

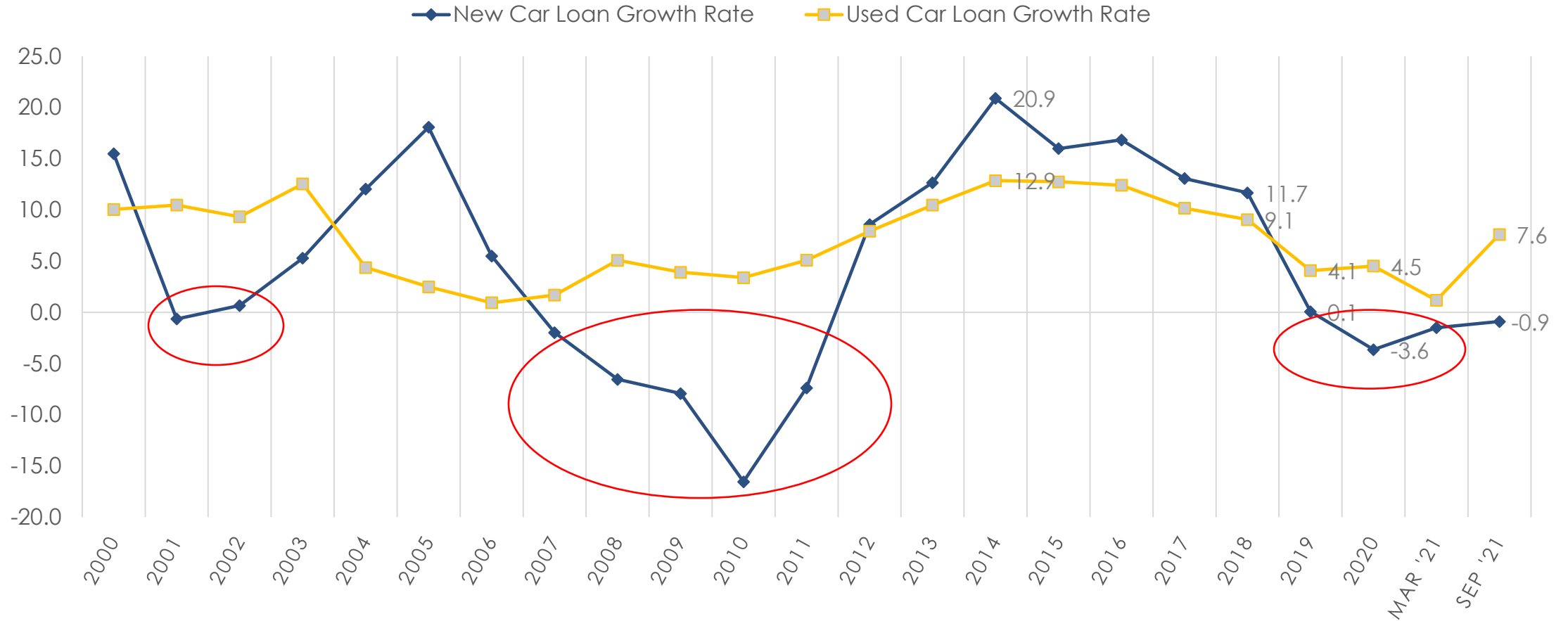


Auto Lending Outlook

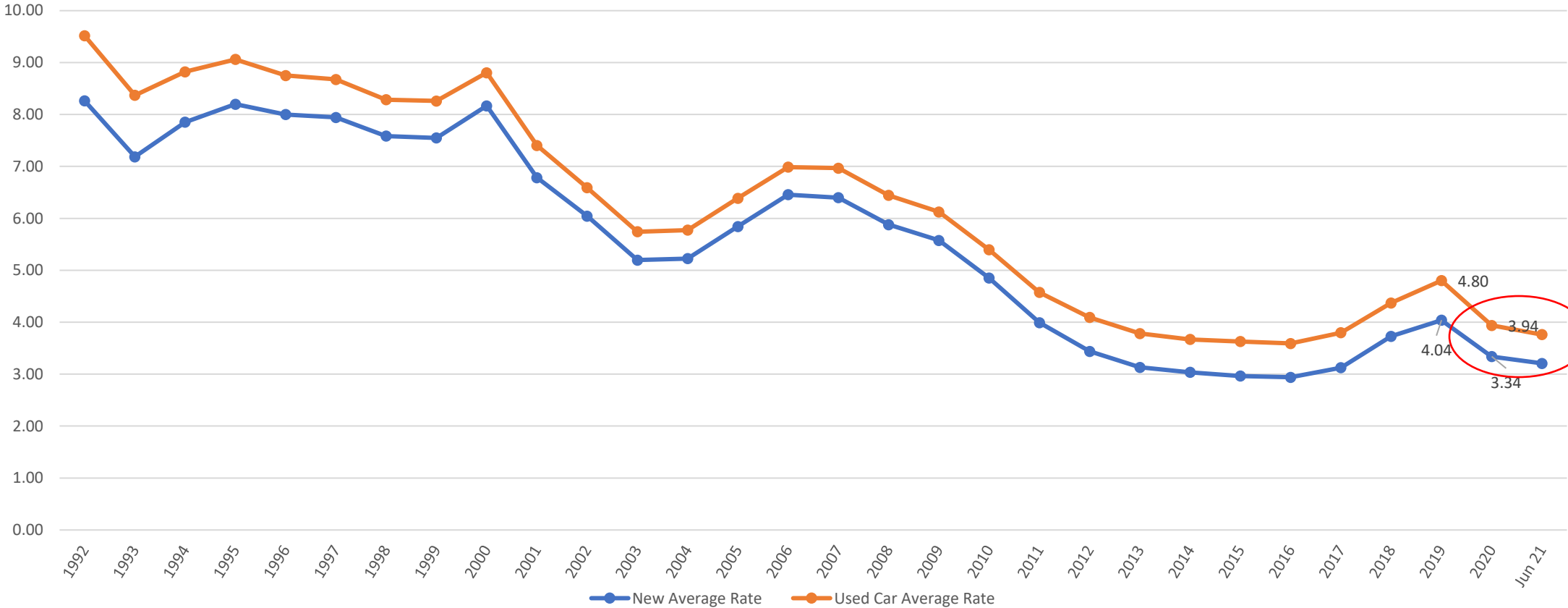
Dawit Kebede, PhD, Senior Economist, CUNA
November 22, 2021

