

# Auto Resource Center

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## **Opportunity – Member Perspective:**

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Currently members may be paying too much for an auto and may not be particularly informed. This lack of information puts them at a disadvantage when negotiating a fair price for a vehicle or for their trade. Members do not currently think of their credit union (in most cases) as the place to go when purchasing a vehicle. Members are bombarded with information and resources to assist them through the auto buying process. In many cases this information is designed to manipulate them to a designated purchase. In addition, locating these resources may be difficult and time consuming. Ironically, with all the information available to the public today many individuals still rely on the knowledge and options from dealerships to guide them through this process.

Once members get through the purchase process and bring home the shiny new car there really is very little attention paid them until they are ready to purchase their next car.

Credit unions don't contact them to see how they like their new car, nor do we provide any tools or resources to assist them with the ownership of that new car. Dealers may make customer service calls to make sure everything is operating properly and will work to establish the valuable (to the dealership) service relationship.

When the member decides it is time for a new car, the entire process starts again and the credit union may not know about their plans because they may not be the first place a member considers when it is time for a new car. Members may start with some Internet research or most likely will show up in a dealership test driving and negotiating their next vehicle purchase. If a credit union happens to have a relationship with that dealer, pays a reasonable fee to the dealer and has competitive rates, the credit union might get the loan for this vehicle.

### **Opportunity – Credit Union Perspective:**

Credit unions are at a crossroads with auto lending. Credit union market share in auto lending has been declining for several years and those credit unions that are gaining market share tend to be doing so through indirect dealer lending programs. Some credit unions have chosen to grow auto loans in the sub prime auto markets with some disastrous results. Credit unions were once well known for providing excellent consumer value in the auto loan business. This perception has changed dramatically as credit unions today may just be a loan source via the dealership and provide little value other than the commoditized loan funding.

Once the credit union receives the loan as referenced in the previous scenario they must fund the loan, pay the dealership commission, put the loan on the books and watch it pay down. The credit union may make attempts to deepen the relationship with this member but very few credit unions have seen success with this tactic. So the credit union watches the loan pay down and ultimately pay off and the membership closes on average 22 months after it began.

Indirect lending has been a regular topic of discussion for years in the credit union industry. It certainly is a method to grow the credit union balance sheet and membership while managing interest rate risk. Many credit unions have very successful indirect lending programs and many have arrangements with indirect structures to provide credit unions access to dealership origination volume. Many credit unions have also built auto purchasing programs that provide consultation and pricing benefits for our members. It will take time and significant resources to get credit unions back into a value added position in the auto buying space, but there is an opportunity to provide our members with value added benefits in the auto ownership space.

Members rely on their credit unions for trusted financial advice and access to products that provide excellent consumer value. Our goal is to help develop a package of tools that credit unions can add to the website to help members manage everything relevant to auto ownership.

## **Solution: Auto Resource Center**

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This Filene i3 team originally developed an entirely new model to deliver real value to credit union auto buyers through a comprehensive member centric auto buying and ownership program. The scope of that project included credit union owned auto dealerships and a web presence to deliver auto owner programs and tools throughout the life of the member's auto needs. The scope of this original intent was reduced to present a single element of the model that was initially developed. The element we chose was a set of web based tools to help credit union members manage all the aspects of auto ownership.

Credit unions are known for trustworthiness and service. If credit unions could bring their strengths in trustworthiness, service and consumer value to the auto owning process, both members and credit unions would benefit greatly. Credit unions have very little involvement with members once the loan is funded. Members find their own path through this maze of providers. Dealerships may advise on some purchasing aspects and credit unions may advise on the financing aspects of the car, but no one is supporting members with the full circle, including after purchase care.

Credit unions can continue to be involved in the car ownership process to be connected with the member in order to be part of the next car purchase transaction. Linking the full circle of activities will give members the added value that no one in the market is doing today.

This team has developed a web based auto ownership program, called the Auto Resource Center, which will provide members with a trustworthy value oriented auto ownership service. This web based program will be accessed by the member through the credit union's website or even possibly the credit union's home banking site. The program will have the following elements:

1. Registration: register your car by VIN (one time only)
  - a. Handle multiple vehicles in a household
  - b. Update mileage manually or have capability to have car push data to home network (future enhancement)
  - c. Sign up for auto ownership e-alerts
2. Learn more about my car (automatically assigned based on VIN)
  - a. Talk to other owners of the same make/model
  - b. Connect to research on my car
  - c. How green (environmental) is my car
  - d. True cost to own my car (factors in depreciation, fuel consumption, maintenance)
3. Take care of my car (automatically assigned based on VIN)
  - a. Search from local service centers capable of maintaining my car
  - b. Receive service updates from favorite service center
    - i. Coupons
    - ii. Reminders for next service

