Indirect Lending

Ready to Look

INTRODUCTION

If your credit union is looking to partner with an indirect lending platform CU*BASE works with multiple vendors to bring those loans to the core. The Ready to Look model allows you to bring in loan applications from a third-party vendor and work them in the CU*BASE loan queue, including underwriting and funding.

CONTENTS

OVERVIEW

Selecting an Indirect Lending Vendor

Get started by investigating the indirect lending vendors available that interface with CU*BASE. Perhaps customers in the area have already selected a partner, and this decision has already been made for you, but if not, we have created a full-featured website allowing you to evaluate all your options (shown on the next page)

Configuration of Delivery Channel and Indirect Loan Products in CU*BASE

During this stage you will configure delivery channels in CU*BASE, including the ranges and ages of collateral that you will accept for each year. You will also configure your loan products for indirect channels.

Setting up the Communication Between the Lender and the CU*BASE Loan Queue

Using the Integration Manager website, you will set up your users and assign passwords. You will also add the dealers from whom you will be receiving the offers.

Reviewing a Loan in the Loan Queue

Once this setup is complete, you are ready to begin receiving loans in the CU*BASE loan queue. Loan applications will appear in the queue just like other loan applications. You will know that the application is an indirect loan because it will have the two-digit code used by your vendor.
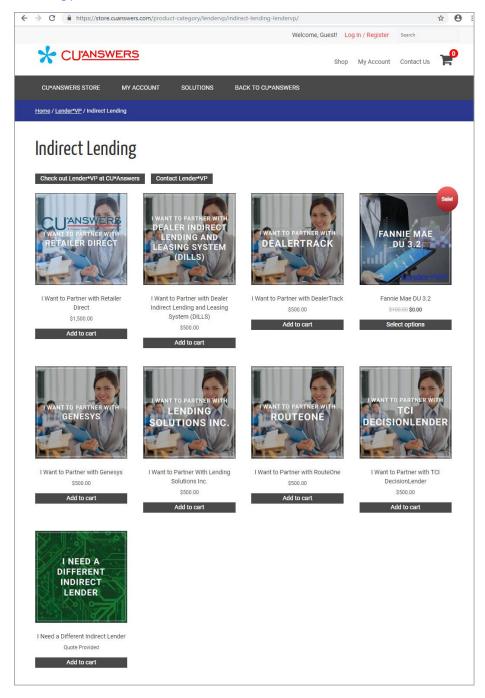
Approving or Denying the Loan/Making a Counter Offer

You will work the loan application by selecting them on the loan queue. If configured, you will provide a counter offer to the dealer. Once all details are in order, you will create the loan from the Loan Recap screen. You also can deny the loan application.

GETTING STARTED

To select an Indirect Partner and begin your work with Lender*VP, select the indirect partner you would like to work with in the CU*Answers store. In the CU*Answers store select Lender*VP and then Indirect Lending. A selection of indirect partners is available. There is even an option to select a vendor not listed in the store. Access the page directly via this URL:

https://store.cuanswers.com/product-category/lendervp/indirect-lending-lendervp/
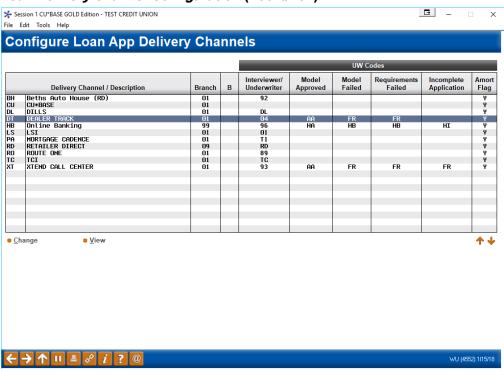
CONFIGURING CU*BASE

CONFIGURING EXTERNAL LOAN DELIVERY CHANNELS

The indirect lending delivery channel is the first link to a third-party source of loan applications through the "XML Lending Gateway." If your credit union has been set up to use this channel, you may access various configuration screens here that will allow you to define which CU*BASE loan products correspond to incoming DealerTrack loan applications, including free-form text for stipulations to be communicated back to an automotive dealer via the DealerTrack software.

