

# LENDING FOCUS

AN ELECTRONIC REPORT FROM THE CUNA LENDING COUNCIL



## MESSAGE FROM THE CHAIR



Joe Brancucci  
Chair, CUNA  
Lending Council

It is difficult to believe that we are halfway through the summer. I know I do not have to tell you that as an industry we have been making auto loans at record numbers, dealt with a short mortgage refinance boom earlier this year, and now are developing plans to deal with a rising interest rate

environment. Your Council has been working hard as well.

The 10th Anniversary Conference in November in New Orleans has an exciting and relevant agenda. We have been able to bring together a roster that includes nationally recognized speakers such as NCUA Board Member Debbie Matz, Creditors Law Center founder Bill Mapother, Extreme Arts and Sciences CEO Randy Harrington, Lending Solutions EVP Brett Christensen, and the President of Raddon Financial Group, Bob Lawhead. We will celebrate our past and look to our future during four days of education, networking, fun and a lot of surprises. You can register now - and join

one of our largest groups of early registrants in our history.

We are also excited to announce the CUNA Lending Council Scholarship Fund. During the next few months we will be asking our partners and credit unions to contribute to this fund solely designed to provide scholarship aid to small or troubled credit unions for lending education. Our goal for the initial funding is \$1 million. Please let me know if your credit union would be interested in being a founding member.

Our quest for 500 members by November is moving ahead as well. Our newest Executive Committee member, Lloyd Gill from City County Credit Union in Fort Lauderdale, Florida and his team are working on making sure lending professionals throughout our industry know the value of membership in the CUNA Lending Council. If you know someone that is not a member now - please encourage them to join!

Have a great summer and see you in November. ♦

*Joe Brancucci  
Vice president, chief lending officer  
BECU*

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## 10TH ANNUAL CUNA LENDING COUNCIL



### BIG IDEAS in the Big Easy

November 14-17, 2004

*Celebrating 10 years of lending success*

Join a record breaking crowd of attendees at the 10th Annual CUNA Lending Council Conference. We'll be celebrating our successes for four days in the heart of the Big Easy.





New Orleans is an excellent fall destination. The weather is great and the sights and sounds of the French Quarter make this a prime destination for a conference.

With interest rates rebounding from their lowest levels in years you will learn how to develop your credit union's lending marketing program to maximize your credit union's ROA. You'll learn about the latest consumer lending trends, what is going on in the open-ended market, and what small business lending can mean to your credit union.

Four learning packed and networking filled days in the Big Easy will provide you with the Big Answers to the questions that have been uppermost in your mind. You will return to your credit union refreshed, invigorated, and ready to put the big ideas into practice.

In addition to outstanding workshops, breakout sessions, speakers, and networking opportunities, the Conference also features:

#### The Excellence in Lending Awards

These awards recognize the nation's best credit union consumer and mortgage lending practices. Winners will be announced at the Lending Awards Luncheon sponsored by CUNA Mutual Group.

#### Lending Technology Forum

Our Partners in Lending will have their latest technology on display at the Technology Forum. The forum is open Sunday from 1:00 to 5:30, Monday 4:00 to 5:45 and Tuesday from 4:00 to 6:00. On display will be the latest technology from Prime Alliance Solutions, Inc., Mortgagebot.com, Freddie Mac, CUNA Mutual, Securian, GE Mortgage Insurance, ECU Technologies (TAPS Lending), CU Direct Corporation, and Fannie Mae.

#### Golf Outing

The golf outing on Sunday November 14 is co-sponsored by PSCU Financial Services Inc., United Guaranty, and Mortgagebot.com. The event will be held at Eastover Country Club. Registration is limited to the first 44 individuals. Individuals registering after the cutoff will be contacted directly. Information about the course can be found at [www.eastovercc.com](http://www.eastovercc.com). ♦

For more information and to register, go to [www.cunalendingcouncil.org/conference\\_04.html](http://www.cunalendingcouncil.org/conference_04.html).

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## BANKRUPTCY STRATEGIES

### Creditors Meeting Creates Consensus

*Mapother says bankruptcy speaker misleads CUs into thinking they can't achieve anything at a Section 341 meeting.*

West Coast credit unions repeatedly tell me a bankruptcy speaker informs them it's "a waste of time" for credit unions to attend a Section 341 meeting of creditors (so named because the meeting is required by Section 341 of the Bankruptcy Code).

