Credit Union Trends Report

January 2022 ▪ November 2021 Data

CUNA MUTUAL GROUP

01

Economic Trends

No recession is expected during the next five years unless the economy is impacted by a major black swan event.

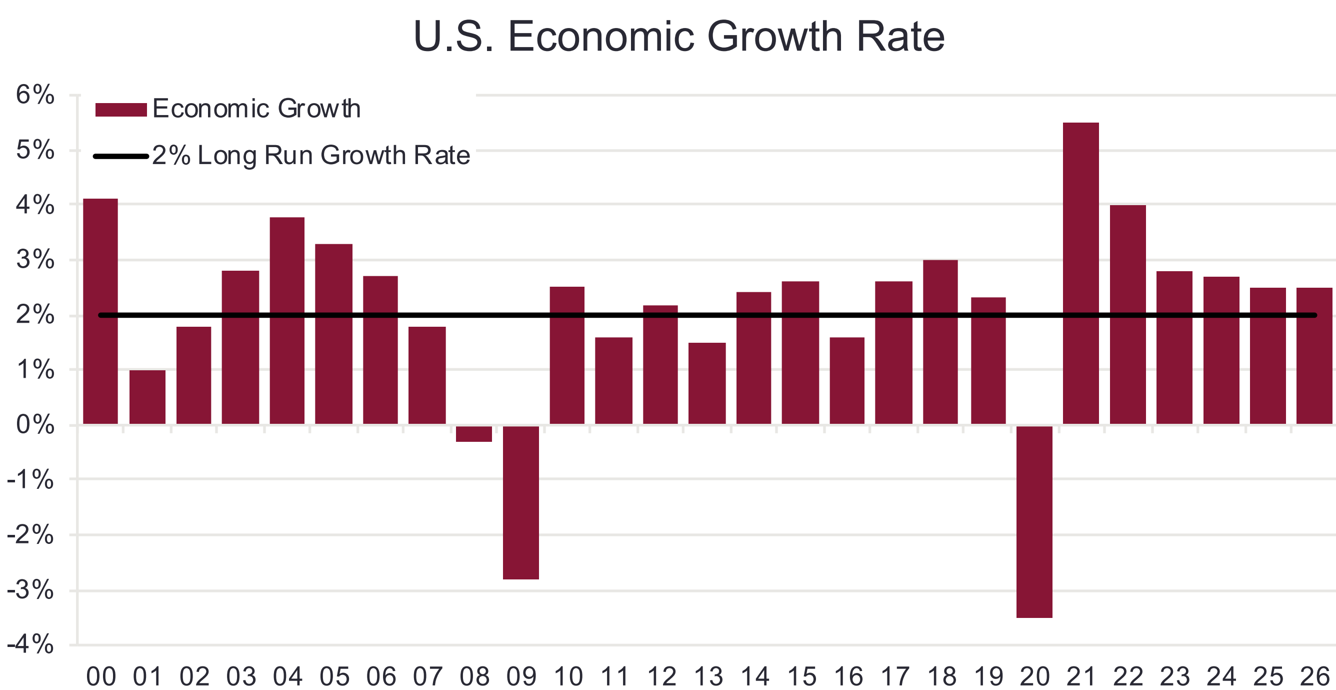
Economic Trends

As we begin 2022, the Federal Reserve is expected to raise interest rates to end inflationary pressure this year, and the question on the mind of many credit union leaders is when the next recession may take place. If the global economy is not beset with any major black swan events (wars, new pandemics, meteor strikes, etc.), then we do not expect a recession during the next five years **(see figure below).**

We are currently forecasting real gross domestic product to rise 4% in 2022, which is twice the long-run average of 2% growth rate, as consumers spend some of their built-up savings on services, business rebuild inventories, housing construction continues to expand and infrastructure spending increases.

With no recession expected for the next five years and therefore less economic uncertainty, many businesses will also decide to increase spending on capital investment and many households will decide to build new homes. These trends will keep growth rates above the 2% trend.

During the pandemic, a dramatic shift occurred in the composition of household spending, where the amount spent on services declined while spending on goods increased. Over the next few years, as we transition from a COVID pandemic to an endemic, consumer spending will transition back towards the pre-pandemic trend of higher spending on services. This trend was mainly driven by an aging population demanding additional healthcare services.