General Information

Loan Delivery Channel Configuration (Tool #462)

This is the first of several screens used to configure default settings used by loan delivery channels. In this context, a Delivery Channel is simply a source of loan applications funneled from any source into the CU*BASE loan application database.

For details, refer to the booklet, [Online Credit Bureau Access and 247 Lender: Configuring 247 Lender and the Approval Matrix](#).

Close-Up View of the Entry Screen

	Delivery Channel / Description	Branch	B	Interviewer/ Underwriter	Model Approved	Model Failed	Requirements Failed	Incomplete Application	Amort Flag
BH	Beths Auto House (RD)	01		92					Y
CU	CU*BASE	01							Y
DL	DILLS	01		DL					Y
DT	DEALER TRACK	01		04	AA	FR	FR		Y

Select the DealerTrack (DT) delivery channel and Change or View to move to the detail screen.
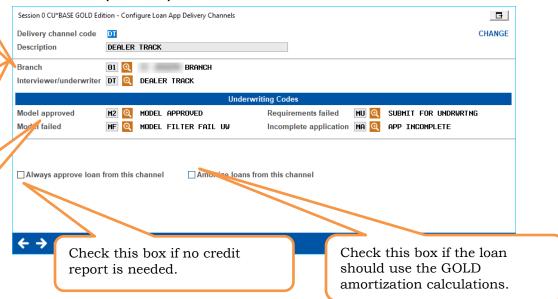
Detail Screen (Screen 2)

All incoming applications will be assigned to this branch.

It is recommended that you use a non-employee user ID as this is only used for the Interviewer ID.

If you have a decision model, these codes are automatically assigned to the incoming app loan based on the decision results.

Session 0 CU*BASE GOLD Edition - Configure Loan App Delivery Channels				
Delivery channel code	DT			CHANGE
Description	DEALER TRACK			
Branch	01 🔍	____ BRANCH		
Interviewer/underwriter	DT 🔍	DEALER TRACK		

Underwriting Codes

Model approved	M2 🔍	MODEL APPROVED	Requirements failed	MU 🔍	SUBMIT FOR UNDRWRTNG
Model failed	MF 🔍	MODEL FILTER FAIL UW	Incomplete application	MA 🔍	APP INCOMPLETE

☐ Always approve loan from this channel   ☐ Amortize loans from this channel

Check this box if no credit report is needed.

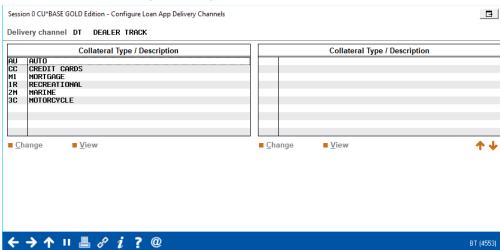Check this box if the loan should use the GOLD amortization calculations.

- TIP: The delivery channel should be configured as branch 01 unless you use a different branch as your main branch. Then assign that branch instead. One of the reasons the branch office is configured here is so that when you are working loan applications in the loan queue, having an assigned branch allows you to sort by branch, making it easier to work loan applications coming in through the indirect process.

- TIP: It is suggested that a separate employee ID be created in Employee Security to use with these loan applications. As an example, you could use "DT DealerTrack" or "IN Indirect". This will allow you to easily identify the indirect loans as well as sort by the Interview ID "Int" in the loan queue.

This user will be configured in Employee Security in CU*BASE Tool #327 and will not need any menu security assigned to it. It will simply be used to earmark the loan requests in the loan queue so they can be easily identified. For auditing purposes, it is suggested that in the comment line of the employee ID you notate that there is no menu security.

After using Enter you will advance to this second detail screen.

Second Detail Screen (Screen 3)

Each type needs its own loan product cross-reference and dealer stipulations.

