Credit Union Trends Report

November 2022 ▪ September 2022 Data

CUNA MUTUAL GROUP

01

Economic Trends

Savings per member is falling at the fastest pace in 22 years.

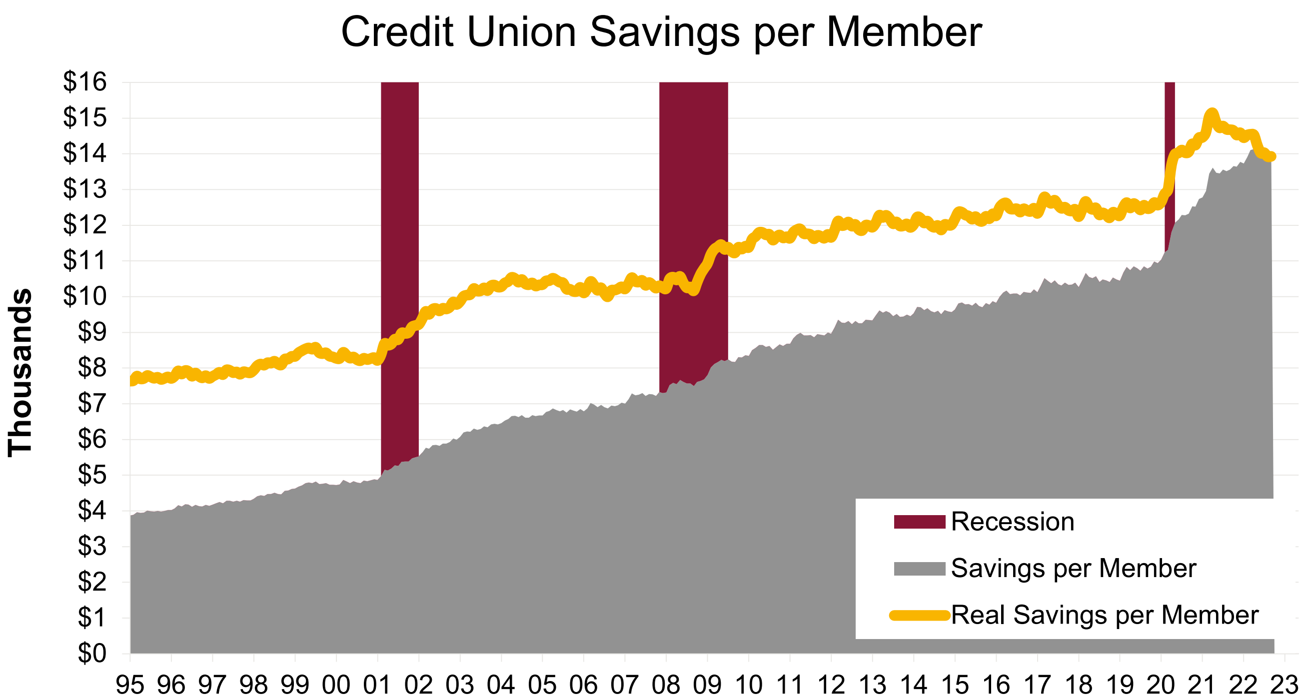
Economic Trends

Credit union members are still flush with excess deposits, but the balances are beginning to fall. The average credit union member holds $13,931 in total savings deposits at their credit union, up from $13,563 in September 2021, and significantly above the $10,781 held in September 2019 **(see figure below).**

The jump in savings per member was due to three COVID-19 stimulus checks ($1,200 in April 2020, $600 in January 2021 and $1,400 in March 2021) and a reduction in spending on services during the last 2 ½ years. This was the biggest increase in savings per member in credit union history.

Savings per member normally rises around 4% per year, (in line with nominal GDP) but rose 16.5% in 2020 and 8.1% in 2021. This year we could see savings per member decline for the first time since July 2000 when the stock market bubble reached its apex and members were pulling funds out of their insured credit union deposit accounts to purchase risky equity investments.

Savings per member reached its apex in April of this year at $14,133 and has declined over $200 through September as members went on a summer spending spree. When adjusted for inflation, real savings per member has been declining since April 2021 **(see figure below),** the month when year-over-year inflation jumped up to 4.2%. So, the purchasing power of members' savings deposits fell 8% during the last 1 ½ years and will continue to fall if inflation exceeds per-member deposit growth.



