



Beyond Bread & Butter: How Auto Lending Can Be A Differentiator For CUs

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by David Jacobson

Some may think that blurring the lines between credit unions and other lenders is good for credit unions, while others can argue that becoming more like a bank without providing distinct benefits to members will eventually dilute the credit union uniqueness and ultimately cause credit unions to face a new and serious set of challenges.

The automotive industry provides a great opportunity for credit unions to stand out among the crowded group of lenders. Providing members with a complete automotive resource and buying support product along with a member call center will separate credit unions from the pack.

Recently, the global diversified financial provider Capital One decided to partner with AutoTrader, one of the nation's largest automotive research and buying support resources.

Like many other banks, Capital One realized what many credit unions already know-there is great value in partnering with a company that can support the auto buying needs of consumers/members.

But the question remains, what level of support do members expect and how can a credit union prepare for the need?

What does a bank tell a customer who calls with a complaint against the dealership they recently purchased a vehicle from? The answer: something completely different than how a credit union would respond. Unlike banks, most credit unions serve a specific community, population, or employee group.

This relationship means the credit union must wear many hats. Once a credit union bridges the gap between them and auto dealers via indirect lending, members come to expect that the credit unions not only provide financing, but also be held accountable for the purchase experience itself.

Unique Relationship Has Its Privileges

This unique relationship has its privileges; however, the credit union must be prepared to support the need it requires.

Simply providing the technology of research tools is not enough. The credit union must align itself with a capable provider or equip itself internally to handle member issues and complaints.

Indirect lending continues to provide an outstanding opportunity to credit unions that are looking to increase membership.

The signing of new members through the dealer network has allowed credit unions to grow membership at an increased pace.

Unfortunately, for many credit unions, this has diverted attention away from the very reason credit unions entered the market in the first place.

Quality Auto Buying Experience

By providing current members with a quality auto buying experience and offering credit union financing at the point-of-sale, credit unions would retain a larger percentage of the auto loans taken by current members. In a true comparison test, compared, current member loans provide better quality paper than new member loans.

Moreover, current member loans have a significantly higher look-to-book ratio and approved-to-book ratios than new member loans.

Credit unions need to handle current member and new member growth independently of each other.

Community charter credit unions should handle marketing as if they do not have a community charter. In so doing, they will diligently and effectively cultivate the most valuable resource they have-current membership.

Offering and effectively marketing to members a complete automotive buying support product will not only provide more loans, but also create a grassroots effort for membership growth.

When they receive a high quality auto purchase experience as a result of their relationship with a credit union, members can and will talk. Neighbors, co-workers, and other potential members will react.

The need for automotive support is one, if not the greatest need a credit union can provide members.

David Jacobson is founder and president of GrooveCar, Inc., a Long Island-based online resource on all things automotive, including leasing and financing to credit union members. For info: www.groovecar.com.

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