1</sup> Opportunities for consumer lending have been expanding in recent years as Americans demonstrate a willingness and capacity to borrow more for mortgages, autos and to refinance existing debt — especially while interest rates remain low.



Source: The U.S. Federal Reserve. Market Realist, "Projections: U.S. GDP Growth and Unemployment," September 27, 2016

### Optimistic Outlook for Lending

Much has changed since the mortgage-backed securities crisis in 2008 put a hold on consumer lending worldwide. In the ensuing years, the American loan market has rebounded to pre-recession levels.<sup>2</sup>

**Consumer sentiment** is optimistic, creating demand for all consumer loan classes. Overall consumer spending, including credit card spending, is up.<sup>3</sup>

**Automobile lending** was the first to recover and remains strong. Borrowing costs remain low, gas remains inexpensive and vehicle purchasing incentives remain attractive to consumers.<sup>4</sup>

**Home equity loans** continue to be driven by increase in home values and improved economic conditions. Consumers are reinvesting in their homes with projects they had previously postponed.<sup>5</sup>

### Intensifying Competition Among Lenders

As demand for credit has increased since the financial crisis, so too has competition among lenders. Industry lending sources have expanded beyond banks and credit unions to include investment banks, hedge funds, private equity firms and government-sponsored enterprises such as Fannie Mae and Freddie Mac.

At the same time, financial institutions face increased competition from non-industry peer-to-peer (P2P) lenders, including consumer-focused Lending Club and Prosper<sup>®</sup> and small-business lenders Funding Circle<sup>®</sup> and Kabbage<sup>®</sup>. Although still a relatively small slice of the overall lending pie (\$20 billion in 2015), the P2P slice is expected to expand to \$150 billion by 2025.<sup>6</sup>

Overall, U.S. non-financial institutions accounted for \$1.2 trillion in loans in 2015, about half of consumer loan originations nationwide.<sup>7</sup>

<sup>1</sup> Cornerstone Advisors, "What's Going On in 2016,"

<sup>2</sup> Federal Advisory Council and Board of Governors Meeting Notes, September 7, 2016

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> Banking Frontiers, "P2P Lending Here to Stay," May 2016

<sup>7</sup> Federal Advisory Council and Board of Governors, May 4, 2016

## LoanEngine: A New Paradigm for Marketing Loan Products

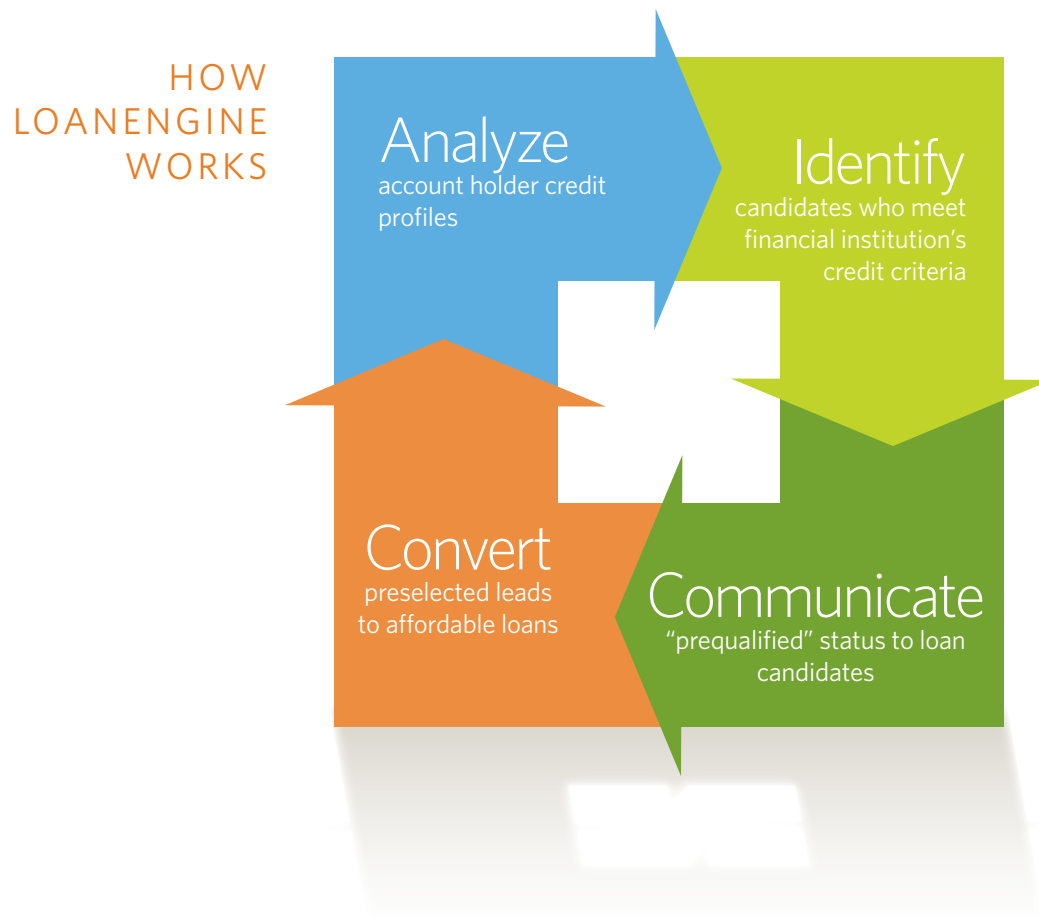
As financial institutions look to achieve their lending objectives in an improved but competitive marketplace, they have three overriding areas of focus:

