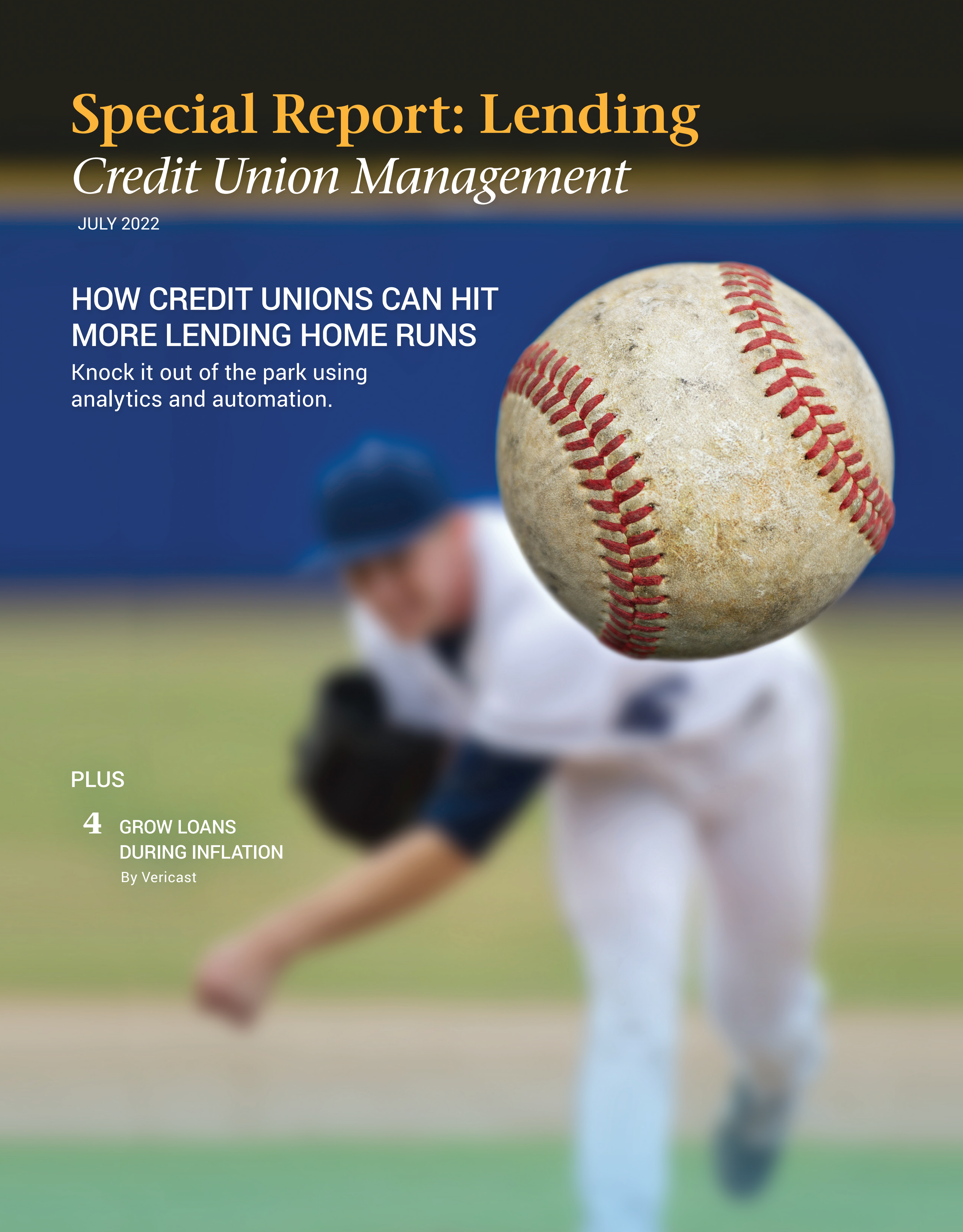

Special Report: Lending

Credit Union Management

JULY 2022

HOW CREDIT UNIONS CAN HIT MORE LENDING HOME RUNS

Knock it out of the park using analytics and automation.

PLUS

How Credit Unions Can Hit More Lending *Home Runs*

TWO INDUSTRY LEADERS SHARE HOW TO KNOCK IT OUT OF THE PARK USING AUTOMATION AND ANALYTICS.

BY CELIA SHATZMAN

Hitting a home run requires a lot more than luck. For a baseball team, hitting it out of the park means honing strategy and regular practice. For credit union lenders, getting a homer means fine-tuning the vision, plus implementing best practices in both analytics and lending automation to improve the borrower experience. In our special report, two industry leaders share key strategies and smart tactics that can help CUs score.

