



# INDIRECT LENDING SUCCESS

## STORY IN LOUISIANA

Baton Rouge Telco began its indirect program over 10 years ago. At that time, the credit union was insistent upon working collectively with a group of like-minded credit unions that could utilize its power as a group to maintain a consistent voice at the dealership. Instead of supporting an individual program and continually trying to out-do the other credit unions with lower rates and higher dealer fees, BR Telco decided to work with a great group of credit unions in the Baton Rouge area that were not interested in cannibalizing each other's members by allowing the dealers to constantly pit us against each other.

By working with a credit union owned CUSO like Credit Union Acceptance Company (CUAC), BR Telco has been able to work with other Louisiana credit unions to maximize loan growth, create new members and increase overall loan profitability with one consistent voice at the dealership. By working together towards our common objectives, we refrain from undercutting each other on rates, reducing underwriting standards resulting in additional loan loss and stealing members from our partner credit unions.

BR Telco is also able to maintain a small staff devoted to the indirect program which allows for low overhead. With only 1 full time employee devoted to the indirect program, BR Telco continually funds over \$4m in indirect loans per month. In addition, the CUAC program is a "pay as you go" provider which means that you only incur expenses when a loan funds. This combined with no software, hardware or other fixes costs required to participate in the program means costs are kept at a minimum.

By working together, our credit union partners are also able to share data that benefits the entire group. This includes profitability results, loan loss data and poor dealer performance issues such as fraud, deceptive trade practices and member mistreatment. This ensures that the group program

***"Pre-approvals allow your member to enter the dealership with the approved rate and term which helps the credit union retain current member loans. It's also convenient for the member to purchase the car and sign all paperwork at the dealership."***

***- Larry Lemoine***





operates smoothly in regards to lending policies, pricing and maintaining a productive network of dealerships.

Although there are a few drawbacks of not having an individual program such as agreeing to a unified loan policy and rate sheet, the benefits of working collaboratively as a group far outweigh the negatives. By participating in the CUAC program, BR Telco is encouraged to make dealer visits with the CUAC Dealer Rep and stay engaged in the day to day activities. In addition, CUAC maintains dealer hours which allow us to capture loans when our credit union is closed. Our platform also allows the credit union to continue to preapprove our members using existing rates, terms and conditions that will be honored once they visit the dealership. This enables us to provide the level of service our members deserve while they experience the convenience of closing their loan at the dealership.

There is a myth in the marketplace that new members derived from indirect do not participate in other credit union products. With the right product offering and strong sales oriented staff members, BR Telco maintains a 15% + conversion ratio on new members to other products such as our credit card. A strong indirect program like CUAC generates a very large number of new member opportunities. Even with new members that did not convert to other products, we are very likely to pick up their future auto loans as well.

If your credit union is considering participating in an indirect lending program, I would strongly recommend working with the CUAC group and our group of proud CU partners. With member loyalty decreasing all the time and a continued technology shift giving the dealers even more leverage, it is imperative for credit unions to have effective representation at the dealership if it wishes to retain its current members while increasing its auto loan portfolio.

***“The program allows your credit union staff more time to cross sell new indirect members since CUAC handles all funding issues. New indirect members can be introduced to what the credit union offers and how we are here to help with their financial needs.”***

***- Larry Lemoine***

