

HC

Targeted Loan Acquisition

A Smart Approach to Asset Growth

February 6, 2012



Today's Agenda

State of the industry – Loan Marketing

The Loan Marketing Ecosystem -
Strategies and Tactics

Questions and Answers

Today's Speakers

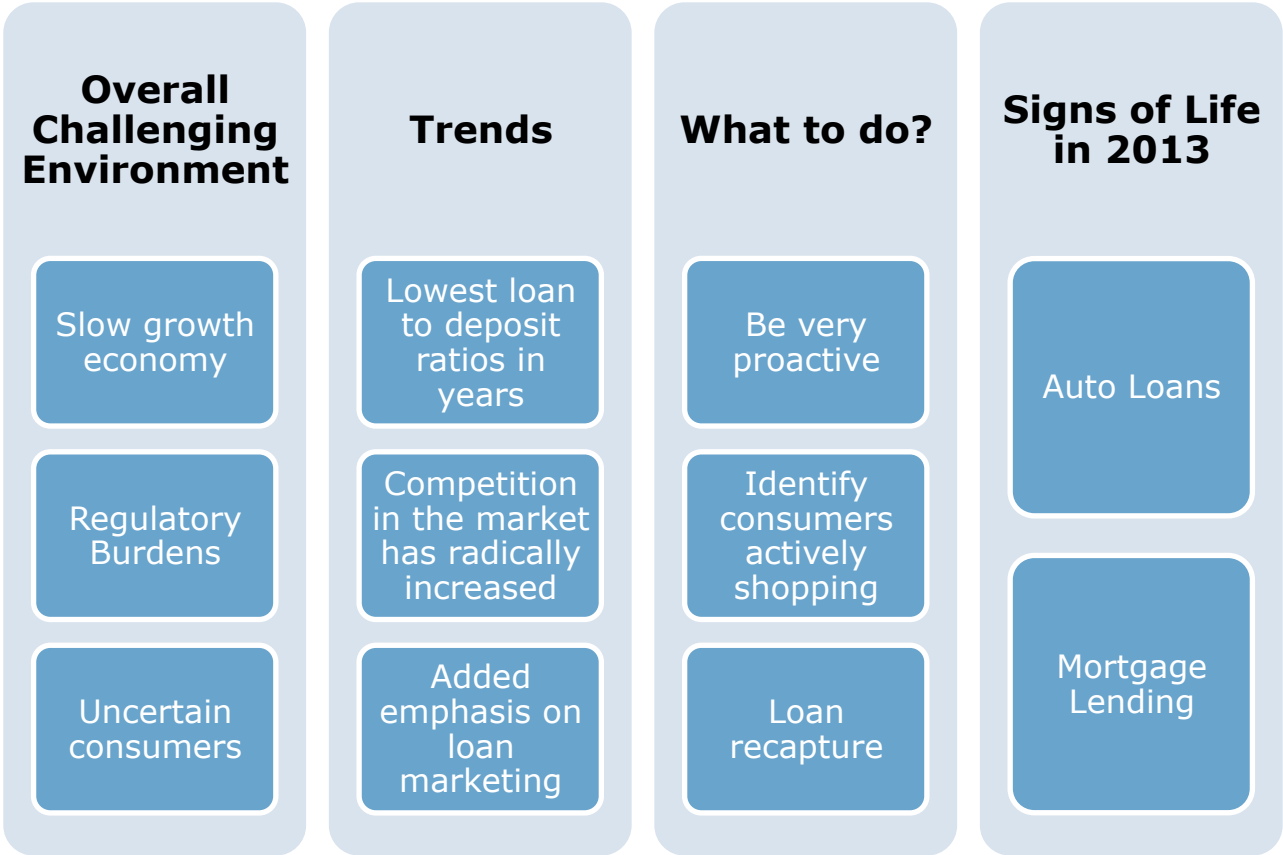
Steve Nikitas, Senior Marketing Strategist

