

WITH TRAINING AND COMMITMENT

THE SKY IS THE LIMIT!



Vice President and Retail Sales Manager of Croghan Colonial Bank Chuck Barteck jokes that over the course of his 29-year banking career he's loaned money about every way you can. "I've even gotten some people to pay it back," he laughs.

Barteck, whose background encompasses commercial, residential and retail lending, was hired by the Fremont, Ohio-headquartered community bank in December 2011 and charged with heading up the consumer retail lending operations for its 14 branches. He says that while the 125-year-old bank does not compete directly with the mega-banks, like every community bank, it still struggles with thinning profit margins and actively looks for ways to boost its bottom-line while providing value to its customers.



Left: Rick Robertson, president & CEO Croghan Colonial Bank, Chuck Bardeck, vice president retail sales manager Croghan Colonial Bank, Mark Anderson, director of training, product executive HUB Financial Services



Right: Mark Anderson, director of training, product executive HUB Financial Services, Sue Straube relationship banker, Croghan Colonial Bank, Chuck Bardeck, vice president retail sales manager Croghan Colonial Bank

Payment protection products (credit insurance) are one way the bank has been able to effectively increase the yield of its installment loan portfolio. While commissions earned on the sale of credit insurance is regulated by each state, in some states banks that offer credit insurance products can increase the yield of their installment loan portfolio by as much as 20 percent.

When ICBA Reinsurance-affiliated agent Mark Anderson (Anderson works for insurance broker HUB International) visited Croghan Colonial Bank in late 2012, he knew that the bank was already offering payment protection products, but that if it joined ICBA Reinsurance's community bank-owned captive it could further maximize its profitability.

Joined by representatives from ICBA Reinsurance's partner and insurance carrier, Transamerica, Anderson illustrated how the tax-advantaged dividends earned through ICBA Reinsurance's community bank-owned captive allows participants to earn more income on the back-end, offsetting loan origination and administration costs.

Croghan Colonial Bank agreed to sign-on and Bardeck and Anderson worked together to roll out the new program.

Building Blocks of Success

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decisions. We advise them about the benefits and the cost and usually when customers understand the benefits – they purchase the product."

Bardeck was a believer, but could he convince his staff?

Together he and Anderson created a comprehensive strategy for success that included ongoing training, lender incentives and monthly results tracking using Transamerica's STAR reporting system. Bardeck describes his staff as a group of competitive go-getters who like to win, so he made built-in rewards for top performers.

REINSURANCE



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After the plan was set, the next step was getting the bank's lenders to believe in the product. “Our staff had received payment protection training from our previous carrier, but the lessons from the training didn't stick,” reveals Barteck.

He explains that the product knowledge and sales skills training his staff received from Anderson was different. “Mark instills comfort and confidence in our lenders. He uses real-life situations and a common-sense approach and encourages lenders to develop their own story and practice it until they become very comfortable when they're presenting credit insurance to a customer.”

As part of the training, staff was also asked to complete a “Commitment to Success” form, identifying actions that were impeding their success and highlighting things that they knew they were doing right. Forms were turned into Barteck who reviewed them individually with each lender.

The bank's preparation paid off. Five months following the

new program's launch and Croghan Colonial Bank is on track to more than double its production and commission income from the previous year.

Anderson was wowed by the results. “You just can't achieve success like this unless the bank's senior management and its lenders are committed. And, clearly they are.”

Barteck agrees that training and commitment are key, but says that Croghan Colonial Bank has been successful because its lenders offer the product to every borrower while emphasizing the benefits of the coverage.

“Life claims are difficult and it feels so good to tell a borrower's family that they don't have to worry about their loan on top of everything else.”

As for future plans Barteck says the bank will continue educating staff about the benefits of payment protection. “Mark is coming back to conduct more training and we're going to keep monitoring and educating new lenders.”

Loan Profitability & Payment Protection Income

Loan	Interest Profit	Payment Protection Premium	Fee Income	Total Profit	% Profit Increase w/ Payment Protection
With No Coverage	\$309	0	0	\$309	0
With Single Life	*316	\$197	\$79	\$395	+28%
With Joint Life	*321	\$350	\$140	\$461	+50%
With Single Life & Disability	*332	\$509	\$204	\$536	+61%
With Joint Life & Disability	*\$338	\$671	\$268	\$606	+79%

Assumptions:

Loan Amount: \$10,000 at 8% APR for 48 months

Less Cost of Funds: 5%

Spread/Gross Profit: 3%

Less Loan Loss Reserves/Overhead Expenses: 1.5%

Loan Yield/Profitability: 1.5%

1.5% Simple Interest: \$309 (Yield/Ultimate Profit on \$10,000 Loan)

*Includes interest profit on premium that is financed. Premium and subsequent income derived from the credit insurance will vary from state to state and bank to bank