



Rex Johnson's Collections - Webinar 8



**Collections: Why You Need to Do Something
About It and Why You Need to Do It Now!**



Opening

- Collections is one of the very oldest professions around.
- True collectors do not want to be anything else.
- Collectors have never gotten the recognition they so richly deserved.
- Good collections is becoming a lost art.
- Credit unions with mediocre collection departments are paying big time with charge offs.
- A great collection department is like a Rembrandt or a fine wine. It's a beauty to behold.
- Any credit union that embarks on an aggressive lending programs, such as Indirect Lending, without a great collection department should have its head examined.
- CEOs and Board of Directors need a new focus that says, "No longer will collections take a back seat but instead will lead the parade."

Step #1 ~ Awareness

If you are not aware of what's going on with delinquencies, bankruptcies and charge offs, you must not know how to read. Delinquencies and charge offs across the board hit a new high in 2005, largely fueled by bankruptcies. Make sure every Board Member and Senior Management employee in the credit union reads the following newspaper article that was printed before week 42 in 2005. Everything was in place for week 42 and hopefully we will learn and not soon forget.

The sharp rise in gas prices and other costs cited in an online survey as a major factor in the high rate of delinquent payments on charged purchases

Credit card payments a struggle for consumers

By Susan Diesenhouse
Tribune staff reporter



The number of consumers falling delinquent on their credit card bills hit a 32-year high this spring amid rising gasoline prices and other pressures stretching household budgets.

The American Bankers Association reported Wednesday that the seasonally adjusted percentage of credit card accounts at least 30 days overdue

Most Americans are quick to pull out a credit card to buy gas and other items, but more are falling behind on their bills.

rose during the April-to-June quarter to 4.61 percent, the highest level since the association began collecting this data in 1973.

The increase followed a jump in the previous quarter to 3.76 percent, up from 4.2 percent at the end of 2003.

While there were other negative factors in recent years—rising interest rates, a decline in savings, stagnant salaries and increases in the cost of

Bloomberg News photo by Matt Staver

PLEASE SEE CREDIT PAGE 2

CREDIT:

Home equity, auto loans also affected

CONTINUED FROM PAGE 1

Note: Nowhere does it talk about:

- Greed
- Decision Making
- Quality of Collection Department

such other basic necessities as education, housing and health care. Gasoline prices made the financial strife more immediate.

Adjusting to new gas reality

Gasoline, now averaging \$2.73 a gallon nationwide, is about 60 percent higher than the average \$1.75 a gallon at the end of 2004, according to the bankers association.

"For people already having difficulty meeting their financial obligations, the extra \$540 to \$700 a year in gas is a big chunk out of their wallet," said James Chessen, the association's chief economist.

"In the second quarter we're seeing more people in financial stress."

And even consumers with cash to spare say they are adjusting their spending to the new gas reality.

"Something's got to give, and that something is entertainment and taking a less costly vacation to save money," said

Gene Reineke, chief operating officer for the U.S. division of Hill & Knowlton.

Reineke said he is bracing for a higher heating bill this winter, while his gasoline bill has risen about 30 percent this year, a jump that may prompt him to take the train rather than drive to work from his home in Valparaiso, Ind. He commutes 100 miles a day to his Chicago office because that's where he found an affordable home large enough for his family of six.

That financial stress, among others, is evident in the growing strain to pay car and home equity loans. The delinquency rate on automobile loans from car dealerships rose to 2.05 percent, up from 1.87 percent in the first quarter, Chessen said.

Those failing to make a payment on a home equity loan rose to 2.75 percent from 2.61 percent in the first quarter, a figure nearly double the 1.38 percent delinquency rate in 2002.

Credit card delinquencies have been rising for a while. In 2002 the credit card delinquency rate hit 4 percent for the first time since 1990, and it has not fallen below that level since, according to reports by the bankers association.

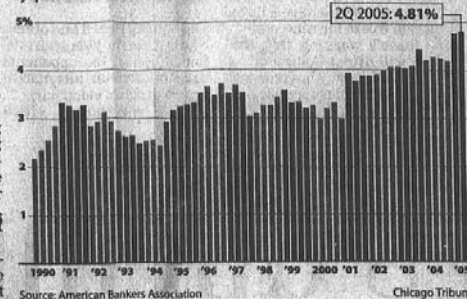
Bankruptcy filings soaring

The mounting financial pressure is one reason why the number of bankruptcy filings has more than quadrupled since 1984, from 291,000 to 1.56 million last year, said Deborah Thorne,

Overdue bills

The percentage of past-due credit card accounts shot up to a record high in the second quarter. One factor blamed is high gasoline prices, which makes it difficult for people charging fuel to pay their bills.

Percentage of credit card accounts 30 or more days overdue at banks, by quarters



Source: American Bankers Association

Chicago Tribune

an associate professor of sociology at Ohio University in Athens, Ohio.

"Many people are living so close to the edge that a slight increase in expenses can cause them to fall behind on their bills," she said.

This quarter the personal savings rate fell below zero, to minus .49, from .404 late in 2004, according to American Bankers Association statistics.

But Thorne said rising costs are a factor too.

During the past 20 years, the cost of a public college education has risen about 200 percent,

and during the past 30 years the average home mortgage payment is up more than 70 percent after adjustments for inflation. Meanwhile, about 45 million families are without health insurance, she said.

On credit cards that can have a \$30 penalty for a late payment or for an account that is over the limit, the extra cost per month can lead to a financial unraveling, she said.

"Once someone stumbles and gets behind on credit card payments, it snowballs," Thorne said.

schessenhouse@tribune.com

2005 APR 11

Credit Unions on average finance 109% LTV up from 91% 3 years ago. No one talks about this.

Personal Savings

Bankruptcy Education Services Filings by Week

VISA

340,000
320,000
300,000
280,000
260,000
240,000
220,000
200,000
180,000
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0

	Actual	Growth
2002	1,531,990	5.3%
2003	1,615,967	5.5%
2004	1,552,967	-3.9%

2004 YTD Filings (10/22/04): 1,286,429
2005 YTD Filings (10/22/05): 1,986,115
54.4% YTD Annual Growth

Week 42:
314,994 Filings

* Data Source: Bankruptcy Information Services.

This information is confidential and shall not be duplicated, published, or disclosed, in whole or part, without the prior written permission of Visa.

Highlights from the Following Newspaper Article:

- Credit card delinquency is the highest it's ever been.
- 30 day delinquencies rose to 4.81% between April and June of 2005.
- The highest delinquencies since they started tracking in 1973.
- The previous quarter was also the highest, jumping from 4.2% to 4.76%.
- Automobile loan delinquencies rose from 1.87% to 2.08% in the 2nd quarter of 2005.
- Home equity delinquencies rose from 2.61% to 2.75% in the 2nd quarter of 2005.
- Bankruptcy filings have increased since 1984 from 291,000 filings to 1.56 million in 2004. In 2005, bankruptcies exceeded 2 million for the first time ever.
- Personal savings fell to a negative \$59, they were +\$404 in 2004.

You Must Educate Your Board of Directors and Staff.
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What are the Causes?

According to the newspaper article, they are:

- Rising interest rates.
- Rising credit card payments, now the minimum is 4%, up from 2% and members struggled to pay 2%.
- Decline in personal salaries.
- Stagnant salaries.
- Loss of jobs.
- Increased cost in basic necessities such as:
 - Gasoline
 - Healthcare
 - Housing
 - Education

The fact of the matter is many of our members have been living on inflated income for several years. This was caused by constantly refinancing their homes because home values sky rocketed and they were living off that equity.

Notice everything they are talking about is external: the economy, the high fuel cost, etc...

No one is looking at the internal, such as:

- Greed (credit card companies, car dealers, payday lenders, credit union's courtesy pay, etc...).
- Decision making, credit unions are spending the money to train their employees.
- Quality of collection work, collections has been a necessary evil and has never gotten the attention it should.

Now the day of accountability is here, we'd better make sure we are ready.

Step #1 ~ Conclusion

Recognizing and admitting the problem is the first big step in finding solutions. So what can you do?

- Require your Board of Directors and Senior Management to view this webinar and act accordingly. You cannot let collections continue to sit in the back seat. Collections has to become your #1 priority. (This webinar is archived for at least 90 days.)

Step #2 ~ What Does Your Collection Department Look Like?

- Are you staffed to get the kind of results you would like to get?
- Do you have the right kind of employees working in collections?
- Are your collectors trained?
- Are they highly compensated?
- Do you have a good incentive program?
- Are collectors getting the same recognition as the lenders?
- Does your collection department have a Vice President of Collections?
- If the Vice President of Lending reports to the CEO, does the Vice President of Collections also report to the CEO?

Attributes of a Good Collector

- Have great sales skills.
- Are upbeat, friendly, very positive and confident.
- Love their jobs, they do not want to be anywhere else.
- Love a challenge.
- Are very result driven.
- Love competition.
- Are very creative.
- Like people.
- Most of all, they are tenacious, they do not give up.

Staffing Requirements

Rising Delinquencies & Charge Offs

- If delinquencies and charge offs appear to be continually rising, your collectors should be working no more than 125-150 accounts on average.

Consistent Delinquencies & Charge Offs

- If delinquencies and charge offs are very steady, then a collector should be able to work 150-250 accounts on average.
 - The difference is rising delinquencies will require more in-depth collection efforts.
 - In either case, you will want what's referred to as **“every other day”** follow-up until the member has contacted you and arrangements made.

Step #3 ~ Indirect Lending

Many credit unions are having record charge offs due to accelerated loan growth fueled by Indirect Lending. What most credit unions are finding out and often too late is.

They had to make to many concessions to dealers in order to get their business that did not work such as:

- Loan to value 125%
- Add-ons, plus, plus, plus
- Extended terms on new cars, some credit unions go out to 108 months.
- Extended terms on used cars, 5 year old car being financed for 72 months.
- Straw purchases.
- Automated decisioning models that the dealers understand and manipulate.
- Credit unions were not staffed or trained in the loan department for the volume of business that hit them.
- They were not staffed or trained in the collection department .
- Management had pre-sold the program and there was a state of denial that anything was wrong to the Board of Directors.

Indirect Lending

Do not go there without a well trained and well staffed collection department.

If you have rapid growth, ask yourself:

- Were we staffed in lending and collections?
- Did our employees understand what they were doing?
- What training had they had prior to implementation?

Early warning signs:

- Double digit growth in loans.
- Did delinquency percentage go down?
- Did charge offs percentage go down?

If not, you have a problem.

