AFSA Consumer Credit Conditions (C3) Index
Second Quarter 2024

This report presents the results of the second quarterly survey of AFSA member companies, leading providers of vehicle financing, personal installment loans, credit cards, sales financing, mortgages and other consumer credit products. Participants shared their views on key business indicators, including how they see the consumer-lending environment evolving in the coming months.

Overview

High interest rates, stubborn inflation, stressed and anxious consumers and a hostile regulatory climate are raising headwinds for the consumer finance industry. This is reflected in the 2nd Quarter results of AFSA's latest Consumer Credit Conditions Survey, which shows the business environment for consumer lenders continued to weaken in the second quarter of 2024. Moreover, the outlook for conditions over the next six months was slightly negative in the second quarter, a reversal of the modestly positive expectations reported in the 1st Quarter survey.

There are, however, some silver threads in the survey: The margin between those reporting overall worsened vs. improved business conditions narrowed in the second quarter. The same was true for funding costs. Notably, more respondents reported customer demand for loans strengthened in the second quarter than reported it weakened, a turnround from the first quarter.

Looking ahead, lenders' views on the six-month outlook were less optimistic, consistent with uncertainty about the paths of consumer spending growth and inflation, among other factors. More respondents still expect loan demand to improve rather than to worsen, though by a smaller margin than three months ago. A large majority expect funding costs to stay the same or improve somewhat as expectations build for Federal Reserve interest rate cuts as early as the fall.

Survey Highlights

- The survey results indicate that the business environment for consumer credit providers deteriorated in the second quarter of 2024 when compared to the first quarter. The previous survey, in which lenders were asked to compare conditions in the first quarter of 2024 to the fourth quarter of 2023, also showed business conditions had weakened.

- Nonetheless, the "Net Improving Index (NII)," the percentage of respondents reporting conditions improved minus the percentage reporting they worsened was higher than in the previous survey. Of those surveyed, 29.2 percent reported conditions worsened in Q2, 20.9 percent said they improved, and half (50.0 percent) claimed they were unchanged, for an NII reading of -8.3. In Q1, 38.6 percent reported conditions worsened, 19.3 percent said they improved, and 42.1 percent claimed they were unchanged, for an NII of -19.3.

AFSA Consumer Credit Conditions Index
Net Increasing Indexes*

	survey date Q2 2024	Q1 2024	change
Current Conditions			
Overall	-8.3	-19.3	⬆
Loan Demand	+6.4	-14.5	⬆
Cost of Funds	-10.4	-12.7	⬆
Loan Performance	-10.4	-3.5	⬇
Six-Month Outlook			
Overall	-4.2	+8.9	⬇
Loan Demand	+14.9	+30.4	⬇
Cost of Funds	+39.6	+21.8	⬆
Loan Performance	-14.6	-5.3	⬇

*Net Increasing Index (NII) is the percentage of survey respondents reporting conditions improved minus the percentage reporting they worsened

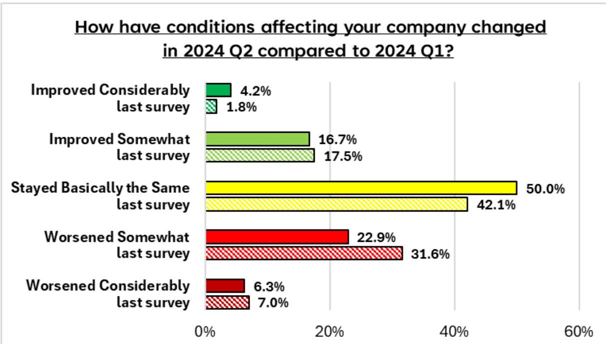
- Survey participants were asked if customer demand for loans, funding costs, and performance of outstanding loans improved, worsened, or stayed the same in Q2. The NII for loan demand was positive, measuring +6.4, a turnaround from a reading of -14.5 in the previous survey. The NII for funding costs also improved in the latest survey but was still a net negative at -10.4 compared to -12.7 in Q1. The NII for outstanding loan performance also measured -10.4, lower than the -3.5 reading in Q1.

- Lenders' views on the six-month ahead outlook soured slightly on balance in Q2. The NII measured -4.2, with 29.2 percent of respondents expecting overall business conditions to worsen over the next six months, 25.0 percent expecting them to improve, and 45.8 percent expecting them to remain largely unchanged. In Q1, 25.0 percent expected conditions would worsen in the following six months, 33.9 percent expected they would improve, and 41.1 percent expected they would stay generally unchanged. The NII in Q1 was +8.9.

