CUNA Community Credit Union Conference and The Federation 2016 Annual Conference

Presented by Karim Habib
Director, Lending Solutions
CUNA Mutual Group
12 Financial products and services

Product opportunities and financial needs unmet until recently...

3 Financial check-ins in the last 10 years – just happened last year...
My Personal Financial Profile

- Member for 11 years
- Checking account
- Online banking
- Money market account (reasonable balance)
- Mortgage
- HELOC
- Line of credit
- Two auto loans (with payment protection)
- Credit card (absurd balance)
- Education fund account
Your Future Members

Kids Club Account
The Demographic Driving Lending Disruption

Millennials:

• Are the largest population cohort in US history
• Will outnumber boomers 78 million to 56 million by 2030
• Are in their prime borrowing years
• Are 10 times more likely than boomers to consider using P2P lenders
• Account for most of the traffic in digital banking channels
• Are the most likely demographic to embrace mobile payments
BUT THIS ALSO OFFERS A LARGE OPPORTUNITY IN THE FINANCIAL INDUSTRY AS THEY ARE EXTREMELY OPEN TO ADVICE AND GUIDANCE ON FINANCIAL MATTERS

84% of Millennials indicate they would value advice or guidance when it comes to financial decisions

As with other generations, families and kids are critical, but millennials are more concerned with financial stability.

60% report living paycheck to paycheck.

Source: CUNA Mutual Group Consumer Survey; 2015
Wisdom of the crowd: Burning Questions, interconnected issues

- **Loans**
  - Can I apply for a loan if my credit sucks due to old student loans?
  - Is there a mortgage company I can use for refinancing with a cash-out option?
  - How can I learn more about the process of buying a home?

- **Credit Cards**
  - How can I build my credit score without getting a credit card?
  - What’s the best credit card out there?

- **Banking**
  - Which bank is the best for getting a credit card?
  - Can I deposit a check on the mobile app?
  - Can you open up a bank account for free?
  - What’s the average turnaround time for credit card transactions to hit your bank account?

- **Home buying**
  - Anyone know how I can get approved for a mortgage loan when your credit sucks from 6 years ago?

- **Small Business**
  - Should I open up my business account at the same bank where I have my personal checking account?
  - Does anyone with a small business have advice on their preferred bank for merchant facilities that offer low fees?

- **Investing**
  - Can someone walk me through the differences between an IRA, a Roth IRA, a money market account and a 401k?
  - What are some good financial investments to make this year?

How are you providing Financial Wisdom to Millennial's?

Money talks through pictures and hashtags
Popular finance-related hashtags on Instagram

#newcar
#budget
#taxes
#debt
#retirement

#newhouse
#savingmoney
#homeowners
#debt
#banking

#invest
#creditcards
#mortgage
#finances
#getoutofdebt

Source: Instagram data based on audiences eligible to see ads on Instagram based on a variety of factors, global, Jan 2016.
Here are some ways to Target Millennials

- Keep watchful eye on spending and paying bills: 64.7%
- Prefer using credit card or debit card for purchases: 53.7%
- Check bank account status every day: 50.4%
- Use coupons and loyalty points: 45.1%
- Prefer using PayPal or similar for online purchases: 39.7%

Source: CCG Catalyst © August 2016 The Financial Brand
What are folks aged 34 and under doing right now?

• Graduating College
• Launching into their first careers
• Trading in their rusty 1987 Buick Regal
• Finding the love of their life, getting married and combining checking accounts
• Having kids
• Buying their first homes
• Trading in their sports car for a mini van
• Seeking advice and guidance to set aside funds for retirement and kids college
• Starting their own companies
Acquisition of Millennial members is a critical objective in that so far, Credit Unions have not penetrated the Millennial market well.

- **14%** of Millennials use a credit union for their primary account.
- **25%** of Millennials have any credit card, investment or loan through a credit union.
- **#1** reason Millennials don’t use a credit union is that “I don’t know much about them”.

Source: U.S. Yankelovich MONITOR; 2015
Millennials FI Preference in the future

73% would be more excited about a new offering in financial services from Google, Amazon, Apple, PayPal, or Square than from their own nationwide bank.
Financial Innovation.....

Are Amazon, Google and Apple entering finance?
Millennials are driving change. Brick and mortar companies are turning into apps

- The largest taxi company, **Uber**, has no cabs.
- A large accommodation provider, **Airbnb**, has no hotels.
- The largest popular media provider, **Facebook**, has no content.
- And the fastest growing consumer lenders (like **Lending Club, Prosper, SoFi, Karrot**) aren’t banks and have no branches.
Your Competitive Landscape is growing...
Kabbage Tries to Disrupt Small Business Lending

Get the funds you need to grow your business in minutes!
The world's fastest and easiest way to get a line of credit.

