

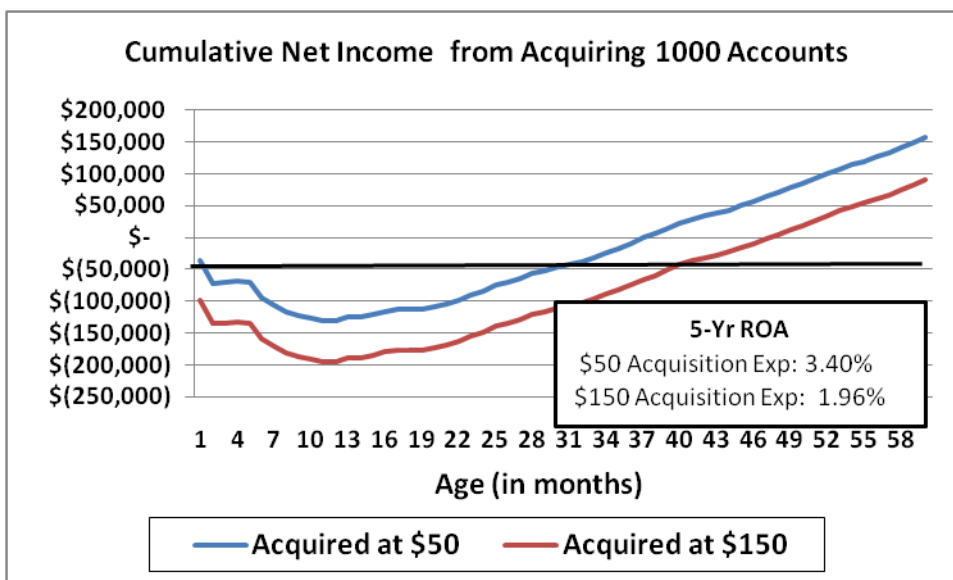


## Take Advantage of Market Conditions to Reduce Earnings Risk

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Current changes in the banking environment have led many banks to reduce risk and conserve cash. Subsequently, those holding credit card assets have reduced credit lines, closed inactive accounts and limited the acquisition of new accounts, which leaves a void in the marketplace for consumers. As credit card issuers address the changes, and as segments are identified in the marketplace that provide for stability in risk, an opportunity exists to acquire accounts at a significantly lower cost than previous times.

The impact of low acquisition expenses on revolving loans can be significant to the return. The graph below illustrates the impact on cumulative net income considering a \$100 improvement in acquisition expense. It shows that with loan performance being equal, the less-expensive originated loan can produce over a 50 percent improvement in ROA over a five-year period.



Taking advantage of the void in the marketplace and realizing an improvement in acquisition expense provides an opportunity to improve return or offset earnings risk brought on by changes in the banking environment.