



The Loan Marketing Ecosystem: A Comprehensive Approach to Loan Marketing

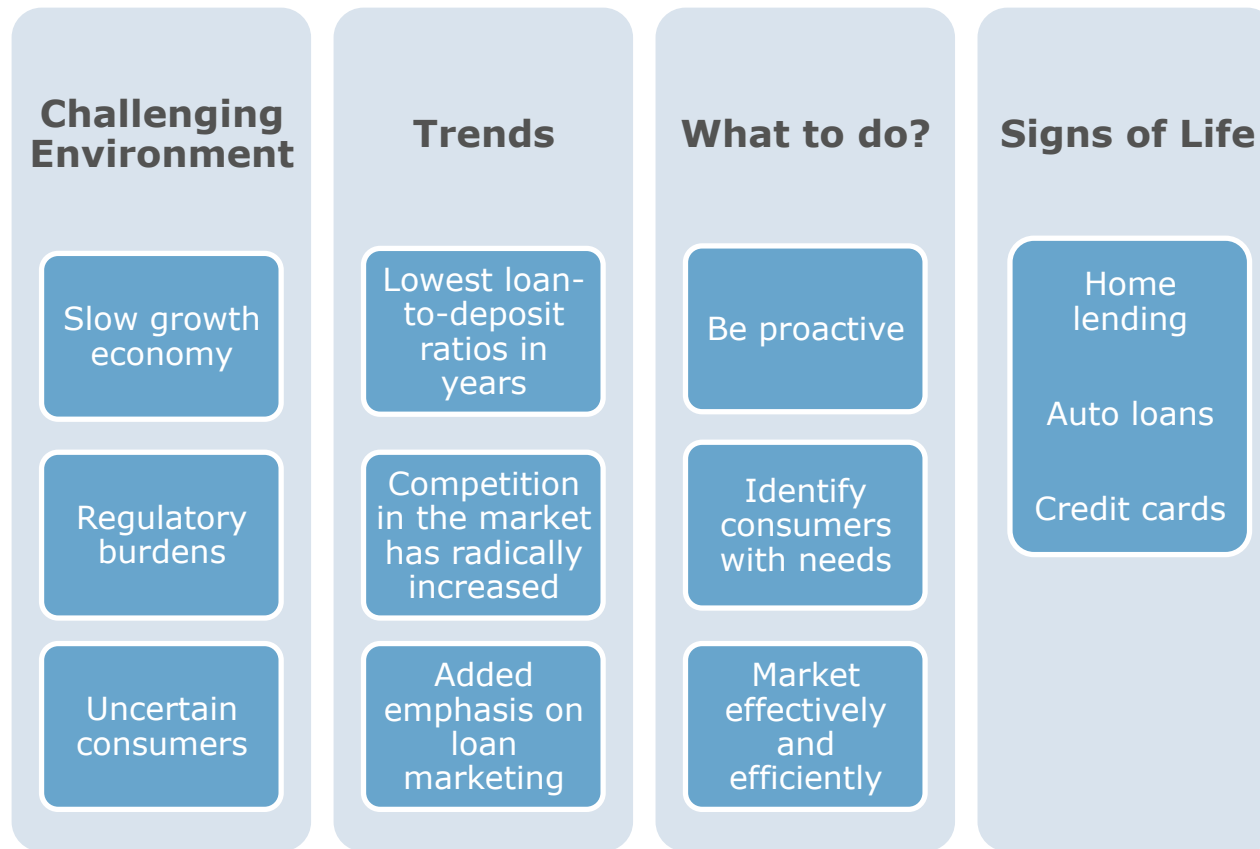
October 23, 2013

Loan Ecosystem Agenda

- Economic Trends
- Loan Ecosystem
 - Shopper Alert™
 - Refi Genius™
 - Loan Magnet™
- Case Study
 - Orion Federal Credit Union
- Questions

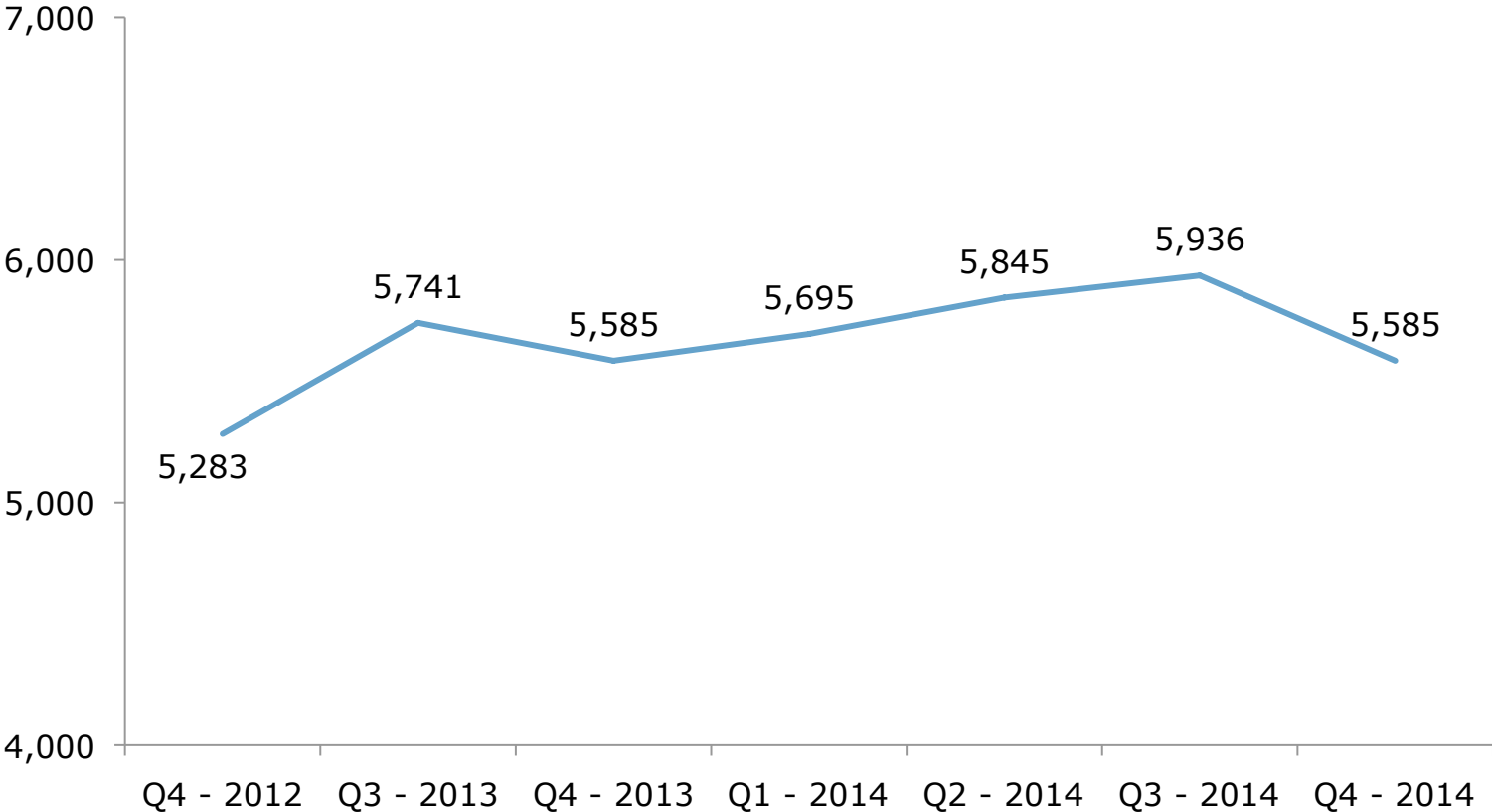
A replay of this webcast and copy of the slides will be sent to all participants next week.

