




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.

# What's Trending in Lending 2018

Actionable Strategies for Success

June 21, 2018

Proprietary / Confidential

# Today's Speakers



## **Stephenie Williams**

Director, Market Strategist, Lending Solutions, Harland Clarke

More than 20 years direct marketing experience in retail and financial services

Specializes Helps clients understand and maximize the value of their loan portfolio  
CRM- and ROI-focused skillset



## **Doug Roman**

Director, Market Strategy, Harland Clarke

More than 18 years of traditional and interactive direct marketing experience serving industries such as financial services, telecommunications and credit card

Leader in developing and implementing proven direct response marketing initiatives as well as developing innovative strategies to acquire new business

Analytically based direct response marketing specialist

# What We'll Cover Today

- Current Lending Environment
- Home Lending Trends
- Auto Lending Landscape
- Technology Trends That Lie Ahead
- What They All Mean for Your Credit Union
- Action Items for Success

## Current Lending Environment

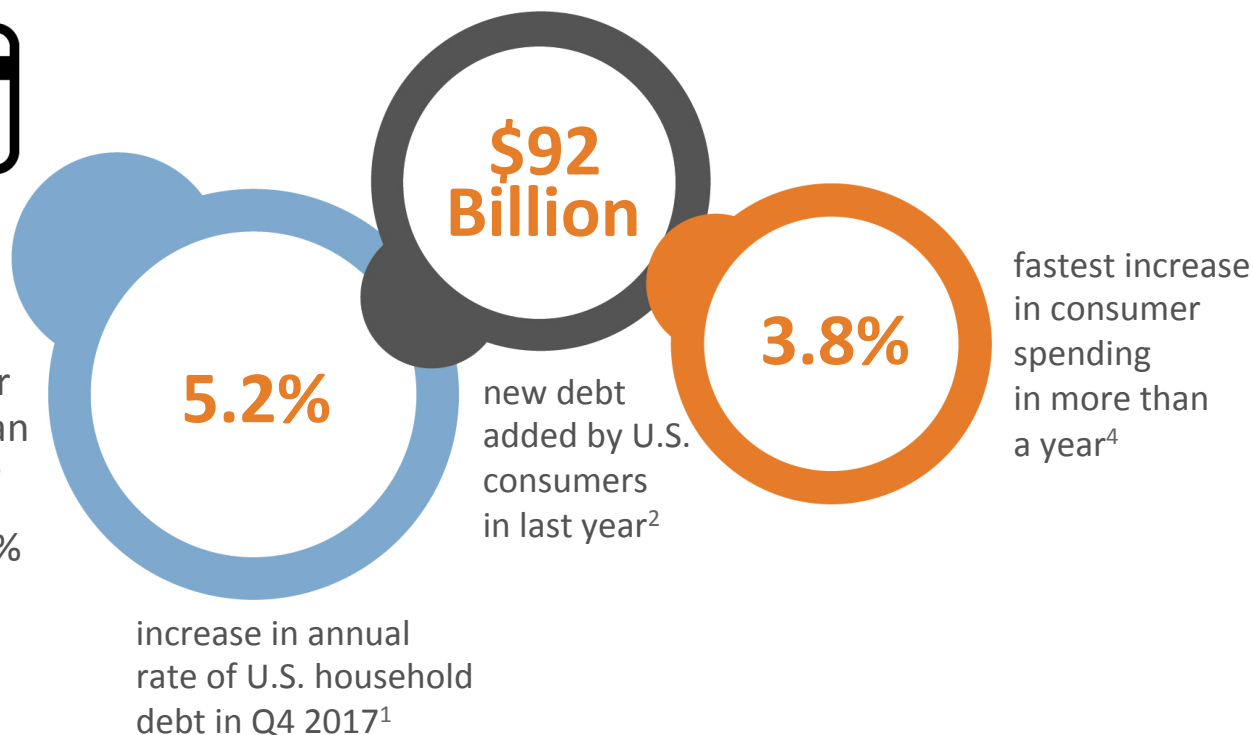


# Credit Card Debt Is At An All-Time High



## Contributing Factors:

- 5.3% quarter-over-quarter increase in national median price of an existing home<sup>3</sup>
- S&P 500 Index gained 6.1% to record its best performance in 2 years<sup>4</sup>



