

2009

Webinar #20

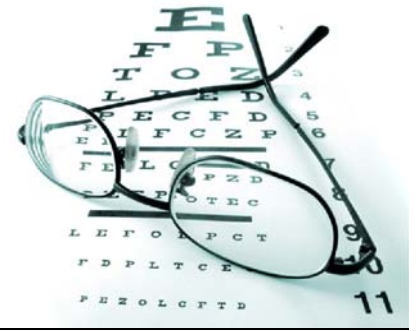
Lending in 2009 – See What No One Else Sees

CHARGE OFFS
PROFIT
OPPORTUNITY
ASSET GROWTH
REVENUE
PRODUCTIVITY
LOAN YIELD
HELPING MEMBERS



Presented by Rex Johnson
Friday, March 6, 2009 - 1 pm CST

Credit Unions Must Focus On Two Objectives:



1. Solutions
2. Establishing a Lifetime Relationship

The economy is bad, employers are closing and going bankrupt daily and many members are going to come to you for solutions. They are waiting to see what we are going to do.

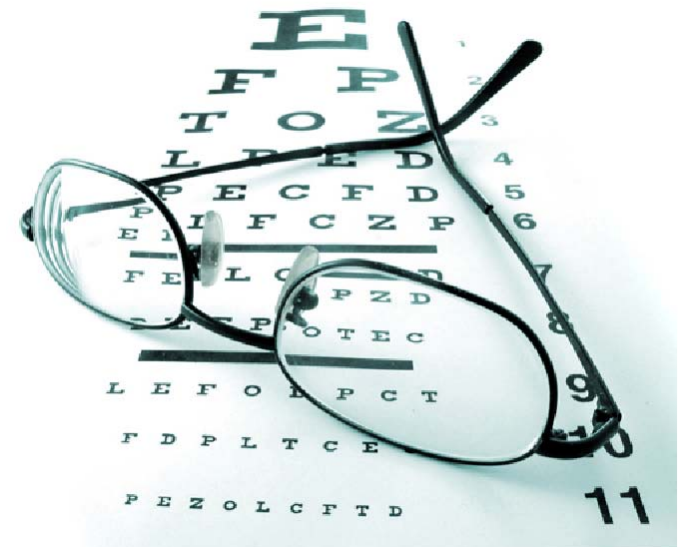
Credit unions are going to be tested like never before. If we elect to stay in the box and play it safe, we will be turning down a lot more members, many of which will end up in bankruptcy or lose their home. Members won't soon forget and you will probably lose that lifetime relationship. At some point in time, they will get back on their feet and once again, will become "A+" members, but not with you.

Credit unions have to wake up! We're missing an incredible opportunity.

Unfortunately, we are listening to the wrong people:

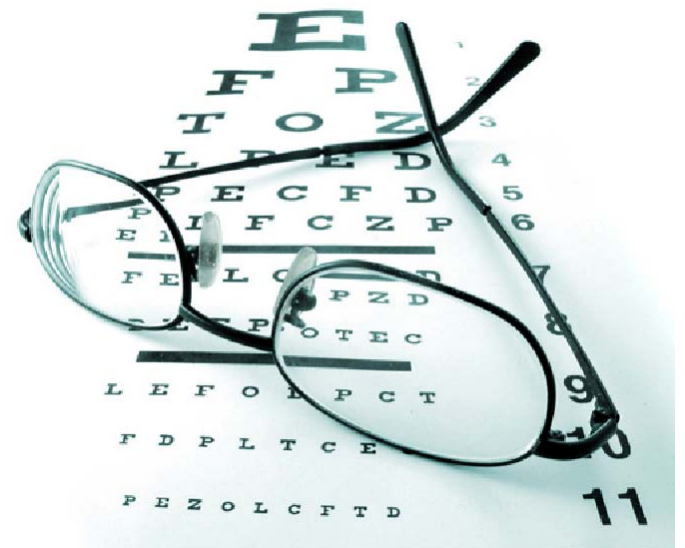
- *Banks*
- *Examiners*

As a result, we now have a smaller box and have become very good at telling members what we cannot do.



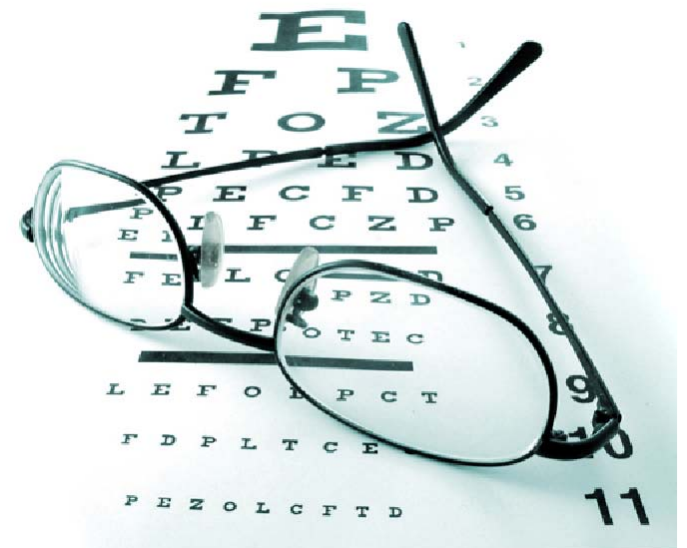
Before you start emulating everybody else, **LOOK** at their track record. **Banks are failing at a record pace** and our insurance fund that you just donated a year's income to, was being examined by examiners.

Those mortgage back securities were a good idea, or were they?

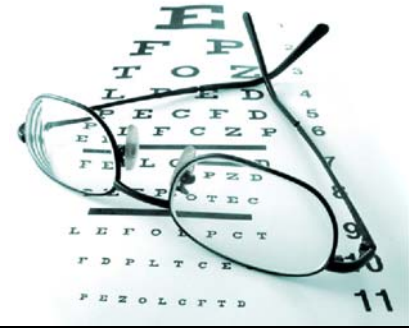


The biggest problem is we are all hearing and listening to doom and gloom. It's becomes a self fulfilling prophecy.

