

# Lifetime Auto Loan

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## Business Plan

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## Executive Summary

### The Problem

Credit unions need to differentiate themselves with innovative loan products in order to compete in the crowded and increasingly aggressive auto lending marketplace. Members need a convenient way to finance their vehicles with the credit union.

Auto lending has not changed appreciably in the past 20 years, with the exception of indirect lending and the ability to underwrite loans quickly through automation. In fact, it remains a commodity business with “me too” products offered by a crowded field including banks and the auto manufacturers’ captive finance companies. Vehicle loans still comprise a significant percentage of credit unions’ loan portfolios and are considered a core product. However, credit unions have been struggling to maintain their grip on this core. Credit unions need an innovative, cost-effective and efficient auto loan product that meets consumers’ increasing demands for convenience.

### The Solution

The Lifetime Auto Loan is that kind of innovative product. After completing an initial application, the credit union member may purchase and finance vehicles throughout their lifetime without ever having to complete another application or come into the credit union. It consists of four components:

- An open-end lending agreement,
- A power of attorney that enables the Credit Union to secure the collateral without requiring the member to come into the Credit Union,
- A pre-approved loan check mailed at six month intervals beginning 18 months after the last auto loan advance,
- Ongoing member communication and education via a summary statement, sent at six month intervals, which includes the member’s current pre-approved amount, the amount of the existing auto loan, the trade-in value of the member’s car, and the amount of equity that the member has in the car.

The Lifetime Auto Loan is truly a differentiating product because banks generally do not offer open-end auto loans. Open-end lending is quite common in credit unions.

The goal of the Lifetime Auto Loan is to eliminate the need for a member to submit future auto loan paperwork, made possible by the fact that the product contains a blanket power of attorney agreement for current and future lien purposes. From the member’s perspective, the first Lifetime Auto Loan application should be the last time he or she will need to sign documents for an auto loan with their credit union.

The biggest difference between this program and standard open-end lending plans is the empowerment that is provided to the member through continual pre-approval, the pre-approved check and the knowledge of their equity position on an ongoing basis. Additionally, the Lifetime Auto Loan highlights the convenience of open-end lending in a way that most credit unions have not successfully communicated to their members thus far.

## **Implementation**

The Lifetime Auto Loan can be originated at the new member account opening or at any other time during the member's relationship with the credit union. Even members who come in through the indirect channel could be converted into Lifetime Auto Loans after their original loan is complete. Members sign the open-end plan documents, including a blanket power of attorney. Once completed, the credit union provides the member with a loan pre-approval and a check, good for a limited time and capped at the approved amount. Restrictions on the loan-to-value ratio of any new vehicle, and loan rates and terms, may also be specified. After the relationship is established, communications will be sent to the member every six months with "servicing" information. This communication will be used to reinforce the benefits of the plan, and to provide the retail and wholesale value of the existing auto loan. If qualified through a pre-screen, it will also contain a loan pre-approval check good for a limited period that can be used to purchase another vehicle. When a member completes the check and presents it to a dealer, the dealer deposits the check as they would any other check. Upon receipt of the check (through the standard clearing channel), the credit union establishes the loan and secures a lien using the blanket power of attorney.

The Lifetime Auto Loan program would most likely best run through a national credit union organization that can provide support, documents, processing, etc. Under such a structure, the credit union might pay that organization a franchise/branding fee and servicing costs in addition to the costs of open-end and blanket power of attorney forms and member marketing/advertising.

## **Benefits**

This product is truly a credit union differentiator since banks and most other auto loan competitors do not offer this type of relationship product. Additionally, the convenience of the Lifetime Auto Loan makes it much easier for consumers to bring auto loans to the credit union. This convenience may attract new members and will build auto loan loyalty among current members. The flexibility can also transform one-time borrowers into lifetime borrowers, deepening the member relationship.

From the perspective of the member, the Lifetime Auto Loan application should be the last auto loan application he or she completes at their credit union. Thanks to ongoing communication regarding vehicle equity and the issuance of new pre-approval checks, members also enjoy the added benefits of regular communication from the credit union about not only their loan balance but also about their car value and equity position. This ongoing servicing will empower and educate the member, and it should increase the likelihood that the member will finance their future vehicles with the credit union.

