

Winning the Sales Culture Development War

CUNA Lending Council

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Typical Sales Challenges

- Direct Consumer Loan Growth
- Very Low Loan Production & Insurance Sales Numbers from Your Lenders
- Perfect Employees are Hard to Find
- Do you Employ Order Takers or Sellers?
- Centralized or Decentralized Sales Model?
- Overly-Conservative Underwriting
- Branches are a Totally Inefficient Delivery Channel for Loans
- Lending vs. Operations



Sales: Food-for-Thought Questions

1. Which senior manager is responsible for sales success at your credit union?
2. How effective are your employees at selling your existing loans in order to achieve loan growth?
3. What motivates your employees to improve their sales skills?
4. What should be the consequence of poor sales numbers over a sustained period of time?
5. Do you think you can be a great sales organization just chasing A and B-paper members?
6. How big of a training job is it to get all of your MSR's good at sales?
7. How about asking your tellers and service-minded employees to do something they can actually handle?



Ten Internal Factors that Determine Lending & Sales Success

1. The Ability of your Lending Staff
2. Leadership
3. Your Tolerance for Risk When Underwriting
4. Sales Culture Development
5. Organizational Design
6. Collections Effort
7. Policies, Procedures & Processes
8. Pricing
9. Marketing
10. Technology



Branches: Love Them or Hate Them?

- Average monthly transactions in branches for credit unions, community banks and commercial banks was 11,500 in 2000; in 2012 that number dropped to an estimated 5,400, according to Novantas and FMSI.
- Average annual visits per retail customer or member per branch was 23 to 27 times in 1995; that number dropped to 3.2 times annually by 2012, according to User Strategy Limited.

Source: Credit Union Journal, April 29, 2013

- **"JP Morgan to Close 300 Branches"** www.usatoday.com Feb 24, 2015
- **"Hundreds of Bank of America Branches are Disappearing"**
www.money.cnn.com August 10, 2015
- "In today's economy we can't afford to continue pouring money in the dinosaur known as the branch network," said CEO Thomas O'Shea, who noted that Aspire FCU (\$188 million in assets) is in the process of closing five branches.

Source: Credit Union Journal, May 20, 2013



Four Undeniable Facts

1. There are very thin margins on A-paper auto loans.
2. You can make serious money on D and E-paper loans.
3. Members with bad credit need a car to get to work.
4. Members with bad credit can choose to pay their credit union on time.

Exhibit B: University FCU, Austin, TX

Exhibit C: TransUnion Statistics



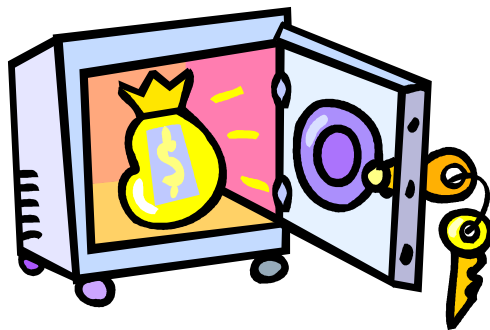
Reasons to Make More Higher-Risk Loans

1. These are the members with the greatest need.
2. These are the members that have the fewest options.
3. Credit unions were formed to serve these members (i.e. the under-served).
4. If you help D and E-paper members they will be very loyal. Can the same be said of A-paper members?
5. An aging population will force you to "buy deeper in to the pie" in order to maintain loan growth.
6. Aggressive dealer financing will cause you to lose many of your A+ and A-paper member auto loans.
7. You can actually make money on D and E-paper loans.



Keys to Successfully Making Higher-Risk Loans

1. Do your higher-risk lending on the direct side of your business.
2. Start with secured loans.
3. Employees must use the loan interview to build a performing loan.
4. The loans must be priced correctly.
5. Underwriters must be able to distinguish between high-risk and low-risk members in the D & E tiers.
6. Collect the higher-risk loans more aggressively.
7. Don't FREAK OUT when the first few D and E-paper loans go bad.



