Credit Union Trends Report

July 2022 · May 2022 Data

CUNA MUTUAL GROUP

01

Economic Trends

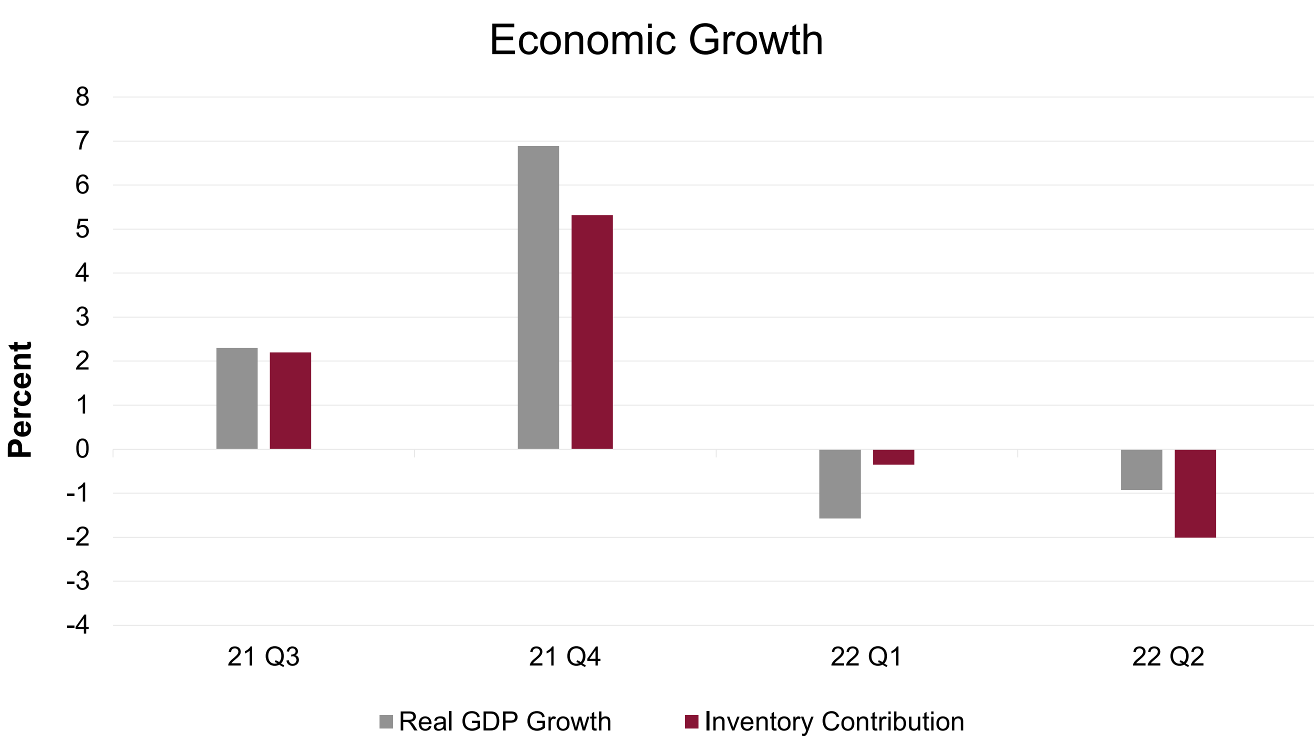
The first half of the economic slowdown was mainly an inventory correction.

Economic Trends

The big question on everyone's mind is whether the U.S. economy is in a recession. For the second consecutive quarter, the U.S. economy produced fewer goods and services as measured by Gross Domestic Product **(see figure below)** than the quarter before at a seasonally-adjusted annual rate. Though many call two consecutive declines in GDP a recession, the National Bureau of Economic Research, NBER, may not be ready to classify the economy as recessionary.

According to the NBER's recession criteria, the economic downturn must be of sufficient depth, diffusion and duration to be classified as such. The figure below illustrates that much of the variability during the last year was caused by large swings in inventories, rather than being due to declines in final sales to domestic purchasers. Inventory was a major source of economic growth in the fourth quarter of 2021, but now is a major source of economic drag as businesses slowed their inventory accumulation.

Compared to the second quarter of 2021, real GDP rose 1.6%, only slightly below the 2% long-run trend growth rate. Higher interest rates, the ongoing war in the Ukraine and supply side disruptions continue to weigh on the U.S. and global economy. But my baseline forecast is continued economic growth for the second half of 2022 and slower than trend growth in 2023.



