

CLIENT INSIGHT CASE STUDY

CREDIT MARKETING SOLUTIONS

CLIENT PROFILE

\$160M credit union in West Tennessee serving small to medium-sized employers in greater Memphis area.

CHALLENGE

Client sought to grow outstanding loan balances, share of customer wallet, and net income while practicing sound lending principles. Customers viewed client as a natural source for auto lending but continued to visit consumer finance providers for small-dollar unsecured loans.

SOLUTION

Confluent Strategies paired a traditional live check direct mail campaign with an Equifax prescreen to deliver quality unsecured borrowers.

RESULTS

Client has completed two campaigns for almost \$225,000 in unsecured loan balances with no delinquencies or charge-offs. Their campaign ROI is 161%.

MEMPHIS AREA CREDIT UNION DRIVES NET INTEREST MARGIN INCREASE WITH LIVE CHECK DIRECT MAIL CAMPAIGN USING EQUIFAX PRESCREEN

The Challenge

Southern Security Credit Union experienced a common challenge shared by many modern credit unions: their auto lending portfolio was flourishing with growing balances and very low delinquency, but their ROA remained relatively flat. They also watched as most of their members continued to visit consumer finance offices for short-term small dollar loans, typically with a much higher Annual Percentage Rate.

Averaging over 80% loan-to-share nationwide, credit unions have critical mass in consumer lending and are poised to eclipse \$1 trillion in loans. At an average 0.90% ROA, most credit unions are asking themselves how to build their members' equity in efficient and safe ways.

Credit unions historically have served a financially marginalized consumer: lower average household incomes and fair to poor credit profiles are not unusual in the typical credit union membership. Many credit unions were founded as sources of unsecured small-dollar loans for groups that held some form of a common bond, such as an employer, religious group, or civic organization. However, in recent years many credit unions have adopted a more mainstream philosophy toward consumer lending. Southern Security wanted to maintain its identity as a consumer-centric lender who could meet the needs of its core constituency.

Southern Security Credit Union operates primarily in the greater Memphis Tennessee area, with its principle offices in Collierville, a Memphis suburb. West Tennessee has developed one unenviable attribute: historically the highest concentration of bankruptcy filings per capita in the nation. Naturally for Dawn Graeter, CEO of Southern Security Credit Union, the opportunity is clear and the stakes couldn't be higher.

The Solution

The old saying goes, "If you can't beat 'em, join 'em" and for Southern Security Credit Union the adage held true. Confluent Strategies helped our client execute a clever idea: a direct marketing campaign using live checks—a traditional consumer finance company product—paired with an Equifax prescreen to attract high quality borrowers within their existing portfolio. The consumer lending team at Southern Security Credit Union defined their credit quality and risk attributes and we applied those attributes to their membership file. We also connected them with a preferred provider to design, print, and mail the offer to their defined audience. Within a day of mailing their initial offer, Southern Security Credit Union was receiving inquiries from borrowers.

The Results

During their pilot campaign period, Southern Security Credit Union originated \$101,000 across 100 mailing responses (3.63% response rate). At a 12-month term, an effective rate of 7.99% APR and a 0.34% cost of funds, Southern Security has recovered its \$4,600 campaign cost with approximately 160% ROI and no delinquencies or charged-off balances.

Equally important for Dawn Graeter and Southern Security, they have reinforced their identity as a consumer-centric lender to the market and they're securing a greater portion of their members' wallets.

To learn more about Equifax Prescreen and Confluent Strategies' Live Checks solution, visit confluentstrategies.com

Let's start building a partnership, today



CONTACT US TODAY

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