CU New and Used Car Loan Growth rate

Source: NCUA



Average Interest Rate



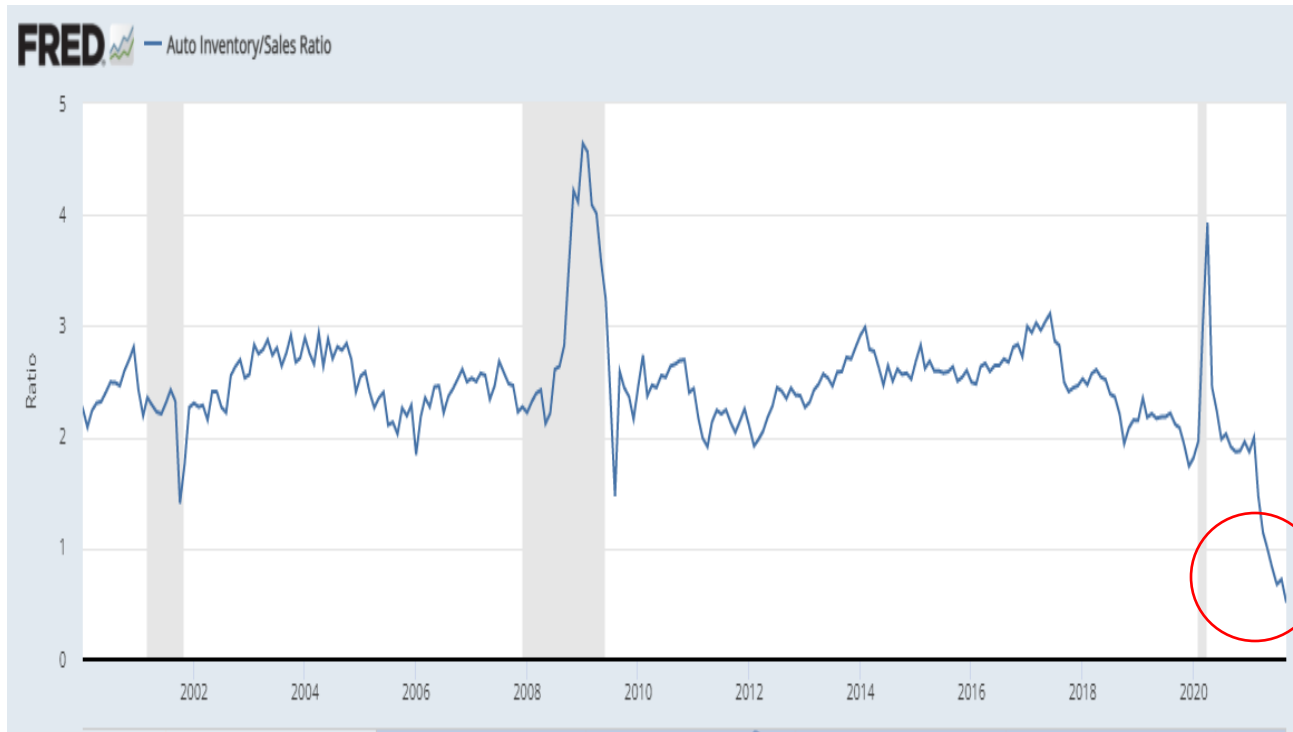
Total Vehicle Sales

Source: BEA via St. Louis FRED



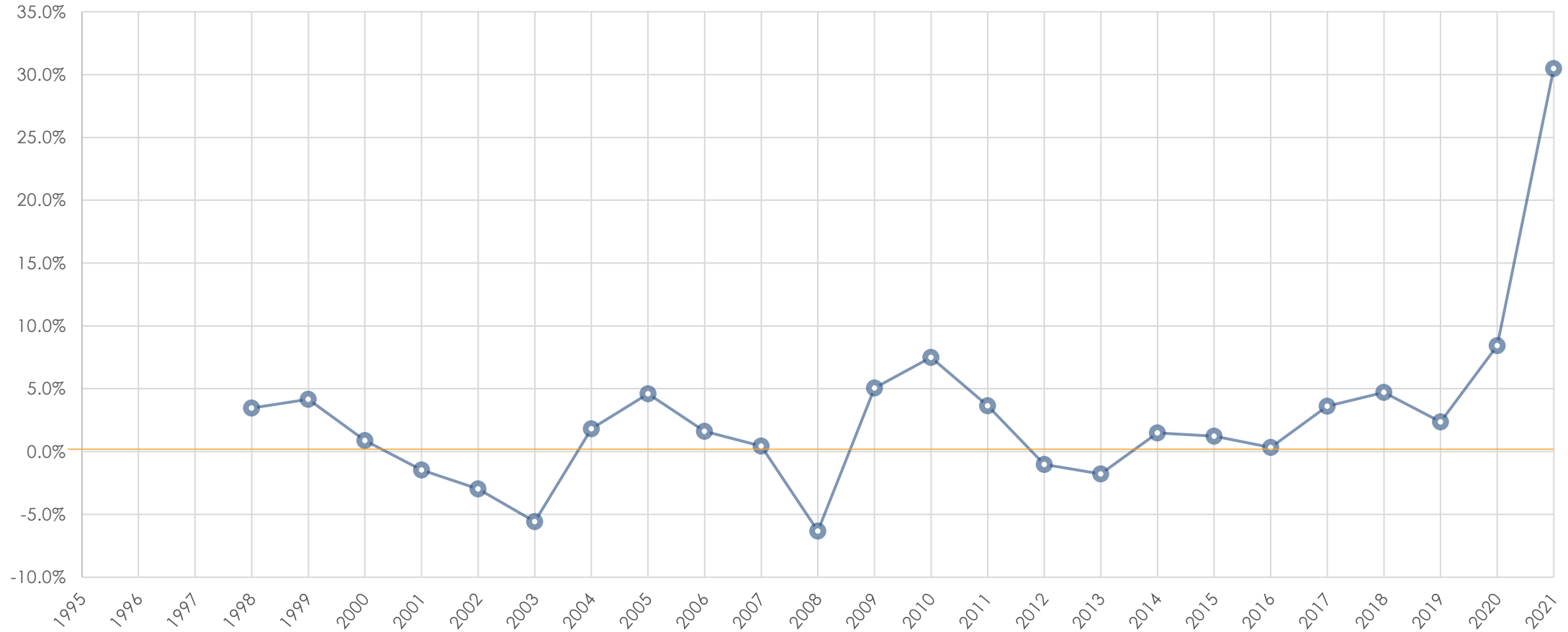
Auto Inventory/Sales Ratio

Source: St. Louis FRED