Minimizing Losses

Many credit unions are experiencing record losses from indirect lending. They get into indirect with all the best of intentions and they are committed to making it work. The early returns are usually positive. When the results start to turn, it's like the NCUA says, **"It can easily become a tidal wave"**.

Credit unions that get into trouble all have the following characteristics:

- They grew too fast.
- They were not staffed for the growth.
- Lending and collections both had issues.
- There was an initial state of denial which just compounded the problem.

Once you recognize and understand you have a problem, you are looking at a 24 to 30 month workout with a lot of pain. Also, you will be explaining to the Board of Directors for the 100th time how all this happened.

I'll say this **once**, loud and clear.

You cannot play this game without a strong, well staffed and trained collection department.

And

You can decrease your losses by making collections your #1 priority.

Where do you start? That is simple...

You have to start from the source, credit granting to make sure you learn from the millions of dollars you are or may be charging off.

It's one thing to charge off millions of dollars; it's something else not to learn so history does not repeat itself.

Adding C.P.I., a Good Idea or Not?

When to Repo a Car:

The collection department is really the quality control department. For the collectors to be effective in what they are doing they must have loan training in:

- Recognizing a good loan from a bad one.
- Understanding scoring models.
- Knowing what direction the score is heading.
- Understanding a mistake and not adding to the loss.
- Knowing what Doppler radar is.

Attached is an Example that Addresses the Following Critical Elements of Collections

- Poor decision making.
- Results of approving “E” paper loans on Indirect Lending.
- The need to train your lenders and collectors.
- Is adding C.P.I. a good idea?
- Over use of extensions, deferments, and re-writes.
- The role of the collector.
- Learning from mistakes.
- Senior management needs to get involved and not sit on the sidelines.
- I.T. department role:
 - Flagging accounts.
 - Limiting the number of notices.
 - Developing collection reports.
- When and if to give the vehicle back.

Could B - U Credit Union			
Name:	Michael	DOB:	8/20/1970
Address:	123 Main Street		
City:	Any Town	State:	USA
		Zip:	12345
Phone #:	555-123-1234	Housing Status:	
		Length at Residence:	4 years
Employer:	Associates	How Long?	2 yrs 6 mos
Position:		Phone #:	555-123-4567
Income:	\$33,000	Other income:	N/A
Other Income:			
Assets:		Value:	
Loan Request:	\$20,635	Purpose:	Used Auto
Term:	72 months		
Payment:	\$353.83		
Notes:			
Accounts:			

33 years old

Buyer Michael		Creditor - Seller ABC Nissan, Inc		
New/Used/Demo	Year	Make & Model	Odometer	Vehicle Identification Number
Used	2001	Chevrolet Blazer	46261	
Annual Percentage Rate	Finance Charge	Amount Financed	Total of Payments	Total Sale Price
7.10%	\$4,840.97	\$20,634.79	\$25,475.76	\$25,475.76
Your Payment Schedule Will Be:				
Number of Payments	Amount of Payments	When Payment are Due:		
72	353.83	11/3/2003		
Itemization of Amount Financed				
1. Cash Price		\$12,750.00 (1)		
2. Total Down Payment =				
Trade-In		Chrysler Sebring, mileage 100470		
Gross Trade-In Allowance		\$3,750.00		
Less Pay Off Made By Seller		\$8,196.00		
Equals Net Trade In		\$4446.00		
Cash		\$0.00		
Other		Rebate \$0.00		
3. Unpaid Balance of Cash Price (1 minus 2)		\$4,446 (2)		
4. Cost of Optional Credit Insurance Paid to Insurance		\$17,196.00 (3)		
A. Cost of Optional Credit Insurance Paid to the Insurance				
Company or Companies				
Life		\$0.00		
Disability		\$0.00		
B. Other Insurance Paid to the Insurance Company		\$0.00		
C. Official Fees Paid to Government Agencies		\$0.00		
D. Government Documentary Stamp Taxes		\$0.00		
E. Other Taxes Not Included in Cash Price		\$0.00		
F. Government License and/or Registration Fees		\$140.00		
G. Government Certificate of Title Fees		\$0.00		
H. Other Charges (Seller must identify who is paid)				
to N/A for Prior Credit or Lease Balance		\$0.00		
to Gap Protection		\$488.00		
to for Service Contract		\$1,696.00		
to N/A for N/A		\$0.00		
to N/A for N/A		\$0.00		
Total Other Charges and Amounts Paid to Others on Behalf		\$2,324.00 (4)		
5. Loan Processing Fee Paid to Seller (Prepaid Finance Charge)		\$0.00 (5)		
6. Sales Tax		\$1,114.79		
7. Amount Financed (3 plus 4)		\$20,634.79 (6)		

Learn to
focus
on
terms

Member was
upside down

Easy to sell

TRANS UNION CREDIT REPORT 9/03

<SUBJECT>
XXXXX, Michael

<SSN>

<BIRTH DATE>
8/70

SPECIAL MESSAGE

Trans-alert: 4 inquiries in the last 60 days

MODEL PROFILE "E ---- " paper

***EMPIRICA SCORE +511 : 038, 013, 018, 002 ***

CREDIT SUMMARY

TOTAL FILE HISTORY

PR=0 COL=3 NEG=2 HSTNEG=4-9 TRD=8 RVL=2 INST=5 MTG=0 OPN=1 INQ=11

HIGH CRED CRED LIM BALANCE PAST DUE MNTHLY PAY AVBLE

REVOLVING:	\$394	\$400	\$188	\$0	\$20	53%
INSTALLMENT:	\$9848	\$0	\$8586	\$0	\$389	
TOTALS:	\$10.2K	\$400	\$8774	\$0	\$409	

COLLECTION

Subname	Subcode	ECO	Opened	Closed	\$Placed	Creditor	MOP
Account#		Verified		Balance	Remarks		
CBA	xxxxxxx	I	1/03		\$53	SBC Pacific	O9B
xxxx			2/03A		\$53	Placed for Coll	
CollMgm	xxxxxxx	I	1/98		\$882	Evergreen Apt	O9B
xxxx			1/99A		\$252	Placed for Coll	
Data Central	xxxxxxx	I	1/00		\$503	American	O9P
xxxx			1/00A		\$0	Placed for Coll	

TRADES Subname Account# ECOA Collatrl/loan type	Subcode	Opened Cisd/pd	Highcred Verified Balance	Terms Credlim Remarks	Maxdelq	Paypat Pastdue	1-12 Amt-mop	MOP Paypat 13-24 MO 30/60/90
PG & EI xxxxxxxxxxxx	xxxxxxx	9/01A	\$1619	\$0				O9P
I Utility Co		4/01F	\$0	Paid Collection				
WFS xxxxxxxxxxxx I Automobile	xxxxxxx	10/02 4/03A 4/03C	\$11.2K \$ \$0	60M300 \$0 Closed		X211111 7		I02 1/ 0 / 0
RNB-Target xxxxxxxxxxxx I Charge Acct	xxxxxxx	8/02 8/03A	\$220 \$200 \$188	Min20 \$0		1112111211 10		R01 2/ 0 / 0
Fin Thrift xxxxxxxxxxxx C Installment Sales	xxxxxxx	11/02 8/03A	\$9048 \$7931	36M317 \$0		1211111211 10		I01 2/ 0 / 0
Could B-U CU xxxxxxxxxxxx I Unsecured	xxxxxxx	6/03 8/03A	\$800 \$673	12M72 \$0		111 3		I01 0/ 0 / 0
Cosmo Fin xxxxxxxxxxxx I Secured	xxxxxxx	11/01 7/03A 6/03C	\$11.7K \$0	36M312 \$0 Closed		1/03 \$1418 20		XX11132222111 I01 11111111 3/ 1 / 0
AXSYS/FNG xxxxxxxxxxxx I Charge Acct	xxxxxxx	1/99 10/02A	\$174 \$200 \$0	\$0		11111111111111 1111 16		R01 0/ 0 / 0
Cosmo Fin xxxxxxxxxxxx C Secured	xxxxxxx	8/00 2/02A 12/01C	\$6358 \$0	27M235 \$0 Closed		X11 3		I01 0/ 0 / 0

Member couldn't
pay smaller loan
on-time.

Had a hard time on
car loans!!

INQUIRIES DATE SUBCODE	BNAME TYPE AMOUNT
9/19/03	Could B-U CU
9/13/03	Americredit
9/13/03	Capital One
7/24/03	Fin & Thrift
7/24/03	WF Finance
6/13/03	Could B-U CU
11/06/02	Fin & Thrift
10/22/02	Trnsth

Did we say no!!

TRANS UNION CREDIT REPORT

11/04

Original credit report was 9/03.

<SUBJECT>
XXXXX, Michael

<SSN>

<BIRTH DATE>
8/70

SPECIAL MESSAGE

Trans-alert: 5 inquiries in the last 60 days

CREDIT SUMMARY	***	TOTAL FILE HISTORY	***
PR=0 COL=10 NEG=6 HSTNEG=6-27 TRD=9 RVL=2 INST=6 MTG=0 OPN=1 INQ=14			
HIGH CRED CRED LIM BALANCE PAST DUE MNTHLY PAY AVBLE			
REVOLVING: \$467 \$400 \$293 \$81 \$30 27%			
INSTALLMENT: \$23.5K \$0 \$22.9K \$1574 \$548			
TOTALS: \$24.0K \$400 \$23.2K \$1655 \$578			

Need to get score!!

