



# Recourse Lending



Presented by: James Francis  
CEO Jackson Community FCU

# How did it happen?

- Having members who are un-lendable
- Finding non-members paying too much to obtain an auto loan

# What do they need?

- Reliable Transportation
- Affordable Rates
- Reasonable Loan Terms



# The Proposal

- Auto lending program for lower score borrowers
- Partnership between credit union and auto dealership(s)
- Auto dealer 100% GUARANTEES the loan
- Loan limit of \$10,000.00 (exceptions can be made)
- Loan term limit of 36 months (exceptions can be made)
- 12% of loan amount placed on hold in dealerships account with credit union, released when loan satisfied



# The Proposal

- Equipped with GPS locator/shut off device
- GAP Insurance required if LTV exceeds 105%
- Requires FULL coverage insurance limited to \$500 deductible or lower
- Extra key is provided to credit union and held until loan is satisfied
- Requires \$60.00 hold in members account for term of loan



# The Dealers

- Financials
  - Past 2-Years tax returns
  - Owner of dealership personal tax returns
- Dealership Inventory
- Dealer Repair Contracts
- Developed relationship



# The Process

- Dealer Chooses Clients
- Some referrals
- Dealer makes exceptions
- Dealer send the deal sheet
- Dealer “helps” gather required documents



# The Process

- CU creates loan just like any vehicle loan
- CU advises member on loan
- CU Discloses
- CU disperses funds
- Device is activated
- Member is **HAPPY!**

Documents Required  
for an Auto Loan



# The Loan



- On our system
- Reported like any other loan
- Payments like any other loan
- Collections monitors loan closely
- Never more than 29 days past due
- Aggressive Tele-vox calls



# The Loan

- Allied CPI tracking



- if CPI insurance is placed repossession occurs



- Books as an "A" score loan



- Special Disclosure (loan addendum)

**Acknowledgment of  
ADDENDUM  
to HUFF Recourse Auto Loan Contract**

Date:

Lender:

Jackson Community FCU

408 East Ganson St

Jackson, MI 49201

Borrower:

Member:

I , by signing below understand that this is a **Recourse Loan** that requires the **vehicle VIN #** to be **equipped with a GPS tracking device**. I understand that this device will be utilized by **HUFF AUTO GROUP** and **JCFCU** to **disable the vehicle without notice** should I **default, lose full coverage insurance** and/or **become past due on my loan**. I also understand that I **am required to maintain 100% FULL coverage insurance on my vehicle with deductibles not to exceed \$500.00** for Comprehensive or Collision during the **FULL term of my loan**. If an **insurance lapse** should occur **during the term of my loan**, the loan **will be considered in default**, and the **GPS device** may be **utilized to shut the vehicle off**. I further understand that if HUFF AUTO GROUP makes inquiries regarding the status of my loan that JCFCU will disclose my loan information and current loan status.

I authorize JCFCU to contact me via email with notices, please use this email:

\_\_\_\_\_

My cell phone number is : \_\_\_\_\_

My work phone number is: \_\_\_\_\_

I hereby acknowledge the receipt of said contract addendum, and sign this letter of acknowledgement.

Borrower Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Co-Borrower Signature: \_\_\_\_\_ Date: \_\_\_\_\_

HUFF AUTO GROUP Representative: \_\_\_\_\_ Date: \_\_\_\_\_

# The Collection Side

- NO Insurance is a deal breaker
- Shut Off Hammer (GPS devise used)
- Repo is Quick
- Payoff Taken from dealer account
- 10 Day Waiting Period
- Dealer Resells
- Car Totaled situation
  - No Loss by Credit Union
- GAP Provision - \$1,000



# The Examiner/Accounting Side

- ALL Calculation
- Loan Loss Experience
- Loss Experience
- Is it “Safe and Sound”
- Portfolio Size



# The Earnings

- Normal \$10,000 at competitive rates
  - 36 month term
  - 2.99% interest rate
  - Income \$467.52
- Recourse Loan \$10,000
  - 36 month term
  - 9.99% interest rate
  - Income \$1,613.52



# The Members

- 2015 – Total new members 435
  - 59% from Recourse lending
  - Gained 257 members from Recourse loans
  - 28.5% 18 to 35 yrs of age
    - \$1,002,042 new money
  - \$2,075,086.84 new money, 35.3% of new money
  - 581 new loans in 2015, 44.2% recourse w/257 loans



# Questions???

## Bring them on!



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**Feel free to contact me. 517-787-0029**