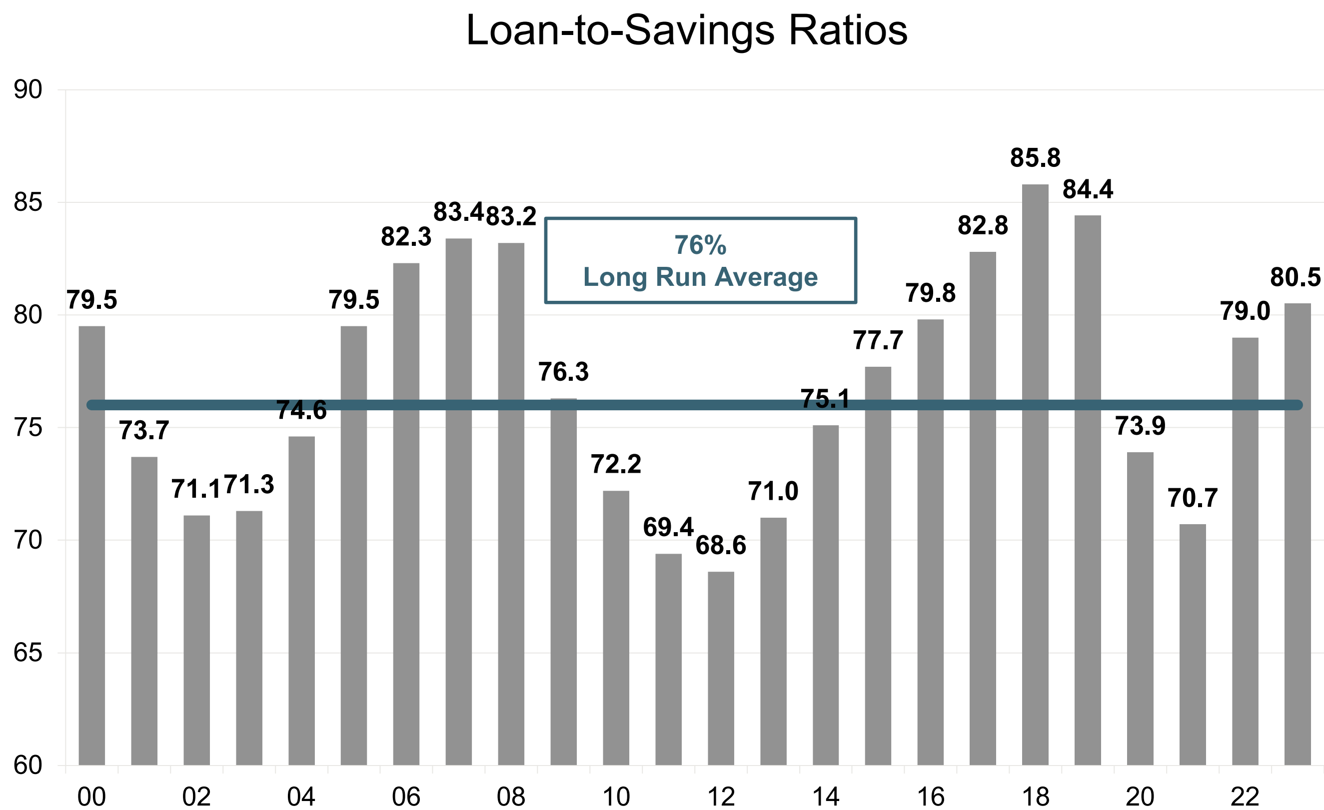
Source data: CUNA Economics & Statistics and CUNA Mutual Group – Economics

02

Total Credit Union Lending

Credit union loan-to-savings reach 79%, above the 76% long-run average indicating the movement has entered tight liquidity territory.

Total Credit Union Lending



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

Credit union loan balances rose 2.1% in September, faster than the 0.6% pace reported in September 2021. Driving overall loan growth was strong growth in home equity loans (3.8%), new auto loans (3.1%), used auto loans (1.9%) and unsecured personal loans (1.9%).

The credit union average loan-to-savings ratio rose to 79% in September **(see figure above)**, up from 70.4% in September 2021, due to loan growth (19.6%) exceeding deposit growth (6.6%).

Loan-to-savings ratios peak right before recessions and may contribute to the economic slowdown that follows due to tight liquidity from credit unions reducing their pace of lending and high levels of members' debt reducing their demand for loans. Based on current trends, credit union lending growth is expected to rise 8% in 2023 while savings balances increase only 6%. This is expected to raise the average loan-to-savings ratio to 80.5% at year's end of 2023, significantly above the 20-year average of 76% and indicating many credit unions are seeing their liquidity positions tighten as interest rates rise and deposit growth slows.

03

Consumer Installment Credit

Credit unions hold 11.5% of all consumer installment credit outstanding.