COLLECTION

Subname Account#	Subcode	ECOA	Opened Verified	Closed	\$Placed Balance	Creditor Remarks	MOP
Bay Area xxxx	xxxxxxx	I	7/04 8/04A		\$243 \$243	SBC California Placed for Coll	O9B
Grant Merc xxxx	xxxxxxx	I	6/04 6/04A		\$288 \$288	Medical Placed for Coll	O9B
Data Central xxxx	xxxxx	I	2/04 5/04A		\$110 \$116	Medical Placed for Coll	O9P
King Cre Srv Xxxx	xxxx	1	1/04 2/04A		\$159 \$170	Medical Place for Coll	O9B
King Cre Srv Xxxx	xxxx	1	12/03 1/04A		\$159 \$169	Medical Place for Coll	O9B
CA Bus Bur Xxxx	xxxx	1	9/03 11/03A		\$247 \$247	Medical Place for Coll	O9B

Subname	Subcode	Opened	Highcred	Verified	Terms	Maxdelq	Paypat 1-12	MOP
Account#	ECOA C Collatrl/loantype	Clsd/pd	Balance	Credlim	Remarks		Pastdue	Amt-mop
								MO 30/60/90
PG & EI	xxxxxxxx	9/01A	\$1619	\$0				O9P
I Utility Co		4/01F	\$0	Paid Collection				
RNB-Target	xxxxxxxx	8/02	\$293	Min30	8/04	432232211111	R04	
Charge Acct		9/04A	\$200	\$81		111121112111		
			\$293			23	6/ 2 / 0	
Could B-U CU	xxxxxxxx	9/03	\$22.7K	72M476		321111212211	I03	
Automobile		10/04A	\$1430			1		
			\$22.7K			13	4/ 1 / 0	
Could B-U CU	xxxxxxxx	6/03	\$800	12M72	3/04	221211321111	I02	
Unsecured		10/04A	\$144			1111		
			\$160			16	4/ 1 / 0	
Fin Thrift	xxxxxxxx	11/02	\$9048	36M317		212111112111	I02	
Installment Sales		10/03A	\$0	Closed				
		10/03C	\$0			11	3/ 0 / 0	
WFS	xxxxxxxx	10/02	\$11.2K	60M300		X2111111	I02	
Automobile		4/03A	\$0					
		4/03C	\$0	Closed		7	1/ 0 / 0	
Cosmo Fin	xxxxxxxx	11/01	\$11.7K	36M312	1/03	XX111132221111	I01	
Secured		7/03A	\$0			\$1418	11111111	
		6/03C	\$0	Closed		20	3/ 1 / 0	
AXSYS/FNG	xxxxxxxx	1/99	\$174			111111111111	R01	
Charge Acct		10/02A	\$200	\$0		1111		
			\$0			16	0/ 0 / 0	
Cosmo Fin	xxxxxxxx	8/00	\$6358	27M235		X11	I01	
Secured		2/02A	\$0					
		12/01C	\$0	Closed		3	0/ 0 / 0	

Look at payment pattern on new loan.

Always compare previous highest car loan to the loan you are making.

-We doubled previous highest loan.

-We increased payments \$176 on an income of \$2750 monthly.

-They could not pay small payments on time.

INQUIRIES	DATE	SUBCODE	BNAME	TYPE	AMOUNT
	11/18/04		Bank		
	11/11/04		Could B-U CU		
	11/9/04		Finance Company		
	11/8/04		Credco		
	10/26/04		Bank		
	10/09/04		Credco		
	8/16/04				
	5/21/04		Credco		
	9/19/03		Could B-U CU		

Work Queue Account Listing

Member: Michael

Loan Balance: \$23,071.42
 Delinquent: \$1,907.32
 Regular Pymt: \$476.93
 Due Date: 8/3/2004
 Last Payment: 7/6/2004
 Loan Original: 9/30/2003
 Original Amt: \$20,634.79
 Collateral: 2001 Chevrolet Blazer
 Collateral Val: \$16,785.00

Original Loan Amt: \$20,635.79

Current Loan Amt: \$23,071.42

\$2,435.63

NOTE: We are 14 months down the road. Are we adding to the loss!

The Role of the Collector is to Never Add to the Loss.

Work Queue Account Listing

12/19/03	Letter	Friendly reminder	
12/23/03	Message	Called	Don't send friendly reminders on "E" paper!
12/23/03	Letter	30 day loan	
12/29/03	Promise	\$451.10 on 1/5/04	
12/29/03	Comment	Employee called and said mbr was in the branch and wanted to cash a check for \$300. Told her that I needed to set up some PTPs for his loans. Talked to mbr and got a PTP for both loans. Told to go ahead and process the mbr's transaction.	
1/21/04	Letter	Friendly reminder	Why don't credit unions decentralize collections = put collectors where members are.
1/26/04	Letter	30 day loan	
3/23/04	Message	Called Michael	
3/23/04	Comment	No one there by that name	
3/23/04	Letter	30 day loan	
4/8/04	Message	Called	
4/8/04	Letter	30 day loan	
4/13/04	Contact	Called Michael	No, No, No, it's gotten worse. No job!
4/13/04	Comment	spoke with spouse and he is not working lost his job – he was working for boys home and it was closed offer umap he will come in today to sign.	

Work Queue Account Listing

4/13/04	Letter	Workout agreement worksheet	
4/13/04	Comment	Mbr at branch decided to go with workout said he will start working part time will eventually work full time – will re-age loan.	
4/13/04	Letter	Re-age request	
8/23/04	Comment	Called home number no longer in service	Doppler Radar
8/23/04	Letter	Please contact	Every other day follow-up
8/30/04	Message	Called Michael	
8/30/04	Letter	30 day loan	
9/21/04	Message	Called Michael	
10/13/04	Message	Called Michael	
10/21/04	Letter	Repo letter	
10/25/04	No Answer	Called Michael	
10/25/04	Comment	Called work number – mbr no longer employed there	
10/25/04	Comment	Mbr is not responding to letters will order repo once letter expires tomorrow.	
10/26/04	Letter	Repossession Authorization	

Work Queue Account Listing

10/27/04	Comment	Got new address from employee. Mbr tried to apply for new loan. Called cell # spoke with mbr. He was surprised to hear from me. I asked why he has not made pymt. He did not answer. Gave him total balance he needed to pay to avoid repo. He said he will see what he can do. I did let him know we have a repo out and repo will stand until he brings acct current. Mbr has not made a pymt since July for the workout pymt. He started to question why his pymt was so high. I let him know his pymt has been at \$476.83 for the past several months now.
10/27/04	Contact	Called Michael
11/1/04	Contact	Called Michael
11/1/04	Comment	Spoke with Michael and he had a PTP 10/29/04. We had an arrangement if he made the pymt Friday I would work with him allowing him to pay a pymt and half until the account was brought current. I advised him we had a repossession for his vehicle until he came in with the pymt. Since he failed to come in with at least one pymt told him he needs acct current or voluntary surrender. He was silent I asked what were his intentions he said he would voluntary surrender vehicle. I explained if he did not bring in vehicle we would have to go get it and he would be charged a repossession fee of \$300. He is also away of deficiency balance. <div>I bet he is really worried about this!</div>
11/8/04	Contact	Called Michael
11/8/04	Comment	Spoke with Michael. He said he was on his way to the branch to voluntary surrender vehicle. He stated he got out of work too late and could not make his PTP on 10/29/04. He never made an attempt to make another payment after that. He is aware of deficiency balance.
11/9/04	Comment	Pull credit report.
11/12/04	Comment	Loan dept called to let us know this member has applied for a car loan at ABC Auto Sales.

What Can We Learn?

If your collectors are not trained, this is what is going to happen and will end up costing you thousands of dollars.

What should have been done?

1. System should have been flagged to show this was an "E" paper loan.
Does your D/P system do this?
2. Are your collectors doing this? Any loan made in the first 9 months that defaults is a big concern, collectors need to:
 - On the first working day of each month, look at their new delinquency report. Any loan made in last 9 months that is now over 30 days past due must be pulled and reviewed. Collection notes should:
 - Indicate if it was a good or bad loan.
 - New credit bureau report should be ordered.
 - Course of action set to **reduce our losses**.
 - Loan must be referred to VP of Lending so lenders can learn.

*Are your collectors entering this in their notes?

-
3. Weekly or bi-weekly training sessions held for lenders and collectors to go over these type of loans.
 4. Member should get one notice only. How many are you sending and how quickly?
 5. Cars must be repossessed in the **first 30 to 45 days**. Are you doing this?
 6. C.P.I., if added, should be immediately referred to collections. A new credit bureau report pulled and the vehicle should be repossessed at once if the credit score has dropped substantially.
 7. Flag system, no extensions or deferments.
 8. Cars are not to be given back unless balance and all charges paid in full. Expectation should be that you are sure there will be no future problems if you give it back.
 9. Marginal loans (C, D, & E) can only be approved if you have a solid equity position.
 10. Look at decentralizing collections. Put the collectors where the members are (i.e. in the branches).

Disposing of the Collateral

What it is Costing You?

Credit unions have to deal with an onslaught of repo's like they never had to before. Our findings are they are not really trained or set up for this new phenomenon. There are several options you have:

- **Send them to auction**. This is the least effective way and will assure you of the biggest losses.
- **Have a dealer sell them for you on their lot**. This is far better than sending to auction; however, there is still an expense involved and will the dealer sell your car before his. (The answer is no unless he makes more off you.)
- **Sell them yourself**, if you have enough cars and space. You may consider leasing or buying space.

Examples of how credit unions dispose of their cars are:

- E-Bay.
- Buy or bid process.
- Incent their employees.
- Look at your turndowns, would you be willing to sell them one of your repo's?
- If you have enough repo's, hire your own "Used Car Manager". Check on licensing.
- Make sure they recondition the vehicle if it is worth it.
- Consider a wholesaler.

One credit union has historically had great results in disposing of repo's, Commonwealth Credit Union in Kentucky. This is the largest credit union in Kentucky and they do a great job. Their deficiency balances were running around \$3,500. The average of all credit unions as little as two years ago was \$5,100. Due to the aggressive financing and add-ons, that number has grown to between \$7,500 and \$10,000.

Attached is an example of how Commonwealth disposes of their cars. They:

- Recondition their cars.
- Use bid/buy process.
- Have a great website for their repo's with all the details.
- Have a rack of brochures in all their branches. (See following page.)

Disposing of repo's and cutting your losses is really important. What is equally important is an understanding you have a problem and identifying why your losses are so high.



Repo Vehicle

Important Notice **Buy or Bid** Important Notice

This vehicle may be purchased immediately for a total cash price listed below.
Bids for a lower amount will be accepted as indicated below.
ALL VEHICLES ARE SOLD "AS IS"

Final Bid Date: Before Noon EST 01/05/05

1996 Chevrolet C1500 Ext. Cab 2wd

COLOR: Black
TRANSMISSION: Auto
5.7 V8 - AC - Silverado -
- Power Locks, Seat,
Windows & Mirrors -
Leather - Bedliner -
Alloy Wheels - Cruise -
Tilt - AM/FM CD Player



MILEAGE: 107,630 **N.A.D.A. RETAIL:** \$8,375

"Buy it Now" Cash Price: \$7,595

[Bid on this Vehicle Online!](#)

[Buy this Vehicle Now for
\\$7,595!](#)

**COMMONWEALTH CREDIT UNION RESERVES THE
RIGHT TO REFUSE ANY OR ALL BIDS AND IS NOT
RESPONSIBLE FOR ANY LOST OR MISDIRECTED BIDS.**

**P. O. Box 978, Frankfort, KY 40602-0978, 502.564.4775 or
1.800.228.6420
FAX: 502.564.1607**

How to Identify Where Losses Come From

(a.k.a. Inspect & Validate)

You cannot just ask questions, you must inspect and validate why these deficiencies are so high.

