

What Happens When a Lender's Borrowers All Lose Their Jobs at Once?

Credit unions whose borrowers work in casinos, oil and other industries hit hard by the coronavirus struggle to respond

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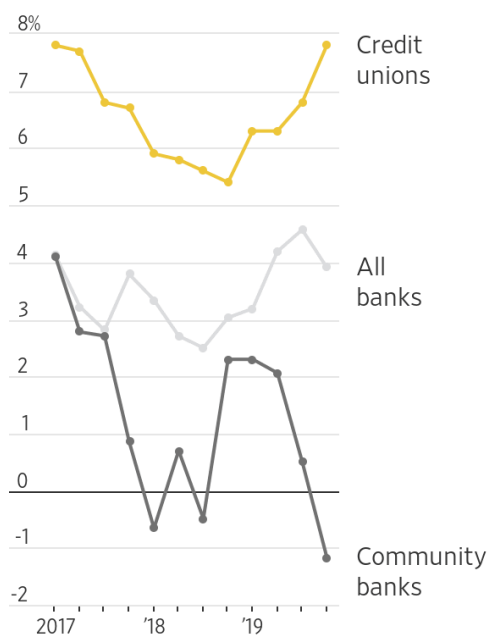
When Nevada's governor ordered all nonessential businesses to close, Rick Schmidt told his wife, "there goes the Strip." With it, went the jobs of scores of borrowers who owe him money.

Mr. Schmidt is the chief executive of WestStar Credit Union, which caters to the employees of Nevada's gaming industry. Thousands of blackjack dealers, bartenders and hotel housekeepers who have loans and savings accounts there are now out of work.

One in five of WestStar's borrowers has asked for a deferral on a car or home loan, a number Mr. Schmidt expects to go up [as casinos stay closed](#) to control the spread of the [coronavirus](#).

"We see the good parts of having that tight community all the time—we know our members, we know their employers, we know what they need," Mr. Schmidt said. "The bad part we're seeing now."

Annual asset growth rates



Note: Most community banks have less than \$10 billion in assets.

Sources: National Credit Union Administration (credit unions); Federal Deposit Insurance Corp. (banks)

Almost a third of the nation's 5,200-plus credit unions are tied to a single employer, industry or other association, according to the Credit Union National Association, a trade group. [Marriott International](#) Inc. has one. So does [Walt Disney](#) Co. Both companies have laid off or furloughed thousands of workers during the pandemic.

Credit unions have historically been built around "common bonds," meaning members might work for the same company or industry, live in the same place or serve in the military together. The firms are owned by their members and designed to return their profits in the form of lower borrowing costs or higher savings rates, which exempts them from federal income taxes.

These characteristics allow credit unions to offer more customized services to their members. But their customers can also simultaneously suffer mass layoffs.



The closed Paris Las Vegas Hotel & Casino, last month. PHOTO: ROGER KISBY FOR THE WALL STREET JOURNAL

Over time, [regulators have relaxed restrictions](#) on who can join, and some credit unions now resemble bigger commercial banks. The largest of them, Navy Federal Credit Union, [has more than nine million members](#) and \$125 billion in assets—larger than many regional banks.

But many still resemble Endurance Federal Credit Union, which is based in Duncan, Okla., and was founded in 1960 for [Halliburton](#) Co. employees and other oil-field workers. Before the pandemic, about a third of its 15,500 members still worked at the oil-field-services giant, according to CEO Chris Bower.

