

Welcome to the Webinar

What Matters Now™:
Car Buyer Insights from Middle-Income Americans
5.19.2015



Corrin Maier
Director, TruStage Insurance Program

Agenda

- **Current State** of the Car-Buying Market
- **How To Be A Part** of the Experience
- **Purchase Paths** and How to Add Value



15%
of middle Americans
plan to
buy a vehicle
in the next year.

GfK Mediamark Research & Intelligence, LLC, 2013 MRI Doublebase, as provided by Hiebing

How can your credit union
MAXIMIZE the **BENEFIT**
of the industry's success?

Reminders

- To ask questions during the session
Use the chat window on the right of the screen
- Participate in polling during the webinar
Use the polling function on the right of the screen
- Win a TruStage jacket!
Participate in the survey
- All webinar registrants will receive an
Email with a link to the presentation and recording

Today's Presenters



Steve Hoke

Director
Loan Growth Products



Stephen Arnold

Vice President
TruStage Auto & Home Insurance Program

2015 sales of new vehicles: over 17 million units
and \$553 billion in revenue.¹



Auto loan growth is up 12%
for credit unions.²



Over 15% of total auto loan market share is held
by credit unions.²

¹ Economic & Credit Union Monthly Update, CUNA Mutual Group, April 2015

² Auto Loan Growth from the Inside Out, Callahan and Associates, 2014

20.7%

increase in
new auto loan
balances in 2014¹

32.4%

auto loan
portion of a
credit union's
portfolio¹

\$34,596

avg. price of
new car in
Dec. 2014²



¹ Credit Union Trends Report, CUNA Mutual Group, Feb. 205 (Dec. 2014 data)

² 5 Things We Learned from Dec. and 2014 Auto Sales, USA Today, Jan. 7, 2015

Making Cars Affordable



Longer car loan terms
1/3 of loans are for 6 years¹



More people leasing
27% of new cars - record high!²



Negative equity at trade in
Average of \$4,000 upside down³

¹ US Auto Sales Expected to Hit Record High in 2015, JD Power & Associates, CNBC.com, Oct. 10, 2014

² Auto Leasing Gains Popularity Among American Consumers, New York Times, Jan. 8, 2015

³ 27% of Car Buyers Trade-In 'Underwater' Cars, Edmonds.com, Feb. 2015

What percent **of middle-income Americans** worry about their finances on a daily basis?

A 16%

B 44%

C 52%

D 62%



62% worry about their family's financial stability **on a daily basis**

D

TruStage What Matters Now™ Consumer Survey, 2014



“ Most of the time I am worried about our finances. We paid off our debt (everything except the house) about 7 years ago but we just bought a used mini van so now we have a car payment. **I am stressed with the car payment** and the fact that my husband has not brought home a pay check in the last year. He is a pastor and there is not a lot of money coming into the church. ”

- Amanda, Gen X

\$886 Billion:
Amount of auto loan balances.
The largest EVER.¹



Over **1/4 of total auto sales** were from
subprime customers.²

¹ Auto Loan Balances Reach \$886B, Credit Union Times, Feb. 19, 2015

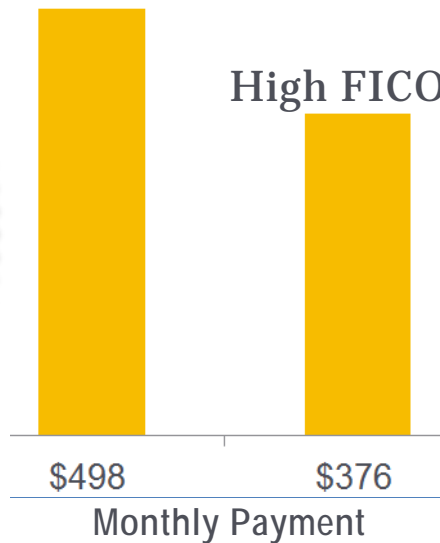
² The Next Subprime Crisis Will Ride on Four Wheels, newrepublic.com, Feb. 26, 2015

Low FICO Score

1	Loan Amount	\$ 25000
2	Interest Rate	12.72%
3	Number of Years	6

Total Interest: \$10,868

Low FICO



High FICO

High FICO Score

1	Loan Amount	\$ 25000
2	Interest Rate	2.63%
3	Number of Years	6

Total Interest: \$2,052

Online Everything



71%
of Americans
own a smartphone.¹

.....