Did you:

- Over-finance?
- Stretch out the terms to long?
- Never determined the value up front?
- Take over someone else's problem by allowing the member to finance a trade-in they were way upside down on?
- Add C.P.I. once or maybe several times?
- Accept too many extensions and deferments?
- Give the repossession away by getting far less than the value at auction?

Step #3 ~ Conclusion

How to identify you have got a problem with indirect?

Growth that is Acceptable

Anytime you are seeing growth of 20%, 30% or more in indirect lending, you have got to make sure you were prepared for it. Ask yourself:

- What kind of training did we provide for our lenders and collectors?
- Did we increase staffing to handle the growth in both lending and collections?

NOTE: Too often, senior management looks at the numbers and if delinquency and charge offs **are not increasing as a percent of loans outstanding, we feel okay.** This could be a big, big mistake.

Look at the example below. Let's examine a \$500M credit union with loans of \$250 million that adds \$100,000,000 in loans in six months.

		Before	After
Assets	=	\$500,000,000	\$500,000,000
Loans	=	\$250,000,000	\$350,000,000
Investments	=	\$200,000,000	\$100,000,000
Loan to Asset	=	50%	70%
2+ Months Delinquency	=	\$1,250,000 or .5%	\$1,750,000 or .5%
Charge Offs	=	\$1,000,000 or .4%	\$1,400,000 or .4%

What happened here – delinquency and charge offs as a percent did not change. In real dollars:

- Delinquency went up \$500,000 in 6 months
- Charge-offs went up \$400,000 in 6 months

The point is this:

- *With rapid growth in loans, delinquency and charge offs should be dropping, not going up, as a percent of loans outstanding.*
- **Go back and look at your growth.** You know you have got a problem if delinquencies and charge-offs are rising together

Is Outsourcing a Good Idea?

- If you are a small credit union and collections is only a part time job that is done when everything else gets done. You should probably outsource collections.
- If you are in a market place where its hard to hire and hang on to good collectors, it's a good idea to outsource all or part of collections.
- You can measure your collectors effectiveness versus other collectors from the outsourcing company and that creates a little internal competition, which is a very good idea.
- If you are trying to hire and train several collectors at one time, outsource part or all of the collections until you are ready to take it back over. Do not (I repeat do not) hire a warm body that is going to bring little or no value. LSI has a team of collectors who can help.

Step #4 ~ Lending Opportunities in Collections

Credit unions desperately need loans. Most credit unions have plenty of money to loan out. When members are living from payday to payday and something happens, they are going to end up in collections. The collector has been trained to “dial for dollars” and get the money. There may have been a terrific lending opportunities but we did not spot it because we wanted the payment. Collectors need to:

- Be trained in lending.
- Have access to credit reports.
- Know how to read credit reports.
- Have cross-selling goals.
- Get paid incentives for cross-selling.
- Give their cross-sells to a lender assigned to work in collections, who is part of the collection team who knows how and is willing to put these loans together.

Newly bankrupt apparently good risks

Reuters

Posted Tuesday, December 06, 2005

A change in thinking on how we make loans and a need to rewrite our policies.

Bankrupt? Want a credit card? You're golden.

A record number of Americans filed to wipe out their debts this year ahead of the autumn implementation of a tough new bankruptcy law. That surge in filings forced U.S. credit-card issuers like Citigroup and Capital One Financial to report a huge jump in uncollectable debts in the third quarter and to warn the losses would bleed into the fourth quarter.

The bankruptcy bubble has forced the card issuers to set aside big amounts to cover the unprecedented surge in charge-offs. It's also forcing them to scramble to rebuild their diminished loan portfolios, which are already under stress because of new federal guidelines on minimum payments requirements that are cutting into receivables and interest income, according to analysts at Citigroup Global Markets.

As they consider their options, some in the industry are reportedly mulling a strategy that concerns consumer advocates — signing up the consumers who just had their debts discharged.

Sound crazy? It's not. For starters, the new bankruptcy law requires debtors to come up with a payment plan to satisfy unsecured creditors like the card companies. So the newly bankrupt are actually pretty good credit risks.

But that's not all. In a world where the average creditworthy American already has more than four general-purpose credit cards and where response rates to direct-mail solicitations touting zero-interest teaser rates have fallen below 1 percent, experts say the newly bankrupt have much to recommend them.

Among their attractions: a tendency to engage in behaviors that generate hefty

Many credit card companies charge off over 7%.

finance and penalty fees and bring fat profits to the issuers.

"The credit-card companies can't afford to lose these people," said Robert D. Manning, a professor at the Rochester Institute of Technology and author of the book "Credit Card Nation." "They've really come to count on them."

According to Lundquist Consulting Inc. of Burlingame, Calif., nearly 2 million Americans filed for bankruptcy from Jan. 1 until the Oct. 17 implementation of the new law, up nearly 52 percent from the same time last year.

In the old days, burned card issuers would have treated the people behind those sour statistics like untouchables and either denied them credit for up to seven years — or steered them into secured cards. No more.

"Lenders are going to go after them again and offer them money," Capital One Vice President Mike Rowen told listeners at a recent "State of the U.S. Consumer" conference hosted by CIBC World Markets.

During the conference, Rowen checked off for his listeners the things that make the newly bankrupt so attractive to some lenders.

For starters, they are debt-free, which means they're in a much better position than the average U.S. consumer to pay off any new bills in the face of rising interest rates, higher fuel prices and a slowdown in the real-estate market.

What's more, Rowen said, because the new U.S. bankruptcy law that went into effect in mid-October forbids anyone who declares bankruptcy from doing so again for anywhere between two to eight years, the newly bankrupt are customers who will — by law — have to pay a substantial portion of their new debts.

"The people that get discharged are going to get access to credit right away," Rowen said, "because once they're discharged, you know, they can't file for bankruptcy for a long time again."

The newly bankrupt are also card-free and keen to re-establish credit, making them much easier marks for direct-mail solicitations than their overcarded, nonbankrupt peers. And because they're so grateful to get their mitts on plastic again, the newly bankrupt will swallow the punishingly high interest rates that the credit-card companies will charge them because of their so-called subprime status.

"It's diabolical," said Travis Plunkett, legislative director of the Consumer Federation of America, a nonprofit watchdog group in Washington. "They'll hit them with terms that will give the word 'onerous' a new meaning."

A final reason the credit-card companies will welcome back the recently bankrupt with open arms? The companies really miss them. Their bankruptcies aside, these customers were pretty profitable, said Ed Groshans, a specialty finance analyst at Fox-Pitt, Kelton in New York.

"Those were the ones who were getting late fees, over-limit fees, and probably bounced a check every once in a while," allowing the card issuers to hit them with one lucrative charge after another, Groshans said. "Those were like nuggets of gold on a company's top line."

Credit unions must rethink their strategies on bankruptcy charge-offs.

Do you Have Lending Opportunities in Collections?

Take the following test:

1. Have your collectors pull all their 30 days+ loans where the member is a homeowner.
2. Get a new credit report.
3. See if they are paying their mortgage and if there is equity.

Helpful tips:

1. Collectors need to be able to pull credit reports.
2. They need access to the “automated home evaluation system” so they can see what the members house is worth.

What Collectors Need to Focus On?

- The lower the score, the greater the probability you are not going to get paid on time or at all.
- Collectors need to pull new credit reports on a regular basis (focus on balances over \$3500 to see what the score is doing) and step up their collection efforts as warranted.
- Members who were “A+ and A” paper are paying a low rate and you are losing money with every call you are making. Start focusing on the rate you are earning.
- The direction the score is headed is critical.
- Writing letters to members with low scores is not the best strategy.

Recognize and Dealing with Bankruptcy

Bankruptcy should not be a surprise. Credit unions need to get proactive and identify which overdue and up to date members have the symptoms of someone who could end up in bankruptcy. What you need to know is bankruptcy is very predictable, we will show you how.

Unsecured Loans Over \$7500 More than 30 days past due

	Name	Account #	Balance	Limit	Date of Approval	Monthly Salary	Unsecured Debt	Unsecured Debt Today	Homeowner	Risk Score
1			\$26,017.62		4/28/02	\$950/950	\$15,404	\$37,438	NO	563
2			\$24,882.98		3/31/02	\$7,000	\$46,039	\$55,194	YES	549
3			\$22,527.69		11/18/01	\$6,000	\$4,627	\$39,849	YES	605
4			\$20,569.49		8/16/01	\$1512/4000	\$9,018	\$24,336	NO	590
5			\$19,660.51		6/22/02	\$2600/1800	\$18,051	\$73,276	YES	640
6			\$17,889.74		6/15/03	\$8,000	\$4,419	\$50,496	NO	622
7			\$14,879.15		11/13/03	\$1,240	\$979	\$17,753	NO	662
8			\$14,716.17		7/31/02	\$3,612	\$16,482	\$38,525	NO	605
9			\$14,689.99		1/5/04	\$3,400	\$21,939	\$30,309	YES	683
10			\$14,173.83		7/18/02	\$2400/2800	\$5,365	\$24,535	YES	594
11			\$13,905.11		12/28/03	\$8,300	\$11,883	\$28,341	NO	658
12			\$13,734.57		4/12/05	\$3600/5600	\$11,224	\$18,358	YES	636
13			\$13,689.13		8/16/05	\$2,285	\$19,119	\$31,173	YES	536
14			\$13,477.71		9/28/04	\$3694/2400	\$11,008	\$27,991	YES	640
15			\$12,811.31		5/13/05	\$700/3000	\$16,933	\$8,211	NO	731
16			\$12,758.22		3/19/04	\$2750/1459	\$22,017	\$15,650	YES	648
17			\$12,487.15		8/10/04	\$2565/1562	\$5,653	\$18,408	NO	625
18			\$11,988.33		7/14/03	\$1617/6000	\$23,438	\$16,293	NO	
19			\$11,936.43		11/22/04	\$4,024	\$4,353	\$14,176	YES	398
20			\$11,884.62		5/8/05	\$1800/1332	\$14,230	\$26,806	NO	

What to Look Out for:

Step 1

1. Take their current annual income = \$50,000.
2. Multiple this number by 30%
 $30\% \times 50,000 = \$15,000$
3. Add all their unsecured debt excluding student loans but including negative equity on cars. = \$20,000.
4. Divide all unsecured debt by annual income = 40%.

NOTE: 30% is the max you would like to see

Step 2

Look at opening dates and inquiries, if they are recent or if there are lots of inquiries (8 or more), watch out.

Step 3

Look at capacity available. If they have used 68% or more, you have a problem. (Note: National average is 34%).