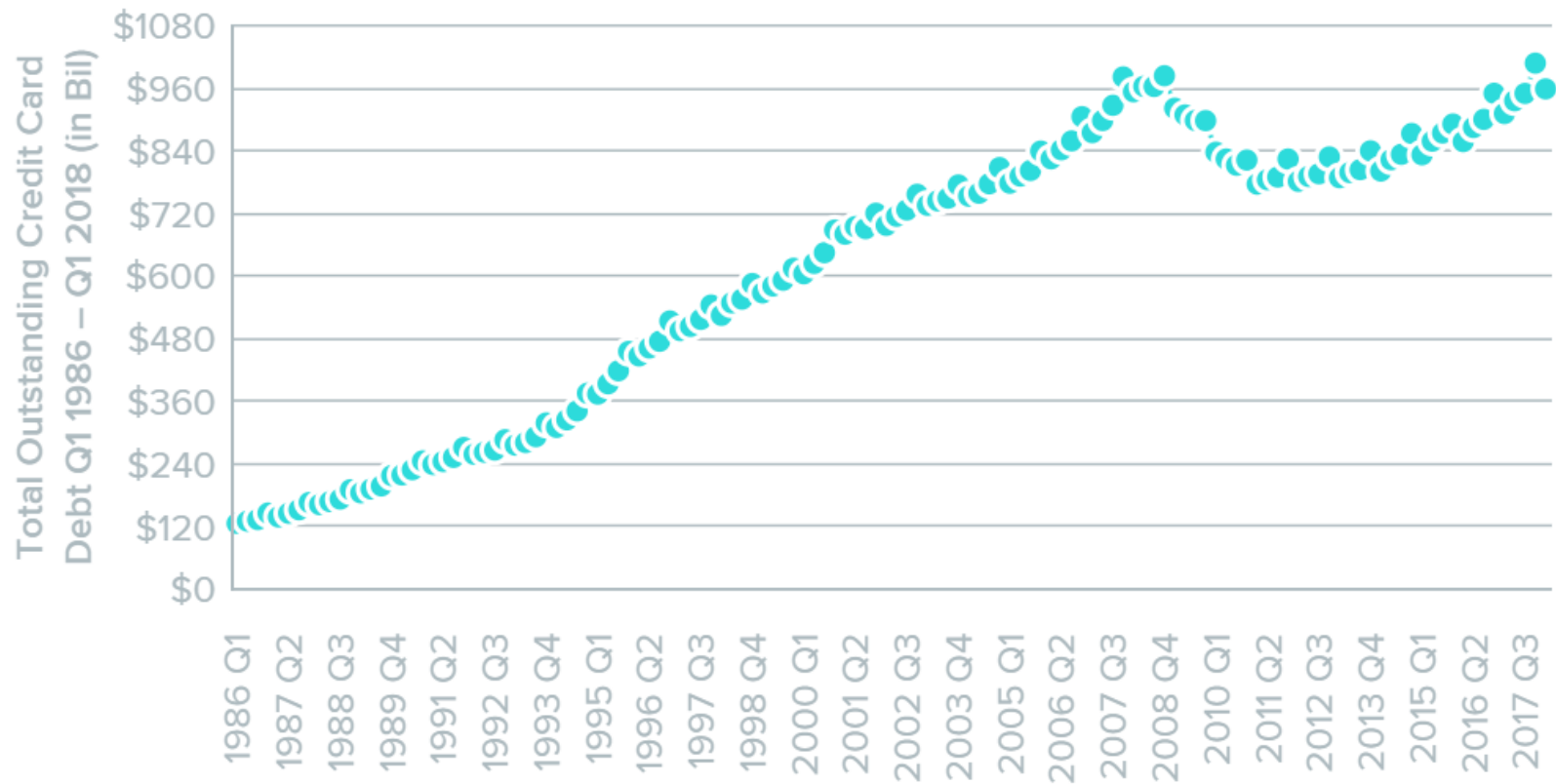
<sup>1</sup> <https://www.mpamag.com/news/household-debt-grows-in-q4-at-fastest-pace-since-2007-94569.aspx>

<sup>2</sup> <https://wallethub.com/edu/credit-card-debt-study/24400/>

<sup>3</sup> Source: National Association of Realtors

<sup>4</sup> Source: (<https://www.mpamag.com/news/household-debt-grows-in-q4-at-fastest-pace-since-2007-94569.aspx>)

