# When Credit Unions Are Thinking Auto Loans, Go Long

As we reach the final stretch of 2018, it’s time to take account of the trends that could impact credit unions’ auto loan lending and how to keep up the momentum. The auto industry is reaching the end of a long stretch of record growth - but there is still room for credit unions to grow loans through the rest of the year and into 2019. Let’s look at the short-term trends impacting the auto industry:

**Interest Rates**

In June, the Federal Reserve increased the prime rate by 0.25 basis points, with another potential increase later in 2018. Rising inflation and lowered unemployment demonstrate strength in the economy. This rate increase affects all consumer loans and will likely negatively impact new vehicle purchases as the cost of loans increase. Auto loans are reacting quickly, with interest rates hitting their highest point in seven years this June. Does this mean the end of 0% financing deals through auto lenders?

**Changing Loan Strategy**

**James Lee**
COO
Ser Tech

Auto lenders are pushing loan terms longer than they have in the past. The [Wall Street Journal] reported the average loan length now exceeds 69 months, with loan terms between 73 and 84 months accounting for more than a third of new loans. According to James Lee, COO of Ser Tech – the average length of a loan increased from an average of three to five years up to five to seven years. This increase in terms can make the borrower less likely to purchase another new car as quickly. In 2009, longer-term loans represented 7% of all car loans. To maintain growth, larger banks are taking more risks on these loans. The [American Bankers Association] reported that while consumer payment delinquency is still below the 15 year average, it is trending upward.

**Driverless Tech and Ride Sharing**

**Andrew Dawson**
Sales Manager
Ser Tech


While these are growing trends, there is no immediate impact to auto sales in the short term. Ride sharing is only a small portion of the total miles driven, and autonomous vehicle tech hasn’t reached a point to displace drivers yet. Andrew Dawson, sales manager at Ser Tech reminded these are new to the industry and isn't affecting customers' purchasing of cars yet.

**Tariffs**

The Trump administration has threatened tariffs of up to 25% on imported vehicles this year. Additionally, import tariffs on aluminum and steel are affecting automakers now. [Ford Motor Company]() missed its earnings projections, citing a $150M increase in steel and aluminum tariffs over the quarter. Lee underlines this higher price for these vehicles – an increase of $7,000 or more per vehicle – will negatively impact the buying cycle for auto shoppers, as well as the overall economy. He also reports that this could slow down overall sales to an amount of 2M vehicles per year. The largest impact, Lee warns, could be the expert opinion that these tariffs could cost the economy over 850,000 jobs.

**Continuing to Grow Loans**

Credit unions are still growing their auto loan business, capturing more than 20% of the total market. Additionally, Andrew Dawson cited a statistic that across the industry, auto loans are up $5B dollars due to the increased price in cars. James Lee added that the purchasing habits of super-prime customers have not yet adjusted to the market challenges. Fintechs are taking a more active role in auto lending, creating new competitors. How can credit unions compete and stay ahead?

Ser Tech can help. By leveraging our [Fetch Marketing]() programs, we can help your credit union target your members and potential members at the right time and in the manner in which they want to be contacted. Dawn Koeshall, Sales Manager at Ser Tech, reviewed the many benefits of the Fetch Marketing solution. You set the criteria on how aggressive your credit union wants to be. Ser Tech can send communications to members who just received a loan that your credit union can beat, if an existing car loan is about to be paid off or new car acquisition. Our fully compliant system can send notifications and offers within 24-hours of credit inquiries, creating new opportunities for your credit union. These offers are followed by daily reports to the credit union, so they can take further action on these current or prospective members.

**Dawn Koeshall**
Sales Manager
Ser Tech

Keith Tillinger, Vice President of Lending at $400 million Associated Credit Union of Texas discussed the impact of Fetch Marketing to its $90 million auto loan portfolio in 2017 during our recent webinar, [Rev Up Your End-of-Year 2018 Auto Lending](). ACU's auto loan recapture

**Keith Tillinger**
VP of Lending
ACU of Texas

program through Ser Tech acquired 183 additional loans at an average loan amount of $26,000, adding $4.75 million to its loan portfolio. Add another $2.15 million in ancillary business from these same members (boat and RV loans, home refinancing, credit card consolidation and other loans), and the value is clear. According to Tillinger, his branch managers and loan officers "blow up his phone if he doesn't share the reports with them by the third of the month."

See how it can generate an ROI, lower your marketing costs by better targeting consumers. Ser Tech will help you control costs, minimize risks, and return better results to strengthen member relationships across any type of loan. Click here to be contacted by a Ser Tech account executive today!