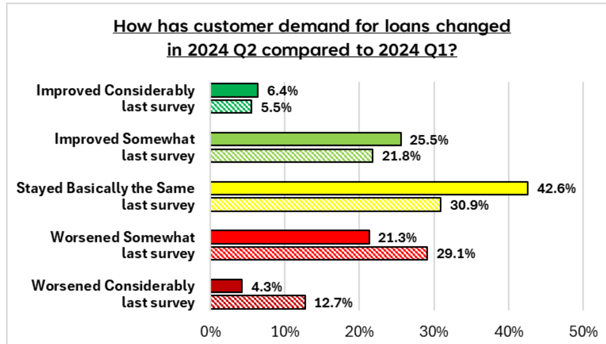
- Survey participants were asked whether they expect customer demand for loans, funding costs, and outstanding loan performance will improve, worsen, or stay the same over the next six months. The NII for expected loan demand remained positive in Q2 at +14.9 but was lower than the Q1 reading of +30.4. The NII for expected cost of funds increased to +39.6 in Q2 from +21.8 in Q1. The NII for expected loan performance fell further into the negative, measuring -14.6 in Q2 compared to -5.3 in Q1.

Current Conditions

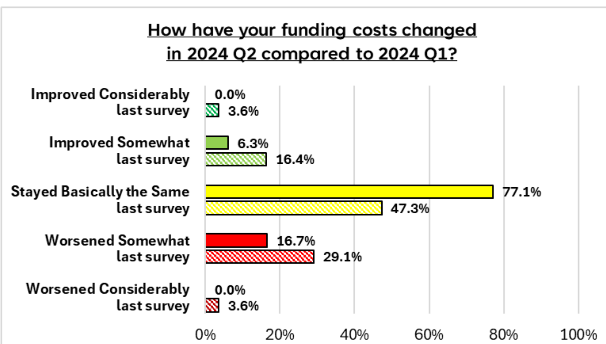
Overall Conditions: NII -8.3 (last survey -19.3)



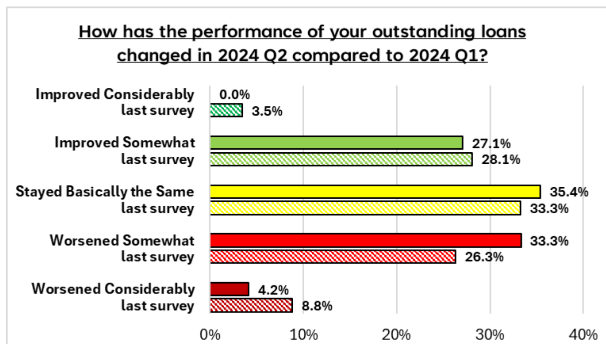
Customer Demand: NII +6.4 (last survey -14.5)



Funding Costs: NII -10.4 (last survey -12.7)

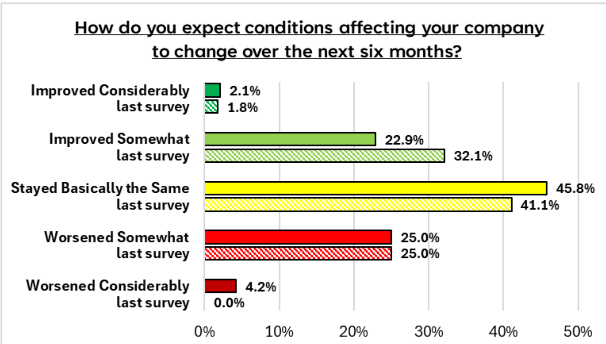


Loan Performance: -10.4 (last survey -3.5)