Session 0 CU*BASE GOLD Edition - Configure Loan App Delivery Channels	
Delivery channel DT DEALER TRACK	

Collateral Type / Description	Collateral Type / Description
AU AUTO	
CC CREDIT CARDS	
M1 MORTGAGE	
1R RECREATIONAL	
2M MARINE	
3C MOTORCYCLE	

■ Change   ■ View   ■ Change   ■ View
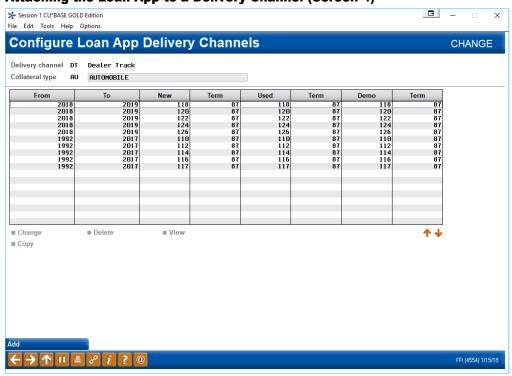
BT (4553)

These are all the loan types you could potentially see coming in from this channel. (What appears on this screen is dependent by vendor.)

Select the loan type and Change to attach the loan product.

Attaching a Loan App Delivery Channel

Credit unions can configure multiple vehicle years with a variety of products (that can be attached to the same year of the collateral) with any length of term. This screen lists the products associated with the various collateral years. CU*BASE uses this and applies it to incoming loan applications from indirect-delivery channels.
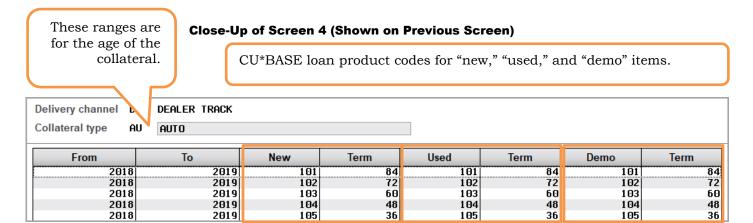
Attaching the Loan App to a Delivery Channel (Screen 4)

Session 1 CU*BASE GOLD Edition
File   Edit   Tools   Help   Options

Configure Loan App Delivery Channels   CHANGE

Delivery channel DT   Dealer Track
Collateral type   AU   AUTOMOBILE

From	To	New	Term	Used	Term	Demo	Term
2018	2019	118	87	118	87	118	87
2018	2019	120	87	120	87	120	87
2018	2019	122	87	122	87	122	87
2018	2019	124	87	124	87	124	87
2018	2019	126	87	126	87	126	87
1992	2017	110	87	110	87	110	87
1992	2017	112	87	112	87	112	87
1992	2017	114	87	114	87	114	87
1992	2017	116	87	116	87	116	87
1992	2017	117	87	117	87	117	87

■ Change   ■ Delete   ■ View   ↑ ↓
■ Copy

Add

FR (4554) 1/15/18

Use Add (F6) to add additional products for new, used and demo loan products for collateral years you select.

If you renumber your loan products that are attached to this table, you will need to reconfigure this table as well. Deleting a collateral type on this screen will not affect existing loans or loan applications.
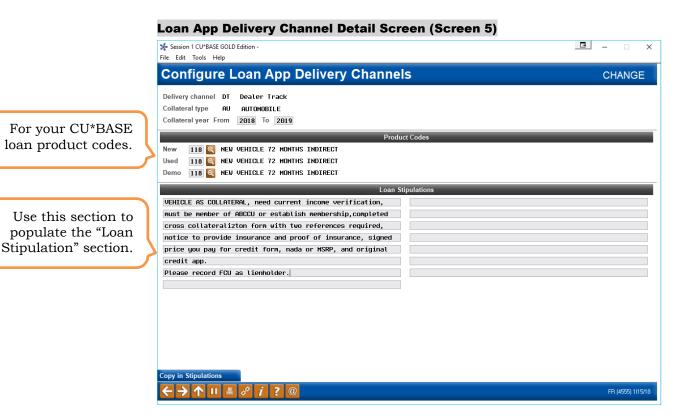
- NOTE: Collateral years will need to be updated each year to keep your products in line with current vehicle offerings.

These ranges are for the age of the collateral.

