Credit Union Trends Report

August 2022 · June 2022 Data

CUNA MUTUAL GROUP

01

Economic Trends

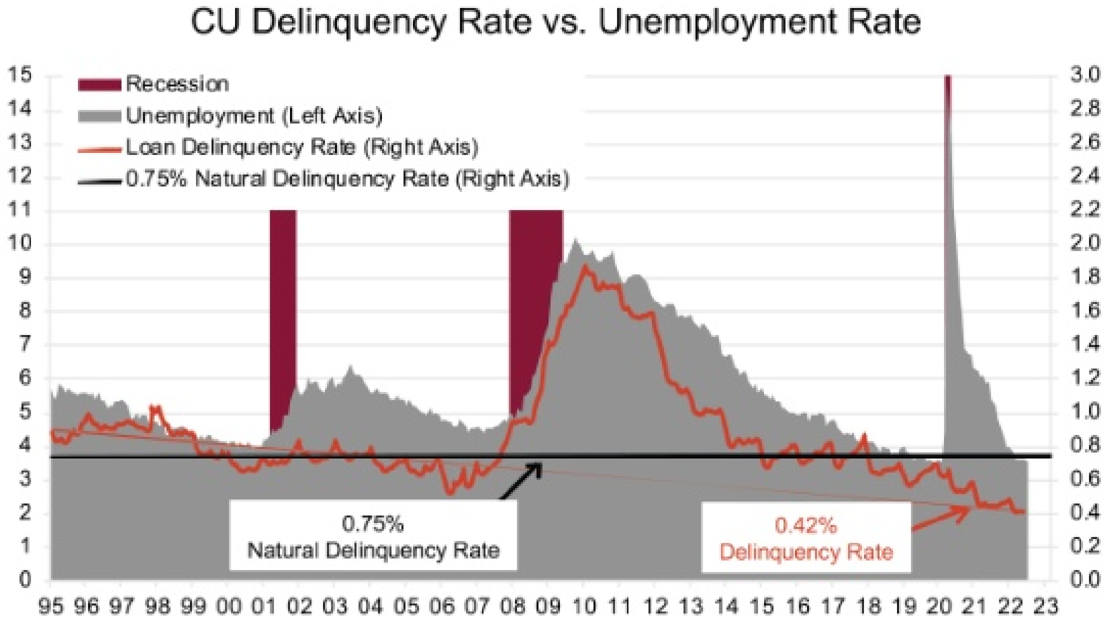
The tight labor market pushed credit union loan delinquency rates to historic lows.

Economic Trends

The nation's labor market remains incredibly tight. The unemployment rate dropped to 3.5% in July **(see figure below)**, from 3.6% in June and the economy added 528,000 jobs. The unemployment rate is below the 4.5% natural unemployment rate where the labor market becomes tight and wage pressures begin to surface. The number of job openings was 11.2 million, twice the number of unemployed, and the job openings rate was close to its record high of 7%.

The strong labor market is a major factor pushing the credit union loan delinquency rate to the lowest level in credit union history. The delinquency rate was 0.42% in June, significantly lower than the 0.75% which is considered the natural delinquency rate. Credit union loan net charge-off rates show similar below-trend numbers.

Also contributing to the very low loan delinquency rates were low-interest rates that helped consumers lower their debt servicing costs over the last two years, and stimulus checks that boosted savings deposits. The average credit union member had $14,000 deposited at their credit union in June, which is up 27% from the $11,000 reported in January 2020, the month before the beginning of the COVID-19 pandemic. This $3,000 of additional liquidity is giving members the wherewithal to remain current on their outstanding debt.



