

# Recovery Optimization for Your Lending Program

October 18, 2016

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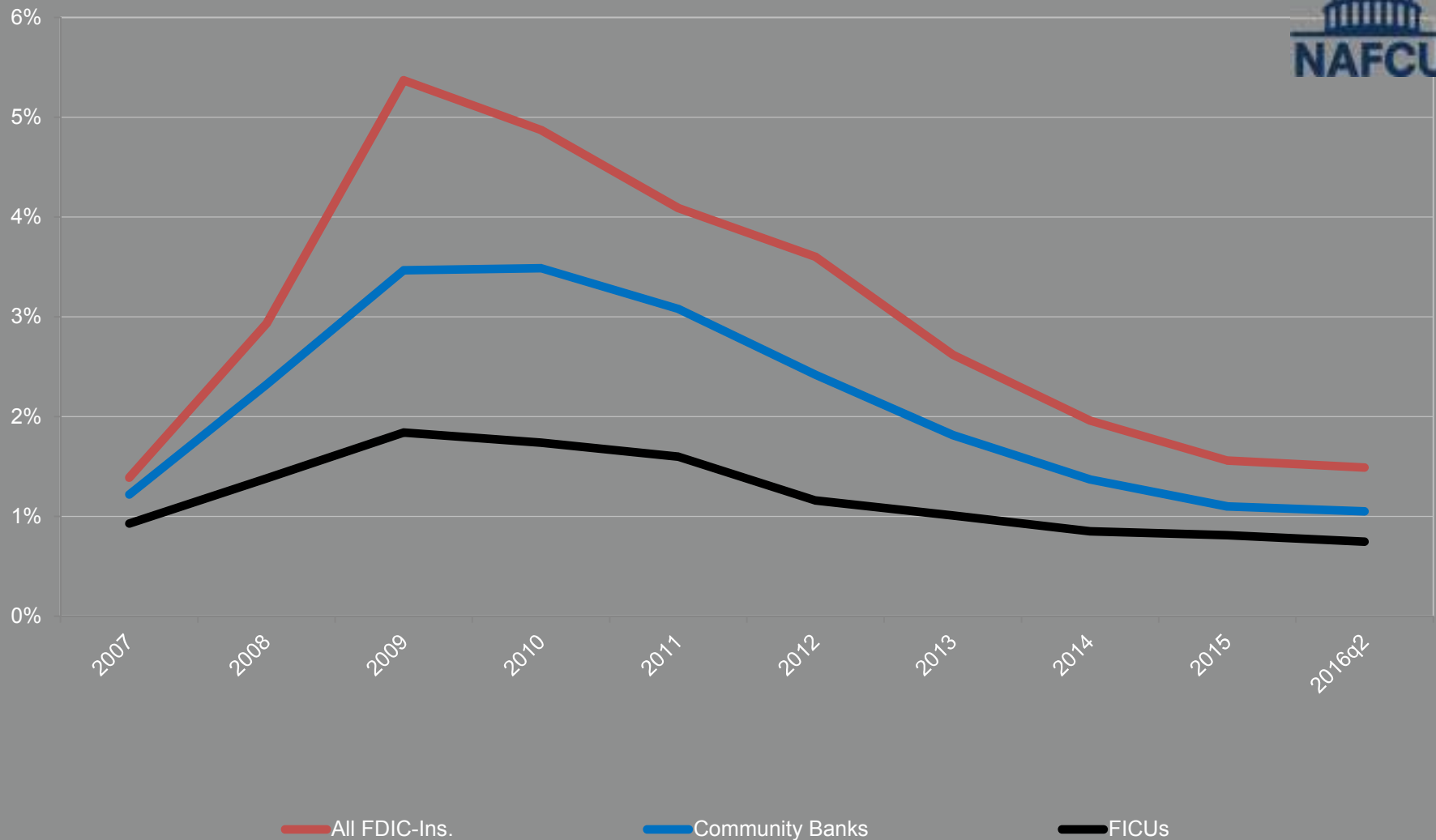
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# Topics to Cover – Items of Interest

