

NEWS RELEASE

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FCUL Service Group, Inc. Partners with CU Lending Solutions LLC to Serve the Under Served

In order to provide vital lending services to those in need, credit unions must adapt their current lending programs to fit today's borrower. In an effort to meet this challenge, the FCUL Service Group has partnered with CU Lending Solutions, a provider of non-prime auto loan origination programs to assist credit unions with implementing a profitable and reduced risk non-prime indirect auto loan program.

The terms non-prime, sub-prime or mid-prime lending describe credit that is extended to borrowers exhibiting higher delinquency or default risk characteristics than those of traditional prime borrowers. Borrowers within these categories represent a broad range of risk, but typically include those with unproven credit performance, repayment problems because of an adverse event such as job loss or medical emergency, or a history of mismanaging their finances and debt obligations.



The non-prime indirect auto finance market is being influenced by factors such as increased competition by banks and credit unions in the prime lending markets, added funding availability through the securitization market, and a growing recognition of business opportunities available in previously underserved or unserved markets. This increased competition has the tendency to result in declining margins and relaxed underwriting standards. This erosion, coupled with increasing consumer debt burden levels, has the potential to adversely affect the long-term profitability and asset quality of non-prime auto lenders, especially if economic conditions deteriorate.

While many of the principles and operational requirements are similar to traditional prime consumer lending, the need for increased attention to detail is heightened with the increased level of risk assumed in non-prime lending. Consequently, credit unions should not engage in this activity without a clear understanding of the business and its inherent risks and a well-conceived business plan strategy. Anything less exposes the credit union to an unacceptable and unnecessary risk of loss.

Credit Unions must also recognize the fair lending and other compliance risks presented by non-prime auto lending activities, and take steps to control those risks. In particular, credit unions must ensure that credit criteria – including those that distinguish prime from non-prime borrowers – are applied in a nondiscriminatory manner, based on factors that accurately predict risk and advance legitimate business purposes. Similarly, credit unions working with affiliated or unaffiliated non-prime auto lenders must take steps to ensure that referrals of credit applicants to and from the non-prime lender are made in a nondiscriminatory manner and otherwise comply with fair lending and other applicable laws.

Frank Mercer, Chief Executive Officer, CU Lending Solutions, states that “Our unique program allows credit unions to maintain complete control over the entire non-prime process. As more and more members face challenges with regards to credit quality, CU Lending Solutions assists credit unions entering non-prime auto lending to ensure the following safeguards are in place and effectively maintained”:

- Detailed policy guidance that sets limits on amount of risk that will be assumed, and addresses how portfolio quality will be controlled.
- Determines amount of increased capital, if appropriate, for the volume and nature of risk assumed.
- Identifies controls to ensure effective portfolio servicing activities including collections, default management, and collateral document management.
- Develops risk management processes and analyses that promote understanding of the portfolio and early identification of adverse quality/performance trends.
- Generates reporting systems capable of providing the detailed information necessary to assess adherence to established underwriting, operating, pricing, accounting, and appraisal guidelines, as well as the effects of those guidelines.
- Implements controls to ensure compliance with fair lending and other consumer protection laws and regulations.
- Assists with NCUA examinations.

“We are assisting credit unions by putting controls in place that will allow them to serve a non-prime member with a loan that is priced with an accurate reflection of risk,” stated Keith Hopkins, VP Business Development, FCUL Service Group.

For more information on how your credit union can begin building a framework and road map to your own non-prime lending program, contact Keith Hopkins at 800.342.1266 x1170, or keith.hopkins@fcul.com.

(CU Lending Solutions LLC is formed as a limited liability company with the office of the Secretary of State of Delaware. With more than 75 years of combined non-prime indirect auto lending experience, the management team at CU Lending Solutions has designed a non-prime, auto lending program for credit unions that allows them to serve the underserved, minimize their risk and control their own destiny, without having to rely on a third party broker originator. This extensive and comprehensive program ensures that credit unions establish a profitable and risk-assessed non-prime program. For more information on CU Lending Solutions, contact Monica Haupt EVP and Chief Development Officer at 714-335-8226, or mhaupt@culendingsolutions.com)

(The FCUL Service Group, Inc. is a wholly owned subsidiary of the Florida Credit Union League. The mission of the FCUL Service Group, Inc. is to develop, market, and provide proven business solutions to credit unions in and out of Florida. From adding new products to improving existing products, FCUL Service Group, Inc. is committed to developing and providing the most cost-effective and cutting-edge products and support services that benefit credit unions and position them to be competitive in today’s fluid market.)

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