



## The Loan Ecosystem

January 29, 2014

## About the Presenter

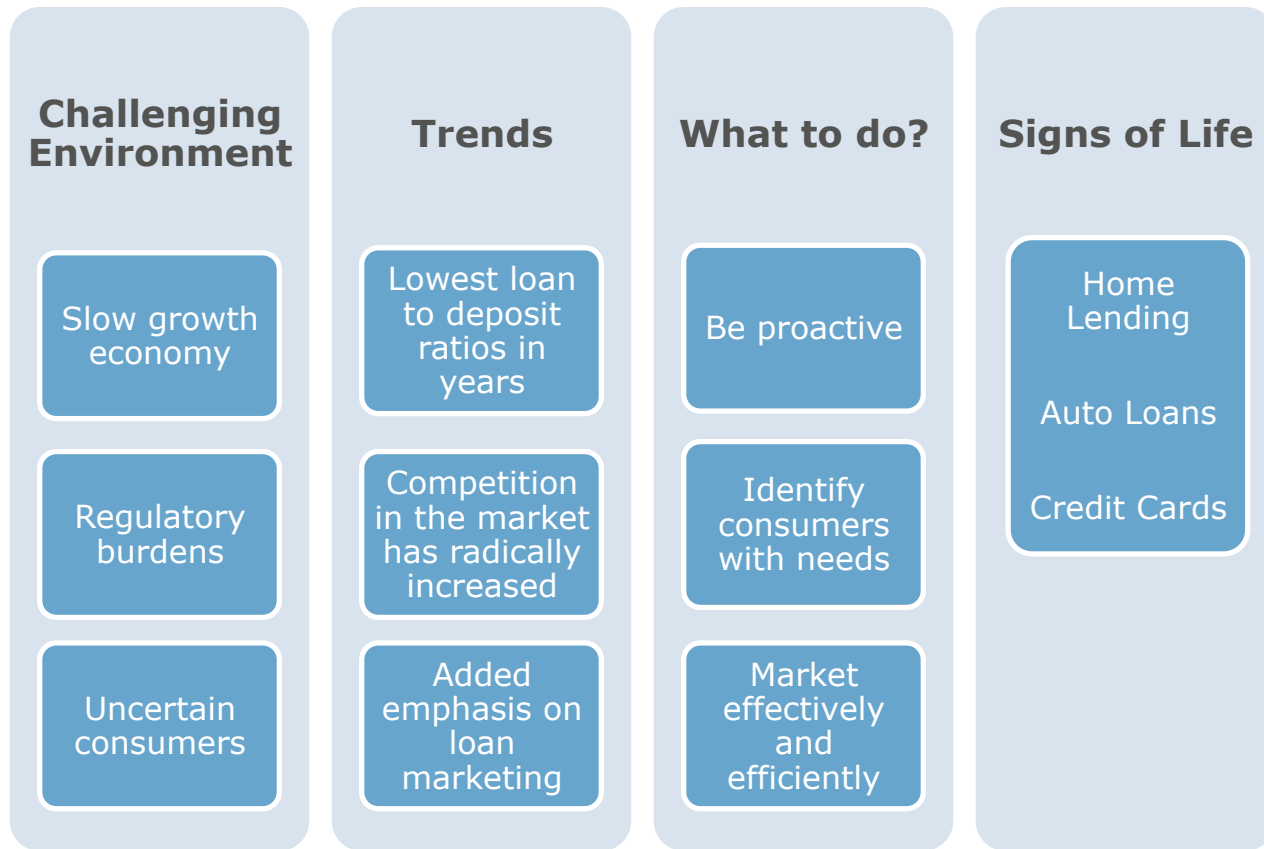
Stephen Nikitas has more than 30 years of experience in strategic planning, marketing, public relations and executive speechwriting. He has been a senior executive at financial institutions in New York, California and Massachusetts, developing and implementing sales and marketing programs that resulted in significant growth rates in loans, deposits and accounts.

As a Senior Strategist at Harland Clarke, Stephen now provides consultative services to banks and credit unions, helping them to craft marketing and retail strategies and campaigns that take advantage of existing market and financial conditions in order to grow targeted portfolios.

