



LENDING SOLUTIONS
CONSULTING

WEBINAR 52

HOW TO INCREASE ROA BY INVESTING IN YOUR EMPLOYEES

HOSTED BY BOB SCHROEDER



WHAT WE WILL COVER

- Industry Landscape
- Credit Union Peer Group Performance
- 7 Strategies to Increase ROA
- A Deeper Look Into How Bar-Cons Achieved Results
- The LSCI Solution





INDUSTRY LANDSCAPE

Overall credit union performance remained robust through the first three quarters of 2018, but new data shows it's the CUs of more than **\$1 billion in assets** that continue to fuel the engine, with credit unions with less than **\$100 million** in assets generally showing declines in loans, membership, and net worth over the year.

NCUA Quarterly Credit Union Data Summary 2018 3Q, ALEXANDRIA VA

CREDIT UNION PERFORMANCE

Peer Group < 100m

NCUA Quarterly Credit Union Data Summary 2018 3Q						
Asset Size	No of CU's	12 Mo Change	Loan Growth	Member Growth	Net Worth Gr	ROA
50-100M	690	-34	-1.04%	-5.6%	-0.8%	0.62%
10-50M	1725	-75	0.80%	-5.1%	0.4%	0.53%
0-10M	1447	-115	-3.02%	-9.0%	-3.3%	0.30%
0-100M	3862	-224	-0.60%	-5.7%	-0.5%	0.56%



WELCOME BAR-CONS FCU

“We are having a blast and getting results”



- A 50-year-old closed seg credit union
- In 2013, ROA was $-.10\%$
- We closed a branch & stopped all travel to stay afloat
 - ROA increased to $.19\%$ in 2014
- Attended the University of Lending in May 2015
- In 2017, we reached 67.5 % of our incentive goals
- In 2018, we have made over \$500,000 in net income
Our ROA is over 1%, our loan yield is over 6%, our net worth is almost 11% and our delinquency and charge offs are below 1%



JAIME STAINBROOK
CEO, BAR-CONS FCU



BAR-CONS
Federal Credit Union
— People Helping People —

INVESTMENT IN TRAINING

LSCI Relationship Timeline



May 2015

Attended the University
Of Lending

Aug 2015

Portfolio Analysis with
Recommended Strategies

Oct 2015

GAP Incentive Implemented

Dec 2015

3-Day On-site Training
with Bob Schroeder

Feb 2017

2-Day On-site Training
with Bob Schroeder

Oct 2017

2-Day On-site Training
with Bob Schroeder

Jan 2018

3-Day On-site Training
with Bob Schroeder

Aug 2018

3-Day On-site Training
with Bob Schroeder



BAR-CONS
Federal Credit Union
— People Helping People —

RECOMMENDED STRATEGIES

To Increase ROA

7. Implement a Risk-Based Pricing Structure

Be compensated for the risk you are taking. The most successful credit unions have a net yield (after charge-offs) of 7% and a spread in their rate structure of 13-15%.

6. Remove Barriers in your Policies

Remove the barriers that are currently being used to quickly deny a member and not fight hard enough. The credit union has the right of first refusal and your policy needs to encourage this.

5. Start Growing Loans

Redefine risk in order to grow loans. LSCI recommends targeting 10% loan growth each year.

4. Introduce a Sales Culture with Incentives

Develop an incentive program which motivates staff and increases product penetration when aligned with credit union goals.



RECOMMENDED STRATEGIES

To Increase ROA

3. Ongoing Staff Training

Develop staff's knowledge on credit scores as well as the interview process and note taking

2. Opening New Accounts

Pull a credit report on every new member to discover hidden opportunities

1. HYLS Underwriting Guide



A LOOK AT HYLS

HYLS is an automated, online underwriting guide that allows loan officers to build more loans with greater confidence. Loan officers can conduct a better loan interview and produce a more accurate assessment of risk with the support of HYLS.

THE HYLS SCORECARD SUMMARIZES

- Top positive and negative reasons to support your loan decision
- Potential bankruptcy indicators
- Loans that require additional work or collateral

FITTING HYLS INTO YOUR BUDGET

We welcome you to take advantage of our 2-week FREE trial and see how easy it is to develop loans even further.



POLL

How many credit unions currently have an incentive program?

- ☐ Yes, we have an incentive program
- ☐ No, but we'd like to establish one
- ☐ No, and we don't want one



LSCI STRATEGIES IMPLEMENTED



The current GAP product was not bringing in income for the credit union.

	Monthly Volume	Monthly Net Income	Additional Income
Current Results	4	\$955	\$0

LSCI's Proven Solution: Raise the price of GAP from \$399 to \$499 and pay a \$60 incentive to the sales staff was presented to the board and approved!

