

Inside NAFCU Services



Converting transactions into relationships

By Pete Hilger

It should be no surprise to anyone reading this that the credit union share of the financial services industry remains small, at roughly 6 percent of a combined \$12.5 trillion market. So growth is high on the agenda of key strategic objectives for every credit union.

One area in which there is tremendous untapped growth potential is indirect lending, a relationship that starts as a transaction but—if done right—can be transformed into a productive and profitable relationship. The most common questions we hear at Allied Solutions are “How do we effectively cross-sell new members who just received loans?” or “How can we transform our stagnant, one-product member relationships into sticky, more beneficial memberships?”

The obstacles are many:

- Increased volume of indirect lending leaves little or no face time with members.
- Increased use of the Web leaves little or no face time with members.
- Auto sales are down industry-wide.
- Increased competition from banks and captives causes tighter margins.

Post-close strategies

First, consider point-of-sale products related to indirect lending that are presumably of interest to those new members:

- **Credit Insurance/Payment Protection**—Offers members peace of mind. Credit insurance pays back some or all of any money owed should certain things, such as death, disability or unemployment, happen to the member.
- **Guaranteed Asset Protection**—Helps protect your members’ credit. When an automobile is totaled or stolen, GAP covers the resulting deficiency, or gap, on the balance of the loan.

Typical GAP and MBP Income Projections

Indirect loans per month	200			
GAP lender administrative fee	\$ 950			
MBP lender administrative fee	\$ 950			
Program participation	90%	85%	20%	25%
Monthly income	\$ 5,000	\$ 5,000	\$ 12,000	\$ 15,000
Annual income	\$72,000	\$100,000	\$144,000	\$180,000

Credit Insurance/Payment Protection

Disability Cause or Death	Year 1	Year 2	Year 3	Year 4	Year 5	Combined
Earned Premiums						
Life (90% program participation)	\$12,177	\$20,873	\$33,857	\$44,255	\$46,377	\$177,150
Disability (90% program participation)	\$12,186	\$21,215	\$42,127	\$47,381	\$50,851	\$178,406
Combined	\$25,362	\$42,088	\$75,984	\$91,636	\$97,228	\$355,556
Administrative Fee (25% to Credit Union)						
Life	\$3,044	\$7,202	\$9,722	\$11,071	\$11,754	\$42,798
Disability	\$3,287	\$7,904	\$10,533	\$11,896	\$12,713	\$46,352
Combined	\$6,331	\$15,107	\$20,255	\$22,967	\$24,467	\$89,150

- **Mechanical Breakdown Protection**—A member is 10 times more likely to experience a mechanical breakdown than an automobile accident. Protect your credit union’s collateral and earn non-interest income.

Next, let your marketing support the cross-sell strategy:

1. **Explore online quoting tools and payment calculators.** It may be easier than you think to implement these on your Web site. Of all online shoppers, 88 percent perform research on the Web before making a purchase.
2. **Analyze your Web site for cross-sell opportunities.** Is the purchase path straight forward and easy to navigate? Does it provide the visitor with the option to purchase related products and services?
3. **Offer convenient premium or fee-collection options.** Add to the loan and extend the term so that the member sees no extra out of pocket expense.
4. **Follow up immediately after closing.** Time is of the essence when marketing related products and services that were not selected at loan closing. Start the call by asking about their loan experience with your credit union.
5. **Match the product with the need.** A common complaint from consumers is that they receive solicitations for products that are not relevant to them. Make sure that anyone receiving an indirect loan also receives information about related products and services.
6. **Personalize the message.** Members are more likely to respond favorably to customized marketing pieces.
7. **Prepare credit union statistics to include in marketing material.** How many GAP or MBP claims were paid for your members?
8. **Be creative and package POS products.** For example, bundle GAP and MBP by selling both products at a discount, or add in roadside assistance at no charge if both products are selected by the member.

Pete Hilger is executive vice president of sales and marketing at Allied Solutions (www.alliedsolutions.net), a preferred partner of NAFCU Services. Based in Carmel, Ind., Allied Solutions is one of the largest providers of insurance, lending and marketing products to credit unions.