Interviewing Skills

...The key to having an outstanding loan department

Webinar 27

Hosted by A. Rex Johnson



It All Starts With the Interview

If you are really good at it, you will:

- Find a way to make the loan.
- Separate yourself from your competitors who stay within the box.
- Make the ultimate decision makers' job so much easier.
- Move up in the credit union faster by showing management how good you are.
- Have the members saying, "Wow, they really care about me & took the time to listen and make it happen."



Attributes of a Good Interviewer

1. Positive Attitude

- Your <u>voice</u> must reflect that you are excited the member came to the credit union and gave the credit union the <u>opportunity</u>
- We really want to make you a loan
- This is going to be <u>easy</u>

2. Body Language

- Research has shown that between 60-70% of all meaning is derived from the <u>non-verbal</u>
- What does the member see when you approach them:
 - A smile
 - You are focused on them
- Look the member in the eye
- Your <u>energy level</u> is high



3. High Confidence Level

Many members and non-members <u>have concerns</u>:

- Doubts that you or anyone else can help them
- A <u>belief</u> that you are going to <u>judge</u> them
- <u>Fear</u> that you won't really <u>listen</u> to them
- Be like all other financial institutions. Ask yourself can the member see a difference in me and the bank?
- Have you already made up your mind once you look at their credit report and loan application or are you willing to dig deeper?

4. Love a Challenge

- Good interviewers are able to get the member to open up without thinking you're getting too personal
- They <u>love the challenge</u> of being able to put all the pieces of the puzzle together
- <u>Can convince the ultimate decision maker</u> to look beyond the obvious and see what they see





5. I'm the Member's Last Hope

A good interviewer knows that their interview and write-up will ultimately determine if that member gets a loan. They know that many members need help and that I am going to make it happen. They can say to themselves when its all over, that the member was lucky: "They got me. I did not let them down and I'm not just a data collector."



Presentation Skills

Data Collectors Simply:

- Take the application
- Order a credit bureau report
- Sometimes review it with the member
- Forward it to someone empowered to make the decision
- Sometimes give their recommendation to the decision maker by typing in their notes, focusing on the negative first. Their notes tend to tell the decision maker what concerns they have and why they may not want to approve the loan (i.e. the story behind the collections and public records). Other times they will point out what's positive and why they might want to approve the loan, but that's usually after you have already convinced the decision maker to say "no."

I have found that many are <u>far more focused on what's wrong versus what is right</u>. As a result, some credit unions are rejecting over 50% of their applications.

The following is a loan example of a member that applied for an auto loan <u>directly</u> with the credit union. The member <u>was denied</u>. He went to a car dealer who happened to finance with the credit union. The car dealer sent the new application back to the credit union and it was approved.

We should find it interesting that <u>we had the member right in front of us</u> and said "no", and then the dealer got it approved through our indirect department. I have often seen this happen and I believe I have figured out why. The reasons:

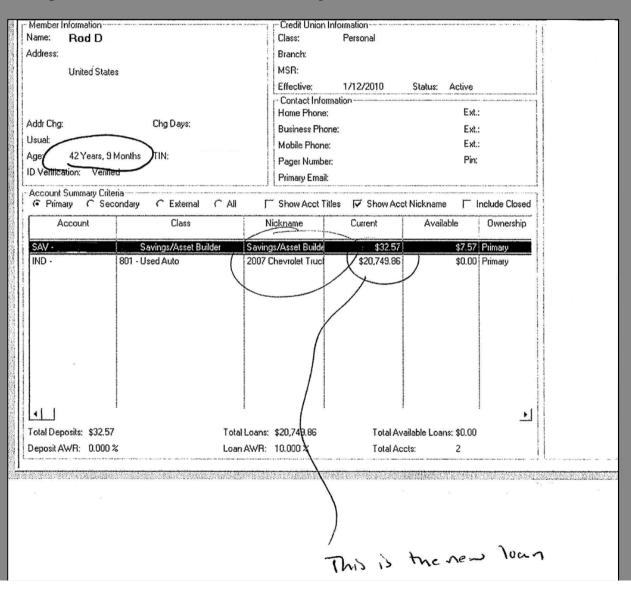
Our data collectors often tell us why we should not make the loan and