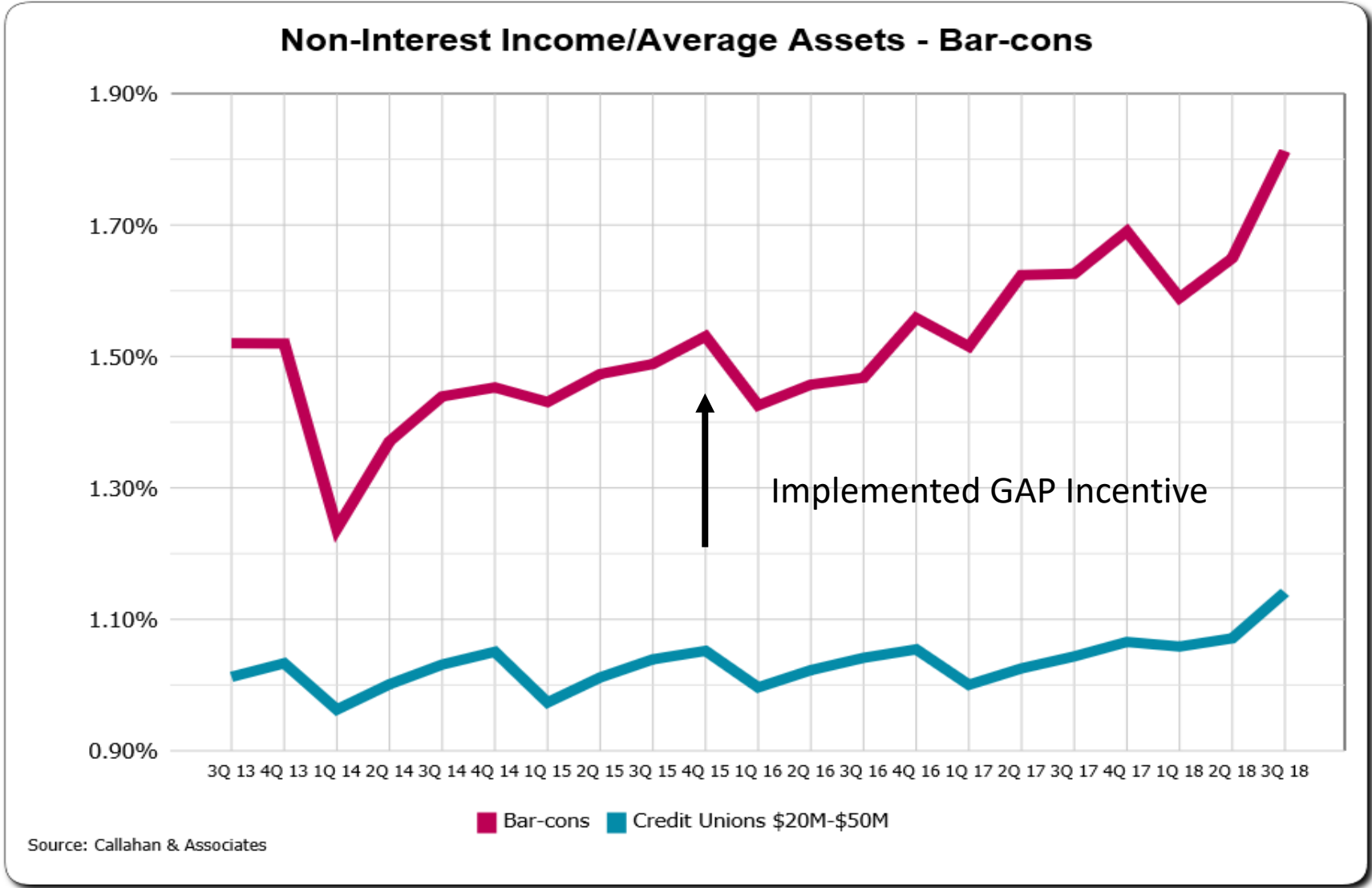
RESULTS

Monthly Volume	Monthly Net Income	Additional Income
8	\$2,272	\$1,317
12	\$3,408	\$2,453
16	\$4,544	\$3,589