I enjoy golf and often you will see a fellow golfer get to a hole where they have to knock it over the water. They sometimes reach in their bag and pull out an old ball and replace their good ball. When you ask them why, they smile and say, "I don't want to lose my good ball." Then they promptly knock it in the water because that's what they envisioned.



Let's compare that to what credit unions are doing with their loan decision making



- **Excessive unsecured debt:** Are we turning members down everyday because they are heavily indebted and headed for bankruptcy? How many debt consolidation loans are you denying daily?
- **Debt to income ratio:** Are we telling members they are not going to make it because their payments are too high in relationship to their income?
- **Delinquent credit obligations:** Do their credit reports suggest this or are the members telling you that they are overdue, getting phone calls at work and home and we don't listen? Are we simply saying "no"?
- **Lack of collateral:** Are we sharing the good news that their biggest asset (their home) now has no value? As a matter of fact they are upside down (that should make them feel better).

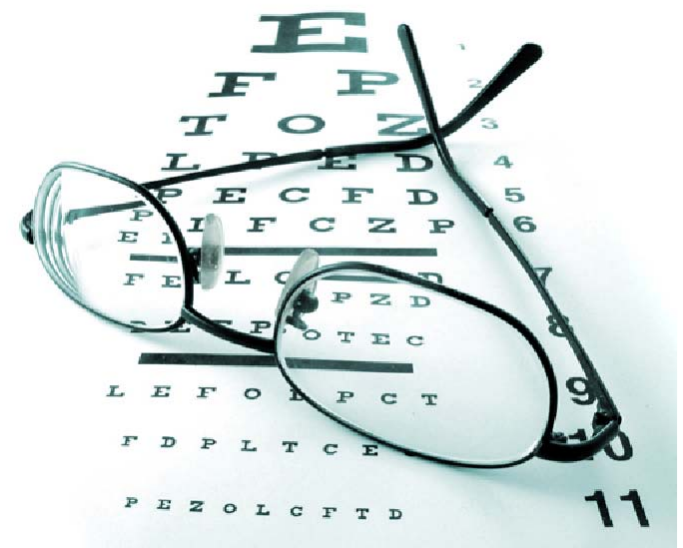
- **Lack of Coverage:** Finally, did the ultimate decision maker ever talk to the member or did they simply look at two pieces of paper: A ***loan application*** that was never completed that was attached to a ***credit report*** with a FICO score, which we determined did not fit in our box (that by the way is now much smaller) and we simply say “sorry.”

Not only did we say “no”, we handed them a sheet of paper (ECOA notice of rejection requirement) that said:

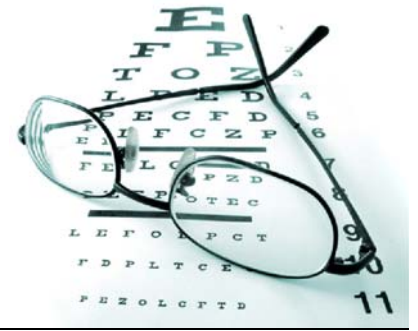
- *You have excessive unsecured debt*
- *Your debt to income ratio is too high*
- *You have delinquent credit obligations with others*
- *No collateral*

POINT: We are not satisfied to give them one reason, we really want to rub it in.

What is funny is the member is not surprised, they knew all this before coming in. We think they are surprised. The good news is you, the decision maker, did not have to face them, someone else did, who can blame it on you.



What is the Answer or Solution?



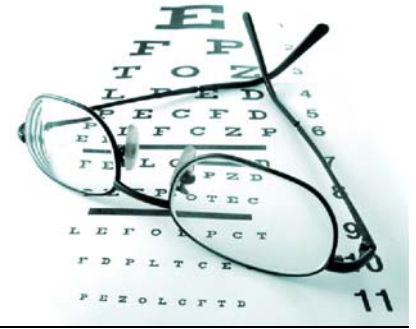
You should start with:

- Re-writing your policy manual eliminating all the barriers
 - Educating the Board of Directors
 - Getting rid of the “box”
 - Requiring decision makers to talk to members and be honest with them
 - Finding out member’s motivation
 - Making sure you have a complete loan application so no one is ever denied without knowing:
 - *How long they have been a member?*
 - *How many loans have they had with you?*
 - *Their assets (consider all assets)*
- NOTE: A member should never be denied without the credit union knowing*
- *What they are now driving and where it is financed?*
 - *What property they now own, if any, the purchase price, and the balance owed and the value*
 - *Any other assets they own*

- Focus on how well they paid their debts before losing their job (*look at their past credit history on their credit report*). Is it possible they got caught up in the “Great Gold Rush”
 - Did they have the “Great American Dream” of getting rich by trying to flip a house they could not afford, yet some lender was more than willing to make the loan with:
 - *No down payment (piggy back)*
 - *40 year financing*
 - *Interest only payments*
 - Did they have the attitude that everyone else is getting rich so why shouldn't I
 - Were they basically good members before greed set in



Adopt a High Yield Lending Strategy



- **Focus on:**
 - *Growing loans 10% or more a year*
 - *Get your loan yield up to 8.5%*
 - *Maintain reasonable delinquencies and charge offs (we measure this by having a net loan yield of 7.5% after charge offs)*
- If your gross loan yield had increased by only 1%, you could have more than doubled your income and this would have paid for the NCUA's special assessment.
- Let me show you what one of our clients did over the last 24 months and they had no problem with the NCUA's special assessment

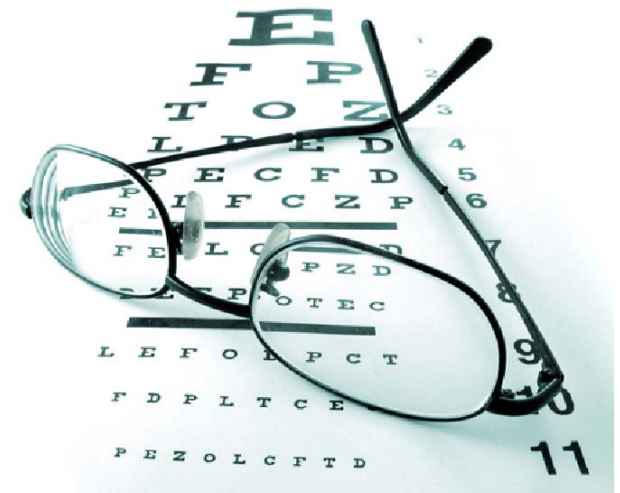
Wichita Federal Credit Union



Wichita Federal Credit Union adopted the High Yield Lending Strategy in late 2006. We would like to share their results since then:

