

Checklist for Repossession

Determine approximate value and make decision to repossess

Use sources such as NADA, Blue Book, or best case have a physical inspection done to determine an approximate value and then subtract the cost to repossess and sell. This number should be a positive amount.

Determine approximate location(s) of debtor such as place of employment, homestead, family, or favorite hangout.

These items should be part of your daily collections conversations.

Determine repo agent

You should always use an agent that is licensed, bonded, and insured. It only takes one lawsuit to cripple a Credit Union's books. Make sure it is clear who is going to do the documents for repossession such as notice of repossession, redemption notice, and even deficiency notice. Each state has different regulations so make sure your agent is familiar with them if they are going to do the documentation for you.

Assign to agent

Use the agent's form or one of your own that they will accept. It should include the details of the unit such as VIN, year, make, model, COLOR, and any other options that will help agent identify it by eye.

Get verification of assignment

Don't presume they received the assignment. Make sure you get a confirmation.

Set a follow up for a weekly update from the agent

Agents have many assignments they are working on so make sure to do a weekly follow up to see what they have done for you or if they need more information from you and to make sure they are working on your assignment.

Once picked up immediately make notes in system for all to see.

You may not be the person who gets the call or the visit from the member, so make sure everyone knows the status of the account. That may mean a note to contact you because it was repossessed but at least the employees know where to direct the contact from the member.

Verify the Condition report

Make sure you receive a condition report and determine if adjustments to expected value (from the first step) are needed. This is also a good time to determine if repairs are going to be needed.

Create a policy/process for redemption

Don't guess. Maintain a process for equitability amongst members. Each person is different but information needed is frequently the same. Verification of income, verification of all debts (not just those on credit bureau), verification of insurance (not something just received), inquiry as to how they are getting funds to redeem (did they take out another loan, borrow from someone they have to pay back right away?).

Make sure redemption period has expired

Whether you or the agent sends the notices make sure the redemption period has passed before selling. Set a follow up if you use them.

Request rebates

Review the contract and request rebates or refunds of unused insurance or warranty items on the contract. Set follow ups to make sure they are received. If these items are common for your Credit Union try setting up Coded Account Adjustments for each one.

Verify the auction house has received the unit

This step may be before the prior step but frequently the unit isn't moved to the auction until after the redemption period has expired. In any case, be sure the auction house has your unit.

Agent or auction house should have a value estimate by now

Once the unit is at the auction house they will be able to determine a pretty good value based on condition and going rates. They may also suggest some (or a lot of) repairs that would increase the value. Make sure you get a good ROI before committing to the repairs.

Run through auction and determine if bids are acceptable

Even the best auctions houses are not perfect so make sure the bids are close to or above the estimates. You can and sometimes should run it through more than one auction. Determine which bid is acceptable and notify the house that you accept that bid. This should be in writing like E-Mail or fax.

Once a bid is accepted, set a follow up to verify funds are received

Immediately after you accept the bid, set a follow up to verify you actually receive the proceeds.

Apply funds to principal balance

Once the proceeds are received, apply them to the principal balance. This is required according to most auditors not as payments to clear up the delinquent amount. Most states allow you to subtract the cost of sale from the proceeds so check your local laws.

Go to MNCOLL #15 and use option 1 or 2. It is a good idea to have a coded account adjustment option since this removes the chances of GL errors and the description is the same over the years regardless of who input the information.

Apply any warranty or insurance rebates you have received.

Send member deficiency letter if applicable

Make sure you or the auction house sends any notice of deficiency and that you have a copy of it.

Decide if write off is necessary

Finally you have to decide if the member is going to pay on deficiency. Can you modify or rewrite the loan to keep it active or if you have to write off the balance?