Close-Up of Screen 4 (Shown on Previous Screen)

CU*BASE loan product codes for "new," "used," and "demo" items.

| Delivery channel | D | DEALER TRACK |
| Collateral type | AU | AUTO |

From	To	New	Term	Used	Term	Demo	Term
2018	2019	101	84	101	84	101	84
2018	2019	102	72	102	72	102	72
2018	2019	103	60	103	60	103	60
2018	2019	104	48	104	48	104	48
2018	2019	105	36	105	36	105	36

This screen shows the loan terms (in months) for "new," "used," and "demo" items.

- NOTE: Indirect-delivery channels support loan applications that are submitted for any length of term. For example, if a dealer selects a new car with a term of 67 months, **CU*BASE assigns the percentage rate of the next higher term product**. If the credit union also has a DealerTrack product with a 72-month term and a rate of 7%, then this loan application will be accepted in CU*BASE with the 67-month term at 7%.

- TIP: It is suggested that you create a date range outside of the parameters for auto-approvals. Using this date range will help you catch loans that you might not generally underwrite but may wish to consider. This is where the counter-offer feature will come into play. The counteroffer is performed in CU*BASE by a credit union employee.

- NOTE: After signing up with the vendor of your choice, the Lender*VP team will work with you on the initial configuration of your delivery channels. It is helpful for them to have a current copy of the rate sheet for the products that you plan to offer

From this screen select a year and Change to modify a loan app delivery channel on the detail screen.

Loan App Delivery Channel Detail Screen (Screen 5)

> For your CU*BASE loan product codes.

> Use this section to populate the "Loan Stipulation" section.

Use this screen to associate different products (for new, used and auto) with a selected range of collateral years. Enter the collateral year range. Then use the lookup to select the appropriate products for new, used and demo. Enter the stipulations you would like to be sent back to the dealer for every loan application. (This goes out to the dealer with the approval or counter offer.) *What do you want to tell the dealer you must have to close the deal?* Press Enter to save. This stipulation will now be available to copy to additional years.

When you create additional products on this screen, use *Copy in Stipulation* (F18) (see bottom button of the screen above) to copy the saved stipulations to the new product. You will be presented with a list of the existing products. Select the stipulation to copy. (You can always tweak the stipulations after you copy them.)

CONFIGURING LOAN PRODUCTS FOR INDIRECT CHANNELS

Loan Product Configuration (Tool 470), Select a Loan Product, and then "General Loan Information"'

> Check the box next to "External loan delivery channels" if you want this product to be available for one or more of your delivery channels.

> Are your prices the same for your member direct loans as your external delivery channels?

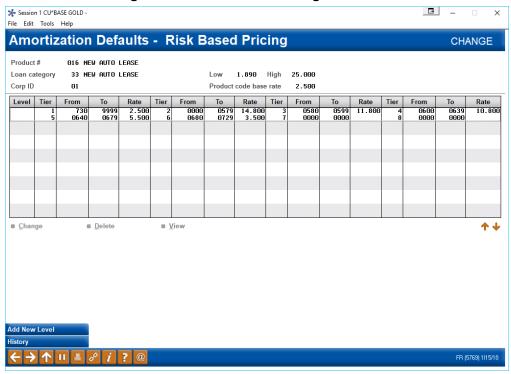> These are the settings that will be used when applications are received via an external delivery channel

Session 1 CU*BASE GOLD Edition -
File   Edit   Tools   Help

Product Configuration   CHANGE

Product #	002	NEW VEHICLE 72 MONTHS		
Loan category	14	NEW VEHICLES	Low	1.890
Corp ID	01		High	25.000

Use application workflow style   001   (blank = standard)
Product code base rate   2.740
Loan fees to be included in modified APR   40.00
Default collections officer   XX
☐ Require Dealer/Indirect ID   ☑ Miscellaneous coverage on loan
                                                ☐ Run loan deal filters

Display In
☑ Loan processing
☑ Loan quoter
☑ External loan
   delivery channels

Amortization/External Loan Delivery Channel Defaults

Variant   0.000   Rate   0.000   - Or -   ☑ Use risk-based pricing

Frequency code	M	Purpose 01	Delinquency code 3	Variable rate code 000
# of payments	72	Security code 02	Collateral type A	ECOA code 1

Loan Quoter Defaults

☑ Quote multiple payments   ☐ Payment in final   Loan type ○ Balloon   ○ Lease   ◉ General
Variant   0.000 ○ + ○ -   Rate   2.740   Rate var   + 0.500   - 0.000
# of payments and frequency   A) 072 M   B) 063 M   C) 051 M
Amortization term for balloon loans   A) 000   B) 000   C) 000

Recalculate
Rate History

← → ↑ ⏸ 🖨 🔗 i ? @   FR (3272) 1/15/18

- TIP: Loan products can even be set up exclusively for use by external delivery channels.