	December 2006	December 2008	Change
Loans Outstanding	\$20,384,959	\$34,242,852	+68%
Loan Yield	6.74%	8.73%	+30%
R.O.A.	.36%	1.50%	+317%
Gross Loan Income	\$1,370,366	\$2,755,153	+101%
Net Income	\$156,648	\$821,147	+424%
Dividend Expense	\$794,248	\$1,364,644	+72%
Salary Expense	\$717,851	\$1,177,706	+64%
Asset Growth	\$43,945,514	\$62,052,666	+41%
Delinquency	.43%	.81% Note: below peer group	+80%
Charge Offs	.44%	.67% Note: below peer group	+52%

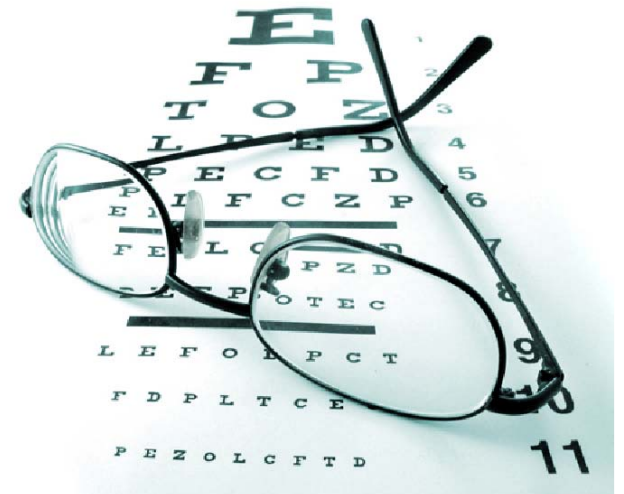
- This is a credit union that had experienced very little growth over the last several years. **Their CEO, Board of Directors and Management Team** made a major commitment to train and reward their employees and serve all of their members.
 - *The members are getting the highest dividend rates ever in recent years, a 72% increase. They responded by moving their money to the credit union.*
 - *Employees are getting incentives and bonuses that most of you will never experience. Several employees earned 100% of their salary in incentives.*
 - *The credit union is growing in leaps and bounds (loans, shares, assets and earnings).*
 - *They earned enough money by selling insurance to cover the cost of the incentive/bonus program. Their retro check at the end of the year from their insurance provider was \$190,000. Their total earnings on selling insurance was \$400,000, a 65% penetration.*
- High yield lending can also work for you if you get management, the Board of Directors and staff to buy in. High loan yield is the key to getting through these tough economic times.



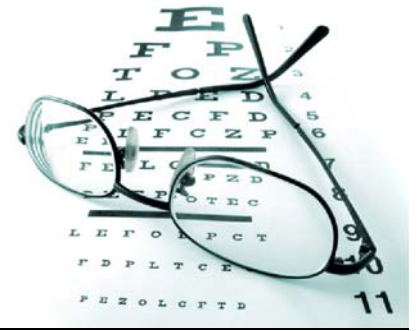
The image features a dark grey background with a diagonal split. The top-right corner is a solid teal color, and the bottom-left corner is a light blue gradient. The text 'BRIDGE LENDING' is centered in a light blue, sans-serif font. The word 'BRIDGE' is on the top line, and 'LENDING' is on the bottom line.

BRIDGE
LENDING

- The purpose in offering bridge loans is to help the members get from March 2009 to a point in time where the economy has improved and the members are back to work (i.e. 6 months, 12 months or 24 months down the road). Credit unions need to base the member's new payment on what they are able to pay now on their reduced income.
- Bridge loans will be offered to members who have seen their income reduced as a result of:
 - *They lost their job*
 - *Their hours were cut back*
 - *Their overtime was cut out*
 - *Their spouse or significant other lost their job*
 - *They are making substantially less money now than they were before due to having to take a job that pays them substantially less*
 - *They are out of work and are only drawing unemployment*

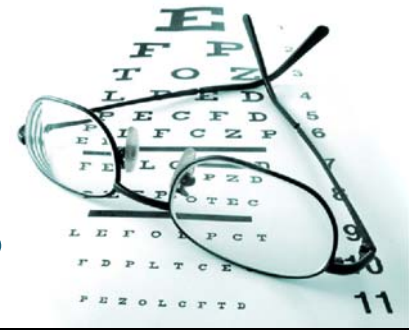


What You Should Accomplish With Your Bridge Loan:



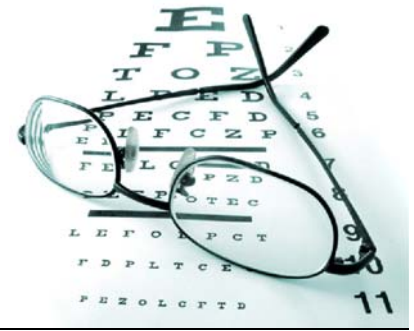
1. We don't want the member to just give up and bring their keys in for their house or car
2. You want to help them keep a roof over their head
3. You want them to have transportation back and forth to work
4. You'd like to help them protect their credit
5. Your bridge type loan should have if at all possible direct deposit. This is very important
6. If collateral is available of any kind, take it

What Are the Necessary Qualifications?



1. Their past payment history has to be solid when they were working
2. They take pride in their credit
3. If this is a mortgage loan (1st or 2nd), are they “emotionally attached” to their home
4. If they are unemployed, do they have the education and drive to find new employment
5. They don't see bankruptcy as an option, it goes against everything they have always believed in
6. They see a light at the end of the tunnel, they are co-operative. They just need some help to get there
7. Maintaining a relationship with the credit union is something they cherish and value

How Does It Work – Mortgage Loans



1. Our employees (who have been trained) will meet with the members at their home. (Note: This is assuming it's safe, you may want to send two employees).