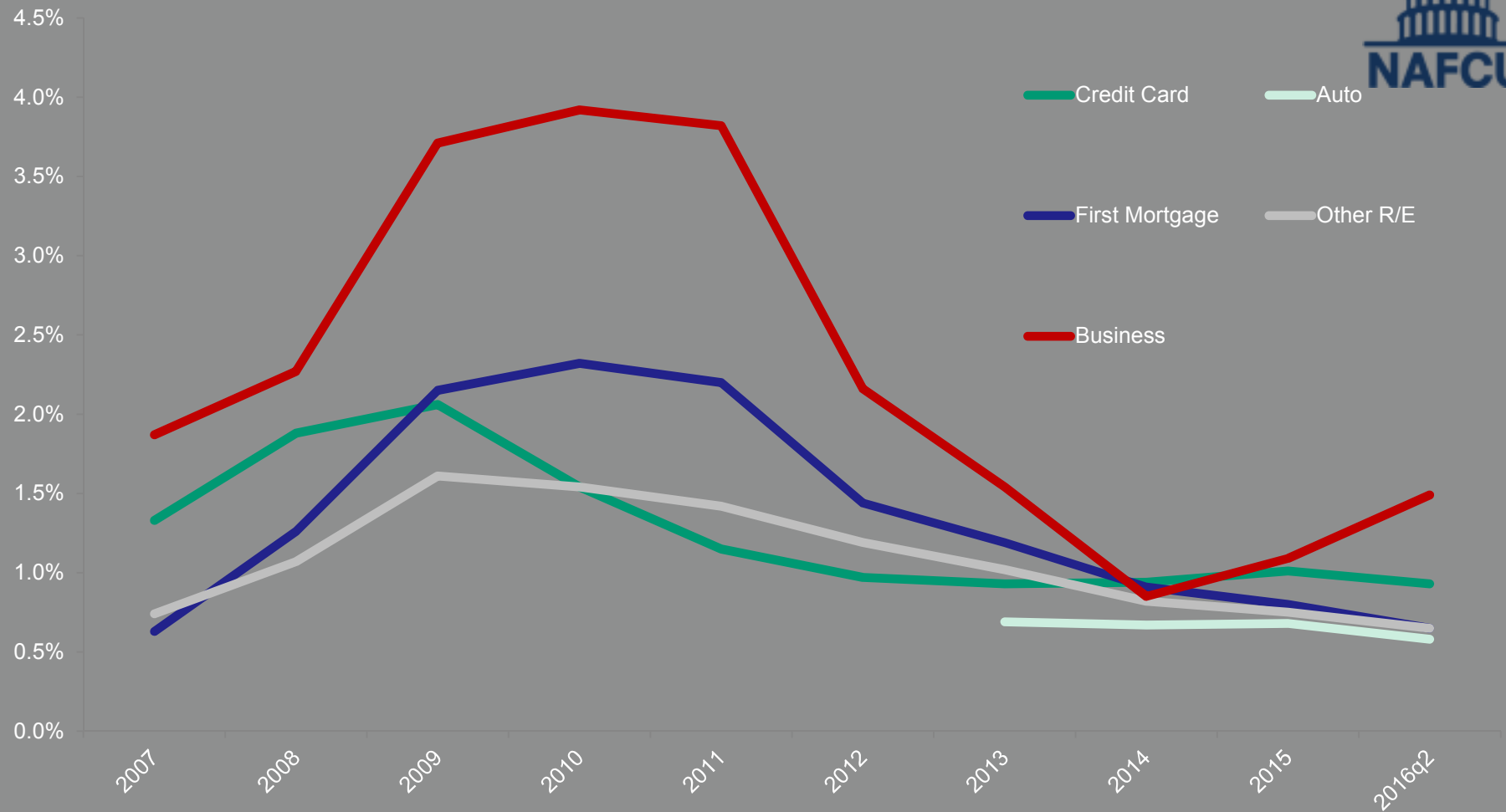
- Current delinquencies
- Some current procedures
- Some current offerings
- New products and offerings
- Recommendations for consideration

# Delinquency Ratios



Source: NCUA, FDIC

# FICU Delinquency Ratios by Type



*Note: Auto delinquencies not available prior to 2016*

*Source: NCUA*

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# Risks

*Franchise versus Non-Franchise Dealers*

**Inadequate Vendor Support**

**Lack of Data to Determine Risk Tolerance**

**Identity Theft**

**FTE ownership Lender Level**

*Product Cancellation*

**Inadequate Underwriting Guidelines**

*Military Personnel-Lending and Collection*

**Lack of Risk Management Tools**

**Weak Dealer Contracts**

**Lack of Early Delinquency Indicators**

*Ill equipped Collections Model*

**Borrower Fraud Rings**

**Insufficient Legal Counsel Support**

**Dealer Compliance**

***Lack of Strong Management Oversight***

*No Dealer Quality Control / Audit Program*

**Repossession/Redemption/Reinstatement Compliance**

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# Internal Risk Mitigators

- Strong Dealer Contracts
- Audit Program
- Buy Back Provisions
- Early Delinquency Indicators
- Robust Collection/Recovery Model
- CFPB

# Internal Risk Mitigators (cont.)

- Effective Charge Off Collections
- Strong Legal Support
- Strong Underwriting Guidelines
- Dealer Buy Back Programs
- Dealer Management
- Process for Product Cancellation and Credit



# External Risk Mitigators

- Insurance
- Insurance Tracking
- Title Tracking
- Address Scoring Services
- AutoCheck
- CARFAX

# External Risk Mitigators (cont.)

- DRN
- License Plate Recognition
- SKIP Resources
- REPO Resources
- Alert Services
- Product Cancellation Provider

# Litigation Regarding Repossessions

- Trend
- Class Action

# Make Recovery Easier

- Forwarders/Aggregators for expanded footprints
- Data Driven Providers (LPR)
- Integration with Insurance Program
- Integration with Collection Software
- Strong Indemnification Contracts
- Use Remarketing Support
  - Online Auction

# Red Flag Mitigators

- Compliant Vendors
  - Fidelity Bonds
  - Background Check
  - RISC Members
  - Secure Lots
  - Insurance Required Garage Liability
- Measure/Score
  - Recovery Rates
  - Speed of Recovery
  - Complaints

# Robust Recovery Model

State Specific  
Notification and  
Processes at time of  
repossession  
(redemption and  
reinstatement)

*Robust locate resources, SKIP,  
LPR, Repossession network,  
incentives and payments*

**Recovery partner for  
Dealer Products  
(GAP and MBP)**

## **Internet Bids for Collateral**

**License Plate  
Recognition**

***Remarketing  
Strength beyond  
local***

*Indirect Collection  
Practices- speed to  
collect and  
repossess*

Territory  
Management  
versus  
Local/State  
Management

*Legal resources for Dealer Recourse*

**Vehicle Alerts**

*Compliance Focused*

*Recovery Program-  
insurance recovery on  
repossessed collateral*

Buy Back  
Provision  
Adherence

Built out and tested ahead  
of loan delinquency –  
Leverage partners and volume

**Data analytics on loan performance/dealer performance**

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# Recommendations



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