What's Trending in Lending 2018 – Actionable Strategies for Success
June 21, 2018
TRANSCRIPT

Presenter Stephenie Williams, Director of Lending Solutions Practice, Harland Clarke
Presenter Doug Roman, Director of Market Strategy, Harland Clarke

Matt: Good afternoon, ladies and gentleman. Your webcast will now begin. Jeff, please go ahead.

Jeff: Thank you, Matt. Hello, everyone. This is Jeffrey Metz, and I'm here to welcome you to today's webcast, titled *What's Trending in Lending 2018: Actionable Strategies for Success*. This event is brought to you by *Credit Union Times* and sponsored by Harland Clarke.

Before we get to the topic, let's get some simple housekeeping items out of the way. This event is completely interactive and incorporates many of today's social media tools. You can Tweet or directly post information to Facebook or LinkedIn right from the console without opening a new browser. Just scroll along the bottom of the screen and click on the social networking widget of your choice. In fact, we encourage you to do so. Also, if you have a question for one of our speakers, please enter it into the Q&A widget on your console. We will get to your question during the event or during the live Q&A at the end, depending on time. We will answer as many questions as possible, so we invite you to ask away. If we don't get to your question, you may receive an email response.

In addition, there are some other customizable functions to be aware of. Every window you currently see, from the slide window to the Q&A panel, can be either enlarged or collapsed, so if you want to change the look and feel of your console, go right ahead. Lastly, there will be some polling questions sprinkled throughout this event. We encourage you to participate in these poll, so please, when you see them pop up, go ahead and vote, and we will share those results with you.

Now, let's get to the topic and why you all are here. Lending today is complex. Noise, clutter, and contraindications have created an often confusing environment, leaving credit union decision-makers scratching their heads. Today's discussions will examine the 2018 lending landscape for mortgages, autos, credit cards, and more, hoping to provide clarity and actionable insights. Here with us are Stephenie Williams, Director of Harland Clarke's Lending Solutions Practice, and Doug Roman, Director of Market Strategy at Harland Clarke. With Harland Clarke's team of lending engineers, Stephenie has worked to help clients understand and maximize the value of their portfolio. Doug compiles and analyzes research to support financial institutions in their growth objectives. With that, I'll hand it to Stephenie.

Stephenie: Thanks a lot, Jeff. I'm very excited to be with you today, and it's an exciting time for loans. We had a lull years ago, but consumers are out. They're borrowing like crazy, so let's take a look at what we're going to cover today on this topic. We're going to look at the lending environment in general, not just loan trends but some consumer trends. Then, we're going to get a little bit more granular. We're going to look specifically at home lending trends, then auto lending trends, as well as how technology trends may actually play a role in the loan origination process, and all along the way, we're going to pepper in what this might mean for your credit union, along with strategies you might take to counteract any of the negative trends. With that, let's go ahead and dive right in.

In the current lending environment, we're seeing some very interesting, some might even say alarming, trends. When you're looking at consumer behavior around the use of credit, we saw in 2017 a 3.8-percent increase in consumer spending. That consumer spending was specifically on cards. In that space of time, you compare that to the GDP for the US. It was only 2.6 percent, and as you might know, consumer spending is a portion of GDP, so it was a little bit off-kilter. That is a very extreme percentage increase in consumer spending.

Additionally, there was 92 billion in new debt acquired by consumers during 2017. In fact, at the beginning of 2018, consumers owned more than a trillion dollars in credit card debt, which is the highest since 2008. Because of this, we're seeing some interesting things that we would expect with such high unsecured debt. We saw some rises in charge-offs at the beginning of 2018 for cards that rose to 3.8 percent. Additionally, most of those comments that I was just making were in the credit card space, but if you look overall at consumer debt, we saw an annual increase of 5.2 percent, so it's beyond just unsecured. We're seeing it in a number of places.

The good news is we're also seeing some trends in early 2018 of consumers taking it seriously this time and paying down with fervor in that first quarter, so good news and questionable news. I think we're still going to need to see what the trends – how they ferret out.

