



# Monthly Economic Update:

## The CU difference in Loan Pricing (Auto and Mortgages)

Dawit Kebede, Dec. 2022

# Introduction

- Credit Unions, as member owned financial institutions, offer low interest rate on loans and high rates on deposits.
- **Datatrak**:- provides average rate charged by banks and credit unions based on survey of financial institutions.

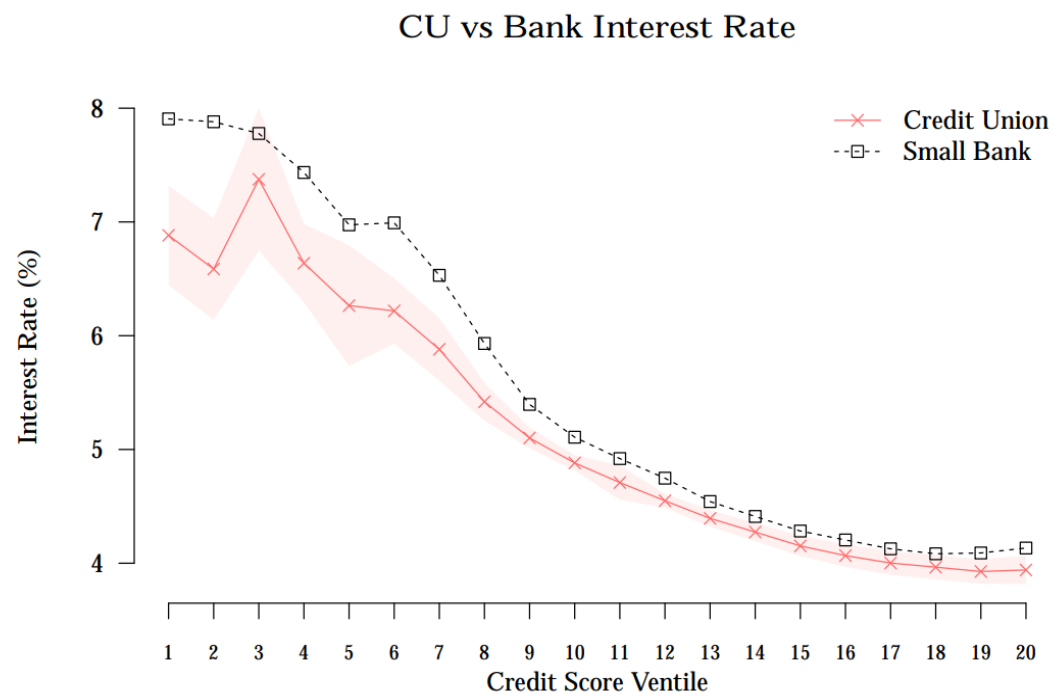
Source: [CULookup](#) powered by datatrak

Product	Bank Average ⊕	Credit Union Average ⊕	Winner <small>(bp = basis points, Winner = 🏆)</small>
<b>Auto</b>			
New Car - 36 Mo	5.37%	4.62%	🏆 Credit Unions by 76 bp
New Car - 48 Mo	5.41%	4.75%	🏆 Credit Unions by 66 bp
New Car - 60 Mo	5.51%	4.87%	🏆 Credit Unions by 63 bp
New Car - 72 Mo	5.67%	5.17%	🏆 Credit Unions by 50 bp
Used Car - 36 Mo	5.75%	4.81%	🏆 Credit Unions by 95 bp
Used Car - 48 Mo	5.77%	4.94%	🏆 Credit Unions by 83 bp
Used Car - 60 Mo	5.80%	5.06%	🏆 Credit Unions by 74 bp
Used Car - 72 Mo	5.79%	5.37%	🏆 Credit Unions by 42 bp

Product	Bank Average ⊕	Credit Union Average ⊕	Winner <small>(bp = basis points, Winner = 🏆)</small>
<b>Mortgage</b>			
3/1 ARM	0%	5.59%	
5/1 ARM	6.52%	5.48%	🏆 Credit Unions by 104 bp
7/1 ARM	6.38%	6.08%	🏆 Credit Unions by 30 bp
15 Yr Fixed	5.66%	5.47%	🏆 Credit Unions by 19 bp
20 Yr Fixed	6.05%	5.81%	🏆 Credit Unions by 24 bp
30 Yr Fixed	6.18%	6.03%	🏆 Credit Unions by 15 bp

