

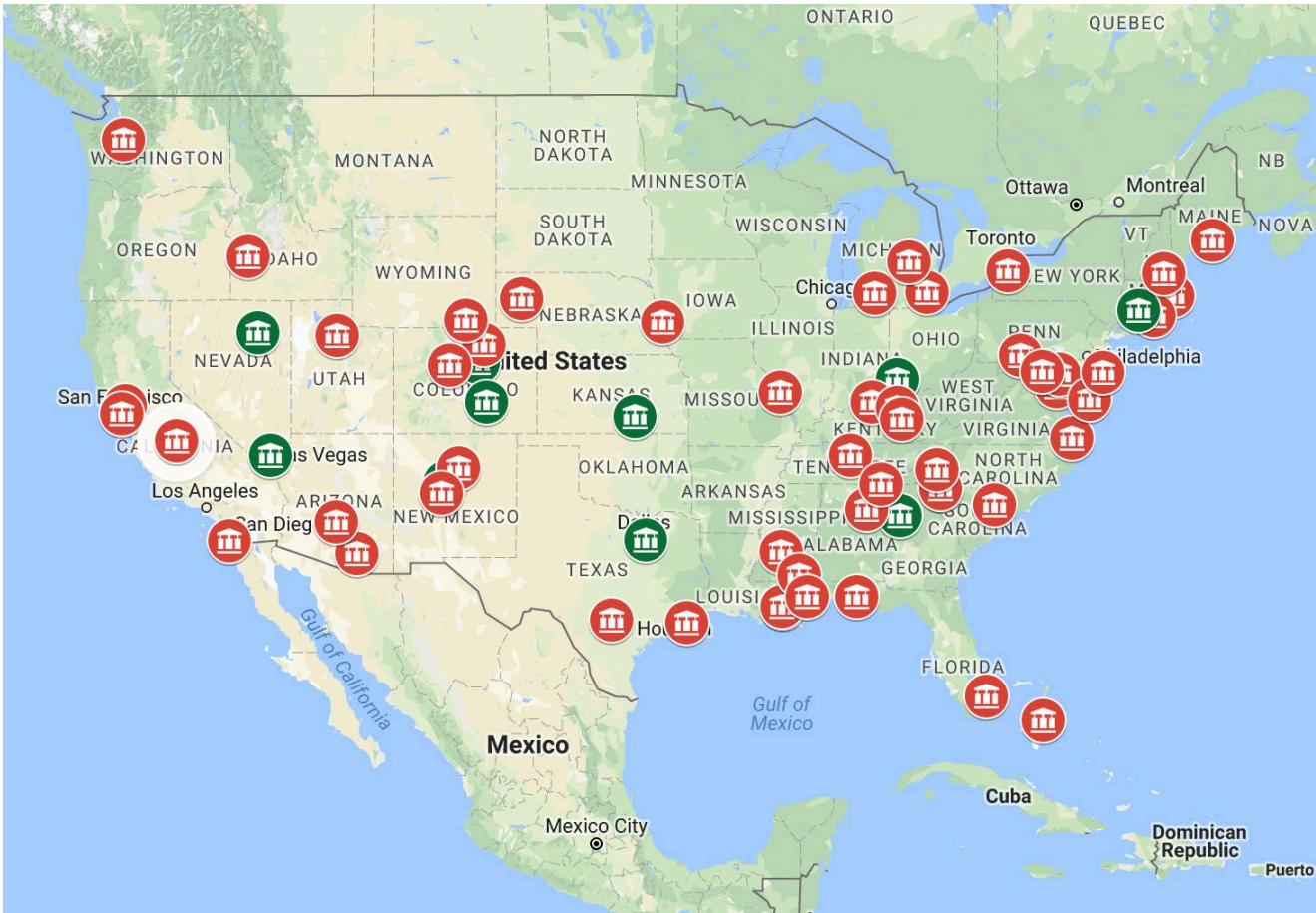


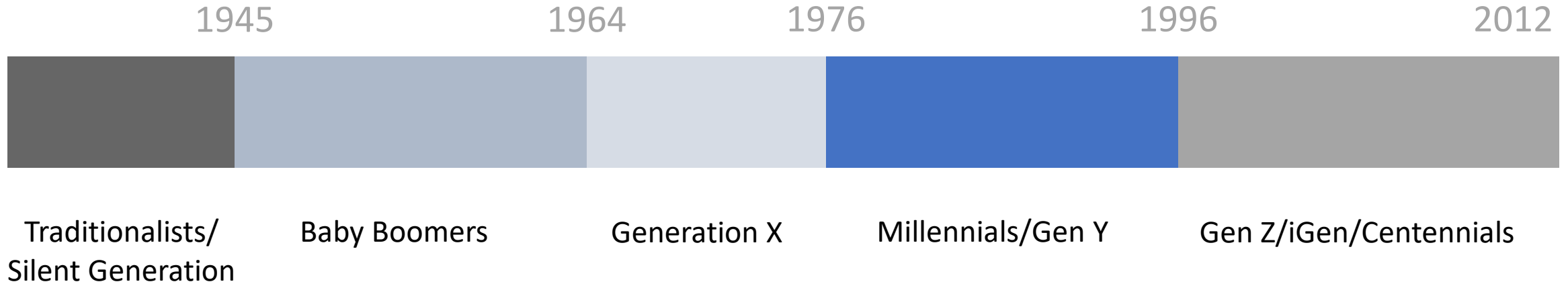
**Southwest Lending
& Collections Conference**

Living Broke: The New American — Dream

DON ARKELL, CU LENDING
ADVICE







Millennials

1977-1995

Overview:

Millennials, or Generation Y, grew up during the turn of the century and technology. The internet matured as they did— and they know exactly how to use it. They are more **financially liberal** than past generations, due to their formative years being during the country's most prosperous period. However, these spending habits have formed some **serious debt**. Millennials need direction from their bank to control their spending habits and get out of debt.

Pain points:

- Student and credit card debt
- Liberal spending
- Paycheck to paycheck lifestyle
- Susceptible to marketing schemes

Holding off on:

- Paying off student debt
- Taking out a home loan and homeownership
- Marrying and starting a family

Focus: Getting out of debt

Generation Z

1996-2012

Overview:

Gen Z, or the iGeneration, is currently the youngest and largest generation— with \$44 billion in buying power. They are online natives who have never experienced a world without cell phones or social media. Gen Zers are more financially literate from a younger age than past generations and tend to save more to avoid debt. Their parents may have already set up a bank account for them, but in the coming years they will be depositing paychecks and taking out loans. They'll struggle with student debt as Millennials did, so their FI will need to help them prepare.

Pain points:

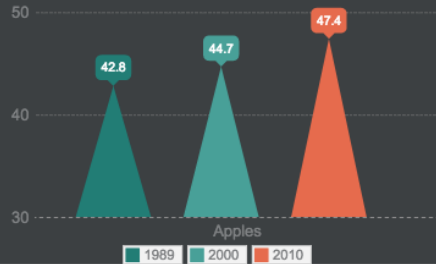
- Student debt
- Still young— have a lot to learn
- Short attention spans

Proactive on:

- Financial literacy
- Entering the workforce
- Saving
- Supporting transparent advertising and organizations