Looking specifically at the credit cards we were talking about, it's important to take a look at what this means over time, so what you'll see in this slide is it gives you a good perspective of where we stand. That last peak that we recently saw was really in the '07-'08 window, just ahead of the bubble, and then you saw it tail off. If you look, towards the end of 2017, again, we're nearly at or above that same peak, so we'll have to continue to monitor that to see if consumers can sustain it.

One of the ways that people measure what is sustainable in terms of credit card outstandings, there seems to be almost like an unspoken threshold of around 8,400, 8,500 dollars average credit card debt per household, and if you look in the first quarter of 2018 compared to 2017, we're really getting very close to that unsustainable number. Fortunately, we're also seeing, as I mentioned, some pretty rapid paydowns, so hopefully consumers will be able to exhibit a little bit more self-control.

The other elements to look at is really just the quarter net increase or net decrease through the first quarter, both of 2018 versus 2017, the difference there being that consumers are paying down. While they went up a bit more at the end of 2017, they also paid down a bit more at the beginning of 2018, so we'll see how that continues. When I mentioned that consumer debt overall increased by 5.2 percent, it wasn't all led by the credit card debt increase. What we also see with this data trend line is that since 2014, there has been an increase in mortgage outstanding debt of about 11.1 percent.

Really, what do these trends mean for you and your credit union? It's really ripe with opportunity. It gives you the opportunity to grow your members through lending, people that are out in the market, hungry for credit. Credit unions typically have that rate advantage. It also means that you have an opportunity to grow the loan balances on your balance sheet.

How would you do this in today's environment? Some things to think about. As we portrayed there, consumers are kind of reaching their rope limit, if you will, and they're dealing with the pain of managing monthly cash flow, so they're going to be out in the market, looking for relief. Think about that when you're developing your marketing pieces, so really focus those lending offers on the benefit of lowering or managing your monthly payments. Talking about things like products with fixed rates or even lower rates. A lot of things that come out now and what we may have some opportunity – we'll have to check the interest rate environment, but especially consumers on the bubble might have the opportunity to get a lower rate. In some cases, some consumers are looking to refinance their debt, maybe extending the term a little bit, to get that monthly cash flow relief.

Here's just a couple of products, thinking about home equity lines of credit, talking about how they might be able to term out some of their credit card debt, if you have a home equity product that has a fixed rate partition. Perhaps the unique advantage that I see with many of our credit union clients is that their credit card rates are significantly lower than other institutions, so keeping that advantage, and throughout your messaging, if you have an opportunity, and if you're willing to help that consumer consolidate debt, please call that out.

Finally, balance transfers. If they already have a great rate on their credit card or on their home equity with your institution, remind them about that and give them the opportunity to cash in by conducting a balance transfer. Make it simple.

Jeff: Okay, great. Thank you, Stephenie, and we get to our first poll question of the day. Does your credit union offer mortgage loans? Yes or no, and we'll take about 15 seconds to answer this. Okay, so let's see what those results are. It looks like most of you do. Not too surprising, I don't believe.

We'll get to another question now. If you did answer yes, which most of you did, do you primarily sell or portfolio them? Another 15 seconds. Great. Let's see if it's not responding. Okay, let's see what the results are for that one, and it looks like 60/40 in favor of sell. Stephenie, what do you make of that?

Stephenie: That's really interesting, because I think many times your strategies for marketing loans can vary, depending if you're going to portfolio or if you're going to sell, and so some of these trends that we're about to talk about in our look at home lending, I'll be sure to kind of tweak the information a bit based on what we know, that most all of you are in the mortgage space, and it's a 60/40 split, clearly, between selling and portfolioing, and so there are some nuances there for those that are going to portfolio. You might have some unique opportunities in this market.

Jeff: Great.

Stephenie: Let's move forward. Let's continue to talk about lending and specifically those home lending trends. Most of you, since you're in the market with loans, are probably familiar with what the market's been doing. It's been a little bit crazy. I like this diagram a lot. It looks across an extended period of time, and you can tell that we are in a territory we haven't seen for more than 15 years. We're in a position where the percentage of mortgage loans that are purchase money is ever-increasing, so what does that really mean? Why is it that way?