Source: Department of Commerce

02

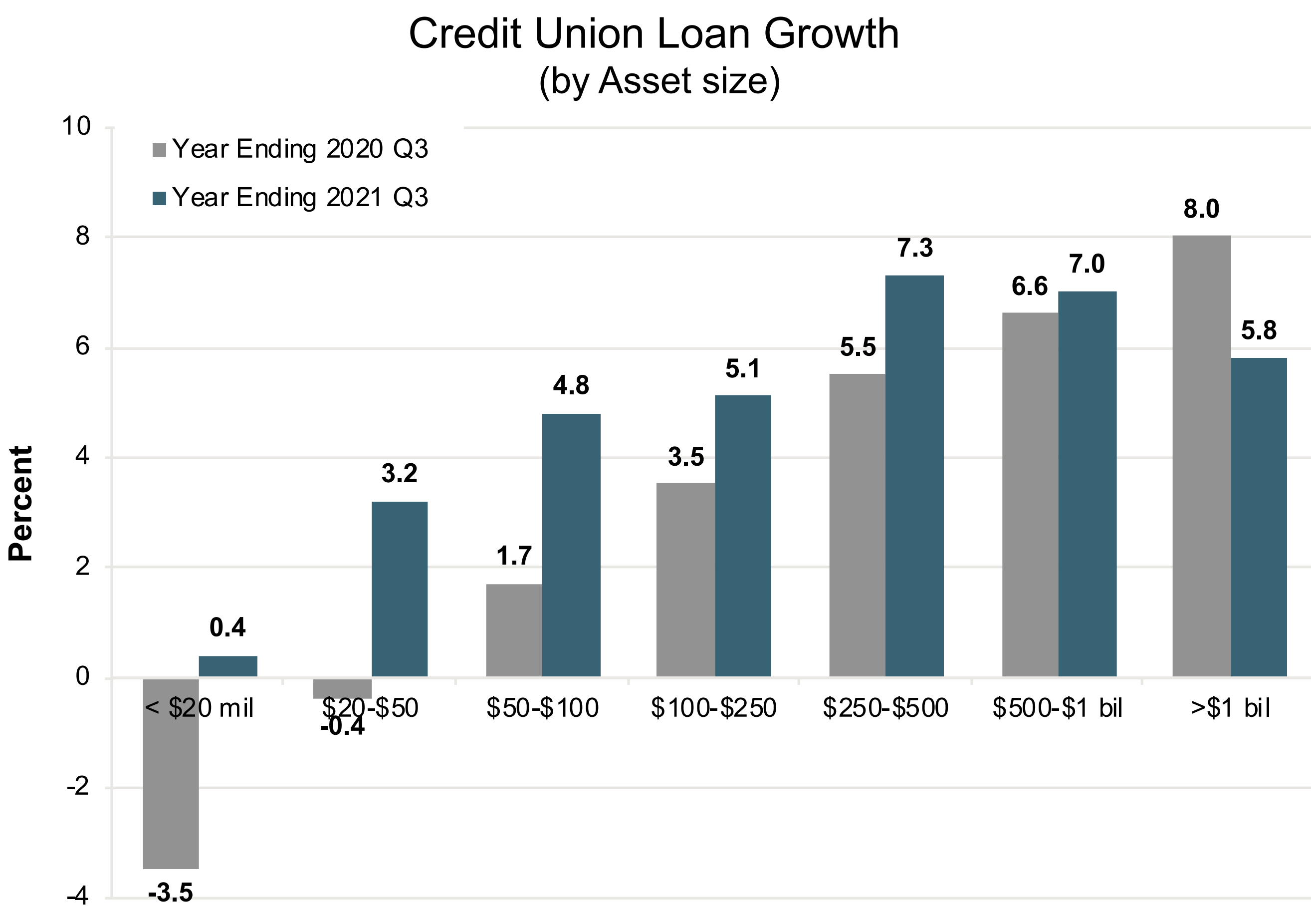
Total Credit Union Lending

Small credit unions are once again reporting positive loan growth rates.

Total Credit Union Lending

Credit union loan balances rose 0.7% in November, above the 0.2% pace reported in November 2020. Driving overall loan growth was strong growth in adjustable-rate mortgages (3%) and credit card loans (2.4%). November seasonal factors typically subtract 0.22 percentage points from the underlying trend loan growth as winter weather slows auto and home purchases.

Over the past 12 months, total credit union loan balances rose only 6.5%, below the 7.2% long-run average. However, industry growth rates mask big disparities between large and small credit unions. In the year ending in the third quarter of 2021, credit unions with assets greater than $1 billion reported a 5.8% increase in loan balances, which was down from a similar period one year earlier. During the same period, credit unions with assets less than $20 million reported loan growth of 0.4%, which is above the -3.5% pace set a year earlier **(see figure below)**. We expect overall credit union loan growth to rise to 9.0% in 2022.



Source: CUNA & NCUA

03

Consumer Installment Credit

Consumer installment credit growth has returned to above-average annual growth.

Consumer Installment Credit

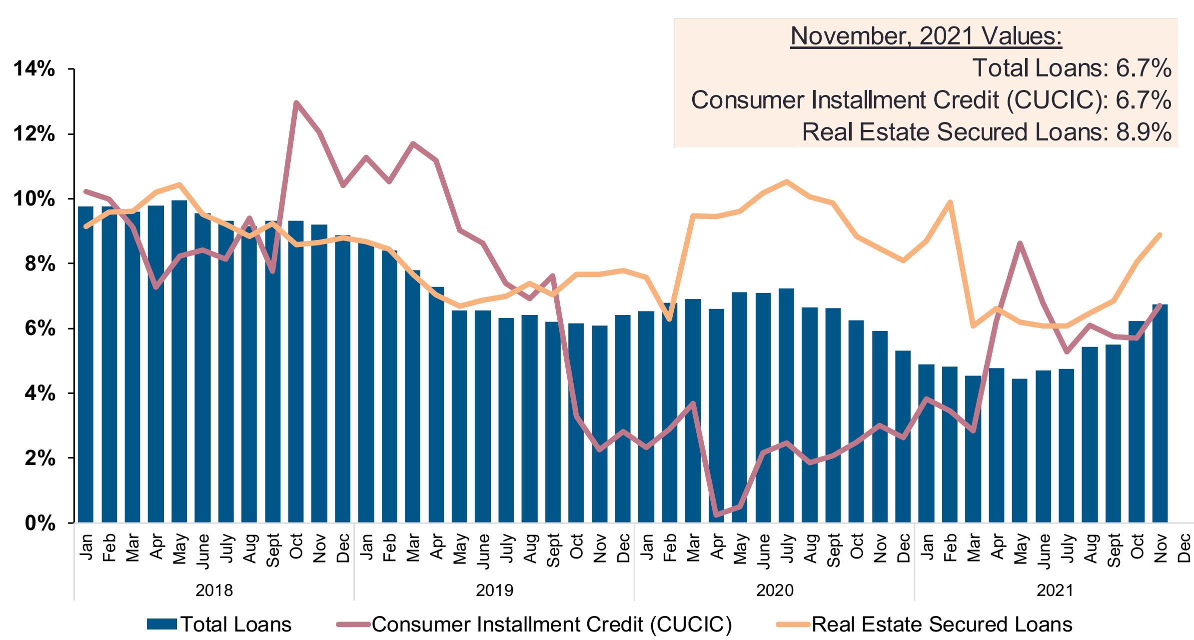
Credit union consumer installment credit balances (auto, credit card and other unsecured loans) rose 1.1% in November, above the 0.2% decrease set in November 2020, as consumer spending surged in the fourth quarter of 2021.