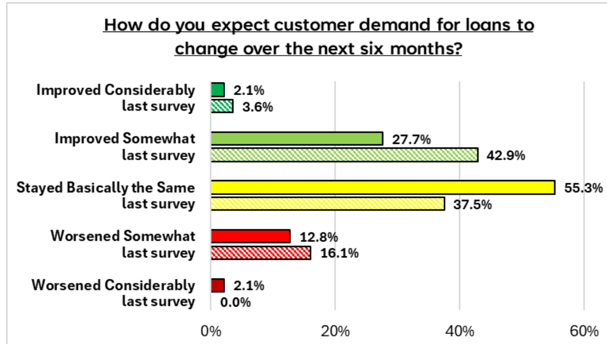


Six-Month Outlook

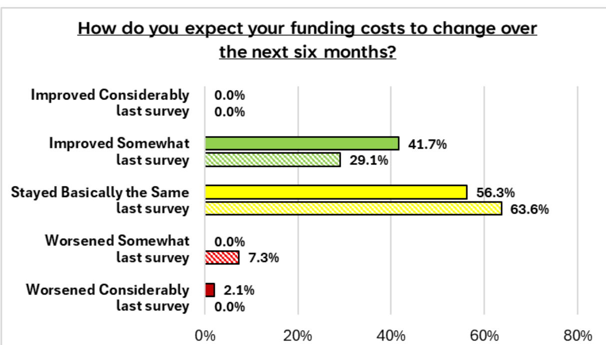
Overall Conditions: NII -4.2 (last survey +8.9)



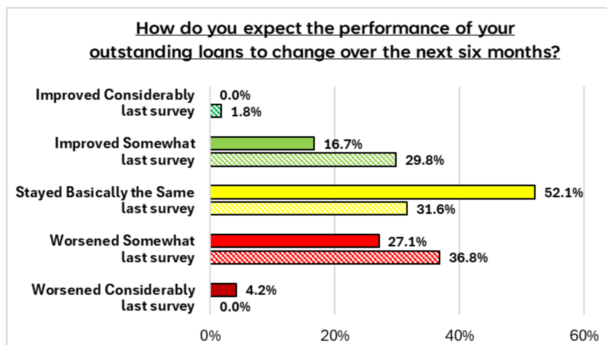
Customer Demand: NII +14.9 (last survey +30.4)



Funding Costs: NII +39.6 (last survey +21.8)



Loan Performance: NII -14.6 (last survey -5.3)



Respondent Comments

- While we saw a slight increase in demand for the quarter, it is a decrease compared to prior years. We are seeing a hesitancy in borrowing and an increase in delinquency. We are starting to notice the effect of rising prices for our consumers. They aren't borrowing because they can't afford to, and they aren't paying because they are running out of funds after paying for essential items.

- Cost of capital is more expensive, but stable at this time. Lots of loan demand, but fewer applicants qualify based on budget.

- Expense control and cost of funds continue to be our main concern and focus.

- Delinquency is still high.

- Inflation has caused delinquency to rise to levels unheard of in prior years.

- Loan demand is not consistent. It’s up and down. Believe it will be that way through year-end until the election is over.

- Election season will be fun!

- Inflation impacting consumer and business's ability to pay/perform. This coupled with it being an election are creating headwinds.

- Used vehicle values play a big role in our financials as well. We expect those values to continue to worsen in the second half of the year.

- Toughest environment, equal to 2009. Economy is very bad [in the region in which we operate.]

Appendix 1: Data Tables

Current Conditions

All Lenders

	How have conditions affecting your company changed in 2024 Q2 compared to 2024 Q1?		How has customer demand for loans changed in 2024 Q2 compared to 2024 Q1?		How have your funding costs changed in 2024 Q2 compared to 2024 Q1?		How has the performance of your outstanding loans changed in 2024 Q2 compared to 2024 Q1?	
	number	percent	number	percent	number	percent	number	percent
Improved Considerably	2	4.2%	3	6.4%	0	0.0%	0	0.0%
Improved Somewhat	8	16.7%	12	25.5%	3	6.3%	13	27.1%
Stayed Basically the Same	24	50.0%	20	42.6%	37	77.1%	17	35.4%
Worsened Somewhat	11	22.9%	10	21.3%	8	16.7%	16	33.3%
Worsened Considerably	3	6.3%	2	4.3%	0	0.0%	2	4.2%
Total	48	100%	47	100%	48	100%	48	100%
Net Increasing Index (NII)		-8.3		6.4		-10.4		-10.4