Our Industry Today



Economic Trends – Mortgages

New and Existing Home Sales (in thousands)

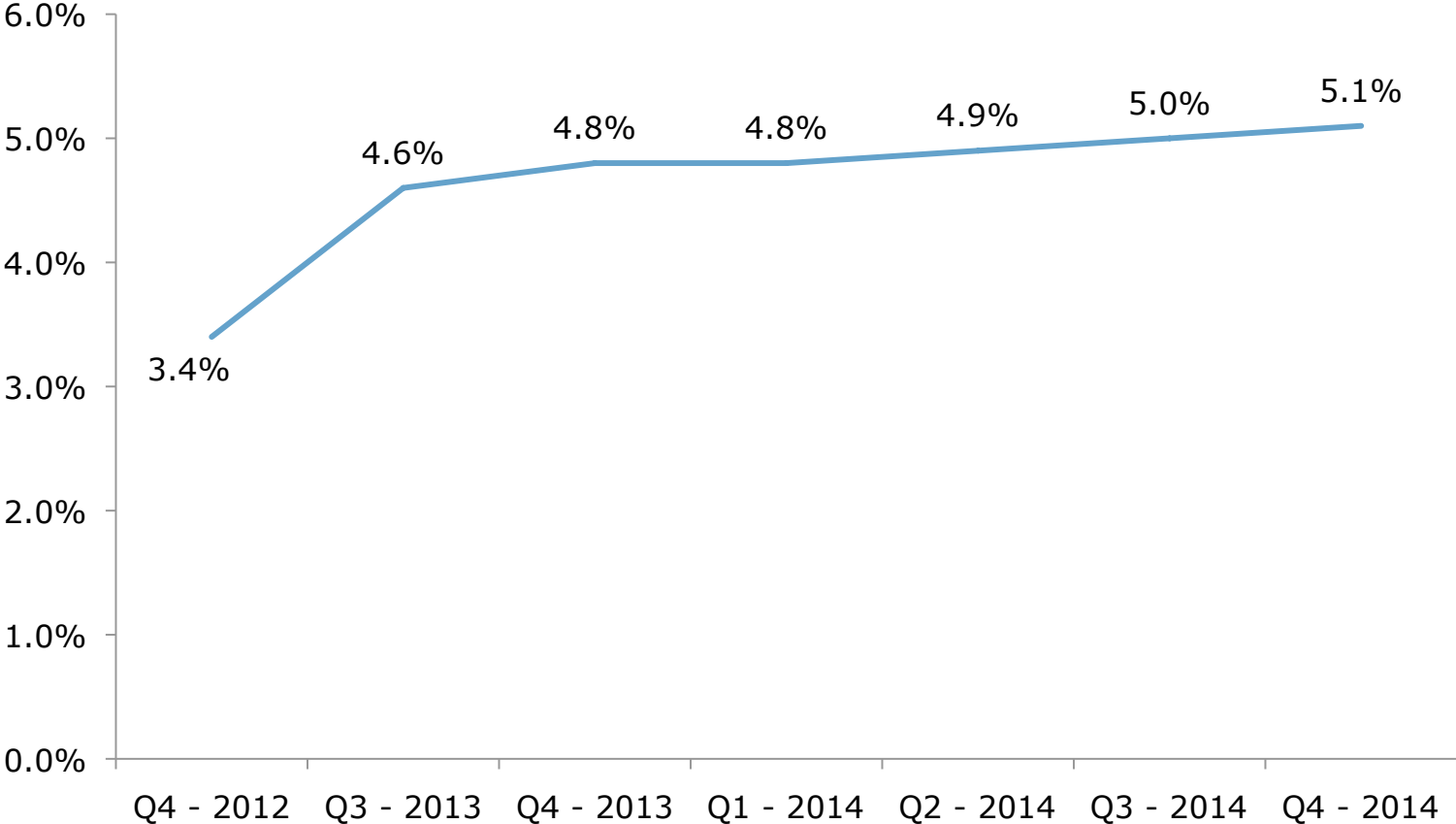


Source: Mortgage Bankers Association



Economic Trends – Mortgages

30-Year Fixed Interest Rates

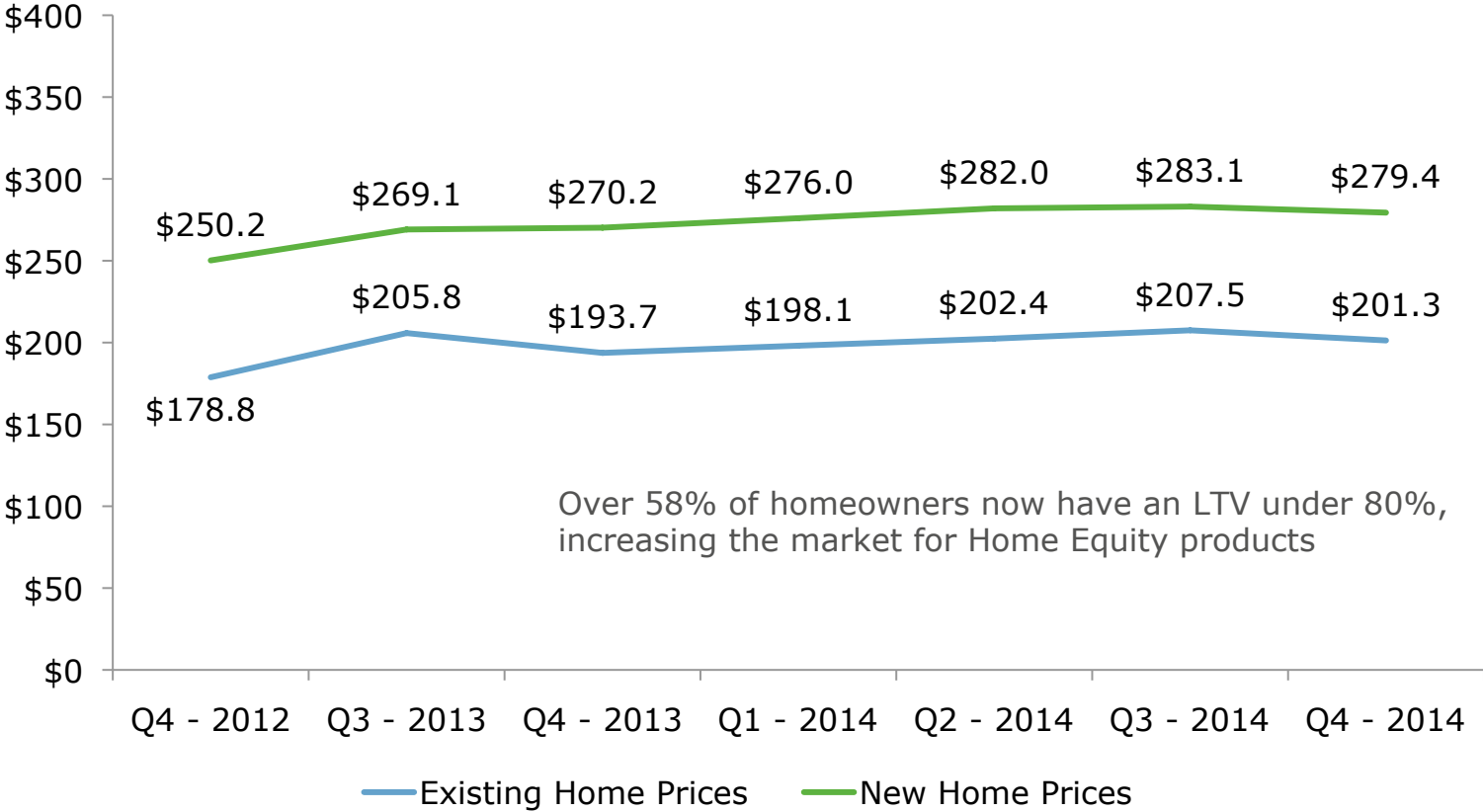


Source: Mortgage Bankers Association



Economic Trends – Mortgages

Median Home Prices (in thousands)