Consumer installment credit grew 6.7% over the last year, which is above its 30-year average of 6.3%, but slower than the 8.9% rise in real estate loans **(see figure below).**

The strength in consumer installment credit comes as the mortgage refinance boom slows down, and fewer consumers are cashing out part of their home equity to pay off a higher rate credit card and auto loans. Expect consumer installment credit to grow over 10% in 2022 as the pandemic runs its course.

The household debt service ratio (mortgage and consumer debt payments required to remain current on that debt as a percent of disposable income) rose to 9.2% in the third quarter, from the 9.1% reported in the second quarter, and above the record low of 8.37% reported in the first quarter of 2021, according to the Federal Reserve. The record-low debt service ratio was caused by record-low interest rates and government stimulus checks, which were used to pay off debt. Less spending on servicing debt is freeing up household income for spending on goods and services or to increase savings rates.

Loan Growth Trends
November 2021



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

04

Vehicle Loans

Credit union new auto loan balances continue to fall.

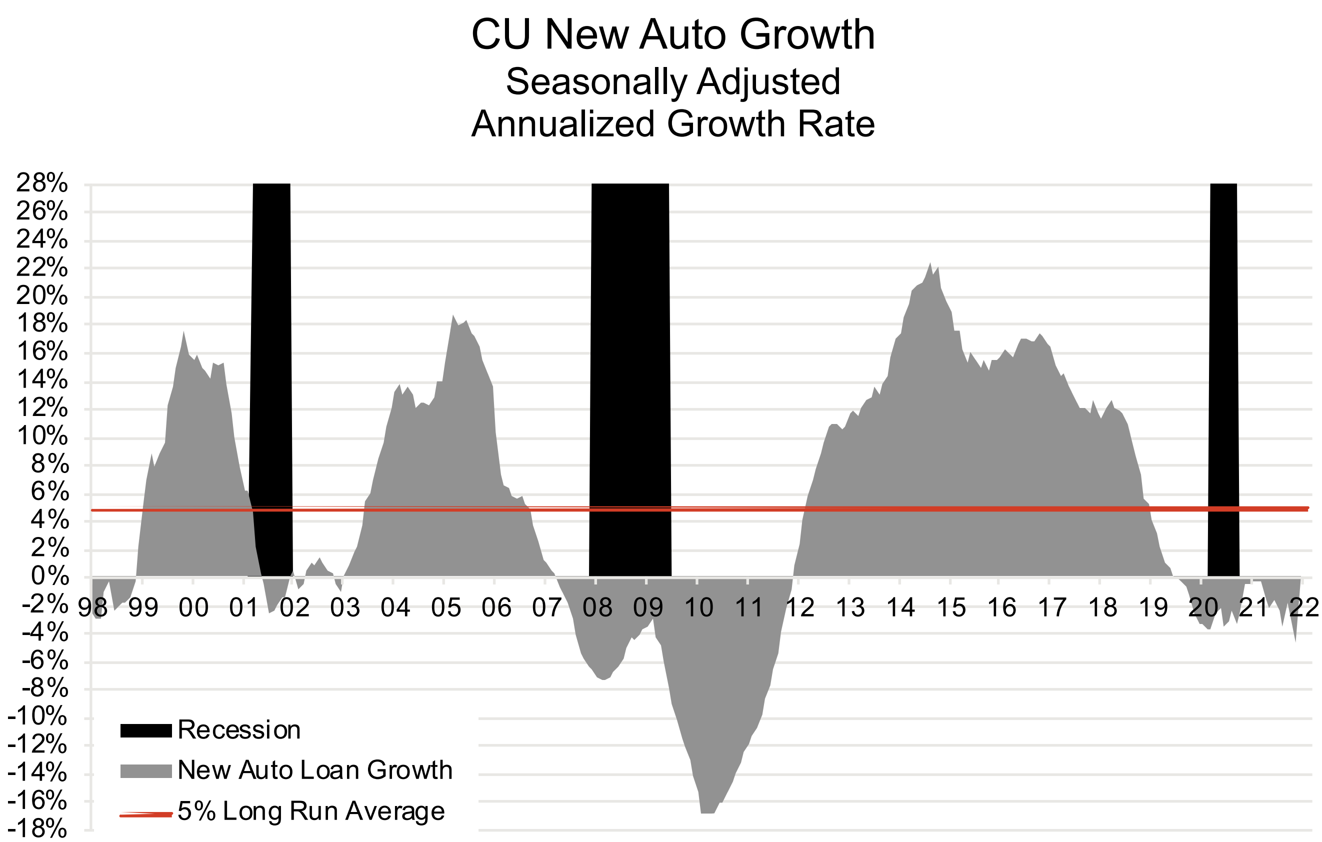
Vehicle Loans

Credit union new auto loan balances fell at a -4.7% seasonally adjusted annual rate in November, significantly below the double-digit pace set during 2012-2018 **(see figure below),** as we typically see during a post-recession period.