# CU loan Pricing in the Academic Literature

- Van Rijn, Zeng and Hellman (2021)\* found that households who obtain auto loans from credit unions pay **0.7bp less** interest rate on new cars and **1.4bp** on used cars.
  - They used data from Fed Reserve's SCFs.
- Andreas Shahidinejad (2021) on Mortgage rates

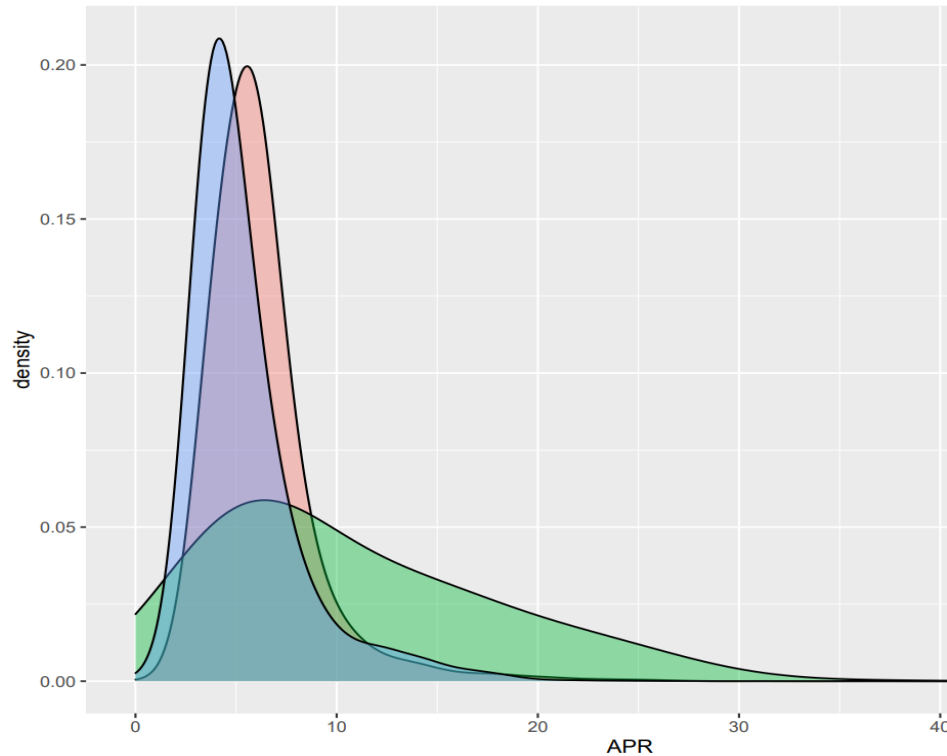


# Equifax Analytic Dataset

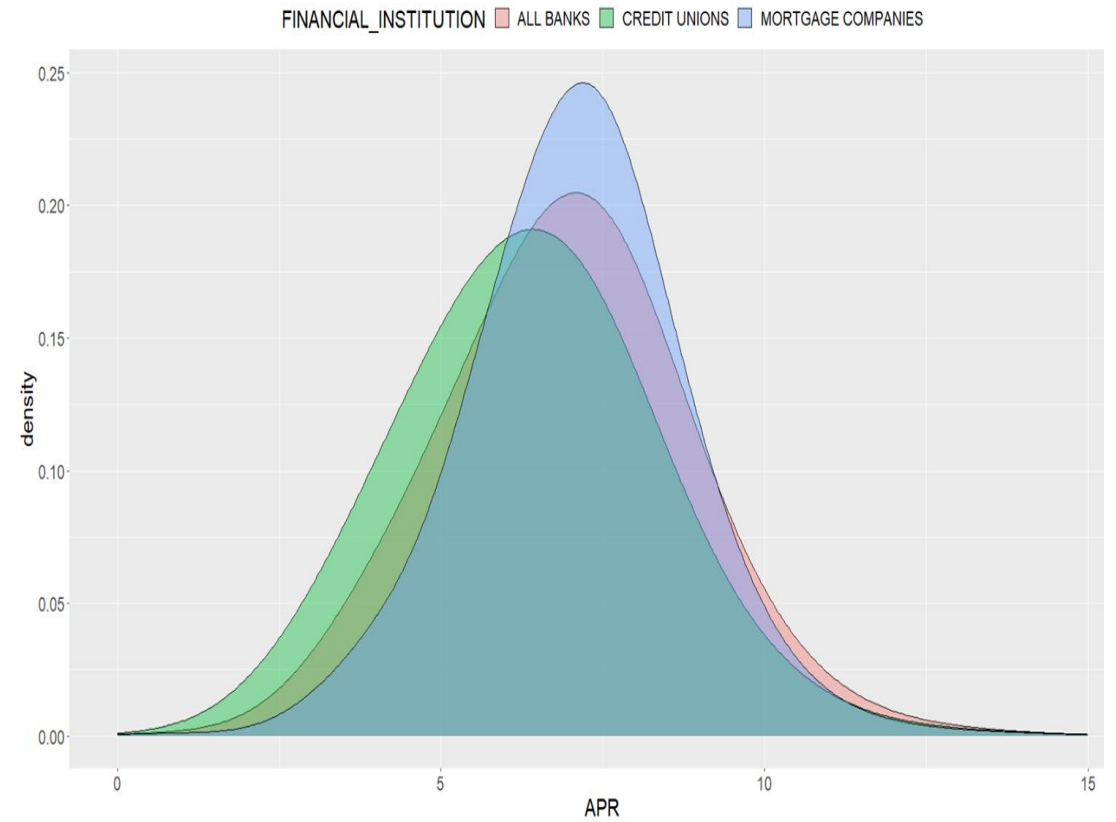