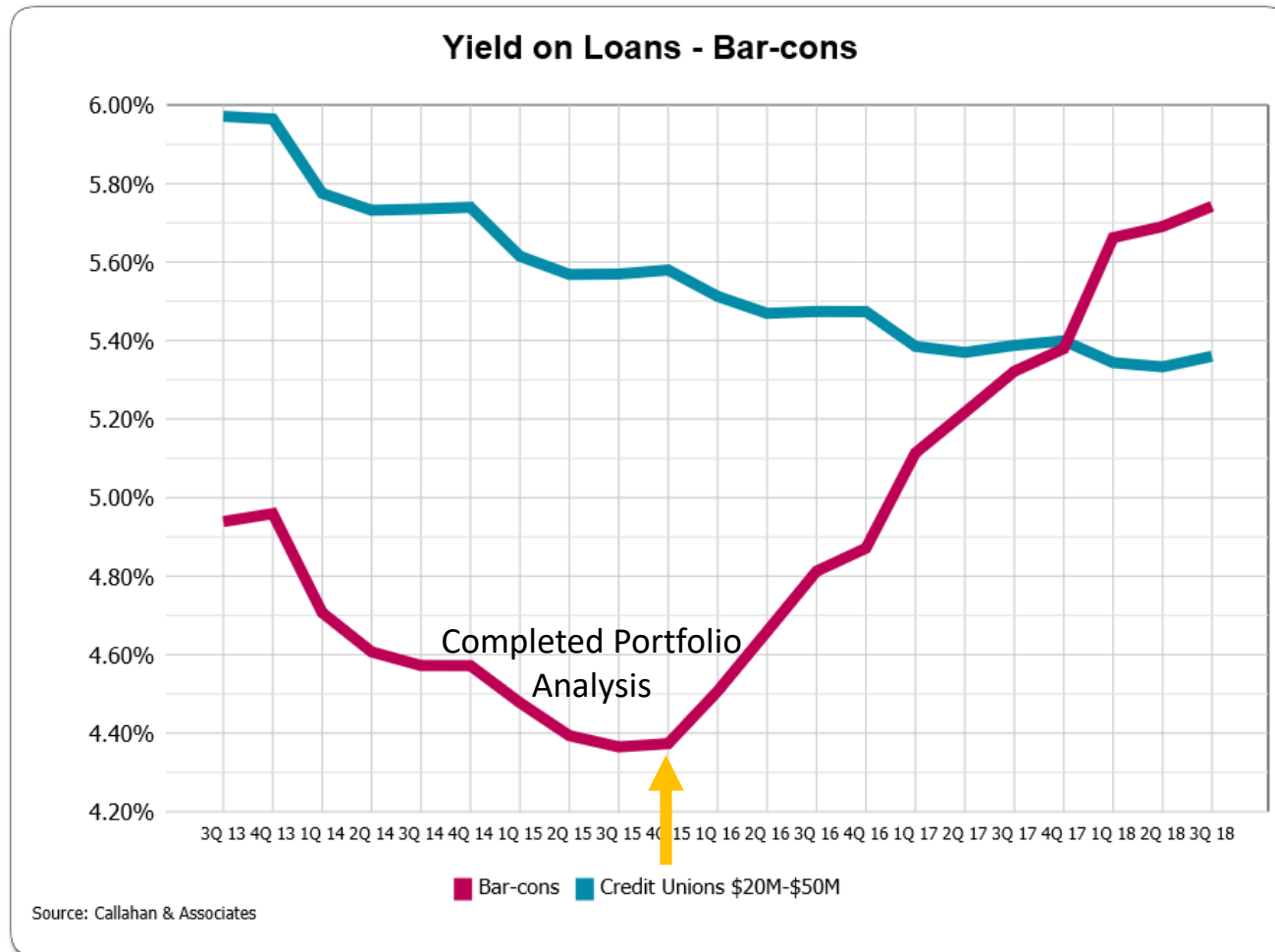


Incentives are a key component in motivating and rewarding employees to achieve goals.

