



FAST, FRIENDLY CREDIT UNION FINANCING.

NACUSO Annual Conference

The Future of Indirect Lending

**Presented By
Tony Boutelle**

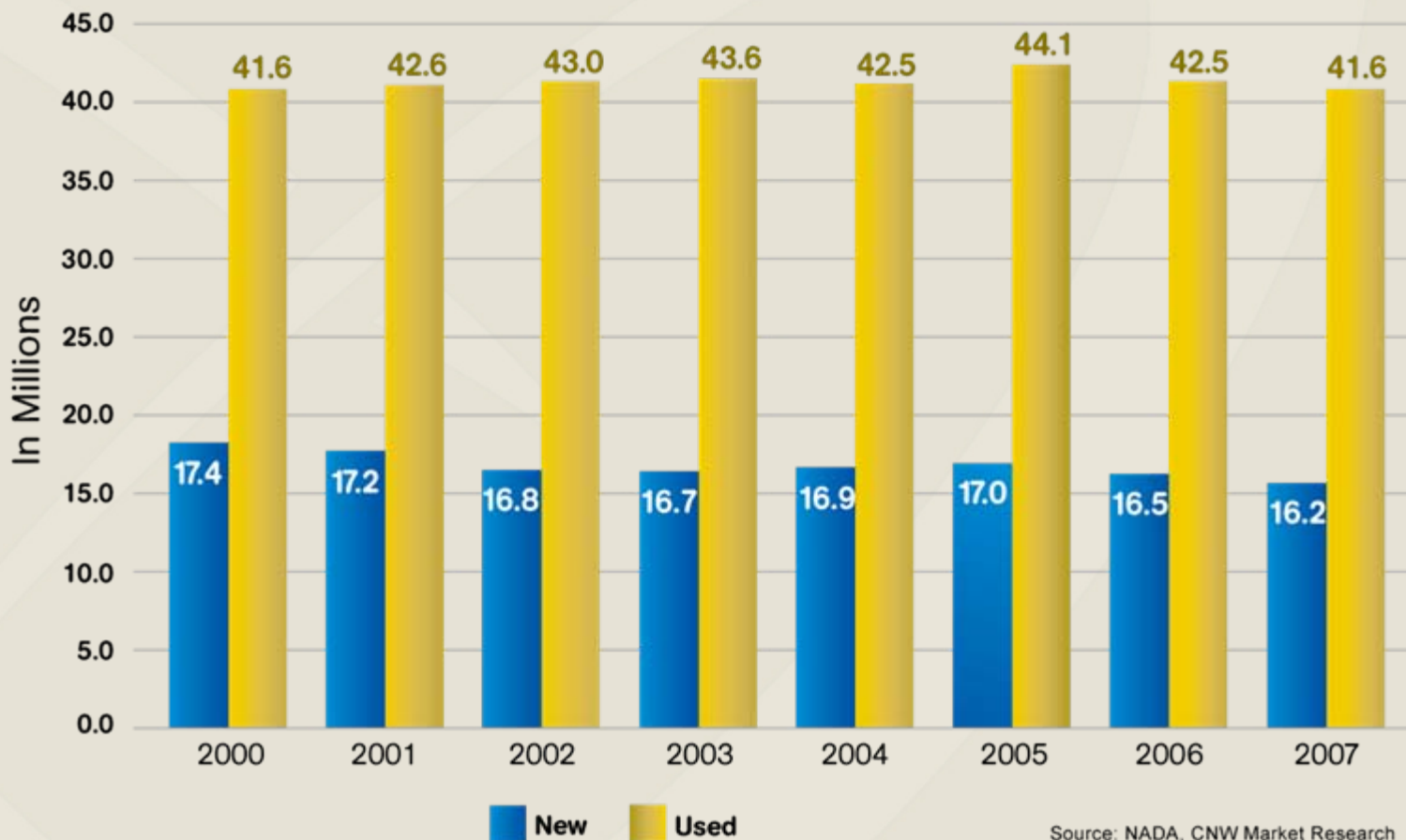
President & CEO – CUDL

U.S. Auto Sales Summary



New and Used Auto Sales Have Hit Ten Year Lows

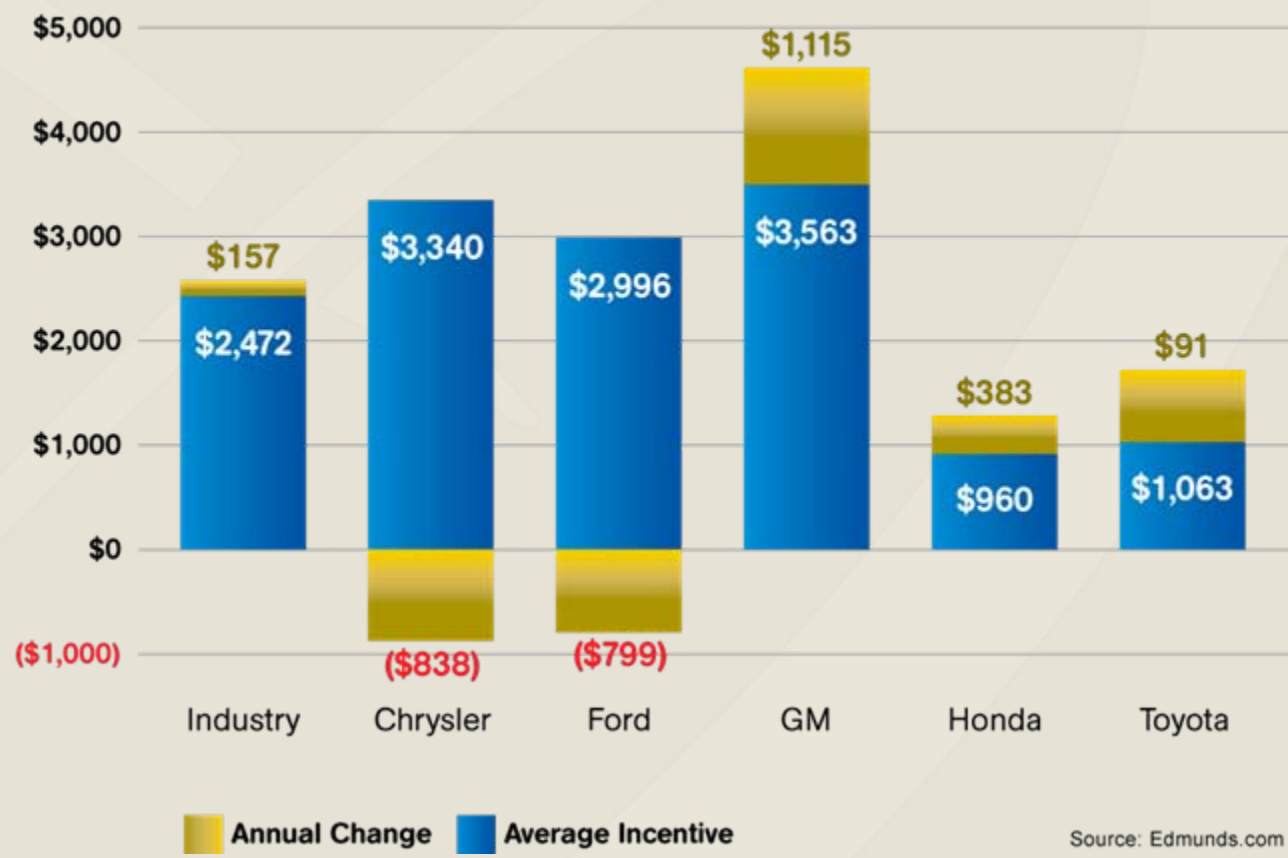
U.S. Vehicle Sales



Source: NADA, CNW Market Research

Automakers Continue to Rely on Incentives to Sell Cars

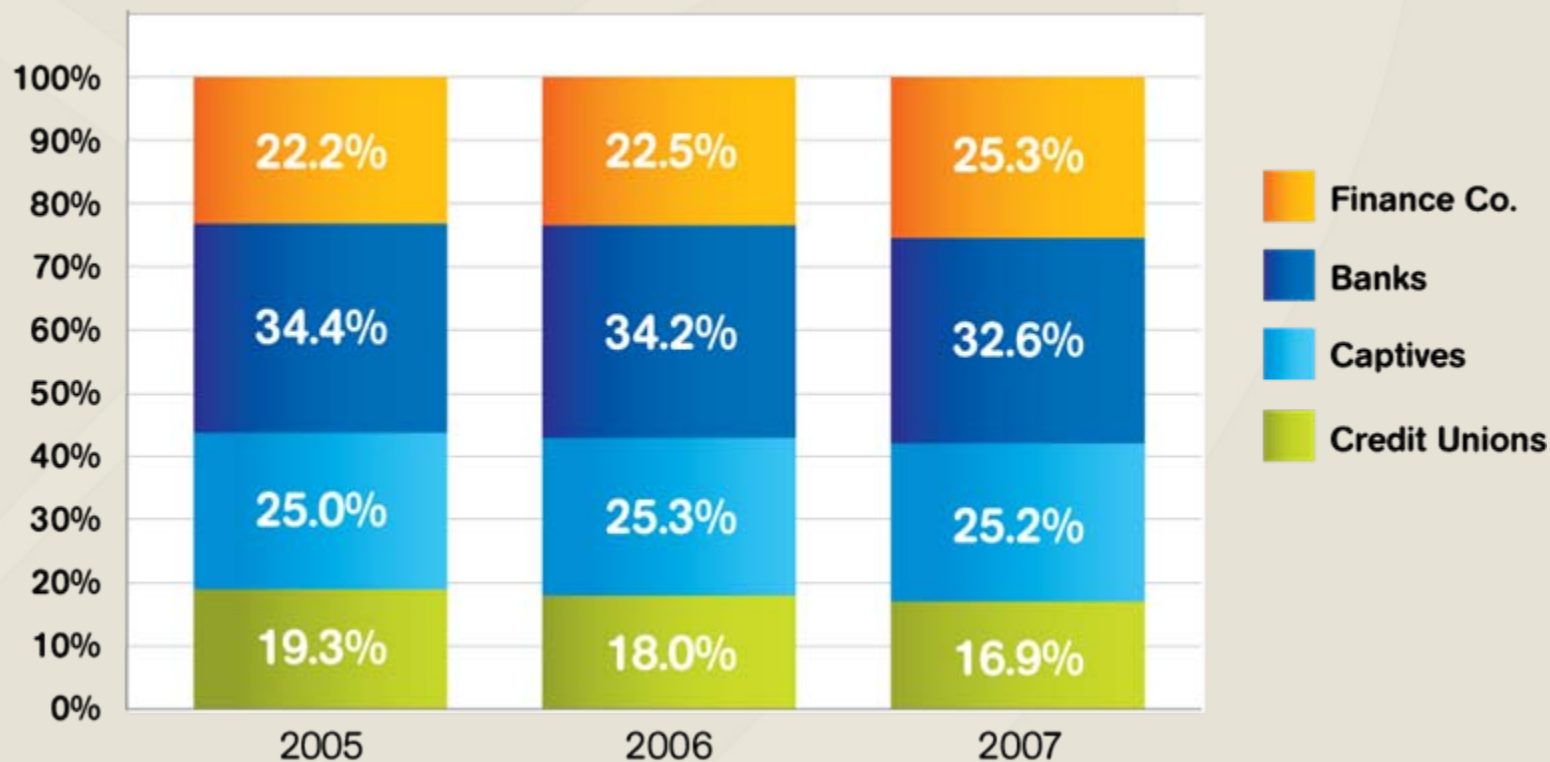
Average True Cost of Incentives - December 2007



Source: Edmunds.com

Credit Union Market Share Slipped in 2007

Credit Union Auto Lending Market Share Nationwide

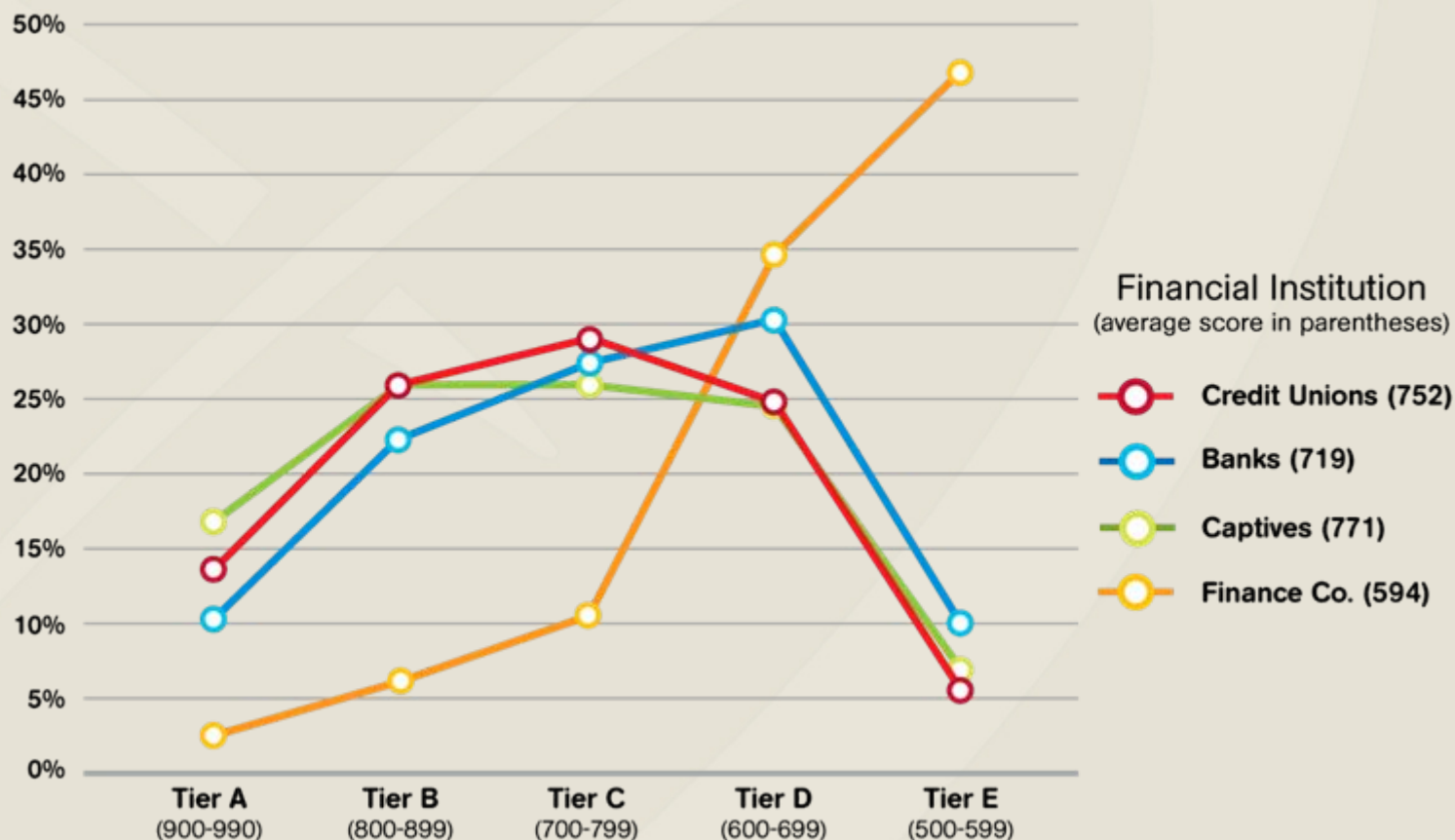


Source: AutoCount, An Experian Company

Represents Retail Loans. Does Not Include Leases.

Credit Unions Provide Loans to Predominantly Prime and Non-Prime Borrowers

VantageScores for Loans Funded by All U.S. Financial Institutions, 2007



Source: AutoCount, An Experian Company

Top Lenders in a State – 2007

UTAH

- America First FCU – 32,451 auto loans originated
- 17.7 percent of the market



OREGON

- OnPoint Community CU – 20,992 auto loans originated
- 7.7 percent of the market



WASHINGTON

- BECU – 35,783 auto loans originated
