

A Case Study of
Two Credit Unions:

Boosting Auto Loans with CO-OP Member Center



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CASE STUDY

“Our relationship with CO-OP Member Center allows us to provide a quality service to our indirect members, and also provide even better service to our existing members.”

– Roger Douville, Assistant Vice President of Credit/Business Lending, A+ Federal Credit Union

“There are huge gains in productivity and efficiency from our relationship with CO-OP Member Center.”

– Keenan Bender, Director of Consumer and Indirect Lending, Meritrust Credit Union

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Institutions:

A+ Federal Credit Union, Austin, Texas, \$906 million in assets, 96,000 members; and Meritrust Credit Union, Wichita, Kansas, \$730 million in assets, 74,000 members.

Objective:

Provide better member service and boost auto loans and profits.

Solution:

CO-OP Member Center, Fort Worth, Texas, a wholly-owned subsidiary of CO-OP Financial Services, Rancho Cucamonga, Calif.

Results:

- Increases staff productivity and efficiency
- Gives members 24/7 convenience
- Provides seamless support to auto dealers and members
- Maximizes business opportunities both during and after-hours
- Reduces operating costs by decreasing need for on-site staff

Enabling Business 24/7

With auto sales on the rise, credit unions are optimistic about capturing their share of auto loans. However, doing so in today’s competitive environment – in which consumers expect to access credit union services whenever they want to and auto dealers demand on-the-spot decisioning at any time of day or night – creates an urgent challenge for credit unions. Credit unions that are not available to handle member service issues or accept loan applications after hours risk losing business to the competition. In fact, it may be near impossible to compete without a significant after-hours presence.

To lessen that risk, provide better customer service and capture additional business, A+ Federal Credit Union relies on the services of CO-OP Member Center. A+ FCU, based in Austin, Texas, is one of the largest credit unions in the Lone Star State with more than 96,000 members. Since 1999, the credit union has been using CO-OP Member Center’s inbound call center to handle after-hours loan applications. In mid-2011, when A+ FCU was seeking a solution to underwrite indirect auto loans after-hours, turning to CO-OP Member Services was the natural choice.

“In early 2009, I instituted Saturday hours for our loan officers,” says Roger Douville, Assistant Vice President of Credit/Business Lending at A+ FCU. “But because our credit union hours were limited, we were losing out on a lot of indirect auto loan business. In the automotive dealer world, if you’re not handing over a quick loan decision to dealers, you’re pretty much losing the deal.”

The A+ FCU team was also dealing with an overload of loan applications that came in during the weekend. “We would come in on Monday morning after leaving our underwriting desk at 4 p.m. Saturday and would have a tremendous amount of loan volume in our queues to underwrite,” says Douville. “We would have to cut through all that clutter knowing that those deals were probably already delivered by another lender.”



Meritrust Credit Union, based in Wichita, Kan., is the largest credit union chartered in Kansas, with more than 74,000 members. The institution's indirect lending program is the largest credit union-sponsored program in the state and the second largest only to Toyota Motor Credit, according to Experian AutoCount reports. Yet, the credit union was facing similar challenges when it retained CO-OP Member Center to underwrite indirect auto loans after-hours in April 2008. "We had a lot of automotive dealers calling after 6 p.m., and we were getting applications at all hours of the day and night," says Keenan Bender, Director of Consumer and Indirect Lending at Meritrust CU. "We felt it was competitively a good idea to add after-hours service, and it was a no-brainer to hire it out instead of making one of our loan officers work until 11 p.m."

Bender has been so satisfied with the service that in September 2011 Meritrust CU also began using CO-OP Member Center to accept members' direct loan applications by phone after-hours. "There's a group of members out there that will not do an online loan application and would rather not go into a branch – they want to call," says Bender. "By using CO-OP Member Center, we've been able to serve these folks."

Easy Implementation, Seamless Service

Implementation of after-hours indirect auto loan underwriting was very simple for both A+ FCU and Meritrust CU. To begin the process, CO-OP worked with each credit union to identify the data behind underwriting decisions, including decision guidelines and limits on collateral advances.

"You're always concerned when you relinquish decision-making power to a third party," says Douville. "Our biggest concern was the 'art' of lending: How do they make judgment calls or work within the gray area of the loan policy? So in addition to giving them hard data, we had an interview and shared with them our opinions about what loans should be done, to fill in as much of the gray area as possible." To vet results, Douville says, "We went through a testing period where we reviewed their loan decisions and met with their supervisory staff – just as you would do with any new loan officer."

