



SPECIAL AUTO LOAN PROGRAM

The premise of this program is that some borrowers with poor credit histories will make an affordable car loan payment; reflecting the importance of their vehicle in keeping a job and maintaining their daily obligations.

One example is the “Wheels to Work” program, in which a credit union agrees to take more risk in its auto lending program for a member who has a negative credit history, but meets specific criteria. This could include assisting a member by refinancing an existing loan from a high-cost lender or financing the purchase of an economical vehicle at reasonable terms.

The credit union should, as a requirement, assign a well-trained loan officer(s) to approve these loans and serve as an advisor for the member in making the purchase decision. These loans would be tracked as a group and should likely receive quicker collections attention if a payment is missed.

To qualify as a Priority REAL Program, your Special Auto Loan Program should include the following elements:

Member Financial Need

- Individuals in the program will generally have beacon scores of 620 or less (at the discretion of the credit union).
- Member is currently using high-interest-rate loan providers, which continues the cycle of being ‘upside-down’ in their vehicles.
- Member typically has not made wise decisions on which auto to purchase. For example, a member qualifying for a \$10K loan buys an older, high mileage vehicle, instead of a ‘less desirable’ newer, lower mileage vehicle.

Member Benefits

- Program can enhance the member’s financial well-being by ending the cycle of high-interest auto loans.
- By breaking the ‘upside-down’ cycle, a member has more control over the next purchase decision.
- When combined with a discount auto buying service, the member can be encouraged to make a smarter purchase decision.

Operational Components

- Proof of 12 consecutive on-time payments with current lender (recommended).
- Loan is a conventional closed-end loan with terms and pay-off date agreed to by borrower.
- Once loan is made, it can be refinanced at a lower rate based on payment history (optional).
- Loan is closed at the credit union with preliminary counseling, explanation of loan payment requirements, description of insurance options, and the collection efforts to expect if a payment is missed.
- Financial counseling (optional).
- Consistent ongoing communications with member.
- Credit union registers the member with the GettingAhead Association, contributing the first year’s membership fee.

Outsourced Program Alternatives

If your credit union does not offer this type of auto loan alternative and you are interested in offering such a program, please contact Lois Kitsch for additional information.

Lois Kitsch

National Credit Union Foundation
(202) 638-5777
lkitsch@cuna.coop

GCUA STAFF CONTACT

Ralph Jones at ralphj@gcua.org or (770) 476-9625