

Rex Johnson's Webinar 23
December 18, 2009 • 1p.m. CST

**In 2009, Was Your Credit Union
NAUGHTY OR NICE?**



We Didn't See it Coming

And No One Else Did

Here is an example of a credit union that subscribes to “Moody’s Precis”, a regional economic forecast published three times a year.

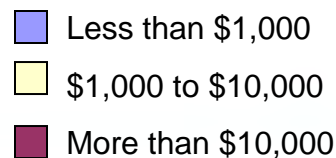
This helps the credit union to better understand what is happening in their market place

There are times when forecasts do not anticipate movements in either the market or the economy. As you can see from the following Moody's graph, the drastic drop in the Ocala Florida market was not foreseen in previous forecasts.

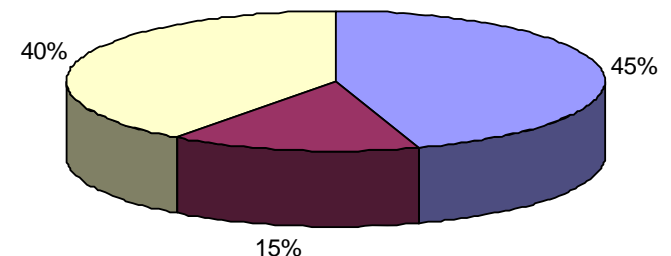
| Forecast Period | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <i>Unemployment</i> | | | | | | | |
| Nov-07 | 4.2 | 5.1 | 4.8 | 4.7 | 4.8 | | |
| Mar-08 | 4.3 | 6.1 | 6.5 | 6.2 | 5.7 | 5.7 | |
| Jul-08 | 4.6 | 6.4 | 7.1 | 6.8 | 6.2 | 6.2 | |
| Mar-09 | 4.6 | 7.6 | 12.6 | 13.9 | 12.3 | 10.0 | 9.0 |
| Jul-09 | 4.5 | 7.7 | 13.2 | 14.7 | 13.4 | 11.3 | 10.6 |
| <i>House Prices</i> | | | | | | | |
| Nov-07 | 166.1 | 153.1 | 153.7 | 157.5 | 160.4 | | |
| Mar-08 | 163.7 | 136.3 | 127.7 | 128.9 | 131.2 | 132.6 | |
| Jul-08 | 163.7 | 136.2 | 123.2 | 123.2 | 123.7 | 124.3 | |
| Mar-09 | 163.7 | 137.5 | 104.7 | 95.3 | 98.9 | 107.5 | 114.5 |
| Jul-09 | 163.7 | 137.5 | 101.2 | 88.4 | 90.6 | 98.8 | 105.4 |
| <i>Bankruptcies</i> | | | | | | | |
| Nov-07 | 865 | 1,214 | 1,339 | 1,417 | 1,425 | | |
| Mar-08 | 810 | 1,143 | 1,178 | 1,251 | 1,342 | 1,385 | |
| Jul-08 | 621 | 1,101 | 1,121 | 1,196 | 1,281 | 1,326 | |
| Mar-09 | 621 | 1087 | 1,310 | 1,950 | 1,958 | 1,673 | 1,598 |
| Jul-09 | 621 | 889 | 1,717 | 2,454 | 2,586 | 2,305 | 2,053 |

Where Has 2009 Left the Average Consumer?

- Undervalued homes
 - Home values dropped \$489 billion in 2009
- Loan modifications being denied:
 - *Only about 4% of troubled borrowers have received long-term help under the Obama administration's foreclosure prevention program, Treasury officials said Thursday. (CNNMoney.com)*
 - *The number of troubled borrowers currently in trial modifications rose to 697,026, up from 650,994, a month earlier.*
 - *The first comprehensive tally of permanent modifications made, shows that loan servicers have converted 31,382 people from trial adjustments to long-term assistance as of Nov. 30. But 30,650 people in trial modifications have been denied, according to Treasury officials. (CNNMoney.com)*
- 6,000 Bankruptcy filings a day in 2009
 - Good news: Bankruptcy is trending to slowdown in later 2010
- Car payments have gone up
- Credit card debt has increased



Credit Card Holders' Average Total Balance



How is Our Competition Faring?

- Banks are collecting fees at all costs
 - Cutting limits – even to members with perfect payment history/credit
 - Credit card fees
 - *Over the limit*
 - *Annual fees*
 - Increased late fees
 - ATM fees (double dipping)
 - Relying on payday/courtesy products
- Workout loans and short sales not being the answer for most consumers
 - *Piles of paperwork*
 - *Difficult to qualify for*

Banks Weary on Real Estate

- A sign of the times:

“Five years ago if your application included 20% down your bank would have approved your loan by sundown and sponsored a parade in your honor.”

“These higher standards could frustrate buyers hoping to take advantage of low rates, depressed house prices and generous tax breaks.” Sandra Block USA Today

- High restrictions on approvals including:
 - Credit score: Fannie Mae giant requires a score of at least 620 even with 20% down
 - Will no longer approve a borrower with 20% down payment if more than 45% of their income goes to debt
- Tough to qualify for advertised rates

How Have We Fared?

