Lending Growth Strategies

Panel Presenters: Keith Troup, Jim Block, Amy Schade
Lending Growth Strategies

Presented by: Keith Troup
EVP/COO
Y-12 FCU
Oak Ridge, TN
Where strategies developed?

• Community Financial CU-CFCU (Plymouth, MI)
  - Community/Open FOM, Federal/State Charter ($200m-$570m)

• Stanford Federal CU-SFCU (Palo Alto, CA)
  - SEG Based FOM, Federal Charter ($585m-$1.6b)

• WSECU (Olympia, WA)
  - Community/Open FOM, State Charter ($1.6b-$2b)

• Y-12 FCU (Oak Ridge, TN)
  - Community/Open FOM, Federal Charter ($750m)
Lending Must Have’s in today’s world

- Offer Consumer, Mortgage and Business Lending
- We must be where member’s make purchases
- Acquiring as many new relationships within 1st 90 days-New members
- Lending “mindset” through the CU-WE MAKE LOANS
- Robust non face/face loan application processes
- Make it easy-Few Stipulations/Electronic Signatures
- A YES attitude when it comes to making loans-UW
Specific Strategies

• Targeted loan recaptures-Multiple Loan types
• Point of Sale/Indirect Lending
• Business Loans
• Say YES more often-Approve more loans😊
• Make unsecured loans a priority
• Credit reports/preapprovals-New Members
• Retain as many loans as possible-Have retention Strategies
• Member experience-Make it easy
Results

• Business Loans
  - CFCU-New Program-$36m in total balances-15 year period
  - SFCU-New Program-$234m in total balances-10 year period

• Indirect Loans
  - WSECU-Diversified Mature program-Grew $325m-3 years
  - Y-12 FCU-Grow Mature Program-Grew $68m-3 years

• Unsecured Loans
  - WSECU-Recapture efforts and approve more-Grew $68m-3 years
  - WSECU-Increase Approval Ratio from 40% to 70%
Results

• Retention Strategies
  - WSECU-Member outreach-Consistent 1-2% response rates
  - Payoff requests=loan protection opportunity

• Loan Recapture results
  - WSECU-Quarterly Vehicle-2%-3% response rates=$8m new loans/quarter
  - WSECU-Unsecured Loans-3%-11% response rates=$11m new loans/quarter
Questions??

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Lending Growth Strategies

Presented by: Jim Block
VP Consumer Lending & Small Business
November 5, 2014
Agenda

I. Who is BCU
II. Growth Performance
III. Growth Strategies
Financial Strength & Sustainability

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<tr>
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<tr>
<td>191,908 Members</td>
<td>$2.0 B Assets</td>
<td>104% Loan to Share</td>
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<td>59.3 Net Promoter Score</td>
<td>$1.81 B Loans</td>
<td>1.35% ROA</td>
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<td>Top 100 Workplace</td>
<td>$1.77 B Shares</td>
<td>10.13% Capital Asset Ratio</td>
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<td></td>
<td>$200M Capital</td>
<td>15% Loan Growth</td>
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<td>$25M Net Income</td>
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Value Proposition and Corporate Relationships
National Coverage

- 191,908 Members (In Every State)
- Full Online and Mobile Capabilities
- 24/7 Call Centers
- 38 Service Branches in U.S. and P.R.
- Over 70,000 Surcharge Free ATMs
Cornerstone Advisors, Inc.

Scorecard

- Direct Consumer Loan Approval Rate: 50% (25th Percentile), 71% (Median), 73% (75th Percentile), 60% (BCU)
- Indirect Consumer Loan Approval Rate: 39% (25th Percentile), 47% (Median), 60% (75th Percentile), 60% (BCU)
- % of Direct Loans Approved Through Automated Underwriting: 2% (25th Percentile), 17% (Median), 32% (75th Percentile), 30% (BCU)
- % of Direct Loan Applications Originated Online: 15% (25th Percentile), 23% (Median), 30% (75th Percentile), 37% (BCU)
- Credit Card Penetration Rate: 15.77% (25th Percentile), 20.21% (Median), 30.44% (75th Percentile), 42.69% (BCU)
Peer to Peer Comparison

$1 - $2.5 Billion Assets & Greater Than 70% Loan to Share

Source: Callahan & Associates, Inc. Peer-To-Peer
Profitable Growth

Net Credit Margin vs. Outstandings YoY Growth

- Credit Card
- Unsecured
- Share/Stock Secured
- Mortgage
- Student
- Business
- Indirect Auto
- Direct Auto

Outstandings YoY Growth:
- 0%
- 1%
- 2%
- 3%
- 4%
- 5%
- 6%
- 7%
- 8%
- 9%

Net Credit Margin:
- 0%
- 1%
- 2%
- 3%
- 4%
- 5%
- 6%
- 7%
- 8%
- 9%
Credit Cards