## The Lifetime Auto Loan

After completing an initial application, the credit union member may purchase and finance vehicles throughout their lifetime without ever having to complete another application or come into the credit union. It consists of four components:

- An open-end lending agreement. The Lifetime Auto Loan uses a standard open-end lending plan such as CUNA Mutual's LOANLINER. The open-end plan establishes an ongoing relationship which enables the member to make subsequent advances without completing a new application.
- A power of attorney. By signing a power of attorney, the member gives the credit union the right to take the necessary steps to secure collateral without additional signatures from the member. It therefore eliminates the primary reason that members come into the credit union to close auto loans.
- A pre-approved loan check that is mailed to the member twice a year beginning 18 months after the last auto loan advance (along with the summary statement described below). By establishing an ongoing pre-approval system, the member is always aware that they can establish their next car loan with the credit union, without concern as to whether they will be approved. It also eliminates member concern about how long it may take for the credit union to approve future loans.

The pre-approved check provides the means for the member to activate their loan, regardless of whether the credit union is open or closed. It also enables the member to purchase the vehicle as a "cash buyer," which reduces some of the hassle usually associated with purchasing a new vehicle. Ideally these pre-approvals would be valid until the next summary statement is mailed (every six months). By doing so, the member would be aware of their ongoing pre-approval so that they would be in a position to purchase subsequent vehicles whenever they chose to do so. Some credit unions may choose to pre-approve for a shorter period of time to reduce their risk exposure. This could also be done in combination with more frequent summary statements (e.g. quarterly), so that qualified members would always have an active pre-approval.

- Ongoing member communication and education via a summary statement, sent at six month intervals (along with the pre-approved check, if the member qualifies), which includes the member's current pre-approved amount, the amount of the existing auto loan, the trade-in value of the member's car, and the amount of equity that the member has in the car. This servicing component provides valuable information that is generally not conveniently available to the member. It empowers the member to make informed decisions on future purchases based on their equity position in their current vehicle.

The Lifetime Auto Loan is truly a differentiating product because banks generally do not offer open-end auto loans. Open-end lending is quite common in credit unions.

The goals of the Lifetime Auto Loan are to eliminate the need for members to submit future auto loan paperwork, and to empower the members with the information and the tools they need to purchase vehicles. From the member's perspective, the first Lifetime Auto Loan

application should be the last time he or she will need to sign documents for an auto loan with their credit union. The biggest difference between this program and standard open-end lending plans is the empowerment that is provided to the member through continual pre-approval, the pre-approved check and the knowledge of their equity position on an ongoing basis.

## **Business Strategy**

### **The Market**

The auto loan business is a highly commoditized market. There is virtually no differentiation between the products that banks, finance companies and credit unions offer. The key success factors are rate and convenience. Credit unions are generally very competitive with their rates, but tend to fall short in the area of convenience. Purchasing a vehicle often occurs on the spur of the moment. Members move quickly from window shopping to purchasing. Auto dealers are highly effective at capturing the financing, based on the speed and convenience of one stop shopping, and the effectiveness of their highly trained sales staffs.

Many credit unions participate in indirect lending in recognition of the fact that it is very difficult to effectively compete against these inherent dealer advantages. There are some challenges to this approach. First, the margins are very thin in order for credit unions to capture business. Additionally, credit unions struggle to establish profitable relationships with members who join the credit union through the indirect channel.

Most credit unions also compete with the traditional tools on the direct side of the business. These tools include low rates, rate matching, pre-approvals, regular marketing to members with existing auto loans, and loan recapture marketing programs using the credit unions communications channels (e.g. direct mail, newsletters, web site, etc.).

### **The Advantages**

The Lifetime Auto Loan represents a new approach to the direct auto loan business. It focuses on making it more convenient to finance loans, over a lifetime, with the credit union. It addresses several member "pain points."

<b>Member Pain Points</b>	<b>Benefits of the Lifetime Auto Loan</b>
Members don't enjoy the haggling and uncertainty associated with buying and financing a vehicle at a dealership.	Members can shop as cash buyers with a pre-approved credit union check.
Members don't know whether the credit union will approve their loan request, or for how much.	Members always know that they are pre-approved, and they know the amount of the pre-approval.

