

STELLAR INSIGHTS



Stellar Strategic Group's Strategies On Growing PFI Relationships.

FALL | 2020



LENDING A HELPING HAND

Introducing **SAL**cares

THE CHECKING ACCOUNT GOLDMINE

Debit Card Revenue
Continues to Grow

OVERDRAFT

Secure Notification
Mailing Services

DIRECT AUTO LOANS

Seizing the Growing
Auto Refinance Opportunities

THE STELLAR INDIRECT TOOL KIT

Transforming Indirect Loans
into PFI Relationships

From Our Founder

Oh, what a year! I'm sure we can all agree that 2020 is a year we'll never forget. We hope you, your colleagues, and family have weathered the storm in good health.

As we developed this edition of *Stellar Insights*, we decided to focus on content that better prepares you for the new year. Furthermore, we have some very exciting news about a new program we are kicking-off in November called SALcares. This program is our effort to respond to the needs of many communities that have suffered through this pandemic period. I think you'll find this program applicable to many portions of your market, regardless of where you're located.

In the previous edition, we highlighted the launch of our Stellar Indirect Tool Kitsm. We couldn't be happier with the response we've received. It's ironic that, in some sense, this product competes with one of our core offerings, Deposit Directsm. However, we believe this product closes the loop on our mission to provide our clients with a comprehensive and proven approach to growing their core customer base.

As I mentioned in our Summer Edition, the pandemic has forced all of us to reexamine our business models to account for the rapid changes in consumer behavior. The value of core PFI relationships have never been more important than they are today. As electronic transactions have increased significantly, the value of a checking account with an

accompanying debit card has skyrocketed. We discuss this specific issue in our article, *The Checking Account Goldmine*.

We would like to take this opportunity to thank the 1,800+ clients we have been fortunate to work with over the past 20 years. On September 3rd, we celebrated our 20th anniversary servicing the community bank and credit union industries. Our clients made this possible and stuck with us during both the near collapse of the banking industry in 2009, as well as the recent pandemic.

Some clients and employees have been with us for over 15 years. I would be remiss if I didn't acknowledge one employee who has been with us for almost 16 years. As much as she fought me on being acknowledged, we are proud to highlight Tina Haussler on page 10! The combination of great employees and great client relationships have made this 20-year ride an absolute pleasure. We look forward to another 20! Thank you and enjoy these *Stellar Insights*.



Craig Simmers
Founder
Stellar Strategic Group



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About Stellar Strategic Group

Strong, long-lasting relationships with clients is our top priority at Stellar Strategic. Simply stated, we continually evolve our product line to meet the ever-changing market demands our clients face. Plus, we work to deliver the projected ROI promised, and treat your budget as if it's our own. The bottom line is that we care about you and it shows in how we partner with you to achieve your goals every step of the way.

The Checking Account Goldmine

The rapidly increasing value of a checking account has never been greater than it is today. In our 20 years of assisting clients with growing their checking and core deposit base, we have never seen the value as high as it is today. We have always promised our clients we could acquire a new checking customer for far less than the interchange revenue produced from the accompanying debit card. That promise has gotten much easier especially over the past two years.

In a recent 2020 Pulse Debit Issuer Study* published by *The Financial Brand* on August 20th, debit card transactions grew by 6.5% in 2019. It's fair to assume that number has grown significantly in 2020 due to the pandemic. According to the study, debit interchange now accounts for about 25% of non-interest income for community financial institutions below the \$10 billion exemption cap of Federal Reserve's Regulation II.

Given the fact that significant growth in debit card interchange revenue can be documented, the underlying

checking account has never been more valuable. The question always arises as to who will take advantage of this opportunity.

Today we believe there is a goldmine of opportunities.