Four factors drove this decline. First, members used “cash-out” funds from mortgage refinances to pay off auto loans. Second, past is prologue and rapid loan originations 2-3 years ago precipitate larger loan balance amortization today. For example, a member receiving a $30,000 4-year new-auto loan originated at a 4% interest rate on January 1, 2018, would have paid approximately $7,000 in repayments during 2018. These repayments would then have grown to almost $8,000 by 2021.

Third, new auto sales declined 0.8% over the last month and 19% over the last year, which leads to a corresponding drop in credit union new-auto lending. And, finally, rapid growth into indirect auto lending over the last few years has leveled off, leading to a drop in the growth rate.

Looking at seasonal factors, November is typically one of the slower months of the year for new auto loan originations due to normally weak new auto sales in November.



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

05

Real Estate Information

Mortgage interest rates are rising, but so are credit union fixed-rate mortgage loan balances.

Real Estate Information

Credit union fixed-rate first mortgage loan balances grew 1.3% in November, above the 0.9% pace set in November 2020. Existing home sales rose 1.9% in November from October, but marked a 2% decline over the last year due to slightly rising interest rates. Fixed-rate mortgage loan balances are currently growing at a robust 17.8% seasonally-adjusted annualized growth rate **(see figure on next page)** as credit unions choose to hold more of their first mortgage originations on their own balance sheet.

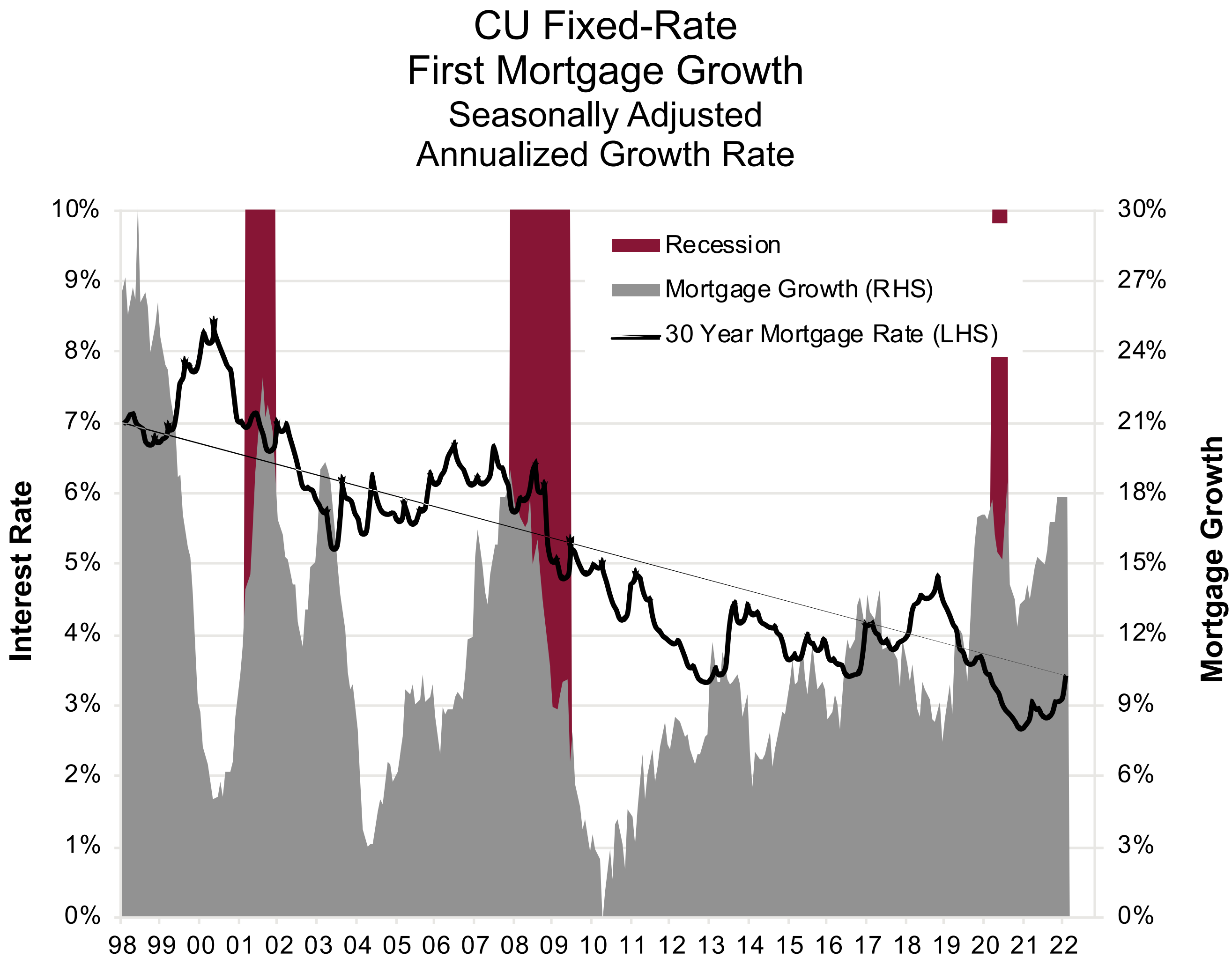
The contract interest rate on a 30-year, fixed-rate conventional home mortgage remained at 3.07% from October through November, but that rate is above the 2.77% reported in November 2020 **(see figure on next page).** With the Federal Reserve expected to raise short-term interest rates 100 basis points in 2022 and the 10-year Treasury interest rate expected to drift up 50 to 75 basis points, expect the 30-year mortgage interest rate to also move higher in 2022 to around a 3.5% to 3.75% range.

Home prices rose 1.3% in November from October, according to the Core Logic Home Price Index. Home prices are up 18.1% year-over-year, the fastest pace ever recorded with data going back to 1976.