- 9.2 percent of the market



ALASKA

- Alaska USA FCU – 18,314 auto loans originated
- 33.5 percent of the market



COLORADO

- Security Service FCU – 20,748 auto loans originated
- 8.0 percent of the market



Loans are retail sales of franchised and independent dealerships. Fleet sales and leases are not included. Data includes only states for which lienholder information is available. **Source: AutoCount, an Experian Company.**

Credit Union Market Share – 2007

Rank	State	Total Retail	Credit Union Loan Share	CU% New Loan Share	CU% Used Loan Share
1	AK	54,593	57.49%	28.28%	71.72%
2	UT	183,715	43.60%	17.03%	82.97%
3	HI	92,205	43.06%	42.05%	57.95%
4	OR	274,485	37.05%	25.37%	74.63%
5	WA	388,196	34.60%	30.55%	69.45%
6	CO	259,200	31.95%	28.72%	71.28%
7	ID	104,921	24.87%	24.26%	75.74%
8	ME	98,305	23.78%	27.86%	72.14%
9	MT	53,220	23.67%	17.24%	82.76%
10	MI	444,798	23.61%	26.72%	73.28%

Loans are retail sales of franchised and independent dealerships. Fleet sales and leases are not included. Data includes only states for which lienholder information is available. Total of 45 states included. *Credit Union loans through the CUDL Program. **Source:** AutoCount, an Experian Company.