Their Goal is:

- a. *To reassure the member that they are not there to collect money. They are there to show the member how to keep their home.*
 - b. *Get a new application (use ours if possible) and have the member prepare a list of their debts, with their most recent paystubs, etc..., knowing you are coming. Try not to cold call, this is only the last resort*
 - c. *Find out exactly what the member feels like they can afford to pay*
 - d. *Before going out make sure you know what it costs to rent for their size family if they just walk-away from their home. The member has to understand, unless they are moving in with relatives, it will cost them to live somewhere. Even relatives are not going to just let them live at their house very long for free.*
 - e. *Remind them that down the road they may want to be a homeowner again and this makes it much easier.*
2. Find out where they stand on their 1st and how flexible the 1st is before going to see the member. If they have a “Fannie Mae” mortgage, they are very flexible on the rates and terms plus they will lower their payment for up to 12 months

3. Be flexible. You may have to:

- a. *Reduce your payment*
- b. *Reduce your rate*
- c. *Forgive the amount they are past due*

4. If you have a 2nd mortgage and they owe way too much on their 1st mortgage, consider helping them get a new home, at a great price, that you will finance and then transfer your 2nd mortgage to the new house. You cannot take the risk of paying off the 1st. The 1st is actually in worse shape than you are. If the member owes the 1st mortgage \$300,000 on a house now valued at \$150,000 plus the member owes you \$50,000. Then why would the member want to keep the house. They currently would owe \$350,000 on a house worth \$150,000.

Provided that the member has a good relationship and history with you, why not transfer the \$50,000 on your 2nd to the new house you will be willing to finance. Why would the member do this? Because they like you plus you have money and who else is going to help them.

Who loses? The 1st mortgage company, who out of greed way over loaned, but you probably did also. This is the same 1st mortgage company that won't even return yours or the members phone calls.

5. Inspect the house while you are there and document it in the collection notes, make good notes in your collection system on:

- a. *How is the house maintained*
- b. *What's the landscaping like*

You would like to see some pride of ownership

6. Look at the surrounding area and document it in your collection notes

- a. *How many homes are for sale on their street, their neighborhood*
- b. *Who is the real estate company*
- c. *Find out how long these houses have been on the market*
- d. *What was the original listing price and how much has it been reduced (call the listing agent)*
- e. *Would they be interested in selling yours (if it comes to that)*

7. Set up an escrow account and fund it by rewriting your 1st or 2nd mortgage

- a. *Pay their taxes and insurance*
- b. *Supplement the new agreed upon payment, based upon what they can now afford, so in fact they will be making their required payment plus now they will be current*
- c. *Example, Their current payment is \$2500 (including taxes and insurance). They can afford \$1500. You are short \$1000
You will loan them an additional \$24,000, freeze it in a savings account and each month you will take \$1000 out of escrow and add it to the \$1500 (totaling \$2500) so they will be current.*

Note: You are going to do this whether they have the equity or not

8. Why should you do this:

You need to look at what it's going to cost you to do nothing by playing hard ball. Figure out:

- *Do you have any equity*
- *How long will it take you to foreclose and get them out of the house (9 to 18 months)*
- *Who is going to maintain the house*
- *How long will it sit empty before you are able to sell it*
- *How much are you are going to lose*
- *If we provide this bridge, won't your collateral possibly be worth more 2 years from now plus it will be maintained*
- *Most important, are you willing to give up a lifetime relationship*

9. Don't you have enough delinquencies and foreclosures now?

Your regulator agency is going to keep a close look at:

- *Your capital ratio*
- *Your earnings*
- *The level of delinquency and charge offs and what direction they are headed*



Don't Keep Your Bridge Loans a Secret

Why don't you send out a marketing piece to all your members telling them you have solutions and you have money.

What qualifications do they need? It is really simple.

- 1. Their past payment history has to be solid when they were working*
- 2. They take pride in their credit*
- 3. If this is a mortgage loan (1st or 2nd), are they "emotionally" attached to their home*
- 4. If they are unemployed, do they have the education and drive to find new employment*
- 5. They don't see bankruptcy as an option, it goes against everything they have always believed in*
- 6. They see a light at the end of the tunnel, they are co-operative. They just need some help to get there*
- 7. Maintaining a relationship with the credit union is something they cherish and value*

Your credit union knows these are tough times and we don't want you to give up, all you need is a bridge loan, call us today!

**Think what we are proposing is
a bit far-fetched?**

***Look at what CitiMortgage just
announced to their customers:***



Citi: Mortgage break to unemployed

The bank will lower mortgage payments for three months and waive fees for certain unemployed borrowers.

March 3, 2009: 7:39 AM ET

NEW YORK (CNNMoney.com) -- Unemployed homeowners whose houses are financed by CitiMortgage may be eligible to have their mortgages temporarily reduced to \$500 a month, the company announced Tuesday.

"We're planning to help recently unemployed homeowners by giving them the ability to pay as little as \$500 a month on their mortgage, which is effectively less than the price of an average one-bedroom rental nationally," Sanjiv Das, CitiMortgage's president and CEO, told CNN Radio.

Borrowers are covered by the program for 90 days when they submit documents proving they are recent recipients of state unemployment benefits, Das said. Some homeowners may be able to get extensions after the 90 days expire, depending on their situation.

"This is intended to keep the neediest borrowers in their homes," Das said.

It's unclear how many of the 1.4 million CitiMortgage customers will seek assistance, but Das noted that about 4 million people have lost jobs over the past year.