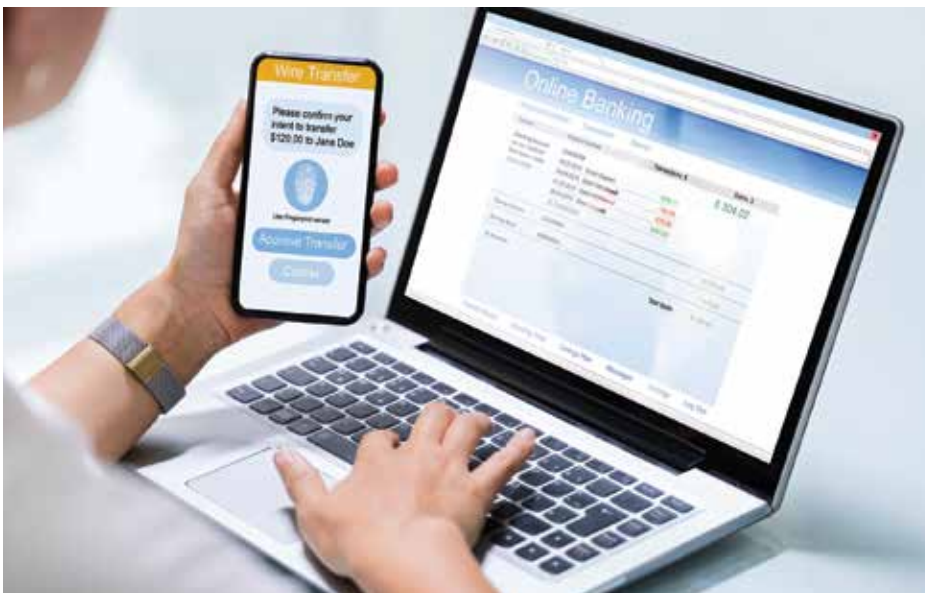
They are as follows:

- Market disruption due to M&A activity.
- Pew Research just released a study that predicts 1 in 5 Americans have either relocated or know someone who has due to COVID-19. This additional form of market disruption creates a huge convenience opportunity.
- Continued vulnerability of the larger institutions (an ideal target as they own a majority of deposit market share).
- Enhanced revenue growth in debit card interchange.
- Poor servicing by many larger institutions related to PPP processing.

- Consumers' new willingness and desire to transact business electronically (this is a double-edged sword if you are not providing a seamless electronic experience).
- Consumers appear to prefer debit versus credit for fear of growing debt.
- Usage of cash has shown signs of slowing.

The final thought related to the goldmine of opportunities is what we are seeing in our marketing campaigns to consumers on behalf of our bank and credit union clients this year. Response rates have increased significantly. In one case, we saw a 62% increase in account openings based on a checking account offer delivered through the mail and supported with digital marketing campaigns. This is simply unheard of in the direct mail business. Overall, we are seeing a 15-20% increase in 2020 response rates versus 2019. Is this sustainable? I hope so, but only time will tell. It gets back to the comment made earlier about taking advantage of opportunities. We don't know how long any particular trend will continue so being able to move aggressively and consistently is the key to sustainable growth.

The bottom-line to growing your retail base is to develop a long-term strategy anchored in data, staying committed to the plan, and making adjustments as opportunities arise.



Craig Simmers is the Founder of Stellar Strategic Group. Contact him at craig.simmers@stellarstrategic.com or 410-990-0172.

** Pulse © August 2020 The Financial Brand*



SUCCESS STORY

Oklahoma Educators Credit Union

Oklahoma City, OK

“Stellar’s unique strategy provides an opportunity to capture current performing loans. Since the program allows direct communication with the potential members, stronger underwriting capabilities are more easily maintained and the ability to cultivate deeper relationships with borrowers is accelerated... our Stellar Auto Loans relationship helps us to obtain LIFERS instead of just LOANERS.”

– Trent Vaughn,
Senior Vice President
Oklahoma Educators Credit Union

Seizing the Growing Auto Refinance Opportunities

The pandemic has changed consumer behavior. Businesses have had to cope with many barriers to business as usual, with closures, social distancing, reduced foot traffic, etc. Consumers are faced with both family health and financial well-being.

