

Data Dispatch: US credit union auto lending grows but so do delinquencies

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U.S. credit unions saw healthy growth in auto loans in the third quarter but also a corresponding uptick in delinquencies in that lending line.

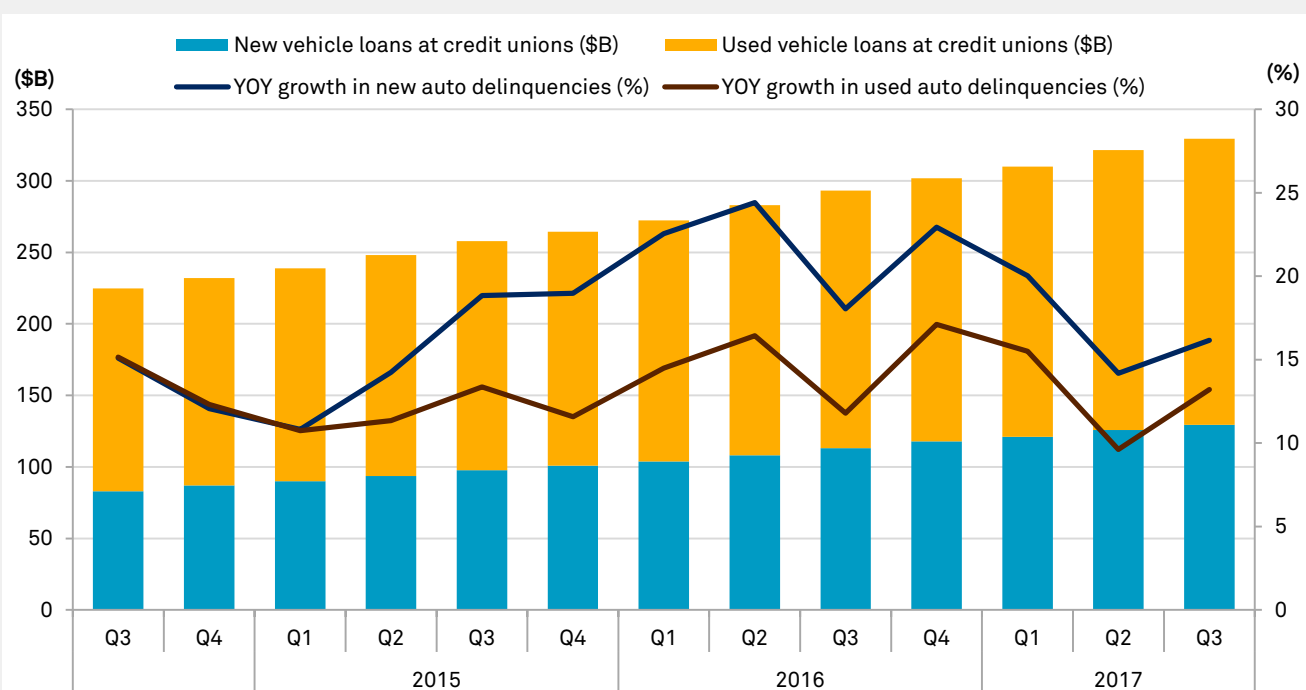
Aggregate auto loans held on U.S. credit union balance sheets rose to \$329.55 billion as of Sept. 30, a 12.4% increase year over year, according to S&P Global Market Intelligence data. At the end of the second quarter of 2017, credit unions had \$321.47 billion in auto loans.

Aggregate used vehicle loans at credit unions totaled \$200.19 billion at the end of the third quarter, while new vehicle loans at credit unions reached \$129.37 billion at Sept. 30. A year ago, new vehicle loans totaled \$113.18 billion and used auto \$180.04 billion.

Randolph-Brooks FCU had the ninth-largest auto portfolio among U.S. credit unions at the end of the third quarter of 2017 with \$2.73 billion in vehicle loans. That total represented year-over-year growth of 19.6% for the Live Oak, Texas-based credit union.

Sonya McDonald, executive vice president and chief lending officer for Randolph-Brooks, said in an interview the credit union remains optimistic about auto lending moving into 2018 because of its results in 2017. She said there was pent-up demand, and 2017 was the year that people decided to trade in their old car for a new one. "We've seen an increase that doesn't seem to be slowing down any time soon," she said.

Vehicle loan trends at US credit unions



Data compiled Dec. 11, 2017.

Based on regulatory filings by U.S. credit unions.

Delinquencies include past due and nonaccrual vehicle loans.

