



Consulting Services
Credit Card Portfolio Analysis



Improving Performance for CFE Federal Credit Union's Credit Card Portfolio

Overview

Client Profile

CFE Federal Credit Union was founded in 1937 as Orange County Teachers' Federal Credit Union by 23 dedicated teachers. Over the past 70 years, CFE has expanded membership to all who live, work, attend school, volunteer or worship in Orange, Osceola, Lake or Seminole counties in Florida. The credit union has 121,171 members and nearly \$1.3 billion in assets.¹

Business Challenge

CFE was faced with a strategic decision to increase investment in growth of its credit card portfolio or explore other options such as selling the portfolio.

The Solution

CFE called on Advisors **Plus**® Consulting Services to conduct a credit card strategic review. Advisors **Plus** recommended that CFE reposition and promote its card programs for improved member value, growth and profitability.

The Results

Advisors **Plus** helped CFE achieve spectacular 67.2% growth in its annual income from credit cards by identifying accounts that warranted improved card products and credit lines and creating an annual marketing calendar to target them for new account and balance growth.

Background of CFE Card Portfolio Consulting

At the time of our first review, CFE offered only two card products: Classic and Gold, both at fixed rates.

Advisors **Plus** found that CFE's portfolio was experiencing slow growth and low member utilization. Average outstanding balances had only grown a modest 1.76% in the 3 years prior to our review and the average balance per active account was below industry average at \$1,486.

¹ As of December 31, 2011

Strategic Recommendations Made at Initial Review

Advisors **Plus** made a series of related recommendations, including

- Implementation of a premium card product (Platinum), creating rewards and non-rewards products, and upgrading Classic and Gold cards to Platinum.
- Scoring accounts on a quarterly basis to identify accounts for targeted marketing and to better understand overall risk in the portfolio
- Establishing a review process for underwriting and line assignment guidelines to identify accounts that would warrant a line increase
- Building an annual marketing calendar with an increased investment in targeted marketing for new account and balance growth.

Follow-up Review Shows Strong Improvement

CFE implemented many of the Advisors **Plus** Consulting Services recommendations and then turned to our Advisors **Plus** Marketing Services group for multiple targeted marketing programs. When Advisors **Plus** returned for a follow up review four years later, the portfolio management results achieved by CFE in the four years between reviews were impressive in sales, member usage, growth, and profitability:

- The sales of new CFE credit cards grew by 44.6% in the latest review over the initial review.
- While CU membership grew 8.9% during the four years between reviews, the number of active credit card accounts grew substantially faster at 14.2 %.
- Card penetration improve — the percentage of members having a CFE-issued card grew from 22.1% to 27.1%.
- Portfolio outstanding balances grew 55.0% — from \$26.0 million to \$40.3 million.
- Average balances per active account grew 35.9% — from \$1,486 to \$2,019.
- The combined revenue per card from interest income and interchange grew 24.2% from \$198 to \$246 per active card per year.

- The net income per active cardholder grew 22.4%.
- The total annual portfolio net income grew 67.2%, achieving a return on assets (ROA) of 2.88%.

Additional Recommendations for Future Growth

Based on the credit review, the Advisors **Plus** Consulting Services team made a number of strategic recommendations in five key areas: Product Management, Financial & Operational Management, Underwriting & Line Assignment Review, Account Management, and Marketing.

To confirm compliance with the Card Act Advisors **Plus** also recommended a review of all product pricing, marketing collateral, and cardholder disclosures. In addition, our credit review proposed an evaluation of score bands and associated pricing to ensure that accounts are priced appropriately for the risk.

Advisors **Plus** also recommended ways for CFE to improve its account management practices such as refreshing scores on a quarterly basis and appending them to the FDR account record, and carefully implement targeted credit line increase programs.

The Advisors **Plus** Consulting Services credit review included a recommendation to continue direct mail and in-branch promotions to reinforce CFE's value proposition to members and prospects. By continuing to work with Advisors **Plus** Marketing Services CFE realized it could target marketing campaigns and offers to three discrete segments: Known Cash Users, Known Transactors, and Inactive Accounts.

A Healthy Credit Card Portfolio Leads to Continued Credit Union Success

CFE made significant progress between its initial review and the follow-up review. It achieved strong improvement in the number and percentage of qualified members accepting and using its card.

Portfolio assets increased by 38.1%. Net income from the card portfolio increased an extraordinary 67.2%. Finally, the net income contribution by the credit card program grew significantly, with the card portfolio making up 7% credit union net income at the initial review and growing to 47% in the latest review.



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About Advisors Plus Consulting Services Credit Card Consulting

Advisors **Plus** Consulting Services provides a comprehensive review of a credit union's credit card portfolio including evaluations of products, marketing practices and financial performance.

Credit Card Consulting is designed to provide the management team with an in-depth view of its portfolio profitability, credit risk, and member usage, with the aim of identifying and highlighting untapped potential in the credit card product line.

The customized review normally includes a P&L analysis, credit card products review, comprehensive scan, and assessment of how the credit card products are positioned and marketed through the client credit union. A comprehensive report is delivered in writing and onsite with analysis, recommendations and proposed actions to improve credit card portfolio performance.

About Advisors Plus

Advisors **Plus** was established in 2005 to provide consulting and marketing services to credit unions. Our range of services covers the key areas of strategy, credit cards, debit and checking, marketing, contact center, operations, and branch sales.

The experienced consultants at Advisors **Plus** work with the organization's staff through the entire process from project analysis to implementation and management. Our goal is to ensure that each financial institution achieves sustainable business growth, exceptional member experiences and operational efficiencies.

As of December 31, 2011, Advisors **Plus** has superior NPS Scores of: 74 – Credit; 81 – Debit and Checking; 91 – Contact Center. For more information, please visit AdvisorsPlus.com.