The national homeownership rate fell to 65.4% in the third quarter of 2021, below the 67.4% reported in the third quarter of 2020, due to the surge in home prices and the corresponding fall in housing affordability. Today’s homeownership rate is above the 62.9% nadir reported in the second quarter of 2016, but below the 69.2% apex reached in the fourth quarter of 2004.

Expect mortgage originations to drop 25% in 2022 as the mortgage refinance boom ends and long-term interest rates rise throughout 2022.

Real Estate Information



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

06

Savings and Assets

Credit union members have an average of $2,697 more in their savings balances today compared to two years ago, a 25% increase.

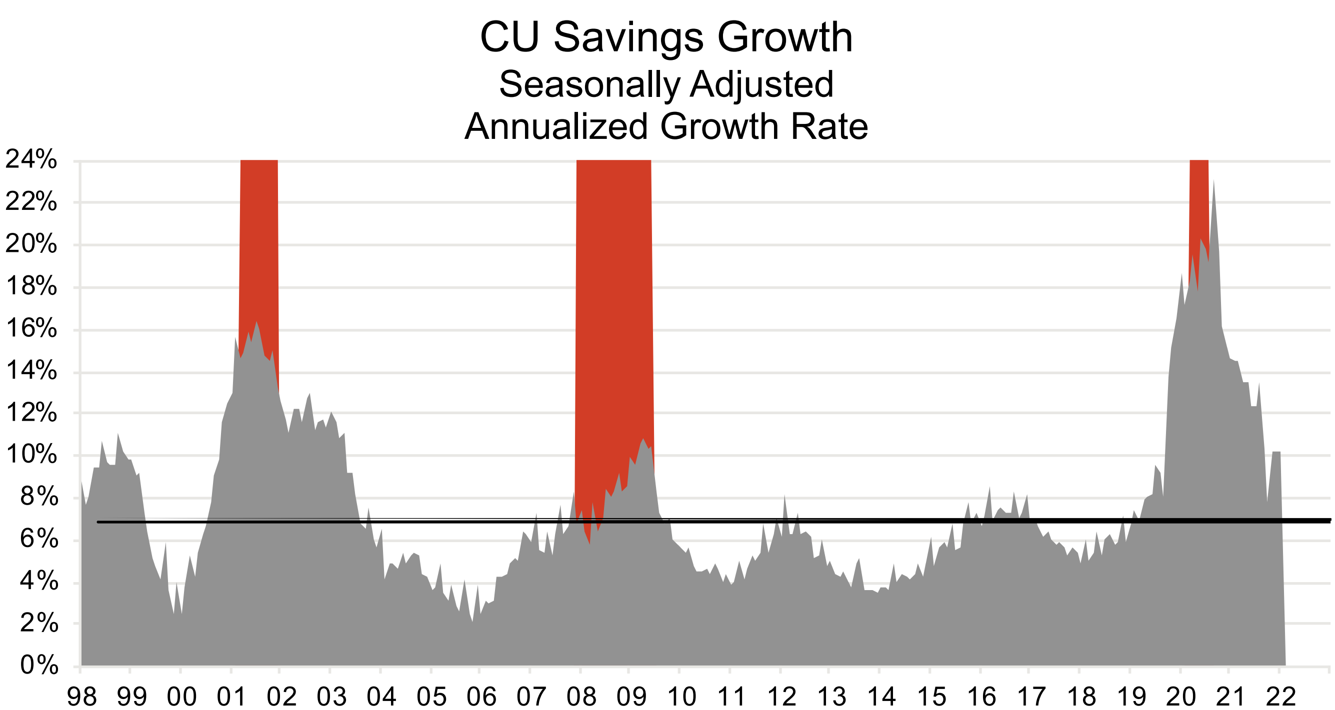
Savings and Assets

Credit union savings balances rose 0.12% in November, slightly below the 0.13% gain reported in November 2020. Savings balances typically decline 0.2% in November due to recurring seasonal factors.

Savings balances are currently growing at a robust 10.2% seasonally-adjusted annualized growth rate, which is above the 7% long-run average **(see figure below).** Members are saving more than normal due to the continued negative effect of COVID-19 on members' leisure and hospitality spending.

The average credit union member was sitting on $13,675 in deposits in November 2021, up from $10,978 in November 2019, before the COVID-19 pandemic and the resulting three stimulus checks. This $2,697 in additional liquidity, a 25% increase, has provided members with significant additional spending power. These excess savings will reduce the desire of many credit union members to keep building their savings balances, which will ultimately reduce credit union deposit growth to below the 7% long-run average over the next few years.

Expect credit union savings balances to rise only 5% in 2022 and 2023, the slowest pace since 2013, due to lower COVID-19 fears, increased spending on leisure and hospitality, higher gasoline prices, and lower job and income insecurity.



