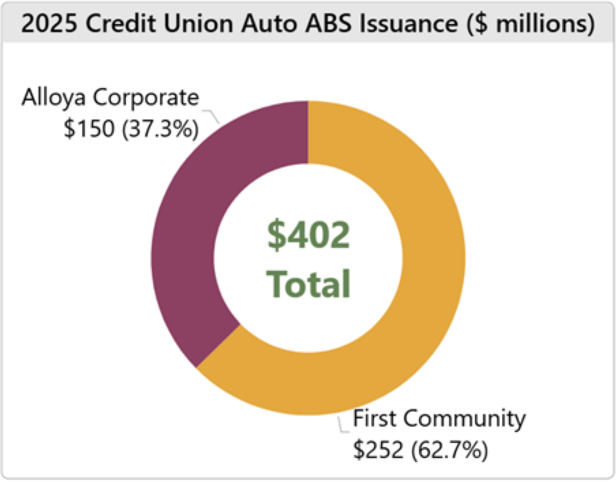
# CAPITAL MARKETS *monthly*

VOL 28 | JULY 2025

## GENERAL MARKET OVERVIEW

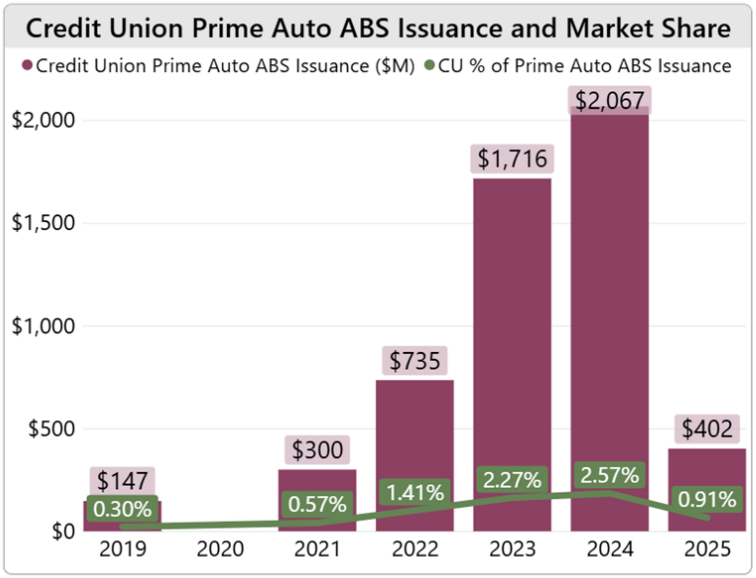
***This month we highlight the historic success*** of a major strategic initiative in the capital markets. In a landmark achievement, Alloya Corporate FCU has successfully facilitated the credit union network's first-ever multi-issuer prime auto loan asset-backed securitization (ABS). Read more about it in **this *CU Today* article**.

This innovative transaction, which was completed in collaboration with three member credit unions — Blaze Credit Union (Minnesota), Consumers Credit Union (Illinois) and Interra Credit Union (Indiana) — has opened a significant new source of liquidity for the entire credit union system. This ABS transaction exemplifies the cooperative ethos of the credit union industry. The participating partners echoed this sentiment, highlighting the benefits of collaboration and cooperation in achieving this groundbreaking milestone. The securitization, which was structured to optimize investor appeal while maintaining strong credit quality, was backed by a diversified pool of auto loans originated by the three participating credit unions. The deal was met with broad investor interest, with tranches being three to five times oversubscribed. *Continued on page 2*



Alloya's capital markets expertise provided strategic advisory, operational support and ongoing monitoring throughout the process, ensuring a seamless execution from issuance to servicing. The deal reflected growing interest among credit unions in structured finance as a tool for managing risk and funding growth. It also underscored Alloya's commitment to delivering innovative financial solutions that empower its members to thrive in a competitive lending environment.

The timing of this transaction is also important, as 2025 credit union ABS issuance has slowed from previous years. The Alloya-led ABS deal accounts for 37% of the $402 million in credit union auto ABS issuance in 2025. Already halfway through the year, this represents a sizable drop in prime auto ABS issuance compared with over $2 billion in 2024 and $1.7 billion in 2023. Credit unions' 2025 market share of prime auto ABS issuance is down to 91 basis points compared with over 2.5% last year.




Including the Alloya-led deal with three underlying issuers, a total of 15 credit unions have issued nearly $6 billion in auto ABS since 2019. Of those, six have completed multiple transactions. The accompanying table provides a summary of these deals, including issuer-level data on assets, loan-to-share ratios and net worth at the time of issuance.

This pioneering multi-issuer transaction reinforces ABS as a dynamic and expanding source of liquidity for the credit union industry.