As a general rule, that advice is way off the mark and a damaging disservice to credit unions because it misleads credit unions into thinking they can't achieve anything by

attending.

My longstanding advice is that credit unions should have someone (employee or attorney) attend each meeting whenever they have a "sizable" balance and the meeting is held "nearby," unless they're fully satisfied with the "treatment" they'll get by not attending. The words in quotation marks are variables to be decided on by the well-trained person in the credit union who's calling the shots in bankruptcy cases (generally bankruptcy specialists or their supervisor).

The Section 341 meeting generally is the

only time credit unions can negotiate with the member and member's attorney simultaneously, either in the meeting or out in the hall. And you can add chapters 7 and 13 standing trustees into that simultaneous mix.

I believe in looking at each bankruptcy filing as a challenge. A qualified bankruptcy specialist (or supervisor) should analyze each filing from every angle to develop a strategy that maximizes recovery with as little staff time and outside assistance as possible.

That's a tall order, which is why the bankruptcy specialist position requires a special job description and continuing education and training.

I don't use the words "maximize recovery" lightly. Credit unions can have mediocre success (and mediocre recoveries) without attending Section 341 meetings, but that isn't my goal.

Good bankruptcy specialists know that attending the Section 341 meeting is one angle to explore in developing the best recovery strategy, so they'll ask: Can we resolve everything to our satisfaction without attending? The answer in a given case may be yes, but credit unions that rarely or never attend are making a judgment call across the board.

That's a dreadful mistake, because they fail to realize that losses often can be avoided or reduced. Having visited credit union bankruptcy departments for more than 20 years, I can say with authority that bad judgment calls abound.

Credit unions that rarely attend Section 341 meetings rarely have adequate bankruptcy recoveries. At best, their results are within their peer-group statistics, but that still brings them up to only the mediocre level.

These data from 1993 still are sound: The credit Union National Association conducted a survey to determine whether there were significant charge-off (recovery) differences between credit unions that regularly attended Section 341 meetings and those that rarely did so.

The attendees won hands down. They had reaffirmations totaling 32.3% of loan dollars subject to bankruptcy, compared with 17.2% for credit unions that don't attend all such meetings.

If you aren't going to attend Section 341 meetings, blame it on some internal deficiency. Don't hide behind the unfortunate advice from a bankruptcy speaker. ♦

### When to Attend Chapter 7 Meetings

Leverage	Local account	Distant account
None	Send no one	Send no one
Co-maker	Send employee or contact co-maker	Write debtor's attorney or contact co-maker
Fraud	Send your attorney	Send local attorney
Offering future credit	Send employee	Write debtor's attorney, then debtor
Automobile	Send attorney or employee	Send local attorney or a representative from a friendly local creditor
Real estate - First mortgage	Send attorney or employee	Perhaps handle reaffirmation by mail
Real estate - Second mortgage	Send attorney or employee	Send local attorney or negotiate by phone
Other collateral friendly	Send attorney or employee	Send local attorney or a representative from a local creditor

*William R. Mapother*  
 Founder, Creditors Law Center  
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[www.mapother.com](http://www.mapother.com)

Bill Mapother will present a Lending Council Preconference Bankruptcy Workshop November 14th. See [www.cunalendingcouncil.org/conf04\\_agenda.html](http://www.cunalendingcouncil.org/conf04_agenda.html) for details.

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## LISTSERV CONNECTIONS

Recent Lending Council listserv topics include charge off rates, approval rates, credit report frequency, HELOC floor rates, and more. If you haven't checked the listserv recently, you will be pleasantly surprised by the new format and functionality. You can opt

to receive listserv posts in your e-mail at the time they're sent, as a daily digest, or you can log on to read posts when you have time. Go to [www.cunalendingcouncil.org/newlist\\_launch.html](http://www.cunalendingcouncil.org/newlist_launch.html) to sign up and tune in. ♦

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## BUSINESS LENDING

### Free Small Business Lending Course



Thinking of offering small business loans? A smart place to start your decision process is CUNA's free Small Business Lending eCourse at

[www.cuna.org/initiatives/business\\_seg/business\\_seg\\_ed.html](http://www.cuna.org/initiatives/business_seg/business_seg_ed.html). The course offers resources and a detailed glossary in addition to a solid review of all aspects of small business lending. *Small Business Lending* covers security requirements, necessary documentation and information, Small Business Administration programs, ALM strategy, loan granting, insurance requirements, program monitoring, and products and services you may want to offer small business borrowers. ♦

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## LENDING COUNCIL SCHOLARSHIPS



The CUNA Lending Council offers scholarships each year to eligible credit union staff. A scholarship committee, led by Joe Brancucci, BECU, selects the recipients based on asset size, skills need, and financial need.