The States With a Credit Union As a Top Lender Also Have Strong Market Share

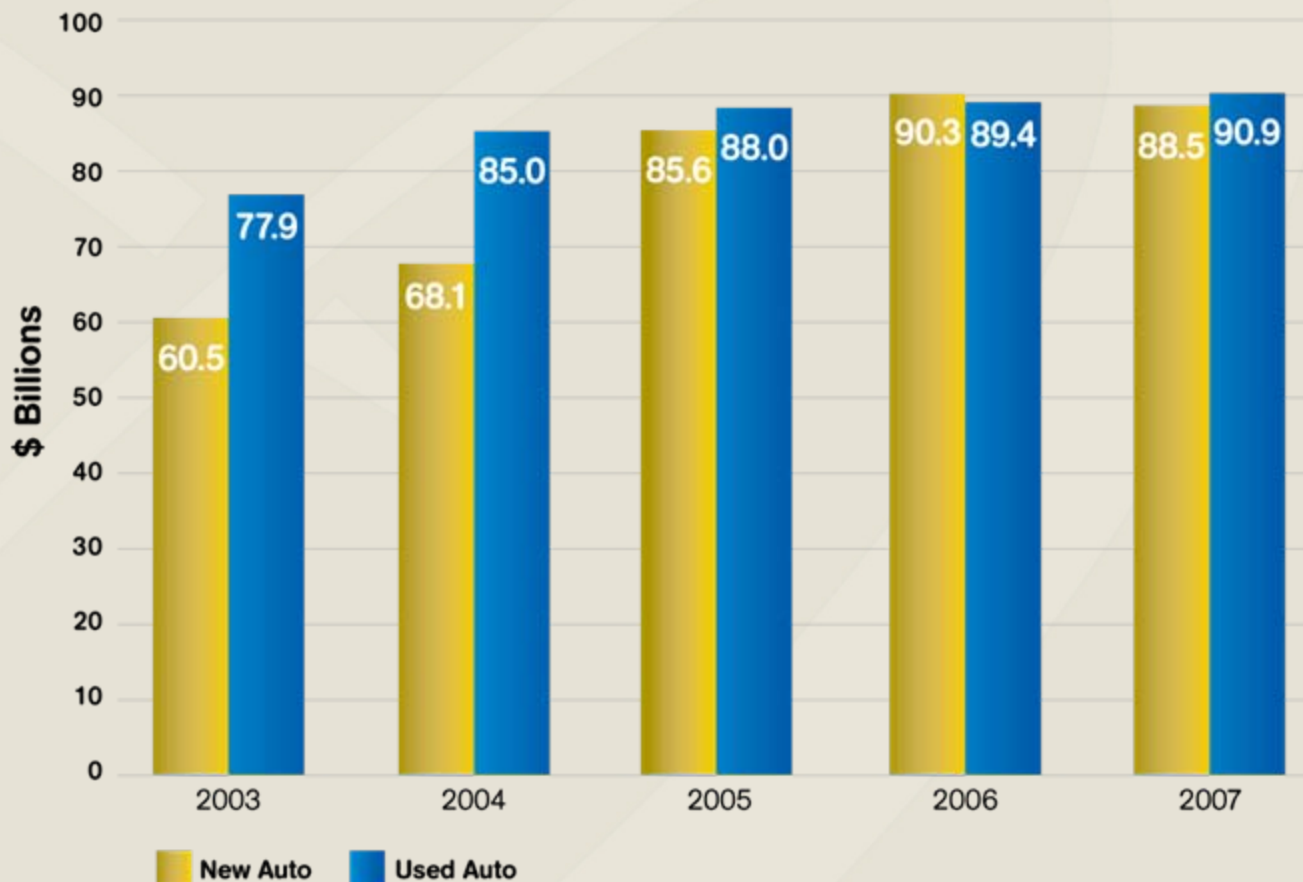
State	Top Lender	Top Lender Market Share	CU Market Share	Members as a % of Population
UT	America First FCU	17.7%	43.6%	60.4%
CO	Security Service FCU	8.0%	32.0%	29.2%
WA	BECU	9.2%	34.6%	37.5%
OR	OnPoint Community CU	7.7%	37.1%	38.0%
AK	Alaska USA FCU	33.5%	57.5%	72.1%
TX	GMAC	5.5%	15.3%	29.0%
CA	Toyota Financial	12.4%	17.3%	27.1%
	National Averages	N/A	16.9%	29.3%

Credit Union Auto Lending Trends



Credit Union Auto Loan Balances Shifted in 2007

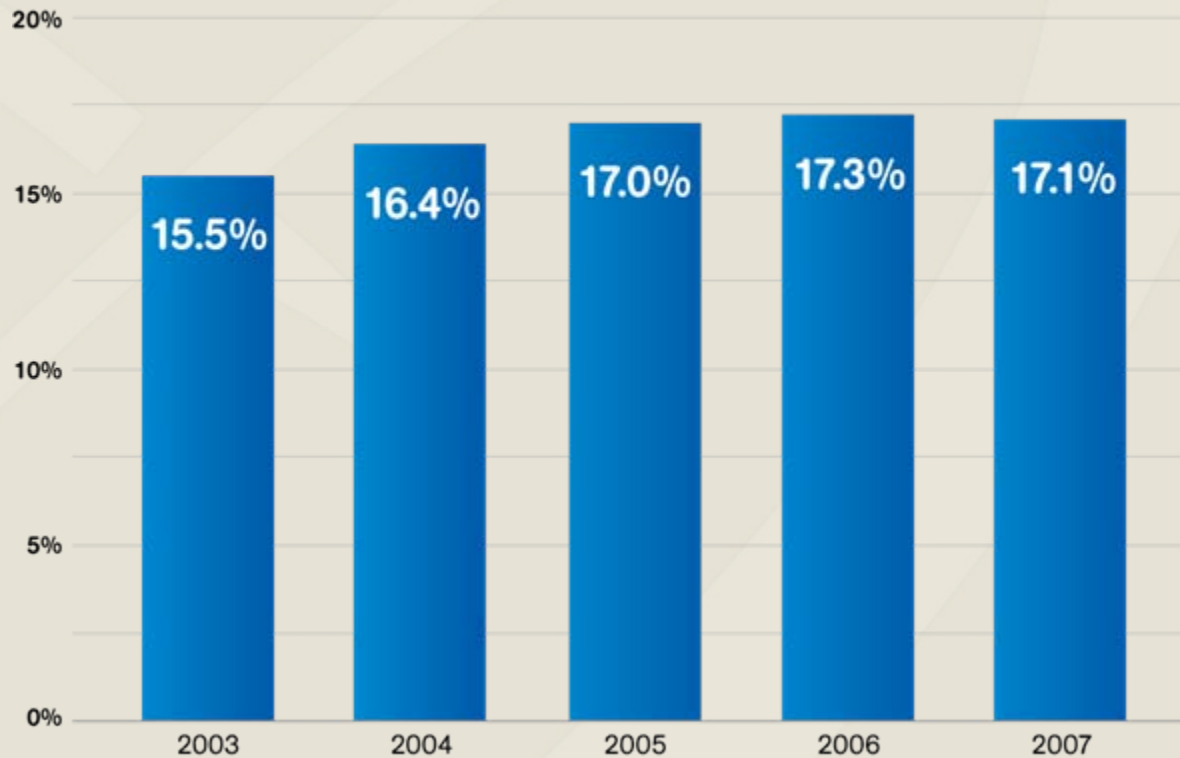
Credit Union New vs. Used Auto Loans Outstanding
as of December 31, 2007



Source: Callahan & Associates' Peer to Peer

17% of All Credit Union Members Have an Auto Loan with Their Credit Union

Credit Union Auto Loan Penetration
as of December 2007



Source: Callahan & Associates' Peer to Peer

Indirect Loans Outstanding Declined Slightly from Their High in 2006

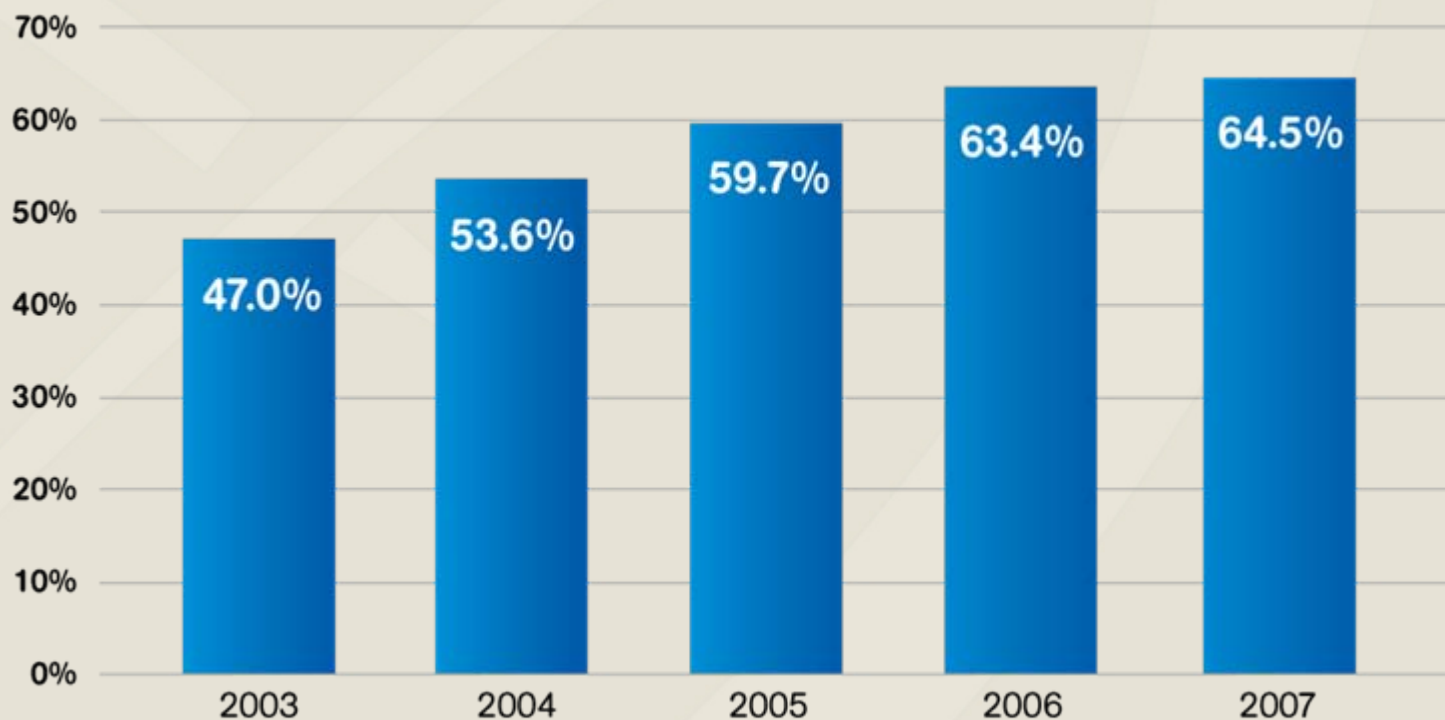
Indirect Loans Outstanding for All U.S. Credit Unions
as of December, 2007