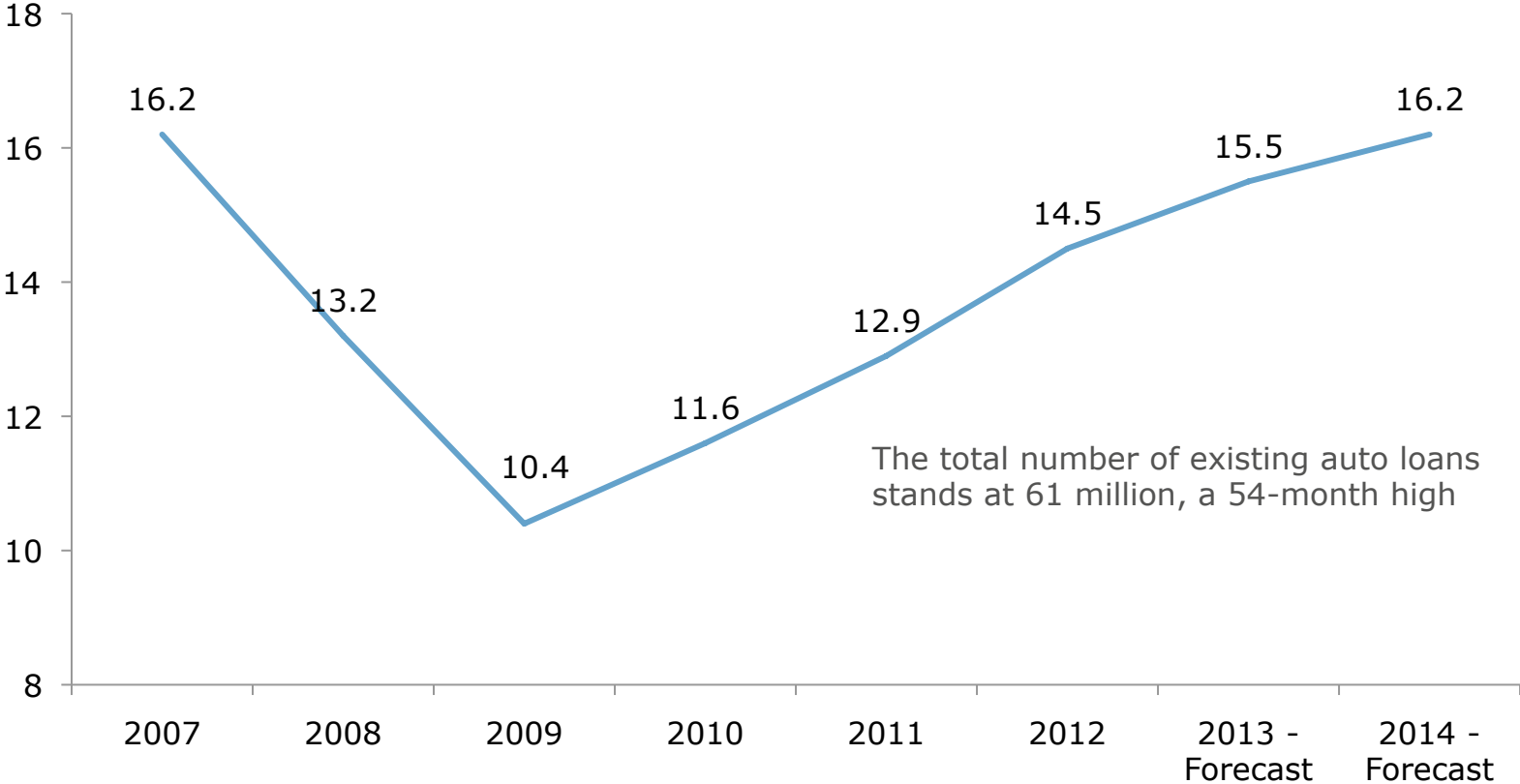


Source: Mortgage Bankers Association
 Source: Zillow, *Real Estate Research*, August 2013