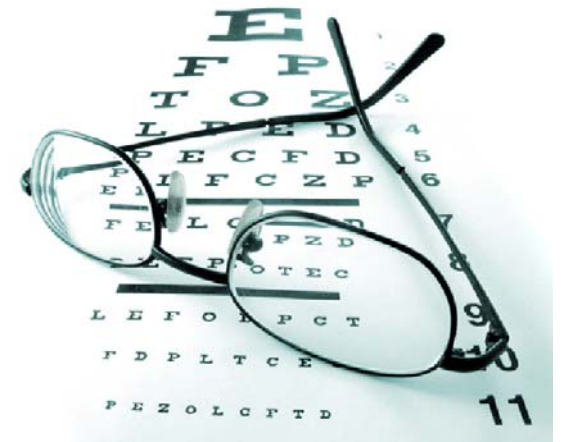
"We hope to help thousands of customers with this," he said.

The company is the housing lender arm of Citigroup, a beleaguered bank that has received \$45 billion in federal bailout funds and recently lost 36% of its ownership to the government. ■

[Find mortgage rates in your area](#)

Consumer Loans

Credit unions are way too restrictive on these loans. If you want more consumer loans, try the following:



Trade In Your Credit Card Debt

Pay us the same payment you are currently paying your credit card providers and you will be totally out of debt in approximately 2.5 years.

Call our credit experts today! We will show you how to become debt free without increasing payments.

Name of Creditor	Limit	Balance	Payment/4%	Available
Discover	\$5000	\$4000	\$160	20%
Capital One	\$2000	\$1600	\$64	20%
MBNA	\$4000	\$3200	\$32	20%
CU	\$1000	\$800	\$32	20%
Total	\$12,000	\$9600	\$384	80%



Note: The above assumes 12.95% interest, a loan amount of \$9600 with payments of \$384.00 (4% balance) = Approximately 30 months.

Need A Car? Credit Problems? Nobody Will Help You Out? We Will! There Has Never Been A Better Time to Buy A Car!

Why Some People Get A Good Deal

- They are not worried about financing
- They know the value of the car they are buying
- They shopped around to get the best price
- They often have a mechanic look at the car
- They know they can buy any car that fits their budget because their credit union will stand behind them
- They don't even discuss financing the car with the dealer, they are not concerned about anything other than getting a great price

Why Some People Get A Bad Deal

- They are desperate and need a car now
- They don't have a lot of money to put down
- They are afraid they will lose their job if they can't get back and forth to work
- They know their credit report is less than perfect
- They will take any car the dealer offers them as long as they can make the payment
- Later they find out they made a mistake and now they are upside down



Could B-U Federal Credit Union believe credit challenged members deserve the same good deal on the price of an automobile that a member with perfect credit gets.

Our Promise To You is that if you meet the following qualifications, we will help you out.

1. You have a good job
2. Your job will likely continue
3. You like your job and your job likes you
4. You will give us direct deposit of your paycheck
5. We will finance the car and help you buy a car at a price that is close to low book value

**Your credit union is here for you. We will make it easy!
Call us at: 888-555-5555 regardless of your past credit.**

How to Increase Loan Volume – Sample Letter

Credit unions should send this to all members who went bankrupt and caused the credit union a loss.

Dear _____,

Welcome back! Your credit union has changed its policies on bankruptcy and our new policy could very well save you thousands of dollars. We understand that in these tough economic times with rising fuel cost, etc., many of our members are being challenged like never before. We also know that bad things happen to good people.

Our previous policy said if you caused the credit union a loss, not only did we deny you any future loans, we also took away all of your services. We understand that most of you were simply following the advice of your attorney. We have rewritten our policies so we can now help you. Many of you were forced to go elsewhere to get credit and you're paying extraordinary high rates. Members who were forced to go bankrupt still need vehicle loans, credit cards, mortgage loans, etc.

Well, we can help. If you have these type loans elsewhere and you're paying a high rate plus you're current with your payments, we'll save you money by lowering your rate and payment. We're so confident that we'll give you \$100 if we can't. You must meet the following simple qualifications:

- ***You are actively employed***
- ***You have a good job***
- ***Your job will likely continue***
- ***You have the ability to pay***
- ***Direct deposit and payroll deduction are a big plus and entitle you to even bigger discounts***
- ***You're current with your payments since your bankruptcy***



We want you back! Our guarantee to you is:

- ***We'll save you money***
- ***We'll help you drive up your credit score with a free credit analysis that will entitle you to even lower rates***
- ***We'll treat you better than any other financial institution***
- ***Credit union members are family, we borrow together and save together***

How to Increase Loan Volume

Credit Rebuilder

Criteria:

- Borrow up to \$1000
- Processing fee will be \$35
- Your credit report will not be a factor you are getting the loan
- A minimum of three months on the job (you must have good job and not a seasonal position)
- Direct deposit must be in place for three months
- Loan has to be paid off in 12 months
- Once paid off, you can re-borrow money with no additional fee
- Members can borrow up to \$1500 on their next loan request
- Payments will run no more than \$94 a month and your loan is protected by credit life and disability insurance (note this is optional)
- The credit union has to be your primary financial institution
- 18% flat rate



How to Increase Loan Volume

Payday Lending

Criteria:

- \$250 up to \$500 open-end line of credit
- Annual fee will be 10% of loan amount.
- Your credit report will not be a factor you are getting the loan
- A minimum of three months on the job (you must have good job and not a seasonal position)
- Loan has to be paid off on your next payday. Once paid off you can re-borrow additional money.
- Member can borrow as often as needed over the next 12 months provided you have paid off your previous loan. The credit union will adjust your annual fee based on your increased loan amount
- 18% flat rate.



'First of It's Kind'

A Decisioning Model that not only considers the Fair Isaac credit score but also the member's qualifications

HYLS DECISIONING MODEL

"There is no other model like this anywhere!"

Question: What makes H.D.M. different from other scoring models?

Answer: Traditional scoring models provide you with a score that shows you the probability of default based on factors that covers the member's current and past credit histories. Their model does not consider many important factors that typically cause the member's loan request to be rejected.

Question: What are some of the factors that are omitted?