Source: Callahan & Associates' Peer to Peer

More Credit Unions Are Adopting Indirect Lending

Percent of Credit Unions over \$50M with Indirect Auto Lending Loans (2003-2007)



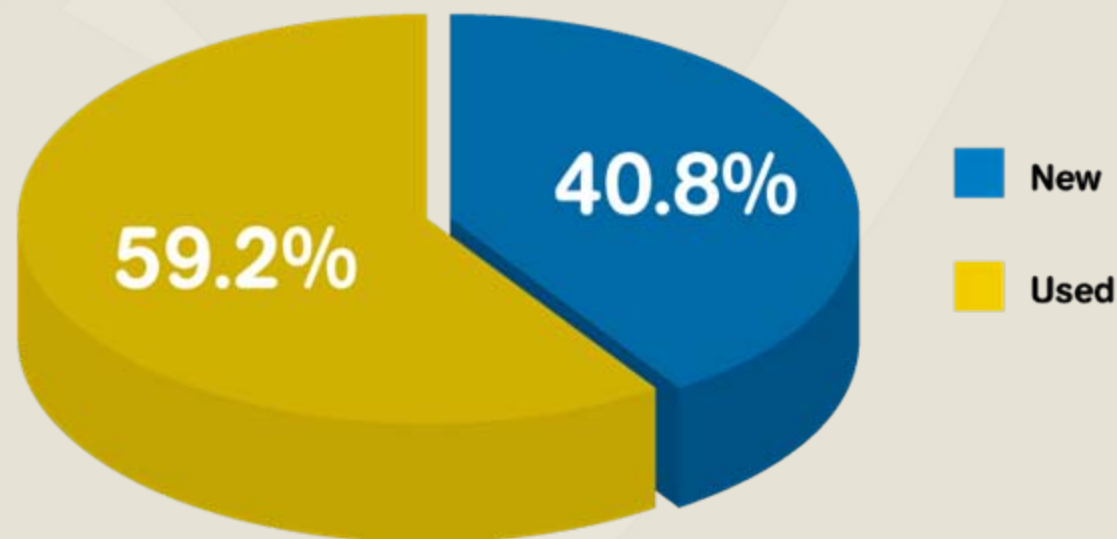
Source: Callahan & Associates' Peer to Peer

Credit Union Financing Trends



Credit Unions Predominantly Funded Used Auto Loans on the CUDL Platform in 2007

New vs. Used Auto Loan Originations for CUDL Credit Unions
Data as of December 31, 2007



CUDL Credit Union Members Preferred Domestic Vehicles

The Top 10 Vehicle Brands Funded on the CUDL Platform in 2007		
1	GM	22%
2	Ford	16%
3	Chrysler	15%
4	Toyota	12%
5	Honda	9%
6	Nissan	7%
7	Hyundai	2%
8	Mazda	2%
9	Volkswagen	2%
10	Kia	2%
	All Others	11%

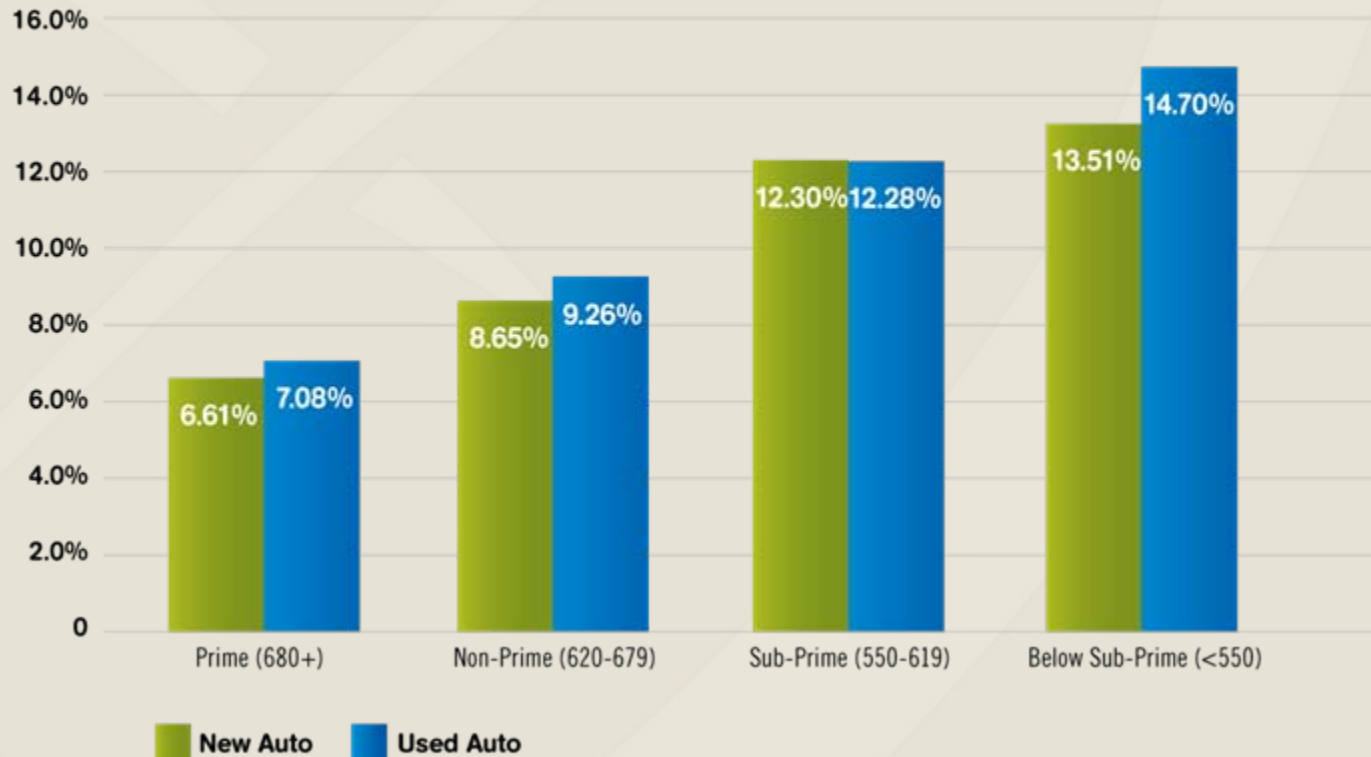
CUDL Credit Union Members Showed Greater Interest in Fuel-Efficient Vehicles

The Top 10 Vehicles Funded on the CUDL Platform in 2007 by Year, Make and Model

1	2007 Chevrolet Silverado
2	2007 Ford F150
3	2007 Chevrolet Tahoe
4	2007 Toyota Camry
5	2007 Honda Civic
6	2007 Honda Accord
7	2007 Honda CRV
8	2007 Nissan Altima
9	2007 Toyota Prius
10	2007 Ford Focus