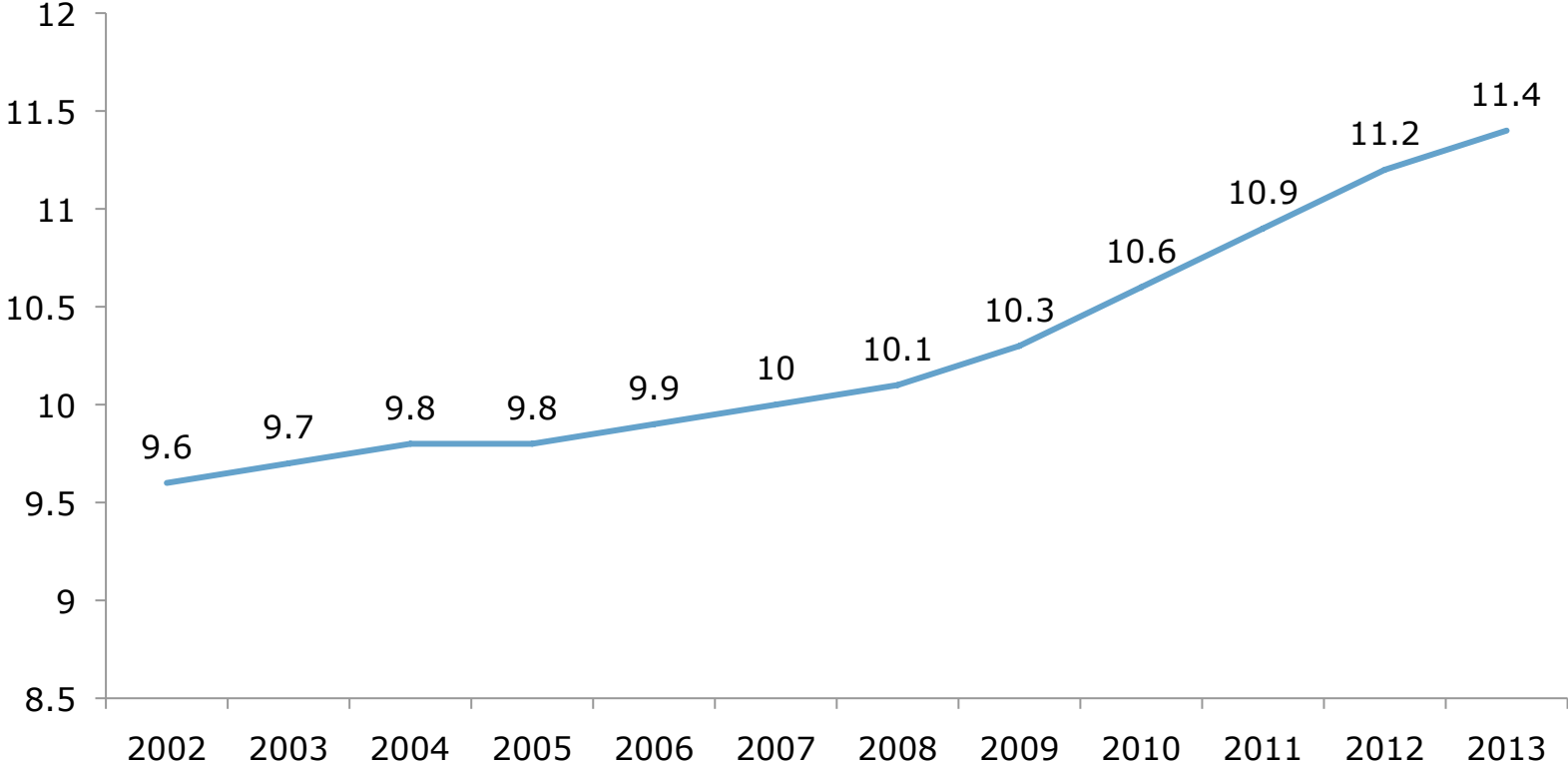
Economic Trends – Auto

New Vehicles Sales – U.S. (In Millions)



Economic Trends – Auto

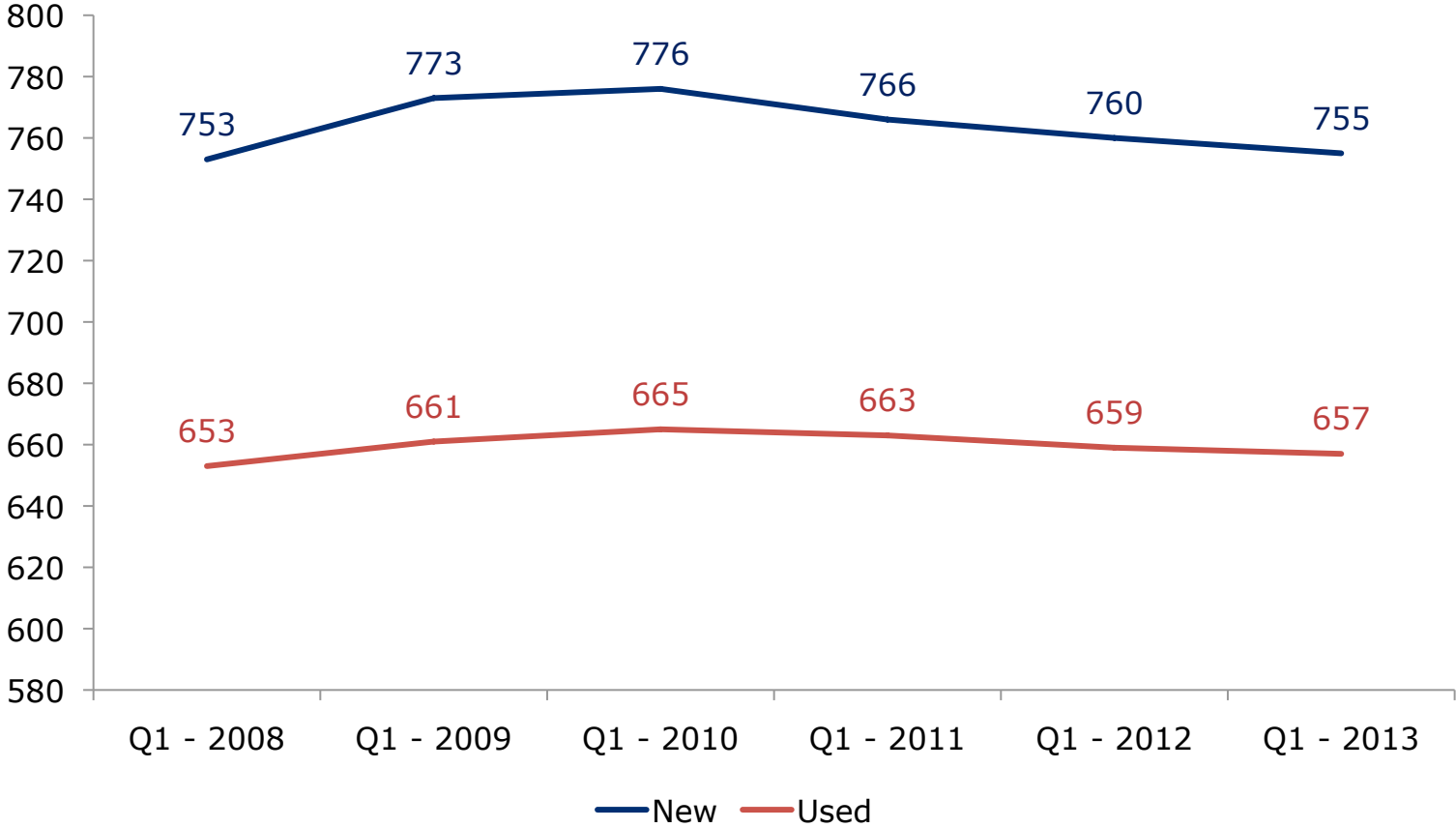
Average Age of U.S. Vehicles (in years)



Source: R.L. Polk

Economic Trends – Auto

Average Credit Scores by Vehicle Type



Lenders continue to loosen up on credit standards as consumers clean up their balance sheets.

Source: Experian Automotive



Economic Trends – Credit Cards

- The total number of credit cards issued by financial institutions reached more than 310 million at the end of June, a 43-month high
- The credit limit on those cards is more than \$2.4 trillion, a 43-month high
- Credit card delinquency rates fell to 1.81 percent at the end of August 2013, compared to August 2012