Sandeep Kharidhi, Vice President,
Business Intelligence



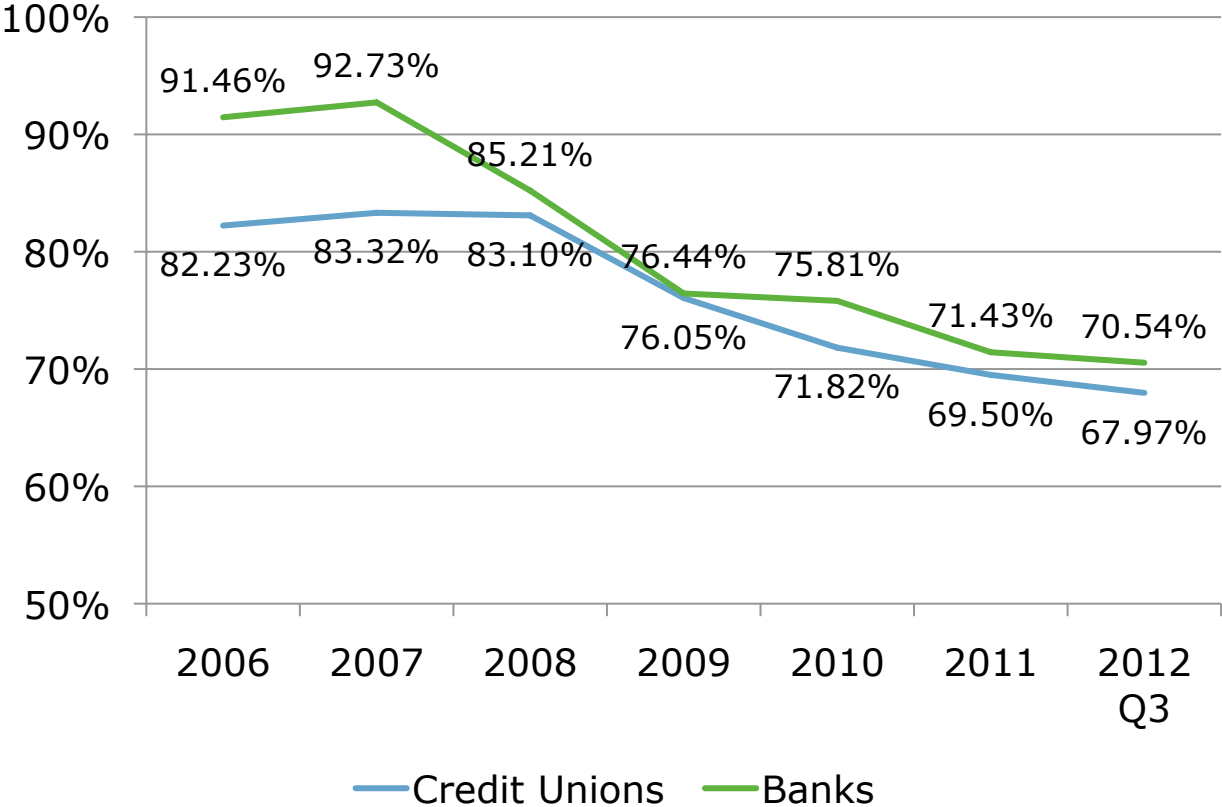
State of the Industry – Loan Marketing

Our Industry Today



State of the Industry

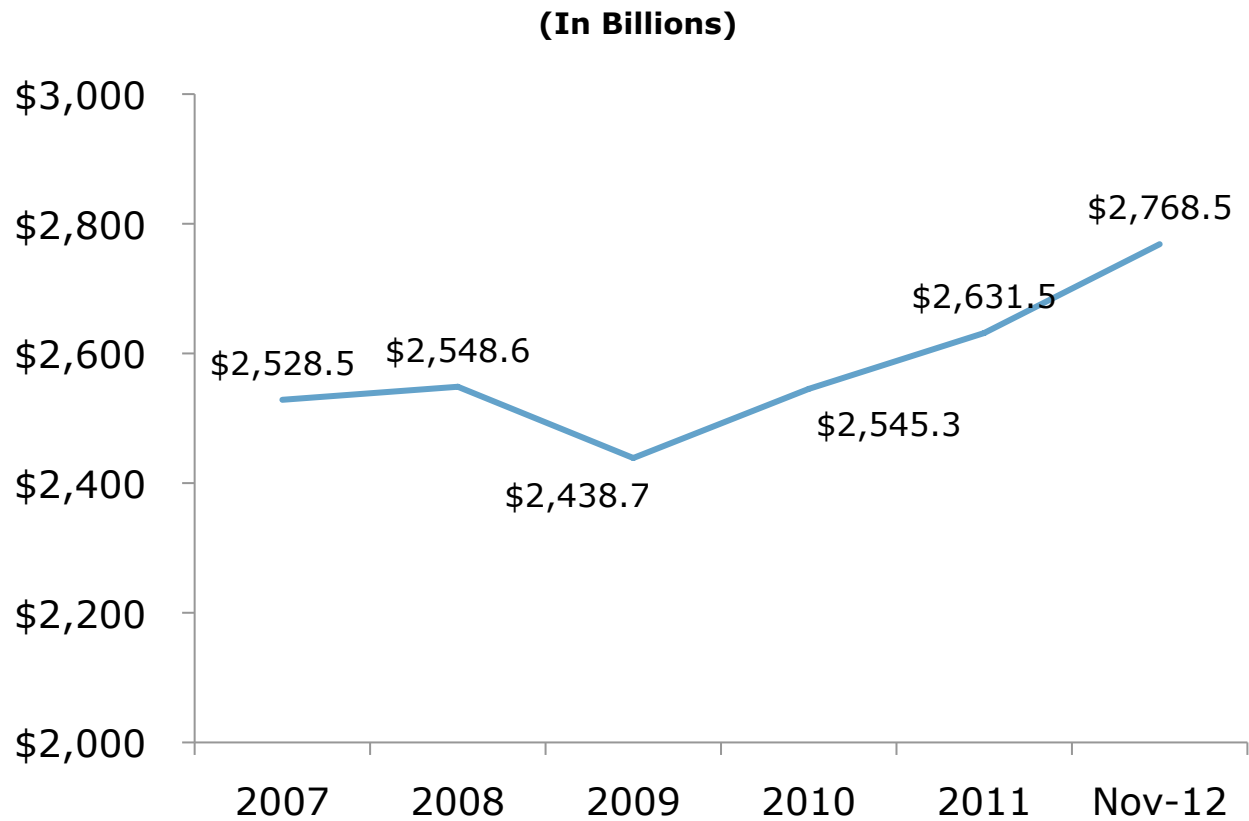
Loan-to-Deposit/Share Ratio



Source: NCUA and FDIC

State of the Industry

