

The Stellar Financial Group's Strategies On Growing PFI Relationships.

STELLAR Insights

SPRING | 2022

NOT TARGETING YOUR MEMBERS?

If you don't,
other financial
institutions will



SPECIAL EDITION

The Benefits of an Auto Loan Recapture Program

FROM OUR FOUNDER

WELCOME

Please enjoy this special edition of ***Stellar Insights*** focusing on the benefits of having an auto loan recapture program.

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elcome to this special edition of *Stellar Insights*. We felt this is the ideal time to review the auto loan recapture business in detail. There have been significant changes in the auto finance and refinance business since the onset of the global pandemic. As we sit here today, we still have no idea when the affected supply chain issues will return to normal. One thing that is clear is how credit unions view the auto refinance and finance business has been transformed forever. In many ways, these changes have resulted in a more sustainable and profitable business for our credit union funding partners. In this edition, we focus on how these changes will benefit credit unions positively in the long run.

In our feature article titled “Not Targeting Your Members?”, we explore the opportunity that we feel is the greatest catalyst in not only *growing* your member base but *retaining* those members that historically were lost at a very high rate early on in their membership. We’ve referred to this concept in an earlier article as “Member Acquisition Requires an Offense and a Defense.” This article explains why this is critical and how you can reverse the trend that may be going on unnoticed.

In addition, we focus on how an auto loan recapture program is the best form of a member acquisition program. Helping is always better than selling and that’s exactly what an auto loan recapture program does. Imagine a member acquisition program that is executed on a pay-for-performance basis that guarantees a profitable outcome. Keep in mind this is coming from a company that has been in the member acquisition business for 22 years. Simply stated, an auto loan recapture program is the best form of a member acquisition program a credit union can employ.

We also highlight our new **Marketing Analysis Portal** that allows you to explore the benefits of a true “Direct” recapture solution as well as pull prospect counts for your market and branch footprint. Finally, you’ll hear from several of our clients about their professional experience with our Stellar team. In closing, we hope this special edition brings to light the opportunity you may have overlooked, and as always, we are here as a resource regardless of whether we do business together or not. ■



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About The Stellar Financial Group

Strong, long-lasting relationships with clients is our top priority at The Stellar Financial Group. 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.

Overview: Stellar's Auto Loan Recapture Program

Learn how our success fee-based auto refinancing program provides real membership growth that is extremely profitable for our credit union clients.

Turbo-Charge Direct Lending

Stellar's Auto Loan Recapture Program offers a turn-key program that maximizes direct loan growth and new household relationships (PFIs) while eliminating all the risk of marketing costs for our lending partners.

Once you sign on as a lending partner, you will have exclusive rights to all applications (regardless of source) in your charter footprint.

How it Works

Most consumers purchase their vehicle from the dealership based on monthly payments, not interest rates, and therefore may pay too much for their loan. Stellar uses credit bureau information to identify households in your footprint that meet your unique credit criteria profile and that are paying a higher interest rate for their auto loan than they would at your financial institution. In other words, we target our mailing to those we know can save substantially, ensuring better spread incomes for your institution.

The prospect is mailed a personalized, prequalified offer letter that shows the monthly savings for that specific consumer if they were to refinance with your

financial institution. The direct mail offer is supported by outbound calling campaigns, a microsite with secure application, after hours inbound call services, as well as our national lead generation website, **SALrefi.com**. Applications are completed and sent to your lending department for approval and loan closure.

No Out-of-Pocket Marketing Costs

All incentives, credit bureau lists, mail, postage, telemarketing expenditures, microsite, digital marketing, etc., are paid by The Stellar Financial Group – thus taking all costly risks from your financial institution. You pay nothing out of pocket until the applicants respond.

Our selection process uses YOUR rates, credit tiers, and approval regulations to maximize the loan approval process, with typical look-to-book rates of 40% to 50%. Using your standard rates, we target households that are paying too much. Unlike your auto indirect program, YOU keep the cross-sell opportunities, GAP, MBI, AD&D, etc., making new members a very profitable addition to your credit union.



