

Credit Unions Revving Up Auto Lending

By **Claude Solnik**, Long Island Business News, April. 13, 2015

Credit unions, start your engines!



David Jacobsen / Photo by Bob Giglione

Across New York State, credit unions are revving up car lending at a far greater rate than nearly all other types of loans, driving growth in membership and earnings and diversifying their portfolios.

New auto loans at credit unions in New York State grew by 17.4 percent in 2014 to \$3.5 billion, more than twice the 7.6 percent growth rate in 2013, according to the New York Credit Union Association in Albany.

Used auto loans increased by 11.4 percent to \$3.9 billion, more than three times the 3.4 percent uptick the prior year, according to the group.

Long Island's largest credit unions said they're often growing their auto lending even faster in this race to finance cars.

Hauppauge-based Teachers Federal Credit Union's new car loan business shot up 58 percent year over year from \$381 million to \$601 million in 2014, while used car loans rose 56 percent from \$50.8 million to \$79.4 million.

Bethpage Federal Credit Union's new auto loan balances increased 3.3 percent to \$138.6 million, while used auto loans rose 11.3 percent to \$129.4 million.

"A lot of it is driven by the economy," said Ronald McLean, senior vice president at NYCUA. "The numbers reflect confidence and buying new cars."

While an improving economy fuels auto lending, that's only part of the reason for this rapid pace.

Experian Automotive found that auto loan portfolios increased by 11 percent nationwide in 2014 to \$866 billion in balances compared to \$782 billion in 2013. To grow their lending, credit unions just need to keep pace.

Community charters, a relative recent development, mean credit unions can lend to nearly everyone who walks into a Long Island car dealership – a big change from the days when credit unions' fields of membership were considerably narrower.

And Hauppauge-based Groovecar, which arranges auto loans and leases for credit unions, has set up a system letting the sector compete with banks and captive finance companies.

Groovecar arranged about \$1 billion in credit union loans and leases for automobiles in 2014, up 15 percent from 2013.

"Credit unions more than ever are counting on automotive," said David Jacobson, CEO of Groovecar and CU Xpress Lease, also in Hauppauge. "Since mortgages dried up and aren't as attractive, they're relying on auto loans."

Dealers eager to make sales are happy to hook customers up with whatever lender gives the best deal. Suddenly, credit unions have a vast sales force.

"They're all on board," Jacobson said of dealers, helping credit unions close loans. "They're selling the cars."

Robert Allen, CEO of Teachers Federal, said his credit union gets most of its auto loans "from dealers directly."

"We have focused a little bit on used auto," Bethpage Federal Senior Vice President Linda Armyn said. "We've seen a rise in people wanting to buy used autos."

Groovecar, which sets up relationships with dealers and provides software, is continuing to unlock a bigger market for credit union auto loans. Allen called its service "a fast, seamless transaction."

Ralph Spencer Jr., COO of Medford-based Suffolk Federal Credit Union, said Groovecar provides the "convenience of finding all of our auto-related products" easily.

Low rates don't hurt either. Credit union loans for five years on a new car are as low as 1.45 percent, and 1.49 percent on used cars, according to Frank Rinaudo, senior vice president at Groovecar.

"Throughout most of 2014, credit union rates remained pretty much the same, while some banks gradually increased," he said. "Bank rates have crept up a little bit."

Leasing is fueling much of the growth on Long Island, according to Groovecar.

Nationwide about 25 percent of new cars in 2014 were leased, with as much as double that on Long

Island, according to Groovecar. Honda on Long Island leases 55 to 60 percent of its new cars, while Jeep also does at least 50 percent, Rinaudo said.

"Leasing in the New York metro area is much higher than the nationwide number," Rinaudo said. "That was probably the main driver."

Credit union general membership also is rising, but not nearly as fast as auto lending.

New York credit union memberships grew a modest 2.9 percent to reach roughly 5.1 million statewide in 2014, according to the association.

"There are now more credit union members than ever in New York," said NYCUA President and CEO William Mellin.

But Long Island's biggest credit unions are growing more quickly than the state average: Bethpage Federal's membership increased 8.6 percent to 252,000 at the end of 2014 from the prior year, as assets grew to \$5.8 billion from \$5.4 billion.

Teachers Federal grew 5.1 percent to 248,000 members and to \$5 billion in assets from \$4.85 billion a year ago.

Armyn said her credit union has "been focusing on membership growth."

Allen said, "Steady increases are important to us and we see that continuing."

Auto lending isn't just bringing in leases and loans, but adding members. Credit unions on Long Island added 20,000 new members in 2014 through transactions at dealerships, according to Groovecar.

"If someone comes in off the street who's not a credit union member, the dealership can make them a member on the spot," Rinaudo said.

It's free to join a credit union, although new members typically must deposit \$5 as a minimum balance to open accounts.

"It's mostly new members," Jacobson said of those taking credit union auto loans. "A tremendous amount of members are signed up every day."

Auto loans aren't the only thing growing at credit unions, where other types of lending often are increasing.

Over the past year, Bethpage Federal's first-mortgage balances rose 12.5 percent or \$232 million (including residential and commercial) to about \$2 billion. Teachers Federal's first mortgages rose 2 percent to \$1.14 billion.

Bethpage Federal's business lending balances increased 30.7 percent to \$160 million, as the nonprofit has boosted lending to members. Teachers Federal's business lending rose 16 percent from \$62 million to \$72 million.

A down economy, ironically, may actually be fueling everything from auto to mortgage lending.

"It's pent-up demand," Jacobson said of auto and other lending. "There's much more confidence. There are great deals out there."