GROWTH WITH AN INCENTIVE PLAN

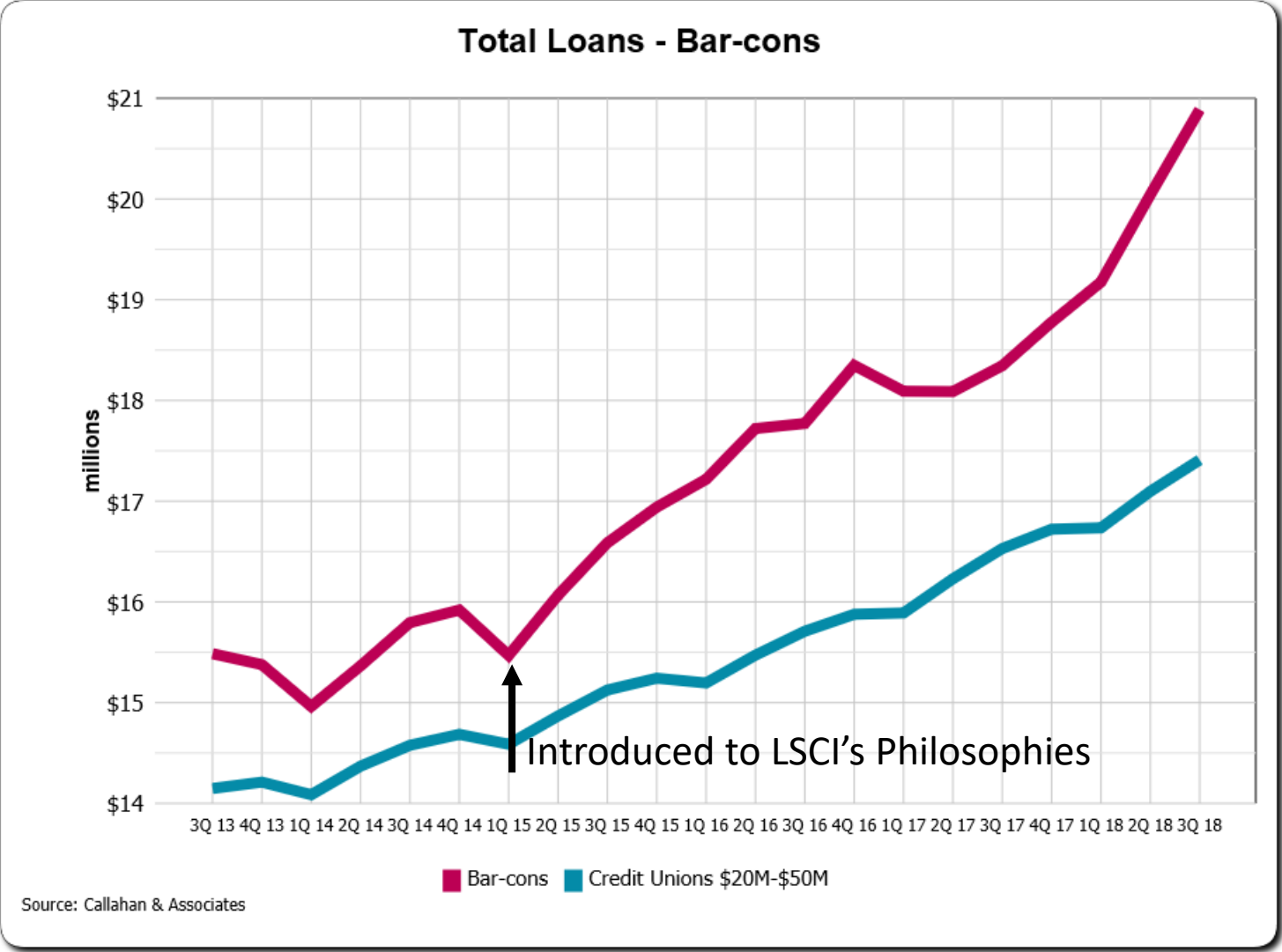


LSCI STRATEGY IMPLEMENTED



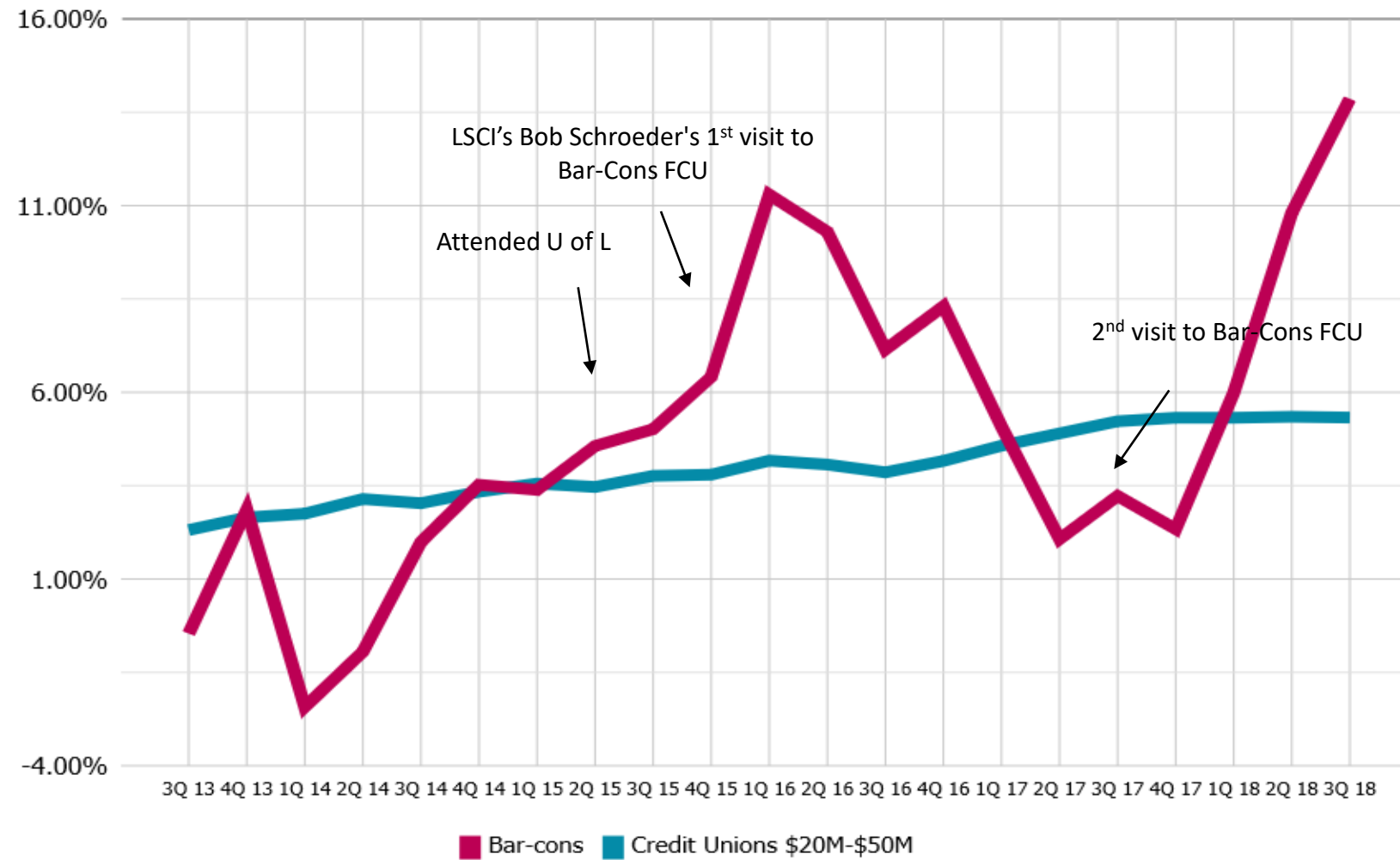
A Portfolio Analysis revealed the need to implement a RBL pricing model. Yield continues to grow since changing the pricing structure.

