Credit union trends report

September 2024, July 2024 Data

Section one

Economic trends

The U.S. money supply increased $620 billion during the last year, boosting credit union deposit growth rates.

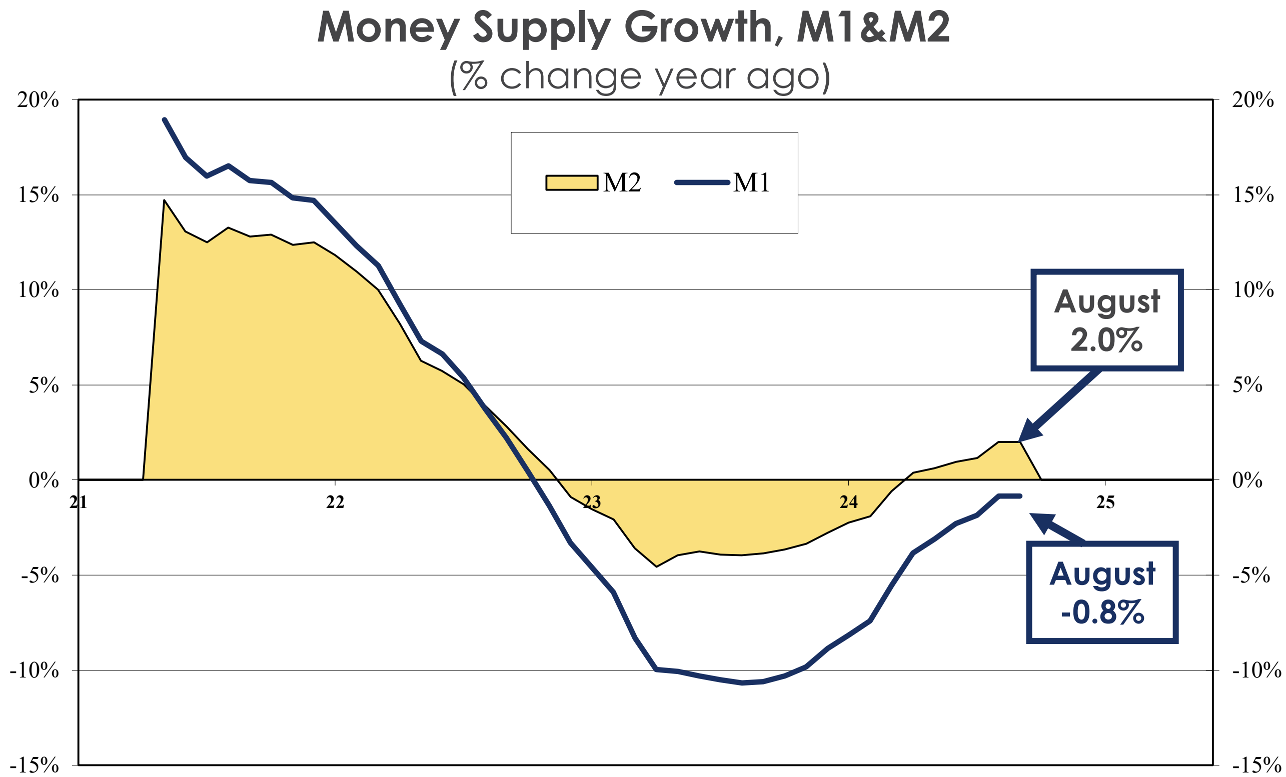
Economic trends

The tide has turned, and the nations money supply is rising once again. This will help alleviate the liquidity crisis afflicting the credit union and banking industries during the last two years. Economists define money, or specifically M2, as the sum of currency, checking accounts, savings accounts, money market deposit accounts, certificates of deposits and money market mutual funds. So, a drop in "money" is really a contraction in bank and credit union deposits. The M2 measure of money rose 2% during the last 12 months **(see figure below),** or $620 billion, a welcome turnaround compared to the negative numbers reported in 2023 and the first few months of 2024.

For the first time since 1948, the U.S. money supply contracted $1.5 trillion from its high-water mark of $22 trillion in April 2022, to its recent low point of $20.5 trillion in October 2023. This 6.8% reduction in the money supply/deposits had a major liquidity impact on banks and credit unions which reported the slowest deposit growth in history.

This drop in the money supply was due to the Federal Reserve's policy of "quantitative tightening" (QT) which is designed to drain excess liquidity from the banking system in its efforts to bring inflation down to its 2% target. Assets on the Fed's balance sheet reached an historic peak of $8.96 trillion in April 2022 (36% of GDP). Since then, the Fed has reduced its assets by $1.7 trillion by not reinvesting all its maturing Treasury and mortgage-backed securities. Since inflation is caused by "too many dollars chasing too few goods", then reducing the amount of money has helped bring inflation down to the Fed's target.

As the Federal Reserve winds down its quantitative tightening, QT, policy over the next few months, expect the money supply to resume it 5.5% long run growth rate and credit union deposits to increase 6% in 2025.



