



CASE STUDY

\$215MM Asset Credit Union

Background

This credit union (CU) is located in the Southwest and has an asset size of roughly \$215M with 14,000+ members. The CU has a community charter footprint with a potential membership of 500K plus. The CU was not the market leader in rates. With rates for A+, A, B, C, & D paper of 4.99%, 4.99%, 6.99%, 8.99% and 12.99% for 60-month loans respectively (D paper has a floor of 550).

Stellar's Auto Loan Proposal

Our clients pay no out of pocket marketing costs. All incentives, credit bureau lists, mail, postage, telemarketing expenditures, website, etc. are paid by Stellar, thus taking all costly risks from our clients. We collect a flat success fee from

the funded loans that match back to the marketed consumers. A small application fee is assessed on all applications, which is waived when the loan is funded.

Implementation

Using the CU's standard rates, the program's targeted household mailings were split 95% to non-members (that were eligible to become members) and 5% to current members with loans held elsewhere. Potential members mailed were spread across all paper grades.

Approach

Stellar's unique auto loan recapture program uses data mining of credit bureau consumer information to find households that are paying a substantially higher interest rate on their auto loan than what our client would charge for the same credit score. Stellar then scrubs the potential list to remove those prospects that will not meet the CU's credit policies (i.e., late payments, bankruptcies, number of open loans, etc.). Prospects are ranked by best responders and profitability.

The prospect is mailed a prequalified offer letter, which shows the monthly/

yearly/lifetime savings for that consumer, if they were to refinance with the credit union. The direct mail offer is supported by outbound calls, a custom microsite with application, reminder letters, and after-hours inbound call service. Applications are completed and sent to the CU for approval and loan closure.

RESULTS

- 2020 mailings resulted in **\$9,184,684** in new, booked loans
- Members saved an average of **\$99.67 per month** on their loans
- The average booked loan term was **64 months**
- **\$6,378** average savings per household over the remaining life of the loan
- An average blended interest rate for all funded loans was **9.14%**

ROI

- Estimated interest income for first 30 months: **\$2,098,372**
- Estimated DDA (Demand Deposit Account) income 30 months: **\$41,500**
- Estimated non-interest income (GAP, MBI, etc.): **\$67,800**
- Total Net Income: **\$1,774,004**

Total Estimated ROI: 409%