

# Economic and Credit Union Update

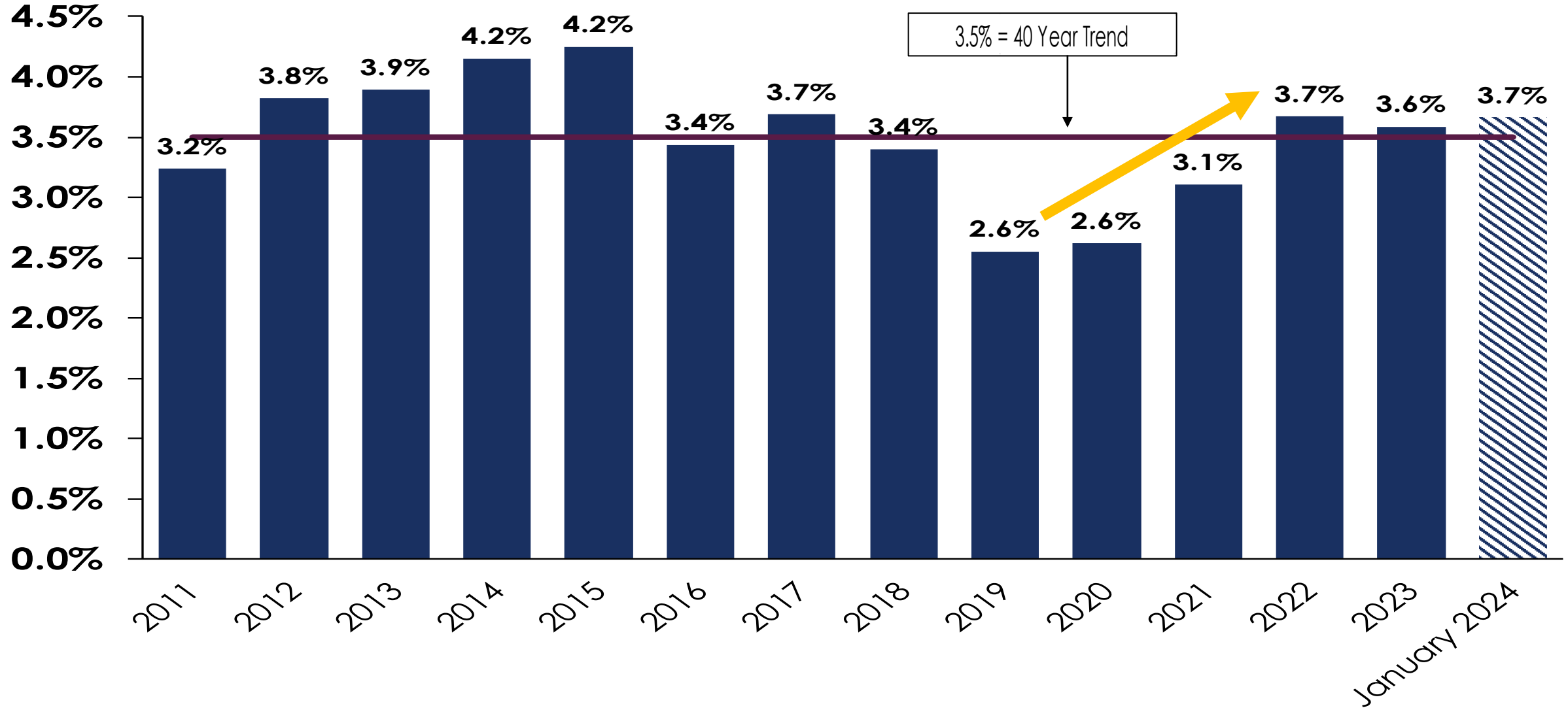
June 2024

If you have any questions or  
comments, please contact:  
**Steven Rick, Chief Economist**  
TruStage - Economics  
800.356.2644, Ext. 665.5454  
[Steve.rick@TruStage.com](mailto:Steve.rick@TruStage.com)

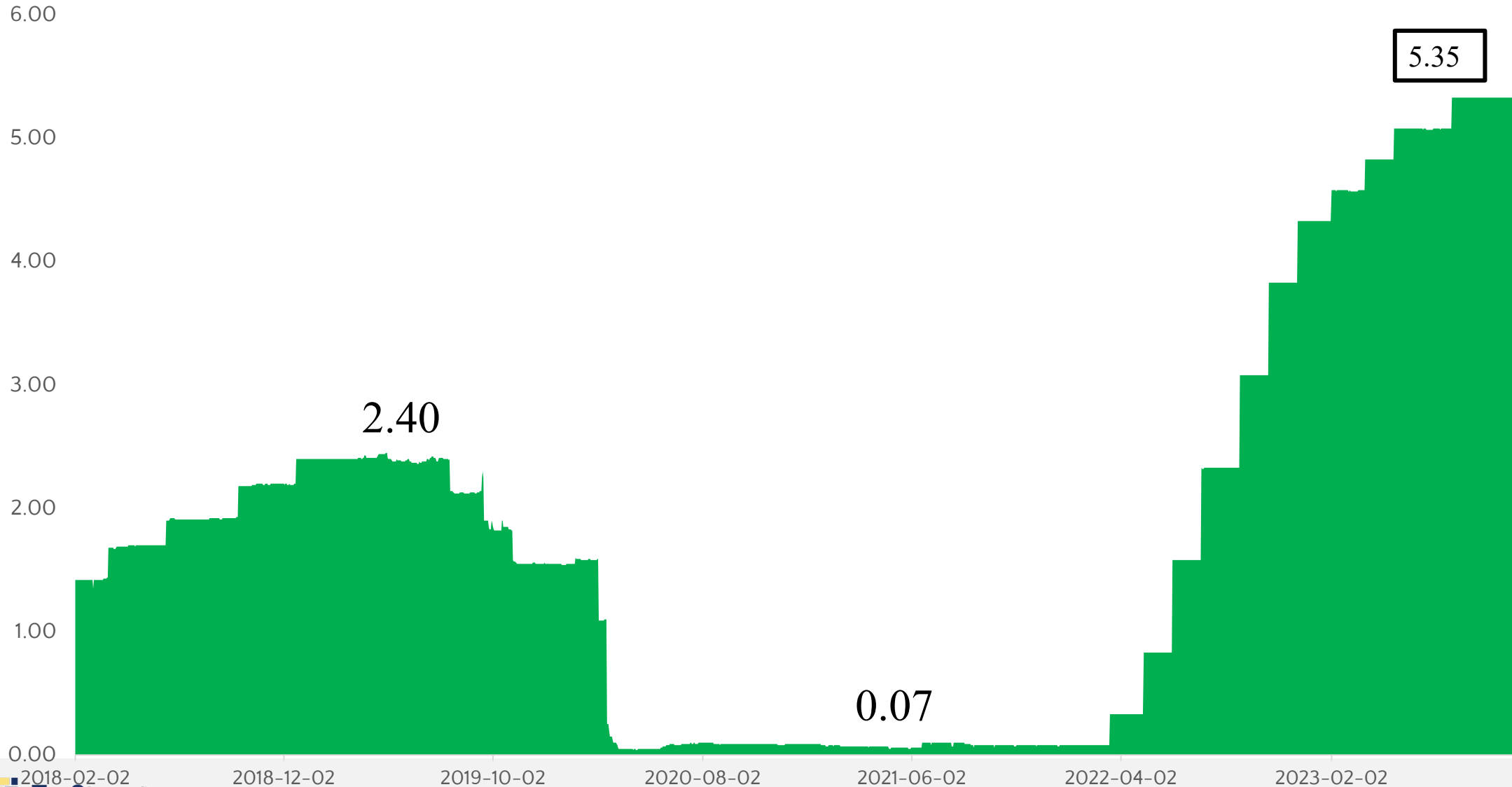
# Annual Contraction Rate in CU Marketplace

January 2024

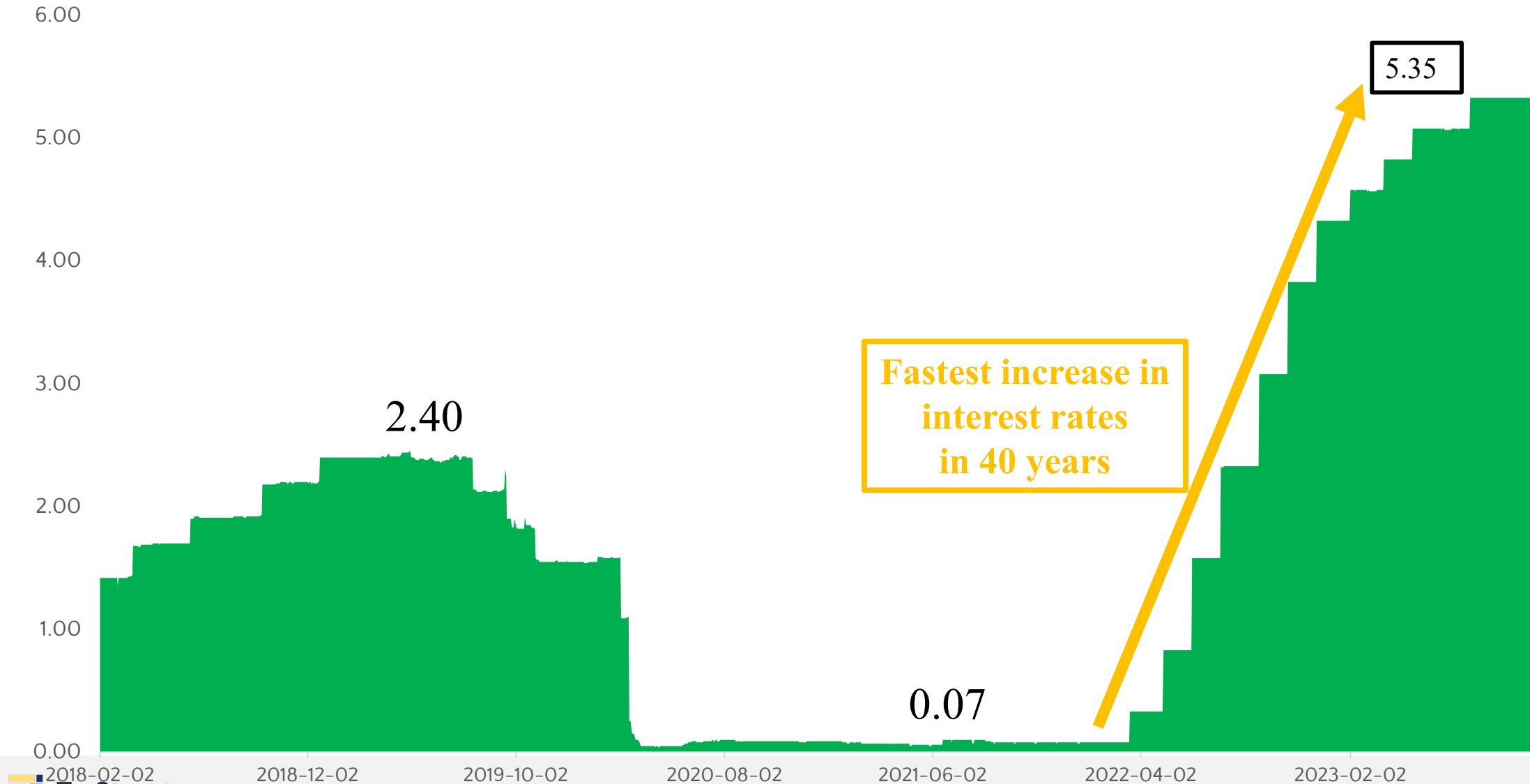
January 2023 - January 2024 Decline = 181 CUs



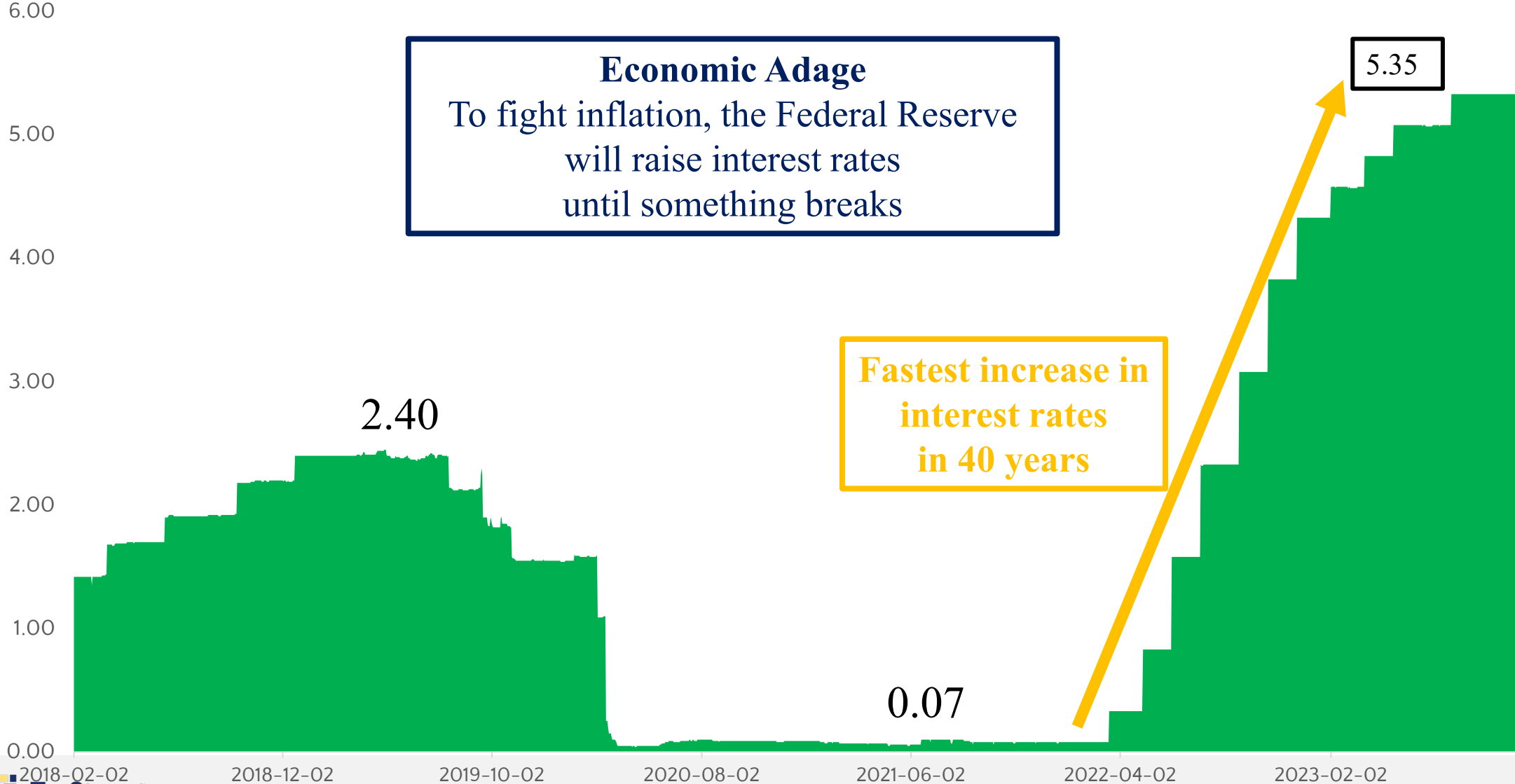
# Federal Funds Rate, 2018 - 2023



# Federal Funds Rate, 2018 - 2023



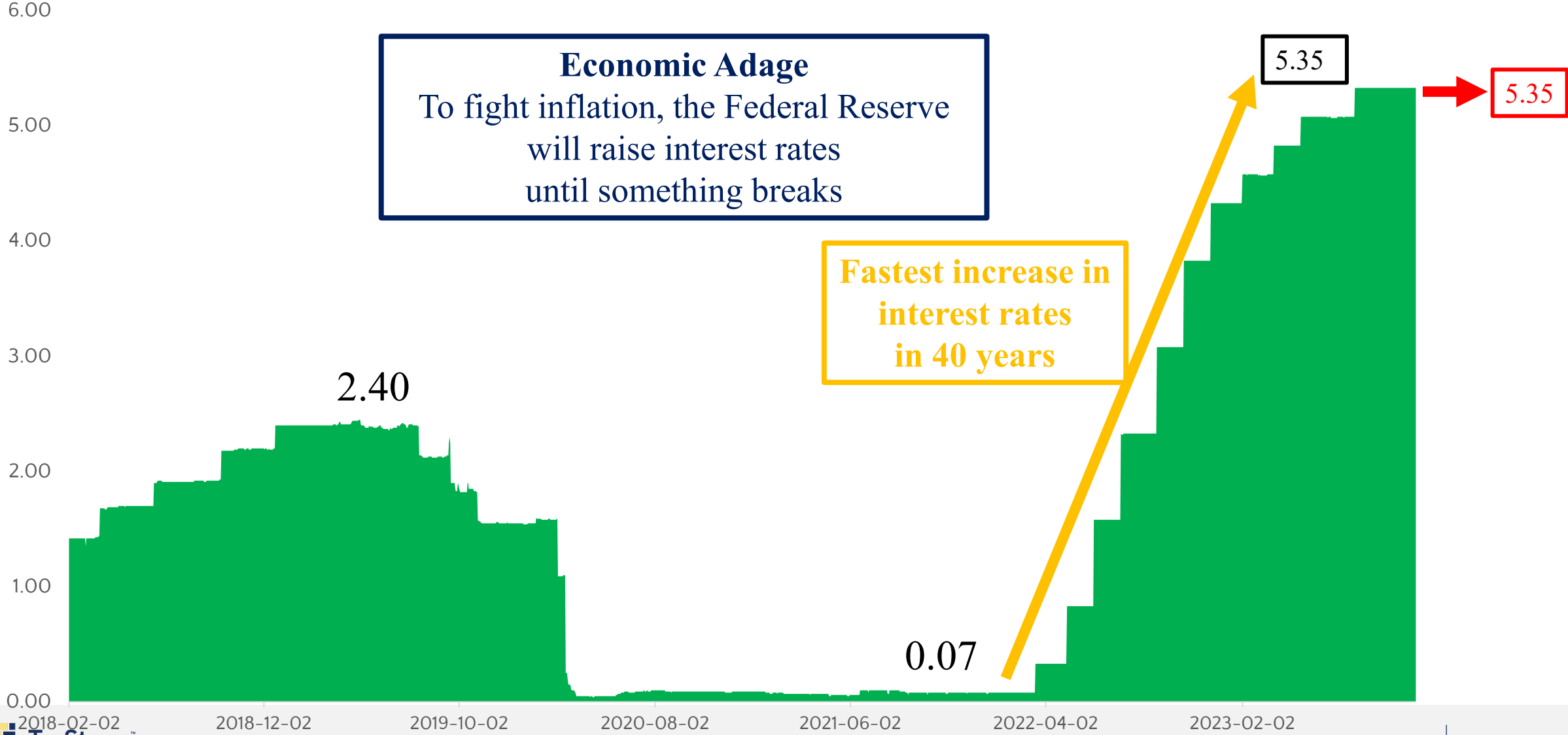
# Federal Funds Rate, 2018 - 2023



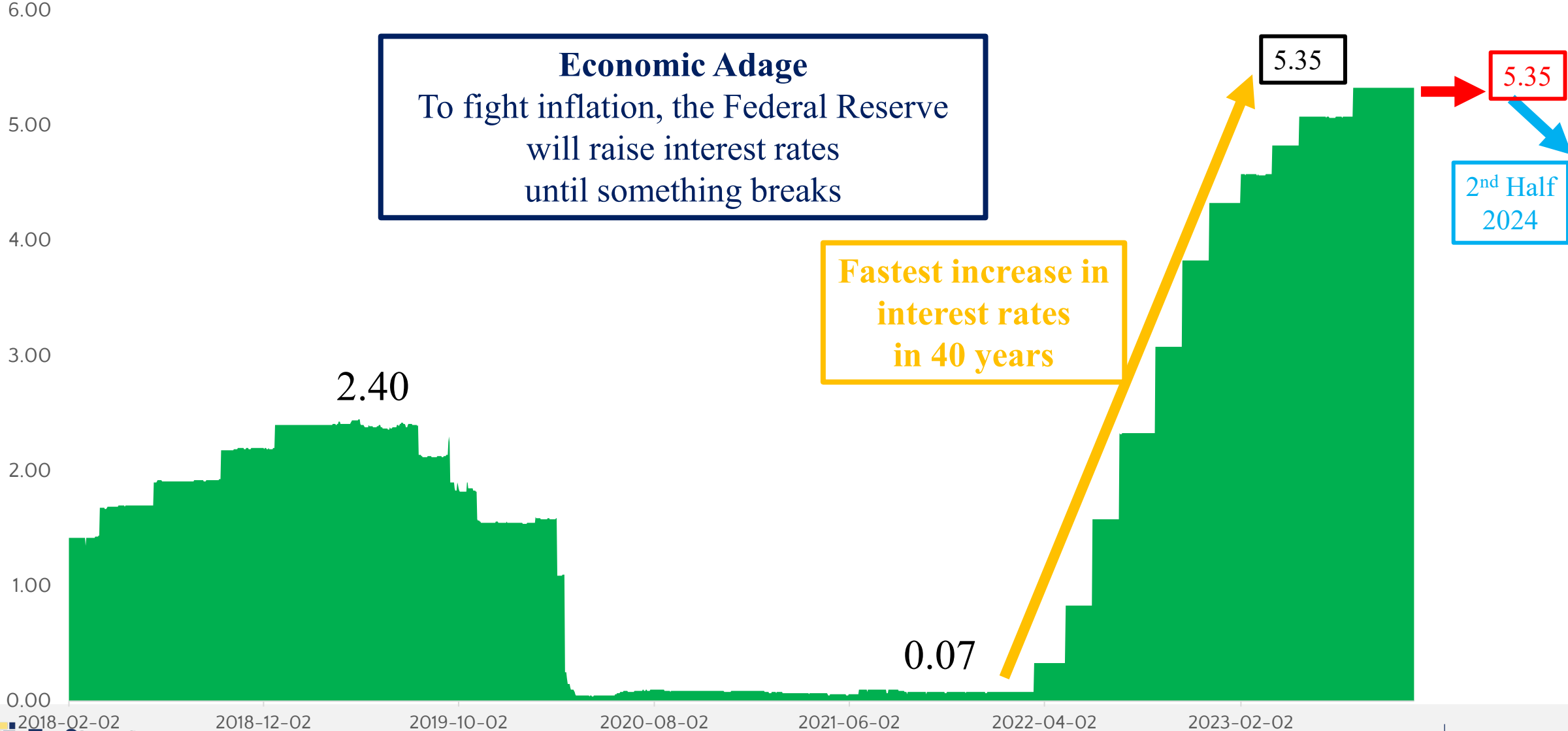
**Economic Adage**  
To fight inflation, the Federal Reserve will raise interest rates until something breaks

**Fastest increase in interest rates in 40 years**

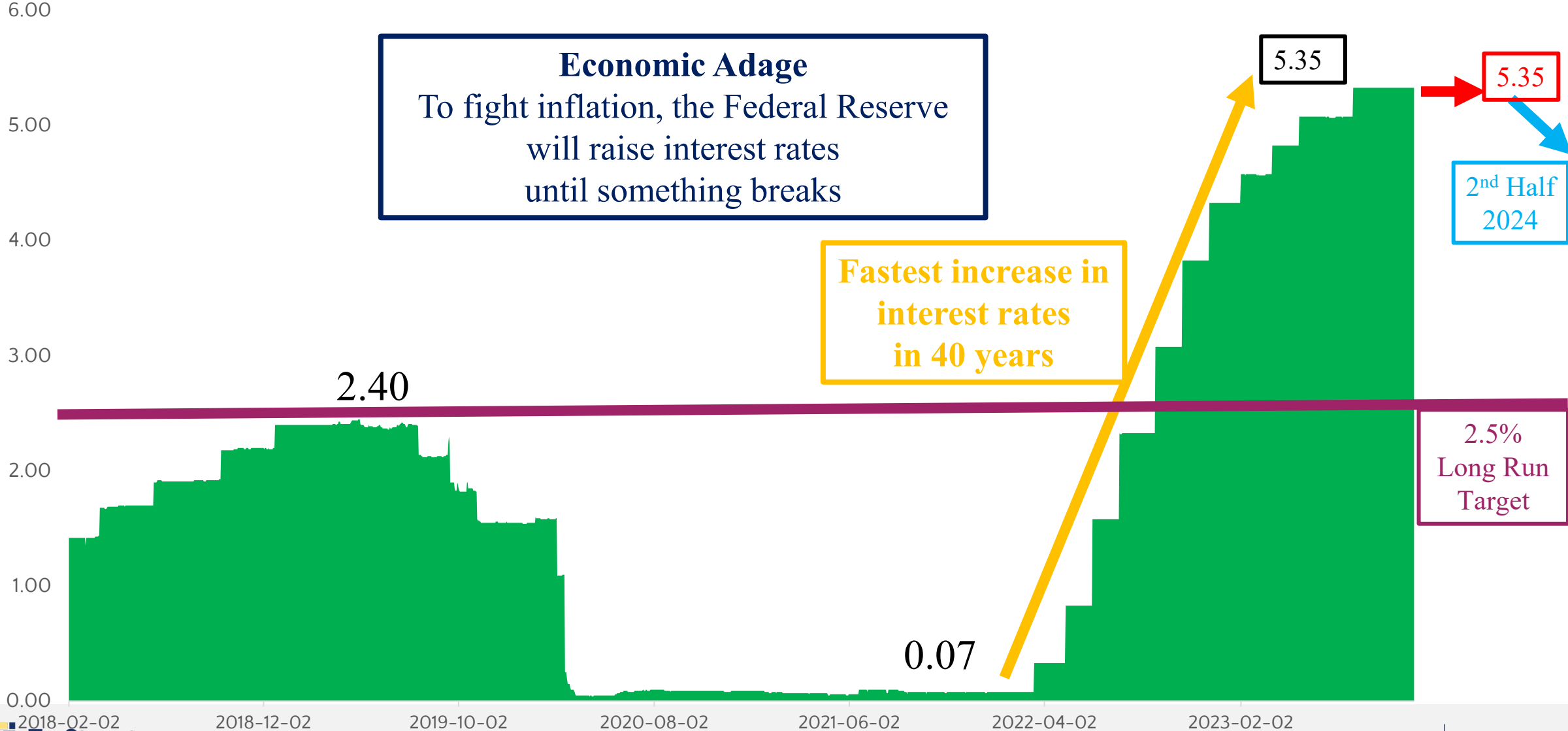
# Federal Funds Rate, 2018 - 2023



# Federal Funds Rate, 2018 - 2023



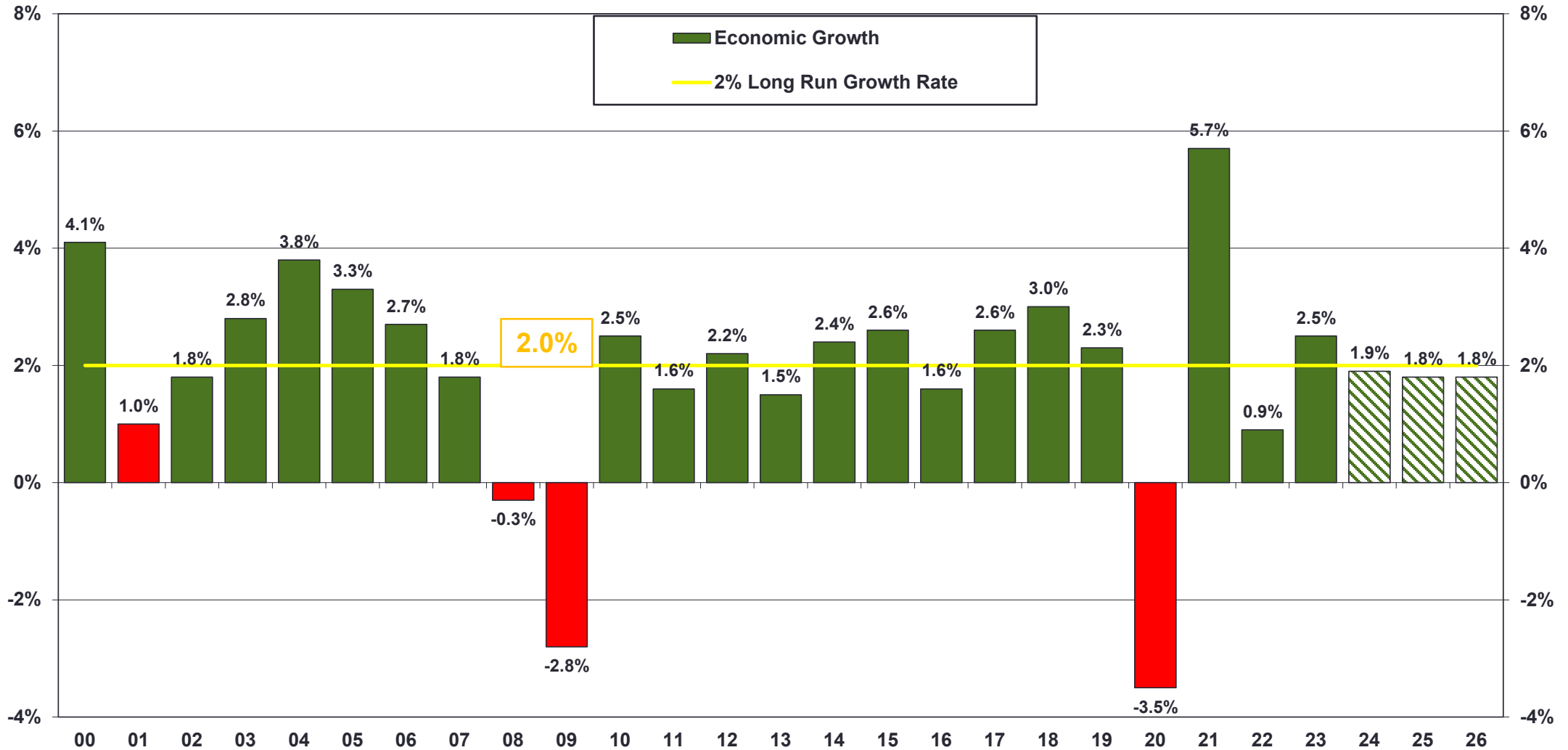
# Federal Funds Rate, 2018 - 2023





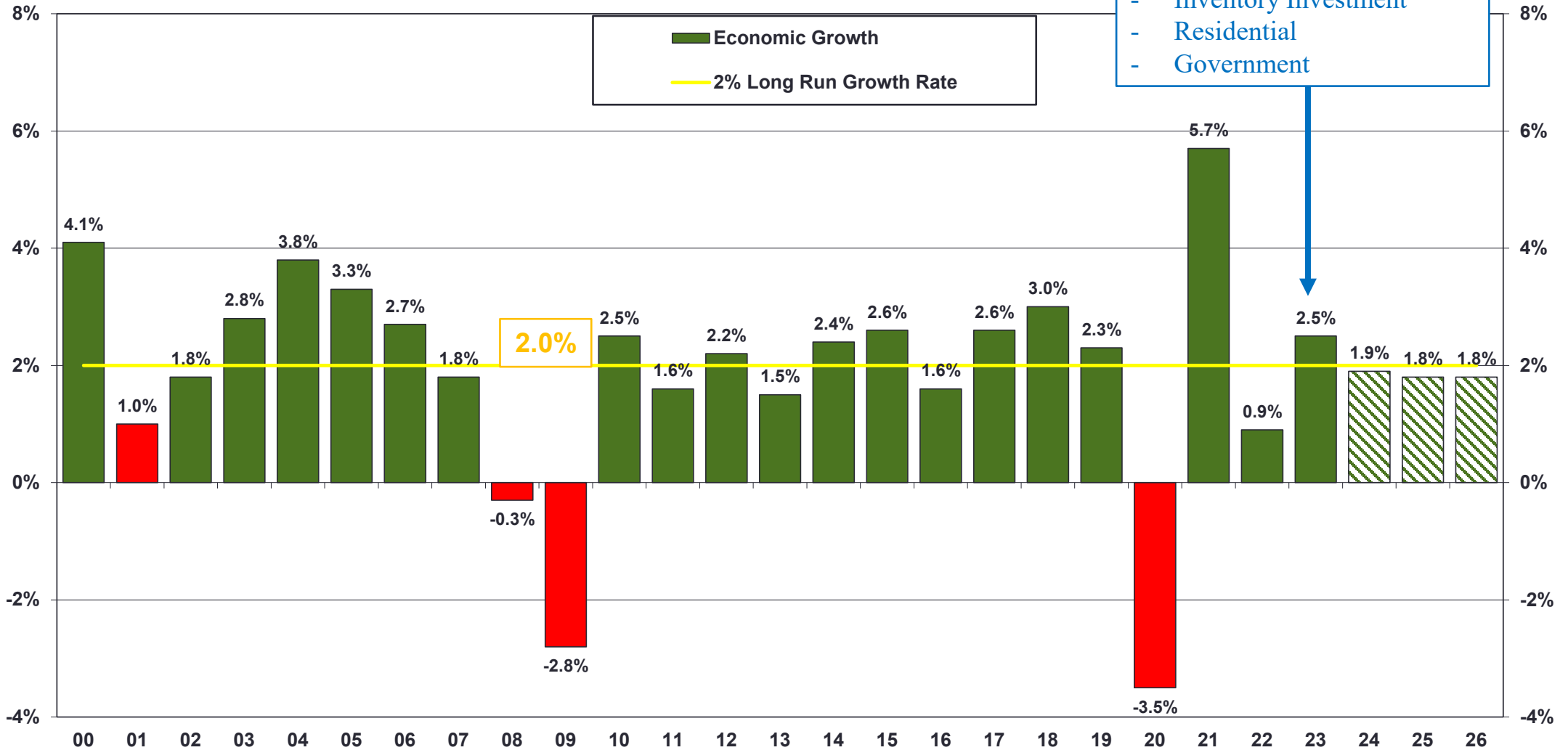
# Slower Economic Growth for Next 2 Years

## U.S. Economic Growth Rate



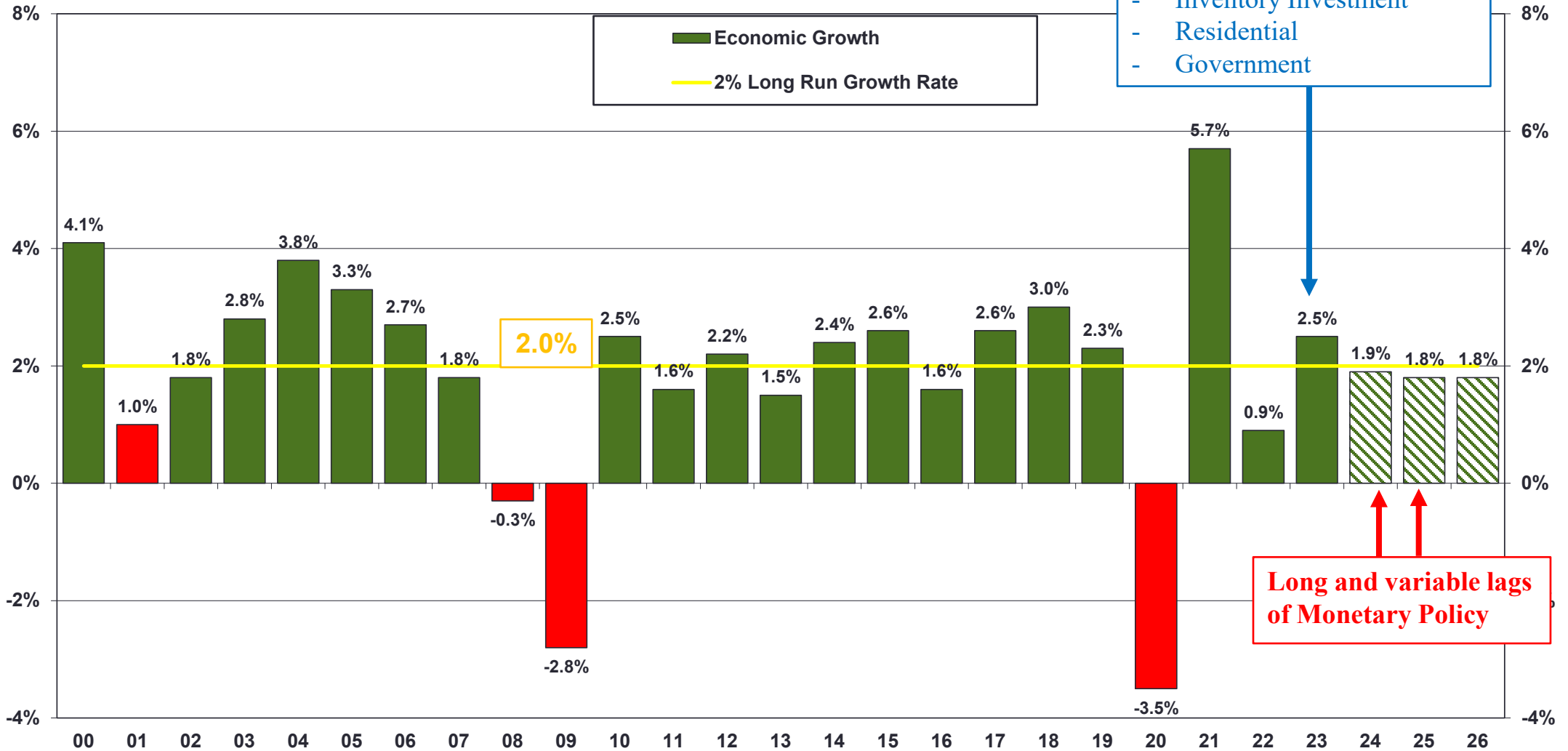
# Slower Economic Growth for Next 2 Years

## U.S. Economic Growth Rate

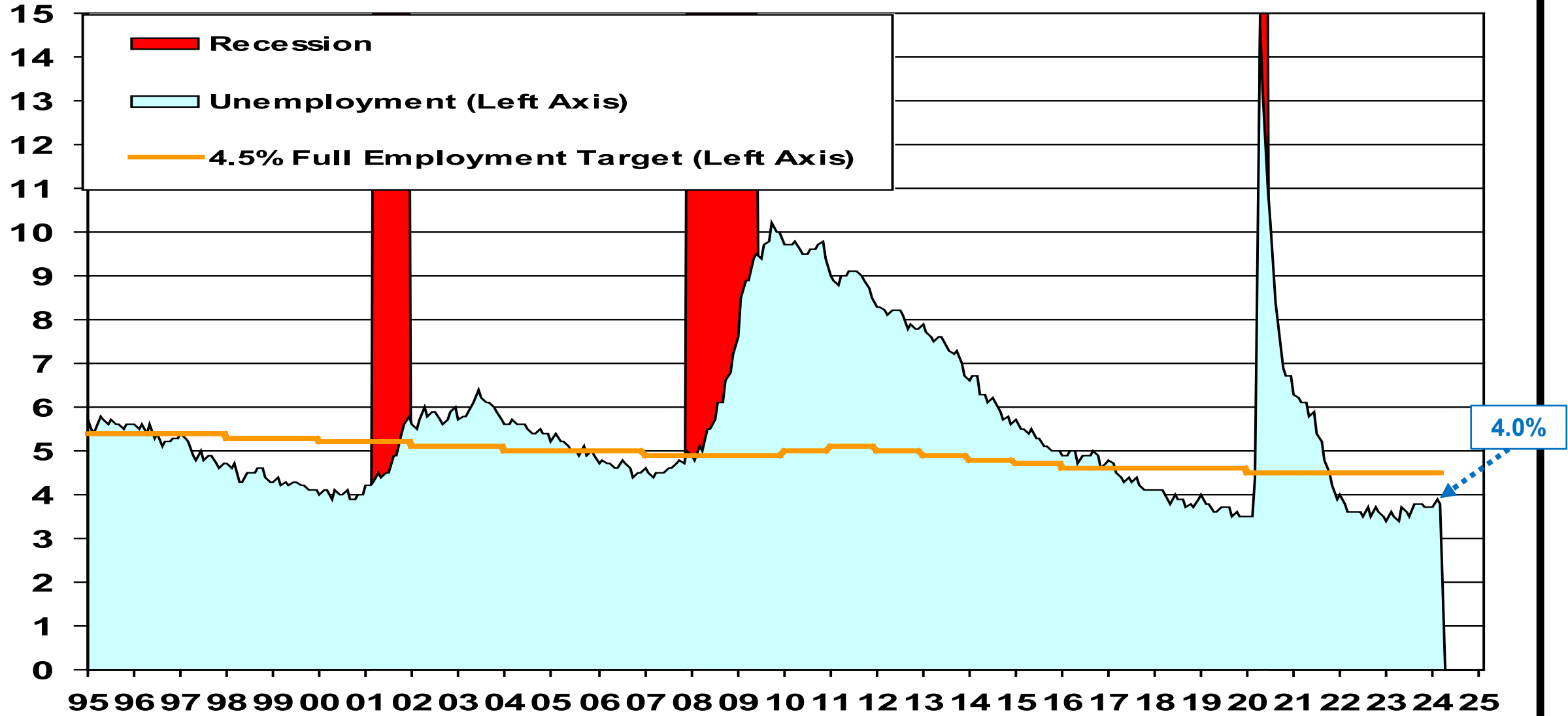


# Slower Economic Growth for Next 2 Years

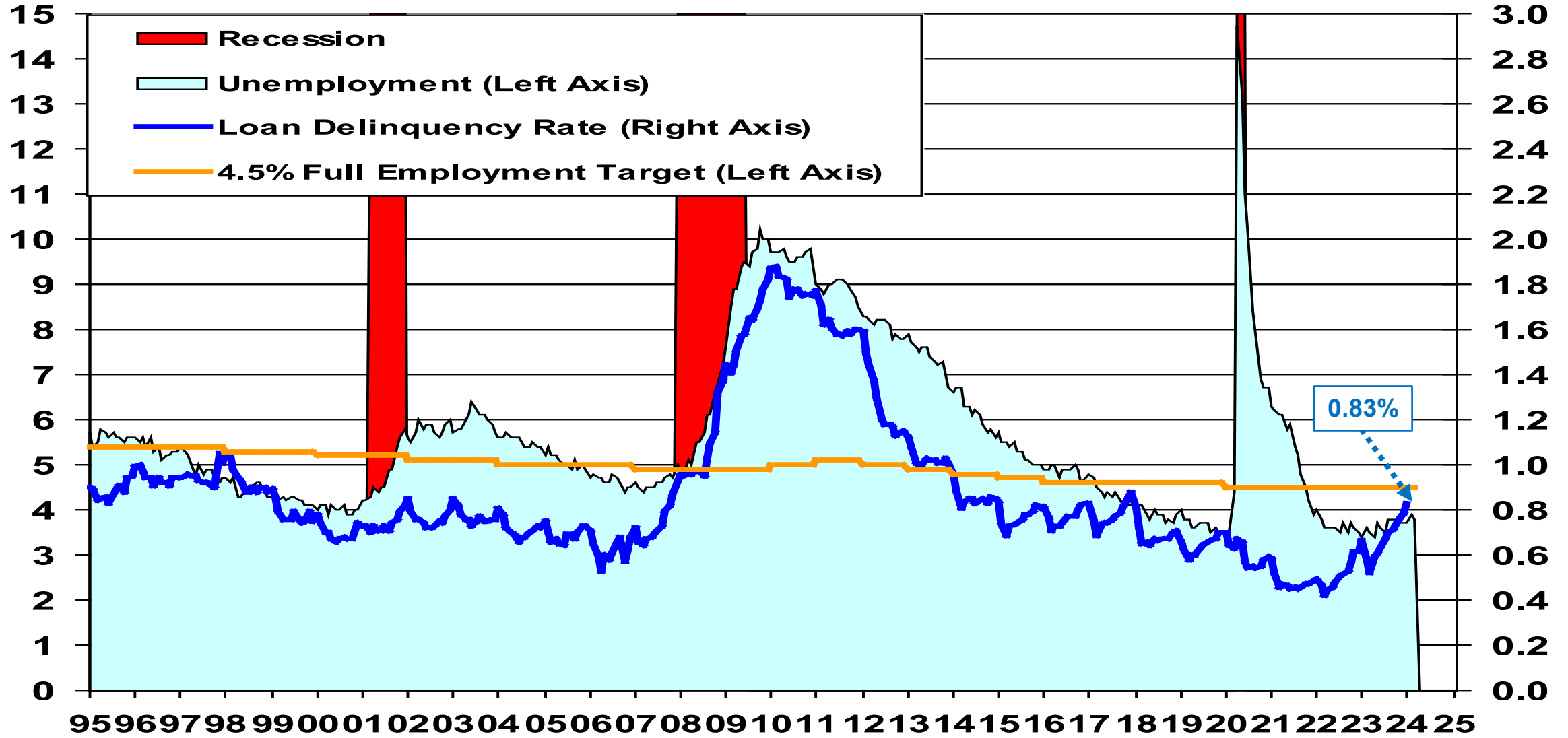
## U.S. Economic Growth Rate



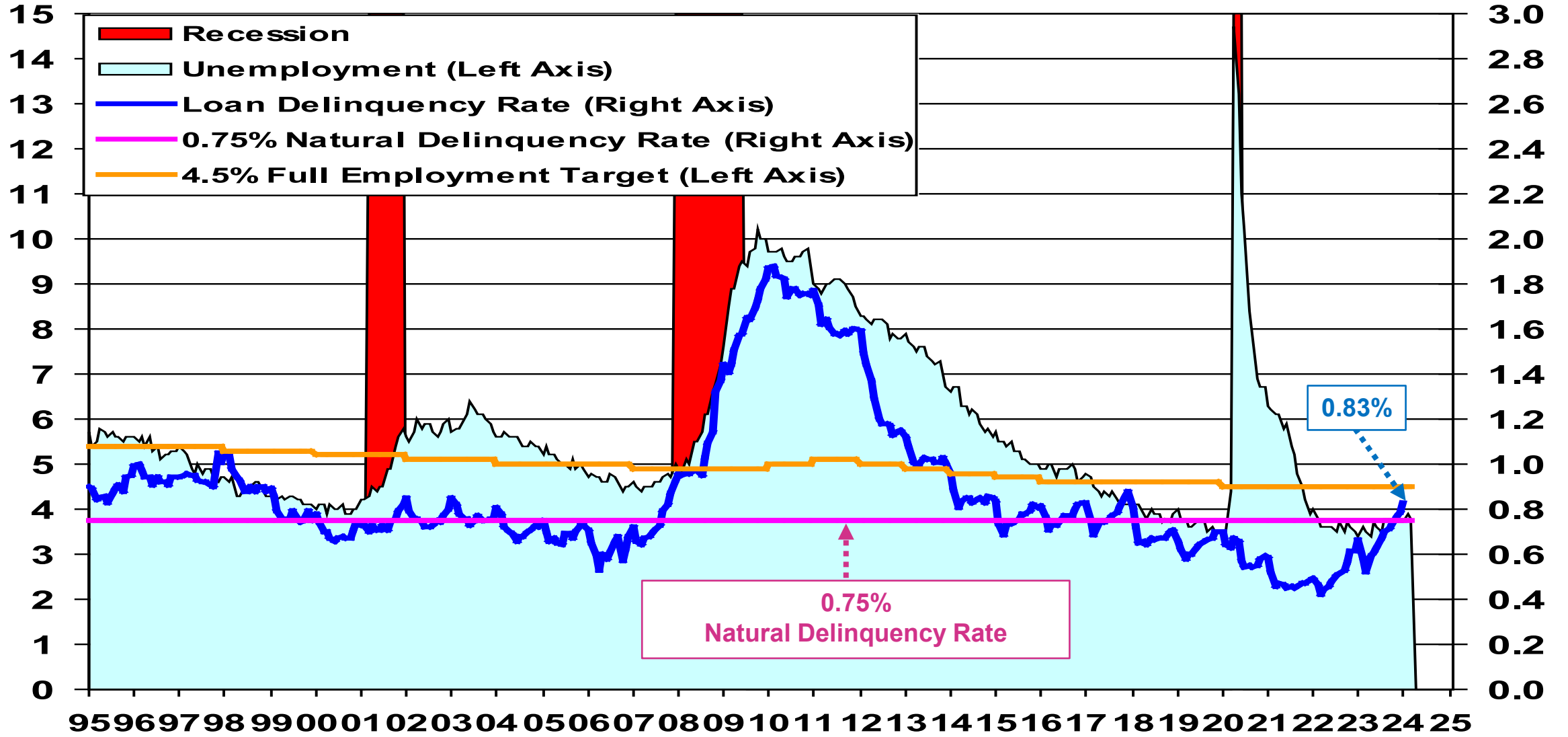
# CU Delinquency Rate Versus Unemployment Rate