Some things to consider when creating products exclusively for your external delivery channels:

- **Are your prices the same for your member direct loans as for your external delivery channels?** Check your "Product code base rate." (See picture above.)
- **Are your procedures the same?** Return to the Loan Product entry screen and select "Checklist" from the next window.
- **How are you managing the risk-based pricing for external delivery channels?** Use Enter from the screen shown above to see the screen on the next page.

Loan Product Configuration - Risk Based Pricing

Level	Tier	From	To	Rate	Tier	From	To	Rate	Tier	From	To	Rate	Tier	From	To	Rate
1		730	9999	2.500	2	0000	0579	14.800	3	0580	0599	11.800	4	0600	0639	10.800
5		0640	0679	5.500	6	0680	0729	3.500	7	0000	0000		8	0000	0000	

Amortization Defaults - Risk Based Pricing — CHANGE

Product # 016 NEW AUTO LEASE
Loan category 33 NEW AUTO LEASE   Low 1.890 High 25.000
Corp ID 01   Product code base rate 2.500

■ Change   ■ Delete   ■ View

Add New Level
History

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This screen shows the risk-based pricing set up for the loan product.

CONFIGURING DEALERS IN CU*BASE

In addition to setting up loan delivery channels, you will also need to configure your dealers in CU*BASE.

Configure Dealer Info for Indirect Lend. (Tool #245)

This is the first of two screens used to set up dealer information, including name and address, contact information, and reserve percentages. Each dealer is assigned a unique number for tracking purposes.

- From here you can add or change a dealer. This will take you to the screen shown on the following screen.

- You can suspend a deader. To then show the suspended dealer, use the Show Inactive (F11) button.

- If you elect to delete a dealer and loans exist with the dealer, a window will appear for you to enter a replacement dealer.

Configuring Indirect Dealer Information (Detail)

This is the second screen used to add or modify dealer information. In addition to name and address information, this screen is also used to record the reserve percentage allotted for this dealer. Each loan amount that is attached to this dealer will be multiplied by this percentage to calculate the reserve amount.

All fields are optional, except for the Dealer # and Company Name. Below is a description of the fields used to calculate the reserve percentage and monthly reserve expense.

Field	Description
Reserve %	(Optional) This field is used to record the reserve percentage allotted for this dealer. Enter an amount using *three* places past the decimal point. All loans attached to this dealer will be multiplied by this percentage to calculate the reserve amount. For example, if this dealer receives a reserve of 1.25% for each loan sold to the credit union, enter 01250 here (as shown above.)
Default reserve amortization term	(Optional) Used for calculating the monthly reserve expense when the loan is linked to a dealer but can be overridden at the loan level. This field is not required and can be added when the loan is linked to the dealer.

INTEGRATING CU*BASE AND INDIRECT DEALERS -

INTEGRATION MANAGER USER GUIDE

After adding the dealers to CU*BASE, you also need to add them to the Integration Manager that provides the connectivity between the indirect dealer and CU*BASE.

Use the Integration Manager User Guide to learn more about:

- Adding a user

- Assigning and changing a password

- Adding a new dealer

Access this booklet with the following link:
https://www.cuanswers.com/wp-content/uploads/IntegrationManagerUserGuide.pdf

WORKING WITH LOAN APPLICATIONS FROM EXTERNAL DEALERS

Just like any loan request, the loan request from the indirect lender appears in the Loan Request Queue.

Loan Request Queue

The DT in the DC column indicates that this request comes from an indirect lending channel (DealerTrack).