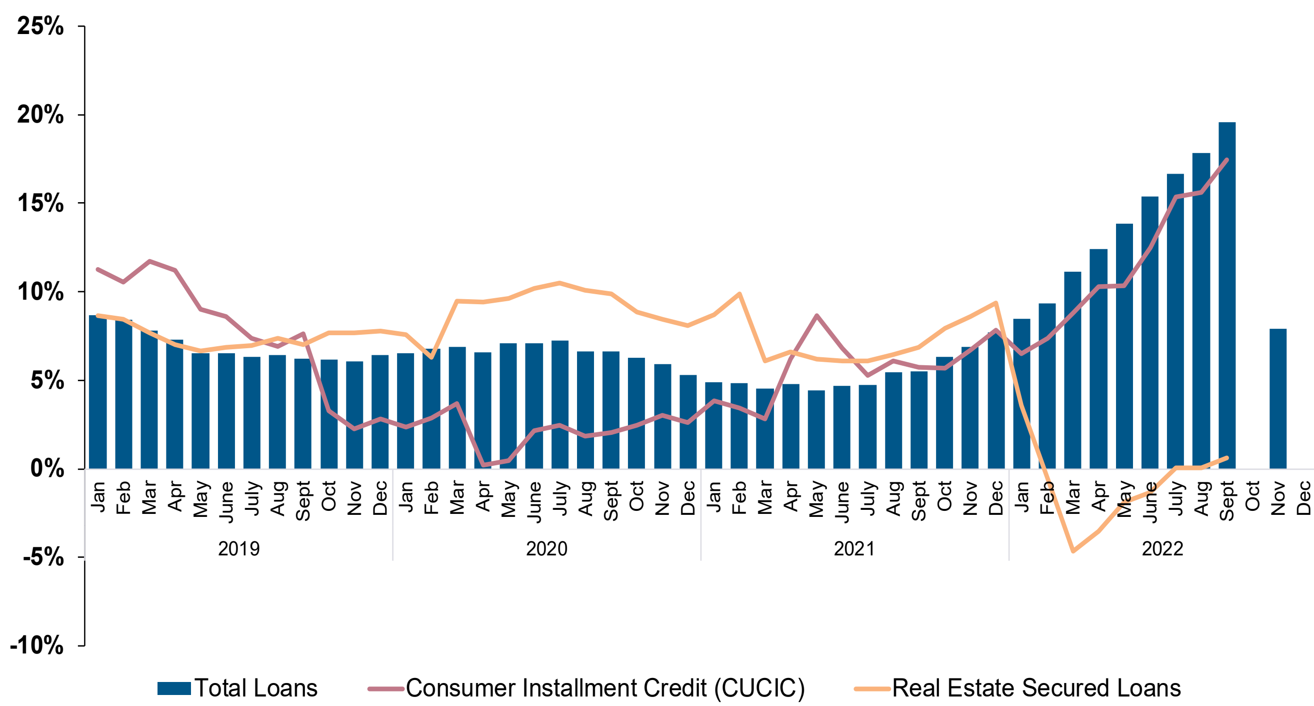
Consumer Installment Credit

Credit union consumer installment credit loan balances (auto, credit card and other unsecured loans) rose 1.7% in September, faster than the 0.1% rise set in September 2021. During the last 12 months, credit union consumer installment credit grew 17.5% **(see figure below)** significantly above the 0.6% for real estate-secured loans.

According to the Federal Reserve, outstanding consumer credit for all lenders rose a strong $25 billion in September, with balances up 8% over the last year. Credit unions hold 11.5% of all consumer credit, down slightly from the record 11.9% high setback in September 2020.

Going forward, expect nonrevolving credit growth to remain above trend in 2023 due to consumers' pent-up demand for autos and leisure and travel spending remaining strong. If the economy experiences a modest recession in 2023, lenders may tighten lending standards for revolving credit, which includes households' credit cards and other forms of short-term debt. Higher interest rates will also be a lending headwind in 2023 with the Federal Reserve expected to raise short-term interest rates by over 5%.

Loan Growth Trends
September 2022



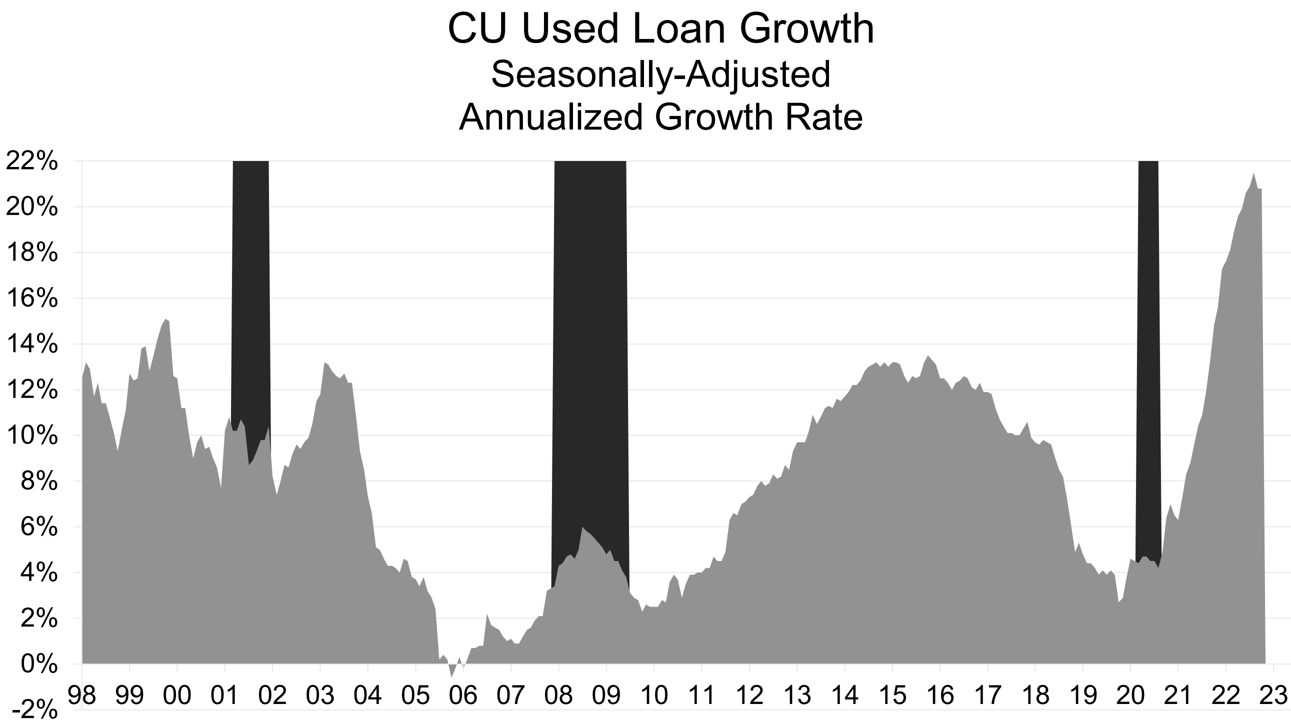
Source data: CUNA Economics & Statistics and CUNA Mutual Group – Economics

04

Vehicle Loans

Credit union used-auto loan balances rose almost 19% during the last year.

Vehicle Loans



Source data: Autodata Corp.