Source: NCUA & Federal Reserve

02

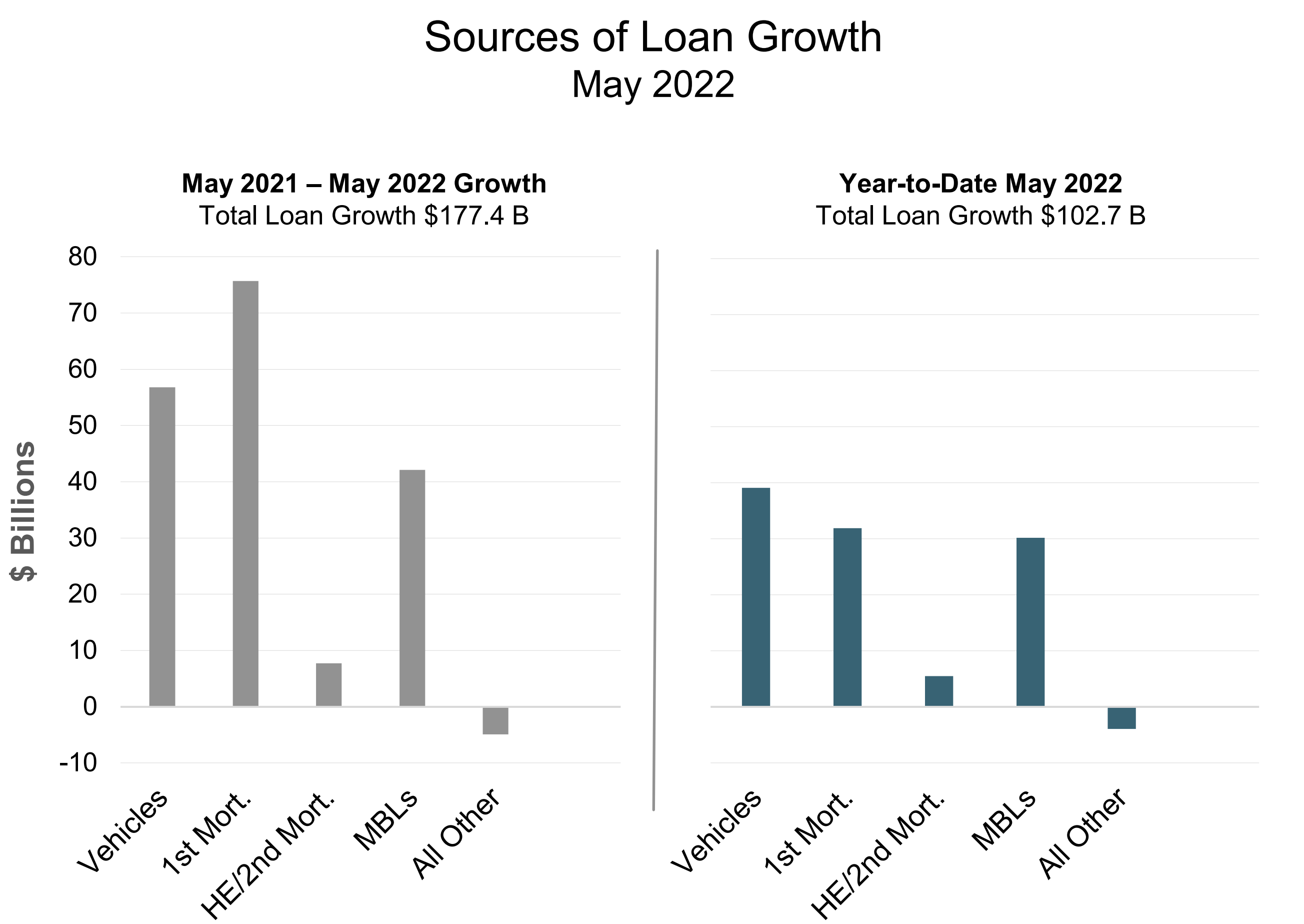
Total Credit Union Lending

Credit union loan balances rose a remarkable 14.6% during the last year, the fastest annual pace since May 1995.

Total Credit Union Lending

Credit union loan balances rose 2.3% in May, faster than the 0.8% pace reported in May 2021 and 14.6% during the last 12 months, due to consumers taking advantage of still relatively low interest rates. Every loan category reported strong growth rates in May, with unsecured personal loans leading the way reporting 3% monthly growth.

Vehicle lending made up the lion's share of loan growth over the last five months. Since the end of 2021, credit union vehicle loan balances increased by $39.1 billion, while first mortgage loan balances rose by $31.9 billion **(see figure below)**. Home equity/second mortgage loan balances rose by $5.5 billion as consumers took advantage of the recent surge in home prices to borrow against their homes. Higher yielding unsecured and credit card loan balances made up only 9.1% of all loan balances in May, the lowest in credit union history. This is one of the factors pushing credit union yield on asset ratios to record lows this year.



Source: CUNA & NCUA

03

Consumer Installment Credit

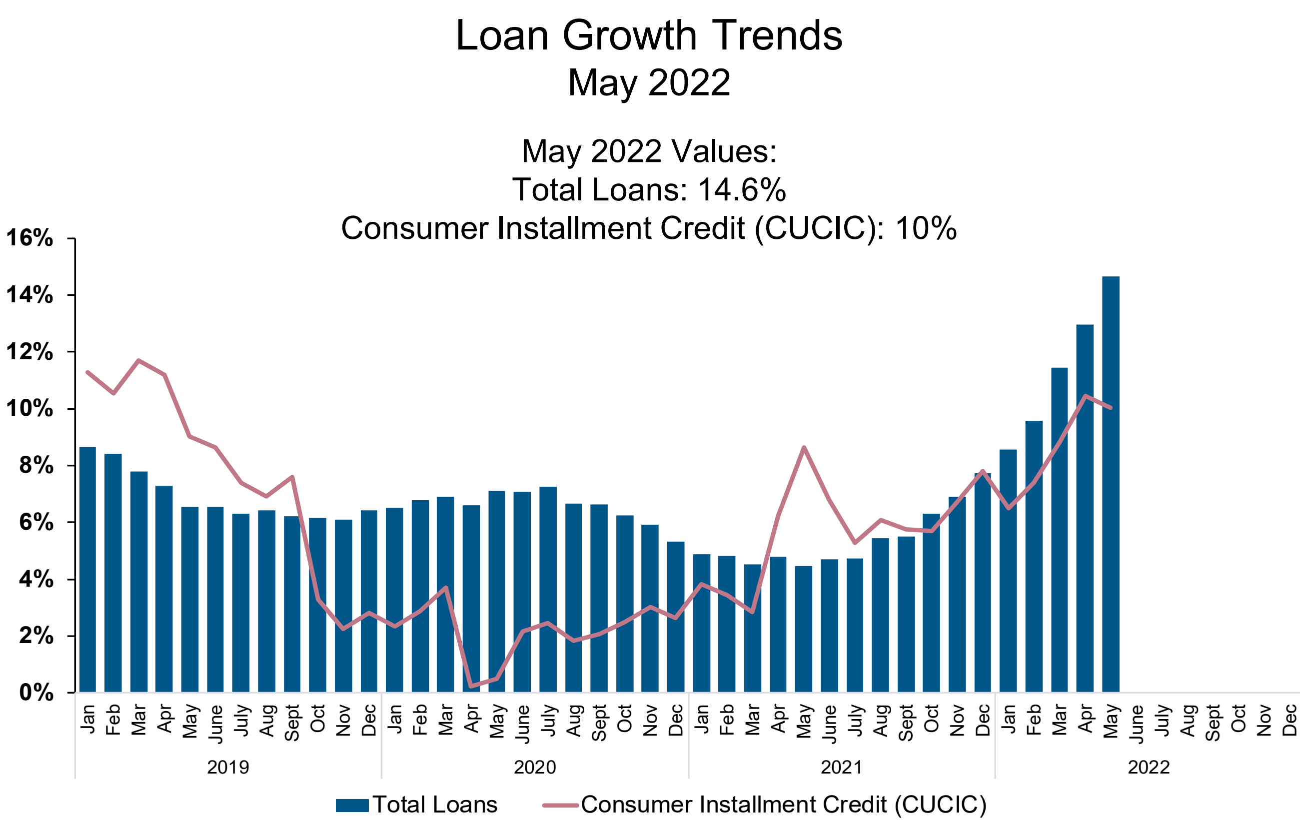
Credit union consumer installment credit grew 10% over the last 12 months.

Consumer Installment Credit

Credit union consumer installment credit balances (auto, credit card and other unsecured loans) reported an increase of 1.9% in May, similar to the 2.2% increase set in May 2021, due to an acceleration in auto and credit card loans. Over the last 12 months, credit union consumer installment credit grew 10% **(see figure below),** which is below the total credit union loan growth of 14.6%. Credit union consumer installment credit grew faster than the rest of the market, excluding credit unions, which increased 6.9% over the last year.

For all lenders, outstanding consumer credit rose by $22.3 billion in May, according to the Federal Reserve, which is more than 50% above the $14.7 billion average monthly growth reported during the years 2015-2019. With a $14.9 billion increase, nonrevolving credit accounted for an outsized share of May's growth, while revolving credit expanded by $7.4 billion.

Rising interest rates threaten to curb demand for credit over the next few months. But demand for travel and new autos should keep consumer installment credit growth strong through the remainder of 2022.