## Loan Ecosystem

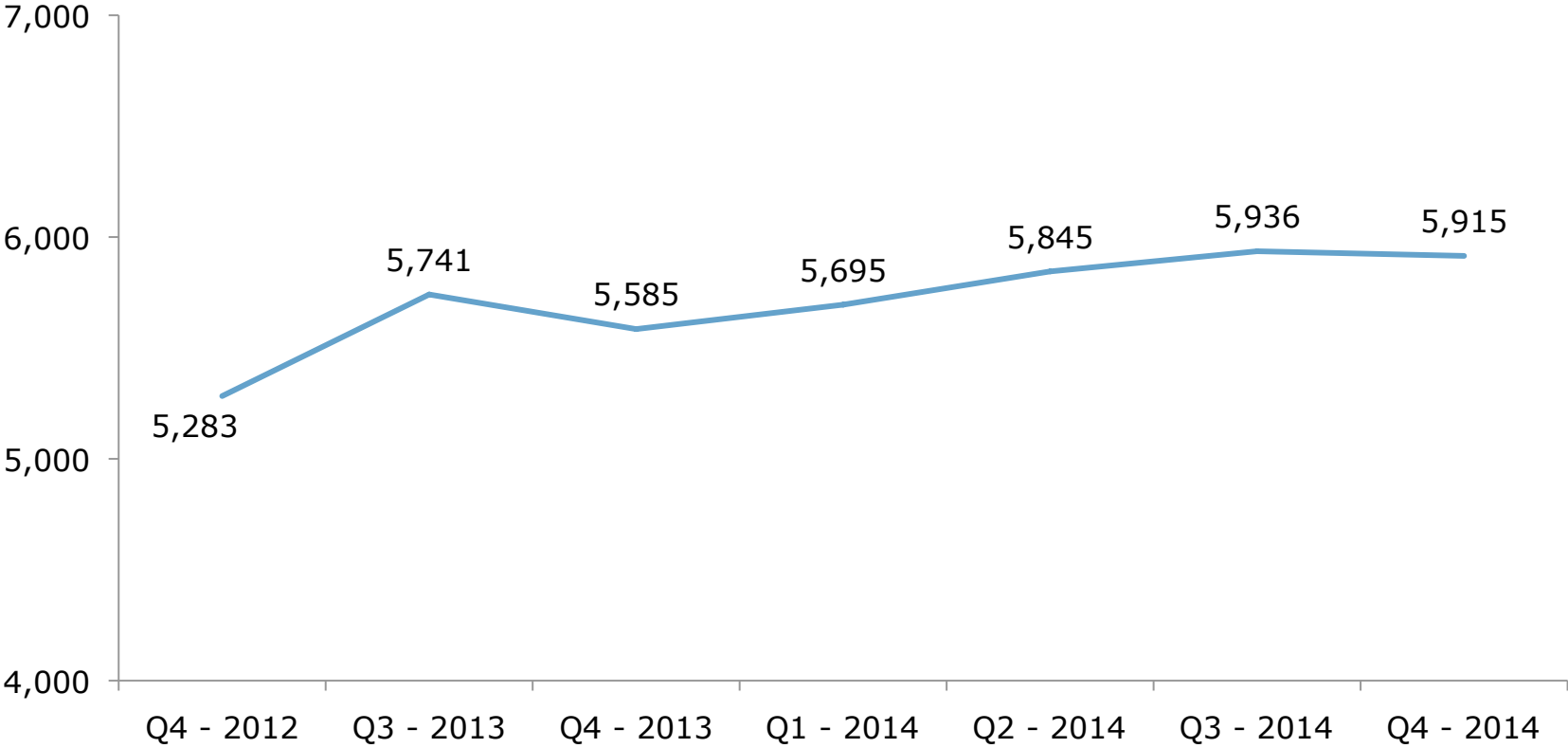
- Economic Trends
- Loan Ecosystem
  - Shopper Alert
  - Refi Genius
  - Loan Magnet
- Questions

