



Best Practices to Grow Your HELOC Portfolio in 2018

by David Carlson

Home equity lines of credit (HELOCs) are again becoming a relevant strategic instrument to accelerate loan growth. While consumer interest in HELOCs has revived and will likely continue growing, many financial institutions are struggling to capitalize on these opportunities.

2017 began with several key housing and economic indicators pointing favorably to a continued resurgence in HELOCs. However, despite these decidedly HELOC-friendly indicators, HELOC growth is proving to be an uphill climb. In the first quarter of 2017, the dollar volume of HELOC originations was at a three-year low. The pace quickened in Q2 but

origination growth still lags behind 2016 performance. It's not that community financial institutions aren't trying. Many are devoting considerable resources to gain traction with HELOCs, only to have their efforts rewarded with lackluster results.

If you ask an officer at one of these underperforming institutions to explain their financial institution's subpar HELOC results, they might point you to a long list of legitimate frustrations. Often, these are valid concerns; however, a select number of community financial institutions are successfully identifying and attracting new borrowers through the use of innovative strategies. The results – significant growth through increased loan volume and enhanced income.

What's the differentiator? Why are some financial institutions succeeding while others flounder?

Research shows successful execution of a HELOC strategy requires attention to three key areas: (1) Process, (2) Product and (3) Promotion. While many financial institutions may believe they have these elements in place, most do not have a formal foundation to drive actual results.

PROCESS

Without a defined process, a successful HELOC strategy cannot be effectively implemented. Developing a consistent organizational process includes: (1) internal education for all team members and (2) a dedicated internal process.

Internal Education

Internal education should focus on recognizing HELOC opportunities – specifically, what is a HELOC and how consumers can actually use a HELOC. In addition, employees need to know who the dedicated product owner is and how to make a successful referral to the HELOC specialist.

Internal Process

The HELOC growth strategy must have dedicated owners who are HELOC experts. Each product owner must have access to an online application process, which is well defined, intuitive and easy to navigate. In addition, financial institutions must have clear processes around loan closings. Specifically, what is the internal documentation process and where will they be closed (e.g., in branch, online, in a lender's office, etc.)?

PRODUCT

With the process defined, it is time to focus on the product. Although it isn't always obvious with a product such as HELOCs, there are significant ways a financial institution can differentiate itself. For example, will your financial institution focus on a fixed-rate offer or an introductory rate offer? Consumers will want to compare rates, so it is important to understand how compelling your rate offering will be to prospects. Other items for consideration include decisions regarding closing costs

and credit quality – essentially, will you charge closing costs and what will your risk tolerance be as it relates to consumer credit scores. Like our other products, HELOCs are most successful when financial institutions pair a compelling product offering with targeted marketing and differentiating service.

PROMOTION

Once you have the right process and products in place, the final step is promotion. A random survey of many websites shows most financial institutions don't even promote their HELOC offerings. The first step in effectively promoting HELOCs is to include them on your organization's website. The next and most important part is to utilize data to make strategic decisions.

Imbedded in your financial institution's data is a wealth of information regarding targeting opportunities, specifically, who are your best customer or member HELOC targets? When this information is paired with non-customer or member targeting

information based on external data sources, a financial institution can then successfully implement a targeted omni-channel marketing approach to increase HELOC acquisition.

HELOC promotion utilizing an omni-channel marketing approach includes a variety of sequenced and targeted methodologies. For example:

- Emailed offers to targeted customers or members directing them to a HELOC microsite
- Digital integration with social media through strategically placed digital marketing
- Promotional visibility at your branches
- Targeted mailings to high probability prospects
- Digital display ads to targets across multiple electronic devices

When executed properly, the impact of targeted marketing drives actual results. A case study highlighting one financial institution's success with an omni-channel marketing approach shows an 11-branch institution that implemented its first

HELOC growth strategy in Q1 of 2017. Even with the dollar volume of HELOC originations at a three-year low nationally, the following results were achieved:

- Averaged 15 additional funded HELOC loans per month
- Recouped marketing investment early in Q3
- Doubled new HELOC production

The time for a proven HELOC strategy is now: (1) The resurgence in HELOCs represents a significant opportunity for community financial institutions to boost loan volume, (2) The current underlying economic fundamentals are conducive to HELOC growth, and (3) Consumer interest exists. In order to capitalize on this opportunity, financial institutions must now decide if they are willing to design and deploy a HELOC strategy consumers will embrace.

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