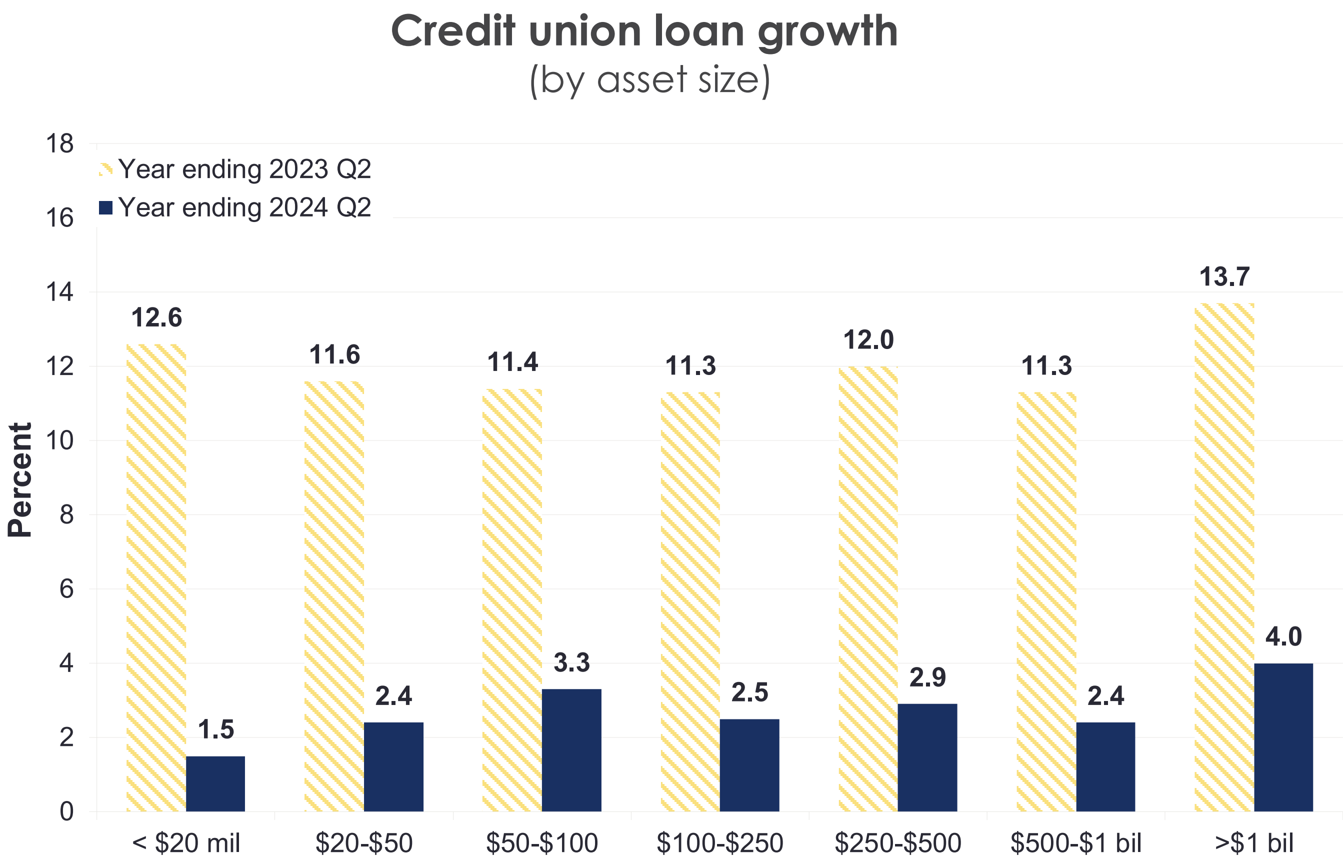
Source data: Federal Reserve

Section two

Total credit union lending

Credit union loan growth slows to 3.8% during the last year due to high interest rates, tight liquidity and strong competition.

Total credit union lending



Source: America's Credit Unions and TruStage – Economics

Credit union loan balances rose 3.8% in the year ending in July 2024, slower than the 11.4% pace reported in the year ending in July 2023, due to higher interest rates, tight credit union liquidity and strong competition from finance companies. Credit unions of all asset size reported slower loan growth this year than last year **(see figure above),** especially in the direct and indirect auto loan categories.

Bank lending has also been weak over the last year with loan balances rising only 2.3%, below their long run average of 6%. Slower than normal lending growth rates are one of the "long and variable lags of monetary policy" that Federal Reserve Chairman Jerome Powell likes to discuss at his press conferences.

Credit union loan balances grew at a 2.7% seasonally-adjusted, annualized growth rate in July, below the 5.9% pace set in July 2023, and significantly below the 19% pace set in July 2022, when credit unions picked up market share in the auto loan space. Over the long run, credit union loan balances rise on average 7% per annum. We are forecasting slightly better credit union loan growth for 2025 (around 5%) as lower interest rates encourages members to borrow and spend.

Section three

Consumer installment credit

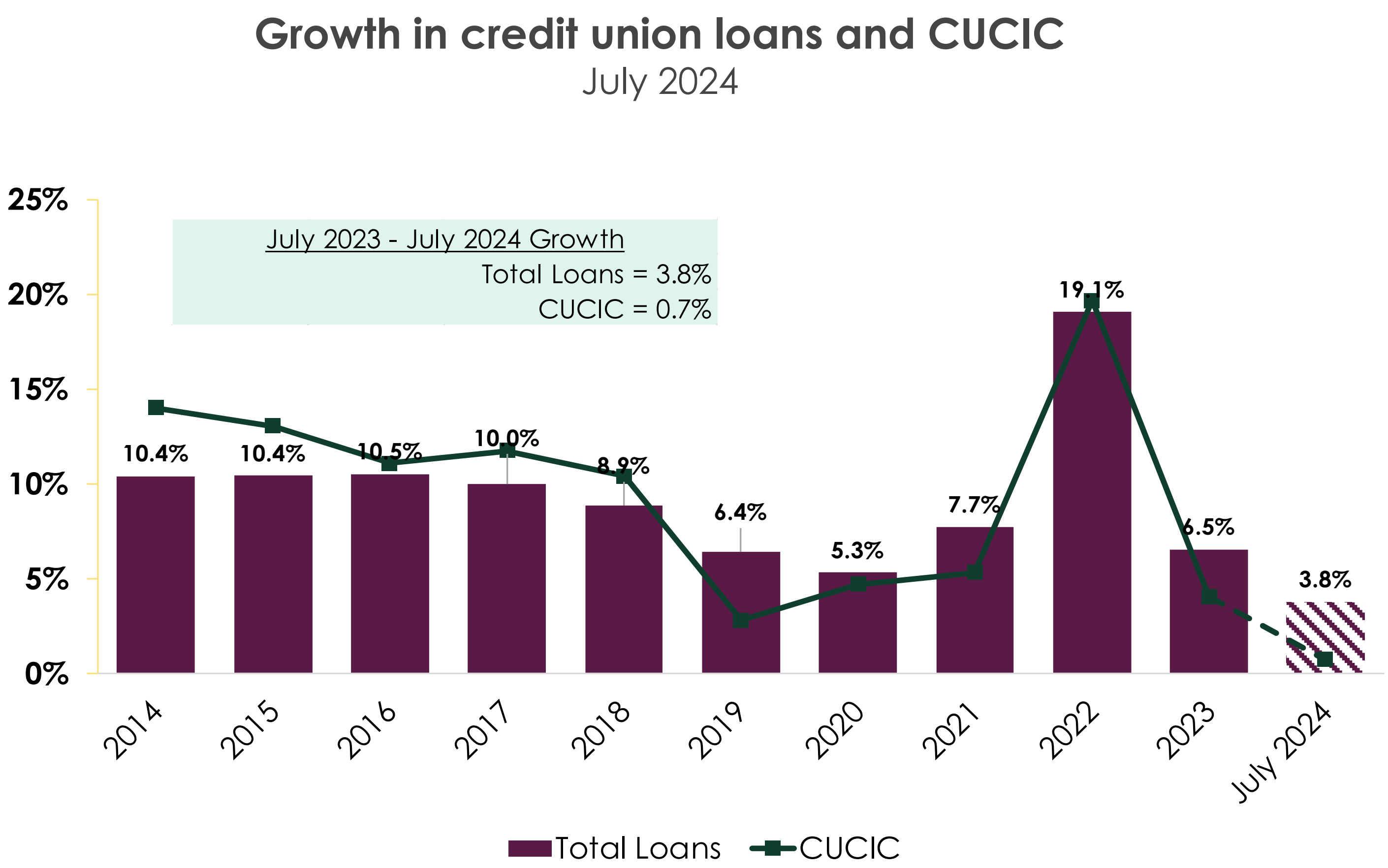
Credit union consumer installment credit is slowing due tight liquidity and higher interest rates.

Consumer installment credit

Credit union consumer installment credit rose 0.7% during the 12 months ending in July **(see figure below)**, the slowest pace since January 2012, and below the 3.1% pace reported by all other lenders. Bank consumer credit growth rates have also been declining for the last two years as liquidity was in short supply.

Credit union credit card balances grew at a 6.6% seasonally-adjusted annualized growth rate in July, below the 10.3% pace reported in July 2023. Weak deposit growth at many credit unions is reducing the supply of credit while higher borrowing costs are reducing the demand.