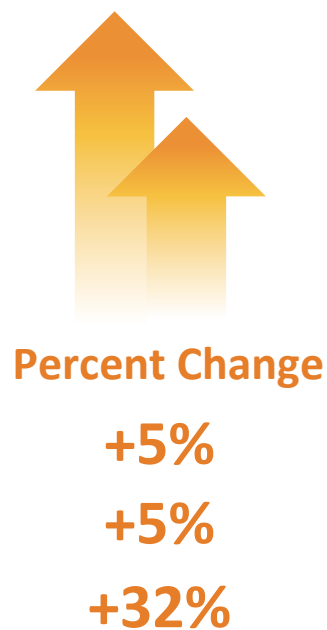
# Record Credit Card Outstandings



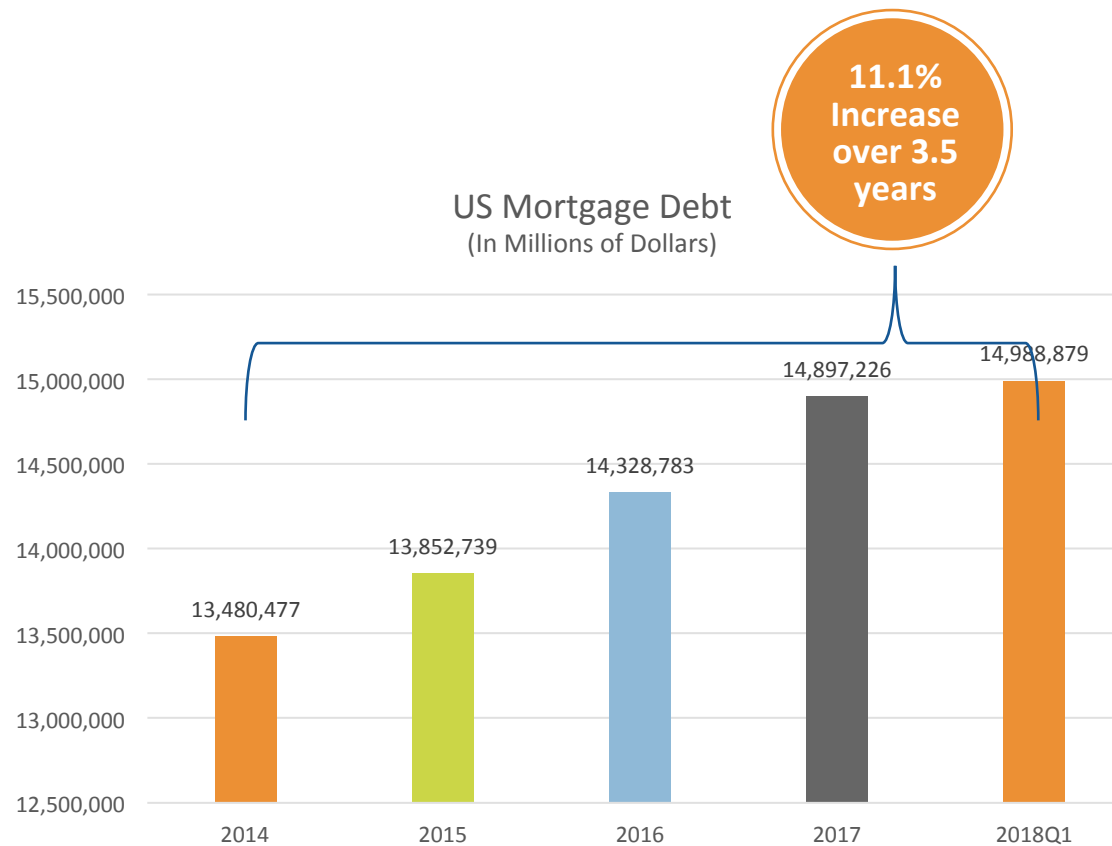
<https://wallethub.com/edu/credit-card-debt-study/24400/>

## Credit Card Debt Trends

Stat	Q1 2018	Q1 2017
Average Credit Card Debt per household	\$8166	\$7792
Total Credit Card Debt	\$958.60 billion	\$911.40 billion
Quarter Net Increase	-40.40 billion	-30.60 billion



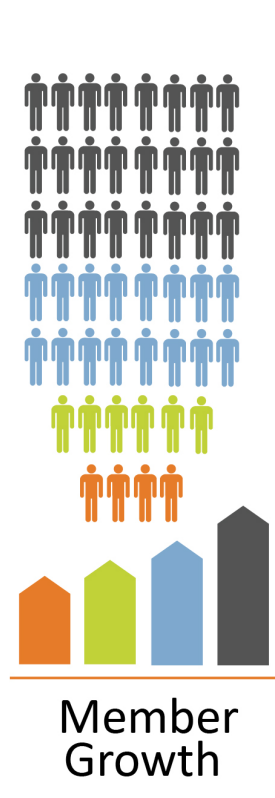
# Mortgage Debt Trends



<https://www.federalreserve.gov/data/mortoutstand/current.htm>

## What This Means for Credit Unions

The current lending boom offers a rare opportunity to grow membership faster and increase balances with existing members.