Member Pain Points	Benefits of the Lifetime Auto Loan
Members don't like waiting for the credit union to approve their loan.	Members don't have to wait. They present their pre-approved check to the dealer when they are ready to buy a vehicle.
Members don't like completing loan paperwork.	Once members complete their first application, they don't need to complete additional paperwork for future vehicles.
Members often don't know how much equity they have in their vehicles, resulting in any "negative equity" being rolled up into a new loan.	Members always know how much equity they have in their vehicle, empowering them to align their future purchase decisions with their own financial self-interest.

For the credit union, the Lifetime Auto Loan has several advantages:

- Most importantly, it increases the likelihood that credit unions will gain subsequent auto loans from members.
- It is a unique product offering, which because it is currently not available anywhere else in the marketplace, will help to differentiate credit union from the competition. Because banks do not typically offer auto loans on open-end plans, the product has the potential to be a sustainable differentiator.
- It helps to build a long-term relationship with the member through ongoing servicing, pre-approval and useful information.
- It improves upon the existing efforts of many credit unions to capture direct auto loans by standardizing the pre-approval process, the pre-approved check, and periodic marketing to members with existing loans.
- It provides an opportunity to turn members who join the credit union through the indirect channel into repeat business.

## Operations

### Decisions for the Credit Union

Many aspects of the Lifetime Auto Loan are customizable for the credit union. The following table covers some of the operational decisions that a credit union should make when implementing the Lifetime Auto Loan program.

Information	Source
Who will qualify for a Lifetime Auto Loan?	The credit union decides which members will qualify for the Lifetime Auto Loan. The credit union may want to limit the program to members with "A" credit, at least initially, in order to limit its risk. The credit union could choose to provide the basic servicing information via the summary statement without pre-approving or issuing checks to less credit worthy members.
What is the maximum loan-to-value ratio that the credit union will accept?	The credit union decides the maximum loan-to-value ratio that it will accept. Checks presented for higher amounts would be returned, or a separate signature loan would be established.
When will the periodic pre-approvals expire?	The credit union will decide whether to allow the pre-approval to remain in force until the next pre-approved check is mailed. Ideally, the member would always be pre-approved, and he or she would always have a valid check. The credit union could, if it chose to do so, shorten the length of time that either the pre-approval or the pre-approved check is valid to reduce its potential risk exposure. In doing so, it would be reducing the value of the program to the member by some measure, since members would be required to contact the credit union during any time that a pre-approved check was not in the member's possession.
What amount will be used for each qualified member?	The credit union will decide upon the approval amount for each member based on its own underwriting methods.
Does the credit union want to compensate dealers to process the pre-approved check?	The credit union will decide whether it wants to compensate dealers. The pre-approved checks have been in use in credit unions for many years, and they have generally been found to be acceptable by dealers. Some credit unions may choose to reimburse dealers to reduce the friction that may be caused if this product begins to reduce the volume of loans that dealers see through its indirect channel.

## **Loan Documents**

The Lifetime Auto Loan, like other types of loans, requires several loan documents to be completed by the member. (The documents have been developed to manage and mitigate risk. They have already been crafted as LOANLINER documents, and have been reviewed for approval by CUNA Mutual.) The documents are outlined below:

### Mandatory Documents:

Open-end Plan Signature Plus Document. This document is the Credit and Security Agreement. This will be the primary agreement between the Credit Union and the Member for the Lifetime Auto Loan product.

Blanket Power of Attorney. This document must be signed by the Member and allows the Credit Union to place liens on any future vehicles that are purchased by the Member through the Lifetime Auto Loan program. This power of attorney does not expire.

### Optional Documents:

Co-signer Document. This document allows for a co-signer to be attached to the loan.

Subsequent Action and Adverse Action notices. These documents are available to outline the process involved with late payments, collections, etc.

Once the member has completed the original loan documents, subsequent loans will be initiated by completing the pre-approved loan check and presenting it to the dealer. No additional forms are required to be completed or signed by the member.