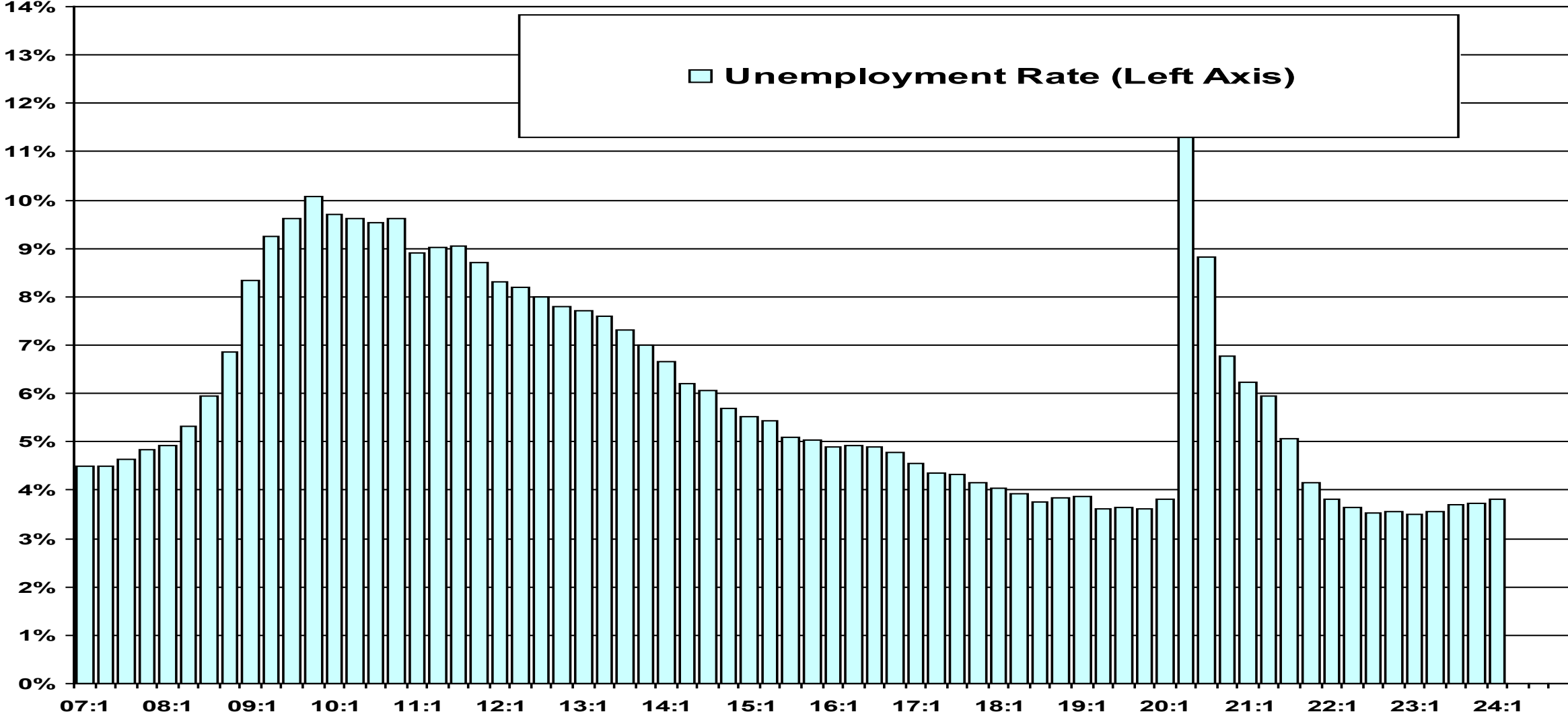
# CU Delinquency Rate Versus Unemployment Rate



# CU Delinquency Rate Versus Unemployment Rate

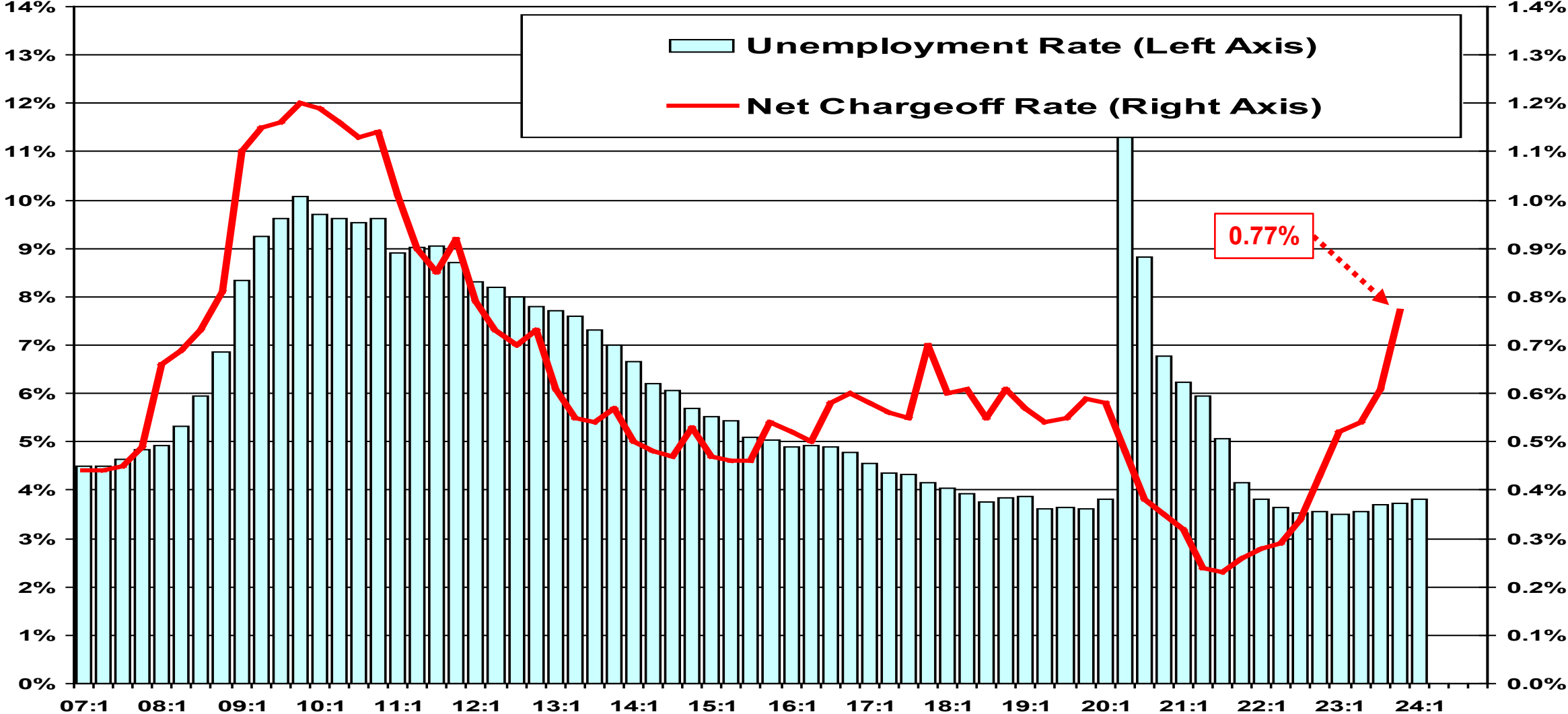


# CU Net Chargeoff Rate Versus Unemployment Rate



Source: Department of Labor, NCUA, CUNA

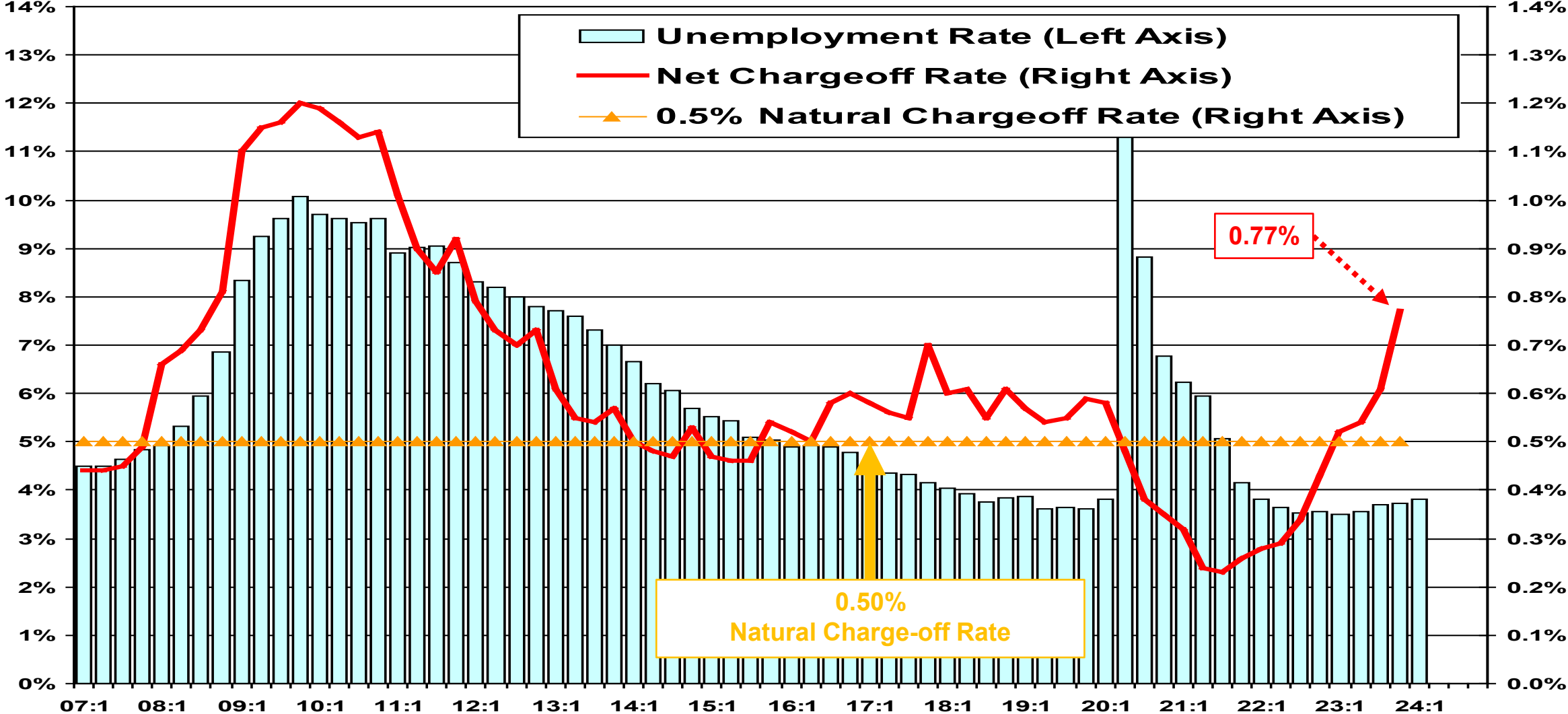
# CU Net Chargeoff Rate Versus Unemployment Rate



Source: Department of Labor, NCUA, CUNA

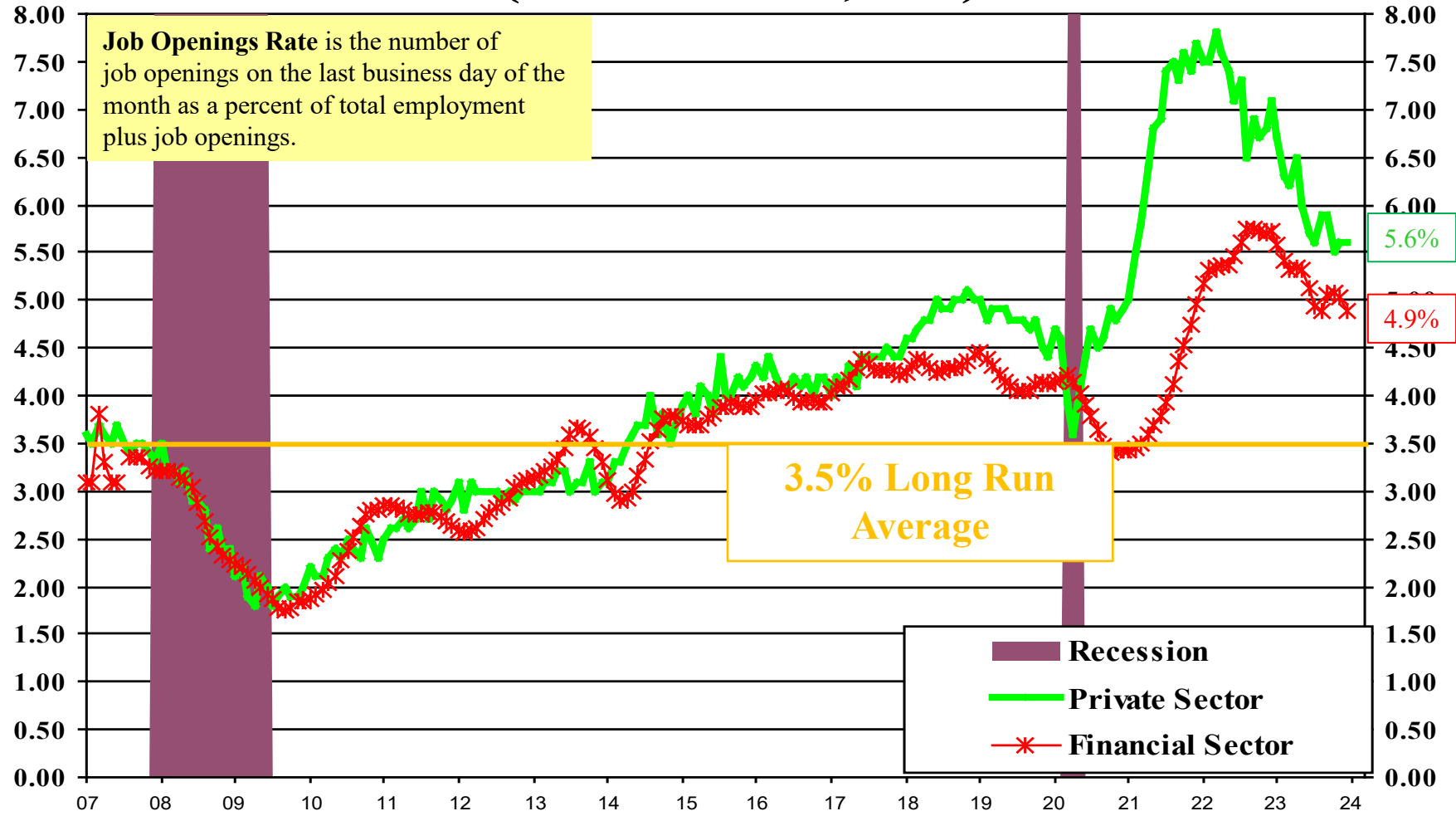


# CU Net Chargeoff Rate Versus Unemployment Rate

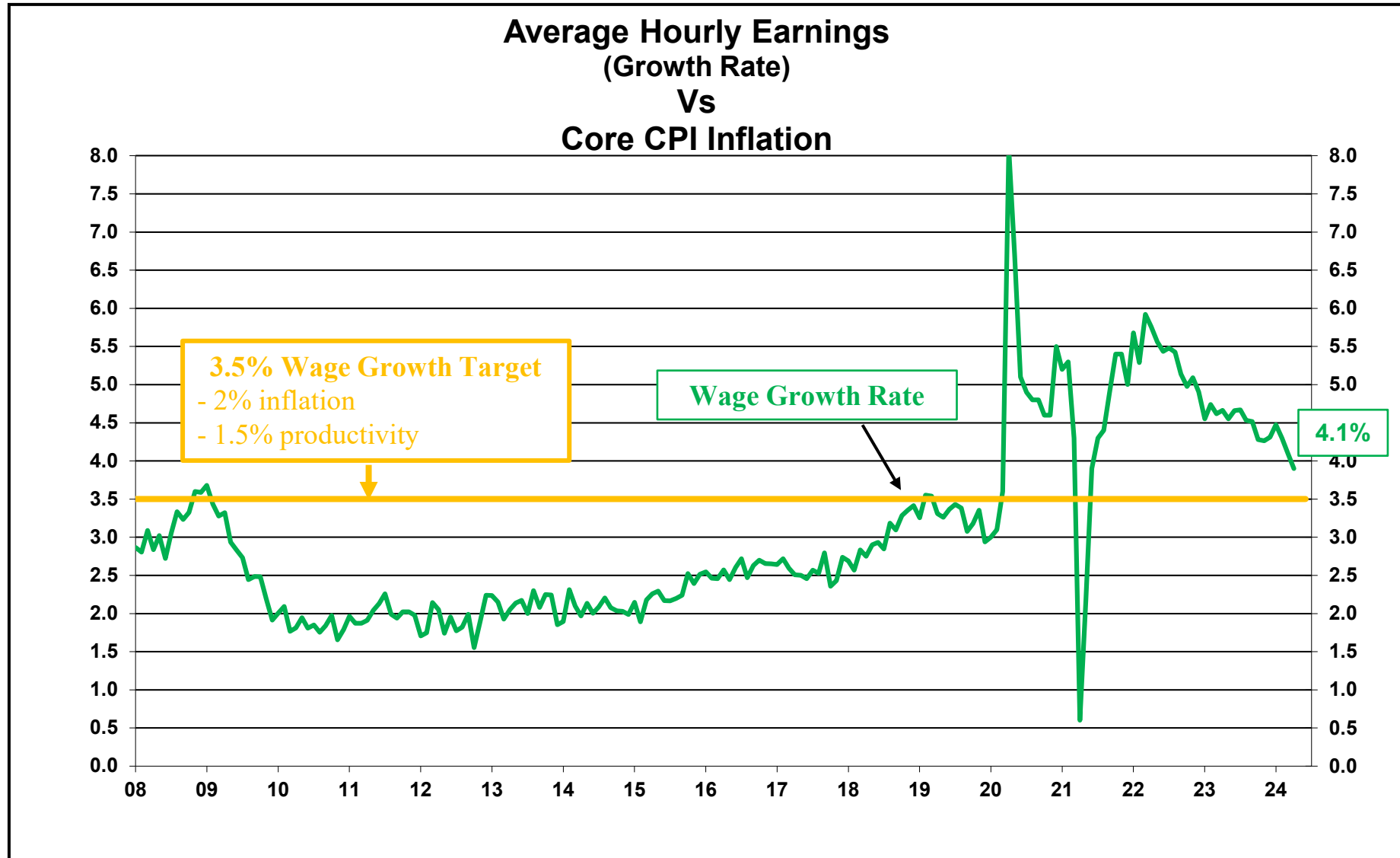


Source: Department of Labor, NCUA, CUNA

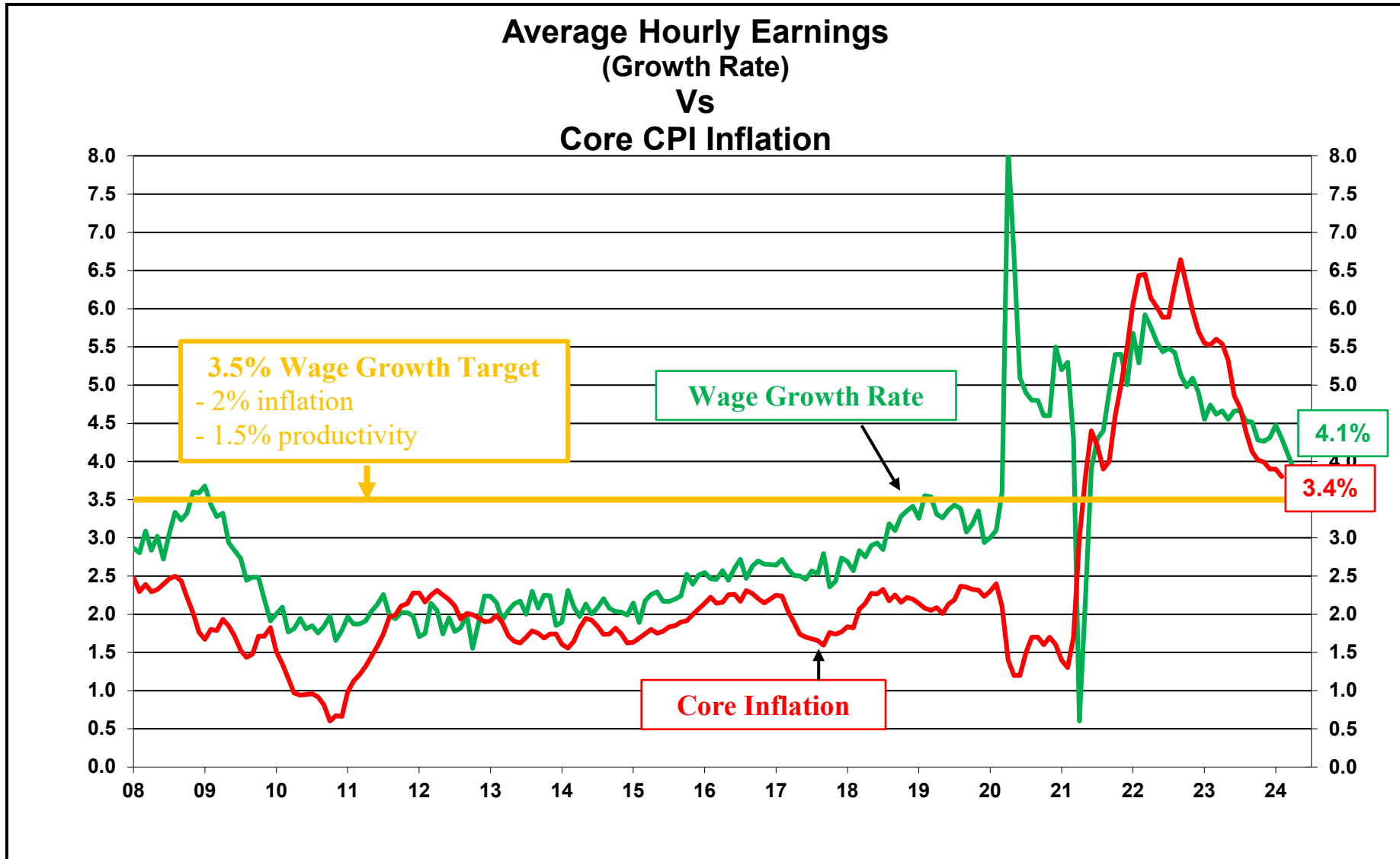
# Job Openings Rate (Thousands, SA)



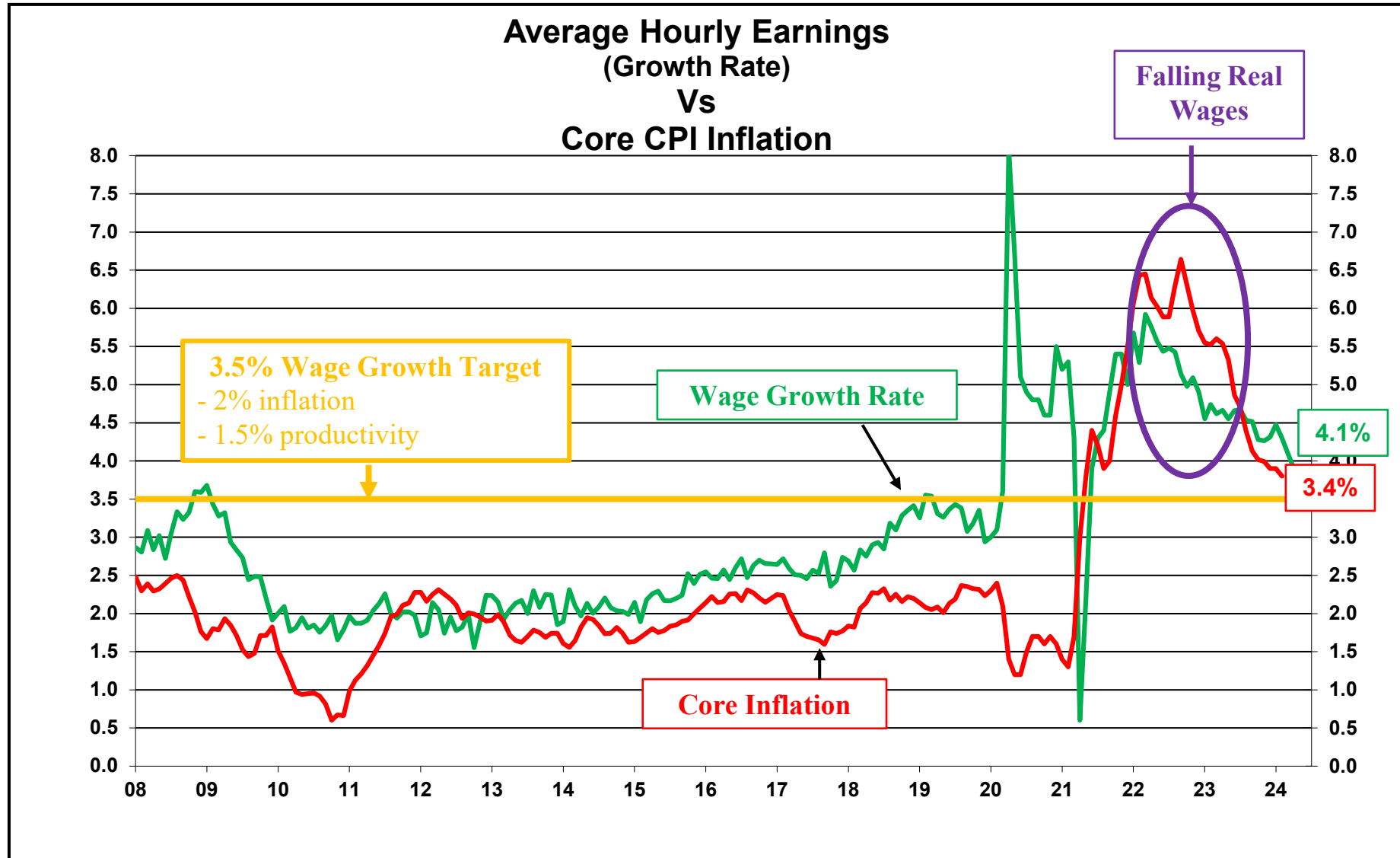
# Wage Growth Slowing as Core Inflation Falls



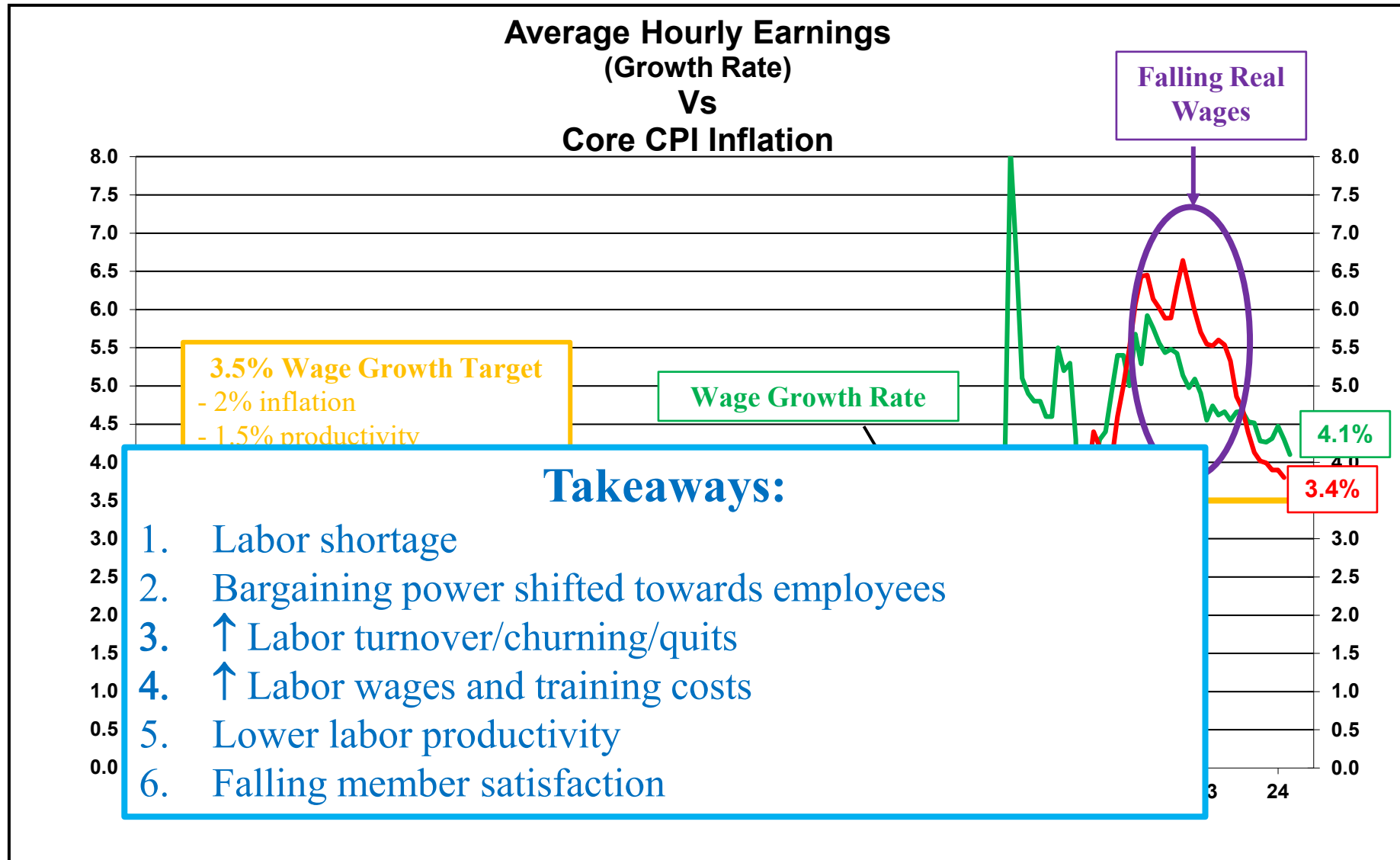
# Wage Growth Slowing as Core Inflation Falls



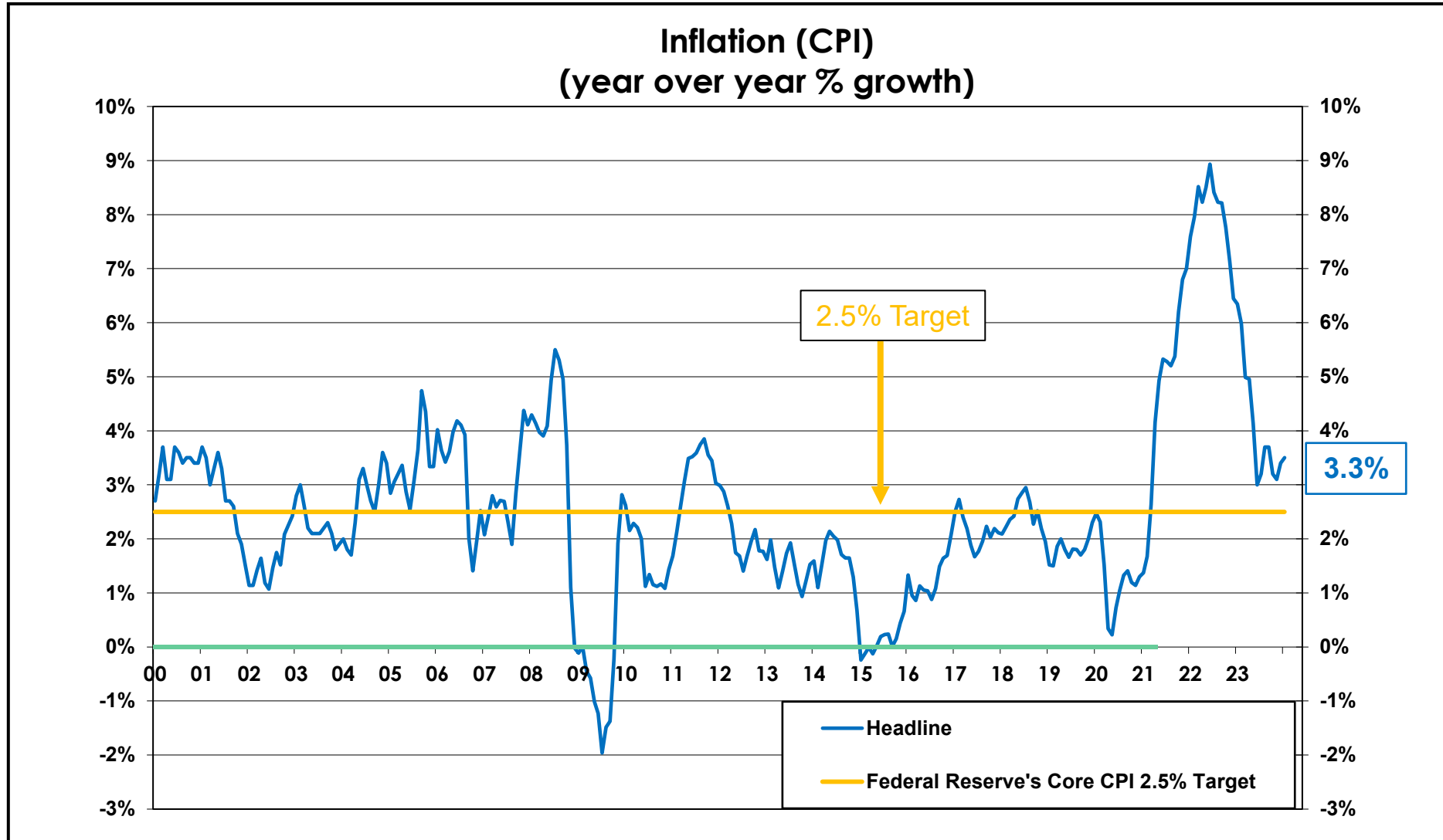
# Wage Growth Slowing as Core Inflation Falls



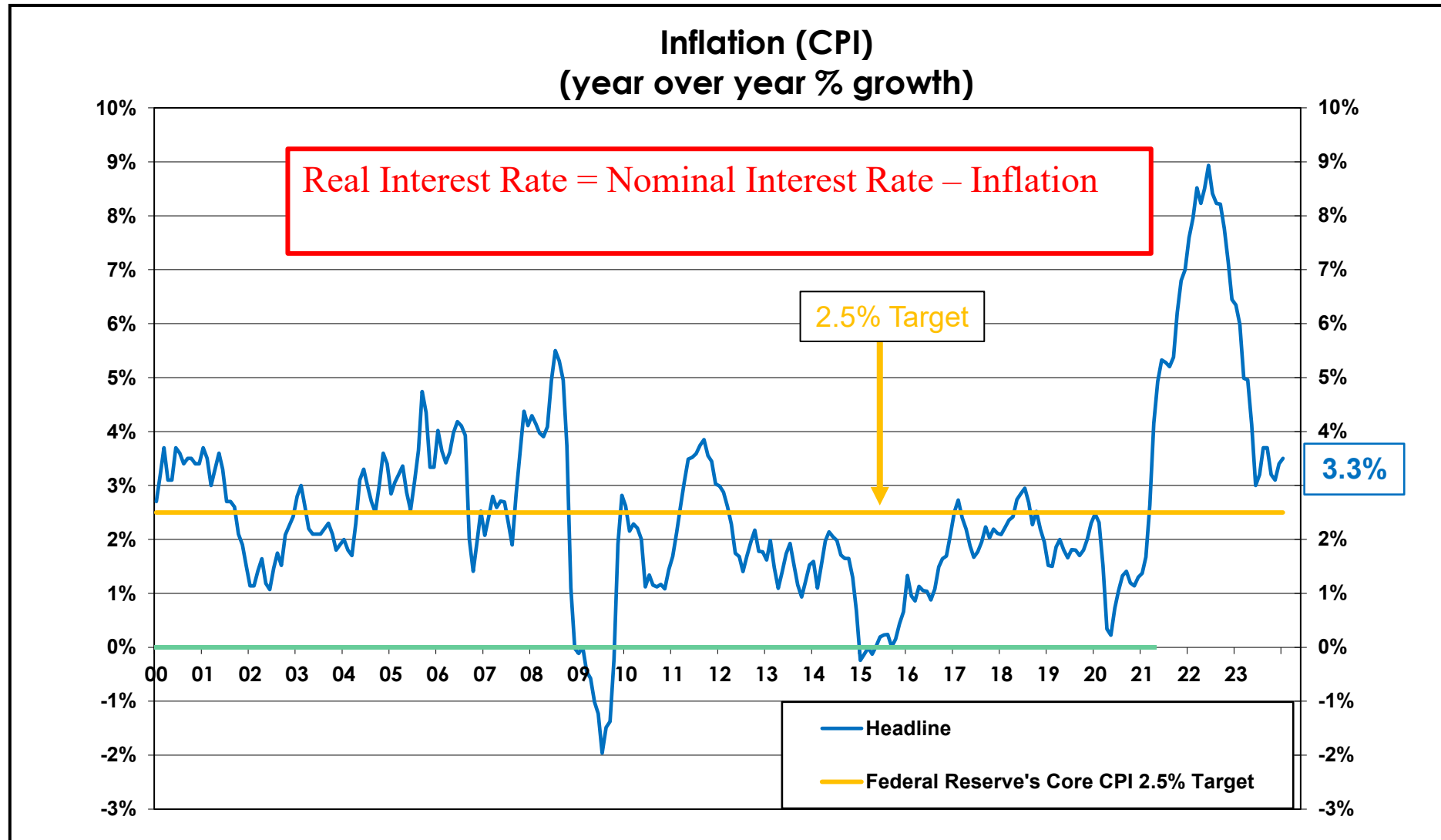
# Wage Growth Slowing as Core Inflation Falls