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We receive a small success fee for the funded loans that your loan department refinances as a direct result of Stellar's Auto Loan Program. Most of our lending partners are averaging around 300% ROI from the loans generated with Stellar's Auto Loan program. Our Stellar team works with your loan team to optimize loan volume. Every two to four weeks we will target another group of qualified prospects to generate new qualified applicants, building assets for your institution throughout the year. Our partners enjoy having new, profitable relationships from members that might have never heard about their financial institution prior to our marketing campaigns.

The Strategy: How Do We Impact Your Bottom Line?

- Target new prospective households that meet your credit criteria
- Proprietary data analysis that refines your pre-approved prospect list and dramatically improves look-to-book ratios
- Market to households that will save a significant amount each month
- New consumers, generated with no out-of-pocket costs, begin generating income immediately
- Cross-sell ratios up to 94% for checking accounts

Stellar's 7-Point Touch Process

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 institution's credit criteria
7. Stipulations helps ensure not only a good response rate of applications but a high "look-to-book" rate

Why Is This Program So Successful?

- Unique, individual consumer offers
- No wasted efforts on non-qualified prospects
- Custom, systematic direct mail campaigns
- Outbound calling campaigns
- Extended-hours inbound call support
- Secure microsites
- Concierge support after hours for our lending partners
- Multi-touch reminder mailings
- Offer-specific landing pages
- National consumer education/lead generation platform with SALrefi.com



SUCCESS STORY

OKLAHOMA EDUCATORS CREDIT UNION

Oklahoma City, OK

"Stellar's unique strategy provides an opportunity to capture current performing loans. Since the program allows direct communication with the potential members, stronger underwriting capabilities are more easily maintained and the ability to cultivate deeper relationships with borrowers is accelerated... our relationship with The Stellar Financial Group helps us to obtain LIFERS instead of just LOANERS."

—Trent Vaughn
Senior Vice President
Oklahoma Educators Credit Union

NOT TARGETING YOUR MEMBERS?

**If You Don't, Other
Financial Institutions Will**

Credit Union Members are Vulnerable

In a recent edition of *Stellar Insights*, we discussed how a comprehensive growth strategy requires both an offensive and defensive approach. Member retention is essential to the financial growth and success of any credit union. Obtaining new members requires a lot of time, money, and effort. Your members are an investment, and while some churn is unavoidable, it quite literally pays to take care of your current members and nurture the relationship you have with them. In turn, they can become not only a member but also a valuable marketing asset. Happy members are more likely to participate in word-of-mouth marketing. These members can generate leads, refer new members, and provide first-hand testimonials, all because of the positive relationship

you've built. One of the biggest mistakes any credit union can make is to assume once they've signed a new member, the relationship is preserved. There's tremendous value in maintaining that mutually beneficial, ongoing relationship and starting the relationship on the best foot possible. We can't think of a better way to start a new member relationship than by saving them money.

Serving the Underserved

Over the past 22 years, we have worked with over 2,000 banks and credit unions to assist them in growing their customer and member base through our proprietary checking account acquisition.

Over the past four years, it's become abundantly clear there's another highly successful approach to building sustainable membership



Many institutions have added policies to their charter to better serve the underserved. What better way to serve the underserved and build your membership base than by saving them money!



growth. Many institutions have added policies to their charter to better serve the underserved. What better way to serve the underserved and build your membership base than by saving them money!

Credit union members that have an outside loan with a higher than necessary interest rate are one of the most overlooked vulnerabilities, and opportunities. These members are being marketed daily by auto refinancing companies. Keep in mind that retaining a member carries the value of having to pay

marketing costs to attain two additional members. Losing your members is like throwing money away. There's a simple solution to this costly retention problem: Target members with an existing loan at another financial institution with a higher than desirable interest rate with an offer to refinance. Your current members respond at accelerated rates and are critical to sustained member growth. Stellar provides this solution to numerous clients with outstanding results.