Financial institutions are no exception to the new pandemic world. Lobbies have closed, and just now reopening for full service. More and more banking procedures have shifted to online transactions. Account openings, loan approvals, online chat, etc. have replaced much of the face to face activities in the past.

Sources of lending have been affected as well. New auto loan sales fell dramatically, with dealerships unable to move inventory for many different reasons. Indirect lending dropped to lows never seen before, for many months! One of our larger clients stated it was the first time that direct auto loans outpaced their indirect portfolio!

Interestingly, Stellar Auto Loan’s refinance program has grown assets to record levels each month during the pandemic. Used auto sales are at all time highs. CNet.com reports *Used car sales rise as Americans tighten belts during coronavirus*.

“The used car market is larger than the new car market. More used cars exchange hands each year than new cars are sold.” *Used Car Prices Hit a Record During a Pandemic* (barrons.com).

Nypost.com states “Americans typically become more frugal and favor used cars in uncertain times. Cars remain a vital commodity in a country where getting to work without a vehicle is impossible in all but a few large cities.”

According to Cox Automotive, new vehicle sales for the week ending May 28th were down 28 percent, but sales of used vehicles were up 6 percent.

Continued on Page 9...

Introducing SALcares

SUPPORTING COMMUNITIES.
LENDING A HELPING HAND.
ENGAGING POTENTIAL CUSTOMERS.

NONPROFITS AND CHARITIES, THE UNSUNG HEROES OF OUR COMMUNITIES, ARE FIGHTING TO SURVIVE AMIDST THE PANDEMIC. WE WANT TO DO WHATEVER WE CAN TO SUPPORT THEM.

Introduction

Since the start of the COVID-19 pandemic, we've all seen numerous restaurants, retail stores, and other small and large businesses suffer financially or ultimately close. However, it has almost gone unnoticed that nonprofit organizations are really struggling as well. With so much economic uncertainty, many charities have been receiving far fewer monetary and material donations. They've also had to cancel major fundraising events due to restrictions on galas, auctions, walks, and so on.

Our Solution

The SALcares program is Stellar Strategic Group's effort to support local nonprofit organizations our clients serve. In a collaborative effort with our clients, SALcares asks our client's audience three times a year to select which local charity we should collectively donate to.

We do this by sending targeted social media posts to customers in their charter footprint asking them to select one of the approved charities to receive the donation. We run these campaigns repeatedly with each participating client



Branded Landing Page on SALrefi's Website

All social media posts link to a landing page on SALrefi's website, allowing users to vote on a charity and learn more about our organizations. The landing page and social media posts will be designed to fit the financial institution's branding guidelines.



Targeted Social Media Posts

We send sponsored social media posts to potential customers in a specific charter footprint! Best of all: we'll cover all the advertising costs.

to ensure as many organizations receive additional funding as possible. We are willing to match donations, up to \$500, and pay for all advertising costs!

At Stellar Strategic Group we not only support our clients with their marketing efforts, but now we're supporting the communities they serve.

Lillian Hogue is the Social Media Manager of Stellar Strategic Group. Contact her at lillian.hogue@stellarstrategic.com or call 410-696-7659.

SALcares Program Benefits

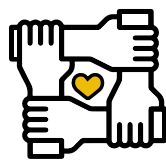
For an entire month, for each SALrefi auto refinance or finance application that uses the promo code "SALcares" we will donate \$10 to the winning charity. Best of all, SALrefi will cover all advertising costs!