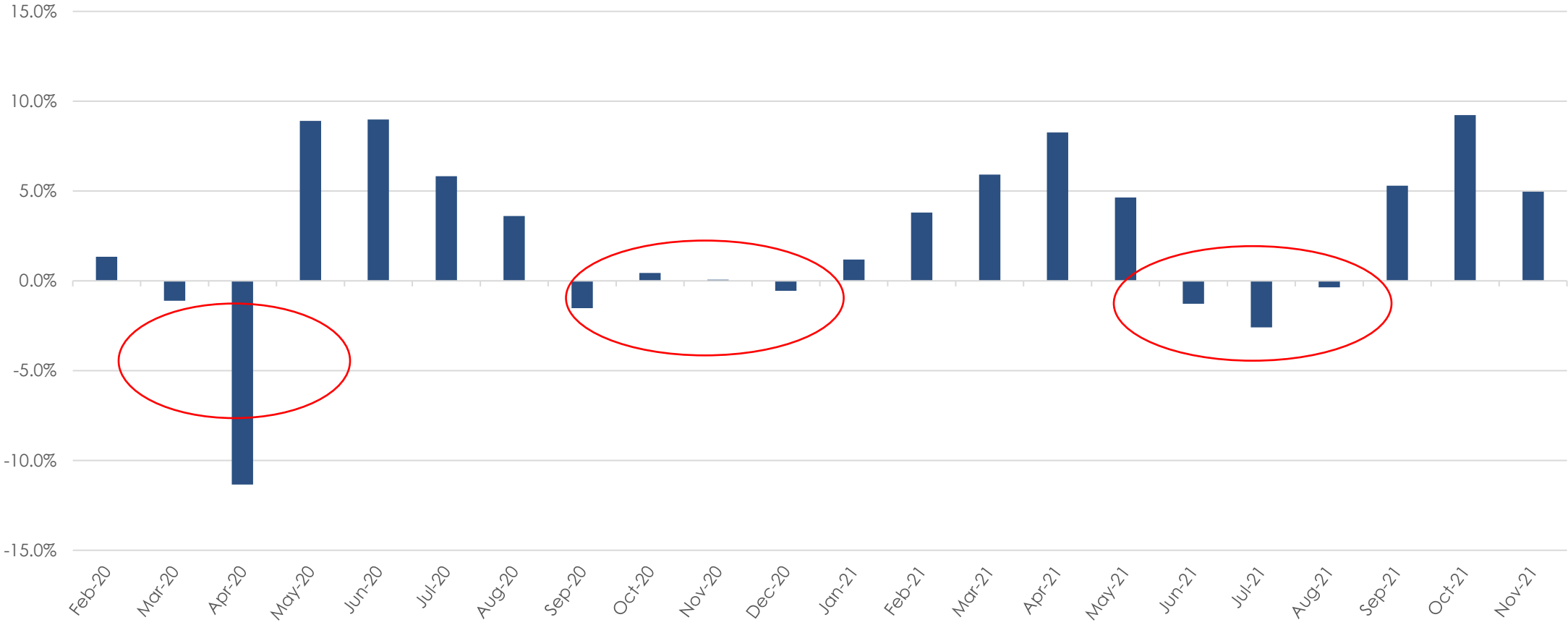
- Computer Chip & Labor Shortage, Port Backlogs, and Transportation
- Auto Companies cutting Production and reporting factory downtimes.
- Auto Industry expected to lose \$210 billion according to earlier estimates (IHS Markit) in 2021