Certainly, the rising interest rate environment has helped to pump the brakes on the refinance volume. We were also seeing that, for some of the higher-dollar mortgages, maybe that mortgage interest cap maybe having an impact. That just changes the nature of how we go to market, and is our muscle ready for that? I think it's really going to be tested in the coming months as you go do hand-to-hand combat, if you will, to get that mortgage loan volume in the purchase space.

What consumers are faced with, when they're out in that mortgage space, they're dealing with the highest rates that they've seen in the mortgage space since 2014, still relatively, to history, low. I might date myself here, but I can remember my husband and I's first mortgage loan was in excess of 8 percent, so even at 4.69, this looks pretty attractive, and the projected rate of those home prices, or I'm sorry, home sales, those are continuing to grow. If you look in a variety of markets, you'll see that there is absolutely an appetite for new homes. I live out in the Mid-Atlantic, and they can't put houses up fast enough. The demand is very significant, so that's going to continue to be out there, and depending on your market, is that housing stock for first-time buyers, or is it existing move-up homes? Keeping that in mind will definitely impact how you go to market.

The other thing to consider is that the average monthly mortgage payment for people getting that new mortgage loan, it's an increase of about 13 percent compared to what it was a year ago. If you haven't been getting the impression, we've got a rubber band here of consumer spending and consumer borrowing, and it's getting pretty stretched. It's not snapping yet, by any stretch, but it's definitely stretched pretty taut.

What do these things mean for credit unions? You really have the opportunity, for those that are – nearly all of you, who are originating mortgages – do your members know that you offer mortgages? Some of the clients that we work with, I find that certainly they offer mortgages, but it's not their first step forward with their members, so keeping that information and awareness out in front of your members and keeping in mind that those that have refinanced their mortgage in the past 5 to 10 years, they got really good rates, so their appetite to refinance it in this market is going to wane, so you've got to think about some other products to serve those needs.

The other element that I know, with both banks and credit unions that I work with, because there was just such a – the faucet was on so high in the refinance space that they seem to have lost some of that blocking and tackling skill about educating consumers around first-time home buyers, so if you're not doing that, really reengaging that muscle and getting out in the marketplace for prospects and then educating your existing members that might be those first-time buyers is a great way to solidify your market share.

Action items for success in the mortgage space, again, it's educating those members on the offerings that you have available and reminding them of the benefits of membership with your credit union. Maybe you have a no closing cost option, and that's just standard for your members. I've dealt with some clients who have best paydown services available to their members so that they can reduce their interest paid over the life of a loan. If you have something like that, and those are nuances and benefits to your members, be sure that you're educating them.

Engage with referral sources that, during times of refinance, they might not have been as important, but getting back out to those realtors and other referral sources, and in some cases builders, and connect with them to get that available purchase volume.

Finally, think about those – like I mentioned before, those homebuying seminars. They're definitely effective, and they may need to be nuanced in this environment. We'll talk a little bit later about technology trends, and it could be hosting webcasts, your mortgage loan officers creating their own channel on YouTube, things that engage with your members and make them feel comfortable about that first step of the homebuying process.

Jeff: Okay, great, so we have another poll. Does your credit union offer home equity lines of credit? Just yes or no. We'll take another 15 seconds, thereabouts. Okay. They never go up. Okay, so let's check out the results. It looks like 86.5 percent do offer home equity line of credit, and so let's see. I think we have a follow-up as well. If yes, 86 percent of you, if you do, do you also offer the ability to fix a portion of the line? Another 15 seconds. Okay. Okay, great. It looks like right around 75.7 percent do not. Stephenie, do you have any comments?

Stephenie: Yes, it's really interesting, and we'll get into it here in the home equity trends a little bit. Especially in the interest rate environment that we're in and what we're seeing in revolving debt growth, this might be something to consider. This particular element of a home equity line is very beneficial to the consumer, and in a rising rate environment, even more so. What we're looking at, there continues to be opportunity in the home equity market. It's expected that 10 million consumers are going to originate a home equity line of credit between this year and 2022.