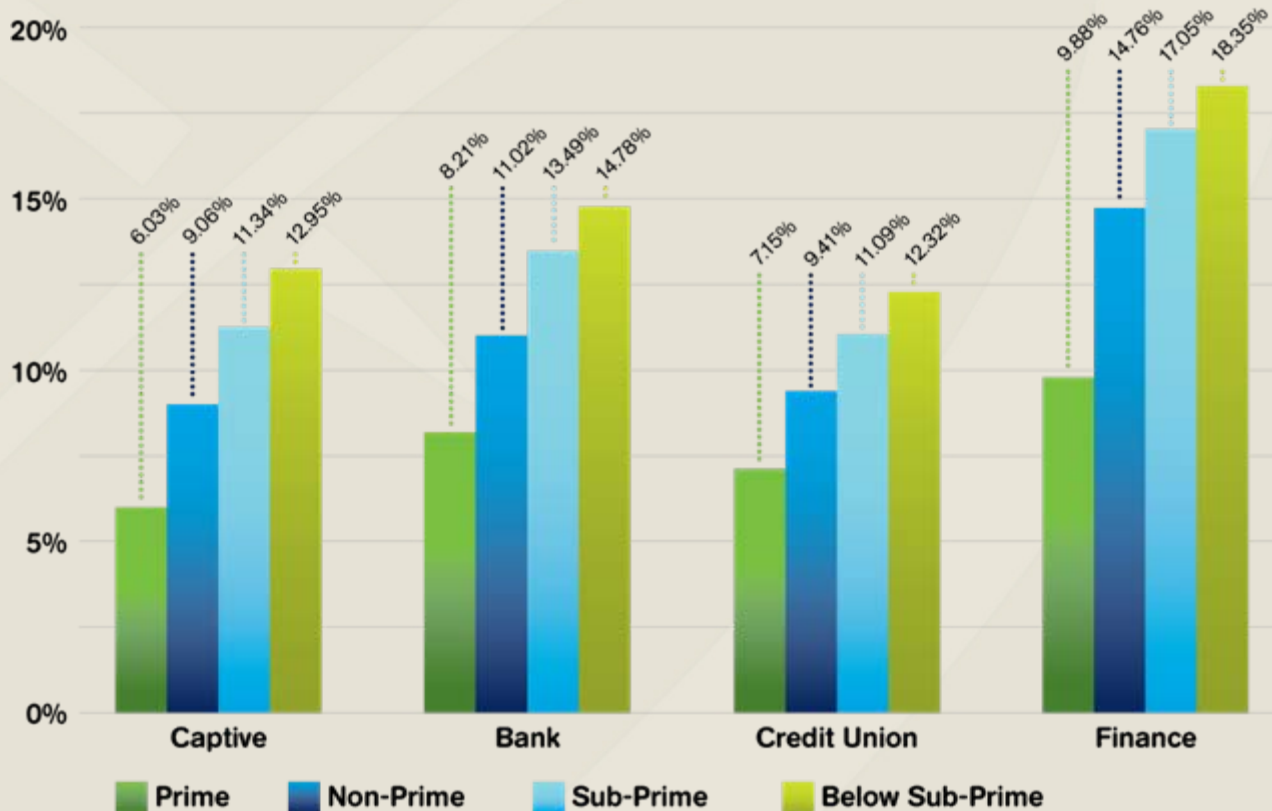
CUDL Credit Unions Charge Competitive Rates on Auto Loans

Average Interest Rates Charged on CUDL Credit Union as of December 31, 2007



Credit Unions Offered the Best Rates to All Loan Tiers, with the Exception of Prime

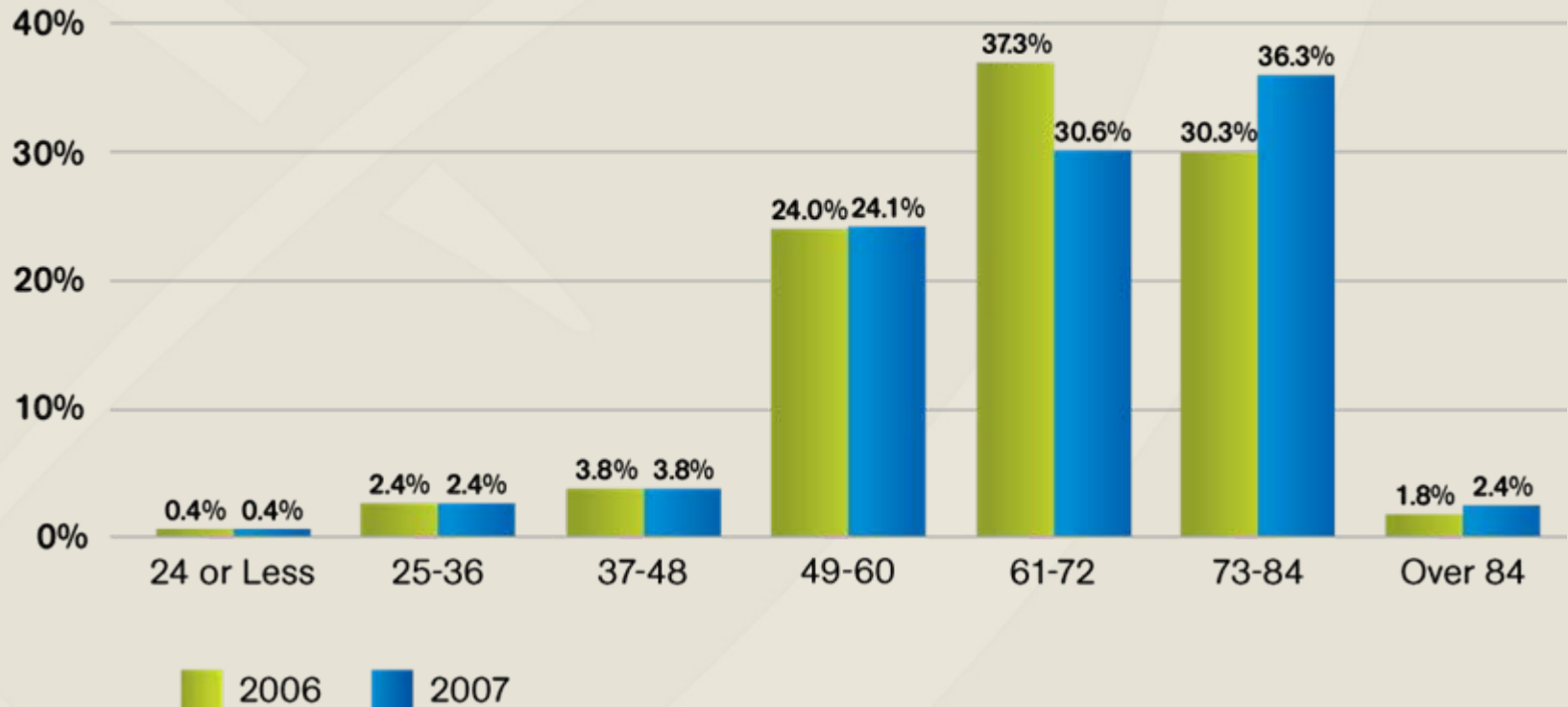
Average Interest Rates on Originations: 4th Quarter 2007



Source: Experian

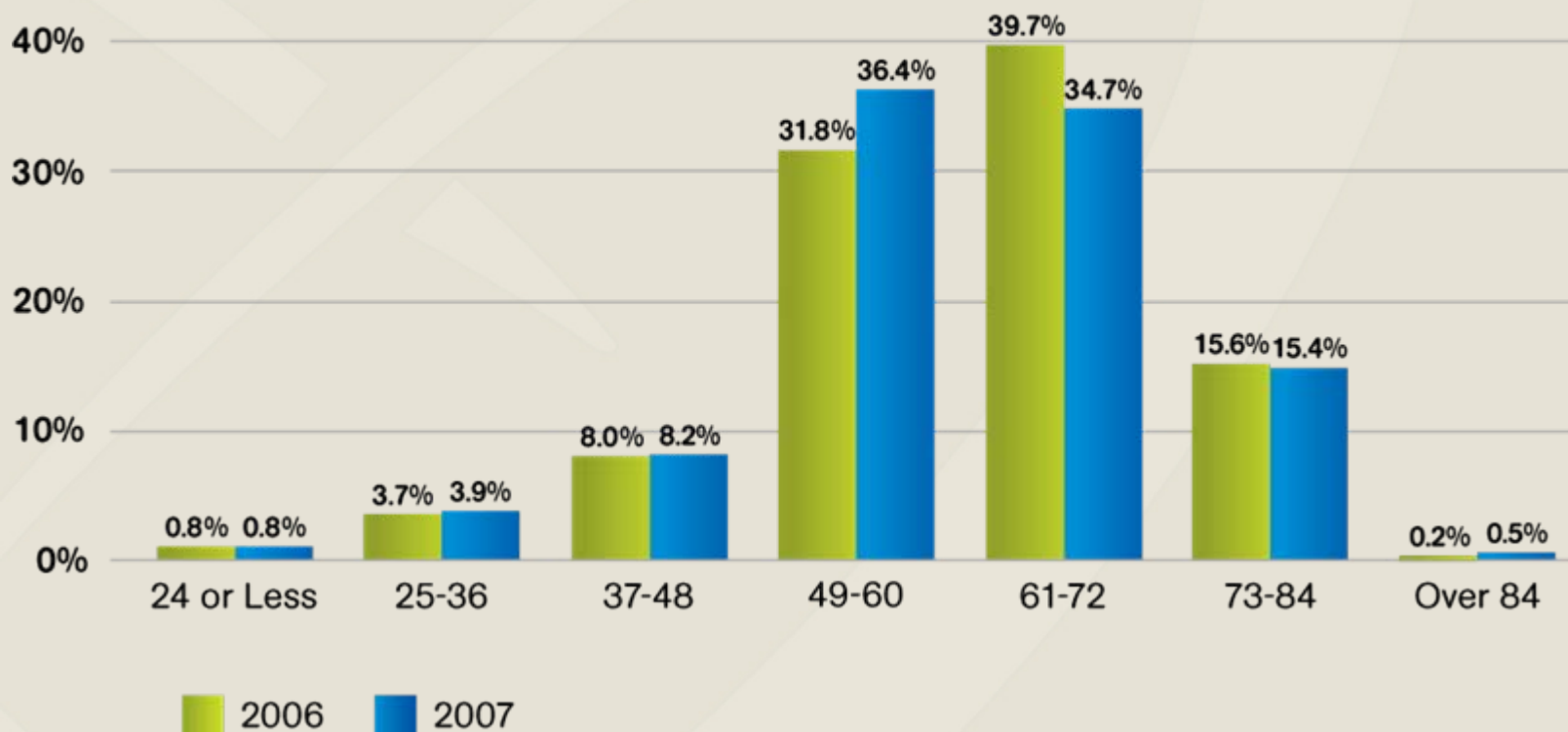
New Auto Loan Maturities Have Increased, Similar to the Rest of the Auto industry