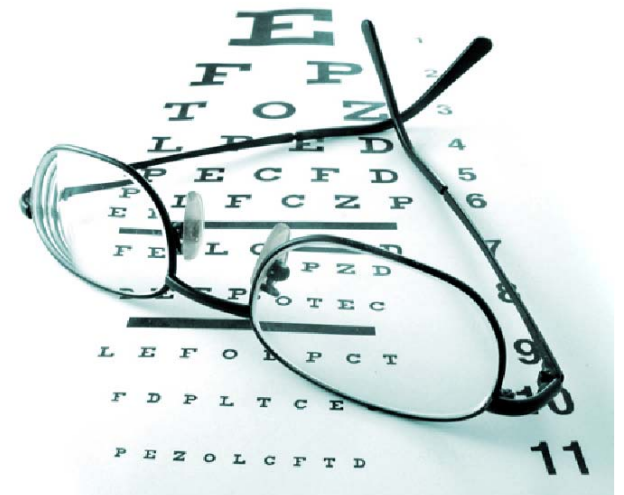
Answer: The member's qualifications, the member's assets, the member's income and experience with the credit union and most important, you receive the member's paycheck first. It's called direct deposit. None of these factors are considered with the Fair Isaac model.

Question: How does H.D.M. work?

Answer: Employees taking loan applications get in a rush and they do not collect the data or ask the questions that are necessary to insure you are making the right decisions. H.D.M. cannot score the application the way it should be scored without having a complete application. H.D.M. forces the employee to look at not only the member's FICO score but also these other factors that will be added or subtracted from the FICO score. This adjusted score can be used to help the decision maker make the very best decision. Credit unions must understand that H.D.M. is not a validated model and cannot be used to approve or deny a loan. It's not to be used to price a loan. The real purpose is to show the decision maker that these other factors are very important and are often overlooked. Again, the purpose is not:

- *To be used to approve or deny a loan based on an adjusted score*
- *Not to price a loan (continue to use the Fair Isaac model for loan pricing)*
- *What you really want to focus on is how H.D.M.'s final score compares with the Fair Isaac model. If H.D.M. increases the FICO score, it suggests the member's qualifications are better than their score. If it lowers FICO, you should take a hard look before saying "yes".*

HYLS Scoring Factors





1. Employment: Current & Previous Job	
Requirements	Points
10+ years	25
5-10 years	10
3-5 years	0
1-2 years	-5
less than 1 yr	-10

2. Residence: Current & Previous Address	
Requirements	Points
10+ years	25
5-10 years	10
3-5 years	0
1-2 years	-5
less than 1 yr	-25

3. Equity in Home	
Requirements	Points
\$100,000+	25
\$50,000-100,000	10
\$0-50,000	5
(neg) -\$1 to -\$50,000	-5
-\$50,001 to -100,000	-10
-\$100,001+	-25
Not homeowner	N/A = 0

4. Loan to Value on Vehicle Loan Request (use MSRP or Purchase Price)	
Requirements	Points
80% or less	25
81% - 90%	10
91% to 100%	5
101% to 105%	0
106% to 115%	-10
116% to 125%	-25
126%+	-50
No vehicle loan	N/A = 0

5. Direct Deposit/Payroll Deduction	
Requirements	Points
over 5 years	25
2-5 years	15
1-2 years	10
0-1 years	0
No Direct deposit	-10

6. Unsecured Debt Ratio - include all verifiable income	
Requirements	Points
0-15% AGI	10
16-20%	0
21-30%	-10
31-35%	-25
36%+	-50

7. Debt to Income	
Requirements	Points
less than 20%	10
21-30%	5
31-40%	0
41-50%	-10
51-60%	-25
Over 60%	-50

8. Inquiries as a Percentage of Age	
Requirements	Points
0-20% of Age	10
20-30%	5
30-40%	0
40-60%	-10
60%+	-25

9. New Trade Lines - last 12 months	
Requirements	Points
0-2	10
3-4	0
5-6	-10
7-9	-25
10+	-50

10. Total Vehicle Loan Balances as a % of AGI (include all vehicles, RVs, motorcycles, etc...)	
Requirements	Points
0-50%	10
51-75%	0
76-100%	-25
Over 100%	-50
No vehicle loans	N/A = 0

11. New Vehicle Loan Request as a % of AGI	
Requirements	Points
0-50%	10
51-75%	0
76-100%	-25
Over 100%	-50
No vehicle loans	N/A = 0

12. Penalty for Extended Term Financing	
Expected Guidelines	Points
\$0 - 10,000	up to 36 mos
\$11,000 - 15,000	up to 48 mos
\$16,000 - 20,000	up to 60 mos
\$21,000 - 30,000	up to 72 mos
\$31,000+	84 mos+
Penalty Required	Points
below guidelines	0
Above 1-12 mos	-10
Above 13-24 mos	-25
Above 25 mos+	-50

1 _____
2 _____
3 _____

4 _____
5 _____
6 _____

7 _____
8 _____
9 _____

10 _____
11 _____
12 _____



13. Total Mortgage Debt as a Percentage of AGI	
Requirements	Points
2 x's AGI	10
2 - 2.5 x's	5
3x's	0
3 - 3.5 x's	-5
3.5 - 4.0 x's	-25
over 4 x's	-50
No mortgage	N/A = 0

14. Highest Current or Past Loan With CU	
Requirements	Points
25,000+	15
10,000-25,000	10
1,000 - 10,000	5
No prior loans	-5

15. Number of Prior Loans with CU	
Requirements	Points
5+	15
3-4	10
1-2	5
0	-5

13 _____
14 _____
15 _____

16. Number of Years as an Active Member	
Requirements	Points
10+	15
5-10	10
1-5	5
New	-5

17. Total Dollar Amount on Deposit with CU	
Requirements	Points
10,000+	25
5,000-10,000	10
1,000-5,000	5
Less than \$1000	0
Neg. shares	-10

18. Number of NSF's or Courtesy Pay with the CU in the past 12 months	
Requirements	Points
No NSF's	10
1-3	5
4-6	0
7-9	-5
10+	-10
No Checking	-5

16 _____
17 _____
18 _____

19. Inflated Income (# of times mtg refi or 2nd mtg with cash out)	
Requirements	Points
No cash out +3yrs	25
No cash out 1-2 yrs	0
Cash out 1 time	-10
Cash out 2 times	-25
Cash out 3+ times	-50
Member Rents	0