Most of that is probably not a surprise to those that have been in home equity for a long period of time. About 80 percent of those that get a home equity account are using it for home renovation, and when you think about the tight supply for homes, we are seeing record growth in terms of remodeling spent. In

2017 alone, more than 152 billion dollars was spent on home improvements. Not sure about the rest of you. At our household, we participated in that a bit, just trying to make it a little bit more comfortable. We don't necessarily need more space, but wanting to polish it up a little bit. Consumers are of the same mindset.

One of the things that is impacting the market more broadly for home equities, and you might be seeing this in your own portfolio – certainly, the conversation has been going on for a number of years, and we're kind of at the tail of the trend, if you will, but with the high origination of home equity lines of credit in the early 2000s, most of those lines of credit are now reaching the end of their draw period, and so consumers are being faced with some pretty significant increases in their monthly payment. With that increase in monthly payment, it's creating an appetite for them to move to perhaps another product, another means of financing that credit, just so that they can, again, manage that monthly cash flow.

What we see here in this diagram represents the balances that are coming to the end of their draw period, and then the gold line, if you will, represents the percentage of those consumers that are reaching the end of their draw period that may be under water in terms of their loan-to-value. You'll see that that's pretty significant, so they're going to be looking for something that perhaps many lenders aren't willing to satisfy, so where are they going to put some of those outstandings that they're looking for relief? They're going to be looking for some other products, maybe even some personal products. We do have some underwriters that we work with that they have the home equity line of credit with the term out option, and they might stipulate, with that home equity line, you've got to term out a portion of what you're essentially refinancing from a home equity to a home equity line of credit, so things to think about when you're looking at your product assortment, along with the marketplace.

What do these trends really mean for credit unions? That home equity products are going to remain viable as we continue through this year. Again, it's viable because consumers who have a low-rate first mortgage aren't going to look to refinance that first mortgage in order to afford maybe that home improvement or perhaps even paying for some education.

Consumers, with the digital marketplace as it is, they're becoming more and more aware of what's available to them. Take a minute and think about your product assortment, and how does it look from a consumer point of view, as opposed to a credit union executive point of view?

The messaging that consumers get around home equity lines of credit. There's been lots historically in the introductory rate. Balancing that with messaging for the 25 percent of you or so that have a fixed-rate block, it's very effective to go out to consumers that have high-revolving debt and mention to them what a consolidation of that debt might look like in terms of a payment.

Finally, really consider, if you have home equity lines that are reaching their end-of-draw within your portfolio, think about proactively going to those consumers and offering them a fixed-rate home equity loan as a way to term it out and also a more attractive monthly payment to help ease that cash flow.

Let's transfer kind of those observations into some actions for success. Again, take a minute. Revisit your existing home equity offerings. If you don't have the fixed-rate partition, why not? Is it easy to add? Take a minute and make sure that you increase perhaps promotion of that fixed-rate option, whether it's a fixed rate on a line of credit or if it's that closed-end product. Think about how the consumer is, again, buying for monthly cash flow, and look at, for the 25 percent that have the fixed-rate partition, do you have more than one term-out option? Those terms, many times, are not always a one-size-fits-all, so make sure you have some variety for your accountholders.

Again, people are in the marketplace for this product. Don't be shy about marketing it. Make sure that your members are aware of what you have to offer.

Jeff: Okay, one more poll question. Does your credit union rely on indirect auto loan originations more than 50 percent of consumer loan volume? Okay, I'm seeing people are already responding, but we'll take about 15 seconds again, and we'll get to the answers. Okay. It looks like most of you have responded. Let's take a look. Okay, and it looks like 56.9 percent do not. Doug, I believe you wanted to field this one. What do you think about that?

Doug: Yeah, well, thanks, Jeff. Yeah, if we get into the part of our auto trends, there's going to be some interesting points related back to that poll that will help us, again, similarly to what Stephenie was talking about, how we augment our strategies around that, but it's very interesting. Great information on the home lending front. A lot of good nuggets of information. The same thing on the auto side of the fence. We are definitely seeing some changes in that industry and definitely seeing some distinct slowdowns in the auto sales and also the origination of loans associated with that.