Vehicle Financing

	How have conditions affecting your company changed in 2024 Q2 compared to 2024 Q1?		How has customer demand for loans changed in 2024 Q2 compared to 2024 Q1?		How have your funding costs changed in 2024 Q2 compared to 2024 Q1?		How has the performance of your outstanding loans changed in 2024 Q2 compared to 2024 Q1?	
	number	percent	number	percent	number	percent	number	percent
Improved Considerably	1	2.9%	2	6.1%	0	0.0%	0	0.0%
Improved Somewhat	5	14.7%	7	21.2%	3	8.8%	6	17.6%
Stayed Basically the Same	17	50.0%	14	42.4%	26	76.5%	11	32.4%
Worsened Somewhat	8	23.5%	8	24.2%	5	14.7%	15	44.1%
Worsened Considerably	3	8.8%	2	6.1%	0	0.0%	2	5.9%
Total	34	100%	33	100%	34	100%	34	100%
Net Increasing Index (NII)		-14.7		-3.0		-5.9		-32.4

Personal Installment Loans

	How have conditions affecting your company changed in 2024 Q2 compared to 2024 Q1?		How has customer demand for loans changed in 2024 Q2 compared to 2024 Q1?		How have your funding costs changed in 2024 Q2 compared to 2024 Q1?		How has the performance of your outstanding loans changed in 2024 Q2 compared to 2024 Q1?	
	number	percent	number	percent	number	percent	number	percent
Improved Considerably	1	3.8%	2	8.0%	0	0.0%	0	0.0%
Improved Somewhat	6	23.1%	10	40.0%	0	0.0%	10	38.5%
Stayed Basically the Same	14	53.8%	10	40.0%	19	73.1%	9	34.6%
Worsened Somewhat	4	15.4%	3	12.0%	7	26.9%	7	26.9%
Worsened Considerably	1	3.8%	0	0.0%	0	0.0%	0	0.0%
Total	26	100%	25	100%	26	100%	26	100%
Net Increasing Index (NII)		7.7		36.0		-26.9		11.5

Other

	How have conditions affecting your company changed in 2024 Q2 compared to 2024 Q1?		How has customer demand for loans changed in 2024 Q2 compared to 2024 Q1?		How have your funding costs changed in 2024 Q2 compared to 2024 Q1?		How has the performance of your outstanding loans changed in 2024 Q2 compared to 2024 Q1?	
	number	percent	number	percent	number	percent	number	percent
Improved Considerably	1	5.6%	1	5.6%	0	0.0%	0	0.0%
Improved Somewhat	4	22.2%	6	33.3%	0	0.0%	5	27.8%
Stayed Basically the Same	9	50.0%	7	38.9%	13	72.2%	6	33.3%
Worsened Somewhat	4	22.2%	3	16.7%	5	27.8%	7	38.9%
Worsened Considerably	0	0.0%	1	5.6%	0	0.0%	0	0.0%
Total	18	100%	18	100%	18	100%	18	100%
Net Increasing Index (NII)		5.6		16.7		-27.8		-11.1

Expected Conditions

All Lenders

	How do you expect conditions affecting your company to change over the next six months?		How do you expect customer demand for loans to change over the next six months?		How do you expect your funding costs to change over the next six months?		How do you expect the performance of your outstanding loans to change over the next six months?	
	number	percent	number	percent	number	percent	number	percent
Improve Considerably	1	2.1%	1	2.1%	0	0.0%	0	0.0%
Improve Somewhat	11	22.9%	13	27.7%	20	41.7%	8	16.7%
Stay Basically the Same	22	45.8%	26	55.3%	27	56.3%	25	52.1%
Worsen Somewhat	12	25.0%	6	12.8%	0	0.0%	13	27.1%
Worsen Considerably	2	4.2%	1	2.1%	1	2.1%	2	4.2%
Total	48	100%	47	100%	48	100%	48	100%
Net Increasing Index (NII)		-4.2		14.9		39.6		-14.6

Vehicle Financing

	How do you expect conditions affecting your company to change over the next six months?		How do you expect customer demand for loans to change over the next six months?		How do you expect your funding costs to change over the next six months?		How do you expect the performance of your outstanding loans to change over the next six months?	
	number	percent	number	percent	number	percent	number	percent
Improve Considerably	1	2.9%	1	3.0%	0	0.0%	0	0.0%
Improve Somewhat	4	11.8%	4	12.1%	15	44.1%	3	8.8%
Stay Basically the Same	16	47.1%	21	63.6%	18	52.9%	16	47.1%
Worsen Somewhat	12	35.3%	6	18.2%	0	0.0%	13	38.2%
Worsen Considerably	1	2.9%	1	3.0%	1	2.9%	2	5.9%
Total	34	100%	33	100%	34	100%	34	100%
Net Increasing Index (NII)		-23.5		-6.1		41.2		-35.3