Credit union used-auto loan balances grew at a 21% seasonally-adjusted annualized growth rate in September, the fastest pace on record due to more car loans and higher used-car prices **(see figure above)**. Used car prices rose dramatically over the last couple of years due to a shortage in new car production. Even though used-car prices are 2% higher than one year ago, prices have fallen 3.6% during the last 3 months due to an increased inventory of new vehicles.

Credit union new-auto loan balances grew at a 40% seasonally-adjusted annualized growth rate in September, also the fastest on record, due in part to new-vehicle prices surging and credit unions doing well in the indirect auto lending marketplace.

On a monthly basis, credit union new-auto loan balances rose 3.1% in September, above the 0.3% growth pace set in September 2021. New-auto loan balances rose a strong 23% during the last 12 months while used auto loan balances rose a robust 18.8%**.**

Vehicle sales rose to a 13.6 million unit seasonally-adjusted annualized sales rate in September, still below the 16.5 million considered a normal pace. Vehicle supply is hamstrung by the shortage of semiconductor microchips, among other supply chain disruptions. Given the current state of auto production and inventories, it may take another year for the auto market to normalize, and for inventories and production rates to return to their long-run average.

05

Real Estate Information

Home prices fell for the third consecutive month but are still up 11.4% compared to one year ago.

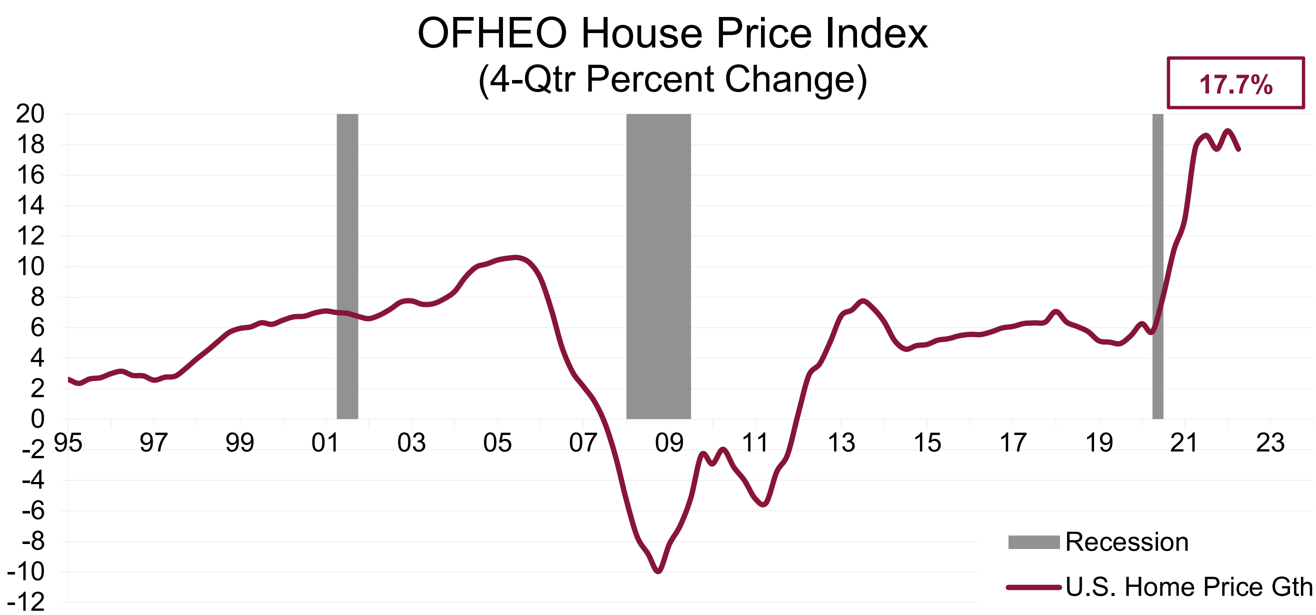
Real Estate Information

Credit union fixed-rate first mortgage loan balances grew 1.1% in September, the same pace set in September 2021 due to credit unions selling fewer mortgage loans to the secondary market. Credit unions only sold 22% of their mortgage originations during the first half of this year, down from 38% in the similar period of 2021. Adjustable-rate mortgage loan balances rose 0.9% in September, below the 1.4% gain recorded in September 2021.

The contract interest rate on a 30-year, fixed-rate conventional home mortgage rose to 6.11% in September from 5.22% in August and above the 2.90% reported in September 2021.

Home prices fell 0.5% in September from August, according to the Core Logic Home Price Index, but increased 11.4 year-over-year. Higher mortgage rates and declining affordability are cooling housing demand. Among the largest metro areas, Phoenix home prices fell 1.8%, Los Angeles fell 1.4% and Dallas fell 0.9% in September. This is reminiscent of 2005.

The OFHEO House Price Index rose 17.7% over the last year ending in the second quarter **(see figure below).** Some people are concerned that home prices are overvalued again and creating another home price bubble. One way to measure overvaluation is to compare today's home price-to-income ratio and home price-to-rent ratio to their historical averages. Historically, a house in the U.S. cost around 3 to 3.5 times the median annual income. During the housing bubble of 2004-2005, the median price for a single-family home cost more than 5.1 times the median annual household income in November 2005. Today, that ratio stands at 4.6.