### *Credit Union Auto ABS Issuance*

| Credit Union | Issued | Deal Size ($ millions) | Total Assets ($ billions) | Loan-to-Share Ratio | Net Worth Ratio |
|---|---|---|---|---|---|
| GTE Financial | Nov 2019 | $147 | $2.8 | 0.78 | 8.3 |
| UNIFY Financial | March 2021 | $300 | $3.6 | 0.79 | 8.7 |
| PenFed | Aug 2022 | $460 | $36.7 | 1.17 | 9.0 |
| Oregon Community | Oct 2022 | $275 | $3.2 | 1.12 | 10.5 |
| GTE Financial | May 2023 | $203 | $2.9 | 0.93 | 10.8 |
| Veridian | May 2023 | $290 | $6.9 | 1.09 | 10.7 |
| General Electric | Aug 2023 | $300 | $4.9 | 1.19 | 7.9 |
| Oregon Community | Sept 2023 | $258 | $3.5 | 1.23 | 9.4 |
| Ent | Sept 2023 | $243 | $9.9 | 1.11 | 9.9 |
| Valley Strong | Oct 2023 | $282 | $4.0 | 0.97 | 8.5 |
| Space Coast | Dec 2023 | $422 | $9.0 | 1.13 | 10.0 |
| GreenState | March 2024 | $400 | $11.4 | 1.26 | 8.7 |
| Valley Strong | March 2024 | $296 | $4.0 | 0.97 | 8.5 |
| First Community | May 2024 | $251 | $2.6 | 1.00 | 8.0 |
| Space Coast | July 2024 | $669 | $9.2 | 1.05 | 9.8 |
| PenFed | Aug 2024 | $447 | $33.5 | 0.94 | 9.6 |
| American Heritage | Nov 2024 | $300 | $4.9 | 0.98 | 8.6 |
| First Community | May 2025 | $252 | $2.7 | 1.06 | 7.9 |
| Alloya Corporate* | July 2025 | $150 | $3.4 | 0.83 | 8.9 |
| **Average** | | **$313** | **8.4** | **1.03** | **9.1** |

* Multi-issuer ABS. Utilizing the average financial metrics of the underlying issuers.

As we celebrate this achievement, it's worth examining the current market environment that will shape the next wave of securitization activity. Against this backdrop of innovation and collaboration, the broader macro and policy landscape presents a more disjointed picture. With policy moves from both the Fed and fiscal authorities increasingly influenced by political timing, market participants continue to search for signal through the noise. Unfortunately, much of that noise is coming from the top. The delay in tariff implementation, now pushed to August and potentially beyond, has effectively postponed the data window needed to evaluate economic impacts. Tariffs originally expected in the first quarter now won't show up in the data until September or October, and even then, lag effects will obscure clarity. *Continued on page 3*

On balance, both the equity and bond markets reacted favorably to the June Consumer Price Index (CPI) data. Monthly headline inflation was 30 basis points, bringing the annual rise to 2.3%. The CPI report underscored the stakes with early signs of upward pressure in goods categories like appliances and apparel, temporarily spooking bond markets. Behind the curtain, fiscal gears are already in motion. Speaker of the House Mike Johnson, barely a news-cycle past celebrating the passage of the Big Beautiful Bill, has already signaled multiple reconciliation rounds this fall and another in spring 2026. These may appear budget neutral on paper, but the math relies heavily on tariffs as offsetting income.

On the monetary policy side, the Fed remains largely cornered. Job market indicators are softening slightly, which, under normal conditions, would support a long bond trade and encourage dovish rhetoric. But deficits are trending worse than last year, and the bond vigilantes are not going quietly. Markets are awaiting clarity. The last time we saw clarity was early 2019 when Fed Chairman Powell's dovish pivot came as economic weakness set in. That brief window offered a glimpse of endogenous market behavior, shaped by internal fundamentals instead of exogenous political interference. We may be approaching a similar setup over the next six to 12 months, but it's far from guaranteed. For now, policy remains reactionary, fiscal noise is rising and clarity is still at least a quarter away.

## FINAL THOUGHTS

Alloya, in collaboration with three member credit unions, addressed a complex strategic challenge that fits squarely within what strategist Richard Rumelt defines as *gnarly*. Rumelt categorized strategic challenges into three distinct forms: 1) choice, 2) engineering design and 3) *gnarly*. Understanding these categories is crucial to developing effective solutions to the challenges we face.

Choice challenges arise when an organization is faced with a set of predefined alternatives but must navigate uncertainties and nonquantifiable aspects to make an informed decision. These challenges often involve significant long-term commitments of capital or contracts. The challenge lies in evaluating alternatives and determining the optimal course of action within a deep understanding of the organization's long-term strategic goals.

Engineering design challenges, on the other hand, involve creating something new, but with the benefit of established methods for evaluating the design before implementation. The key to addressing engineering design challenges is to leverage established models and frameworks to evaluate the potential outcomes of different designs.

*Gnarly* challenges, however, are an altogether different proposition. These challenges are characterized by a lack of predefined alternatives, as well as a lack of reliable models to test designs. In such cases, there is no guarantee of a solution. To tackle *gnarly* challenges, we must adopt a more nuanced approach. This involves digging deep into the nature of the challenge, identifying the central paradox and exploring potential constraints that might be relaxed.

This framework helps illuminate the nature of Alloya's recent achievement in the capital markets. By pooling resources and leveraging Alloya's expertise, our member credit unions were able to access the securitization market in a way that would be difficult to achieve independently. The settlement of this pioneering transaction marks a significant achievement for the partnering credit unions, demonstrating the power of cooperation and collaboration in achieving innovative financial solutions.

Alloya continues to explore new avenues to support credit union success through securitization, loan participations and other capital markets strategies. Those interested in learning more can visit **www.alloyacorp.org/capital-markets-simplified**. As the credit union landscape evolves, tackling *gnarly* challenges through collaboration and innovation will remain essential to long-term success.