To be considered as a potential scholar-

ship recipient, applicants must meet the following requirements:

1. Credit unions up to \$50M in assets are eligible.
2. One scholarship per credit union per year.
3. Credit union must demonstrate a financial need.
4. Full-time employees and volunteers from troubled credit unions are eligible. ♦

For more information visit the CUNA Lending Council Scholarship page at [http://training.cuna.org/lend\\_scholarship.html](http://training.cuna.org/lend_scholarship.html) or contact Joe Brancucci at [jbrancucci@becu.org](mailto:jbrancucci@becu.org)

## PROCESS IMPROVEMENT

### Steps Your Credit Union Can Take to Make Your Lending Operations More Efficient.

Life is a process: it has a starting point and an end point. And in between there are countless tasks — all within their own beginnings and endings.

As we go about our daily living, there are many tasks we undertake that could be improved. Doing so would undoubtedly lead to less stress and greater efficiency. For example, laying out clothes and making lunches each weeknight would make the process of getting out of the house for school and/or work each morning much easier.

At your credit union, there are many areas where you could improve your work processes. Take, for instance, your lending department. If you look around, you might notice some signs (e.g., abrupt employee departures or oversights that prevent a closing from occurring) that all is not well. What can you do to fix the situation? Where do you start? You begin by improving your processes.

#### What Exactly is Process Improvement?

Process improvement is the practice of taking an analytical look at every phase, every series of actions you use in providing a product or service and then developing an ongoing plan to ensure that value is added at each step.

Process improvement is a continuous cycle of identification and improvement. As such, employees' participation and commitment are vital; they are needed to

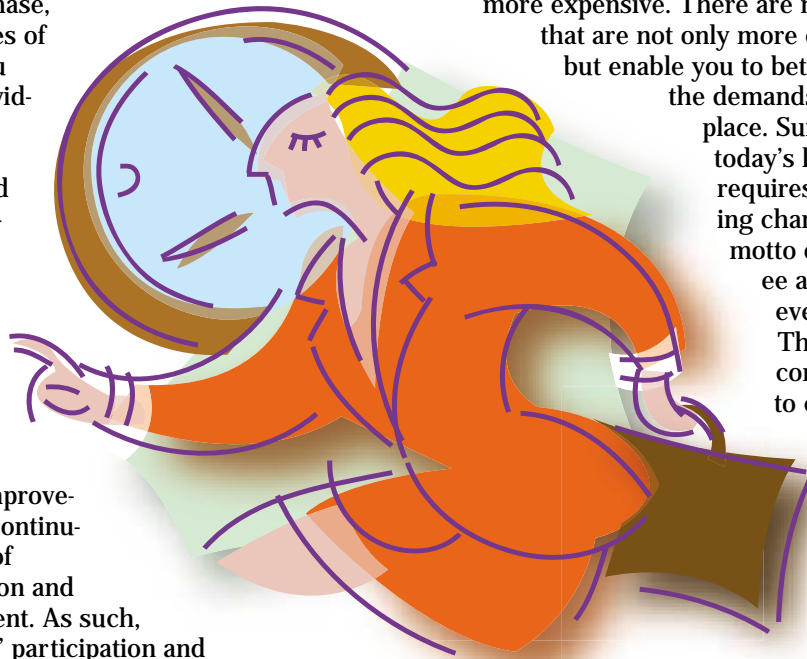
identify and suggest ways to improve the tasks they are called upon to perform.

#### How Do We Start?

Both management and employees must make a long-term commitment to process improvement. If either group fails to do so, the improvements that have been made or suggested will only gather dust in your employee manuals.