Focus: Saving and earning

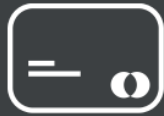
AGE



AGING CREDIT UNION MEMBERSHIP

Source: CUNA'S National Member Survey Reports, 1990-2011

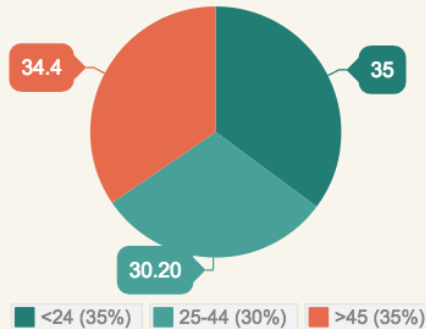
PEAK BORROWING YEARS



25-44

18-24

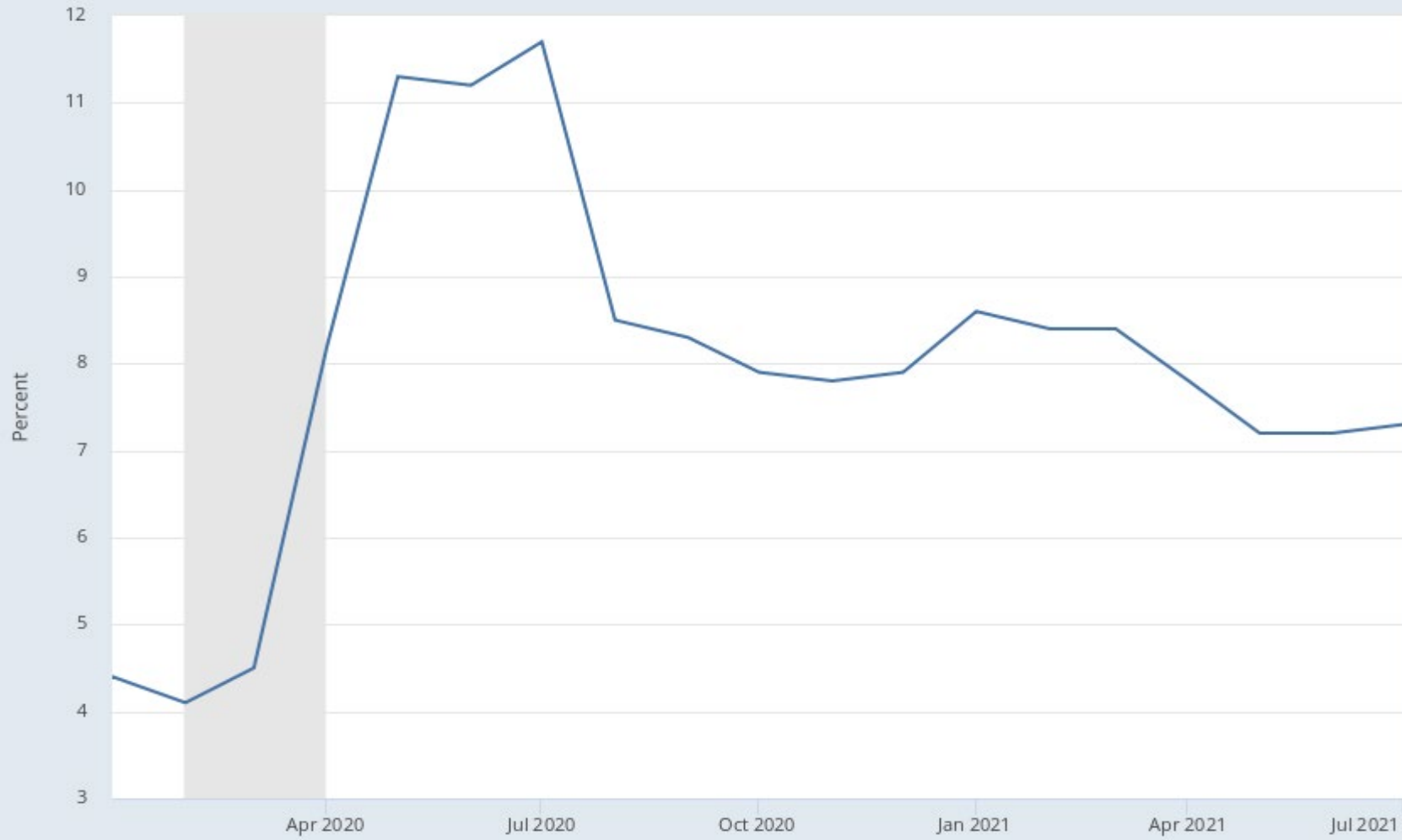
9%



U.S. DEMOGRAPHICS



— Unemployment Rate in New Haven County, CT



Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

myf.red/g/GH4P

Category	Aug. 2020	June 2021	July 2021	Aug. 2021	Change from: July 2021- Aug. 2021
Employment status					
Civilian noninstitutional population.....	260,558	261,338	261,469	261,611	142
Civilian labor force.....	160,818	161,086	161,347	161,537	190
Participation rate.....	61.7	61.6	61.7	61.7	0.0
Employed.....	147,276	151,602	152,645	153,154	509
Employment-population ratio.....	56.5	58.0	58.4	58.5	0.1
Unemployed.....	13,542	9,484	8,702	8,384	-318
Unemployment rate.....	8.4	5.9	5.4	5.2	-0.2
Not in labor force.....	99,740	100,253	100,123	100,074	-49
Unemployment rates					
Total, 16 years and over.....	8.4	5.9	5.4	5.2	-0.2