40%
of loanliner.com[®]
loan transactions
are from mobile devices.²

¹ *Mobile Millennials*, Nielsen Data, Sept. 2014

² CUNA Mutual Group, Internal Report, Mar. 2015

The Past

1

Research

2

Loan

3

Purchase

4

Insurance

START

FINISH

The Present

1

Online.

START

FINISH

40% of car buyers
only ever visit one dealer.



1 in 6 people
skip the test drive all together.

1 in 6 Car Buyers Skip the Test Drive, Dealer Marketing, Apr. 15, 2015



Stephen Arnold

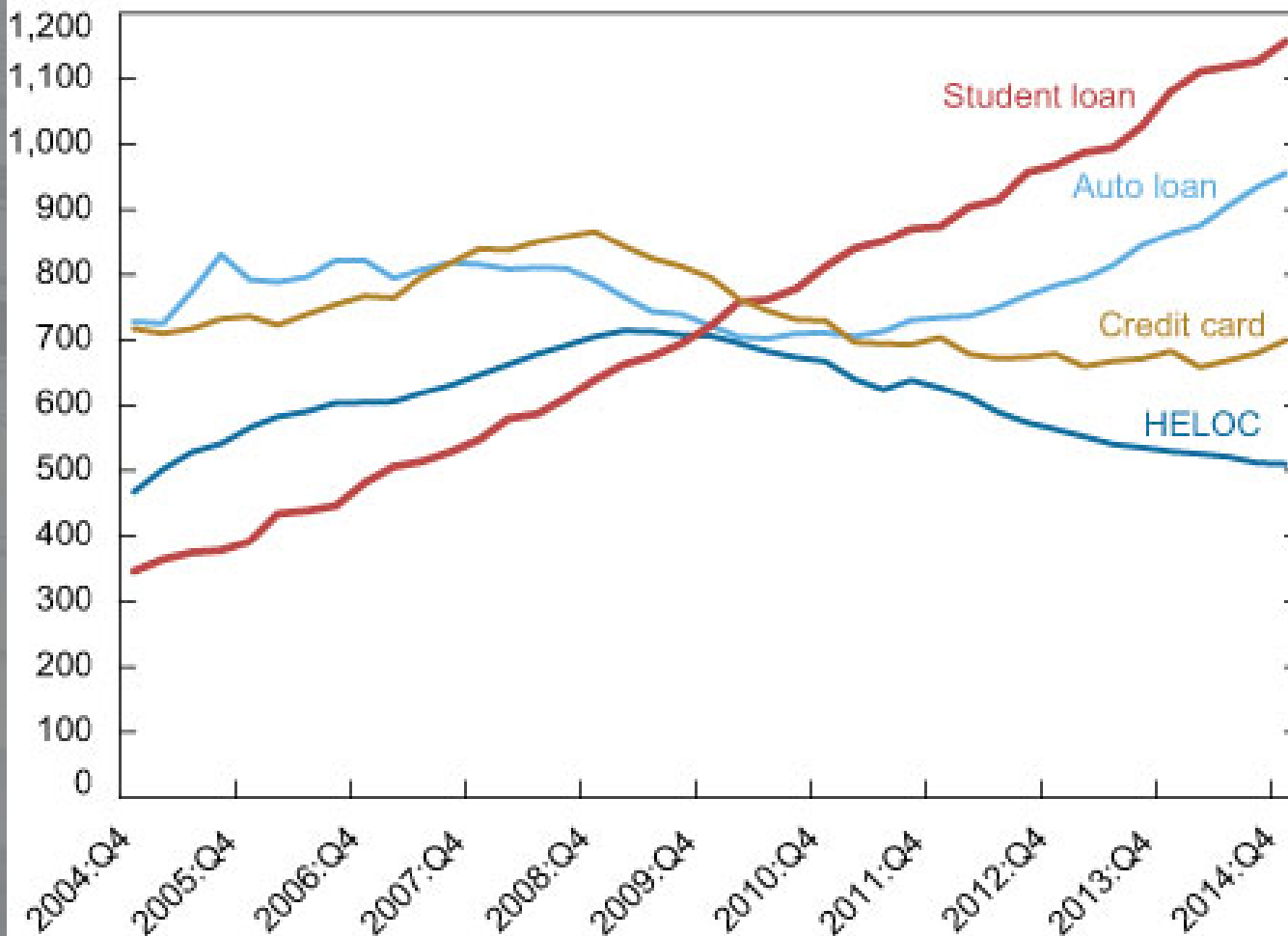
Vice President
TruStage Auto & Home Insurance Program