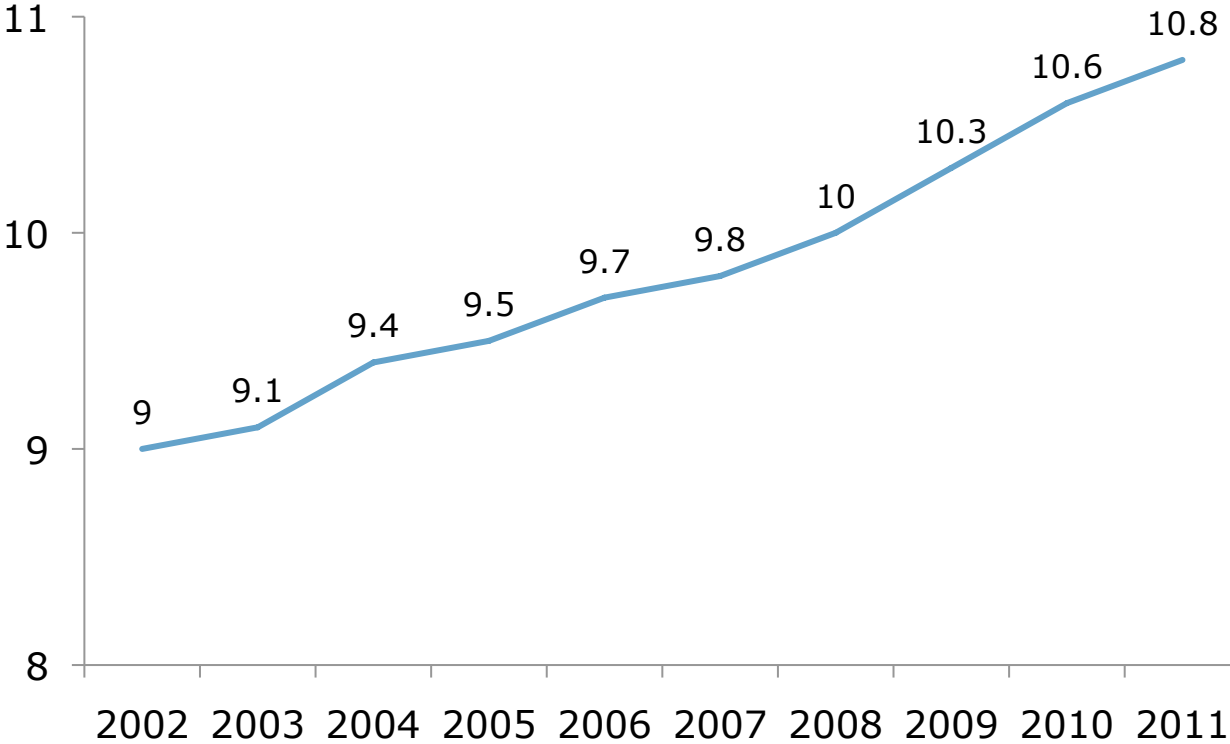
Outstanding Consumer Credit



State of the Industry

Average Age of Passenger Cars and Trucks

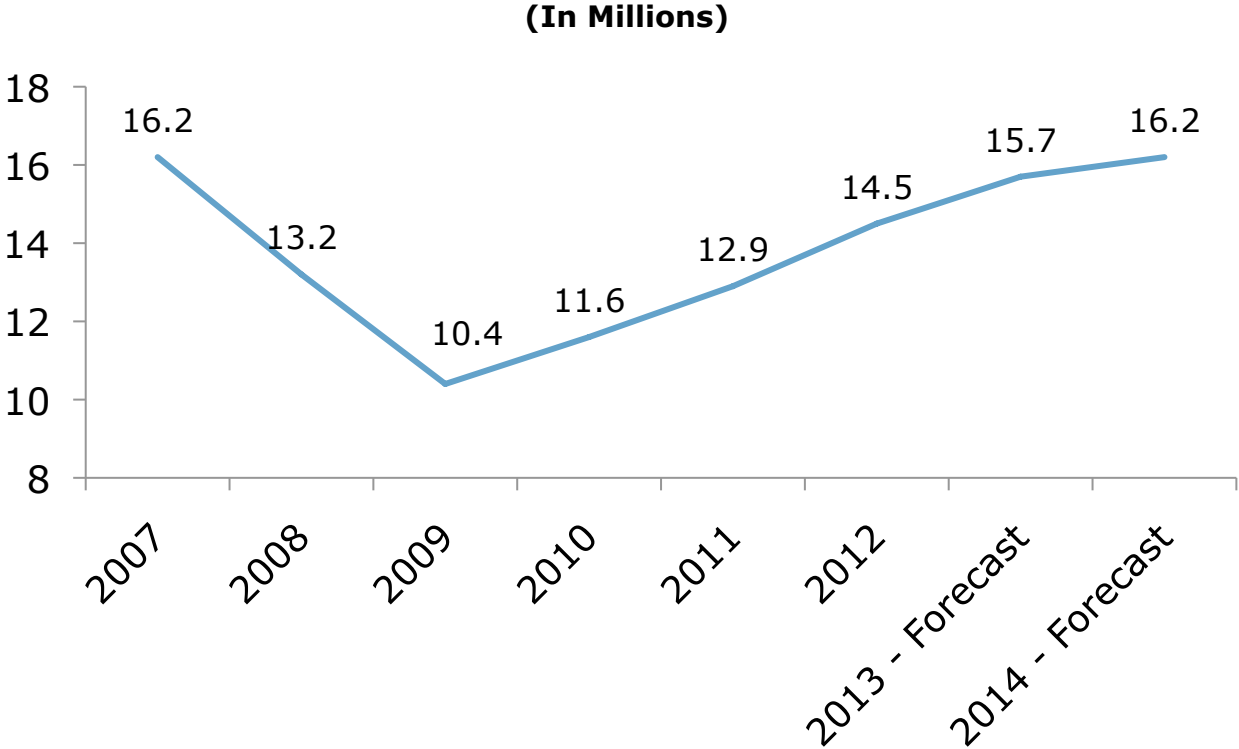
(In Years)



Significant demand for new vehicles

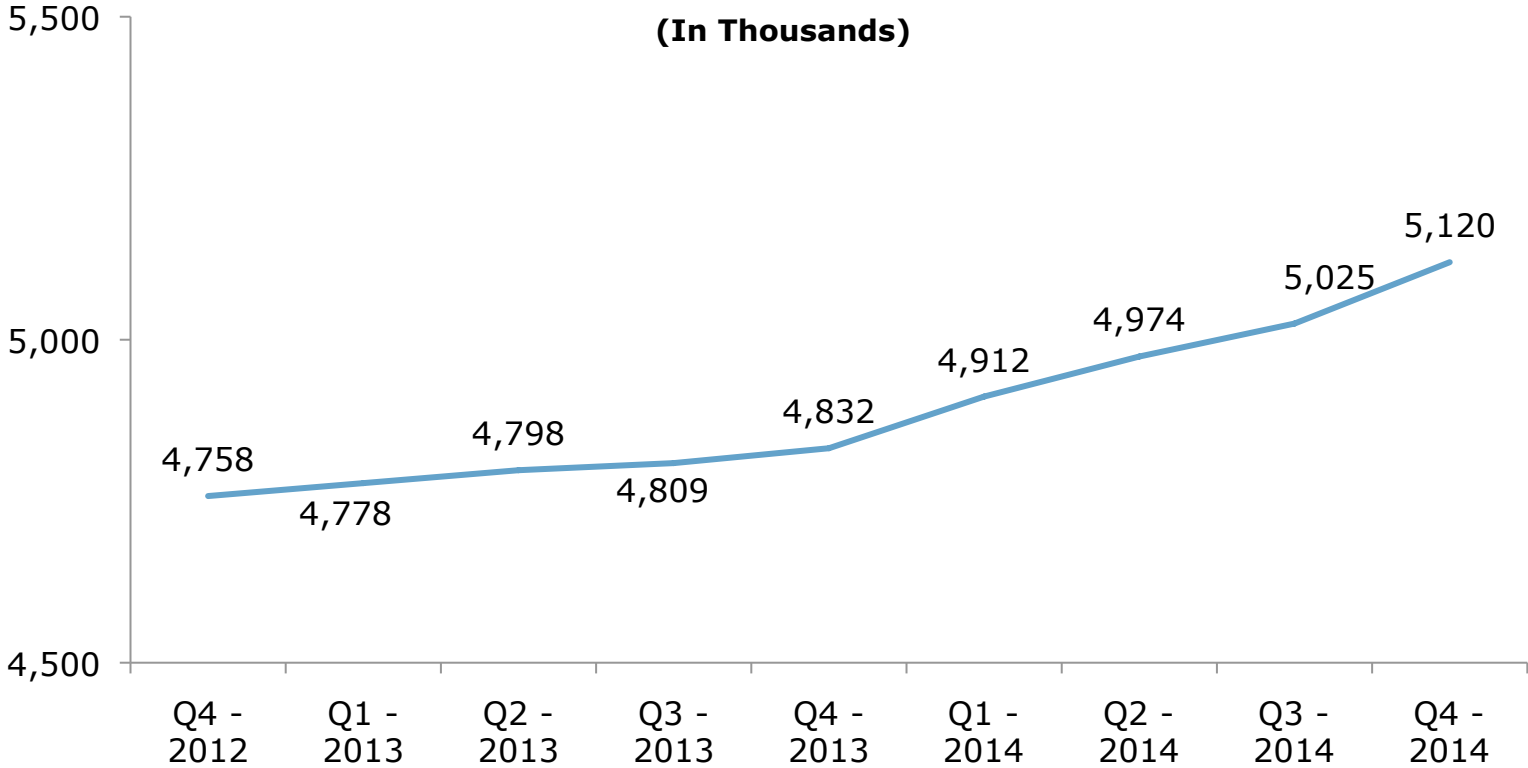
State of the Industry

New Vehicles Sales – U.S.