Adult men (20 years and over).....	8.0	5.9	5.4	5.1	-0.3
Adult women (20 years and over).....	8.3	5.5	5.0	4.8	-0.2
Teenagers (16 to 19 years).....	16.4	9.9	9.6	11.2	1.6
White.....	7.4	5.2	4.8	4.5	-0.3
Black or African American.....	12.8	9.2	8.2	8.8	0.6
Asian.....	10.6	5.8	5.3	4.6	-0.7
Hispanic or Latino ethnicity.....	10.5	7.4	6.6	6.4	-0.2
Total, 25 years and over.....	7.5	5.4	4.8	4.5	-0.3
Less than a high school diploma.....	12.6	10.2	9.5	7.8	-1.7
High school graduates, no college.....	9.8	7.0	6.3	6.0	-0.3
Some college or associate degree.....	8.0	5.8	5.0	5.1	0.1
Bachelor's degree and higher.....	5.3	3.5	3.1	2.8	-0.3

<https://www.bls.gov/news.release/pdf/empsit.pdf>

REAL ESTATE | COVER

Remote Workers Are on the Move. What It Means for the Housing Market.



By [Shaina Mishkin](#) Sept. 10, 2021 12:00 am ET

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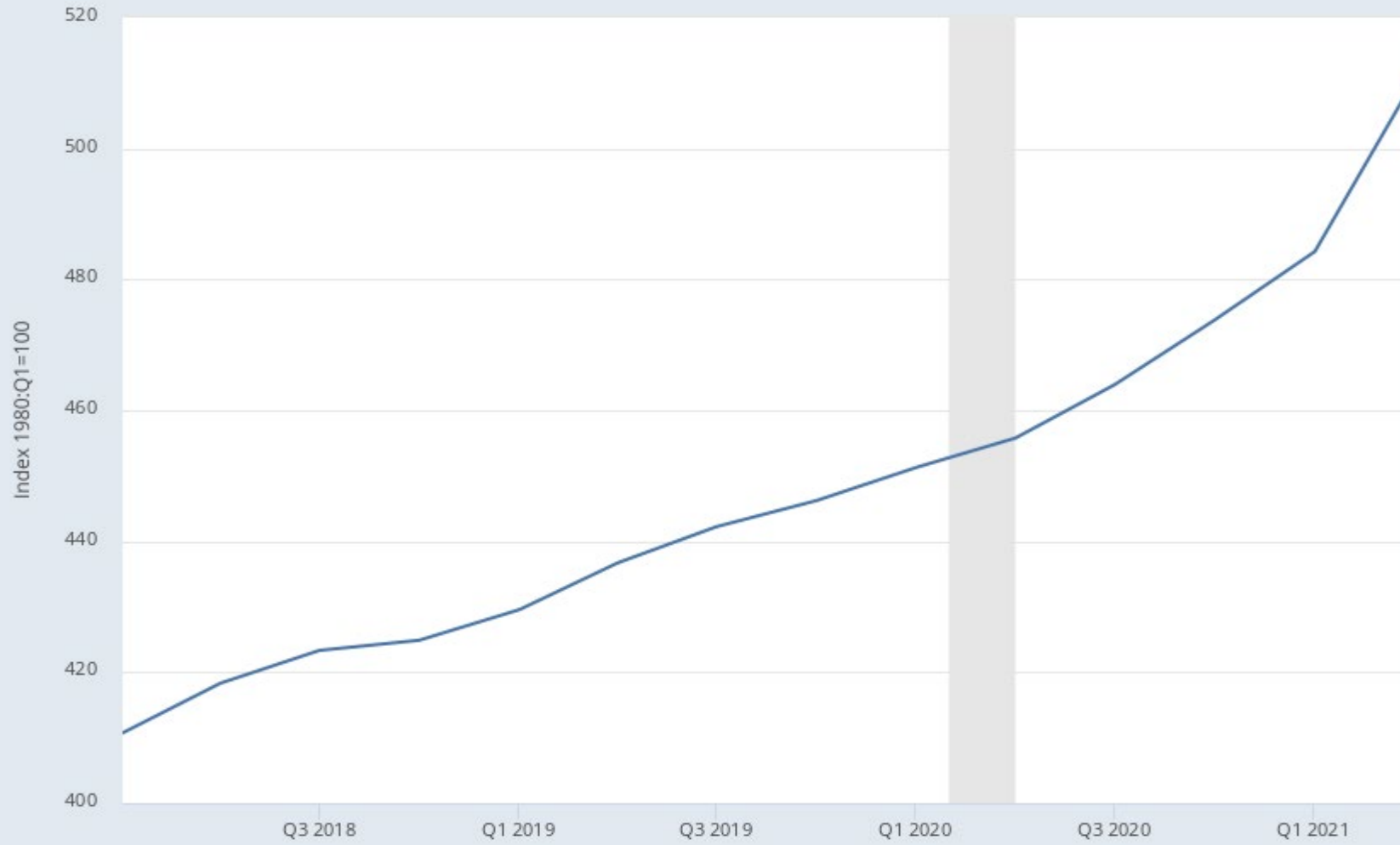
Median home prices in Boise jumped 41% from a year earlier in the second quarter. Above, the Hyde Park

