

SPECIAL REPORT: AUTO LENDING

Already Offering 2.99% Rate, Pentagon Federal Adds Sweetener To Deal

By Ray Birch, Reporter

ALEXANDRIA, Va.—One of the biggest credit union auto lenders in the country believes its 2.99% rate needs some help to compete with bank and manufacturer financing, and has added a car-buying website that offers members prices averaging some \$4,000 below MSRP.

According to Ben Scandlen, VP of marketing and online for the \$15.4-billion Pentagon FCU, that combina-

PFCU is partnering with Zag and TrueCar Inc. on the PendFed Auto Buying Program. Members go to <http://penfed.zag.com>, enter a car's make, model, and year and get three bids back from local dealers. The site quotes prices for used vehicles as well as new, but the reduction off MSRP is only good for new. A TrueCar price comparison comes with the bids, showing what the car has been selling for locally.

"You see a bell curve of prices," explained Scandlen. "You can see the average people are paying, and then the high and low ends. So you know whether the dealer's offer is a good one."

How Members Buy

Members do not key in personal information to receive bids. If they like a deal, they enter their information and then go to the dealership to buy the car. The member has to take PenFed financing to get the reduced price. Scandlen said the site was built not just to offer good deals,

but to increase member service. "It makes the car-shopping process so much simpler, saving members time and money. We want to provide an exceptional member experience, as well as great deals."

The 2.99% APR rate is good for new and used, up to 60 months, and \$100 off the loan price is tossed in for refs. PenFed recently dropped its used rate from 3.24% and the new rate had been 2.99%. The low rates are only good online—3.99% is what members get at branches. "We are doing about 70% of our auto loan business online," Scandlen said.

Scandlen termed the website "turnkey," saying Zag manages the relationship with dealers across the U.S. PenFed, nor CU members,

pay a fee for the site. The credit union has been advertising the car-buying service, telling members they not only get a 2.9% rate, but \$4,000 off MSRP. Ads say, "If you can find a better deal, TAKE IT!"

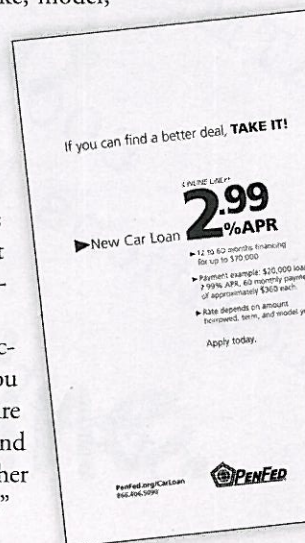


[The new website] really helps to compete on the new auto side, because there are some great rates out there.

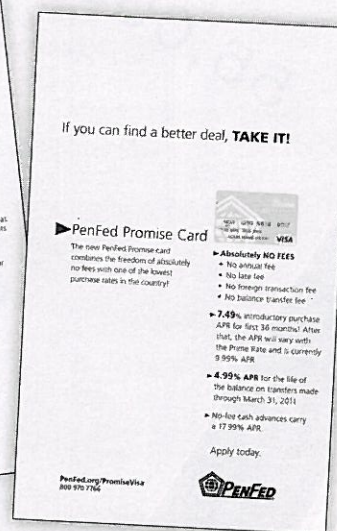
—Ben Scandlen

tion is what it takes to win business in a hyper-competitive auto loan market.

And results support the strategy. "We are currently 100% above our goal since we launched the site in early February," said Scandlen, choosing not to disclose actual loan volume. "This really helps to compete on the new auto side, because there are some great rates out there."



Above left, Pentagon FCU touts its auto loans. Above right, it's taking a similar tack in its advertising for its credit cards, as well.



Having Low Rates No Longer Enough

HAUPPAUGE, N.Y.—GrooveCar President David Jacobson has noticed credit unions getting much more aggressive on A-plus paper, a change from a year ago when competition for top-tier credit drove many CUs away from that market.

"It's somewhat surprising, but the lowest rate in our market is from a credit union (Teachers FCU 1.99%). Yet even a rock-bottom rate may not be the answer for credit unions since banks allow dealers to mark up the rate and pay a higher flat fee. The banks are giving dealers the opportunity to make more money, so we start off handicapped."



David Jacobson
GrooveCar

Jacobson noted that car sales in upstate New York have not taken off with the rise in auto sales, attributing a lot of that to bad weather. Mike Chapman, SVP of lending for the \$6.2-billion Security Service FCU, San Antonio, believes the weather may be playing a role in suppressing loan volume. "You are seeing increases in car sales, but not in every area of the U.S.," said Chapman, who shared that SSFCU is charging from 3.50% to 4% for 72 months across its markets. "I think the indicator of the kind of year we will have will come in March and April. We will know by the end of April how all this is going."

For info: www.groovecar.com.

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