

Q: During your webinar you mentioned Capital One as a sub-prime lender. Do you have a list of other sub-prime lenders so we can pass them out to our loan officers?

A: For credit card companies the big three are Capital One, Provident, and Cross Country. For car loans, the major players are WF Financial, Capital One, Onyx, Triad, American Credit, HAFC, National City Bank, Ford Motor Credit, Chrysler Finance, GMAC, and Fairlane Credit. Some of these lenders such as Capital One go both ways but they actively go after the sub prime business

Q: when discussing unsecured debt, are we talking about outstanding balances or credit limits?

A: As a rule, we are only focusing on balances, not limits. The exception to the rule is where there is strong evidence that the member is accumulating a lot of new debt and every credit card they seem to get their hands on they max out. When that is the case you have to assume that if you give them another new credit card, even though they may owe no money on it, that they will max it out also.

Q: Rex, you just spoke about an employee of yours who went BK. What policies do you think credit unions should have in place in regards to hiring/retention and employees' credit scores? What if an employee causes the credit union a loss (loan with cu?)

A: You need to treat employee loans like you would treat any other member. If they employee causes you a loss then you obviously are not going to loan the employee any additional money – however I do not believe you would have any grounds for dismissing the employee from their job – you can check with an attorney on that. I strongly suggest that you have regular staff meetings with your employees and these type issues are discussed with the employees so that before they will go to an attorney to file bankruptcy they will come to you first to discuss what it all means. I hope you really encourage this from your employees and that you care and that there may be other options. If they attorney gets to them first you lose all those options.

Q: what was the formula to find out what rates are on loans?

A: There are four variables on every loan: 1. the amount of the loan 2. the term of the loan 3. the rate of the loan 4. the payment on the loan – the credit bureau will show 3 of the 4 but they will not show you the rate. Only 1 credit bureau to our knowledge does not yet report terms and that is Equifax, without terms you cannot do it. This only works on installment loans and mortgage loans, you cannot do it on revolving debt as there is no term on revolving debt. Please look at the last page of this document for the calculation sheet in determining the exact rate.

Q: How often can a Chapter 13 be filed by an individual?

A: A chapter 13 can be filed an unlimited number of times, there is no 7 year waiting period. What generally happens is the member files chapter 13, the plan is approved, the member pays for a few months then stops paying, the stay is lifted and the creditors come after the member. When the member realizes they can lose their auto, they run back to their attorney and file again, which keeps the credit union or any other lender from repossessing the collateral or if they did repossess it they have to give it back



Figure the interest rates of your competition & Show your members what they can save

Step 1: Enter the high credit off the credit reports or original balance = 7000

Step 2: Press PV (Present Value)

PV= 7000.00

Step 3: Enter the number of months on loan = 61

Step 4: Press N

N= 61.00

Step 5: Enter payment of loan = 149

Step 6: Press +/- (to make the payment negative)

If this is not completed an ERROR 5 will appear when computing interest.

Step 7: Press PMT

PMT= -149.00

Step 8: Press CPT (compute)

Step 9: Press I/Y to figure the interest the member is paying at your competition

May notice a slight delay while calculating

I/Y= 10.62

To compute the savings the member would receive by refinancing with the credit union...

****Do not erase any of the above****

Step 10: Enter your current rate on loan = 5.95

Step 11: Press I/Y

I/Y= 5.95

Step 12: Press CPT

Step 13: Press PMT (to calculate the payment at the credit union)

PMT= -133.26

Step 14: Add old payment to the new payment and this will come up with the difference between the credit union and the competition. = 149

$(-133.26) + 149 = 15.74$

15.74

Step 15: Multiply the number of payments left in the loan =53

$15.74 \times 53 = 834.02$

834.02

Note: We use Texas Instruments BA II Plus calculator