# High Inflation for the Next Year

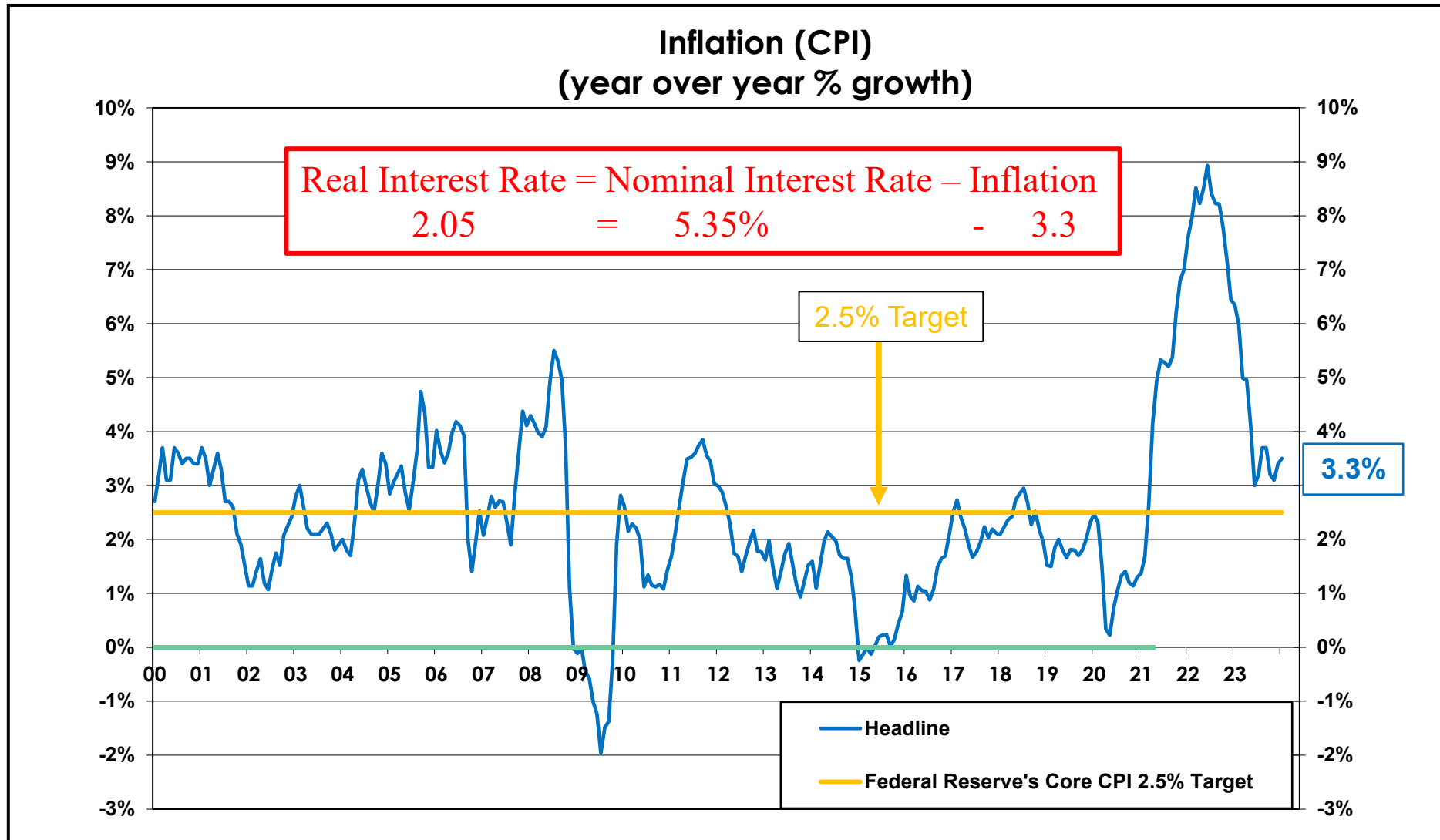


# High Inflation for the Next Year

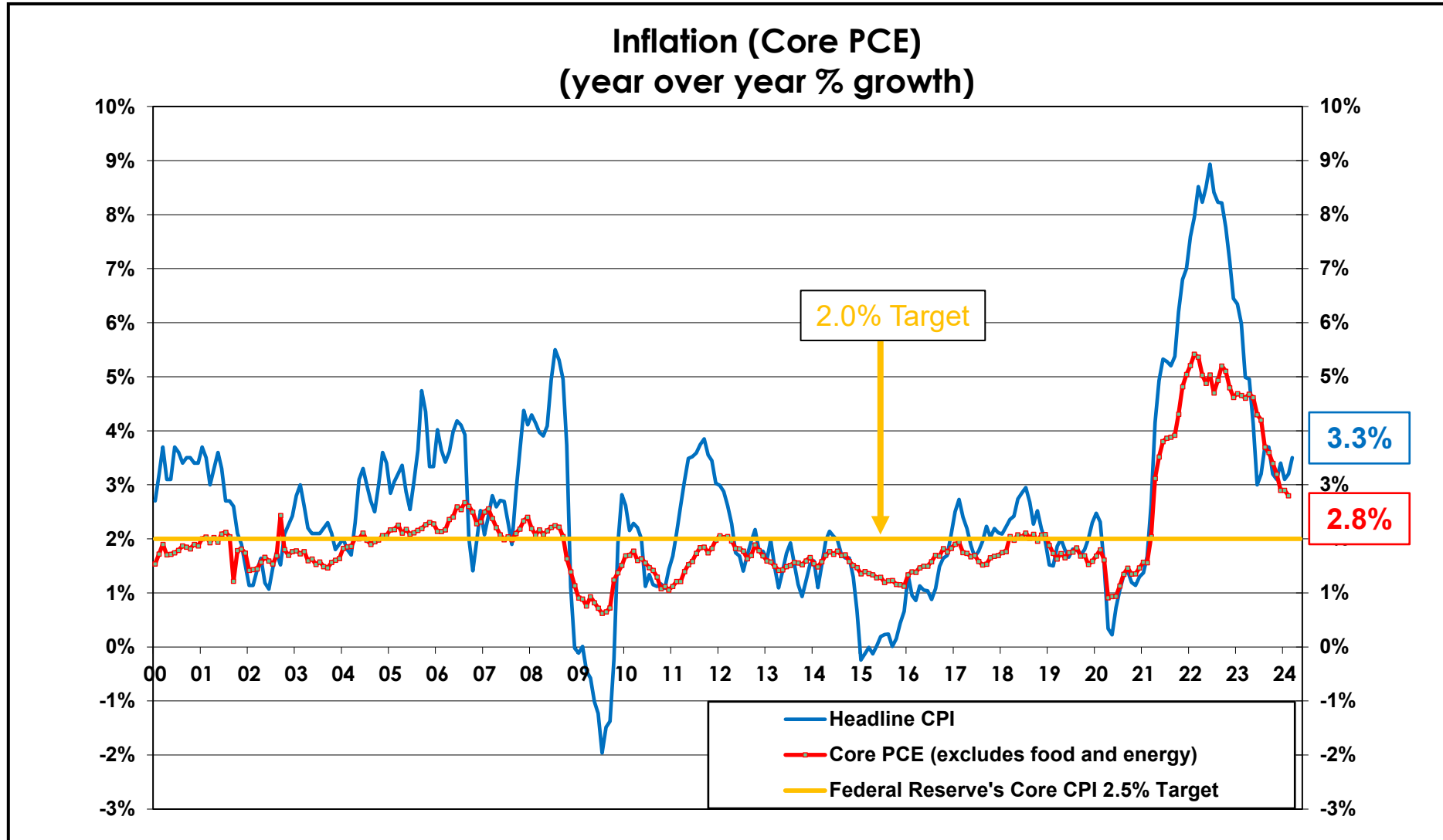




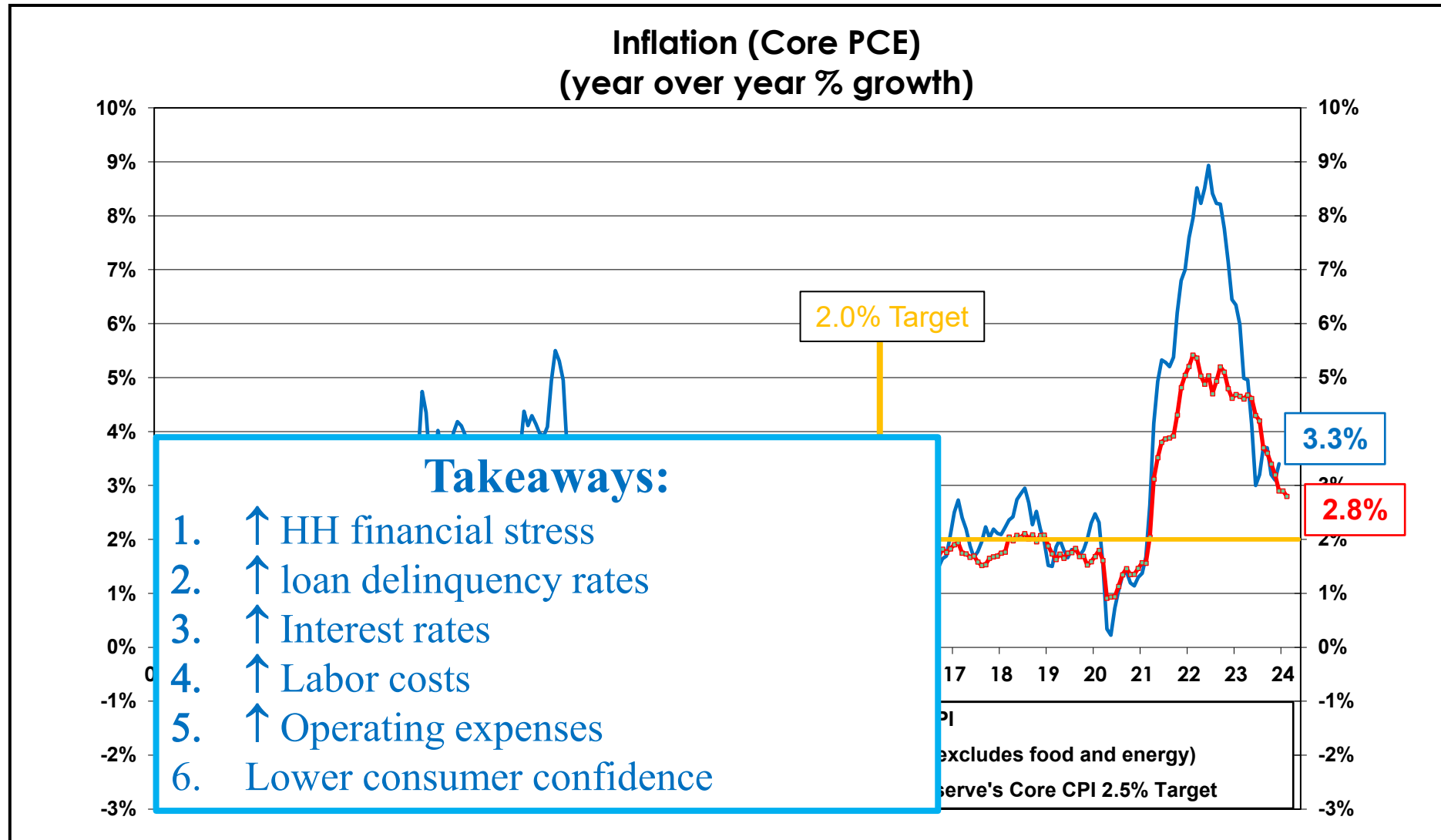
# High Inflation for the Next Year



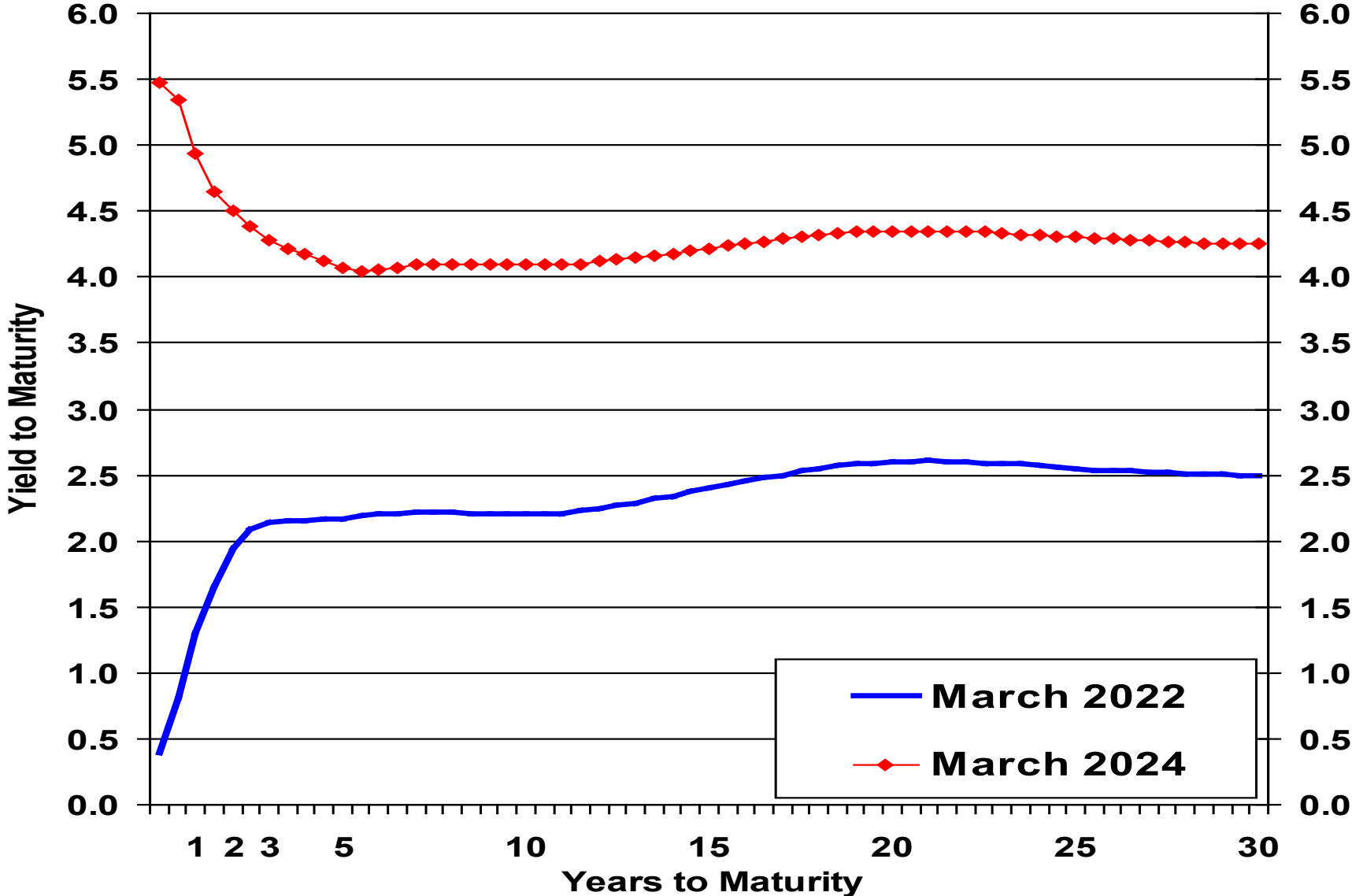
# High Inflation for the Next Year



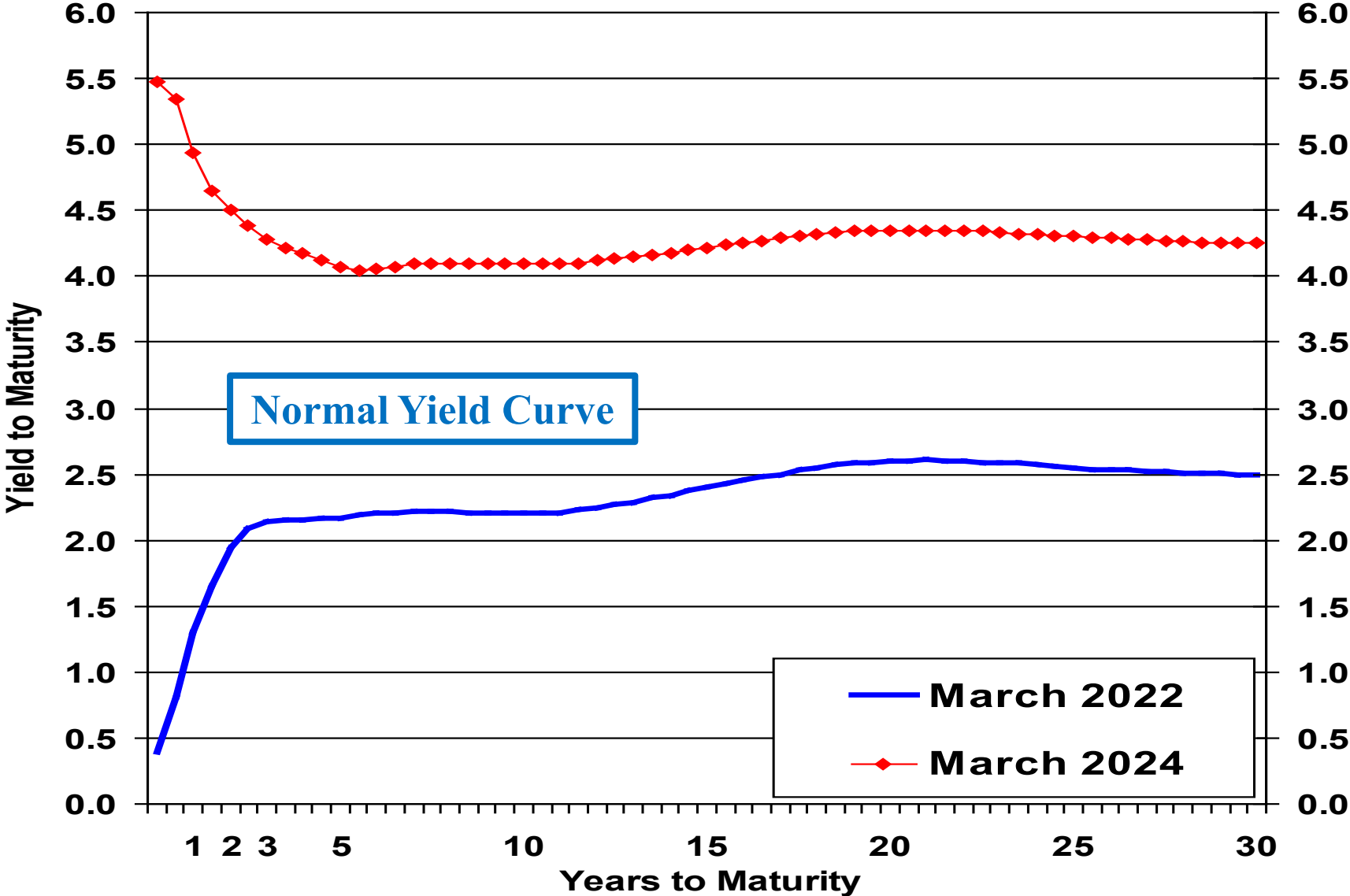
# High Inflation for the Next Year



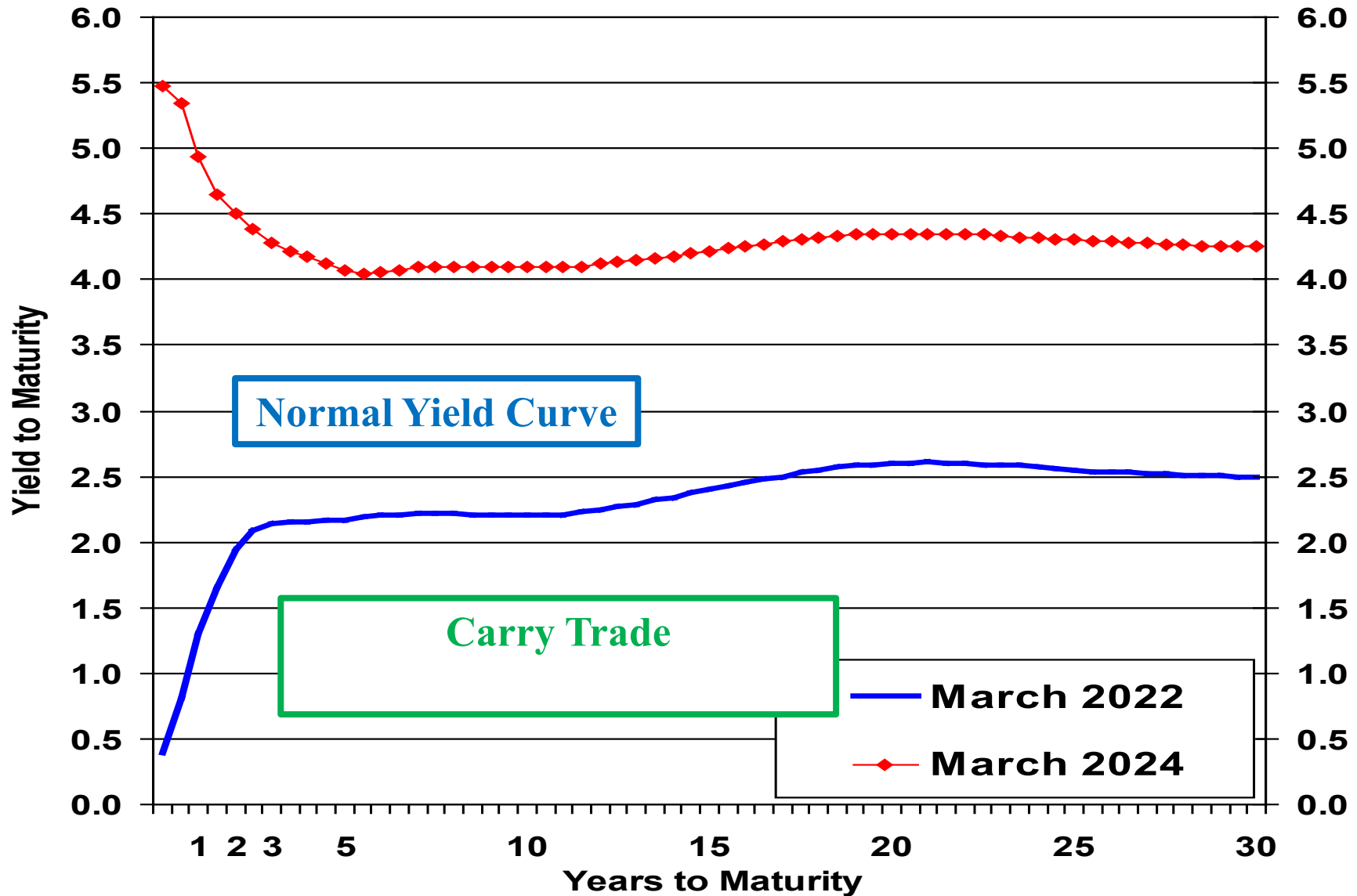
# Treasury Yield Curves



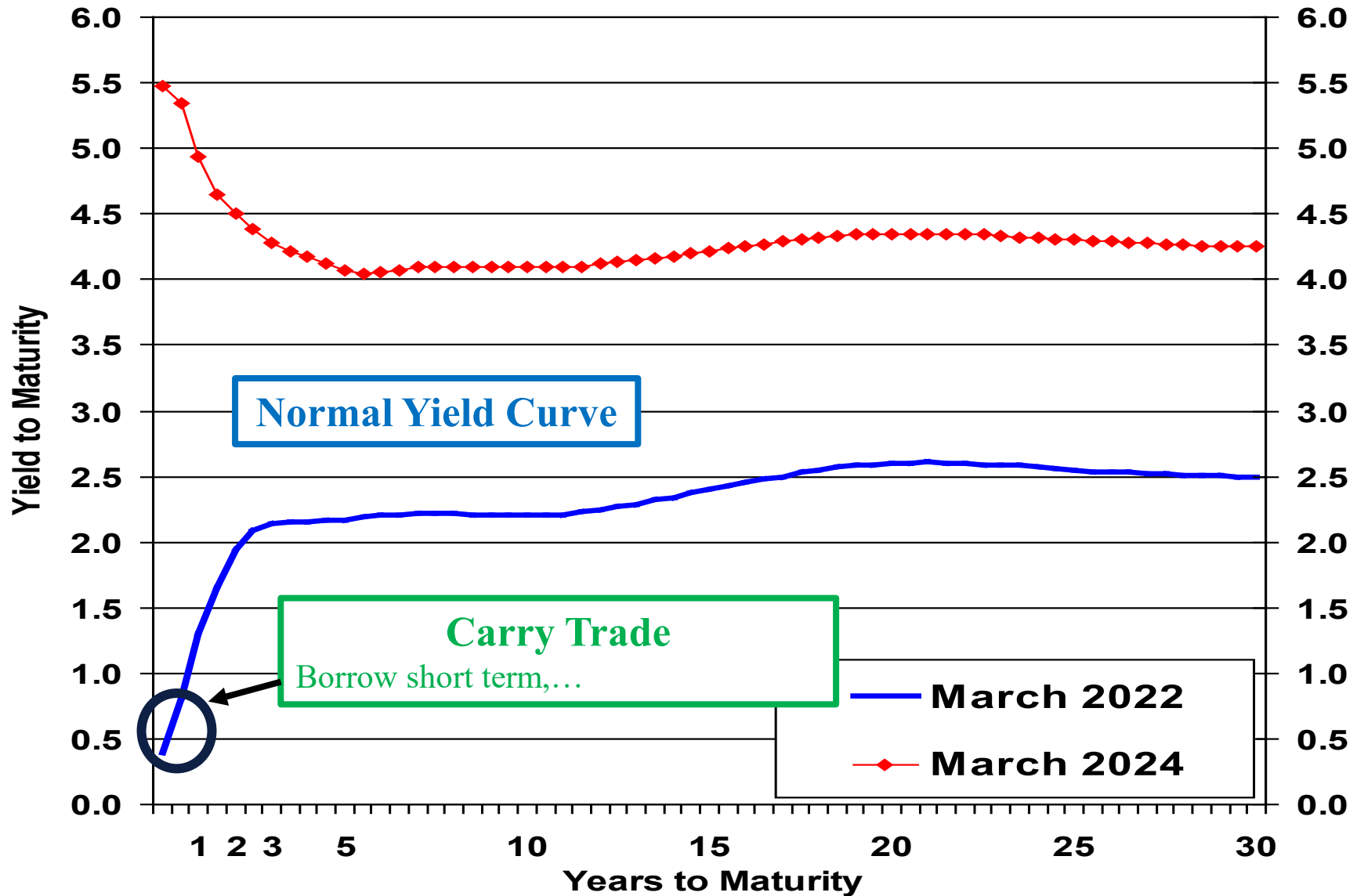
# Treasury Yield Curves



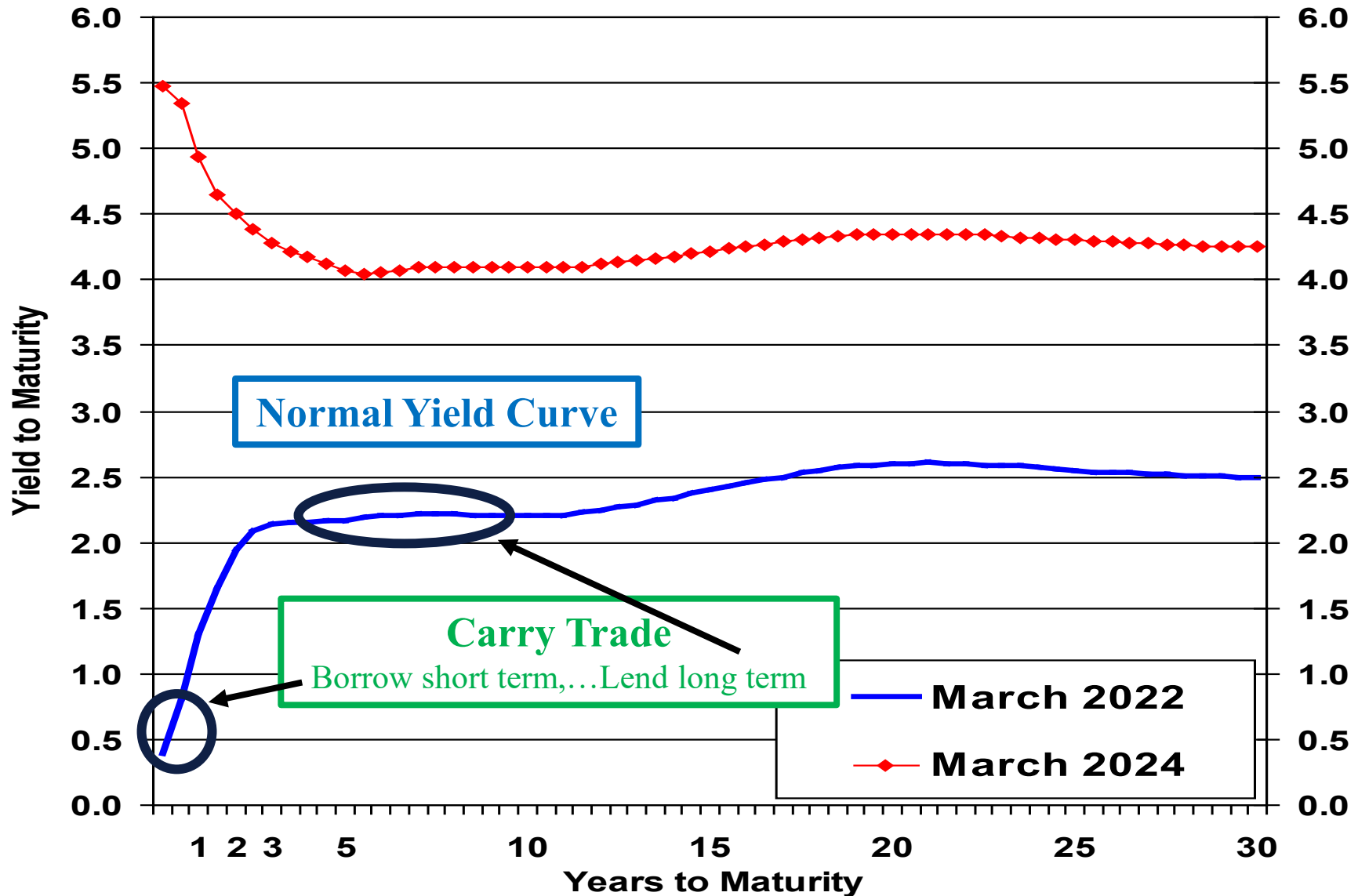
# Treasury Yield Curves



# Treasury Yield Curves

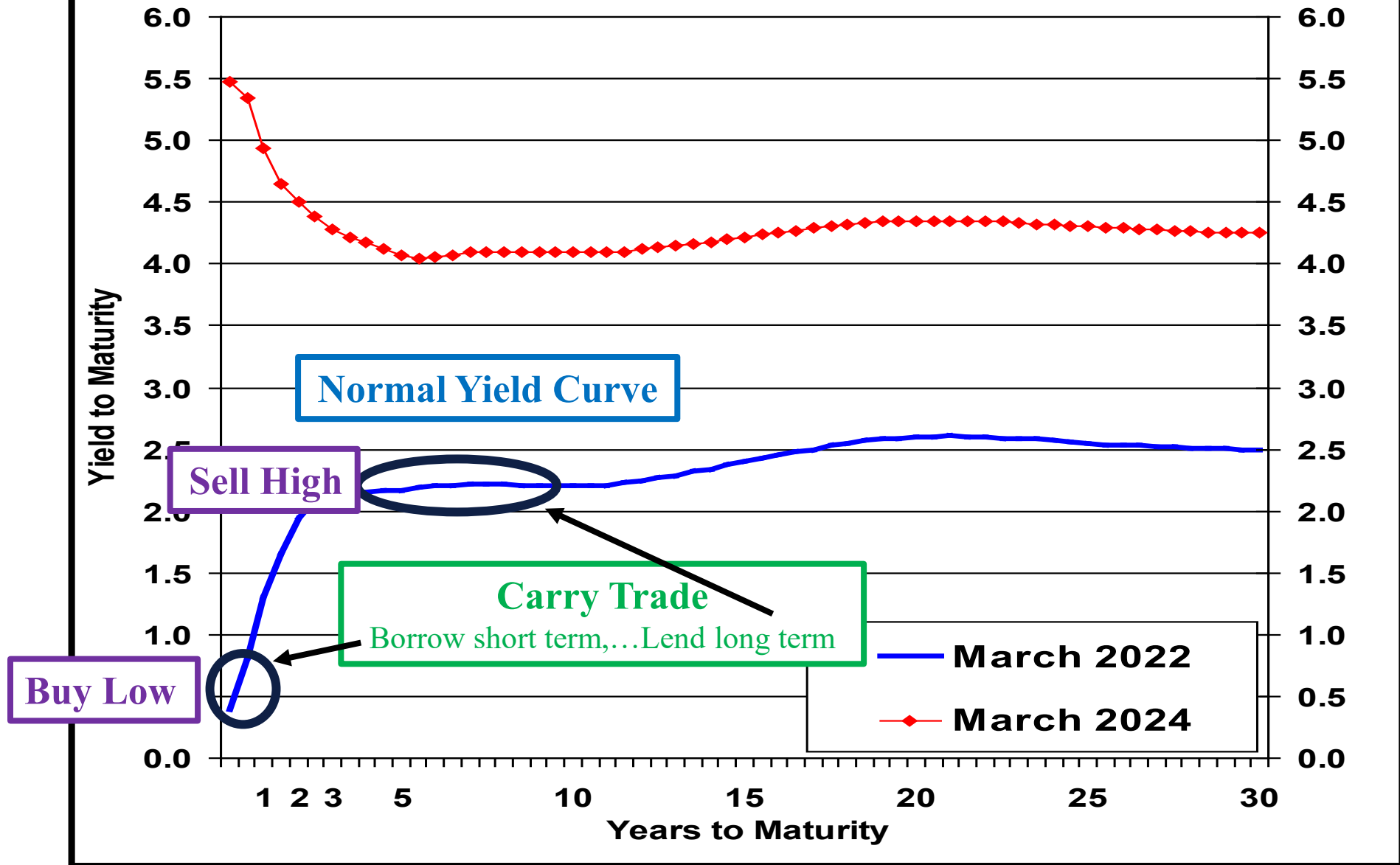


# Treasury Yield Curves

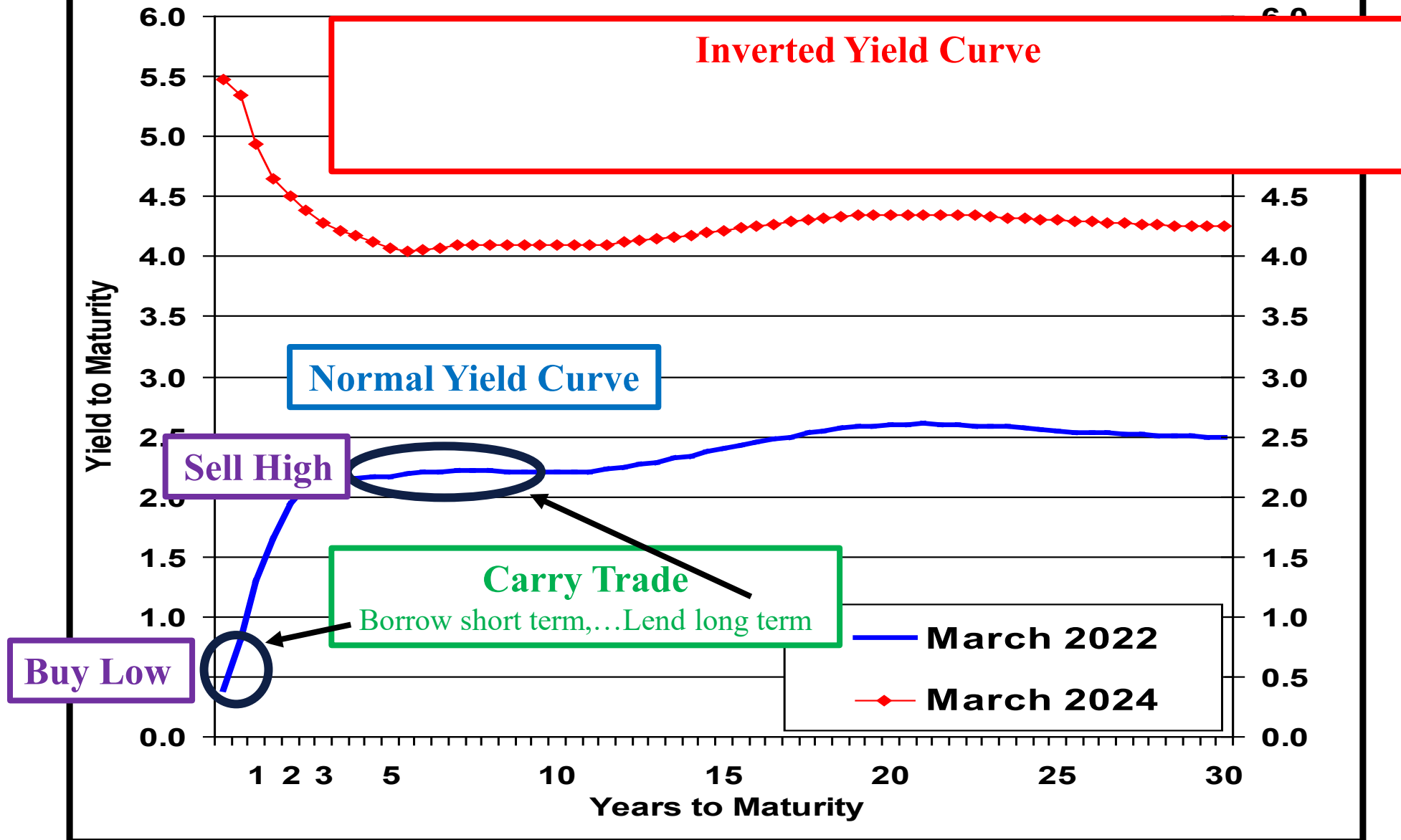




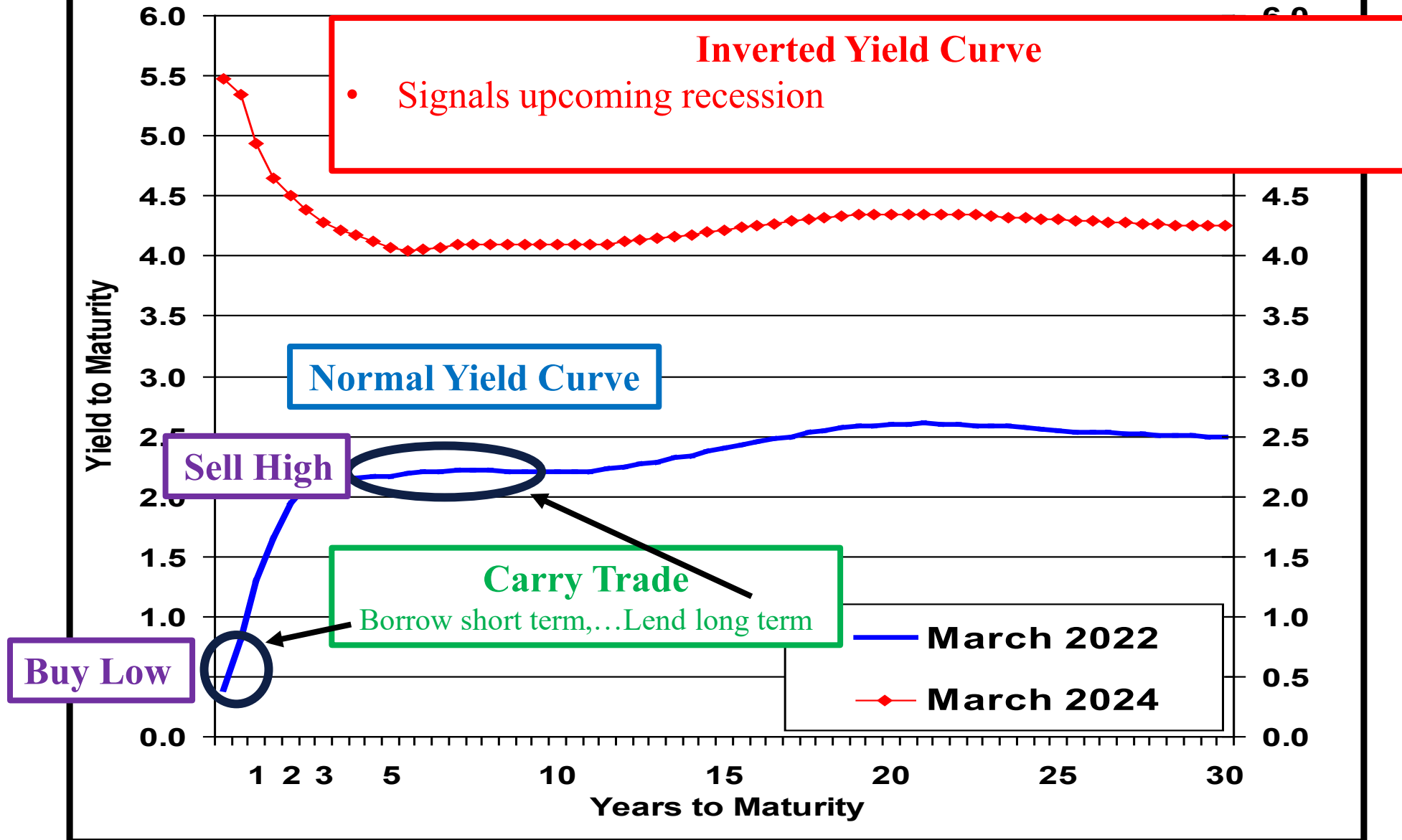
# Treasury Yield Curves



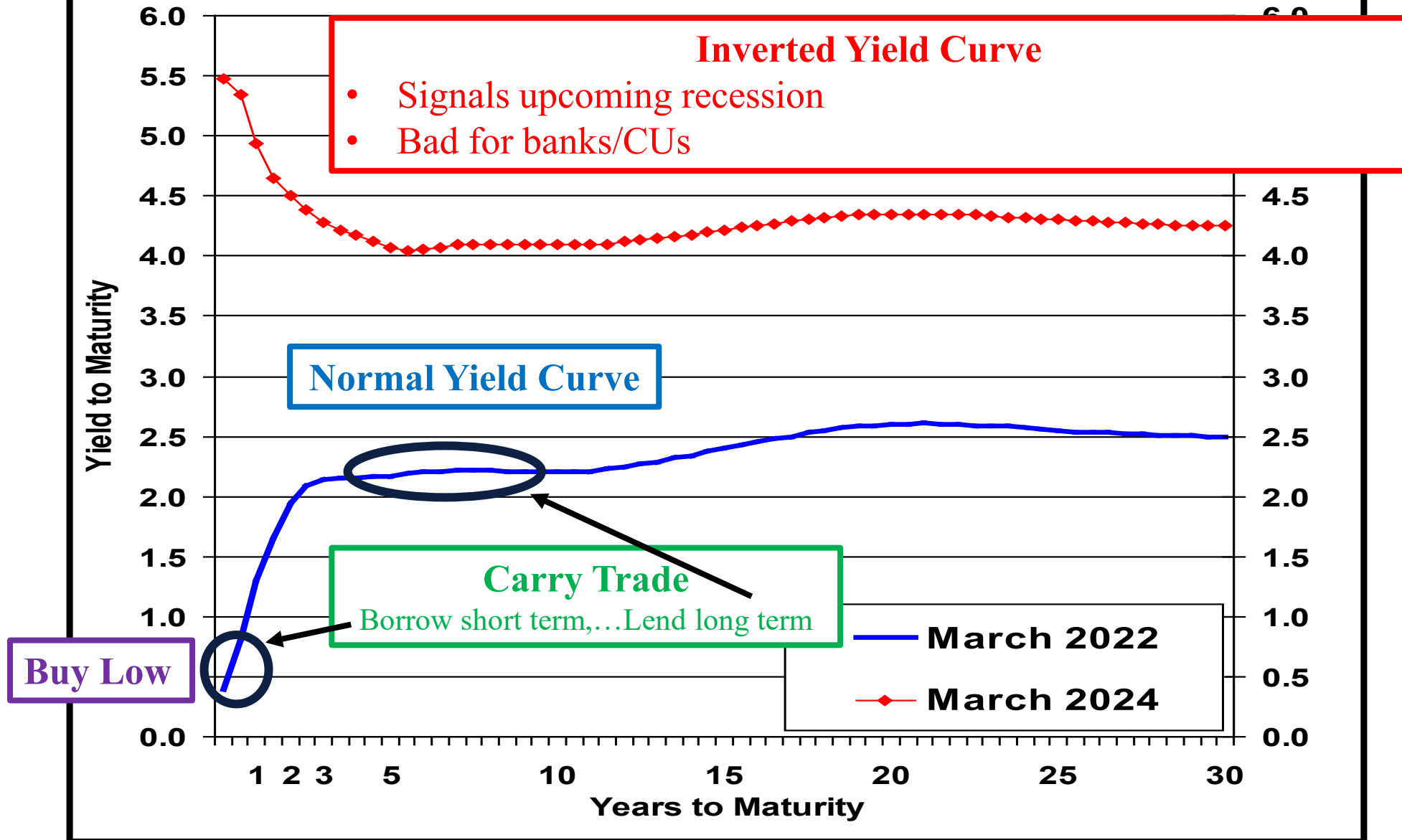
# Treasury Yield Curves



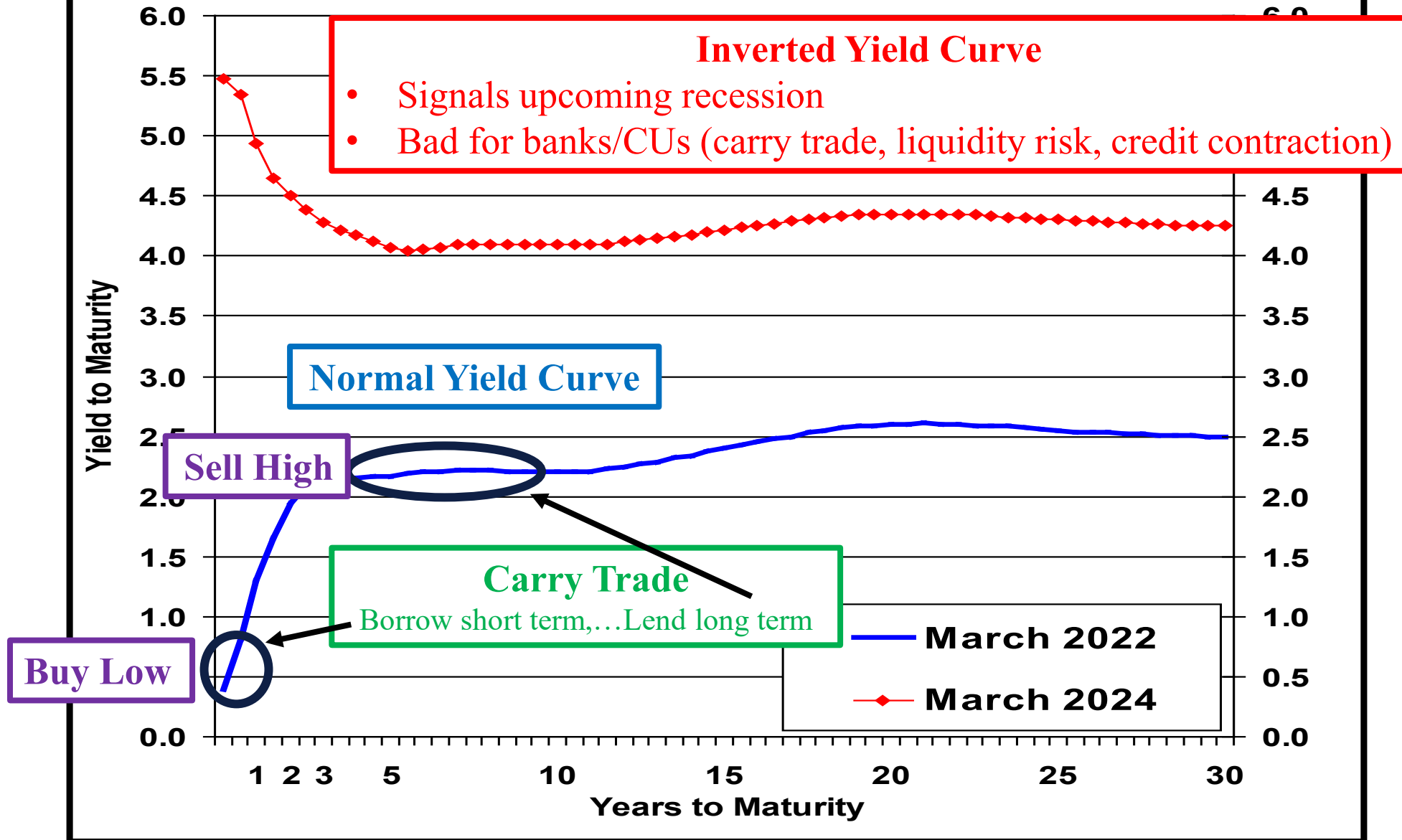
# Treasury Yield Curves



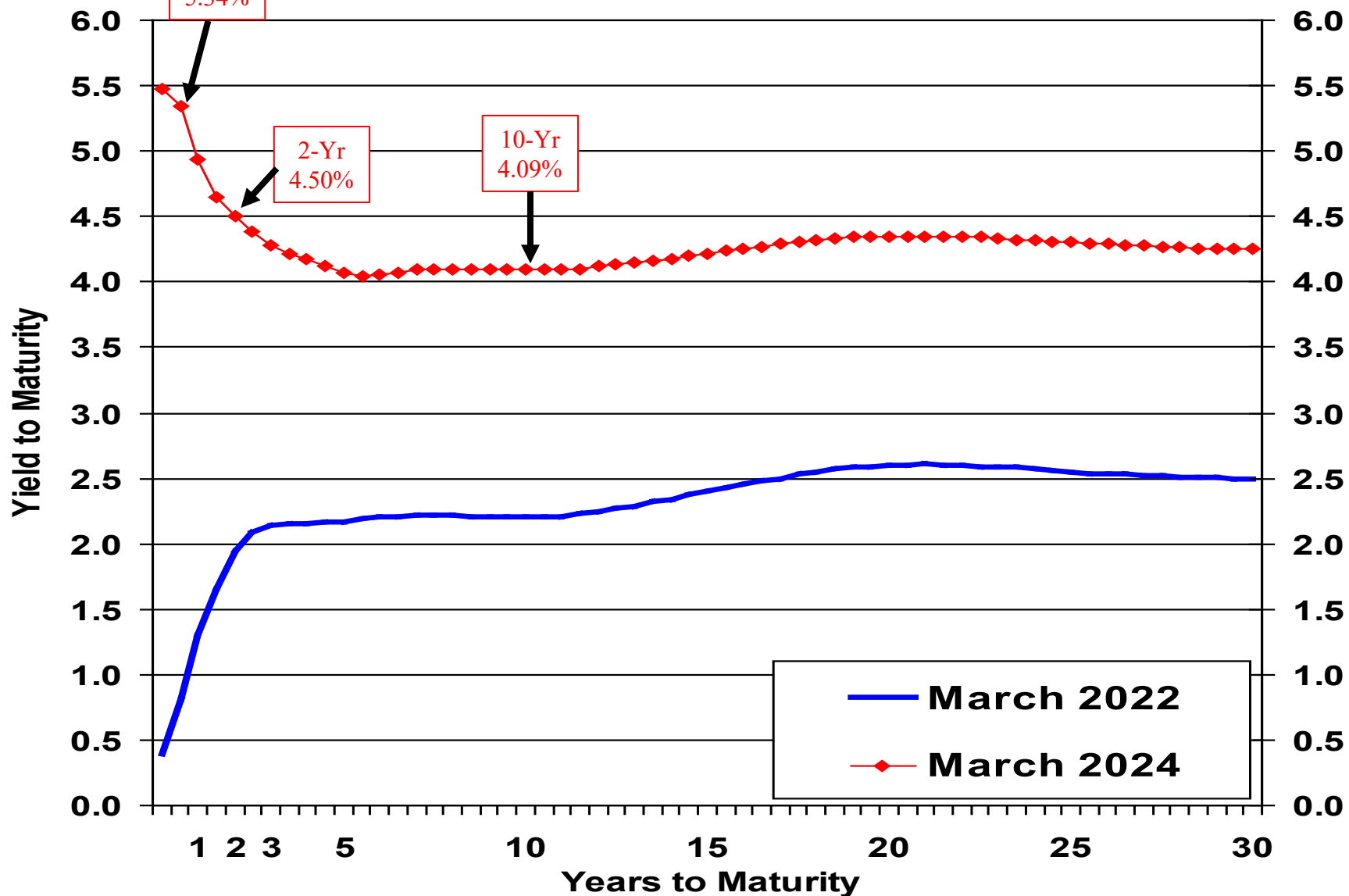
# Treasury Yield Curves



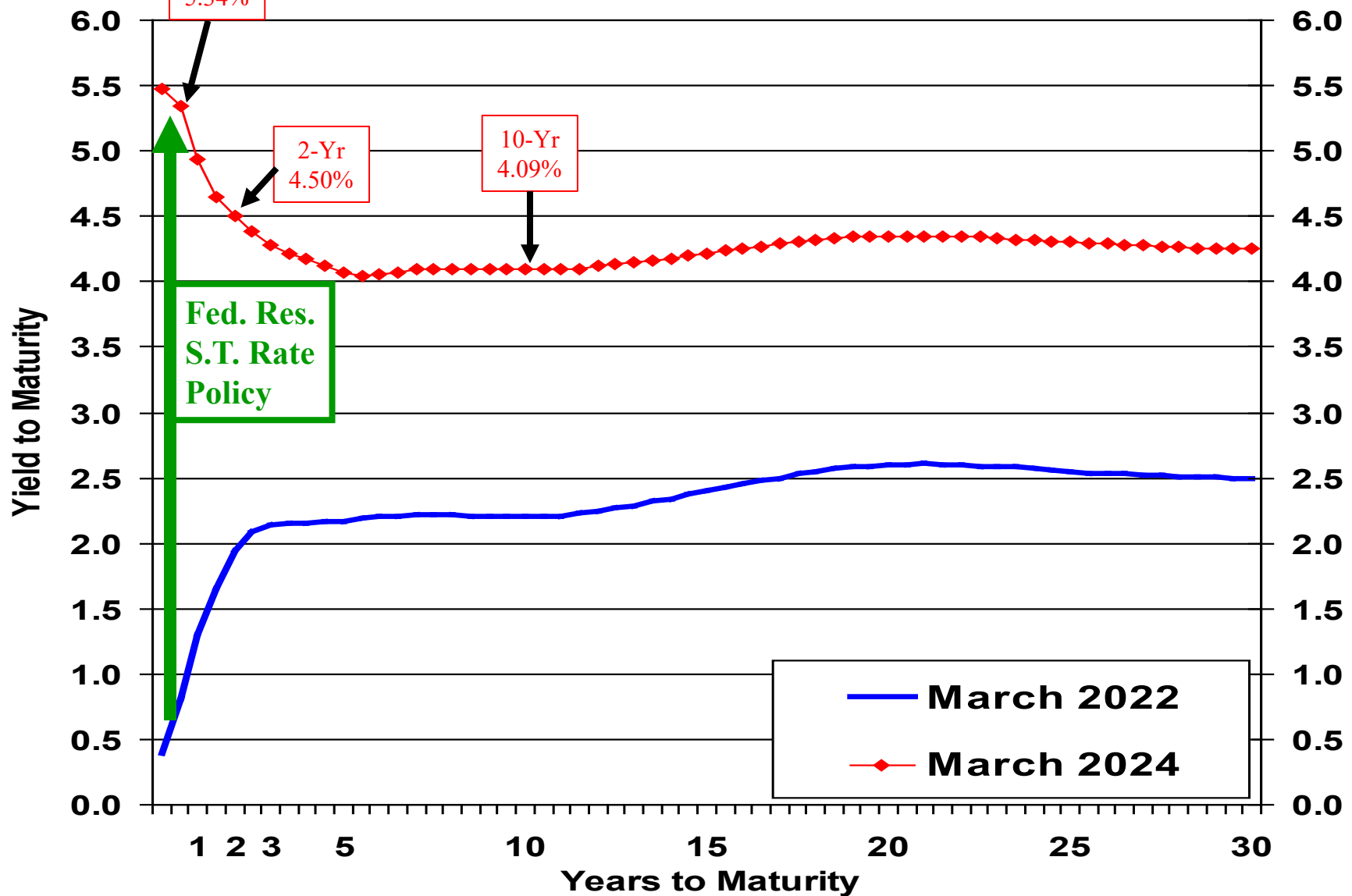
# Treasury Yield Curves



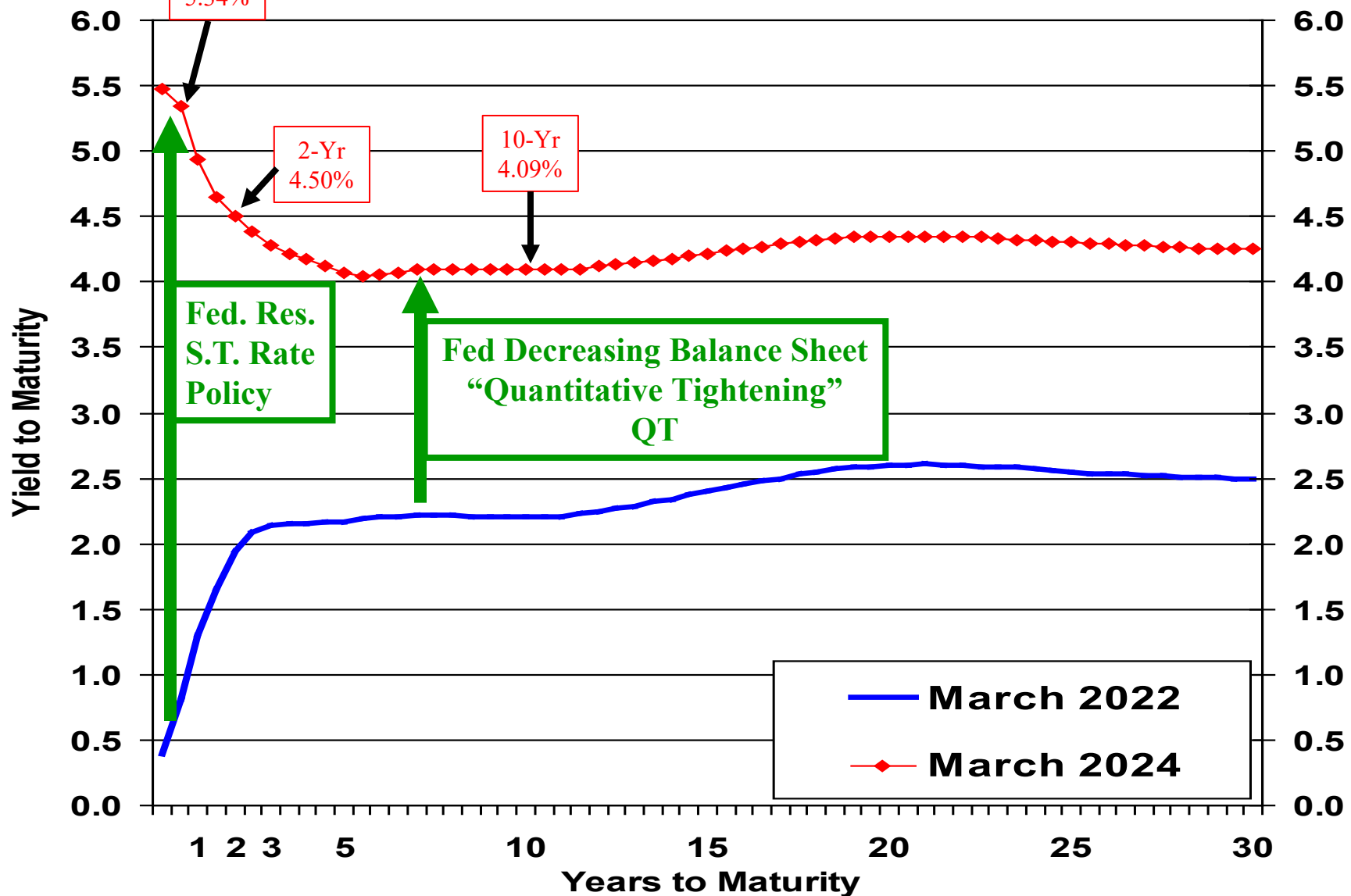
# Treasury Yield Curves



# Treasury Yield Curves

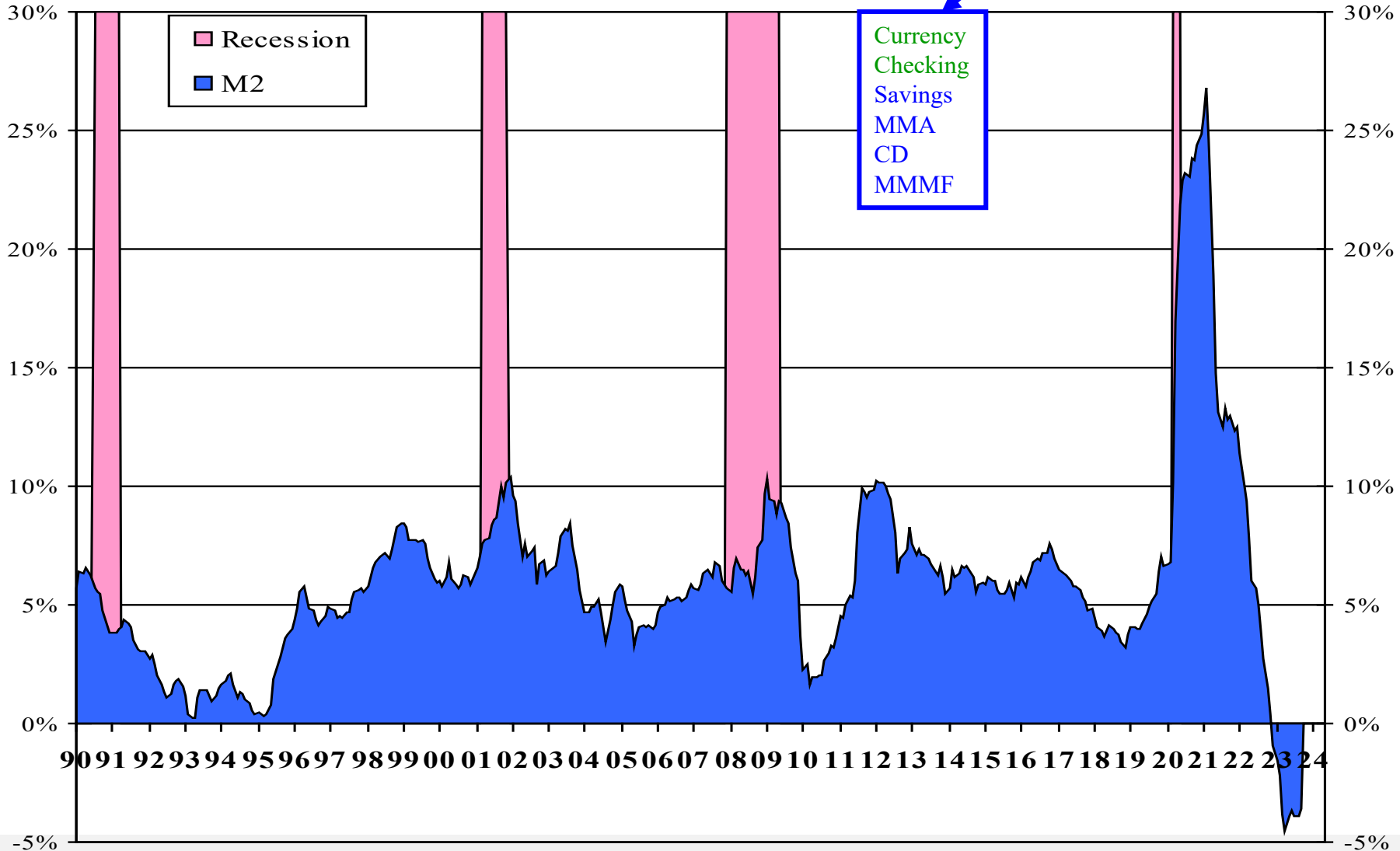


# Treasury Yield Curves

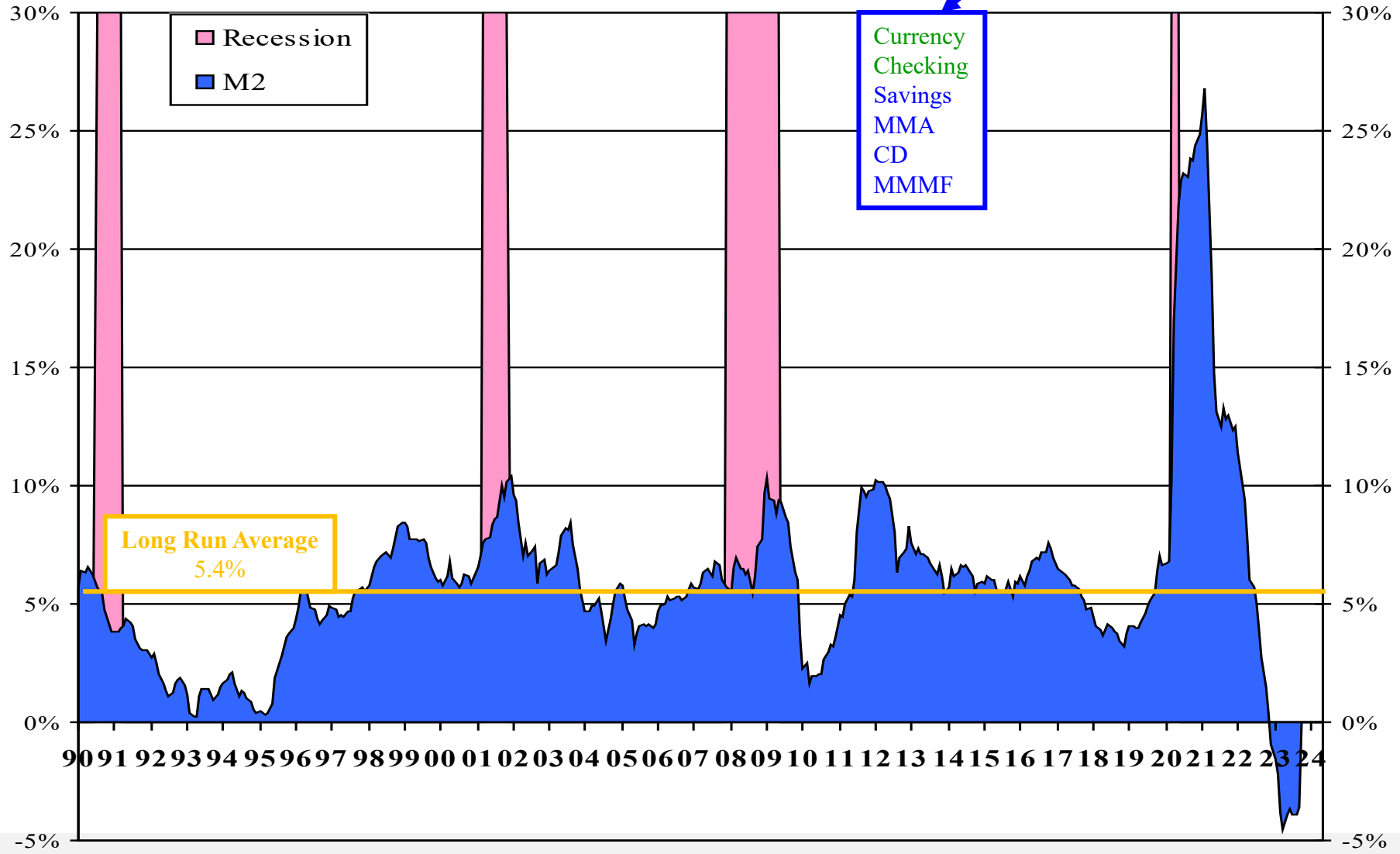




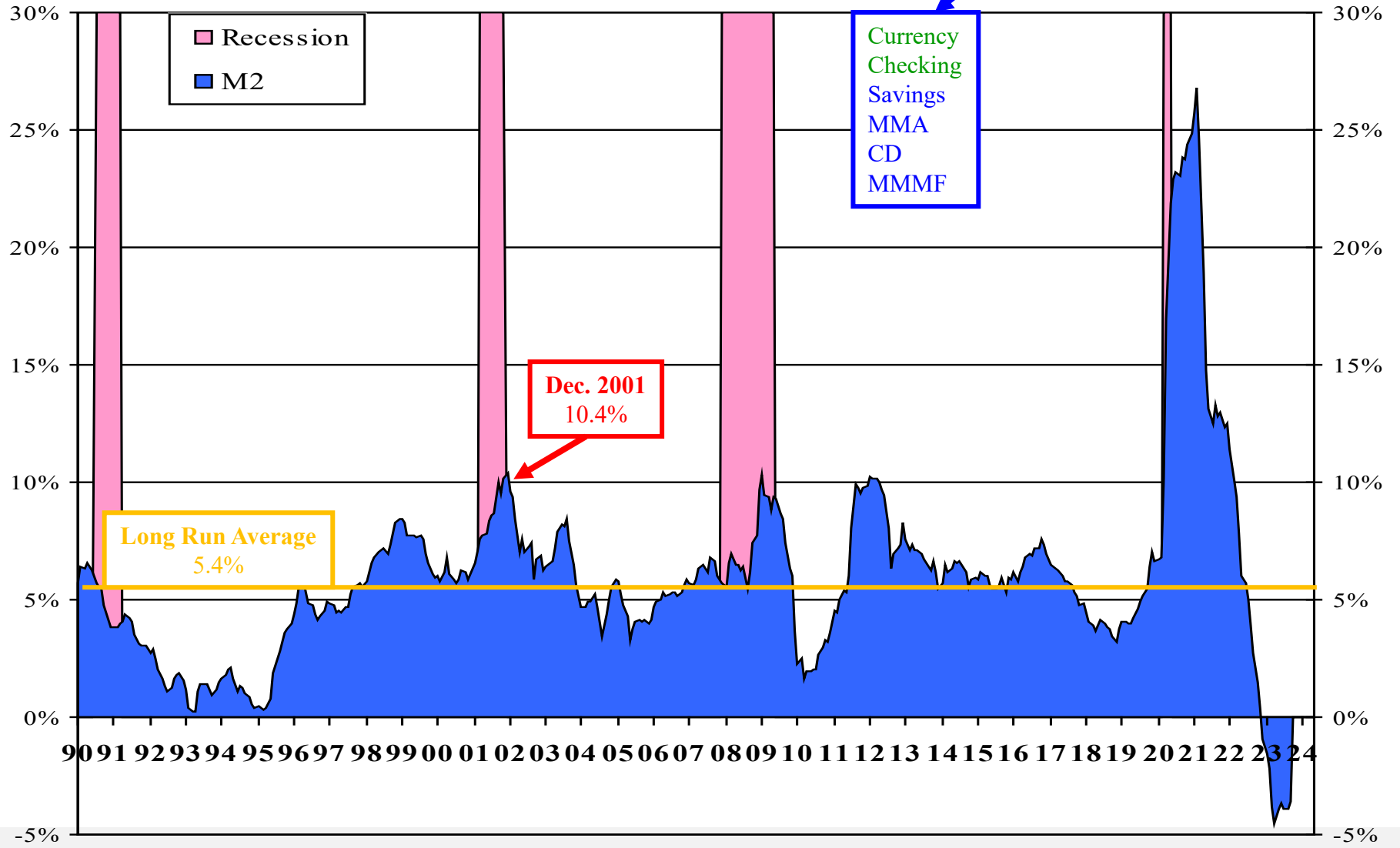
# Money Supply Growth, M2



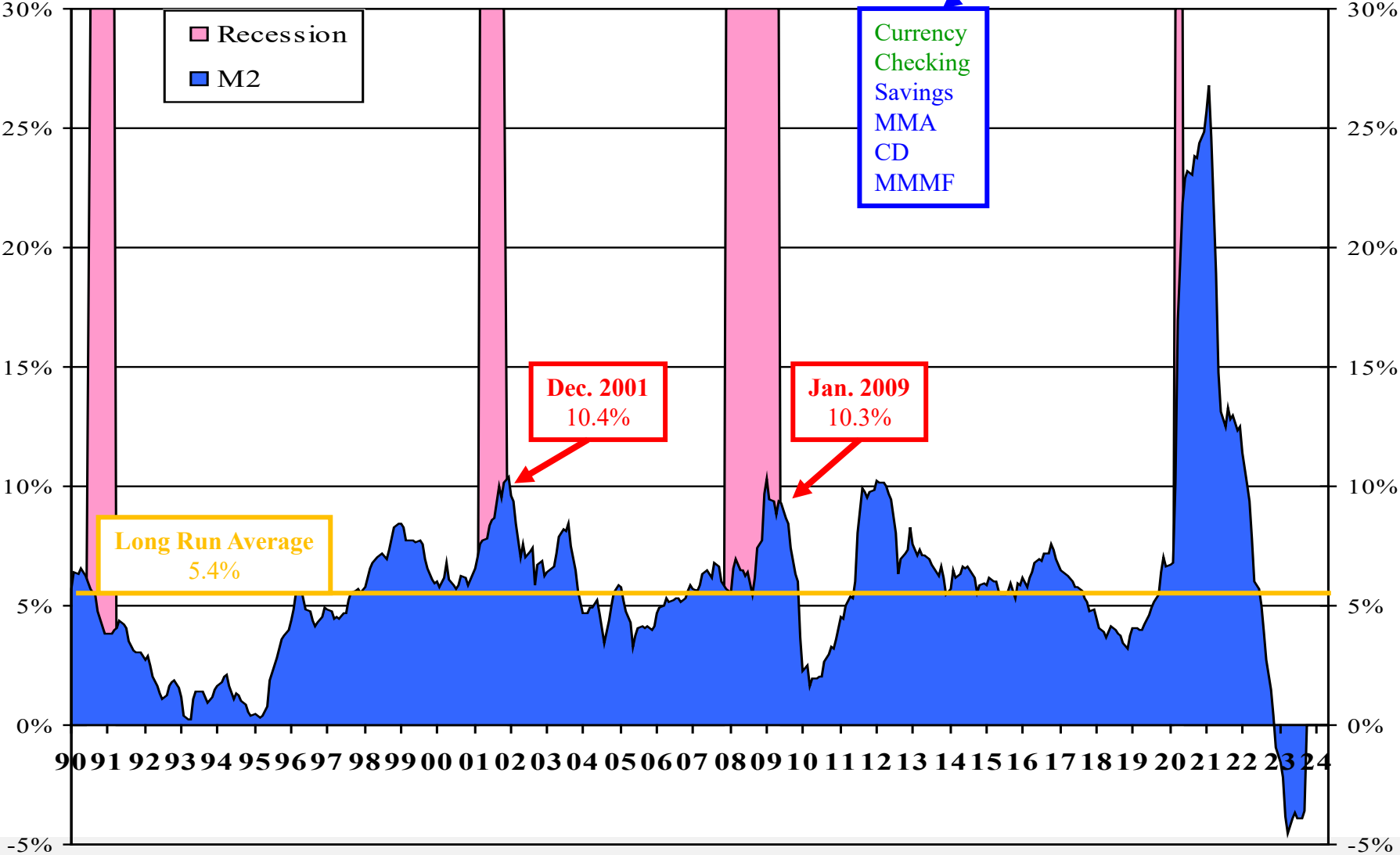
# Money Supply Growth, M2



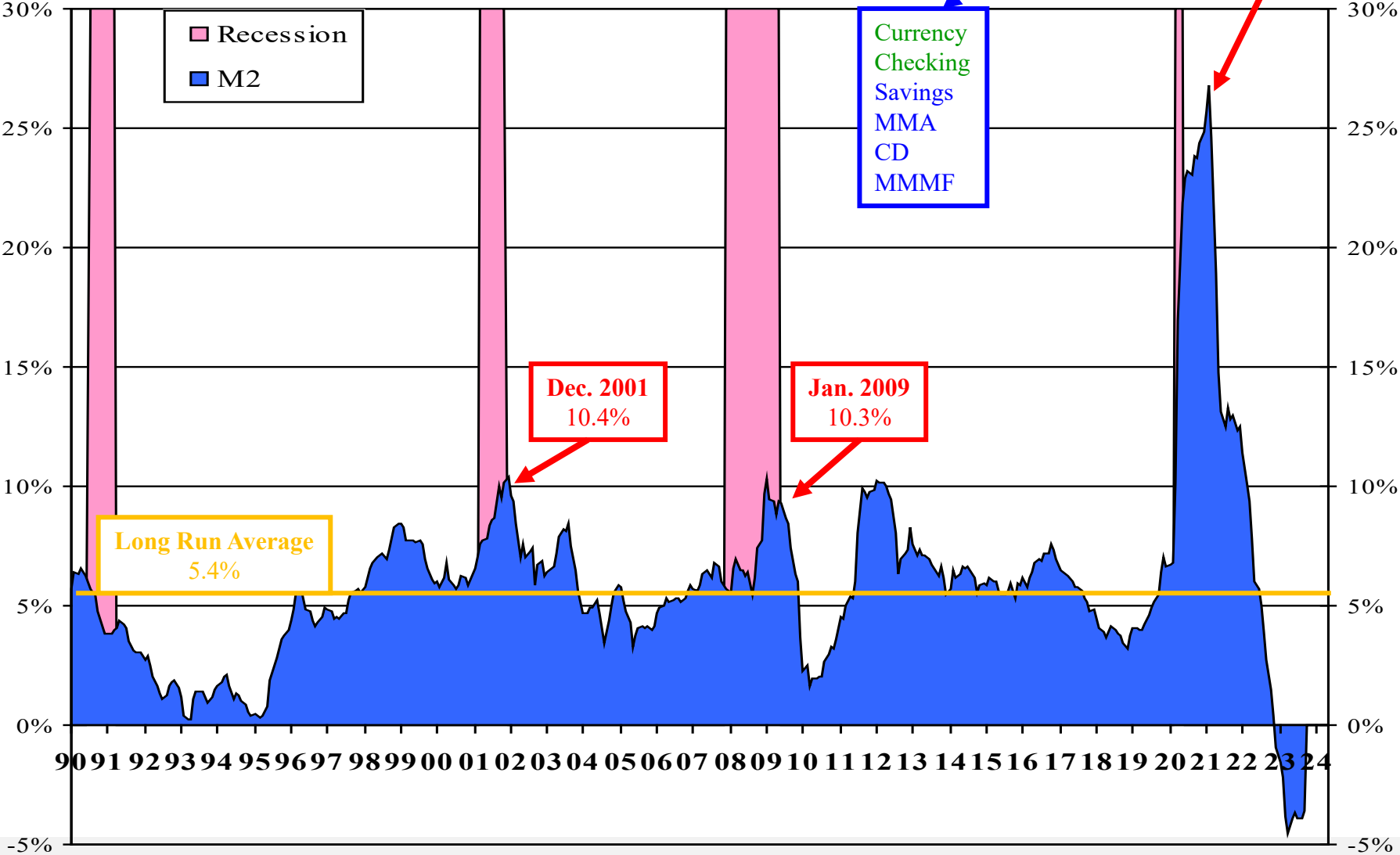
# Money Supply Growth, M2



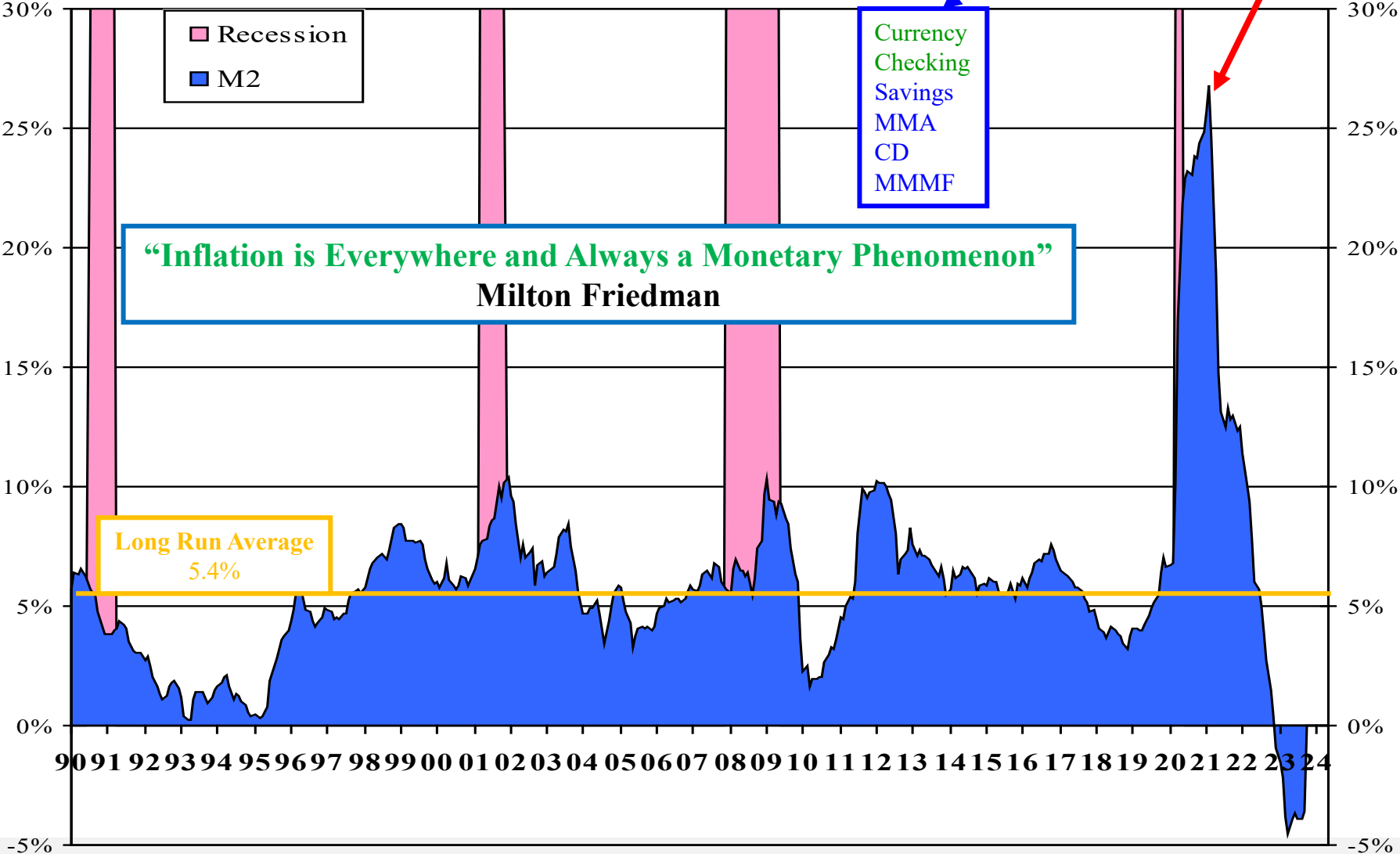
# Money Supply Growth, M2



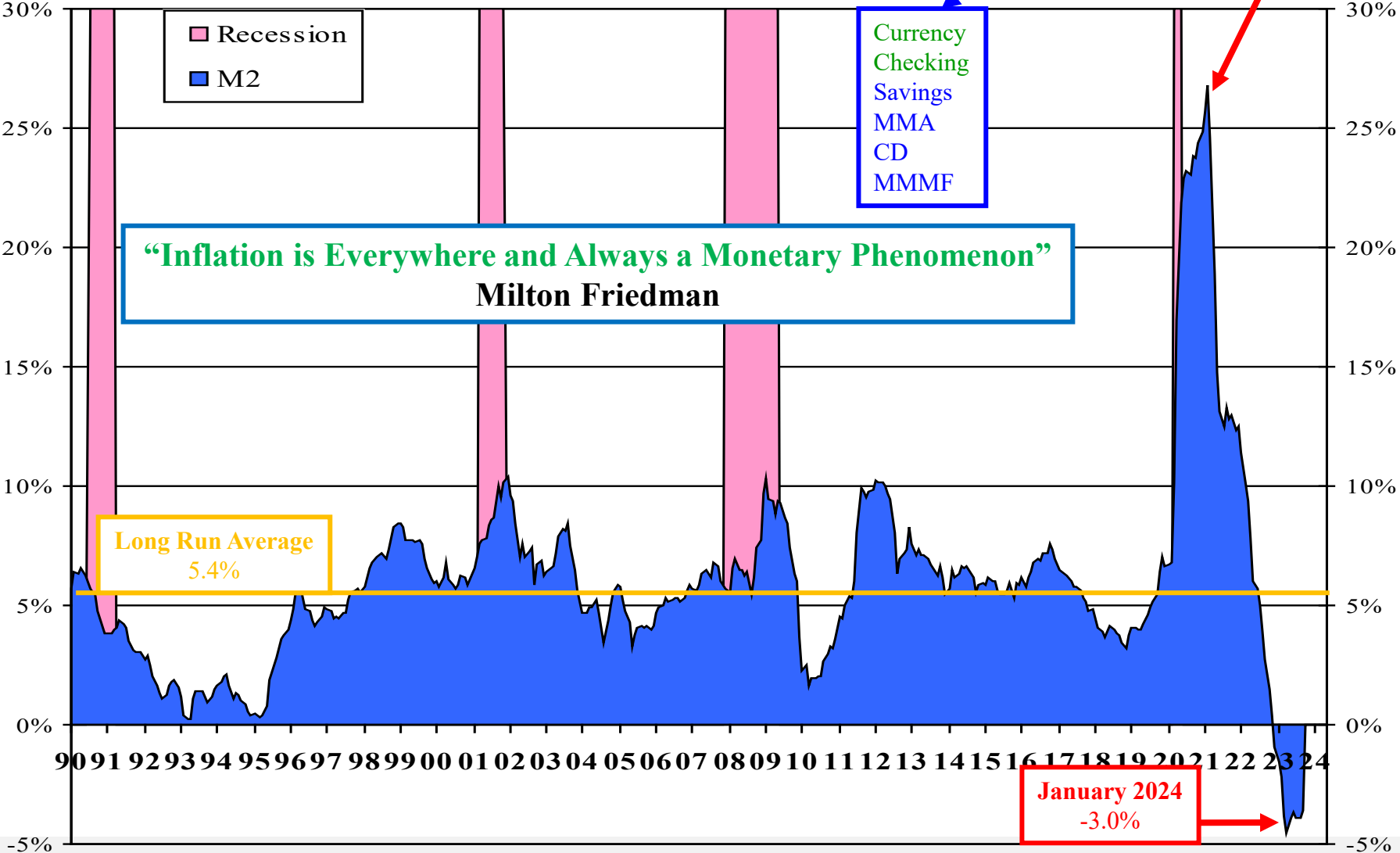
# Money Supply Growth, M2



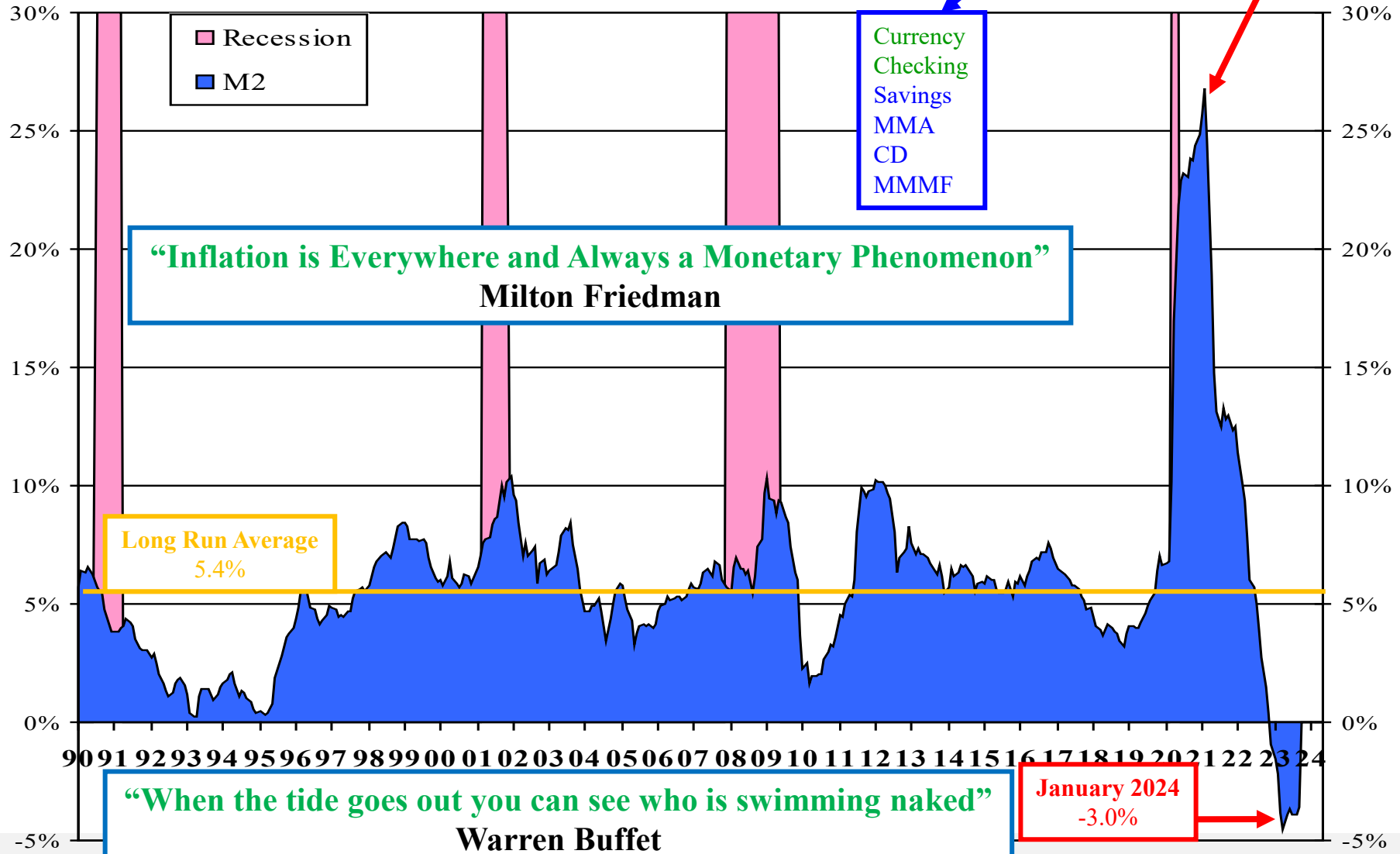
# Money Supply Growth, M2



# Money Supply Growth, M2

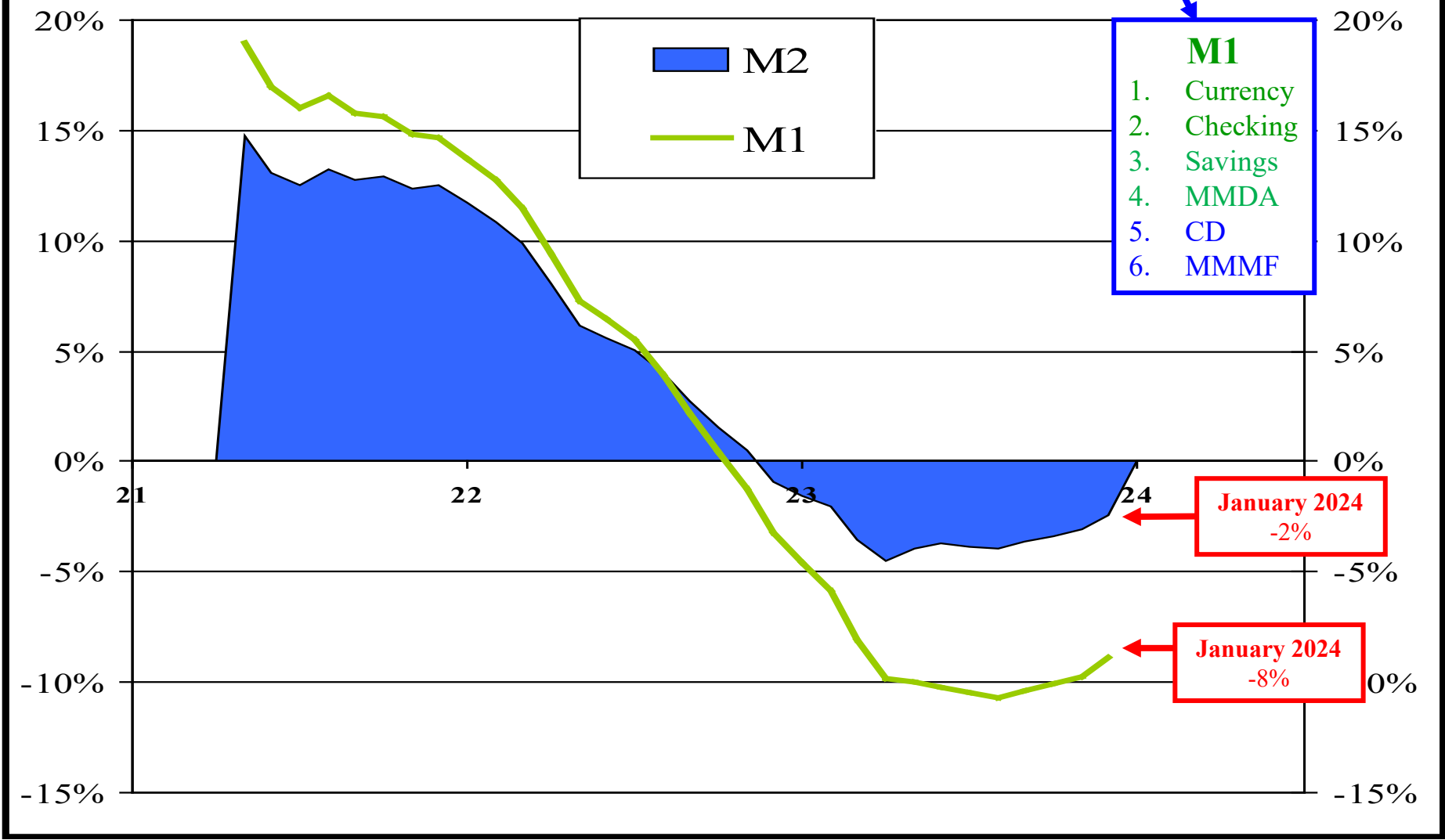


# Money Supply Growth, M2





# Money Supply Growth, M1&M2 (% change year ago)



- M1**
1. Currency
  2. Checking
  3. Savings
  4. MMDA
  5. CD
  6. MMMF

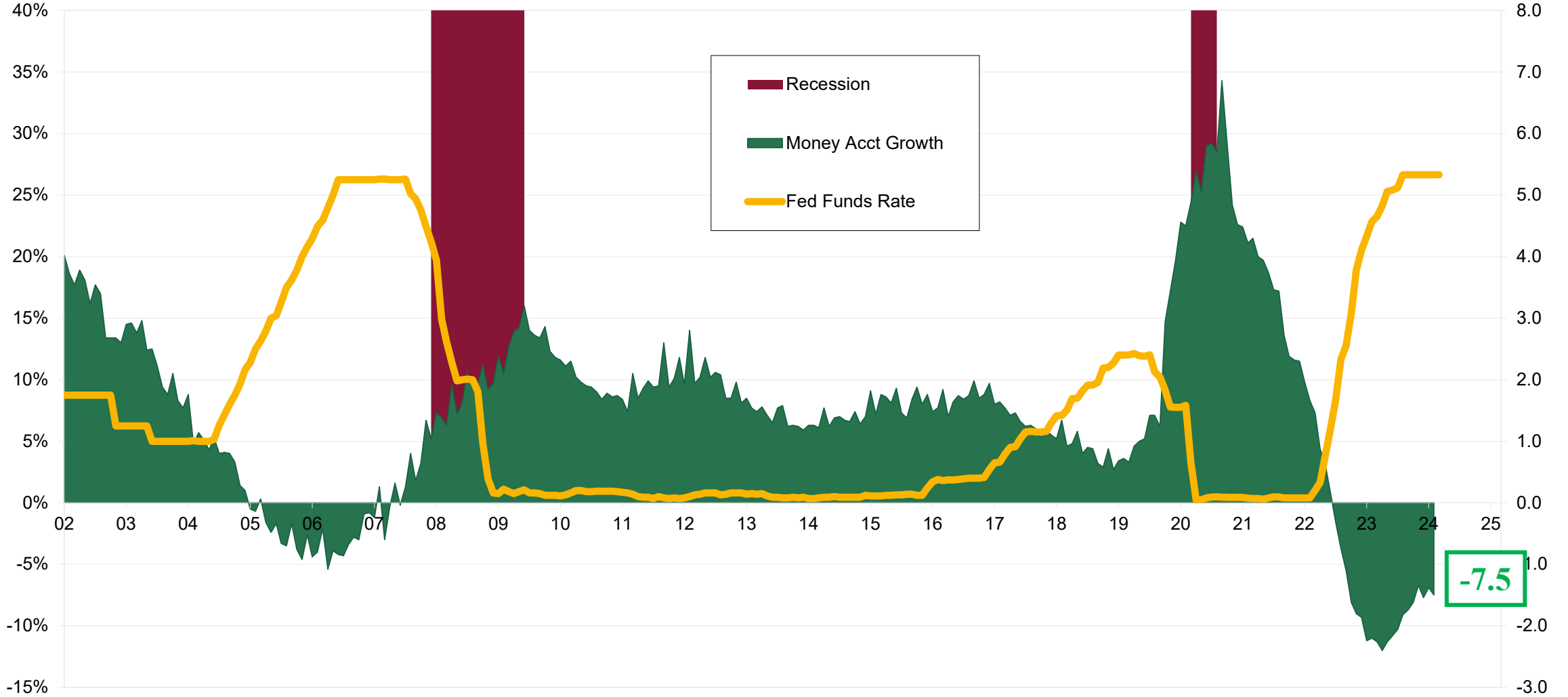
January 2024  
-2%

January 2024  
-8%

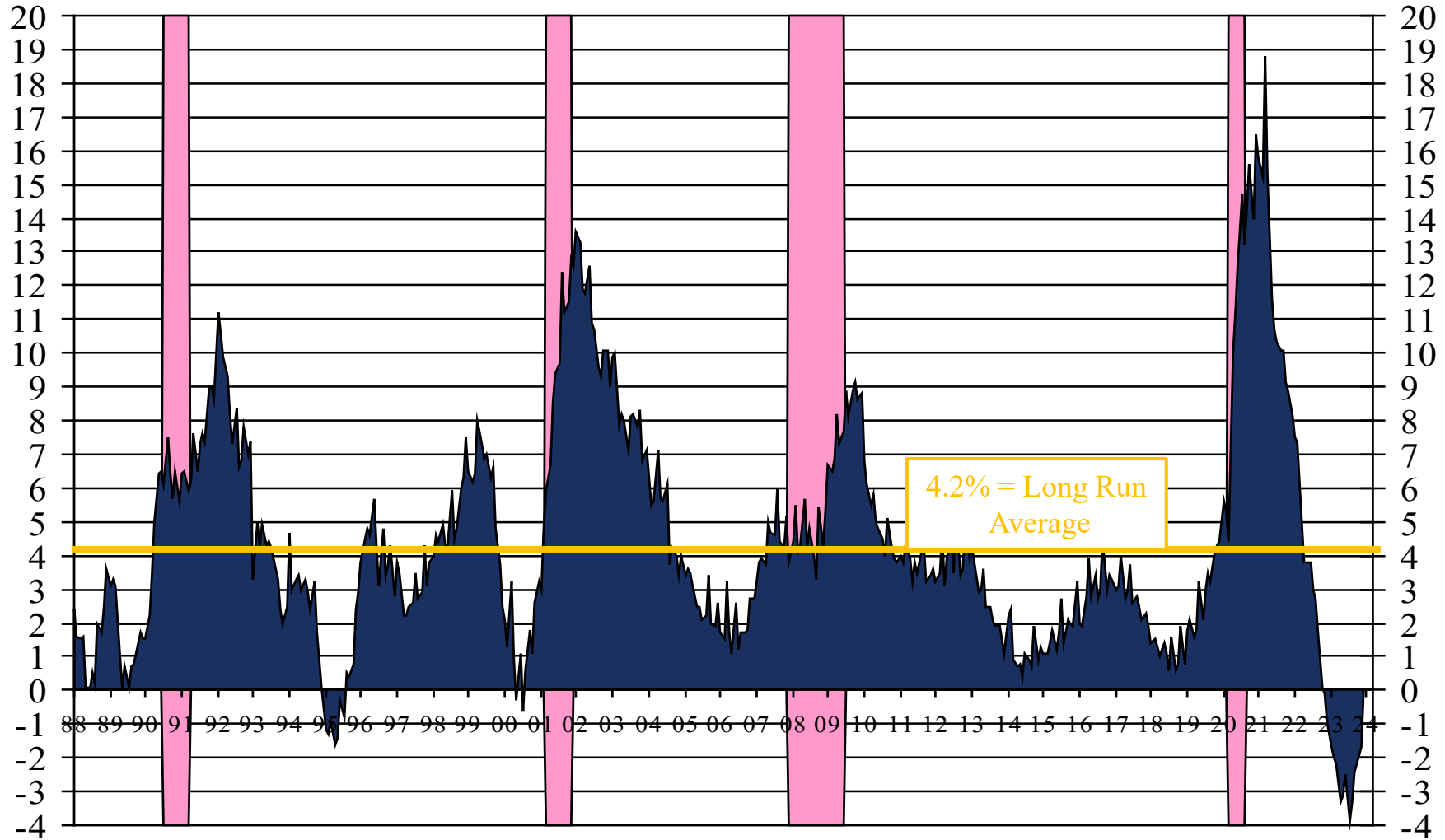
# Money Accounts Growth Rate

Annual Growth

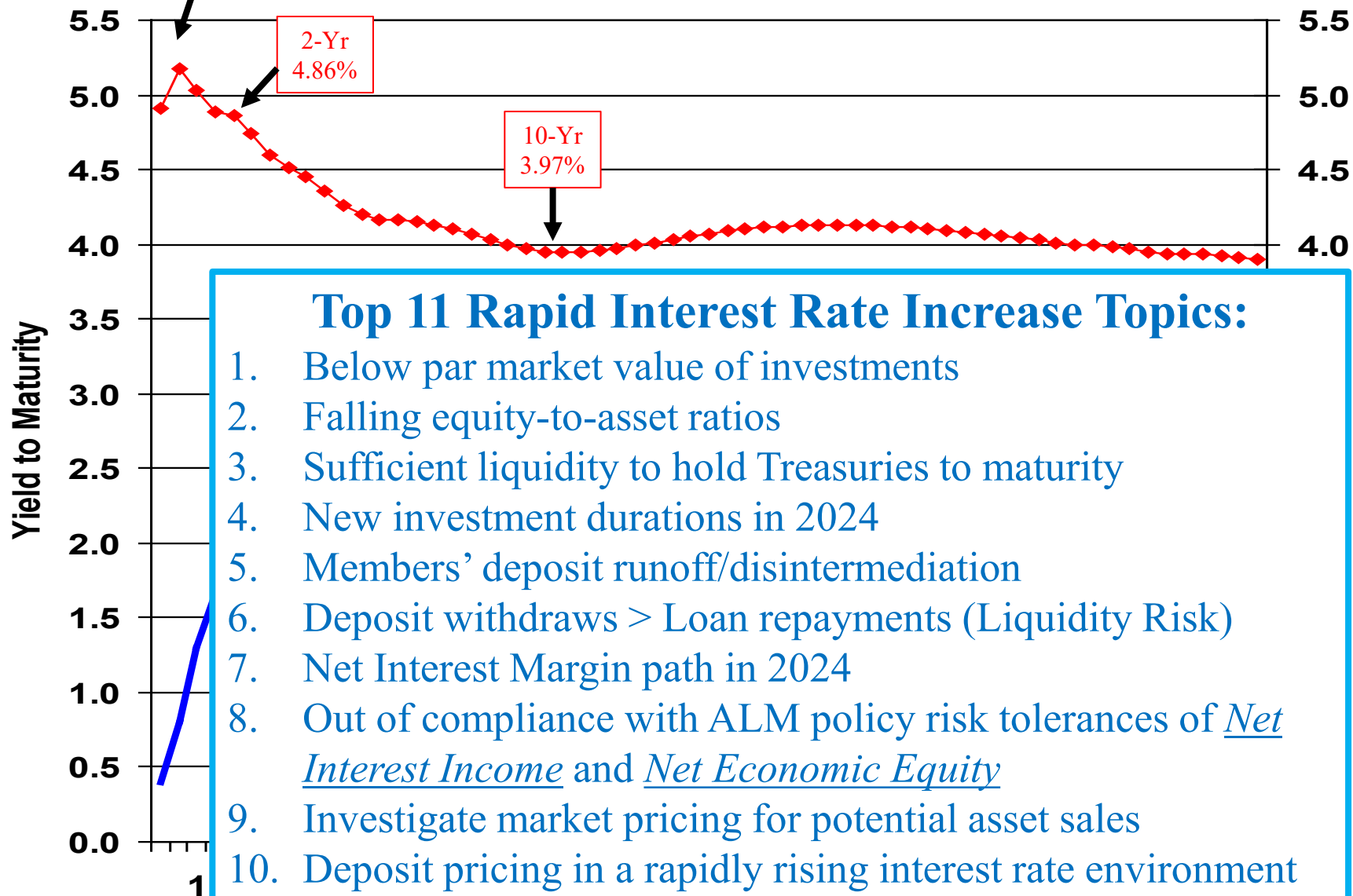
Interest Rate



# Savings per Member Growth Rate



# Treasury Yield Curves



## Top 11 Rapid Interest Rate Increase Topics:

1. Below par market value of investments
2. Falling equity-to-asset ratios
3. Sufficient liquidity to hold Treasuries to maturity
4. New investment durations in 2024
5. Members' deposit runoff/disintermediation
6. Deposit withdraws > Loan repayments (Liquidity Risk)
7. Net Interest Margin path in 2024
8. Out of compliance with ALM policy risk tolerances of *Net Interest Income* and *Net Economic Equity*
9. Investigate market pricing for potential asset sales
10. Deposit pricing in a rapidly rising interest rate environment
11. Rely on wholesale borrowings to maintain sufficient liquidity

**Credit Union  
Balance Sheet**

The image shows a large T-shaped frame, which is a common layout for a balance sheet. It consists of a horizontal line at the top and a vertical line extending downwards from the center of the horizontal line. This structure is currently empty, serving as a template for financial data.

