Prospectus

Home Equity Loan

Customer Attrition & Retention

- **Data For More Than 200 Lenders**
- **Attrition By Geography**
- **Breakouts Of Attrition Causes**
  - **Moves**
  - **Foreclosures**
  - **Payoffs From First-Lien Refinances**
  - **Payoffs From New Home Equity Loans**
  - **"Recapture" Rates By Lender**
  - **Loans Lost To Competitors**

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SUMMARY OF THE STUDY

Customer retention is at the heart of every business. Oddly, as far as we know, no one has ever dedicated a research study to this subject for home equity lenders – until now.

In home equity lending, everyone loses some customers every year. **But some lenders lose a lot of them. Some lose very few.**

This study ranks more than 200 lenders – and also major counties – by their home equity loan customer attrition and retention rates from late 2009 through late 2010.

It also goes much further by providing attrition data by cause: loans paid off due to moves, foreclosures, first-lien mortgage refinances, and newly obtained "replacement" home equity loan products.

Even further: The study looks at the attrition caused by newly originated loans and answers the question: **Where did the borrower go to get that new loan?** Did he get it from the same lender he used before, or from a competitor?

You will find some of the answers surprising, company by company.

For example, at BB&T Corp., 64% of home equity borrowers who wanted new loans over the last year returned to BB&T to get them.

But at Capital One, only 12% of borrowers who got new loans went back to CapOne for them.

Does this mean that BB&T has five-fold greater customer satisfaction than CapOne? Maybe so.

There are remarkable differences in customer attrition and retention by county, too. In Pasco County, FL (Tampa), only 7.9% of the home equity loans of late 2009 had paid off in the ensuing 12 months. In Dane County, WI (Madison), the attrition rate was four-fold higher at 24.8%!

This study in printed form ranks and reviews the 180 largest lenders and 200 of the nation's largest counties by population.

But clients also get the data in Excel spreadsheet formats. One covers an expanded group of lenders, and the other an expanded group of counties (each showing its name and metro area location).

As far as we know, this is the first comprehensive research on home equity customer attrition and retention ever available.

The rest of this Prospectus describes the content in more detail. Thanks for your interest. An Order Form is available on our web site: **www.SMRresearch.com**.

HIGHLIGHTS

A 15.4 Million-Loan Sample; What We Did With It

Utilizing SMR's national property database, we isolated 15.4 million home equity loans that existed as of October, 2009. That's a significant majority of all of them.

We aggregated these records by lender and by county. Then, we looked up the October, 2010 status of the same properties. And, one loan at a time, we reached any of seven conclusions about the fate of the loan:

1. **No change: the loan still existed one year later.**
2. **The loan was gone because the borrower moved.**
3. **The loan was gone because the borrower was foreclosed.**
4. **The loan was paid off by a first-lien mortgage refinance – but the same lender who had the home equity loan got the refi.**
5. **The loan was paid off by a first-lien mortgage refinance – and the borrower turned to a different lending institution to get it.**
6. **The loan was replaced by a new home equity loan, but from the same lender.**
7. **The loan was replaced by a new home equity loan furnished by a competing lender.**

Based on these loan-level facts, we computed overall attrition rates, retention rates, move rates, foreclosure rates, percentages of loans lost to competitors, and percentages of loans "recaptured" via new loans made by the existing lender.

We did this for each of more than 200 parent lending firms – virtually all the larger and medium-sized lenders in the nation. We did the same by county, covering more than 1,000 county subdivisions.

Printed & Spreadsheet Versions

Clients who want to see the results will get them in print, but also in Excel spreadsheet formats.

The spreadsheets will allow you to re-rank lenders on any metric, isolate peer competitors as you see fit, or view the geographies you deem most important.

There are a lot of data here, enabling any lender to review their own attrition rates (by cause), as well as those of everyone else.

HIGHLIGHTS (continued)

Major Differences By Lender

Home equity borrower foreclosure rates varied enormously by lender over the last year, as you might have guessed. The 22 lenders with the highest foreclosure rates were all subprime lenders, and all now defunct.

Borrowers lost to competitor loans also varied greatly. Among the biggest players, **Regions Bank** lost only 3.78% of its borrowers to competitor loans, while others lost double that level.

Looking at recapture rates, there were two credit unions where nearly 90% of all home equity borrowers seeking new loans returned to the same CUs to get them. **Talk about satisfied customers!** One was the ESL Credit Union of Rochester, NY, which serves Eastman Kodak employees.

The news was not so good elsewhere. One Houston-based thrift recaptured fewer than 2% of its customers who wanted new refis or replacement home equity products!

Other Attrition Data: Rest Of The Story

This study spans more than 270 pages in print. The spreadsheet data are even more extensive.

But there's a limit to what we can fit in a publication. And you may want to know more.

For instance, among the customers you lost to competitor loans, which competitors got them? On the replacement home equity loans, did the competitors offer larger credit lines? How much larger?

And how about your own "conquests?" Some of the home equity loans you produced over the last year were made to borrowers who had existing home equity loans with someone else.

Which competitors did you beat most often?

If you knew which competitors were most vulnerable, you could market to their remaining customers for a quick boost in originations (we have the borrower names and addresses by lender).

If you find these kinds of questions intriguing, let us know.

We can produce customized, individual lender attrition/retention reports with all the details. Call Stephanie Rady, director of data services, at 908-852-7677.

Outline Of Contents

Outline Of Contents (continued)

(Profiles of lenders and counties include all key data items on each, laid out logically in print. The spreadsheet versions of this study include the same data, but are easier by far to re-order or group by lender or geography.)

Clients also receive two Excel workbooks. One contains data on attrition by lender, and the other, attrition by county. **Each spreadsheet contains a full set of detailed numbers, dollars, and percentages.**

An Attrition Study – Now??

Some lenders over the last couple of years have been eager to step back from home equity lending due to the credit crisis. **So, who cares if you are losing customers, or why?**

But the home equity loan is not going away as a product line. It was a profitable product for more than 25 years, with steadily increasing consumer demand. Normalcy will return.

We suspect that lenders today will regret it if they allow their better-quality home equity customers to walk away.

We think they'll regret it, too, if they are so blasé that they fail even to look at the causes of their attrition or how their customer losses compare to those of peer competitors.

The history of American business is filled with sordid tales of companies that let their customers slip away.

Remember Digital Equipment? Wang? Montgomery Ward? Studebaker? Remember when A&P was the largest U.S. grocery chain? And what's happening right now at AOL and Eastman Kodak?

Companies that pay scant attention to customer attrition ultimately pay a steep price.