July's credit card seasonal factors usually add 0.62 percentage points to the underlying trend growth rate as people venture out on vacations. Falling gas prices and consumers slowing their spending on services will keep credit card loan growth around its long run average of 5.5% for the remainder of the year.



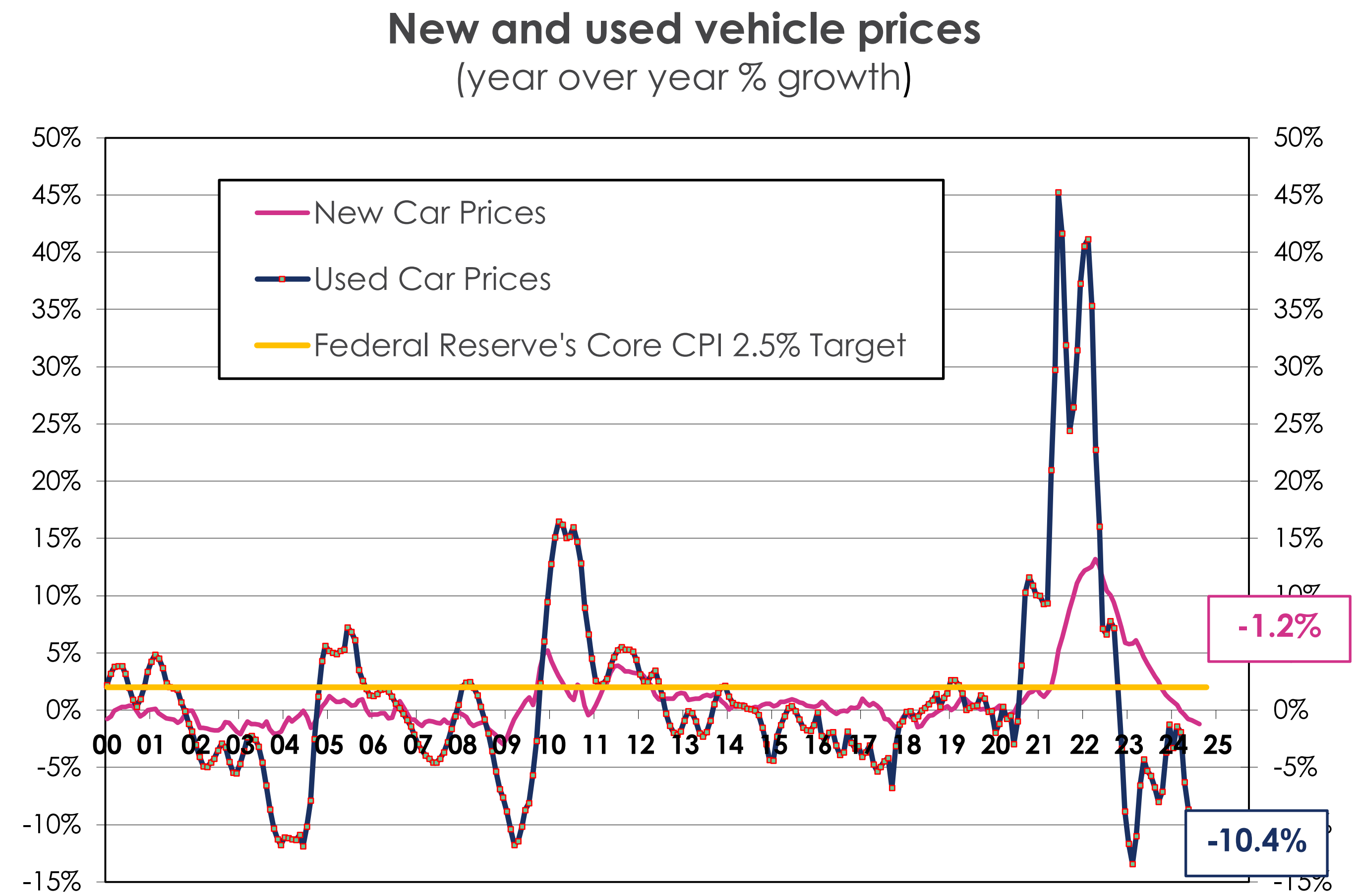
Source: America's Credit Unions and TruStage – Economics

Section four

Vehicle loans

Credit union new-auto loan balances fell 3.6% year to date, significantly below the 8% expected during a healthy labor market.

Vehicle loans



Source: Bureau of Labor Statistics

Credit union new-auto loan balances fell 0.3% in July, below the 0.1% gain reported in July 2023. Higher interest rates and increased competitive pressure from captive finance companies has reduced new-auto lending at credit unions. On a seasonally-adjusted annual rate new-auto loan balances fell 5.7% in July the slowest pace since July 2011. The month of July is historically in the middle of the May through October new-auto lending season.

Credit union new-auto loan balances fell 3.6% year to date, significantly below the 1.9% gain reported during the first seven months of 2023, and below the 8% long-run average expected during a heathy labor market.

Vehicle sales rose to a 15.8 million seasonally-adjusted annualized sales rate in July – up 4.3% from June but down 0.6% below the 15.9 million sales pace set in July 2023. Affordability issues during the last few years, caused by both high vehicle prices and high loan interest rates, has kept vehicle sales below its 16.5 million long run equilibrium. The increased supply of vehicles, however, has reduced new car prices 1.2% during the last 12 months **(see figure above)** while used vehicle prices are down 10.4%.

Lower interest rates during the next few months and falling vehicle prices will ensure that new-vehicle sales rise towards the 16.5 million long-term equilibrium in 2025. We are therefore forecasting credit union new-auto loan balances will rise 2% next year and used auto loan balances will rise 4%.

Section five

Real estate information

Credit union first mortgage loan originations drop 8.9% in the first half of 2024, compared to the first half of 2023.