2012 Mortgage Lending Activity - Positive Outlook for 2013

U.S. Home Sales

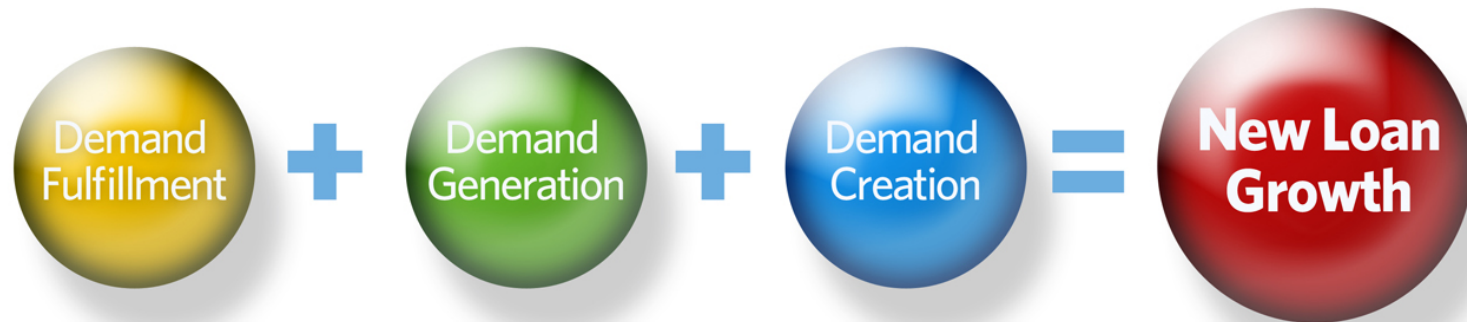




Loan Marketing Ecosystem – Strategies and Tactics

Loan Marketing Ecosystem

Three proven strategies to drive new loans



Loan Marketing Ecosystem

Understanding ROI

- Demand fulfillment = Shopper Alert = highest ROI
- Demand Generation = second highest ROI
- Demand Creation = third highest ROI
- Three complementary loan acquisition strategies
- No overlap between the three segments

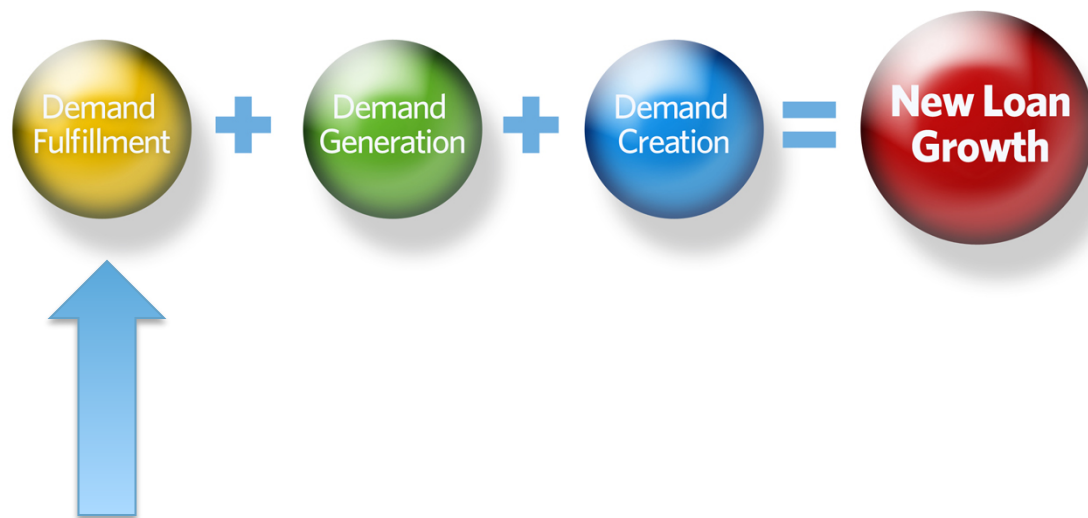
Credit Data Overview

- Highly regulated, requires firm offer, creative review, disclosure requirements
- Sample attributes: FICO score, aggregate loan balance, delinquency, bankruptcy, foreclosure, etc.
- 200+ attributes per bureau
- 3 primary credit bureaus: Experian[®], Equifax[®] and Trans Union[®]
- Highly predictive

Other Marketing Data

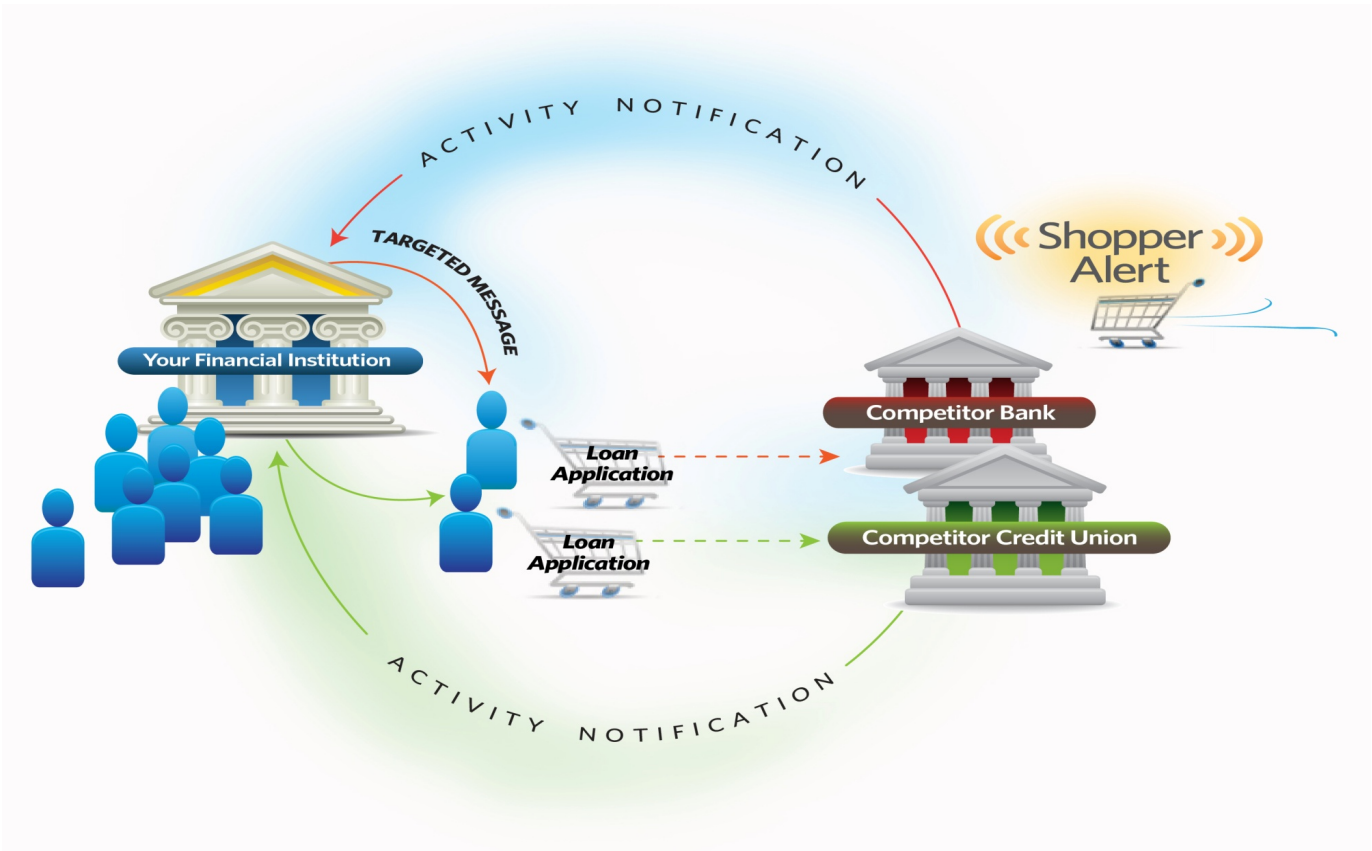
- Demographic data: age, gender, education, income etc. 30+ attributes
- Public record data: county recorder/tax assessor
- Life stage data: new movers, new parents
- Firmographic data: SIC, annual revenue, annual revenue, etc. 15+ attributes
- Behavioral/attitudinal data: buying habits, brand preferences, product usage, etc. 300+ attributes
- Segmentation data: Mosaic©, Personix©, P\$ycle©, etc.