- CUNA receives a monthly update of loan level data from Equifax along with other important borrower characteristics such as credit score.
- This allows us to calculate interest rate of new loan originations on a regular basis.
  - With the ability to provide granular level data such state, ZIP code, or other geographical area.

# Distribution of rates on Auto and Mortgages

## *Auto Loan rates Distribution*



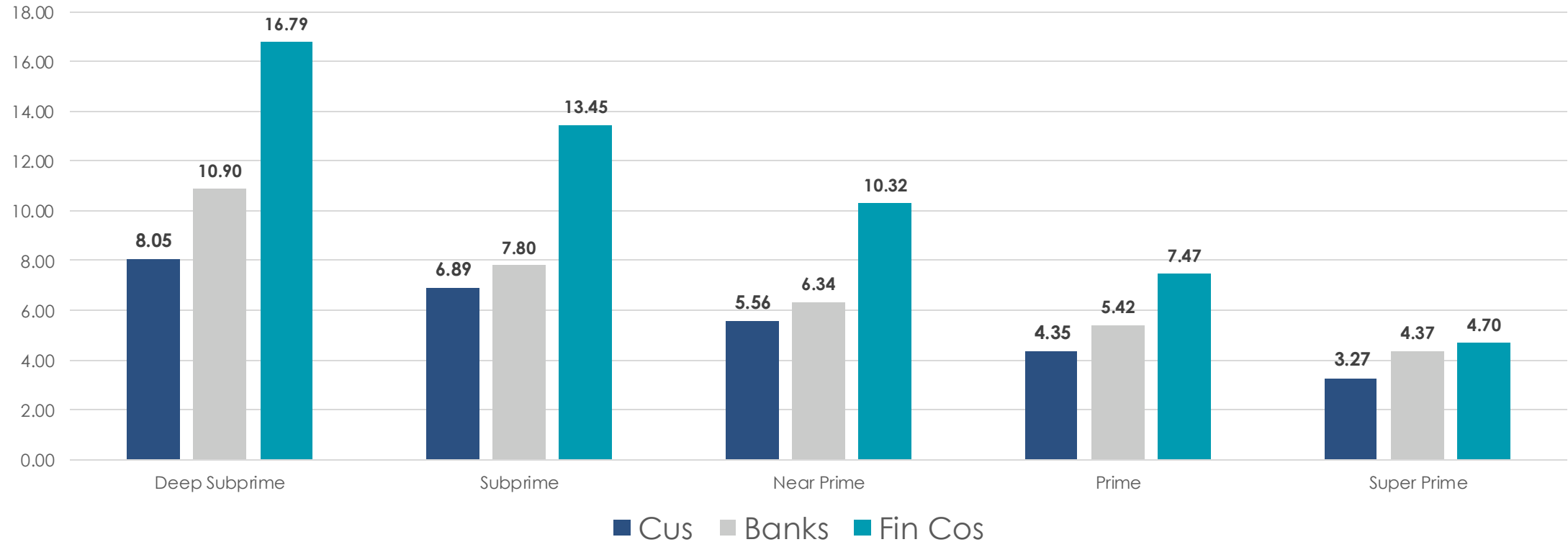
## *30-years mortgage rate post since March, 2022*