Also, when you look at specifically the new vehicle, we're seeing that as well, the first part of this year, a sales decline of 2.4 percent on that, and a lot of that can be seen as certain factors that are happening in the industry associated with that. One of those is the body style, that crossover body style, how the saturation in the marketplace and the competitive environment with that particular style. Also seeing that the new auto origination and sales of new autos – I'm sorry, of used autos, is driving the activity of growth and shifting away from new car purchase. A lot of these declines and changes are definitely impacting the industry.

One of the things that we're keeping our eye on is how these disruptors – while, right now, not a big trend that we're seeing of these disruptors creating in the marketplace, but it's something that we need to really keep tabs on and understand how the behavior of these individuals shifts as it relates to using services like Lyft and Uber and also getting into the not purchasing cars and having the shared use of vehicles. That's one thing that is impacting a lot of what we're seeing in the industry.

The other part of that is the consumer outlook on purchasing of autos and how that is really shifting, and it's really interesting that, when you look at that information, those percentages towards the end of the page there, how Boomers are still at a fairly decent percentage of sources out there in buying autos, but that percentage is a little bit misleading in that it's about 42 percent lower than it has been over the, say, last six to seven years. Boomers have really been at the top of the list as the dominant force of the purchasers out there, so you're starting to see some shifting of that. The Gen X generation is creating a decent percentage of that purchase percentage and the Millennials. We're all focused on the Millennials these days, and they're creating more of a percentage and an influence in the market in purchasing those vehicles.

What's interesting about that group, their approach to buying is typically different than the older buyer. There's a lot of time that's used in research, and a lot of that time that's being spent in the research is online. That's not necessarily specifically to Millennials, but more and more consumers, when we see the ease of shopping for a vehicle, whether it be new or used, we spend a lot of time online doing that and researching the options that are out there. With that, it's very easy. The online piece of it is an easy thing for us to do.

What we need to make sure is that the process of getting financing for that vehicle needs to be extremely easy as well, so that's something that, as we look at the way in which we elicit for loans and process those, that process is very easy for the consumer and the member base, because really, the car buying process tends to be a bit overwhelming, and we need to make sure that it's quick and painless, and especially when we look at the financing part of it, we need to make sure that that's a very streamlined and easy process.

Really, what all does that mean for you as an institution? With some of the fading and the drop-off of some of the activity, the origination activity, we need to be mindful of that. We need to see how we're going to combat that, and one of the ways that we do is through the member base. How can we effectively increase that and acquire new members within the organization to combat those loss opportunities that we have with some of the financing that we do through auto?

What also helps us is to increase the base so that we have a good pool from a proactive cross-selling and engagement process, so we really have to double-down on those cross-sell efforts, and the engagement of those members is a very critical and important piece of it.

Looking at some of the action items for success in this space, one of those, as I mentioned, is that household and deposit acquisition piece, so really accelerating the acquisition efforts that we have within our credit union in order to attract those new relationships into the organization. In doing that, that helps us to provide that proactive solicitation and proactiveness against that base associated with loan offers, so we want to make sure that we're consistently out there promoting our ability to satisfy their finance needs of autos and other sources, as even Stephenie was saying, from an education standpoint. We need to make sure that we're proactively and consistently out there.

The other part of that is, how can we find those members who are looking for credit and make sure that we engage with them in a very quick process? These are receptive members. They're out there, actively looking. We need to have an opportunity in order to go find those. We really need to make sure that we're shoring up that piece of it to get those highly receptive members that are out there in the marketplace.

The other piece of this is, going back to that consistency, having that consistent and really an always-on type of strategy to the member base that creates the education to the members about the loan offerings that your institution has so that, when there's a need, they know exactly who to go to. It doesn't become a research type of effort for that member. They know who they need to go to. Plus, that always-on approach, it does keep that first of mind, so when that member is out there, looking for something, they know exactly who to go to for that financing that they're looking for.

