

# CUNA Economic Update

January 2019

Samira Salem, Ph.D.  
Senior Policy Analyst

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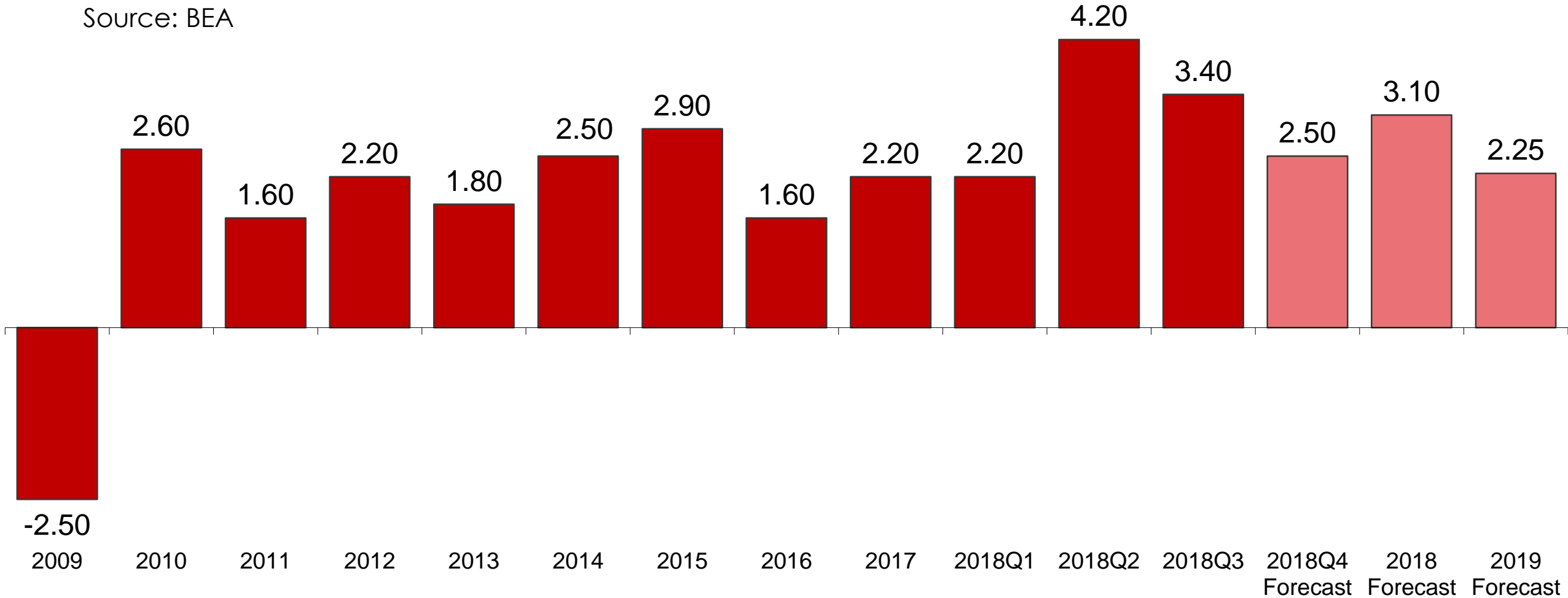