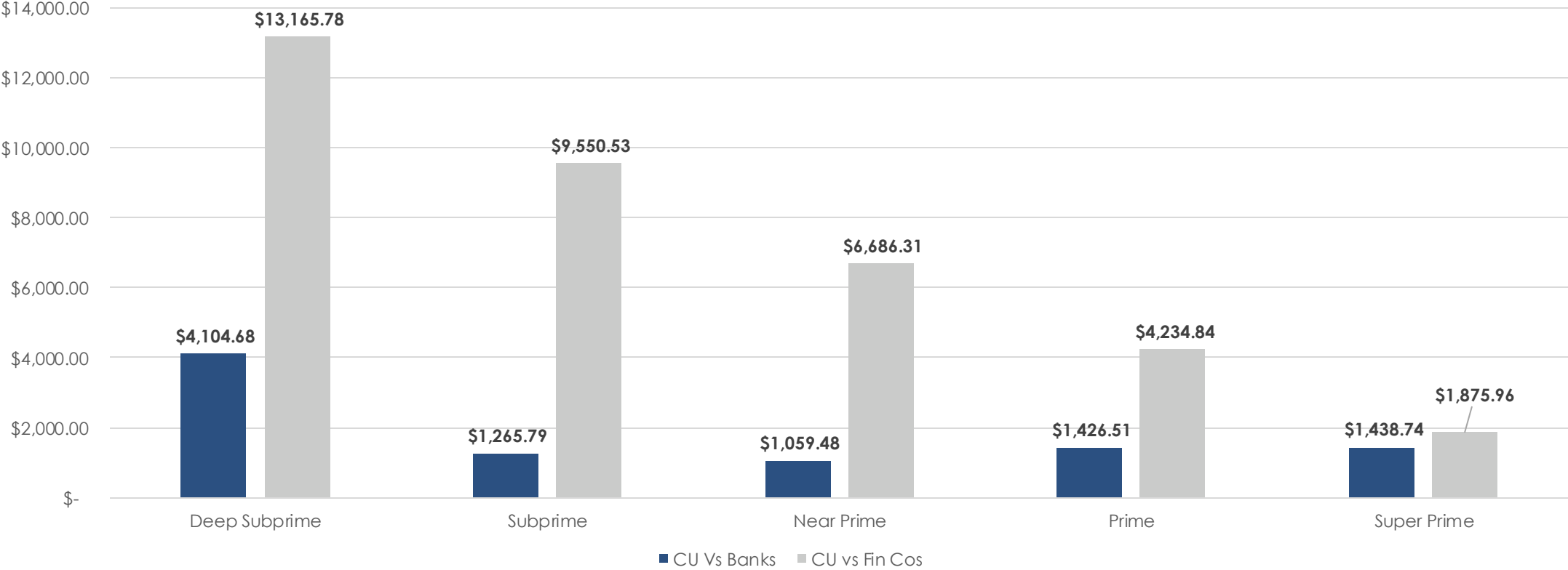
# Median rate on 72-months term loan

Source: CUNA Calculation from Equifax Analytic Dataset

Median Interest Rate on a 72-months Term (Jan- July 2022)