Stephenie, with that, I'm going to pass it back over to you to run through some of the emerging technologies.

Stephenie: Thanks, Doug. I really appreciate it. When you look at it, almost half of the folks that joined our webcast today are going to be scurrying a little bit with some of the decline projected in the auto space. It'll be interesting what levers they choose to pull. I think what you mentioned here and some of the things that we're seeing in technology will play an important role.

Doug: Yep, for sure.

Stephenie: Digital lending, I think, if you've been in the marketplace, I know the clients that we speak to regularly are intimately familiar. You think about the SoFis of the world. You think about Kabbage. You think about Marcus, everything that's out in that marketplace. There's a lot of activity. It's almost like when the internet became a thing. It was boom, out of the gate. In a similar way, some of those fintech lenders are really changing the way that we do business. Things that you need to know about digital end-to-end mortgages, those are becoming reality. Who hasn't seen a commercial for Rocket Mortgage? Maybe you're just never watching TV, but they are all over the place with Rocket Mortgage. Fintech lenders are really making loan education and that application process simple. They're allowing people to instantly see their FICO score and really becoming more educated consumers.

Traditional auto financing, certainly going to the F&I manager at the dealership after you feel like you've already been downtrodden through the negotiation process, that's an interesting shift, because a lot of people are still so focused on that frontend negotiation, maybe they haven't thought about financing, but there's more and more tools at the consumer's disposal to know before they arrive or before they even pick the vehicle how much they can afford.

Just some examples. If you haven't had the opportunity to see what's available through Rocket Mortgage, it's incredibly easy, just as they promote. Everything on your phone. You can quickly select your term and your interest rate, and with just nine steps of information, you can know whether or not you're approved. For somebody that's scared or somebody that's time-pressed, that's incredibly attractive, and what does that mean for the rest of us? We should be looking at the processes that we currently have in place, and what's it like? Are we easy to do business with? Especially if you're in the marketplace against mortgage originators like Quicken Loans, and Quicken Loans isn't the only one that's making it easy to borrow.

You can see, here's an example of the online experience with SoFi and then Goldman Sachs's entry into the market with Marcus. These are things that rapidly provide users with information and the ability to take action. That's a very important component in the fast-paced world and the consumer spend rich world that we're in, so how do you get your portion of that business? I think it's being in front of your consumers.

What does it mean for you as a credit union? That user experience for mortgage and really all lending products is important. What you're seeing here is an example that we support for our clients. There may be other alternatives that you already have in-house, but this is an example of, on a regular basis, prescreening your member base, identifying every product that they're eligible or credit-qualified for, and putting it in front of them in a very user-friendly way. You take a look at this example, and you can see, there are six loan types listed, and as a member, you could go in and do payment calculations to get comfortable, again thinking about that monthly cash flow. What could I afford? You can see it in real dollars and cents here, and it facilitates the ability to go ahead and accept that offer, so making it easy, along with education, that's really important.

How can you take action? Take a minute, like I was talking about earlier. Be a member. Take a step back. Take off your financial professional hat, if you will, and be a consumer and look at, what's that experience like? I can tell you myself, going through application and mortgage process in the last two months, it's been really interesting. I hadn't done anything post-TRID before, and the process is really clunky, at least with the lender that I'm originating with. I don't know if that's everywhere, but take a look. Make sure you know what that user experience is like.

Then, think about your plans. How are you doing regular preapprovals and being in front of your members? Is it a cohesive message? Is it going to translate? Maybe, if you're preapproving for credit card, does the consumer understand that that just means they have good credit, or should you be doing multiple preapprovals? Consider that.

Offer loan education to those members. You think about the dependence that we're all going to have on purchase money mortgage transactions. There's a whole new set of consumers that haven't gone through that before. How do we educate them and prepare them, and in that process of education, really building loyalty for our financial institution?

Really, Jeff, we're kind of at the end of our material. Do we want to move to Q&A?

