AFSA Consumer Credit Conditions (C3) Index
Third Quarter 2024

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

Overview

Consumer finance companies' assessments of the business environment improved in the third quarter. More respondents reported overall business conditions strengthened compared to the previous three-month period than reported they weakened. Moreover, respondents said they expect overall conditions to further improve during the next six months. These latest results represent a reversal from the previous quarter's. At that time, a larger share of those surveyed claimed overall business conditions deteriorated rather than improved quarter-on-quarter. A larger share also expected conditions to worsen rather than improve over a six-month horizon.

The growing likelihood that the U.S. economy will avoid a recess ion in the near-term, and the start in September of what is expected to be a cycle of interest rate reductions by the Federal Reserve, likely contributed to an increased degree of optimism. Indeed, interest rate cuts had a notably positive effect on lenders' evaluation of their current and prospective funding costs.

The AFSA survey results mirror other recent industry data suggesting stabilization, and even modest improvement, in various measures of the consumer credit marketplace such lending standards, loan demand, and performance of outstanding loans. Despite these positive developments, economic and regulatory headwinds continue to be stiff. (Note, though, that the survey was conducted prior to the November elections.) This is reflected in results on customer demand for loans, which struggled to gain ground in the third quarter. Moreover, the performance of outstanding loans, both currently and in prospect, remains a drag on business sentiment.

AFSA Consumer Credit Conditions Index
Net Increasing Indexes*

	survey date		
	Q3 2024	Q2 2024	Q1 2024
Current Conditions			
Overall	+4.9	-8.3	-19.3
Loan Demand	-4.9	+6.4	-14.5
Cost of Funds	+38.5	-10.4	-12.7
Loan Performance	-12.2	-10.4	-3.5
Six-Month Outlook			
Overall	+18.9	-4.2	+8.9
Loan Demand	+23.7	+14.9	+30.4
Cost of Funds	+54.1	+39.6	+21.8
Loan Performance	-2.6	-14.6	-5.3

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

Survey Highlights

- The survey results indicate that the business environment for consumer credit providers improved modestly on net in the third quarter of 2024 compared to the second quarter. More than 36 percent of respondents reported conditions improved compared to 31.7 percent who claimed they weakened. Just under 32 percent said condition were basically unchanged.

- The "Net Improving Index (NII)," the percentage of respondents reporting conditions improved minus the percentage reporting they worsened, measured +4.9, well above readings of -19.3 and -8.3, respectively, in the first and second quarters of 2024.

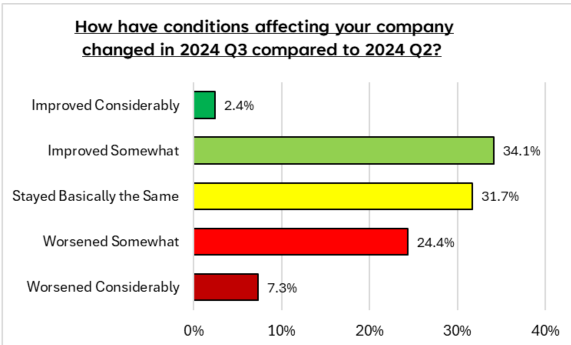
- Survey participants were asked if customer demand for loans, funding costs, and performance of outstanding loans improved, worsened, or stayed the same in the third quarter. The NII for loan demand was negative, slipping to a reading of -4.9 from +6.4 in the second quarter. The NII for outstanding loan performance was also negative. It measured -12.2, lower than in both the first and second quarters. In contrast, the NII for funding costs increased sharply, rising to +38.5. It had been below zero in each of the two previous quarters.

- Lenders' views on the six-month ahead outlook also improved in the third quarter. The NII measured +18.9, with 43.2 percent of respondents expecting overall business conditions to improve over the next six months, 24.3 percent expecting them to deteriorate, and 32.4 percent expecting them to remain largely unchanged. The NII in -4.2 in the second quarter and +8.9 in the first quarter.