TIME FOR A CHANGE





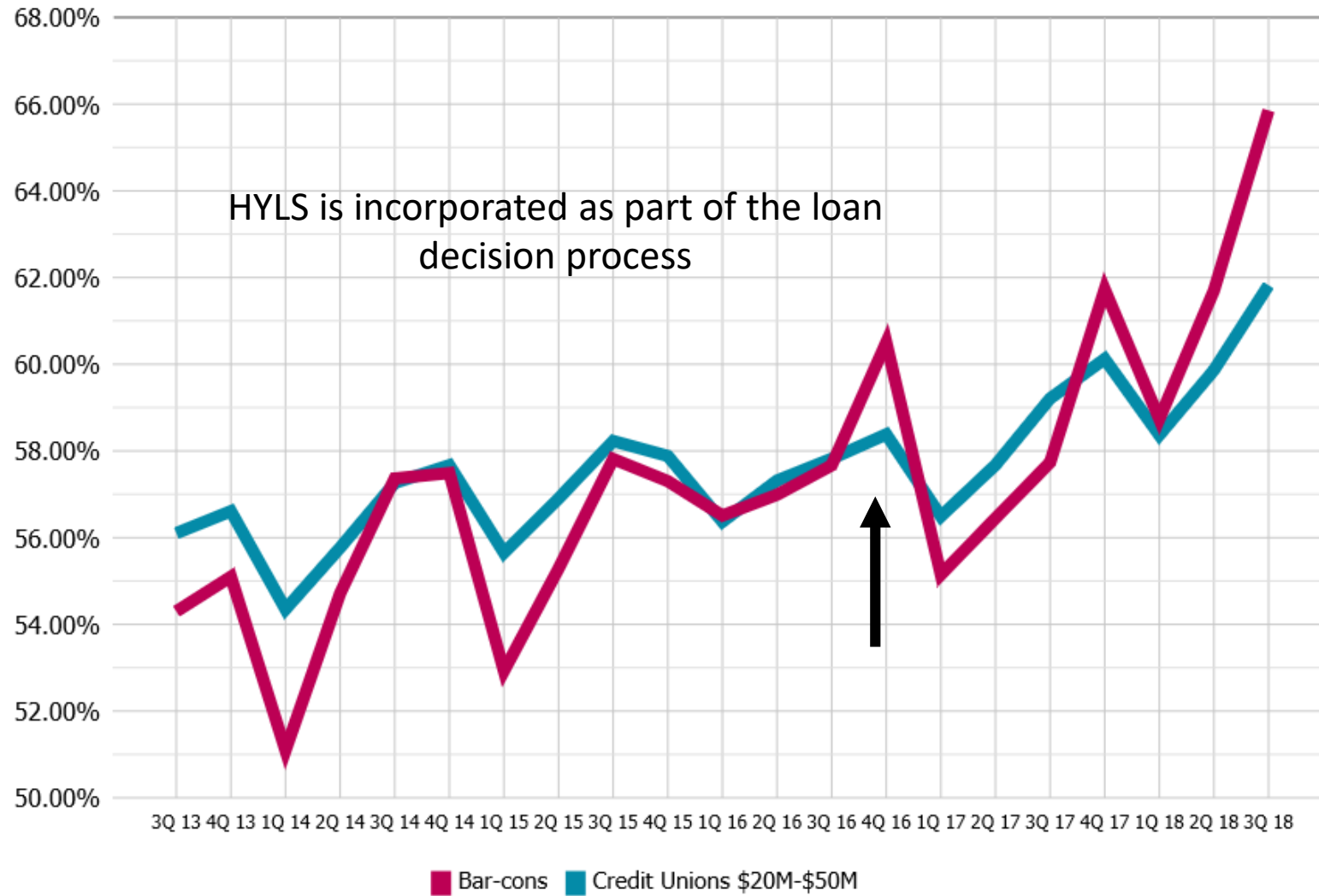
Loan Growth - Bar-cons



Source: Callahan & Associates



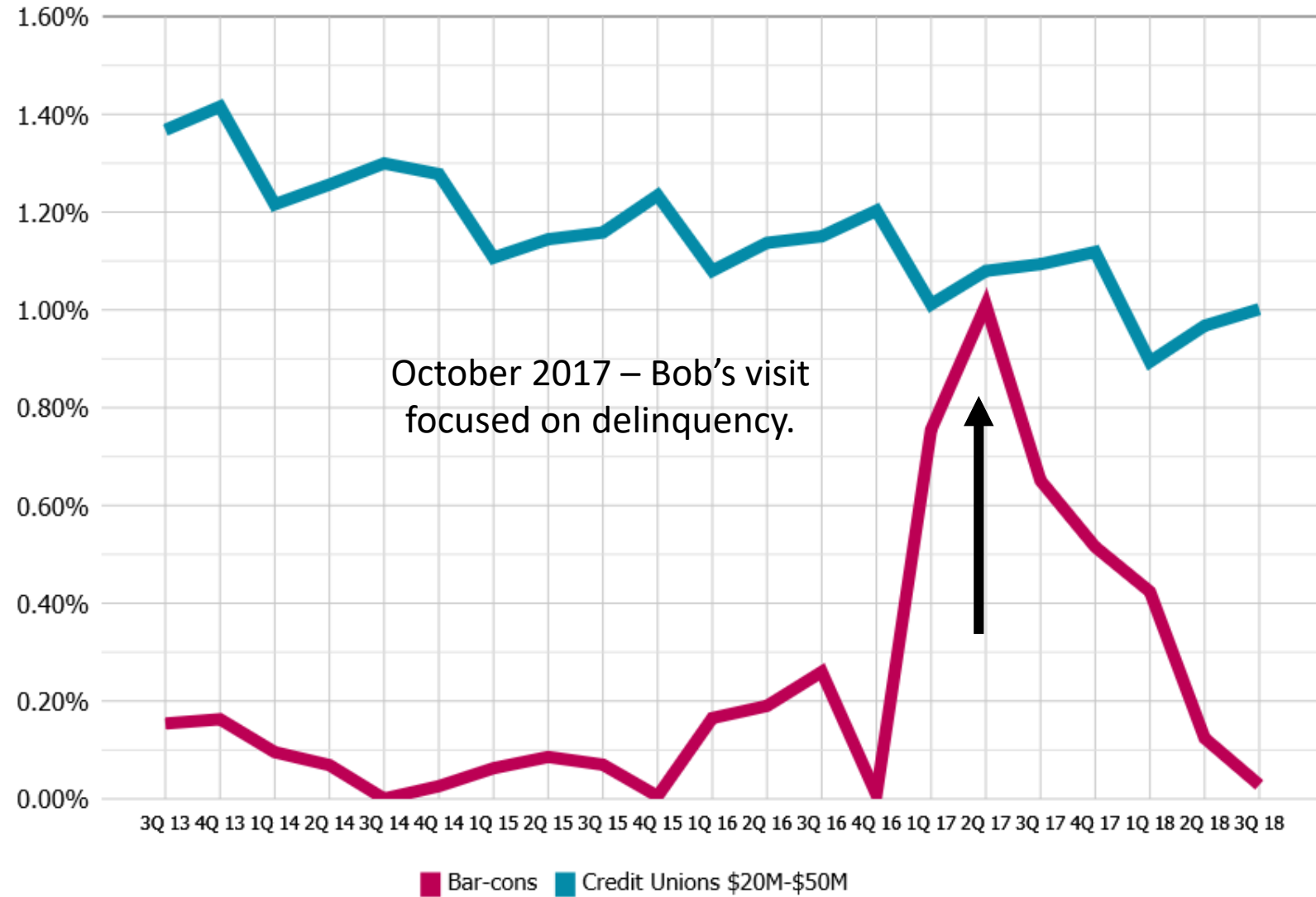
Loans/Shares - Bar-cons



Source: Callahan & Associates



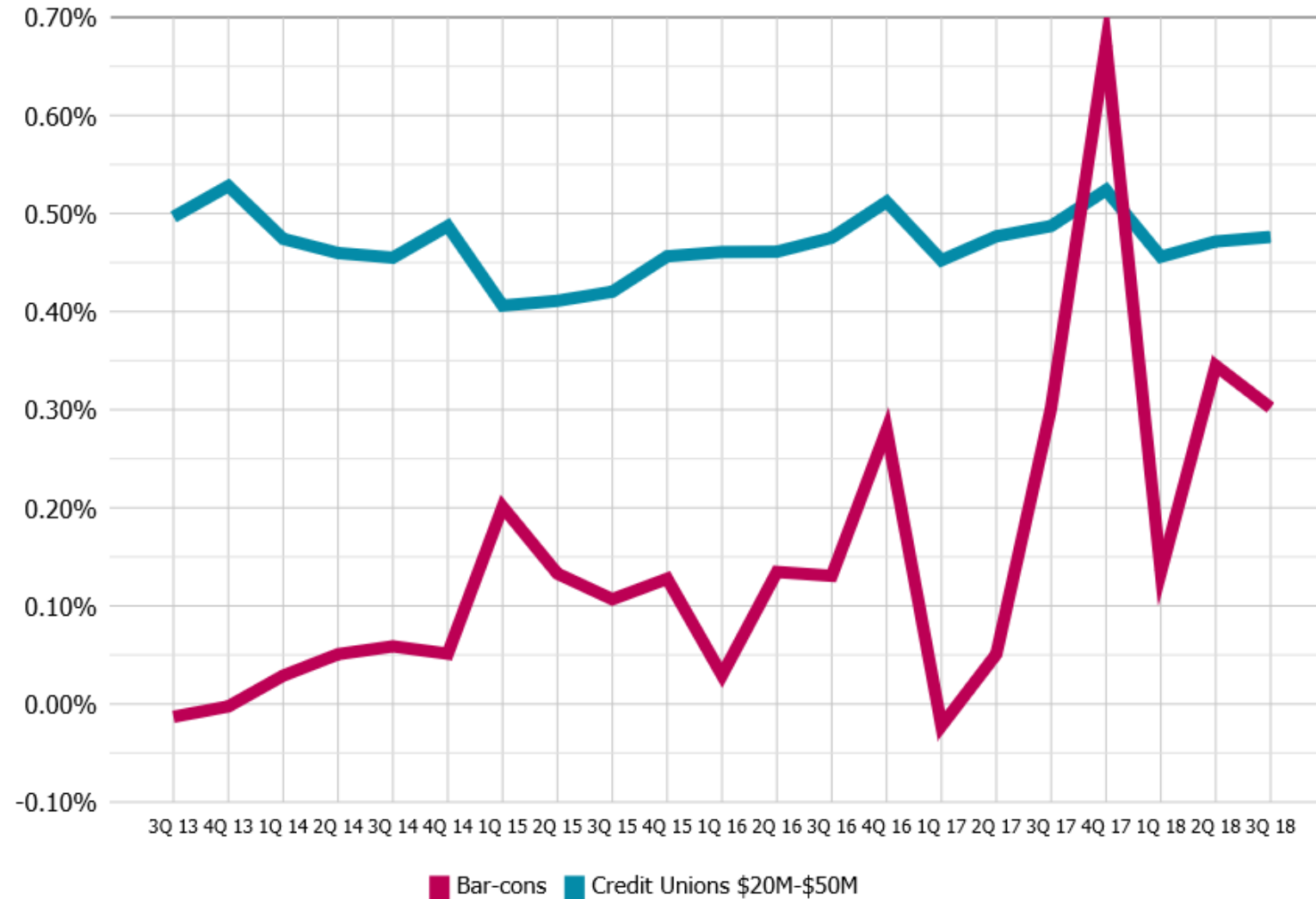
Total Delinquency - Bar-cons



Source: Callahan & Associates



Total Net Charge-Offs - Bar-cons



Source: Callahan & Associates

NEW MEMBER PROCESS *A New Approach*

1. Greeting: “We are glad to have the opportunity to earn your business today!”

2. Learn Something About the Member

- What is their motivation? The key is finding out why they need the credit union.
- How did they hear about us?
- What brought them in?
- What kind of vehicle are they driving?
 - Is it financed or paid for?
- Where are you currently doing business?
 - Try to find ways to save them money
 - Ask to move all monies to the credit union and let them know we’re willing to pay more.

3. Lending Opportunities

- Use their credit report as an opportunity sheet
- Vehicle pre-approval if current automobile is older
- Refinance if we can beat their current rate
- Look into mortgage refinancing
- Possible equity approval for debt consolidation or home improvements
- Credit card with potential balance transfers



4. Apply 'Score Enhancement' Techniques

- Look at recent inquiries for clues into member spending habits
- Discuss current FICO score congratulate if 'A' paper or platinum
- Discuss strategies to increase if 'B-E' paper
- Use Score Enhancement Manual, highlighting FICO road map with member
- Compute competition's interest rates with calculators and show the member how much they are paying and what they can save

5. Deposit Opportunities

- Discuss the benefits of belonging to credit union such as member-owned, money re-invested back to memberships.
- Free checking, Money market, CDs, etc.

6. Convenient Services

- This will strengthen the new relationship - Home banking, avenues for applications, ATM, debit cards, etc.

