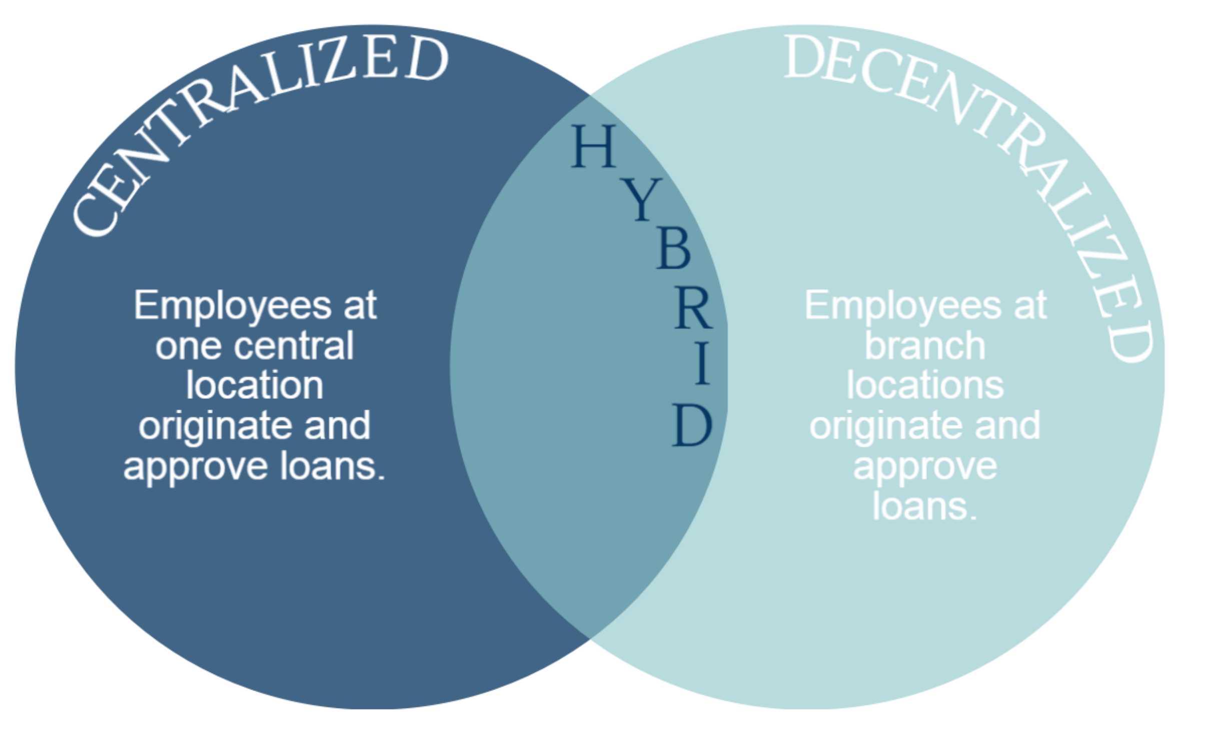
Credit Union Lending Models

Insights From A Callahan Poll

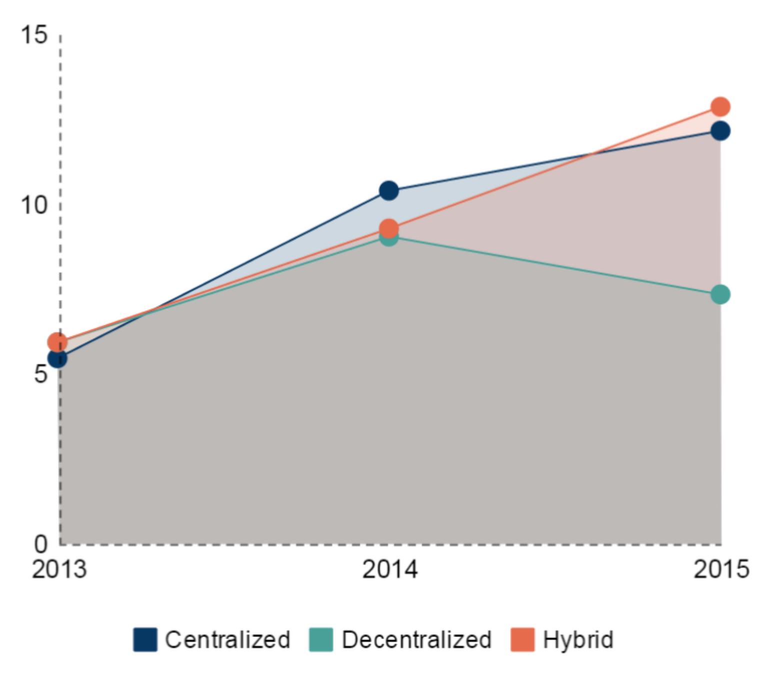
219 credit union professionals nationwide completed a one-question poll sponsored by Callahan & Associates.