## Our Industry Today



# Economic Trends - Mortgages

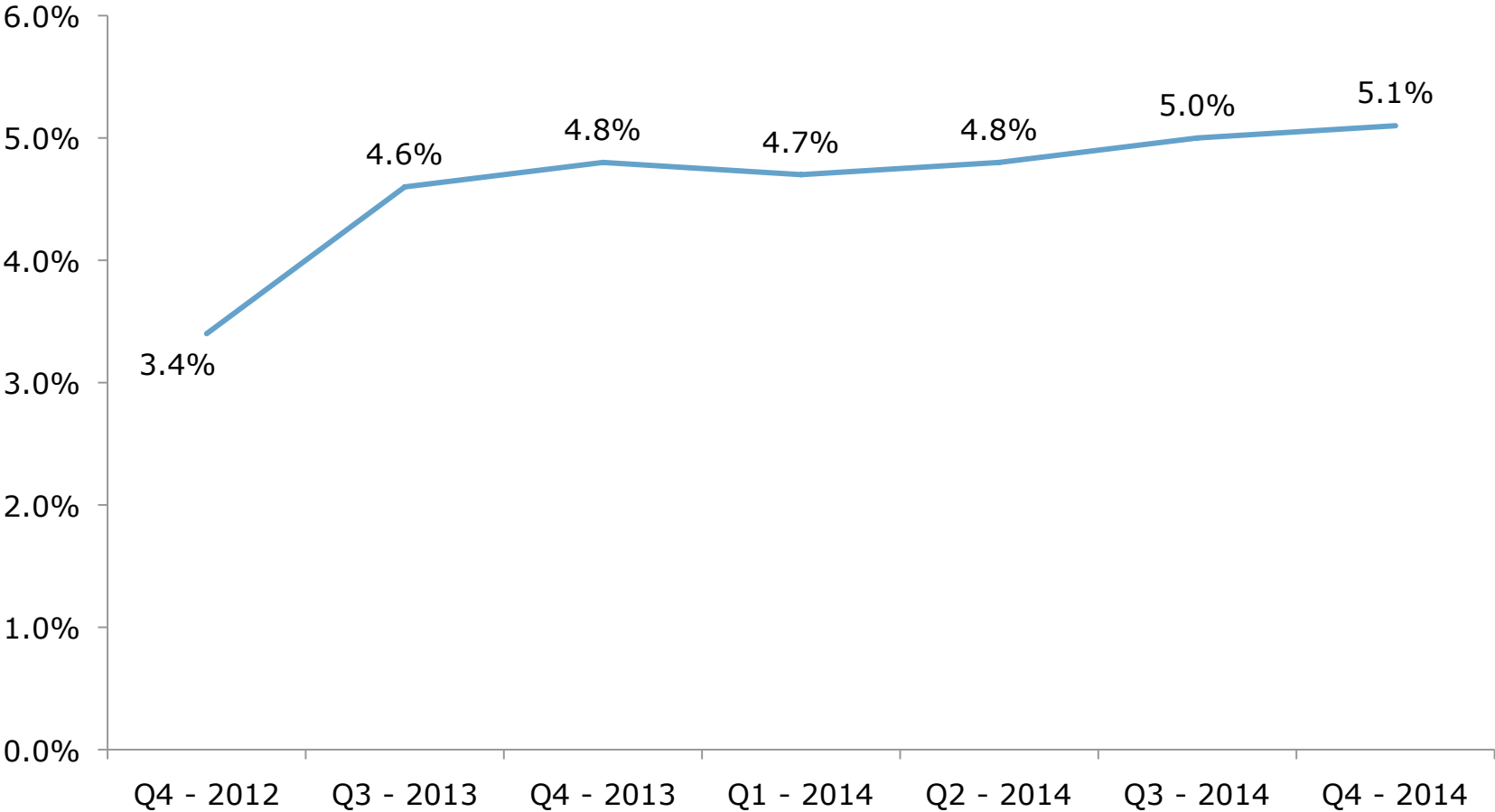
## New And Existing Home Sales (In Thousands)