Real estate information

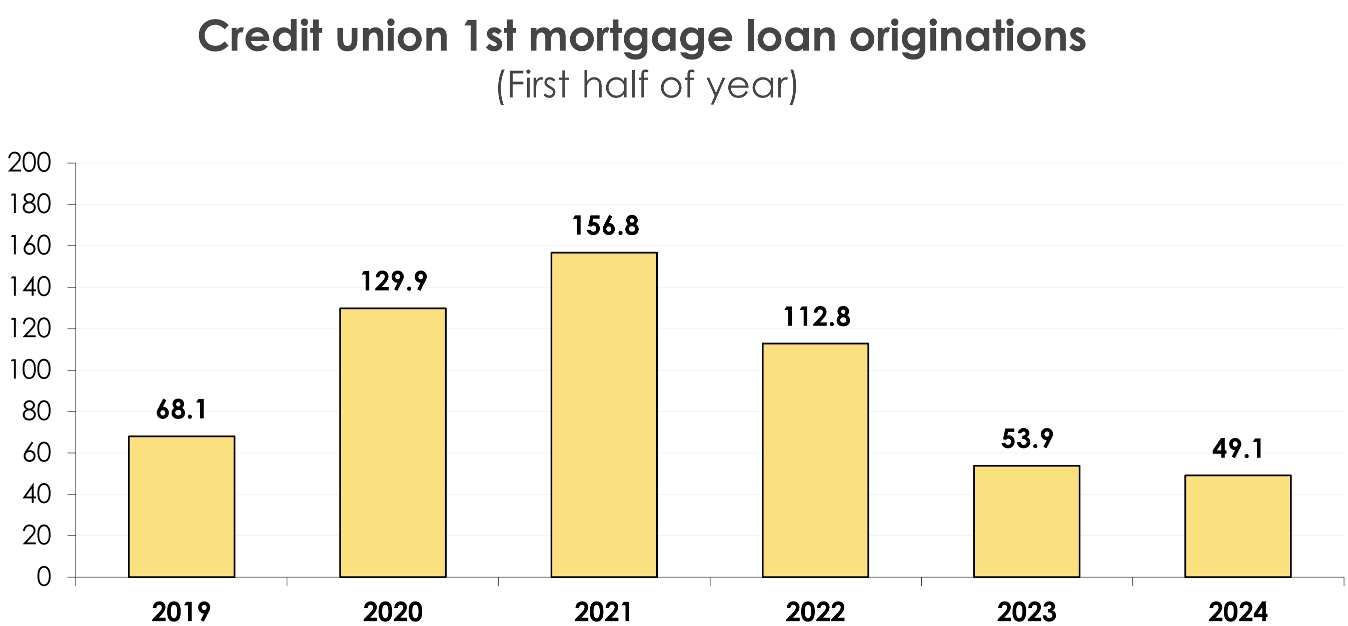
Credit union fixed-rate first mortgage loan balances rose 0.1% in July, below the 0.3% increase reported in July 2023, but have declined 0.3% during the last year. Credit union fixed-rate first mortgage loan balances fell 0.4% at a seasonally-adjusted annual rate in July, the eighth consecutive month of decline. Adjustable-rate first mortgage balances fell 0.6% in July, below the 0.6% gain reported in July 2023, but have increased 16.8% during the last year.

Credit unions originated $49.1 billion first mortgage loans in the first half of 2024, an 8.9%% decrease below the $53.9 billion in originations in the first half of 2023, and a remarkable 69% decrease below the record $156.8 billion in originations in the first half of 2021 **(see figure below)**. Credit unions then proceeded to sell off 33.7% of those originations into the secondary market, above the 22.1% sold off in the first half of 2023.

The stage is set for a better second half of 2024, due to the recent fall in mortgage interest rates to around 6% and a rising supply of home for sale. We expect both purchase and refinance mortgage activity to accelerate during the next six months.

The contract interest rate on a 30-year fixed-rate conventional home mortgage fell to 6.85% in July, down from 6.92% in June and slightly above the 6.84% reported in July 2023. We expect long-term interest rates to fall this winter as the Federal Reserve winds down their Quantitative Tightening program; reducing their purchases of Treasury bonds and agency mortgage-backed securities.

Home prices rose 0.2% in July from June despite very low home affordability, according to the S&P Core Logic Home Price Index, and were up 5% on a year ago basis. Expect the pace of home price appreciation to slow as inventory begins to grow and many buyers have been priced out of the market. Lower interest rates will increase housing demand, but housing supply is expected to increase more. So, expect home price appreciation to slow to around 2-3% over the next year.



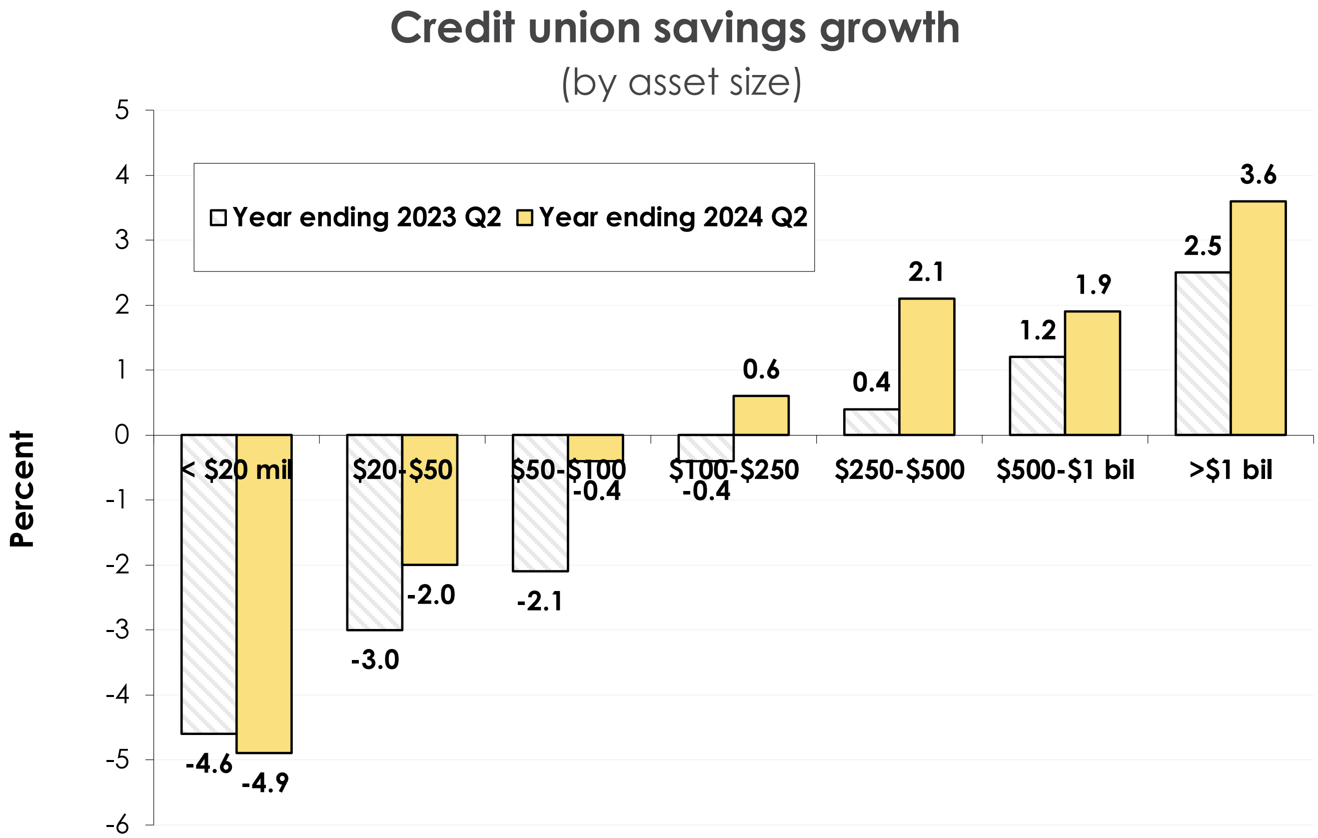
Source: America's Credit Unions and TruStage – Economics

Section six

Savings and assets

Credit union savings-per-member rose 2.6% during the last year, below the long run average of 4.2%.

Savings and assets



Source: America's Credit Unions and TruStage – Economics

Credit union savings balances fell 0.3% in July, above the 0.9% decrease in balances reported in July 2023. July is normally the weakest month of the year for saving balance growth due to seasonal factors shaving off -0.6% from the underlying trend growth. These seasonal factors include things like vacation spending and auto loan down payments.