# Credit Union Balance Sheet

**Assets**

# Credit Union Balance Sheet

**Assets**

**Liabilities + Capital**

# Credit Union Balance Sheet

**Assets**

**Liabilities + Capital**

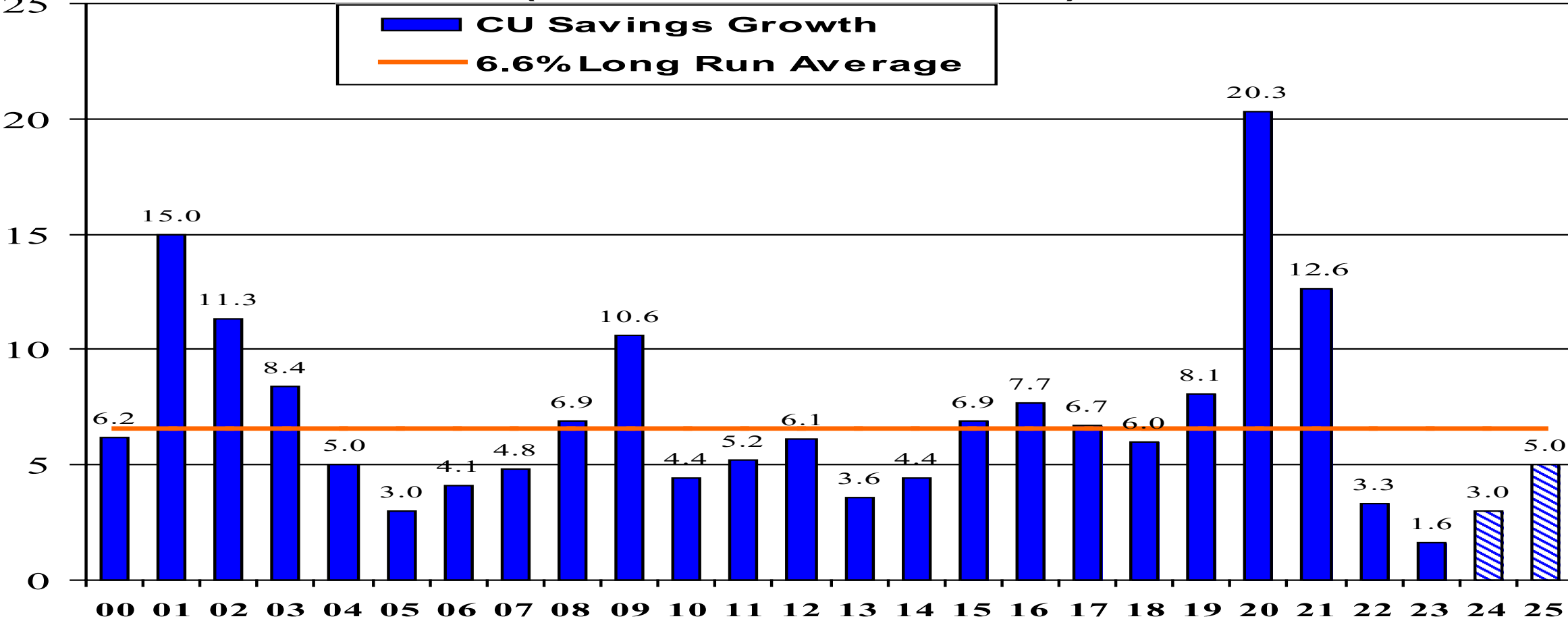
## Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits



# Slowing Credit Union Savings Growth

## Credit Union Savings Growth (Annual Percent Growth)



# Credit Union Balance Sheet

**Assets**

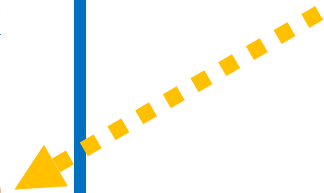
**Liabilities + Capital**

## Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

## Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program



# Credit Union Balance Sheet

**Assets**

**Liabilities + Capital**

## Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

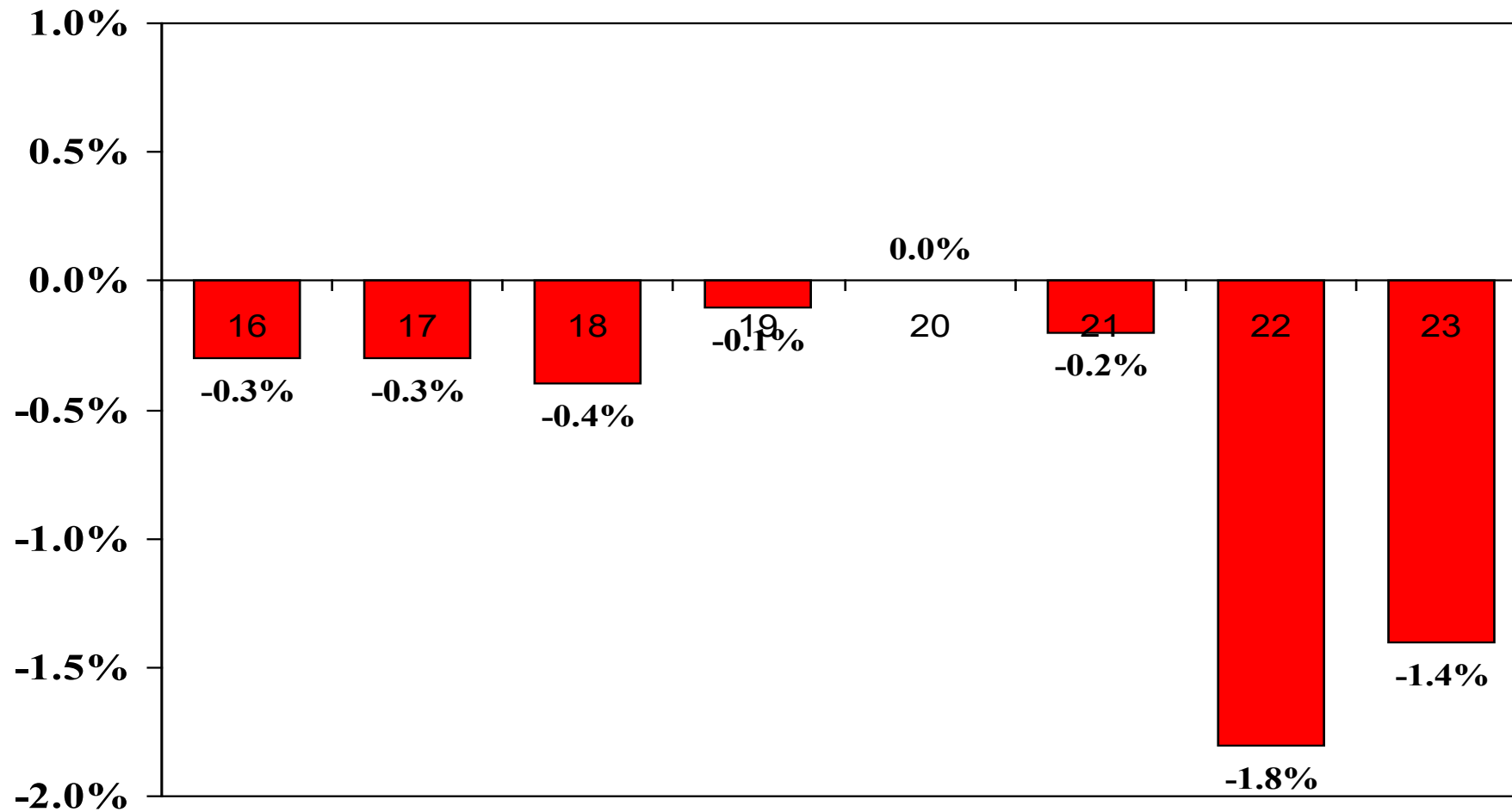
## Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

## Equity (Net Capital)

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

## Accumulated Unrealized Losses on AFS Securities (Percent of Assets)



# Credit Union Balance Sheet

**Assets**

**Liabilities + Capital**

**Cash (Reserves)**

## Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

## Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

## Equity (Net Capital)

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

# Credit Union Balance Sheet

## Assets

## Liabilities + Capital

### Cash (Reserves)

### Fixed Assets

- Land
- Building
- Equipment

### Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

### Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

### Equity (Net Capital)

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

# Credit Union Balance Sheet

## Assets

## Liabilities + Capital

### Cash (Reserves)

### Fixed Assets

- Land
- Building
- Equipment

### Investments

- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

### Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

### Borrowings

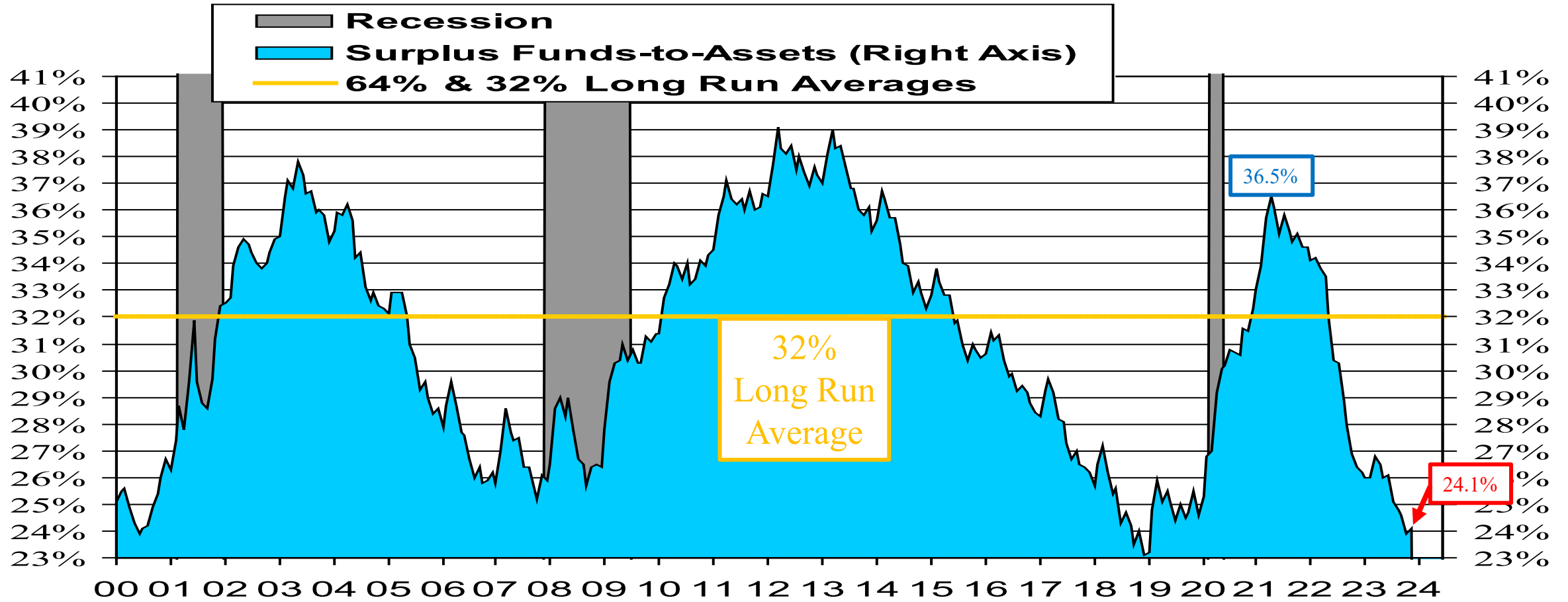
- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

### Equity (Net Capital)

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

# Investments Are Falling and Yields Are Rising

## CU Surplus Funds (Cash + Investments)





# Credit Union Balance Sheet

## Assets

## Liabilities + Capital

### Cash (Reserves)

### Fixed Assets

- Land
- Building
- Equipment

### Investments

- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

### Loans

- Commercial
- Auto
- Home
- Credit Card

### Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

### Borrowings

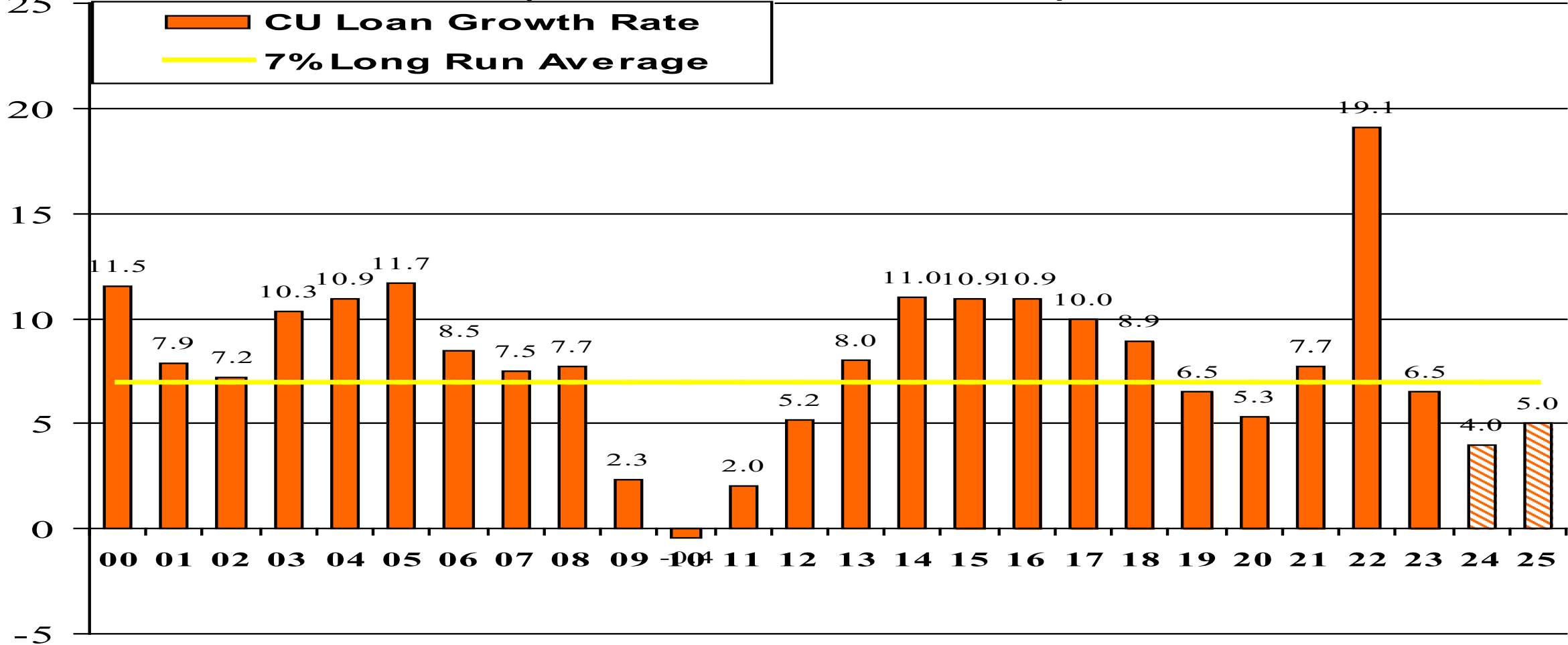
- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

### Equity (Net Capital)

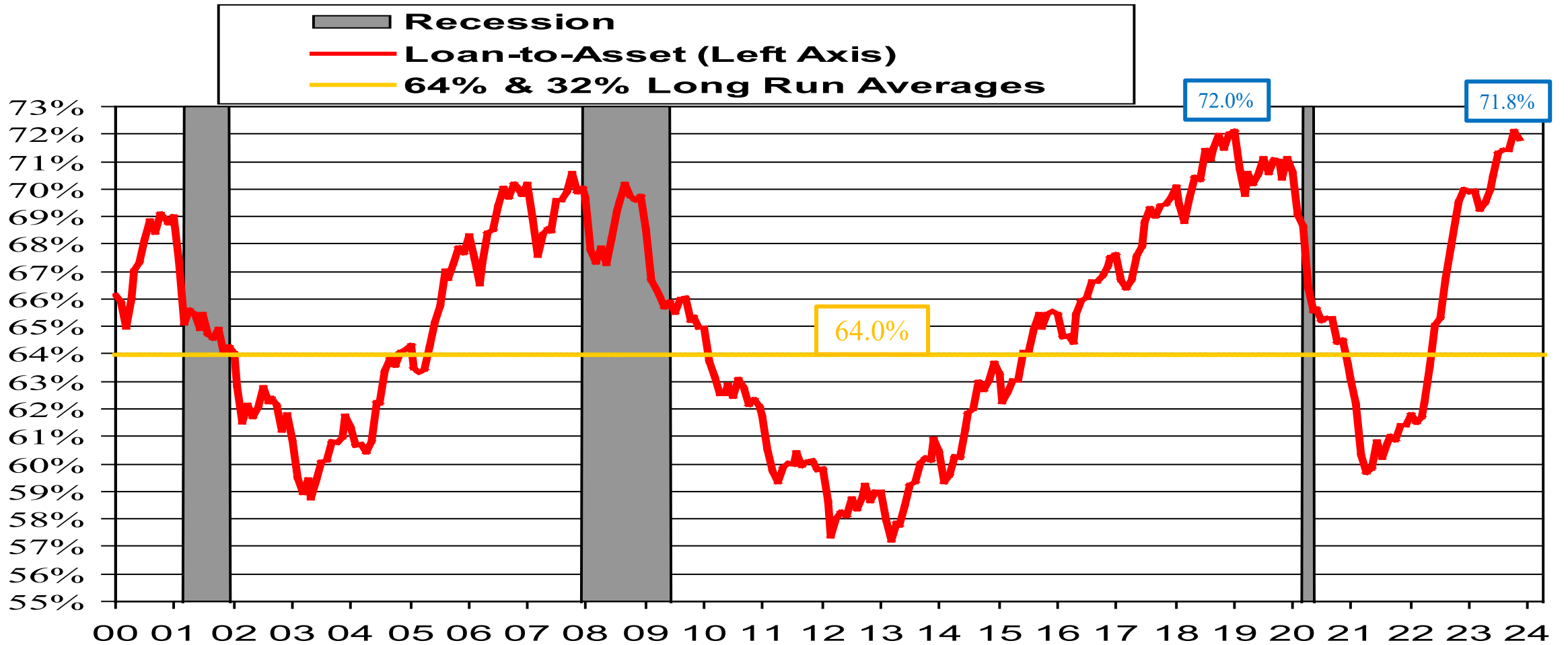
1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

# Slowing Credit Union Loan Growth

## Credit Union Loan Growth (Annual Percent Growth)



# CU Loan to Asset Ratio



# Credit Union Balance Sheet

## Assets

## Liabilities + Capital

### Cash (Reserves)

### Fixed Assets

- Land
- Building
- Equipment

### Investments

- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

### Loans

- Commercial
- Auto
- Home
- Credit Card

### Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

### Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

### Equity (Net Capital)

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