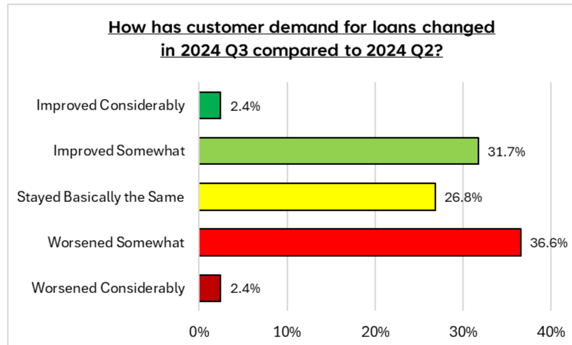
- Survey participants were asked whether they expect customer demand for loans, funding costs, and outstanding loan performance will improve, worsen, or stay the same over the next six months. The NII for expected loan demand remained positive in the third quarter at +23.7. That was an improvement from +14.9 in the second quarter but was lower than the first quarter reading of +30.4. The NII for expected cost of funds increased to +54.1, up from +39.6 in the second quarter and +21.8 in the first quarter. The NII for expected loan performance remained in the negative, but at -2.6, was higher than in both the first and second quarters of the year.

Current Conditions

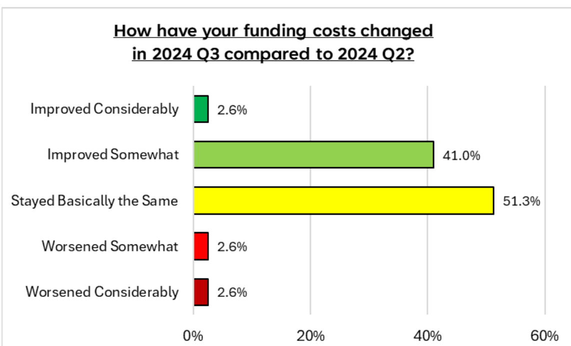
Overall Conditions: NII +4.9 (last survey -8.3)



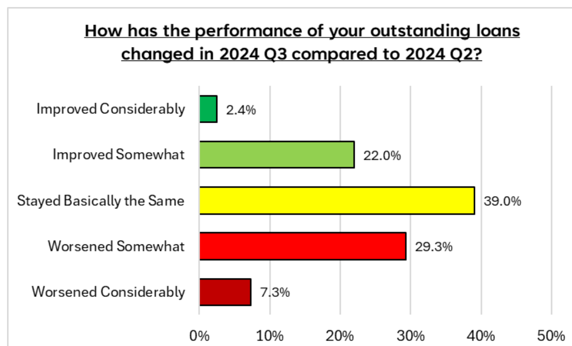
Customer Demand: NII -4.9 (last survey +6.4)



Funding Costs: NII +38.5 (last survey -10.4)

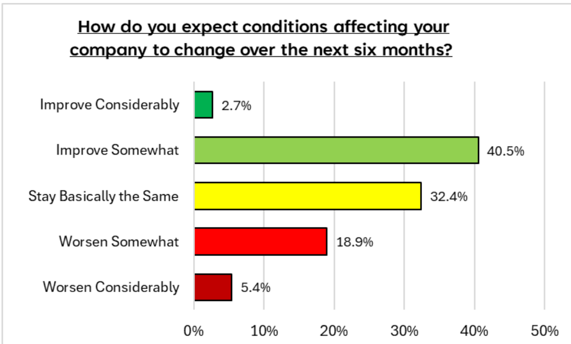


Loan Performance: -12.2 (last survey -10.4)