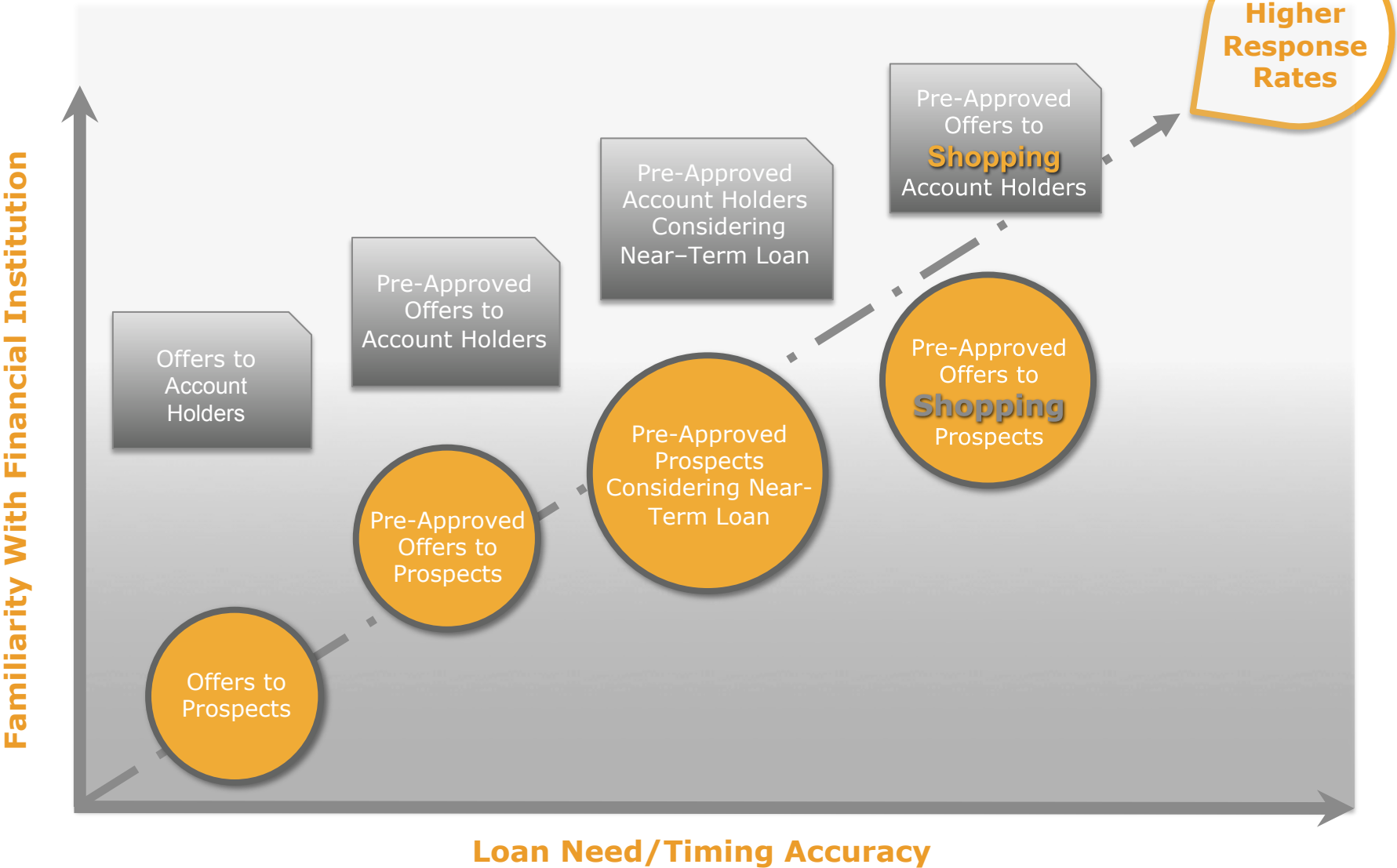
Top Marketing Priorities

- Growing the loan portfolio
- Acquiring the right new account holders
- Deepening account holder relationships
- Increasing wallet share
- Encouraging channel shift

All of this while directing marketing dollars to the most efficient, cost-effective and measurable marketing activities

The Loan Ecosystem

Loan Marketing Response Rate Drivers



Harland Clarke's Loan Marketing Ecosystem


Loan Marketing Ecosystem

A comprehensive approach to loan marketing

Solution	Target	Qualification	Universe Size	Response Rate
Shopper Alert	Loan Shoppers	Trigger	Small	Very High
Refi Genius	Loan Holders	Refinance - Eligible	Medium	High
Loan Magnet	Loan Eligible	Credit Criteria or Demographic Proxy	Large	Medium

Loan Marketing Ecosystem: Definition

A range of complementary solutions that meets virtually all of a financial institution's loan marketing needs

Solution	Target
 Shopper Alert™	<ul style="list-style-type: none">• Consumer actively shopping
 Refi Genius™	<ul style="list-style-type: none">• Consumer is NOT shopping• Has a loan with another financial institution• Can benefit from refinancing
 Loan Magnet™	<ul style="list-style-type: none">• Consumer is NOT shopping• Does NOT have a loan• High propensity for a NEW loan

Pre-Approval Considerations

- Regulatory issues
 - Compliance Involvement
- Offer requirements
 - Firm rate offer
 - Minimum Dollar Amount
- Lending Department involvement
- IT Department involvement

Pre-Approval Requirements

- An indication that the consumer is **pre-selected, pre-qualified** or **pre-approved** for an offer of credit or insurance
- A listing of the terms and conditions of the offer, including interest rate
 - This can include a range of qualifying interest rates, as long as there is an offer if the stated conditions are met
- A minimum dollar amount of credit for which the consumer has been qualified
 - It is acceptable to say the consumer may be qualified for more. A range can be stated as long as there is a minimum amount
- Eligibility requirements that include a statement that credit may not be extended if:
 - The consumer does not meet the criteria used to select the consumer
 - Income, Employment, LTV
 - The consumer does not meet other pre-established credit criteria
 - The consumer does not furnish the required collateral as specified on the mail piece

Credit Bureau Application Process

- Necessary to use Harland Clarke loan marketing solutions
- Pre-approvals generate a higher response and ROI than ITA offers
- Only needs to be done once
- Harland Clarke client management will help

Shopper Alert/Shopper Alert Prospector Program

How do Shopper Alert and Shopper Alert Prospector work?



Trigger Alert Marketing Makes Sense

- Harland Clarke believes knowledge fuels powerful marketing programs that produce extraordinary results
- Ideally, marketers would know when account holders are applying for a loan with a competing institution
- Harland Clarke's Shopper Alert data-driven solution monitors credit inquiries across the leading bureaus to improve campaign effectiveness

Did you know?

- At any point in time, 4-6% of account holders are actively shopping for a new loan?
- More than 60% of shoppers will make their loan decisions and commit their loan to an FI within one week of starting the activity?

Shopper Alert Results

Texas Bank

- \$5 billion in assets
- Nearly \$5 million in new mortgage, auto or personal loans

New Jersey Credit Union

- \$400 million in assets
- Nearly \$4.9 million in new loans are in process or already closed
- Borrower-to-member ratio has grown by nearly 6%
- Consumer loan portfolio has increased by 11%

