



## Indirect Lending Checklist

**Is indirect lending a good strategy/idea for your credit union?** According to CUNA’s *Tomorrow’s Lending Strategies Creating Access, Capturing Opportunity*, while everyone’s auto loan growth rate has dwindled in recent years, indirect lenders have fared better than non-indirect lenders.

**There is a wide split of opinion about Indirect Lending. Which side (for or against) should you believe?** Based on CUNA’s *Tomorrow’s Lending Strategies Creating Access, Capturing Opportunity*, indirect lending can be a highly successful lending strategy. But done poorly, without proper controls in place, it can be catastrophe.

Is your credit union a good candidate for indirect lending? Factors to consider include:				
Your membership	Yes Important	Not Important	N/A	Comments
Indirect auto loans originate at area dealerships. Do you have enough members or potential members doing business with those auto dealerships?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
If applicable, do your select employer groups (SEGs) or community charter give you a strong community-wide membership penetration?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Your credit union’s goals and strategies	Yes Important	Not Important	N/A	Comments
Does indirect lending tie into your credit union’s overall strategic plan?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
What goals would indirect lending help you accomplish? (E.g., is it your credit union’s goal to capture your members’ auto loans?)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Do you need the additional loan volume?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

This document is strictly for informational purposes, and does not constitute legal advice. This checklist provides general information only. Please consult your credit union’s advisor and/or attorney before applying information to your specific situation.

<b>Your automobile dealers in your area</b>	<b>Yes Important</b>	<b>Not Important</b>	<b>N/A</b>	<b>Comments</b>
Are you able to pinpoint auto dealers in your area that have a sound reputation and business history?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Your staff or other resources</b>	<b>Yes Important</b>	<b>Not Important</b>	<b>N/A</b>	<b>Comments</b>
Does your credit union help educate members on the auto buying process? (Check out <a href="http://www.cudlautosmart.com">www.cudlautosmart.com</a> for consumer education on auto buying.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Does anyone on your staff have experience with indirect lending or the inner workings of auto dealerships? (A good working relationship ensures a smoother process, increases member confidence, and strengthens working relationship with the credit union and the dealerships.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Do you have another credit union you can count on as a mentor to guide you in setting up your program?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Did you contact Credit Union Direct Lending (CUDL), a strategic business partner of Hawaii Credit Union League? (CUDL has established working relationships with local dealerships, and has tools and processes in place to increase success in this area. Check out its website at <a href="http://www.cudl.com">www.cudl.com</a> .)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Contact HCUL at 941.0556 on Oahu or toll-free from neighbor islands at 888.331.5646 to borrow "Tomorrow's Lending Strategies Creating Access, Capturing Opportunity" library book (item B120003.01). This book will allow you to learn more about the benefits and challenges of indirect lending, how to build healthy dealer relationships, how to assure success, credit unions success tips, etc.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Check on availability of NCUA's technical assistance grants at <a href="http://www.ncua.gov">www.ncua.gov</a> . (Available to eligible low-income designated credit unions.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Check out any available sample lending policy available on CUNA's File Library "Lending" category at <a href="http://www.cuna.org">www.cuna.org</a> .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

This document is strictly for informational purposes, and does not constitute legal advice. This checklist provides general information only. Please consult your credit union's advisor and/or attorney before applying information to your specific situation.

<b>Inherent Challenges to Consider:</b>				
<b>Considerations</b>	<b>Yes Important</b>	<b>Not Important</b>	<b>N/A</b>	<b>Comments</b>
Your credit union will have no history with the member if this is someone newly signed up at the dealership when making the loan. The dealer is the party conducting the face-to-face interview. All you know about the person is what you see on the application form and the credit report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Need to rely greatly on the dealers' honesty and integrity in their business practices. Not only does this affect your credit union from a business perspective, but in the eyes of the new member, the dealer represents your credit union.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
May find it difficult to build an ongoing relationship with members who join at the dealership. These people were realistically in the market for a car loan, not a credit union. They may have little or no interest in continuing to do business with you, unless you give them a reason, and extend a way to connect to your credit union.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Dependency on "what dealers can do for you." This can set up you for being overly eager to keep dealers happy so they'll keep sending loans your way.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Other Recommendations:</b>				
<b>Considerations</b>	<b>Yes Important</b>	<b>Not Important</b>	<b>N/A</b>	<b>Comments</b>
Are you staying current on NCUA's requirements and concerns (if any) on indirect lending?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Did you review the Sub-Prime (Indirect Auto Loans) Detailed Analysis found on InfoSight available on HCUL's website at <a href="http://www.hcul.org">www.hcul.org</a> and other lending resources?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

This document is strictly for informational purposes, and does not constitute legal advice. This checklist provides general information only. Please consult your credit union's advisor and/or attorney before applying information to your specific situation.