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Biden and Xi Talk for First Time in Seven Months



— All-Transactions House Price Index for the United States



Source: U.S. Federal Housing Finance Agency

[myf.fred/g/GCed](https://myf.fred.stlouisfed.org/g/GCed)

Which generation has the most debt and the worst credit scores? Hint: It's not Millennials

Paul Davidson, USA TODAY Published 9:00 a.m. ET Jan. 11, 2018 | Updated 9:03 p.m. ET Jan. 11, 2018



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Average credit scores by generation

Generation	2018	2019
Generation Z (18-22)	666	667
Millenials (23-38)	664	668
Generation X (39-54)	685	688
Baby Boomers (55-73)	729	731
Silent Generation (74+)	754	756

Student Loan Debt by Generation

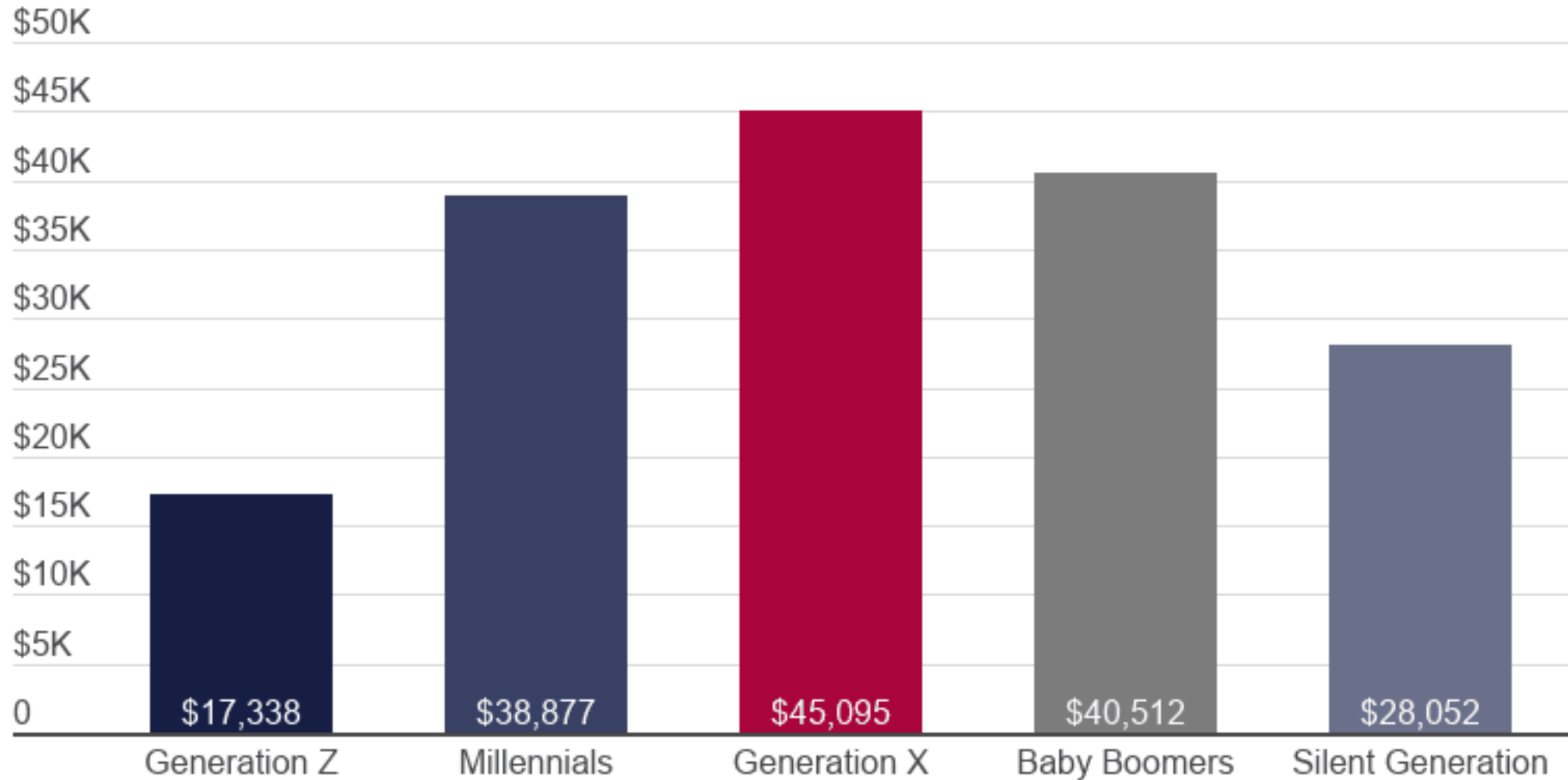
Last Updated: July 10, 2021 by [Melanie Hanson](#)