Source: NCUA & Bureau of Labor Statistics

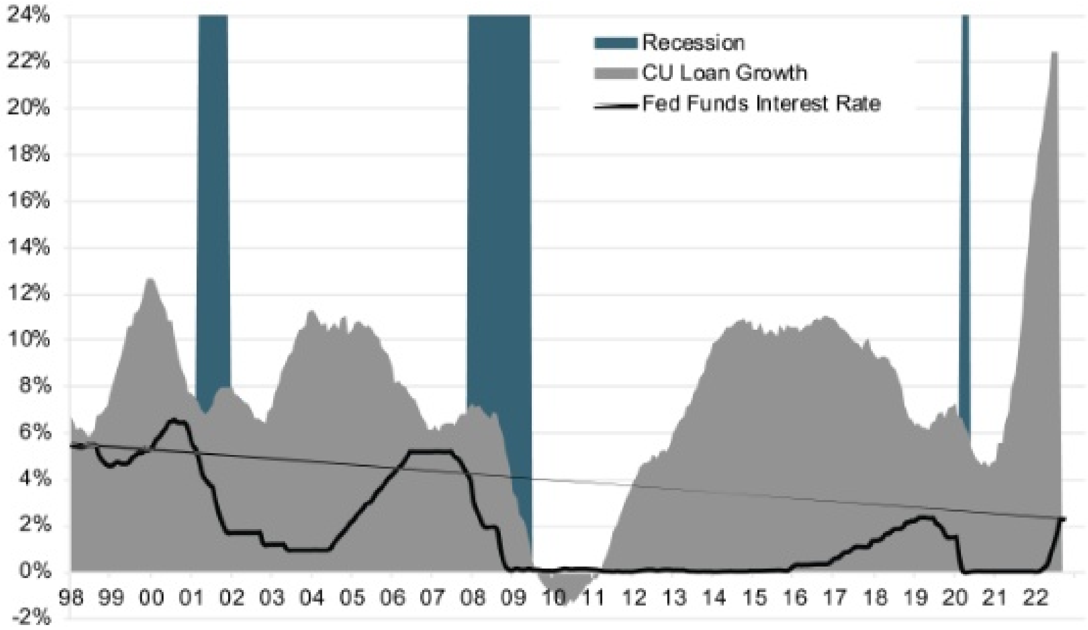
02

Total Credit Union Lending

Credit union loan balances rose a strong 2.4% in June, more than double the pace set one year earlier.

Total Credit Union Lending

CU Loan Growth vs. Fed Funds Interest Rate



Source: CUNA & NCUA, Federal Reserve

Credit union loan balances rose 2.4% in June, which is much faster than the 1.0% pace reported in June 2021, due to every loan category reporting growth. June typically records the fastest loan growth of the year, with seasonal factors adding 0.4 percentage points to the underlying trend growth.

Credit union loan balances grew at a record 22.4% seasonally-adjusted, annualized growth rate in June **(see figure above),** significantly better than the 7.8% pace set in June 2021. Over the long run credit union loan balances typically rise 7% per annum.

The surge in credit union lending is a function of multiple factors: homeowners tapping into their home equity after years of rapid home price appreciation, the fastest rate of inflation in over 40 years, members spending to release some pandemic pent-up demand, a surge in leisure spending, consumers locking in borrowing costs before the Federal Reserve raised interest rates further and rising new vehicle sales as production returns to normal and auto inventories become replenished.