Demand Fulfillment



Demand Fulfillment - Shopper Alert

Reach account holders currently shopping for new loans – mortgage loans, auto loans, personal loans and credit cards



Demand Fulfillment - Shopper Alert

Shopper Alert identifies qualified retention or cross-sell candidates who are actively shopping for loan products

- Reach account holders at the exact moment they are considering competitive offers
- Access credit inquiries from credit reporting agencies generated within the last 24 hours
- Apply credit underwriting criteria to decrease decline rates
- Provide timely marketing deployment using for direct mail and/or telemarketing
- Realize higher conversion rates by leveraging banking relationship and brand recognition
- Ability to measure results

Shopper Alert Look-Back Analysis (Example)

How many of my account holders have applied for a loan with any institution in the last 30 days?

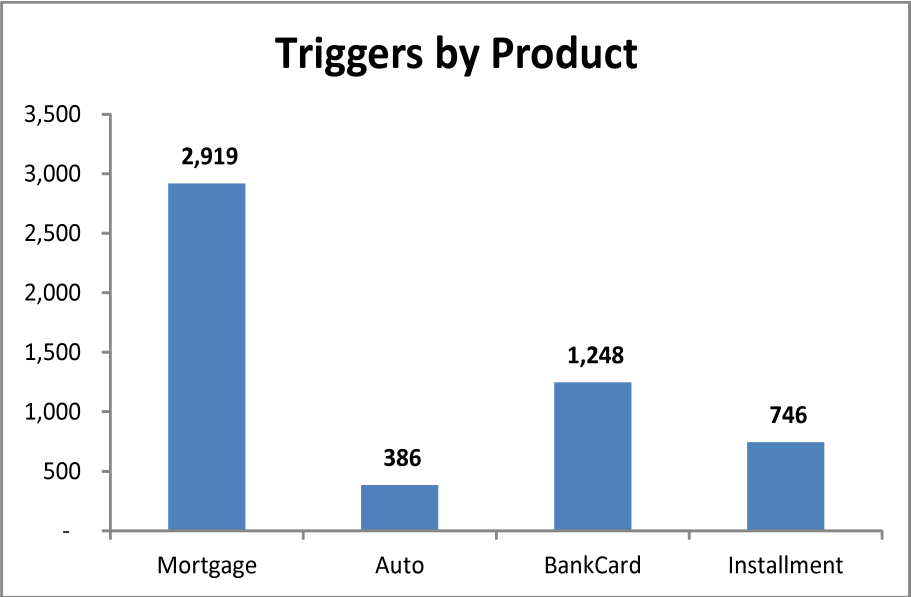
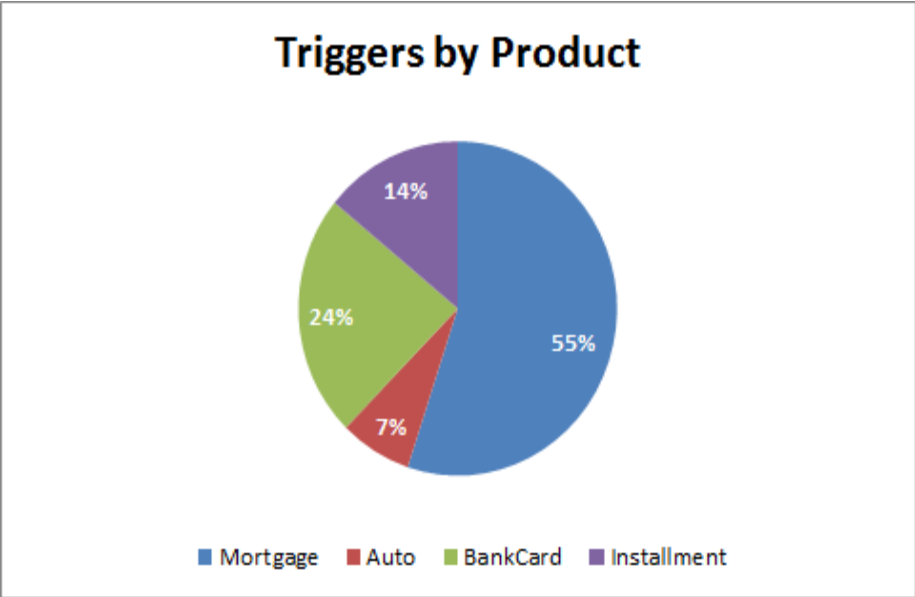
Over 7 percent of account holders shopped for a loan product within the 30-day window.

Total Input	92,346
Total Triggers	6,878
% Triggers	7.45%

Shopper Alert Look-Back Analysis (Example)

What types of loans have my account holders applied for in the last 30 days?

Mortgages accounted for 55 percent of all shopping activity; followed by credit cards at 24 percent.