During the last 12 months, savings balances rose 3.8%, below the pre-COVID 19 pandemic average of 6.7% . With credit unions raising the interest rates paid on saving deposits, the interest paid by credit unions should have raised deposit balances by around 1.9%. Moreover, with credit union memberships growing 1.2% during the last 12 months, deposit balances should have increased as new members opened checking and savings accounts and deposited new money into the credit union. Therefore, savings per member is currently rising at a slow 2.6% pace (3.8% - 1.2%) below the 4.2% long run average. The weak credit union savings growth rates are partly explained by the national Personal Savings Rate (savings as a percent of disposable income) coming in at 3.3% recently according the Bureau of Economic Analysis, almost 1/2 the long run average of 6%.

According to NCUA call report data, credit unions of all sizes reported weak savings growth rates during the last year **(see figure above)** as compared to long run averages. We expect credit union savings balances to rise 5% in 2024, and then accelerate to 6% in 2025.

Section seven

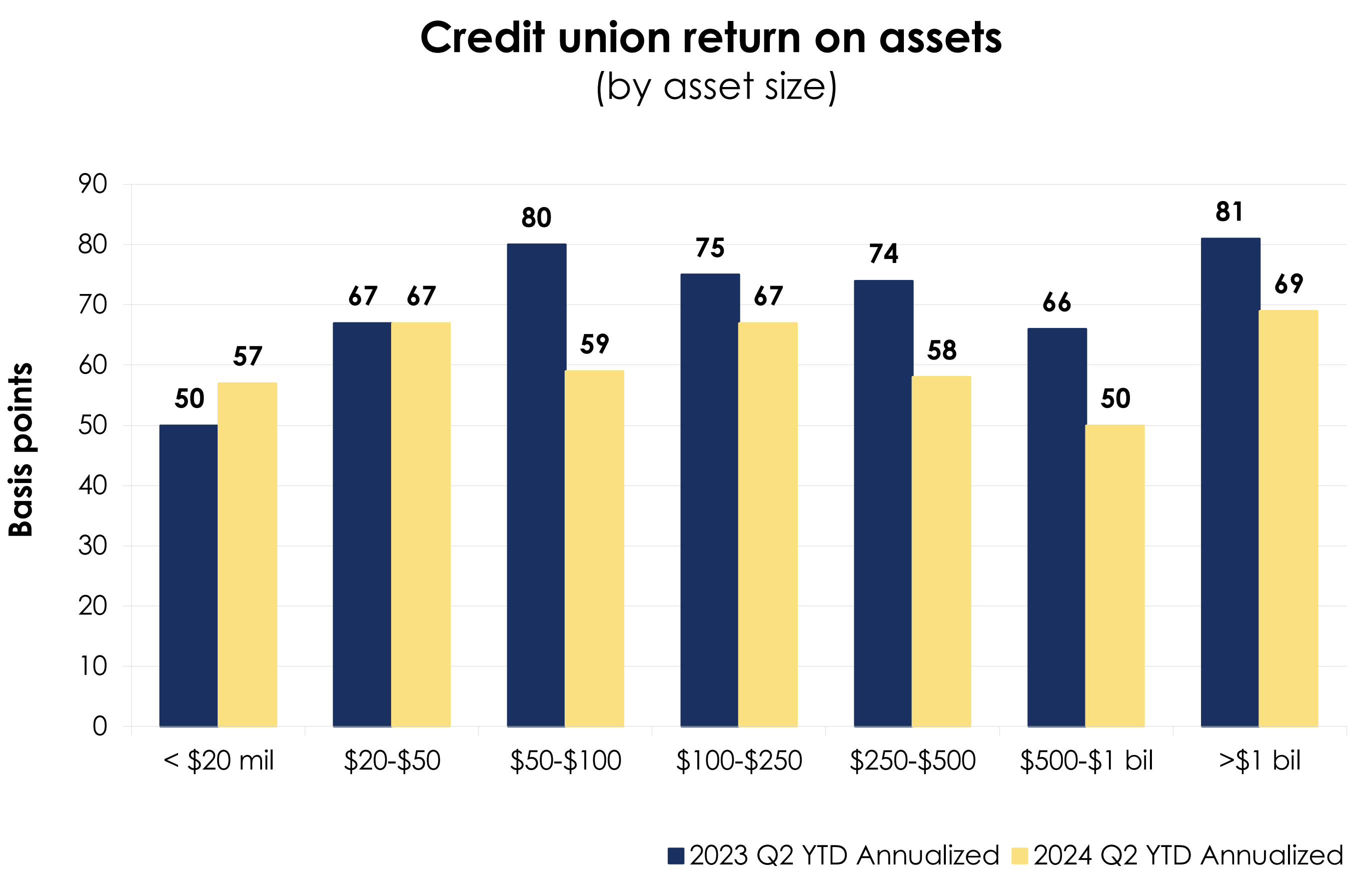
Capital and other key measures

Smaller credit union return-on-asset ratios rose over the last year while larger credit union ratios fell.

Equity and other key measures

The credit union return-on-asset ratio fell to 0.66% in the first six months of 2024, on an annualized basis, down from 0.78% in the first six months of 2023. The 12-basis point decrease in earnings during the last year was driven by a 15-basis point increase in provisions for loan losses as a percent of average assets, and a 7-basis point increase in operating expense ratios. Partially offsetting the expense increase was a 3-basis point increase in net interest margins and a 6-basis point increase in fee and other income ratios.

Credit unions with assets greater than $50 million in assets reported a drop in earnings while smaller credit unions reported higher earnings due to the difference in the increase in their cost of funds ratios **(see figure below).** For example, billion-dollar credit unions saw their cost of funds ratios rise from 1.33% during the first half of 2023, to 2.03% in the first half of 2024, a 70-basis point increase. Meanwhile, credit unions with assets less than $20 million saw their cost of funds increase from 0.45% in 2023 to 0.81% in 2024, a 36-basis point increase. This cost of funds disparity is due to bigger credit unions relying more on higher cost money market and certificates of deposit accounts for funding. So, for the first time in many years, these smaller credit unions reported a return on asset ratio similar to the billion-dollar credit unions.