Percentage Change in Average Annual Manheim Used Car Value Index



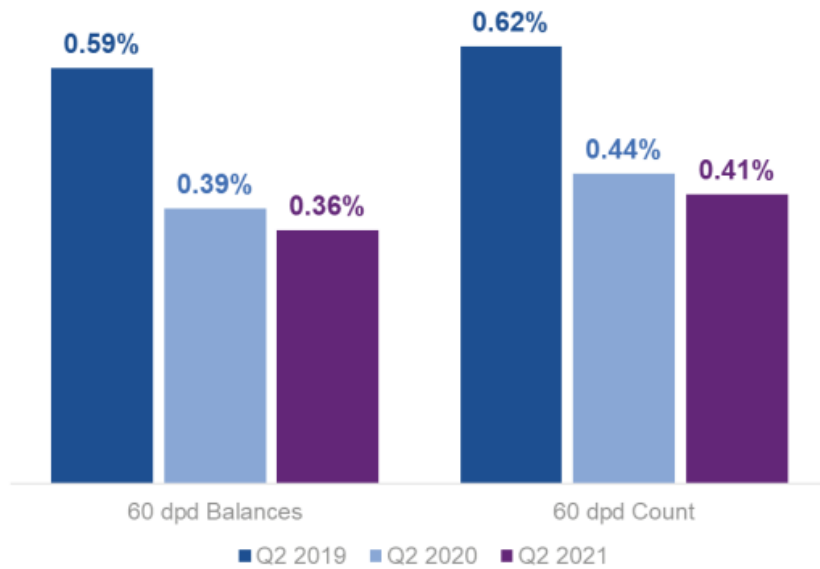
Monthly change in used car value

Source: Manheim index

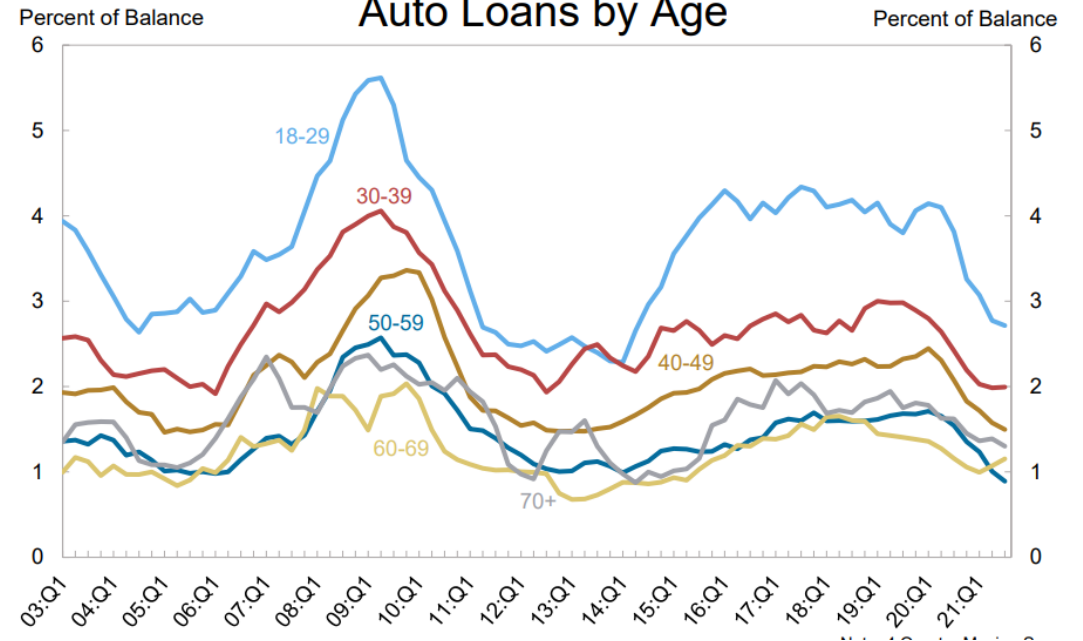


