



Loan & Membership Growth through Secured Lending

Monday, 18 July, 2016

Agenda



Why Secured or Collateralized Loans



Who We Are



Grow Your Membership



The Power of Collaboration



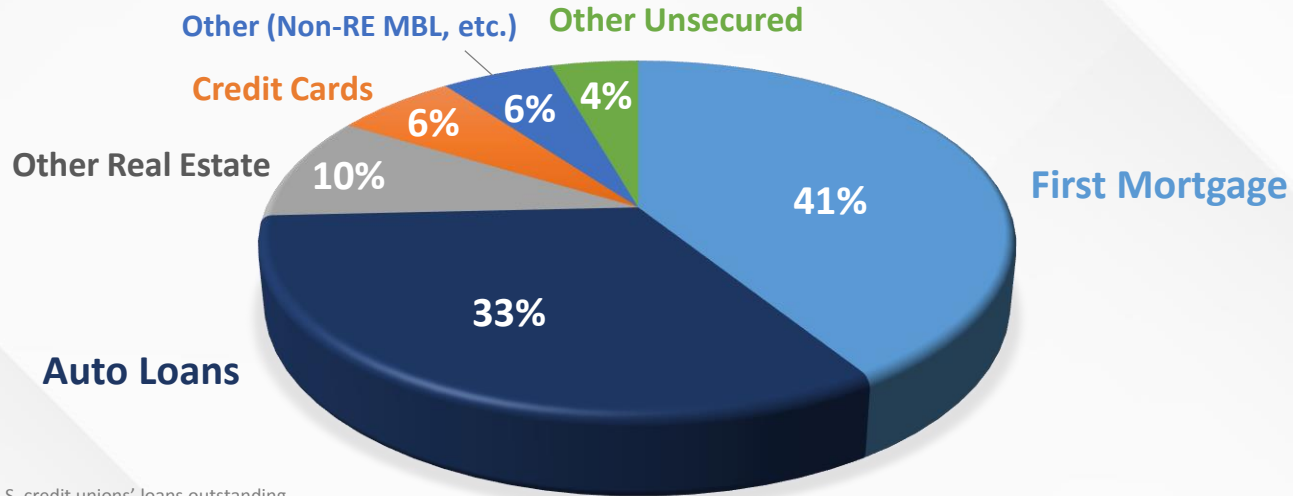
Why Secured or Collateralized Loans



Credit Unions Total Loan Portfolio

Auto Loans Now Comprise a Third of Credit Unions' Loan Portfolio ... And Leading The Portfolio Loan Growth

Total Outstanding Credit Union Balances: \$796.5B
Q4 2015

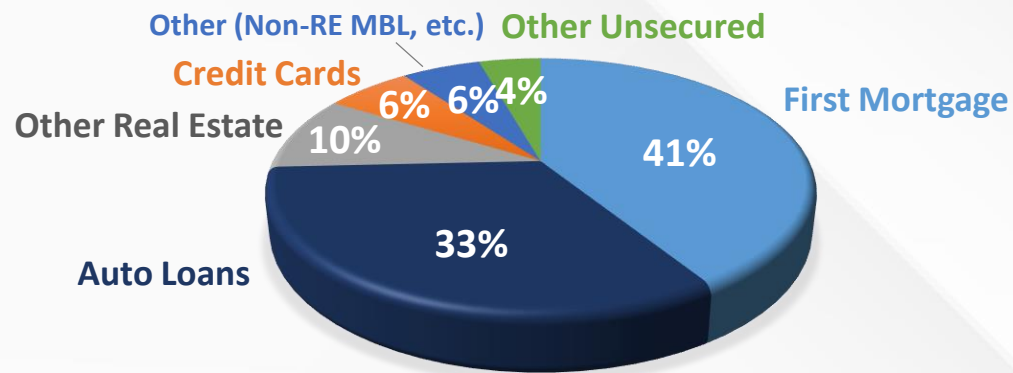


Source: Callahan & Associates: Based on all U.S. credit unions' loans outstanding

Yield on Loans

Yield on Average Loans: 4.61%

Loan Type	Yield
First Mortgage	2.97%
Other Real Estate	3.42%
Auto Loans	4.23%
Other (Non-RE MBL, etc.)	5.54%
Credit Cards	6.21%
Other Unsecured Loans	10.95%



Source: Callahan & Associates, March 2016

Why Secured or Collateralized Loans

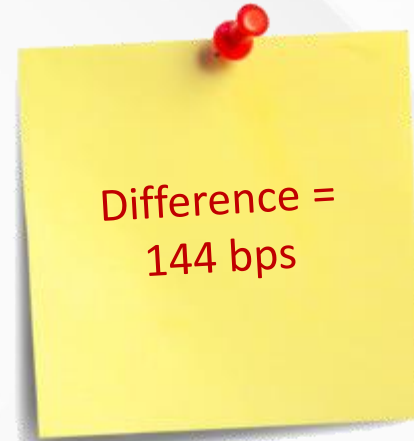
- In the U.S., securing a lien against tangible property has a material impact on a borrower's likelihood of repayment:



Credit Card Net
Charge-off %: 1.98%



Auto Loan Net
Charge-Off %: 0.54%
(indirect is at 0.63%)



Why Secured or Collateralized Loans

- Reasons for lower delinquency and charge-offs rates:



Credit Union's ability to repossess and then liquidate the collateral to offset the loan balance



Borrower likely prioritizes repayment on loans that are connected to something they need (e.g. the car they drive to work)



Who We Are



**Established as an
indirect lending
company in 1994**



**Today a diversified
lending and
technology company**

Acquisitions

Lifestyle Lending

PMC Service Corp.
Certi-Car

Blue Oak Analytics

Ensurety Group,
Incorporated (ESI)

1994
Credit Union
Direct Lending
(CUDL)



2004

- CUDL AutoSMART
- Auto (Indirect) LOS Module



2006

- Digital Documents
- MLT (Multiple Loan Types)