# Credit Union Balance Sheet

## Assets

## Liabilities + Capital

### Cash (Reserves)

### Fixed Assets

- Land
- Building
- Equipment

### Investments

- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

### Loans

- Commercial
- Auto
- Home
- Credit Card

Allowance for Loan Loss

### Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

### Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

### Equity (Net Capital)

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

# Credit Union Balance Sheet

## Assets

## Liabilities + Capital

### Cash (Reserves)

### Fixed Assets

- Land
- Building
- Equipment

### Investments

- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

### Loans

- Commercial
- Auto
- Home
- Credit Card

Allowance for Loan Loss

### Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

### Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

### Equity (Net Capital)

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

# Credit Union Balance Sheet

## Assets

## Liabilities + Capital

### Cash (Reserves)

### Fixed Assets

- Land
- Building
- Equipment

### Investments

- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

### Loans

- Commercial
- Auto
- Home
- Credit Card

### Allowance for Loan Loss

### Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

### Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

### Equity (Net Capital)

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

“Non progredi est regredi”

# Credit Union Balance Sheet

## Assets

## Liabilities + Capital

### Cash (Reserves)

### Fixed Assets

- Land
- Building
- Equipment

### Investments

- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

### Loans

- Commercial
- Auto
- Home
- Credit Card

### Allowance for Loan Loss

### Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

### Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

### Equity (Net Capital)

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

“Non progredi est regredi”

To not go forward is to go backward



# Credit Union Balance Sheet

## Assets

## Liabilities + Capital

### Cash (Reserves)

### Fixed Assets

- Land
- Building
- Equipment

### Investments

- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

### Loans

- Commercial
- Auto
- Home
- Credit Card

### Allowance for Loan Loss

### Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

### Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

### Equity (Net Capital)

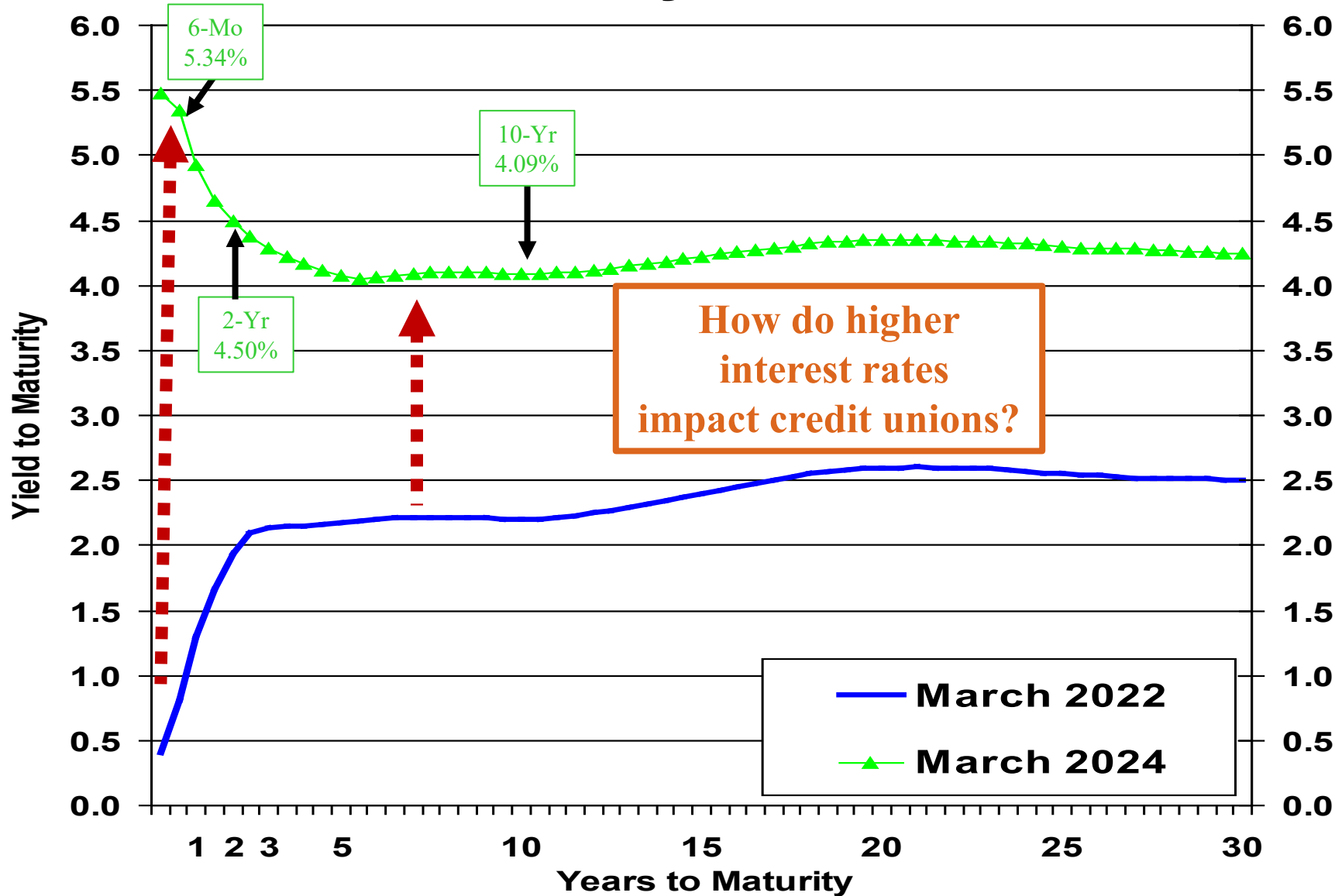
1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

“Non progredi est regredi”

To not go forward is to go backward

If you're not growing, you're dying

# Treasury Yield Curves



# Credit Union Balance Sheet

## Assets

## Liabilities + Capital

### Cash (Reserves)

### Fixed Assets

- Land
- Building
- Equipment

### Investments

- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

### Loans

- Commercial
- Auto
- Home
- Credit Card

### Allowance for Loan Loss

### Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

### Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

### Equity (Net Capital)

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

How do higher interest rates impact credit unions?

