SerTech

Prepare Credit Card and Personal Loan Offers Now for a Jolly Holiday

Retail experienced one of the best in 2017, and while it might not be quite as strong in 2018, it is not an opportunity to miss. Get your credit cards and personal loan offers top of mind for the holiday season now!

Total 2017 holiday sales reached $691.9 billion, jumping 5.5% and exceeding forecasts, CNBC reported. The National Retail Federation attributes the increase to growing wages, stronger employment and higher consumer confidence, according to Small Biz Daily. E-commerce sales, specifically, increased 17.8%, the site reported. Projections for 2018 are targeting a 15.3% increase for e-commerce. Confidence in the economy continues to scale upward increasing consumers' ability to spend, according to Clark.com. Consumers set a 10-year borrowing high during the 2017 Christmas holidays, ending with Americans adding $92.2 billion in new credit card debt, 105% above the post-recession average. Time to rev up the interest and interchange income engines with a strong offering that grabs members' attention.

> ***Ser Tech can help with that! Register here for our June 14, webcast and Jingle All the Way to the Credit Union.***

And that's just what credit unions can do! Credit unions tend to charge fewer fees, and when they do, they are decisively less than for-profit banks. Bankrate.com reported that credit unions' median credit card fee is $22.50 versus banks' $35. The NCUA explained that credit unions' classic credit card average rate as of March 30, 2018, was 11.66% compared to banks' 13.09%. The agency added that an unsecured, 36-month, fixed-rate loan at a credit union averaged 9.22% vs banks 10.09%. Credit unions must really highlight their immense value—in addition to great rates—to jockey for the coveted top-of-wallet position.

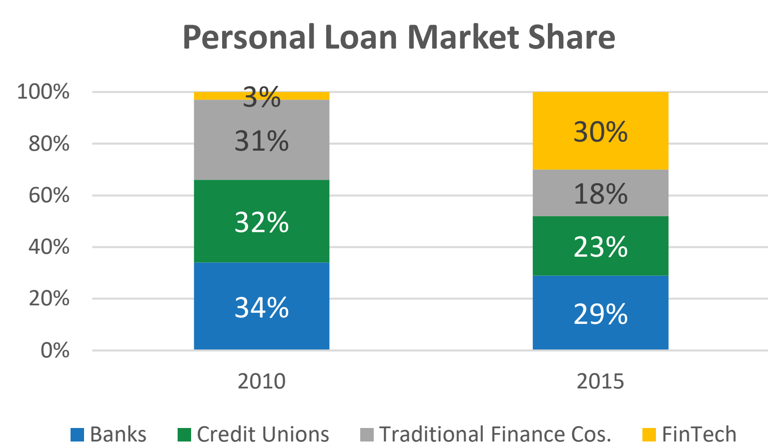
Researchers Alexei Alexandrov, Özlem Bedre-Defolie of the European School of Management and Technology and Daniel Grodzicki of Penn State and the CFPB found in their paper, Consumer Demand for Credit Card Services, a 2-percentage point rise in the Federal Funds rate decreases borrowing by 16%, or $130 billion. Higher income communities reacted the strongest. Issuers have been trending toward issuing more cards with lower spending limits, according to Transunion. The credit bureau added that more credit to consumers while maintaining low delinquency rates is a positive sign for the economy. Delinquencies (90+ days past due) have turned up slightly from 1.69% in Q1 2017 to 1.78% in Q1 2018, but it's a very slow pace and remain below the 10-year average of 1.91%.

Black Friday and Cyber Monday are closer than you think! Contact Ser Tech to help you ramp up your credit card and personal loan efforts today.

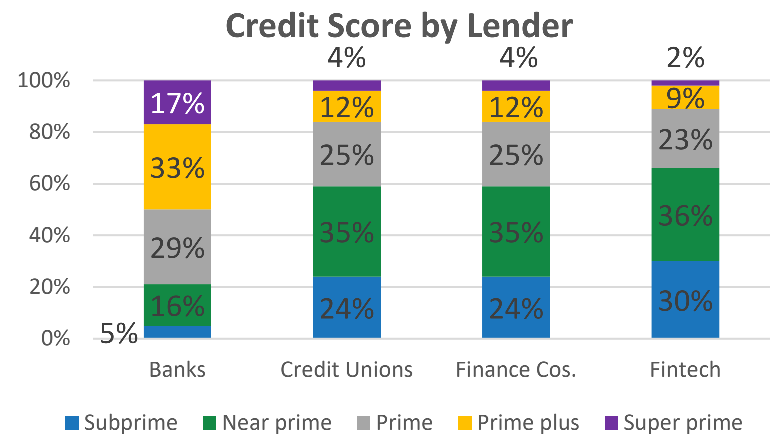
Equifax stated that average credit card use stood at 21.5% as of March, and within the range it has been (20%-22%) since 2013. Your cardholders have the credit to spend, so help your card rise to the top with a strong offering for new cards and follow up with a value-added balance transfer program for early 2019. Total credit limits originated by financial institutions in January (as reported through March) were $27.9 million, a 10.5% decrease from January 2017. Other issuers are beginning to put on the breaks. All credit cards combined now account for 21.4% of nonmortgage debt, down from 29.0% 10 years ago. Credit unions are uniquely situated to step in with low rates, safe and sound underwriting and credit education.

In addition to credit card marketing campaigns, Ser Tech offers credit education tools as well, including members' real FICO scores. Learn more by clicking here.

The personal loan industry has been booming since the fintechs have invaded. According to SuperMoney.com, the size of the personal loans sector more than doubled in recent years, from $46 billion in 2012 to $107 billion in 2017. Personal loans account for 10% of credit applications currently, just behind credit cards and auto loans. Personal loans are in quite high demand right now. Make it easier for members to take advantage of the offering—that's all the fintechs are doing, and credit unions can compete.



Fintech is really taking this market by storm, representing 3% of the market in 2010 and 30% of the market by 2015, SuperMoney.com reported, because a need was not being met. The median balance for personal loans for families reached $17,000 in 2016, doubling the 1992 amount of $7,800 (in 2016 dollars). Credit unions should grab their slice of the pie, which withered dramatically to 23% in 2015 from 32% in 2010. Personal loans are no longer a subprime product, as the subprime portion of the loans have shrunk from 44% of the market in Q2 2009 to 32% in Q2 2017. However, credit unions are really showing their roots with 59% of personal loans going to near prime and subprime borrowers.



Some borrowers use personal loans to pay for luxuries, such as vacations, expensive weddings, or other large purchases. More than 50% of installment loan borrowers, however, had less than $5,000 in their emergency fund. Credit unions can really step up with these types of loans to help members when they truly need it. Despite their unsecured status, delinquencies 90 to 180 days-past-due dropped to pre-recession rates of 0.74% as of Q2 2017 compared to a high of nearly 1.4% in 2009. And delinquency rates for borrowers 60 to 89 days-past-due are down to 0.49% as a national average. Helping members out in their times of need, while also adding to credit union revenue streams is really what the not-for-profit status is all about, especially during the holiday season!