2007

- Vero Solutions for Dealers



2008

- CUDL's Decision Manager

2009

- CUDL Pre-Approvals
- CUDL Pre-Approval Campaign Manager



2010

- CUDL AutoSMART iPhone App



2011

- CUDL's Dealer Portal
- CUDL AutoSMART Android App
- Lending 360



2012

- Lending Insights V3



2013



2014

- Lending 360 New Account Opening
- Dealer Portal Payoff Solution



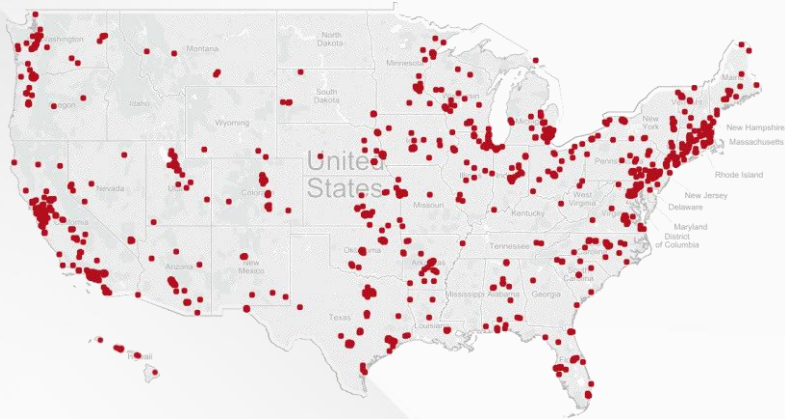
2015

Applications

The Power of Networks

1,054
Credit
Unions

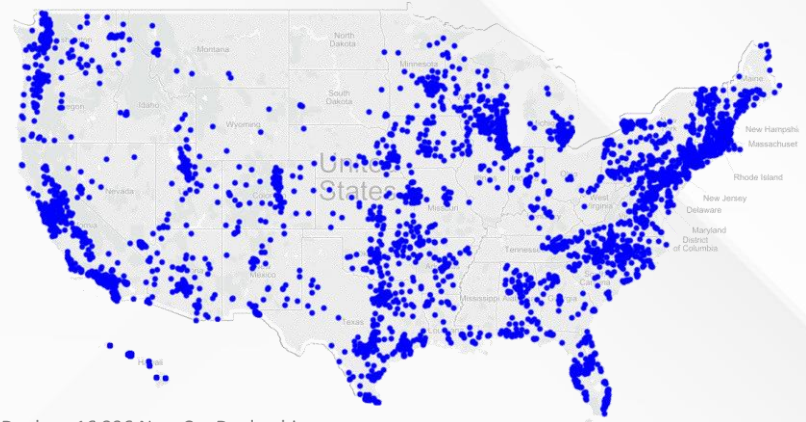
We Now Cover 16% of
Credit Unions and
42% of Members




Client Credit Unions, May 2016
Total Credit Unions: 6,147 Callahan & Associates, December 2015

12,669
Dealers

We Cover More Than
Half of All New Car
Dealers



NADA Dealers: 16,396 New Car Dealerships
Paying Dealers, May 2016

2016 Rank	2015 Rank	Auto Lender	# Loans	Apr YTD '16 Growth
1	2	Wells Fargo Dealer Services	364,034	5.3%
2	1	Ally	350,339	-2.0%
3	3	 Credit Unions	339,044	14.6%
4	4	Chase Auto Finance	309,344	10.6%
5	5	Capital One Auto Finance	295,660	1.6%
6	6	Toyota Financial Services	222,659	-8.6%
7	7	Ford Motor Credit	174,574	-18.9%
8	9	Santander Consumer Finance	158,441	-8.9%
9	8	Nissan Infiniti Financial Services	152,932	-11.8%
10	10	American Honda Finance	134,828	0.3%
MARKET TOTALS			6,630,978	0.4%

Source: AutoCount, an Experian Company and CU Direct
 Note: Does not include leases and private party transactions.



CU Ownership of Delivery Channel & Technology

108 Owners



World Credit Union Conference
17 - 20 JULY
BELFAST
- Northern Ireland -
2016



World Council
of Credit Unions



Irish League
of Credit Unions

CU Direct Board of Directors



Brett Martinez
Redwood CU
\$2.9B



Donna Bland
Golden 1 CU
\$10.1B



Benson Porter
BECU
\$15.0B



Sterling Nielsen
Mountain America CU
\$5.4B



Jeff March
Chairman
Citadel
\$2.6B



Erin Mendez
Patelco CU
\$5.0B



Keith Sultemeier
Secretary/Treasurer
Kinecta FCU
\$3.9B



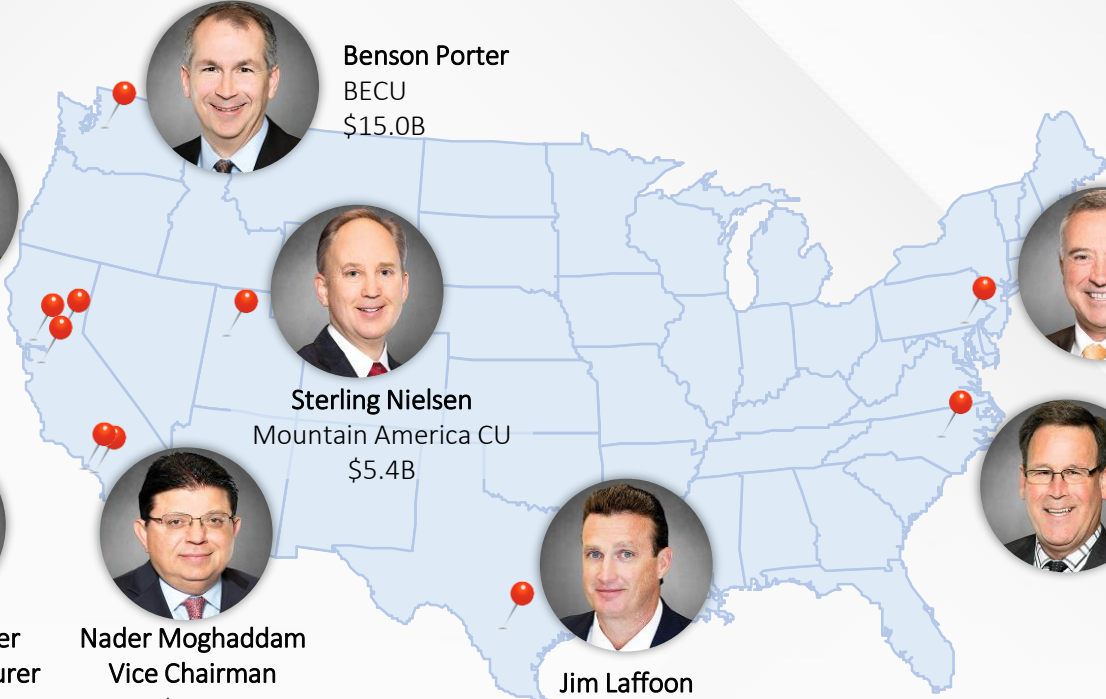
Nader Moghaddam
Vice Chairman
Financial Partners CU
\$1.1B