Indirect Loans Create Inconsistent Results

Many credit unions have used indirect auto lending through dealerships to grow their loan portfolio and membership base. These loans are facilitated through dealers helping buyers find funding through their network of financial institutions and other lenders. Indirect auto lending may help credit unions build their loan portfolios, but at what cost? The indirect lender does not have a direct relationship with the borrower. It is a means to an inevitable end. As soon as a better solution is presented to the borrower, they're gone.

Bottom line, do you want to be a consumer's primary financial

Make the first interaction an experience the consumer will value. Help the consumer instead of selling them something. That's a foundation for a long-standing business relationship.

institution or just a place to send their car payment? If you're comfortable with just being a place to send their car payment you should also be comfortable with the high churn and low retention of these consumers. This is not to say there's no place in your portfolio for indirect auto loans. Just understand it's not a sustainable growth strategy. It's simply a loan production operation.

Direct Member Growth Through Direct Auto Lending

A Direct Auto Loan Recapture Program plays a more substantial role in building consistent member growth. Stellar's Direct Auto Loan Recapture Program targets potential members using your credit union branding, which creates brand recognition. All the while, saving new members money on their existing car loans makes them predisposed to do additional business with you in the future.

As gas prices and the value of used cars have skyrocketed, you have a tremendous opportunity to play a role in the financial well-being of your members and their neighbors. The pandemic had a huge impact on the value of used cars which has led to higher funding rates based on loan-to-value. Today, we are seeing funding rates approaching 55% with minimal default rates after refinancing with all of our credit union funding partners.

A direct solution is far more sustainable than an indirect approach. By adding a direct recapture program to your loan portfolio, you'll have a foundation for growth. Direct relationships are even statistically more profitable. You keep all the non-interest income, GAP, MBI, AD&D, etc. not the dealership. These new members consistently add additional products

To take a defensive approach to retaining members, successful credit unions pay as much attention to marketing to their existing members as they do true prospects. In many cases, we see member response rates four times as high as prospect campaigns.

and services, unlike with an indirect relationship. Due to the accelerated response rates, we offer this solution at a success-based fee starting at an industry-low rate of 1.25%. Make the first interaction an experience the consumer will value. Help the consumer instead of selling them something. That's a foundation for a long-standing business relationship.

Defend Your Current Membership Base

Stellar, along with over 10 other auto refinance companies, are targeting current credit union members daily. To take a defensive approach to *retaining* members, successful credit unions pay as much attention to *marketing* to their existing members as they do true prospects. In many cases, we see member response rates four times as high as prospect campaigns. Retaining these members serves as a great offset to the low retention of their indirect loans in their portfolio. Our clients utilize us to ensure their membership base and potential members are targeted on a consistent basis. These campaigns are so profitable for our clients, as well as us, that we offer deep discounts for member campaigns starting at 1.25%.

Protect your franchise by communicating with your members consistently before someone else does. Also, it may be wise to let someone else front all the marketing costs and take all the risk. That's where Stellar comes in. Our success-fee-based auto recapture program delivers all of the above with industry-leading price options and the most comprehensive 7-touch marketing campaigns all done under your brand. Our member-targeted campaigns and the cross-selling of additional products and services opportunities ensure the longevity of your member relationships.