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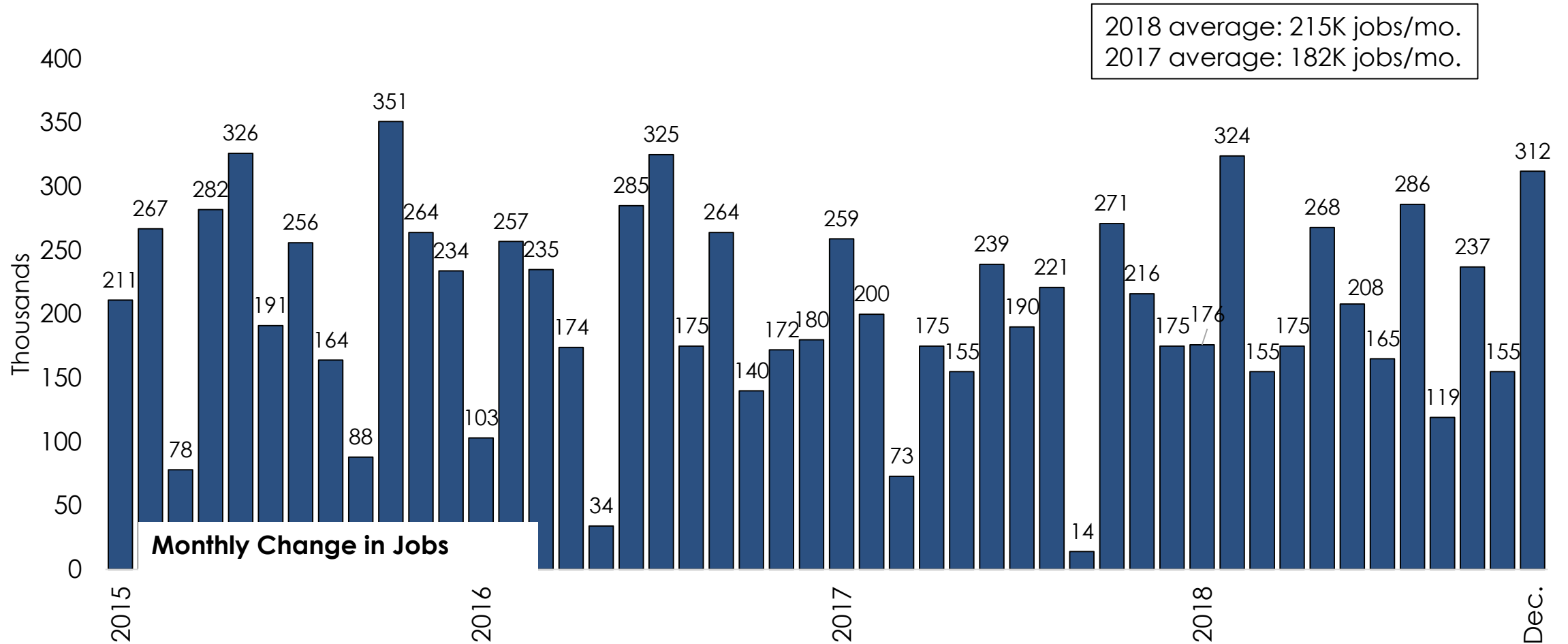
# U.S. economic growth is robust, but slowing