Car buyers' financial pictures are complex

Nonmortgage Balances

Billions of dollars



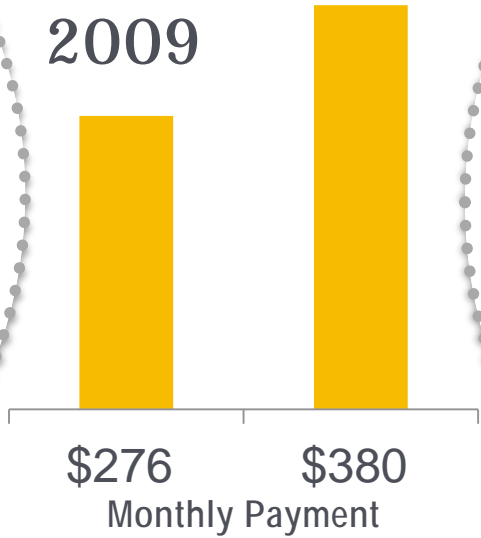
Source: Federal Reserve Bank of New York Consumer Credit Panel /Equifax.
Note: HELOC is home equity line of credit.

2009

1	Loan Amount	\$ 24000
2	Interest Rate	6.8%
3	Number of Years	10

2014

2009



2014

1	Loan Amount	\$ 33000
2	Interest Rate	6.8%
3	Number of Years	10

Position Credit Unions as Valuable Financial Resources

Showcase the value of a credit union loan



Financial differences of buying vs leasing



Financial literacy, Better FICO scores, Buying smarter



Offer loan and income products



Car insurance through credit union memberships



Bundle insurance policies

Members Need Your Help

Debt management tactics for Millennials



College degree \neq financial literacy



They're already using payday loans, cash advances, pawn shops
and buy here pay here dealerships

What Success Is...

- 1.** RAISING GOOD/HAPPY KIDS
- 2.** HAVING A GREAT RELATIONSHIP
- 3.** BEING FINANCIALLY STABLE
- 4.** STAYING IN GOOD HEALTH

TruStage What Matters Now™ Consumer Survey, 2014

What Success Is Not...

- 1. HAVING LOTS OF MONEY**
- 2. HAVING BROAD LIFE EXPERIENCES**
- 3. REACHING TOP OF PROFESSION**
- 4. ACQUIRING A LOT OF MATERIAL THINGS**

TruStage What Matters Now™ Consumer Survey, 2014

Younger, debt-burdened
car buyers need help.

What percent **of middle-income American credit union members** want financial guidance from their credit union?

