

Bit by Bit, It All Adds Up

Increase the Yield on Your Installment Loans for a Better Bottom Line

Consumer lending is down from its once lofty levels, but that doesn't mean that demand has completely evaporated. People will always need new cars, home repairs or equipment for their small businesses or farms. By offering your creditworthy customers credit life and disability insurance on their loans, you can protect your customer and your investment and significantly increase your loan yield, in some instances by as much as 18 percent¹.

Consider that a community bank that makes a \$20,000 loan for a period of 42 months with an annual percentage rate (APR) of 7.5 percent can expect to earn \$2,802 in interest income over the lifetime of the loan. Now take this same loan, add interest income and credit life and disability insurance *and* see earnings jump to a net profit of \$3,465 with an 8.88 percent adjusted rate of return².

While an additional \$663 may not seem like a huge bottom-line difference,

assume you sell credit life and disability insurance to roughly 35 percent of your customers and your community bank has a \$10 million loan portfolio. Working with these numbers you now see an **\$112,666** increase.

Community banks that sell credit life and disability insurance through ICBA Reinsurance also earn additional income in the form of commissions, tax-advantaged dividends and investment income on their premium reserves. This is vital for community banks that are headquartered in commission regulated states as this partnership allows them to earn income they would otherwise not have access to.

Furthermore, community banks that participate in the program have access to regional sales specialists, general agents and full-time trainers. All of these resources are available at no cost to community banks that join the program. ■

ON THE WEB: www.icbareinsurance.com

CALL US: (888) 790-6625

Given the current state of the economy and a number of other factors (including recent regulatory changes) community banks need to find new sources of fee income. Community banks now have the opportunity to increase the yield on their installment loan portfolios with credit insurance.

Would you like to see how the numbers break out for your bank?

Call ICBA Reinsurance at the number listed above to schedule an individual portfolio consultation. We'll explain the program in detail, take a look at your numbers and evaluate where you are now and where you could be with our program.

Example A: No Credit Life Insurance

Loan Amount	\$20,000	
Finance Charge		\$2,802
Monthly Payment	\$543	
Amount Financed	\$20,000	
Total Bank Income		\$2,802
Rate of Return		7.5%

Example B: Single Credit Life & Single Disability Insurance

Loan Amount	\$20,000	
Finance Charge		\$2,974
Life Premium	\$381	
Disability Premium	\$847	
Commission Income		\$491
Monthly Payment	\$576	
Amount Financed	\$21,228	
Total Bank Income		\$3,465
Adjusted Rate of Return		8.88%

1 Please refer to the commission rates for your state.

2 The difference between a loan without credit life insurance and a loan with single credit life and single disability insurance was based on the following assumptions:

Term: 42 months

Credit Life Premium: \$.45/\$100/year

Loan Amount: \$20,000

(14-Day Retro Coverage): \$3.50/\$100/year

APR: 7.5 percent

Insurance Compensation: 40 percent of life premium and 40 percent of disability premium. Credit insurance is on total payments.

Example C: Impact of Credit Insurance on Loan Income

Loan Amount	\$10,000,000	
Finance Charge		\$2,075,404
Life Premium	\$89,776	
Disability Premium	\$170,435	
Total Premium	\$260,211	
Life Commission	\$24,240	
Disability Commission	\$35,791	
Monthly Payment	\$205,594	
Amount Financed	\$10,260,211	
Total Bank Income		\$2,135,435
Amount Increase		\$112,666
% Increase		5.6%