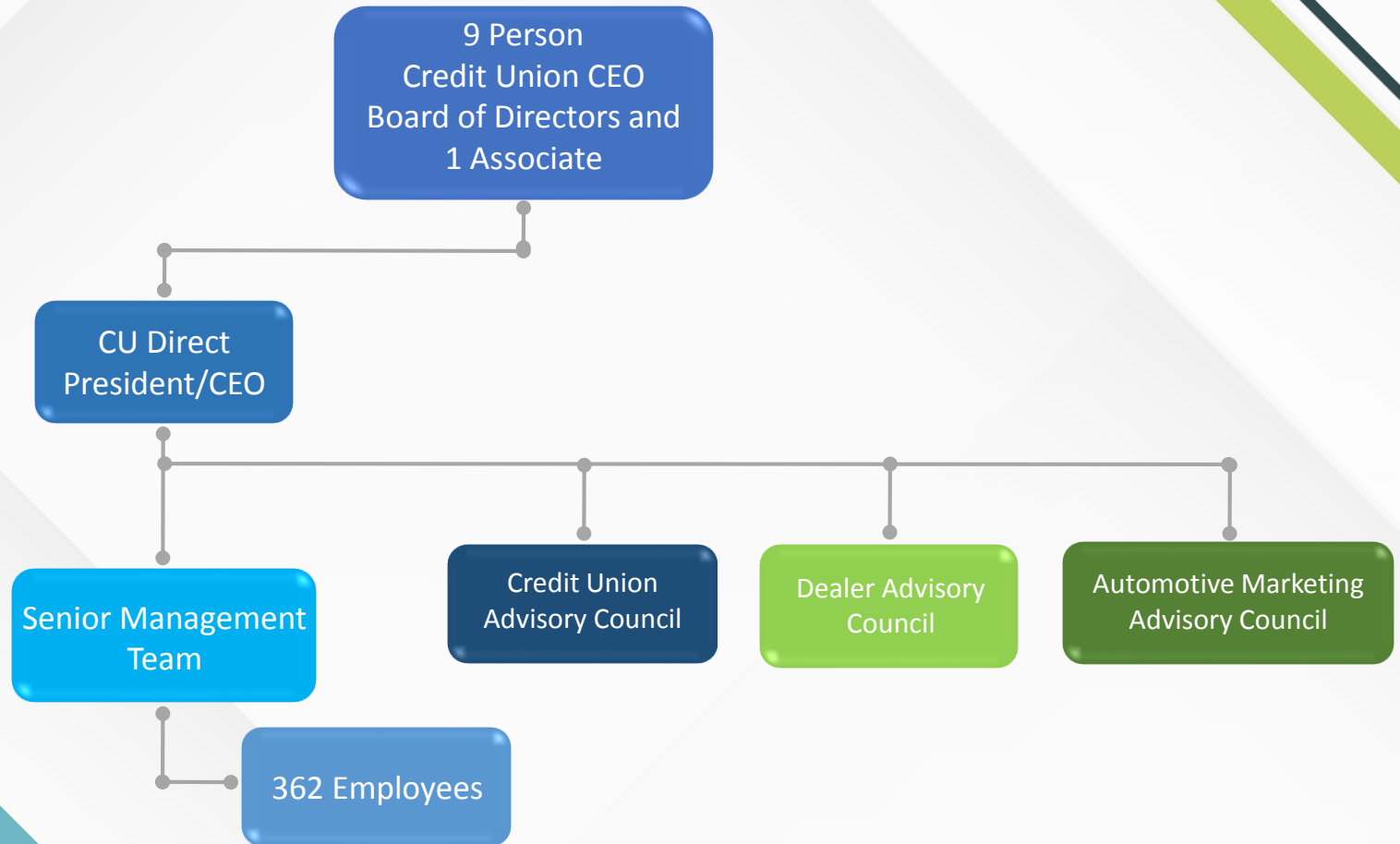
Jim Laffoon
Security Service FCU
\$9.1B



Chuck Purvis
Coastal FCU
\$2.6B



Governance



Best Practices

Excellence in
Indirect Lending

OnPoint
COMMUNITY CREDIT UNION

\$4 Billion

Excellence in
Direct Lending

La Capitol
FEDERAL CREDIT UNION

\$483 Million

Marketing to Members

TRUITY
CREDIT UNION

\$781 Million

Business Development

 **NASA**
FEDERAL
CREDIT UNION

\$1.9 Billion

Diamond Award Winner

 **TRAVIS**
CREDIT UNION

\$2.6 Billion



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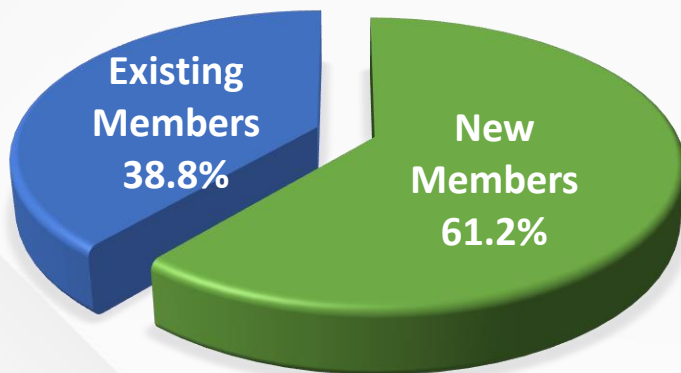