## Action Item for Success

- ✓ Consumers are dealing with the pain of growing monthly payments – seeking relief
- ✓ Focus Lending offers on the benefit of lowering or managing Monthly payments
- ✓ Focus products with fixed and lower rates
  - Home Equity Lines of Credit (HELOCs)
  - Low-rate credit cards
  - Debt consolidation
  - Balance transfers

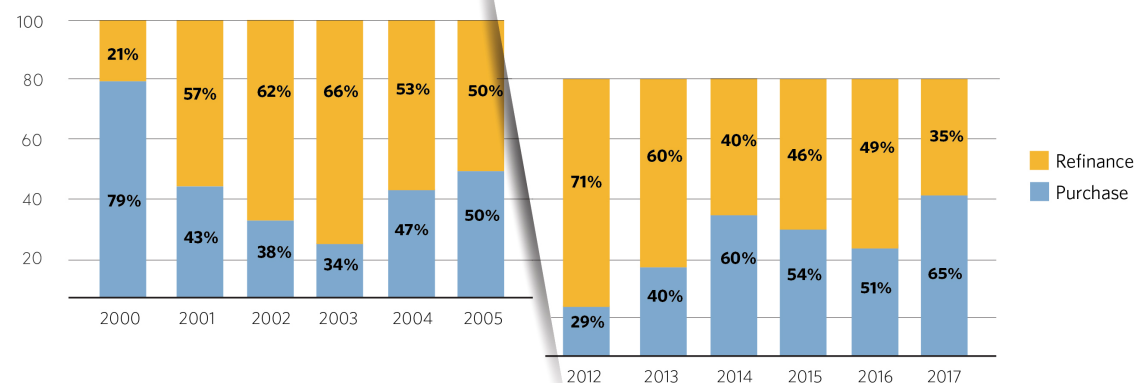
## Home Lending Trends



# Refinance Mortgages Are Lowest In 17 Years

## Mortgage Origination Distribution

Refinance mortgages  
are lowest in 17 years

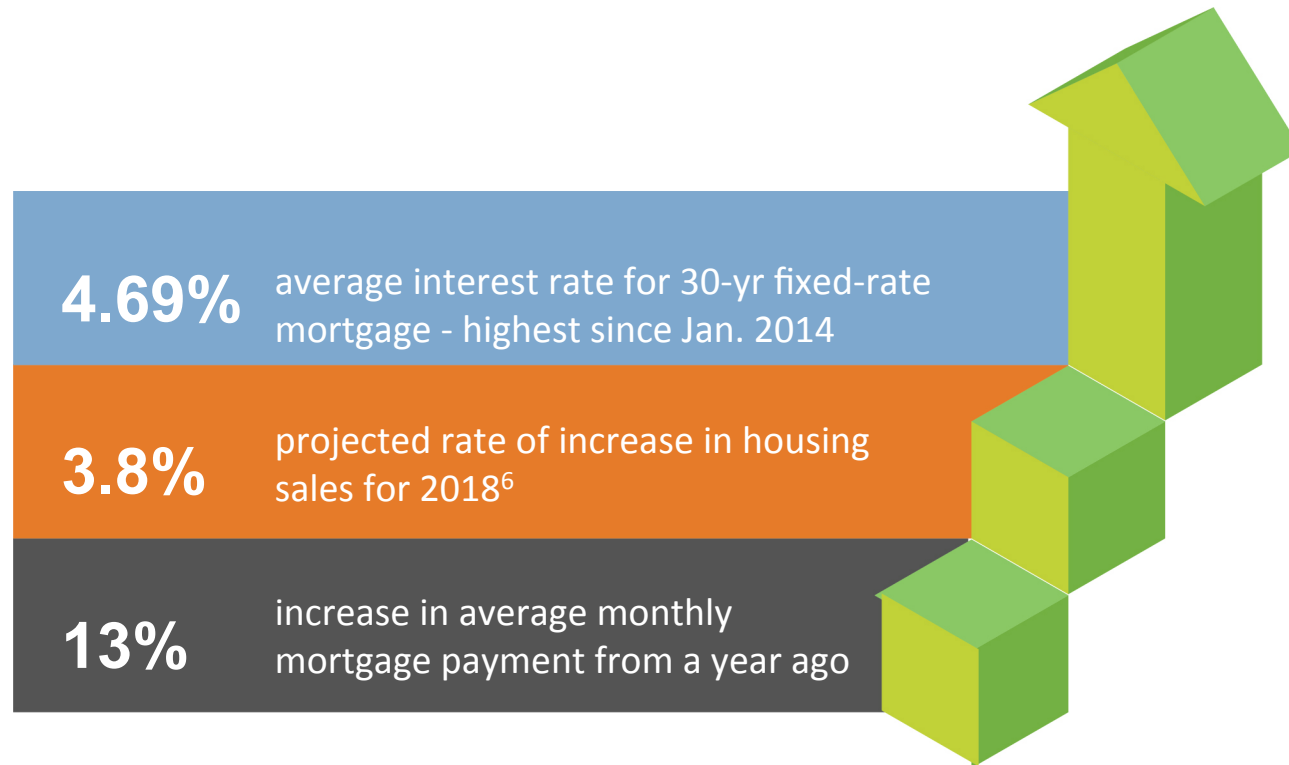


## Contributing Factors

- Rising interest rates result in less incentive to refinance
- Just 35 percent of the mortgage origination volume in 2017 came from refinancing an existing loan<sup>5</sup>
- Mortgage interest cap for tax deductions

<sup>5</sup> <https://www.investopedia.com/news/refs-account-smallest-portion-mortgage-market-twenty-years/>  
<https://www.mba.org/news-research-and-resources/research-and-economics/forecasts-and-commentary>

# Mortgages Are UP



Source:  
[http://www.builderonline.com/money/mortgage-finance/mba-weekly-survey-mortgage-applications-rise-09\\_0](http://www.builderonline.com/money/mortgage-finance/mba-weekly-survey-mortgage-applications-rise-09_0)

## What This Means for Credit Unions

- Act now to expand relationships with members and engage prospects
- Consumers who utilized mortgage refinance will be seeking low-cost financing alternatives
- Mortgage prospects have migrated to home buyers – many will need education on the process



## Action Items for Success

- ✓ Educate members on mortgage offerings to capture origination volume
- ✓ Promote the financial benefits of membership – i.e., lower rates, closing cost savings
- ✓ Continue to engage with referral sources to capture available purchase volume
- ✓ Are your mortgage loan officers hosting home buying seminars?

# Home Equity Opportunity Continues

## Contributing Factors:

- Older housing stock
- New construction not enough to meet demand



10M

consumers are expected to originate a home equity line of credit between 2018 and 2022