To Summarize

Focus on:

1. High level of unsecured debt (30% or greater).
2. Escalating debt (8 or more inquiries in the last 12 months plus lots of new trade lines opened in last 18 months).
3. No capacity (used up 66% or more).

When this is in place, you must change your collection approach from offense to defense, start looking to add collateral, and play “Lets make a deal.”

Step #5

- Reports that are not normally provided that will make your job in Senior Management a lot easier.

Collection Reports that are Not Normally Provided but Will Help:

1. Senior management.
2. Management in charge of collections.
3. Individual collections.

These reports will show you:

1. Where your losses will likely occur.
2. How to prioritize your collection efforts.
3. Which accounts that need to be assigned to your best collectors.

Note: These reports are not the normal collection reports you will see, however your I.T. department or provider can have them printed for you.

Longest Number of Days with No Payment											
Name	Acct	Sfx	Entry Dt	Entry Amt	Balance	Pmt	Days Delq	PD Amt	Coll Score	L/O	Comments
		81	06/10/98	43,000	37,394	380.51	1,429	17,883.97		0	REO-Sold
		10	10/16/98	9,596	3,163	229.32	979	7,338.24		600	Ch 13
		71	04/24/98	11,800	6,457	237.30	884	6,881.70		600	Ch 13
		3	05/03/02	30,076	20,043	425.00	869	12,325.00		720	REO-Sold
		10	02/05/99	18,671	3,447	352.78	662	7,761.16		720	Ch 13
		81	08/16/99	54,700	52,044	373.15	639	7,836.15		0	Foreclosure
		3	09/13/00	25,123	13,239	185.00	594	3,700.00		680	Foreclosure
		10	10/14/99	7,954	337	179.19	581	3,404.61		640	Ch 13
		11	03/15/04	20,151	19,677	277.39	565	5,270.41		640	Repo'd-- not yet sold
		5	06/17/02	42,346	42,346	606.00	564	11,514.00		680	Foreclosure
		10	07/30/01	11,747	7,449	392.96	527	6,680.32		600	Skip -- can't locate
		10	04/30/03	1,599	861	74.14	518	1,260.38		600	Ch 13
		81	10/17/01	21,000	16,809	409.99	503	6,969.83		550	Foreclosure
		10	08/27/01	15,017	9,099	293.13	472	4,690.08		600	Ch 13
		11	10/09/01	15,786	11,137	312.22	448	4,683.30		550	Ch 13
		13	05/29/02	5,677	2,697	163.16	441	2,447.40		640	Ch 13
		10	04/18/00	6,445	1,490	123.68	424	1,731.52		680	Ch 13
		10	08/17/02	11,381	8,275	203.68	410	2,851.52		640	Ch 13
		10	06/12/03	23,155	19,110	380.03	406	4,940.39		680	Repo'd-- not yet sold
		10	07/18/02	10,867	7,939	232.17	378	2,786.04		600	Ch 13
		10	09/24/02	10,735	7,482	218.90	371	2,626.80		550	Ch 13

Largest Dollar Amount Required to Bring Loan Current

Name	Acct	Sfx	Entry Dt	Entry Amt	Balance	Pmt	Days Delq	PD Amt	Coll	Score	L/O	Comments
		81	06/10/98	43,000	37,394	380.51	1,429	17,883.97		0		REO-Sold
		3	05/03/02	30,076	20,043	425.00	869	12,325.00		720		REO-Sold
		5	06/17/02	42,346	42,346	606.00	564	11,514.00		680		Foreclosure
		81	08/16/99	54,700	52,044	373.15	639	7,836.15		0		Foreclosure
		10	02/05/99	18,671	3,447	352.78	662	7,761.16		720		Ch 13
		70	05/05/05	8,000	7,600	8,157.71	164	7,599.85		550		Demand letter
		10	10/16/98	9,596	3,163	229.32	979	7,338.24		600		Ch 13
		81	10/17/01	21,000	16,809	409.99	503	6,969.83		550		Foreclosure
		71	04/24/98	11,800	6,457	237.30	884	6,881.70		600		Ch 13
		10	07/30/01	11,747	7,449	392.96	527	6,680.32		600		Skip -- can't locate
		10	08/15/02	24,677	13,122	542.73	305	5,427.30		600		Repo'd -- sold
		11	03/15/04	20,151	19,677	277.39	565	5,270.41		640		Repo'd-- not yet sold
		81	05/30/00	168,000	161,753	1,052.00	152	5,260.00		0		To Begin Foreclosure
		10	06/12/03	23,155	19,110	380.03	406	4,940.39		680		Repo'd-- not yet sold
		10	08/27/01	15,017	9,099	293.13	472	4,690.08		600		Ch 13
		11	10/09/01	15,786	11,137	312.22	448	4,683.30		550		Ch 13
		10	11/30/04	19,196	19,196	394.48	335	4,339.28		600		Skip -- can't locate
		10	02/24/04	32,497	27,596	677.94	174	4,067.64		550		Skip -- can't locate
		13	04/04/05	31,805	31,796	661.94	195	3,971.64		720		Repo'd -- sold
		10	01/05/05	17,207	6,957	374.25	299	3,742.50		600		total loss to be c/o
		10	09/06/01	17,848	9,159	338.07	319	3,718.77		680		Repo Ordered

Largest to Smallest 60 Days Plus

Name	Acct	Sfx	Entry Dt	Entry Amt	Balance	Pmt	Days Delq	PD Amt	Coll	Score	L/O	Comments
		81	05/30/00	168,000	161,753	1,052.00	152	5,260.00		0		To Begin Foreclosure
		82	08/26/04	151,900	150,078	922.96	60	1,845.92		720		Short Sale - Property
		81	01/20/98	100,800	88,529	567.00	60	1,134.00		0		
		81	08/02/02	82,800	80,249	498.91	121	1,995.64		0		To Begin Foreclosure
		81	09/30/97	82,000	71,226	455.00	60	910.00		0		
		81	11/13/97	59,300	53,032	339.00	90	1,017.00		0		
		81	08/16/99	54,700	52,044	373.15	639	7,836.15		0		Foreclosure
		82	03/18/96	56,000	47,743	327.00	60	654.00		0		
		81	06/10/98	50,400	46,199	332.72	274	2,994.48		0		Foreclosure
		5	06/17/02	42,346	42,346	606.00	564	11,514.00		680		Foreclosure
		3	06/06/03	42,051	41,692	620.00	76	1,860.00		720		
		81	06/10/98	43,000	37,394	380.51	1,429	17,883.97		0		REO-Sold
		13	06/18/05	32,674	32,674	506.98	135	2,027.92		640		Repo'd-- not yet sold
		83	09/24/04	32,440	32,269	399.11	60	798.22		550		
		13	04/04/05	31,805	31,796	661.94	195	3,971.64		720		Repo'd -- sold
		10	02/24/04	32,497	27,596	677.94	174	4,067.64		550		Skip -- can't locate
		81	09/18/02	28,000	26,696	287.44	243	2,299.52		640		Foreclosure
		12	11/26/04	29,131	26,417	486.09	65	972.18		680		Repo'd-- not yet sold
		10	06/03/04	29,926	25,578	524.55	88	1,573.65		640		
		11	08/03/04	26,940	25,168	335.19	242	2,681.52		640		Repo'd-- not yet sold
		10	06/02/03	32,805	23,342	447.65	69	895.30		640		Repo'd-- not yet sold

Eastern Financial Florida Credit Union's "Collection Reports"

This is a credit union that has a collection department that truly understand their role. I am including a small sampling of their reports. This credit union excels in:

- Staying staffed.
- Making training their highest priority.
- Outstanding record keeping.
- Little or no staff turnover.
- The team concept.
- Rewarding good performance with very attractive incentives.

31 DAYS

DIRECT NEW AUTO LOAN DELINQUENCY
AGING OVER 1 MONTH (31 PLUS)
2002 - 2003 - 2004 - 2005



1. WHICH APPROACH ARE GROWING
2. How is Delinquency Compared To Loan Growth.

	2002				2003				2004				2005			
	# Of Accts	Dollar Amount	Dollar %	Total Loans	# Of Accts	Dollar Amount	Dollar %	Total Loans	# Of Accts	Dollar Amount	Dollar %	Total Loans	# Of Accts	Dollar Amount	Dollar %	Total Loans
Jan	11	95,499	0.17%	55,545,825	10	113,346	0.22%	50,189,709	5	43,180	0.08%	48,641,695	11	164,679	0.29%	55,179,927
Feb	10	113,808	0.20%	55,130,996	13	204,681	0.41%	49,444,521	10	144,306	0.29%	48,897,573	12	228,817	0.41%	55,563,248
Mar	10	115,617	0.21%	54,775,447	5	70,341	0.14%	49,298,686	7	74,297	0.14%	50,199,448	3	67,768	0.11%	57,337,575
Apr	9	115,254	0.21%	54,618,815	4	36,787	0.07%	49,073,232	9	82,132	0.16%	50,355,646	6	67,460	0.11%	57,149,258
May	8	118,948	0.21%	54,477,330	10	171,289	0.34%	49,325,397	5	56,352	0.11%	50,437,539	4	46,799	0.08%	57,749,173
June	14	158,405	0.29%	54,411,884	11	155,165	0.31%	49,107,593	2	8,506	0.01%	51,799,213	3	59,397	0.09%	59,430,463
July	12	133,158	0.24%	53,516,890	14	186,162	0.37%	49,109,499	4	80,392	0.15%	52,616,785	7	84,143	0.13%	61,261,811
Aug	8	93,794	0.18%	53,471,006	13	150,084	0.30%	48,867,065	7	64,591	0.12%	53,434,692	4	41,496	0.06%	62,468,145
Sept	10	108,071	0.20%	53,006,828	17	196,866	0.40%	48,741,218	16	240,488	0.44%	53,897,574	8	91,725	0.14%	63,436,558
Oct	13	168,356	0.31%	52,836,301	8	88,324	0.18%	48,959,494	21	268,643	0.49%	54,808,641	5	80,079	0.12%	65,186,117
Nov	14	139,325	0.26%	52,289,547	20	278,763	0.56%	48,925,453	14	154,740	0.28%	54,923,921	11	196,764	0.29%	66,636,141
Dec	11	148,557	0.28%	51,369,853	16	239,239	0.48%	49,209,254	10	120,320	0.21%	55,678,247	8	115,137	0.16%	67,980,896