The dealers tell us all the reasons we should approve the loan

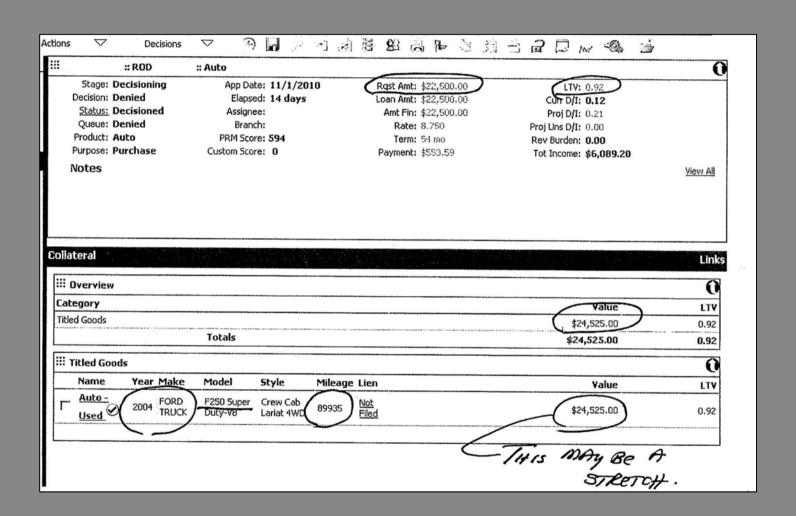
If you want to get loans approved, <u>you must get passionate</u> about why it should be approved and it's must reflect in your notes and voice. Always begin with what you like, not with what you don't like.

Car <u>dealers get paid for convincing the indirect department</u> to approve the loan and buy the deal. They are <u>very passionate</u>. <u>Our employees get the same salary</u>, regardless of the outcome. If they take a risk and the loan becomes delinquent or is charged off, <u>most credit unions track charge offs and delinquencies</u> by loan officers, so there is almost a disincentive to take the risk. That's why car dealers are far more successful in selling the deal than credit union data collectors are.

Indirect Department Said "Yes" After the Direct Department Said "No"



Stage: Decisioning Decision: Denied Status: Decisioned Queue: Denied Product: Auto Purpose: Purchase Notes	App Date: 11/1/201 Elapsed: 14 days Assignee: Branch: PRM Score: 594 Custom Score: 0	Loan Amt: Amt Fin: Rate:	\$22,500.00 F 8.750 Proj U 54 mo Rev	LTV: 0.92 urr D/I: 0.12 roj D/I: 0.21 Jns D/I: 0.00 Burden: 9.00 Income: \$6,089.20	<u>View All</u>
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Note: Members who have great job stability, direct deposit, good LTV on cars they are purchasing, it's their primary transportation - should usually always be approved.

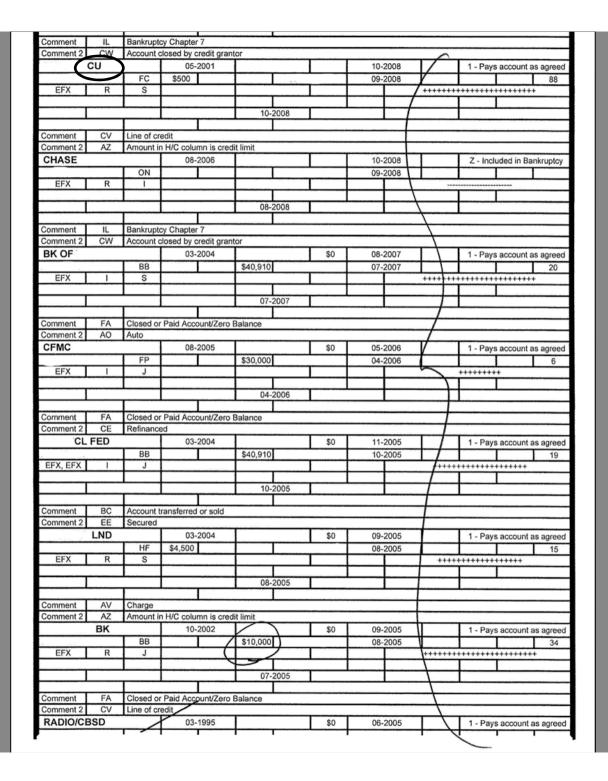
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Bankruptcy Discharged 2/09