Apply Now
See how much you qualify for today

You could have $500 - $100,000 in your account by 9:04 am.

8:57 AM

7 Minutes
Get Personal Loans Online in Minutes

Karrot offers quick online personal loans up to $35,000 with 36 and 60 month payment terms and fixed rates as low as 6.44% APR¹ for the life of the loan. Get your rate in minutes and have the funds in your bank as soon as the next day. Yep, it really is that simple!
Lifestyle Lending

Consolidate Debt
Take advantage of our great rates to pay down your debt with one single, lower monthly payment.

Short-Term Loans
Karrot’s 36 and 60 month short-term loans are designed to get you what you need, quick, without a lifetime of payments ahead of you.

Wedding Loans
Your big day should be everything you’ve dreamed of (even if Uncle Marty dances the polka). Use Karrot’s quick online loans for your special day.

Start-Up Business Loan
Always had a dream to start up your own business, but didn’t have the funds. Get it off the ground with Karrot.

Auto & Vehicle Loans
Skip your bank’s slow car loan process and use Karrot’s quick online process to drive your dream car off the lot.

Loans to Help Friends & Family
Sometimes life gets the best of those we love — be the support they need with our Karrot loans to help friends & family.

Vacation Loan
Aruba, Jamaica, Bermuda, Bahamas… plan your dream vacation with our Karrot vacation loans and fly off to paradise.

Medical Loan
Hospital bills are expensive and can come unexpectedly with an accident or costly surgery – Karrot loans will have you covered.

Pet Loans
We understand that Spike is your furbaby, and he sometimes swallows socks. Get a Karrot loan for those unexpected vet bills.

Holiday Season Loans
The holidays are meant for cheer, not going broke buying gifts. Make it a wonderful year with Karrot’s loans.
Average Age of Borrowers

Credit Unions: 47

P2P Lenders: 34
Startups are to Credit Unions & Banks
What Piranhas are to Water Buffalos
Disruptive Startups Trying to Unbundle CUs & Banks

Disruptive Startups Trying to Unbundle CUs & Banks

Source: “How Retail Banking Should Take A Few Cues From The Software Industry”, People.
Paper. Electrons, 1/30/2015
How Do You Know You’re Being Disrupted?

- Your membership has been declining in recent years
- Your assets per branch have been falling steadily
- The percentage of members having share draft accounts has been declining
- Your average number of products per member has declined
- The share of members < 30 years old has dropped in recent years
- Your members’ outbound ACH payees include Lending Club, Prosper, SoFi

Source: CUNA Mutual Group Analysis
<table>
<thead>
<tr>
<th>Sub</th>
<th>Calories</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>THE FEAST</td>
<td>590</td>
<td>5.29</td>
</tr>
<tr>
<td>BIG PHILLY CHEESESTEAK</td>
<td>520</td>
<td>5.29</td>
</tr>
<tr>
<td>PASTRAMI</td>
<td>580</td>
<td>5.29</td>
</tr>
</tbody>
</table>

**Premium & Double Stacked Subs**

**Cal** | **Cal** | **6" Sub** |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>330</td>
<td>DOUBLE</td>
<td>4.99</td>
</tr>
<tr>
<td>480</td>
<td>DOUBLE</td>
<td>5.49</td>
</tr>
<tr>
<td>420</td>
<td>DOUBLE</td>
<td>5.29</td>
</tr>
<tr>
<td>630</td>
<td>DOUBLE</td>
<td>5.29</td>
</tr>
</tbody>
</table>

*DOUBLE refers to sandwich meat content only.