1. Increase lending opportunities
2. Decrease loan acquisition costs
3. Expand revenue streams

To help in each of these areas, Harland Clarke created LoanEngine, a turnkey solution that represents a major shift in the way financial institutions promote lending products.

LoanEngine combines pricing automation, targeting and risk assessment to generate multiple prequalified personalized offers appropriate for the financial institution's risk tolerance. It includes:

- Loan campaign setup
- Credit bureau prescreening
- Direct mail and email



## Soft Sell Provides Solid Results

Financial institutions using LoanEngine have enjoyed significant growth in their consumer loan portfolios and reduced loan acquisition costs.

**\$65-\$80** Cost per loan  
**3-5%** Response rate  
**500%** Return on marketing investment (ROMI)<sup>8</sup>

In doing so, they have simplified the loan acquisition process for their staff, provided tracking and analysis tools that can be used to refine campaigns, and improved the customer experience for their account holders and prospects.

For consumers, LoanEngine removes anxiety from the loan application process and lets them know beforehand their interest rates, monthly payments and other terms for all of the loans they're qualified for. It provides convenient access to loan offers for their review and acceptance via many channels anytime, anywhere. Lastly, it demonstrates the purchasing benefits of their good credit and empowers them to take action without the fear of rejection.

## How Long Does a Typical LoanEngine Campaign Last?

Although the length of time for each loan marketing campaign varies, the average is 75 days. LoanEngine is flexible and adaptable to meet a financial institution's specific needs. One of its key strengths is the ability to implement recurring or repeat campaigns that build on prior ones.

**Harland Clarke  
Recommends** Use your "auto" standards as "default credit criteria"

Most financial institutions utilizing LoanEngine currently designate auto lending, which typically has more liberal loan qualification standards, as their "default credit criteria." On average, one-third of auto-loan prospects achieve "preselected" loan status.

Many financial institutions using LoanEngine choose a phased approach, launching initial campaigns with direct mail and email first and then adding online and mobile integration in phases two or three. One of the programs providing the highest and most consistent response rates entail direct mail and email only, with no integration with digital channels.

## What to Expect

Harland Clarke estimates an average response rate between 3 and 5 percent. And results show about 10 percent of loan purchases are generated initially via digital channels. However, online and mobile tend to catch up quickly and match applicant acceptance levels achieved through direct mail, email and telephone.<sup>9</sup>

## Reporting Campaign Responses

LoanEngine's reporting system tracks multiple campaign factors and provides a daily summary of the number of leads. At the conclusion of each campaign, actionable data is compiled and evaluated to inform and improve future marketing efforts. Dashboards also include a leader chart that can display the Top 10 monthly sales personnel within a financial institution.

**Harland Clarke  
Recommends**

Provide internal incentives

Take advantage of LoanEngine's sales tracking functions to establish an employee incentive program that rewards outstanding performance.

<sup>8</sup> Harland Clarke client results, 2015-16, averages per 75-day LoanEngine campaign. Many variables impact campaign success. Harland Clarke does not guarantee or warrant earnings or a particular level of success with a campaign.

<sup>9</sup> Ibid.



Direct mail and email communications can be configured to your specifications.

Online banking and mobile banking SSO (single sign on) interfaces help you personalize loan offers.



## What Account Holders See

### Digital Payment Calculators

LoanEngine gives prequalified candidates the choice to evaluate and revise certain terms and conditions. For example, an account holder or prospect is offered a \$30,000 personal loan payable over 72 months. Using the interactive calculator, he or she may request only \$15,000 payable over 36 months. By translating credit scores into real offers, and offering calculators to determine the impact of real terms and conditions, consumers can make decisions in real-time that's right for their individual needs.