Source: S&P Global Market Intelligence

Nationally, auto sales have been stalling, but McDonald said that within the credit union's lending department there has been no decrease in demand for loans.

As to whether rising interest rates may soon affect borrowers' behavior, McDonald said the credit union has not seen an impact on the consumer lending side like it has seen in mortgage lending. Consumer confidence seems to be growing, she said. "When members are more confident in their economic future, they are more willing to assume debt," McDonald said.

Used vehicle loans comprised the largest delinquent category at the third quarter's close for the credit union industry at \$4.19 billion, up from \$3.74 billion in the prior quarter. Total auto delinquencies were \$5.78 billion at the end of the quarter, representing 1.75% of total auto loans.

Auto delinquencies for Randolph-Brooks stood at 0.84% at the third quarter compared to the industry median of 1.53%. McDonald said the credit union's underwriting standards and "robust" collections department allow it to mitigate a

US credit unions with highest increase in delinquencies

New vehicle*

Credit union	City, state	YOY increase in new vehicle loan delinquencies to new vehicle loans (bps)	Delinquent new vehicle loans/total new vehicle loans (%)	New vehicle loan delinquencies (\$M)	Total vehicle loans (\$M)
NSWC FCU	Dahlgren, VA	152	2.7	1.3	95.7
ABNB FCU	Chesapeake, VA	148	2.3	1.9	209.0
Texas Bay CU	Houston, TX	139	3.2	2.2	181.2
121 Financial CU	Jacksonville, FL	130	2.5	2.2	173.0
Resource One CU	Dallas, TX	127	3.1	1.6	187.7
Marine FCU	Jacksonville, NC	116	3.2	3.6	262.6
Arizona Central CU	Phoenix, AZ	111	4.3	4.3	191.1
GCS CU	Granite City, IL	109	1.8	1.2	199.3
Direct FCU	Needham, MA	108	1.4	0.9	129.3
Tower FCU	Laurel, MD	104	2.7	14.2	907.4

Used vehicle^

Credit union	City, state	YOY increase in used vehicle loan delinquencies to used vehicle loans (bps)	Delinquent used vehicle loans/total used vehicle loans (%)	Used vehicle loan delinquencies (\$M)	Total vehicle loans (\$M)
Collins Community CU	Cedar Rapids, IA	591	7.1	15.0	273.5
Michigan First CU	Lathrup Village, MI	390	10.4	10.7	118.5
JetStream FCU	Miami Lakes, FL	310	7.0	4.5	88.3
Financial Resources FCU	Bridgewater, NJ	264	3.6	2.2	69.7
Energy One FCU	Tulsa, OK	251	4.2	2.4	86.9
Idaho State University FCU	Pocatello, ID	238	3.6	2.5	89.0
Great Lakes CU	North Chicago, IL	237	4.4	6.8	221.5
Lower Valley Credit Union	Sunnyside, WA	234	6.6	4.1	71.9
Dane County CU	Madison, WI	230	5.8	3.8	81.9
I H Mississippi Valley CU	Moline, IL	223	3.5	14.1	570.5

Data compiled Dec. 11, 2017.

* Limited to credit unions with more than \$50 million in new vehicle loans as of Sept. 30, 2017.

^ Limited to credit unions with more than \$50 million in used vehicle loans as of Sept. 30, 2017.

Based on regulatory filings by U.S. credit unions.

Total vehicle loans include both new and used vehicle loans.

Delinquencies include past due and nonaccrual vehicle loans.

Year-over-year growth is based on reported financials and is not adjusted to exclude growth from M&A activity.