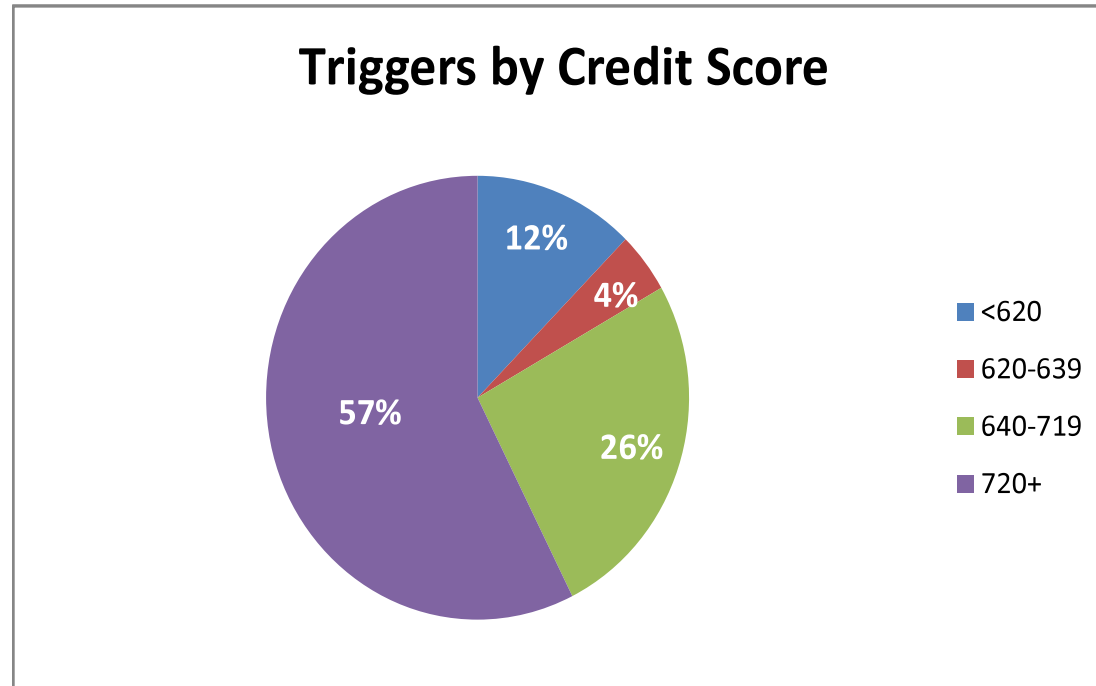


Note: Inquiries for the same product within the 30-day window are counted as one event, but inquiries for multiple products are counted as multiple events.

Shopper Alert Look-Back Analysis (Example)

Would the account holders who applied for a loan meet my credit criteria?

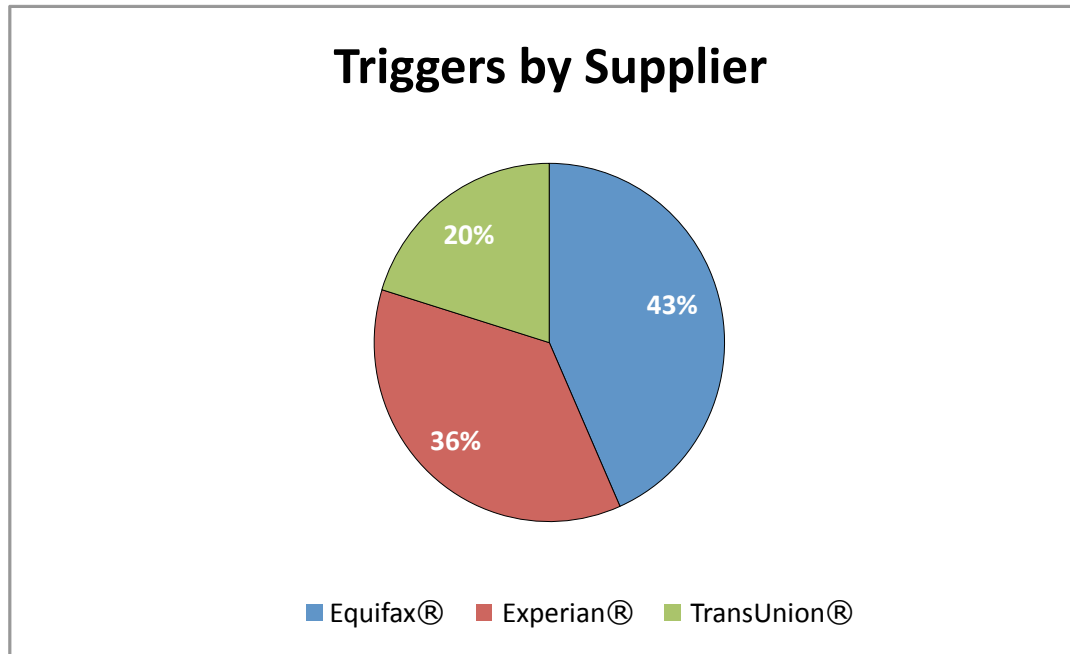
83 percent of account holders shopping have credit scores over 640



Shopper Alert Look-Back Analysis (Example)

Why do I need leads from all 3 credit bureaus?

Adding triggers from all three credit bureaus maximizes the cross-sell opportunity.



Note: For purposes of this analysis, Equifax was in first priority, Experian in second priority and TU in last priority for this analysis. Inquiries from the same customer for the same product at multiple suppliers are counted as one event.

Shopper Alert – Recent Results

Client: Mid-Atlantic Credit Union

- Program implementation – May, 2012
- Results
 - 3,400 offers mailed to members
 - May – December
 - 239 applications submitted by members (140 funded loans)
 - \$10MM in closed loans
 - Mortgage - \$8.8 MM
 - Auto Loan - \$1.1 MM
 - Consumer Loan - \$100K

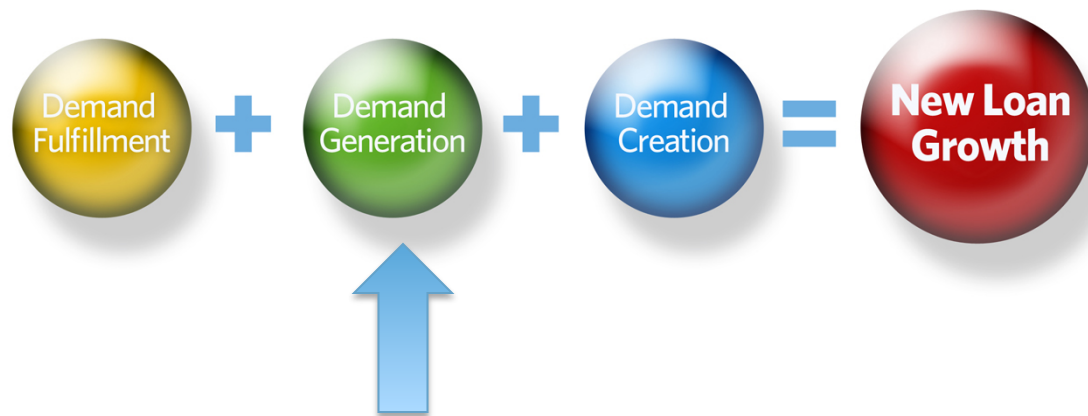
7%+ response rate

**Blended marketing
cost per funded loan
< \$75**

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.