03

Consumer Installment Credit

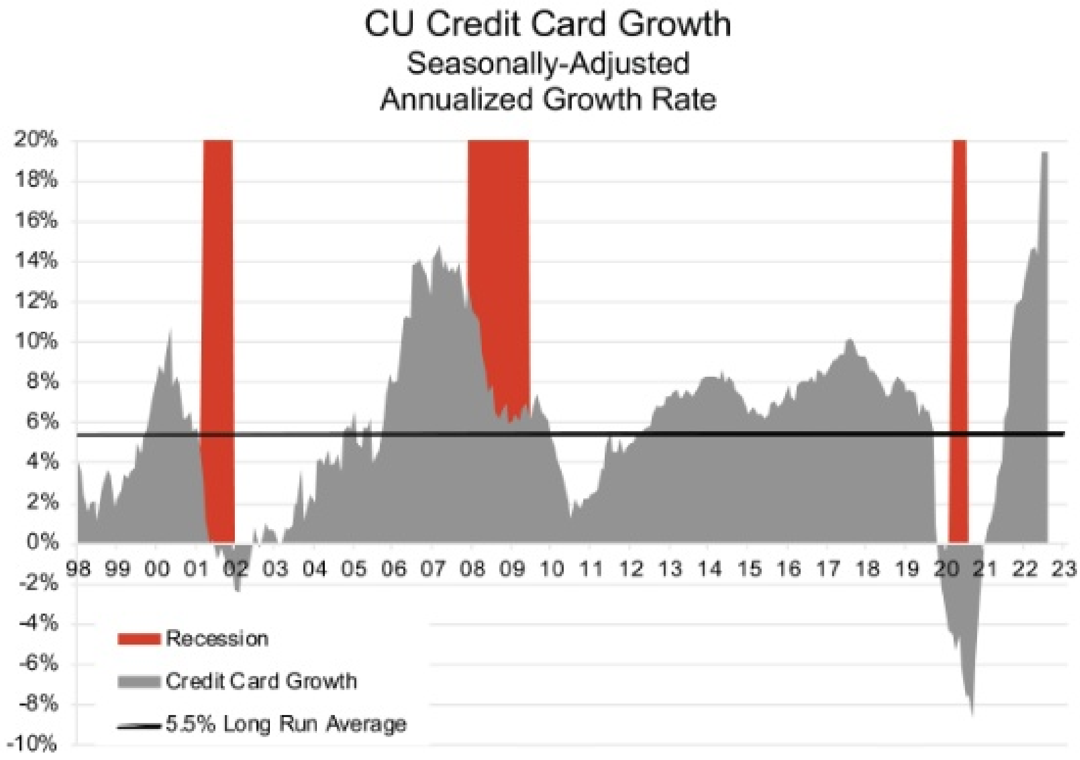
Credit union credit card loan balances growing at the fastest pace in recent history.

Consumer Installment Credit

Credit union consumer installment credit loan balances (auto, credit card and other unsecured loans) rose 1.8% in June, above the 0.4% reported in June 2021 when new-auto loans reported a decline due to supply chain disruptions of new autos. Credit union consumer installment credit rose 11.8% during the 12 months ending in June, above the 6.9% pace reported by all other lenders.

Credit union credit card growth rose at the fastest pace in recorded history in June, rising at a 19% seasonally-adjusted annualized growth rate **(see figure below)**. Balances are rising as members spend on travel after the COVID pandemic but also due to the pressure from rising prices as year-over-year inflation reached 9%.

June's credit card seasonal factors usually add 0.55 percentage points to the underlying trend growth rate. Rising gas prices, consumers venturing out again and spending on services will keep credit card loan growth in the positive territory for the remainder of the year.



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

04

Vehicle Loans

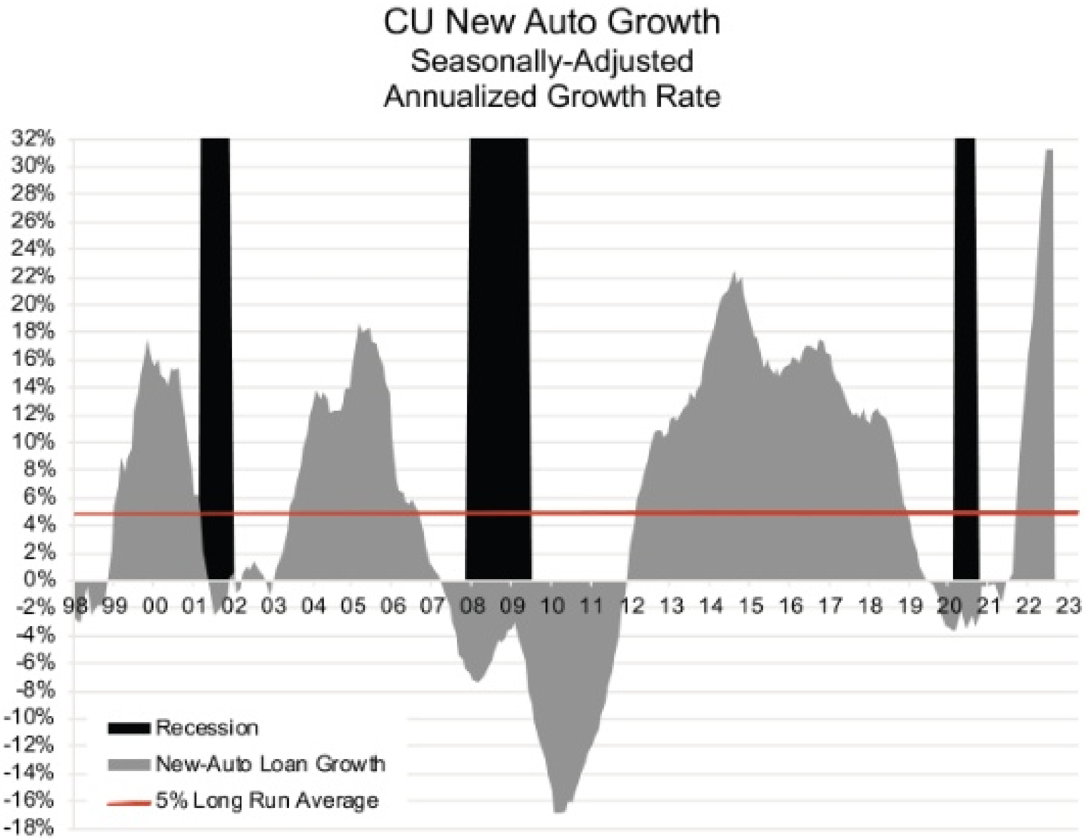
Credit union new-auto loan balances are rising at the fastest pace in over 25 years.