- Investment yield loss
 - *Average investment yield below 1%*
 - *A staggering 300% decrease in 2009*
- Loan growth flat or negative
- Loan yield loss
 - *Credit unions have become risk adverse*
 - *Nervous to approve unsecured/credit card loans*
- Provision expense skyrocketing
- Delinquency and charge offs rising simultaneously
- NCUA stabilization fund

Could B-U Credit Union

Financial Performance Reports Statistics

| | Sep-08 | Dec-08 | Mar-09 | Jun-09 | Sep-09 |
|---------------------------------------|------------|------------|------------|------------|------------|
| Loan Growth | 4.42 | 4.81 | -4.66 | 0.85 | 0.61 |
| Asset Growth | 4.43 | 1.71 | 36.34 | 28.97 | 15.36 |
| Investment Growth | 15.13 | -11.16 | 596.02 | 389.11 | 204.93 |
| Yield on Loans | 6.79 | 6.76 | 6.52 | 6.52 | 6.6 |
| Yield on Investments | 1.89 | 2.14 | 1.05 | 1.12 | 1.46 |
| Delinquent Loans | 1.1 | 1.76 | 1.5 | 1.49 | 1.82 |
| Charge Offs | 1.59 | 1.75 | 2.81 | 2.8 | 2.59 |
| Provisions Loan Losses/Average Assets | 1.7 | 3.02 | 2.15 | 2.06 | 2.05 |
| Provisions - Default Amount | 12,272,200 | 28,911,100 | 5,430,000 | 10,643,000 | 15,674,000 |
| Loan Income | 42,734,878 | 57,187,685 | 14,020,917 | 28,293,522 | 42,959,649 |
| Investment Income | 1,182,919 | 1,600,526 | 321,378 | 776,273 | 1,364,415 |
| Other Income | 9,613,915 | 12,833,352 | 3,035,868 | 6,145,829 | 9,355,489 |

- Loan yield dropped 0.19% in past year & in the past 18 months
- Lost \$619,000 in loan income
- Investments doubled from \$93 million to \$184 million and income only increased 200,000.
- Provisions increased by \$3.4 million and delinquency is still rising
- Delinquency and charge offs rising simultaneously (concerning trend)

The Numbers Don't Lie!

Money Left on the Table

Could B-U Credit Union (Average Credit Union)

Income is being compromised by following areas.

- Yield on Loans = 6.79 (2008)

| | | |
|--------------------------------|---|--------------------|
| <u>6.60 (Sept 2009)</u> | | |
| .19 * 861,000,000 (avg loans)= | = | \$1,635,900 (loss) |

- Yield on Investments = 1.89 (2008)

| | | |
|-------------------------|---|------------------|
| <u>1.46 (Sept 2009)</u> | | |
| (0.43) * 184,778,124 | = | \$794,545 (loss) |

- Provisions for Loan Loss = 12,272,200 (2008)

| | | |
|-------------------------------|---|--------------------|
| <u>15,674,000 (Sept 2009)</u> | | |
| (3,301,800) | = | <u>\$3,401,800</u> |
| | | \$5,832,245 |

Can We Survive Without Fee Income?

Could B-U Credit Union Fee Income Statistics

| | Dec-05 | Dec-06 | Dec-07 | Dec-08 | Sep-09 |
|------------|------------|------------|------------|------------|-----------|
| Fee Income | 10,333,908 | 12,615,126 | 13,034,425 | 12,833,352 | 9,355,489 |

- **Courtesy Overdraft Fees Hit Credit Union Customers Too**

By Kathy Chu USA Today 12/09/09

- *Federal Reserve expects to rule this year on overdraft practices; little indication about whether its going to require financial institutions to get consumer's permission to sign them up or allow them to continue enrolling **automatically***
- *Obama administration a regulatory body require consumers explicit consent and to warn borrowers if they are about to overdraw*
- *These efforts will cap on how much federal credit unions can charge; would be subject to 18% cap*
- *67% of credit union and 43% of banks have courtesy overdraft policies*
- *Credit unions have not been as savvy about controlling expenses as banks said Mike Moebis, the Bretton Woods founder, so more of them have adopted this policy to bring in revenue to offset costs.*
- *Last year credit unions earned 6.6 billion in overdraft income*
- *Credit union that has courtesy overdraft earned an average of \$140 in fee per member income in comparison with Navy FCU earned \$65 in fee income without this policy*
- *An average consumer overdraws on a \$20 debit card with a median fee of \$27 with repayment in two weeks pays a 3520% APR.*

NCUA Tells Examiners to De-Emphasize Earnings

By Ed Roberts, Washington Bureau Chief

ALEXANDRIA, Va. — NCUA said it is instructing its examiners to put less emphasis on the "E" or earnings component in the so-called CAMEL code, as long as a credit union has a long-term strategic plan to weather the current economic environment.

The move comes while as many as half of all credit unions are expected to report negative earnings this year, due to the recession and billions of dollars of costs passed down to them from the corporate credit union bailout.

The new approach was described to key lawmakers in a letter from NCUA Chairman Deborah Matz, who also explained increased examiner flexibility on residential mortgage loan modifications and on commercial real estate lending, an emerging concern for credit union and bank regulators.

"Our view is that in certain circumstances it may be appropriate for a credit union to forego short-term earnings so that a high level of member service can be maintained," Matz said in a letter to House Financial Services Committee Chairman Barney Frank, who asked regulators last week how they are balancing ongoing stress among banks and credit unions with the growing need for credit.