To prevent that from happening, you need to convince all parties on the importance of process improvement. Here are some lines of reasoning you can use:

- **Lead or get out of the way:** There are a lot of competitors, many new to the lending market, ready and eager to challenge you for new loans. Many (H. R. Bloc, E-Trade, etc.) have not only reinvented themselves but they've transformed the market. They've gotten consumers to expect more from lenders, and those who don't deliver will lose market share.
- **It's not your daddy's lending market:** Doing business the old-fashioned way is more expensive. There are new processes that are not only more cost-effective but enable you to better keep up with the demands of the marketplace. Surviving in today's lending market requires that "embracing change" be the motto of every employee and a part of every process. Those lenders who continuously adapt to changes in the marketplace end up grabbing the biggest pieces of the pie before anyone else.



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They become aware of trends long before their competitors do and thus are able to respond to them first.

#### How Do We Know We Can Use PI?

Is your credit union a candidate for process improvement? You are if any of the following are happening in your lending department (or elsewhere in the credit union):

- *Paper*: If there is a pile of paper higher than the walls of your cubicles, then you're in need of some serious PI. Going electronic, as much as possible, is more effective than using paper. Face it. Digital is faster and more accurate. Paper can get outdated.
- *Oops*: A significant amount of time and energy are spent on correcting errors. If errors are happening but you're not sure of how much time it takes to do the work over, you should start collecting that information. Some lenders, for instance, have found themselves needing to redo paperwork when loans were made on questionable collateral or when information such as marital status wasn't provided. PI allowed them to review their methodologies and institute changes that cut down on expensive errors.
- *The need for speed*: Is your credit union a snail in today's lending marketplace? How long does it take for your members to get, fill out and receive a decision on an application? Borrowers are applying to more than one lender and their business goes to the one who can close the loan first.

#### Where Do We Start?

If it now appears that your credit union is in need of PI in its lending department, following are some steps you can take to improve the quality of service to your members.

The *first* step is determining your value chain, or defining the steps you take to add value to your product or service. This can be very enlightening — you may end up surprised to discover how much time you spend doing things that do not add value.

For those processes where there is no value added, you have to decide whether to remove, shorten or outsource them. Deciding what to do is hard, but remember, your competitors, especially new lenders in the market, are not encumbered by any old, low-value (or no value) processes that you may have. You shouldn't be either.

Your *second* step is mapping your processes, from back to front. Starting with the last part

first, you write down every step you do along the way and measure how long it takes to complete each one. This will provide you with a baseline to look at when you start the process improvement.

As you're documenting the steps, identify the things that don't add value. For example, if you decide that data entry doesn't add value, look for ways to change it. Among your options: outsourcing it so you can focus on core responsibilities, using automation, finding ways for members to do the data entry themselves. (It's called "outsourcing to the member," and online banking is a good example of this. It's also something many institutions are considering and can actually be a boost to consumer satisfaction.)

Your *third* step is to review the results and findings from the first two steps. Then you can decide what steps should be eliminated or reduced. When trying to decide which steps to take first, go for the ones that are either the most time consuming or don't add value.

Your *fourth* step is to act, react — and then start all over. Once you've identified what does and does not contribute to your value chain, you have to act. But don't try to change it all at once. Make a small change to see how it affects the system. Changing one thing may have a cascading effect. Once you make a change, assess its effect. Think of it as fine-tuning over and over again.

#### Don't Stop Now!

When process improvement is done right, it's done continuously. You're constantly re-evaluating what you have done. Process improvement is never completed. It's not designed to be.

Process improvement is based on continually identifying areas of improvement. As a result, creating a culture of change is critical to its success. Also critical is rewarding employees for doing their part. As noted previously, a commitment from employees is essential to identifying areas of improvement and then in performing any necessary improvements. Many U. S. employees toil in the typical worker/supervisor/manager organizational chain of command. This certainly is not a progressive working structure. What's needed today is a self-directed work team, which removes the hierarchical barriers to improvements while operating under the belief that people will naturally work to improve their jobs.

In order for PI to succeed, it's also necessary



for there to be a climate where employees at every level feel free to speak their minds and where they are told and believe that their jobs entail making things better.

And do note: When you seek suggestions for change, you must be prepared to act on those that stand to help the credit union, and you should reward employees whose suggestions you use. The reward should be thoughtful and meaningful but not non-monetary.