New Auto Loan Maturities CUDL Funded Loans, 2007



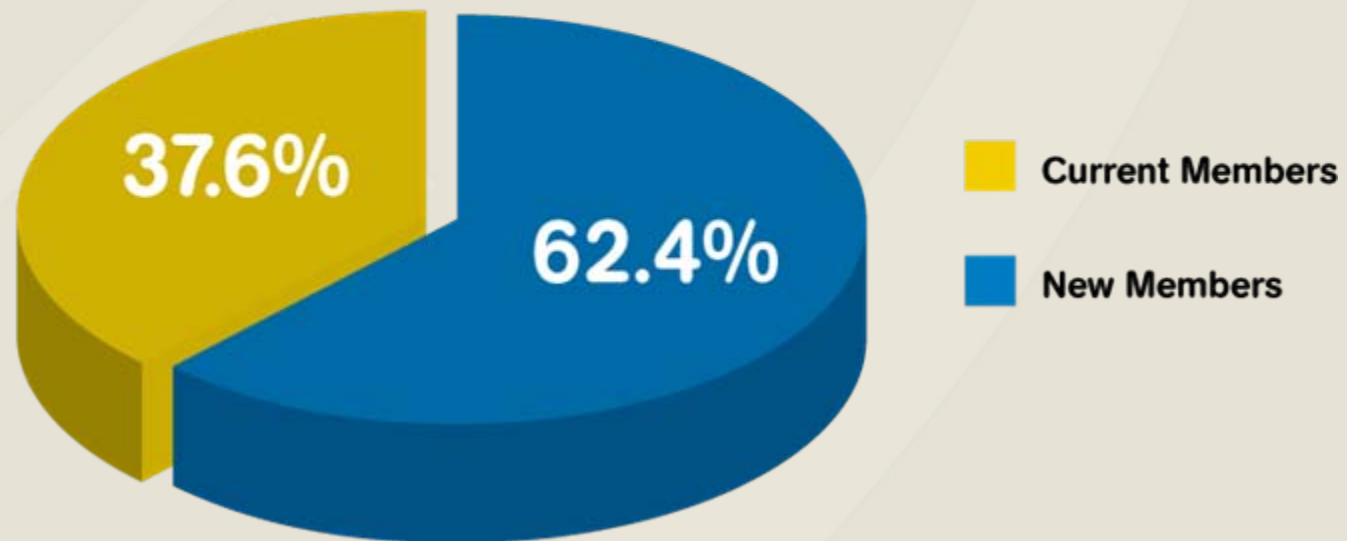
Used Auto Loan Maturities Have Decreased from 2006

Used Auto Loan Maturities CUDL Funded Loans, 2007



There is a 60/40 Split Between Current and New Members at the Dealership

Indirect Loan Originated to Current Members
vs. Members That Joined at the Dealership*
CUDL Funded Loans, 2007



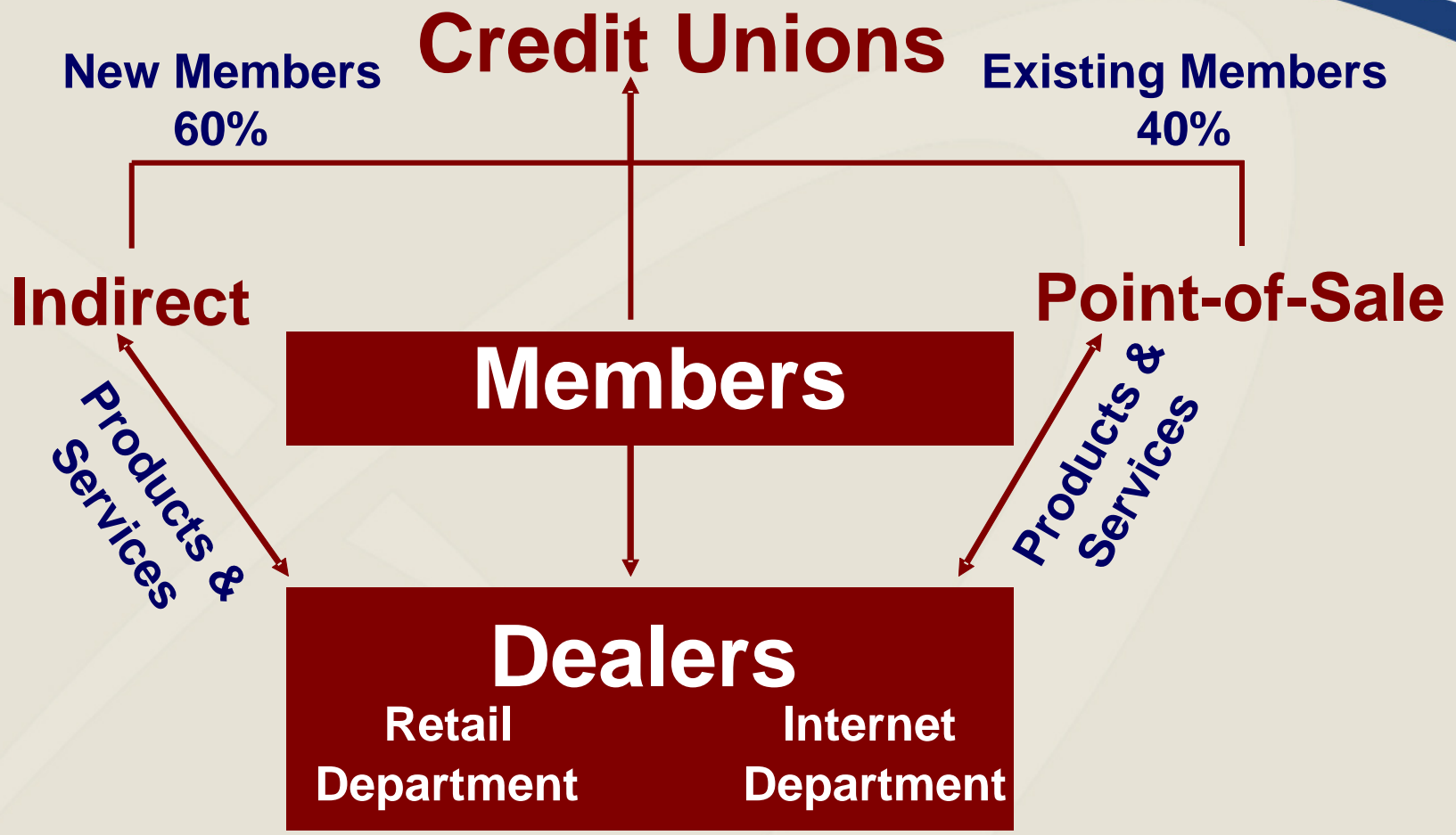
*Based on a sample of approximately 100,000 loans funded on the CUDL platform.

Conclusions



Indirect Lending Will Continue to be an Important Delivery Channel for Credit Unions in the Future:

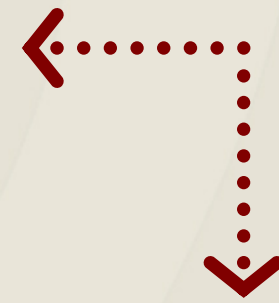
1. Most auto loans are completed at the dealership.
2. It is more convenient for members.
3. The cost to process is \leq branch loans.



Powered by



Own Versus Rent



DEALERSHIPS



CAPTIVE OWNED



BANK OWNED



CREDIT UNION OWNED

Future Keys to Success

- Point-of-Sale Lending - educate members on how to get a good deal.
- Develop unique products and features that add value.
- Continue to drive prices down.



