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Are Credit Unions Missing the Millennial Moment?

By Jim Landy January 08, 2016 •

It's no secret that millennials are a dominating market force: Whether you are a marketer, manufacturer, retailer, or, yes, a credit union, your future success lies in the hands of these 18- to 34-year-olds. They are 75 million strong, digital natives and the most educated generation in America.

But they also came of age during the recession, and are saddled with massive student loan debt (to the tune of $1 trillion) and high unemployment (10%) – something that creates a dilemma for any financial institution, but especially for credit unions that endeavor to serve every member. This huge demographic (one quarter of the credit population) boasts a higher education rate that indicates their financial position will improve with age and are undoubtedly a foundational future market for credit unions; but, they also have the lowest average credit score – averaging 625, with 28% below 579 – the most delinquent payments and the shortest credit histories (one third have never applied for a credit card).

This puts them out of reach – or approvals – for the average credit union.

Couple this with their distrust of large institutions, recession-driven fear of debt (and that more than 70% of them likely would bank with a non-bank company they currently do business with, i.e. Amazon or PayPal) – and it's easy to see that the ramifications of this segment passing over traditional financial institutions could be lasting and dire.

So how can you ensure your credit union isn't missing the millennial moment? One place to look is auto loans. Because a car, unlike a house or a credit card, is a functional necessity for this generation and represents a key opportunity to start building the credit history they so desperately need. What better time to capture a long-term customer than at that first vehicle purchase? Millennials account for 37% of all funded auto loans and, although they currently represent 12% of new U.S. car sales, they will account for 40% by 2020.

But even if millennials make the leap to go "traditional" and apply for an auto loan at a credit union, their less-than-prime credit means that not only will most be denied, but their credit scores could be negatively impacted by the inquiry. None of which makes for a positive experience for this large pool of potential credit union customers.

This is a shame, because, with the right online tools and approval process, credit unions can offer just what millennials are looking for: A transparent, quick-decisioning, outside-the-dealership finance experience that takes place online or on a smartphone.

Consumers are driving (and wanting) change in the car-buying/shopping process: They are spending more time researching online, visiting fewer dealerships and wanting even more of the process to happen online, including financing. Millennials, in particular, are having an impact on this digital-driven process change – 92% bank online, 95% went online during at least one part of the buying process and half rely on their smartphones during the buying process.

But are credit unions ready to take on the millennial challenge? They must be if they are to survive into the future. What does this future include?

- Bringing auto financing tools in line with what millennials are used to in their other digital experiences by making them user-friendly, responsively designed, transparent and fast.
- Making no impact on their already shaky credit history, i.e. soft credit pulls.
- Discreet, direct finance partners who can seamlessly approve customers, with no credit impact with non-approval.
- An end-to-end online process that connects consumers with both vehicles and financing.

The tools are there to capture the millennial moment … are you ready?

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