The NCUA Chairman told Frank the agency is currently drafting a supervisory letter to all of its examiners explaining this approach. The letter will encourage NCUA examiners to show flexibility in the earnings component of CAMEL, if a credit union appears to have an adequate long-range plan.

NCUA rates all federally insured credit unions on a scale of one to five based on CAMEL, which stands for capital adequacy, asset quality, management, earnings and liquidity. Credit unions rated 4 or 5 are considered problem institutions.

Matz also told the lawmakers NCUA examiners are continuing to emphasize flexibility in residential loan modifications, while stressing safety and soundness. NCUA, said Matz, has also joined banking regulators in a new policy to ease stress on commercial real estate borrowers who are experiencing diminished cash flows, depreciated collateral values and delays in selling or renting commercial properties. The guidance stresses less reliance on collateral values in falling markets.

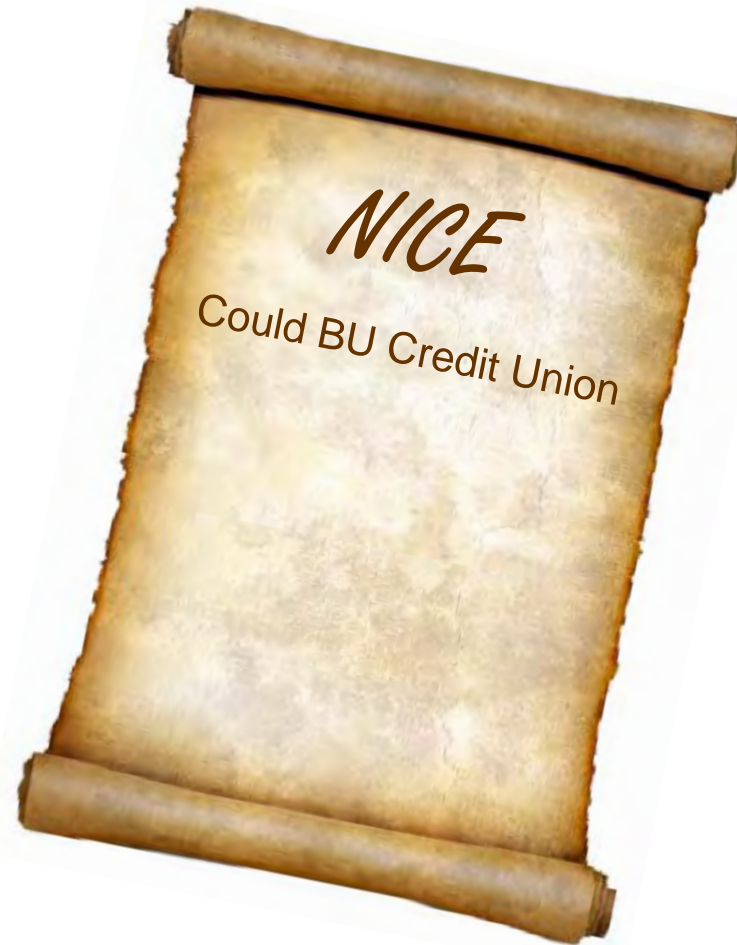


"NCUA understands the importance of increasing lending to stimulate the economy, while ensuring the safety and soundness of the institutions NCUA regulates and insures. There is a fine balance, but I firmly believe an achievable balance, between these two objectives that NCUA is encouraging the credit union industry to seek."

Debbie Matz, NCUA Chairman

How Do We Get On the Nice List?

Action Plan for 2010



Loan Growth of 15% Annually

Loan Yield Short Term Goal of 7.5%

Loan Yield Long Term Goal of 8-10%

Reasonable Delinquencies will equate to a 7.5% Yield on Loans (After Charge-Offs)

Increasing Loan Yield

- Every employee needs to know where your yield is now and what raising it even by .25% means to your bottom line
- Portfolio Mix
 - *Highest yielding products – unsecured/credit cards should make up 25% of your loan portfolio*
- Pricing
 - *Make sure you are charging a premium for 100%+ loan to values and for older vehicles*
 - *Six tiers with an average of 11% spread*
- Get back into the lending game...



What Products Actually Earn the Most Income?

- As part of your action plan for 2010, make sure your credit union adopts the following tracking sheets
- This will create awareness with staff and examiners on why it makes sense to take risk when we believe there is a high probability of repayment (even with a sub-prime FICO score)