Source: Mortgage Bankers Association

# Economic Trends - Mortgages

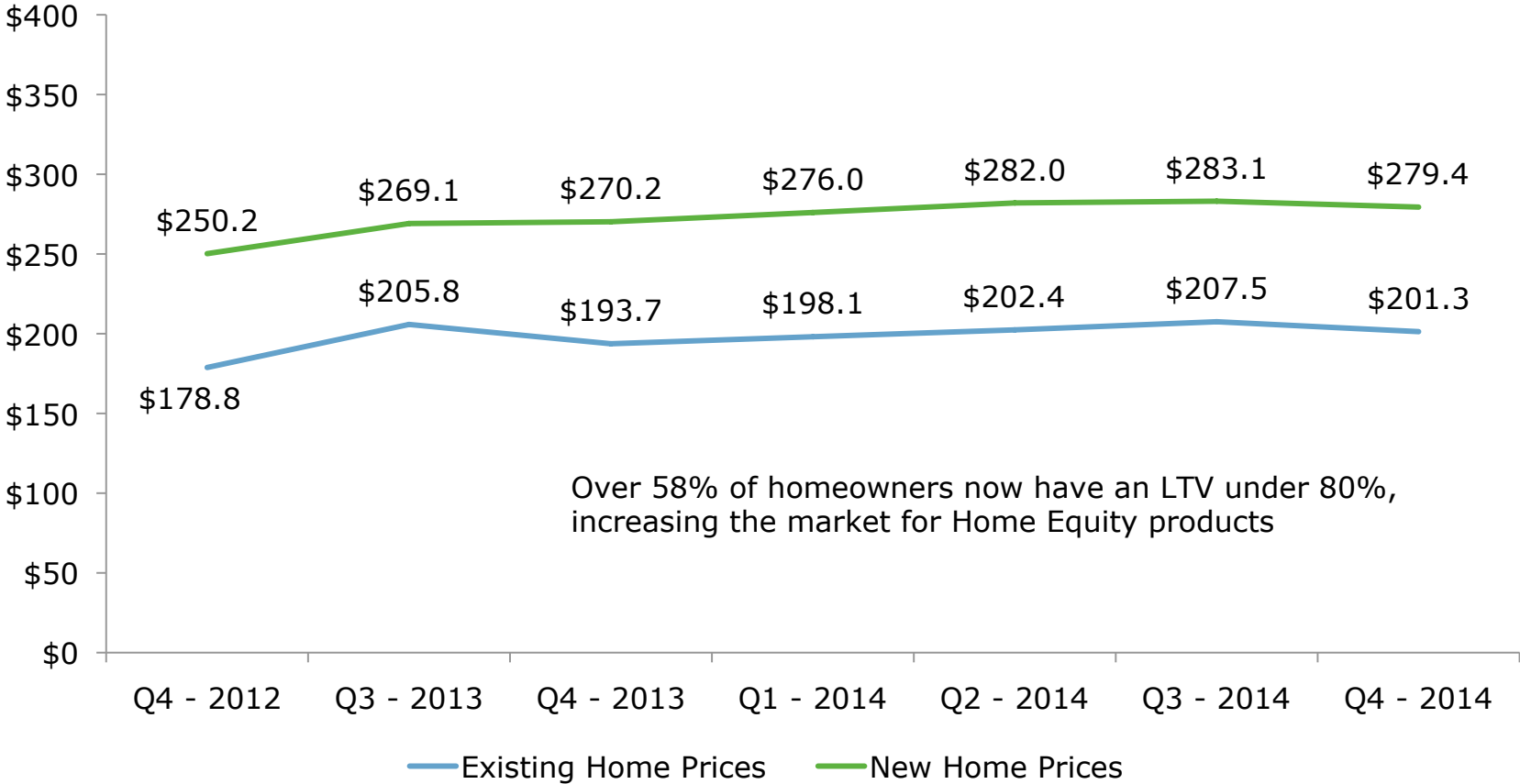
## 30 Year Fixed Interest Rates



Source: Mortgage Bankers Association

# Economic Trends – Mortgages

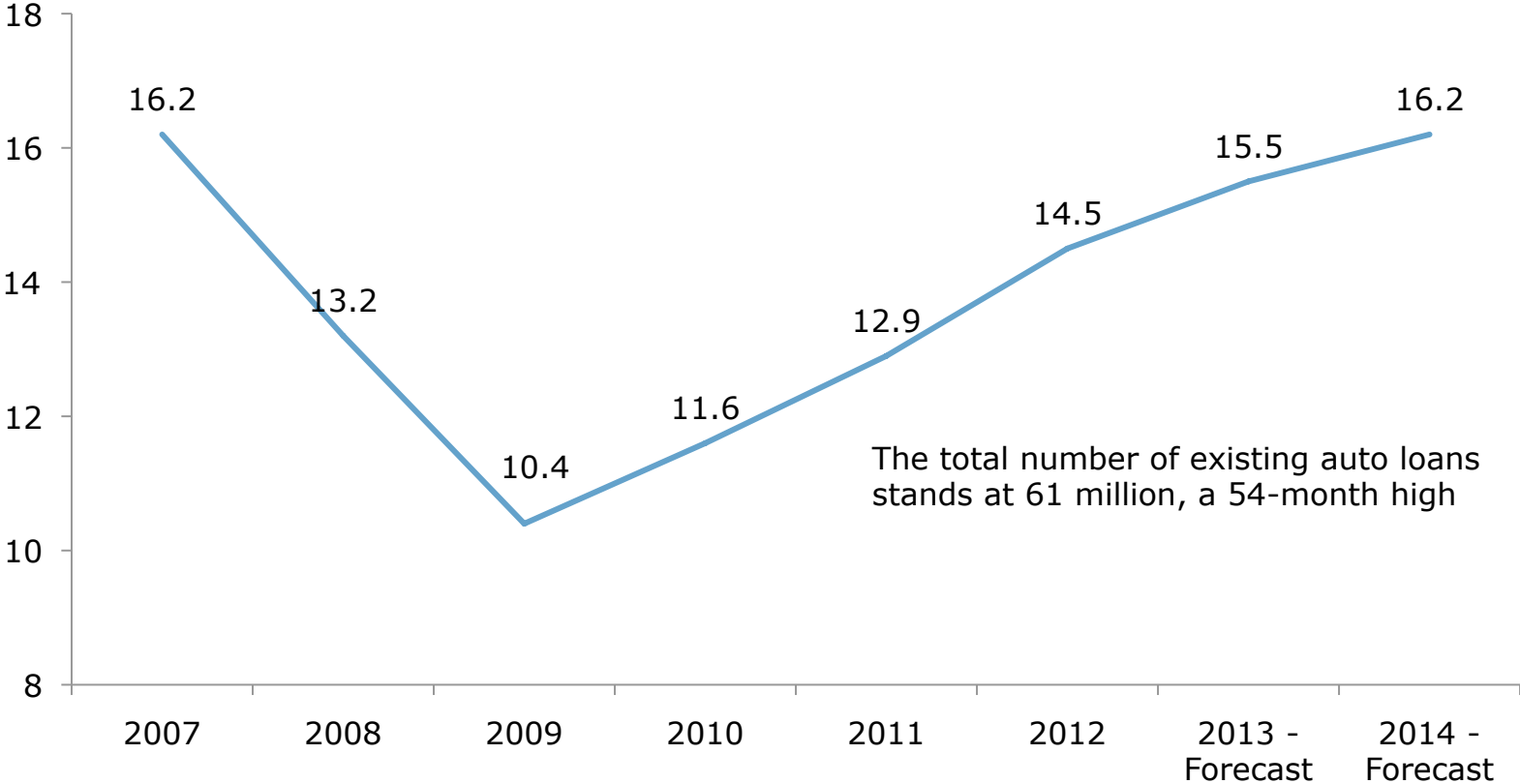
## Median Home Prices (In Thousands)