Callahan compared the metrics of participating credit unions using Peer-to-Peer to see which lending model lead to higher credit union performance.

Types Of Lending Models



Loan Growth



Credit unions with hybrid lending models increased loan growth

6.9

percentage points over the past 3 years compared to

6.6

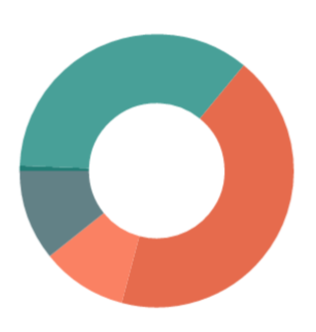
percentage points at centralized and

1.4

percentage points at decentralized.

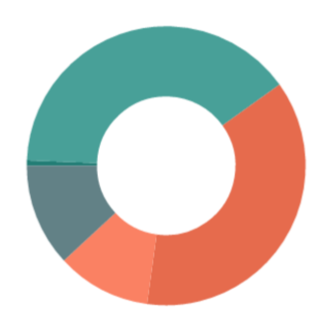
Average Loan Portfolio

Credit unions across all three lending models have similar loan portfolio compositions, but the average balance of those portfolios vary.



Centralized
$618.7 Million
Average Portfolio Balance

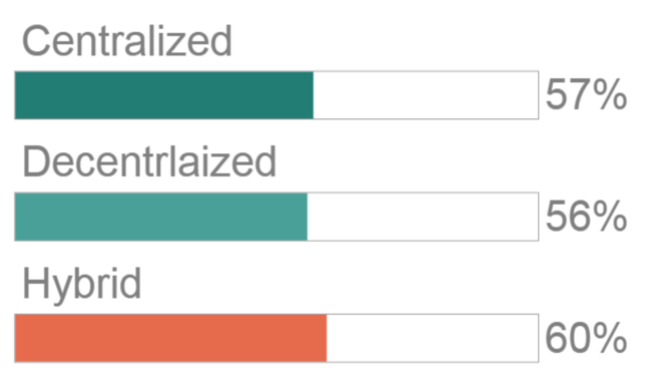
Hybrid
$590.3 Million
Average Portfolio Balance



Decentralized
$280.0 Million
Average Portfolio Balance

Credit Card | Auto | 1st Mortgage | Other RE | All Other Loans

Loan Penetration



On average, credit unions with a hybrid lending model have

60%

loan penetration.

Auto Loan Penetration

22.8%	20.1%	19.1%
Hybrid	Decentralized	Centralized

Real Estate Penetration

4.71%	4.78%	5.38%
Hybrid	Centralized	Decentralized

Delinquency

Credit unions with a centralized lending model posted lower delinquency rates across all major loan types. Here's how hybrid and decentralized credit unions performed.

Centralized programs have the lowest credit card delinquency rate — 0.59%.
Hybrid programs have 0.75% and decentralized programs have 0.79%.

Centralized programs also have the lowest real estate delinquency rate — 0.87%.
Hybrid programs have 1.13% and decentralized programs have 0.92%.

Centralized programs post the lowest overall delinquency rate — 0.73%.
Hybrid programs post an 0.82% overall delinquency rate and decentralized post a 0.75% overall delinquency rate.

Hybrid Strategies

What does a hybrid lending model look like?
Poll participants offered the following descriptions.

Branches process applications with high credit scores; a centralized team processes applications with lower credit scores.

1
2
3

Branches process smaller loans, such as auto;
a centralized team processes larger loans, such as real estate.

Branches accept loan applications, but a centralized team processes and underwrites them.

Conclusion

There is no correct model!

You have to choose the model that works best for your credit union.

Read More About Lending Models!

For Some, Efficiency Starts With Investing In-House

Efficiency And Opportunity In The Southeastern Market

How To Run A Loan Program With 256 Origination Centers