# Credit Union Balance Sheet

## Assets

## Liabilities + Capital

### Cash (Reserves)

### Fixed Assets

- Land
- Building
- Equipment

### Investments

- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

### Loans

- Commercial
- Auto
- Home
- Credit Card

### Allowance for Loan Loss

### Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

### Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

### Equity (Net Capital)

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

↑ interest rates => ↓ Bond Prices

1. Below par market value of investments

# Credit Union Balance Sheet

## Assets

## Liabilities + Capital

### Cash (Reserves)

### Fixed Assets

- Land
- Building
- Equipment

### Investments

- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

### Loans

- Commercial
- Auto
- Home
- Credit Card

### Allowance for Loan Loss

### Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

### Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

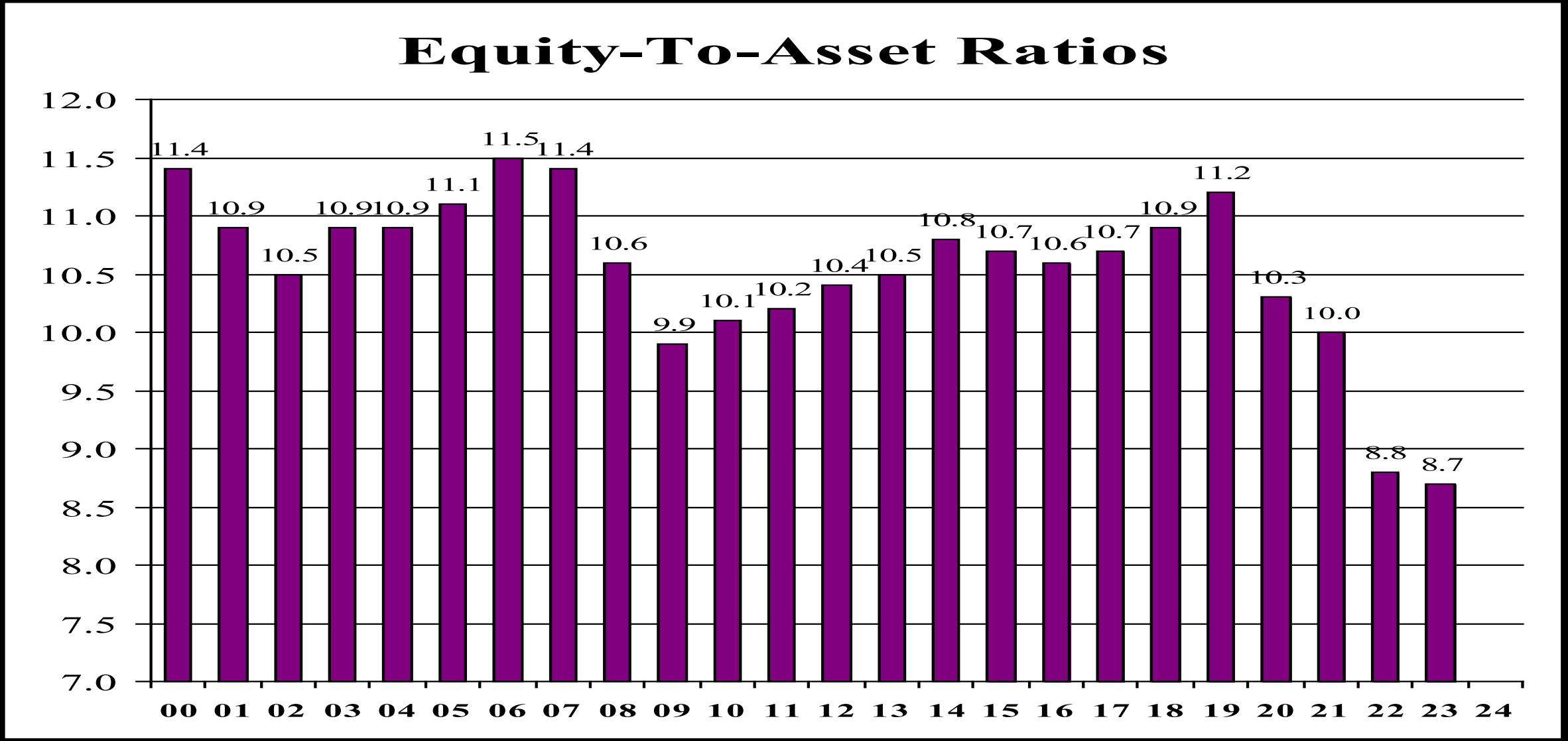
### Equity (Net Capital)

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

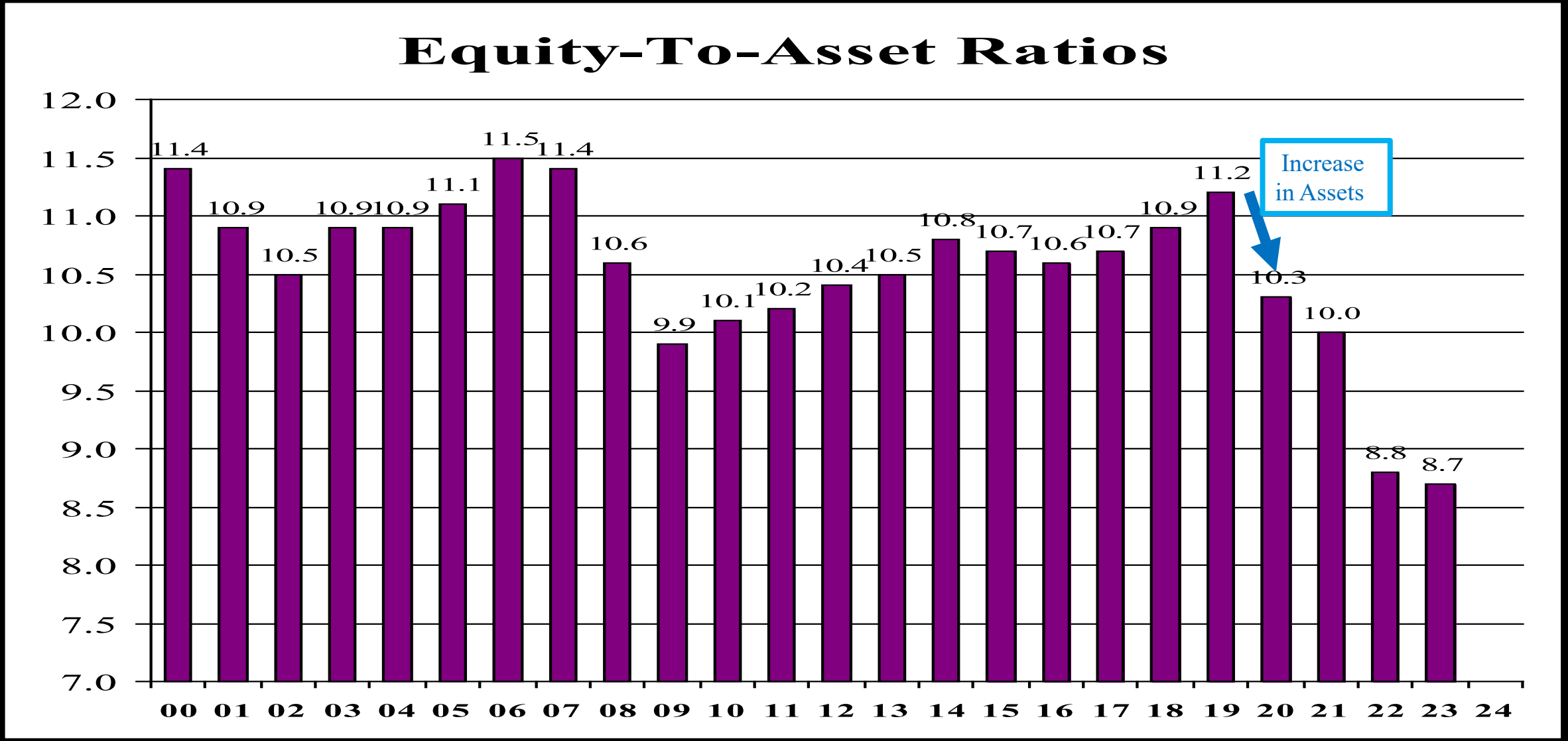
1. Below par market value of investments

2. Falling equity-to-asset ratios

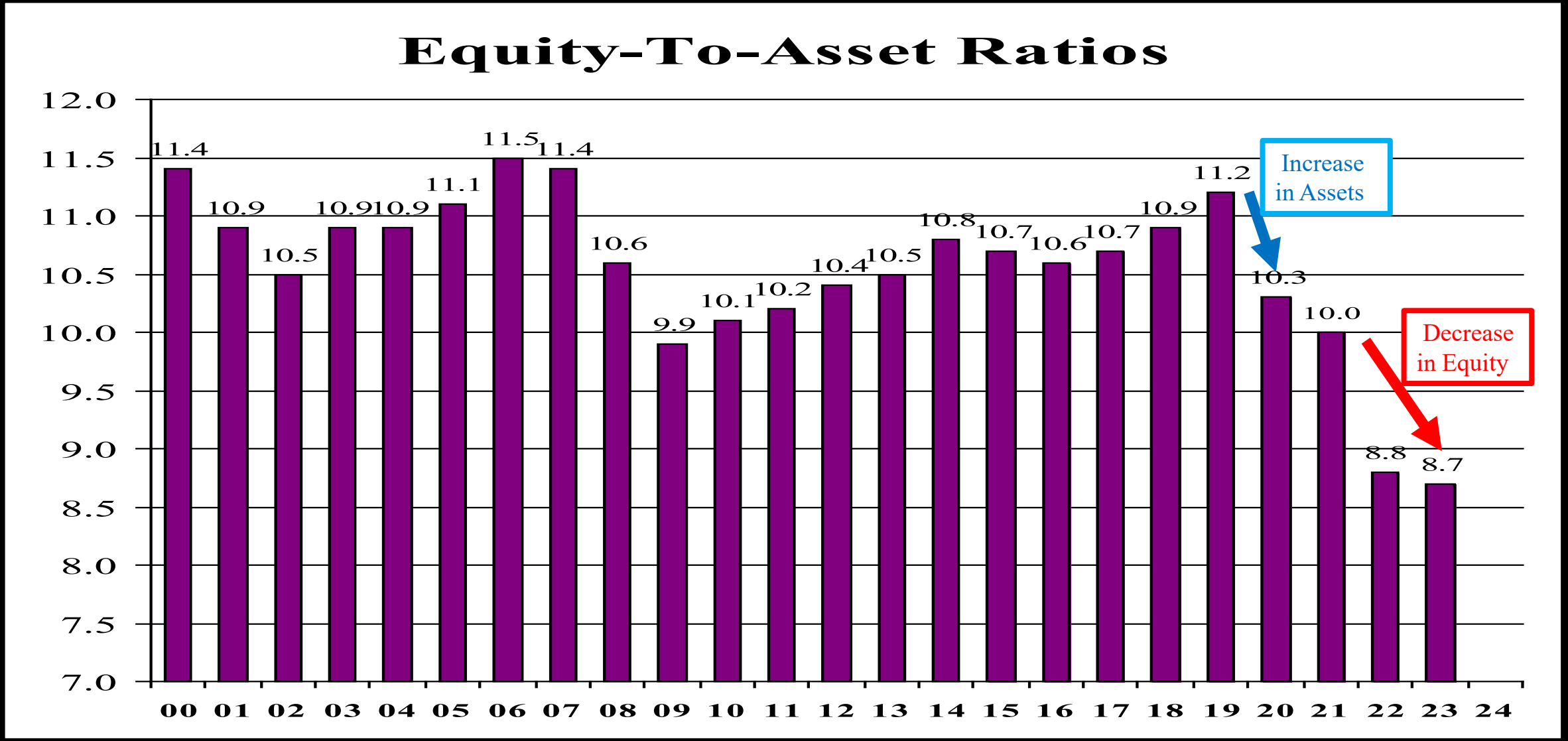
# Falling Equity Ratios



# Falling Equity Ratios



# Falling Equity Ratios





# Credit Union Balance Sheet

## Assets

## Liabilities + Capital

3. Sufficient liquidity to hold Treasuries to maturity

### Cash (Reserves)

### Fixed Assets

- Land
- Building
- Equipment

### Investments

- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

### Loans

- Commercial
- Auto
- Home
- Credit Card

### Allowance for Loan Loss

### Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

### Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

### Equity (Net Capital)

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

1. Below par market value of investments

2. Falling equity-to-asset ratios

# Credit Union Balance Sheet

## Assets

## Liabilities + Capital

### Cash (Reserves)

### Fixed Assets

- Land
- Building
- Equipment

### Investments

- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

### Loans

- Commercial
- Auto
- Home
- Credit Card

### Allowance for Loan Loss

### Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

### Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

### Equity (Net Capital)

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

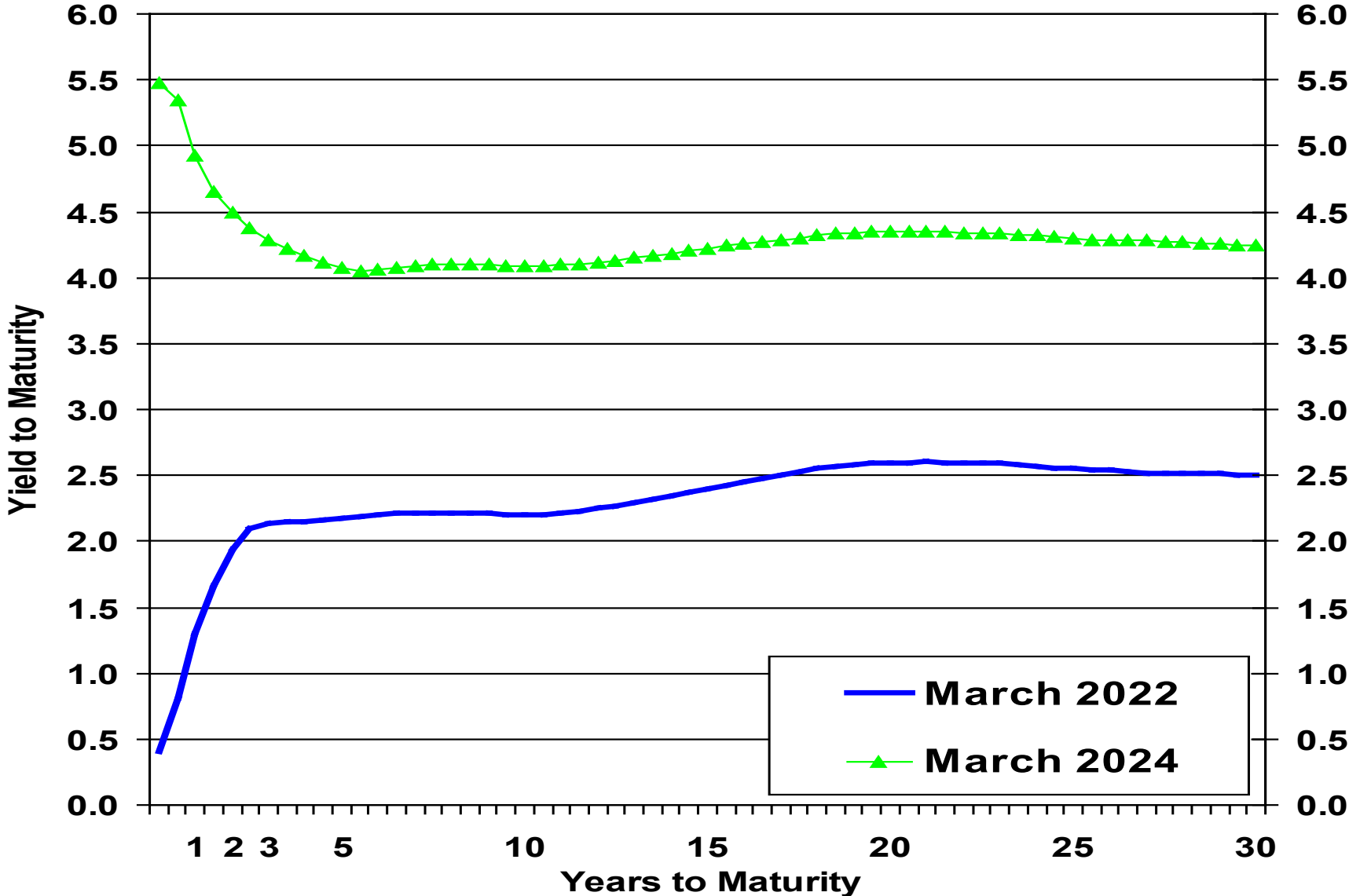
3. Sufficient liquidity to hold Treasuries to maturity

1. Below par market value of investments

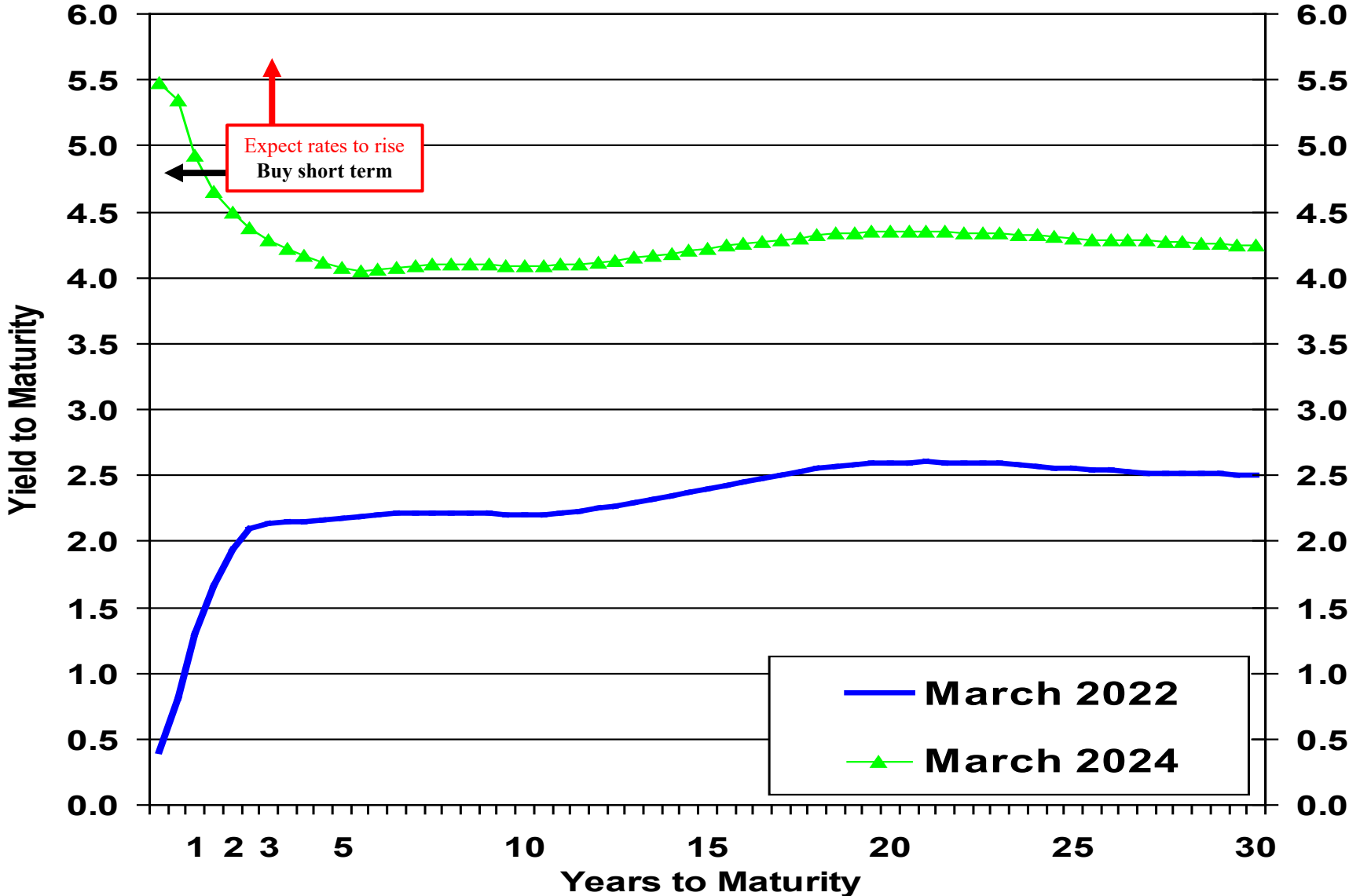
4. New investment maturities in 2024

2. Falling equity-to-asset ratios

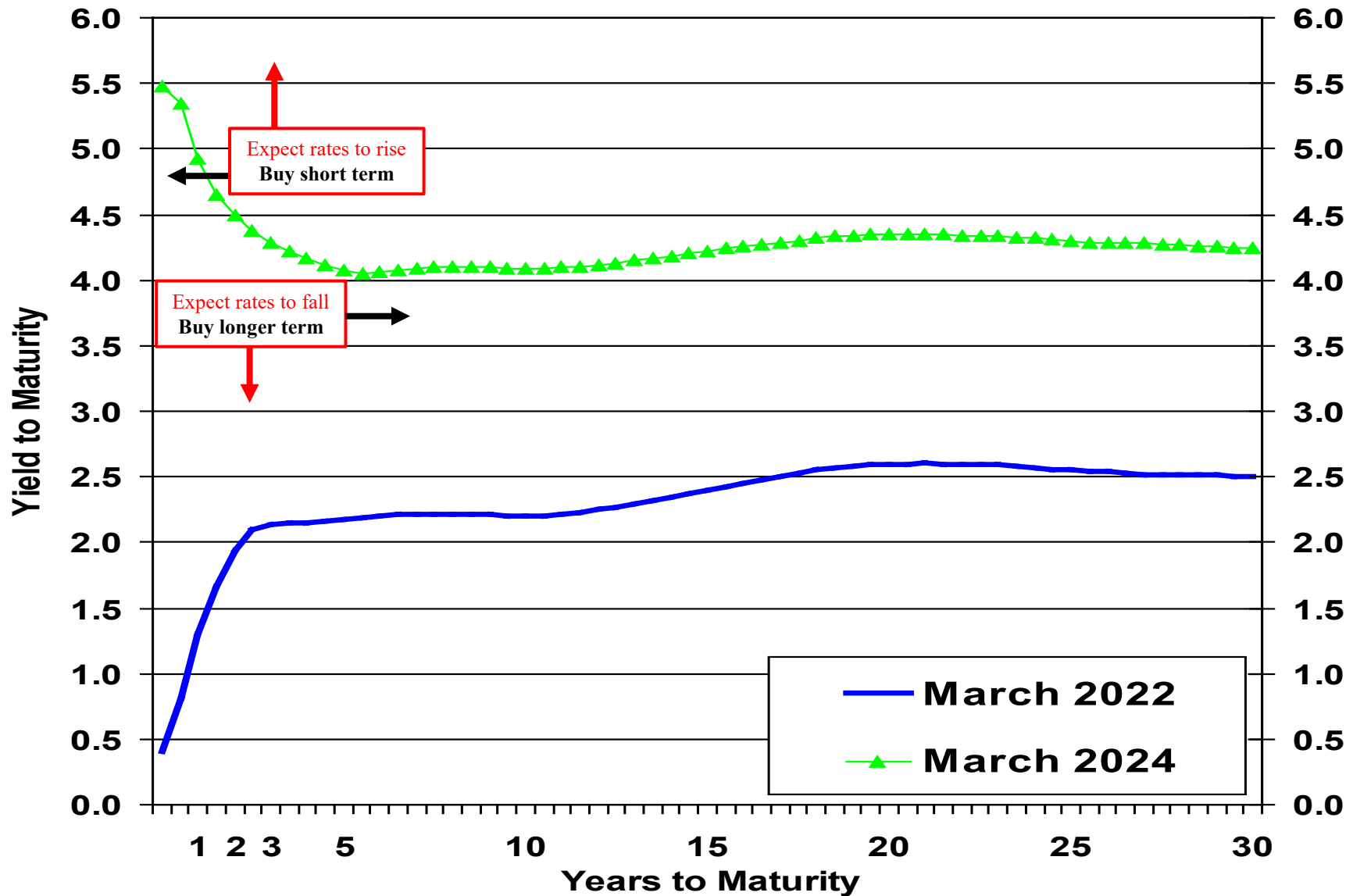
# Treasury Yield Curves



# Treasury Yield Curves



# Treasury Yield Curves



# Credit Union Balance Sheet

## Assets

## Liabilities + Capital

### Cash (Reserves)

### Fixed Assets

- Land
- Building
- Equipment

### Investments

- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

### Loans

- Commercial
- Auto
- Home
- Credit Card

### Allowance for Loan Loss

### Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

### Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

### Equity (Net Capital)

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

3. Sufficient liquidity to hold Treasuries to maturity

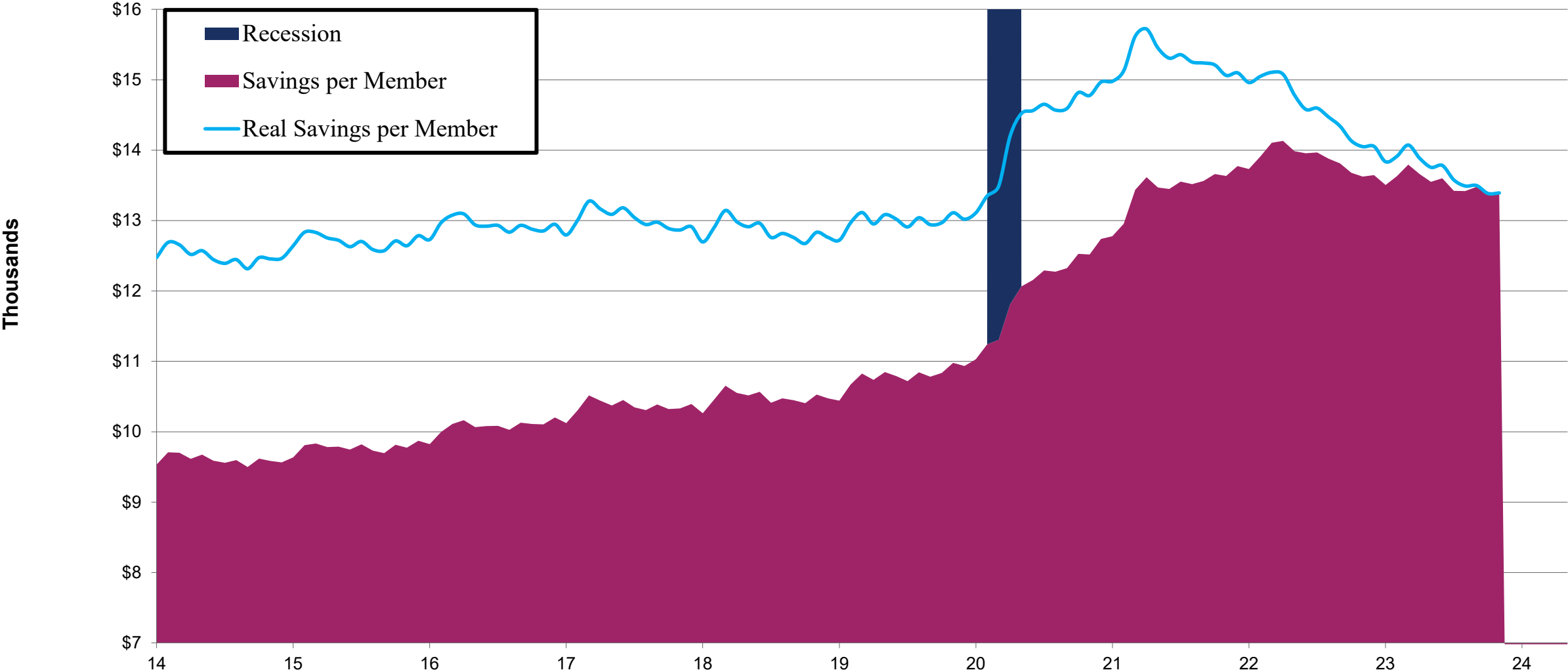
1. Below par market value of investments

4. New investment maturities in 2024

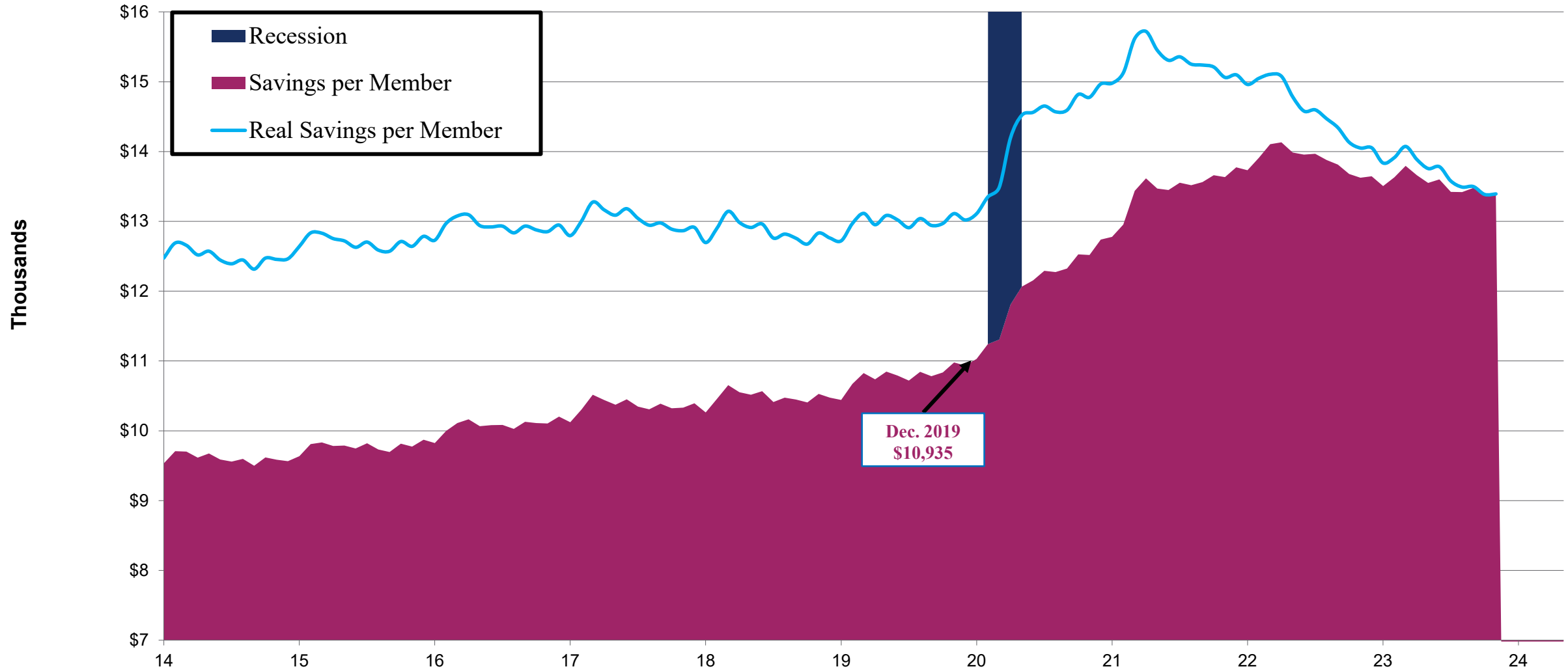
5. Members' deposit runoff/disintermediation

2. Falling equity-to-asset ratios

# Credit Union Savings per Member

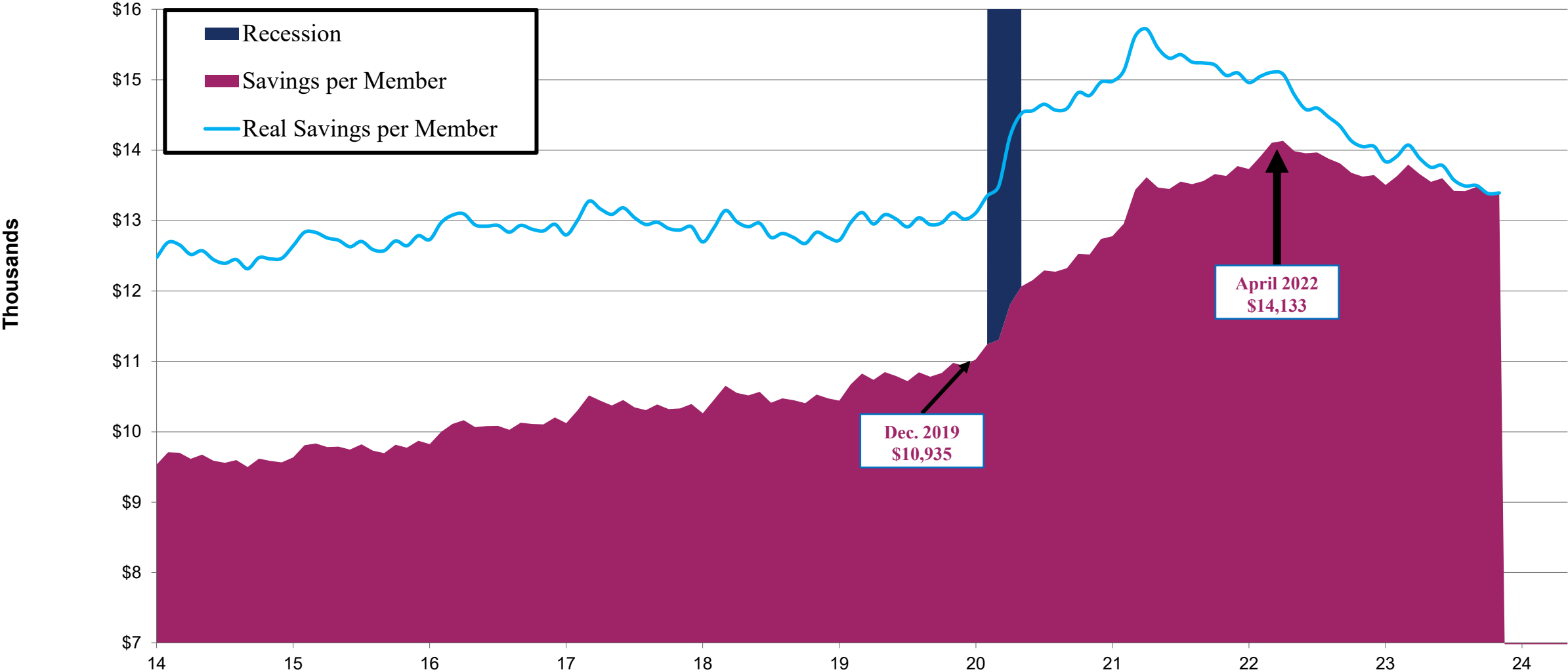


# Credit Union Savings per Member

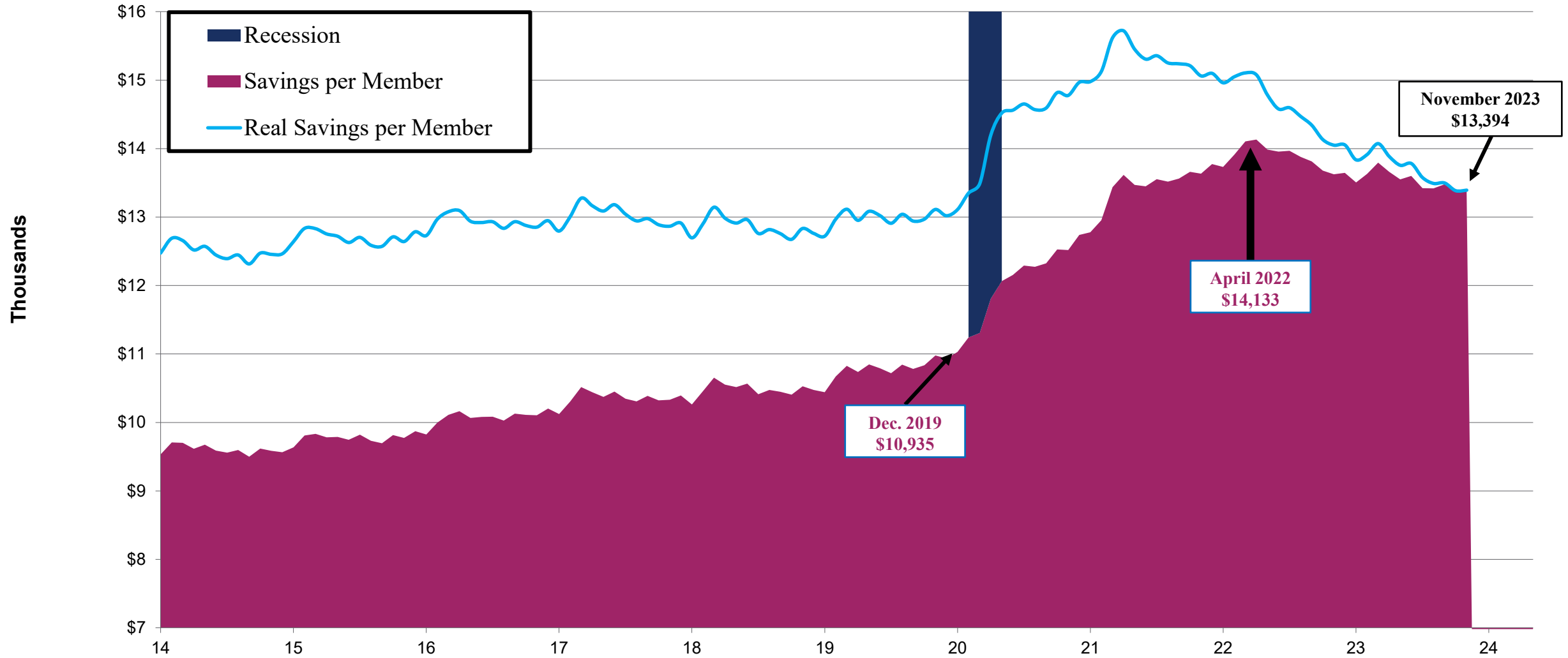




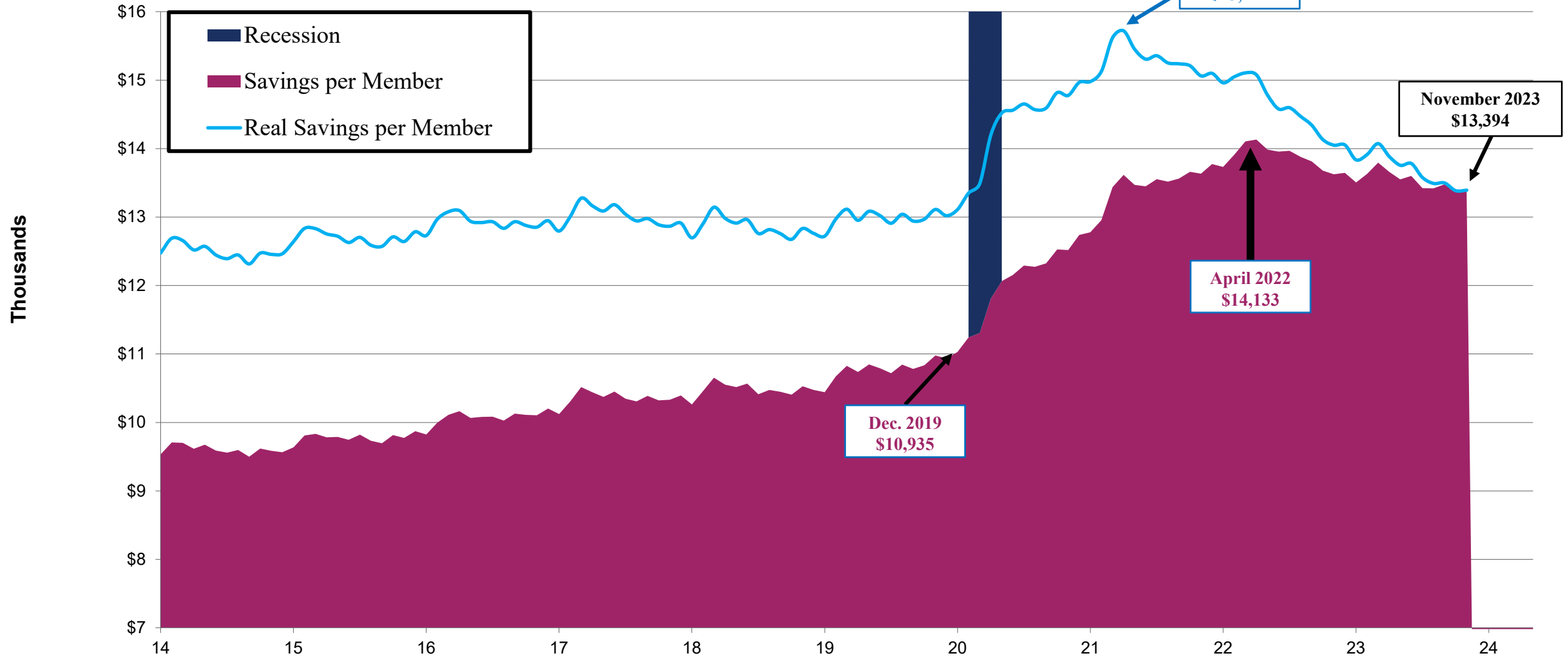
# Credit Union Savings per Member



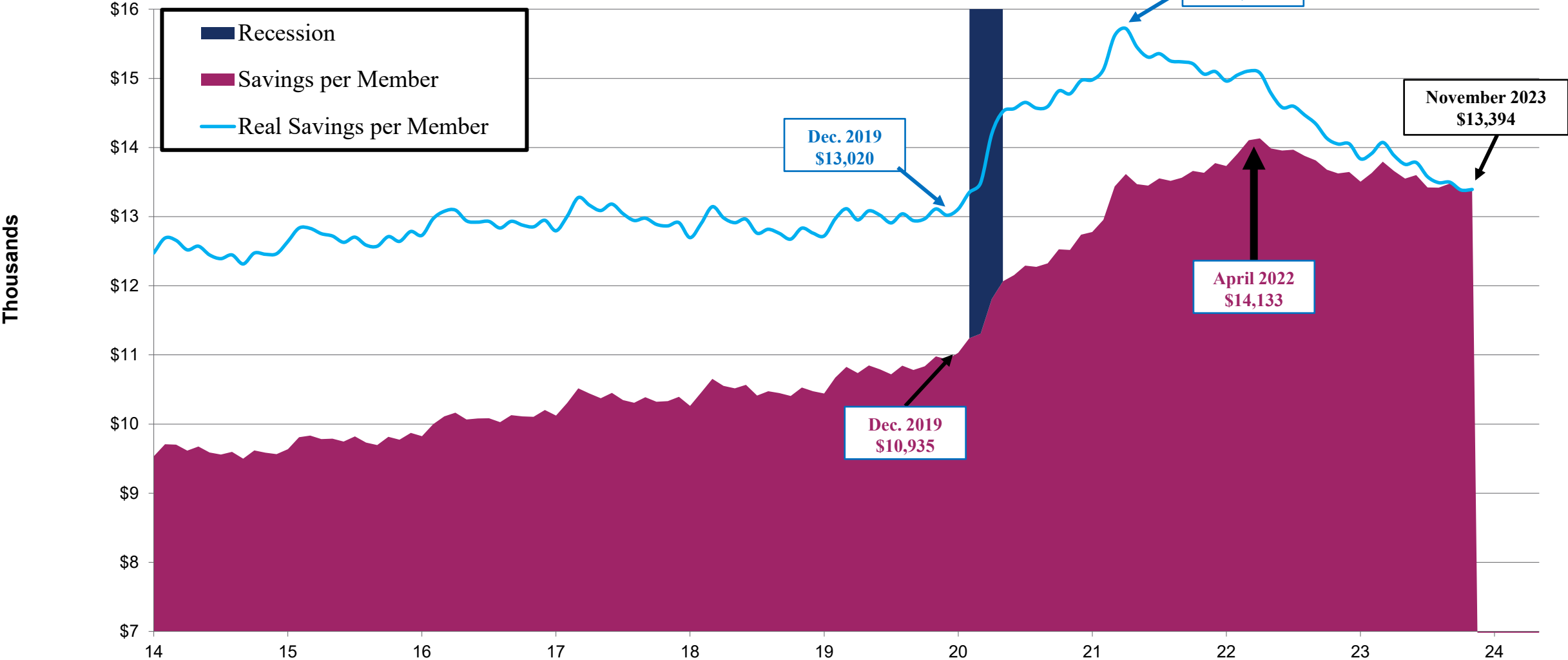
# Credit Union Savings per Member



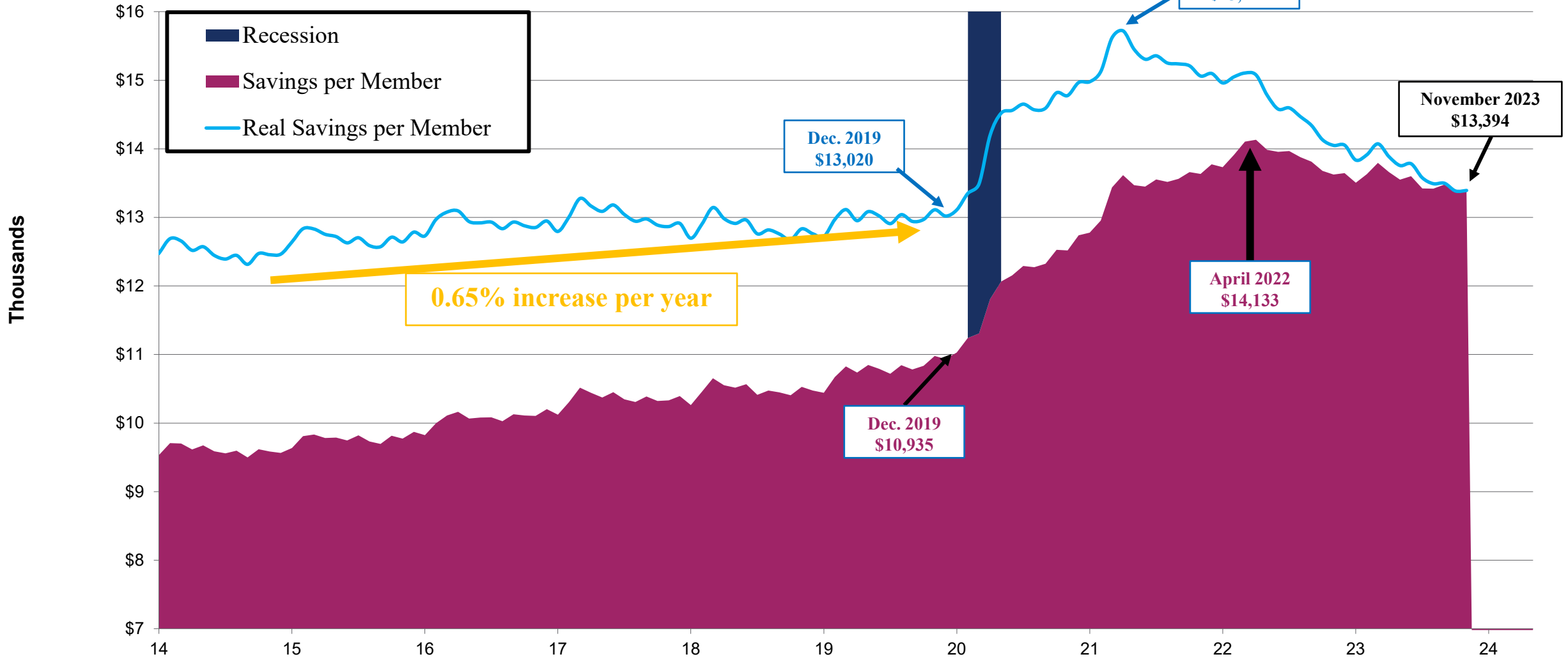
# Credit Union Savings per Member



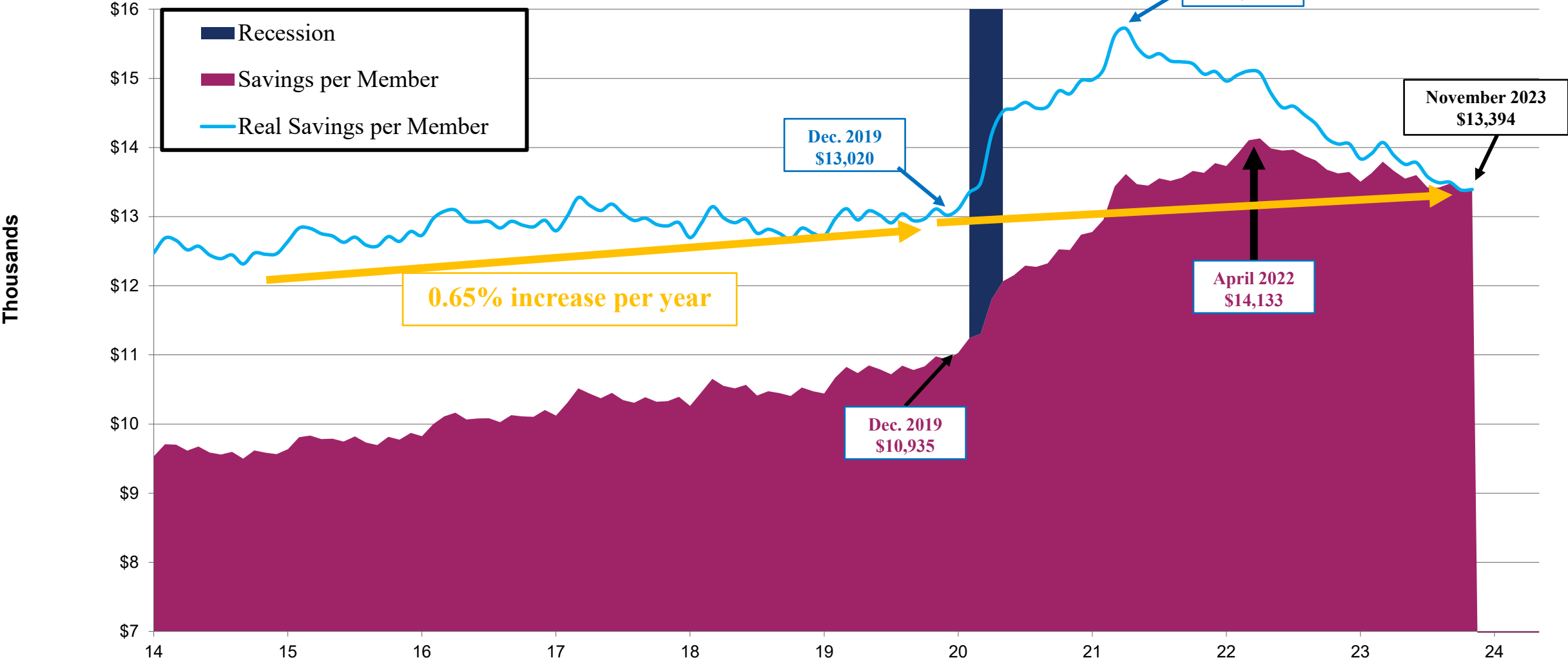
# Credit Union Savings per Member



# Credit Union Savings per Member



# Credit Union Savings per Member



# Credit Union Balance Sheet

## Assets

## Liabilities + Capital

### Cash (Reserves)

### Fixed Assets

- Land
- Building
- Equipment

### Investments

- < 1-year maturity
- 1–3-year maturity
- > 3-year maturity

### Loans

- Commercial
- Auto
- Home
- Credit Card

### Allowance for Loan Loss

### Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

### Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

### Equity (Net Capital)

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

3. Sufficient liquidity to hold Treasuries to maturity

1. Below par market value of investments

4. New investment Maturities in 2024

6. Deposit withdraws > Loan repayments (Liquidity Risk)

5. Members' deposit runoff/disintermediation

2. Falling equity-to-asset ratios

# Credit Union Balance Sheet

## Assets

## Liabilities + Capital

### Cash (Reserves)

### Fixed Assets

- Land
- Building
- Equipment

### Investments

- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

### Loans

- Commercial
- Auto
- Home
- Credit Card

### Allowance for Loan Loss

### Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

### Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

### Equity (Net Capital)

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

3. Sufficient liquidity to hold Treasuries to maturity

1. Below par market value of investments

4. New investment Maturities in 2024

6. Deposit withdraws > Loan repayments (Liquidity Risk)

5. Members' deposit runoff/disintermediation

2. Falling equity-to-asset ratios

7.  $\uparrow$  YOA vs  $\uparrow$  COF  $\Rightarrow$   $\Delta$  Net Interest Margin in 2024