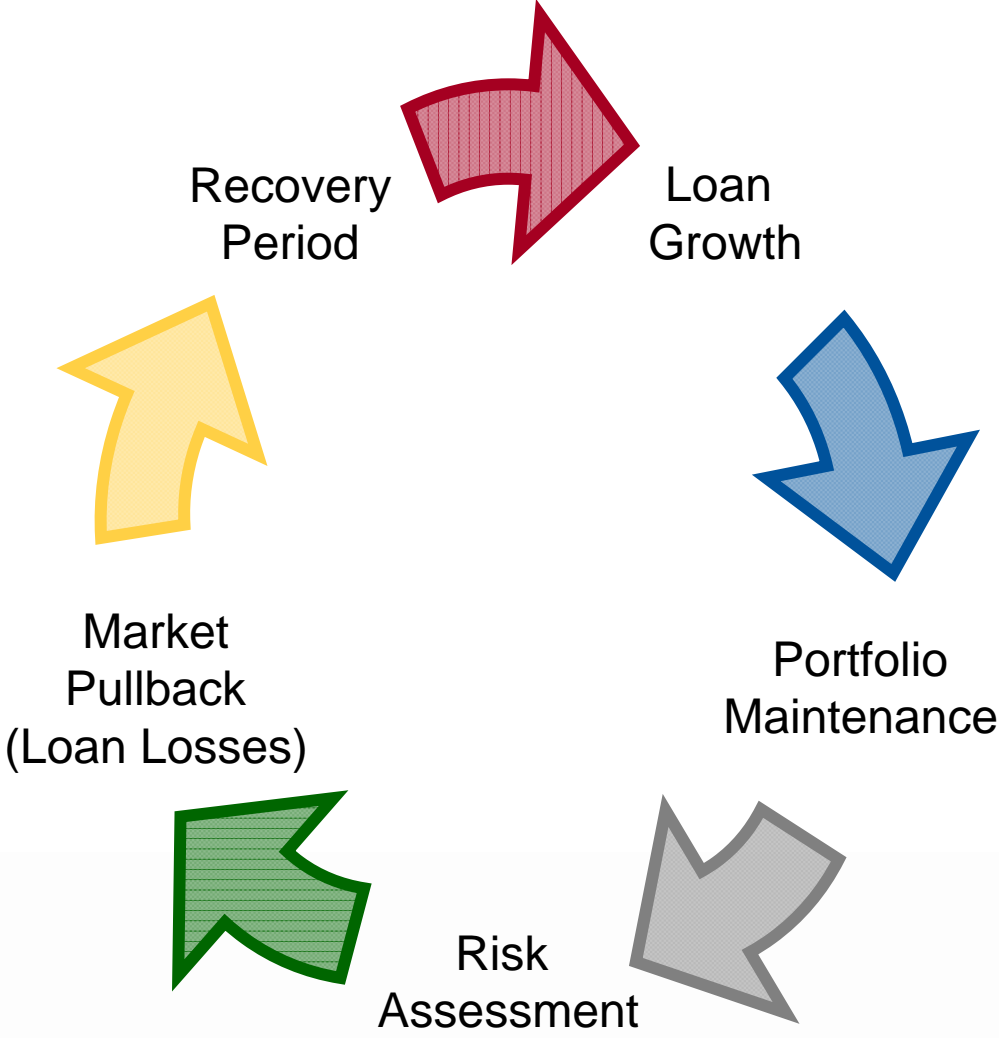
The Future of Indirect Lending

Strategies for Long-Term Growth

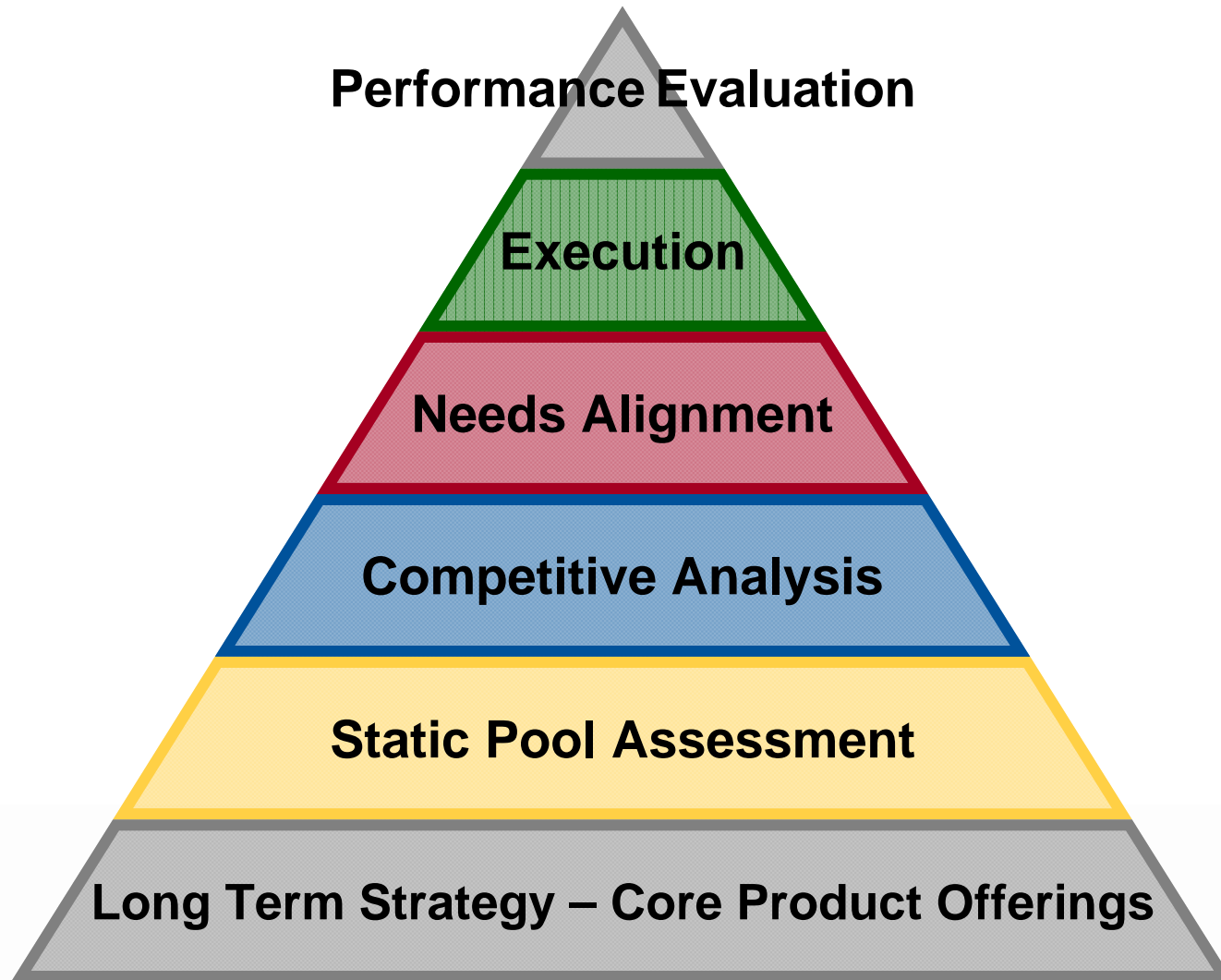
Growth in Indirect Lending

- ▶ Current state of auto loan market
 - National market volatility and uncertainty
 - Competitors exiting landscape
 - CITI Financial
 - GMAC LLC
 - Mid/Sub-Prime Lenders
 - Opportunity for capturing market share
- ▶ Must analyze each individual market

Auto Lending Market Cycles



Addressing Economic Challenges



Long Term Strategy- Core Product Offerings

▶ Loan Products

- Growing trend of dealership controlling the financing process
- Increasing credit union participation in indirect lending
- Repeat business with credit union members closing their credit union loans at the dealership