Grow Your Membership



The Indirect Channel Is Allowing CUs to Acquire Auto Loans and New Members

New Members vs. Existing Members

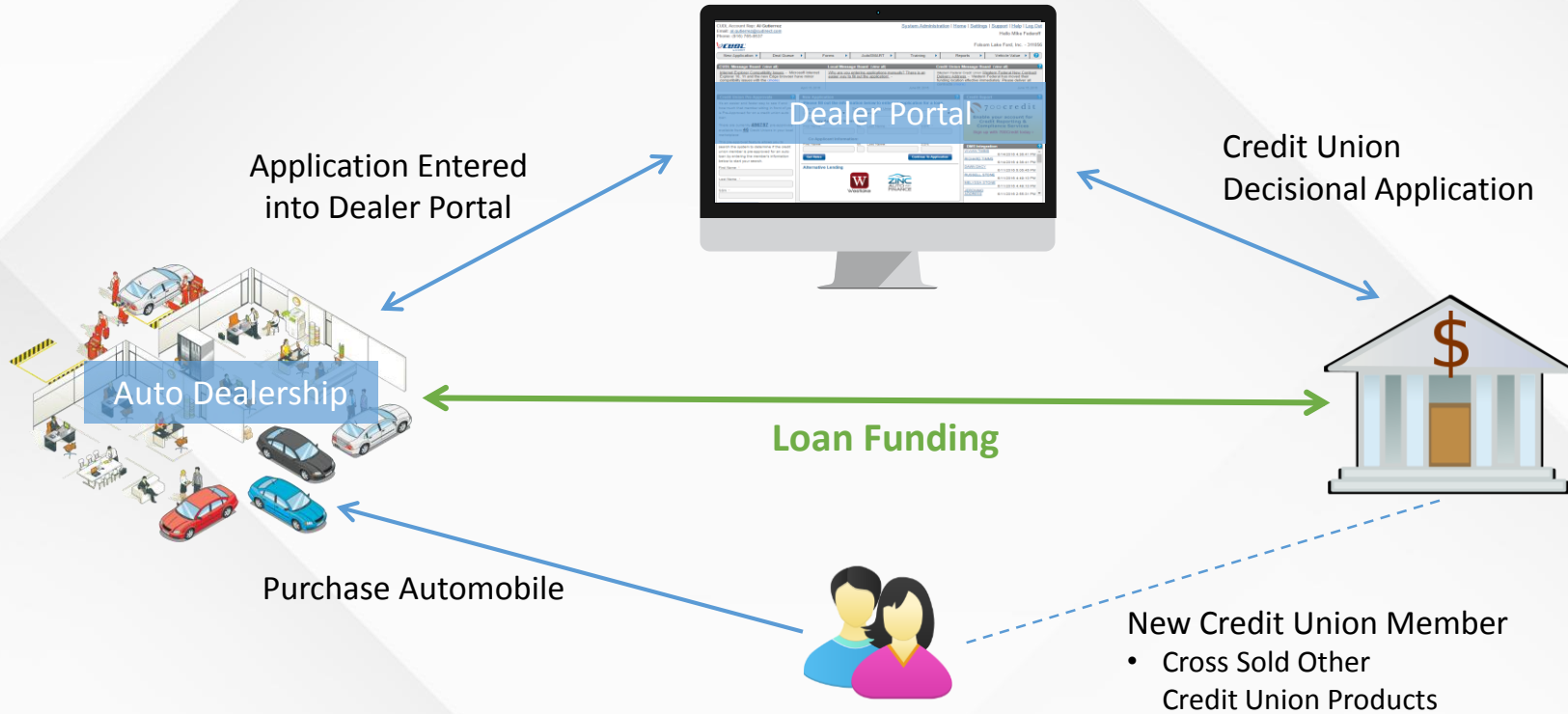


2.9 million

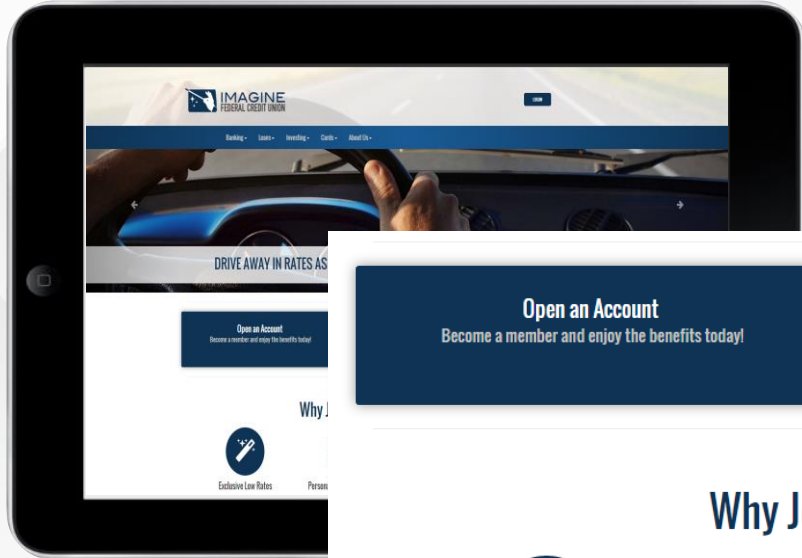
New Credit Union Members
Over the Past 5 Years
(Jan 2010 – Dec 2015)

Source: CU Direct
Existing Members - Current CU Member
New Members - New member that joined at the Dealer

What is an Indirect Loan?



Online Membership Application



<h3>Open an Account</h3> <p>Become a member and enjoy the benefits today!</p>	<h3>Apply for a Loan</h3> <p>Apply to browse vehicle, home, personal loans, and credit cards that suite you best.</p>	<h3>Contact Us</h3> <p>Let us know how we can help you.</p>
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Why Join Imagine Federal Credit Union?



Exclusive Low Rates



Personal Relationship Banking



Nearly 30,000 Co-Op ATMs



Non-Profit and Member-Owned



Online Membership Application

IMAGINE
FEDERAL CREDIT UNION

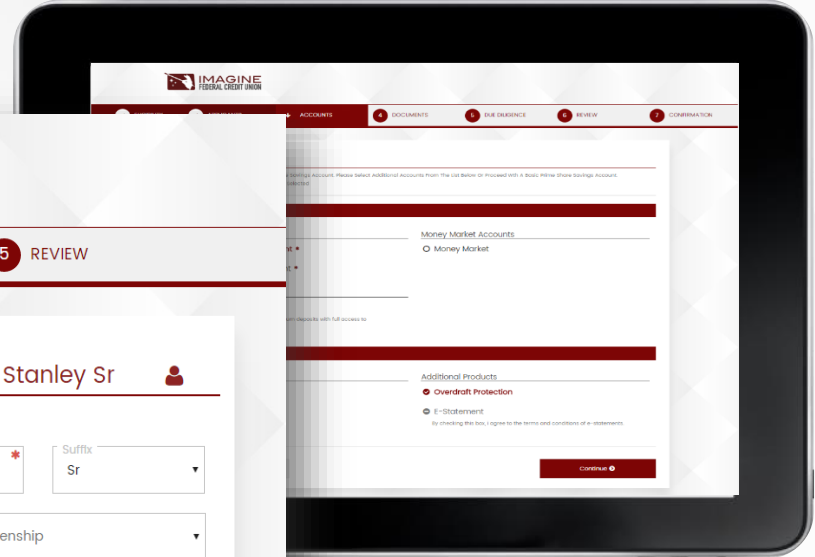
APPLICANTS 3 ACCOUNTS 4 DOCUMENTS 5 REVIEW