Source data: CUNA Economics & Statistics and CUNA Mutual Group – Economics

04

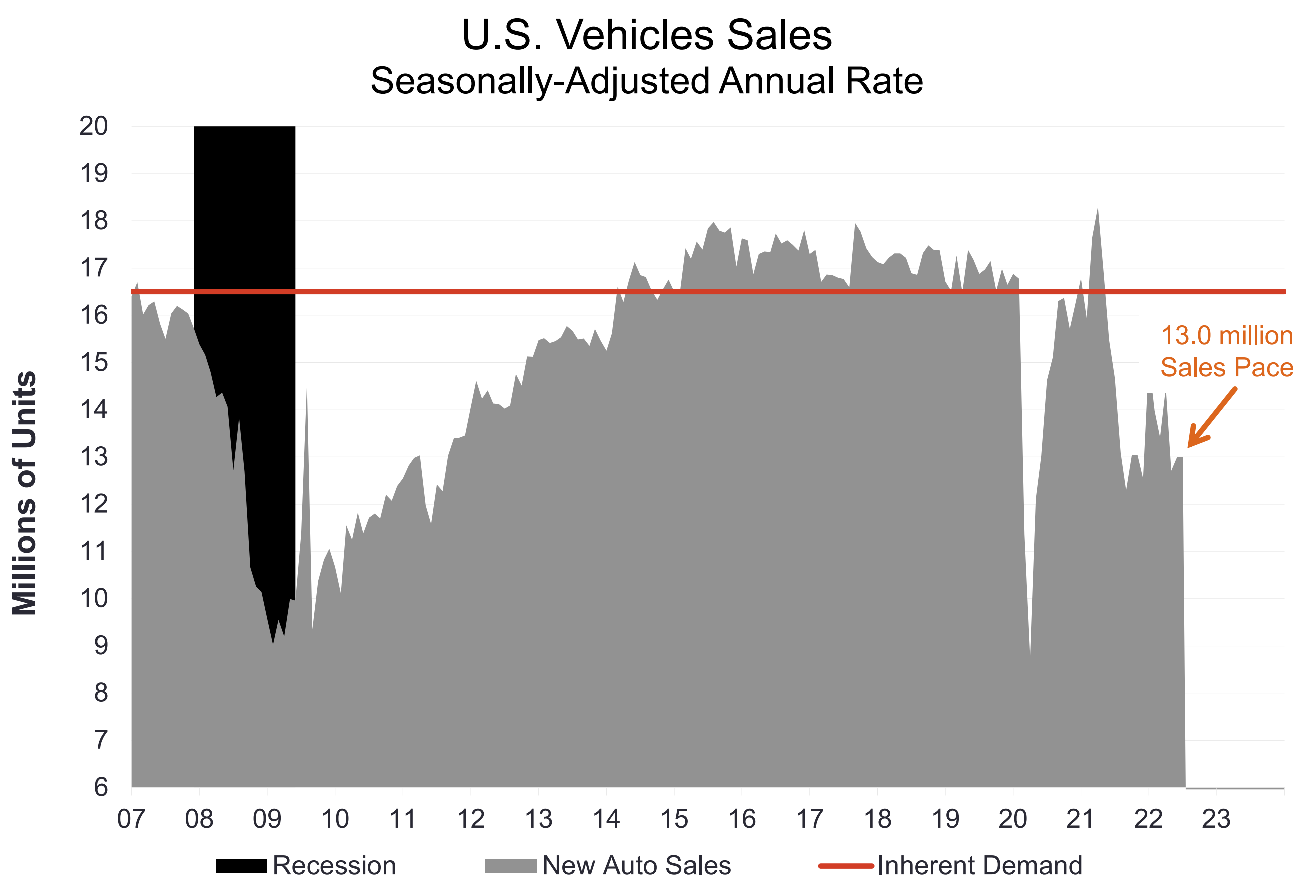
Vehicle Loans

Credit union new-auto loan balances are rising at the fastest pace in over 25 years.

Vehicle Loans

Credit union new-auto loan balances rose 2.8% in May, a big increase compared to the 1% gain reported in May 2021. On a seasonally-adjusted annual rate, new auto loan balances rose 28.3% in May, the fastest pace in over 25 years. The month of May is historically the beginning of the new-auto lending season, so we expected a credit union lending turnaround. New auto loan balances rose 11.1% year to date, significantly better than the 0.3% drop reported during the first five months of 2021.

Vehicle sales rose to a 13.0 million seasonally-adjusted annualized sales rate in June – up 2.3% from May, but 16% below the 15.5 million sales pace set in June 2021 **(see figure below).** Expect new auto sales to remain below its long-run average of 16.5 million sales pace for the next two quarters due to a lack of auto inventory and high prices. Inventories are down 80% compared to their levels two years ago, and transaction prices are up 20%. On a brighter note, auto production increased to a SAAR of 10.7 million units, which is only down 2% from the 10.9 million average monthly productions in the year before the pandemic.



Source: Autodata Corp.

05

Real Estate Information

Home equity loan balances are growing at the fastest pace since 2005.

Real Estate Information

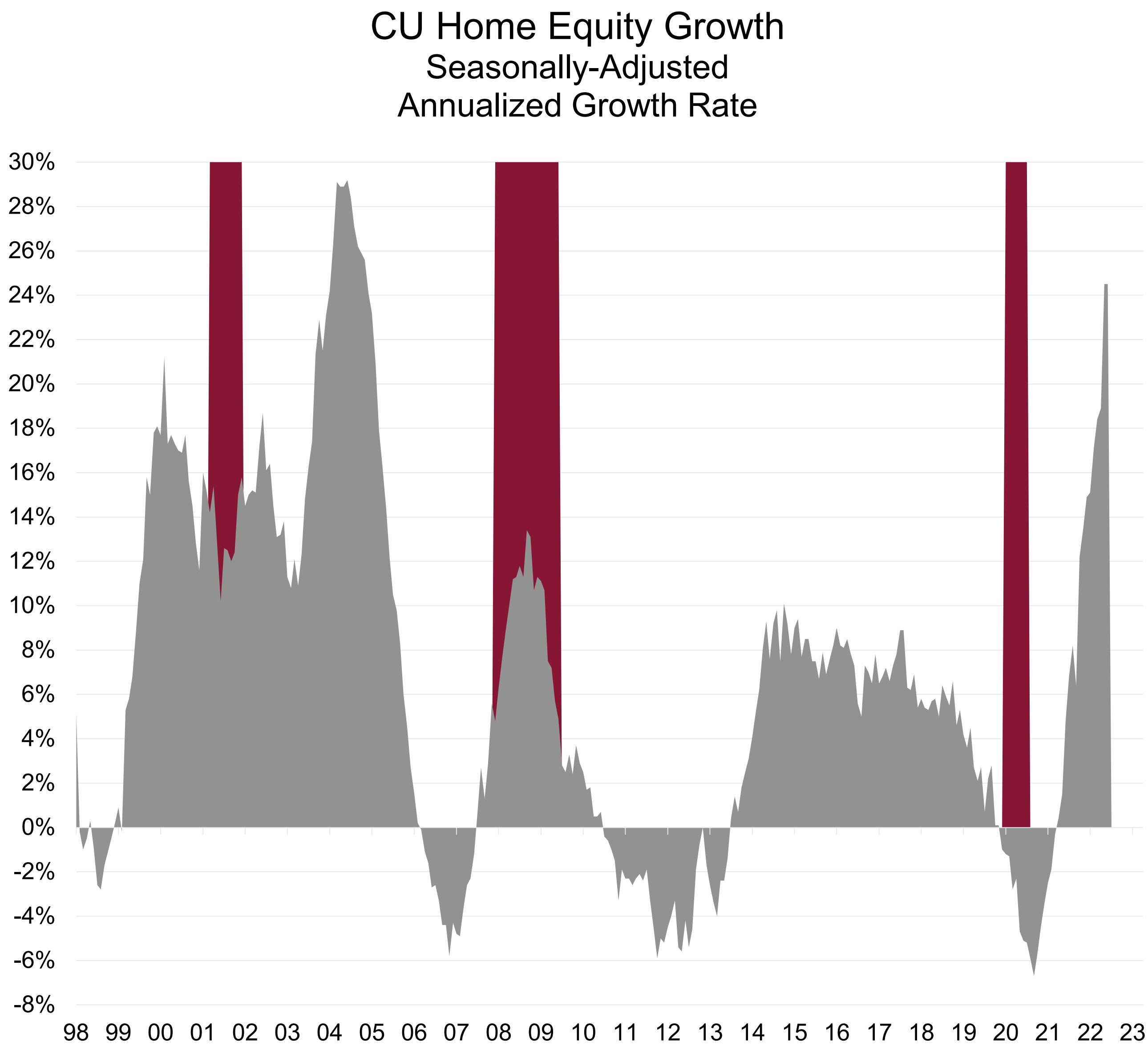
Credit union fixed-rate first mortgage loan balances rose 1.9% in May, above the 1% increase reported in May 2021. Credit union fixed-rate first mortgage loan balances rose 21.6% at a seasonally-adjusted annual rate in May, the fastest pace since 2001. Adjustable-rate first mortgage balances rose 1.9% in May, better than the 1.4% decline reported in May 2021, and have declined 6% over the last year. Credit union home-equity loan balances rose 24.2% at a seasonally-adjusted annual rate in May, the fastest pace since 2005.