Technical implementation at A+ FCU was also rapid, says Douville. "We set the CO-OP Member Center lenders up just as we would our own loan officers, with a prefix of 'co-op' so we can easily identify them in the system." This enables A+ FCU to track CO-OP Member Center's metrics just as it does for its in-house loan officers.

At Meritrust CU, working with a vendor that understands the credit union philosophy was a central concern for the institution. "The people at CO-OP Member Center have a culture of doing it the credit union way – the way it should be done," says Bender. "That makes implementation painless."

Increasing Loan Volume, Improving Service and Cutting Costs

A+ FCU uses CO-OP Member Center to handle indirect auto loan underwriting from 5:30 to 10:30 p.m. weekdays and all weekend long. "I still have two loan officers in the office on Saturday, but they are designated solely to dealing with branches and direct members," says Douville. "That's a big advantage because it allows us to be more responsive to our members."

The number of indirect auto loan applications A+ FCU receives grew in 2011, and Douville projects another increase of 5 to 10 percent in 2012. CO-OP Member Center decisions 20 percent of the credit union's indirect auto loan volume. "Their decisions pretty closely match those of our own loan officers – a 40 percent denial ratio, 20 percent counteroffer ratio and 40 percent approval ratio," says Douville.

CO-OP Member Center's services have not only increased loan volume at A+ FCU, but have also cut operating costs. "As a result of our relationship with CO-OP Member Center, we are not going to add a loan officer to staff in 2012," says Douville. "Our volume is very manageable, and our loan officers have more flexibility to work with our existing members and to work on direct branch loan applications during business hours."

Dealers are happy, too, says Douville: "CO-OP Member Center's decisions are seamless to the dealers, which is absolutely what I had hoped for."

Boosting Productivity While Providing a Personal Touch

At Meritrust CU, having CO-OP Member Center handle indirect auto loan underwriting after-hours has meant “huge gains” in productivity and efficiency, says Bender. Prior to using CO-OP Member Center, loan officers would arrive on Monday to find anywhere from 85 to 140 applications needing decisions. CO-OP’s services have cut that workload by more than half. More important, says Bender, “it prioritizes applications for us. We can look at the ones that haven’t been reviewed before we look at the ones that just need to be reconsidered. This allows us to get all the new applications reviewed – which would previously have been a two-day process – by 2 to 3 p.m. Monday.”

Auto dealers and loan applicants appreciate the service, too. “By having an after-hours crew, we are able to get a decision one way or the other,” says Bender. “If they get a conditional approval or a denial from CO-OP Member Center that they don’t agree with, we see it the next day. This provides a level of service that we were not able to offer previously.”

As for accepting direct loan applications after-hours, Bender says, “At 6:01 p.m. our phone rolls over to an 800 number at CO-OP Member Center. They answer the phone ‘Meritrust’ and take an application.” Meritrust CU uses after-hours services starting at noon on Saturdays and all day on Sundays. “We can also use it whenever we have a need – for instance, if we need to have a meeting, we can call CO-OP Member Center on the spur of the moment and have them manage our queue.”

While the number of direct loan applications accepted by phone after-hours is relatively small, Bender believes the program fills a crucial need for accessibility. “I think our members really enjoy being able to talk to a real live human being as opposed to an IVR system or web application,” says Bender. “In this day and age of everybody going to an automated this and an IVR that, being able to talk to a real person sets us apart.”

A Lasting Partnership

Bender says CO-OP has become an invaluable part of the Meritrust CU team: “They do decisioning for several hundred credit unions, so as much as we think we know, they know it by a multiple of several hundred. When looking at new products, I ask them what they think and use their loan officers as a sounding board. They’ve been there, done that!”

Contact CO-OP Member Center for Lending and Member Services

In today’s world, 24/7 access to a credit union isn’t just a luxury, it’s a necessity. Now, give your members access to their accounts through the newest offering from CO-OP Financial Services – CO-OP Member Center call center services. A+ FCU and Meritrust CU both benefited – you can too.

CONTACT CO-OP FINANCIAL SERVICES AT
(800) 782-9042, EXT. 6102 TO LEARN MORE
ABOUT CO-OP MEMBER CENTER OR VISIT
WWW.CO-OPFS.ORG/GROW.