

# What You Need to Know About Indirect Lending: Risks and Rewards

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## Overview

- Indirect Lending Benefits & Risks
- Strategic Planning
- Due Diligence Best Practices
- Types of Assets



# Benefits of Indirect Lending

- Increased Efficiencies
- Built In Protections
- Increased Membership & Cross Selling
- Portfolio Diversification



# Risks

- Dealer Management
- Consumer Contract Underwriting
- Consumer Compliance
- Management Oversight



# Strategic Planning

- Identify Asset Class & Provider
- Short & Long Term Program Goals
- Personnel and Training
- Clear Policy & Procedures for Program
- Monitor the Performance of Program



# Vendor Due Diligence

- Industry-Experienced, Reputable Provider
- Single Point of Contact
- Have Provider visit your Credit Union
- Have a Due Diligence Checklist and store these Items Electronically and Update Periodically



## Strategic Management

- Monitor appropriate growth goals, concentration limits & minimum creditworthiness standards
- Monitor portfolio performance & risk-levels
- Setting loan rates
- Taking early action



## Effective Ongoing Due Diligence

- Consistent Underwriting Standards
- Clear Vendor Policies
- Financial and Operational Review Process
- Effective Risk Management



# Types of Assets

- Medical Equipment
- Solar Panels
- Marine Loans
- Home Improvement Loans
- Manufactured Housing Loans



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