California Credit Union

- \$200 million in assets
- Generated a 5.9% application rate

Shopper Alert Results

California Credit Union

- \$8.1 billion in assets
- More than \$15 million in funded loans

Pacific Coast Credit Union

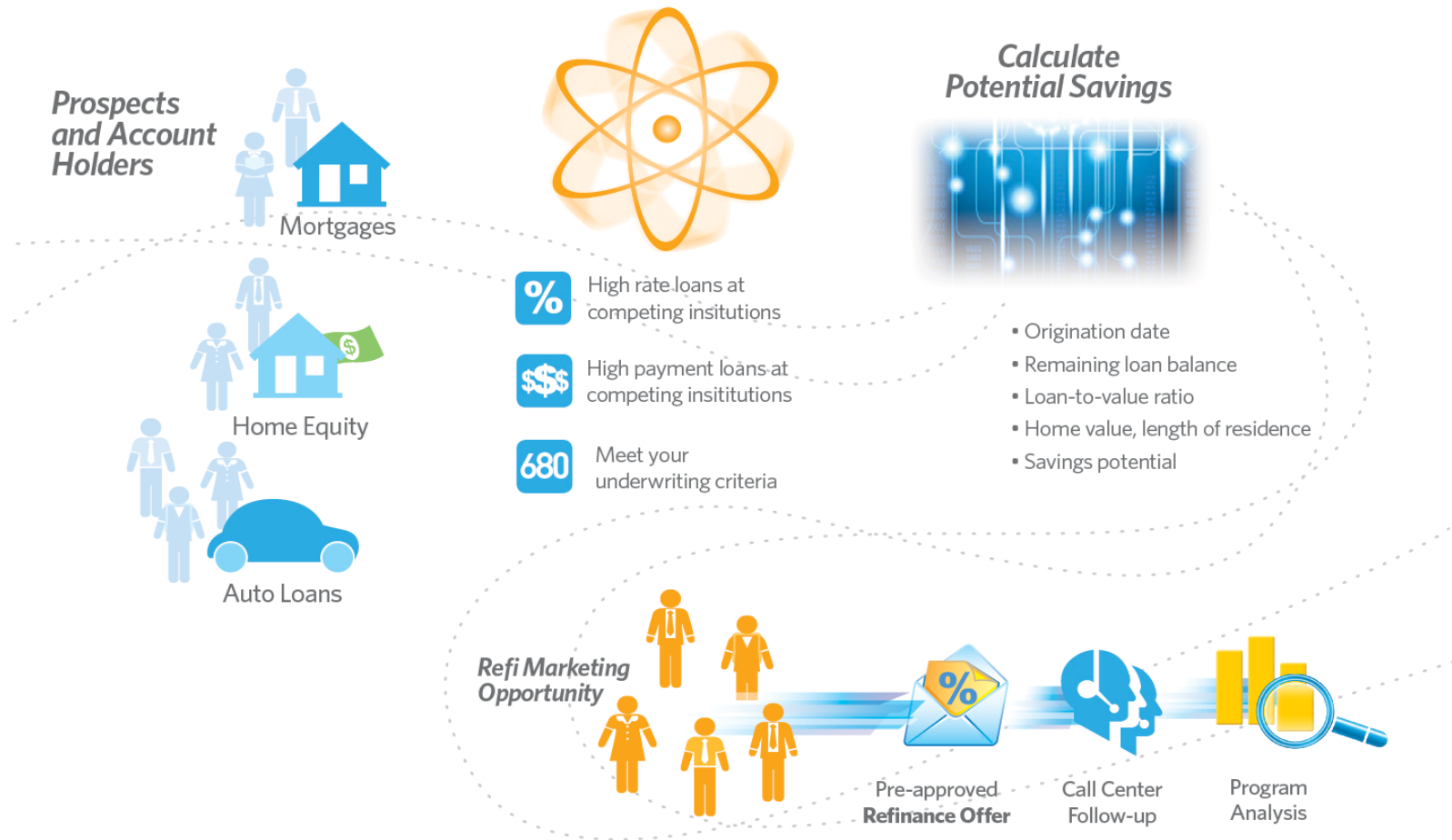
- \$5 billion in assets
- Nearly \$400,000 in funded loans

Maryland Credit Union

- \$1 billion in assets
- 10.1% application rate

Refi Genius

How does Refi Genius work?



Loan Refinance Marketing With Refi Genius Makes Sense



- Harland Clarke's Refi Genius data-driven solution identifies refinance-eligible loans
- Savings are always welcome!
- Important to include prospects in the Refi Genius solution to ensure volumes are high enough to justify the program

Refi Genius Auto

- Payment based on estimates of the loan’s current balance and interest rate
- Credit criteria
- Remaining balance on the loan
- “Save up to \$x per month on your loan payments” messaging

Auto Loan Holder	Current Payment	New Payment	Savings	Offer Y/N
Simonson	\$432	\$300	\$132	Yes
Kharidhi	\$274	\$250	\$24	No
Reid	\$389	\$400	(\$11)	No
Kelley	\$498	\$425	\$73	Yes
Nikitas	\$356	\$350	\$6	No
Dishon	\$695	\$500	\$195	Yes
Trio zzi	\$150	\$149	\$1	No

Example of a lender that sets a minimum savings amount of \$50

Refi Genius Mortgage and Home Equity



- Based on origination date and estimates of:
 - Remaining balance on the loan
 - Value of the home
 - Loan-to-value ratio
 - Length of residence
 - Range of other factors

Refi Genius Results

Texas Bank

- In its first few months, the campaign generated \$1.2 million in funded loans
- \$5 million in applications still in process, including more than \$1 million in auto loans, and nearly \$5 million in real estate and other loans

Tennessee Credit Union

- Grew the loan portfolio by 14 percent
- Increased loan-to-share ratio by nearly 10 percent
- Increased borrowers-to-members ratio by more than a full percentage point
- Achieved campaign response rates of roughly eight percent for members and one percent for non-members

Washington Bank

- Mailings to HARP-eligible borrowers in the first 12 months helped the bank generate \$107 million in loans
- \$1.1 million in net income generated
- Loan conversion rate 5X greater than competing list provider

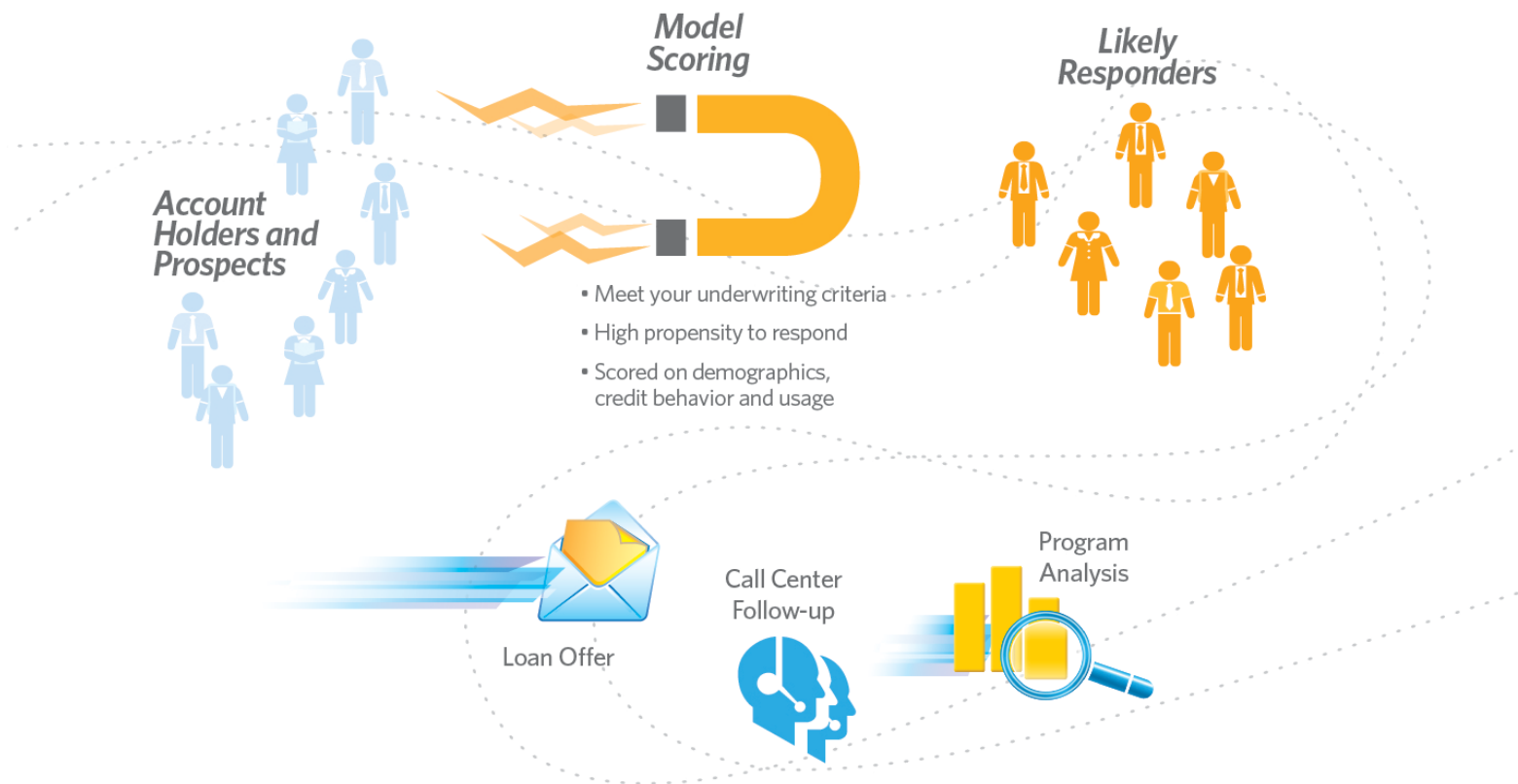
Refi Genius Results

California Credit Union

- Total Response Rate - 4.31%
- Total Auto Apps - 2.7%
- Fund to App Ratio - 83%
- Almost \$2 million in funded auto loans
- \$2.4 million in total consumer (auto, personal, credit card) loans
- Average Cost per New Loan - \$50
- Average Cost per New Auto Loan - \$72

Loan Magnet

How does Loan Magnet work?