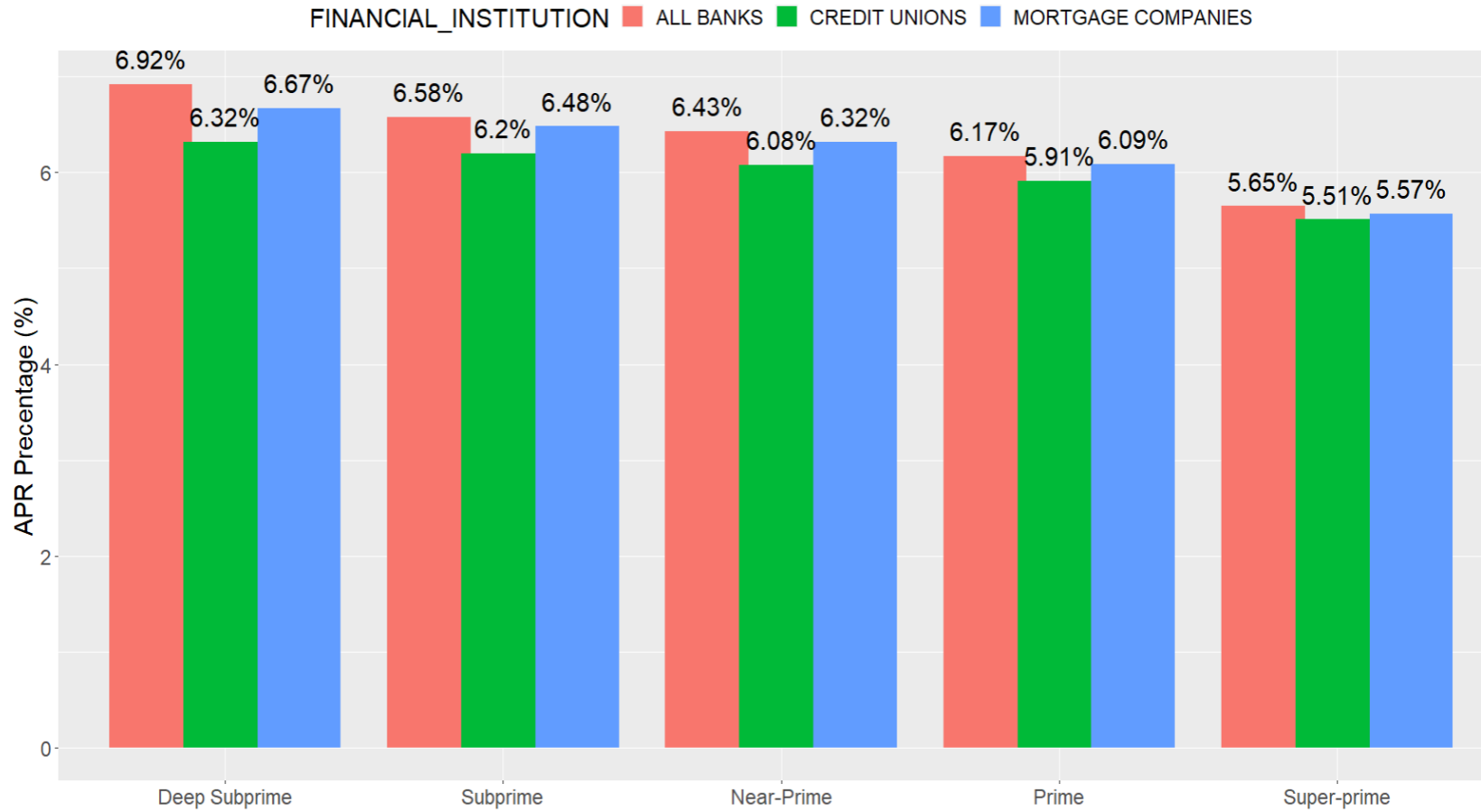


# Median CU Member Life-of-Loan Savings on 72-month Auto Loan Origination (\$40,000 financed)



# 30-Years Mortgage Rate Jan 2020 – March 2022

Source: CUNA Calculation from Equifax Analytic Dataset



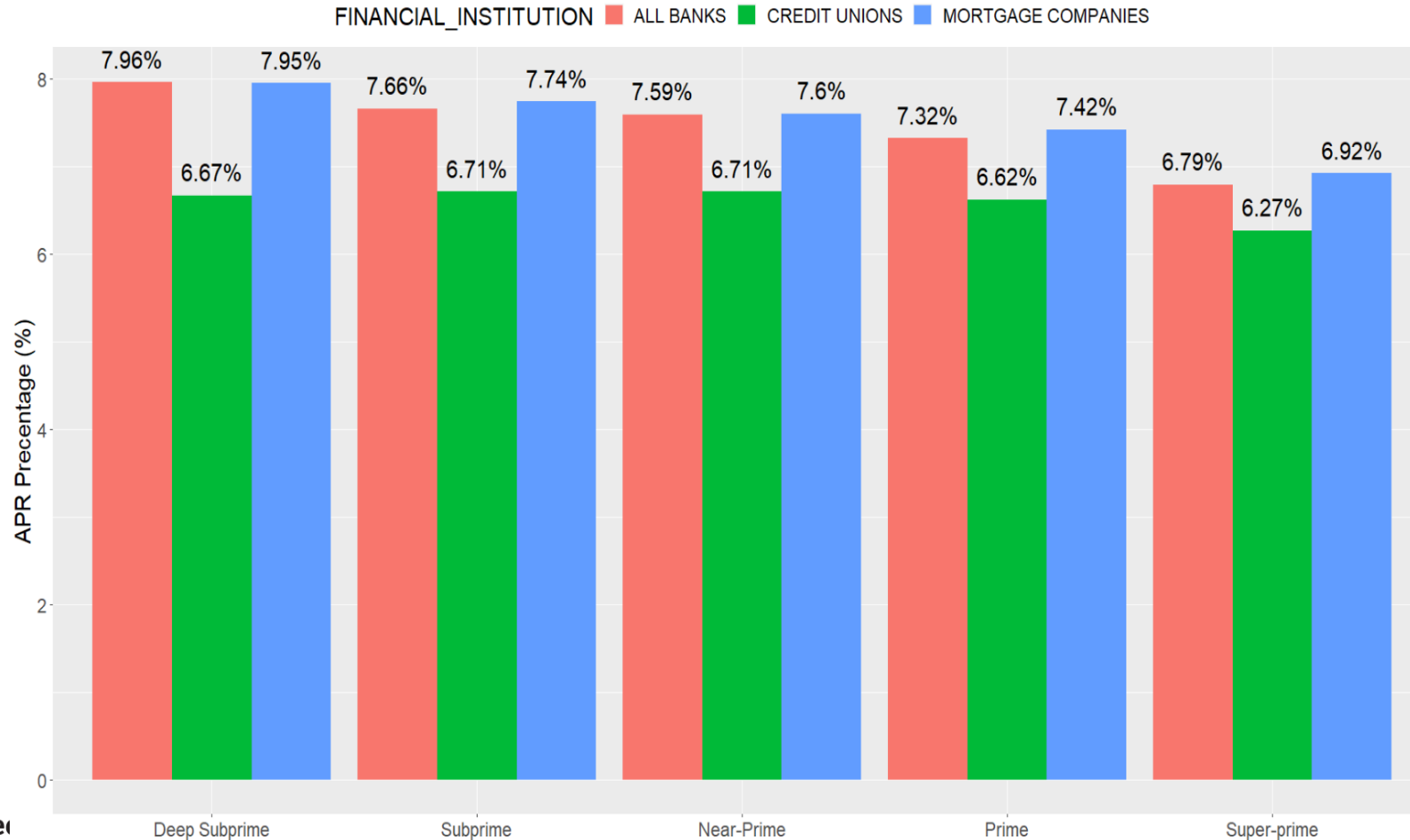
**Deep Sub Prime  
Borrowers saved  
35 – 60 bps  
(Saving 13 – 23K  
over 30 years)**

**Super Prime  
Borrowers Saved  
6 – 14Bps basis  
points**



# 30-Years Mortgage Rate March – October 2022

Source: CUNA Calculation from Equifax Analytic Dataset



**Deep Subprime borrowers save 128bps (up to \$50K savings over 30 years)**

**Super prime borrowers save 52 – 65bps (\$19K - \$24K over 30 years)**

# Conclusion

- At national level, credit union members pay less on interest rate for auto and mortgage loan.
- This finding is based on a 10% representative sample of all adults with active credit.
  - Statistically more powerful than consumer surveys based on recall or institutional survey that may have selection bias.