- c. Receive Technical Service Bulletins (via e-alerts if selected)
  - d. Talk/chat with a technician/expert
  - e. Links to after market parts
  - f. Coupons/discounts for car washes
4. Time for a new car
    - a. What is my current car worth (automatically assigned based on VIN)
    - b. What type, make or model should I buy
    - c. Who should I buy it from (link to CU preferred vendors)
    - d. How much should I pay for it (link to pricing information – what are others paying for that exact make/model in my area)
    - e. How will I pay for it (link to automatic pre-approval from CU)
    - f. Pre-sell warranty, credit insurance and GAP (CU products priced for new vehicle)
    - g. Talk/chat to an unbiased expert
  5. Stuff I have to do
    - a. Links to insurance providers (either pre-negotiated national program or credit union plug-in)
    - b. Link to local DMV offices to register your vehicle for plates, etc.
    - c. Driver's license renewal
    - d. Make loan payments
  6. Using my car
    - a. Mapquest (pre-filled with your address as starting point)
    - b. Link to one tank trips in my area (tied to your zip code from registration)
    - c. AAA type/roadside assistance links
  7. How to use my car less:
    - a. Local walking trails
    - b. Walkscore.com
    - c. Calorie counter – driving vs. walking

This program creates an opportunity for credit unions to provide members with guidance and resources by creating a one-stop mechanism, which is provided by a trusted financial institution. This resource would provide members with information, options and quick solutions throughout the entire auto ownership process. Members would be able to log into their credit union home banking portal and chose the vehicle tab where information is presented about the current value (NADA retail and wholesale) and upcoming service requirements for their vehicle. It will also have a pre-approval certificate for the member's next vehicle purchase as well as coupons to provide discounts on upcoming service and car care.

The real value to the credit union is the access to the member at the exact time they are considering a new vehicle purchase. Through immediate pre-approval offers via the website the credit union becomes the first place that members start when considering a new car purchase. This allows the credit union to have the first opportunity to capture the new loan and to present whatever car buying solution (if any) that the credit union may recommend. The credit union can refer the member to an on-site auto buying service or to a list of preferred dealers.

## **Member Benefits:**

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In an era of a high level of distrust of businesses by the general population, credit unions have been able to sustain their strong member relationships over the years, by doing the right thing for members and for business, and by gaining and maintaining trust levels. It is, in fact, this trust that differentiates this proposed Auto Resource Center from that of other websites that may offer benefits to the general consumer. A trusted financial institution coupled with value added links to making auto ownership, buying, and maintenance easier for our members is what will attract members and non-members to a credit union site with this offering.

What is in our members' best interest and adds value to them is our intention in this full advocacy model. Whether the credit union makes revenue from a website equipped with this added information and connectivity or simply is the conduit to linking our members to the information that will serve them better is the key. Serving our members with information that will make their lives easier and convenient will add an increased "stickiness" to the credit union. A great place to get more than just banking information and more than just car information. It will be a site that combines all the many web links under the credit union's web page ..... easy, convenient, saves time, potentially saves money, maybe even makes money for the member, and gives peace of mind with a credit union that cares about more than just a car loan product.

Sharing generic information about alternative considerations for our members is completely transparent, showing our members that their best interest is our primary concern and focus. This potential model will be just that and will expose our members to more than credit union products, prices and processes. This one stop Auto Resource Center is the solution!

## **Credit Union Benefits:**

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It is very difficult to lay out a specific financial model for this program. There are several ways that this program could financially impact a credit union and we will explore two options in this business plan.

### *Unbundled Open Source Innovation:*

A small team of credit union professionals developed this concept and any concepts within the program can be used to the benefit of your credit union and your members. A credit union may see value in an aspect or two of this concept and can implement the concept in their credit union with little expense other than basic web development. The real financial return to the credit union would be in the form of additional loan business, decreased indirect lender fees and potentially reduced loan charge-offs. We are making some assumptions that may not be accurate for every credit union, but these examples are accurate for illustration purposes:

1. Additional loan business: If the member walks into a dealership today they may not drive away with a credit union auto loan. Dealerships have many financing options and can steer loan business toward the Financial Institution with the highest dealership payout. Members walking into a dealership with a check from their credit union have a much greater chance of walking out with a credit union loan. Let's assume we can see an increase of 10% more auto loan deals from their members because of this program.
2. Reduced indirect fees: Credit unions typically pay dealers an up-front fee from 1% to 2% of the loan amount or they pay an up-front fee based on the rate difference between the buy rate and the note rate. If the average auto loan is \$15,000 and we used 1.5% as the indirect fee, credit unions could save \$225 per deal in indirect fees.
3. Reduced loan charge-off expenses: When members make uninformed decisions on vehicle purchases, they could end up paying too much for a vehicle. This overpayment could result in larger charge-offs in the unlikely event that the member is unable to continue debt service. Also, having the warranty, credit insurance and GAP pre-sold through the credit union will help reduce charge-offs as well as many of these products are significantly more expensive at dealerships. It would not be unreasonable to expect to save \$1,000 per charged-off deal.

