

# Credit Union Trends Report

Executive Summary May 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

- On March 17<sup>th</sup>, 2022, the Federal Reserve embarked on their plans to reduce inflation by raising the federal funds interest rate and reducing the nation's money supply. During the ensuing 26 months, the Federal Funds interest rate rose from 0.08% to 5.33%.
- Higher interest rates and lower money supply has caused major impacts on credit union balance sheets and income statements.
- So, when can we expect the Federal Reserve to ease off their current stance of tight monetary policy?
- We expect the Federal Reserve to keep the Fed Funds rate at 5.33% until the 4<sup>th</sup> quarter and then lower interest rates at their December meeting.

## Lending

- Credit union loan balances fell 0.02% in March, below the 0.7% rise reported in March 2023, and rose 4.8% during the last 12 months.
- Credit union consumer installment credit grew 2% during the last year, which is significantly below the 8.5% for the total market excluding credit unions and government student loans.
- Credit union new-auto loan balances are down 2.8% from one year ago and used-auto loan balances are up only 1%.
- Expect real home prices to fall over the next few years, as home prices rise slower than the rate of inflation, due to the imbalance between median home prices and median incomes.
- Expect credit union loan balances to rise 5% in 2024 and then rise 5.5% in 2025 as the Fed Funds interest rate falls slightly in the 4<sup>th</sup> quarter of 2024 and throughout 2025.

## Members/Assets

- After declining for 16 months, the year-over-year growth rate in savings-per-member has finally turned positive again in March 2024.
- The average credit union member had \$13,809 in total savings deposits at their credit union in March 2024, up 0.1% from the \$13,795 in March 2023.
- Credit union membership growth slowed in the first quarter of 2024, adding 0.1 million new memberships, significantly slower than the 0.4 million added in the first quarter of 2023.
- Credit unions should expect membership growth around 2.5% in 2024, and a slightly better 2.8% membership growth is forecasted for 2025.

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Source: May 2024, CUNA Economics & Statistics and TruStage Economics. This report on key CU indicators is based on data from TruStage E&S's Monthly Credit Union Estimates, the Federal Reserve Board, and TruStage – Economics