GO SMART YET SIMPLE

Lending has evolved greatly over the years. But the data analysis CUs can now do is what has changed the game the most.

"The analytics are really allowing financial institutions to gain efficiency in their process," says Stephenie Williams, VP/financial institutions product & strategy for CUES Supplier member Vericast (*vericast.com*), San Antonio, Texas. "When you think about application pipelines, they're able to approve more deals, and at the same time, analytics is also allowing financial institutions, and credit unions in particular, to make more relevant offers to their customers and members."

The most recent changes in analytics are the new services from credit bureaus and analytics companies in the market, according to Williams. One example is Zest AI (*zest.ai*), which works with financial institutions to fully understand their risk tolerance and map that tolerance back to credit data. In many cases, multiple credit attributes are consolidated to identify solid opportunities, allowing the CU to increase its volume of approvals or preapprovals.

"Beyond that, ... with the addition of non-bureau data factors—such as utility payments and rent payments—they (lenders) are using those as data points to give consumers more credit access. Customers who have been credit invisible—as many as 3 million consumers—are now able to obtain entry-level loans as financial institutions begin using additional data to make credit decisions.

Advancements in analytics also allow CUs to improve their lending services and offerings. Beyond

> **"Meet people where they want to be. They may not want to go to a lawyer's office—maybe they would love to close at a Starbucks."**
>
> — Steve Hewins

saying yes to more applicants, analytics can be used to provide more value to members.

"For instance, look at your members' credit bureau data and analyze outstanding revolving debt," Williams says. "Using the results, make an offer to consolidate into a single term loan. When you depict a payment savings, that can be a big value to that member. The same can be done for auto loan refinancing, making recommendations depicting the payment savings for members."

CUs can use analytics to gain an edge over banks when it comes to lending. "What is going to give them an advantage is really making the process simpler," Williams says. Some banks are doing it, but they're not doing it very quickly. Credit unions are nimble, and using that nimbleness will prove a real asset. Partnering with a fintech if they don't have the resources is a great way to organically grow some of these analytic practices and automations."

The way CUs market their loan services affects whether they get a base hit or a home run. To score, Williams recommends thinking like a member and making borrowing easy to understand by using terms like "debt consolidation" or "tuition loans."

"Use that plain language to put proactive offers in front of your members on a regular basis," she advises.

It's also crucial for CUs to keep up with the times. For example, the old-fashioned way was to offer a home equity promotion in the fall and an auto promotion in the spring, but now these deals need to be more continuous, because the buyers are making these purchases year-round, notes Williams.

"When you're putting those offers in front of members, you're getting the chance as their financial partner to get the first consideration, because they're going to be familiar with the fact that you're ready to lend," she says. "But don't think the fact that you're being proactive with them is going to get all their loan business as a credit union; you still need to monitor and look out for your members. You can do that with credit monitoring."

DIG INTO DATA AND YOUR PROCESS

One of the best things about lending is that it provides CUs a great opportunity to work with their members. A mortgage application is perhaps the perfect combination of gathering member data and having a personal interaction with them.

"The mortgage application is probably the most complete data set; you have a financial picture of the entire household," says Steve Hewins, SVP of CUESolutions provider CU Members Mortgage (*cumembers.com*), Fort Worth, Texas. "The mortgage application covers everything from who lives in the house, all of their assets, their income, their debts, the number of children, the age of the children, education and so on. ... If you have the right ability and aptitude to think about it, you can plug that in" as you look for future opportunities.

If a child on a mortgage application is 10 years old, for example, they'll be of driving age in five or six years, making that a perfect time to send the family information about car loans, Hewins explains. You can also use mortgage application data to calculate when they'll be paying off student debts or looking for a refinancing solution.

It's also important to look at the analytics related to measuring how well your loan process is working, Hewins says. "Look at an application and the experience that users have: How quickly do they move through the application? Are there pages that they get stuck on or drop off?" he asks. "Then use those analytics to go back and improve the user experience to hopefully get more complete applications and less dropped submissions."

Currently, the biggest change in lending analytics is the number of players coming into the space to offer assistance, according to Hewins. "The biggest game-changer is probably finding the right partner because most credit unions are not going to have the ability to staff those kinds of positions," he says.

Hewins also thinks that learning to interpret the goldmine of data in a mortgage application can give CUs an advantage over banks when it comes to lending.

"If you're using data to be predictive of your members and what their needs are, you can cut off competition," Hewins says. "But everyone has the same idea of using big data to do predictive modeling to win them over, so it's becoming table stakes. If you're not looking at data, if you're not making these decisions, then you're being left out of the game."