Final Remarks

In closing, Direct Auto Loan Refinancing is a booming industry with expanding margins that can become a key component for the growth of your credit union. Stellar's Direct Auto Loan Recapture Program pays all up-front marketing fees to eliminate any financial risks for our clients. We have captured all of the necessary information you will need to explore this opportunity in our **Marketing Analysis Portal** which can be found at MarketAnalysisPortal.com. You'll even be able to see the available auto refinance counts in your market! We sincerely hope this information is not only thought provoking but also a catalyst for improving your overall approach to growing a more sustainable member base. ■

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SUCCESS STORY REGIONAL FEDERAL CREDIT UNION

Hammond, IN

"We partnered with The Stellar Financial Group in January 2019. The team at Stellar has been great to work with from the implementation into the ongoing marketing campaigns. We have met several times to review the results and make adjustments to ensure the program is as successful as possible. As a result, we have seen applications submitted through multiple channels including our Call Center, walk-in applications at our branches, and via the Stellar Application Portal. To date, we have received over 120 applications, 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 marketing efforts."

—Michael Peters
Executive Vice President
Regional federal credit union

The Stellar Market Analysis Portal is Here

The all-in-one portal for you to learn more about Stellar's Auto Loan Recapture Program

We couldn't be happier with the feedback we've received about **The Stellar Market Analysis Portal**. This virtual marketing site allows potential clients the ability to browse our product solutions, pull auto refi counts applicable to their market, and literally explore the entire onboarding process, at their leisure. The portal essentially eliminates the need to sit and review a PowerPoint presentation to learn more about Stellar's Auto Loan Recapture Program. It's a form of window shopping that can be done at their convenience.



Explore Your Auto Refi Opportunity at YOUR Leisure

The Stellar Financial Group uses credit bureau information to identify households in specific charter footprints that meet a unique credit criteria profile, and that are paying a higher interest rate for their auto loan than they would at your financial institution. With **The Stellar Market Analysis Portal**, you can pull your refi counts based on your specific location. For a more specific auto refi counts you can upload your rate sheet to view counts by county, paper grade, monthly savings, etc.

Browse and Review Additional Program-Related Information

In addition to pulling auto loan counts applicable to your market, here are some additional resources available:



Learn More About The Program



View Testimonials & Case Studies



Discover Your Market Potential



See The Program's Next Steps




Visit the portal at
marketanalysisportal.com



Think All Auto Loan Recapture Programs are the Same?

We'd Love to Prove You Wrong!

		INDIRECT MARKETERS
All applications are only yours and there's complete exclusivity of all marketed prospects	✓	✗
You keep all of the non-interest income	✓	✗
Only targets individuals that will save money each month after refinancing	✓	✗
Direct mail is customized to your financial institution's branding	✓	✗
Tiered success-based-fee pricing (rates starting at 1.25%)	✓	✗
24/7 inbound and outbound call center	✓	✗
Microsite is customized to your brand and monitored to assist incomplete apps	✓	✗
Reminder mailings sent to qualified prospects	✓	✗
Direct mail has a unique example of savings for each recipient	✓	✗
No up-front marketing costs	✓	✗



See What Clients Are Saying About Stellar's Auto Loan Recapture Program



"We were looking for a creative partner and comprehensive program to increase loan growth and The Stellar Financial Group more than delivered. Their program manages to drive in existing and potential new members with loan dollars we would not have otherwise had. They handle most of the heavy lifting all with a reasonable fee and a high return on investment. They took the time to understand who we are as a credit union and gave us a few customizable marketing plans to choose from. Their business model is simple in nature but powerful with results. We wholeheartedly recommend The Stellar Financial Group."

— Sammy Schomer, VP Lending
Trax Credit Union, Tampa Florida



"We began our partnership with The Stellar Financial Group January 2020; since then The Stellar Financial Group team has exceeded all of our expectations! Their marketing to potential members within our footprint has been extremely effective. Their insight has resulted in solid loan growth and high member satisfaction. Their representatives are able to contact applicants after hours if we are unable to make contact during the day, which adds another level of convenience and ease of service for our applicants. Everyone I have worked with at Stellar has been responsive and eager to help us grow. Partnering with The Stellar Financial Group has been a positive experience and I would highly recommend their services to anyone who wants to see loan growth."

— Melissa Pender, Lending Sales Manager
Belco Community Credit Union, Harrisburg, PA



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