A 52%

B 65%

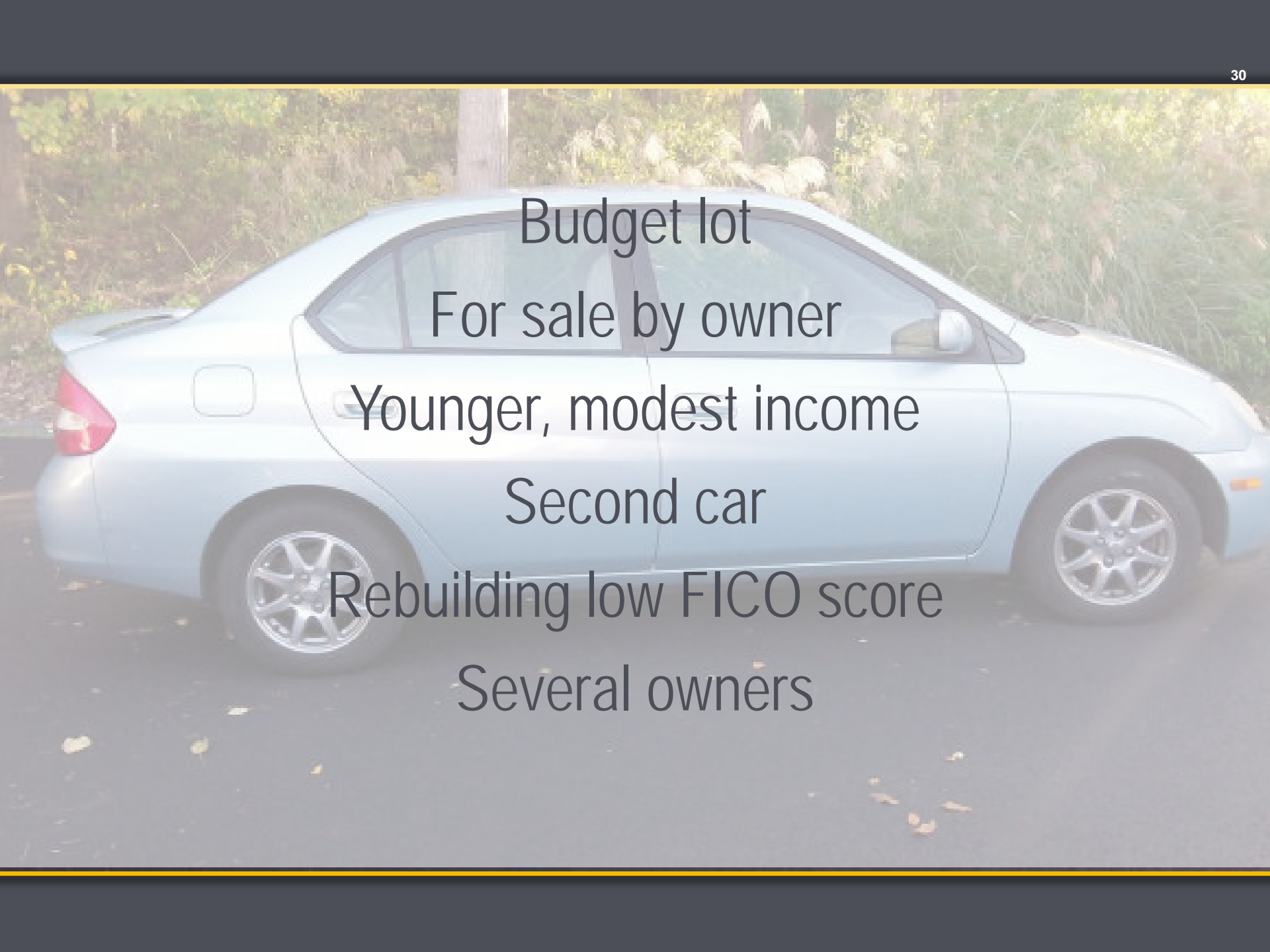
C 80%

D 88%



80% of middle-income
American credit union members
**want financial guidance
from their credit union.**