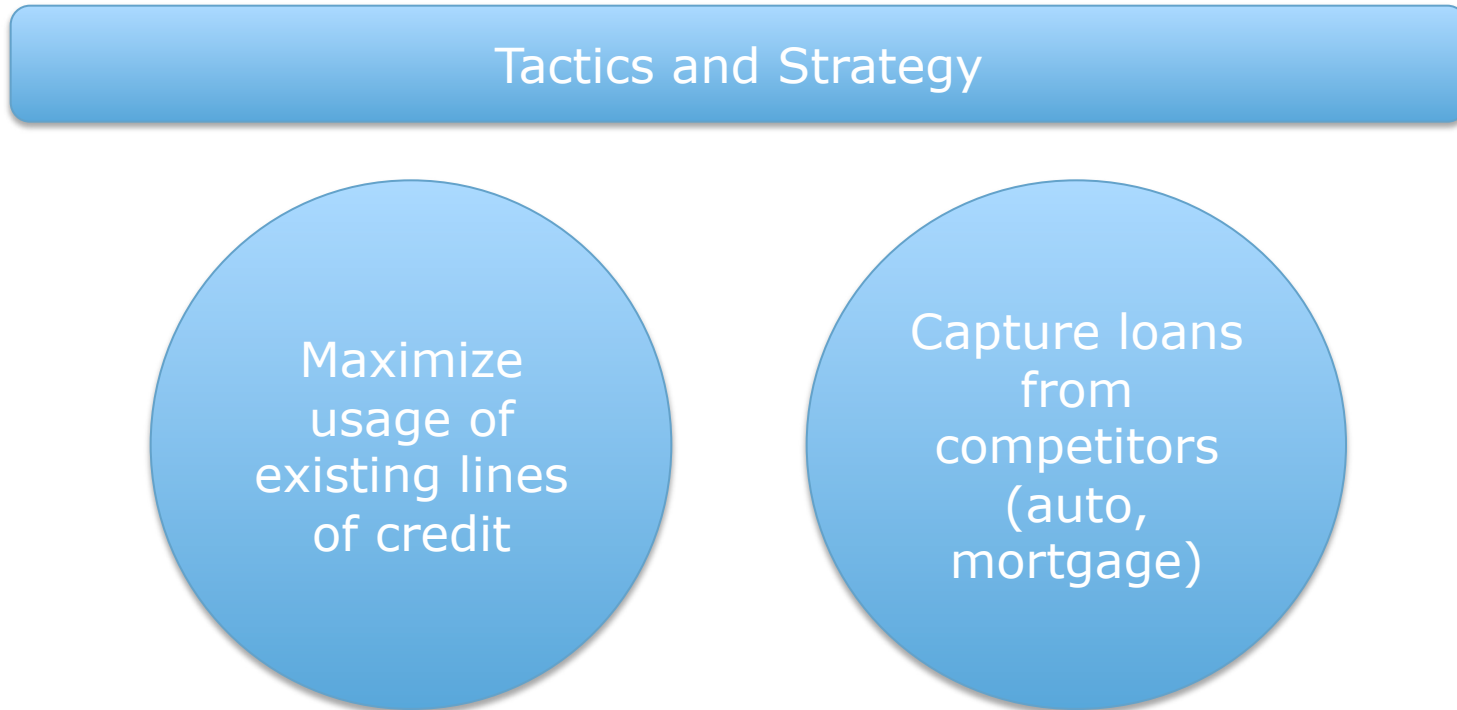


Demand Generation



Loan Marketing Ecosystem

Demand Generation



HELOC Segmentation:

Goal: Drive incremental net income by maximizing the value of the existing HELOC portfolio

Requires managing HELOC account holders with a customized, analytically driven marketing strategy to:

- Increase line utilization rates from the industry average of about 35 percent*
- Reduce prepayment/payoff rates from current levels
- Raise initial activation rates within the HELOC portfolio
- Generally reduce ongoing expenses for undrawn lines

*Based on Harland Clarke research.

Demand Generation

HELOC Segmentation

Segment Name	Count	Percent	Segment Description	Priority
Newcomers	2,384	9.3%	All new accounts added in past six months	1
Emergency Back-Ups	3,688	14.4%	Zero balance, non-activated accounts with full line available	7
Early Payoffs	1,820	7.1%	Zero balance activated accounts prepaid in past 24 months	6
Frequent Drawers	10,082	39.4%	Active accounts with two or more draws in past 24 months	2
Full Speed One-Timers	1,472	5.8%	Active accounts with one draw past 24 months, utilization >80%	5
Slow Speed One-Timers	2,059	8.0%	Active accounts with one draw past 24 months, utilization <80%	3
Recent Inactives	4,081	16.0%	Accounts with balance but zero draws in past 24 months	4
Total Accounts	25,586	100.0%		

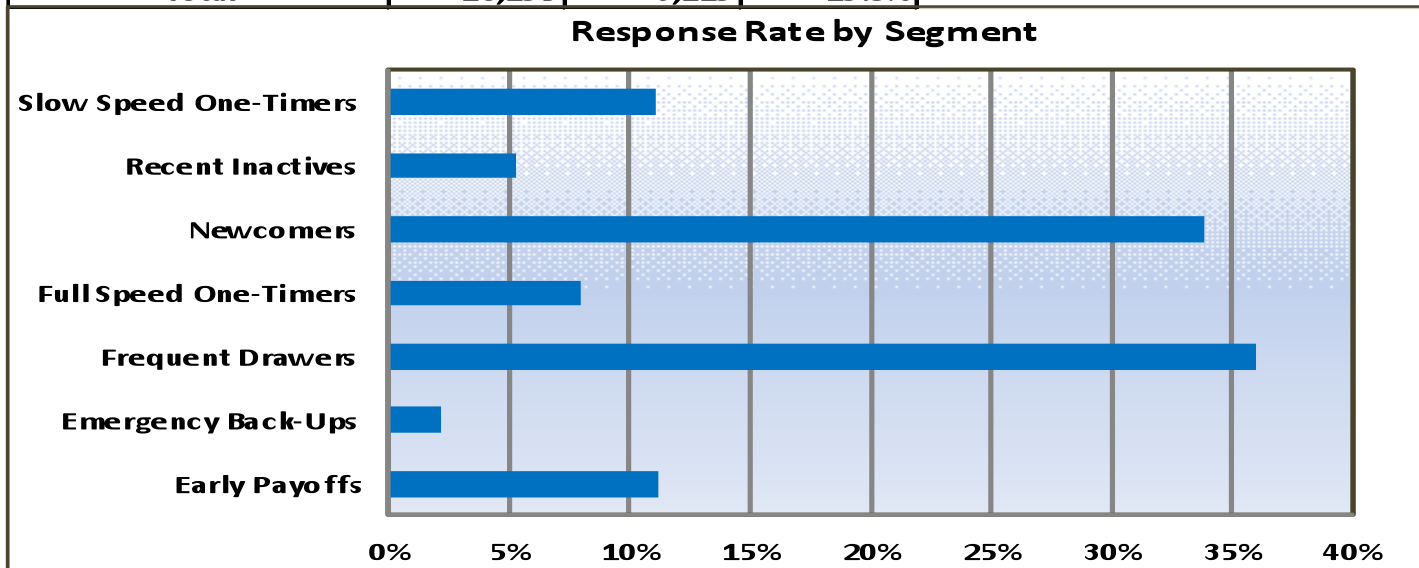
*Chart information based on Harland Clarke research.