## **Establishing the Lifetime Auto Loan**

The Lifetime Auto Loan can be established at any number of points:

- During the new member account opening process, the credit union can establish the Lifetime Auto Loan, just as some credit unions do today with their existing open-end plans. The credit union would do the following:
  - Complete the open-end plan document, the power of attorney, and any other forms required.
  - Process the request and establish a pre-approved amount (if approved).
  - Issue a pre-approved check.
  - Begin the ongoing servicing process. The servicing process would begin regardless of whether the member finances a new vehicle. The member would receive pre-approved loan checks at six month intervals.
- When a member comes in for pre-approval, the credit union would do the following:
  - Complete the open-end plan document (unless the member already has one on file), the power of attorney, and any other forms required.
  - Process the request and establish a pre-approved amount.
  - Issue a pre-approved check.
  - Begin the ongoing servicing process. The servicing process would begin regardless of whether the member finances a new vehicle. The member would receive pre-approved loan checks at six month intervals.

- After a member has chosen a vehicle, the credit union would do the following:
  - Complete the open-end plan document (unless the member already has one on file), the power of attorney, and any other forms required.
  - Process the request.
  - Issue a regular credit union check. Since the exact amount of the loan would be known, the credit union would issue a check payable to the dealer in the same manner that it normally would.
  - Begin the ongoing servicing process. The member would receive the summary statement at six month intervals. The member would receive pre-approved loan checks at six month intervals on a time frame that the credit union would determine (e.g. after the member has had the vehicle for 18 months).
- When members refinance vehicles that were originally financed at other institutions, the credit union would do the following:
  - Complete the open-end plan document (unless the member already has one on file), the power of attorney, and any other forms required.
  - Process the request.
  - Issue a regular credit union check. Since the exact amount of the loan would be known, the credit union would issue a check payable to the lienholder in the same manner that it normally would.
  - Begin the ongoing servicing process. The member would receive the summary statement at six month intervals. The member would receive pre-approved loan checks at six month intervals on a time frame that the credit union would determine (e.g. after the member has had the vehicle for 18 months).
- Members who receive loans through the indirect channel could be converted to Lifetime Auto Loans after they close their indirect loans. The credit union would do the following:
  - Advise the member that they can have the advantages of the Lifetime Auto Loan by signing a few additional documents.
  - Complete the open-end plan document (unless the member already has one on file), the power of attorney, and any other forms required.
  - Refinance the credit union's closed end loan onto the open-end plan.
  - Begin the ongoing servicing process. The member would receive the summary statement at six month intervals. The member would receive pre-approved loan checks at six month intervals on a time frame that the credit union would determine (e.g. after the member has had the vehicle for 18 months).

### **Subsequent Advances**

A primary objective of the Lifetime Auto Loan is to increase the likelihood of subsequent advances. By establishing an ongoing pre-approved amount, and issuing pre-approved checks on a periodic basis, the credit union is empowering members to purchase and

finance a vehicle at their convenience. Members simply present the completed pre-approved check to the dealer to purchase the vehicle.

When the check is presented to the credit union (through standard clearing channels), the credit union follows the following steps:

- Establish the loan. All of the information that is necessary to establish the loan is available on the completed pre-approved check.
- Secure a lien on the vehicle using the power of attorney.
- Contact the member to confirm that the loan has been set up, and confirm the details of the payment method.

### The Servicing Process

A key differentiator of the Lifetime Auto Loan is the ongoing servicing relationship. At six month intervals, the credit union will send the member a summary statement. The term “summary statement” is used to differentiate between the Lifetime Auto Loan statement and the member’s regular statement, which would include the same information that is currently on a member’s loan statement.

In order to prepare the statement, the credit union will need to aggregate the following information and forward it to a vendor who would format and mail the summary statement.

Information	Source
Member name	The credit union's core data processing system
Member account number	The credit union's core data processing system
Member address	The credit union's core data processing system
Statement date	The credit union's core data processing system
The year, make and model of the vehicle	The credit union's core data processing system
Loan balance	The credit union's core data processing system
Payment amount	The credit union's core data processing system
Current rate on the loan	The credit union's core data processing system
Retail value of the vehicle	A third party provider, such as NADA, Kelly Blue Book or Black Book
Trade-in value of the vehicle	A third party provider, such as NADA, Kelly Blue Book or Black Book

Information	Source
The member's pre-approved limit	The credit union's core data processing system and a third party pre-screen provider such as Experian, Equifax or Trans Union
The maximum allowable Loan-to-Value ratio established by the credit union	The credit union's core data processing system, a data file (e.g. an Excel file), or some other form of communication
The credit union's current auto loan rates	The credit union's core data processing system, a data file (e.g. an Excel file), or some other form of communication

The collection, aggregation, printing and mailing of this information represents the primary expense associated with the Lifetime Auto Loan. (Credit unions who are not currently using open-end lending would have the additional expense associated with establishing an open-end plan through their forms provider.)

