

STELLAR INSIGHTS



Stellar Strategic Group's Strategies On Growing PFI Relationships.

SPRING | 2021



FLUSH WITH DEPOSITS,
PROBABLY.
FLUSH WITH NEW CUSTOMERS, **NEVER!**

Growing Your Auto Loan Portfolio

Capture a larger portion of the market during today's pandemic.

The Stellar Auto Loan Recapture Program

Learn more about our auto loan recapture program.

NEW Stellar Conversations Podcast

Tune in to our new podcast about banking, financing, and a lot more.



Craig Simmers
Founder
Stellar Strategic Group

From Our Founder

Welcome to the Spring Edition of *Stellar Insights*

Welcome to the Spring Edition of *Stellar Insights*. As I looked back at previous editions, I was struck by my comments related to where we were at that time related to the pandemic. I'm happy to say that this edition of *Stellar Insights* is being published during a much more hopeful period. Many of our fellow citizens have been vaccinated, protocols are firmly in place, infections and deaths are at a low point and yes, we can finally see a baseball game in person. While the latter is clearly the least important factor, is it an indication that maybe, just maybe, we're on the road to recovery.

As we look back on the past 15 months, much has changed in our industry. We prefer to focus on the positives and embrace some of the changes that have been forced upon us. The need to embrace technology has never been greater, given how our world has become a digital-driven society. Consumers now expect ease of transaction in every facet of their lives. "Swipe this" and "scan that" have become commonplace. What we can't afford to do as an industry is ignore the human element that is the backbone of community banking. Customer service still plays a critical role in the lives of consumers, especially in a business as personal as banking.

Keeping with that line of thought, this edition of *Stellar Insights* will focus heavily on communication, areas of opportunity to better serve consumers in your community,

and an acknowledgment of dedication to a job well done. To the latter point, we are excited to highlight one of our own call center representatives, Lawrence Jenkins. Regardless of location, he always delivers a high-level of customer service to our clients' auto loan customers. We are extremely proud of all our call center personnel that from day-to-day never knew if they would be on-site or working remotely. The level of service they provide never wavers.

In an effort to communicate with our associates in the industry, we are very excited to be launching a podcast called "Stellar Conversations" that will feature industry experts in a casual Zoom setting discussing a myriad of topics that I'm sure you'll find interesting. These short 20-minute podcasts are designed to cover a wide variety of topics that are not only topical, but forward thinking. Our first three guests and topics are detailed later in this edition.

In closing, we sincerely hope you are starting to feel a sense of relief and that 2021 will be a year of accomplishment and happiness. Get out there and enjoy a ballgame with your family. I certainly can't wait. It's gonna be a long year!





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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.

How Can Credit Unions Grow Their Auto Loan Portfolio During Pandemic Times?



Most credit unions have made changes to their field of membership in recent years, to help consumers in their market financially. Many have been approved to expand their footprint through community charters, to help serve the underserved, or have developed association relationships in addition to their many business segs, this allows for neighbors of their current members to join the credit union.

In addition, credit unions have made great strides in capturing a greater percentage of the consumer auto loan sector. In the last decade, strong attention has been devoted to developing dealership infrastructures via CUDL and other sources to have credit unions become major players in indirect lending. In fact,

new and used auto loans have doubled over the last 10 years for credit unions.¹

During the height of the 2020 pandemic, many dealerships' sales severely declined. Now, in 2021, new car sales are returning bit-by-bit. Unfortunately, new car manufacturing has yet to fully recover, since much of the supply chain has been disrupted as well.

This, of course, puts pressure on both dealerships, as well as financial

institutions, as they compete to capture the new auto business. Credit unions continue to narrow interest margins to keep and/or gain a share of this loan sector.

Consumer behavior has changed dramatically during the pandemic. Many businesses have closed or reduced staff significantly. Others had employees work remotely. Social distancing, wearing masks, and frequent hand sanitizing has been required from the young to the old throughout the country.

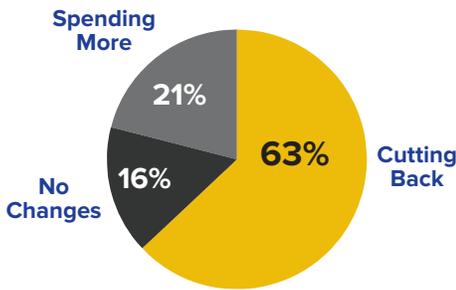
Many families are leaving the cities to the suburbs for a variety of reasons and do not have access to mass transit (see Forbes.com). Many consumers are concerned about their future finances. In a recent survey by Highland Solutions, 63% of America have cut back on their spending habits since COVID-19.