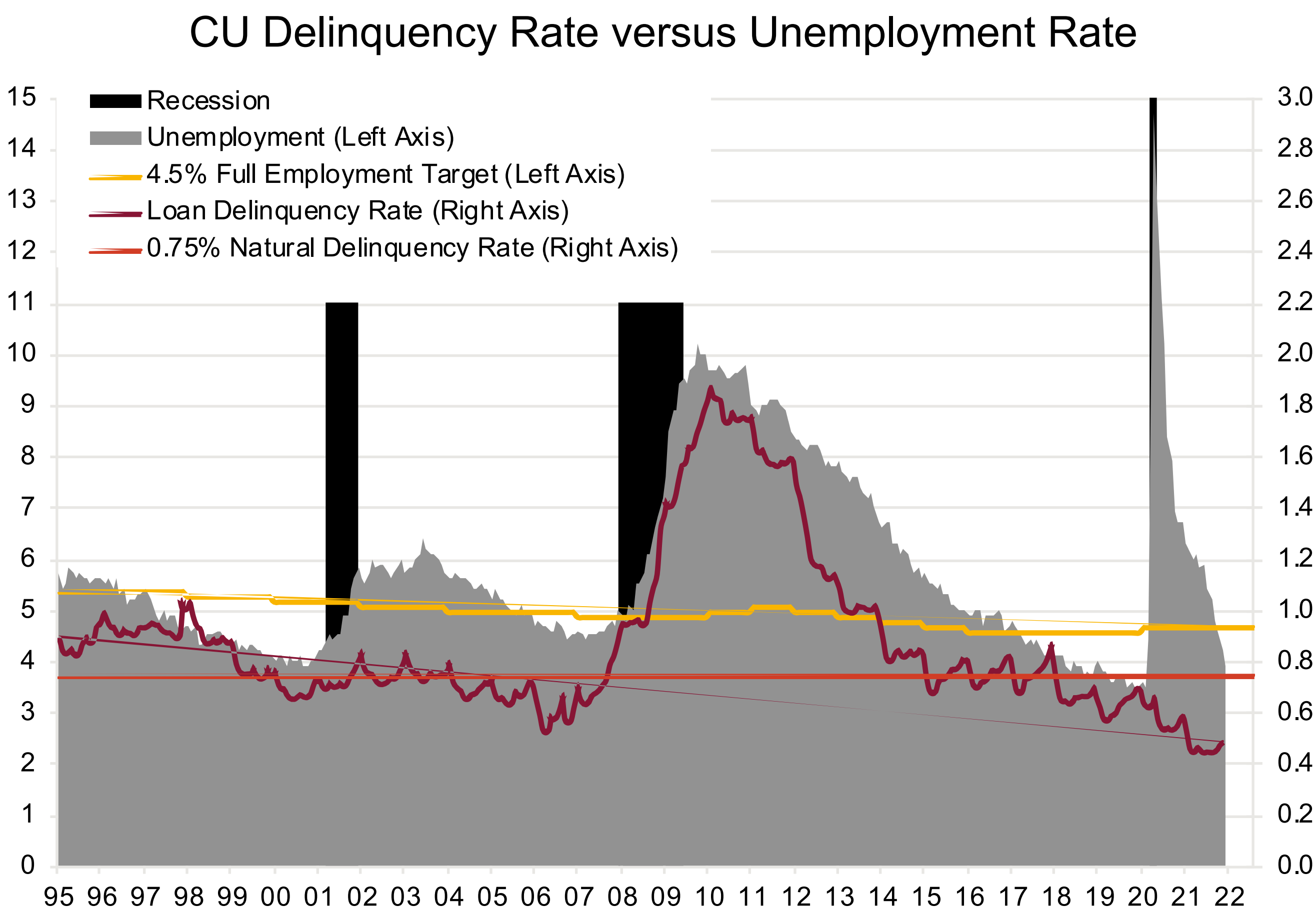
Source: CUNA Economics & Statistics and CUNA Mutual Group – Economics

07

Capital and Other Key Measures

Credit union loan delinquency rates appear to have bottomed and will rise over the next few years.

Capital and Other Key Measures



The credit union loan delinquency rate (loans two or more months delinquent as a percent of total loans outstanding) rose to 0.49% in November from 0.48% in October. This is in line with the traditional seasonal pattern **(see figure above).**

Delinquency rates typically reach their nadir in any year's first quarter as members use their tax refunds and bonus checks to catch up on any late loan payments. As the year progresses, delinquency rates slowly rise and reach their apex late in the fourth quarter.

Credit union loan delinquency rates are significantly below the 0.75% long-run natural delinquency rate because of past stimulus checks, enhanced unemployment benefits, lower interest rates, loan forbearance programs, and now, very low unemployment rates.

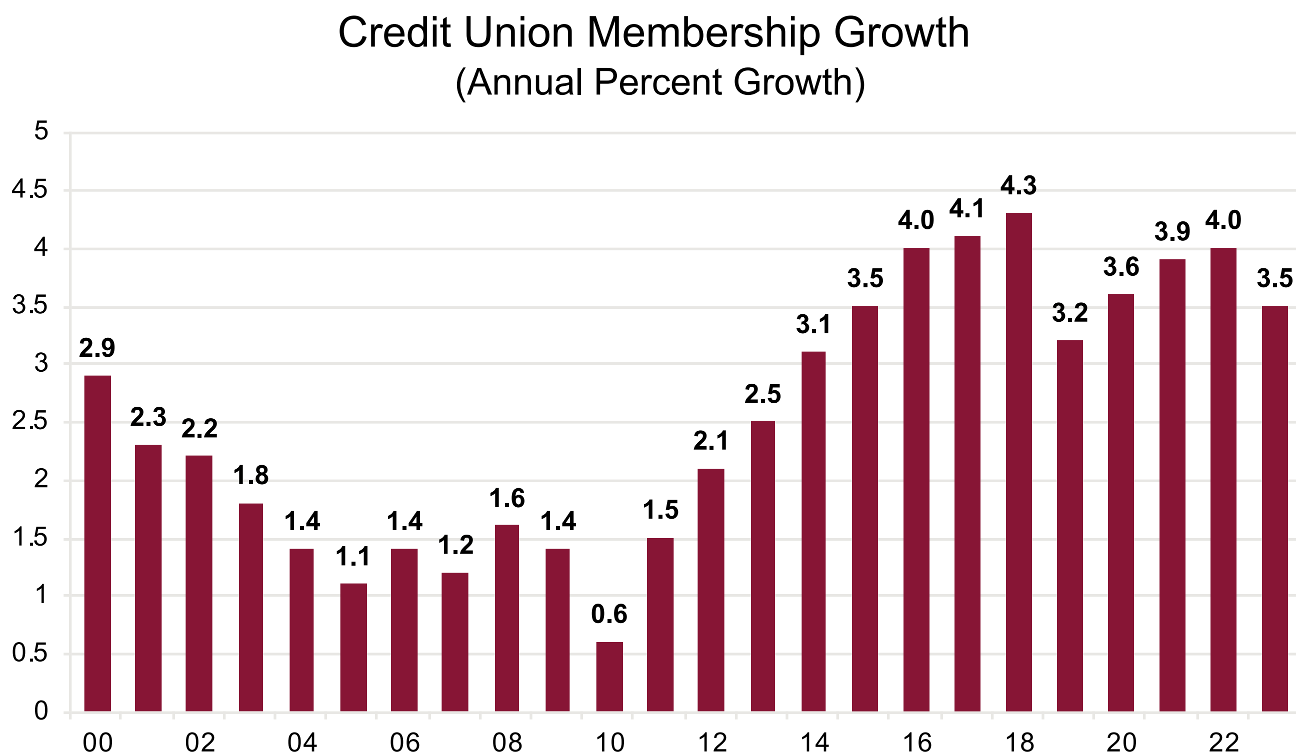
On a year-over-year basis, the loan delinquency rate is 10 basis points lower than the 0.59% reported in November 2020. Expect loan quality measures to deteriorate over the next few quarters as households, government spending and the economy revert to a more normal pattern.