*Turn-key Developed Program:*

This program could be handed off to a national credit union CUSO or organization that could develop some of the connections that would be necessary to automate the tools within this program. VIN decoder tools and database tools would be needed to bring this concept to life. There would be some obvious web development costs associated with this concept and the ultimate owner of this program would look for credit unions to pay a regular service fee to access these robust set of tools. Perhaps a fee of \$5,000 annually per credit union would be sufficient to cover the development sunk costs and regular maintenance of the program. Hopefully enough credit unions would see the value of this program and the organization providing the product would see positive financial results and would be able to add more functionality and features to the program. Credit unions would see a financial return on this \$5,000 investment much the same as outlined above.

The turn-key developed program would provide the greatest credit union industry return overall as development expenses are consolidated into a single development effort vs. many credit unions developing variations on this concept. It would also be a stronger message to members and potential members that once again, credit unions are the place to go for an auto loan due to benefits like this program

**Target Market:**

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While car buyers are from every age demographic as well as income level, and any geographic area of our branch service areas, our primary target market will be that of the credit union members looking to have easy, self serve access to value add information on autos. Making their task of buying a new or used vehicle easier is the primary solution

this model will serve. The market potential is a large base of potential buyers, as well as individuals who are looking for simple general information to help them with everything from maintaining their current vehicle, to exploring travel trip options, to the value of their vehicle with current market prices. This one stop shop for information, advice from the car industry experts, as well as lending support and advice will be a tool that most auto buyers, sellers, or simply auto owners can find of great value for a variety of reasons.

### **Marketing Plan:**

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Further development of this concept has been informally explored with several credit union executives. Creating a united approach with several or many credit unions will be the future marketing objective. Unlike marketing plans to launch a product or service, this concept will be a challenge to get leaders from a variety of credit unions to agree on approach. This concept can be worked to support others' feedback and input and move to a more definitive design with credit unions' input and commitment to a collaborative approach.

Once adopted by a credit union or group of credit unions, it is recommended to promote the Auto Resource Center through all channels on an ongoing basis. We've developed generic statement inserts/take ones, flyers, and an email, which can be used to help promote this program at each credit union simply by placing their logo on any of the materials. The materials may also be used for their content if a credit union would like to create their own. Consistent marketing of this program is recommended so members come to view the Auto Resource Center as a trusted source for information and easy to use tools.

### **Operational and Other Considerations:**

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Upon acceptance to move a pilot of our concept forward, all logistics to launch a website would need to be considered. While we already have excellent examples of credit unions with auto buying tools & connections to various websites, further research would need to be done to confirm all value added websites were included and which product directions would need to be incorporated into the model. Product and pricing differentiators would need to be built into the model to attract users of both members and potential members.

With a combined interest of more than one credit union, a shared website of links and product array can be achieved. By sharing a common set of links and inter-connectivity to multiple credit union sites, cost sharing will be achieved. Credit unions collaborating on common views for the members would need to be considered.

### **Proof of Concept:**

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Positive anecdotal feedback is our current acceptance of concept. Each team member reviewed this concept with their respective credit union leaders and general feedback has been positive with some interest shown in piloting such an Auto Resource Center.

Specific action plans and expectations have not been discussed with any credit union to date.

In a sample group of 44 respondents who completed a brief survey about the potential benefits of a credit union Auto Resource Center, the overall results were highly favorable:

- Would you use a credit union auto buying resource center such as this?  
**93.2% YES**
- How beneficial would this proposed website be for a potential auto purchase?  
**79.5% VERY**
- Would this be a valuable website about general auto related matters?  
**95.4% YES**
- What do you think members' reactions would be to have access to this kind of resource within a banking website?  
**86.36% POSITIVE**

### **Getting Started:**

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We envision a round table of credit union leaders to share the vision and concept of this Auto Resource Center. Geographic collaboration of credit unions would be the highest potential so we would recommend such an approach to gathering feedback and building the future model to a point of a test and learn.

### **Appendices:**

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Suggested Marketing Materials:

**WHAT**  
CAR SHOULD I BUY?

**HOW**  
GREEN IS MY CAR?

**WHEN**  
DO I NEED SERVICE?

Get all the answers you need.

**AUTO RESOURCE CENTER**

insert front

**Everything about your vehicle in one place.**

The Auto Resource Center at iQ Credit Union provides the tools you need to gather valuable information about the car you want or find out more about the car you have.

**Learn more about my car**

- Talk to other owners
- Get vehicle research from Edmunds and Car and Driver
- Calculate the true cost to own your vehicle

**Time for a new car**

- Research vehicle buying guides
- Find out what your vehicle is worth
- Locate the best deal on your new or used vehicle

Plus, get information on local service centers, insurance providers, and even how to use your car less!

Visit the Auto Resource Center today to get the who, what, where, and how of all your vehicle needs.

insert back

**WHAT**

**HOW**

**WHEN**

**CAR SHOULD I BUY?**

**GREEN IS MY CAR?**

**DO I NEED SERVICE?**

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**AUTO RESOURCE CENTER**

flyer



folder back

folder front