# Credit Union Balance Sheet

## Assets

## Liabilities + Capital

### Cash (Reserves)

### Fixed Assets

- Land
- Building
- Equipment

### Investments

- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

### Loans

- Commercial
- Auto
- Home
- Credit Card

### Allowance for Loan Loss

### Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

### Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

### Equity (Net Capital)

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

3. Sufficient liquidity to hold Treasuries to maturity

1. Below par market value of investments

4. New investment Maturities in 2024

6. Deposit withdraws > Loan repayments (Liquidity Risk)

5. Members' deposit runoff/disintermediation

Time (the 4<sup>th</sup> dimension)

2. Falling equity-to-asset ratios

7. ↑ YOA vs ↑ COF => Δ Net Interest Margin in 2024

# Credit Union Balance Sheet

## Assets

## Liabilities + Capital

### Cash (Reserves)

### Fixed Assets

- Land
- Building
- Equipment

### Investments

- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

### Loans

- Commercial
- Auto
- Home
- Credit Card

### Allowance for Loan Loss

### Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

### Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

### Equity (Net Capital)

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

3. Sufficient liquidity to hold Treasuries to maturity

1. Below par market value of investments

4. New investment Maturities in 2024

6. Deposit withdraws > Loan repayments (Liquidity Risk)

7. ↑ YOA vs ↑ COF => Δ Net Interest Margin in 2024

5. Members' deposit runoff/disintermediation

**Time**  
(the 4<sup>th</sup> dimension)  
**Short Run vs Long Run**

2. Falling equity-to-asset ratios

# Credit Union Balance Sheet

## Assets

## Liabilities + Capital

### Cash (Reserves)

### Fixed Assets

- Land
- Building
- Equipment

### Investments

- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

### Loans

- Commercial
- Auto
- Home
- Credit Card

### Allowance for Loan Loss

### Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

### Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

### Equity (Net Capital)

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

3. Sufficient liquidity to hold Treasuries to maturity

1. Below par market value of investments

4. New investment Maturities in 2024

6. Deposit withdraws > Loan repayments (Liquidity Risk)

7. ↑ YOA vs ↑ COF => Δ Net Interest Margin in 2024

5. Members' deposit runoff/disintermediation

**Time**  
(the 4<sup>th</sup> dimension)  
**Short Run vs Long Run**

How long it takes for financial instrument interest rates to reprice to current market rates

2. Falling equity-to-asset ratios

8. Out of compliance with ALM policy risk tolerances of *Net Interest Income* and *Net Economic Equity*

## Balance Sheet

**Assets**

**Liabilities + Capital**

3. Sufficient liquidity to hold Treasuries to maturity

**Cash (Reserves)**

**Fixed Assets**

- Land
- Building
- Equipment

**Deposits**

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

5. Members' deposit runoff/disintermediation

1. Below par market value of investments

4. New investment Maturities in 2024

**Investments**

- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

**Borrowings**

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

6. Deposit withdraws > Loan repayments (Liquidity Risk)

**Loans**

- Commercial
- Auto
- Home
- Credit Card

**Equity (Net Capital)**

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

2. Falling equity-to-asset ratios

**Allowance for Loan Loss**

7. ↑ YOA vs ↑ COF => Δ Net Interest Margin in 2024

8. Out of compliance with ALM policy risk tolerances of *Net Interest Income* and *Net Economic Equity*

## Balance Sheet

**Assets**

**Liabilities + Capital**

3. Sufficient liquidity to hold Treasuries to maturity

**Cash (Reserves)**

**Fixed Assets**

- Land
- Building
- Equipment

**Deposits**

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

5. Members' deposit runoff/disintermediation

1. Below par market value of investments

4. New investment Maturities in 2024

9. Investigate market pricing for potential asset sales

**Investments**

- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

**Borrowings**

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

6. Deposit withdraws > Loan repayments (Liquidity Risk)

**Loans**

- Commercial
- Auto
- Home
- Credit Card

**Equity (Net Capital)**

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

2. Falling equity-to-asset ratios

**Allowance for Loan Loss**

7.  $\uparrow$  YOA vs  $\uparrow$  COF  $\Rightarrow$   $\Delta$  Net Interest Margin in 2024

8. Out of compliance with ALM policy risk tolerances of *Net Interest Income* and *Net Economic Equity*

## Balance Sheet

**Assets**

**Liabilities + Capital**

3. Sufficient liquidity to hold Treasuries to maturity

**Cash (Reserves)**

**Fixed Assets**

- Land
- Building
- Equipment

**Deposits**

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

5. Members' deposit runoff/disintermediation

10. Deposit pricing in a rapidly rising interest rate environment

1. Below par market value of investments

4. New investment Maturities in 2024

9. Investigate market pricing for potential asset sales

**Investments**

- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

**Borrowings**

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

6. Deposit withdraws > Loan repayments (Liquidity Risk)

**Loans**

- Commercial
- Auto
- Home
- Credit Card

**Equity (Net Capital)**

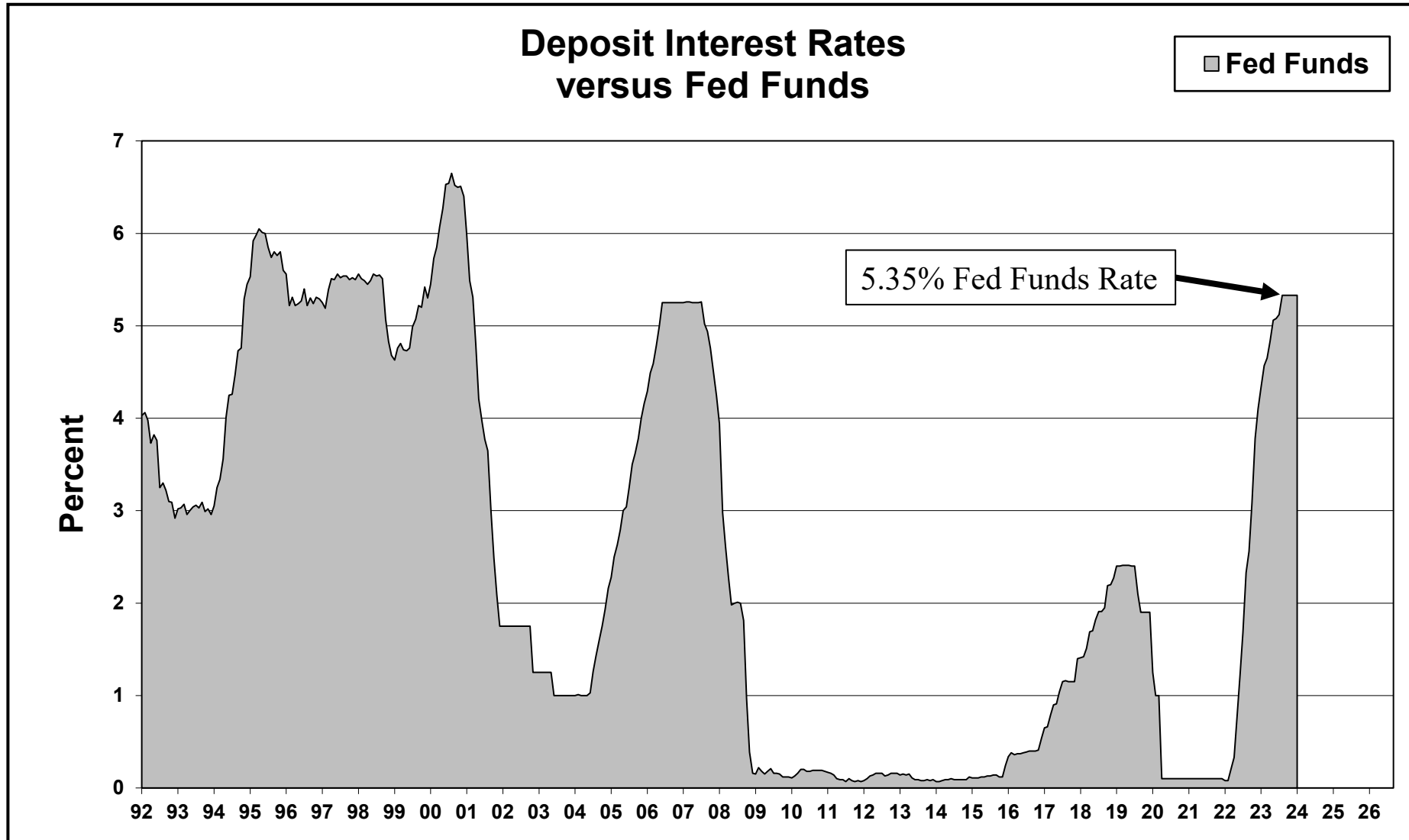
1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

2. Falling equity-to-asset ratios

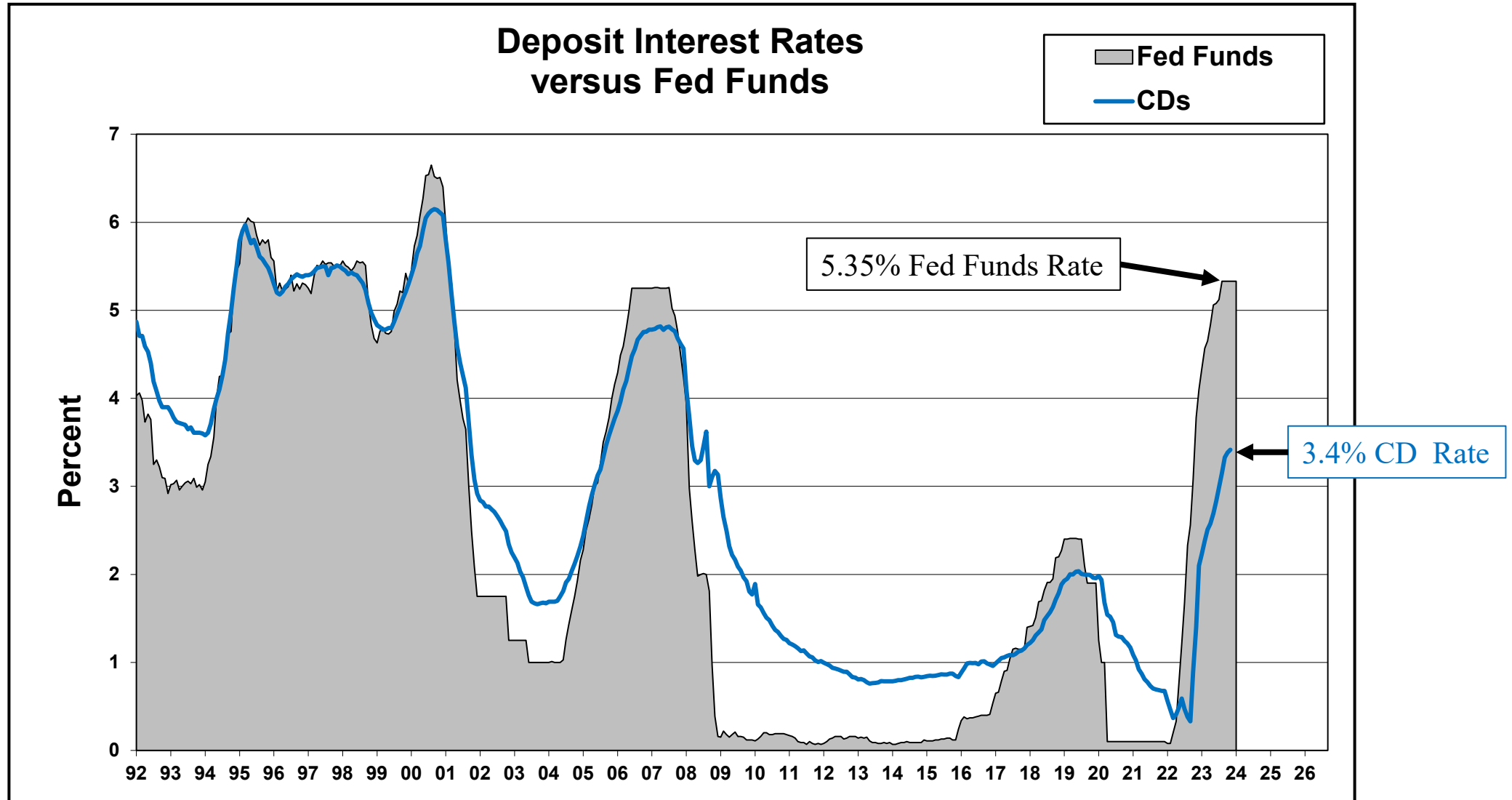
**Allowance for Loan Loss**

7.  $\uparrow$  YOA vs  $\uparrow$  COF  $\Rightarrow \Delta$  Net Interest Margin in 2024

# Rising Fed Funds Interest Rate and Deposit Pricing

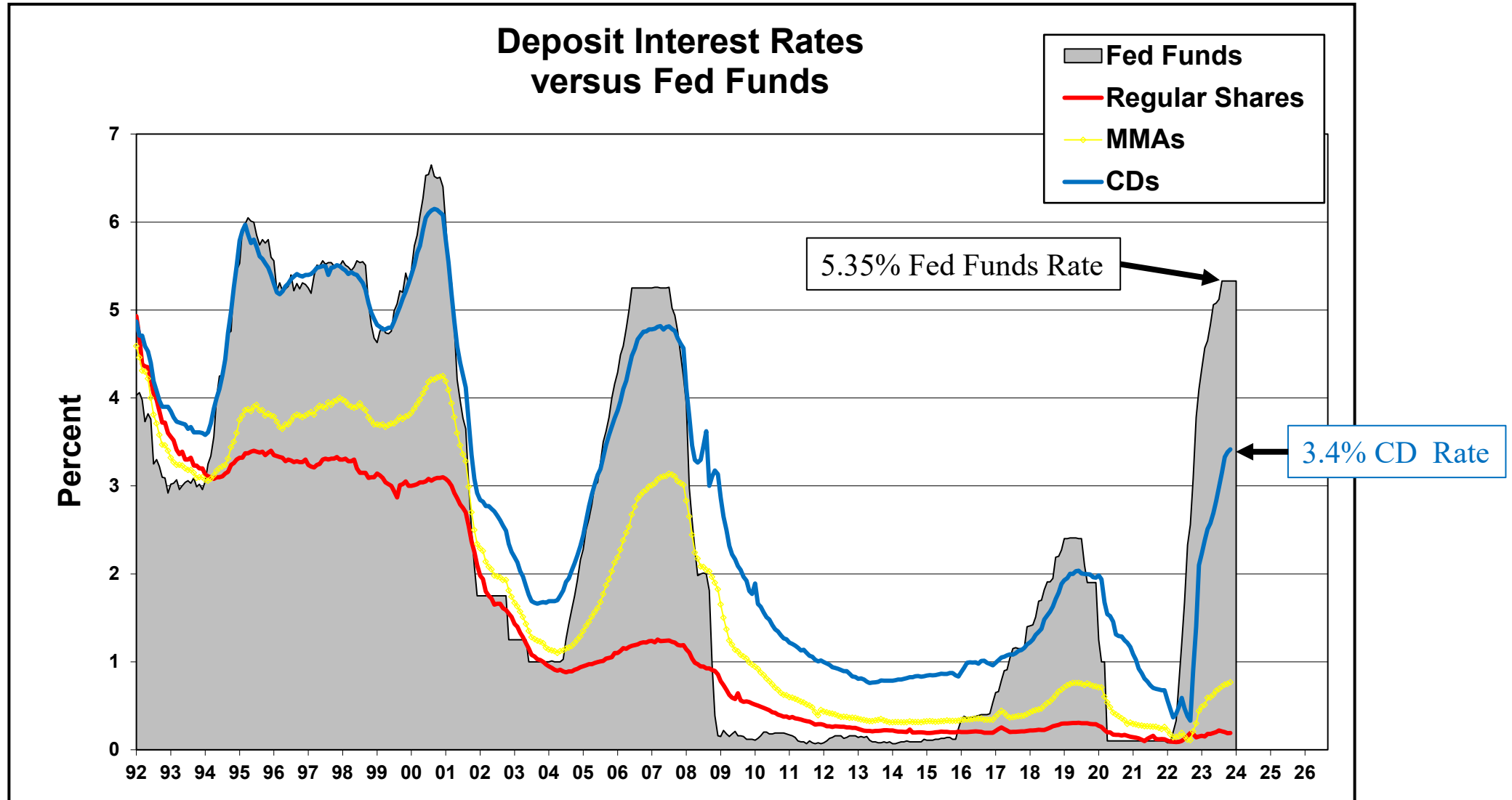


# Rising Fed Funds Interest Rate and Deposit Pricing

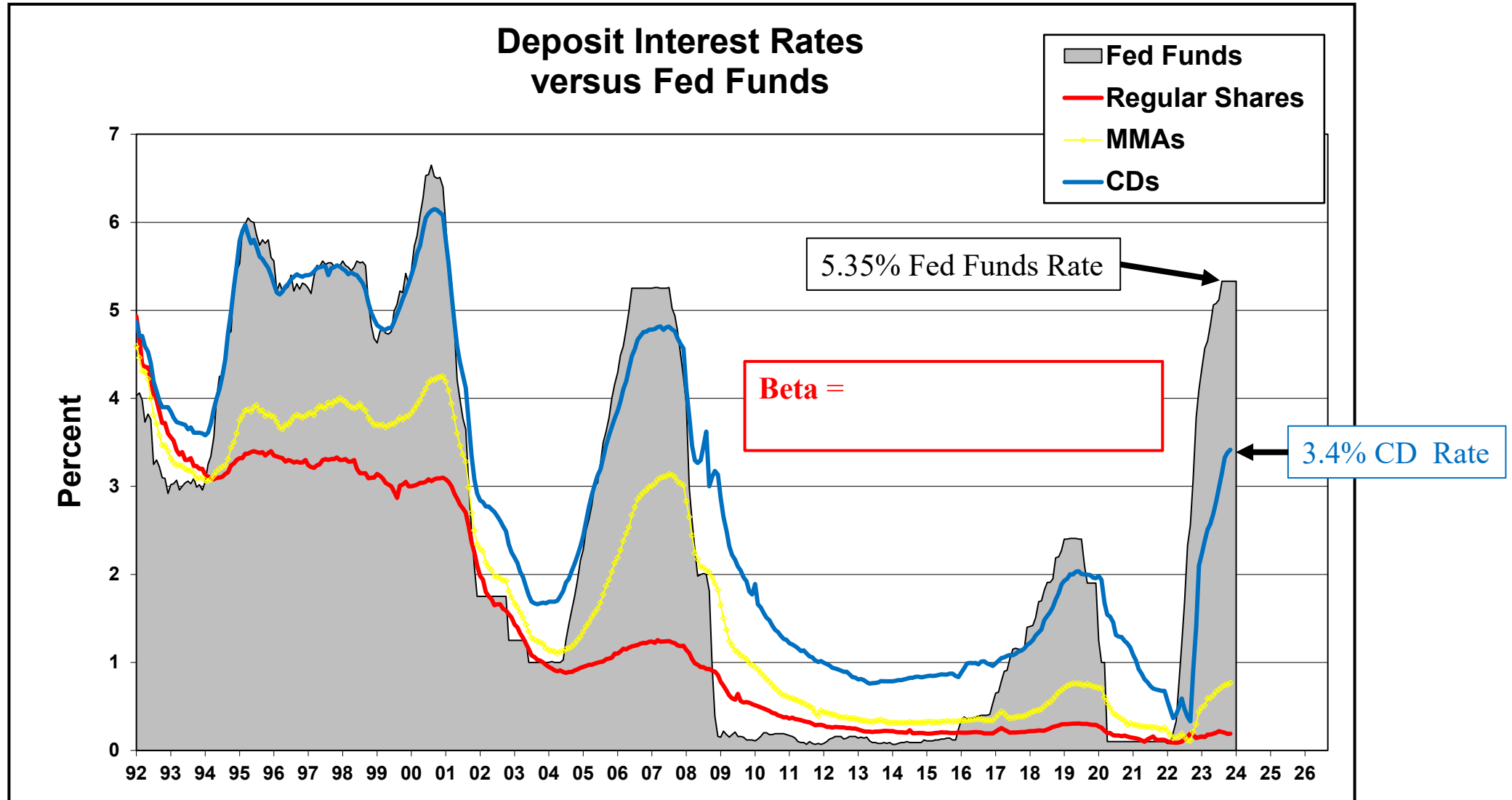




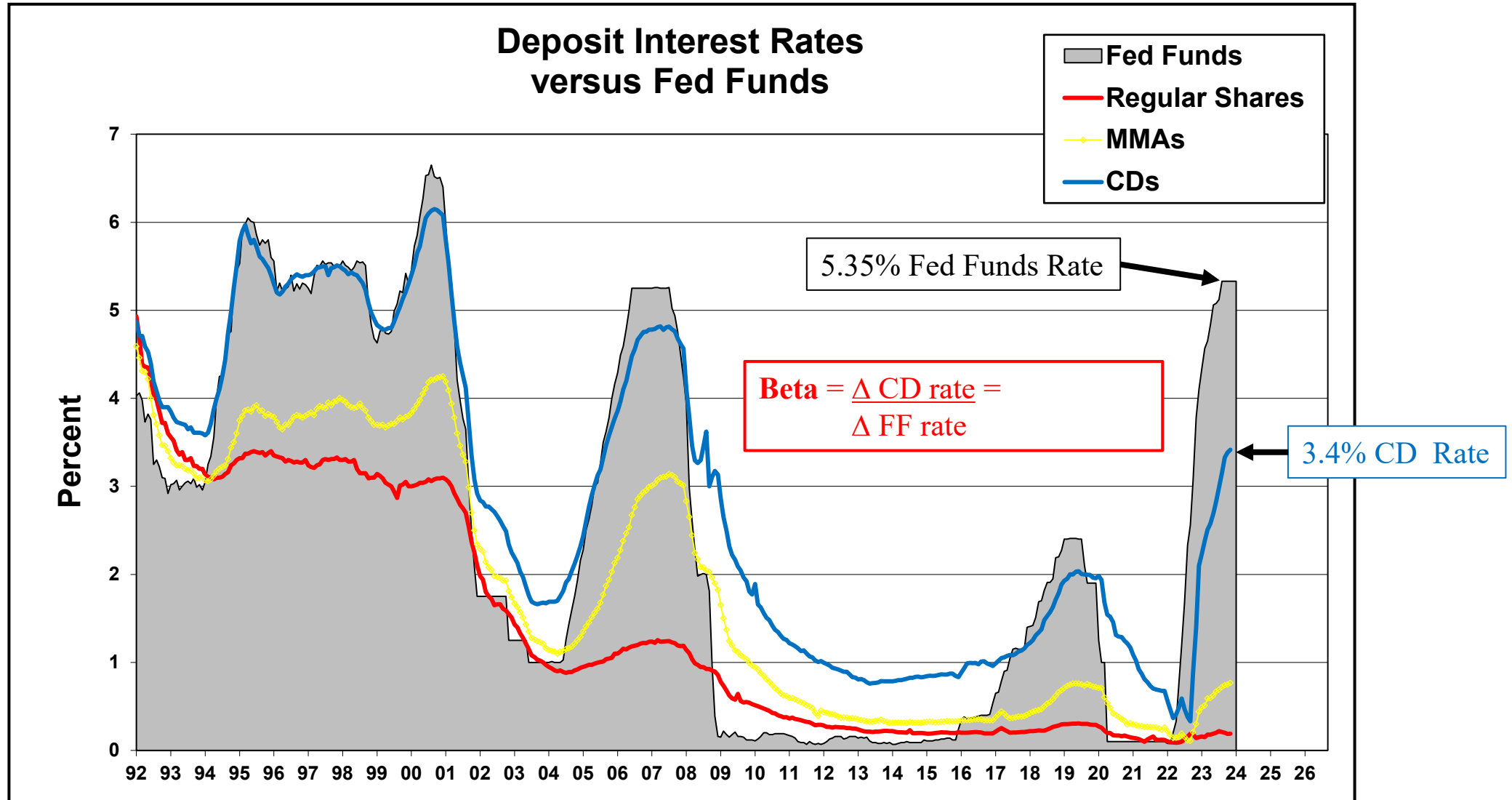
# Rising Fed Funds Interest Rate and Deposit Pricing



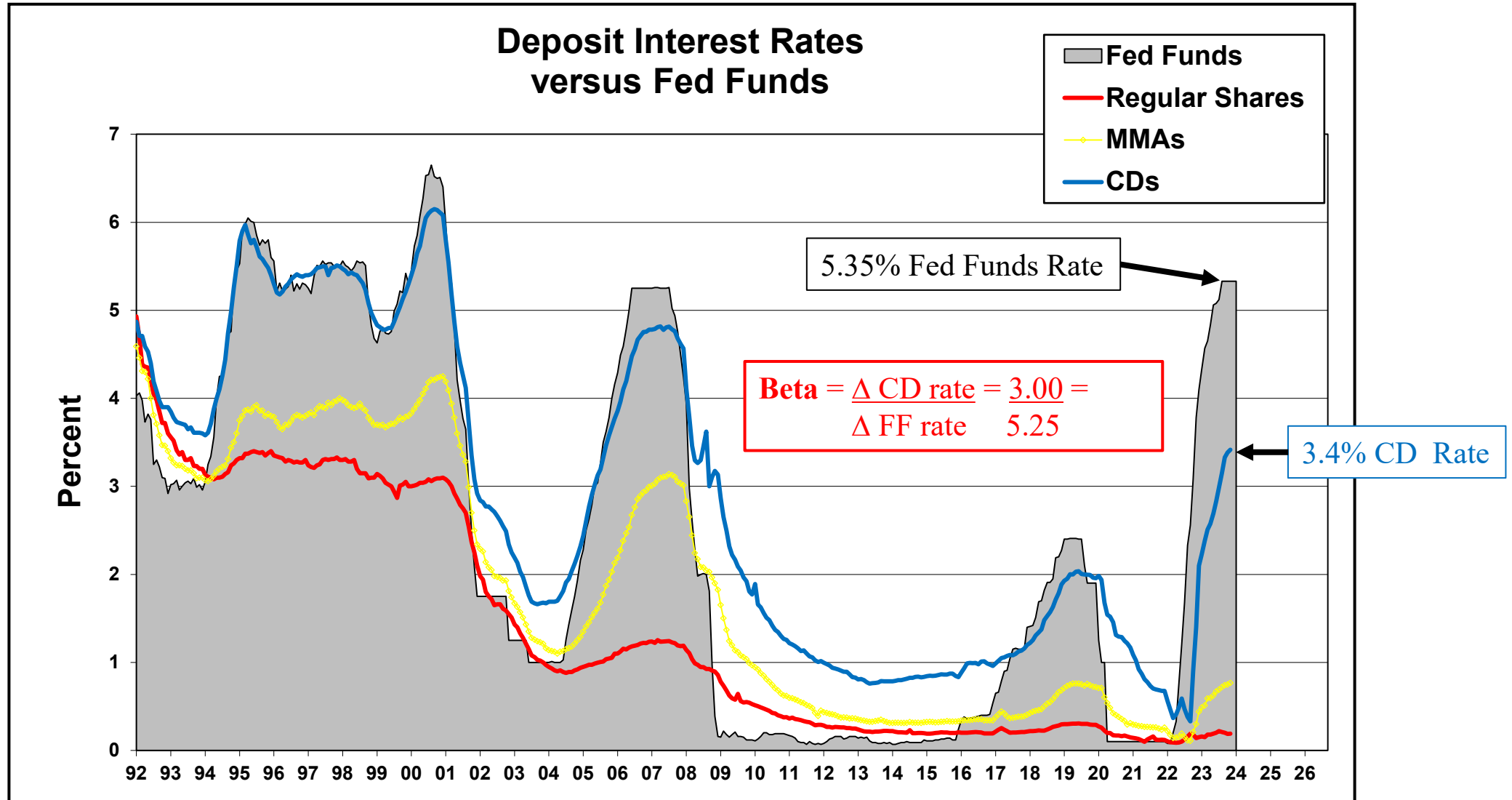
# Rising Fed Funds Interest Rate and Deposit Pricing



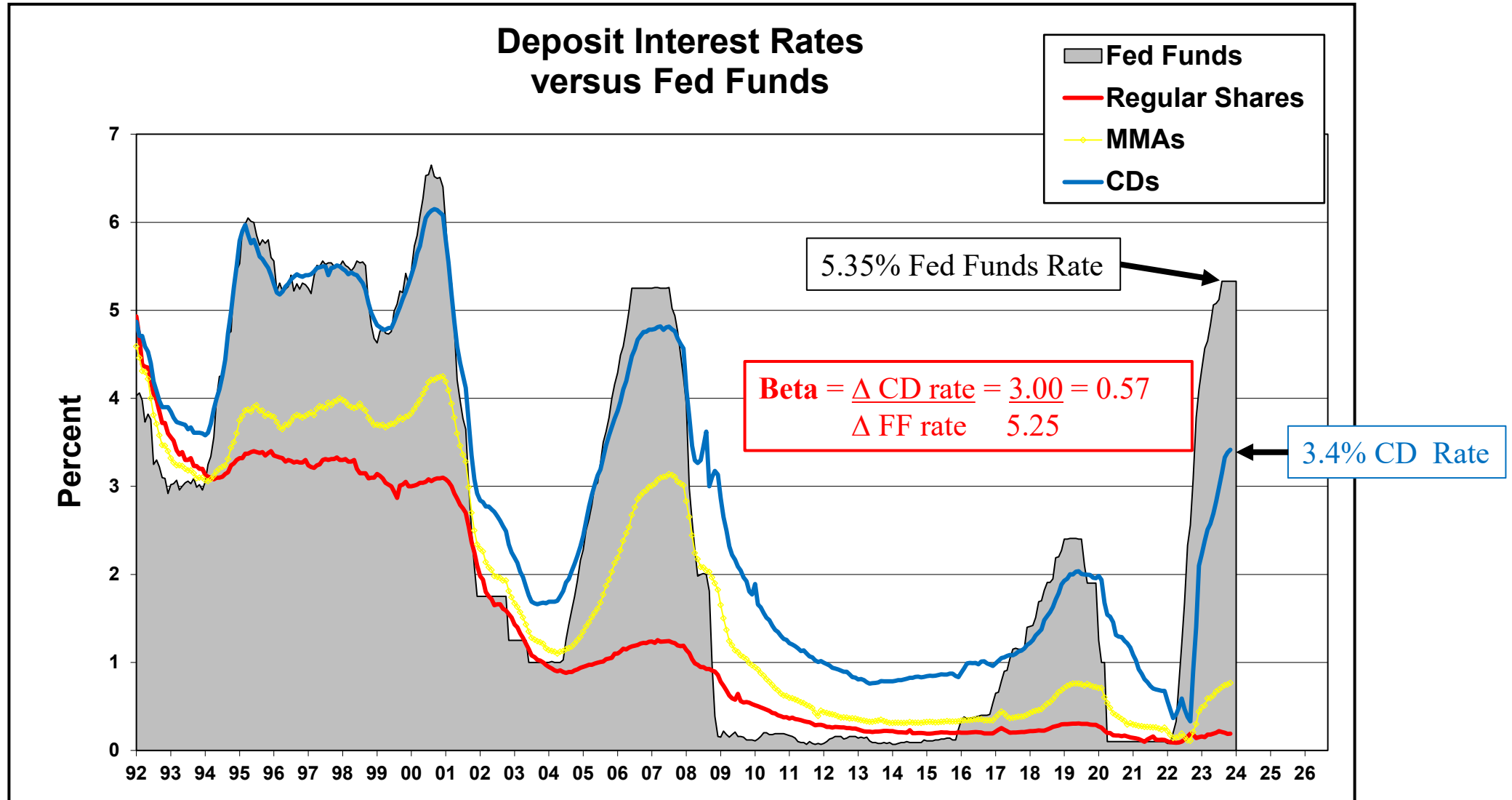
# Rising Fed Funds Interest Rate and Deposit Pricing



# Rising Fed Funds Interest Rate and Deposit Pricing



# Rising Fed Funds Interest Rate and Deposit Pricing



8. Out of compliance with ALM policy risk tolerances of *Net Interest Income* and *Net Economic Equity*

## Balance Sheet

**Assets**

**Liabilities + Capital**

3. Sufficient liquidity to hold Treasuries to maturity

### Cash (Reserves)

### Fixed Assets

- Land
- Building
- Equipment

### Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

5. Members' deposit runoff/disintermediation

10. Deposit pricing in a rapidly rising interest rate environment

1. Below par market value of investments

4. New investment Maturities in 2024

9. Investigate market pricing for potential asset sales

### Investments

- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

### Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

11. Rely on wholesale borrowings to maintain sufficient liquidity

6. Deposit withdraws > Loan repayments (Liquidity Risk)

### Loans

- Commercial
- Auto
- Home
- Credit Card

### Equity (Net Capital)

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

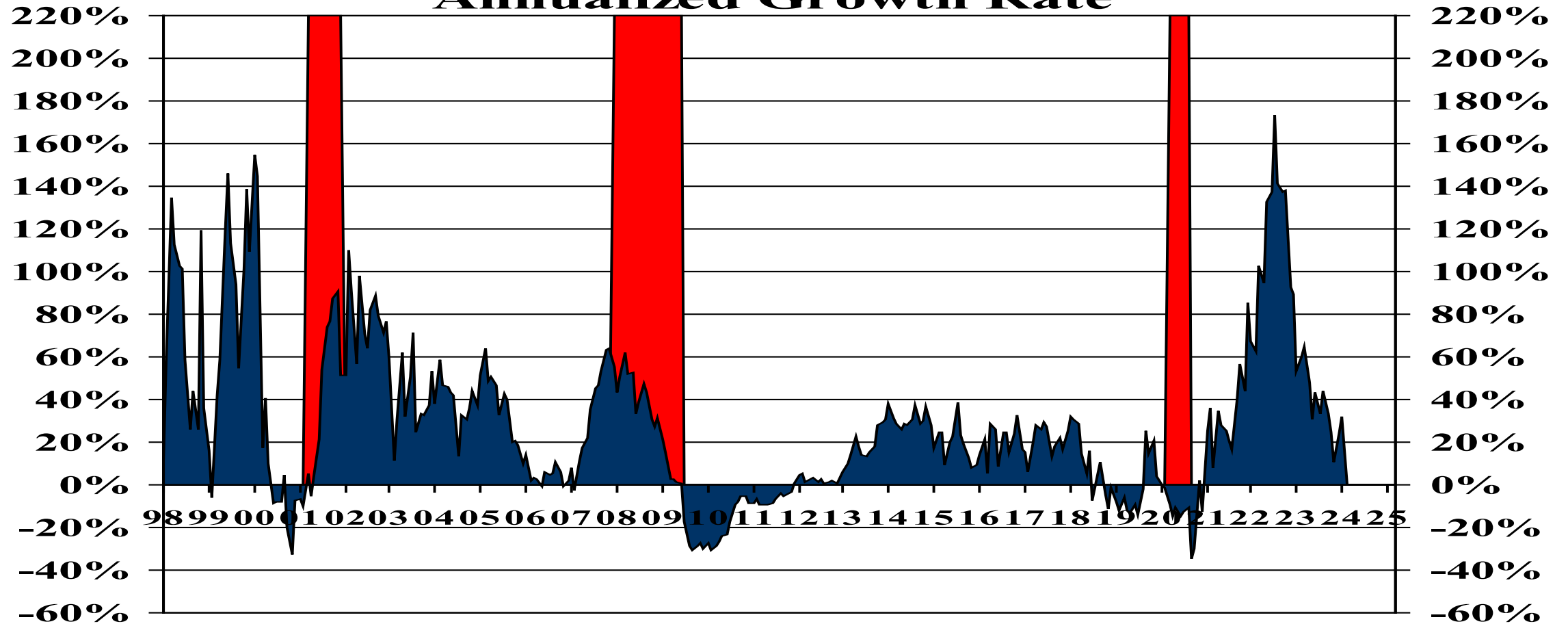
2. Falling equity-to-asset ratios

Allowance for Loan Loss

7.  $\uparrow$  YOA vs  $\uparrow$  COF  $\Rightarrow$   $\Delta$  Net Interest Margin in 2024

# Resurgent Borrowings

## CU Borrowings Growth Seasonally Adjusted Annualized Growth Rate



# Limerick of the Day

There once was a credit union that had quite a scare



# Limerick of the Day

There once was a credit union that had quite a scare  
For their liquidity seemed quite rare

# Limerick of the Day

There once was a credit union that had quite a scare  
For their liquidity seemed quite rare  
But with some quick loans

# Limerick of the Day

There once was a credit union that had quite a scare  
For their liquidity seemed quite rare  
But with some quick loans  
And more cash in their bones

# Limerick of the Day

There once was a credit union that had quite a scare  
For their liquidity seemed quite rare  
But with some quick loans  
And more cash in their bones  
They managed to keep their head above the despair.