**You Select
The Charities**



**Engage YOUR
Target Audience**



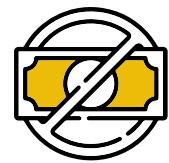
**Support
Your Community**



**We'll Match
Donations
(Up to \$500)**



**Positive
Brand Awareness**



**We Cover All
Advertising Costs**



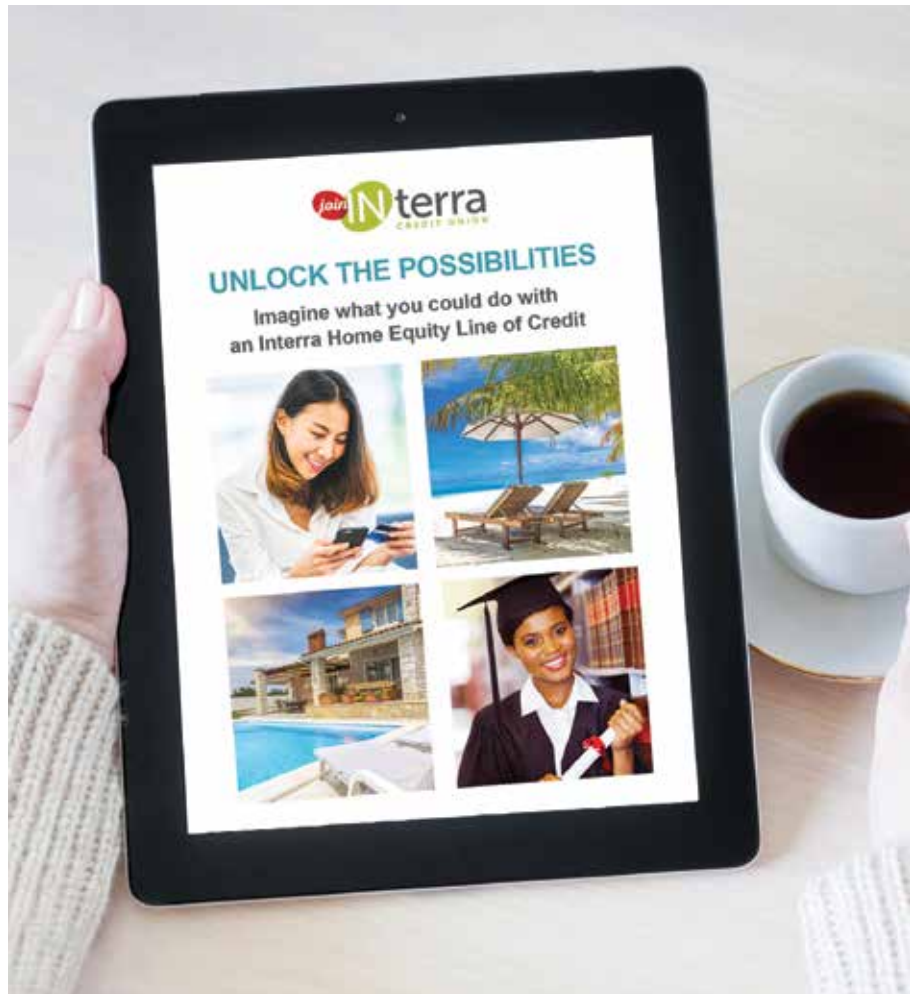
The Stellar Indirect Tool Kitsm

Credit Unions have been helping members finance vehicles since they were first established. Over many decades CUs have grown their indirect auto loan portfolios with aggressive rates and technological upgrades through dealership financing relationships. Unfortunately, when all is said and done, interest margins have significantly dropped over the years. One client reported only a 93-basis point interest spread on its significant indirect portfolio.

THIS IS SIMPLY NOT SUSTAINABLE. WE BELIEVE A WELL-BALANCED AUTO LOAN PORTFOLIO WITH A NEW APPROACH RELATED TO INDIRECT LOANS IS THE PATH FORWARD.

Many credit unions have started to reduce their reliance on indirect loans or completely eliminated them from their portfolio due to the low-interest margins and high member churn. This simply is not sustainable. We believe a well-balanced auto loan portfolio with a new approach related to indirect loans is the path forward.

The Stellar Indirect Tool Kitsm is designed to transform indirect loans and turn them into a key driver of PFI relationships. In short, let's replace what has become a wholesale product play and convert these loans into key drivers of long-term relationships.



Step One: Analysis

We examine indirect households, overlay key PFI trends and attrition analytics, and calculate projected ROIs. By doing so, we are able to map the indirect landscape into three priority groups: Outliers, Proximity, and Franchise.