- Had been living off of inflated income
- 2. Not much debt in the last 1½ years
- 3. Paid great before bankruptcy

08-2010

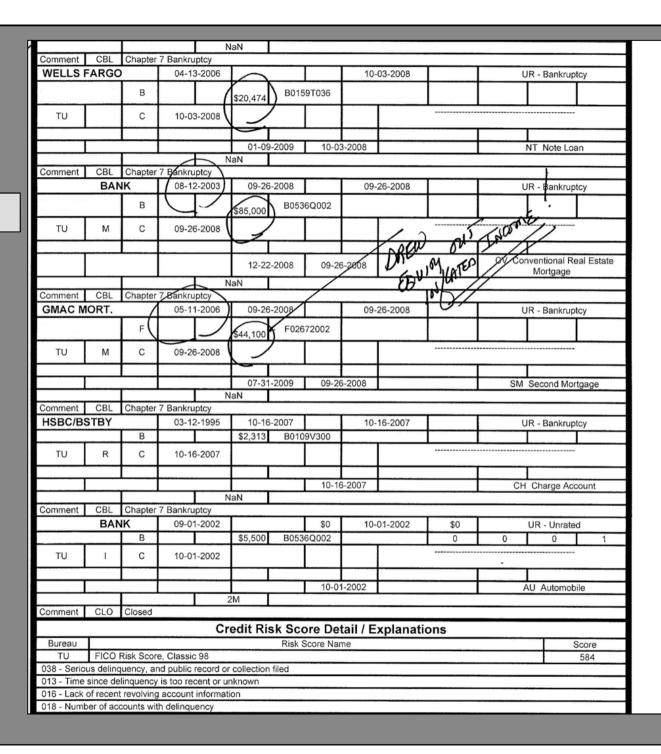
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Spouse

HYLS liked the deal. HYLS is a Tremendous Training Tool.

Scorecard for: Rod

Date: 11/22/2010 11:42:06 AM Member Name: Rod Loan Officer Name:

Top Positive Factors

- 7. Length of Time the Member has been Employed at their Current and Previous Jobs
- 6. Length of Time the Member has Lived at their Current and Previous Addresses
- 22. Total Outstanding Unsecured Debt Versus Annual Gross Income (AGI)
- 3. Number of Current and Prior Satisfactory Loans in excess of \$500 with the Credit Union
- 13. Total Dollar Amount Past Due With All Creditors

Top Negative Factors

- 11. Number of Open or Closed Trade Lines as a Percentage of Members Age
- 5. Direct Deposit or Payroll Deduction
- 14. Payment History on the Most Recent Open Vehicle Loan

Total Positive Point	180
Total Negative Point	-70
Total Factor Points	110
Credit Score	642