Fixed-rate first mortgages now make up 36.3% of all credit union loan balances, up from 34.7% last May and the highest in credit union history. This raises concerns about interest rate risk as market interest rates rise.

The contract interest rates on a 30-year fixed-rate conventional home mortgage rose to 5.23% in May, up from 4.98% in April and higher than the 2.96% reported in May 2021. The 227-basis point jump in mortgage interest rates over the last year is one of the biggest increases in the last 30 years and has significantly reduced mortgage refinance activity. The 25-basis point increase in mortgage interest rates in May versus April coincided with a 15-basis point increase in the 10-year Treasury interest rate, which rose to 2.90% from 2.75% in April. The 15-basis point increase in long-term interest rates was caused by a 35-basis point increase in real interest rates, due to the Federal Reserve's termination of their quantitative easing program, and a 10-basis point decrease in inflation expectations, caused by concerns of a recession impacting the U.S. economy.

Single-family home prices rose a remarkable 1.8% in May from April, according to the Core Logic Home Price Index. Over the last 12 months, home prices rose 20.2%, which is clearly unsustainable.

Real Estate Information



06

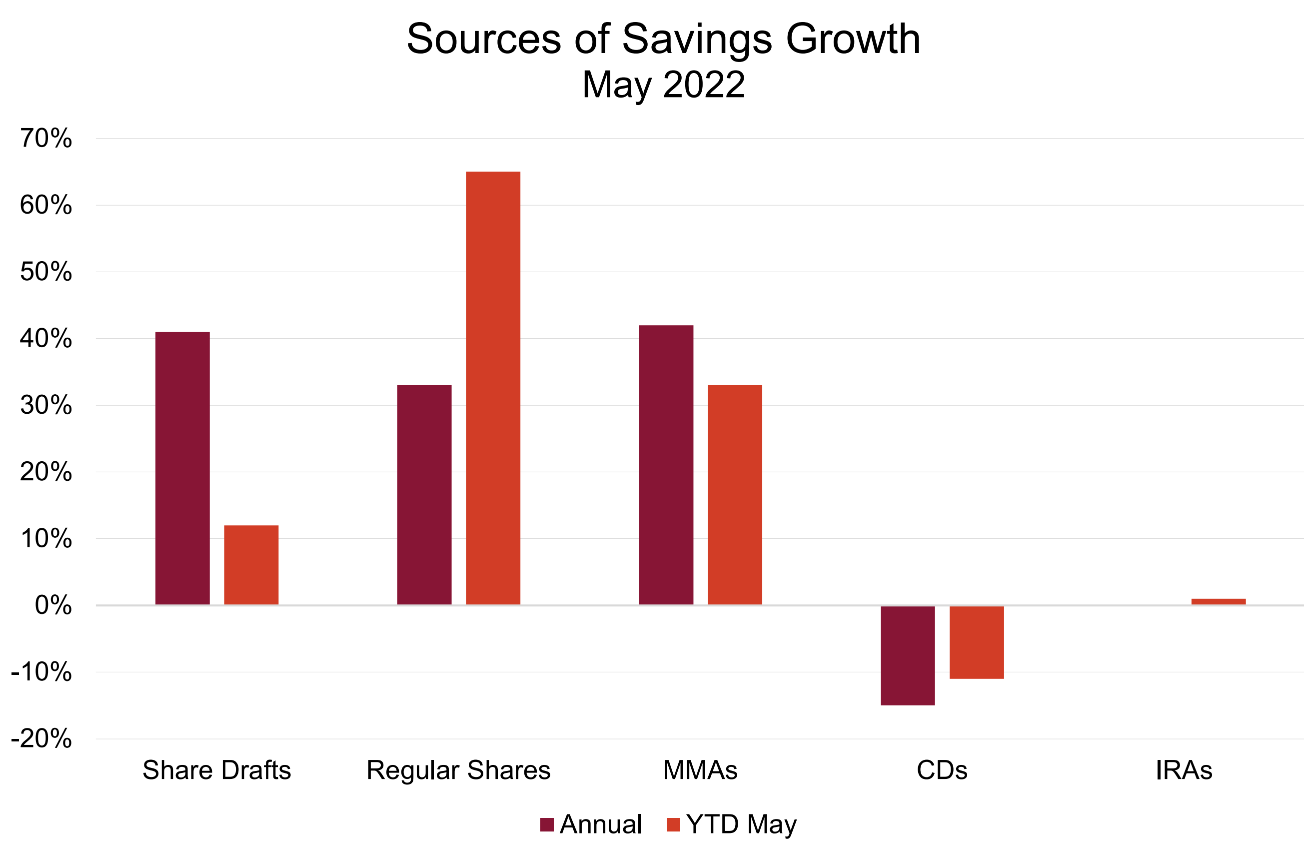
Savings and Assets

The growth in savings per member over the last year fell to 4.5% in May.

Savings and Assets

Credit union savings balances grew at a 5.8% seasonally-adjusted, annualized growth rate in May, significantly below the 13.4% pace set in May 2021 when the COVID-19 pandemic was still impacting households' spending and savings patterns. The deposit growth slowdown was caused by increased member spending as the economy reopened. The growth in savings per member over the last year fell to 4.5% in May, below the 11.2% reported in May 2021, but above the 30-year average of 4.3%.