Step Two: Retention

We execute targeted marketing to retain and convert indirect relationships with cost-effective variable-frequency marketing, persona-based creative designs, and real-time in-market triggered messaging.

We believe it's paramount to transform our views on indirect auto loans. These loans significantly help in growing the asset base of the credit union and can also accelerate sustainable member and deposit growth if managed properly.

The Stellar Indirect Tool Kitsm is the direct solution to your indirect problem.

Craig Simmers is the Founder of Stellar Strategic Group. Contact him at craig.simmers@stellarstrategic.com or 410-990-0172.

All this points to why the Stellar Auto Loan refinance program continues to grow, with consumers becoming very cost conscious, trying to save money every month.

Here is a brief description of the Stellar Auto Loan program: The key to success is the credit bureau data analysis used to determine which prospects to target, as well as being able to have a unique example of the potential monthly payment savings from consumer to consumer if they were to refinance with your institution.

Stellar pays all the up-front costs to solicit potential new members that reside in your charter footprint to refinance with you, and you pay only for the loans you actually refinance.

You pay nothing out of pocket until the new member responds. You start out with a prequalified list of potential members from your market utilizing your credit criteria. Multiple response mechanisms ensure great response rates (direct mail, telemarketing, online application sites, social media, etc.). Applications are submitted to the lending team, to make the decision to approve or deny the loan.

During this pandemic, our credit union partners are helping save new members an average of \$82 per month on their auto payments, with an average loan length of 62 months. Loans are averaging a little over \$27,000 per loan, countrywide, with interest margins well over 5%.

DURING THIS PANDEMIC, OUR CREDIT UNION PARTNERS ARE HELPING SAVE NEW MEMBERS AN AVERAGE OF \$82 PER MONTH ON THEIR AUTO PAYMENTS, WITH AN AVERAGE LOAN LENGTH OF 62 MONTHS.

These new members are extremely profitable, and are REAL members, typically adding additional relationships each month they are with the credit union. One VP of Lending from a partnering credit union states: "We love the program because it brings *lifers* not just *loaners*!" In other words, unlike an indirect loan, these new members are signing up for additional services and products.

The strength of the program is that it brings in volumes of prequalified applicants for your loan officers to process. Since we mirror your underwriting standards, we see great look-to-book ratios.

That strength can also be a detriment to some institutions that don't have the staff to process and package loans in any real volume. We have the solution for credit unions with limited resources.

We can package these loans for immediate funding. Applications are sent through DealerTrack or RouteOne for approval. Once approved, loans are packaged and funded, similar to an indirect loan process. You are able to add additional assets without a drain on your FTEs.

Visit stellarstrategic.com for more information.

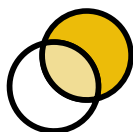
George Monnier is a founding partner of Stellar Auto Loans, a division of Stellar Strategic Group, which offers pay-for-performance auto refinance programs to the banking industry. Contact him at george.monnier@stellarstrategic.com or 402-708-2425.

THE INDUSTRY'S PREMIER DIRECT AUTO LOAN PROGRAM

Our program is tailored to your specific credit approval policies and parameters, ensuring great success and look-to-book ratios. You make the decision to approve or deny the loan!



Tiered Pricing
Success fee pricing based on targeting members and all paper grades.



Total Blended Rate
Usually between **5% to 7%**, based on financial institutions' targeting agreements.



Look-to-Book Ratios
Expect **50% or better** approval rates with prequalified credit bureau data.



No Contract
Either party can terminate the agreement at any time with a 30-day notice.



New Checking Accounts
Typically **20% to 30%** from new members who refinanced.

STELLAR SPOTLIGHT

Tina Haussler Client Services Manager

Tina joined the Stellar Strategic team in 2005 and loves assisting clients with their mail campaigns. She has over 32 years in the direct mail industry, with over 21 of these years in Client Services. She prides herself on being organized and creative, along with having an eagle-eye for detail.

