



Lending Reimagined: New Strategies for a Post-COVID Future

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Today's Presenters



Traci DeGolier

Vice President, Data and Analytics

Harland Clarke

Traci.Degolier@harlandclarke.com



Stephenie Williams

Executive Director, Acquisition Solutions

Harland Clarke

Stephenie.Williams@harlandclarke.com



What We'll Cover Today



Post-COVID is a *rare* consumer lending opportunity



Discover the increased value of fully connected consumer experiences



Helping, not selling, begins and builds lifetime relationships



Supercharge your data to uncover opportunities and build personalized experiences

Effects of the Pandemic



Initial Observations

- From March to May 2020, consumer spending performed better than expected
- Consumer loan demand is stagnant, and lenders are tightening up criteria
- Shift to unsecured personal loans from HELOCs, though with higher rates, they are much easier and faster to obtain
- Spike in refinance applications (Cash-out Refinance)
- “Captives” / Digital auto retailing (Millennials taking out loans to avoid mass transit)



Lasting Changes in Consumer Behavior



- Consumers will take a more cautious approach to credit, reducing credit card spend and major asset purchases
- Increased focus on savings, driving consumers to high- interest savings and long-term deposit accounts
- Reduction in loan demand and consumer spending
- *"A good third of the country believe worse impact from COVID-19 on their finances is coming. Many have lost jobs and cannot repay borrowings."*

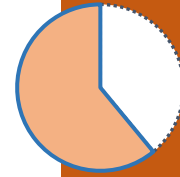
Source: The Financial Brand

The Fully Connected Consumer Experience

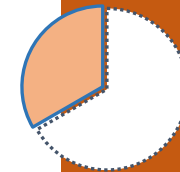


Fully Connected Consumer Experience

- Consumers want a consistent experience every time they interact with your brand, regardless of the channel
- Add value by recreating in-person experiences in a digital environment
- Limit friction in the online experience of opening and funding accounts and applying for loans



61% of responders ranked *“better enable self-service channels”* as a top priority



33% of respondents ranked *“improve integrated multichannel delivery”* as a secondary priority

Source: Harland Clarke TrendWatch 2021 Survey Data

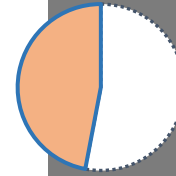
A man in a dark suit, white shirt, and striped tie is speaking and gesturing with his hands in a meeting. He is looking towards the left. In the foreground, the back of a person's head with dark hair is visible, and another person's shoulder is partially seen on the right. The background is a bright, out-of-focus office space with large windows.

Finding Success With the Disrupted Consumer

Finding Success With the Disrupted Consumer



- Caring for the Consumer; Be there for them today, so you earn the right to be there tomorrow
- Shift messaging to cash flow advice (helping, not selling) — offering financial education for those who were declined a secured credit card or helping them build a financial cushion
- The ability for a dissatisfied customer/member to leave is made easier with digital relationships
- In fact, customers/members may leave, begin a relationship with a competitor, and never completely close their previous account



47% *report that COVID-19 had no effect on their marketing budget*



38% *reported a budget decrease/freeze*

Source: Harland Clarke TrendWatch 2021 Survey Data



Supercharge Your Consumer Data

Supercharge Your Consumer Data



- Personalization is no longer simply names and addresses
- Gather actionable insight from every touchpoint of consumers' financial journey
- Many consumers view their banking relationship as transactional — impersonal, detached and institutional
- Meet consumers exactly where they are in their journey, through every channel, with a consistent, connected and personalized message that lets them know you are there for them when they need you most.



40% of responders *do not use consumer data and analytics to enable personalized offerings and interactions*



34% *use name and address information only*

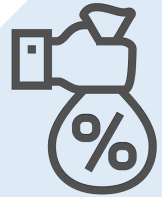


9% *report highly personalizing offers based on consumer data as a best practice*



Opportunities for Financial Institution

Market Opportunity



Personal Loan

Trigger volume
16.6%
greater than 2019



Credit Card

Trigger volume
14.5%
less than 2019



Mortgage

Trigger volume
60%
greater than
2019



Auto Loan

Trigger volume
2.6%
greater than
2019

Homeowners were **>2 times** more likely to be shopping for these loan types throughout the pandemic.



TREND

- According to Harland Clarke's TrendWatch 2021 industry survey, 27% of respondents saw an increase in consumer loans since COVID-19
- 16% of Americans affected by COVID-19 plan to apply for personal loans to help pay bills and loans

Personal Loans

OPPORTUNITY

- Many consumers are unaware their financial institution also offers personal loans
- Make personal loans personal – identify consumers who are most likely to use a personal loan for a specific reason and target campaigns by need
- Help consumers pay off high-interest credit card debt — 65% take out personal loans to consolidate credit card debt



Auto Loans

TREND

- New car sales in 2020 were nearly flat compared to 2019
- 28% of consumers delayed vehicle purchases due to COVID-19, which means 72% could be shopping

OPPORTUNITY

- Online auto shopping is increasing; banks and credit unions can target and attract in-market shoppers with pre-approved offers
- Refinancing offers provide customers and members financial relief that builds trust and loyalty



TREND

- The housing market remains healthy and new mortgage originations continue to increase
- The low interest rate environment has caused refinance volume to increase nearly 300% from Q2 2019 to Q2 2020

OPPORTUNITY

- Proactively position yourself as a select mortgage lender by targeting likely movers with multichannel branding campaigns and pre-approved offers
- Use trigger-based programs to send your pre-approved offer when a customer/member pre-applies for a mortgage with another lender

Mortgages



Home Equity Loans / Lines of Credit

TREND

- Homeowners are spending more time in their homes, home improvements and renovations are up
- Low rates caused applications to soar and as a result lenders tightened credit availability

OPPORTUNITY

- Tighter credit forces homeowners to look harder for a lender, proactively reach them first by predicting their needs
- Identify customers/members who have equity and proactively market home equity loans as a means to finance a renovation or improvement
- Just because a homeowner applies with another lender doesn't mean they will be approved; with trigger alerts, you'll know they have applied, and you can reach out with a prescreened offer

Proven Strategies



Loan Pre-Approval Solutions



- Can be very surgical, or narrow in focus
- Help customers/members with refinance offers
- An always-on, proactive strategy shows you are in touch with customers'/members' needs
- A reactive strategy shrinks attrition and grows relationships
- Present preapproved offers in online and mobile banking, direct mail, and email

Household Acquisition

- Identify new households in your market
- Narrow the focus to individual households
- Identify households less affected by uncertain economy



Questions ?

Presentation materials and video replay will be provided within one week.

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