

Q&A Session for Webinar #18: A Crude Awakening..

Q: What was her score on previous loans? Is the score going up or down?

A: Her score was going down because she was past due on a signature loan with us however she was current on her car loan with us and we would have had direct deposit to make the car loan payment. It was a reasonable risk plus we would have combined the signature loan with the car loan.

Q: Does LSI have trained SAIL Experts?

A: No LSI does not but I am trained and can help you with it. If you have an application that you are struggling with please fax it to us until we can ultimately get everyone up to speed.

Q: Can we get a copy of the ad slick for the squeeze on gas from LSI to use in our advertising? Thanks

A: Yes, it is located at the end of the Q&A

Q: Rex, In extending auto loan terms, what max term do you suggest?

A: If it is an auto equity where you have both the house and the car, you can go up to 15 years. On a straight car loan with no other collateral and the member is currently way upside down, you can go up to 10 years.

Q: Do you suggest taking on high LTV loans - vehicles - even if the CU does not hold the original note?

A: Yes but on an exception basis only. It is going to largely be driven by the member having great qualifications such as length of employment and salary and so forth. Feel free to bounce these off of us.

Q: Rex--you have always advocated not paying off other people's problems. Does it make sense to pay loans that are upside down at other institutions? I completely agree with doing it here and we have done it for years and called them "band aid loans".

A: I still advocate not taking on someone else's problem. However there is always going to be exceptions especially for good members with great qualifications. If you have any questions on individual apps please send them our way.

Q: Rex, can you explain what "Preview of Coming Attractions" involves?

A: Preview of Coming Attractions is where you will show the member what is likely to happen unless changes are made. An example would be a member who is charging up their credit cards, taking on new debt, and lots of inquiries. They will probably end up in BK and you will have to show them it is already being reflected in their score. Remember, you can still make the loan as long as you are BK proof.

Q: Our average turn time on an auto loan is 28 months. What about when they come in, say 28 to 42 months later wanting to trade the vehicle in and they are even further negative in equity.

A: You must find their motivation for wanting to trade it in. If they are looking for a more economical car and they are getting a reasonable deal you would have rather them be upside down with you on a new car they like versus an older car that is a gas guzzler that they cannot afford.

Q: Not a question - just info - We are doing a 5 yr ARM that has been very successful for us. 30 Yr amortization, risk-based pricing, 2% cap per adj period and 5% lifetime cap.

Q: What about GAP coverage on the vehicle loans? Current coverage (via CUNA Mutual) only extends to a 72 month term.

A: The best policy is to be honest with your members and then you have to make a decision. Are you better off without GAP where they have a car they really want or are you better off with GAP but they have a gas guzzler and they cannot afford the gas and their payment. You and the member have to decide what is best for the member.

Q: As a former lender myself and now in financial education, I strongly recommend that you additionally consider the members cash flow/capacity to pay. Your comments?

A: There is absolutely no question you are right. What we are trying to do with our SAIL program is improve their cash flow by keeping the car payment the same and lowering the cost of fuel by having a more fuel efficient auto. You are I are on the same page.

Q: In the mortgage scenario mentioned earlier, you suggested to the member to walk away from Chase. Do you believe this to be an ethical issue and do you think this could backfire in the local community? Thanks!

A: Ethically I believe Chase has an obligation to return phone calls and to consider all options, even a short sale. But their employees are not trained or do not have any desire to work with our members, I am not too anxious to help bail them out. This particular member was going to end up in BK regardless of a short sale and we looked at all other options but to answer your question I think everything was done and every opportunity was given to Chase but they did not cooperate.

Q: Rex--are you still advocating following your principles from U of L on looking for people on the way up (or down) in making risky loans bankruptcy proof? Thanks

A: If a loan is a potential BK, it is probably due to accelerated spending and a high level of unsecured debt which will absolutely lead to BK. You can still make the loan if the value of your collateral is greater than what is owed to you and your loan will survive BK. The direction of the score is very important however you still make the loan, do preview of coming attractions, as long as your loan will survive BK. If this does not fully answer your questions please let me know.

Q: With this new way of underwriting is it logical to keep the same old standard for charge-offs & delinquencies? How we enforce regulations need to be revamped or revisited to meet new underwriting philosophies.

A: You should setup a special class of loans where you can track delinquencies and charge-offs and you can code name it SAIL. Your expectations will certainly be that delinquencies and charge-offs will be higher on this class of loans, although this will somewhat be offset by the higher loan yield you will have. How much higher is going to largely be driven by how well trained your people in administering SAIL. Overall your net loss will be substantially less than it is right now if you do nothing. If we can help with SAIL training please let us know. Make sure you adopt the SAIL policy so you can show it to the examiner and how you are trying to help these members who will ultimately cost you a loss if we do nothing. You enforce this by making sure you have a qualified SAIL underwriter signoff on all of these loans and that you track them.

Q: How do we bankruptcy proof loans fit in the S.A.I.L. philosophy?

A: The only way you can BK proof a loan that is a SAIL loan is adding additional collateral such as their house.

Karen Church - 3:08 pm

Q: Thank you so much for sharing your passion with us Rex, have I told you lately that "I Love You"?

A: Karen it is a mutual love affair!

Mike Mallow - 3:09 pm

Q: congratulations David!!!!

A: Thanks Mike!



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