Identifying Loans from Indirect Lenders

You can identify these loans as indirect loan request by looking in the Delivery Channel "DC" Column for the two-letter indicator for the vendor. (In the example above, DT stands for DealerTrack.) You can also sort the list of loan applications using the 'Delivery Channel' filter button on the top of the screen.

DealerTrack and RouteOne support the ready to look model and Counteroffer Exchange, so the following section will cover this process. If the vendor was "ready to book," the loan officer would simply book the loan by creating it. (This is the final step of the "look to book" process.)

REQUESTING A COUNTER OFFER (2-WAY COMMUNICATION)

If your vendor is Route One or DealerTrack, you can use the Counteroffer Exchange interface to request a change of the loan request.

- For example, you might want to change the term of the loan from 72 months to 68 months.

The Counteroffer Exchange supports the exchange of comments between the dealer and the credit union.

1. After the lender submits a loan request to the credit union, the credit union has an option to place a counteroffer decision on the loan. Click *Contact Dealer* to access the Counteroffer Exchange.
2. After the lender submits a loan request to the credit union, the credit union has an option sends a comment to the dealer by clicking *Contact Dealer* to access the Counteroffer Exchange.
   - There is no UW code required to initiate the comments.
3. When the lender submits comments, the credit union receives an email notification and can use a link provided to accesses the Counteroffer Exchange portal to reply to the message. Messages can be exchanged back and forth in this manner.
4. The credit union approves or declines the loan request.

Email Notifications

When the dealer submits a comment, the CU will receive a notification that contains a URL. This URL will also take the user to the Counteroffer Exchange portal. Once there, the CU will be able to view the conversation and post back their comments if they wish.

An example of the email notification:

The Portal

After following the link provided in the email notification, the CU is taken to the Counteroffer Exchange portal. This is where they can view information about the deal, the conversation history, and submit a reply to the conversation. If there is a decision applied to the application, the decision will appear as a different color and provide the stipulations from the decision as part of the conversation.

To post a new comment, the user will type the message in the box and click Send. Assuming the new comment is successfully posted, they will receive a success message and the conversation history will be updated.

Counteroffer Exchange Portal

Message Archival

During the Counteroffer Exchange conversation, each message that is exchanged is stored within the CU*BASE system. These messages are archived in the collateral comments for the target application.

Collateral Record with Counter Exchange Notes

BOOKING THE LOAN

Once the loan is submitted by the vendor, it will appear in **Tool #2 Work/View Loan Application Status** for you to review and work just like any other loan. When you book/create the loan (shown below) you will want to follow the special instructions below.

Notifications

Your vendor may support notifications when an indirect dealer loan request appears in your queue. Contact Lender VP for details on how to sign up for these notifications.

Indirect Lending Application – Loan Request Recap Screen

At this point you are ready to book the loan. From the Loan Request Recap screen select Create Loan Account as usual. This will take you to the Loan Creation screen.

Loan Creation Screen

Since this is an indirect loan, *Link to dealer* is checked by default. In order to print a check to the dealer, also check *Disburse funds* as shown above.

Then you may need to enter a Collector ID. Use Enter to move to the screen where you link the dealer to the loan.

When you first come to the *Link Dealer to Member Account* screen (shown below), the *Reserve %* and *Reserve Amortization term* fields will be blank. Select a dealer and if they are configured in the dealer configuration, you can use Enter to fill in the *Reserve %* and *Reserve amortization term*. You can also manually enter this information.

- You can override the default *Reserve %* and *Reserve Amortization term*. In this case click *Recalc Reserve Amt* (lower right button) to recalculate the *Reserve amount*.

Select whether this is a dealer loan or dealer lease with the *Dealer Relationship type* selections.

Link Dealer to Member Account Screen

The loan is now linked to the dealer. Now use Save/Update (F5) to move to the disbursement screen.