HELOC Segmentation: Recent Results

Customer Segment	Mail Quantity	Number Response	Response Rate
Early Payoffs	1,812	202	11.1%
Emergency Back-Ups	3,097	67	2.2%
Frequent Drawers	5,985	2,153	36.0%
Full Speed One-Timers	290	23	7.9%
Newcomers	1,471	498	33.9%
Recent Inactives	2,016	106	5.3%
Slow Speed One-Timers	1,624	180	11.1%
Total	16,295	3,229	19.8%

8%+ increase in overall utilization*

\$27MM+ increase in new balances



*Based on Harland Clarke research.



Loan Recapture

Tactics and Strategy

Maximize Usage of
existing lines of
credit

Capture Loans
from competitors
(auto, mortgage
loans)



Demand Generation

Loan Recapture



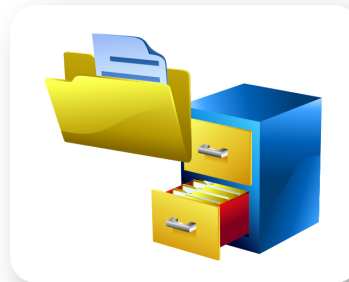
Capture loans from competitors



Works best with auto, mortgage and home equity loans



Credit bureau data used for targeting and screening



Can also use public record data for mortgage loans

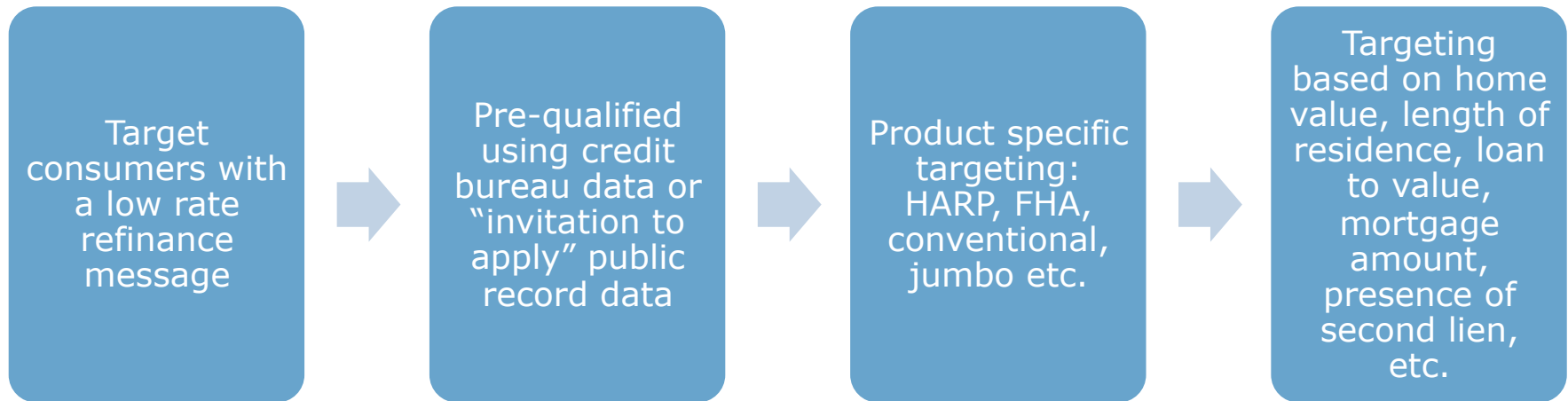
Demand Generation

Auto Loans



Demand Generation

Mortgage and Home Equity Loans

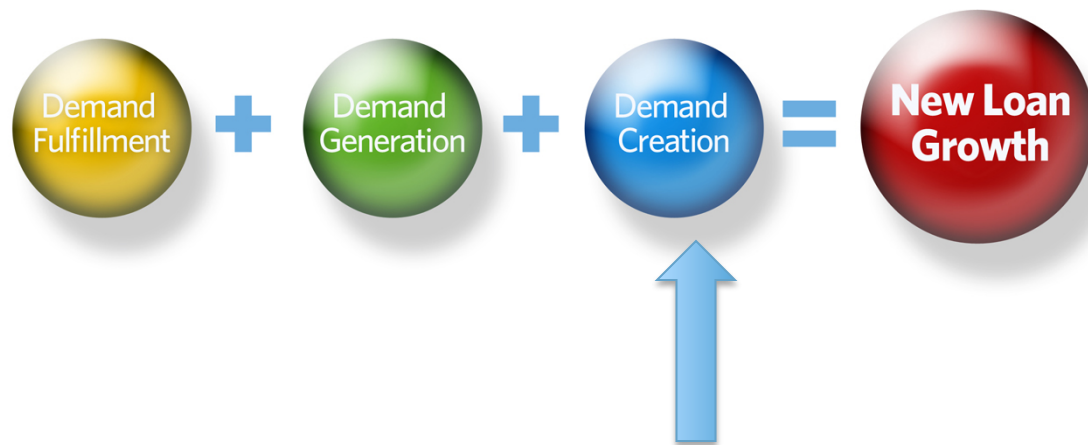


Loan Acquisition: Recent Results

- Client – A West Coast Bank
 - Program implementation – weekly campaigns since June 2012
 - Product - HARP
- Results
 - 75,000+ offers mailed
 - \$45MM+ in loans funded
 - \$500K+ in net income before taxes
 - ROI 225%+

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.

Demand Creation



Loan Marketing Eco-System

Demand Creation

Tactics and Strategy

Mine account holder and prospect data for new loan opportunities (new car buyers, new home buyers)

Mine account holder data for Credit Card and Personal Loan cross-sell opportunities

Demand Creation

Overview

- Works best for credit card and personal loan cross sell offers
- Works well for auto loan pre approvals
- Not recommended for mortgage loans for home purchases (long close time, first time home buyers are difficult to target, direct marketing is not an effective acquisition channel)
- We can target pure prospects for credit cards, personal loans or auto loans but ROI will be low due to large universe size

Credit Card Cross Sell: Recent Results

- Client – West Coast Credit Union
 - Program implementation – October 2012
 - Product – Visa® offer to existing members
- Results
 - 15,000+ offers mailed
 - Direct response rate: 3%
 - Approval rate: 2%
 - Cost per new card issued: ~\$50

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.



Questions and Answers



Thank You!