Regular share accounts obtained 65% of all new savings flowing into credit unions during the first five months of 2022, up from 33% during the last 12 months **(see figure below).** This growth in low-interest rate deposits lowered credit unions' average cost of funds to 0.35% in the first quarter, the lowest in credit union history, and below the 0.48% reported in the first quarter of 2021. With market interest rates rising, we forecast share certificate accounts to begin rising soon, after falling 11% in the first five months of 2022. Expect total credit union deposits to rise only 5% in 2022, before accelerating slightly to 6% in 2023.



Source: CUNA & NCUA

07

Capital and Other Key Measures

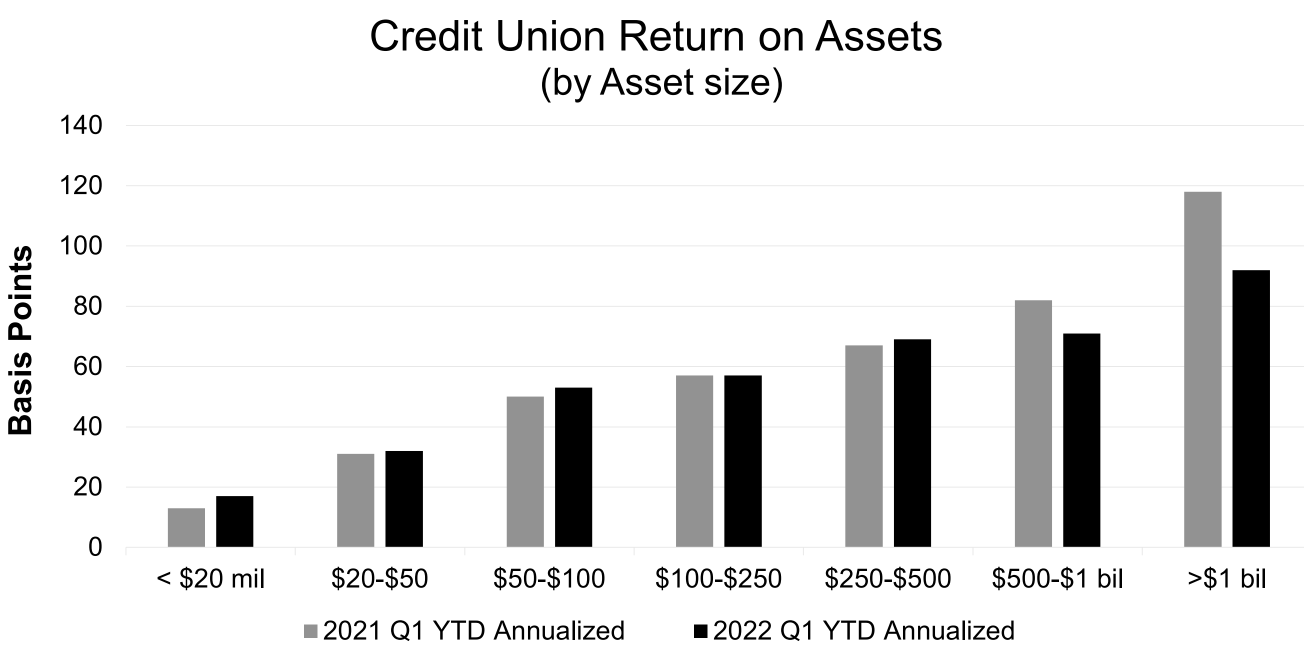
Credit union return-on-asset ratios declined 19-basis points over the last year to 0.85%.

Capital and Other Key Measures

The credit union loan delinquency rate (loans two or more months delinquent as a percent of total loans outstanding) fell to 0.42% in May, down from 0.43% in April and from 0.47% in May 2021. Delinquency rates are below the 0.75% long-run natural delinquency rate, due to the unemployment rate of 3.6% being below the natural unemployment rate of 4.5%.

Credit union loan net charge-offs as a percent of average loan balances fell to 0.28% in the first quarter of 2022, down from 0.32% in the first quarter of 2021. This charge-off rate is almost half the long-run average charge-off rate of 0.50%. Credit union asset quality is expected to remain healthy if the labor market remains strong. In May, the number of job openings was 11.3 million, only slightly below the record high of 11.9 million set in March. The job openings rate (the number of job openings divided by the sum of employment and job openings) came in at 6.9% in May, significantly above its long-run average of 3%. Therefore, credit unions should expect loan credit quality to remain strong for the remainder of the year.

Credit union return-on-assets ratios fell to 85% in the first quarter of 2022, down from 1.04% in Q1 2021, due mainly to falling fees and other income (111-basis points in Q1 2022 versus 136-basis points in Q1 2021). Other income fell as mortgage originations fell and “gains on the sale of mortgages” declined. The disparity between small and large credit unions’ return-on-asset ratios decreased significantly over the last year as smaller credit unions generally reported an increase in ROA while larger credit unions reported a decline **(see figure below).**