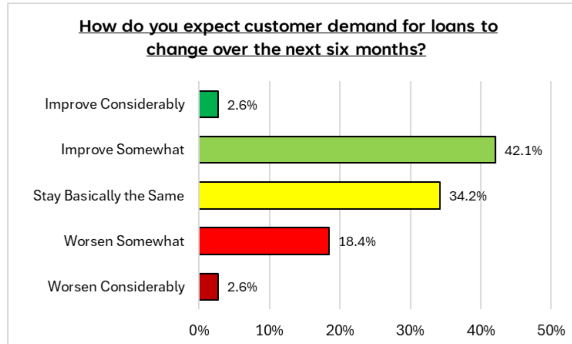


Six-Month Outlook

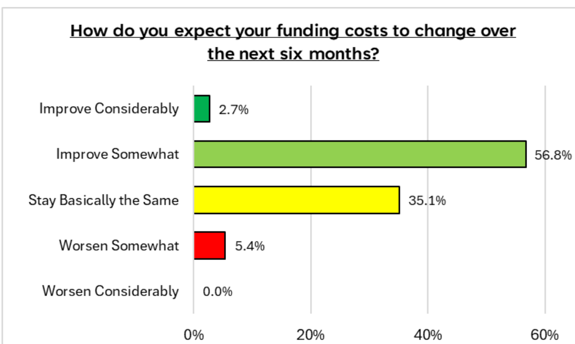
Overall Conditions: NII +18.9 (last survey -4.2)



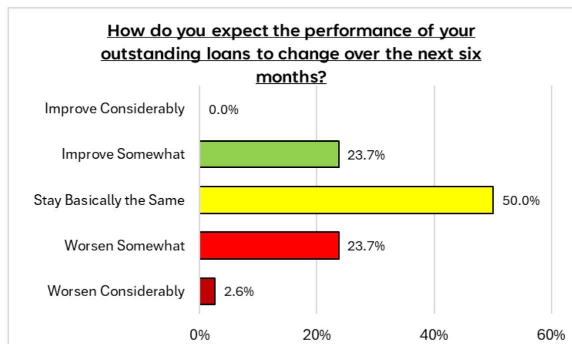
Customer Demand: NII +23.7 (last survey +14.9)



Funding Costs: NII +54.1 (last survey +39.6)



Loan Performance: NII -2.6 (last survey -14.6)



Appendix 1: Data Tables

Current Conditions

All Lenders

	How have conditions affecting your company changed in 2024 Q3 compared to 2024 Q2?		How has customer demand for loans changed in 2024 Q3 compared to 2024 Q2?		How have your funding costs changed in 2024 Q3 compared to 2024 Q2?		How has the performance of your outstanding loans changed in 2024 Q3 compared to 2024 Q2?	
	number	percent	number	percent	number	percent	number	percent
Improved Considerably	1	2.4%	1	2.4%	1	2.6%	1	2.4%
Improved Somewhat	14	34.1%	13	31.7%	16	41.0%	9	22.0%
Stayed Basically the Same	13	31.7%	11	26.8%	20	51.3%	16	39.0%
Worsened Somewhat	10	24.4%	15	36.6%	1	2.6%	12	29.3%
Worsened Considerably	3	7.3%	1	2.4%	1	2.6%	3	7.3%
Total	41	100%	41	100%	39	100%	41	100%
Net Increasing Index (NII)		4.9		-4.9		38.5		-12.2

Vehicle Financing

	How have conditions affecting your company changed in 2024 Q3 compared to 2024 Q2?		How has customer demand for loans changed in 2024 Q3 compared to 2024 Q2?		How have your funding costs changed in 2024 Q3 compared to 2024 Q2?		How has the performance of your outstanding loans changed in 2024 Q3 compared to 2024 Q2?	
	number	percent	number	percent	number	percent	number	percent
Improved Considerably	0	0.0%	0	0.0%	1	3.2%	0	0.0%
Improved Somewhat	11	34.4%	8	25.0%	11	35.5%	5	15.6%
Stayed Basically the Same	10	31.3%	10	31.3%	17	54.8%	15	46.9%
Worsened Somewhat	9	28.1%	13	40.6%	1	3.2%	10	31.3%
Worsened Considerably	2	6.3%	1	3.1%	1	3.2%	2	6.3%
Total	32	100%	32	100%	31	100%	32	100%
Net Increasing Index (NII)		0.0		-18.8		32.3		-21.9

Personal Installment Loans

	How have conditions affecting your company changed in 2024 Q3 compared to 2024 Q2?		How has customer demand for loans changed in 2024 Q3 compared to 2024 Q2?		How have your funding costs changed in 2024 Q3 compared to 2024 Q2?		How has the performance of your outstanding loans changed in 2024 Q3 compared to 2024 Q2?	
	number	percent	number	percent	number	percent	number	percent
Improved Considerably	1	4.0%	1	4.0%	0	0.0%	1	4.0%
Improved Somewhat	7	28.0%	7	28.0%	10	43.5%	6	24.0%
Stayed Basically the Same	7	28.0%	6	24.0%	11	47.8%	9	36.0%
Worsened Somewhat	8	32.0%	11	44.0%	1	4.3%	7	28.0%
Worsened Considerably	2	8.0%	0	0.0%	1	4.3%	2	8.0%
Total	25	100%	25	100%	23	100%	25	100%
Net Increasing Index (NII)		-8.0		-12.0		34.8		-8.0

