

Finding Lost Treasure in Your Installment Loans

Jim Gordon, president of actuarial and consulting firm, GPW and Associates, Inc. says that there has never been a more important time for community bankers to examine their revenue streams for un-mined opportunities and income. "Today's new realities mean that bankers need to look for appropriate ways to increase yield and fee income."

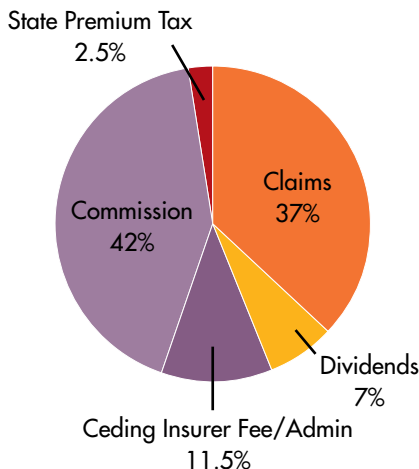
Jim, whose forty years of experience in the consulting field working with hundreds of banks of all shapes and sizes follows his work in the actuarial department of Massachusetts Mutual Life Insurance Company, recommends bankers look closely at their installment loans for untapped potential, specifically the sale of insurance. "Thanks to low interest rates and improved liquidity

realized by TARP funds, I think we may actually begin to see an increase in lending in 2009."

He says that a community bank that sells insurance to roughly 30 percent of its loan base can expect to see an increase of approximately .05 percent in the yield of the overall portfolio. One should also consider that, on average, approximately 85 percent of every \$1 in premiums goes back to the bank in commissions, claim payments and dividends (please refer to accompanying pie chart for a complete illustration).

"I think the numbers speak for themselves," says Jim, "especially when you consider that many of community banks' former competitors are now struggling." He points to the flailing auto industry. "There is a real opportunity for community banks to get back into auto loans and insurance," he says. "Community banks that get back into the game can offer their customers a competitive auto loan, plus underwrite the insurance policy protecting the loan. There is a real opportunity here to discover lost or unrealized income." ■

HOW \$1 OF PREMIUMS BREAK DOWN



Source:

ICBA Reinsurance 2009 ICBA Convention Workshop

We'll See You There!

**FINDING LOST TREASURE IN YOUR
INSTALLMENT LENDING**
Thursday, March 19th
2:45PM - 3:45PM

In this tough economy, are you maximizing your profit opportunities every time your loan officers make a consumer loan? Led by GPW & Associates, an industry leading firm, we will break down the ways your bank can increase its return by up to 0.5 percent on every loan by selling credit insurance. Leave with the knowledge of how to determine your lost treasure!

Speaker: Larry Prudhomme, CPA, GPW & Associates, Inc.



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