It is not surprising that all these factors have changed the buying habits of the American consumer. Used car sales are at all-time highs. CNET.com reports "Used car sales rise as Americans tighten belts during coronavirus."

Top Reasons For Spending Less	Being more cautious	60%
	Reduced income/salary	49%
	Staying home more often	40%
	Lost job	17%
	Spouse/partner lost job	16%

Survey Reveals Spending Habits During Covid-19 | Highland

Spending Habits Since Covid-19



Who's Cutting Back On Spending?

Gen Z	67%
Millennials	63%
Gen X	62%
Baby Boomers	64%
Males	61%
Females	64%

Survey Reveals Spending Habits During Covid-19 | Highland

More consumers are purchasing used vehicles. Used car sales were down only 5% in 2020, versus a 19% decline in new car sales. (Cox Automotive)

Even as vaccines are being rolled out in 2021, consumers will be looking for new ways to save money. The auto loan payment is typically one of the top three, monthly payments in most households. With interest rates at record lows, now is a great time to focus on educating potential and current members on how to refinance their auto loans and save thousands over the lifetime of the loan.

Stellar Auto Loans' propriety software analytics shows as of March 2021, there are 1,293,862 loans nationwide that are refinanceable with a \$50+ savings and a \$15,000+ current/remaining balance.

Average savings for consumers is \$85 more per month, using our credit unions' average rates per credit tier, as well as average derogatories/stipulations per credit tier.

During the 2020 pandemic, our credit union partners using Stellar Auto Loans' Recapture Program saw a significant increase in asset growth. Total direct loans rose by 83% vs. SPPY (Same Period Previous Year). Applications for refinancing climbed by 97% and the number of funded auto units rose by 57%!

Our "7 Touch" prospect contact process helps generate prescreened applications, mirroring our credit union partners' credit rates, approval parameters, and field of membership. These potential new members are shown monthly, yearly, and lifetime savings if they were to refinance with the credit union.

Each credit union's underwriting team makes the decision to approve or deny the loan, with most of our credit union partners averaging a 40-50% look-to-book rate. Our star performers are over a 70% LTB!

Each credit union's success is literally our success, with our contingency-based pricing. Stellar pays for 100% of the marketing costs! This includes printing, postage, credit bureau lists, phone appends, outcalls, inbound calls, reminder mailings, etc. We only require a small success fee on the funded loans.

Who doesn't want to save an average of \$85 a month in these trying times?

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@stellarauto loans.com or 402-708-2425.

¹ Source: @Callahan & Associates | creditunions.com, Total auto loans data as of September 30, 2018.

SUCCESS STORY

Regional Federal Credit Union

Hammond, IN

We launched the Stellar Auto Loan program in January 2019. Our target audience is non-members within our community charter footprint to support our annual lending growth goals and promote the REGIONAL brand. The team at Stellar has been great to work with from the implementation into the ongoing marketing campaigns. We meet to review results and make adjustments to ensure the program's success. We consistently receive applications submitted through multiple channels including our Call Center, in-branch and via the Stellar Application Portal. To date, we have booked over \$1.4 million in loans and are running a 50% look-to-book ratio. The program has been a great compliment to our other marketing efforts.

— Michael Peters
Executive Vice President
REGIONAL federal credit union





FLUSH WITH DEPOSITS, PROBABLY.

FLUSH WITH NEW CUSTOMERS, NEVER!

Over the past 20 years of working with community banks and credit unions, we have witnessed first-hand how high-performing institutions adapt to improve their marketing efforts. The #1 trait these institutions have is a persistency and commitment to executing long-term initiatives when opportunities arise, that produce results and maximize returns.

Let's expand upon that...

Yes, most of you are flush with deposits.

However, if you only focus on the deposits coming in, you'll fail to see the extraordinary opportunity to grow your customer base. There's a saying in marketing: "Extend the peaks and limit the valleys. Maximize results during the peak periods and stay aggressive during the tough times." In banking, that translates to: "Don't forget to continue growing your customer base just because you're flush with deposits." The market that has allowed for high deposit growth could be ripe with opportunity to grow your customer base. That is the market we live in today!