Delinquency Rate – Overall Auto Finance Industry

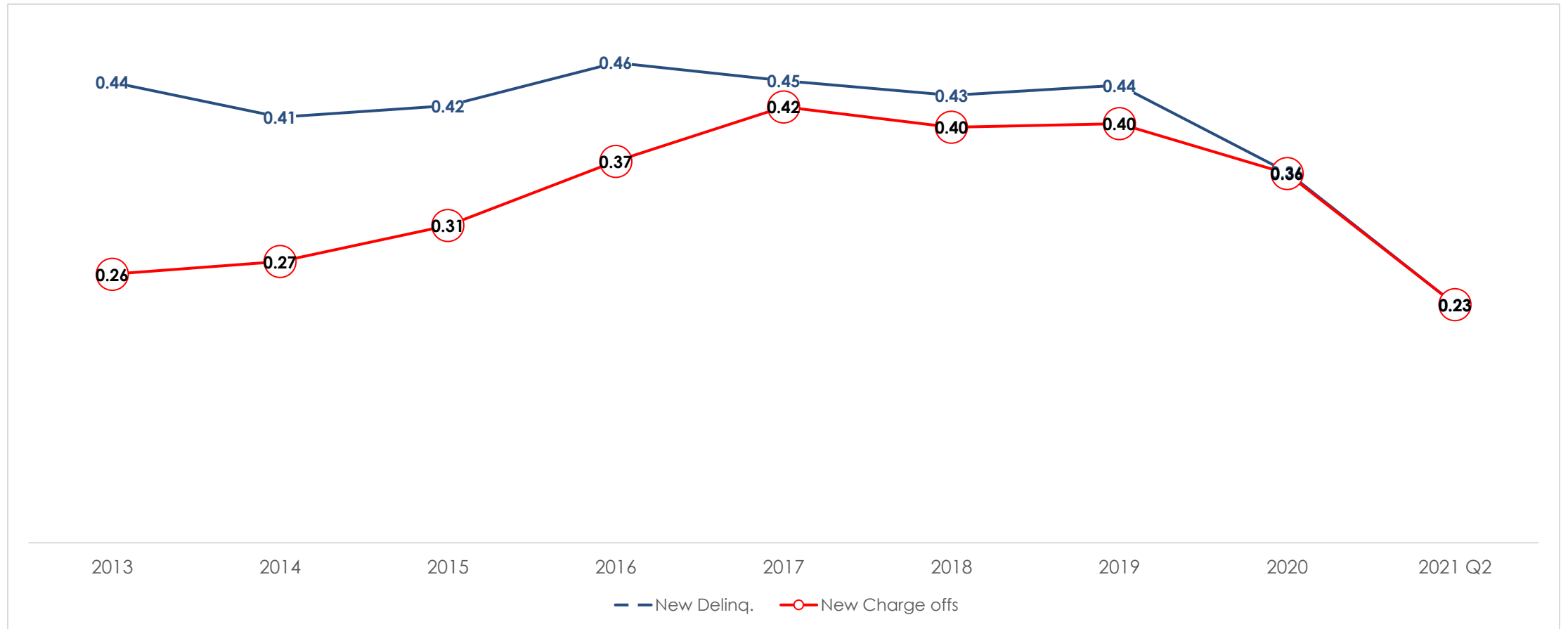
60-day delinquency



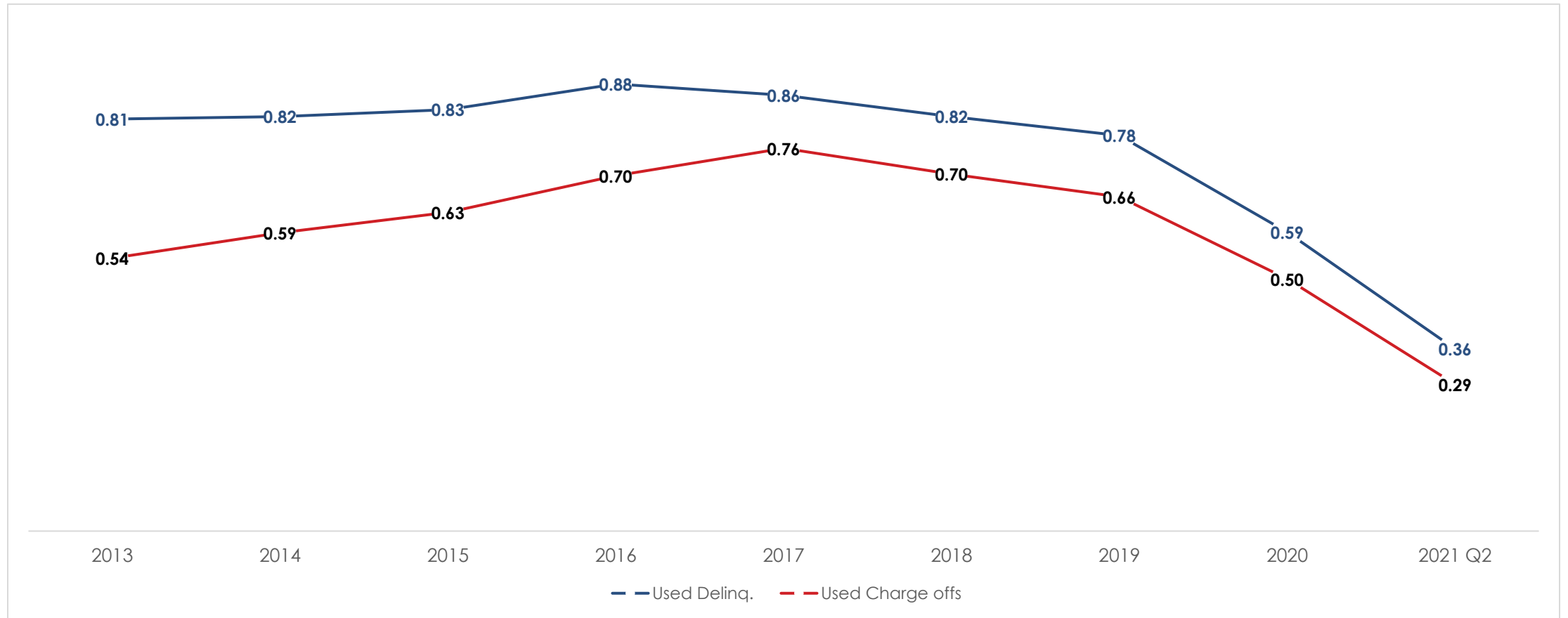
