

# Credit Union Trends Report

Executive Summary April 2024

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TruStage's Chief Economist, Steven Rick, shares trends of lending volume and credit quality. Additional highlights this month include:

## Economy

- Since the Federal Reserve started raising interest rates in March 2022, credit union cost of funds has more than quintupled, rising from a record low 0.35% in the 1<sup>st</sup> quarter of 2022 to 1.95% today.
- Whenever the Federal Reserve raises the Fed Funds interest rate by more than 3 percentage points, the credit union combined checking, savings and MMDAs growth rate turns negative as funds shift to CDs or move to money market mutual funds.
- Today, share certificates now make up 27% of all credit union deposits, up from only 13% in March 2022.
- This negative growth of money deposits will become less intense in 2024 due to most rate-sensitive funds have already moved to CDs or money market mutual funds.

## Lending

- Expect loan growth to slow to 5% in 2024, down from 6.5% in 2023 due to the Federal Reserve keeping interest rate high for most of the year which will reduce the demand for loans.
- Credit union loan balances fell 0.1% in February, below the 0.4% gain reported in February 2023, and 5.5% during the last 12 months.
- We expect new vehicle sales to reach 16 million in 2024, still well below the 17.1 million pre pandemic average but above the 15.5 million pace set in 2023.
- Home prices rose 0.4% in February from January, according to the Core Logic Case-Shiller Home Price Index and are up 6.6% year-over-year as the tight supply of existing homes for sale offset the weight of extremely low affordability.

## Members/Assets

- We are forecasting credit union savings balances to grow 3% in 2024, below the 7% long-run 30-year average, but above the 1.6% deposit growth rate set in 2023.
- If the Federal Reserve lowers short-term interest rates in the second half of the year, this competitive pressure will become less intense. We are forecasting credit union savings growth to be over 5% in 2025.
- Credit union membership growth slowed significantly during the first two months of 2024, adding 323,000 new memberships versus the 774,000 reported in the first two months of 2023.
- With loan growth expected to be only 4% this year and 6% in 2025, membership growth is expected to grow only 2.5% for the next two years, below its long-run average of 3.5%.

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