Let's put this in the context of today's current situation. Most banks and credit unions are overflowing with deposits, so the focus aggressively switches to loan production. Practically everyone makes that same decision and frankly ignores the huge opportunity that those systemic decisions create. Market disruption continues as people switch jobs, move, and find faults with their current banking institution. In addition, there are two significant mergers taking place with significant regional banks that cover 13



states. This creates a perfect storm for competitors in those states to capture a disproportionate share of the disrupted market. Not to mention, other mergers and acquisitions that are taking place in those markets. If you are in a market with ongoing disruption, ask yourself: "Am I taking advantage of the situation?" I bet the answer in most cases is "no." Even if you're in a market with relatively low disruption, you still have an open opportunity for enhanced growth. Most competitors are more focused on current loans than acquiring new customers. The opportunities for growth don't stop based on your decision to focus in other areas.

So, the Real Question is: "Are You Dedicated to a Long-Term Plan?"

It's not always easy but remaining dedicated and persistent will help you achieve your goals. Being adaptable to interest rate changes or consumer spending habits should be a consideration in the short-term. But, don't completely derail from your long-term goals to do so.

The Downside of Indecisiveness and Built-In Disruption

Institutions that struggle with retail growth typically don't have a clear direction or strategic marketing plan. They tend to make decisions "on the

MOST BANKS AND CREDIT UNIONS ARE OVERFLOWING WITH DEPOSITS, SO THE FOCUS AGGRESSIVELY SWITCHES TO LOAN PRODUCTION. PRACTICALLY EVERYONE MAKES THAT SAME DECISION AND FRANKLY IGNORES THE HUGE OPPORTUNITY THAT THOSE SYSTEMIC DECISIONS CREATE.

fly” as opposed to being dedicated to a planned approach. The most consistent phrase we hear from struggling institutions is “I know it’s working, but we want to try something different” or “we need to change our focus.” These phrases are a death wish for sustainable growth.

On another note, there are numerous companies that require long-term and lengthy contracts to grow your account base. In some cases, your institution is required to change your existing checking account line-up. Our company does not require multi-year contracts or drastic changes to your



**In 2020,
mail responses
increased by
almost 25%!**

checking products. There is a key reason for this. By not requiring multi-year contracts we don’t force clients to think in a fixed period of time. Thinking and planning long-term is a clear advantage for any business that wants to experience sustained long-term growth, but so is having flexibility to adapt.

In the event that a vendor requires a multi-year contract, think beyond the term of the proposed contract to ensure you don’t create disruption for your customers. This is especially true if you are thinking of using a vendor’s proprietary checking product.

The bottom line to growing your retail business is to make a long-term strategy based on hard data, stay committed to it, adapt to market changes, and be confident in your plan. You’ll have an advantage over most institutions that struggle with retail growth. Community banks and credit unions that have a dedicated and persistent approach will always outperform those that do not.

The charts on the right represent two clients that have taken a long-term approach to growing retail deposit market share with relatively modest budget expenditures. The results speak for themselves. Keep in mind, although you may be heavy with deposits, you need to continue adding new customers to grow your business long term.

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

MIDWEST CREDIT UNION

\$1.2 Billion Assets, 15 Branches

MARCH 9, 2012

	Number	Gross Balance	Avg. Balance
Checking Accounts	28,594	\$141,843,908	\$4,961
Savings Accounts	62,193	\$86,677,566	\$1,394
Grand Total	90,787	\$228,521,474	\$2,517
TOTAL ASSETS			\$598,833,503

APRIL 1, 2020

	Number	Gross Balance	Avg. Balance
Checking Accounts	50,737	\$195,007,980	\$3,844
Savings Accounts	96,811	\$218,217,931	\$2,254
Grand Total	147,548	\$413,225,911	\$2,801
TOTAL ASSETS			\$1,205,496,948

LIFT

	Number	Gross Balance	Avg. Balance
Checking Accounts	77%	37%	-23%
Savings Accounts	56%	152%	62%
Grand Total	63%	81%	11%
TOTAL ASSETS			101%

Remarks: 7.3% annual checking account growth (assuming constant compound growth)

SOUTHEAST BANK

\$804,000 Assets, 7 Branches

SEPTEMBER 19, 2011

	Number	Gross Balance	Avg. Balance
Checking Accounts	13,483	\$53,257,768	\$3,950
Savings Accounts	5,364	\$21,105,711	\$3,935
Grand Total	18,847	\$74,363,479	\$3,946
TOTAL ASSETS			\$494,079,000