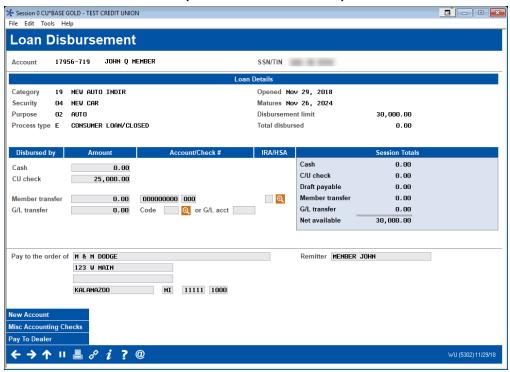**Loan Disbursement Screen (Upon Entry)**

Upon entry, the Loan Disbursement screen displays the loan information and allows you to disburse to the member. To select the dealer as the payee, select *Pay To Dealer* (button lower left). A pop-up window appears showing a list of dealers configured on the system. Select a dealer from the list, and the dealer information will populate the *Pay to the order of* section of the screen.

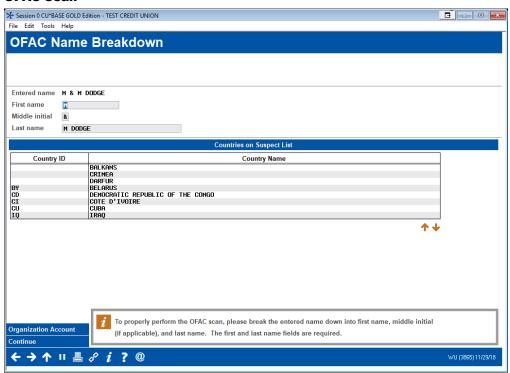**Loan Disbursement Screen (Dealer Pay to Information Included)**

Loan Disbursement Screen (Check Amount Entered)

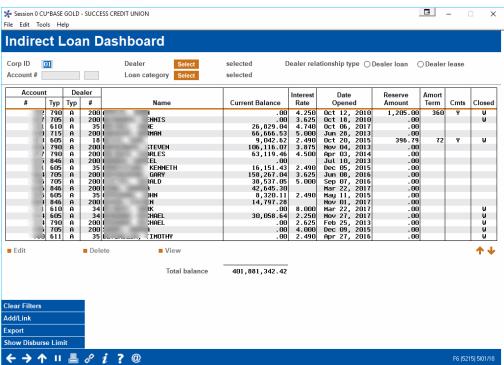Enter the amount of the check in the *CU Check* field and use Enter. An OFAC scan will be run.

OFAC Scan

Complete the OFAC scan, and then use Cancel (up arrow). The check will print at your check printer.

LINKING INDIRECT LOANS

You can view your indirect loans in a dashboard format, where they can be viewed, updated or deleted.

Tool #438 Link/View Member Loans

This screen is used to attach individual member loan accounts to a specific dealer. When reserve amounts are calculated, all loan accounts which have been linked using this screen will be included in the total reserve for that dealer.
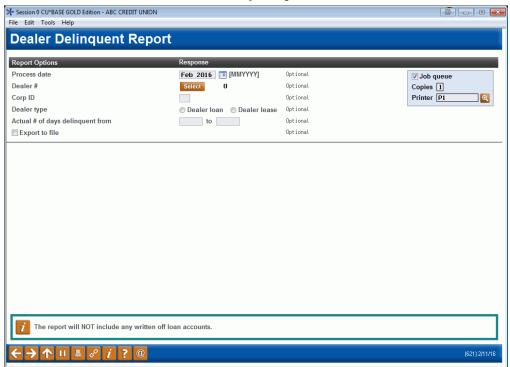
To link a loan use Add/Link (F6). This will reveal a pop-up window that will allow you to link the loan. When done, use Save/Update (F5) to return to this dashboard.

- There are two views for this screen: one showing current balance information and the other showing disbursement limit. Use the toggle (F10) to change what is displayed in the column.

- If you see a W in the Closed column, this means that the loan has been written off. If you see a C in the Closed column, this means that the loan has been closed.

- NOTE: This functionality is allowed only for closed end loans.

MANAGING DELINQUENCY RISK OF YOUR INDIRECT LENDING PORTFOLIO

You may want to re-evaluate your business decision to work with a vendor based on the ratio of delinquent loans initiated at that location. To do so use **Tool #641** *Print Dealer Member Delinquency*.

Tool #641 Print Dealer Member Delinquency

From this screen you can use the multiple Select button to filter by dealer. Use Enter to print the report, shown below.