Could B-U Credit Union

Yield By Product Type & Grade of Paper

| A+ | Loan Type | Average Balance | Average Yield | Annual Income | Delinquent Amount | Delinquency Ratio | Loan Losses | Effective Yield |
|----|----------------|-------------------|---------------|------------------|-------------------|-------------------|---------------|-----------------|
| | Autos | 8,511,567 | 5.32% | 452,607 | 3,321.00 | 0.00% | 18,488 | 5.10% |
| | Commerical | 0 | 0% | 0 | 0.00 | 0.00% | 0 | 0.00% |
| | Home Equity | 5,011,304 | 6.30% | 315,542 | 0.00 | 0.00% | 0 | 6.30% |
| | Indirect | 5,725,628 | 5.35% | 306,059 | 317.13 | 0.00% | 0 | 5.35% |
| | Other Vehicles | 3,484,710 | 5.82% | 202,756 | 0.00 | 0.00% | 0 | 5.82% |
| | Secured Loans | 889,965 | 4.58% | 40,732 | 384.14 | 0.04% | 0 | 4.58% |
| | Unsecured | 1,975,006 | 8.36% | 165,138 | 255.00 | 0.01% | 15,340 | 7.58% |
| | Total | 2,598,183 | 5.79% | 1,482,835 | 1,291.00 | 0.01% | 33,829 | 5.66% |
| C | Autos | 4,098,468 | 8.67% | 355,445 | 9,972.42 | 0.24% | 37,368 | 7.76% |
| | Commerical | 13,381 | 0% | 803 | 0.00 | 0.00% | 0 | 0.00% |
| | Home Equity | 1,329,356 | 6.19% | 82,337 | 1,547.38 | 0.12% | 0 | 6.19% |
| | Indirect | 2,846,727 | 8.83% | 251,478 | 7,318.83 | 0.26% | 12,711 | 8.39% |
| | Other Vehicles | 760,440 | 8.63% | 65,655 | 1,029.75 | 0.14% | 0 | 8.63% |
| | Secured Loans | 682,012 | 4.52% | 30,929 | 715.11 | 0.11% | 0 | 4.52% |
| | Unsecured | 1,275,178 | 13.40% | 170890 | 5551.56 | 0.44% | 38,279 | 10.40% |
| | Total | 11,008,564 | 8.70% | 957,541 | 26,165.05 | 0.24% | 88,359 | 7.90% |
| E | Autos | 1,953,863 | 15.20% | 297,077 | 27,508.65 | 1.41% | 47,891 | 12.75% |
| | Commerical | 0 | 0.00% | 0 | 0 | 0.00% | 0 | 0.00% |
| | Home Equity | 364,880 | 0.00% | 23,134 | 0.00 | 0.00% | 0 | 0.00% |
| | Indirect | 722,222 | 14.98% | 108176 | 10525.43 | 0.00% | 20,522 | 12.14% |
| | Other Vehicles | 218,635 | 15.30% | 33,445 | 1,907.85 | 0.00% | 0 | 15.30% |
| | Secured Loans | 389,044 | 5.00% | 19454 | 3288.91 | 0.00% | 0 | 5.00% |
| | Unsecured | 587,550 | 16.34% | 95,993 | 14,561.81 | 2.48% | 18,790 | 13.14% |
| | Total | 4,236,198 | 13.63% | 577,282 | 57,792.65 | 1.36% | 87,202 | 11.57% |

Yield & Production by Individual Loan Officer

| Loan Officer | Current Portfolio Balance | Weighted Gross Loan Yield | Estimated Income | Delinquent Amt 60+ days | Charge-Off Amt YTD | Charge-Off Ratio | Net Yield |
|--------------|---------------------------|---------------------------|------------------|-------------------------|--------------------|------------------|-----------|
| 1 | 8,277,304 | 7.26% | 601,284 | 4752.71 | 4907.87 | 0.06% | 7.20% |
| 2 | 15,091,922 | 6.79% | 1,024,128 | 19277.31 | 130654.8 | 0.87% | 5.92% |
| 3 | 3,305,515 | 7.99% | 264,271 | 1645.51 | 1638.12 | 0.05% | 7.95% |
| 4 | 10,427,702 | 6.84% | 712,846 | 2518.93 | 98340.29 | 0.94% | 5.89% |
| 5 | 6,366,404 | 8.16% | 519,331 | 26264.05 | 27277.32 | 0.43% | 7.73% |

Loan Yield by Month

| Month | Current Portfolio Balance | Weighted Gross Loan Yield | Estimated Income | Delinquent Amt 60+ days | Charge-Off Amt YTD | Charge-Off Ratio | Net Yield |
|--------|---------------------------|---------------------------|------------------|-------------------------|--------------------|------------------|-----------|
| Aug-09 | 148,872,653 | 7.26% | 10,707,122 | 106,538 | 622,044 | 0.32% | 6.69% |
| Jul-09 | 144,528,153 | 7.23% | 10,370,443 | 86,928 | 575,081 | 0.32% | 6.65% |
| Jun-09 | 144,465,278 | 7.18% | 10,348,790 | 104,716 | 282,279 | 0.20% | 6.71% |
| May-09 | 142,107,588 | 7.11% | 10,147,924 | 124,407 | 197,057 | 0.17% | 6.68% |
| Apr-09 | 140,530,898 | 7.10% | 10,025,698 | 43,379 | 203,308 | 0.17% | 6.67% |
| Mar-09 | 138,916,458 | 7.06% | 9,843,553 | 74,621 | 174,512 | 0.16% | 6.62% |
| Feb-09 | 137,932,484 | 7.01% | 9,727,789 | 64,264 | 114,393 | 0.14% | 6.60% |
| Jan-09 | 136,559,847 | 6.96% | 9,589,672 | 55,712 | 86,505 | 0.11% | 6.85% |
| Dec-08 | 135,853,119 | 6.99% | 9,468,437 | 70,986 | 706,344 | 0.59% | 6.40% |