Transition into Serious Delinquency (90+) for Auto Loans by Age



CU New Car Delinquency and Net Charge offs



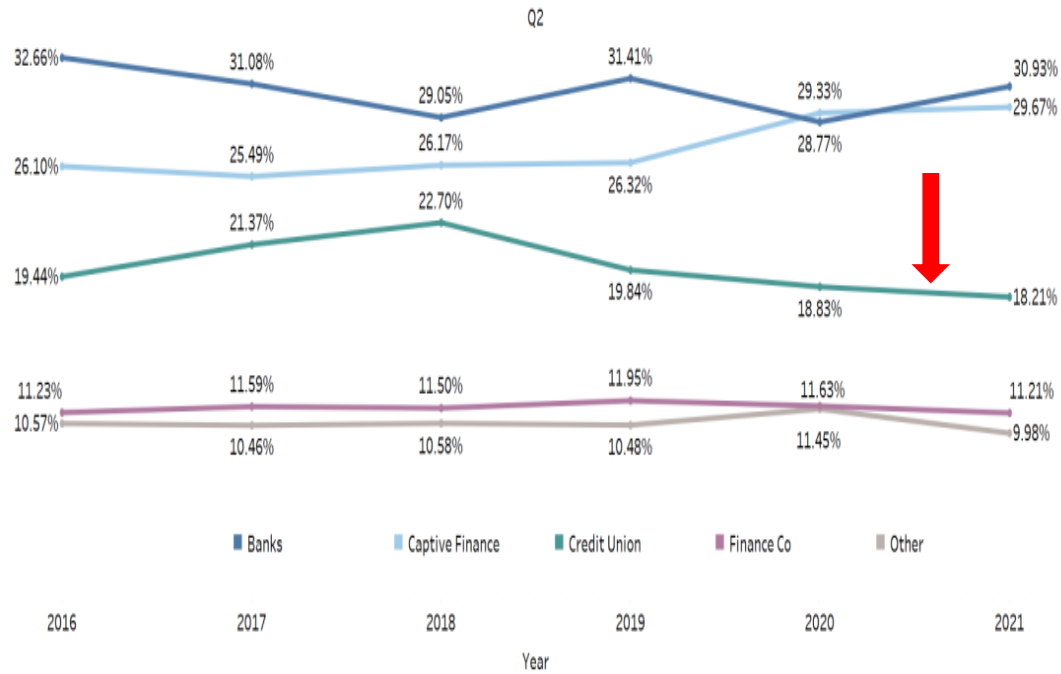
CU Used Car Delinquency and Net Charge off