Why Loan Magnet Makes So Much Sense

- Harland Clarke's Loan Magnet data-driven solution identifies account holders and prospects with a high propensity to respond to a loan offer
- Selling new products to existing account holders is one of the best ways to decrease attrition and increase loyalty
- Single-service checking has only a 50 percent retention rate; adding a loan to a household relationship improves retention to over 90 percent
 - Auto loans
 - Home equity loans/HELOCs
 - Personal loans/live checks
 - Credit cards

Loan Magnet Results

Texas Bank

- Identified nearly 11,000 First Financial Bank account holders who met its criteria
- Campaign generated almost \$6.5 million in new auto, HELOC and home equity loans
- Case study in development

West Coast Credit Union

- Program implementation October 2012
- Visa® offer to existing members
- 15K+ offers mailed
- ~2% approval rate

Loan Ecosystem – Orion Federal Credit Union

Tara Smith

Vice President of Retail
Orion Federal Credit Union



- Tara has more than 28 years of experience in the financial services industry exclusively in credit unions
- Tara currently oversees nine branches, a call center, marketing and back office account services

Loan Ecosystem – Orion Federal Credit Union

- Founded in 1957 as Memphis Area Teacher’s Credit Union
- \$534 million in assets
- 50,000 members
- Nine branch offices

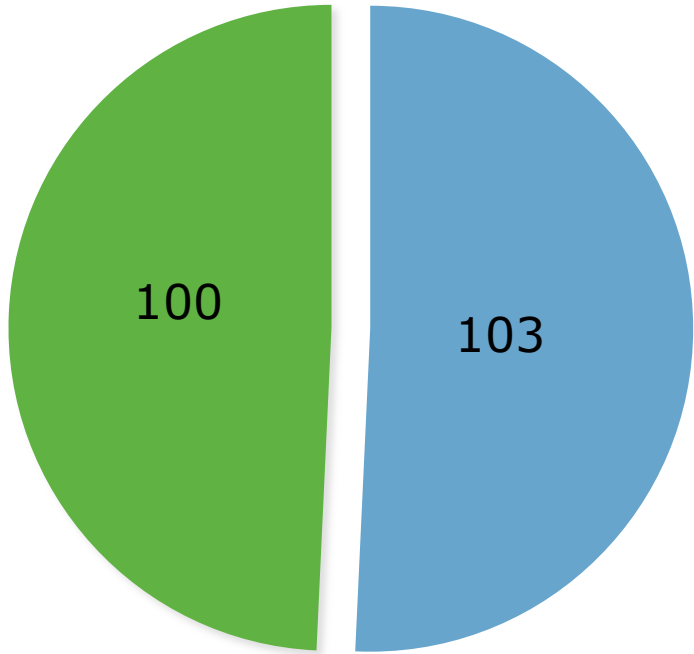
Loan Ecosystem – Orion Federal Credit Union

Challenges

- Grow Loans
 - Take advantage of demand for auto loans
- Penetrate accounts with other products and services to build deeper relationships
- Provide members and prospective members with way to save money
- Operate with limited marketing budget
- Limited staff resources to conduct programs