Other

	How have conditions affecting your company changed in 2024 Q3 compared to 2024 Q2?		How has customer demand for loans changed in 2024 Q3 compared to 2024 Q2?		How have your funding costs changed in 2024 Q3 compared to 2024 Q2?		How has the performance of your outstanding loans changed in 2024 Q3 compared to 2024 Q2?	
	number	percent	number	percent	number	percent	number	percent
Improved Considerably	1	5.6%	1	5.6%	1	6.3%	1	5.6%
Improved Somewhat	5	27.8%	3	16.7%	5	31.3%	2	11.1%
Stayed Basically the Same	5	27.8%	6	33.3%	9	56.3%	8	44.4%
Worsened Somewhat	5	27.8%	8	44.4%	1	6.3%	6	33.3%
Worsened Considerably	2	11.1%	0	0.0%	0	0.0%	1	5.6%
Total	18	100%	18	100%	16	100%	18	100%
Net Increasing Index (NII)		-5.6		-22.2		31.3		-22.2

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	2.7%	1	2.6%	1	2.7%	0	0.0%
Improve Somewhat	15	40.5%	16	42.1%	21	56.8%	9	23.7%
Stay Basically the Same	12	32.4%	13	34.2%	13	35.1%	19	50.0%
Worsen Somewhat	7	18.9%	7	18.4%	2	5.4%	9	23.7%
Worsen Considerably	2	5.4%	1	2.6%	0	0.0%	1	2.6%
Total	37	100%	38	100%	37	100%	38	100%
Net Increasing Index (NII)		**18.9**		**23.7**		**54.1**		**-2.6**

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	3.4%	1	3.3%	0	0.0%	0	0.0%
Improve Somewhat	11	37.9%	13	43.3%	18	60.0%	6	20.0%
Stay Basically the Same	9	31.0%	9	30.0%	10	33.3%	15	50.0%
Worsen Somewhat	6	20.7%	6	20.0%	2	6.7%	8	26.7%
Worsen Considerably	2	6.9%	1	3.3%	0	0.0%	1	3.3%
Total	29	100%	30	100%	30	100%	30	100%
Net Increasing Index (NII)		**13.8**		**23.3**		**53.3**		**-10.0**

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	0	0.0%	0	0.0%	1	4.8%	0	0.0%
Improve Somewhat	7	33.3%	9	40.9%	10	47.6%	7	31.8%
Stay Basically the Same	9	42.9%	8	36.4%	8	38.1%	8	36.4%
Worsen Somewhat	4	19.0%	5	22.7%	2	9.5%	7	31.8%
Worsen Considerably	1	4.8%	0	0.0%	0	0.0%	0	0.0%
Total	21	100%	22	100%	21	100%	22	100%
Net Increasing Index (NII)		**9.5**		**18.2**		**42.9**		**0.0**

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	0	0.0%	0	0.0%	1	6.7%	0	0.0%
Improve Somewhat	5	35.7%	6	40.0%	7	46.7%	3	20.0%
Stay Basically the Same	5	35.7%	3	20.0%	6	40.0%	6	40.0%
Worsen Somewhat	3	21.4%	6	40.0%	1	6.7%	6	40.0%
Worsen Considerably	1	7.1%	0	0.0%	0	0.0%	0	0.0%
Total	14	100%	15	100%	15	100%	15	100%
Net Increasing Index (NII)		**7.1**		**0.0**		**46.7**		**-20.0**

Appendix 2: Methodology

The results presented in this report are derived from a survey of senior executives of AFSA's finance company members. Forty-one (41) 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 third quarter of 2024 compared to the second quarter of 2024?

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

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

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

<u>Index Calculation</u>. 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."

<u>Breakdown by Type of Credit Offered</u>. 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.