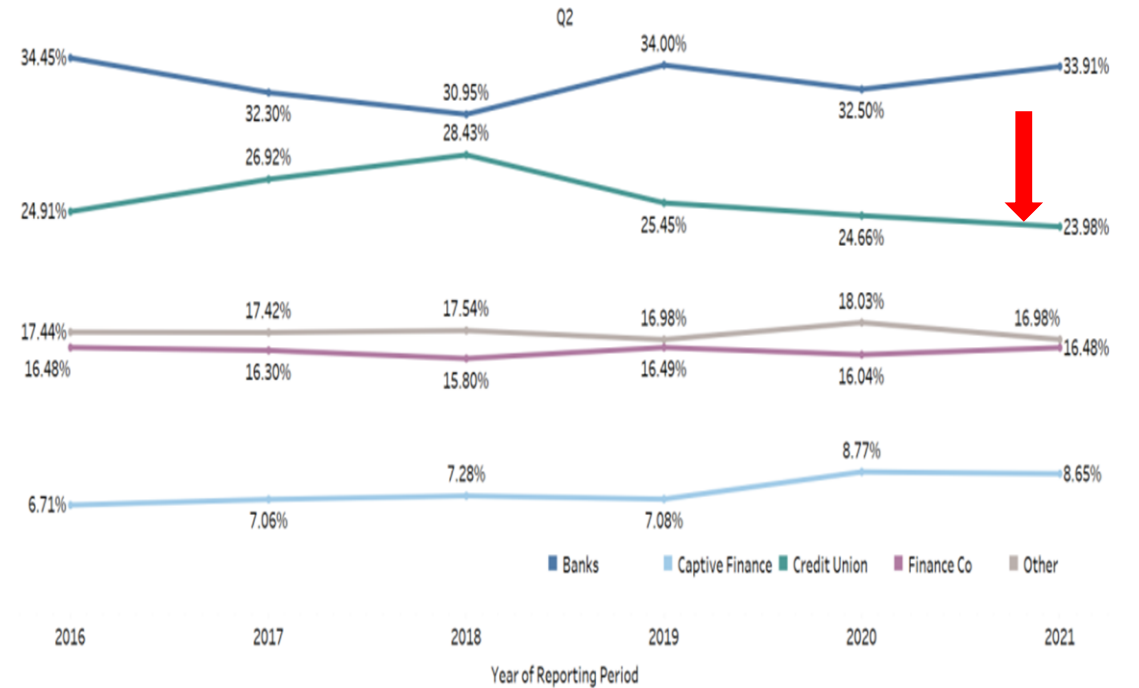
CU Market Share Total and Used Financing