Paper Grade Yield Comparison

| Paper Grade | Average Balance | Estimated Income | Average Yield | Delinquent Amount | Delinquency Ratio | Loan Losses | Effective Yield |
|-------------|-----------------|------------------|---------------|-------------------|-------------------|-------------|-----------------|
| A+ | 25,598,183 | 1,482,835 | 5.79% | 1,291 | 0.01% | 33,829 | 5.66% |
| A | 72,405,202 | 4,259,741 | 5.88% | 35,589 | 0.05% | 50,871 | 5.81% |
| B | 24,730,914 | 1,719,525 | 6.95% | 40,284 | 0.16% | 137,408 | 6.40% |
| C | 11,008,564 | 957,541 | 8.70% | 26,165 | 0.24% | 88,359 | 7.90% |
| D | 11,598,690 | 1,171,088 | 10.10% | 61,385 | 0.53% | 109,878 | 9.15% |
| E | 4,236,198 | 577,282 | 13.63% | 57,792 | 1.36% | 87,202 | 11.57% |
| Total | 149,577,751 | 10,168,012 | 6.80% | 222,506 | 0.15% | 507,547 | 6.46% |

Note: Analysis does not include credit cards, mortgages or educational loans

Compare: 11.57% Net Yield "E" paper
5.66% Net Yield "A+" paper
 5.91% Gain you make twice as much

Get Back Into the Lending Game

- HYLS (High Yield Lending Strategy) Decision Model
 - *Approval at all locations*
 - *On the spot closing and funding*
- Incentives
 - *Best employees \$1000 per month*
- New Accounts
 - *At a minimum, three products being sold*
 - *Calculate the competition's rates*
- Teller line referrals
 - *Drive thru*
 - *Member Profile screen*
- Outbound Programs

Gaining Control of Delinquency & Provisions

- Identifying the problem:
 - Delinquency and charge offs rising at the same rate while loans are continuously growing
- Full time collectors should be working 100 to 150 accounts
- Resolution Specialist Collector
 - This is a position that will spend far more time in dealing with members who owe the credit union substantial money where the credit union has to come up with a solution or will lose substantial money.
 - Must have strong analytical skills and good people skills.
- Working accounts cradle to grave - Collectors should work their accounts to conclusion so that the credit union is confident that they can either collect the balance, or the loan is a loss.
- Reports:
 - Longest number of days without payment
 - Largest balance past due to smallest balance (Cutoff of \$5000+)
 - Largest dollar amount to bring the account current (Cutoff at \$1,000)
 - Any loans granted in the last 12 months that are now 2+ months past due
 - Largest delinquent Visa balances to the Lowest (Cutoff at \$5,000)
- Using non-performing loans (i.e. bankrupts) as a training example for staff
- Adopt an Incentives for collectors with well defined goals

What is Going On At Your Own Credit Union?

- Inspect and validate
- Loan policies
 - Too many barriers?
 - How many exceptions are being allowed?
 - Decision is based on FICO score rather than member's qualifications
- Are recent loans following the same trends as your non-performing?
 - Showing the same warning signs
- Tracking losses by:
 - Loan origination
 - Dealer (if applicable)
 - Branch
 - Loan Officer
- Accountability
 - Staff meetings
 - List of collection accounts – any first payment defaults or delinquent in the first six months....

HYLS At It's Best

Let's take a second look...

- FICO score: 595
- HYLS score: 635
- Income generated: \$12,000 @ 13% for 48 months = \$3,930
NOTE: \$12,000 @ 1% (investment yield) for 48 months = \$857
- Helping a member: *PRICELESS*

HYLS Loan Application

| | Applicant | | Joint Applicant or Co-Signer (please circle one) |
|--|-----------------------------------|--|---|
| Motivation | | | |
| Purpose | <u>\$9500 used auto</u> | | |
| Name | <u>Lucy</u> | Name | <u>Christopher</u> |
| Current Address | | Current Address | |
| | Street Address | | Street Address |
| | City State Zip | | City State Zip |
| | <u>Apr-03</u> | | |
| | Month/Year Moved In | | Month/Year Moved In |
| Rent or Own (circle one) | <u>Citimortgage</u> \$692 | Rent or Own (circle one) | |
| | Landlord/Mortgage Company Payment | | Landlord/Mortgage Company Payment |
| Employment | | Employment | |
| | <u>Medical Center</u> | | <u>Auto Sales</u> |
| | Name of Employer | | Name of Employer |
| | Street Address | | Street Address |
| | City State Zip | | City State Zip |
| | <u>7/1/2009</u> | | <u>6/1/2004</u> |
| | Date of Employment month/year | | Date of Employment month/year |
| | <u>RN</u> | | <u>Manager</u> |
| | Position Title | | Position Title |
| | <u>\$2500/\$28,800</u> | | <u>\$2000/\$24,000</u> |
| | Salary Hourly Weekly Annual | | Salary Hourly Weekly Annual |
| | Phone | | Phone |
| | Work E-mail Address | | Work E-mail Address |
| Previous Employer (if less than 5 years at current employer) | <u>River Medical Center</u> | Previous Employer (if less than 5 years at current employer) | |
| | Name of Previous Employer | | Name of Previous Employer |
| | Street Address | | Street Address |
| | City State Zip | | City State Zip |
| | <u>3/1/2003</u> | | |
| | Date of Employment month/year | | Date of Employment month/year |
| | <u>RN</u> | | |
| | Position Title | | Position Title |
| | Salary Hourly Weekly Annual | | Salary Hourly Weekly Annual |