Vehicle Loans

Credit union new-auto loan balances rose at a remarkable 31% seasonally-adjusted, annualized growth rate in June, the fastest growth rate in recent history as credit unions picked up market share from other lenders **(see figure below).**

On a month-over-month basis, new-auto loan balances increased 2.7% in June, a better result compared to the 0.5% drop reported in June 2021. June's seasonal factors usually add 0.5 percentage points to the underlying trend growth rate and June typically has the second largest seasonal factor of the year. May through October is considered the new-auto buying and lending season.

Credit union new-auto loans currently make up 36% of total auto loans, with used-auto loans making up the other 64%. Used-auto loan balances rose 2.5% in June, above the 1.1% pace reported in June 2021. A typical used-auto loan is originated at roughly half the dollar amount of a new-auto loan.



05

Real Estate Information

Credit union fixed-rate first mortgage loan balances have declined during the first half of 2022.

Real Estate Information

Credit union fixed-rate first mortgage loan balances grew 0.6% in June, which was slower than the 2.1% reported in June 2021. A year-to-date growth comparison shows a -1.3% growth rate during the first half of 2022, which was down when compared to 6.4% in 2021 **(see figure above).** Credit unions now hold $539 billion of first mortgages on their books, which are 4.2% of the entire mortgage market, down from 4.8% in June 2021.

The contract interest rate on a 30-year fixed-rate conventional home mortgage was 5.52% in June, up from 5.23% in May and up from 2.98% reported in June 2021. Expect mortgage interest rates to remain above 5% for the next few quarters.

Home prices rose 0.6% in June from May, according to the Core Logic Home Price Index, and 18.3% year-over-year, the lowest annual growth rate this year. In the long run, however, home price growth should approximately equal income growth, so clearly this pace of appreciation is unsustainable. Higher home financing costs have weighed on housing demand as prospective homebuyers face greater monthly mortgage payments. As the Federal Reserve continues to tighten monetary policy in the coming months, mortgage rates will remain elevated and curb house price growth in the coming months.