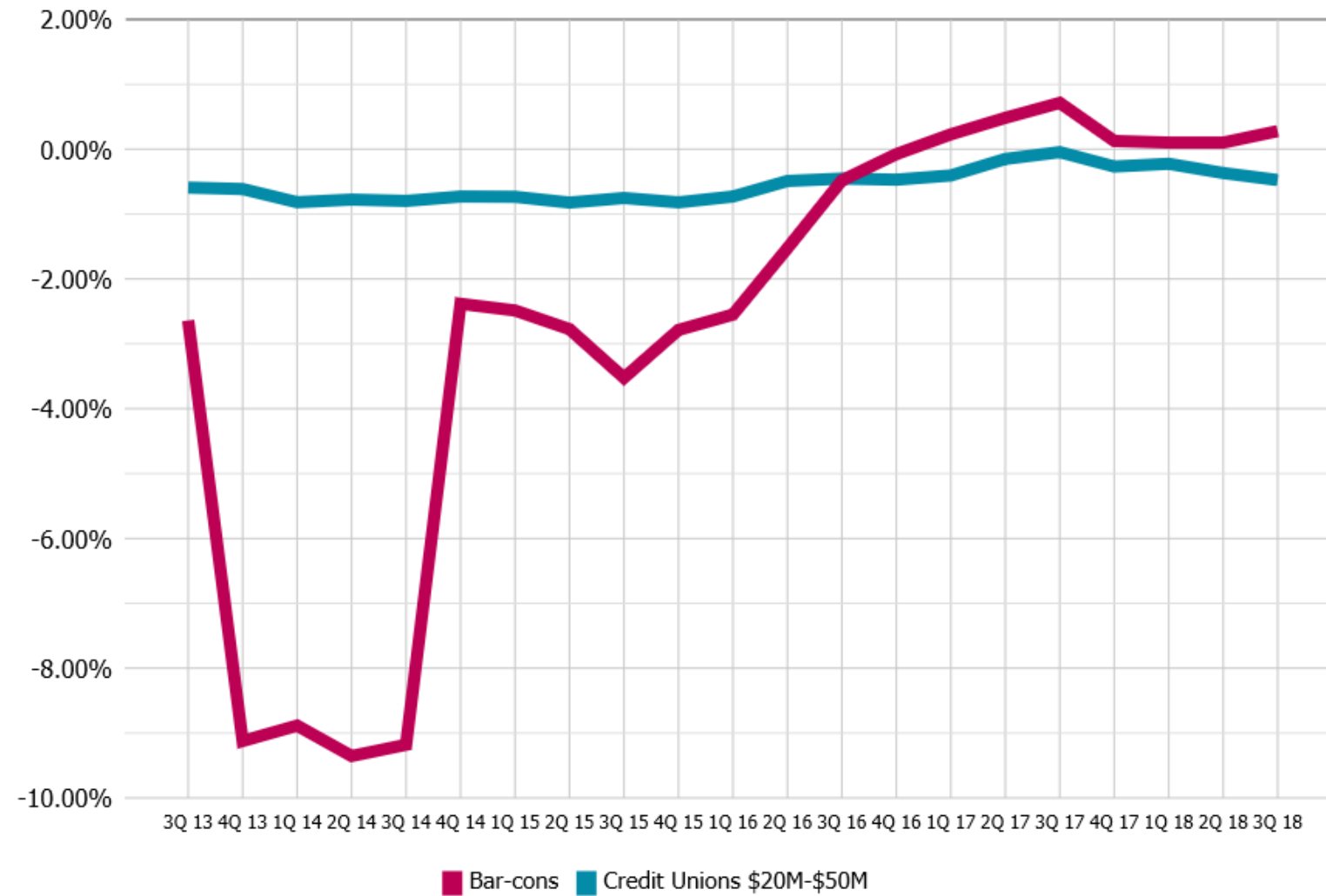
REMEMBER TO:

- Have a goal of a minimum of 3 products (including 1 loan)
- Approve and fund loans on the spot
- Document sales attempted as well as oppositions
- Flag system if member is risky
- Take good notes, as you would for a loan