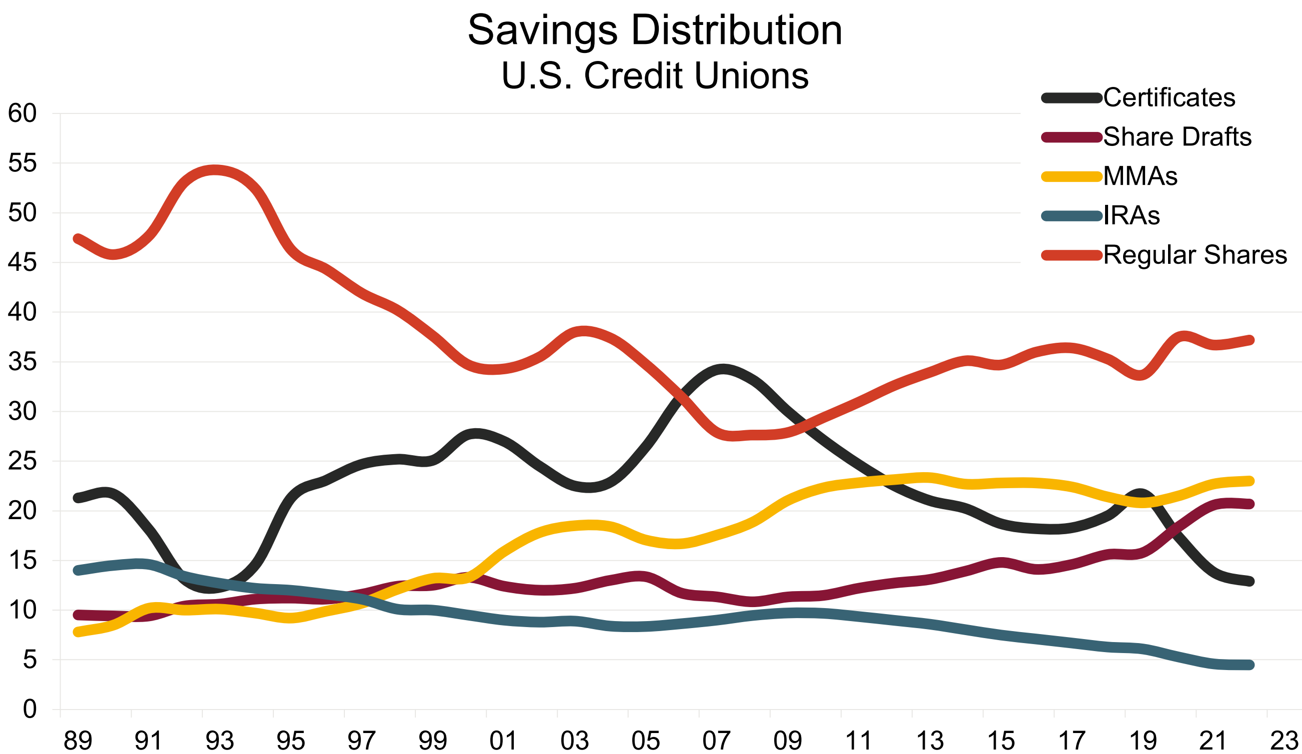
Source data: NCUA

06

Savings and Assets

Credit union cost of fund ratios is expected to rise 100 basis points during the next 12 months.

Savings and Assets



Source: CUNA & NCUA

Credit union cost of funds fell to a record low of 0.35% in the first quarter of 2022 due to record low market interest rates and a favorable mix of savings products. During the last three years, credit union members' moved deposits from higher-cost share certificates to low-cost share drafts and regular shares **(see figure above).** This is known as the "mix effect."

But with the Federal Reserve expected to raise short-term interest rates over 5% by February of 2023, expect credit union cost-of-funds ratios to rise 100 basis points during the next year as credit unions raise their certificate and money market account interest rates and members move funds back into higher these higher-yielding accounts.

Credit unions are raising their deposit interest rates to prevent deposit runoff or what is known as disintermediation. Savings balances per member have already declined $200, to $13,930 in September from April's record high of $14,130. Some members are spending some of their excess savings which resulted from three COVID-19-related stimulus checks, while other interest-rate-sensitive members are moving funds out of their credit union to higher-yielding alternative investments.

07

Capital and Other Key Measures

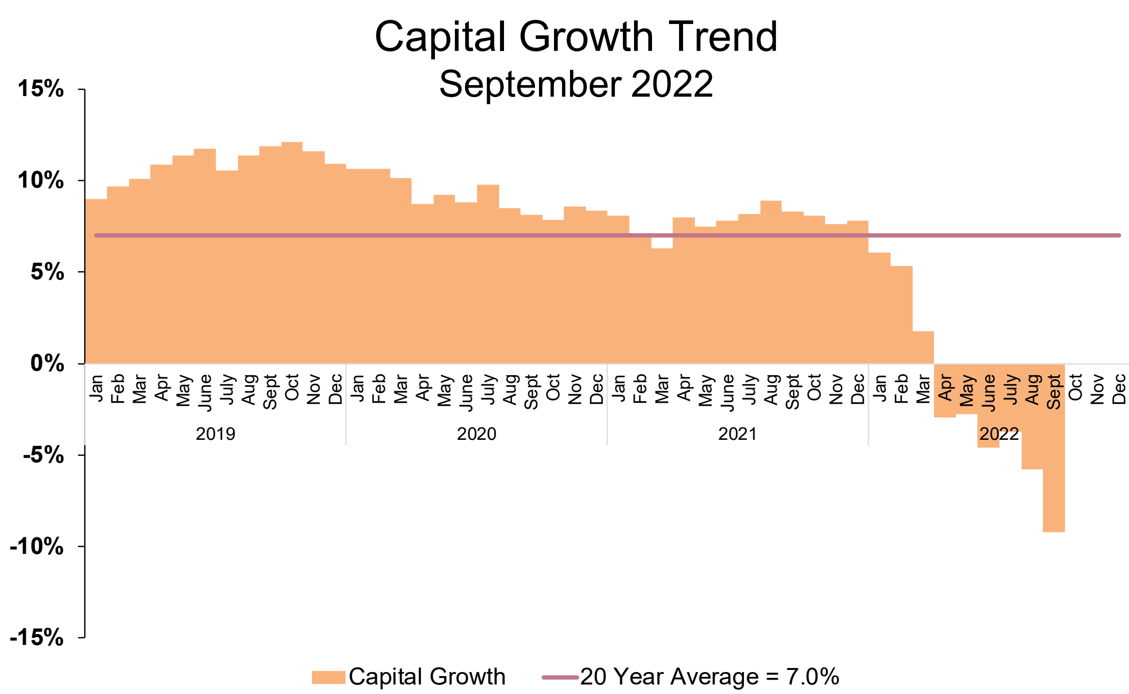
Credit union capital growth rate turned negative this past spring as the Federal Reserve raised interest rates.