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

# Economic Trends - Auto

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

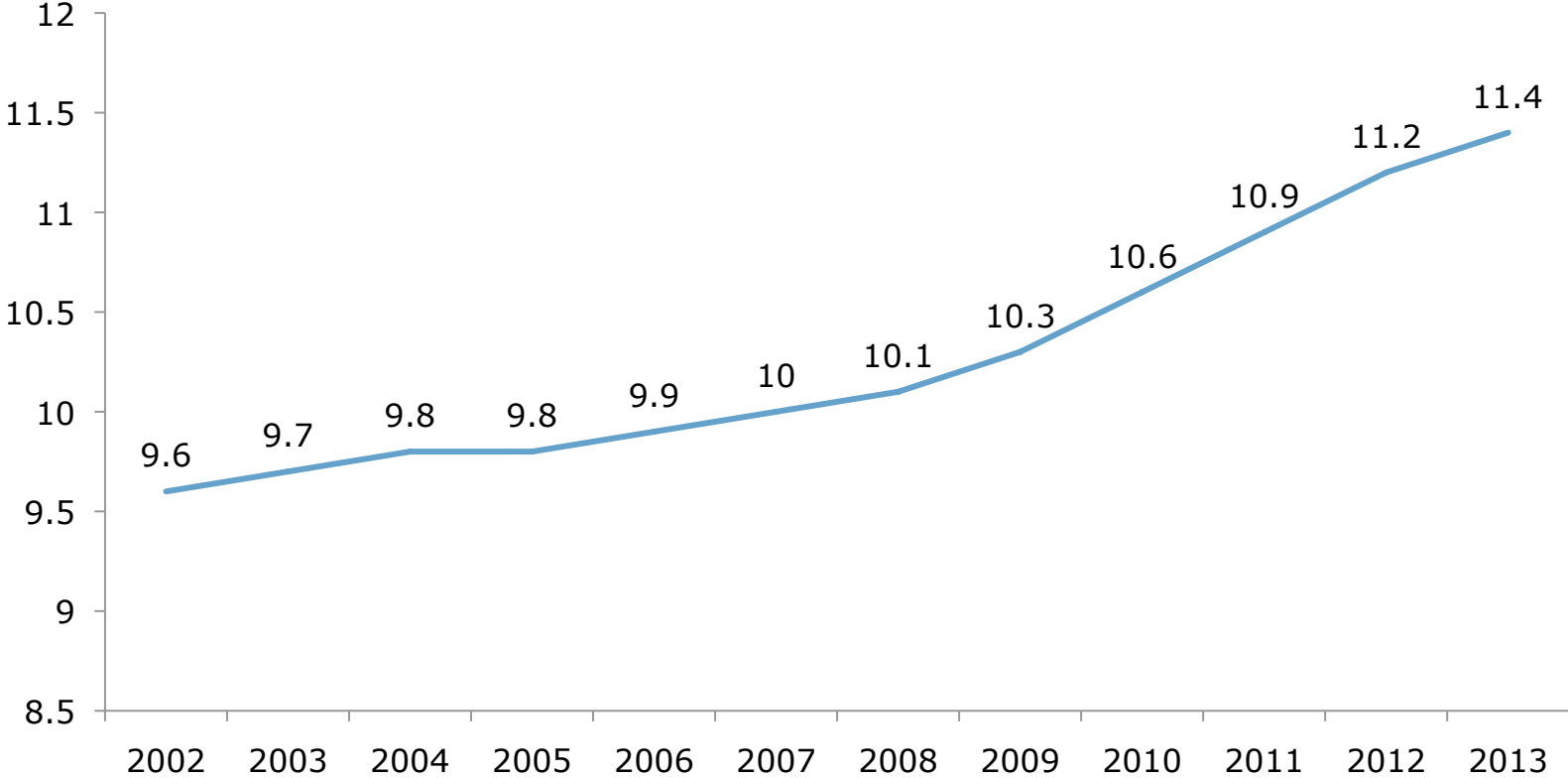


Source: R.L. Polk



Economic Trends – Auto

**Average Age of U.S. Vehicles**  
(In Years)



Source: R.L. Polk

## State of Consumer Affairs

### **Credit Cards End Two-Decade Streak of Debit Cards**

- Credit card spending gained market share over debit card spending in the U.S. in 2012, reversing a trend of more than 20 years
  - Credit cards accounted for 52.82% of 2012 spending, an increase from 52.63% in 2011.
  - Debit card spending on consumer and commercial goods and services accounted for 47.18% in 2012, down from 47.37% in 2011
  - 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
  - 1.5 billion credit card offers mailed in Q3
  - Credit card delinquency rates fell to 1.81% at the end of August 2013, compared to August 2012