While some credit unions may opt to administer this function themselves, through direct arrangements with the third parties described above, the ideal situation for credit unions would be to identify a single vendor who would aggregate the necessary information and mail the summary statements. Such a vendor would then charge a fee for providing these services. The economies of scale associated with a single vendor collecting, aggregating, printing and mailing this information would make the program much more economically and operationally feasible for credit unions.

Some organizations, such as CUNA Mutual Group (CMG), for example, would be logical potential partners. Since CMG provides open-end lending forms and support to a large number of credit unions, and since they already have internal business lines related to credit pre-screening and vehicle value tracking, they might find some synergies with assisting in the development and delivery of this program.

## Financial Considerations

The economics of the Lifetime Auto Loan are largely dependent on whether significant economies of scale can be achieved through the use of a third party to fulfill the servicing aspect of the program. Most of the other expenses of the program (e.g. forms) are already being absorbed by credit unions. There would be some additional expense for credit unions that are not currently using open-end lending, but these costs are not truly direct expenses of this program.

The following model illustrates the break even point given certain assumptions regarding the cost of the servicing aspect. Since the costs and revenues associated with auto loans vary significantly by credit union, and based on the interest rate environment, this analysis is considered to be only a starting point for evaluating the cost effectiveness for this program.

The assumptions that have been made for this example are:

- The credit union is achieving a 1% ROA on its auto loans. This number may be conservative, but it is probably not far off in today's tight margin environment. If the ROA on auto loans is higher, the break even point would be lower.
- The cost of servicing is \$10 per year. The cost of servicing in this example would include all fixed and variable costs associated with providing the semi-annual summary statement. Depending on the volumes and efficiencies that a third party could provide, this figure could be as low as \$5 or as high as \$15. In a sense, this cost represents a \$10 annual marketing expense that is intended to increase the likelihood of members getting their next auto loan from the credit union.
- The average auto loan outstanding is \$15,000.
- The credit union immediately converts all of its existing auto loans into Lifetime Auto Loans.

Increase in loans attributable to the program	Loans outstanding	# of loans	Annual servicing cost	Net income w/o servicing cost	Servicing cost	Net income including servicing cost	Net effect of Lifetime Auto Loan	
0%	\$ 30,000,000	2000	\$ 10	\$300,000	\$20,000	\$280,000	<b>-\$20,000</b>	
5%	\$ 31,500,000	2100	\$ 10	\$315,000	\$21,000	\$294,000	<b>-\$6,000</b>	
7%	\$ 32,142,858	2143	\$ 10	\$321,429	\$21,429	\$300,000	<b>\$0</b>	Break even
10%	\$ 33,000,000	2200	\$ 10	\$330,000	\$22,000	\$308,000	<b>\$8,000</b>	
15%	\$ 34,500,000	2300	\$ 10	\$345,000	\$23,000	\$322,000	<b>\$22,000</b>	

## Conclusion

The Lifetime Auto Loan has the potential to develop a long-term relationship with the member and to significantly increase the likelihood that members will come to the credit union to finance subsequent auto loan purchases. Based on the assumptions above, if a credit union were to capture 7% more members to finance their next auto loan, the program would pay for itself. For example, if a credit union normally has a repeat business rate of 40%, an increase to 47% would justify the program.

Of the four main elements of the program (open-end plan, power of attorney, ongoing pre-approval and ongoing servicing), only the ongoing servicing component has not been put into practice in a credit union. Moving ahead, the challenge will be to package these elements into a single, cost effective program.

For more information about the Lifetime Auto Loan, contact Bob Falk, Purdue Employees Federal Credit Union at (765) 497-7481 or Mike Murphy, Motorola Employees Credit Union at (847) 538-3704.