LUCY,
<CURRENT ADDRESS>
4 THOMPSON ST.,
<FORMER ADDRESS>
507 ST.,
5 W. 3RD ST.,

<DATE RPTD>
4/03
8/02

<CURRENT EMPLOYER AND ADDRESS>
MEDICAL

<POSITION>
OFFICE ADMIN
<RPTD>
5/09

SPECIAL MESSAGES

HIGH RISK FRAUD ALERT: CLEAR FOR ALL SEARCHES PERFORMED

MODEL PROFILE

ALERT
***FICO CLASSIC 04 ALERT: SCORE +595 : 038, 016, 020, 013 *** IN ADDITION
***TO THE FACTORS LISTED ABOVE, THE NUMBER OF INQUIRIES ON THE CONSUMER'S
***CREDIT FILE HAS ADVERSELY AFFECTED THE CREDIT SCORE.

CREDIT SUMMARY *** TOTAL FILE HISTORY

PR=0 COL=6 NEG=0 HSTNEG=3-22 TRD=22 RVL=2 INST=16 MTG=4 OPN=0 INQ=10
HIGH CRED CRED LIM BALANCE PAST DUE MNTHLY PAY AVAILABLE
INSTALLMENT: \$28.5K \$ \$19.1K \$0 \$681
MORTGAGE: \$75.3K \$ \$74.9K \$0 \$692
TOTALS: \$103K \$ \$94.1K \$0 \$1373

COLLECTIONS

| SUBNAME | SUBCODE | EGOR | OPENED | CLOSED | \$PLACED | CREDITOR | MOP |
|----------------|---------|----------|--------|--------|----------|----------------------|-----|
| ACCOUNT# | | VERIFIED | | | BALANCE | REMARKS | |
| PIN CRED SER Y | I | 9/08 | | | \$689 | 12 VERIZON WIRELES | 09B |
| | | 10/09A | | | \$689 | PLACED FOR COLLECTIO | |
| SO TIER HLTH Y | S | 9/04 | | | \$354 | MEDICAL | 09B |
| | | 10/08A | | | \$79 | PLACED FOR COLLECTIO | |
| SO TIER HLTH Y | S | 8/04 | | | \$482 | MEDICAL | 09B |
| | | 8/07A | | | \$407 | PLACED FOR COLLECTIO | |
| SO TIER HLTH Y | I | 3/04 | | | \$213 | MEDICAL | 09B |
| | | 5/04A | | | \$213 | PLACED FOR COLLECTIO | |
| CRDT COL SVS Y | I | 2/09 | 5/09F | | \$301 | MEDICAL | 09P |
| | | 6/09A | | | \$0 | PAID COLLECTION | |
| CRDT COL SVS Y | I | 6/06 | 5/09F | | \$507 | MEDICAL | 09P |
| | | 6/09A | | | \$0 | PAID COLLECTION | |

Medical Collections

| SUBNAME ACCOUNT# | SUBCODE | OPENED VERIFIED | HIGHCRED CREDLIM | TERMS PASTDUE | MAXDELQ AMT-MOP | PAYPAT PAYPAT | 1-12 MOP 13-24 |
|---------------------|-------------------|------------------------|---------------------|-----------------------|--------------------|------------------------|--------------------|
| FCU | Q | 0001 5/09 10/09A | \$8441 | 60X201 | | 11111 | MO 30/60/90 I01 |
| C | AUTOMOBILE | | \$7837 | | | 5 | 0/0/0 |
| FCU | Q | 0001 1/08 10/09A | \$10.5K | 48X285 | | 111111111111 | I01 |
| I | AUTOMOBILE | | \$5936 | | | 21 | 0/0/0 |
| FCU | Q | 0001 5/09 10/09A | \$3000 | 36X101 | | 11111 | I01 |
| C | UNSECURED | | \$2599 | | | 5 | 0/0/0 |
| CITIMORTGAGE | B | 4/09 10/09A | \$75.3K | 360M692 | | 11111 | M01 |
| C | FHA REAL ESTATE M | | \$74.9K | | | 5 | 0/0/0 |
| SALLIE MAE | B | 11/98 10/09A | \$1448 | 120M21 | 12/03 | 111111111111 | I01 |
| I | STUDENT LOAN | | \$625 | | | 05 111111111111 | |
| SALLIE MAE | B | 11/98 10/09A | \$2552 | 120M37 | | 111111111111 | I01 |
| I | STUDENT LOAN | | \$1103 | | | 42 0/0/0 | |
| SALLIE MAE | B | 11/98 10/09A | \$2625 | 120M36 | 12/03 | 111111111111 | I01 |
| I | STUDENT LOAN | | \$1064 | | | 05 111111111111 | |
| GEMB/SAMS | D | 2/02 10/09A | \$312 \$300 | | | 111111111111 | R01 |
| I | CHARGE ACCOUNT | 7/02C | \$0 | CLOSED | | 48 0/0/0 | |
| CITIMORTGAGE | B | 8/03 5/09A 5/09C | \$52.6K \$0 | 360M636 | | X111111111 | M01 |
| C | CONVENTIONAL REAL | | \$0 | CLOSED | | 10 0/0/0 | |
| FCU | Q | 10/08 3/09A | \$7060 | 48X191 | | 11111 | I01 |
| C | AUTOMOBILE | 3/09C | \$0 | CLOSED | | 5 0/0/0 | |
| FCU | Q | 10/07 10/08A | \$1940 | 18X119 | | 111X11111111 | I01 |
| I | UNSECURED | 10/08C | \$0 | CLOSED | | 12 0/0/0 | |
| CFMC | Q | 8/03 6/08A | \$52.6K | 360M657 | 10/04 | 111111111111 | M01 |
| C | SLDTO CMI | 6/08C | \$0 | TRNSFRD: OTHER LENDER | 48 | \$3773 05 111111111111 | 1/0/5 |
| FCU | Q | 9/05 1/08A | \$9288 | 48M239 | | 111111111111 | I01 |
| I | AUTOMOBILE | 1/08C | \$0 | CLOSED | | 1X1111111111 | |

