

Predatory Lending Crisis & Opportunity

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Session Goals

- Define predatory lending
- Identify the groups that are at the highest risk
- Discuss predatory lending tactics
- Review existing (and proposed) regulations
- Remind us that credit unions still have an extraordinary opportunity to be the better choice



Predatory Lending

- “A lending practice that imposes unfair or abusive loan terms on a borrower. It is also any practice that convinces a borrower to accept unfair terms through deceptive, coercive, exploitative or unscrupulous actions for a loan that a borrower doesn't need, doesn't want or can't afford.”

Debt.org



Likely Victims

Predatory Lending can and does affect people from every age group, demographic, and economic status.

Those MOST at risk include:



Likely Victims

- The elderly
- Those with low credit ratings
- The poor
- Minorities
- The less educated



Practices

- Payday loans
- Incomplete disclosures or explanations
- High fees
- High pre-payment penalties
- Mandatory arbitration
- Exorbitantly high interest rates



Tell Your Members to be cautious about:

- Lofty promises
- Being rushed to sign paperwork
- Incomplete documents (“we’ll fill in the rest later. Don’t worry about it.”)
- Being discouraged to discuss loan with family, accountants, legal advisors
- No need to prove income, no credit report, automatic approval, no questions asked



Have You Seen This?





What They Promise

- No credit check
- No collateral
- 1 – day approval for \$10,000
- Solves your financial problems
- No hassle
- Easy, convenient
- Call 24-7



What They Don't Say (out loud)

- Interest Rate on these loans is....
- wait for it....
- **89%**
- 84 monthly payments of \$744
- Total to be repaid (principal + interest) would be...
- wait for it.....
- **\$62,496**



The Danger

- No one reads the “fine print”
- Desperation, stress, anxiety, and emotion all come into play – a **very** dangerous combination!
- Remember the old saying.....
- “If it seems to good to be true, it probably is!”



Consumer Protection

- **Equal Credit Opportunity Act (ECOA)** – protects against unfair lending practices based on race, sex, faith, age, marital status, etc.
- **Home Ownership & Equity Protection Act (HOEPA)** – protects against excessive fees and high interest rates.
- **Fair Debt Collections Practices Act (FDCPA)** – prohibits abusive or deceptive collection tactics



Consumer Protection (con't)

- **Consumer Financial Protection Bureau (CFPB)** – continues to review and amend entire regulations or portions thereof
- **Be Smart** – hire an expert to audit your regulatory compliance, especially in the lending area. Don't just count on NCUA!*
- ***Make sure what your examiners are saying is valid!**



The Better Choice

- Golden opportunity
- Be more concerned with the story behind the number than with the number itself
- Make smart loans!
- Build relationships!
- Create loyalty!
- How?



Trends and Tactics

- Website redesign that leads people to lending products
- DIGITAL/MOBILE
- Incentive campaigns
- Social Media*** - but *how* to use SM?
- Scouring and analyzing the EXISTING member base (**DATA**)
- Grab your bullhorn!!



The Power of VALUE

- W.I.I.F.M.
- Must clearly illustrate the VALUE and BENEFIT for the member. How will this help THE MEMBER?
- But it is also CRITICAL that you identify and communicate how achieving the desired results will impact the CREDIT UNION!



DIGITAL/MOBILE/SOCIAL

- This is no longer considered the “future.” It is the **“NOW!”**
- Have contests, conversations, provide information!
- Did I mention Facebook and Twitter yet?
- Have discussions with your core provider about how they can help you in these efforts.
- If they can’t, it’s time to find one that can!!!!!!



Loan Promotion Ideas...

- The “One Day” Loan Event
- Refinance Offers
- Balance Transfers
- Why Pay More??
- Financial Independence
- Labor Day- Why LABOR at All?
- Let’s hear from YOU!!!



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