06

Savings and Assets

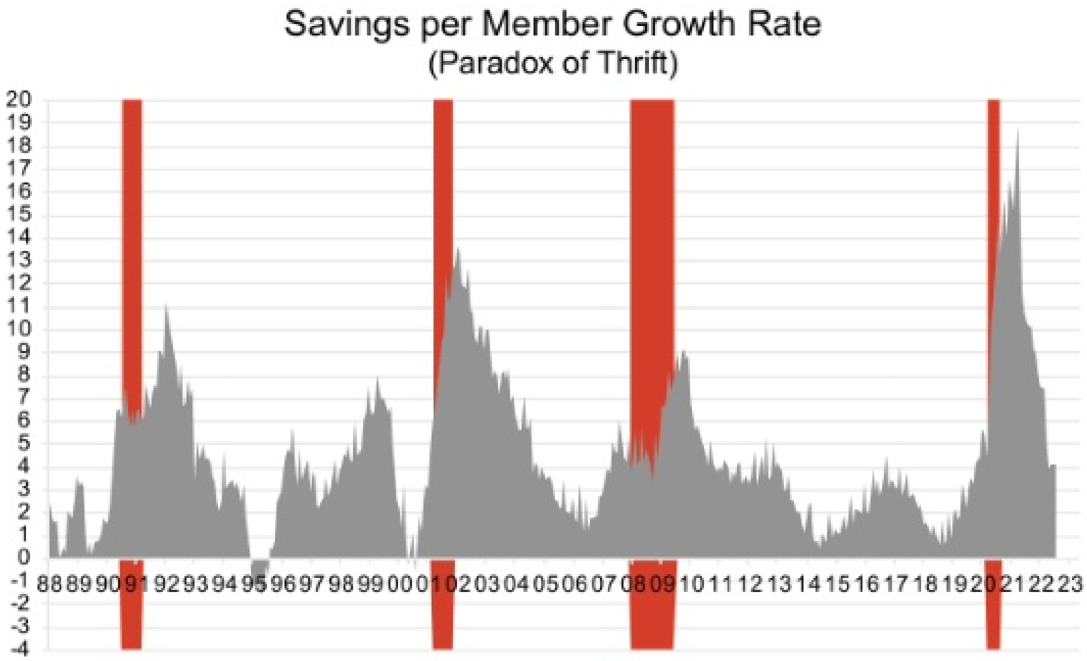
The savings-per-member growth rate falls to its long-run average.

Savings and Assets

Credit union savings balances grew 7.9% during the 12 months ending in June, which is above the 6.6% average annual growth rate recorded during the last 20 years. The 7.9% credit union savings growth rate was caused by the combination of the 3.7% membership growth during the last 12 months and the 4.1% savings-per-member growth rate **(see figure below).** The 4.1% savings-per-member growth rate is only slightly below its long-run average of 4.2%.

The decrease in deposit growth rates over the last year coincides with a fall in the personal savings rate (savings as a percent of disposable personal income) which reached 5.0% in June. This is below the 7.2% personal savings rate set during the 10-year period ending December 2019. Credit union members have begun to draw down the excess savings built up throughout the pandemic as well as pay higher prices with the current elevated inflation environment.

During the last 12 months, regular share deposit growth accounted for 57% of all deposit growth at credit unions. These low-cost deposits, however, are currently growing at only a 3% seasonally-adjusted annualized rate, 7 percentage points below the 20-year average of 7%. We expect overall credit union deposit growth to come in at 5% in 2022 and 2023.



Source: CUNA & NCUA

07

Capital and Other Key Measures

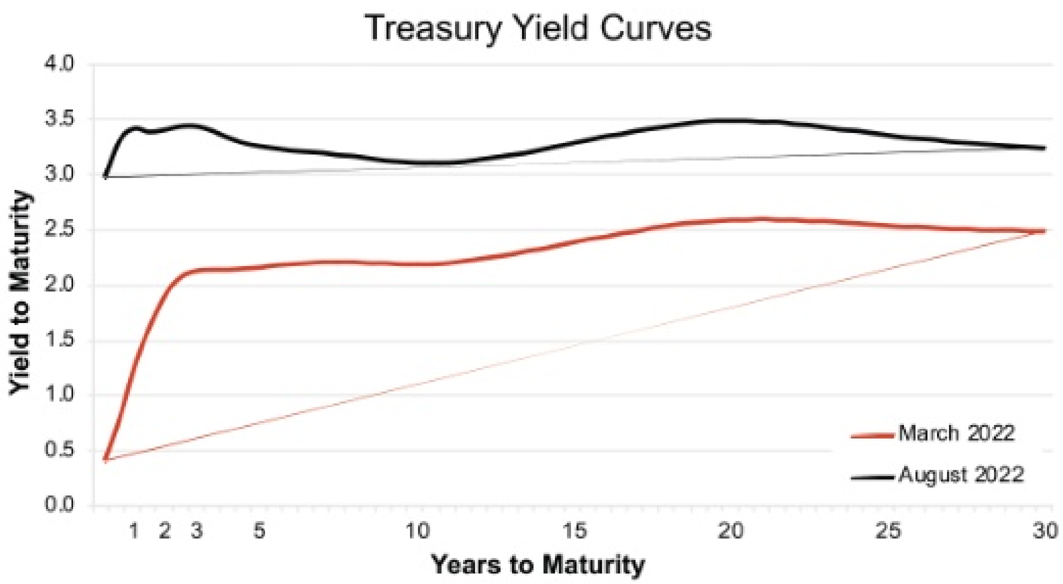
Higher short-term interest rates boost credit union investment yields.