80%

borrowers spending on home renovation

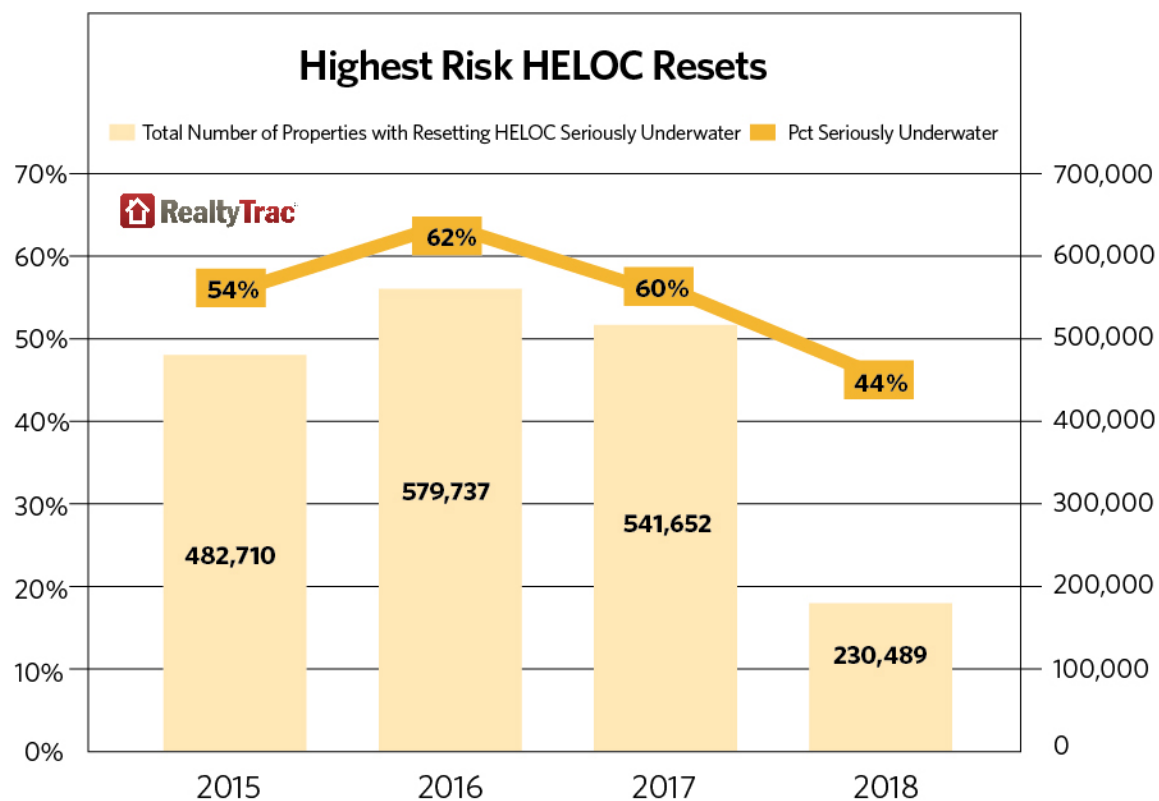
\$152B

spent on remodeling in 2017

Source:  
<https://newsroom.transunion.com/the-return-of-the-heloc-the-number-of-consumers-opening-helocs-may-double-during-the-next-five-years/>

## Broader Home Equity Market

HELOCs End-of-Draw Period: The Beginning of the Next Mortgage Crisis?



Source: RealtyTrac®

## What This Means for Credit Unions

- Home equity products will remain viable in 2018
- Consumers who refinanced during historical low-rate environment need an alternative funding source as they are reluctant to give up their low-rate first mortgages
- Increased consumer awareness of available home equity and loan options
- Increased consumer responsiveness to HELOC affordability
- Consumers will seek HELOCs that offer fixed-rate term-out functionality
- Borrowers with HELOCs converting to payout are seeking payment relief — consider closed-end home equity offers

## Action Items for Success



Revisit current home equity offerings



Consider increasing fixed-rate options for stability



Consider increasing term options for added flexibility



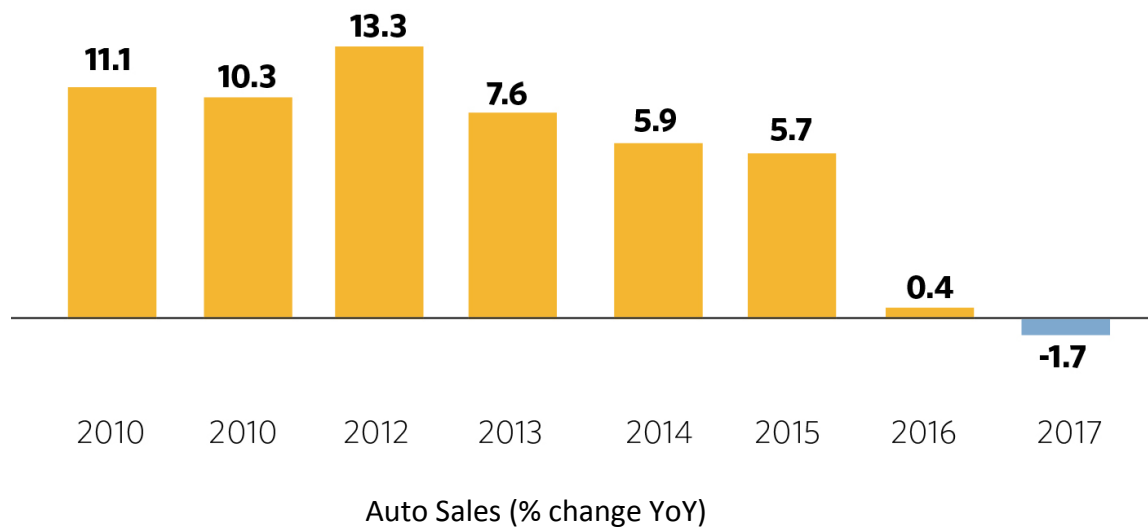
Improve product visibility through increased marketing

## Auto Lending Landscape



## Auto Loan Originations Are Flat

Consumers send warning:  
Auto Sales Slowdown



# Auto Loan Originations Are Flat

## Plummeting passenger car sales are taking a toll on the auto industry

- New vehicle sales declined 2.4 percent for February 2018
- Overcrowded and highly competitive market for crossover vehicles
- Strong used car market is driving down new car sales