2 mos.
10/09A

5 mos
10/09A

4/09
10/09A

Student loans.

2 yrs

more on cash out?

| | | | | | | | | |
|---|-------------------|---|--------|---------|-----------------------|------|---------------|---------|
| | FCU | Q | 12/04 | \$2000 | 24M91 | | 111X11111111 | I01 |
| | | | 3/07A | | \$0 | | 111111111111 | |
| C | UNSECURED | | 3/07C | \$0 | CLOSED | | 27 | 0/ 0/ 0 |
| | AMER GEN FIN | F | 4/04 | \$1355 | 18M75 | | 11X1111111111 | I01 |
| | | | 1/06A | | \$0 | | 1111111111 | |
| I | SECURED BY HSHLD | | 1/06C | \$0 | CLOSED | | 21 | 0/ 0/ 0 |
| | GMAC | F | 10/02 | \$11.3K | 36M315 | 2/05 | 111112232221 | I01 |
| | | | 10/05A | | \$0 | 03 | 112121111111 | |
| I | AUTO LEASE | | 10/05C | \$0 | CLOSED | | 35 | 7/ 1/ 0 |
| | FST PREMIER | B | 1/03 | \$439 | | | 143211321143 | R01 |
| | | | 5/05A | \$300 | \$0 | 6/04 | 211111111111 | |
| I | CREDIT CARD | | 1/05C | \$0 | ACCT CLSD BY CONSUMER | 28 | 3/ 3/ 2 | |
| | FCU | Q | 10/03 | \$1000 | 12M86 | | 11111111 | I01 |
| | | | 3/04A | | \$0 | | | |
| C | UNSECURED | | 3/04C | \$0 | CLOSED | | 7 | 0/ 0/ 0 |
| | FCU | Q | 4/03 | \$4000 | 35M132 | | 111111111111 | I01 |
| | | | 3/04A | | \$0 | | | |
| I | UNSECURED | | 3/04C | \$0 | CLOSED | | 12 | 0/ 0/ 0 |
| | CFMC | Q | 7/02 | \$44.6K | 360M428 | | 1111111111 | M01 |
| | | | 8/03A | | \$0 | | | |
| C | CONVENTIONAL REAL | | 8/03C | \$0 | CLOSED DUE TO REFIN | | 10 | 0/ 0/ 0 |
| | GMAC | F | 2/00 | \$5640 | 36M156 | | 1111111111 | I01 |
| | | | 1/03A | | \$0 | | | |
| I | AUTO LEASE | | 1/03C | \$0 | CLOSED | | 10 | 0/ 0/ 0 |

I N Q U I R I E S

| DATE | SUBCODE | SUBNAME | TYPE | AMOUNT |
|----------|---------|--------------------|------|--------|
| 11/13/09 | | (EAS) FCU-C | | |
| 8/11/09 | | (ILM) WFFNATBANK | | |
| 5/19/09 | | (CHI) DISCOVER FIN | | |
| 5/12/09 | | (ILM) CITIMTG/EMS | | |
| 4/30/09 | | (ITH) FCU | | |
| 3/17/09 | | (WIL) CBD | | |
| 2/03/09 | | (CNM) FDC | | |
| 8/04/08 | | (CHI) AMERICAN GEN | | |
| 7/31/08 | | (CHI) AMERICAN GEN | | |
| 5/28/08 | | (ITH) FCU | | |

Lending Solutions Consulting, Inc.

Scorecard for

How to interpret the adjusted credit score:

Adjusted score **increases** the credit score:

This is a very positive sign and tells you the member's qualifications are better than their score.

Adjusted score **decreases** the credit score:

This suggests the member's score is better than their qualifications and should be looked at very carefully.

Top Positive Factors

- 7. Direct Deposit/Payroll Deduction
- 25. Total Mortgage Debt vs. Annual Gross Income
- 5. Number of Current and Prior Loans with the Credit Union

Top Negative Factors

- 26. Inflated Income -- Cashing Out Equity
- 13. Number of Trade Lines as a Percentage of Age
- 15. Total Dollar Amount Past Due

| | |
|------------------------------|------------|
| Total Positive Points | 135 |
| Total Negative Points | -95 |
| Total Factor Points | 40 |
| Credit Score | 595 |
| Adjusted Credit Score | 635 |

Notes:

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: 1) To be used to approve or deny a loan based on an adjusted score. 2) Not to price a loan (continue to use the credit score for loan pricing.)

Great Opportunity for Newsletter 2010 or Marketing

Include the following article and bullet points



Credit card steps to new high: 79.9% APR

By Candice Choi
Associated Press

8:26 a.m. Friday, December 18, 2009

It's no mistake. This credit card's interest rate is 79.9 percent.