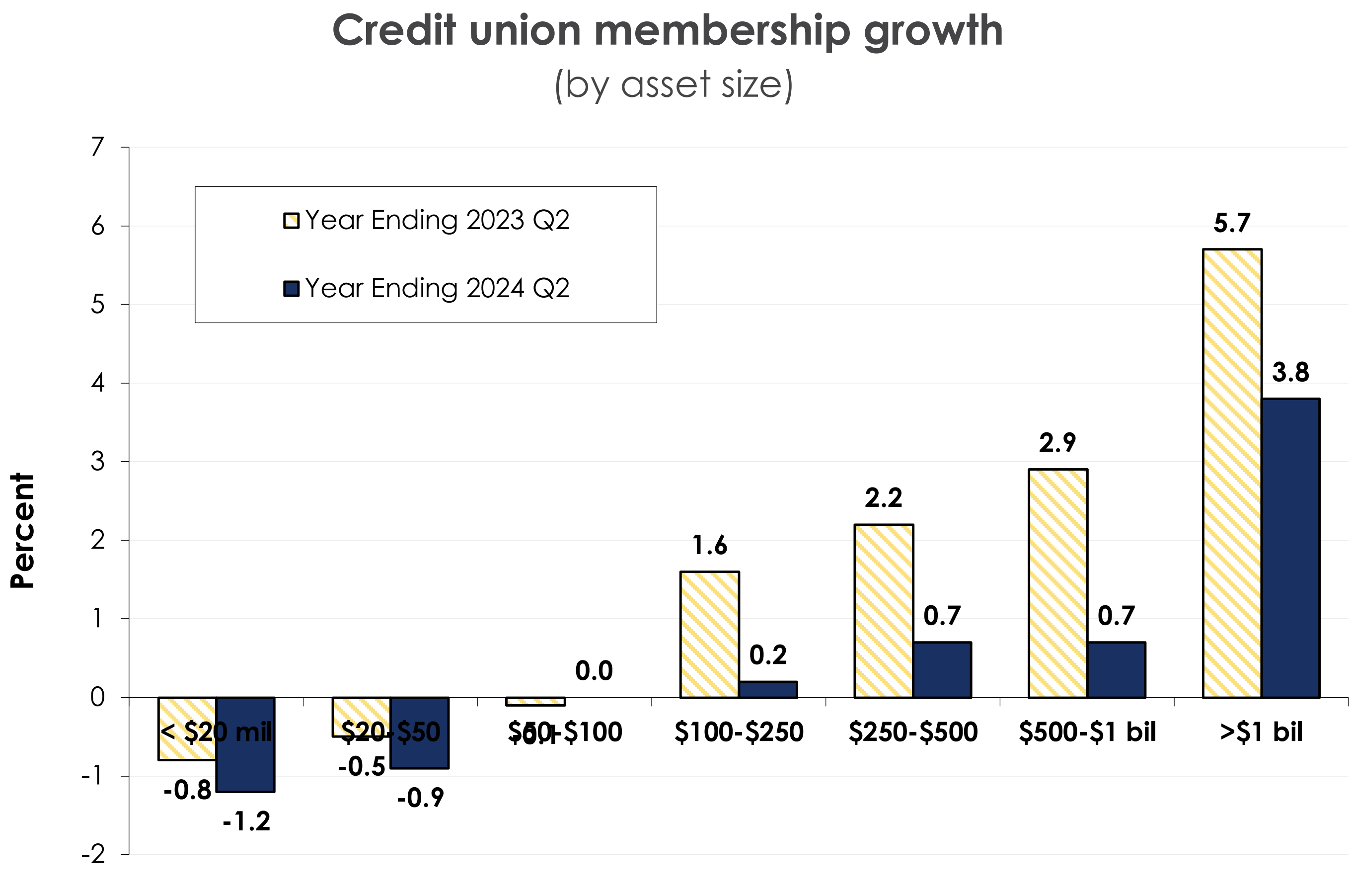
Source: CUNA Economics & Statistics and TruStage – Economics

Section eight

Credit unions and members

Credit union memberships growth is the slowest since 2011, due to weak auto loan originations and slower job creation.

Credit unions and members



Source: America's Credit Unions and TruStage – Economics

Credit union memberships grew 0.1% in July 2024, below the 0.4% reported in July 2023, due to a significant reduction in auto loan originations and slower job growth. On an annual growth rate basis, memberships are up only 1.2% in the year ending in July 2024, below the 4.3% pace set in the year ending in July 2023. This 1.2% pace is the slowest since the tail end of the Great Recession in November 2011.

The membership growth slowdown was partially driven by the 2.4 million jobs gained during the last year, according to the Bureau of Labor Statistics, which is below the 3.2 million jobs gained in the year ending in July 2023.

The slowdown in membership growth in 2024, compared to 2023, was seen across the board **(see Figure above)**. Most credit unions with less than $100 million in assets reported negative membership growth while credit unions with assets greater than $1 billion reported relatively strong membership growth of 3.8% due to organic growth and mergers.

Credit unions should expect membership growth around 1.5% in 2024, and a slightly better 1.8% membership growth is forecasted for 2025 as loan growth picks up.

Distribution of credit union loans

Estimated $ (Billions) outstanding

Year/ month	Total loans	New auto	Used auto	Total auto	Unsec ex. CC's	Credit cards	CUCIC	1st mortgage total	Total other mortgage 2nd + HE	Total real estate	MBLs*
22 07	1,433.8	166.4	299.1	465.5	59.4	69.2	**594.9**	543.2	94.0	637.2	201.7
22 08	1,457.6	170.2	304.0	474.2	61.1	70.1	**602.6**	547.7	97.7	645.3	209.6
22 09	1,482.5	169.3	309.8	479.2	62.0	70.7	**616.2**	549.0	101.0	650.0	216.3
22 10	1,500.5	171.0	312.6	483.6	63.2	71.6	**619.1**	553.1	104.6	657.7	223.8
22 11	1,515.9	173.2	313.9	487.0	63.8	73.2	**624.5**	556.1	106.2	662.3	229.1
22 12	1,531.2	176.2	316.8	493.0	64.5	75.1	**636.8**	561.9	108.9	670.9	223.6
23 01	1,538.7	176.7	319.3	496.0	64.7	75.1	**639.6**	551.8	110.4	662.2	237.0
23 02	1,544.6	177.2	320.9	498.1	65.0	74.9	**641.0**	557.8	112.0	669.9	233.7
23 03	1,555.2	178.3	323.1	501.4	65.0	75.0	**645.0**	567.1	113.7	680.9	229.4
23 04	1,565.8	177.9	322.7	500.6	66.2	76.0	**649.3**	564.7	118.9	683.5	232.9
23 05	1,577.3	177.9	322.9	500.9	67.4	77.3	**649.6**	568.2	121.5	689.7	238.0
23 06	1,587.6	179.3	326.2	505.5	67.0	77.5	**654.2**	575.5	120.8	696.3	237.1
23 07	1,598.5	179.5	327.7	507.3	67.9	78.9	**658.2**	577.4	122.9	700.3	238.6
23 08	1,608.8	179.7	329.0	508.7	68.7	79.5	**661.3**	580.2	125.9	706.1	241.4
23 09	1,615.9	179.5	329.3	508.8	69.2	79.6	**663.9**	583.1	128.2	711.3	240.7
23 10	1,622.9	179.3	330.1	509.4	69.8	80.7	**663.8**	583.4	133.1	714.5	244.6
23 11	1,628.8	178.9	330.0	508.9	70.4	82.0	**662.6**	584.3	133.7	718.0	246.4
23 12	1,631.5	178.8	328.7	507.4	70.3	83.2	**662.6**	586.6	135.4	722.0	246.8
24 01	1,629.8	177.4	328.2	505.6	70.2	82.7	**660.4**	586.1	136.6	722.7	246.7
24 02	1,628.2	175.7	327.9	503.6	69.7	82.0	**657.1**	586.1	137.7	723.8	247.3
24 03	1,627.1	174.0	326.1	500.2	69.6	81.8	**653.6**	586.5	139.1	725.6	247.8
24 04	1,633.2	173.2	327.0	500.3	70.3	82.1	**656.5**	587.2	142.1	729.3	247.4
24 05	1,641.2	173.2	327.3	500.4	70.7	82.6	**659.5**	590.0	144.8	734.8	246.9
24 06	1,649.1	172.7	326.5	499.3	71.6	83.3	**660.8**	591.5	147.9	739.5	248.8
24 07	1,657.4	172.3	327.8	500.1	72.5	83.9	**661.9**	591.5	151.3	742.7	252.7