Capital and Other Key Measures

The credit union system's capital-to-asset ratio fell to 8.5% in September, down from 10.1% in September 2021 due to rising interest rates reducing the market value of investments available for sale. This past June credit unions classified 75% of their investments as available for sale and therefore were reported at fair value. Since March of this year, the Federal Resave has increased short-term interest rates by 3.75 percentage points reducing investment valuations. Changes in value between accounting periods are included in the equity section of the balance sheet. For example, a one-year 5% Treasury note would decline in value by 2.8 percent if interest rates rose 3%, a two-year 5% Treasury note would decline by 5.4%, a four-year 5% Treasury note would decline by 9.9% and a nine-year 5% Treasury note would decline in value 18.7%.

In June, credit unions held 18.3% of their surplus funds in the 5–10-year maturity bucket, up from 13.8% one year earlier. With the Federal Reserve expected to raise interest rates another 100 basis points over the next three months expect investment values to continue to fall as well as equity and capital levels.

The capital growth rate is also known as the return-on-equity ratio and is one of the most important credit union financial ratios. For most of the last three years, the return-on-equity ratio has been running above the 7% average recorded over the last 20 years **(see figure below)**. But capital growth began its downward trajectory when interest rates began heading up this past March.



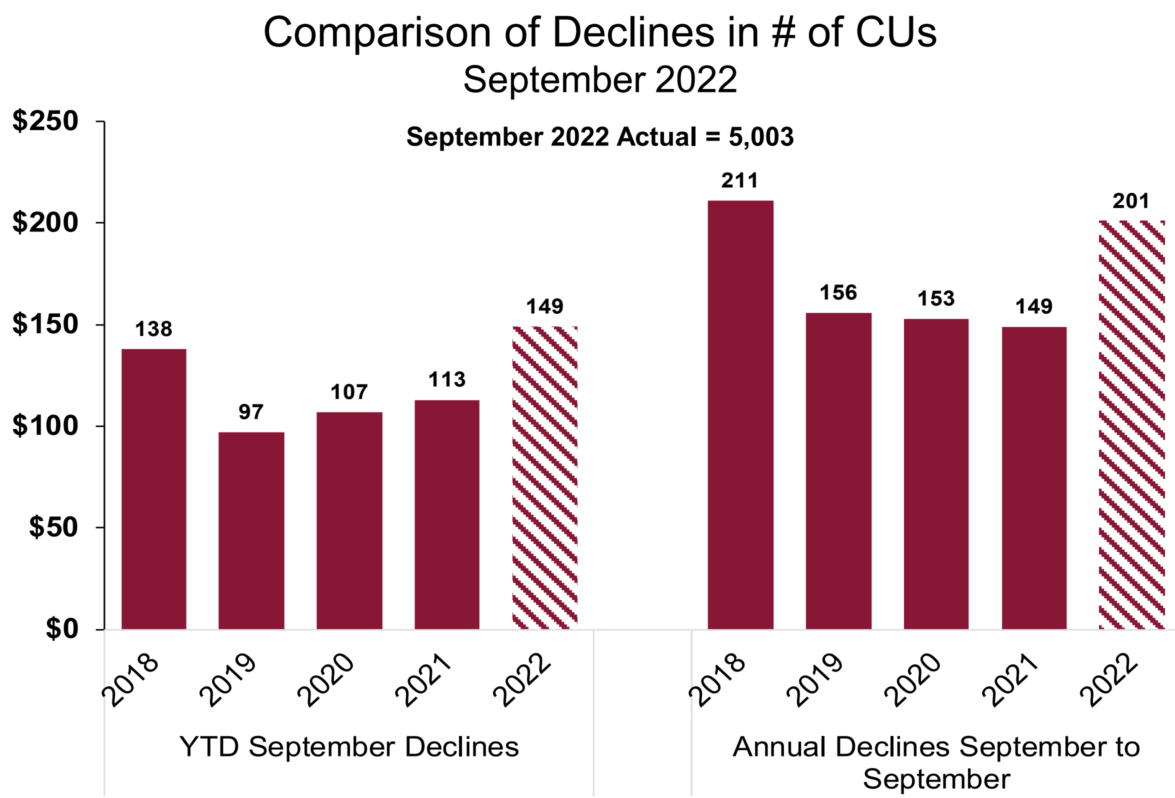
Source: CUNA Economics & Statistics and CUNA Mutual Group - Economics

08

Credit Unions and Members

Forty-eight credit unions merged into larger credit to expand their service offerings in the third quarter, up from 28 last year.

