

CASE STUDY – HONEA Federal Credit Union

Loan-to-Share

Small credit unions and community banks face the difficult task of generating loan volume with limited resources and budget. There are, however, other ways to grow besides organically. This study shows how a small, \$23 million credit union in Hawaii, used loan participations to nearly triple their loan-to-share in just a few years.

Situation

In April of 2014, HONEA Federal Credit Union CEO, Fred Dalit, was told by the NCUA that they were concerned about the institution's declining income. A closed field of membership made it difficult for HONEA to generate much loan volume. Traditionally, HONEA's members were savers with great credit. Offering low rates and attractive terms was not enough to increase loan volume organically. It also did not help that a \$10 billion credit union had a branch located nearby.

Solution

Mr. Dalit reached out to the Hawaii Credit Union League for help. The league recommended that he look into doing participation loans with their new partner, LendKey.

Trusting the advice from the league, Mr. Dalit reached out to LendKey to see how their loan participation program could help him improve his loan-to-share ratio. Seeing that HONEA could participate in a much larger loan pool while spreading the risk, HONEA's Board of Directors decided to partner with LendKey. Asked if there were any issues in getting up and running, Mr. Dalit said "other than meeting the NCUA's due diligence requirements, we were live in a matter of weeks."

3 Year Portfolio Results

891

Participation Loans

5.8%

Interest Rate
(Weighted Average)

759

Credit Score
(Weighted Average)

1.1%

Cumulative Default Rate

48

States Represented

Fast-forward two years later and HONEA has taken their loan to share from 12% to 32%, putting them in a much better financial position. The program has been so successful for HONEA that they added LendKey's home improvement loan participation product to their mix. Within days of signing up, HONEA had loans on-board, generating revenue from an area they would otherwise have difficulty tapping into with their member base.

When asked why a credit union should use LendKey, Mr. Dalit says "It is really a no-brainer. LendKey gives me all the benefits of lending without having to increase my staff. I calculated that participating in 1,000 LendKey loans is like adding 3,000 new members without the cost of finding them." Mr. Dalit also remarked that the service he receives is first class. "If I send an email, I know I am getting a response soon, even though I am a few time zones away."



Quick Facts

Established: 1952

Assets: \$23 million

Members: 900

Branches: 1

CEO: Fred Dalit

Field of Membership:

Employees of the U.S. Army Corps of Engineers and Hale Koa Hotel.

Expanded to include civilians and military personnel stationed at or assigned to Fort Shafter Army Base.

“My loan participation portfolio generates more revenue than the rest of my portfolio combined; LendKey is a goldmine.”



About LendKey

LendKey is a complete online lending solution for banks, credit unions and alternative lenders. We help lenders of all types and sizes grow and run their digital loan business.

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