The bloated APR is how First Premier Bank, a subprime credit card issuer, is skirting new regulations intended to curb abusive practices in the industry. It's a strategy other subprime card issuers could start adopting to get around the new rules.

Typically, the First Premier card comes with a minimum of \$256 in fees in the first year for a credit line of \$250. Starting in February, however, a new law will cap such fees at 25 percent of a card's credit line.

In a recent mailing for a preapproved card, First Premier lowers fees to just that limit — \$75 in the first year for a credit line of \$300. But the new law doesn't set a cap on interest rates. Hence the 79.9 APR, up from the previous 9.9 percent.

"It's the highest on the market. It's the highest we've ever seen," said Anuj Shahani, an analyst with Synovate, a research firm that tracks credit card mailings.

The terms are eyebrow raising, but First Premier targets people with bad credit who likely can't get approved for cards elsewhere. It's a group that tends to lean heavily on credit too, meaning they'll likely incur steep financing charges.

So for a \$300 balance, a cardholder would pay \$20 a month in interest.

wow!

First Premier said the 79.9 APR offer is a test and that it's too early to tell whether it will be continued, according to an e-mailed statement. To comply with the new law, the bank said it will no longer offer the card that has \$256 in first-year fees as of Feb. 21, 2010.

However, customers will still be able to use their existing cards.

Higher rates pay off for credit cards

Issuers reap big gains before new law goes into effect

by Kathy Chu, USA TODAY



A new law that takes effect next year will crimp credit card issuers' bottom lines, but some analysts say the industry will rebound quickly because of the revenue they're raising from controversial interest rate increases.

This year, President Obama signed a law that makes it harder for card issuers to raise interest rates for no reason and to impose certain charges on consumers. But because many of the law's provisions **don't take effect until February, issuers have been able to increase rates and fees at will for customers – even those who pay their bills on time.**

Experts had generally expected issuers to try to recoup losses. **But the extent of their repricing** – along with an expected decline in the industry's credit costs – **means that issuers' earnings should recover in 2010 and 2011,** analysts say. For instance, Bruce Harting at Barclays Capital wrote to clients that **the law could reduce Capital One's fee income by up to 20%,** "but we believe this will be more than offset by declining credit costs and stable margins ... that have benefited from the repricing that occurred."

Consumer groups estimate **banks have reaped hundreds of millions from recent rate and fee increases, helping offset their losses as more consumers struggle to pay bills. Major banks, including Bank of America, Chase and Citigroup, have raised interest rates and balance-transfer fees, or added new credit card fees.**

Capital One spokeswoman Pam Girardo says the bank **has also raised consumers' interest rates, cut credit limits and closed accounts.** But she adds that the bank has adjusted the pricing in ways "consistent with the direction and intent" of the new law. **Roughly 10% of banks' card loans are not being paid back,** says Kenneth Clayton of the American Bankers Association, **affecting the price all consumers have to pay for credit.**

The problem is not that banks are able to "make a healthy return in complying with this new law, but (that) ... **the credit card industry appears to be up to its old tricks,**" says Travis Plunkett, legislative director of the Consumer Federation of America.

Ed Mierzwinski, consumer program director for the U.S. Public Interest Research Group, says the industry's rate hikes **underscore the need for a Consumer Financial Protection Agency.** This proposed agency has been the subject of contentious debate by Congress.

Christopher Brendler, analyst at Stifel Nicolaus, says that **issuers will make up for expected losses in the short term because they've "protected themselves pretty well,"** but that the new law could still mean a long-term hit to issuers' results.

Credit Unions should send this to all members & let them know :

- *You haven't raised rates*
- *There are no hidden fees*
- *You haven't lowered their limit*
- *You can offer them a fixed rate*
- *You're willing to payoff their outstanding credit cards balances*

Holiday Spending Got You Down?

Contrary to what is happening in the financial industry, we will vow to continue offering our members

THE BEST
product & price
out there!

Let the credit union show you how we can save you money.

| Creditor | Balance | Payment |
|----------|---------|---------|
| CapOne | \$1,000 | \$50 |
| Chase | \$3,500 | \$175 |
| Target | \$1,500 | \$75 |
| Total | \$6,000 | \$300 |

\$6,000 @ 8.95% for 36 months =
\$190.66 per month



What Is Our Advantage?

- Getting recognized on a National Level
 - Suzie Orman
 - Larry King
- Lower Rates
- Minimal fees
- Building Member Loyalty

Average Interest Rates At
Credit Unions vs. Banks

| Consumer Loans | Credit Unions | Banks |
|--------------------|---------------|--------|
| Credit Card | 11.64% | 12.76% |
| 48 month New Car | 5.46% | 6.91% |
| 48 month Used Car | 5.72% | 7.50% |
| 36 month Unsecured | 10.60% | 12.47% |
| Mortgage | | |
| HELOC | 4.70% | 4.90% |
| Five Year ARM | 5.54% | 5.71% |
| 30 Year Fixed | 5.44% | 5.58% |
| Savings | | |
| Regular Savings | 0.68% | 0.44% |
| Interest Checking | 0.48% | 0.36% |
| Money Market | 1.22% | 0.62% |
| One Year CD | 2.93% | 2.26% |