Credit Unions and Members



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

As of September 2022, CUNA estimates 5,003 credit unions were in operation, down 201 from September 2021 **(see figure above)**. Year-to-date, the number of credit unions fell by 149, slightly faster than the 113 decrease reported in the first nine months of 2021. NCUA's Insurance Report of Activity showed 59 mergers were approved in the third quarter (up from 43 in the third quarter of 2020), with an average asset size of $59 million. The average asset size of the continuing credit union was $800 million. Forty-eight of the mergers were due to credit unions wanting expanded services, four were due to an inability to find officials, three were due to poor financial condition, two were because of a lack of growth, one because of poor management and one for a lack of sponsor support. Expect mergers to accelerate into 2023 as smaller credit unions wish to expand the services offered to their members by merging with larger institutions.

Credit unions added more than 4.0 million memberships in the first nine months of 2022, slightly below the 4.3 million added in the similar time period of 2021. Rising demand for credit was the major driver for the pickup in memberships. Also driving the increase in memberships was the 3.8 million new jobs added in the U.S. during the last 9 months, which was slightly below the 4.8 million added during the same period in 2021.

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 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	1,293.9	144.4	268.7	413.1	52.5	64.6	533.6	550.5	85.3	635.8	124.5
22 02	1,306.6	145.4	271.2	416.5	54.1	64.6	538.7	526.2	84.5	610.7	157.2
22 03	1,328.3	147.2	276.9	424.1	53.8	65.2	547.3	503.7	81.5	585.2	195.9
22 04	1,351.0	153.4	282.1	435.5	54.7	65.7	557.8	512.4	84.6	597.0	196.2
22 05	1,379.5	156.0	288.0	444.0	55.9	67.2	570.5	522.9	86.7	609.6	199.4
22 06	1,411.4	158.9	295.3	454.2	57.9	68.1	584.3	530.1	90.4	620.5	206.6
22 07	1,438.0	167.0	299.1	466.1	59.9	69.1	594.9	541.4	93.4	634.8	208.3
22 08	1,466.2	171.5	303.9	475.4	62.0	70.0	602.6	543.9	96.4	640.4	223.3
22 09	1,497.0	176.7	309.8	486.5	63.2	70.5	613.1	550.0	100.5	650.5	233.4

* 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 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	8.5	-0.2	10.9	6.7	2.0	5.9	6.5	4.3	(0.8)	3.6	59.4
22 02	9.4	0.5	11.9	7.6	0.9	6.5	7.4	(0.5)	(1.0)	(0.6)	99.0
22 03	11.1	3.5	13.3	9.7	0.7	9.7	8.8	(5.0)	(2.5)	(4.7)	148.4
22 04	12.4	7.6	14.7	12.1	5.6	11.7	10.3	(4.2)	0.8	(3.5)	154.3
22 05	13.9	8.4	15.6	13.0	9.2	11.8	10.3	(2.7)	3.2	(1.9)	173.6
22 06	15.4	10.9	17.2	14.9	9.0	12.3	12.5	(2.8)	8.1	(1.3)	176.6
22 07	16.7	16.6	17.6	17.3	16.1	13.0	15.4	(1.5)	10.0	0.0	153.0
22 08	17.8	19.7	18.1	18.7	20.5	13.2	15.6	(2.1)	13.9	0.1	168.7
22 09	19.6	23.0	18.8	20.3	21.5	13.6	17.5	(2.1)	18.7	0.6	180.6

* 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 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	1,293.9	2,093.3	1,817.7	206.9	132.4	5,149	71.2	9.9
22 02	1,306.6	2,123.4	1,847.5	205.1	132.8	5,120	70.7	9.7
22 03	1,328.3	2,152.1	1,881.8	198.4	133.4	5,111	70.6	9.2
22 04	1,351.0	2,170.3	1,895.7	191.5	134.1	5,101	71.3	8.8
22 05	1,379.5	2,171.2	1,882.1	194.2	134.6	5,070	73.3	8.9
22 06	1,411.4	2,170.0	1,884.4	192.6	135.0	5,062	74.9	8.9
22 07	1,438.0	2,200.2	1,886.7	197.1	135.1	5,036	76.2	9.0
22 08	1,466.2	2,193.7	1,882.5	194.7	135.7	5,029	77.9	8.9
22 09	1,497.0	2,202.2	1,895.4	187.6	136.1	5,003	79.0	8.5