20. Valid FICO Score 4 or more trades, 1 in excess of \$5,000, open 2+ yrs	
Requirements	Points
730+	25
680-729	15
640-679	5
600-639	0
550-599	-5
500-549	-15
Below 500	-25
No FICO Score	0

21. FICO Score with Perfect Credit - no collections, no public records	
Requirements	Points
700+	0
680-699	-5
670-679	-10
660-699	-15
650-659	-25
649 & below	-50
Credit with flaws	0

19 _____
20 _____
21 _____

22. Total Payment Amount Past Due with all Creditors	
Requirements	Points
\$0	10
\$100 or less	0
\$200-500	-5
\$501-1000	-10
\$1001-2000	-20
\$2001-5000	-35
over \$5000	-50

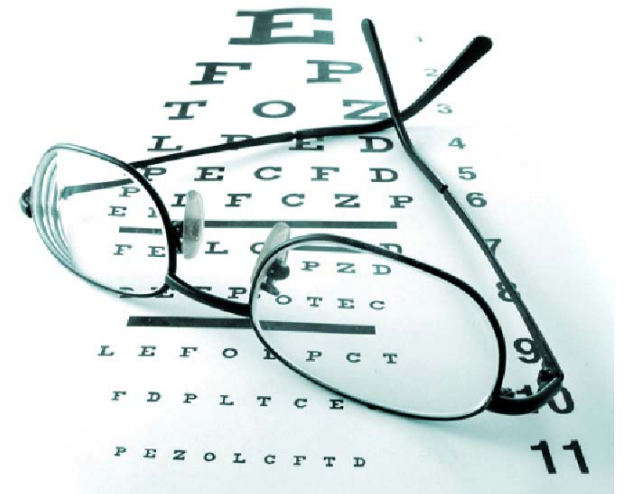
23. Payment History on Most Recent Auto Loan	
Requirements	Points
Delinquent 5+ times	-50
3-4 times	-25
1-2 times	-10
No Delinquency	
1-12 months	0
13-24 months	10
25+ months	25

24. Payment History on Previous Auto Loan	
Requirements	Points
Repossessed	-50
Delinquent 5+ times	-25
1-4 times	-10
No Delinquency	
1-12 months	0
13-24 months	10
25+ months	25

22 _____
23 _____
24 _____

What a Good Application Looks Like

See our application



Could B-U Credit Union - Loan Application

Applicant	Joint Applicant or Co-Signer (please circle one)
Motivation Purpose _____ _____	
Name _____ Current Address _____ Street Address _____ City State Zip _____ Month/Year Moved In _____ Landlord/Mortgage Company Payment _____ Previous Address _____ Street Address _____ City State Zip _____ Month/Year Moved In _____ Phone Numbers _____ Home Cell _____	Name _____ Current Address _____ Street Address _____ City State Zip _____ Month/Year Moved In _____ Landlord/Mortgage Company Payment _____ Previous Address _____ Street Address _____ City State Zip _____ Month/Year Moved In _____ Phone Numbers _____ Home Cell _____
Rent or Own (circle one) Previous Address _____ Street Address _____ City State Zip _____ Month/Year Moved In _____ Phone Numbers _____ Home Cell _____	Rent or Own (circle one) Previous Address _____ Street Address _____ City State Zip _____ Month/Year Moved In _____ Phone Numbers _____ Home Cell _____
Employment _____ Name of Employer _____ Street Address _____ City State Zip _____ Date of Employment month/year _____ Position Title _____ Salary Hourly Weekly Annual _____ Phone _____	Employment _____ Name of Employer _____ Street Address _____ City State Zip _____ Date of Employment month/year _____ Position Title _____ Salary Hourly Weekly Annual _____ Phone _____

Previous Employer

(if less than 5 years at current employer)

Name of Previous Employer

Street Address

City State Zip

Date of Employment month/year

Position Title

Salary Hourly Weekly Annual

Previous Employer

(if less than 5 years at current employer)

Name of Previous Employer

Street Address

City State Zip

Date of Employment month/year

Position Title

Salary Hourly Weekly Annual

Assets

Checking \$ Savings \$

Name of Financial Institution

Checking \$ Savings \$

Name of Financial Institution

Auto #1

Year, Make, Model Mileage

Real Estate

Value Purchase Price

Balance Owed Cash Paid Down

Assets

Checking \$ Savings \$

Name of Financial Institution

Checking \$ Savings \$

Name of Financial Institution

Auto #1

Year, Make, Model Mileage

Real Estate

Value Purchase Price

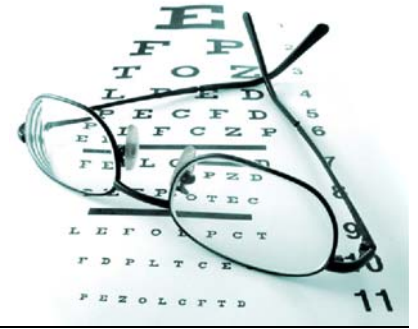
Balance Owed Cash Paid Down

Sign by: _____ Date: _____

Action Plan



- **Get your Board of Directors, management team, and staff to listen to the webinar**
- **Look at your loan policy manual and focus on the barriers you have in place such as:**
 - *FICO score requirement*
 - *Look to loan to value stipulations you now have on 1st and 2nd mortgage loan request that force you to say no*
- **Never refuse to take a complete loan application, look at the one you are now using and ask if your application shows**
 - *Their motivation*
 - *The purpose of their loan request*
 - *5 years of addresses*
 - *5 years of employment*
 - *What they:*
 - *Paid for their home/car*
 - *Down payment or trade in*
 - *The value (based on)*
 - *The balance*
 - *Previous address were they buying and how much equity did they have in their previous home*
 - *Employment and position*
 - *Salary (hourly, weekly or monthly plus annual income)*
 - *Month and year hired*
 - *Other sources of income*
 - *Google their employers if you don't know them and ask them how many employees the sponsor company has*
 - *Are they laying off or hiring*
 - *Has their income gone up or down over the last 6 months*
 - *If their job is new, how did they get it*
 - *Does the job like them*
 - *Do they like the job*