## Minimal Impact of Disruptors: Uber®, Lyft®, ride sharing, car sharing, self-driving cars

- Cost-per-mile advantage of ownership
- Fully autonomous vehicle impact not expected until 2030

[USA Today](#)

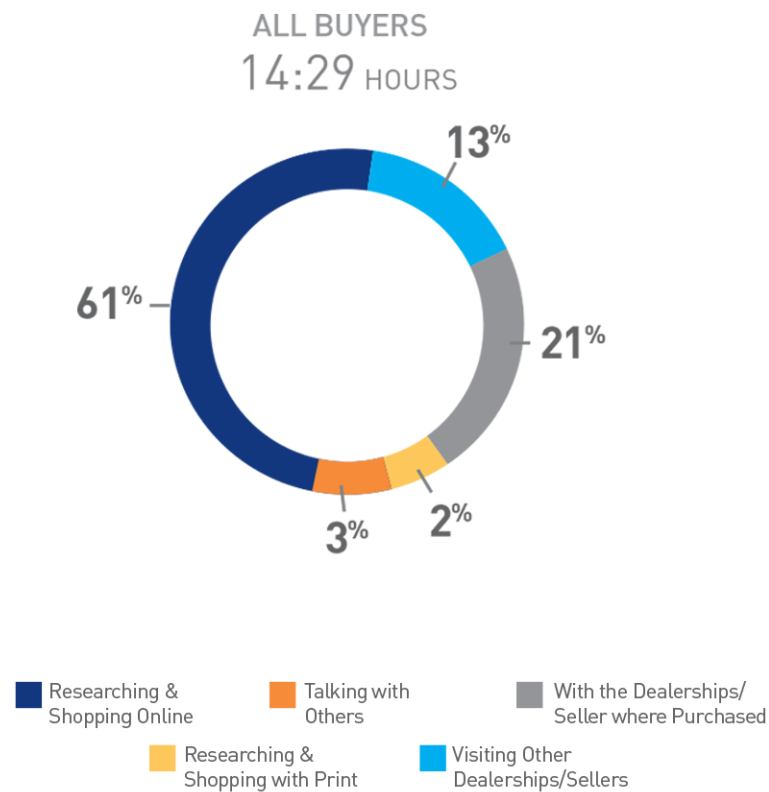
## Splintered buyer pool

- Boomers 36 percent
- Gen X 25 percent
- Millennials 29 percent

Source: JD Power

# Car Buyers Spend 60% of Their Time Online

## TIME SPENT SHOPPING/BUYING A VEHICLE



Source: Cox Automotive™, 2018

## What This Means for Credit Unions

- Core lending source is fading
- Need to increase member acquisition to offset fading relationships with auto dealers
- Need to maximize cross-sell and engagement of current members



## Action Items for Success

- ✓ Promote household and deposit acquisition campaigns to increase membership
- ✓ Continuously cross-sell loan products to members
- ✓ Invest in a highly personalized, trigger-based loan acquisition solution that reaches members and prospects while they're shopping for a loan
- ✓ Utilize an “always-on” turnkey marketing style that boosts engagement, delights members, and increases loan volume

## Emerging Technology



# Digital Lending

What you need to know:

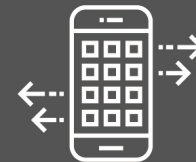
Digital end-to-end mortgages are becoming differentiators



Fintech lenders are making loan education and the application process “simple”




Traditional auto financing is being transformed by new models of mobility



# Mortgage Application Revolution

2:53 PM 42%  
rocketmortgage.com

 **ROCKET MORTGAGE**  
by Quicken Loans

## Customize Your Rate, Costs and Term ?

Term:


30 years

Fixed Rate/APR: ?

Estimated Closing Costs: ?

5.375%/ 5.498%	\$604.42
5.375%/5.498%	\$604.42
5.25%/5.371%	\$1,194.08
5.125%/5.244%	\$1,987.03
4.99%/5.118%	\$2,989.30

2:55 PM 42%  
rocketmortgage.com

 **ROCKET MORTGAGE**  
by Quicken Loans


## Step 9 of 9: See If I'm Approved

[View My Progress](#)

## You're Approved

Now let's lock your rate.

Congratulations! Your rate reflects our best possible pricing. Let's make sure your new mortgage stays just how you like it; protect it from changing by locking your rate with one more click.



Lock your rate online, and you could close up to five days faster!