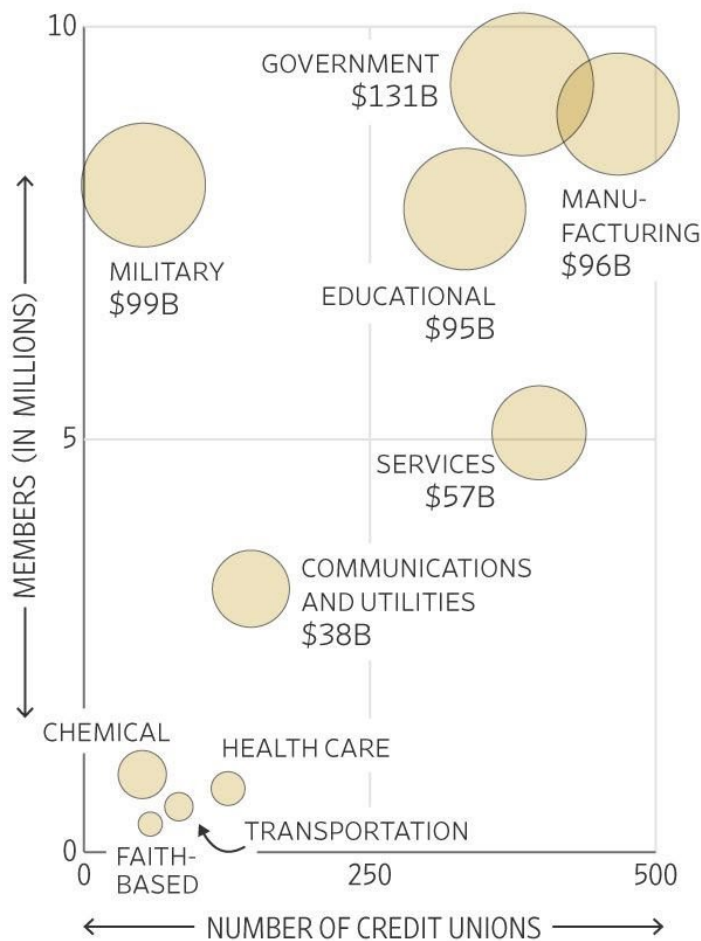
Sinking demand [has pushed oil prices so low](#) that many wells in Texas and Oklahoma are closing. Halliburton has laid off or furloughed more than 4,500 employees in the U.S. since the beginning of March, including almost 600 in Duncan, according to notices filed with a state employment office.

That trickles down to other companies that employ Endurance members, like [Flotek Industries](#) Inc. and [National Oilwell Varco](#) Inc.'s subsidiary HydraRig, which make chemicals and coiled tubing for wells.

“This many people, in a town this size, hurting all at the same time,” Mr. Bower said. “Find me a big bank where that’s true.”

Primary industry or association of multiple common-bond credit unions

Circle size reflects total assets



Note: Members can typically include employees of different companies or industries, members of associations and residents of certain communities.
Source: Credit Union National Association

Endurance has \$155 million of assets, including \$95 million in car loans. Mr. Bower said the credit union has given 90-day deferrals to many customers and stopped repossessions.

“You’re just putting a Band-Aid on a huge wound. But what’s the alternative?” he said. “I don’t want to own a parking lot full of cars.”

Duncan, which calls itself “The Buckle on the Oil Belt,” has been a boom-and-bust town since the first well was dug nearby in 1918. Halliburton was founded a year later and remains the area’s biggest employer, which means Endurance has dealt with major layoffs before, whenever oil prices fall.

“The joke around here is, ‘It’s been two or three years, time for another round,’” said Phil Van Buskirk, the credit union’s vice president of lending. His brother is an equipment inspector at Halliburton who survived the latest downsizing.

Endurance has been trying to diversify its membership for years, opening up to employees of local schools and hospitals.

“We didn’t want to have one industry crater and take down the whole institution,” Mr. Bower said. But for now, he said, “we live and die the way Duncan does, with oil and gas.”



“The hardest is guessing which jobs might never come back,” says Rick Schmidt of WestStar. PHOTO: ROGER KISBY FOR THE WALL STREET JOURNAL

Mr. Schmidt has the same problem. WestStar's 22,000 members work at about 200 companies that feed Nevada's gaming and hospitality scene. Many have been out of work since Gov. Steve Sisolak ordered casinos to close starting March 18.

Mr. Schmidt said he is fielding fewer deferral requests now that federal stimulus checks and state unemployment benefits have started to come in. Still, borrowers representing one-fifth of WestStar's \$116 million loan book skipped their April or May payments, he said.

WestStar is trying to guess how many loans might go bad before this is over. Mr. Schmidt said that bankers' usual metric, a borrower's FICO credit score, is almost useless now that so many borrowers are out of work.

Instead, his team has been ranking various casino jobs by how soon they are likely to come back once the shutdown order lifts. Those in a union are deemed safer credits. Those that rely on tips for more of their income are deemed riskier.

"The hardest is guessing which jobs might never come back," he said.

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Kayla Anderson, who works as a cocktail server at one of Las Vegas's biggest hotels, was considering buying a home with her husband this year and made an appointment with WestStar for mid-March to discuss a mortgage.

In early March she started to worry about losing her job if the hotel closed, and canceled the appointment. "It just didn't feel right," Ms. Anderson said. Days later, she was laid off.

Back in Duncan, some of those laid off from Halliburton and other energy companies have found work at a local [Family Dollar](#) distribution center and Bar-S Foods, a packaged-meat plant, Mr. Van Buskirk said. But, he said, "they're not going to make the same kind of money packing hot dogs as on an oil rig."

Endurance is still bracing for a wave of deferrals and defaults.

<https://www.wsj.com/articles/what-happens-when-a-lenders-borrowers-all-lose-their-jobs-at-once-11589581010>