Celia Shatzman *has penned stories on topics ranging from beauty to fashion, finance, travel, celebrities, health and entertainment.*

MORE ON LENDING

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Disruption Opportunities in Mortgage Lending (*cumanagement.com/podcast124*)

Grow Loans *During Inflation*

SIX THINGS TO CONSIDER IN THIS UPRATE ENVIRONMENT

BY STEPHENIE WILLIAMS

Seventy-two percent of financial institutions identified acquisition as a primary driver of revenue this year. They'll face a significant uphill battle doing so as 86% of consumers surveyed in Vericast's 2022 Financial Services TrendWatch (*tinyurl.com/vericasttrendwatch*) are not inclined to make a switch.

But there is one critical product where consumers are open to working with a different financial institution: loans. As home values have risen and continued inflation looms, home equity loans and lines, as well as nonsecured lending such as credit cards, will see an influx of interest and applications.

This all presents a prime opportunity to both get your foot in the door by presenting an attractive loan offer to prospects and to deepen relationships with current members. It also presents an occasion for you to be front and center when your members need you most—during economic unrest.

6 KEY CONSIDERATIONS

Here are six things to consider for your lending strategy and marketing:

1. Talk up your lines of credit. Since housing prices have risen, it's a great time for homeowners who have already refinanced their mortgages to take out home equity lines of credit for home improvement expenses. If they received a low fixed-rate mortgage to start, they can now tap into their growing equity.

2. Highlight your lower-interest cards for those with revolving balances. Credit cards get a bad rap during inflationary times, as rates and monthly payments creep up for those who carry a balance. However, managed wisely, they can be favorable when used for balance transfers and rewards on everyday purchases like groceries and gas.

3. Communicate your rates in your messaging. Interest rates are expected to rise this year. These rate hikes, coupled with very tight mortgage and auto markets, will mean increased competition for loans. Make sure consumers are aware of your competitive rates by highlighting them in your marketing.

4. Target "in-market" consumers. If a credit union intends to be competitive in this tight loan acquisition market, the key lies in striking while the iron is hot. You must reach prospects with your best offer precisely when they're in the market for a loan, and anticipate the needs of your current members, keeping your preapproved offers top of mind so they know you stand ready to serve them.

5. Offer multi-loan preapprovals. People lack confidence in their ability to be approved for a loan. Eliminate that concern by using preapprovals. Then, when they are in the market, they will think of you first. And with multichannel, multi-loan preapprovals, members can access, review and accept multiple prescreened loan offers at every touchpoint, driving loyalty and revenue.

6. Make it easy. "Simple" and "uncomplicated" are appealing. If the application involves too many steps, requests too much information or takes too long, people will abandon the process. Take a cue from fintechs that have gained favor by making the loan application process easy.

KEEP MARKETING 'TURNED ON'

In this uprate environment, consumers are much more rate aware and discerning of loan terms, so they're more likely to shop around for a favorable loan package. You must make your loan marketing preemptive and your offers easily actionable.

It's also the time to be steady in your messaging and presence. During times of unrest, it's important to keep your marketing "turned on." During the pandemic, a lot of companies placed their marketing on hold, which made it harder for them to regain their place in the minds of members and prospects once the world regained its footing. To stay top of mind, take heed and stay the course.

Also remember, data is a key factor in lending success. With the right data, you can lend smartly and reach the right prospects for your credit union.

Stephenie Williams *is VP/financial services marketing product and strategy for Vericast* (vericast.com/acquisition)*, a CUES Supplier member. Learn more about Vericast's strategic, data-driven loan marketing programs by calling* 800.351.3843.

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How to Better Engage Members at the Critical Moment of Account Opening (*cumanagement.com/podcast122*)

GO DIGITAL WITH YOUR LOAN MARKETING

Nearly 60% of people would consider another lender for a mortgage loan, auto loan or credit card. [1]

Deepen relationships with members and stay top of mind with always-on, multichannel loan offers at their fingertips. Be in front of your members consistently by providing:

> Single-loan preapprovals
> Multi-loan preapprovals
> Trigger-based offers

Combining proprietary consumer data and timely alerts from multiple credit bureaus offers the best opportunity for acquiring new loans.

60% of loan shoppers will commit to a loan within a week of a credit bureau inquiry. [2]

[1] Vericast 2022 Financial Services TrendWatch
[2] Vericast client data

For additional lending insight, download the 2022 Financial Services TrendWatch report.
vericast.com/FinancialTrendWatch

Learn how we can help you expand for your lending portfolio at **vericast.com/Acquisition**

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