# Economic Update Summary For 2024

1. Trend economic growth for the next year

# Economic Update Summary For 2024

1. Trend economic growth for the next year
2. Falling inflation rate during the next 2 years

# Economic Update Summary For 2024

1. Trend economic growth for the next year
2. Falling inflation rate during the next 2 years
3. Unemployment rate rising to natural rate in 2024

# Economic Update Summary For 2024

1. Trend economic growth for the next year
2. Falling inflation rate during the next 2 years
3. Unemployment rate rising to natural rate in 2024
4. Short-term interest rates above long-term interest rates into 2024



# Economic Update Summary For 2024

1. Trend economic growth for the next year
2. Falling inflation rate during the next 2 years
3. Unemployment rate rising to natural rate in 2024
4. Short-term interest rates above long-term interest rates into 2024
5. Credit union loan growth slowing in 2024

# Economic Update Summary For 2024

1. Trend economic growth for the next year
2. Falling inflation rate during the next 2 years
3. Unemployment rate rising to natural rate in 2024
4. Short-term interest rates above long-term interest rates into 2024
5. Credit union loan growth slowing in 2024
6. Mortgage originations rising 15% as interest rates fall 1 percentage point

# Economic Forecast

April 2024

	Past results		Actual/ <b>Forecasts</b>					
	Previous 10 Yr. Avg	2023	2024 Q1	2024 Q2	2024 Q3	2024Q4	2024	2025
<b>Growth rates:</b>								
Economic Growth (% chg GDP)*	2.3%	2.5%	2.3%	1.8%	1.6%	1.8%	2.6%	1.8%
Inflation (CPI, 12 mth % chg)	2.8%	3.3%	3.5%	3.4%	3.2%	3.0%	3.0%	2.5%
Unemployment Rate (BLS)	4.5%	3.7%	3.8%	3.9%	4.0%	4.0%	4.0%	4.3%
Federal Funds Rate (effective)	1.45%	5.33%	5.33%	5.33%	5.10%	4.90%	4.90%	4.20%
10-Year Treasury Rate	2.41%	3.88%	4.20%	4.20%	4.10%	4.10%	4.10%	4.00%
10-Year-Fed Funds Spread	0.96%	-1.45%	-1.13%	-1.13%	-1.00%	-0.80%	-0.80%	-0.20%

\*Percent change, annualized rate for quarterly and average for annual . All other numbers are end-of-period values.

# Credit Union Forecast

April 2024

	Past Results		Actual/forecasts				Annual forecasts	
	10 Yr Average	2023	2023 Q1	2023 Q2	2023 Q4	2023 Q4	2023	2024
<b>Growth rates:</b>								
Savings growth	7.6%	1.6%	2.5%	-0.4%	-0.1%	0.5%	3.0%	5.0%
Loan growth	9.5%	6.2%	0.5%	1.0%	1.5%	1.0%	4.0%	5.0%
Asset growth	7.9%	4.0%	2.5%	0.5%	1.0%	1.0%	5.0%	5.5%
Membership growth	3.7%	2.9%	0.7%	0.7%	0.8%	0.3%	2.5%	2.8%
<b>Liquidity:</b>								
Loan-to-share ratio**	79.7%	85.1%	80.9%	84.8%	86.0%	86.4%	86.4%	86.0%
<b>Asset quality:</b>								
Delinquency rate**	0.72%	0.83%	0.80%	0.85%	0.87%	0.90%	0.90%	0.90%
Net charge-off rate*	0.49%	0.61%	0.60%	0.63%	0.65%	0.67%	0.65%	0.65%
<b>Earnings:</b>								
Return on average assets (ROA)*	0.83%	0.68%	0.46%	0.46%	0.57%	0.56%	0.50%	0.70%
<b>Capital adequacy:</b>								
Net worth ratio**	10.9%	10.7%	10.6%	10.6%	10.7%	10.7%	10.7%	10.8%

\*Quarterly data, annualized. \*\*End of period ratio. Net worth forecast does not account for CECL Provision

# Questions?

Credit unions are so robust that,.....



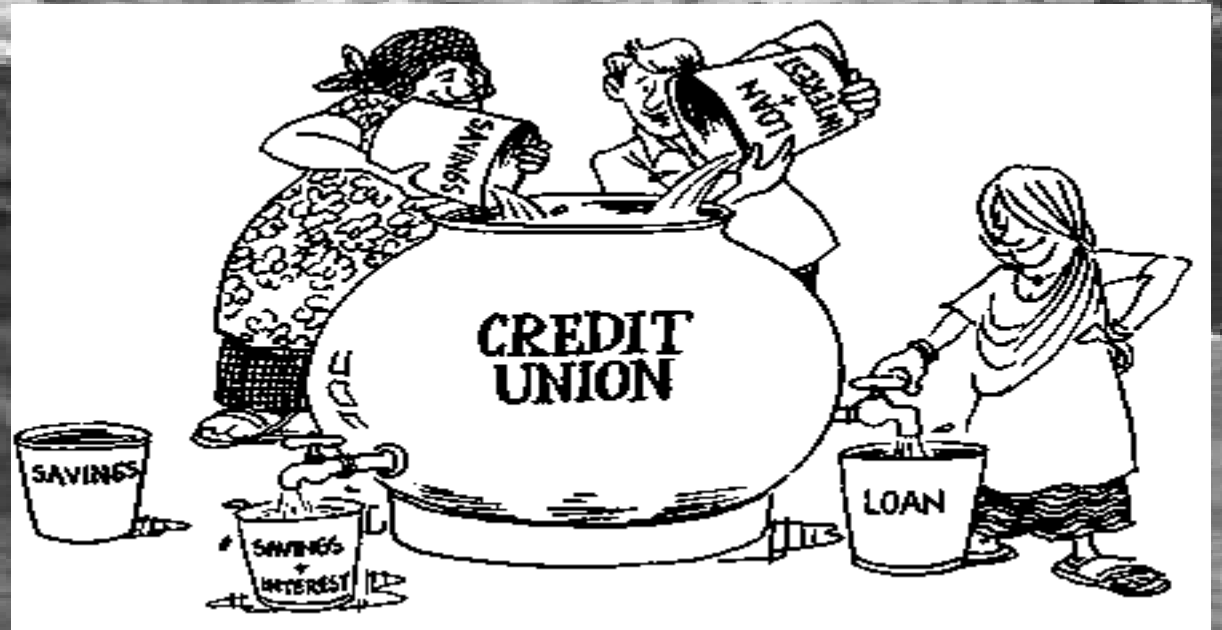
Credit unions are so robust that,.....

Credit unions are so robust that,.....

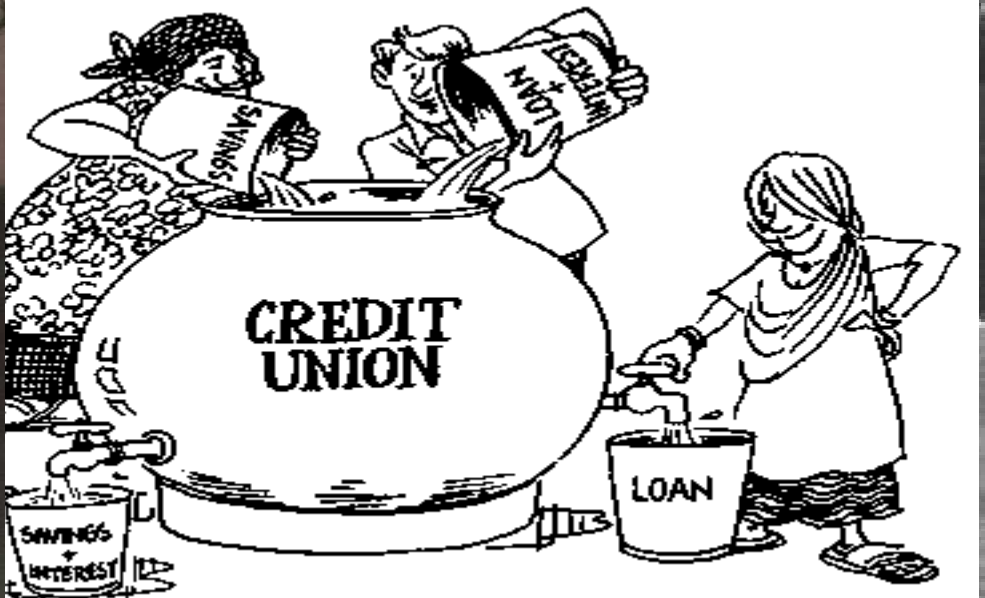
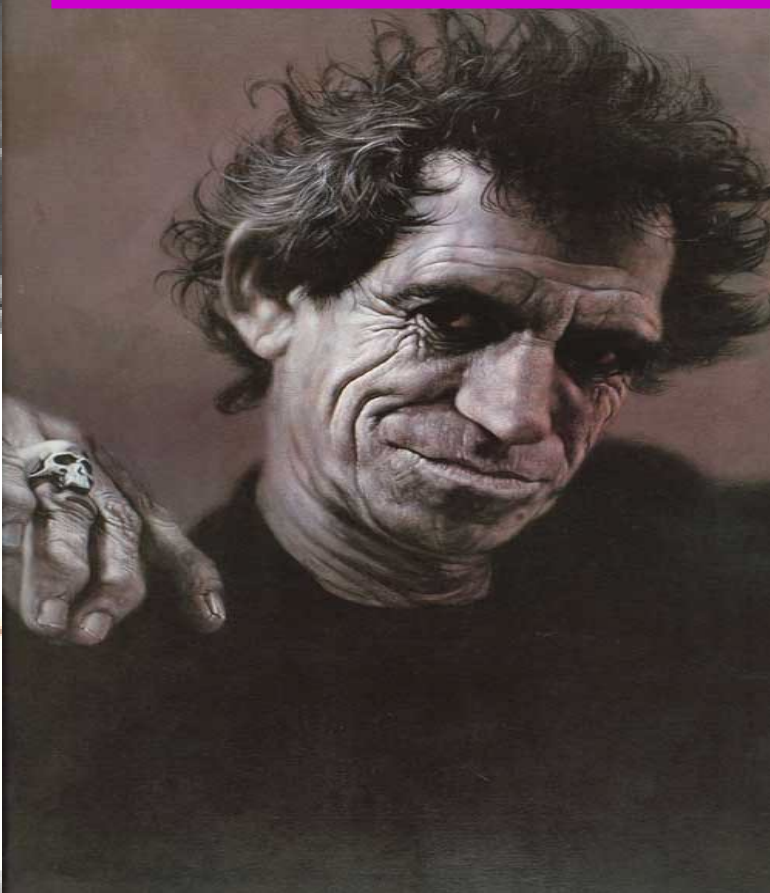


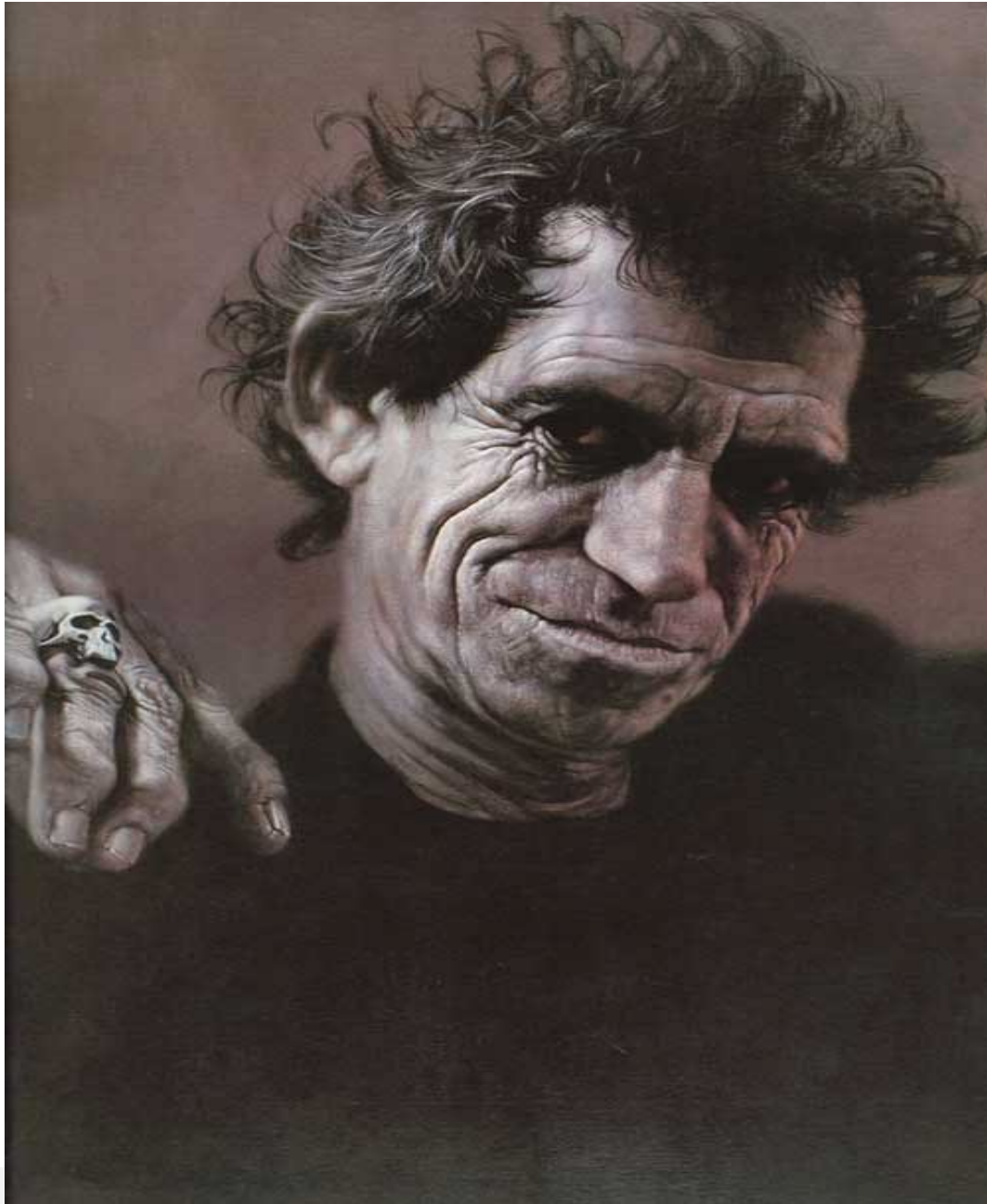


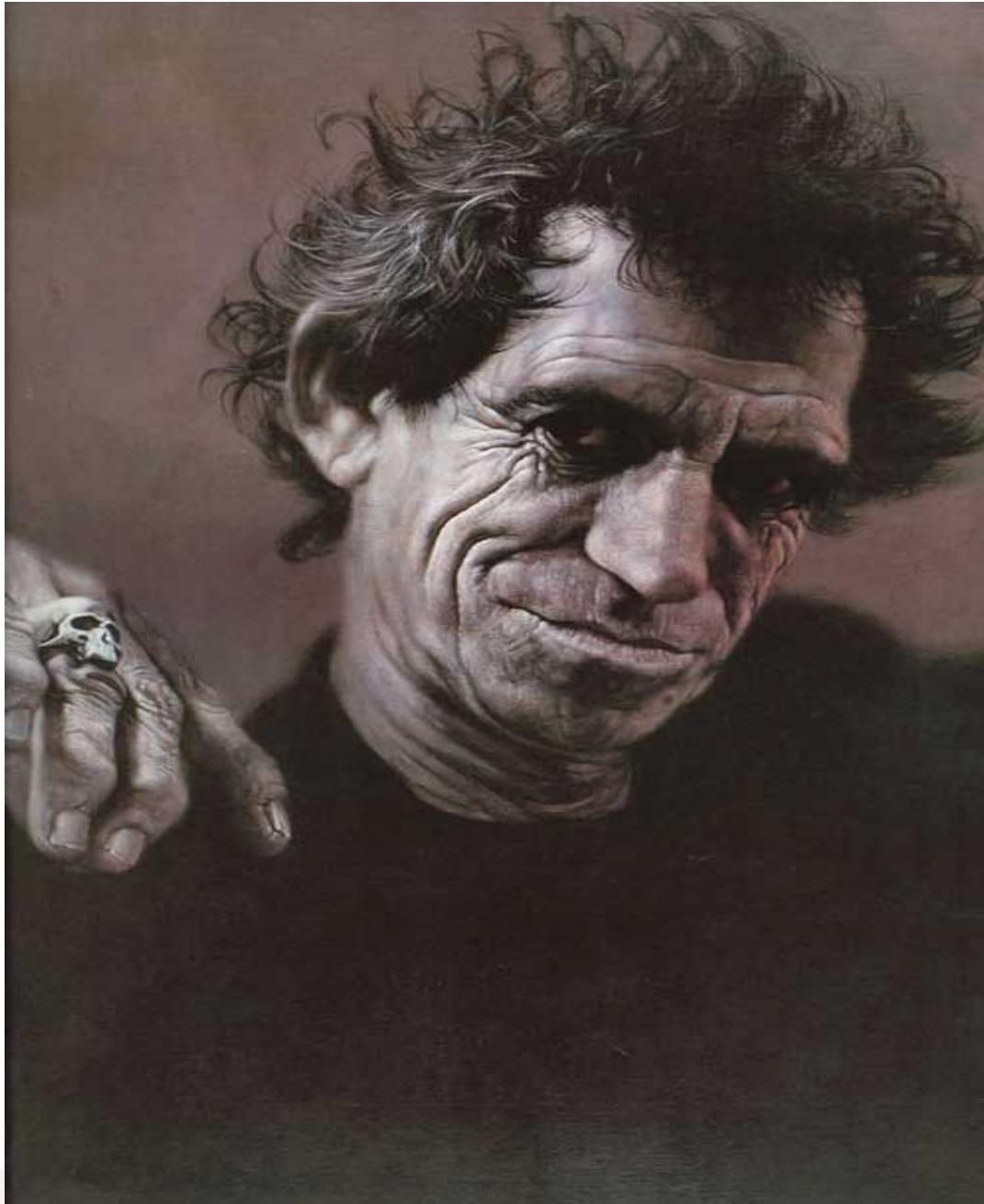
Credit unions are so robust that,.....



Credit unions are so robust that,.....



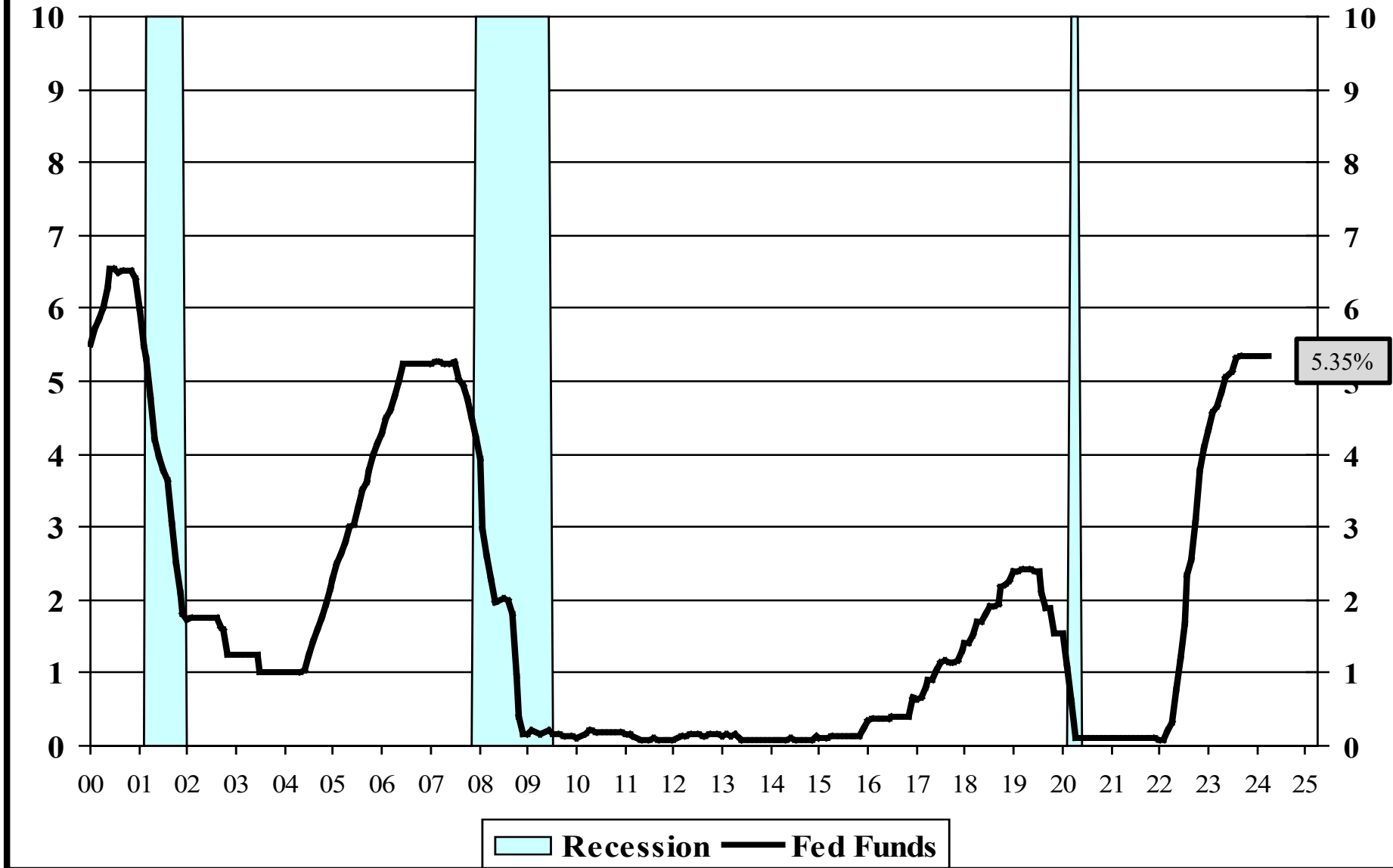




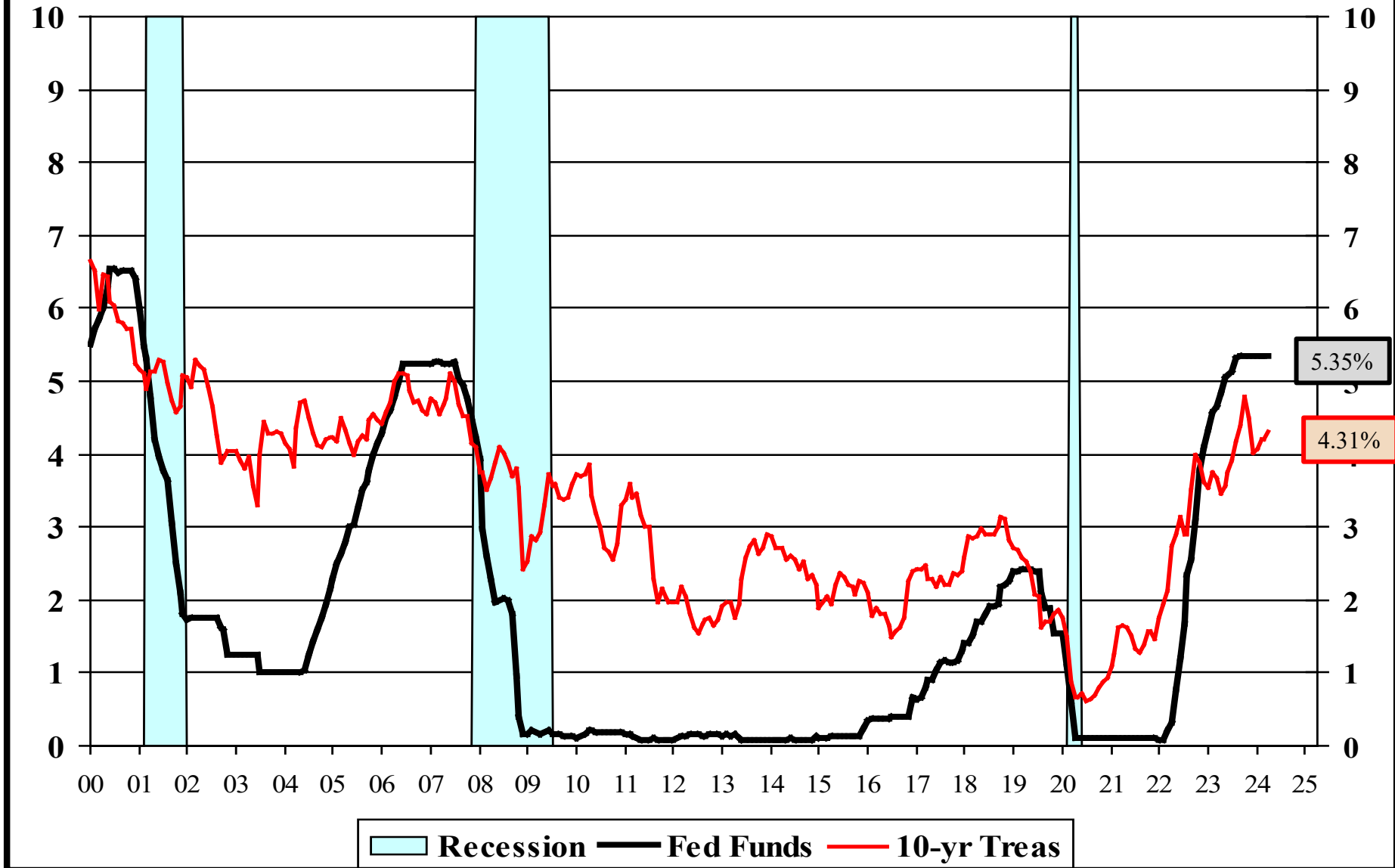
**Carpe Diem**  
**“Seize the day”**

# Questions?

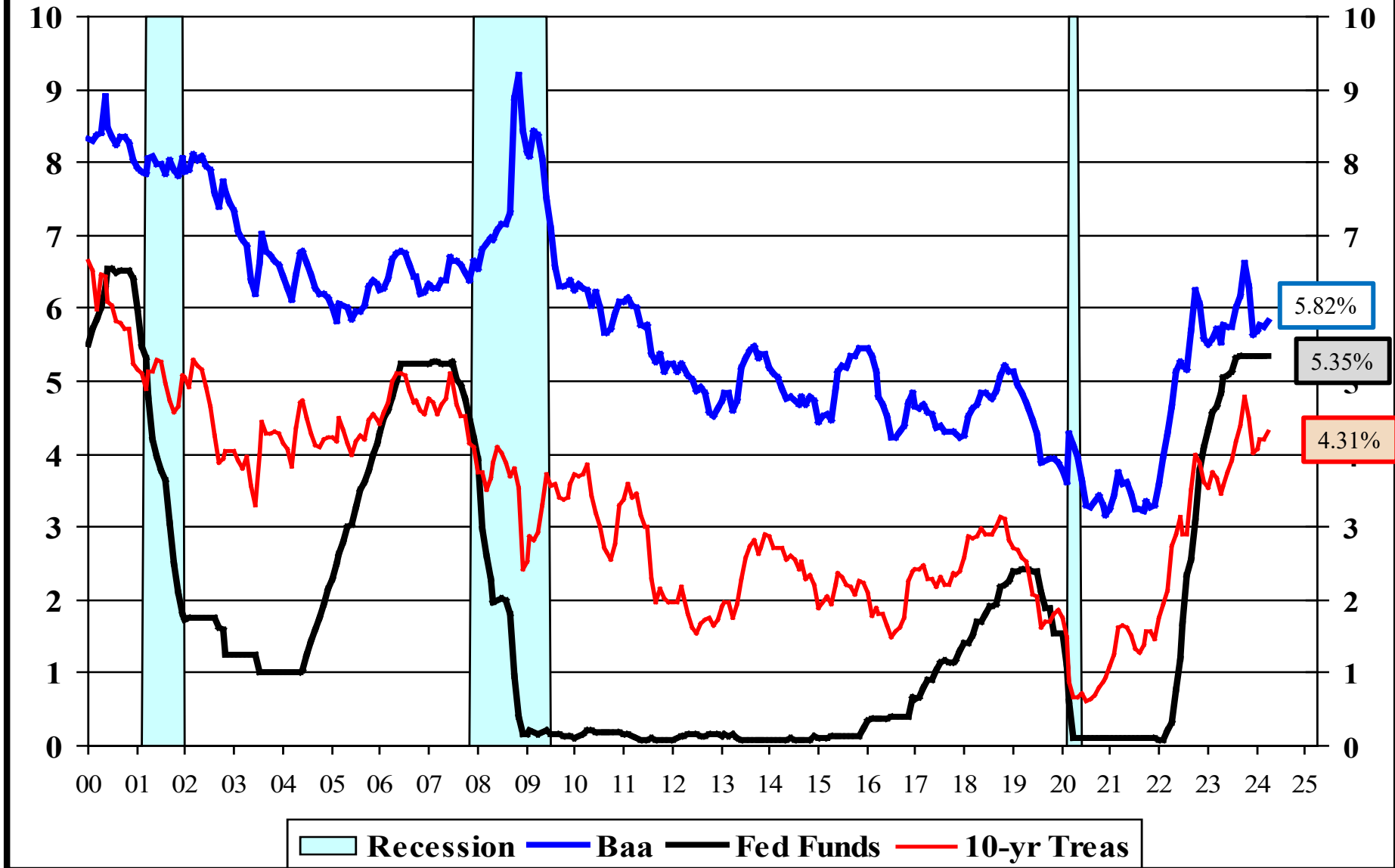
# Interest Rates and Recessions



# Interest Rates and Recessions

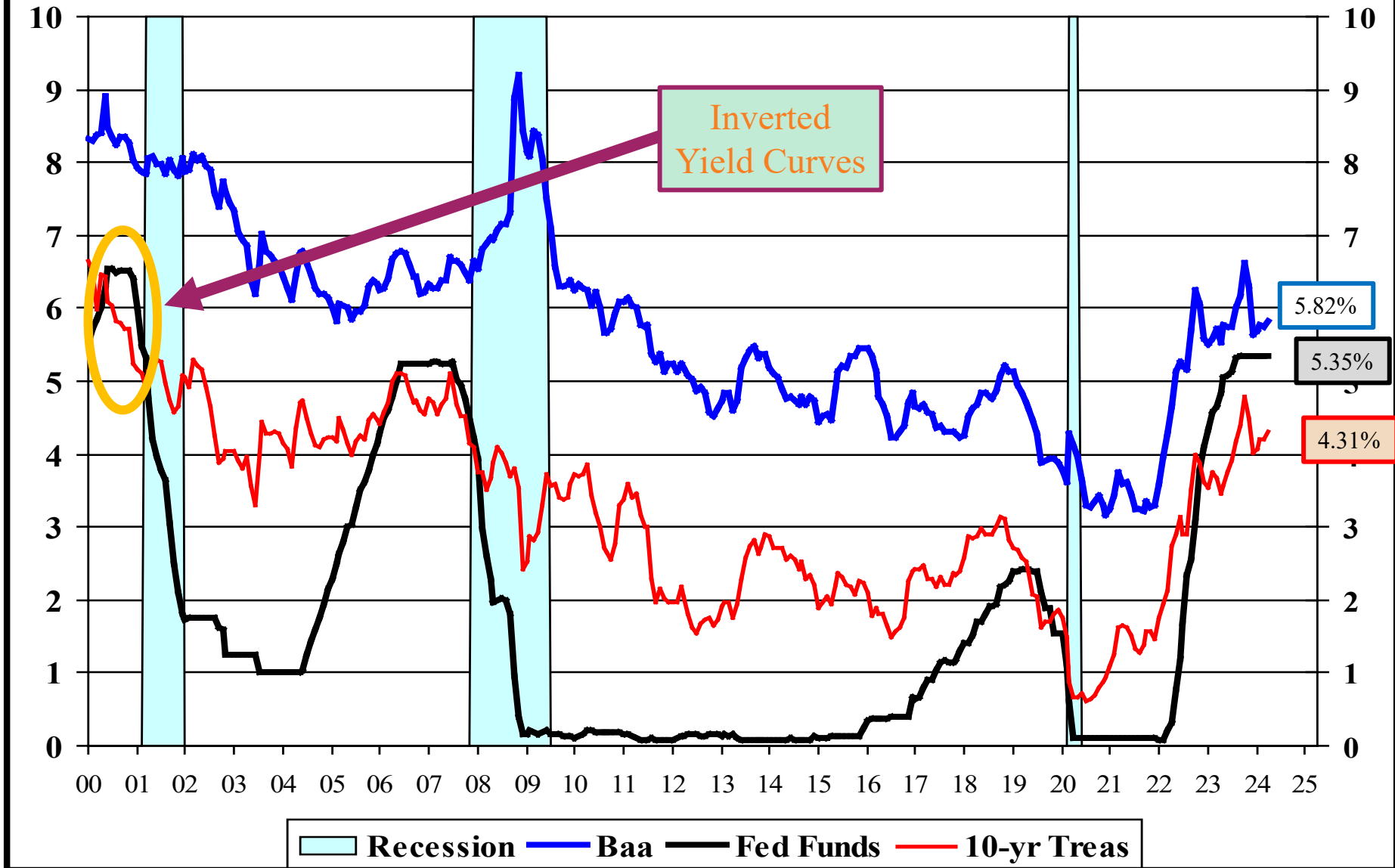


# Interest Rates and Recessions

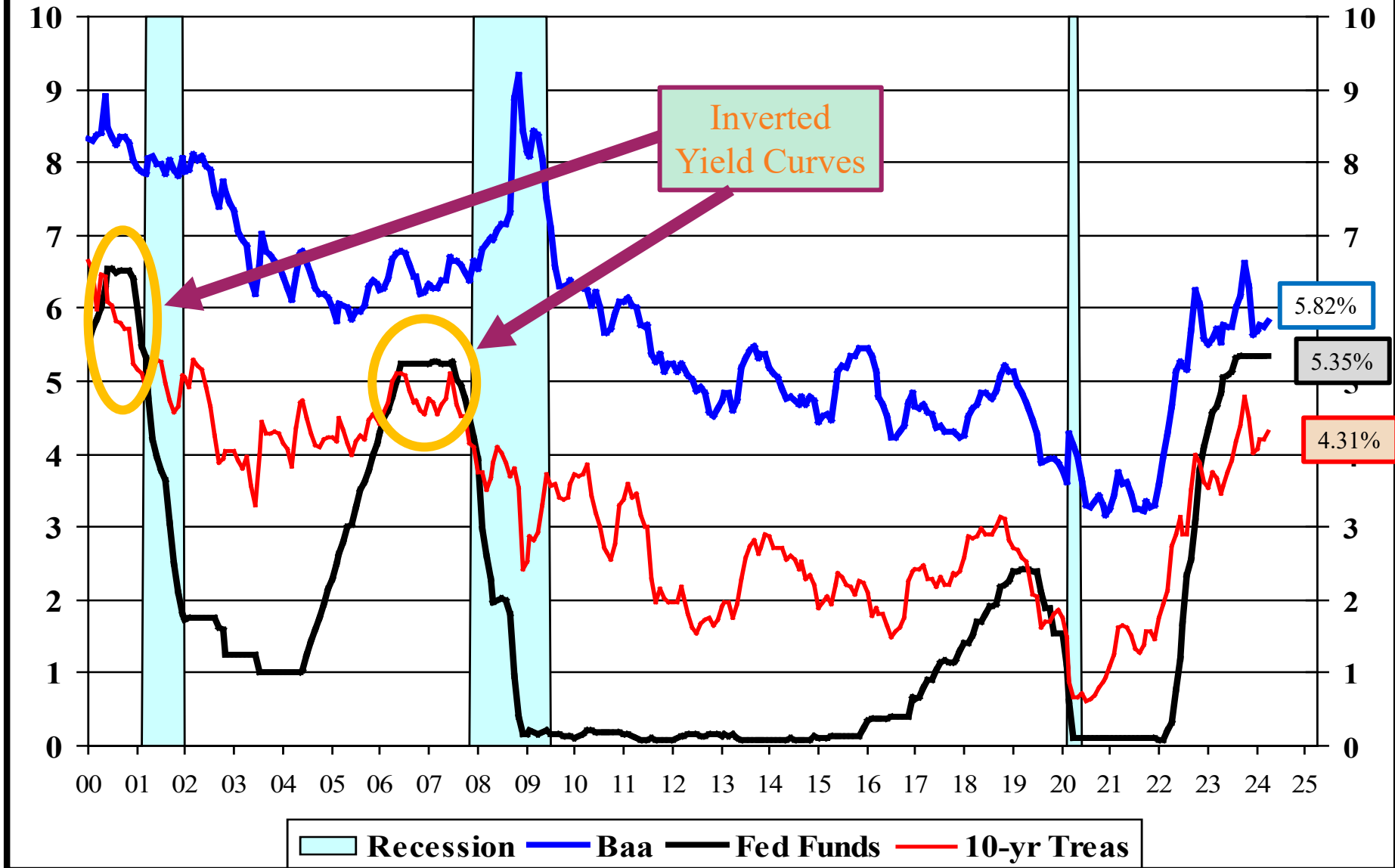




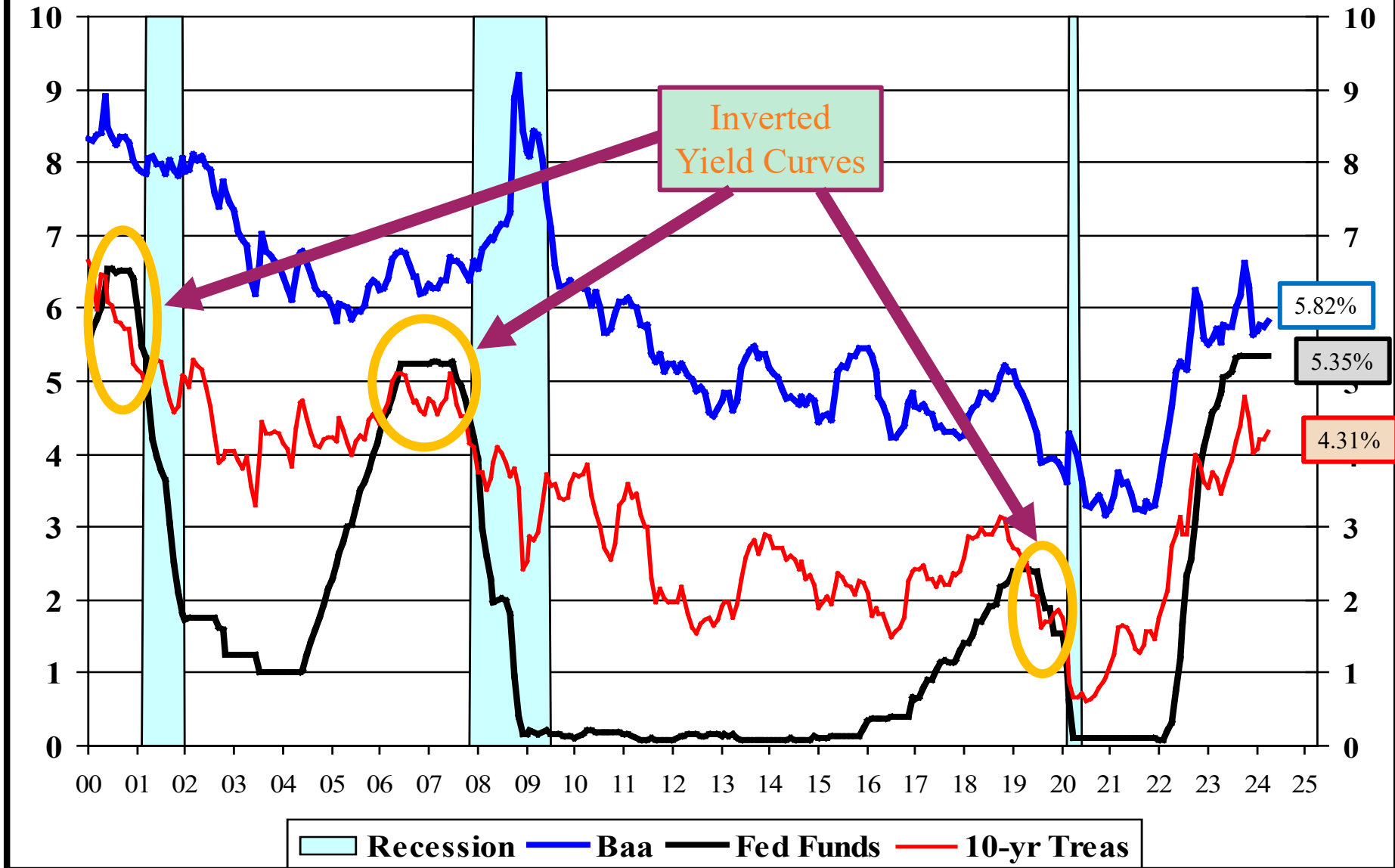
# Interest Rates and Recessions



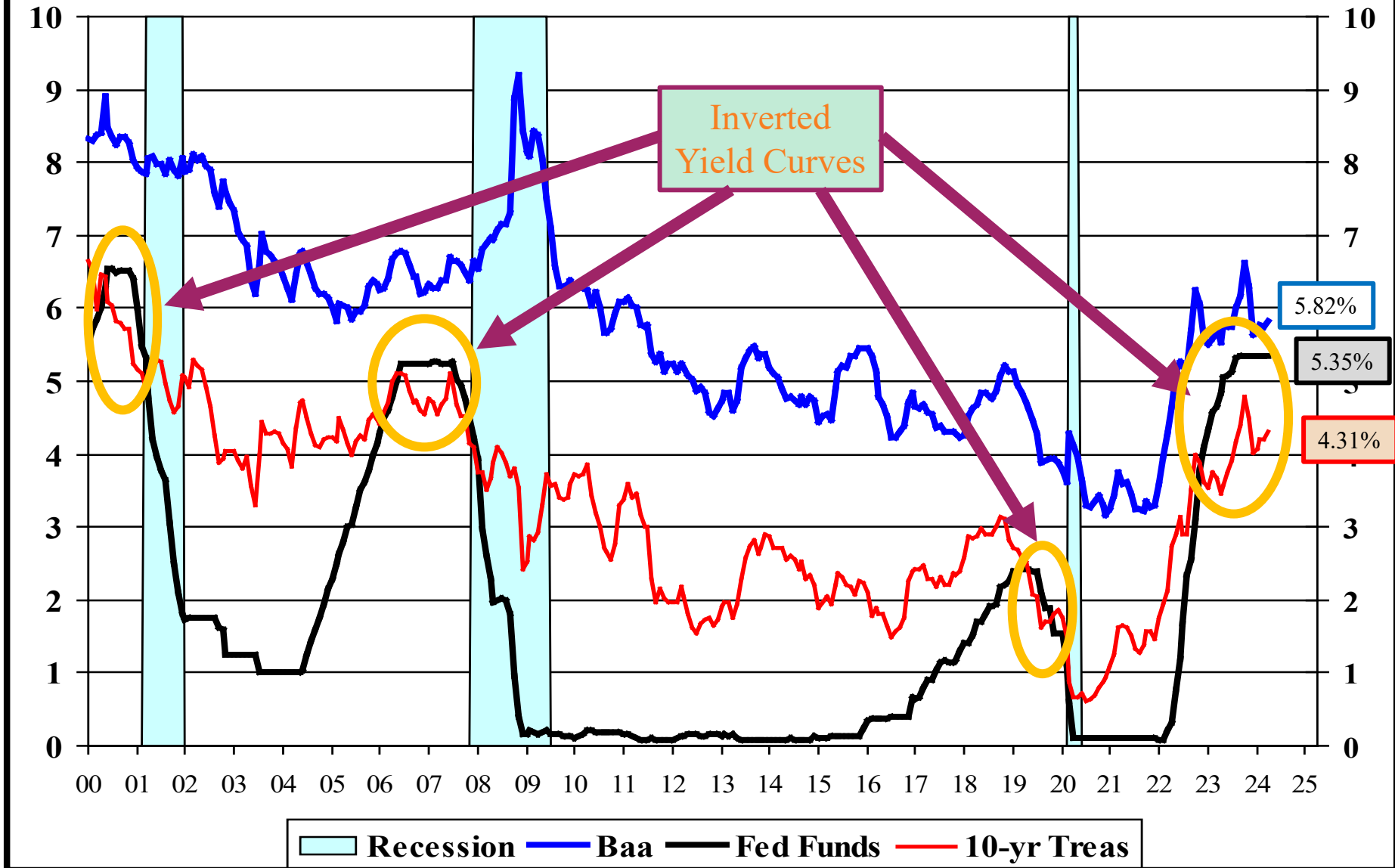
# Interest Rates and Recessions



# Interest Rates and Recessions



# Interest Rates and Recessions



# Interest Rates and Recessions