FEBRUARY 28, 2020

	Number	Gross Balance	Avg. Balance
Checking Accounts	23,598	\$168,111,491	\$7,124
Savings Accounts	6,933	\$51,441,418	\$7,420
Grand Total	30,531	\$219,552,909	\$7,191
TOTAL ASSETS			\$804,903,000

LIFT

	Number	Gross Balance	Avg. Balance
Checking Accounts	75%	216%	80%
Savings Accounts	29%	144%	89%
Grand Total	62%	195%	82%
TOTAL ASSETS			63%

Remarks: 6.9% annual checking account growth (assuming constant compound growth)



QA WHAT YOU NEED TO KNOW

About The Stellar Auto Loan Recapture Program

Over the years, we've had many people ask us: "How does the Stellar Auto Loan Recapture Program work?" For this article, we have compiled a list of questions and answers about our direct auto loan program.

Our program's marketing strategy is proven time-and-time again by the success of our clients.

Q. *What changes do we need to make to our lending practices with the Stellar Auto Loan Recapture Program?*

A. Your institution does not need to change any of your current practices. We use your current credit tier rates for auto loan amounts, remaining terms, credit score tiers, and suppress those leads that do not meet your customary derogatories/stipulations via our proprietary credit bureau data analytics. Applications are still processed through your normal channels to approve or deny the loan.

.....

Q. *Are these applications shared with other institutions?*

A. Applications are **NOT** shared with other financial institutions.

.....

Q. *How do you choose which prospects to target?*

A. Stellar Auto Loans' unique recapture program uses data mining of credit bureau consumer information. We find households that are paying a substantially higher interest rate on their auto loan than what your credit union would charge for the same credit score, remaining balance, remaining term, and meet your credit criteria. The key to success for the Stellar program is the data manipulation used to determine which prospects to target, as well as being able to have a unique example of the potential monthly, yearly, and lifetime payment savings from consumer to consumer if they were to refinance with your institution.

Q. *We have tried other recapture programs and have had little success. What makes your program more effective?*

A. Stellar uses a "7 Touch" process to communicate with prospective members that reside in the credit union's field of membership.

1. Multiple mailings
2. Outbound and inbound call center
3. Online web application portal designed with the credit union's marketing appearance
4. Reminder messaging
5. Application process support
6. Proprietary credit bureau selection model mirroring the financial institutions credit criteria
7. Stipulations help insure not only a good response rate of applications, but a high "look-to-book" rate.

.....

Q. *How much does this cost our credit union? Is there a long-term commitment?*

A. Stellar Auto Loan's approach is in line with our clients' results. Their success is our success, literally. We charge a contingency (success fee) for loans funded that are directly match to the Stellar prospects targeted. Our agreements allow for the institution to terminate the program at any time, with a 30-day notice.



STELLAR SPOTLIGHT

Lawrence Jenkins
Inbound Representative

Lawrence joined the Stellar Auto Loans inbound team in 2019. One of Lawrence's main joys in this position is his ability to assist our credit union client's members to save money on auto loans. Customer service has been a mainstay of Lawrence's career. He has worked in retail, hotel management and more recently, working with local political figures assisting their constituents.

When not working, which according to Lawrence is not often, he enjoys monitoring local political happenings, gardening, and watching old movies. The tell-tale sign of someone who enjoys what they are doing is the feedback we receive from the people Lawrence has helped. It's not uncommon for us to receive a call back from customers he has assisted thanking him for his professionalism and friendly demeanor.

Q. *What is your normal look-to-book rate on Stellar applications?*

A. Our clients are averaging a 50% look-to-book rate on the prescreened applications. Our star performers have over a 70% look-to-book rate.

Q. *How does this affect our indirect auto loan business?*

A. The Stellar Auto Loan Recapture Program targets the potential members that your indirect loan channel missed. In addition, you keep all the non-interest income associated with this new direct loan, unlike an indirect loan.

Q. *What types of applicants are generated for your credit union clients?*

A. 95% of the applications are non-members that reside in our clients' field of members and can become a members of the credit union. These new members become profitable members, and typically add additional products and services with their new direct relationship with the credit union.

If you have any further questions regarding The Stellar Auto Loan Recapture Program, please contact our founding partner of Stellar Auto Loans, George Monnier, at george.monnier@stellarautoloans.com or call 402-708-2425.



A new podcast from Stellar Strategic Group about banking, auto refinancing, and so much more!

FEATURING CONVERSATIONS WITH

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Thank you!



FOR BEING WITH OUR
ACCOUNT ACQUISITION PROGRAM FOR
OVER 9 YEARS!

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