

Small Credit Unions in Washington, What Difference Do They Make?

Predatory Auto Warranty, by Trevor Galey, VP of Lending at Tri-CU Credit Union

Jesus is a first-generation immigrant, working seasonal agricultural labor jobs in the Tri-Cities area. We had met Jesus about 8 or 9 months prior when he had come to us for financing an auto loan. The car we ended up financing for him was about 14 years old and had nearly 180,000 miles on it. There probably wasn't a panel of the body on that car that didn't have multiple dings and scratches. At the time, that was all he could afford and was needed for him to get to work.

No bank would have touched that loan. I was a finance manager at a car dealership for over 6 years. Every major bank I worked with had 100,000 – 120,000 limits on mileage. Absolutely no chance with anything over that, no exceptions, no "we'll consider if..." Additionally, every major bank I worked with made it nearly impossible to finance an auto loan for someone with seasonal income. They would deny the application based on "employment instability" and "lack of consistent income." Never mind the fact that Jesus works harder than us, while we sit in air-conditioned offices making decisions about whether or not we will finance his inexpensive car, so he can keep his job.

Sadly (but not a surprise), his previous car didn't last very long, so he came back recently applying for a replacement car loan. When he came in, he was accompanied by a salesperson, from an URO dealership we hadn't done business with before.

Due to various lunch schedules, vacations, etc., he happened to arrive when there were no fluent Spanish speaking staff members available to help. Jesus can speak a little English, but we always want to try to find ways to communicate with our members in ways that make them most comfortable, so they fully understand the details of the business they are about to conduct. The dealer salesperson representative assured me that he would help translate.

Fortunately, I know enough Spanish to have recognized a few minutes into the conversation, that the dealer rep wasn't accurately interpreting what I was saying to Jesus. I excused myself for a minute because, by that time, a Spanish-speaking staff member had returned from lunch. She confirmed my suspicion and was able to take the member aside to clarify the details of the transaction.

It turned out that the dealer was essentially hiding over \$3,000 in extended warranty costs from the member. Extended warranty products are often sold by dealers to provide extra levels of protection against future mechanical failures on vehicles. They can be great products, and they can provide excellent financial security for borrowers who don't have the means to plan ahead for \$4,500 engine repairs down the road. Jesus lived paycheck to paycheck, so perhaps an extended warranty was a good financial option for him. However, the problem here was the dealership was nearly **doubling** the true cost of this extended warranty protection, and they were not even disclosing to him that they were adding this amount to the cost of the vehicle purchase.

The amount added to financing, would have added about \$70 a month to the payment for this little Toyota truck, which was a big deal to Jesus who took care of his family a week at a time.

The simple fact that we, as a local not-for-profit cooperative, took the time to focus on serving the member, rather than simply trying to close a new loan to pad the bottom line, resulted in protecting our member from what amounted to attempted theft by this dealer. Had he simply been another number on our spreadsheet, he would not have been protected in that way.

Jesus ended up choosing to purchase a vehicle through another dealership. He also chose to get the loan for that vehicle through our local credit union who prioritized saving him money over just quickly getting a new loan on the books from an unknown dealership.

He does business with us precisely because we can provide financial services that he can NOT get at a bank here in town. He does business with our credit union precisely because he knows we hold his financial success to be as important as our own.

Tri-CU is a small credit union in Kennewick Washington. They have a single office with only 14 employees. They are about \$75M in assets and serve only their bi-county area. For more information contact Doug Wadsworth, President. Doug@Tri-CU.com, 509-735-8331 x100