

# Lending in the 21<sup>st</sup> Century

## Conference Objectives

- *Today's Marketplace*
- *Processes*
- *Strategies*

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*For members. For life.*

# The Financial Pie

*Credit Union Market Share vs.  
Bank and Others:*

5 %



# We Want...

- *Portfolio Control*
- *Member Service/Sales*
- *Increased Loan Volume – L/S 85%<sup>^</sup>*



# Some Facts....

- 1.6% National Delinquency Rate
- Avg Loan Bal. - \$12,581 (up 66 bps)
- Total Loan Bal. - \$583.6B (driven by RE)
- New Auto Loan balances declined
- Used Auto Lending increased
- CC portfolio balance \$33.8B (up 6.1% in year

*All credit unions September 30, 2009*

# Lifestyle Changes in Past 40 Years- Consumers

- Where Grandma/Grandpa/Mom/Dad Banked
- Where do we spend our time - work vs family
- Where are Cus and Banks?



# ...About Credit Unions

- *Most people choose their PFI by age 25 – Stay with it for 15 years.*
- *Approximately 1 out of 3 working people belong to a credit union, but only 1 out of 7 borrow from a credit union.*
- *Average number of services*
  - *2.8 per credit union member*
  - *4.6 per bank customer*
- *Credit unions only have about 30 billion out of over a trillion dollar credit card market.*

# Trends

- Consumer Debt Bubble
- Continued growth of indirect lending
- Home Equity Lending
- Mortgages – More first mortgage positions, first time home buyer products



# Gen Xers vs Gen Ys

## Xers

- 1961-1981
- Computer literate/Entrepreneurial
- Home owners/Retirement
- BL

## Ys

- 1982 – 2002
- More entrepreneurial than X's
- Big disposable income base
- Computer based
- BLs



# Regulatory Climate

- FOM
- MBLs
- Net Worth
- SEG
- Community Charters
- Taxation



# Competition

- Banks
  - Consumer Finance Companies
  - Sears
  - Penneys
  - AMEX
  - Discover
  - Airline Cards
  - Other Cus
  - Payday Lenders
- Mortgage Cos
  - Sub Prime
  - Check Cashers
  - Pawn Shops
  - Cus to Banks
  - Internet Lenders
  - P 2 P

# Technology

- Home ‘Credit Unioning’
- Ys
- Prices going down but costing more?
- POS
- Loan Kiosks
- Internet
- Speed vs quality or can we have both?

# Auto Loans

- Pre approvals
  - Indirect Lending
  - Balloon Auto Financing
  - 100% +++++Financing
  - Using the HE Loan
  - Captive car programs
  - Used/New Pricing
  - Negotiating empowerment
- Auto refinancing  
Subprime

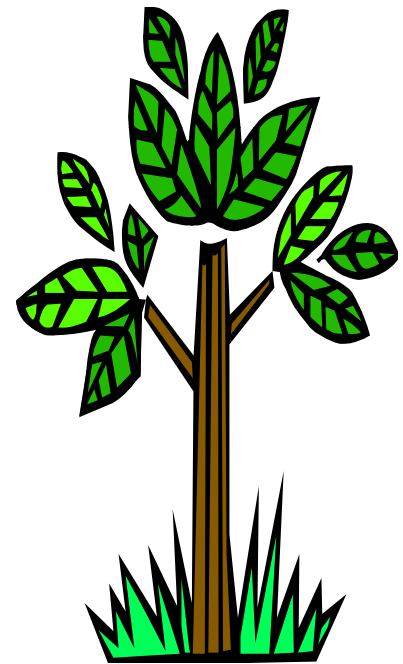
# Credit Cards

- PERKS
- Platinum, classic, gold, titanium
- Plastic as WD mechanism for HE
- Gift Cards
- First time student cards
- Automatic increases
- Waive any annual fees
- Need to overcome 'they'll file BK' - education



# RE Loans

- Deal Breaker
- HE Opps Increasing
- Teaser Rates
- 100% (or more) financing
- First time programs/emerging markets
- Preapprovals
- Secondary market
- 7-10-15-20-30-40 year terms
- Fixed and variable
- Non-conforming mortgages/Conduits
- All staff needs to be aware CU offers these programs!