APPLICANT INFORMATION

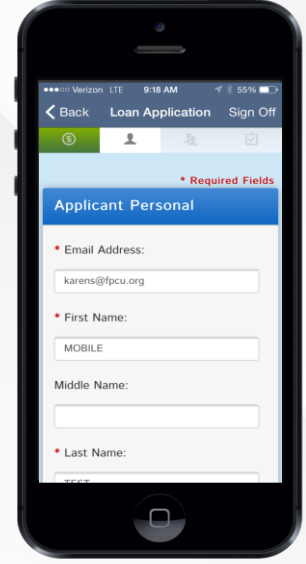
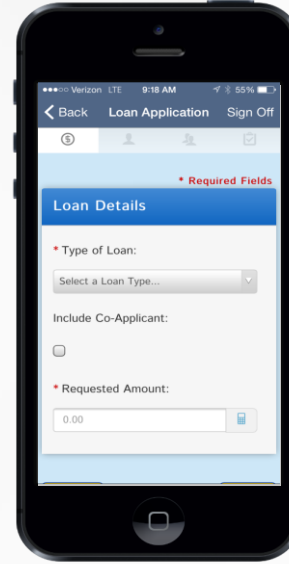
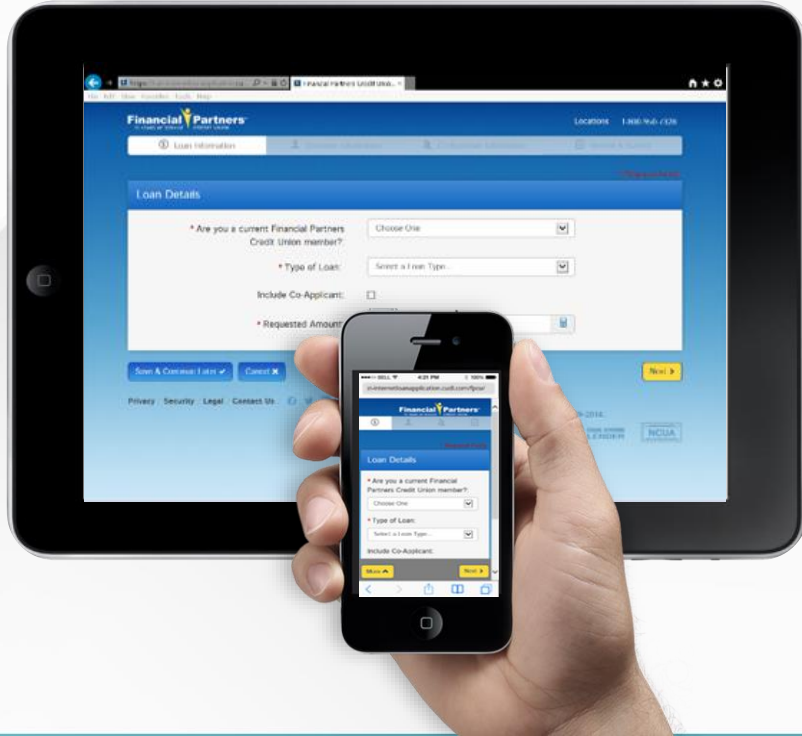
Roger Stanley Sr

* Fields Required

First Name Roger *	MI M.I	Last Name Stanley *	Suffix Sr
Date Of Birth 05/05/1970	Social Security Number ●●●●●●	Mother's Maiden Name	Citizenship
Primary Email <i>Is Valid</i> ✓ roger.stanley@cu.com *	Primary Email Confirmation <i>Confirmed</i> ✓ roger.stanley@cu.com *	Alternative Email	Alternative Email Confirmation
Home Phone Number (909) 652-1475	Cell Phone Number (909) 545-2145	Work Phone Number (909) 912-7052	Ext. 2135



Online Loan Application





Lending Portal



Loan Origination System



Aftermarket



Auto Shopping



Loan Analytics



Auto Buying



Retail Loans



Consumer Marketing Automation

AUTOMOTIVE SOLUTIONS

LENDING SOLUTIONS

STRATEGIC SOLUTIONS

World Credit
Union Conference
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BELFAST

- Northern Ireland -

2016



World Council
of Credit Unions



Irish League
of Credit Unions



The Power of Collaboration



$$t=t$$
$$S=x$$

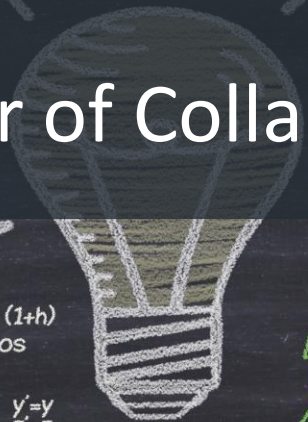
$$\cos \alpha$$

$$= \text{SudV}$$
$$\arctg x - x$$

$$F(xy) = 0$$
$$(e)^x - e$$

strategy

success



$$\sin \sqrt{1+(y)}$$

ideas

$$(1+h)$$
$$\text{OS}$$

$$\sqrt{1+(y)}$$
$$\lim_{x \rightarrow 0} \frac{\sin x}{x} = 1$$

$$\cos$$
$$\frac{y}{y} = 0 \propto$$
$$y' = y$$
$$z = z$$
$$|a| = \begin{cases} a, a > 0 \\ -a, a < 0 \end{cases}$$