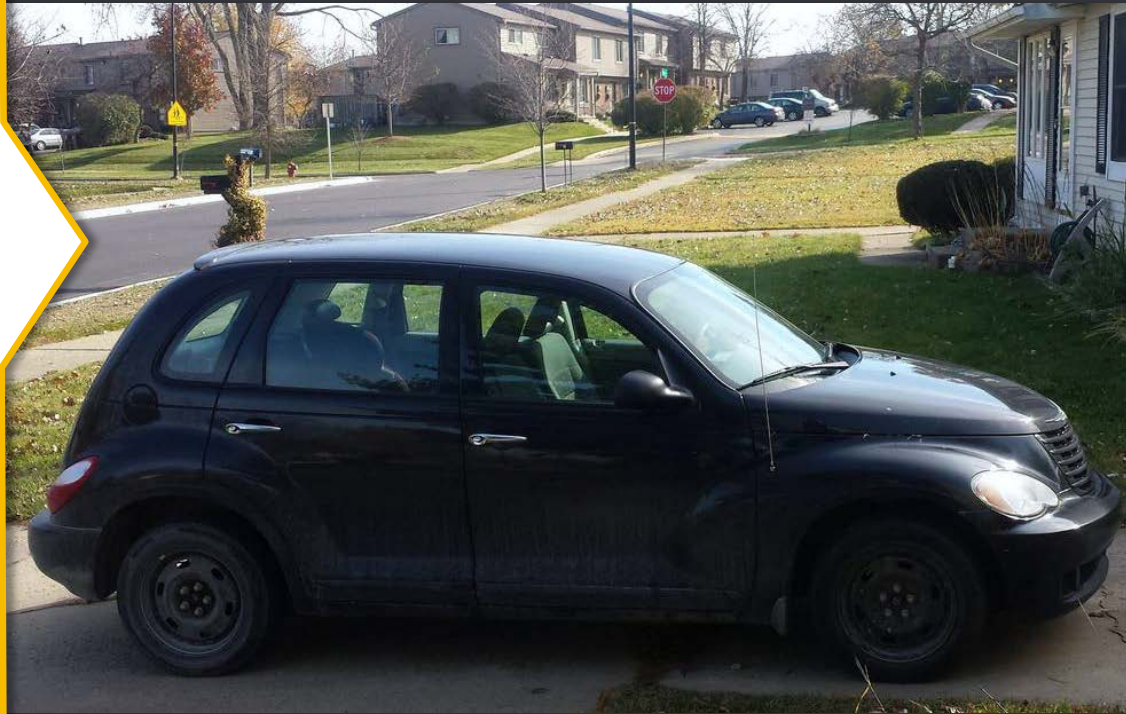
What Matters Now: Insights from the Middle, CUNA Mutual Group, Feb. 2015.

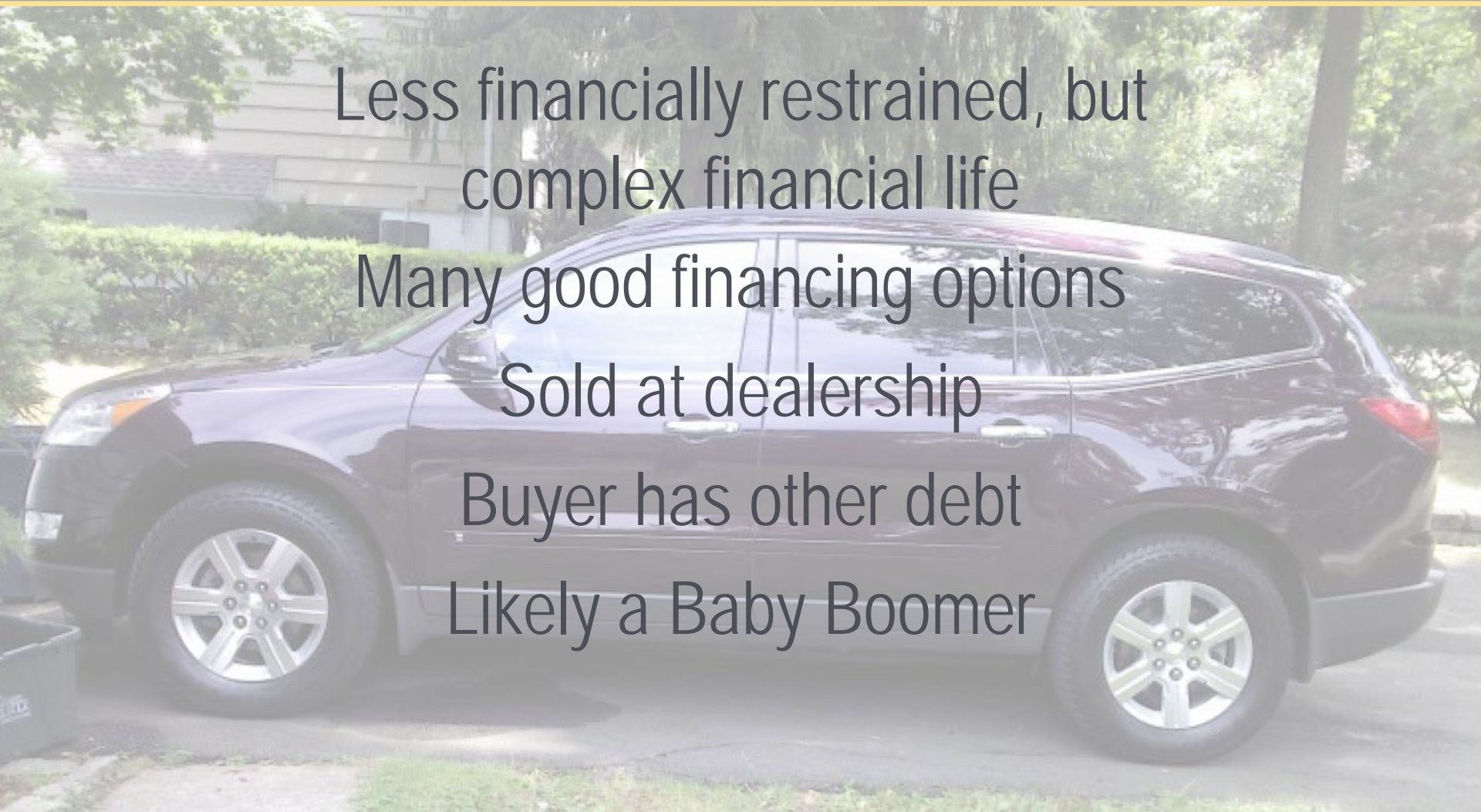
A light blue sedan is shown from a rear three-quarter view, parked on a dark asphalt surface. The background consists of tall grass and some trees. The car has silver alloy wheels and a rear spoiler. The text is overlaid on the car's body.

