# Answers to Webinar Questions
# April 22, 2005
# Loan Interviewing and Sales Skills

1. **When you have a member that requests those small amounts, how often would you flip the auto loan?**

   That depends on the member and the loan, but there is no problem adding additional loan advances on to secured loans multiple times as long as your lending experience tells you that it is a good loan and the payment is going to get made each month. For a higher-risk borrower, I'd rather be adding on to their car loan than be adding on to a signature loan.

   I do think that at some point you need to draw a line in the sand and say a secured loan is no longer worth adding on to. Most credit unions quit doing car loans that are past 10 model years old. I also recommend that you price secured loans older than 7 model years back at your signature loan rates.

2. **What about making a loan to repair credit?**

   I'm not sure I understand your question, but I know that I am all for helping a member repair credit. Secured credit cards are a great way to get them re-established and so are car loans with a good cash down or equity position.

3. **Where on the web can we find the place you mentioned to show members how upside down their current auto loan is?**

   It is not a website open to every credit union – it is a website that a vendor has developed to assist their credit union customers in selling GAP insurance. The vendor contact is Phil Markwell at Frost Financial Services, Inc. His phone number is 513-583-1215 and his e-mail address is pmarkwell@frostinsure.com. I have known Phil for several years and I highly recommend him to you.

4. **What is the website that was mentioned about, to see what percentage of your members' auto loans are upside down today?**

   I think you are referring to the GAP website I talked about in the webinar where you can show a member how upside down they are on their vehicle. The contact information for the vendor (Frost Financial) is in the previous question.

5. **When you make the comment, "you have to underwrite it," what constitutes a well underwritten loan to you? Is it reasonable to document just a few indicators such as FICO score, LTV and document a few positive comments defending the approval?**

   What constitutes good underwriting is a five or six hour discussion. I would recommend that you reference my webinar from May 2004 where I discuss underwriting your higher-risk member loans.

   I am sorry if you are in the business of defending loan approvals at your credit union in writing. Isn't that a bit backwards? Isn't the job of the loan department to make the loans? Personally, I think you should have to justify in writing why you are turning down loans – your credit union's entire reason for existence is to make loans to the members.

   By the way, there is only one reason in the history of lending on the planet earth why any loan has ever been approved – **you thought the payment would get paid**. Tell your lending manager or examiner that you will buy a rubber stamp and that you will stamp this reason on every loan. If you don't think the payment can get made, deny the loan.

   I can't think of a bigger waste of time than to document detailed reasons why a loan is being approved. Do you think loan approval reasons on a piece of paper in a loan file will help your collector when the loan goes bad? If management or examiners want to beat you up for your 1% of loans that go bad, be sure to have them bring in to the meeting the 99% of your loans that are good so we can see how your overall underwriting performance is doing.

   Sorry, this question always gets me excited and up on my soap box…

6. **In regards to employee incentives: You stated $25 per GAP policy sold. Do employee incentives really make a difference and what do you recommend as an incentive for selling credit life and disability insurance?**

   Yes, incentives make a difference! The best lending credit unions utilize incentive programs to motivate sales behavior. Incentives do not motivate all employees, but they do motivate sales-minded employees. I recommend that you pay your staff the first month's premium for credit life and disability sales.