*DOUBLE STACKED" refers to Premium and DOUBLE STACKED" subs with at least 4 oz of meat per 6" sub or 8 oz of meat per footlong.
<table>
<thead>
<tr>
<th>Food</th>
<th>If you weigh 160, you’d have to jog this long</th>
</tr>
</thead>
<tbody>
<tr>
<td>26 Tostitos Tortilla Chips = 260 Cal</td>
<td>22 min</td>
</tr>
<tr>
<td>1 TWIX Bar = 280 Cal</td>
<td>23 min</td>
</tr>
<tr>
<td>3 Small Chocolate Chip Cookies = 300 Cal</td>
<td>25 min</td>
</tr>
<tr>
<td>4 Tbsp Ranch Dressing = 300 Cal</td>
<td>25 min</td>
</tr>
<tr>
<td>1 Starbucks Grande Mocha = 330 Cal</td>
<td>28 min</td>
</tr>
<tr>
<td>1 Swg B&amp;J Chubby Hubby = 330 Cal</td>
<td>28 min</td>
</tr>
<tr>
<td>1 McDonald’s Medium Fries = 380 Cal</td>
<td>32 min</td>
</tr>
<tr>
<td>6oz BR Mint Choc Chip Ice Cream = 405 Cal</td>
<td>34 min</td>
</tr>
<tr>
<td>1 Starbucks Blueberry Scone = 460 Cal</td>
<td>38 min</td>
</tr>
<tr>
<td>1 Small Buttered AMC Popcorn = 600 Cal</td>
<td>50 min</td>
</tr>
<tr>
<td>Taco Bell Fiesta Taco Salad = 770 Cal</td>
<td>1 hr 4 min</td>
</tr>
<tr>
<td>1 Reg Quiznos Tuna Salad Sub = 11.20 Cal</td>
<td>1 hr 33 min</td>
</tr>
<tr>
<td>Cheesecake Factory Turkey Burger = 1373 Cal</td>
<td>1 hr 54 min</td>
</tr>
<tr>
<td>1 Slice Cheesecake Factory Carrot Cake = 1549 Cal</td>
<td>2 hr 34 min</td>
</tr>
</tbody>
</table>

Taken from PFS Body, 2013
Consumer Lending Strategies – Reduce Friction

**REACTIVE**
- **SIT AND WAIT**
  - Initiated by Member
  - Application required

**PROACTIVE**
- **ASK FOR THE BUSINESS**
  - Promotions (seasonal or need driven)
  - Targeted pre-approvals & pre-qualifications
  - New account cross-sell (application required)

**PREEMPTIVE**
- **EMPOWER THE MEMBER**
  - Comprehensive Pre-Screened Lending (CPL)
    - NO Applications
    - Perpetual loan approval status
    - Multi-product
    - Omni-channel
    - Member-centric

**Online applications**
- Instant approval
- Rate competition
- Little differentiation
- Little/no competitive advantage

- “Spray & Pray” marketing initiatives
- Advertising & promotions
- Teaser rates & incentives
- Segmentation & targeting strategies
- “Instant” applications w/ cross sell

- Constant/consistent messaging
- All touch points
- All direct channels
- Instantly actionable response
Member Data = Opportunities
Consumer Personas at a Glance

**High-Touch Harrises**

The Harrises are high touch, loyal Credit Union members. They like to meet face to face when conducting their financial business, but are familiar with using digital channels in other parts of their lives.

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**Tech-Savvy Taylors**

The Taylors are tech-savvy, relatively new Credit Union members. They are heavy digital users in all parts of their lives. They prefer to do business online and expect the ability to pick up where they left off on any device.

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**Self-Guided Garcias**

The Garcias are self-directed and strongly prefer to use their personal computer at home for their financial needs. But, for entertainment and other casual activities they frequently use their mobile devices. They have been Credit Union members for nearly a decade.

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**Convenience-Driven Clarks**

The Clarks are all about value and convenience. They are not loyal to a particular financial institution but rather look for the most convenient option to meet their needs. For example, they are likely to obtain a loan at the dealership after purchasing a new car.
How To Combat Disruption without Technology

Build a “Member Experience” Culture

Focus on your existing members – grow organically (household)

Upskill your lending staff to be “Lending Consultants”

Maximize every opportunity to do a “Financial Check-in” with your members – Outbound Calling with purpose Strategy

Maximize the window of opportunity on internet loans between “Approval” and “Funding”
Life Stage Lending & Marketing

What do a newly married couple, a recent college graduate and an expectant mom all have in common?
Life Stages – Financial Check-in
Proactively reach out to members who are 36-48 months into their auto loans.
During financial check-ins...

- What life events have happened?
- Change in income?
- Change in expenses?
- Change in current financial goals?
- Vision for longer term future financial goals?
With Members Consent - Mine Credit Report

I want to be sure I understand your needs so I can put together the best options that fit within your budget. In order to do that I’ll be asking some questions during the loan application as well as pulling your credit. We’ll go over your report to ensure everything is accurate and up-to-date. How does that sound?