1. Number of Years as an Active Member: 0 to 5 years

- 2. Total Dollar Amount on Deposit with the Credit Union: Less than \$250
- 3)Number of Current and Prior Satisfactory Loans in excess of \$500 with the Credit Union: 1-2
- 4. Highest Dollar Loan Amount the Member has ever had with the Credit Union: \$100-\$5.000
- 5. Direct Deposit or Payroll Deduction: No Direct Deposit
- (6) Length of Time the Member has Lived at their Current and Previous Addresses: 10.1+ Years
 (7) Length of Time the Member has been Employed at their Current and Previous Jobs: 20.1+ Years
- 8. Valid Credit Score: 640-679
- 9. Credit Score with No Credit Flaws (living on inflated income): Credit with Flaws or Not a Valid Credit Score
- 10. Inquiries in the Past 24 Months: 0-5
- 11. Number of Open or Closed Trade Lines as a Percentage of Members Age: 81%+
- 12. Number of New Trade Lines Opened in the Past 24 Months with a Balance: 0-2
- (13) Total Dollar Amount Past Due With All Creditors: \$0
- 14. Payment History on the Most Recent Open Vehicle Loan: Delinquent 1-2 Times
- 15. Payment History on the Last Prior Vehicle Loan: Current for 13-24 Months
- 16. Loan to Value on Vehicle Loan Request: 91% to 100%
- 17. Number of Vehicle Loans Opened in the Past 5 Years: 0-1
- 18. Loan Amount Versus Term (consumer loans only): Within Guidelines
- 19. New Vehicle Loan Being Purchased Versus Annual Gross Income (AGI): 0-50% of AGI
- 20. Total Secured Loan Balances Outstanding Versus Annual Gross Income (AGI): 0-50% of AGI
- 21. Debt to Income Ratio: 21-30%
- (22) Total Outstanding Unsecured Debt Versus Annual Gross Income (AGI): 0-10% of AGI
- 23. Total Unsecured Dollar Amount Outstanding: \$0-\$5,000
- 24. Total Mortgage Debt Versus Annual Gross Income: Not a Homeowner
- 25. Number of Late Payments on Open Mortgage Loans: Not a Homeowner
- 26. Available Equity in Real Estate: Not a Homeowner
- 27. Cashing Out Real Estate Equity (living on inflated income with real estate equity): Not a Homeowner

Your application takers and decision makers will:

- 1. Be far more confident
- 2. Take a better application
- 3. Be more focused on what's really important

The Difference Between the HYLS Guide & the Traditional Models

<u>Factors</u>	Traditional Model	HYLS
1. Number of years as an active member	No	Yes
2. Total dollar amount on deposit with the credit union	No	Yes
3. Number of current & prior satisfactory loans in excess of \$1,000 with the CU	No	Yes
4. Highest dollar loan amount the member has had with the credit union	No	Yes
5. <u>Direct deposit</u>	No	Yes
6. <u>Length of residence</u>	No	Yes
7. Length of employment	No	Yes
16. <u>Loan to value</u> on vehicle loan	No	Yes
18. Loan amount versus <u>term</u>	No	Yes
19. New vehicle loan being purchased versus annual gross income	No	Yes
20. Total secured loan balances outstanding versus annual gross income	No	Yes
21. <u>Debt to income</u> ratio	No	Yes
22. Total outstanding unsecured debt versus annual gross income	No	Yes
23. Total unsecured dollar amount outstanding	No	Yes
24. Total mortgage debt versus annual gross income	No	Yes
26. Available <u>equity</u> in real estate	No	Yes
27. Cashing out real estate equity	No	Yes

When it comes to decision making, <u>all factors need to be answered</u>. While we are not finding fault with the credit bureau models, we believe these other factors are overlooked and certainly would impact the decision.

If you don't use HYLS, you should still get your application takers and decision makers to focus on these factors.

Questions We Fail To Ask That Are Not On the Application

The key is not only asking the right questions, but ask them the right way.

- What motivated the member to apply and why now? (Motivation is key)
- How did they get their last job?
- Do they <u>like their job and why</u>?
- <u>Does the job like them</u> and how do they know?
- What motivated them to buy a car now?
- How long did it take them to pick out the car they are buying?
- <u>Do they know the value of the car they are buying?</u>
- Do they have money to pay down?
- Do they have a <u>trade-in</u>?
- What is the mileage and condition of their trade?
- Do they have <u>insurance</u>? If not, what is it going to <u>cost</u>?
- How do they get around now if they do not have a car?
- How long did they have the car they are trading in?
- If the member's debt ratio is too high, <u>how will they make the payments</u>? Do they even <u>know what the required payment is? What payment will their budget allow?</u>
- If they <u>never paid anyone</u> or they struggle to pay on time, <u>what makes them think we would be comfortable in loaning them money?</u>
- If they are <u>loaded with unsecured debt and probably are not going to make it, will we still get paid if they go bankrupt?</u>



Making the Loan Everyone Else is Turning Down

Weak FICO Score, but HYLS says "YES"

Bankrupt Loan

- The opportunity was there
- We get a good yield
- She appears to have learned from the bankruptcy
- Very stable
- Show her how to get a good deal
- She knows a lot of people