Jeff: Yeah, let's do it. We have a good 15 minutes or thereabouts until the end of the presentation, so if you have not had a chance to submit your question, please do so. We do have a couple questions already, and we'll go ahead and get started with those. Let's see here. First question I have is, "What's the best way to balance growth and member engagement goals with limited resources?"

Stephenie: The best way to balance, or really, the best way to optimize balance growth and member engagement with limited resources is think about the prescreen process, and the more you can prescreen your members, it's going to create some efficiencies, especially if you're strapped in terms of underwriters, and if you're strapped from a marketing perspective, conduct a prescreening – consider conducting a prescreen that prescreens for multiple products all at once so that you are pulling together your resources at one time, running that prescreen, creating a consolidated marketing communication, whether that be mail, email, telemarketing. Putting those together delivers a really clear picture to the member of all of the opportunity, rather than coming at them with individual product messages, which sometimes they don't put those pieces together. Do that for them. It also helps to benefit your backroom.

The other element for balance growth is think about some of those opportunities you have for balance transfer programs, especially with the unsecured appetite in the marketplace right now. Pull out those credit card balance transfer programs, home equity balance transfer programs. Some good opportunities.

Jeff: Okay, great, so we have another question, so here we go. "We say car sales are plummeting. Is this due to the industry or credit scores?"

Stephenie: Good question. Thanks. In terms of car sales plummeting, what we're seeing is some shifting in the market. The quality of those homes, and Doug, I'll flip to you as well. You probably have some more color, but I think that what we're seeing is the quality of vehicles is increasing, and so the tenure or the age that people are keeping – how long they're keeping their cars is longer, which is really impacting sales.

Doug: Yeah, and I was going to say the same thing, that it is the longevity. People are just keeping it longer. I think the average length of individual holding their car is somewhere around seven years or so, so it is that people are keeping it longer, and that is impacting overall length of having that and going out for looking at a new one. Great question.

Jeff: Thank you, both Stephenie and Doug. I have another question here. "Considering the current trends, how do we get more out of online and mobile banking channels?"

Stephenie: You know, I think that one of the slides that we looked at during our conversation – this is a good example of how to maximize those channels. Historically, they've been cost channels for most of our clients, and there's an opportunity with some of this multiproduct prescreening to make it a profit channel in a very responsible way. You're taking that opportunity, when the member is within online and mobile, to make them aware of any other offer they might be eligible for, so I think that that's a great way to utilize those channels and make them engaging and get visitations up. Doug, are there other things that you're seeing in the market?

Doug: Stephenie, that key, that integration, making sure that that experience, any touchpoint that the member has, it's consistent with that, so yeah. No, I'm seeing a lot of the same things.

Jeff: Okay, great, so another question. Let me see here. "With so many products and options, what's the best way to ensure the right offer gets to the right member?"

Stephenie: That's a very good question. In terms of getting – I think it's as much of getting the right offer to the right member at the right time, quite honestly. There's plenty of propensity modeling out there for trying to make the assumption of what a consumer is in the marketplace for, but there really is no better indicator than actions being taken or transactions being conducted by the member. If you're not already participating in some sort of a trigger-based program, whether that be credit or noncredit, really understanding transactions and being able to capitalize on that is critical.

One of the ways we work with clients, we do credit triggers. We offer a fantastic credit trigger program, and when you see the results, you understand the correlation, so many folks have been in marketing, perhaps, and conducted prescreen programs. Pretty good response rates, generally 2, 2.5 percent, if you're doing a credit-based prescreen to your existing members. What we see with credit triggers, and the only difference being they're still credit-qualified, but they're in the market, taking action. A trigger program will deliver 5 to 7 percent responses, so it's a significant, marked difference. Doug, besides triggers, are there other things that you're seeing in the modeling space or something else?