In her free time, Tina and her husband, Brad, enjoy spending time at home with their two rescue dogs, Edison and Einstein. When not at home, she likes to attend live music events and spend time with family and friends. Spoiling her grandchildren, anything chocolate, and cheering on the Nebraska Huskers are a few more of her favorite things.

Tina would love to have an opportunity to provide you with outstanding service, and assist you with your print/mail needs. Get a FREE print/mail quote at stellarstrategic.com/odp-quote-form or contact Tina direct at tina.haussler@stellarstrategic.com.



Notification Mailing Services

Over the past 20 years of executing marketing campaigns for our bank and credit union clients, we have been asked to execute numerous other types of mailing campaigns. In particular, over the past 18 years we have performed over 7,000 overdraft notification compliance mailings for our clients in a timely and very cost-effective manner. Our clients benefit from having an experienced production partner in this space to assist them in managing a fully-disclosed overdraft program.

Customers and members appreciate and deserve to know which allowances and options are available when the need arises. Our clients commonly see increases in usage of

15% when notifications are received, and a reduced customer complaint volume due to being fully aware of overdraft policies.

Combo Email & Mail Notifications

Reduce Your Costs & Increase Opt-in Response

Our exclusive combo program can help substantially reduce your notification cost as well as create another easy option for your accountholders to opt-in for ATM and debit card transaction coverage. Depending on the percentage of email addresses you have on record, your institution could save an average of 20–25% per campaign.

How It Works:

Step One: We'll determine if an online landing page needs to be created to collect Reg E opt-in consents. If so, we'll design one using your compliance-approved copy.

Step Two: An electronic notification will be sent out to all accounts with a valid email address. We will monitor for bounce-backs or undeliverable messages, and then add these to the direct mail file to ensure the required attempt at delivery has been made for each account.

Step Three: With the mailing list adjustments generated in step two, physical letter notifications will be mailed out to the rest of your accountholders.

Regardless of whether your needs are related to your overdraft program or any other type of mail production, **we guarantee a minimum savings of AT LEAST 12%** on any print needs you may have. We simply pass along the deep print discounts we receive based on the large volume of printing we do for our clients.

Stellar Strategic Group looks forward to being your trusted print services provider.

Tina Haussler is the Client Services Manager of Stellar Strategic Group. Contact her at tina.haussler@stellarstrategic.com.



**20% Savings
With A Combo
Email/Mail Program**

SUCCESS STORY

Beacon Credit Union

Lynchburg, VA

“We were very happy with the customer service provided, the reasonable cost of services and the **OUTSTANDING representative that we were assigned. Not only are all of our questions answered quickly and precisely, but Stellar Strategic has made several cost- and time-saving suggestions as our relationship has grown and they see our needs! If you are looking for a company to work WITH you and not just FOR you, contact Stellar Strategic!**”

— Kelly Linn
Overdraft Privilege Manager
Beacon Credit Union

Guaranteed Discounts on Your Current Mail and Print Costs



IN THE EVENT YOU HAVE A PROJECT THAT IS OR COULD BE AN EMAIL/MAIL COMBO, WE GUARANTEE A 20% SAVINGS ON A COMBO PROJECT.

To honor our loyal clients, we have established pricing for print services that have not increased since 2011! To date, we have only offered these extremely low printing costs to our existing clients to help them extend their marketing budgets.

Today we are making a special offer to anyone in the banking industry to utilize our extremely low-cost buying power for print services. In fact, we are so confident in our pricing, that **we are guaranteeing a minimum 12% savings** on any print project you may have.

In the event you have a project that is or could be an email/mail combo, **we guarantee a 20% savings on a combo project.**

Along with our cost savings we offer a dedicated client service representative to manage your entire production process.

We look forward to making the most out of your marketing budget!



“Since our launch in 2000, we have executed over 12,000 marketing campaigns totaling over 78 million marketing messages. None of this would have been possible without the tremendous collaboration and support we receive from our clients. We obviously can’t name all 1,855 clients we’ve supported over the years, but we certainly can say THANK YOU!”

– Craig Simmers, Founder

STELLARSTRATEGIC★

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