Report Highlights. The average student loan debt increased for all generations – It increased on average by **18%**.

- Generation X carries the highest average balance at **\$45,095** per borrower.
- **14.8 Million** millennials have student loan debt, more than any other generation.

- Millennials carry an average balance of **\$38,877** per borrower.
- Generation Z's average debt increased by **39%**, more than any other generation.
- Baby Boomers held the second-largest amount of average debt at \$40,512.

Average Debt by Generation



<https://educationdata.org/student-loan-debt-by-generation>

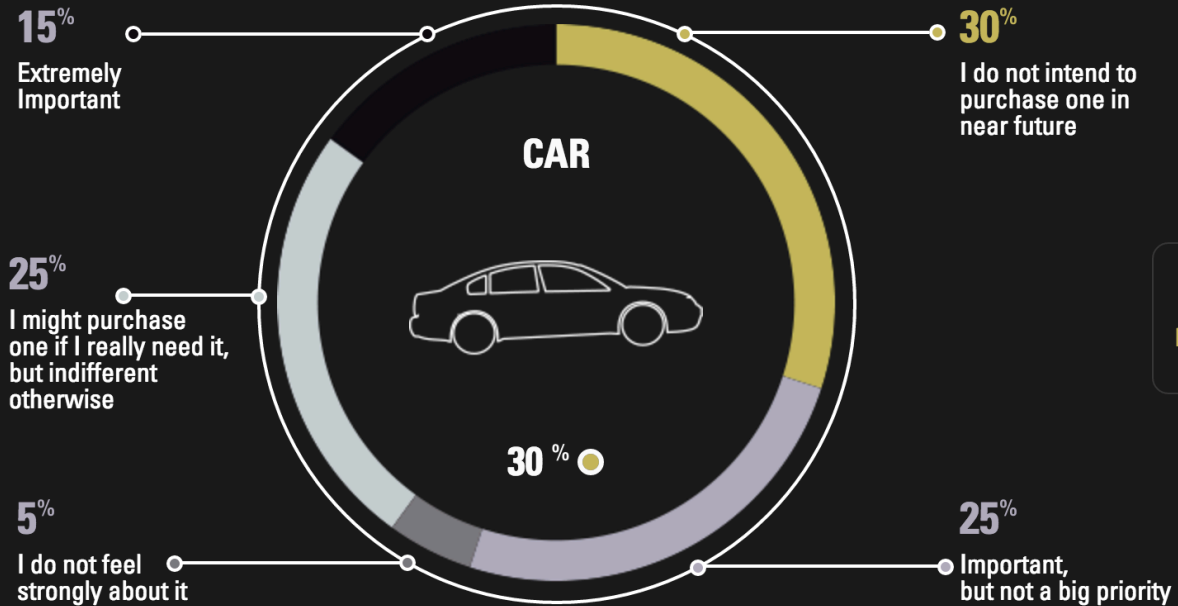
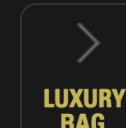