Capital and Other Key Measures

The Treasury yield curve shifted up over the last 6 months, especially the short-to-medium-term portion of the yield curve **(see figure below).** Interest rates on the 10-year Treasury note rose 92 basis points to 3.12 percent, while the 1-year Treasury note interest rate rose 213 basis points to 3.43 percent. With short-term interest rates rising faster than longer-term interest rates, the yield curve inverted with short-term interest rates higher than longer-term interest rates. Historically an inverted yield curve is a harbinger of a coming recession in the next 9 to 15 months.

Normally an inverted yield curve would put downward pressure on credit unions' net interest margins as the business of buying money short term and selling money long term becomes less lucrative as credit union cost of funds rises faster than asset yields. However, the recent rise in short-term interest rates has boosted the yields on investments and therefore boosted asset yields faster than deposit costs. So net interest margins are expected to rise for the remainder of this year and into 2023.

Credit union loan-to-share ratios rose to 75.3% in June, up from 73.6% one month earlier, and up from 70% in June 2021. The recent cyclical low of 68.6% occurred during April 2021, the lowest since April 2013. Expect loan-to-share ratios to continue to rise for the rest of the year as loan growth outpaces savings growth as consumer borrowing and spending remains robust.



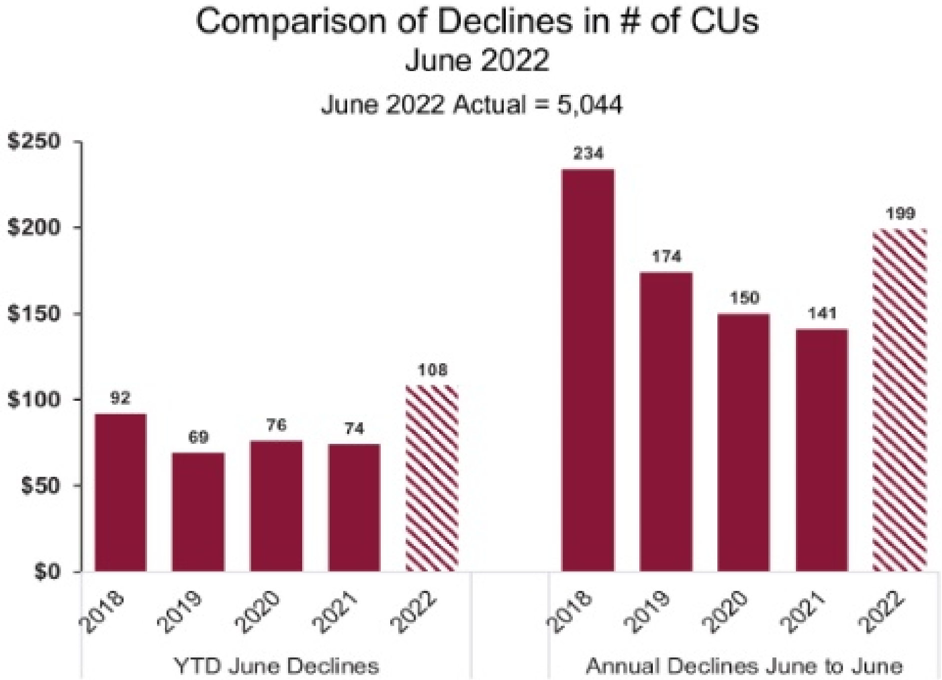
Source: Federal Reserve

08

Credit Unions and Members

Expect the number of credit unions to decline by 235 in 2022, the fastest pace since 2015.