▶ Deposits

- Increasing value of a member

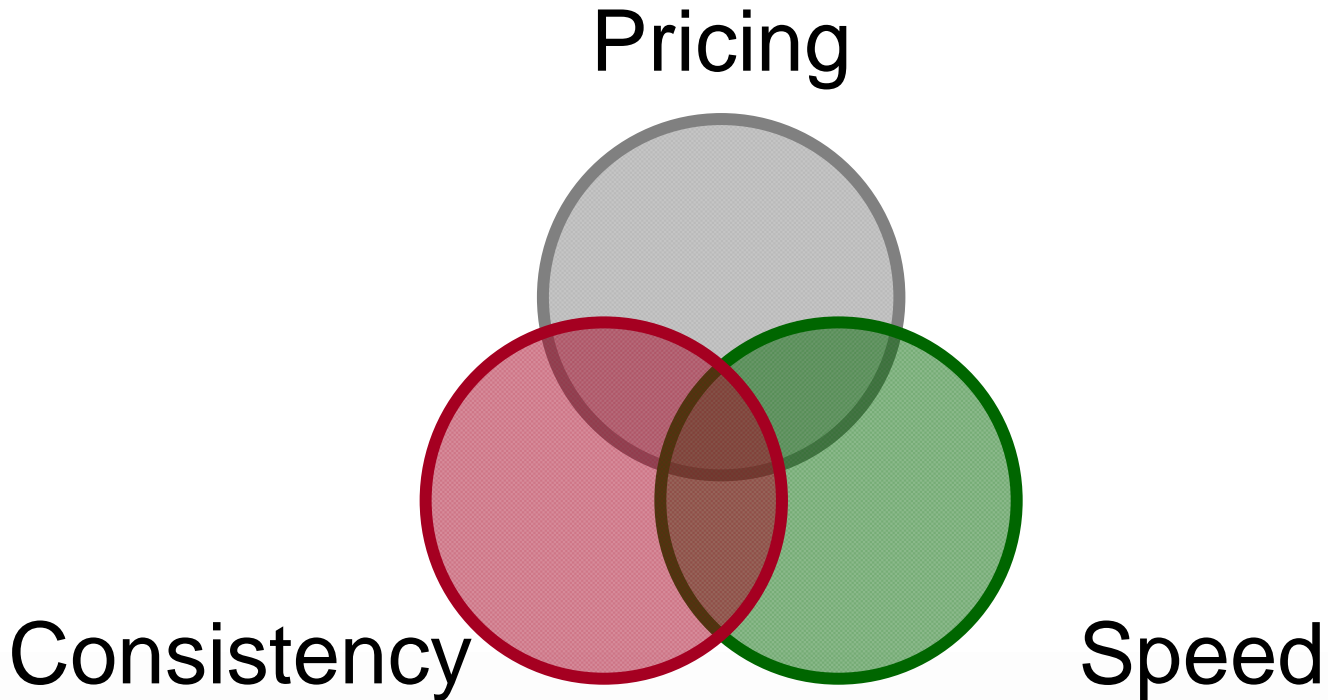


Static Pool Assessment

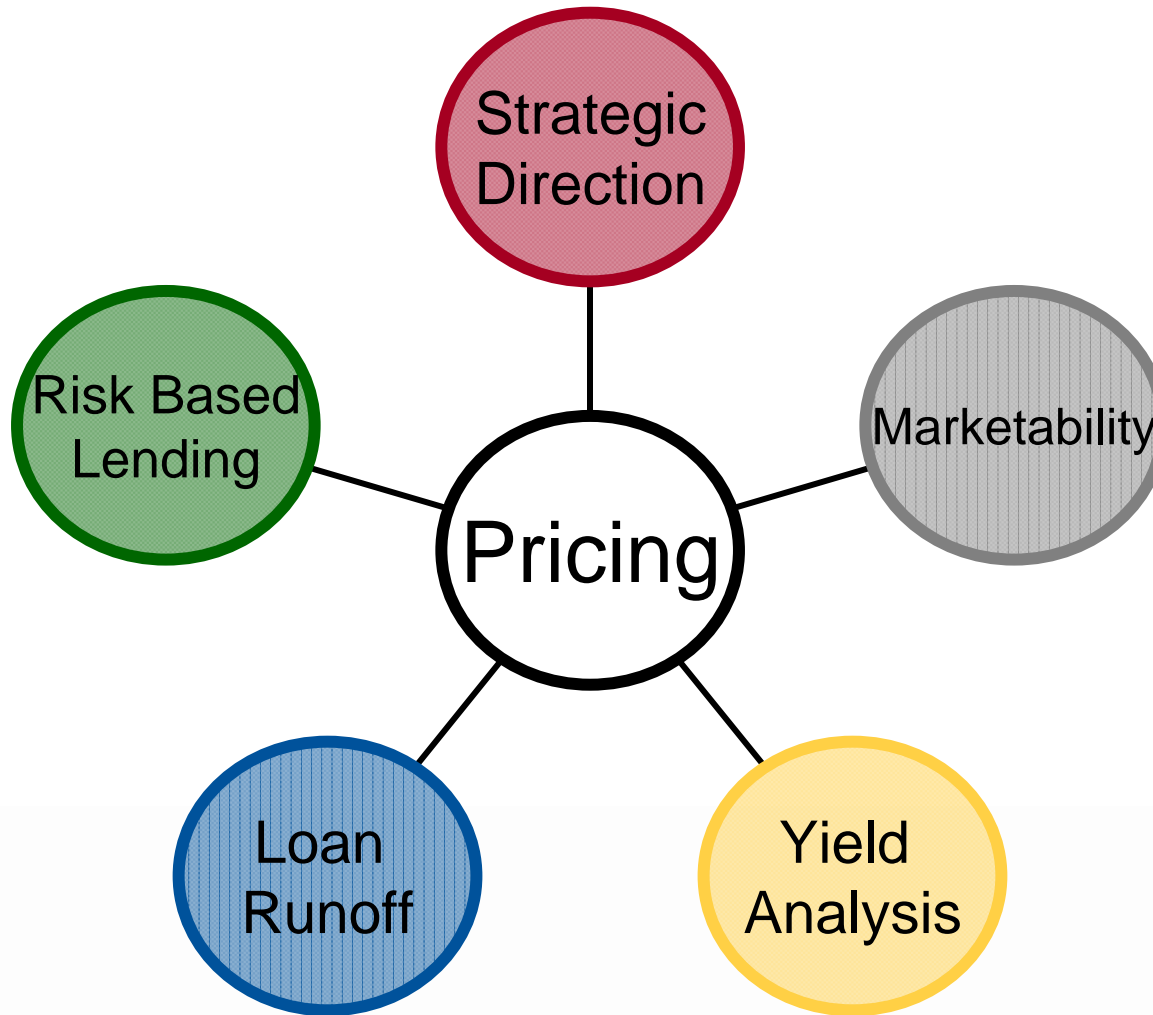
- ▶ Considerations:
 - Price Points
 - Origination Cost
 - Loan Losses
 - Cost of Funds



Competitive Analysis - Key Components



Determining Pricing



Speed & Consistency

- ▶ Automated solutions
- ▶ Consistent presence in dealership network
 - Keeps credit union financing top-of-mind
 - Helps with awareness of credit union financing
 - Shows the financial strength of credit unions/
builds confidence in both the member and the dealership

Needs Alignment

- ▶ Balancing credit union long-term strategy and market demands
- ▶ Considerations:
 - Market evaluation
 - Needs of the member base
 - Goals for indirect lending
 - Income flow
 - Value to the member

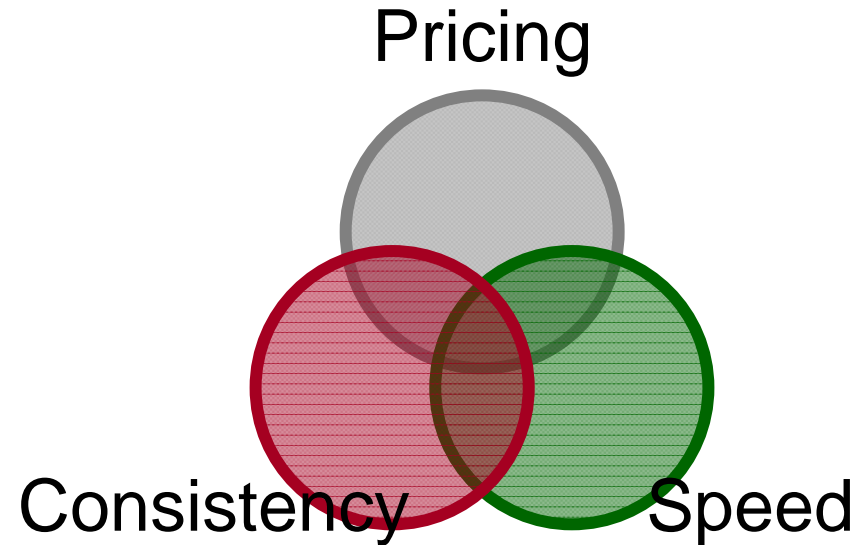


Execution

- ▶ Dealership relationship
- ▶ Marketing
 - Increasing use of internet for financing information
 - Promoting credit union financing vs. dealership inventory
- ▶ Delivery channels
- ▶ Continuing presence in dealership network through all market conditions

Performance Evaluation

- ▶ Have you achieved your long-term strategy?
 - Yield
 - Value to and from the Member
- ▶ Continuous evaluation of performance needed to address changing market needs



Thoughts on Long Term Strategy

- ▶ *“Having been in the credit union arena for over 40 years, this market cycle, too, shall pass. Actually, Envision did better in 2007 than in 2006, because we stayed the strategic course in all the fundamental areas – core loan products and competitive savings rates – without trying to grow the assets ... While we’re well capitalized, we don’t want to be too conservative ...”*
 - Ray Cromer, Envision Credit Union

Source: Fourth quarter edition of Callahan’s Credit Union Strategy and Performance publication

Thoughts on Long Term Strategy

- ▶ *“... We’re being as creative as possible in finding ways to keep members in their homes and autos. We are hosting numerous seminars for members and the community, educating them on topics relevant to what is going on around us. I recently sent a letter to all members encouraging them to contact us, because we are here to help. In response to that letter, the phones began to ring off the hook, and the good news is that we have been able to help a lot of people before their situations become worse ...”*
– Brett Martinez, Redwood Credit Union

Source: Fourth quarter edition of Callahan’s Credit Union Strategy and Performance publication

Thoughts on Long Term Strategy

- ▶ *“Amplify Federal Credit Union and the rest of the credit union industry faced challenges in 2007 with intense competition, compressed net interest margins and rising operating costs. In spite of this, Amplify made a conscious decision to spend and invest in our strategic objectives at the risk of short-term profitability ...”*
 - Paul Trylko, AMPLIFY Federal Credit Union

Source: Fourth quarter edition of Callahan's Credit Union Strategy and Performance publication

Questions?

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