THE HIERARCHY OF NEEDS

The must-haves for previous generations aren't as important for Millennials. They're putting off major purchases—or avoiding them entirely.

THE HIERARCHY OF NEEDS

THE RENTER GENERATION



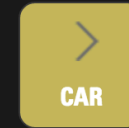


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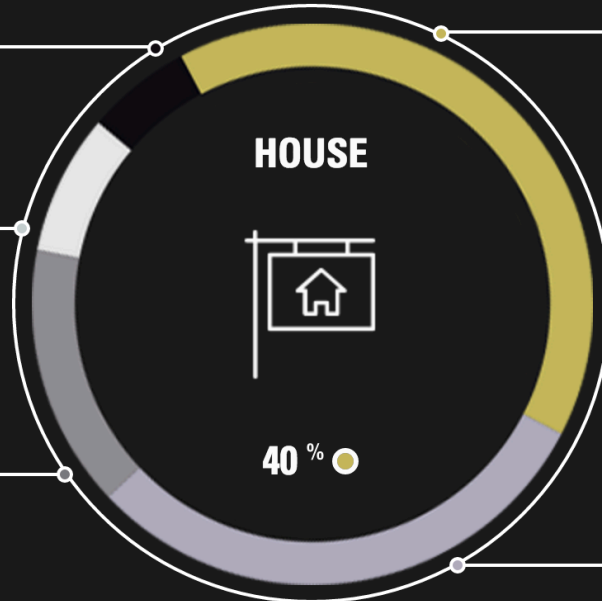
THE RENTER GENERATION



7%
I might purchase one if I really need it, but indifferent otherwise

8%
I do not feel strongly about it

15%
Do not intend to purchase in near future



40%
Extremely Important

30%
Important, but not a big priority

HOUSE



40%

Sending Them to the Wolves

Unsecured Loan Alternatives

If you are unwilling to make small loans to your members to help them with unplanned expenses, many of your members will turn to alternative financing:

Features	Payday Loans	Title Loans
Typical Loan Size	\$350	\$951
Fee/Interest	\$16 per \$100 borrowed	\$25 per \$100 borrowed
Typical Loan Term	Two Weeks	30 Days
Typical APR	416%	300%
Loan Term	Full payment due on next payday(usually in about two weeks)	Full payment due in one month
Collateral	Secured by personal check or access to bank account	Secured by car title

Source: Driven to Disaster Car-Title Lending and Its Impact on Consumers - Center for Responsible Lending 2/18/2013

Unsecured Loan Alternatives – Title Loans

- Approximately 7,730 car-title lenders operate in at least 21 states costing borrowers \$3.6 billion each year in interest on \$1.6 billion in loans.
- The average car-title borrower renews their loan eight times, paying \$2,142 in interest for \$951 in credit
- Car-title loans' annualized percentage rates (APR) are especially excessive considering the value of the collateral and the relatively low amount of the loan. In our borrower-level data set, the median loan-to-value ratio was 26 percent, yet the APR was 300 percent.
- One in six borrowers in our data set also faced repossession, with repossession fees averaging half of the borrower's outstanding loan balance.

Source: Driven to Disaster Car-Title Lending and Its Impact on Consumers -
Center for Responsible Lending 2/18/2013

Unsecured Loan Alternatives – Payday Loans

Payday loans—high-cost small loans averaging \$350 that usually must be repaid in a single payment after two weeks—are designed to create a long-term debt trap. Whether they receive the loans online, in storefronts, or through banks, the vast majority of borrowers cannot both repay the loan and cover all their basic living expenses until their next payday. As a result, they typically take out multiple loans within a short timeframe, paying repeated fees to do so.