# Emerging Technology Advantages

- *Wireless/Blackberry/Communication/Internet/PDAs- Mobile Banking*
- *3 D Fax/Voice recognition/Data/Image/*
- *HDTV/Video enhancements*
- *Virtual Credit Unioning-Linking of services-Seamless*
- *Smart technology*
- *Medical advancements/Technology/Anti-Aging*
- *Hybrid fuel vehicles*
- *Edutainment*

## ...More Technology

*Our members are not interested in the size of our mainframes or what is under the counter, but rather how fast and accurately will it serve their purposes.*



# Global

- ✓ *Global Competition*
- ✓ *Global Communication*



# Strategies

- *“We look for ways to make loans...not turn them down!”*



# ...More Strategies

- Track approval ratios
- Track “fallout”/Delinquencies
- Track each individual loan officer/loans closed/TDs/COs
- Monitor restrictive policies/WATCH DEBT RATIOS/Judgmental Methods
- Who is looking at the paid off loan report in the credit union?
- Are we marketing to members who have car loan almost paid off (within 6 months)?

# ...More Strategies

- Keep loan policies flexible so we get more loans, not fewer.
- NO MORE DOWN PAYMENTS ON USED CARs.
- RBL.
- Debt ratios...be careful. Worry about the cash flow.
- Name of the game – PAYOFFS, PAYOFFS, PAYOFFS!

# Communication Centers

- 24/7
- Instant decisions
- May or may not be talking to human being
- Sale Centers
- Accessed through multimedia channels

# What About Those Web Sites?

- Glitzy, Colorful, Progressive
- Calculating tools
- Members can go anywhere world wide



# ..Some Interesting Facts About The Past

In 1901...

- *The average life expectancy in the U.S. was 47.*
- *Only 14 percent of the homes in the U.S. had a bathtub.*
- *Only 8% of U.S. homes had a telephone.*
- *There were only 8,000 cars in the U.S.*
- *The average wage in the U.S. was .22/hour.*
- *More than 95% of all births in the U.S. took place at home.*
- *90% of all U.S. physicians had no college education.*

# ...More Interesting Facts from 1901

- *Sugar costs .04 cents a pound. Eggs were .14 cents a dozen. Coffee costs .15/pound.*
- *Drive-by shootings were prevalent in Denver and other cities in the west where teenage boys galloped down the street on horses and started randomly shooting at houses, carriages or anything else that interested them.*
- *The population of Las Vegas, Nevada was 30.*
- *Scotch tape, crossword puzzles, canned beer and iced tea hadn't been invented yet.*
- *One in ten U.S. adults couldn't read or write. Only 6% of all Americans had graduated from high school.*

# Credit Union Timeline

## YEAR EVENT

- 2010 *Fully automated electronic branches become widespread for credit unions*
- 2015 *“Television credit unioning” pioneered in west coast credit union*
- 2015 *50 Year 1<sup>st</sup> Mortgages now available  
There are 5,000 credit unions in the U.S.*
- 2020 *Global electronic currency replaces the dollar, yen and Euro*

# ....More Credit Union Timeline

## Year

## EVENT

- 2025 *Fully robotic tellers and loan officers with artificial human brain cells are pioneered in U.S. credit unions*
- 2030 *Average age of credit union member is 75*
- 2035 *There are 2000 credit unions in the U.S. The smallest credit union is \$15 billion in assets.*
- 2040 *Former credit union CEO elected U.S. President.*

# ...More Credit Union Timeline

## YEAR EVENT

- 2040      *The oldest credit union CEO ever retires at age 120*
- 2045      *Navy FCU establishes fully automated branch with loan capacity on the moon for the space colony*
- 2050      *???????*

# How Will We Succeed?

- *Sales*
- *Knowledge*
- *Perks, Motivation, Incentives*
- *Imagination*
- *Hire the right people*
- *Display enthusiasm – every day!*
- *Get Payoffs – Payoffs - Payoffs*
- *Our Philosophy and Strategies*