08

Credit Unions and Members

Credit union membership growth is expected to rise to 4% in 2022.

Credit Unions and Members



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

Credit union memberships grew 223,000 in November, or 0.17%, which is below the 249,000 new members, or 0.20%, that was added in November 2020. Year-to-date, credit unions added 4.707 million new members, faster than the 3.756 million members added during a similar period in 2020. During the last 12 months, credit union memberships rose 3.9%, the slowest pace since 2018 **(see figure above).**

Total credit union memberships reached 131.5 million in November, 4.927 million more than November 2020. Strong mortgage lending and the surge in job hirings are two major factors driving the rise in credit union memberships.

Job growth is a major factor determining credit union membership growth. The U.S. economy gained 6.5 million jobs during 2021, according to the Bureau of Labor Statistics. For 2022, expect 3.6 million new jobs to be created as the economy exits the COVID-19 pandemic and recession. As the mortgage refinance boom ends, job growth and new auto indirect lending will become more of a factor in membership growth. We expect membership growth to rise slightly to 4% in 2022.

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*
19 11	1,126.2	148.2	232.1	380.3	47.0	65.1	482.0	470.1	94.2	564.2	80.0
19 12	1,133.6	149.7	231.3	381.0	47.3	66.9	482.4	471.8	93.0	564.8	86.4
20 01	1,137.3	149.4	231.9	381.3	47.1	66.3	482.5	471.8	92.9	564.7	90.1
20 02	1,139.9	148.4	232.6	381.0	46.3	65.8	484.9	465.8	93.1	558.9	96.0
20 03	1,143.6	147.2	233.0	380.2	46.7	65.3	489.0	486.2	92.4	578.6	76.0
20 04	1,146.9	146.4	231.2	377.6	47.4	62.7	476.1	488.8	91.7	580.5	90.3
20 05	1,159.9	144.7	232.9	377.5	48.6	61.9	476.0	494.2	91.0	585.2	98.7
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	142.7	264.6	407.2	52.6	64.2	529.8	576.5	83.6	660.1	81.7

* 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

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*
19 11	6.2	0.0	4.5	2.7	7.5	5.9	2.2	9.6	4.1	8.7	15.0
19 12	6.4	0.0	4.1	2.4	7.0	6.7	2.8	8.7	3.5	7.8	20.1
20 01	6.5	-0.1	3.9	2.3	6.7	6.3	2.3	8.8	1.8	7.6	26.4
20 02	6.8	-0.2	4.0	2.3	6.0	6.4	2.9	7.1	2.4	6.3	36.9
20 03	6.9	-0.7	3.9	2.1	6.8	5.4	3.7	11.0	2.3	9.5	9.2
20 04	6.6	-1.3	2.7	1.1	7.1	0.5	0.2	11.5	-0.3	9.4	28.0
20 05	7.1	-2.6	2.9	0.7	10.2	-1.5	0.5	11.8	-0.9	9.6	31.1
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	-1.8	3.6	6.7	11.0	-3.9	8.9	-7.7

* 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
19 11	1,126.2	1,597.1	1,345.6	177.3	122.3	5,469	83.7	11.1
19 12	1,133.6	1,593.5	1,342.7	179.1	122.8	5,460	84.4	11.2
20 01	1,137.3	1,610.7	1,358.5	180.5	123.2	5,450	83.7	11.2
20 02	1,139.9	1,651.0	1,387.6	181.8	123.4	5,446	82.1	11.0
20 03	1,143.6	1,666.0	1,399.7	183.5	123.8	5,419	81.7	11.0
20 04	1,146.9	1,729.9	1,463.7	182.8	124.0	5,421	78.4	10.6
20 05	1,159.9	1,769.8	1,500.7	185.8	124.4	5,384	77.3	10.5
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	2,083.9	1,798.0	207.6	131.5	5,140	70.7	10.0