Credit Unions and Members



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

As of June 2022, CUNA estimates 5,044 credit unions were in operation, 8 fewer than May and 199 fewer than June 2021 **(see figure above).** During the first half of 2022, approximately 108 credit unions ceased to exist because of mergers, purchases, and assumptions or liquidation. During a typical year, 46% of the total decline in the number of credit unions takes place in the first half of the year, which means that we can estimate the 2022 full-year decline in the number of credit unions to be 235, above the 165 reported in 2021.

The recent COVID pandemic and its corresponding economic ramifications have accelerated the pace of credit union mergers. The average asset size of a credit union now stands at $427.9 million, up 12% from a year ago, while the median asset size is $51.7 million, up 11% over the last year.

The trend towards industry consolidation and bigger credit unions is only likely to accelerate due to the benefits of greater economies of scale, higher productivity and larger earnings that are all achieved with a larger asset base. Larger, more efficient credit unions will also raise the barrier to entry for new small credit unions.

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 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	1,293.9	144.4	268.7	413.1	52.5	64.6	533.6	553.5	85.3	638.8	121.5
22 02	1,306.6	145.4	271.2	416.5	54.1	64.6	538.7	532.2	84.5	616.7	151.1
22 03	1,328.3	147.2	276.9	424.1	53.8	65.2	547.3	512.6	81.5	594.1	187.0
22 04	1,353.4	155.1	282.5	437.7	55.3	65.7	557.8	521.5	84.4	605.9	189.7
22 05	1,384.6	159.5	288.9	448.4	57.0	67.1	570.5	532.2	86.4	618.6	195.5
22 06	1,417.5	163.9	296.2	460.1	59.3	67.9	580.8	538.5	90.4	628.8	207.9

* 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 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	8.5	-0.2	10.9	6.7	2.0	5.9	6.5	4.9	-0.8	4.1	55.5
22 02	9.4	0.5	11.9	7.6	0.9	6.5	7.4	0.6	-1.0	0.4	91.4
22 03	11.1	3.5	13.3	9.7	0.7	9.7	8.8	-3.3	-2.5	-3.2	137.1
22 04	12.6	8.8	14.9	12.7	6.6	11.6	10.3	-2.5	0.6	-2.1	145.9
22 05	14.3	10.8	16.0	14.1	11.3	11.7	10.3	-1.0	2.9	-0.5	168.2
22 06	15.9	14.4	17.6	16.4	11.7	11.9	11.8	-1.3	8.0	0.0	178.4

* 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 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	1,293.9	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	1,353.4	2,161.8	1,895.5	191.9	134.0	5,083	71.4	8.9
22 05	1,384.6	2,154.3	1,881.7	195.0	134.2	5,052	73.6	9.1
22 06	1,417.5	2,142.3	1,882.8	193.5	134.4	5,044	75.3	9.0