Budget lot
For sale by owner
Younger, modest income
Second car
Rebuilding low FICO score
Several owners

“ The first thing that **matters the most to me in my daily life is my car.** It’s a junker but it allows me to take my youngest daughter to preschool, my oldest daughter to girl scouts, my step-son to tutoring, do errands, etc. **Without my car, I’d have a VERY hard time getting things done.** ”

- Annette, Gen X





Less financially restrained, but
complex financial life

Many good financing options

Sold at dealership

Buyer has other debt

Likely a Baby Boomer



Buyers' situations are complex.
There are opportunities for credit unions.

94% researched automobiles online in 2012.¹



The car buying process takes 3 months.²



Brands are happening sooner.

¹ My Car, My Way, CapGemini, 2013

² Vehicle Launch Excellence and Beyond, thinkGoogle, Aug. 2013

Today: 1.6 visits to car dealership
10 years ago: 5 visits

Innovating Automotive Retail, McKinsey & Company, Feb. 2014

Credit unions can create
better member experiences
and greater loyalty
regardless of what car your member buys.

What car buyer profile is **most attractive to you?**

- A** \$20,000 used car loan, average FICO, longtime member
- B** \$6,000 used car loan, excellent FICO, member for two years
- C** \$28,000 new car loan, average FICO, new member
- D** \$5,000 used car loan, below-average FICO, member for five years

Expand beyond **the loan.**



Think about visibility **of car loans
and insurance programs.**

To learn more about generational differences in defining success, visit:

CUNAMUTUAL.COM/WHATMATTERSNOW

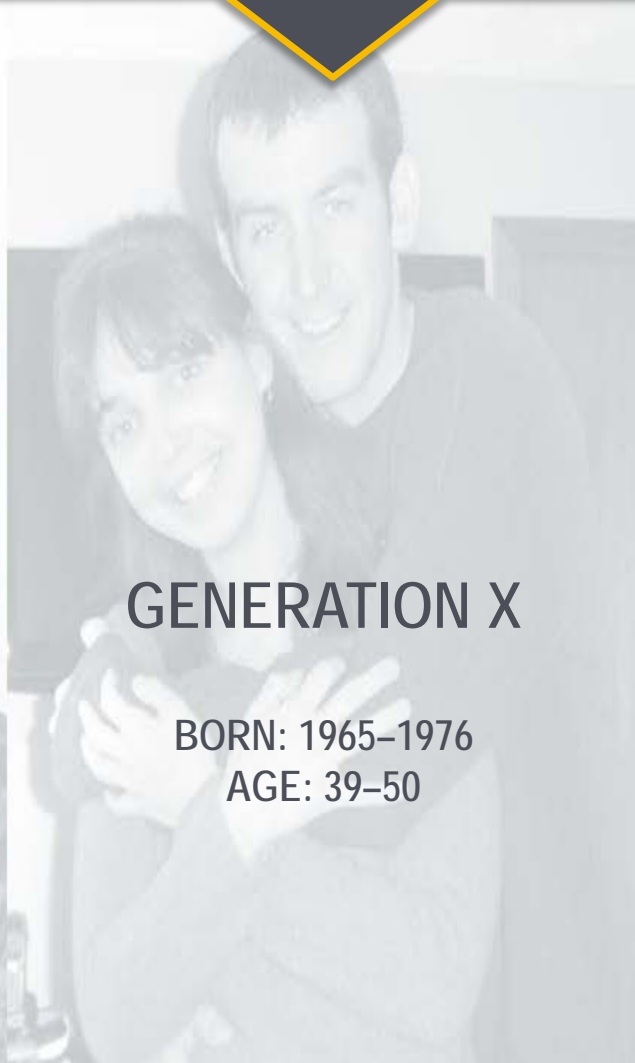
BOOMERS

BORN: 1946–1964
AGE: 51–69



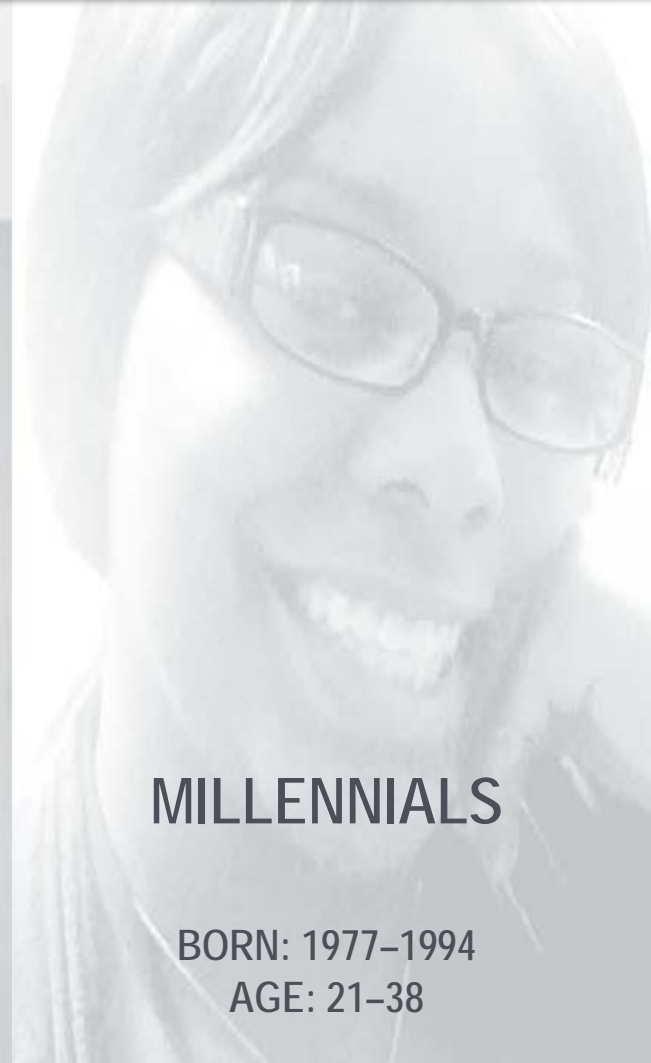
GENERATION X

BORN: 1965–1976
AGE: 39–50



MILLENNIALS

BORN: 1977–1994
AGE: 21–38



MARKETING HIGHLIGHT SERIES

cunamutual.com/highlightseries



Auto



Life



Health



LIVE

UP NEXT-Aug.

Oct.

The AskAuto® app



Help members shop for a car
and a great loan.

- Provide selling price info
- Compare scanned vehicles
- Streamline application process



Questions?

Use the chat window on the right of the screen.

Thank you for attending

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Questions?



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