61 Days Plus

DIRECT NEW AUTO LOAN DELINQUENCY
AGING OVER 2 MONTHS (61 PLUS)
 2002 - 2003 - 2004 - 2005



	2002				2003				2004				2005			
	# Of Accts	Dollar Amount	Dollar %	Total Loans	# Of Accts	Dollar Amount	Dollar %	Total Loans	# Of Accts	Dollar Amount	Dollar %	Total Loans	# Of Accts	Dollar Amount	Dollar %	Total Loans
Jan	2	17,521	0.03%	55,545,825	1	10,531	0.02%	50,188,709	0	0	0.00%	48,641,695	1	3,028	0.01%	55,179,927
Feb	3	32,048	0.06%	55,130,996	1	10,531	0.02%	49,444,521	0	0	0.00%	48,897,573	1	19,904	0.04%	55,563,248
Mar	3	35,894	0.07%	54,775,447	0	0	0.00%	49,298,686	0	0	0.00%	50,199,448	0	0	0.00%	57,337,575
Apr	3	47,987	0.09%	54,618,815	0	0	0.00%	49,073,232	0	0	0.00%	50,355,646	0	0	0.00%	57,149,258
May	1	30,656	0.06%	54,477,330	0	0	0.00%	49,325,397	0	0	0.00%	50,437,539	0	0	0.00%	57,749,173
June	1	13,589	0.02%	54,411,884	1	26,178	0.05%	49,107,593	0	0	0.00%	51,799,213	0	0	0.00%	59,430,463
July	1	2,574	0.01%	53,516,890	0	0	0.00%	49,109,499	0	0	0.00%	52,616,785	0	0	0.00%	61,261,811
Aug	1	2,083	0.01%	53,471,006	1	10,755	0.02%	48,867,065	1	5,538	0.01%	53,434,692	0	0	0.00%	62,468,145
Sept	3	47,283	0.09%	53,006,828	1	32,754	0.07%	48,741,218	1	24,760	0.05%	53,897,574	0	0	0.00%	63,436,558
Oct	3	47,534	0.09%	52,836,301	1	14,882	0.03%	48,959,494	2	36,882	0.07%	54,808,641	1	19,303	0.03%	65,186,117
Nov	1	15,252	0.03%	52,289,547	2	24,608	0.05%	48,925,453	0	0	0.00%	54,923,921	1	26,346	0.04%	66,636,141
Dec	1	10,531	0.02%	51,369,853	0	0	0.00%	49,209,254	0	0	0.00%	55,678,247	2	45,932	0.07%	67,980,896

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Prepared by: Lillian Moreno

DIRECT USED AUTO LOAN DELINQUENCY
AGING OVER 1 MONTH (31 PLUS)
 2002 - 2003 - 2004 - 2005



	2002				2003				2004				2005			
	# Of Accts	Dollar Amount	Dollar %	Total Loans	# Of Accts	Dollar Amount	Dollar %	Total Loans	# Of Accts	Dollar Amount	Dollar %	Total Loans	# Of Accts	Dollar Amount	Dollar %	Total Loans
Jan	36	178,299	0.22%	79,449,839	35	349,631	0.37%	93,415,625	94	1,256,083	1.10%	113,944,660	97	1,129,213	0.77%	145,432,916
Feb	34	242,628	0.30%	80,050,489	42	335,083	0.35%	94,629,391	92	1,049,476	0.90%	115,663,483	96	1,065,546	0.72%	147,946,992
Mar	32	192,115	0.23%	80,758,125	41	452,982	0.48%	96,861,345	60	623,648	0.52%	118,646,026	70	844,032	0.53%	158,220,450
Apr	19	190,762	0.23%	81,695,215	28	329,965	0.33%	99,586,305	54	591,591	0.48%	121,823,264	52	611,151	0.39%	156,577,691
May	25	229,482	0.27%	82,920,882	57	511,145	0.49%	102,590,875	57	630,679	0.50%	124,890,732	44	488,710	0.30%	159,738,529
June	31	302,646	0.36%	83,416,260	64	589,745	0.56%	104,794,907	46	535,980	0.42%	127,061,270	45	543,904	0.33%	162,089,769
July	31	278,970	0.32%	84,648,520	71	744,975	0.69%	106,805,815	59	673,312	0.51%	130,768,013	57	737,735	0.45%	163,872,235
Aug	23	238,177	0.27%	86,622,698	79	820,141	0.76%	107,894,366	69	692,604	0.51%	133,940,119	57	626,982	0.38%	164,963,400
Sept	25	235,304	0.26%	87,591,697	77	848,363	0.77%	109,848,751	92	1,019,279	0.75%	134,829,009	64	725,207	0.43%	164,824,276
Oct	20	179,191	0.20%	88,849,116	71	824,655	0.74%	110,520,753	81	991,284	0.70%	138,895,384	91	942,839	0.56%	166,494,968
Nov	33	333,231	0.36%	90,867,223	135	1,742,936	1.55%	111,787,454	105	1,236,174	0.87%	141,348,145	65	727,099	0.43%	166,693,612
Dec	33	337,656	0.36%	92,278,314	116	1,421,080	1.25%	112,919,777	102	1,147,263	0.79%	144,476,325	58	595,525	0.35%	166,268,889

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- Average number of repossessions per thousand loans = 1.5 to 2

60 DAYS PLUS

DIRECT USED AUTO LOAN DELINQUENCY
AGING OVER 2 MONTHS (61 PLUS)
2002 - 2003 - 2004 - 2005



	2002				2003				2004				2005			
	# Of Accts	Dollar Amount	Dollar %	Total Loans	# Of Accts	Dollar Amount	Dollar %	Total Loans	# Of Accts	Dollar Amount	Dollar %	Total Loans	# Of Accts	Dollar Amount	Dollar %	Total Loans
Jan	1	6,530	0.01%	79,449,839	3	31,961	0.03%	93,415,625	8	155,917	0.14%	113,944,860	13	238,339	0.16%	145,432,916
Feb	6	46,385	0.06%	80,050,489	0	0	0.00%	94,629,391	8	167,833	0.15%	115,663,483	14	217,055	0.15%	147,946,992
Mar	7	79,693	0.10%	80,758,125	3	42,433	0.04%	96,661,345	4	81,669	0.07%	118,646,026	12	194,506	0.12%	158,220,450
Apr	5	71,503	0.09%	81,695,215	0	0	0.00%	99,586,305	5	104,614	0.09%	121,623,264	9	155,071	0.10%	156,577,691
May	5	68,911	0.08%	82,920,882	0	0	0.00%	102,590,875	5	111,295	0.09%	124,890,732	9	146,087	0.09%	159,738,529
June	6	75,260	0.09%	83,416,260	2	24,467	0.02%	104,794,907	3	65,285	0.05%	127,061,270	6	111,428	0.07%	162,089,759
July	7	96,837	0.11%	84,648,520	1	15,570	0.01%	106,805,815	3	52,804	0.05%	130,768,013	5	83,878	0.05%	163,872,235
Aug	6	96,193	0.11%	86,622,698	2	37,517	0.03%	107,894,366	7	126,030	0.09%	133,940,119	4	69,361	0.04%	164,963,400
Sept	5	80,405	0.09%	87,591,697	11	171,127	0.16%	109,848,751	12	202,030	0.15%	134,829,009	5	64,290	0.04%	164,824,278
Oct	3	46,207	0.05%	88,849,116	10	176,896	0.16%	110,520,753	9	145,032	0.10%	138,895,384	10	178,282	0.11%	166,494,968
Nov	3	59,448	0.07%	90,867,223	10	174,158	0.16%	111,787,454	10	213,912	0.15%	141,348,145	8	170,105	0.10%	166,693,612
Dec	2	29,969	0.03%	92,278,314	10	181,376	0.16%	112,919,777	10	206,962	0.14%	144,476,325	7	165,375	0.10%	166,268,889

*Indirect
New 31 plus*

DEALER NEW AUTO LOAN DELINQUENCY
AGING OVER 1 MONTH (31 PLUS)
2002 - 2003 - 2004 - 2005



	2002				2003				2004				2005			
	# Of Accts	Dollar Amount	Dollar %	Total Loans	# Of Accts	Dollar Amount	Dollar %	Total Loans	# Of Accts	Dollar Amount	Dollar %	Total Loans	# Of Accts	Dollar Amount	Dollar %	Total Loans
Jan	71	966,904	0.70%	137,345,404	180	3,539,461	1.65%	213,438,762	312	5,699,607	2.32%	244,797,737	121	2,079,778	0.85%	243,449,648
Feb	63	903,627	0.64%	140,799,569	146	2,718,878	1.26%	214,589,648	308	5,372,579	2.22%	241,995,153	120	1,939,728	0.79%	242,950,454
Mar	79	1,170,854	0.80%	144,755,283	147	2,893,692	1.34%	215,848,736	176	3,261,995	1.35%	240,482,590	88	1,407,374	0.57%	245,086,928
Apr	85	1,391,673	0.92%	151,015,537	126	2,164,026	0.98%	219,486,525	136	2,432,420	1.01%	240,309,496	89	1,488,417	0.59%	251,721,829
May	80	1,328,092	0.84%	156,973,370	158	2,888,783	1.29%	223,619,656	122	2,161,481	0.90%	240,042,149	101	1,746,448	0.66%	264,449,996
June	94	1,402,205	0.84%	165,616,871	194	3,540,596	1.53%	230,021,073	103	1,747,783	0.72%	241,911,805	82	1,472,623	0.53%	275,485,048
July	100	1,586,037	0.90%	174,327,945	191	3,640,884	1.55%	233,831,054	116	1,976,649	0.80%	244,947,719	97	1,673,844	0.58%	285,596,617
Aug	97	1,580,074	0.85%	183,347,057	207	3,625,288	1.52%	237,126,787	117	2,138,140	0.86%	247,178,005	119	2,011,229	0.67%	297,298,584
Sept	103	1,790,503	0.93%	191,668,505	190	3,406,307	1.40%	241,639,646	138	2,284,413	0.92%	247,494,976	99	1,588,464	0.53%	297,927,889
Oct	124	2,349,566	1.17%	199,510,493	195	3,673,622	1.50%	245,033,534	147	2,486,823	1.00%	247,068,338	117	1,689,913	0.57%	294,949,494
Nov	139	2,500,011	1.21%	205,459,139	310	5,746,053	2.34%	245,438,332	193	3,332,339	1.34%	247,123,807	106	1,763,120	0.56%	294,715,618
Dec	174	3,115,925	1.48%	210,089,012	382	6,929,713	2.82%	244,935,292	142	2,402,172	0.97%	245,633,952	85	1,269,303	0.43%	293,871,126

*Changed Program
A & B only*

Drop C.I.D.

Dealers NOT Pushing 36mo

Pushing 60 & 66 mos

*Dealers WERE PUSHING
LEASE LIKE LOAN*

CHANGED UNDERWRITING & Coll.