Process improvement isn't easy but it is beneficial. The key to success is remembering that it is an ongoing process and that commitment is needed from both management and employees. And it's important to remember that ultimately the hard work will pay off in the quality of service delivered to members. ♦

## Online Resources

Here are some firms that offer tools and other resources to help organizations become more efficient:

Transforming Solutions Inc.

[www.transforming.com/contents.html](http://www.transforming.com/contents.html)

Agilean Corp.

[www.agilean.com](http://www.agilean.com)

Process Model Inc.

[www.processmodel.com](http://www.processmodel.com)

*Tim Gilchrist*

*SVP Quick Close Operations  
for Integrated Loan Services*

*Fiserv Inc.*

[tgilchrist@ils.com](mailto:tgilchrist@ils.com)

Article Courtesy of Robin Johnson, Editor The Federal Credit Union Magazine ©Federal Credit Union Magazine July/August 2004

## NEW MARKETS

### Lend Where Members Spend

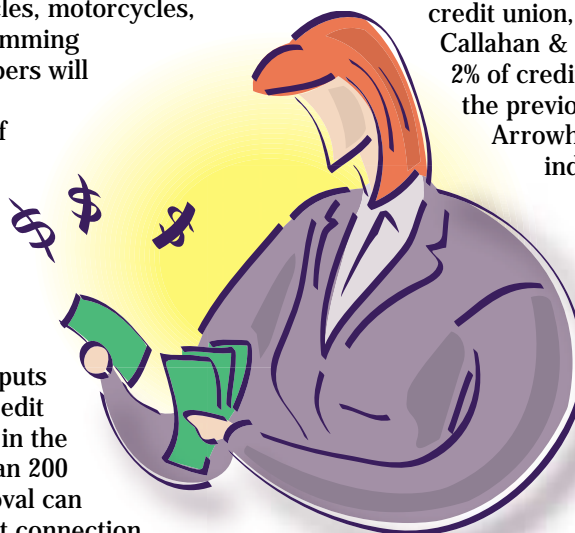


*Your members buy on credit at all kinds of retail outlets. So, why not lend where they spend? No need to limit your retail lending operation to automobile dealers.*

Furniture. Jewelry. Home improvements.

These purchases often are made through a loan. Why not be there to lend to your members? And don't forget recreational vehicles, motorcycles, boats — even swimming pools. Your members will thank you while they're cooling off on a hot day.

Arrowhead Central Credit Union of San Bernardino, California, has a retail direct lending program that puts the community credit union's loan apps in the hands of more than 200 merchants. Approval can be just an Internet connection away.



#### Loans for cosmetic surgery

Arrowhead (\$729 million assets; 133,000 members) even makes loans for laser eye surgery and cosmetic surgery (yes, that kind). Arrowhead's rates knock the socks off competing lenders' rates, and members appreciate that so much that they sometimes can't wait to show the surgical results to Arrowhead staff. (Too much information.)

Arrowhead started its retail direct lending program more than five years ago, and it has contributed to strong loan growth at the credit union, which last year was cited by Callahan & Associates as among the top 2% of credit unions in loan growth over the previous five years.

Arrowhead's program works like an indirect auto lending program.

Participating merchants must agree to follow Arrowhead's rules; that includes taking the risk if they don't follow Arrowhead's stipulations.

Merchants can fax applications or use Arrowhead's Internet-based application program, which Arrowhead prefers. With the Internet,

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merchants also can get a decision right away on whether the borrower qualifies based on credit score, debt, membership status (non-members may join the credit union at the time of taking out a loan), lending relationship with Arrowhead, etc.

#### Riding high with recreational vehicles

One example of the success of Arrowhead's retail direct program is recreational vehicles. Arrowhead has 21 RV dealers at 40 locations. It averages more than 500 applications a month with an approval rate of 55%. The credit union has about \$70 million in loan volume for RVs alone. And RV buyers tend to have good

credit quality, says Susan Conjurski, senior vice president of lending at Arrowhead.