Source: NCUA, CUNA

08

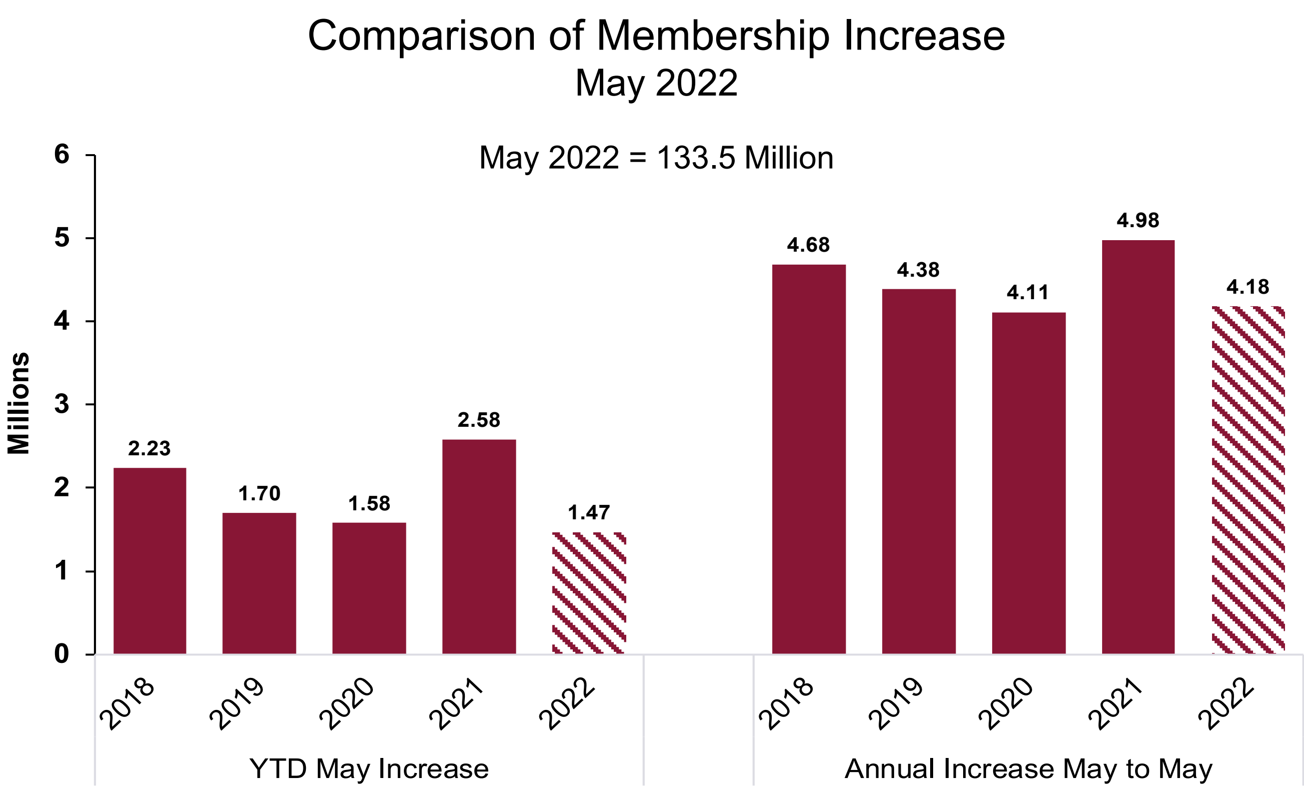
Credit Unions and Members

Credit union memberships should exceed 135 million by the fourth quarter of 2022.

Credit Unions and Members

Credit union memberships grew by 276,000 in May, or 0.2%, down from May 2021 when the movement added 712,000 memberships at an increase of 0.55%. The membership gain year-to-date slowed to 1.47 million, down from 2.58 million for a similar period in 2021 **(see figure above).** Credit union memberships grew by 4.17 million during the year ending in May 2022. Total credit union memberships have surpassed 133.5 million and are expected to reach over 135 million by the fourth quarter of 2022. Faster loan growth and strong job creation are two factors boosting credit union membership growth.

Credit union memberships grew at a 2.5% seasonally-adjusted, annualized growth rate in May, slower than the record-setting pace of the last few years**.** However, the current pace is similar to the 2.5% pace that began after Bank Transfer Day on November 5, 2011. Expect credit union memberships to grow 3.5% in 2022 and 2023.



Source: CUNA Economics & Statistics and CUNA Mutual Group – Economics

Distribution of Credit Union Loans

Estimated $ (Billions) Outstanding

YR/MO	TOTAL LOANS	NEW AUTO	USED AUTO	TOTAL AUTO	UNSEC Ex. CC's	CREDIT CARDS	CUCIC	1st MORT. TOTAL	TOTAL OTHER MORT 2ND + HE	TOTAL REAL ESTATE	MBLs*
20 05	1,159.9	144.7	232.9	377.5	48.6	61.9	476.0	494.2	91.0	585.2	98.7
20 06	1,168.1	143.9	236.5	380.4	53.2	61.7	486.4	503.2	89.8	592.9	88.8
20 07	1,176.6	143.8	239.2	383.0	52.3	61.5	489.9	508.0	90.2	598.2	88.7
20 08	1,180.2	143.7	239.9	383.6	52.8	61.5	491.4	511.6	89.6	601.1	87.6
20 09	1,186.6	144.0	240.8	384.9	54.4	61.5	493.6	517.0	88.1	605.2	87.9
20 10	1,189.4	145.0	241.5	386.5	53.5	61.4	495.7	516.6	88.0	604.6	89.1
20 11	1,191.3	145.8	241.6	387.5	53.5	62.0	496.5	519.2	87.1	606.3	88.5
20 12	1,193.9	144.4	241.7	386.0	53.2	62.6	495.1	524.6	85.9	610.5	88.3
21 01	1,192.9	144.7	242.4	387.1	51.5	61.0	501.0	527.8	86.0	613.8	78.1
21 02	1,194.8	144.6	242.4	387.1	53.6	60.6	501.6	528.8	85.4	614.2	79.0
21 03	1,195.5	142.2	244.5	386.6	53.5	59.5	502.9	530.2	83.5	613.7	78.9
21 04	1,201.7	142.6	245.9	388.4	51.8	58.9	505.7	535.0	83.9	618.9	77.2
21 05	1,211.5	143.9	249.1	393.1	51.2	60.1	517.1	537.5	84.0	621.5	72.9
21 06	1,223.1	143.2	251.9	395.1	53.1	60.7	519.4	545.3	83.6	629.0	74.7
21 07	1,232.5	143.2	254.3	397.5	51.6	61.2	515.7	549.6	84.9	634.5	82.3
21 08	1,244.4	143.2	257.4	400.7	51.5	61.8	521.3	555.4	84.6	640.0	83.1
21 09	1,251.8	143.7	260.7	404.4	52.0	62.0	522.0	562.0	84.7	646.6	83.2
21 10	1,263.4	142.7	262.5	405.2	53.3	62.7	523.9	567.0	86.2	653.2	86.3
21 11	1,271.6	142.6	264.5	407.1	52.6	64.2	529.8	576.2	83.7	659.9	81.8
21 12	1,286.2	144.2	266.7	410.9	52.5	65.0	533.8	581.3	86.2	667.5	84.8
22 01	1,295.2	144.5	269.0	413.5	53.3	64.6	533.6	582.4	87.0	669.4	92.1
22 02	1,309.1	145.7	271.7	417.4	55.8	64.6	538.7	587.8	87.9	675.7	94.7
22 03	1,332.2	147.7	277.8	425.5	56.4	65.2	547.3	592.4	86.5	678.9	106.1
22 04	1,357.5	155.7	283.4	439.0	57.8	65.7	558.5	601.6	89.7	691.2	107.7
22 05	1,388.9	160.1	289.8	449.9	59.6	67.2	569.0	613.2	91.7	704.9	115.0

* Member Business Loans

CUCIC = Total Loans – Total Real Estate - MBLs CUCIC = Total Vehicle Loans + Unsecured Loans + Credit Card – 14% of MBLs