“Payday loans create a debt treadmill that makes struggling families worse off than they were before they received a payday loan.”

Source: Center for Responsible Lending

Small Dollar Unsecured Loans

Here is a recommendation for Small Dollar Unsecured Loans

- \$1,000 Loan Max –
- Regular Unsecured Minimum should start at \$1500.00
- Max APR, Regardless of Credit Tier
- Term > 90 Days
- With or without origination fee
- Streamlined underwriting with proof of identity, address, and income, and a credit report to determine loan amount and repayment ability; loan decision within 24 hours

Pilot Program, \$40.2 M, 34,400 loans

“Delinquency ratios for SDLs and NSDLs were at least three times higher than for similar types of unsecured loans, but default rates were in line with industry averages. The cumulative charge-off rate for the pilot was 6.2 percent for SDLs and 8.8 percent for NSDLs. These compare to charge-off ratios of 5.4 percent for unsecured "loans to individuals" and 9.1 percent for "credit cards" according to the fourth quarter 2009 Call Report

- Source: <https://www.fdic.gov/small-dollar-loans/>

Intuit: Gig economy is 34% of US workforce

by Patrick Gillespie @CNNGMoney

🕒 May 24, 2017: 2:51 PM ET

👍 Recommend 278



This app wants to bring a personal touch to the gig economy

Investing

More CNNMoney video [by Outbrain](#)



Late night reacts to Hannity revelation



Trump's angry moods are driving the news cycle



Saudi Arabia's cinema debut opens with 'Black Panther'



Starbucks CEO Kevin Johnson: I'm going to fix it

The “gig economy” isn’t just a buzzword. It’s an accurate description of the state of the modern market; though the [Bureau of Labor Statistics has admitted difficulty](#) in counting the exact number of independent contractors and contingent workers, Intuit estimates that “gig” workers [represent 34 percent of the workforce](#), and will grow to be 43 percent by 2020.

-Why The Gig Economy Is The
Best And Worst Development For
Workers Under 30: Forbes.com
1/24/2018

GUIDELINE
LENDERS

FOCUS ON THE FILE

RATIOS

CONFORMING

CREDIT
LENDERS

FOCUS ON THE
APPLICANT

RATIONALE

PORTFOLIO

Alternative Credit Scoring

By evaluating non-traditional credit activities like wireless relationships, sub-prime lending, and online lending, lenders have the ability to develop a more complete credit assessment for nearly every U.S. consumer. This is extremely critical in today's lending environment as competition for new customers is fierce and a growing number of consumers are "[credit invisible](#)" — meaning they don't have an established credit file with the national consumer reporting agencies.

www.idanalytics.com

FICO® Score XD

Expanding Credit Opportunities

Giving bankcard issuers the ability to identify credit worthy, previously unscorable, borrowers.



Overview



Core Benefits



Solution
Architecture



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Overview

Expanding Credit Opportunities

Bankcard issuers have a new opportunity to extend credit to millions of U.S. consumers who otherwise cannot be scored safely, either due to insufficient or stale data in traditional credit bureau files. FICO introduces FICO® Score XD—developed in partnership with LexisNexis® Risk Solutions and Equifax® — this new score leverages alternative data sources to give issuers a second opportunity to assess otherwise unscorable consumers. FICO® Score XD is designed with precision and compliance in mind to enable issuers to safely extend credit to a largely untapped market using an accessible and familiar FICO® Score.





AUTOMATED DECISION ENGINE

THOUGHTS ON AUTOMATED DECISION ENGINES

- SHOULD BE USED FOR 10-15% OF THE EASY YES LOANS
- SHOULD NOT AUTO DECLINE
- MAXIMIZE DECISIONS ON INDEPENDENT 3RD PARTY RECORDS
- LIMITATIONS
 - WEIGHTING OF CRITERIA
 - UNLIMITED VARIABLES
 - ACCOUNT RELATIONSHIP

Like What
You Heard
Today?





Questions?

Owner

CU Lending Advice

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