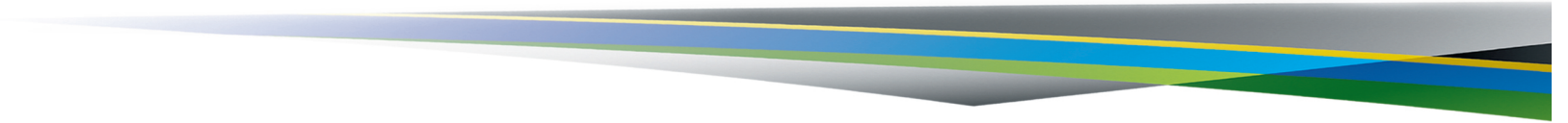
Source: Nielsen Report

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## Top Marketing Priorities

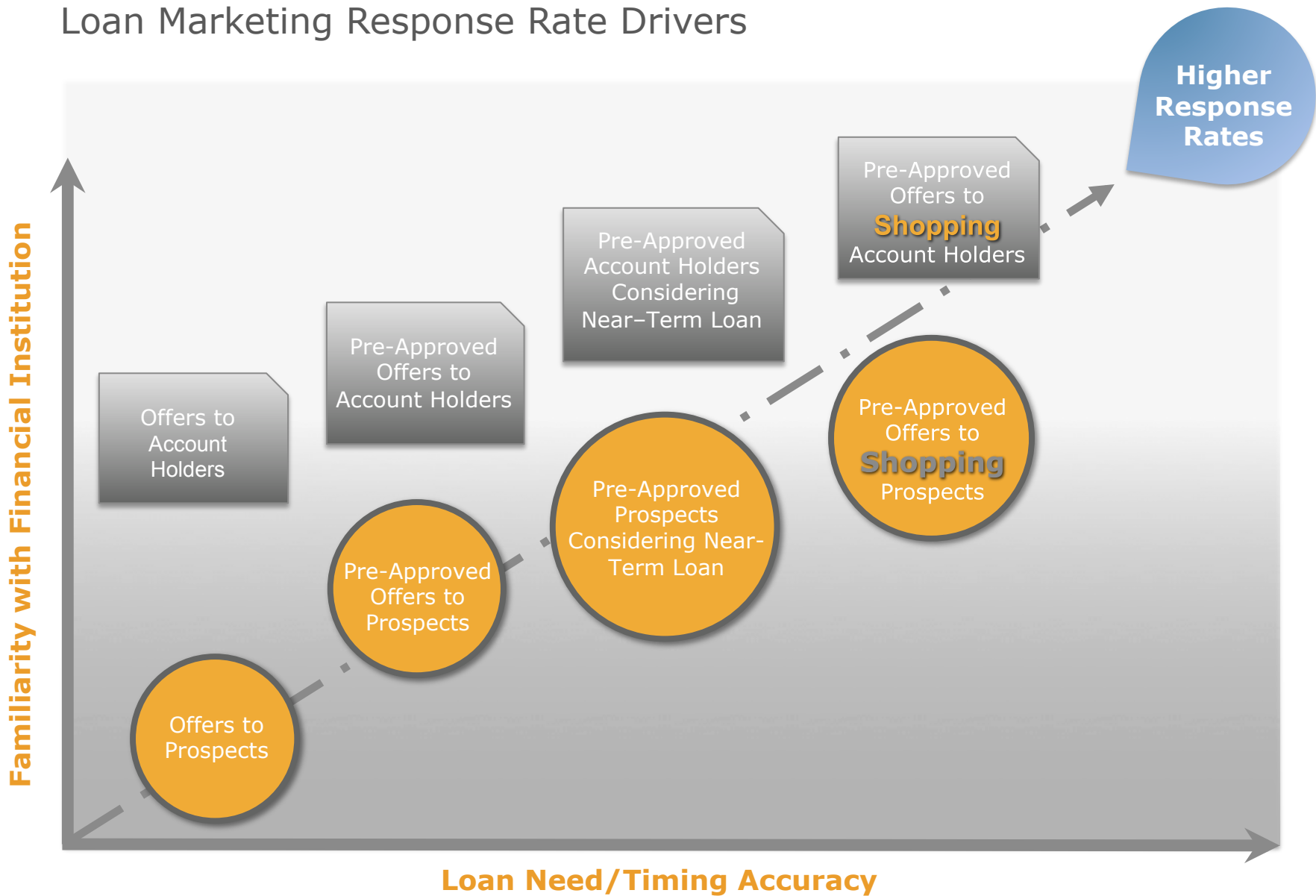
- Growing the loan portfolio
- Acquiring the right new account holders
- Deepening account holder relationships
- Increasing wallet share
- Encouraging channel shift

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



## 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: What it Is

A range of complementary solutions that meets virtually all of our clients' needs

Solution	Target
	<ul style="list-style-type: none"><li>▪ Consumer actively shopping</li></ul>
	<ul style="list-style-type: none"><li>▪ Consumer is NOT Shopping</li><li>▪ Has a loan with another financial institution</li><li>▪ Can benefit from refinancing</li></ul>
	<ul style="list-style-type: none"><li>▪ Consumer is NOT Shopping</li><li>▪ Does NOT have loan</li><li>▪ High propensity for a NEW loan</li></ul>

## 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 interest rates for which the consumer may qualify, so long as there is an offer for which he or she does qualify 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 and a range can be stated so long as there is a minimum amount
- Eligibility requirements that include a statement that credit may not be extended if, after the consumer responds to the offer:
  - 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

# Shopper Alert/Shopper Alert Prospector Program

How do Shopper Alert and Shopper Alert Prospector work?



## Trigger Alert Marketing Makes Sense

- Knowledge puts Marketing in control and creates powerful marketing programs that produce extraordinary results
- In a perfect world, marketers would know when account holders are applying for a loan with a competing institution
- Shopper Alert is a data-driven solution moves you closer to a perfect world by monitoring credit inquiries across the leading bureaus

### Did you know?

- At any point in time, 4% to 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 Financial Institution

- \$5.0 billion in assets
- Nearly \$5 million in new mortgage, auto or personal loans

### New Jersey Financial Institution

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

### California Financial Institution

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



## Shopper Alert Results

### California Financial Institution

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

### Pacific Coast Institution

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

### Maryland Institution

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

## Refi Genius™

Comprehensive loan refinance marketing solution – for mortgage, home equity and auto – that identifies and targets account holders and prospects who are eligible for pre-approved finance offers that include lower payments

### Why Harland Clarke's Refi Genius?



- ✓ Grows loan portfolio
- ✓ Identifies prospects with high-rate/high-payment loans at competing institutions and account holders who meet specific underwriting criteria
- ✓ Based on estimated origination date, current payment, home value, length of residence loan-to-value ratio, savings potential and other factors
- ✓ Pre-approved custom savings

# Refi Genius

How does Refi Genius work?



