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Callahan Webinar Highlights Successful CU Auto Programs

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WASHINGTON — A recent Callahan and Associates Webinar highlighted several credit unions' ideas for bolstering their auto lending prowess from which others can learn.

Callahan Industry Analyst Nick Connors provided an overview of the current credit union auto lending conditions. Data from Callahan shows that credit union year-to-date auto lending market share from January to July 2008 is down to the lowest in five years at 14.2%. While auto loans still remain the second-largest component of the credit union loan portfolio, new auto lending is the only loan category not experiencing growth. Over the past few years new auto loans and used auto loans have almost equally comprised auto lending portfolios; this year used loans made up \$93.3 billion of auto loan portfolios, while new loans made up \$83.4 billion. Auto loan penetration remains constant in 2008, but auto loans as a percentage of total loans continued to decline to 31.8% as of June 30.

One credit union that was highlighted during the Webinar was Day Air Credit Union in Kettering, Ohio, for its auto loan plus program, which ties auto loans to savings products. Members have the option to round off their monthly auto loan payment and have the difference put into a high-yield savings account for them. After six months, 87 members had deposited more than \$1,300 in savings.

Northwest Federal Credit Union, Herndon, Va., used an e-mail marketing campaign to notify members of their lower auto loan and lease rates and tracked the campaign's results. The campaign resulted in \$1.4 million in new loans in less than a week for the credit union. Almost 8,000 members opened the e-mail and 2,000 clicked through it. The credit union also tracked which members opened the e-mail but didn't apply for a loan so that they could contact them about other promotions in the future.

Service Plus Credit Union, Riverside, Calif., aimed to grow their auto lending portfolio through an indirect lending program and selected one employee to be the face of the program. By having just one employee become the go to person for the program the credit union wanted to ensure that loan officers are not pushed into making loans that aren't in the best interest of the credit union or members.

The credit union saw a large spike in their indirect loan volume when they implemented the one employee as the face of the program. When the employee started in December 2006, the credit union's indirect auto loan portfolio was \$200,000 by April 2007 the portfolio was over \$1 million. When the employee took a leave from the credit union, the indirect loans dropped and then picked up again when the employee returned.

"The drop when the employee took leave from the credit union shows the

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importance of the relationship between the employee and the members," Connors said.

Hughes Federal Credit Union in Tucson, Ariz., took a different approach. The credit union opened a dedicated indirect lending branch directly across the street from the Tucson Auto Mall. The branch employees all had some experience working at a dealership and branch hours were extended until 7 p.m. and the branch was open on Saturdays to provide better access.

Truliant Federal Credit Union, Winston-Salem, N.C., developed a CUSO that shares the credit union philosophy in order to provide vehicle purchasing and lending options in the same venue for members. The Credit Union Auto Buying Services CUSO has shown to be successful even during the auto market downturn. The CUSO sells between 150 to 200 cars per month and expects to sell 2,000 vehicles in 2008. The CUSO also does no independent marketing and relies on repeat business. Half are repeat customers.

Security Service Federal Credit Union, San Antonio, used a vehicle remarketing program to increase auto lending. The credit union offered a discounted 4.5% APR and created daily sessions where members could view the cars prior to making a purchase. The credit union's Web site also offered a payment calculator to help members determine monthly payments based on reduced rates and anticipated vehicle prices. The program helped Security Service increase its used car lending portfolio to 14.75% at year-end 2007.

The Webinar is available at www.creditunions.com/cutv.

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