Distribution of Credit Union Loans

Percent Change From Prior Year

YR/MO	TOTAL LOANS	NEW AUTO	USED AUTO	TOTAL AUTO	UNSEC Ex. CC's	CREDIT CARDS	CUCIC	1st MORT. TOTAL	TOTAL OTHER MORT 2ND + HE	TOTAL REAL ESTATE	MBLs*
20 05	7.1	-2.6	2.9	0.7	10.2	-1.5	0.5	11.8	-0.9	9.6	31.1
20 06	7.1	-3.3	3.8	1.0	18.2	-2.5	2.2	12.8	-2.5	10.2	15.9
20 07	7.2	-3.3	4.6	1.5	15.0	-3.9	2.5	13.3	-2.8	10.5	13.8
20 08	6.6	-3.7	4.4	1.2	14.2	-4.5	1.8	12.8	-3.5	10.1	12.4
20 09	6.6	-3.7	4.4	1.2	17.5	-4.9	2.1	12.9	-5.3	9.8	12.0
20 10	6.3	-2.7	4.6	1.8	14.7	-5.4	2.5	11.9	-6.4	8.8	11.1
20 11	5.9	-2.2	4.7	2.0	14.5	-4.9	3.0	11.7	-7.4	8.5	5.8
20 12	5.3	-3.6	4.5	1.3	12.7	-6.4	2.6	11.2	-7.6	8.1	2.2
21 01	4.9	-3.1	4.5	1.5	9.3	-7.9	3.8	11.9	-7.4	8.7	-13.3
21 02	4.8	-2.6	4.2	1.6	15.7	-7.8	3.4	13.5	-8.3	9.9	-17.8
21 03	4.5	-3.4	4.9	1.7	14.4	-8.9	2.8	9.0	-9.6	6.1	3.7
21 04	4.8	-3.1	6.4	2.7	11.1	-6.1	6.2	9.4	-8.4	6.6	-14.3
21 05	4.5	-1.4	7.2	3.9	9.0	-3.1	8.6	8.8	-7.5	6.2	-25.7
21 06	4.7	-0.5	6.5	3.9	-0.1	-1.8	6.8	8.4	-6.8	6.1	-15.9
21 07	4.8	-0.4	6.2	3.7	-1.4	-0.5	5.3	8.2	-5.9	6.1	-7.2
21 08	5.4	-0.3	7.3	4.5	-2.4	0.5	6.1	8.6	-5.6	6.5	-5.2
21 09	5.5	-0.3	8.3	5.1	-4.3	0.9	5.8	8.7	-4.0	6.8	-5.3
21 10	6.2	-1.6	8.7	4.8	-0.3	2.1	5.7	9.8	-2.1	8.0	-3.1
21 11	6.7	-2.2	9.5	5.1	-1.7	3.6	6.7	11.0	-3.9	8.8	-7.6
21 12	7.7	-0.1	10.3	6.4	-1.3	3.8	7.8	10.8	0.4	9.3	-4.0
22 01	8.6	-0.1	11.0	6.8	3.6	5.9	6.5	10.3	1.2	9.1	18.0
22 02	9.6	0.7	12.1	7.8	4.0	6.5	7.4	11.1	3.0	10.0	20.0
22 03	11.4	3.9	13.6	10.0	5.4	9.7	8.7	11.7	3.5	10.6	35.5
22 04	13.0	9.2	15.3	13.0	11.6	11.7	10.4	12.4	6.9	11.7	39.6
22 05	14.6	11.2	16.3	14.5	16.4	11.7	10.0	14.1	9.2	13.4	57.8

* Member Business Loans

CUCIC = Total Loans – Total Real Estate - MBLs CUCIC = Total Vehicle Loans + Unsecured Loans + Credit Card – 14% of MBLs

National Monthly Credit Union Aggregates

YR/MO	LOANS ($ Billions)	ASSETS ($ Billions)	SAVINGS ($ Billions)	CAPITAL ($ Billions)	MEMBERS (Millions)	CREDIT UNIONS	LOAN/ SAVINGS RATIO	CAPITAL/ ASSET RATIO
20 05	1,159.9	1,769.8	1,500.7	185.8	124.4	5,384	77.3	10.5
20 06	1,168.1	1,778.8	1,516.3	187.4	124.8	5,384	77.0	10.5
20 07	1,176.8	1,804.0	1,539.7	189.2	125.3	5,380	76.4	10.5
20 08	1,180.2	1,807.7	1,544.0	189.7	125.8	5,378	76.4	10.5
20 09	1,186.6	1,817.4	1,555.0	190.8	126.2	5,353	76.3	10.5
20 10	1,189.4	1,846.2	1,582.1	191.3	126.3	5,355	75.2	10.4
20 11	1,191.3	1,846.2	1,584.1	193.0	126.5	5,321	75.2	10.5
20 12	1,193.9	1,875.8	1,614.8	194.1	126.8	5,317	73.9	10.3
21 01	1,192.9	1,891.5	1,626.4	195.1	127.3	5,318	73.3	10.3
21 02	1,194.8	1,920.6	1,653.2	194.7	127.6	5,305	72.3	10.1
21 03	1,195.5	1,982.2	1,722.5	195.0	128.2	5,285	69.4	9.8
21 04	1,202.1	2,015.4	1,752.3	197.2	128.5	5,269	68.6	9.8
21 05	1,212.2	2,027.5	1,744.1	199.3	129.0	5,246	69.5	9.8
21 06	1,223.1	2,010.6	1,744.2	201.9	129.7	5,243	70.1	10.0
21 07	1,232.7	2,046.0	1,764.8	204.7	129.9	5,251	69.9	10.0
21 08	1,244.4	2,048.1	1,765.4	206.6	130.6	5,244	70.5	10.1
21 09	1,251.8	2,052.0	1,778.4	206.7	131.1	5,204	70.4	10.1
21 10	1,263.4	2,082.3	1,795.8	206.7	131.3	5,163	70.4	9.9
21 11	1,271.6	2,084.0	1,798.2	207.6	131.5	5,140	70.7	10.0
21 12	1,286.2	2,094.9	1,819.0	209.2	132.1	5,152	70.7	10.0
22 01	1,295.2	2,092.7	1,816.7	206.7	132.1	5,127	71.3	9.9
22 02	1,309.1	2,122.2	1,845.5	204.7	132.3	5,098	70.9	9.6
22 03	1,332.2	2,150.4	1,878.8	197.8	132.7	5,089	70.9	9.2
22 04	1,357.5	2,160.0	1,892.5	191.3	133.2	5,083	71.7	8.9
22 05	1,388.9	2,152.6	1,878.9	194.4	133.5	5,052	73.9	9.0