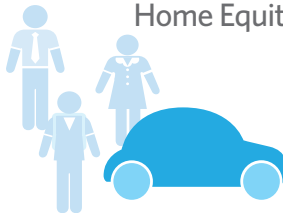
Prospects and Account Holders



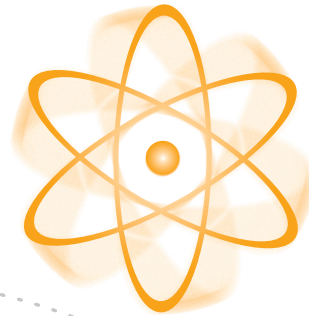
Mortgages



Home Equity



Auto Loans



Calculate Potential Savings



**%** High rate loans at competing insitutions

**\$\$\$** High payment loans at competing insitutions

**680** Meet your underwriting criteria

- Origination date
- Remaining loan balance
- Loan-to-value ratio
- Home value, length of residence
- Savings potential

Refi Marketing Opportunity



Pre-approved Refinance Offer



Email



Call Center Follow-up



Program Analysis



## 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 Financial Institution

- 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 Institution

- Grew the loan portfolio by 14%
- Increased loan-to-share ratio by nearly 10%
- Increased borrowers-to-members ratio by more than a full percentage point
- Achieved campaign response rates of roughly 8% for members and 1% for non-members

### Washington Institution

- The 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 Financial Institution

- 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™

Comprehensive loan origination marketing solution – for home equity, HELOC, auto, credit card and personal lending – that identifies and targets account holders and prospects who are eligible for a new loan and are most likely to respond to an offer

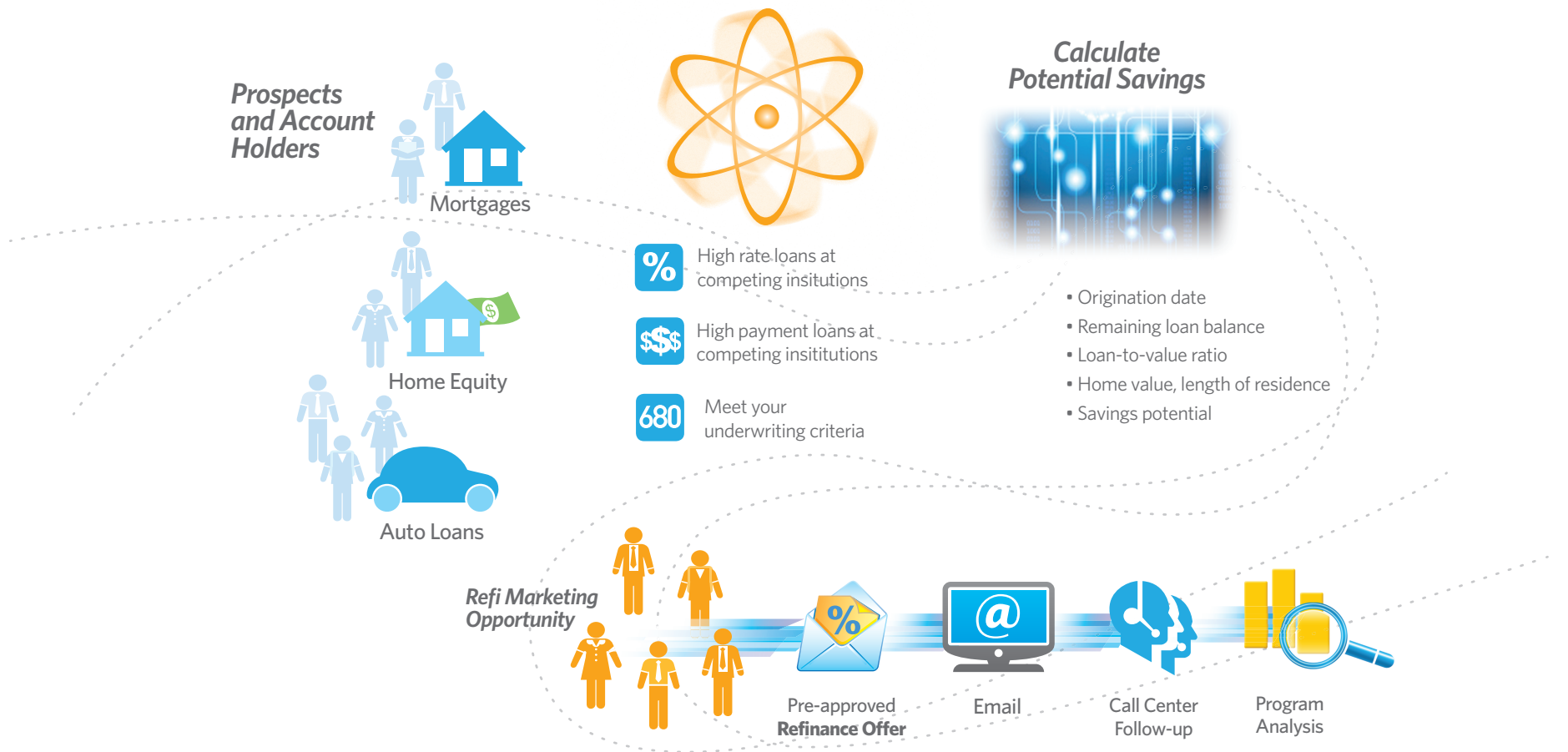
### Why Harland Clarke's Loan Magnet?