Average Monthly Spend

Credit Card Comparison

Active Accounts YOY Growth

Penetration Rate

BCU

Peer

9.1%

5.1%

42.7%

20.2%
Credit Card Campaigns

- 4 New Account Acquisition
- 8 Balance Growth / Usage
  - Balance Transfer
  - Account Upgrade
  - Seasonal Purchase
  - Credit Line Increase
- 2.61 M Impressions YTD on Remarketing
Auto Campaigns

- 3 Campaigns in 2014
  - Pre-Approved and ITA
  - Cash Back on Purchase
  - Reduced Rate Through True Car
- True Car
- Trigger Marketing
  - Buyout Offer
- 1.78 M Impressions YTD on Remarketing
Intelligent Targeting

- Timing is everything: Data driven alerts trigger Member product communication

**Mortgage alerts** are generated by:
- New MLS Home Sale Listings
- New Mortgage or Home Equity credit bureau inquiry by another financial institution

**Autos alerts** are generated by:
- BCU Member Showroom dealership quotes
- Credit bureau notification of a new Auto loan for our member at another financial institution
- Auto dealer credit bureau inquiry on our member

Seleste Duarte
(NPS Promoter: 10)
I have done 4 mortgage loans with BCU. My children have got car loans through BCU and I hope that when they are ready to purchase a home that they contact BCU and become as satisfied as I am with being a BCU member.

Robert Russell
★★★★★
Greatest place to bank ever! Got me refinanced on my auto loan and was super awesome with the whole process. Love you all @ BCU!
Webinars & Seminars

How to PREPARE, PAY & STAY IN COLLEGE
Get ahead of the class.

You are invited to attend our student loan seminar! Get tips on how to prepare, pay and stay in college including: what makes an attractive college scholarship candidate, things to consider when selecting a college and what your best options are for college funding.

Join BCU for this free event:

Wednesday, October 15, 2014
6:30pm - 8:00pm
Vernon Hills Service Center
To RSVP, email RSVP@bcu.org
Questions?
Loan Growth Strategies

How to Grow Loan Volume and Create and Keep Members

Presented By: Amy Schade, CLE
Vice President of Lending
Kearney Federal Credit Union
Kearney, NE
amys@kearneyfcu.com
4 Must Have Mindsets!

1. Make the decision to truly serve all of your members, C, D, & E Paper is your friend
2. Implement an incentive program that rewards all employees for going above and beyond their job duties
3. Relationship Lending instead of FICO score lending
4. Training is an absolute must, everyday the world changes and we must train and adapt our employees as to what is going on outside our 4 walls
Truly Serving your Members!

- July 2009 – made a decision to serve our members and change the way we think about lending
- Loan Officer Training and Non Judgmental attitude
- Interviewing skills and getting to know the borrower
- Having the power to help people
  – Lending Policy Limits
Truly Serving your Members

• Interview Process:
  – Get to know the member first, don’t just jump into loan details
  – Make them comfortable so when it comes time for the hard questions they are comfortable talking to you.
Truly Serving your Members

After you have made the loan- FOLLOW UP!

• Schedule appointment for 6 months after to do a credit score analysis
• Offer rate reduction if score increases
• Educate the member and make them confident
Other Statistics

- **Delinquency**
  - June 2014 1.09% Peer 1.28%

- **Charge Offs**
  - June 2014 0.46% Peer 0.45%

- **Yield**
  - June 2014 6.66% Peer 5.88%
Other Statistics

- **Market Share**
  - June 2014 20.81% Peer 5.78%

- **Loan Growth**
  - June 2014 20.99% Peer 1.27%

- **Membership Growth**
  - June 2014 9.43% Peer -1.05%
Implement an Incentive Program

• Excited Employees!
• Eager to look for new opportunities
• More loan growth = More Money for the CU
• Our goal is to save everyone of our members money
Relationship Lending

• We are a family
• Relationship lending creates the member to keep you as their Primary Lending institution and hopefully their ONLY Financial Institution
• See people as a person and not a number
Training, Training, Training

- Consultant visits 3-4 times per year
- Educational Schools, conferences, conventions
- Money spent/Money saved concept
Cutting Edge Ideas

• Tim and Lanny’s “Limited Use” Dealership location

• Quick Cash Loan Program
Dealership Location

- Tim and Lanny’s auto
- Referrals all week
- Saturday Loan Officers on site
- Generated 260 loans from January 1-September 30 2014.
- 2 years of referrals, $5.5 million dollars plus
Quick Cash Loan

• Alternative to Pay Day Lenders
• Set up through NCUL
• 60 day loan at 18%
• Must wait 30 days in between loans
Questions?

amys@kearneyfcu.com
308-234-9311 main office
308-237-6325 direct
Session Wrap Up

• Additional questions or comments from the audience?

• Thank you to our panelists for sharing their valuable time and insight.