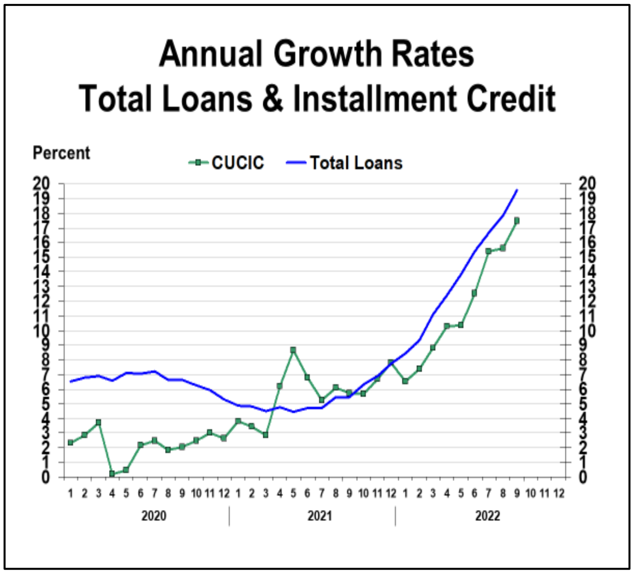
Credit Union Growth Rates

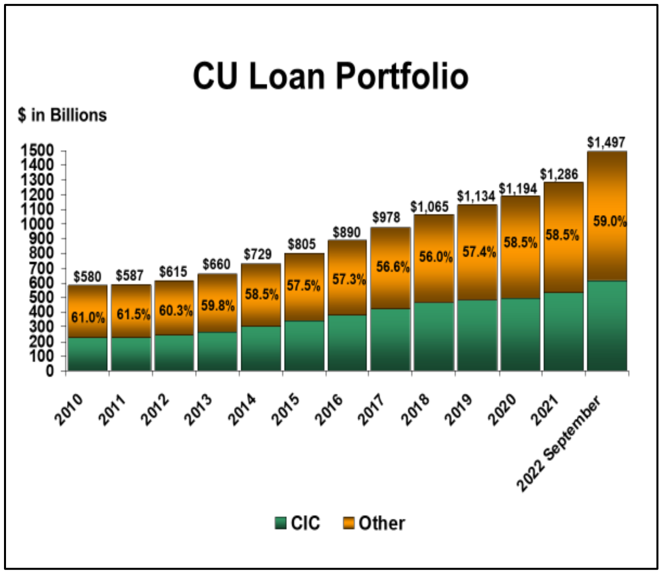
Percent Change From Prior Year

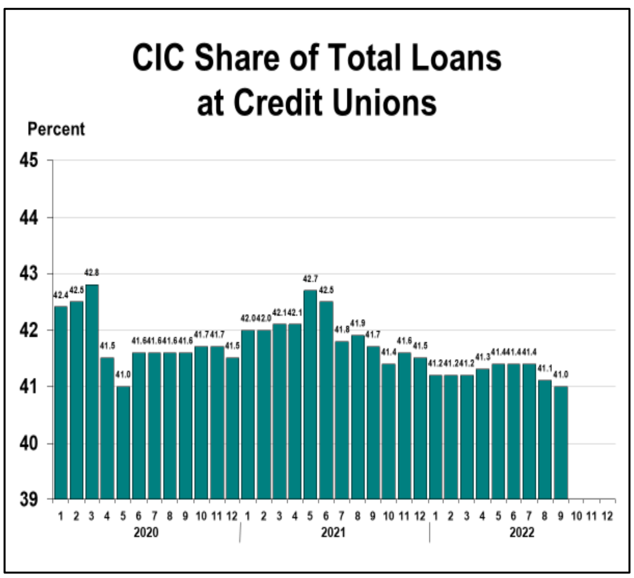
YR/MO	LOANS	ASSETS	SAVINGS	CAPITAL	MEMBERS	CREDIT UNIONS	# OF CUs DECLINE	DELINQUENCY RATE*
20 09	6.6	16.1	18.2	8.1	3.4	(2.8)	(153)	0.540%
20 10	6.3	17.2	19.5	7.9	3.3	(2.7)	(148)	0.549%
20 11	5.9	15.6	17.8	8.6	3.3	(3.1)	(169)	0.580%
20 12	5.3	17.7	20.3	8.3	3.2	(2.6)	(143)	0.595%
21 01	4.9	17.4	19.7	8.1	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	8.5	10.7	11.8	6.1	4.0	(3.2)	(169)	0.494%
22 02	9.4	10.6	11.8	5.3	4.1	(3.5)	(185)	0.461%
22 03	11.1	8.6	9.2	1.8	4.1	(3.3)	(174)	0.418%
22 04	12.4	7.8	8.2	-3.0	4.3	(3.2)	(168)	0.443%
22 05	13.9	7.2	8.0	-2.8	4.0	(3.4)	(176)	0.458%
22 06	15.4	7.9	8.0	-4.6	4.1	(3.5)	(181)	0.479%
22 07	16.7	7.5	7.0	-3.7	3.8	(4.1)	(215)	0.499%
22 08	17.8	7.1	6.6	-5.8	3.9	(4.1)	(215)	0.494%
22 09	19.6	7.3	6.6	-9.2	3.8	(3.9)	(201)	0.491%

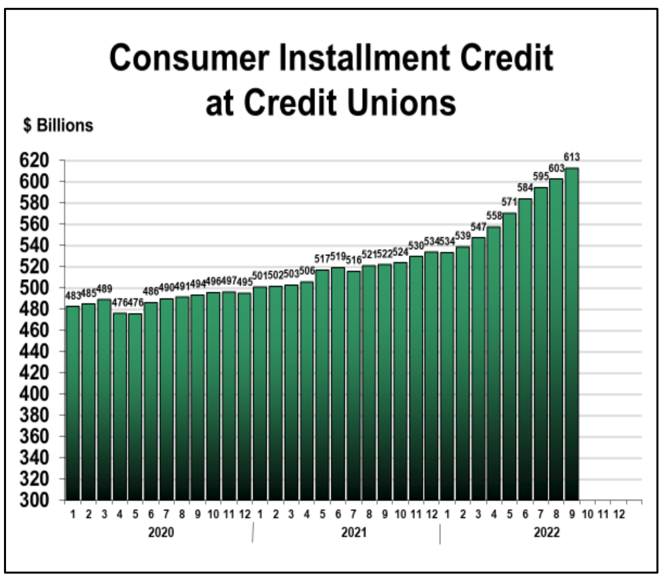
* Loans two or more months delinquent as a percent of total loans

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