18mo CLEAN UP

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Prepared by: Lillian Moreno

DEALER NEW AUTO LOAN DELINQUENCY
AGING OVER 2 MONTHS (61 PLUS)
2002 - 2003 - 2004 - 2005



	2002				2003				2004				2005			
	# Of Accts	Dollar Amount	Dollar %	Total Loans	# Of Accts	Dollar Amount	Dollar %	Total Loans	# Of Accts	Dollar Amount	Dollar %	Total Loans	# Of Accts	Dollar Amount	Dollar %	Total Loans
Jan	13	227,894	0.17%	137,345,404	21	434,653	0.20%	213,438,702	23	497,827	0.20%	244,797,737	17	410,676	0.17%	243,449,648
Feb	10	168,919	0.12%	140,799,569	14	313,476	0.15%	214,589,648	15	342,762	0.14%	241,995,153	14	322,275	0.13%	242,950,454
Mar	6	113,855	0.08%	144,755,283	14	347,188	0.16%	215,848,736	11	295,916	0.12%	240,482,590	9	225,963	0.09%	245,086,928
Apr	13	198,018	0.13%	151,015,537	10	299,466	0.14%	219,486,525	9	250,267	0.10%	240,309,496	9	197,181	0.08%	251,721,829
May	14	258,109	0.16%	156,973,370	12	365,411	0.16%	223,619,656	12	271,906	0.11%	240,042,149	7	129,845	0.05%	264,449,996
June	11	154,330	0.09%	165,616,871	7	216,062	0.09%	230,021,073	14	298,010	0.12%	241,911,805	9	241,218	0.09%	275,485,048
July	11	205,921	0.12%	174,327,945	11	279,721	0.11%	233,831,054	19	383,757	0.16%	244,947,719	8	208,249	0.07%	285,596,617
Aug	12	263,709	0.14%	183,347,057	17	410,904	0.17%	237,126,787	16	354,339	0.14%	247,178,005	11	269,675	0.09%	297,298,584
Sept	11	274,600	0.14%	191,668,505	18	373,673	0.15%	241,639,646	17	348,860	0.14%	247,494,976	12	274,330	0.09%	297,927,889
Oct	11	275,884	0.14%	199,510,493	22	490,071	0.20%	245,033,534	19	394,348	0.16%	247,068,338	11	231,605	0.08%	294,949,494
Nov	17	355,044	0.17%	205,459,139	16	331,124	0.14%	245,438,332	13	259,506	0.11%	247,123,807	7	130,224	0.04%	294,715,618
Dec	23	477,066	0.23%	210,089,012	15	307,999	0.13%	244,935,292	15	335,388	0.14%	245,633,952	6	128,479	0.04%	293,871,126

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*INDIRECT USED
31 DAYS*

**DEALER USED AUTO LOAN DELINQUENCY
AGING OVER 1 MONTH (31 PLUS)
2002 - 2003 - 2004 - 2005**



	2002				2003				2004				2005			
	# Of Accts	Dollar Amount	Dollar %	Total Loans	# Of Accts	Dollar Amount	Dollar %	Total Loans	# Of Accts	Dollar Amount	Dollar %	Total Loans	# Of Accts	Dollar Amount	Dollar %	Total Loans
Jan	107	1,069,146	1.76%	60,576,829	130	1,799,115	2.04%	87,781,637	240	3,455,936	3.66%	94,327,637	93	1,052,602	1.18%	88,742,070
Feb	80	1,023,405	1.64%	62,290,403	114	1,780,633	2.02%	87,733,585	224	3,379,267	3.59%	93,898,498	111	1,166,803	1.29%	89,944,860
Mar	97	1,207,869	1.91%	63,039,040	127	1,994,180	2.25%	88,537,872	136	2,112,929	2.27%	92,769,246	72	869,057	0.94%	92,745,483
Apr	93	1,222,999	1.88%	64,964,208	119	1,741,141	1.92%	90,219,328	104	1,520,590	1.64%	92,548,615	46	599,542	0.63%	94,666,871
May	99	1,161,608	1.72%	66,906,016	164	2,626,052	2.87%	91,358,538	108	1,477,683	1.61%	91,396,576	67	708,820	0.72%	98,026,047
June	120	1,418,979	2.02%	69,903,793	151	2,397,942	2.59%	92,485,469	98	1,422,921	1.55%	91,687,868	49	500,119	0.48%	102,188,580
July	109	1,355,086	1.82%	74,075,875	168	2,263,304	2.42%	93,191,941	80	1,043,115	1.12%	92,861,575	70	858,380	0.82%	104,329,129
Aug	118	1,230,307	1.61%	76,337,429	164	2,120,132	2.26%	93,540,033	89	971,773	1.05%	92,143,348	82	958,357	0.89%	107,337,610
Sept	123	1,482,097	1.89%	78,246,421	125	1,637,584	1.74%	94,067,399	121	1,550,825	1.69%	91,367,998	71	776,775	0.71%	108,268,641
Oct	126	1,550,703	1.91%	80,932,413	148	1,932,667	2.03%	95,157,904	96	1,245,822	1.37%	90,585,887	83	843,779	0.77%	109,377,881
Nov	126	1,562,452	1.87%	83,265,282	217	2,954,538	3.10%	95,029,975	114	1,336,394	1.47%	90,381,233	94	1,054,851	0.96%	110,468,223
Dec	163	2,118,496	2.50%	84,650,490	258	3,768,054	3.99%	94,241,790	129	1,386,982	1.55%	89,149,028	91	1,144,653	1.03%	110,866,644

- Hired E-Finance People

*68 BP. Higher
than DIRECT
SIDE*

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*COOK ON
REPOS*

**31 - 60 AUTO LOAN
DELINQUENCY and REPOSSESSION
MONTH END STATISTICS
2002 - 2003 - 2004 - 2005**



*NATIONAL
Ave is 1.5
to 2 Per
Thousand.*

Month	2002		2003		2004		2005	
	# of Delinq. 31-60 Auto Loans	Number of Repo's	# of Delinq. 31-60 Auto Loans	Number of Repo's	# of Delinq. 31-60 Auto Loans	Number of Repo's	# of Delinq. 31-60 Auto Loans	Number of Repo's
January	194	62	312	98	603	111	278	80
February	160	40	287	108	596	118	300	87
March	193	42	293	86	354	107	202	87
April	172	31	258	100	278	95	169	72
May	175	52	368	91	262	92	195	86
June	222	54	401	132	224	108	163	80
July	218	55	419	109	231	95	216	86
August	211	87	423	117	249	121	242	76
September	227	75	365	128	328	85	222	90
October	258	106	371	98	307	107	275	77
November	281	95	638	106	394	106	256	54
December	344	95	730	91	349	101	221	90

Year To Date:

Totals 2,655
Monthly Avg. 221

794

66

4,865

405

1,264

105

4,175

348

1,246

104

2,739

229

965

80

TOTAL AUTO LOANS:

12/31/02

31,794

12/31/03

35,597

12/31/04

38,266

12/31/05

44,324

*GOAL IS
2% OF
LOANS
OUTSTANDING*

Below are the total numbers of PhonePay transactions for the years 2002 through 2005.

	2002	2003	2004	2005
January	1138	1,562	1,728	2,237
February	1016	1,478	1,678	2,038
March	1088	1,587	1,941	2,501
April	1148	1,484	1,737	2,355
May	1157	1,471	1,758	2,367
June	1060	1,492	1,840	2,517
July	1265	1,444	1,997	2,523
August	1276	1,574	1,897	2,689
September	1267	1,646	2,001	2,810
October	1385	1,691	2,071	2,571
November	1323	1,401	2,004	2,916
December	1423	1,560	2,207	2,921
	14,546 (2002)	18,390 (2003)	22,859 (2004)	30,447 (2005)

Below are the numbers of PhonePay by agent for the month of December 2005.

NAME	AMOUNT	CHECK NO.	DATE	DEPT.	TOTAL
Angel	1				\$ 116.63
Angel	24				\$ 9,070.41
Ayza	73				\$ 33,426.04
Angel	386				\$ 174,097.84
Barbara	68				\$ 32,886.76
Carol	1				\$ 150.00
Edw	2				\$ 2,893.24
Eudine	2				\$ 4,591.73
James	259				\$ 109,534.14
Kevin	202				\$ 127,665.07
Luis	184				\$ 79,637.57
Lydia	5				\$ 2,419.58
Maria	67				\$ 28,380.70
Marci					
Michel	2				\$ 438.35
Maria	42				\$ 25,480.52
Margarita	1				\$ 363.95
Peter	34				\$ 30,457.40
Pot	159				\$ 165,107.36
Tor	219				\$ 122,605.41
Victor	266				\$ 178,057.41
Wend					
Yolanda	111				\$ 51,213.20
Collections Dept. Total	2108				\$1,178,593.31
P.C.C.	813				\$ 468,483.91
GRAND TOTAL	2921				\$1,647,077.22

NOTE!

- ~~100.11~~ Find Out if Funds Goos Next Day!
- 28% Done By PHONE CTR, MBR. WANT TO SAVE LATE CHG.



Byzantine Types!