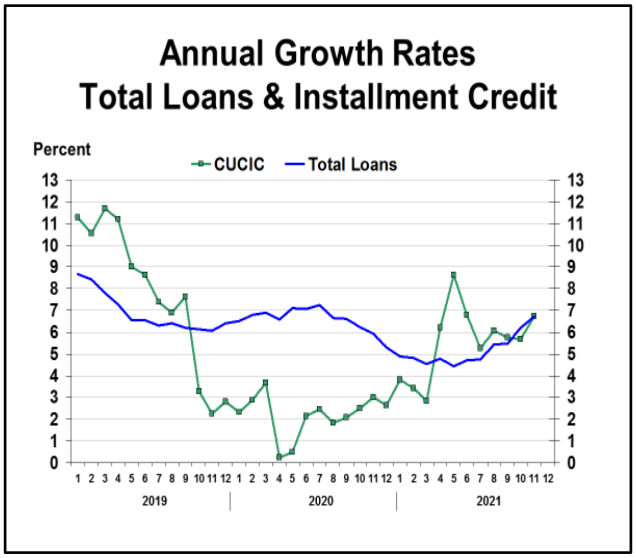
Credit Union Growth Rates

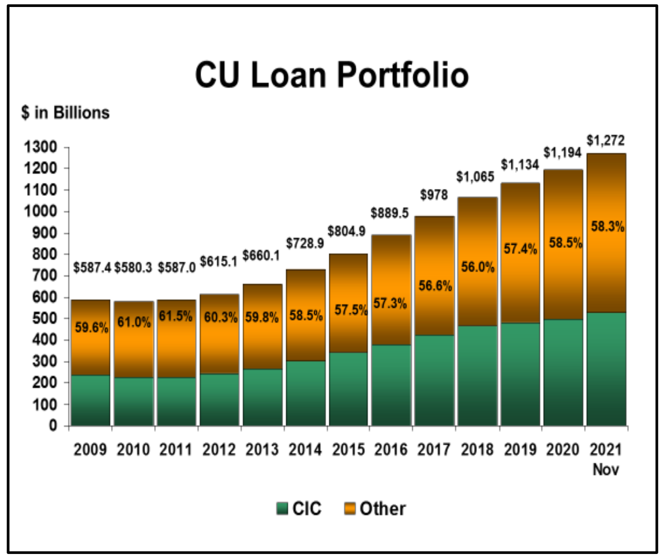
Percent Change From Prior Year

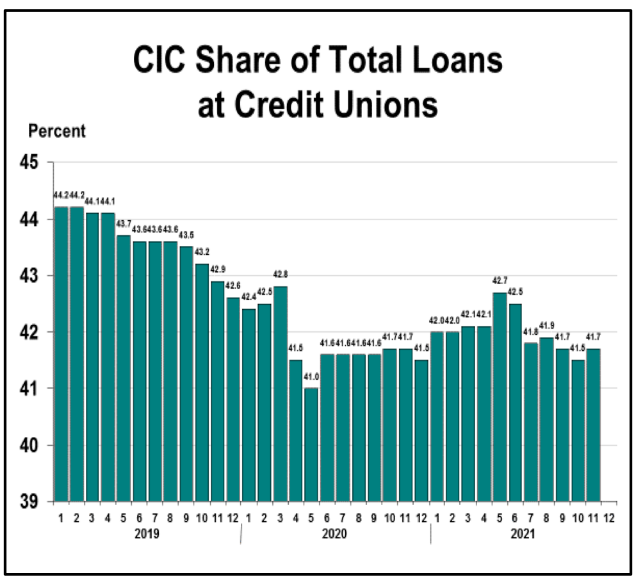
YR/MO	LOANS	ASSETS	SAVINGS	CAPITAL	MEMBERS	CREDIT UNIONS	# OF CUs DECLINE	DELINQUENCY RATE*
19 11	6.2	7.6	8.1	11.4	3.5	(2.6)	(146)	0.702%
19 12	6.4	7.7	8.1	10.9	3.6	(2.6)	(143)	0.703%
20 01	6.5	8.8	9.5	10.7	3.6	(2.3)	(126)	0.698%
20 02	6.8	9.4	9.1	10.6	3.5	(2.3)	(126)	0.640%
20 03	6.9	8.7	8.0	10.1	3.4	(2.6)	(142)	0.629%
20 04	6.6	13.3	13.6	8.7	3.3	(2.4)	(133)	0.673%
20 05	7.1	14.7	15.0	9.2	3.4	(3.0)	(164)	0.657%
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%

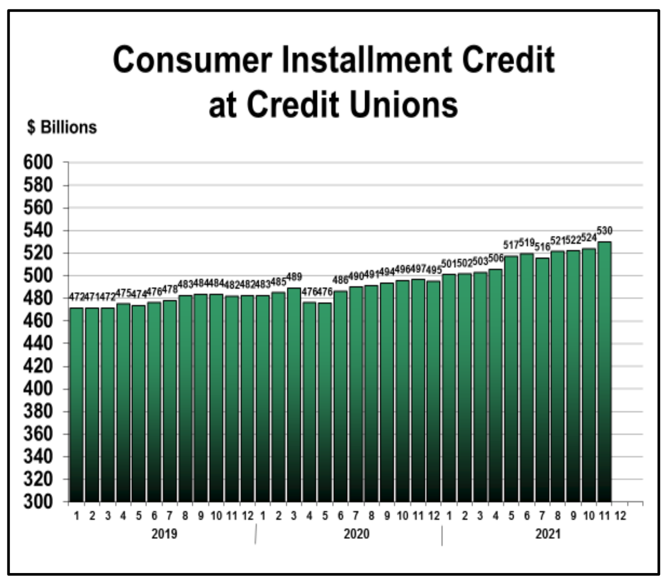
* Loans two or more months delinquent as a percent of total loans

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.

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