Source: S&P Global Market Intelligence

Top US credit unions by vehicle loans

Credit union	City, state	Q3'17 vehicle loans			
		Balance (\$B) ¹	YOY change (%) ²	Concentration (%) ³	Delinquent (%) ⁴
Navy FCU	Vienna, VA	12.70	10.4	20.05	1.67
Security Service FCU	San Antonio, TX	5.33	-3.2	61.75	3.42
Golden 1 CU	Sacramento, CA	4.45	27.9	55.10	0.89
Alaska USA FCU	Anchorage, AK	4.31	14.0	72.48	1.31
America First FCU	Riverdale, UT	3.56	18.8	53.04	2.09
Pentagon FCU	Tysons Corner, VA	3.36	25.5	17.35	1.33
State Employees' CU	Raleigh, NC	2.82	16.0	13.21	3.20
Mountain America FCU	West Jordan, UT	2.78	18.3	46.66	0.79
Randolph-Brooks FCU	Live Oak, TX	2.73	19.6	42.55	0.84
Suncoast CU	Tampa, FL	2.64	23.0	43.28	0.44
Digital FCU	Marlborough, MA	2.36	-0.5	35.74	1.44
Boeing Employees CU	Tukwila, WA	2.24	14.3	19.53	0.54
San Diego County CU	San Diego, CA	2.21	33.8	35.88	0.53
SchoolsFirst FCU	Santa Ana, CA	2.12	23.7	29.23	0.45
Alliant CU	Chicago, IL	2.07	18.7	30.20	0.63
Tinker FCU	Oklahoma City, OK	1.99	9.2	75.90	1.61
Space Coast CU	Melbourne, FL	1.92	24.5	60.76	1.56
First Technology FCU	Mountain View, CA	1.84	19.3	22.61	1.51
Delta Community CU	Atlanta, GA	1.78	10.7	40.86	1.45
VyStar CU	Jacksonville, FL	1.77	24.3	35.93	1.49
General Electric CU	Cincinnati, OH	1.57	-0.2	60.19	3.14
American Airlines FCU	Fort Worth, TX	1.54	30.4	37.99	0.78
Pennsylvania State Employees CU	Harrisburg, PA	1.52	12.7	39.58	1.26
Landmark CU	New Berlin, WI	1.49	16.6	48.23	1.73
Service CU	Portsmouth, NH	1.48	13.1	55.48	0.86
Industry median*			6.2	45.28	1.53

Data compiled Dec. 11, 2017.

Based on regulatory filings by U.S. credit unions.

* Includes all credit unions that filed call reports for the third quarter of 2017.

¹ Total vehicle loans include both new and used vehicle loans.

² Year-over-year change is based on reported financials and is not adjusted to exclude growth from M&A activity.

³ Total vehicle loans as a percentage of total loans and leases.

⁴ Total vehicle loans 30 or more days past due as a percentage of total vehicle loans.

Source: S&P Global Market Intelligence

lot of potential risk. “We’re able to reach out to members and work with them at the first sign of trouble,” she said.

Michigan First CU saw the second-largest year-over-year increase in used auto loan delinquencies of any credit union at the end of the third quarter. The Lathrup Village, Mich.-based credit union had 10.4% delinquencies among its used auto loans, which equated to a 390-basis-point increase.

President and CEO Michael Poulos said in an interview the only issue the credit union is seeing in the market is significantly lower residual values when cars are repossessed and sold. “That is all we can see at this point,” he said.

Suncoast CU had the 10th-largest auto portfolio among U.S. credit unions at the end of the third quarter of 2017 with \$2.64 billion in vehicle loans. That total represented

year-over-year growth of 23.0% for the Tampa, Fla.-based credit union.

Vicki Lovett, chief lending officer at Suncoast, said in an interview its members have strong and positive credit quality. “In any economic environment, there are some who have financial struggles for a variety of reasons, however, we continue to see stable-to-improving credit profiles from our members,” she said.

Suncoast has experienced a continuing downward trend and then a leveling off, thus returning to a more normal and seasonal expectation.

Used vehicle loans have been a bit of a sore spot across the industry but Lovett said Suncoast has not seen a negative trend with used vehicles. “These tend to be more affordable vehicles and our members appreciate a good value,” she said. At the end of the third quarter, delinquencies stood at 0.44% for Suncoast.

So is there any reason to fear things could get worse in terms of asset quality? Lovett said the credit union is optimistic for the future from an asset quality standpoint.

“We expect our portfolio to continue to grow and perform well for our membership,” she said.

Change in average direct vehicle loan rates at US credit unions

	Current average rate (%)*	Change in average rate (bps)			
		6-month	1-year	3-year	5-year
New car					
72 months	3.28	9	19	14	-28
60 months	2.90	8	19	16	-18
48 months	2.79	8	18	15	-18
36 months	2.66	8	18	15	-17
Used car					
72 months	3.46	11	21	17	-22
60 months	3.09	9	19	15	-18
48 months	2.99	9	18	15	-18
36 months	2.87	8	18	15	-19

Data compiled Dec. 11, 2017.

* Current average rate represents auto loan rates at U.S. credit unions as of Dec. 1, 2017. Interest rate data may not reflect all pricing regions for each company and is based on current S&P Global Market Intelligence coverage.

Source: S&P Global Market Intelligence