Loan Ecosystem – Orion Federal Credit Union

Applications Submitted to Credit Union

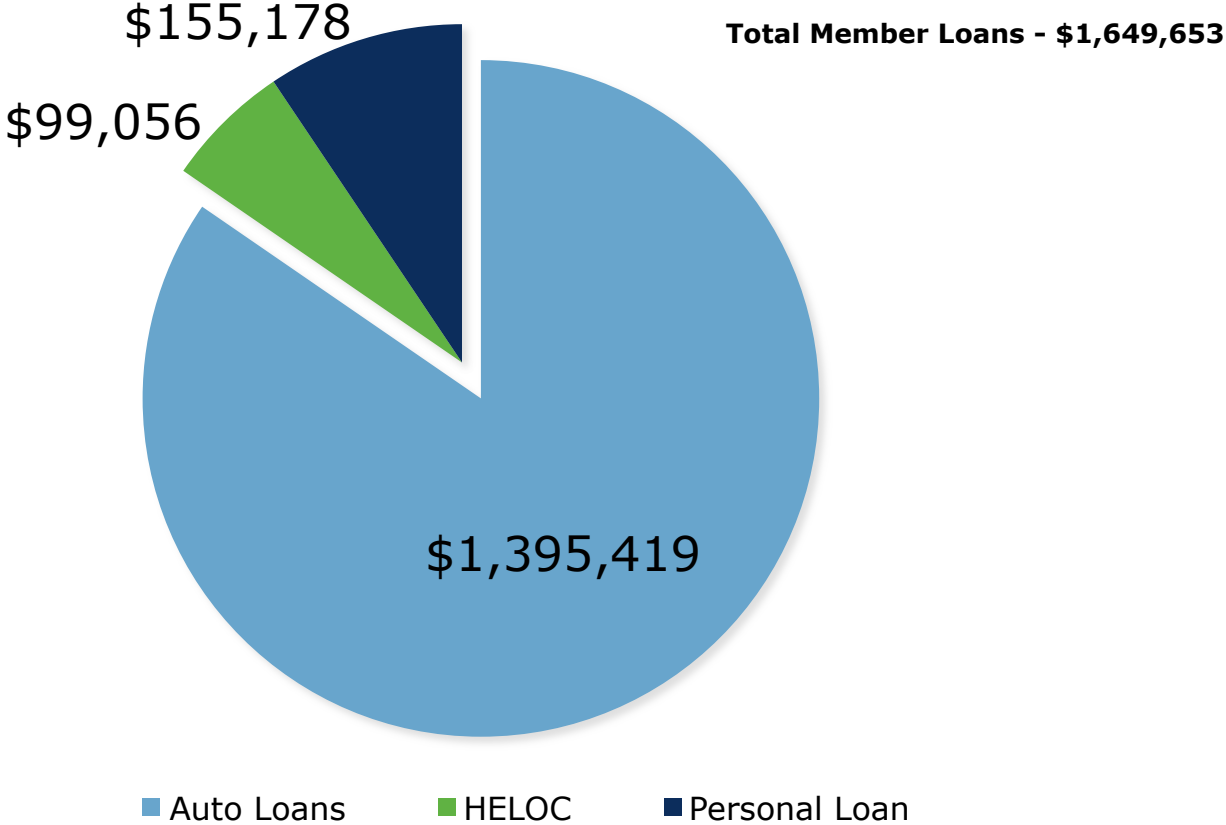


Response Rates
- Member – 7.66%
- Non-Member – 1.00%

■ Member Mailings ■ Non-Member Mailings

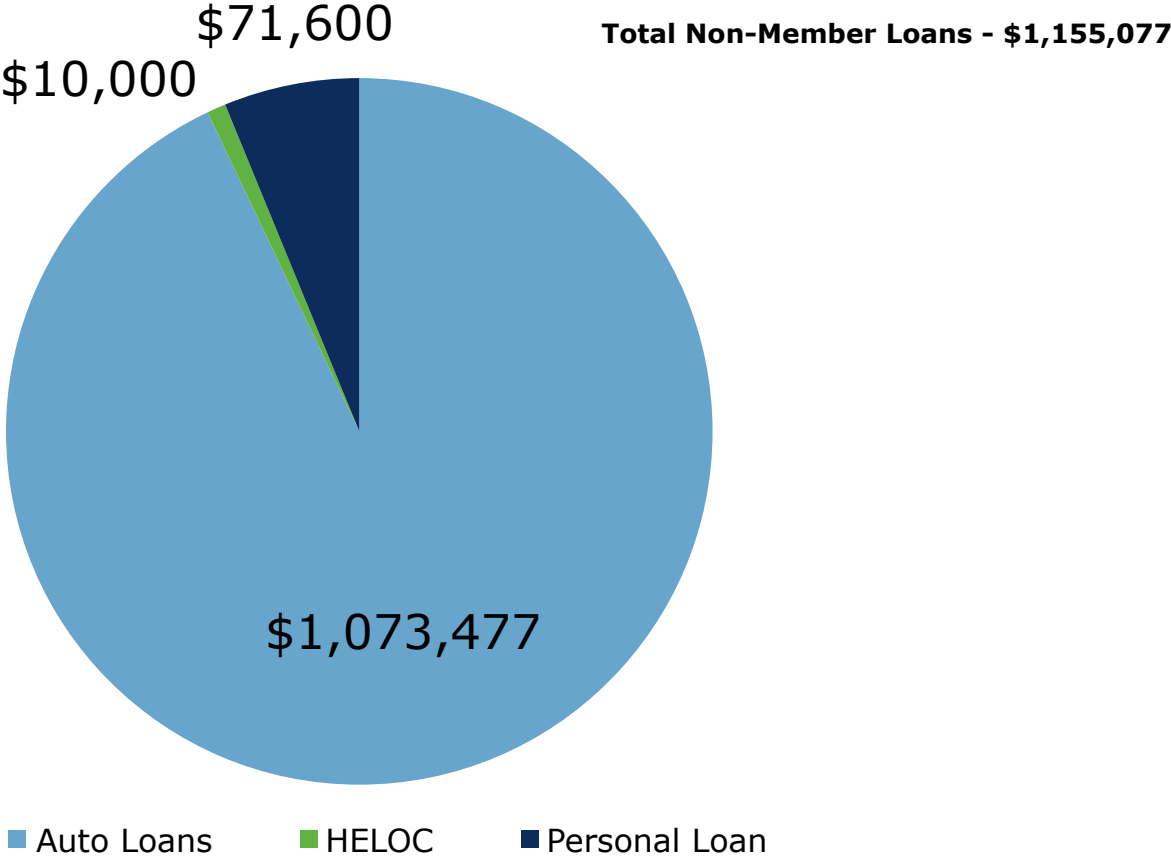
Loan Ecosystem – Orion Federal Credit Union

Funded Loan Balances - Member Mailings

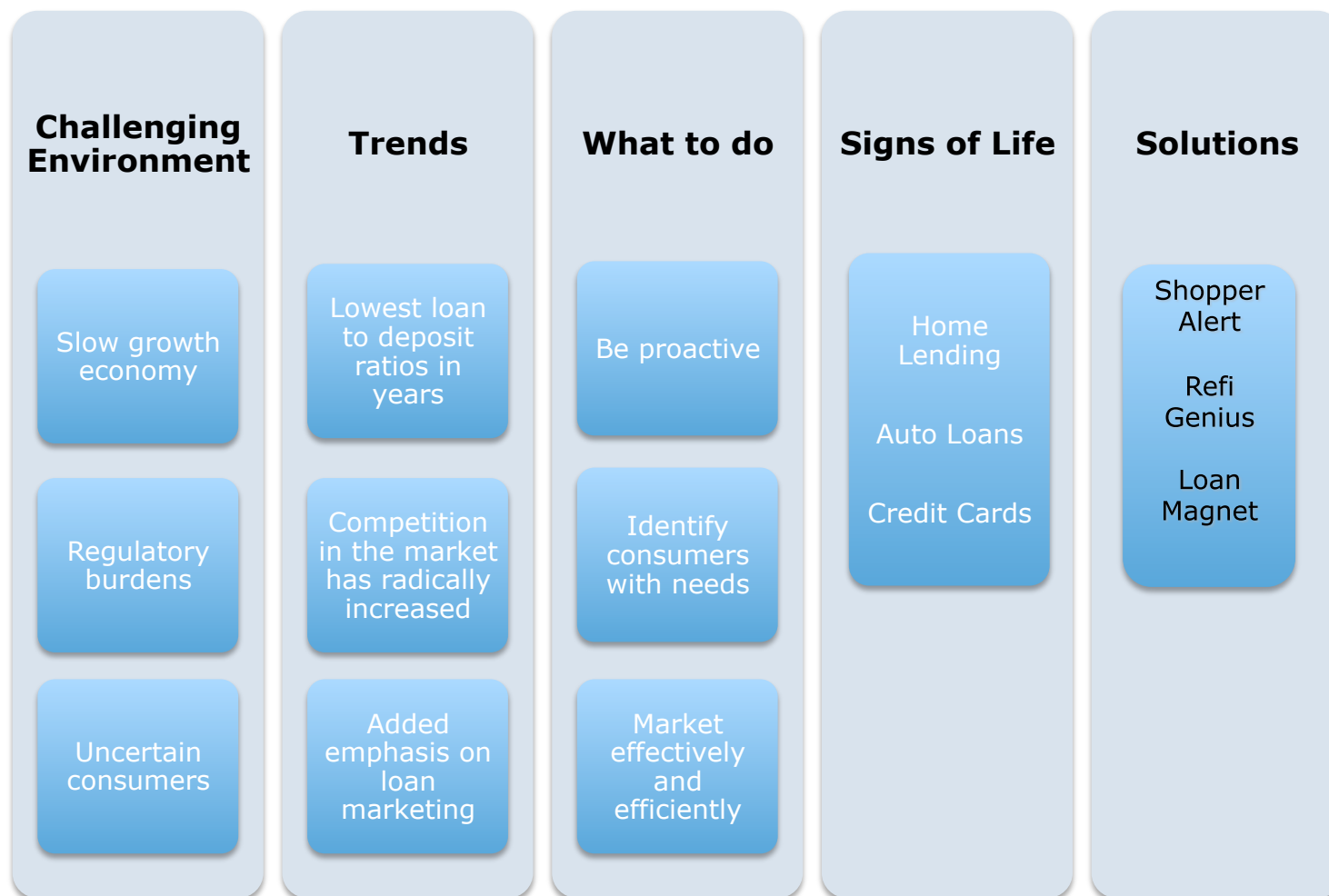


Loan Ecosystem – Orion Federal Credit Union

Funded Loan Balances – Non-Member Mailings



Loan Ecosystem – Wrap Up





Thank You!

A replay of this webcast and copy of the slides will be sent to all participants next week.

For more information contact your Harland Clarke account executive or write us at:

harlandclarke.com/contactus