Doug: Yeah, I think you hit it on the head. A lot of the modeling that we're doing and we're seeing out in the industry is really helping to leverage a lot of that transactional information and really the consumer behavior, not only through the financial services and what they're doing on a transaction perspective but also just the digital and online type of behaviors, so we are doing a lot of interesting elements or leveraging a lot of that behavioral activity in order to be extremely relevant, going back from a timely factor but making sure that you're not bombarding the consumer with a lot of noise, but you're leveraging a lot of that behavior information in order to serve up very relevant messaging at the right time, at the right offer, the right channels. All of that really comes into it, and it is a combination of not only the events that are happening in the member or consumer's world, but how are they reacting to that on a daily basis? Yeah, it's trying to be very mindful of that consumer and again being very relevant to them.

Stephenie: Maybe tracking online shopping behavior and translating that to relevant offers.

Doug: Yep, exactly.

Stephenie: Maybe not even in the online space, maybe offline space.

Doug: That's right. Exactly. Leveraging both of those arenas.

Jeff: Somewhat related question. "Are credit unions lending to lower than, say, B clients, and is that for home or auto?"

Stephenie: Lower than B? It's funny. That's a really tricky space, because everybody's definition is a little bit different. We do work with clients that are doing prescreens down to 600 FICO scores. Sometimes FICO can be a proxy that everybody understands, so if that doesn't answer your question, please send in a follow-up.

Jeff: In those situations, how are they protecting their interests, or how are you seeing that?

Stephenie: A lot of those, even in that space, you can find ways to sell portions of that production. There are investors out there, so we have clients that are originating that business and then selling it.

Jeff: Okay, great, so we have another question here. "We've been doing auto loan recapture for some time. Are you seeing recaptures work on other products?"

Stephenie: You know, Doug, if you've been engaged in a lot of that – I haven't been engaged in a lot of recapture in the home equity space. We've done a good bit of the auto space. We have done some in the past, although with market conditions, it's waning on mortgages, but not so much other products.

Doug: Yeah, and I was going to – to that point, one of the things that we were talking about is the end-of-draw. It's similar. You're trying to create the retention piece of that, and that's one thing that we're seeing and leveraging that, but yeah, I'm with you, Stephenie, definitely there's opportunity to have conversations with the member base in order to do that, and clearly, that's a great strategy to look at.

Jeff: Okay, and another question. "Do you know of any risk-based pricing models available for purchase?"

Stephenie: In terms of available for purchase, no. We work with a lot of clients with even that online solution that I showcased. I'll push that back out to you. Within this, we support risk-based pricing, but most of our clients are utilizing their own experience, and they're utilizing generally a mix of FICO score and debt-to-income, and they're generally matrixing it, but in terms of a model readily for purchase on the market, I am not familiar. I don't know, Doug, if you're familiar with one.

Doug: Yeah, I'm not as well.

Jeff: Okay, great, and I think I'm – let me get the last question. "With fintechs focused on convenience and making the process simpler, how can we ensure we're getting the right offers in front of members at the right time to gain business?"

Stephenie: Oh, you know what? I think this is a little duplicative of a question we previously answered, but I really think it's through trigger-based marketing. I think that that's really the best way to make that process easy, and it's interesting. I'll take a quick second. If you haven't considered trigger-based marketing, there are some interesting trends that we see in that space, some of the triggers that you can acquire if your members are out shopping for a credit card. What's interesting is, well, you think about, especially in the online space, if somebody applies for a credit card, it's almost an instant decision. We've had clients who thought, okay, well, I'm just going to write off – I'm not going to do those credit card triggers. Interesting trend. For clients that are running those credit card triggers, they get a very high response rate, and really, what we've seen in consumer behavior is that people who are out shopping for unsecured credit are generally not satiated with that first credit card, so go ahead and look at opportunities like that, especially if you have a strong product, because after getting the product in their hand, your battleground is being that first card, but don't discount some of the trigger programs in terms of their ability to continue to originate products, even if it's something that you think is an instant decision product.

Jeff: Okay, great. I think that's pretty much it. Let's go ahead and wrap it up, so thank you, Stephenie and Doug, for your presentation. I'd like to thank everyone for joining us, and we hope this was valuable to you. Thank you, Harland Clarke, for all the support. If you missed any part of this presentation, remember it will be archived shortly, so you can view it again or refer it to someone else. You have a great afternoon.