* 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

Year/ month	Total loans	New auto	Used auto	Total auto	Unsec ex. CC's	Credit cards	CUCIC	1st mortgage total	Total other mortgage 2nd + HE	Total real estate	MBLs*
22 07	16.3	16.2	17.6	17.1	15.2	13.1	**15.4**	(1.2)	10.7	0.4	144.9
22 08	17.1	18.9	18.1	18.4	18.6	13.4	**15.6**	(1.4)	15.5	0.8	152.3
22 09	18.4	17.9	18.8	18.5	19.1	14.1	**18.0**	(2.3)	19.3	0.5	160.0
22 10	18.7	19.4	19.0	19.2	19.9	14.4	**18.2**	(2.2)	20.5	0.8	154.3
22 11	19.0	20.7	18.5	19.3	23.8	14.7	**17.9**	(3.1)	25.1	0.6	168.7
22 12	19.1	22.2	18.8	20.0	22.9	15.5	**19.3**	(3.3)	26.3	0.5	163.6
23 01	18.9	22.4	18.8	20.1	23.3	16.2	**19.9**	0.2	29.4	4.2	90.3
23 02	18.2	21.9	18.3	19.6	20.1	16.0	**19.0**	6.0	32.6	9.7	48.7
23 03	17.1	21.2	16.7	18.2	20.8	15.1	**17.9**	12.6	39.6	16.4	17.1
23 04	15.9	16.0	14.4	15.0	20.9	15.6	**16.4**	10.2	40.5	14.5	18.7
23 05	14.3	14.1	12.1	12.8	20.7	15.1	**13.9**	8.7	40.2	13.1	19.3
23 06	12.5	12.9	10.5	11.3	15.7	13.9	**12.0**	8.6	33.6	12.2	14.8
23 07	11.5	8.0	9.4	9.0	14.3	14.1	**10.6**	6.3	30.7	10.0	18.3
23 08	10.4	5.6	8.2	7.3	12.6	13.4	**9.7**	5.9	28.9	9.4	15.2
23 09	9.0	6.0	6.3	6.2	11.6	12.5	**7.7**	6.2	26.9	9.4	11.3
23 10	8.2	4.9	5.6	5.3	10.3	12.7	**7.2**	5.5	25.3	8.6	8.9
23 11	7.4	3.5	5.0	4.5	10.3	11.6	**6.1**	5.1	25.9	8.4	7.6
23 12	6.5	1.5	3.7	2.9	8.9	10.8	**4.1**	4.4	24.3	7.6	10.4
24 01	5.9	0.4	2.8	1.9	8.5	10.1	**3.2**	6.2	23.8	9.1	4.3
24 02	5.4	(0.9)	2.2	1.1	7.2	9.4	**2.4**	5.1	22.9	8.0	6.2
24 03	4.6	(2.4)	1.0	(0.2)	6.9	9.1	**1.4**	3.4	22.3	6.6	8.0
24 04	4.3	(2.8)	1.2	(0.2)	6.9	8.1	**1.2**	3.7	20.4	6.6	6.5
24 05	4.1	(3.0)	1.1	(0.3)	6.4	7.0	**1.6**	3.4	20.9	6.4	4.3
24 06	3.9	(3.7)	0.1	(1.2)	6.9	7.4	**1.1**	2.8	22.5	6.2	4.8
24 07	3.8	(4.0)	0.1	(1.3)	6.8	6.3	**0.7**	2.4	23.1	6.1	5.4

* 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 union	Loan/ savings ratio	Capital/ asset ratio
22 07	1,433.8	2,195.1	1,885.3	197.1	135.0	5,051	76.0	9.0
22 08	1,457.6	2,183.5	1,879.8	194.7	135.4	5,044	77.5	8.9
22 09	1,482.5	2,184.1	1,889.2	186.7	136.8	5,018	78.5	8.5
22 10	1,500.5	2,181.3	1,876.8	184.8	137.2	5,023	80.0	8.5
22 11	1,515.9	2,192.6	1,871.3	190.8	137.3	4,970	81.0	8.7
22 12	1,531.2	2,202.1	1,879.5	193.2	137.7	4,963	81.5	8.8
23 01	1,538.7	2,201.8	1,865.0	197.8	138.1	4,950	82.5	9.0
23 02	1,544.6	2,208.9	1,887.9	192.3	138.5	4,918	81.8	8.7
23 03	1,555.2	2,245.6	1,919.1	196.4	139.1	4,913	81.0	8.7
23 04	1,565.8	2,253.2	1,905.2	198.5	139.3	4,889	82.2	8.8
23 05	1,577.3	2,253.6	1,896.1	201.5	139.7	4,865	83.2	8.9
23 06	1,587.6	2,252.7	1,906.9	197.8	140.2	4,883	83.3	8.8
23 07	1,598.5	2,240.3	1,888.7	198.0	140.8	4,858	84.6	8.8
23 08	1,608.8	2,251.6	1,893.2	199.3	141.1	4,843	85.0	8.8
23 09	1,615.9	2,263.6	1,904.9	196.9	141.3	4,839	84.8	8.7
23 10	1,622.9	2,252.3	1,893.0	196.5	141.6	4,814	85.7	8.7
23 11	1,627.5	2,267.6	1,897.7	202.5	141.7	4,797	85.8	8.9
23 12	1,631.5	2,290.1	1,910.3	208.9	141.8	4,796	85.4	9.1
24 01	1,629.8	2,290.4	1,903.2	210.3	141.7	4,800	85.6	9.2
24 02	1,628.2	2,317.9	1,934.2	209.4	141.7	4,782	84.2	9.0
24 03	1,627.1	2,342.6	1,964.5	211.7	141.8	4,767	82.8	9.0
24 04	1,633.2	2,320.0	1,952.2	211.3	142.0	4,719	83.7	9.1
24 05	1,641.2	2,329.7	1,969.0	213.7	142.2	4,704	83.4	9.2
24 06	1,649.1	2,336.7	1,967.8	216.8	142.3	4,700	83.8	9.3
24 07	1,657.4	2,330.8	1,962.2	220.9	142.5	4,695	84.5	9.5