xy



$$(1+h)$$
$$\text{OS}$$

$$S = v \cdot U \cdot dV$$

solution

$$\sqrt{1+(y)}$$
$$\lim_{x \rightarrow 0} \frac{\sin x}{x} = 1$$
$$x' = x - vt$$

$$\frac{\text{ox}}{\lim} = 1$$
$$\frac{\sin x}{x} = 0 \propto$$

Can This Work in Other Countries? **YES**



Collaborate with Your
Trade Association and Credit Unions



The Power of Collaboration

1994

CU Direct launches CUDL, the first indirect lending platform for credit unions



California
Credit Union
League



Golden1
Credit Union



Can This Work in Other Countries? Research Your Marketplace



Automobile Sales Process



Competitors



Loan Underwriting Process



Regulations



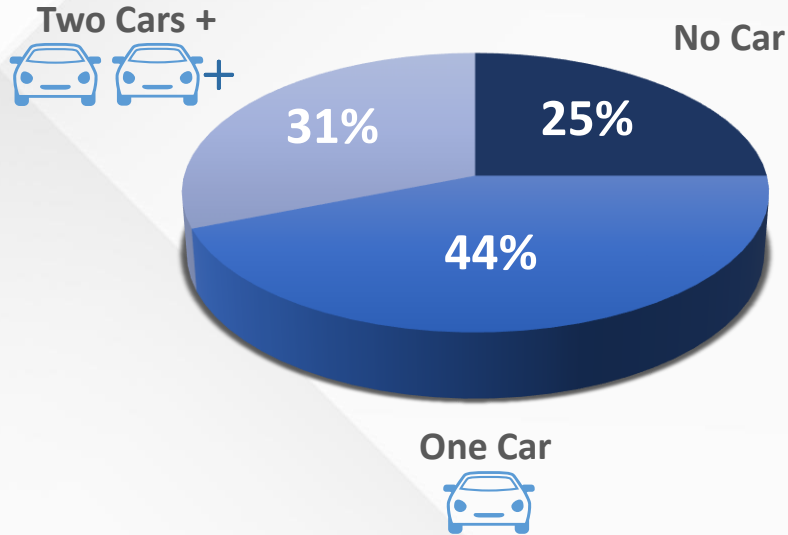
Loan Funding Process



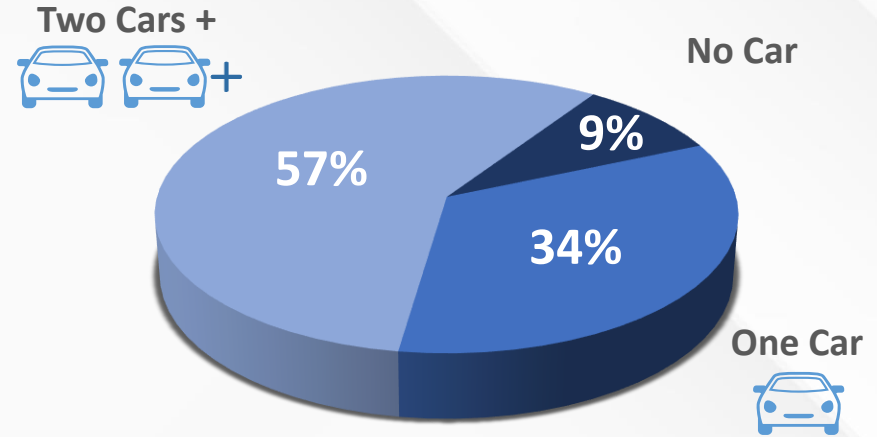
Member Pain Points

Auto Ownership: United Kingdom and United States

Three-quarters of the UK Households Have at Least One Car



91% of U.S. Households Own at Least One Car



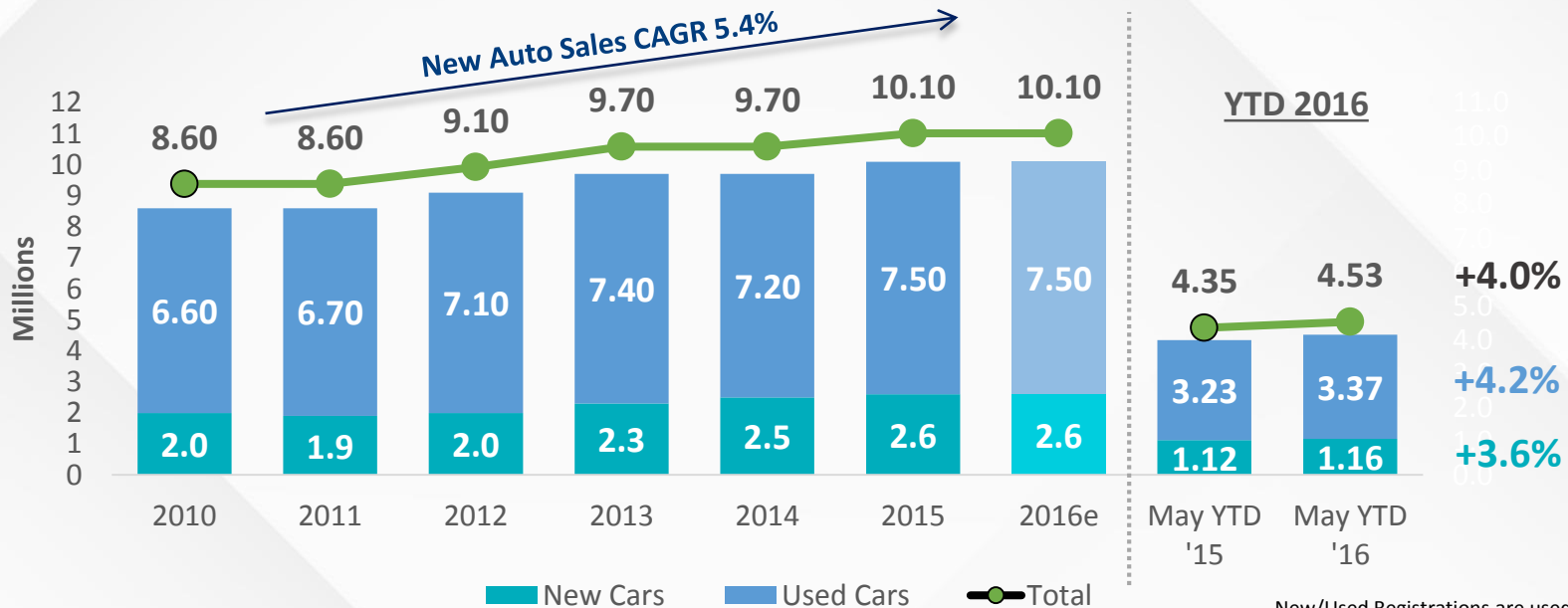
Source: Transport Statistics Great Britain 2013 - National Statistics / Department for Transport

Source: U.S. Census, American Community Survey, 2014

United Kingdom: New & Used Car Sales

Steady Auto Sales Growth In 2016

2015 Established A New Vehicle Sales Record – 2.63 Million (Previous 2.58m In 2003)



New/Used Registrations are used interchangeably.
 May YTD 2015 and May YTD 2016 Used Sales estimated