### Mobile Capabilities Allow Consumers to Take Offers With Them

Today's on-the-go consumer demands timely access to loan products and information. LoanEngine's mobile capabilities give consumers the flexibility to review and accept loan offers using their smartphone or tablet anywhere, anytime. This is especially powerful when account holders or prospects are out shopping for a car or home appliance.

If account holders or prospects are not actively shopping for cars, boats, RVs or other large purchases, alerting them of their prequalified status has been shown to spur loan acceptances for high-ticket items they may not have known they were already qualified for.

### One-and-Done Protection

As a built-in underwriting safeguard, loan candidates may accept only one loan offer at a time. Redemption of any offer instantly removes "prequalified status" from other proposals. Although consumers may apply for additional loans at a later time, the automatic delay gives financial institutions the chance to reevaluate credit profiles based on the new loan information and, possibly, present separate loan offers during the same campaign.

## Recurring Campaigns: The LoanEngine Difference

Historically, loan marketing has been driven by seasonality and interest rates. A financial institution might launch a HELOC campaign in the spring and pepper in a credit card promotion around the fall holidays. An institution might send out a debt-consolidation direct mailing the first week of January and car loan promotions during graduation season. Within a week of each campaign, the financial institution would see an uptick in loan activity, but it would taper off quickly.

LoanEngine allows financial institutions to compete more effectively by creating recurring campaigns that link appropriate loan offers to targeted recipients.

### Niche Loans at No Additional Cost

Because of built-in efficiencies, LoanEngine provides financial institutions the competitive advantage of marketing niche loans at no additional cost. Boats, RVs, motorcycles, travel trailers, ATVs and even snowmobiles can be promoted to account holders and prospects alongside traditional offerings like auto, credit card and personal loan products.

In the past, running a standalone campaign for such narrow loan segments was hard to justify from a cost perspective because of the relatively small demand at any given time. With LoanEngine, banks and credit unions can promote such niche products throughout the year, providing ongoing sources of ancillary revenue *at no additional cost*.

### Harland Clarke Recommends

Choose proper loan mix

Over the past two years, banks and credit unions that have used LoanEngine typically offered between four to eight consumer loan products per marketing campaign.<sup>10</sup>

### Preferred Channels Built-in

It's no secret that the costs of processing in-branch transactions far outweigh the costs of processing the same transactions online — by more than 400-to-1.<sup>11</sup> When processing loan applications, the cost differences are even higher. Financial institutions of all sizes are looking for ways to move these interactions away from the branch and onto the website or mobile channel.

LoanEngine's "click-to-accept" functionality helps boost the efficiencies inherent in the mobile and online channels, while working to reduce labor-intensive expenditures in the branch and turning cost channels into revenue producing channels .

### Harland Clarke Recommends

Follow up with prompt and personalized responses

Regardless of the channel, it's important to contact candidates who accept an offer promptly and personally. This is a communications best-practice and boosts the likelihood they will follow through with the loan.

<sup>9</sup> Harland Clarke client data, 2015-16

<sup>10</sup>..Ibid.

<sup>11</sup> Javelin Strategy & Research

## SUMMARY OF LOANENGINE FEATURES AND BENEFITS

For Financial Institutions	For Account Holders
Flexible turnkey system can adapt to your current operational resources	Promotes the power of their good credit and reduces application anxiety
Integrated risk based pricing	Offers a range of prequalified offers for consumer loan products 24/7
Strengthens relationships with account holders by positioning you as their "lender of choice"	Alerts them to their prequalified status — even if they're not looking for a loan right now
Offers multiple risk-adjusted loan products to prequalified candidates	Unprecedented ease of access to loan funds through multimedia distribution channels
Lets you reach out to your entire customer base at multiple touchpoints	Greater transparency enhances their shopping experience
Turn online and mobile banking from a cost channel to a revenue generating channel	Automation translates their good credit history into real dollars and cents
Affordable niche market loan offerings expand your revenue potential	Clearly defined terms and disclosures are always just a click away

### Getting Started

When implementing an initial LoanEngine campaign, the financial institution needs to:

- Complete the credit bureau onboarding paperwork
- Select its "default credit criteria"
- Provide a creative strategy work order
- Provide account holder file for pre-screening

The setup for the above steps takes 10-12 weeks to complete on average. Subsequent campaigns take as few as two weeks to reboot.



To learn how LoanEngine can help your institution achieve its loan marketing goals, including higher response rates and lower costs per loan, contact Harland Clarke today at:

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