<https://www.nerdwallet.com/blog/mortgages/rocket-mortgage-review/>

# Ease of Fintech Borrowing

8:13 PM 56%

Social Finance, Inc.

SoFi [CONTACT US](#) Log In

See what SoFi can offer you in 2 minutes

First Name

Last Name

State of Residence

Email   
You can use your email to log in when you come back to SoFi. We will not spam you, or sell or rent your email address.

Password   
Longer passwords with upper and lower-case letters, numbers and/or symbols are more secure. You can change your password later.

8:14 PM 55%

Goldman Sachs Bank USA

Marcus:  
BY GOLDMAN SACHS®

See your loan options in as little as 5 minutes.

Marcus by Goldman Sachs® offers a fixed-rate, no-fee personal loan with a monthly payment option tailored for you.

Seeing your loan options won't affect your credit score.

Enter invitation code

# What This Means for Credit Unions

- Need to examine the user experience for mortgage and all lending products
- Importance of educating members on their loan options

[Settings](#) | [Help](#) | [Contact Us](#) | [Logout](#)

[My Accounts](#) | [Bill Pay](#) | [Transfer Money](#) | [My Offers](#)

**Congratulations!**

Your responsible management of credit has earned you pre-approval for a special low rate on a YourFI Name loan.

You can choose any one of the loans below. So whatever big purchase you've wanted to make—now's the time! And with your pre-approved status, you're step closer to having what you want!

**NEW AUTO**

AVAILABLE CREDIT: \$XX,XXX

APR: X.XX%

TERM: XX mo

REQUESTED LOAN AMOUNT: \$XX,XXX

ESTIMATED PAYMENT: \$XXX.XX / Month

[Details & Disclosures](#)

ACCEPT OFFER

**HOME EQUITY LINE OF CREDIT**

AVAILABLE CREDIT: \$XX,XXX

APR: X.XX%

REQUESTED LOAN AMOUNT: \$XX,XXX

[Details & Disclosures](#)

ACCEPT OFFER

**HOME EQUITY LOAN**

AVAILABLE CREDIT: \$XX,XXX

APR: X.XX%

TERM: XX mo

REQUESTED LOAN AMOUNT: \$XX,XXX

ESTIMATED PAYMENT: \$XXX.XX / Month

[Details & Disclosures](#)

ACCEPT OFFER

**PERSONAL LOAN**

AVAILABLE CREDIT: \$XX,XXX

APR: X.XX%

TERM: XX mo

REQUESTED LOAN AMOUNT: \$XX,XXX

ESTIMATED PAYMENT: \$XXX.XX / Month

[Details & Disclosures](#)

ACCEPT OFFER

**MOTORCYCLE LOAN**

AVAILABLE CREDIT: \$XX,XXX

APR: X.XX%

TERM: XX mo

REQUESTED LOAN AMOUNT: \$XX,XXX

ESTIMATED PAYMENT: \$XXX.XX / Month

[Details & Disclosures](#)

ACCEPT OFFER

**CREDIT CARD**

AVAILABLE CREDIT: \$XX,XXX

APR: X.XX%

REQUESTED LOAN AMOUNT: \$XX,XXX

[Details & Disclosures](#)

ACCEPT OFFER

**Thank you for checking in.**

While there are no special offers available to you at this time, you are welcome to apply for financing at our always competitive rates by calling 000-000-0000 or visiting any YourFI Name branch.

**And keep checking in!**

The good people at YourFI Name are working hard to provide you special rate opportunities all the time. So be sure to check your Online Banking home page often, and click on "My Offers."

If you need a financial product or service right away, please come in or call 000-000-0000. We appreciate your business—past, present, and future!




**Want financing without waiting?**

Choose the type of loan or credit you want below, and apply online now!


**PLEASE NOTE:** You have been pre-approved for your choice of one of the above offers. If you would like to take advantage of more than one offer, or would like to receive more than your approved amount, please contact us. A full application may be required. See full product disclosures for details.

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 within the full product disclosures for more information about prescreened offers.

## Action Items for Success

-  Audit the loan application and origination experience for your members
-  Develop proactive pre-approval lending plan to enhance member awareness
-  Offer loan education to members reinforcing the thought to come to their credit union first for borrowing needs

## Q&A Wrap Up

Type your question in the questions panel 

### **Stephenie Williams**

Director, Market Strategist, Lending Solutions, Harland Clarke

### **Doug Roman**

Director, Market Strategy, Harland Clarke

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and previous events.

Thank You