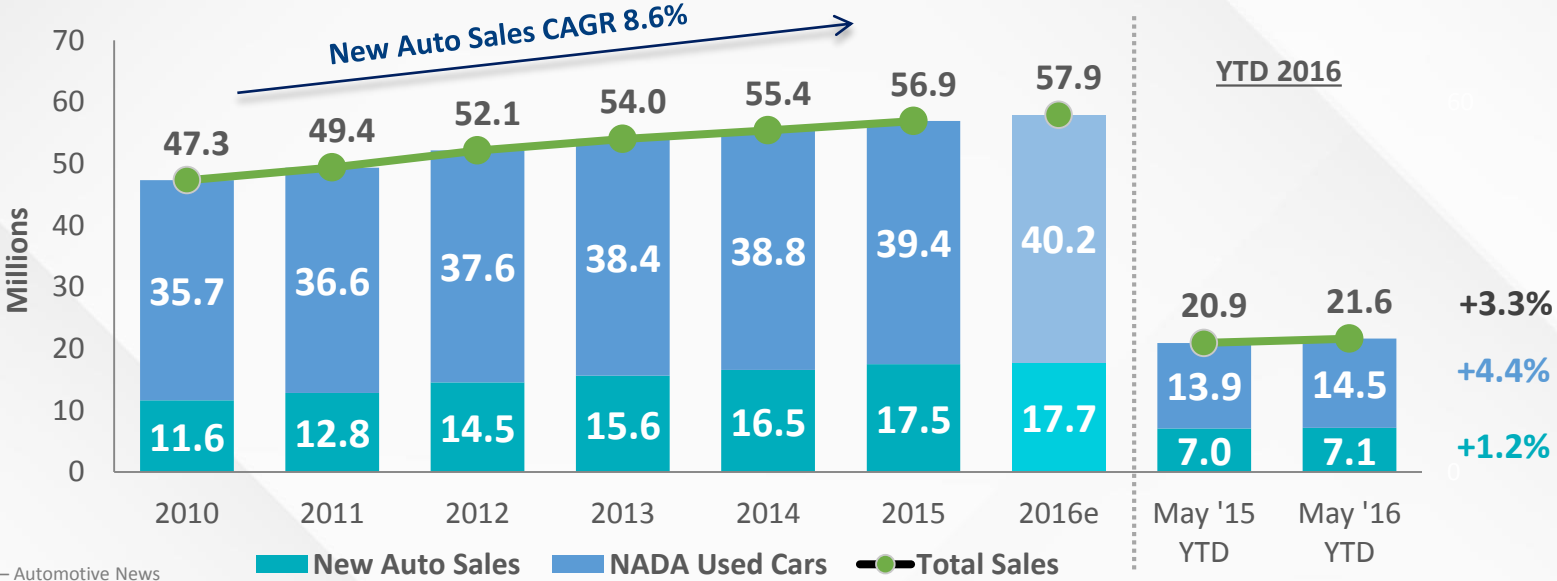
Source: Source: The Society of Motor Manufacturers and Traders Limited (SMMT)



U.S. Growth Monthly Vehicle Sales: Year Over Year

Steady Auto Sales Growth So Far in 2016

2015 Established A New Vehicle Sales Record – 17.5 Million (Previous 17.4m In 2000)



New Auto Sales – Automotive News Used – NADA Used Car Report



United Kingdom: Private Car Financing

3 in 4 New Car Sales Were Funded By Point-of-Sale Dealer Finance in 2014*
Almost 8 of 10 of New Cars Are Leased



75% Private New Cars Are Financed

PCP = Lease (USA)

Hire Purchase = Standard Loan (USA)

Lease Purchase = Lease (USA)*

*Mintel Research - Car Finance – UK, May 2015

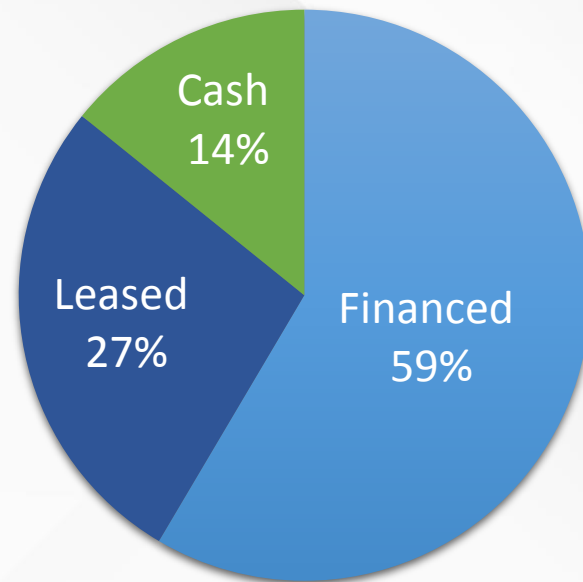
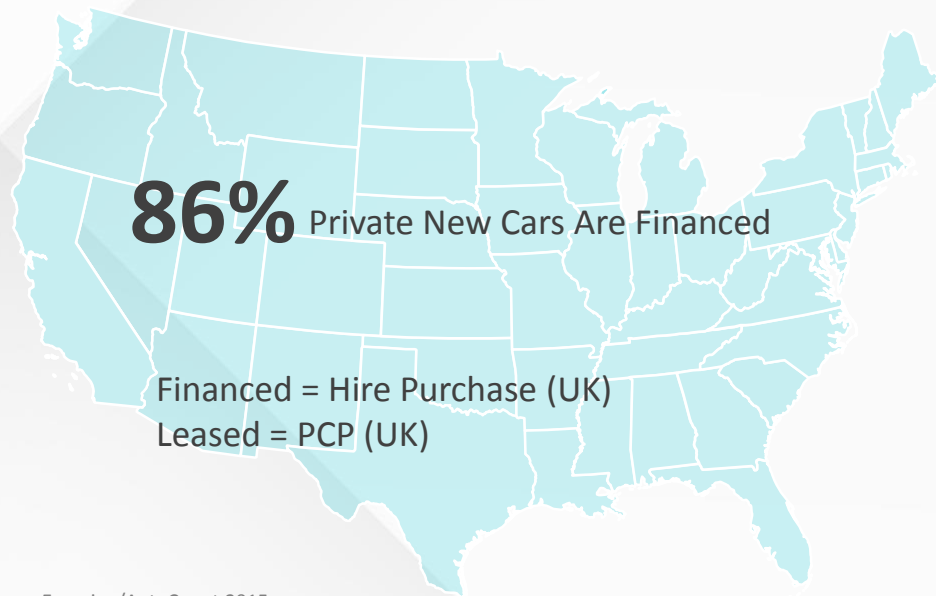
*Standard Loan Without Down Payment