## Appendix A: Summary Statement



### Lifetime Auto Loan™

**One Application - A Lifetime of Cars**

#### Summary Statement

**John Doe**

**123 Main Street**

**Chicago, IL 60606**

Date: **September 30, 2005**

Account #: **xxxxx1078**

Vehicle:	<b>2005 Honda Accord</b>	Retail Value:	<b>\$24,000.00</b>
Payment Amount:	<b>\$350.00</b>	Trade-in Value:	<b>\$22,000.00</b>
Your Current Rate:	<b>4.4% APR</b>	Loan Balance:	<b>\$19,000.00</b>
<b>Equity in your Car (if you trade it in):</b>			<b>\$ 3,000.00</b>

If you sell your vehicle to a private party today (not a dealer), you can expect to receive between **\$22,000** and **\$24,000** based on information published in the N.A.D.A Official Used Car Guide, assuming the vehicle is in average condition with average mileage. This information is used by automobile dealers to determine the selling price of vehicles and by lenders to determine the loan value. The Retail Value is the value that a dealer would expect to receive if they sold a vehicle on their lot. The Trade-in Value is the wholesale value of your vehicle which is the amount that a dealer would pay you for your car.

"Equity in your Car (if you trade it in)" refers to the difference between the Trade-in Value of your vehicle and the Loan Balance. When the loan is paid off, the equity is the actual value of the car. You may be able to sell your car for more than the Trade-in Value, which would increase your equity. The Equity in your Car is **\$ 3,000.00**. When this amount is positive, you will have money available when you sell your car. When this amount is negative, you will still owe money to the credit union after you sell your car. It is best to make sure that you have equity in your car before purchasing a new one.

#### Thinking about a new vehicle?

Your *Lifetime Auto Loan* allows you to change cars by simply writing the attached check out to the auto dealer or private party from whom you are buying a car. There is no need to come into the credit union or complete an application.

#### **Your Approved Limit: \$25,000.00**

Maximum Allowable Loan-to-Value Ratio (LTV) for New Loans: 115%

Your Current Loan-to-Value Ratio

(Current amount of your loan divided by the retail value of your vehicle): **79%**

You currently qualify for the following rates<sup>2</sup>:

4.4% APR – 24 - 59 months

5.0% APR – 60 months

6.0% APR – 72 months

**If I buy a car, how much will my payments be?**

<u>Interest Rate (APR)<sup>2</sup></u>	<u>Term</u>	<u>Approximate Payment Amount</u> <u>Per Thousand Dollars</u>
4.4%	24 months	<b>\$43.61</b>
4.4%	36 months	<b>\$29.71</b>
4.4%	48 months	<b>\$22.76</b>
5.0%	60 months	<b>\$18.88</b>
6.0%	72 months	<b>\$16.59</b>

For example, if you borrow \$20,000 for your next car, your payment for a 60 month auto loan would be approximately \$377.60 (20 X \$18.88). These rates and terms are as of the date of this statement and are subject to change. For the most current information, visit our website at [www.mecunet.org/lifetimeautoloan](http://www.mecunet.org/lifetimeautoloan).

**How do I purchase a car with my Lifetime Auto Loan?**

With your *Lifetime Auto Loan*, you purchase your car just like a cash buyer. You simply write out the *Lifetime Auto Loan* check to pay for your vehicle.

For new and used vehicles purchased through an auto dealer, the dealer will have our lien recorded and have the title forwarded to us. (By cashing your *Lifetime Auto Loan* check, the dealer is agreeing to do so.) For used vehicles purchased through a private party, you simply send the title to us after you have purchased the car.

**As I purchase vehicles, when will the new loan be set up on the credit union's system?**

The credit union will set up each new loan when your *Lifetime Auto Loan* check is presented to us for payment. We will set up the loan as you directed us to do when you established your *Lifetime Auto Loan* agreement. We will then forward your copies of the loan documents to you.

**How much can I borrow?**

For your convenience, we have established a pre-approved limit that is printed on your *Lifetime Auto Loan* statement. Based upon your individual situation or changes to your situation, you may wish to finance more than the pre-approved amount. If so, simply contact us and we will update our information, and we will do our best to accommodate your request. We can do so in a matter of minutes.

**How much can I borrow on a particular vehicle?**

For new vehicles, you can borrow up to 115% of the purchase price of a new vehicle, including taxes, license and Mechanical Repair Coverage. If you need to borrow more, we will establish a second loan at our current personal loan rate for the amount that exceeds 115% of the purchase price of the new car.