Source: Experian

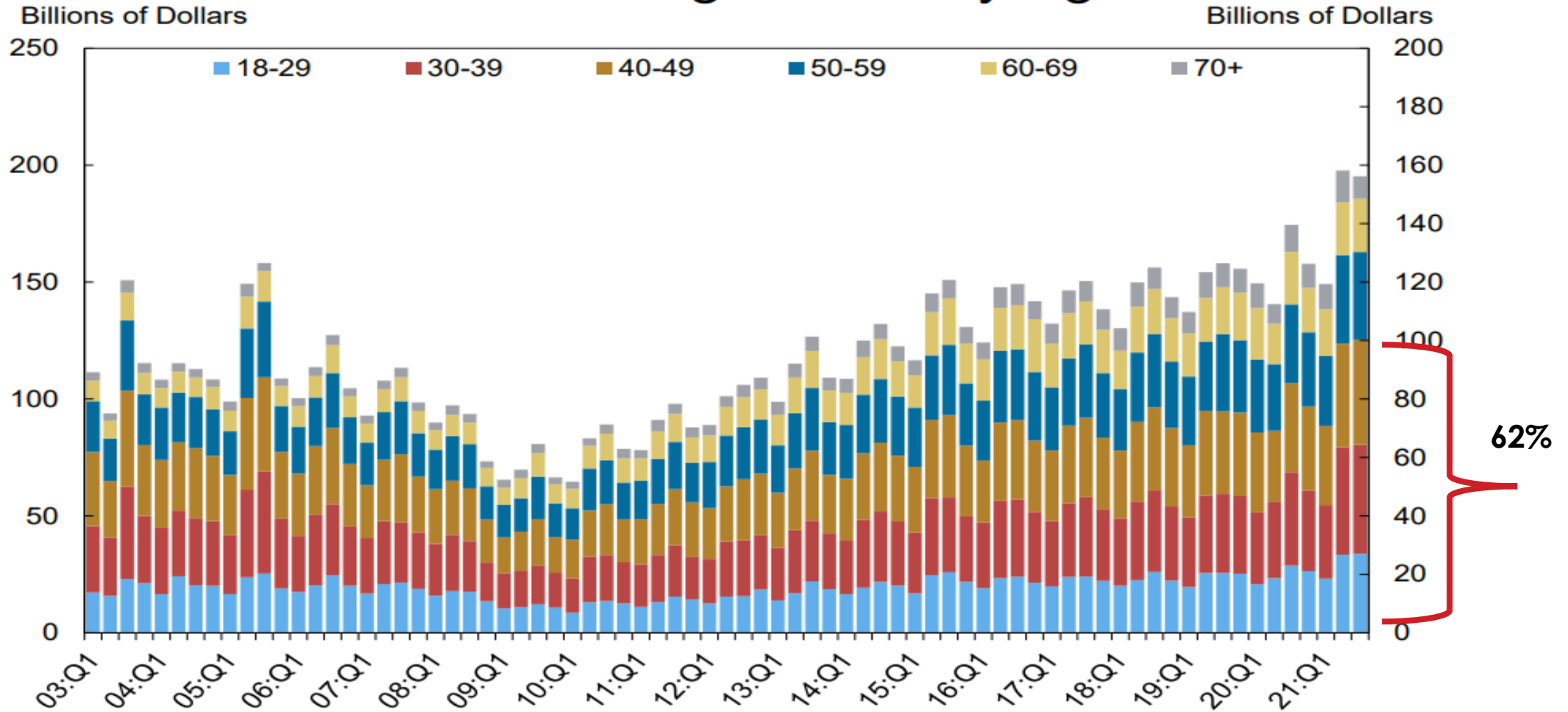
Market share of total financing



Used market share by lender type



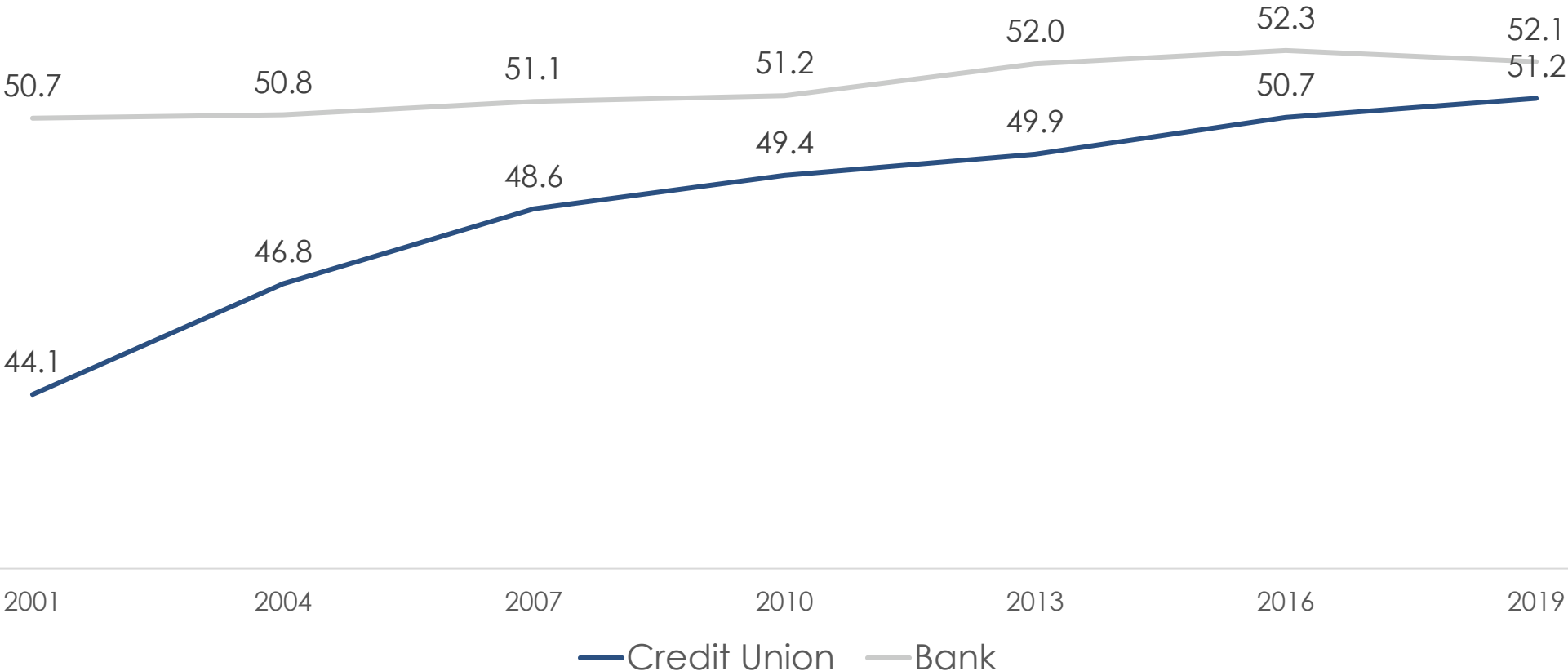
Auto Loan Originations by Age



Source: New York Fed Consumer Credit Panel/Equifax

Note: Age is defined as the current year minus the birthyear of the borrower. Age groups are re-defined each year. Balances may not add up to totals due to a small number of individuals with unknown birthyears.

Mean Age Over Time



Summary

- Supply challenges in the auto industry will suppress New loan growth this and early next year despite increased demand.
- Loan quality is at its healthiest.
- CU need to design strategies to boost market share and attract younger members.
 - A growing trend in online auto purchase (new/used) including financing is a convenient tool attractive to younger demographics