Source: Finance & Leasing Association

United States: Private Car Financing

8 of 10 Car Sales Are Funded By Point-of-Sale Dealer Finance*

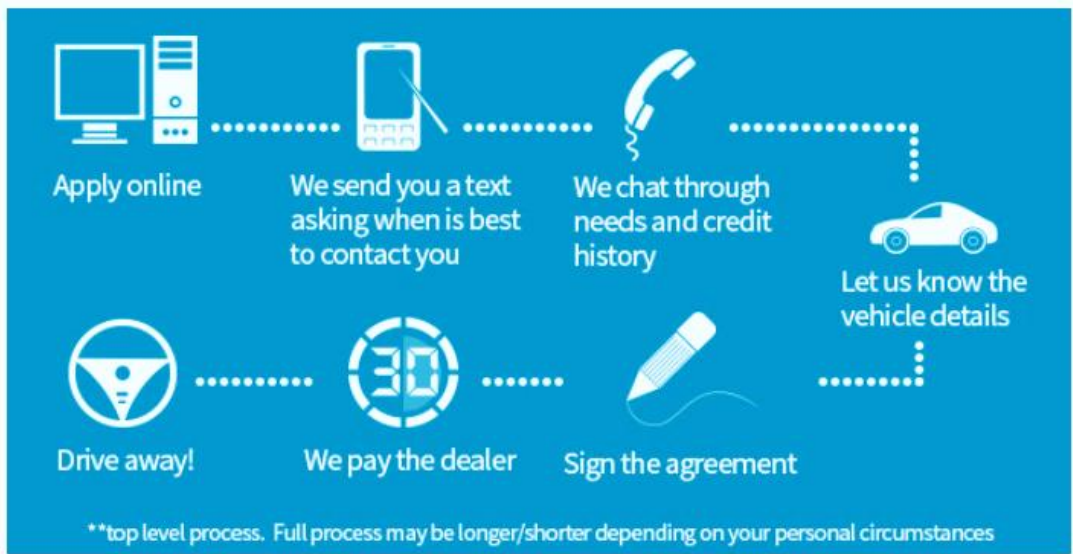
Almost 3 of 10 of New Cars Are Leased



Source: Experian/AutoCount 2015
*Center for Responsible Lending

UK Auto Buying Process: Hire Purchase (Traditional Loan USA)

First Response: UK's number 1 Car Loan Company



First Response
take care of your finance

LESS THAN 1 DAY

the average time it takes us to approve a loan

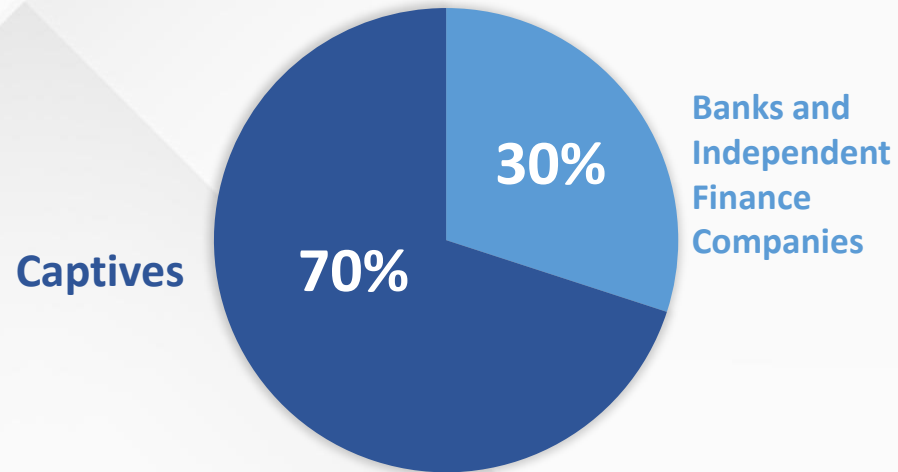
Source: First Response UK, with offices in Nottingham, Leigh and Glasgow. Actual Purchases, not leases.

Auto Financing: United Kingdom and United States

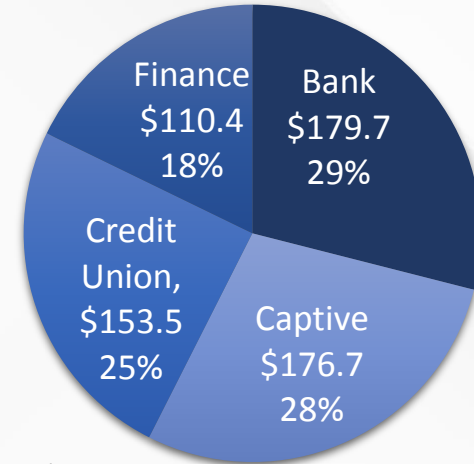
**Captives Dominate the Auto Finance Market:
7 of 10 Cars Are Captive Financed
Captives Provide One-Stop Shop Solutions: Insurance &
Banking**

**Non-Captive Entities Financed 72% of All Auto
Loans**

Market Share in the UK Automotive Finance Industry (2010)



2015: Auto Originations \$620.3 Billion



Source: Experian 2015
*Center for Responsible Lending

Source : Dreaming of Life in the Fast Lane: Overview of the Motor Finance Market, Datamonitor, 2010

Conclusion



The Power of Collaboration



Research Your Marketplace



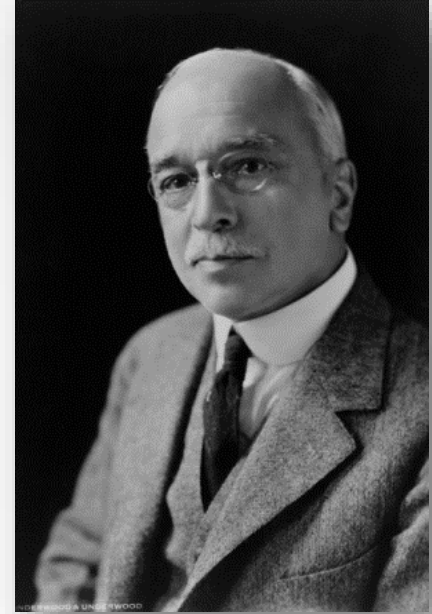
Evaluate Profitability of Secured Lending



Create a CUSO to Make Loans and
Grow Membership

“Progress is the act of taking something that is the best and replacing it with something still better”

Edward Filene





Any Questions?