Personal Installment Loans

	How do you expect conditions affecting your company to change over the next six months?		How do you expect customer demand for loans to change over the next six months?		How do you expect your funding costs to change over the next six months?		How do you expect the performance of your outstanding loans to change over the next six months?	
	number	percent	number	percent	number	percent	number	percent
Improve Considerably	1	3.8%	1	3.8%	0	0.0%	0	0.0%
Improve Somewhat	9	34.6%	11	42.3%	11	42.3%	6	23.1%
Stay Basically the Same	12	46.2%	12	46.2%	15	57.7%	16	61.5%
Worsen Somewhat	3	11.5%	2	7.7%	0	0.0%	4	15.4%
Worsen Considerably	1	3.8%	0	0.0%	0	0.0%	0	0.0%
Total	26	100%	26	100%	26	100%	26	100%
Net Increasing Index (NII)		23.1		38.5		42.3		7.7

Other

	How do you expect conditions affecting your company to change over the next six months?		How do you expect customer demand for loans to change over the next six months?		How do you expect your funding costs to change over the next six months?		How do you expect the performance of your outstanding loans to change over the next six months?	
	number	percent	number	percent	number	percent	number	percent
Improve Considerably	1	5.6%	1	5.6%	0	0.0%	0	0.0%
Improve Somewhat	3	16.7%	5	27.8%	5	27.8%	2	11.1%
Stay Basically the Same	11	61.1%	10	55.6%	13	72.2%	10	55.6%
Worsen Somewhat	3	16.7%	2	11.1%	0	0.0%	5	27.8%
Worsen Considerably	0	0.0%	0	0.0%	0	0.0%	1	5.6%
Total	18	100%	18	100%	18	100%	18	100%
Net Increasing Index (NII)		5.6		22.2		27.8		-22.2

Appendix 2: Methodology

The results presented in this report are derived from a survey of senior executives of AFSA's finance company members. The survey was conducted between July 8 and July 15, 2024. Forty-eight (48) participants responded to at least one question. Response counts for individual questions are shown in the accompanying charts and data tables.

The survey consisted of the following questions:

1. Considering all factors, how have conditions affecting your company changed in the second quarter of 2024 compared to the first quarter of 2024?

2. How has customer demand for loans changed in the second quarter of 2024 compared to the first quarter of 2024?

3. How have your funding costs changed in the second quarter of 2024 compared to the first quarter of 2024?

4. How has the performance of your outstanding loans changed in the second quarter of 2024 compared to the first quarter of 2024?

5. Considering all factors, how do you expect conditions affecting your company to change over the next six months?

6. How do you expect customer demand for loans to change over the next six months?

7. How do you expect your funding costs to change over the next six months?

8. How do you expect the performance of your outstanding loans to change over the next six months?

For questions regarding current conditions, participants were asked if conditions relative to the previous quarter "improved considerably," "improved somewhat," "stayed basically the same," "worsened somewhat," or "worsened considerably." For questions regarding expected conditions, participants were asked if conditions over the next six months would "improve considerably," "improved somewhat," "stay basically the same," "worsen somewhat," or "worsen considerably."

Index Calculation. The Net Improving Index (NII) for current conditions questions is calculated as the percentage of participants reporting conditions "improved considerably" or "improved somewhat" minus the percentage reporting conditions "worsened somewhat" or "worsened considerably."

The NII for future conditions questions is calculated as the percentage of participants reporting they expect conditions to "improve considerably" or "improve somewhat" minus the percentage reporting they expect conditions to "worsen somewhat" or "worsen considerably."

Breakdown by Type of Credit Offered. Participants were asked to indicate the types of consumer credit provided by their company: “credit cards,” “personal installment loans,” “vehicle financing, “sales financing,” “student loans,” “mortgages/ home equity loans,” and “other.” They were not, however, asked to provide separate responses for each type of credit offered, only a consolidated evaluation of conditions affecting their company as a whole. If a company provides both personal installment loans and vehicle financing, for example, its responses are included in the compilation of results for “all lenders,” as well as for “vehicle financing” and “personal installment loans.” Thus, the number of responses summed across credit types will not necessarily equal the total number of responses for a given question.

The number of responses indicating their company offered credit cards, sales financing, student loans, mortgages/home equity loans, and other types of credit were insufficient to report separately. These were aggregated and reported as a single “other” category.