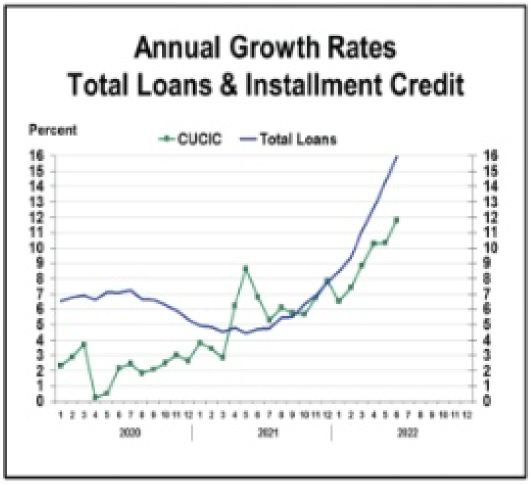
Credit Union Growth Rates

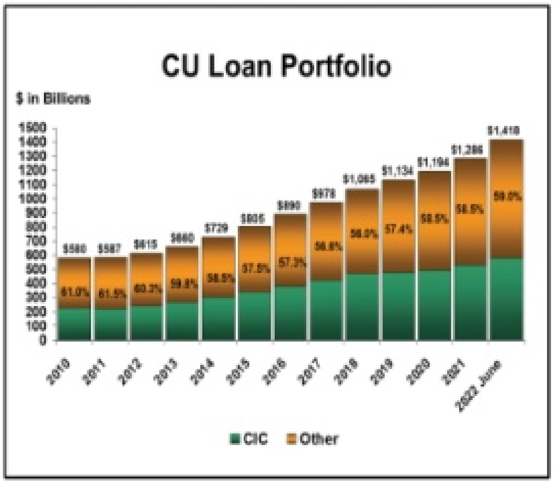
Percent Change From Prior Year

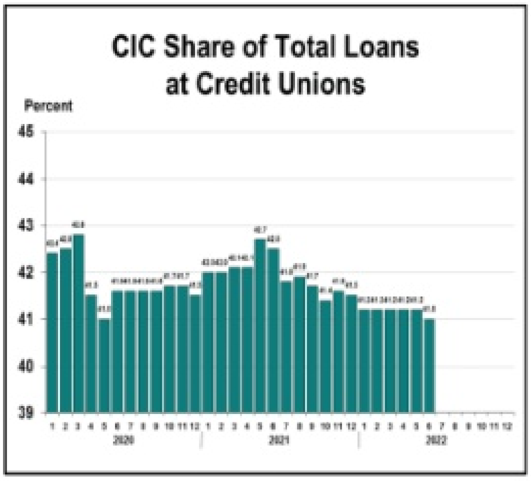
YR/MO	LOANS	ASSETS	SAVINGS	CAPITAL	MEMBERS	CREDIT UNIONS	# OF CUs DECLINE	DELINQUENCY RATE*
20 06	7.1	15.0	16.4	8.8	3.3	(2.7)	(150)	0.574%
20 07	7.2	16.9	18.5	9.7	3.4	(2.7)	(150)	0.541%
20 08	6.6	15.3	17.0	8.5	3.4	(2.5)	(140)	0.553%
20 09	6.6	16.1	18.2	8.1	3.4	(2.8)	(153)	0.540%
20 10	6.3	17.2	19.5	7.9	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	8.5	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	12.6	7.3	8.2	-2.8	4.1	(3.5)	(186)	0.424%
22 05	14.3	6.4	8.0	-2.4	3.8	(3.7)	(194)	0.420%
22 06	15.9	6.5	7.9	-4.2	3.7	(3.8)	(199)	0.418%

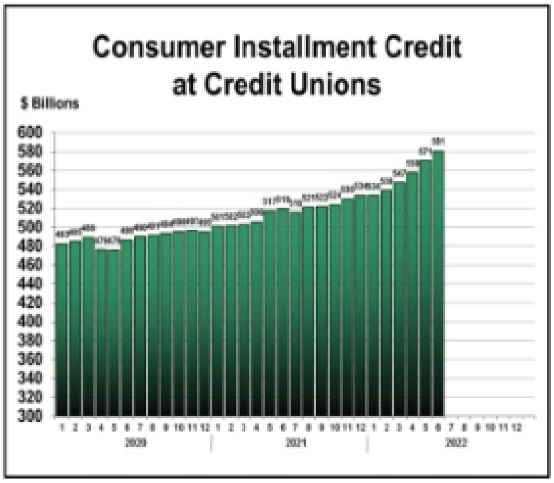
* Loans two or more months delinquent as a percent of total loans

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

File Summary

		Version	1
File Size	1.2 MB	Proof State	Active
Owner	Megan Le	Proof Status	-
Uploaded	7 Sep 2022 14:42 by Megan Le	Proof Comments	0
Proof Finish	-	Proof Pages	23

Decisions

Stage 1	Megan Le	Reviewer	0 comments	-	-
Stage 1	Deja Stewart	Reviewer	0 comments	-	-