How to Significantly Improve Direct Lending & Sales Results

1. Hire Sales People to work up Loans
2. Train Them & Motivate Them (\$\$)
3. Remove All Non-Sales Duties
4. Give Sales Reps All of Your Applications
5. Set them up Organizationally to Succeed
6. Make Loans in all Credit Tiers
7. Write Loan Policies that Empower, not Bind
8. A Strong Marketing Effort
9. A Strong Collections Effort



Does the 100% of Loans-By-Phone Sales Model Work?

(A \$254 Million Credit Union in the Southeast)

of employees working up consumer loans in 2012: 20

of employees working up consumer loans in 2013: 7

2012 Results

Funded Loans: \$15.5 M

GAP Sales: 234

Warranty Sales: 37

2013 Results

Funded Loans: \$48.8 M

GAP Sales: 1,481

Warranty Sales: 431

Decrease in consumer loan staffing: 200%

Increase in funded loans: 215%

Increase in GAP sales: 533%

Increase in Warranty sales: 1,065%

Great Reasons to do All Loans by Telephone, Internet & Mobile

1. These three technologies work for all members, regardless of their age.
2. These delivery channels have a much lower per-application cost than doing a loan in a branch.
3. These delivery channels are more convenient than a member having to drive to a branch.
4. Your employees can be more productive using these delivery channels.
5. Your employees only need to perfect one form of communication (voice), not two (voice and body language).



Characteristics of the Ideal One-Stop-Shopping MSR

- Friendly
- Accurate
- Detail Oriented
- Knowledgeable
- Hardworking
- Honest
- Dependable
- Quick Worker
- Judgment Skills
- Technical Skills
- Sales Ability
- Oral & Written Communication Skills



How Productive are Your Employees?

1. Disbursed Consumer Loan Dollars per Month
2. Applications Taken or Processed per Day
3. Members Seen or Spoken to per Day
4. % of Loans Closed vs. Apps Taken
5. % of Auto Loans with Insurance Products Sold

World Records

Funded Consumer Loans: _____

GAP Policies Sold in One Month: _____

Extended Warranties Sold in One Month: _____

Qualities of a Highly Motivated, Truly Dedicated, Rompin', Stompin', Loan Sales Troop

1. Gregarious Personality
2. Loves Incentives (i.e. is a money-grubbin' scoundrel)
3. Loves Members
4. Fearless
5. Competitive
6. Confident (i.e. cocky or obnoxious)
7. Persuasive and Persistent
8. Exudes Energy
9. Non-Conformist



What Business Are You In? Sales or Service?

Sales - Defined as the day one activities of:

1. New Accounts
2. New Loans
3. New Deposits



Service - Defined as all member needs from days two through infinity.

So why not organize the credit union according to these two vital functions?

Dedicated Sales & Service Specialists

Pros:

- Employees get very good at their jobs, and will therefore generally have higher production numbers.
- Employees are generally happier because they are not trying to become someone they are not.
- The training curve is significantly reduced.
- Less employee turnover, saving the credit union time and money.
- Service-minded employees are kept to perform valuable service work.
- Most difficult variable pay issues are solved.

Cons:

- Members are transferred to a different department when their question is outside of an employee's area of expertise.
- Jobs become more routine; so managers will have to deal with employee burnout.

Organizational Design Question

How many lending & sales challenges go away if you can find a way to significantly reduce the number of employees involved in the process?

Ways to Reduce Lending Staff

1. Centralized Underwriting
2. Centralized Processing & Funding
3. Technology
4. Separate Sales from Service
5. Remove Lending from your Branches



Reasons for a Totally Centralized Lending & Sales Operation

1. Employees are much more efficient and productive.
2. Fewer employees need to develop the lending and sales skill set.
3. Training time and effort is significantly reduced.
4. Loans are produced at a lower cost.
5. Less chance of employee mistakes that can lead to high loan losses.
6. All of your lending and sales activity can report up to one senior manager.



Your Strategic To-Do List

1. Quit Building Branches Yesterday
2. Reduce the Number of Employees Involved in Lending
3. Hire a few SALES People and Motivate Them (\$\$)
4. Make the Phone, Internet and Mobile your Only Loan Delivery Channels
5. Make C, D and E-Paper Lending a Core Competency
6. Centralize all Aspects of Lending & Sales
7. Separate Sales and Service Functions
8. Improve Your Collections Effort
9. Fewer, More Competent, More Highly Paid Employees
10. Charge Down the Technology Road