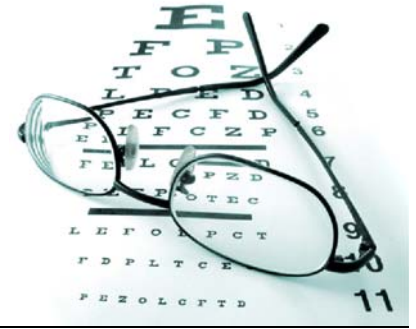


You Must Get:

- 5 years of employment (month/year)
- Look for gaps in their employment
- In these tough economic times start looking at 2 to 3 current and previous paystubs to see what's happening to their income
- Previous employment
 - *Make sure you get the dates – month and year*
 - *Make sure you find their salary when they left*
- Their checking and savings
 - *How much do they keep on deposit*
 - *Who do they bank with*
 - *Would they move it to you*
- Their assets
 - *You need all their assets such as:*
 - *Vehicles (year, make, model, mileage, value)*
 - *Homes (purchase price, amount owed, cash paid down and value)*

All these requirements are included in our recommended loan application.

Training, Training



Many of you have cut way back on your expenses and you are to be applauded. Unfortunately, you cut back on expenses that might keep you from making money. You cannot make money without:

- Loan volume = 10%+ growth a year
- Loan yield = 8.5 to 10%
- Reasonable delinquencies = a net loan yield of 7.5% after charge offs and delinquencies

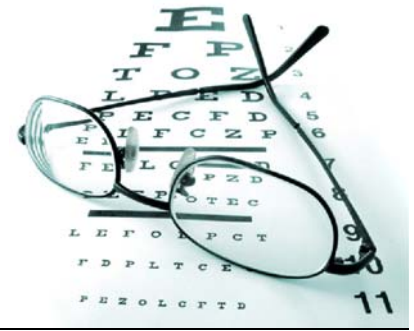
You must convince your senior management and Board of Directors that your biggest expenses are:

- Charge offs
- Loss of income due to loan yield

There is a ton of money to be made and yet we are not willing to train our employees on how to do it right.

In these tough economic times, credit unions must come up with solutions and they need well trained, motivated employees to make it happen.

If You Can't Come to Us, We Will Come to You



1. **Have your own University of Lending using the new just introduced Fourth Edition series.**

NOTE: Credit unions can get together and split the cost, we will come on-site for any credit union and you can invite as many attendees, as your room will hold. We have both 3 and 5 day schools.

2. **Introducing the all New HYLS Decisioning Model**

We'll show you how to set up high yield lending that will substantially increase your loan yield while helping you serve more members. A 1% increase In your gross loan yield will more than double your income.

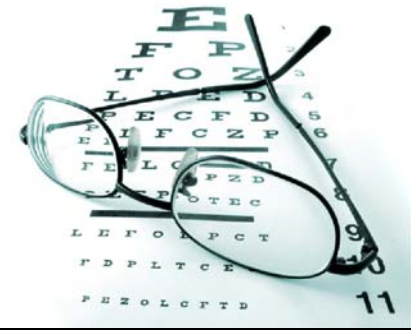
In addition to teaching you high yield lending, we will introduce and show you the all new "HYLS Decisioning Model" (H.D.M.). This new model will not only help your employees make more loans with greater confidence, it will also keep you from making non-performing loans. We recommend two days for this school and again we will do it on-site, multiple credit unions can participate.

3. **Sales Training:** We have a new sales program we do on-site for your frontline staff. We focus on your branches and your frontline, such as tellers, MSR's and FSR's. This is done both in classroom environment and at platforms live with members. Your employees will love how easy it is to cross-sell.

4. **Collections Training:** We have special schools just for collectors, once again credit unions can combine resources and we will come on-site . These school are normally three days.

5. **Collection Monitoring to lower delinquencies and charge offs** (Note: This is not a school but a all new service that is getting fantastic results.

Solutions for Your 20 Largest Delinquent Accounts

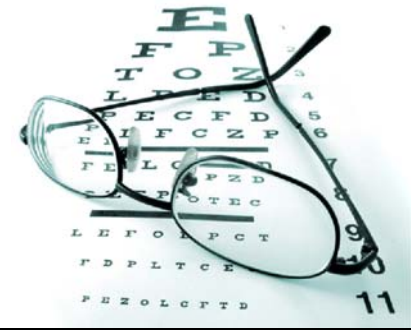


What will collection monitoring do for you?

- **We will review your top 20 largest loans every month.** We need the loan files and a new credit report plus the collection notes. We will provide you solutions by giving directions to your collection manager and collectors. If we think it's a loss, we will let you know. Our experience so far has been very positive in doing this and we are saving credit unions thousands of dollars in write offs. The reason we are doing this is:
 - *Credit unions are inundated with work*
 - *Accounts are being written off that would have paid*
 - *Collection follow up is inconsistent*
 - *Collectors are mainly for dialing for dollars but their not resolving accounts*
- Do you really believe your accounts are being worked to conclusion or are they being charged off because there has been 6 months with no payment. We know we can save you a lot more the \$3500 we will charge you.

The Survivors Club

By Ben Sherwood



THE FIGHTER

- Fighters attack adversity head on with purpose and determination.
- Against any odds, they are driven to succeed and won't stop until they achieve their goals.
- Fighters never stop attacking.
- Even at their lowest, they find a way to bounce back.
- They have a passion for life and seize every day with zest and zeal.
- They have the willpower and determination to struggle, resist and overcome, even in the face of formidable opposition.

Maybe:

- You're courageous and brave
- You're aggressive and competitive

No matter, you:

- Get pumped up by the heat of battle.
- Push yourself to be best.
- Are motivated by a sense of purpose or a calling greater than yourself (this is key)
- Are resilient and tenacious because you have endured hardship in the past

Survivors keep going when others have given up and battle to the very end.

You Are A Fighter.