In addition, if I see any opportunities to save you money or put you in a better overall financial position, would it be okay if I shared those options with you?
Sales Versus Service

Genuine
Valuable
Trustworthy

MEMBER EXPERIENCE

Personalized
Different
Better than the Rest

SALES

SERVICE
Optimize your Web Loans
“Perceived Need” - When a member comes in for a car loan – what do they usually walk out with?
“Unperceived Needs” Think Outside the Box and uncover your members full financial needs!

- CD’s
- E-Statements
- Line Of Credit
- Mortage Referral
- Checking account
- HELOC
- Payment Protection products
- Car Loan
- Car loan steal
- CU Credit Card
- Children’s savings and college fund
- Insurance needs
- Online & Mobile Banking
- Referral to Financial Planner
- Mortgage Referral
- Consolidation loan
What if your Auto Loans were delivered as a Fitness App?

https://youtu.be/smKWDX6sShc
Self Assessment for Your Staff

– How confident am I in the products and services my credit union offers?

– Am I being “consultative” and asking members the right questions to identify their full financial needs?

– Am I taking the time to fully educate members on the products and services that will protect their future financial well being?

– Do I go above and beyond what the member thinks they need to educate them on how they can accomplish their financial goals/dreams?
Elements of Change

- Vision
- Resources
- Capable Workforce
- Capable Processes
- Organizational Culture
- Incentives
- Action Plan

Change
Confusion
Anxiety & frustration
Slow or little progress
Reinventing the wheel
Barriers to change
Sporadic change
False starts

Adapted by Palma Buttes-Valdez, from Dr. Mary Lippitt, Enterprise Management, Ltd., 1987.
Consider This from Robert Stevenson

So many times when I am asked to make a presentation, I like to include something that has to do with TEAMWORK, ACCOUNTABILITY, FORWARD THINKING STRATEGY (INNOVATION) and CHANGE MANAGEMENT.

I think the example below is a fantastic visual of how just one person or one broken process/policy, lack of accountability or lack of innovation can really mess things up.

In this example, 46 keys are doing their job and one isn’t. You would think 46 out of 47 (98%) would be a pretty awesome percentage of competency until you see the damage just one key can cause.
XvXRY KXY MUST WORK

Xvxn though my kxyboard is an old modxl
it doxs work quitx wxll xxcxpt for onx of thx kxys.
I wishxd many timxs that it workxd pxfxctly.
It is trux that thxrx arx forty-sxvxn kxys that function wxll xnough,
but just onx kxy not working makxs thx diffxrnxncx.

Somxtimxs it may sxxm that in an organization,

thx onx or onxs wx arx concxrxnxd with,
arx somxwhat likx my kxyboard –

not all thx pxoplx arx working propxrly.
You may say to yourself,

“Wxll, I am only onx pxrson. I won’t makx a diffxrnxcx.”

Any program to bx xffxctivx nxxds

thx activx participation of xvxry mxmbxr.

So, thx nxxt timx you think you arx only onx pxrson

and that your xfforts arx not nxxdxd,

rxmxmbxr my kxyboard and say to yoursxlf,

“I am a kxy mxmber of my organization,
and I am nxxdxd vxry much.”
No matter how you look at it,

TEAMWORK, ACCOUNTABILITY, INNOVATION and CHANGE MANAGEMENT MATTERS!

You have two choices:

either fix or replace your non-functioning “keys”

or your members will be replacing your credit union.

~ Robert Stevenson
Best Practices to Consider....

• Hybrid Lending Consultants – Consumer and MTG lending combined

• “What is a Credit Union” Education seminars partnering with the businesses in your community – i.e. How can our credit union help you achieve and protect your financial goals – **local restaurants**!

• Establish an “Outbound Financial Check in” strategy – GROW Organically! As simple as having each loan officer calling 1 member per day – 5 per week – with “Purpose”.

• Pre-approve the member for what they “Qualify” for versus what they “Requested” – i.e. requested $20,000 but qualify for $25,000

• Pre-fund a Money Market account or through FP – retirement Roth IRA – rounding up the members loan payment to the nearest whole dollar – Loan payment is $475 transfer $25 into a savings account. (Original Payment range member said they had budgeted for was $450 to $500)
What will the “Disruptors” look like for your CU?
Marketing Ideas

- Credit Rebuilder
- Loan Promotion
- No Payments
- "No Cost/Obligation" Financial Analysis
- Loan Check
- Bi Weekly Payments
- Relationship Based Pricing
- Referral Rewards
- Pre Approve Loans for Higher Amounts
- Pre Approve Credit Card
Thank you!

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