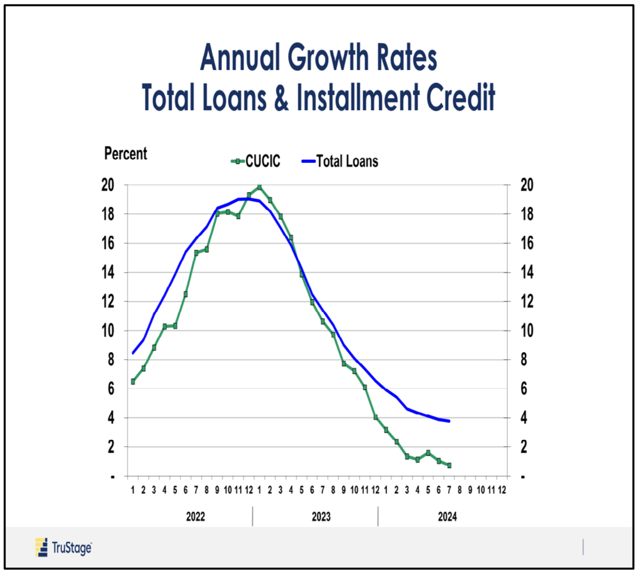
Credit union growth rates

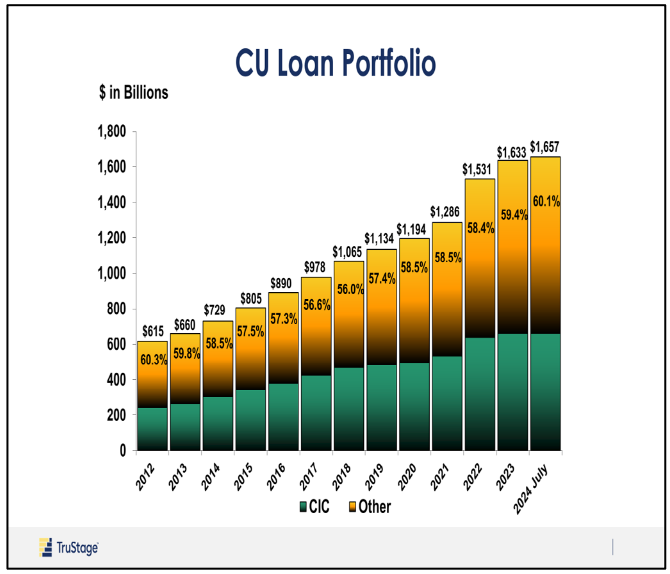
Percent change from prior year

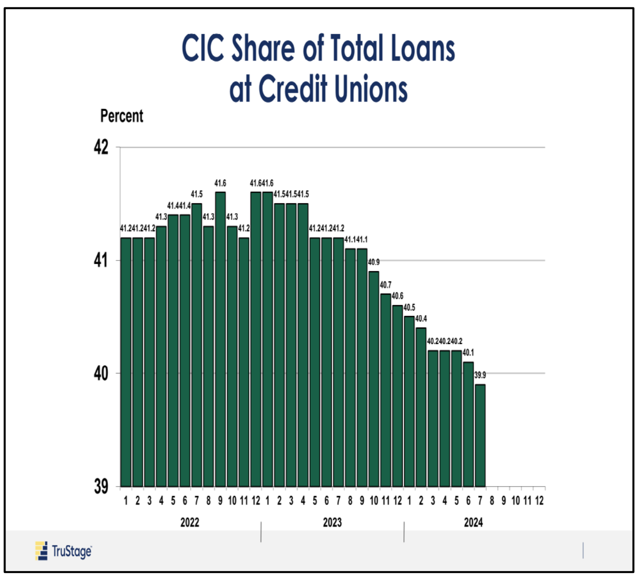
Yr/Mo	Loans	Assets	Savings	Capital	Members	Credit unions	# of credit unions decline	Delinquency rate*
22 07	16.3	7.3	6.9	– 3.7	3.7	(3.8)	(200)	0.510%
22 08	17.1	6.6	6.5	– 5.8	3.7	(3.8)	(200)	0.515%
22 09	18.4	6.4	6.2	– 9.7	4.3	(3.6)	(186)	0.528%
22 10	18.7	5.0	4.6	– 10.6	4.5	(3.0)	(156)	0.561%
22 11	19.0	5.7	4.2	– 8.1	4.3	(3.6)	(186)	0.616%
22 12	19.1	5.1	3.3	– 7.6	4.3	(3.7)	(189)	0.612%
23 01	19.0	5.2	2.6	– 4.4	4.3	(3.9)	(221)	0.667%
23 02	18.9	4.0	2.2	– 6.2	4.3	(3.9)	(224)	0.582%
23 03	17.1	4.3	2.0	-1.0	4.3	(3.9)	(220)	0.523%
23 04	15.9	3.8	0.5	3.7	3.9	(4.2)	(212)	0.588%
23 05	14.3	3.8	0.7	3.8	3.8	(4.0)	(205)	0.594%
23 06	12.5	3.8	1.2	2.7	3.8	(3.5)	(179)	0.626%
23 07	11.4	2.1	0.2	0.5	4.3	(3.4)	(172)	0.672%
23 08	10.4	3.1	0.7	2.4	4.1	(4.0)	(201)	0.697%
23 09	9.0	3.6	0.8	5.5	3.3	(3.6)	(179)	0.716%
23 10	8.2	3.3	0.9	6.3	3.2	(4.2)	(198)	0.747%
23 11	7.4	3.4	1.4	6.2	3.1	(3.5)	(173)	0.803%
23 12	6.5	4.0	1.6	8.1	2.9	(3.4)	(167)	0.826%
24 01	5.9	4.0	2.0	6.3	2.6	(3.0)	(150)	0.862%
24 02	5.4	4.9	2.5	8.9	2.3	(2.8)	(136)	0.809%
24 03	4.6	4.3	2.4	7.8	1.9	(3.0)	(146)	0.773%
24 04	4.3	3.1	2.5	7.1	1.8	(3.9)	(193)	0.840%
24 05	4.1	3.7	3.9	7.3	1.7	(3.8)	(184)	0.843%
24 06	3.9	3.7	3.2	9.6	1.5	(3.7)	(183)	0.872%
24 07	3.8	4.0	3.8	11.6	1.2	(3.8)	(184)	0.863%

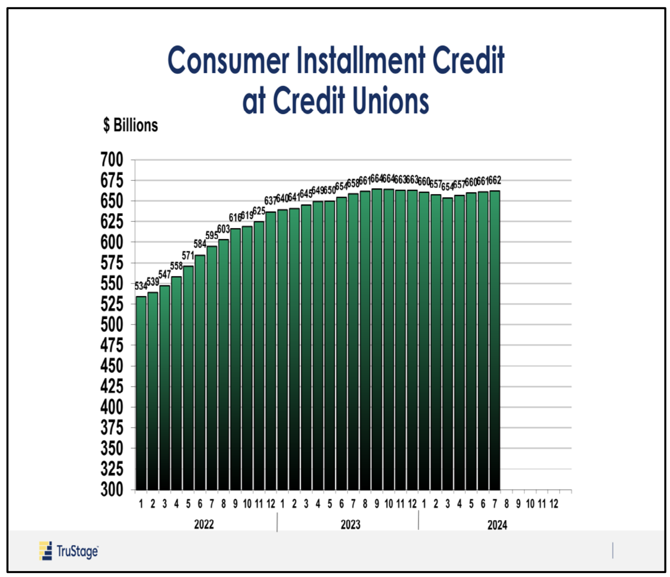
* Loans two or more months delinquent as a percent of total loans

Consumer installment credit









Meet Steve Rick

Steve Rick is the Chief Economist for TruStage. 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 TruStage 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 TruStage – Economics. To access this report on the Internet, go to www.trustage.com/cu-trends. If you have any questions, comments, or need additional information, please call or complete this form. Thank you.

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TruStage – Economics

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