DELINQUENT REPORT BY CATEGORIES

REPORT 12/31/05

NOTE: WHERE DEL. Comes from

NOTE: WHERE DEL. Comes from

TOTAL LOANS	31 - 60	61 - 90	91 - 120	121 - 150	151 +	TOTAL DELQ	% CNT	#
DIRECT NEW AUTO								
3,789	61,599,559	6	69,205	1	19,587	0	0	1
20,345	0	0	0	0	0	6	115,137	0.21
DIRECT USED AUTO								
14,069	163,399,195	61	430,150	2	35,391	1	37,703	3
73,787	1	18,494	58	595,525	0.41	0.36		
DIRECT LEASING AND MEMBERS CHOICE AUTO NEW								
285	8,422,785	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0.00
DIRECT LEASING AND MEMBERS CHOICE AUTO USED								
128	2,679,338	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0.00
INDIRECT NEW AUTO								
12,718	124,007,675	61	630,024	2	26,312	2	50,074	0
0	0	0	0	0	65	906,410	0.51	0.40
INDIRECT USED AUTO								
7,397	150,005,662	77	873,471	3	60,271	2	37,423	1
25,426	2	52,062	85	1,048,653	1.14	1.04		
INDIRECT LEASING AND MEMBERS CHOICE AUTO NEW								
3,997	69,893,451	18	310,800	1	24,257	0	0	0
0	0	1	27,836	20	362,893	0.50	0.51	
INDIRECT LEASING AND MEMBERS CHOICE AUTO USED								
579	10,660,982	5	73,578	0	0	0	0	0
0	0	0	0	0	6	96,000	1.03	0.88
CAPITAL LENDING SOLUTIONS - DIRECT AUTO NEW								
76	1,474,632	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0.00
CAPITAL LENDING SOLUTIONS - DIRECT AUTO USED								
803	11,146,476	3	51,778	0	0	1	23,611	1
25,576	3	56,296	6	157,261	0.99	1.41		
CAPITAL LENDING SOLUTIONS - INDIRECT AUTO NEW								
153	3,393,393	0	0	1	32,084	0	0	0
0	0	0	0	0	1	32,684	0.65	0.96
CAPITAL LENDING SOLUTIONS - INDIRECT AUTO USED								
237	3,626,709	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0.00
SIGNATURE								
3,126	8,635,443	21	43,906	0	0	0	0	0
0	0	0	0	0	21	43,906	0.67	0.50
LINE OF CREDIT								
13,054	19,851,630	73	227,001	0	0	0	0	0
0	0	73	227,001	0.55	1.14			
WATERCRAFT, MOTOR CYCLES & RV'S								
459	6,955,302	1	26,499	0	0	0	0	1
0	0	0	0	0	78,127	2	104,626	0.43
1.18								
OTHER LOANS								
1,605	7,894,256	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0.00
OTHER LOANS								
1	133	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0.00
1ST MORTGAGE - FIX								
5,547	951,207,295	1	24,304	0	0	0	0	1
81,371	2	105,675	0.03	0.01				
1ST MORTGAGE - VARIABLE								
779	138,295,792	1	269,180	0	0	0	0	1
240,082	2	509,242	0.25	0.36				
HOME EQUITY LINE OF CREDIT								
692	57,254,692	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0.00
HOME EQUITY - INSTALLMENT								
1,471	48,001,347	1	5,625	0	0	0	0	0
0	0	0	0	0	1	5,625	0.06	0.01
GRAND TOTALS								
71,245	\$1,598,865,727	319	\$3,235,521	10	\$198,502	7	\$171,233	6
\$151,134	10	\$564,248	352	\$4,310,838				
PERCENTAGE	0.44%	0.20%	0.01%	0.01%	0.00%	0.01%	0.00%	0.00%
0.00%	0.01%	0.00%	0.00%	0.00%	0.49%	0.20%		
GRAND TOTAL 61+ DELQ:								
33	\$1,075,117	0.04%	0.05%					

Step #6 ~ Pay Your Collectors

If you are going to ask your collectors to do more, you should be willing to pay them. Good collectors are hard to find, if you have them, you do not want to lose them. Listed on the following page is a simple incentive program that works.

Collection Incentive Program

	12/31	1/31	2/28	3/31	12/31
Total					
Delinquency	1.20%	1.18	1.16	1.14	.96%
\$300 150					
2+ Months	.60	.59	.58	.57	.48%
Delinquency \$300 150					
Charge Off	50T	100T	150T	200T	600T
\$300 150					
\$900 450					

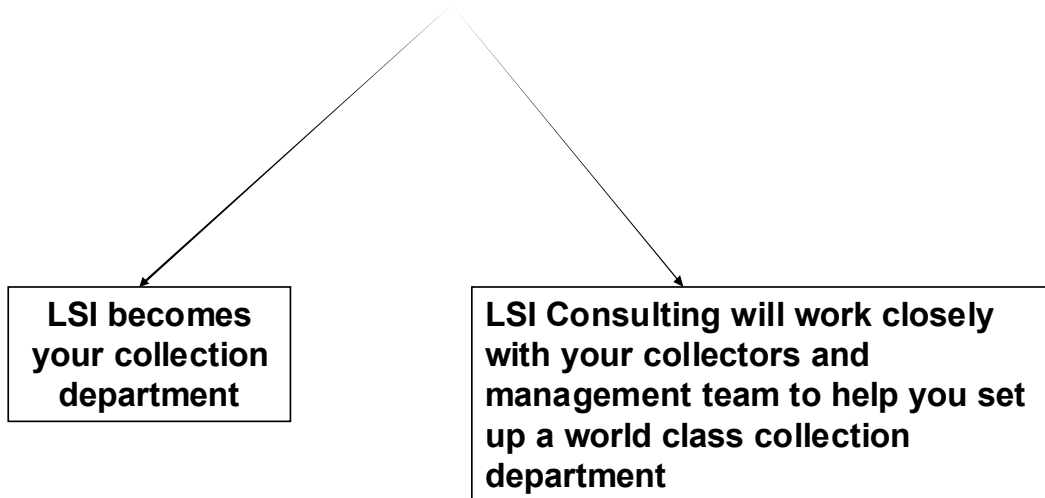
Must Be On Target In 2 out of 3 Areas

Other Collection Incentives

Charge Offs	=	10% of what is collected
Negative Shares	=	10% of what is collected
Voluntary Repo	=	\$100
Selling Repo's	=	\$250 (Must get low book)
Reaffirm on Chapter 7 (Unsecured)	=	\$100
Re-write Unsecured to Secured	=	1% of balance \$10,000 x 1% = \$100
Cross-Selling	=	\$5 per thousand
\$4,000 H.E. sold by collections = \$200		

Is your Delinquency Eating Away at your Bottom Line?

If so get help today. We have 2 terrific options for you.



Is your Delinquency Eating Away at your Bottom Line?

During the last decade, the collection industry has undergone radical changes, moving from a simple phone call to a process that requires professional expertise and a complete knowledge of delinquency control techniques. Many credit unions have discovered that their in-house collections--staff, telephone calls, invoicing, collections letters--are costing them more than the effort is worth. In fact, they find that their collections department actually loses money and is unable to reach the goals or objectives of the organization. How do you boost your in-house collection efforts into a world class team; achieving tangible account intervention before accounts need to be written off to bad debt? How do you attract and retain top team talent?

Let the team at LSCI show you how. Our history of innovation, education and unique solutions kept you ahead of the curve on lending techniques. Our philosophy regarding collections is the same. Our mission is simple; to provide creative solutions and alternatives to your delinquency control and aggregate charge off problems in a cost effective manner. LSCI has a team of professional experts whose combined financial service and collection industry experience is greater **than 75 years**. Our experts will help you identify and offer comprehensive solutions to your collection needs.

Collections are our business—here's what you can expect:

- Evaluation of your overall operation effectiveness and collection strategies.
- Evaluation of your charge off, repossession and bankruptcy processes.
- Evaluation of your collection system and screens.
- Evaluation of your account and collector standards
 - Number of calls made and total talk time;
 - Contact reports
 - Number of accounts worked, contacts, promises, promise kept rate.
 - Work quality including documentation
 - Aux. time and attendance standards.

- **Evaluation of your current hiring strategies**
 - How to hire collectors; who to hire and what skills are required to design a world class collections team
- **Identification of your existing staff's skill level and training needs.**
 - Do you have the right people in the right places?
 - Collection Do's and Don'ts
 - Are your collectors following:
 - FCRA and/or the Privacy Act?
 - Do your collectors receive feedback?
- **Portfolio risk assessment.**
 - Is your Indirect Lending and/or Sub-Prime portfolio's causing escalating delinquency?
- **Should you sell your charged off debt?**
- **Evaluation and use of Collection and Skip Trace tools.**
- **Call campaign strategies**
 - When should you start calling your accounts?
 - Have you established a *prime* calling time?
 - What type of resources should you use? Live-agent? Blasted messaging? Letters?
- **Settlement strategies**
- **Incentive Programs– Should you have one?**

Change will be constant in the collection industry for the foreseeable future. Lending Solutions can help you handle every detail of your collections and recover more money at a lower cost. Collections is our business, we have a staff of experts that have proven track records of exceptional results. Call us today at 800-937-4249.

Introducing Karin Brown

Career Summary

- 25 years experience running the collection department of three different billion dollar credit unions.
 - Baxter CU – 14 years
 - Alliant CU (formerly United Airlines CU) 10 years
 - Vystar CU (formerly Jax Navy CU) 1 year
- Accomplishments
 - Vystar CU (Jacksonville, FL)
 - Reduced delinquency 32% in her first 12 months running the collection department, ending the year with .55%.
 - Reduced repos by 27%
 - Reduced average deficiency balance by 15%, from \$7259 to \$6135.
 - Reduced negative shares by 28%
 - Alliant CU (Rosemont, IL)
 - Reduced delinquency in 2004 to .25% ranked sixth in lowest delinquency nationally for peer group.
 - Net charge offs of .25%.
 - Bankrupt reaffirmation of 41%.
 - Voted United Airlines CU employee of the year 1998.
 - Baxter CU (Vernon Hills, IL)
 - Delinquency of .28%

Karin, quite simply is a winner and one of the leading collection experts in the credit union movement today. Regardless of your asset size, Karin can show you how to dramatically improve your numbers. She understand all aspects of collections from:

- Fraud monitoring.
- Organization design and development.
- Technology to significantly improve production.
- Selling charge off portfolio.
- Instituting collection policies and procedures.
- Measuring productivity.
- Broadcast messaging.

Karin is available now to help with all your collection needs. Her calendar will fill up quickly. Do not charge off thousands or millions of dollars you do not need to. Get help now and as always if you are not delighted, we refund your money.

Collection Tips

- Lenders assigned to collections.
- Paralegals or attorneys for larger credit unions.
- Skip specialist.
- Collection clerks for collectors.
- Collectors assigned to branches.
- Collection tools:
 - Printers.
 - Credit report access.
 - Automated appraisals.
- Watch for over use of extensions, skip a pay, etc...
- C.P.I. insurance never be added without a credit report and move quickly.

Other Collection Suggestions

- Have a Vice President of Collections reporting to CEO.
- Establish lending goals.
- Pay lending and collections incentives.
- Evaluate how you are disposing of repo's.
- Charge offs, do not sit on them, never be embarrassed by examiners.
- Collectors need to be empowered to make settlements.

To Do Now:

- Sign-up for Collection School
 - Las Vegas, NV
 - New York New York Hotel and Casino
 - March 14-16, 2006
 - Limited to 100 attendees, space is still available.
 - Cost is \$1,195
- Book Karin Brown to do:
 - Portfolio Analysis of Collection Accounts
 - Collection Consulting
- Contact LSI for outsourcing, call John Dowling at 800-937-4249 ext. 3273.

In Conclusion:

- Collection departments are usually understaffed.
- Collectors have never received the recognition they so richly deserve.
- Collection departments should not end up with employees that do not fit anywhere else.
- Be proud to be a collector we cannot run the business without you.