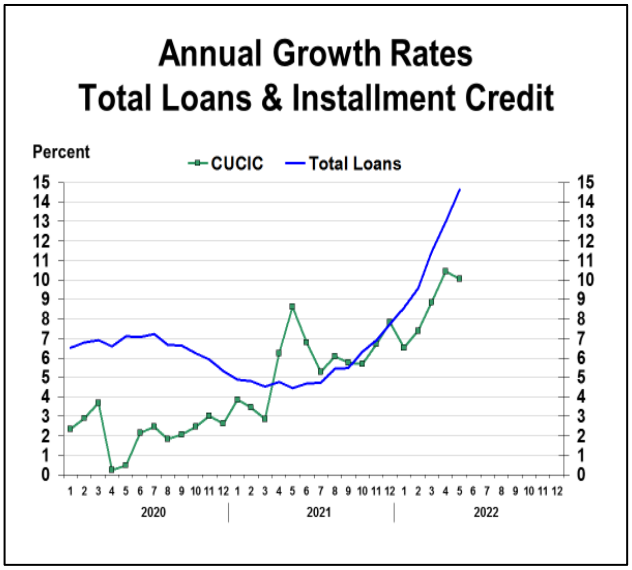
Credit Union Growth Rates

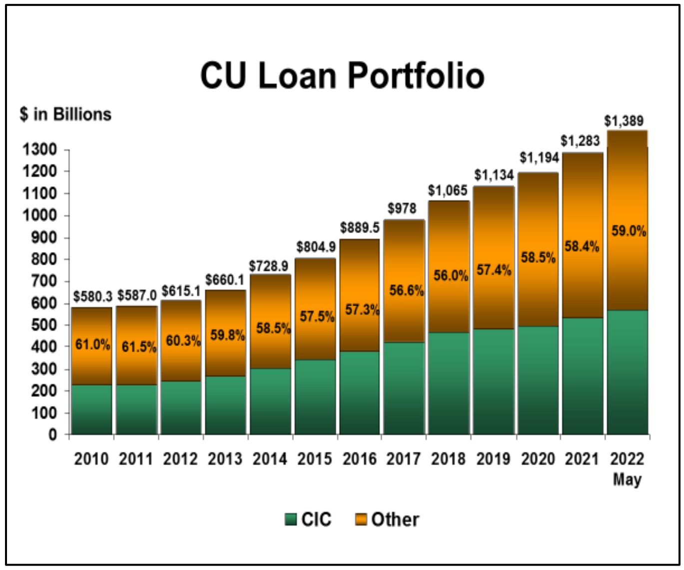
Percent Change From Prior Year

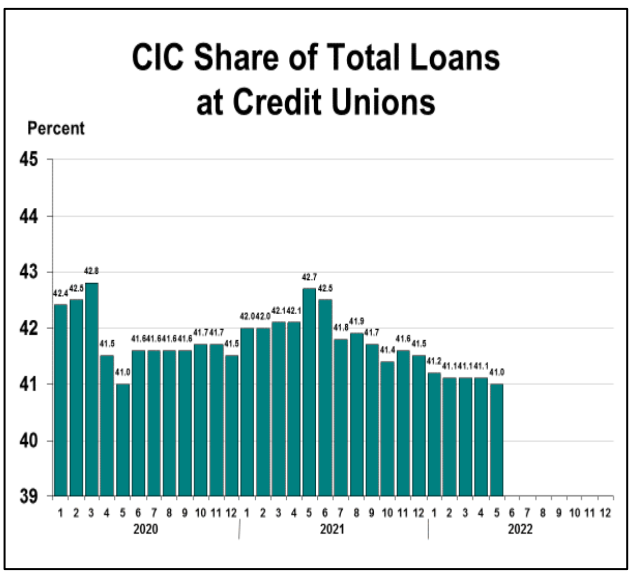
YR/MO	LOANS	ASSETS	SAVINGS	CAPITAL	MEMBERS	CREDIT UNIONS	# OF CUs DECLINE	DELINQUENCY RATE*
20 05	7.1	14.7	15.0	9.2	3.4	(3.0)	(164)	0.657%
20 06	7.1	15.0	16.4	8.8	3.3	(2.7)	(150)	0.574%
20 07	7.2	16.9	18.5	9.7	3.4	(2.7)	(150)	0.541%
20 08	6.6	15.3	17.0	8.5	3.4	(2.5)	(140)	0.553%
20 09	6.6	16.1	18.2	8.1	3.4	(2.8)	(153)	0.540%
20 10	6.3	17.2	19.5	7.9	3.3	(2.7)	(148)	0.549%
20 11	5.9	15.6	17.8	8.6	3.3	(3.1)	(169)	0.580%
20 12	5.3	17.7	20.3	8.3	3.2	(2.6)	(143)	0.595%
21 01	4.9	17.4	19.7	8.1	3.3	(2.4)	(132)	0.587%
21 02	4.8	16.3	19.1	7.1	3.4	(2.6)	(141)	0.524%
21 03	4.5	19.0	23.1	6.3	3.6	(2.5)	(134)	0.455%
21 04	4.8	16.7	19.7	7.9	3.6	(3.0)	(165)	0.469%
21 05	4.5	14.6	16.2	7.3	3.7	(2.8)	(151)	0.456%
21 06	4.7	13.0	15.0	7.8	3.9	(2.6)	(141)	0.452%
21 07	4.8	13.5	14.6	8.2	3.7	(2.4)	(129)	0.455%
21 08	5.5	13.3	14.4	8.9	3.8	(2.5)	(134)	0.452%
21 09	5.5	12.9	14.4	8.3	3.9	(2.8)	(149)	0.456%
21 10	6.2	12.8	13.5	8.1	3.9	(3.6)	(192)	0.480%
21 11	6.7	12.9	13.5	7.6	3.9	(3.4)	(181)	0.491%
21 12	7.7	11.7	12.6	7.8	4.2	(3.1)	(165)	0.485%
22 01	8.6	10.6	11.7	5.9	3.8	(3.6)	(191)	0.496%
22 02	9.6	10.5	11.6	5.1	3.7	(3.9)	(207)	0.465%
22 03	11.4	8.5	9.1	1.4	3.5	(3.7)	(196)	0.424%
22 04	13.0	7.3	8.1	-3.1	3.6	(3.5)	(186)	0.430%
22 05	14.6	6.3	7.8	-2.7	3.2	(3.7)	(194)	0.424%

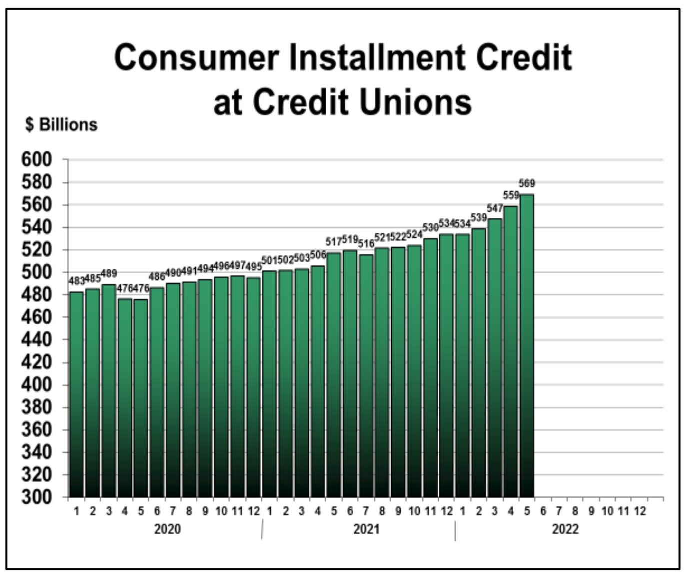
* Loans two or more months delinquent as a percent of total loans

Consumer Installment Credit









Meet
Steve Rick

Steve Rick is the Chief Economist for CUNA Mutual Group. Rick is an economic researcher, analyst and forecaster with expertise in consumer markets and the credit union industry. His forecasts serve as a starting point for client- and firm-level strategic planning by creating a clear understanding of the underlying trends and links between the general economy, the financial services industry and the firm's clients. Rick is a member of the CUNA Mutual Financial Advisors Investment Committee that approves strategy and oversees the firm's investment operations. He is also a member of the firm's Capital Markets Committee that performs ongoing research on the global economy and financial markets and on behalf of institutional and individual investors across the country.

This report on key credit union indicators is based on data from CUNA E&S's *Monthly Credit Union Estimates*, the Federal Reserve Board and CUNA Mutual Group – Economics. To access this report on the Internet, go to www.cunamutual.com/CUTrends. If you have any questions, comments, or need additional information, please call or complete this form. Thank you.

Steven Rick
800.356.2644, Ext. 665.5454
steve.rick@cunamutual.com
CUNA Mutual Group – Economics