- ✓ Grows your loan portfolio
- ✓ Identifies existing account holders and prospects at other financial institutions who meet specific underwriting criteria and are most likely to respond to an offer
- ✓ Scoring based on dozens of consumer data points, including demographics, credit behavior and usage
- ✓ Pre-approved credit offers

## Loan Magnet

How does Loan Magnet work?



## Loan Magnet Results

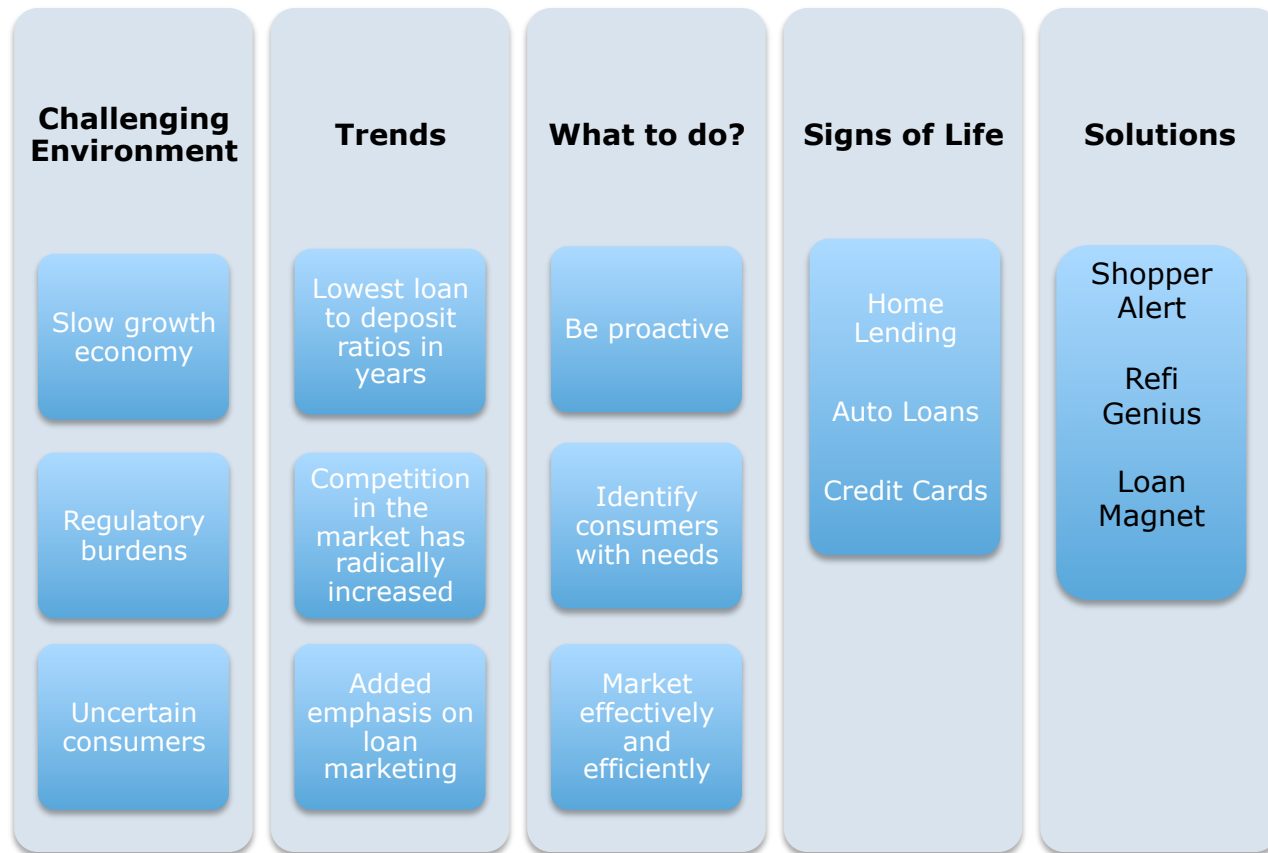
### Texas Financial Institution

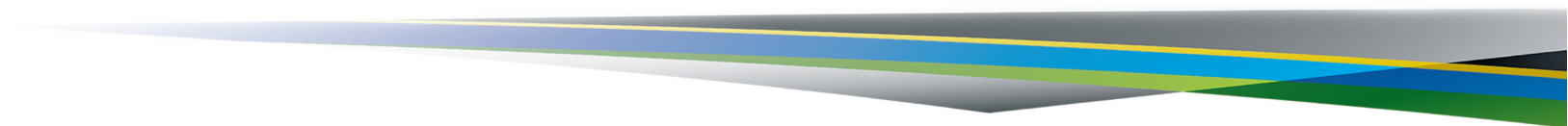
- Identified nearly 11,000 First Financial Bank account holders that met its criteria
- The campaign generated almost \$6.5 million in new auto, HELOC and home equity loans
- Case study in development

### West Coast Financial Institution

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

## Loan Ecosystem – Wrap Up





**Thank You**