For used vehicles, you can borrow up to 115% of the NADA average retail value of the vehicle. If you need to borrow more, we will establish a second loan at our current personal loan rate for the amount that exceeds 115%.

**More Questions?**

Feel free to contact us with any questions you may have at (847) 576-5199 or visit our web site at [www.mecunet.org/lifetimeautoloan](http://www.mecunet.org/lifetimeautoloan).

**Appendix B: Sample Check with Instructions**

**MECU Lifetime Auto Loan Instructions**

**TO OUR MEMBER (BORROWER):**

After you choose your vehicle, motorcycle, boat, or RV and have agreed with the dealer/seller on price, trade-in, rebate, and any other details of your purchase, you can pay for the vehicle quickly and easily with your MECU pre-approved loan check. To purchase your vehicle with the check:

1. Make the check payable to the dealer or seller of the vehicle.
2. Enter the financed amount just as you would on one of your checks.
3. Fill-in (or have the dealer/seller fill-in) the year, make, model, color and Vehicle Information Number.
4. Fill in the "Approximate Term" box on the check.
5. Sign your name on the lower left hand portion of the check.
6. Give the completed loan check, together with this instruction sheet, to the dealer/seller.

**TO THE DEALER/SELLER:**

BE SURE THESE INSTRUCTIONS ACCOMPANY THE CHECK THROUGHOUT YOUR PROCESSING.


This pre-approved loan check has been issued by Motorola Employees Credit Union as payment for a vehicle. When properly completed (front and back) by you and our member, this check can be deposited with your financial institution, and will clear through the banking system. You do not have to attach any documents with the check when you deposit it, and you do not have to wait for payment by a separate check.

However, in order to receive payment, follow these instructions carefully and complete all of the instructions given below. Be sure that:

1. The amount for which the check is made out is not more than the "Not To Exceed" amount printed at the top of the check. For new vehicles, the check cannot exceed the manufacturer's suggested, retail price, plus tax and title. For used vehicles, the check cannot exceed the lesser of the sales price plus tax and title or the NADA retail value.
2. The financed amount is legibly written in numbers and words.
3. The vehicle description is complete and accurate.
4. The member-borrower has signed the front of the check.
5. You have completed and signed the Dealer/Seller endorsement on the back of the check.
6. You comply with the titling/registration requirements of the state in which you are located, recording a first lien in favor of Motorola Employees Credit Union, 1205 East Algonquin Road, Schaumburg, IL 60196. Private sellers must place the lien information in the "New Lienholder" section of the title.
7. You deposit the completed check with your financial institution no later than the "Void After" date on the check.

You must include a contact number on the check so we can verify the vehicle options. If you have questions or concerns, please call MECU at 1-847-538-0499.

DEALER/SELLER MUST COMPLETE VEHICLE INFORMATION INCLUDING V.I.N. OR THE CHECK MAY BE RETURNED UNPAID.  
 Dealer/Seller to detach. Dealership/Seller: do not accept loan check if instructions are missing.

 1205 E. Algonquin Road Schaumburg, IL 60196		No. 7638			
		<input type="text" value="MECU ACCT#"/>	<input type="text" value="BORROWER'S NAME"/>	<input type="text" value="NOT TO EXCEED \$"/>	<input type="text" value="VOID AFTER"/>
PAY TO THE ORDER OF: _____			<input style="width: 100%;" type="text" value="\$"/>		
<b>DOLLARS</b>					
THIS CHECK WILL NOT BE PAID WITHOUT MEMBER BORROWER'S SIGNATURE AND CREDIT UNION SIGNATURE					
X _____ MEMBER-BORROWER SIGNATURE		_____ AUTHORIZED CREDIT UNION SIGNATURE			
<input type="text" value="YEAR"/>	<input type="text" value="MAKE"/>	<input type="text" value="MODEL"/>	<input type="text" value="COLOR"/>	<input type="text" value="VEHICLE IDENTIFICATION NUMBER"/>	<input type="text" value="APPROX. TERM"/> Month
<input type="text" value="DEALER/SELLER CONTACT NAME:"/>			<input type="text" value="PHONE NUMBER: ( )"/>		

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