Conjurski cautions that it's important to know the merchants in your program and know that they're reputable. ♦

Gloria Green  
*Lending product marketing expert*  
CUNA Mutual Group

For more great lending articles, go to CUNA Mutual's online resource, "Added Dimensions" at [www.cunamutual.com/cmj/addedDimensions/home/0,1775,9057,00.html](http://www.cunamutual.com/cmj/addedDimensions/home/0,1775,9057,00.html)

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## NEW MEMBERS

### **Rita A. Acosta**

VP/CLO  
Texas Bay Area FCU

### **Roger Allard**

VP-Lending  
Merrimack Valley FCU  
North Andover, MA

### **Tim A. Amato**

VP-Lending  
Weyerhaeuser Employees CU  
Longview, WA

### **Tammy Armstrong**

VP-Lending Services  
Midland Community FCU  
Midland, TX

### **Kevin Bevacqua**

Sound Credit Union  
Tacoma, WA

### **Michael C. Bunge**

Chief Operations Officer  
CUNA Credit Union  
Madison, WI

### **Douglas C. Corl**

VP-Loan Quality  
Patriot FCU  
Chambersburg, PA

### **Kathy F. Cruz**

Chief Lending Officer  
Bridgeton Onized FCU  
Vineland, NJ

### **A. Dale Dalbey, CCUE**

President/CEO  
Mutual Savings CU  
Birmingham, AL

### **Donald Evans**

Director-Lending  
Hudson Valley FCU  
Poughkeepsie, NY

### **Luis W. Gonzalez del Valle**

AVP-Consumer Lending/Card  
Services  
U of C FCU  
Boulder, CO

### **Fidel Gonzalez, CUCE**

VP-Financial Services  
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### **Pamela K. Gregg**

SVP-Lending  
Denali Alaskan FCU  
Anchorage, AK

### **Jonathan M. Guepe**

VP-Lending  
Apple FCU  
Fairfax, VA

### **Gwen Harnen**

Director-Consumer Lending  
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Poughkeepsie, NY

### **Dean Harris**

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### **Edward L. Haubert**

SVP-Lending  
Credit Union of New Jersey  
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### **Gregory W. Hill**

VP-Lending  
Premier Members FCU  
Boulder, CO

### **Phyllis A. Kaczmariski**

Manager-Loan Administration  
Twin County CU  
Olympia, WA

### **Susan Kearney-Serrano**

Manager-Mortgage Loan  
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Manhattan Beach, CA

### **Cynthia Lawson**

Manager-Mortgage Lending  
Chaco CU Inc  
Hamilton, OH

### **James T. Letcher, CCUE**

RVP-Lending  
CUNA Mutual Insurance  
Society  
Madison, WI

### **Anita Lintzen, CCUE**

President  
Midland community FCU  
Midland, TX

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**Janice Mehle**  
VP-Lending  
Sun West Educational CU  
Pueblo, CO

**Deanna K. Meyer**  
President/CEO  
Ohio Valley Community CU  
Clarington, OH

**Gregory J. Mills**  
VP-Lending  
Colorado Springs CU  
Colorado Springs, CO

**Kevin Morse**  
VP-Lending  
Warren FCU  
Eugene, OR

**Ethan L. Nelson**  
Manager-Underwriting  
Oregon Community CU  
Eugene, OR

**Diann M. Owen-Gaines**  
VP-Lending  
Clackamas community FCU  
Oregon City, OR

**Susan Parry**  
Vice President  
Deseret First FCU  
Salt Lake City, UT

**Randall Petersen**  
VP-Loans/Collections  
Kern Schools FCU  
Bakersfield, CU

**Diane Reasons**  
SVP-Lending  
First South CU  
Bartlett, TN

**Dennis L. Schaefer**  
Chief Lending Officer  
First Community CU of  
Houston  
Houston, TX

**Brian G. Sherrick**  
Executive Vice President  
Postal CU  
Woodbury, MN

**F. Michael Sisk**  
VP-Lending  
Sharonview FCU  
Charlotte, NC

**Linda J. Stephens**  
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Fairborn, OH

**George E. Stinnett**  
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Alcoa Tenn FCU  
Alcoa, TN

**Michael E. Sullivan**  
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**Shirley k. Tomczyk**  
Branch Manager  
Capital Community Credit  
Union  
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**Tina C. Werking**  
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**Roland W. Whitesides**  
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Deseret First FCU  
Bountiful, UT

**Dale Wynn**  
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**LENDING FOCUS**

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