Member Growth - Bar-cons



Source: Callahan & Associates

Over 1.0%



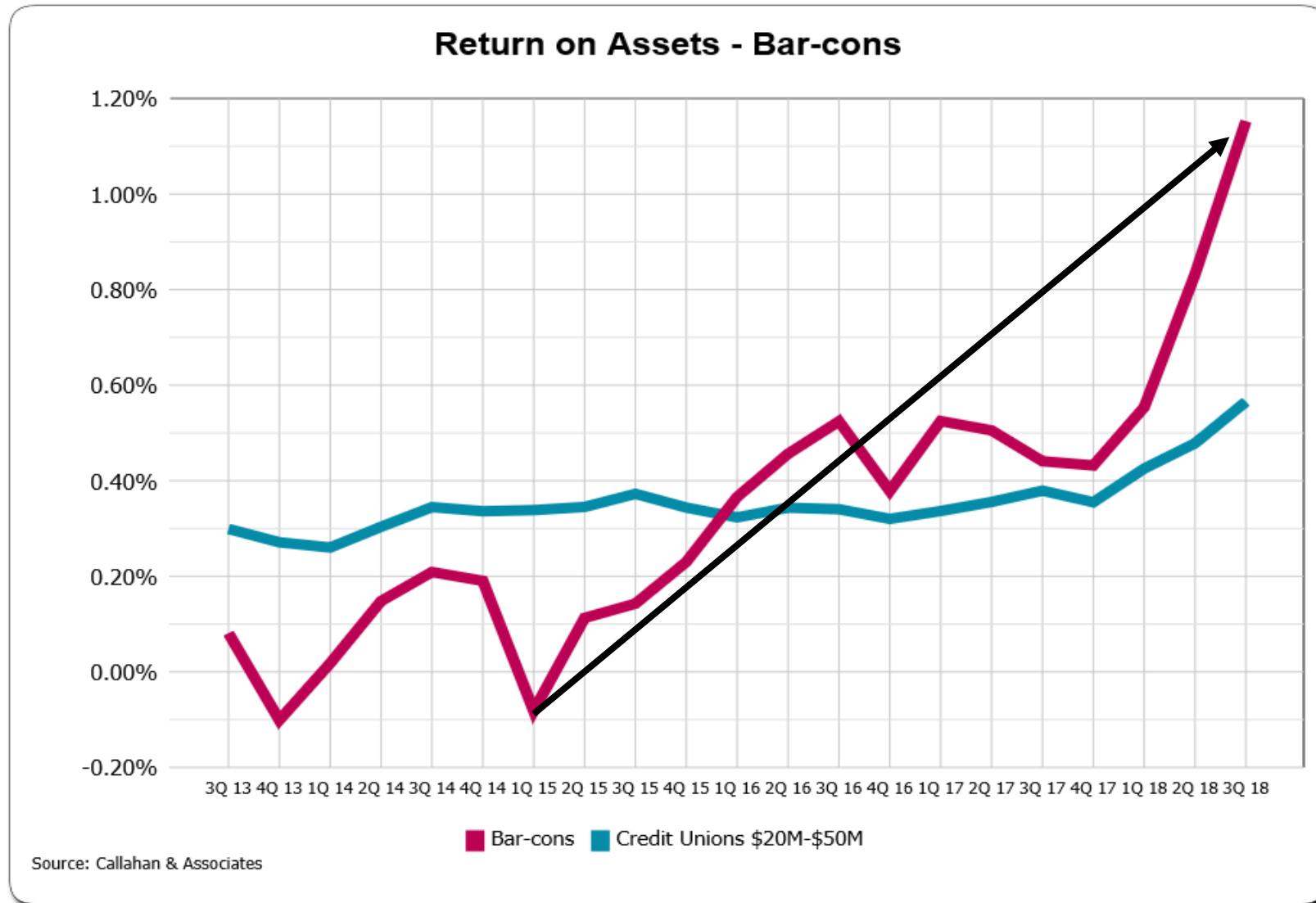
.3 - .6%

.7 – 1.0%

**HOW DOES
YOUR ROA
MEASURE UP?**

Less than .3%

FROM POINT A TO B



HOW DID BAR-CONS ACHIEVE RESULTS?

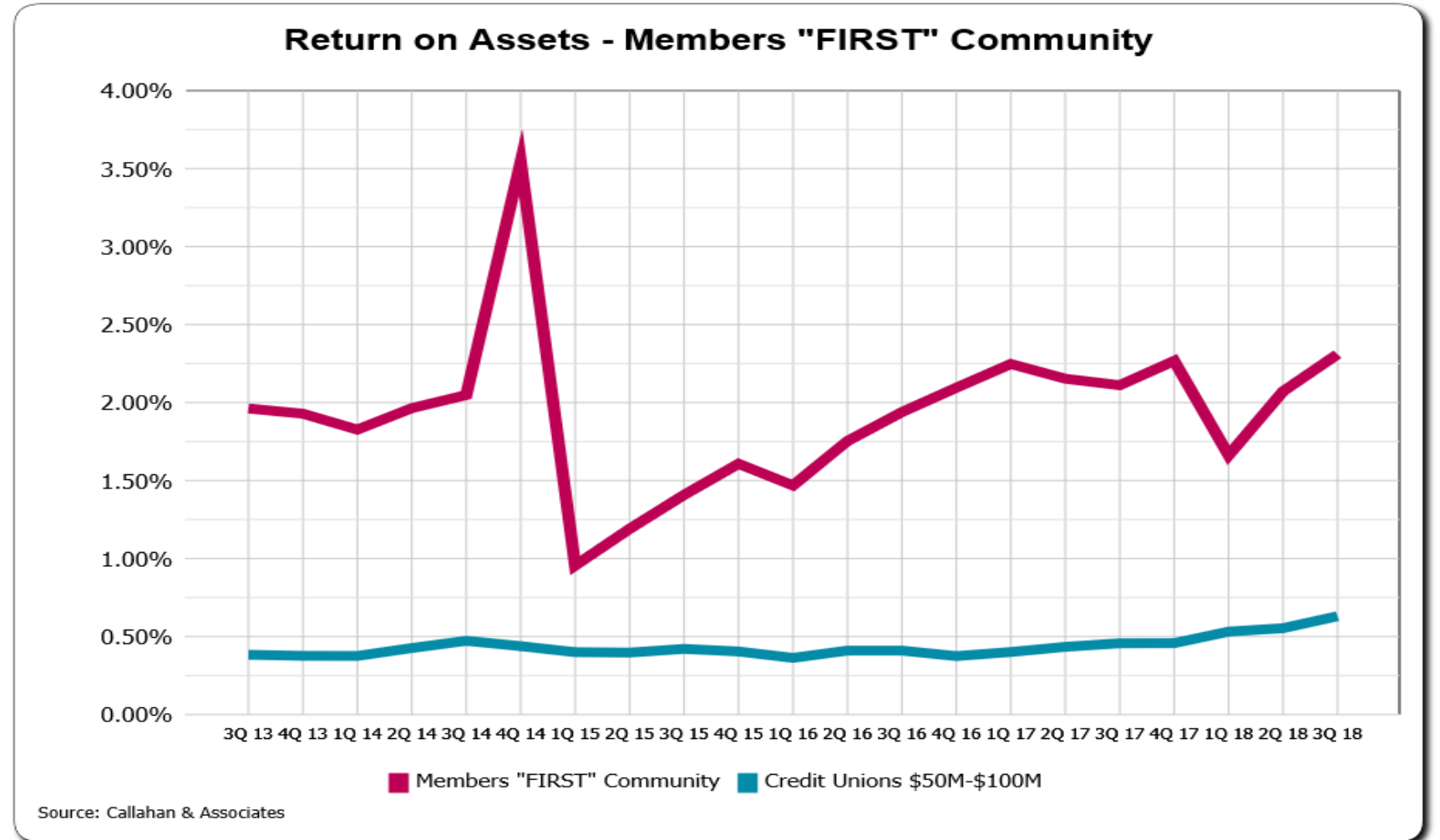


1. **Pulled a credit report on every new member**
 - The best time to cross sell-loan services is opening a new account or applying for a loan.
2. **Reassessed Loan Rates** - Loan rates were too low, so the credit union implemented risk-based lending which increased their loan yield.
3. **Implemented incentives for staff and management**
4. **Consistent training** - Importance of a good loan interview, understanding the credit report and cross-selling.
5. **HYLS** completed on each loan



RESULTS FROM A PEER CREDIT UNION

A former peer of Bar-Cons which followed a similar strategic approach jumped into the next peer group growing to \$58m in assets.



OUR SOLUTION

No matter your size or situation, we have a solution for you. Contact us to learn how LSCI can help your credit union to not just survive but thrive in today's competitive market.



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Q & A