Percent Changes in GDP

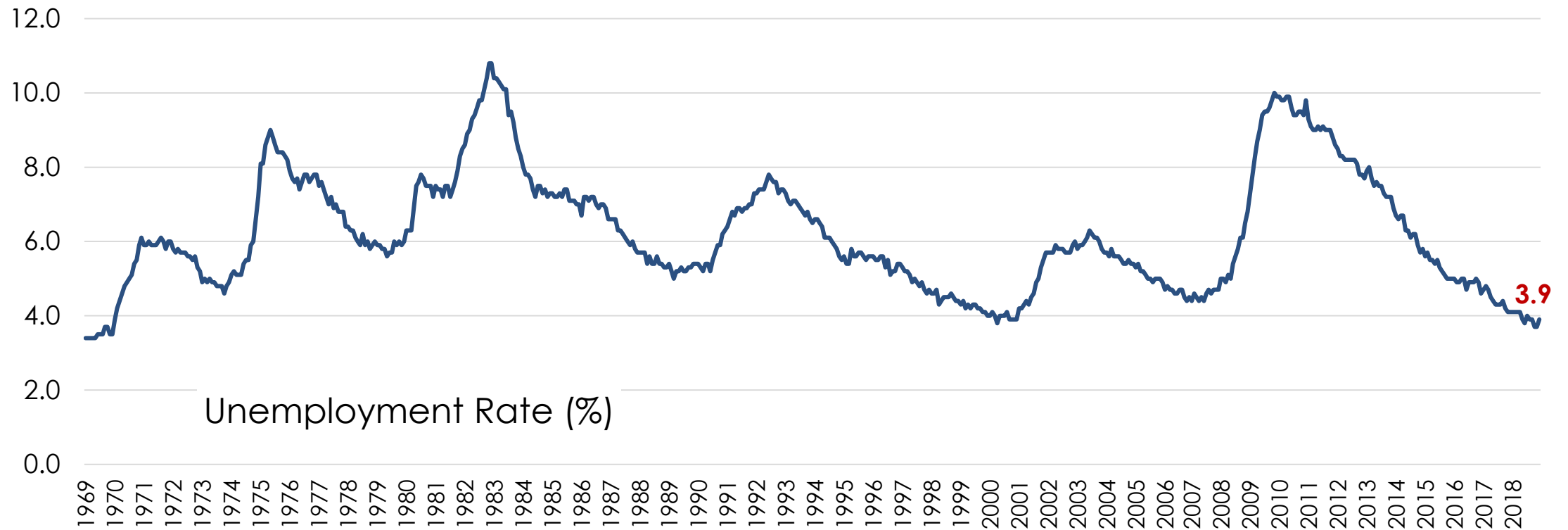
Source: BEA



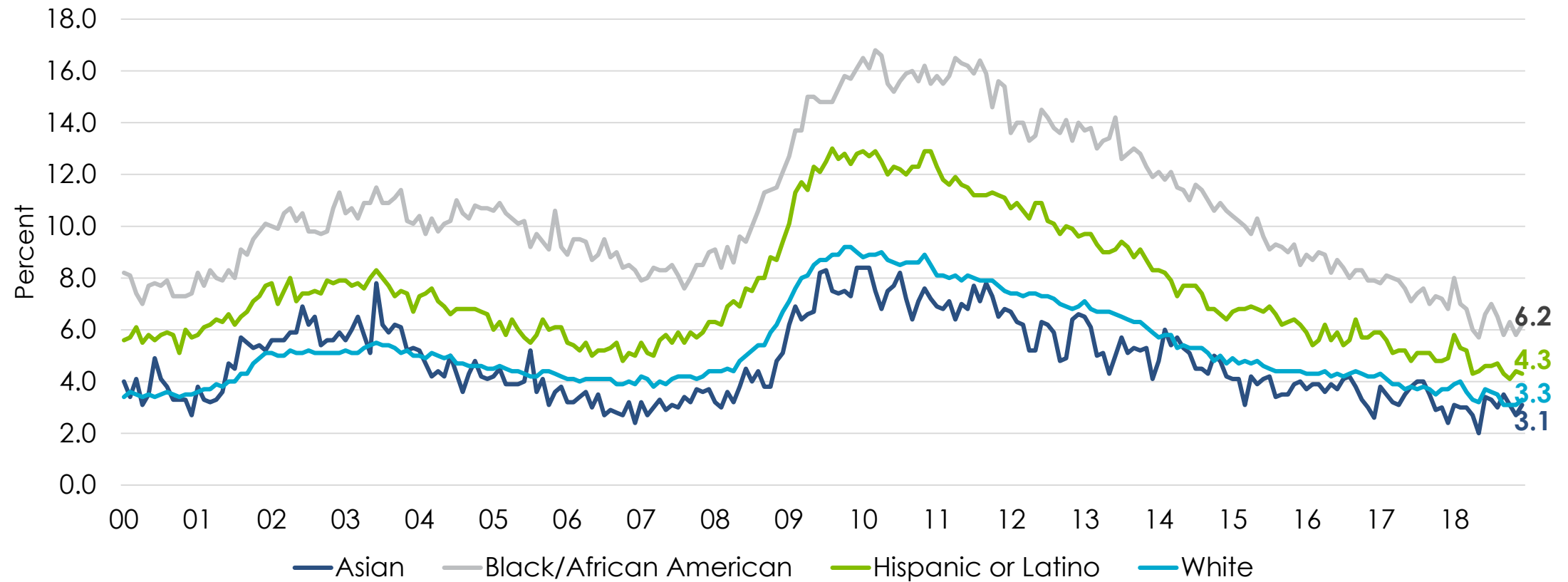
# U.S. job growth remains strong



# U.S. unemployment is at historically low levels

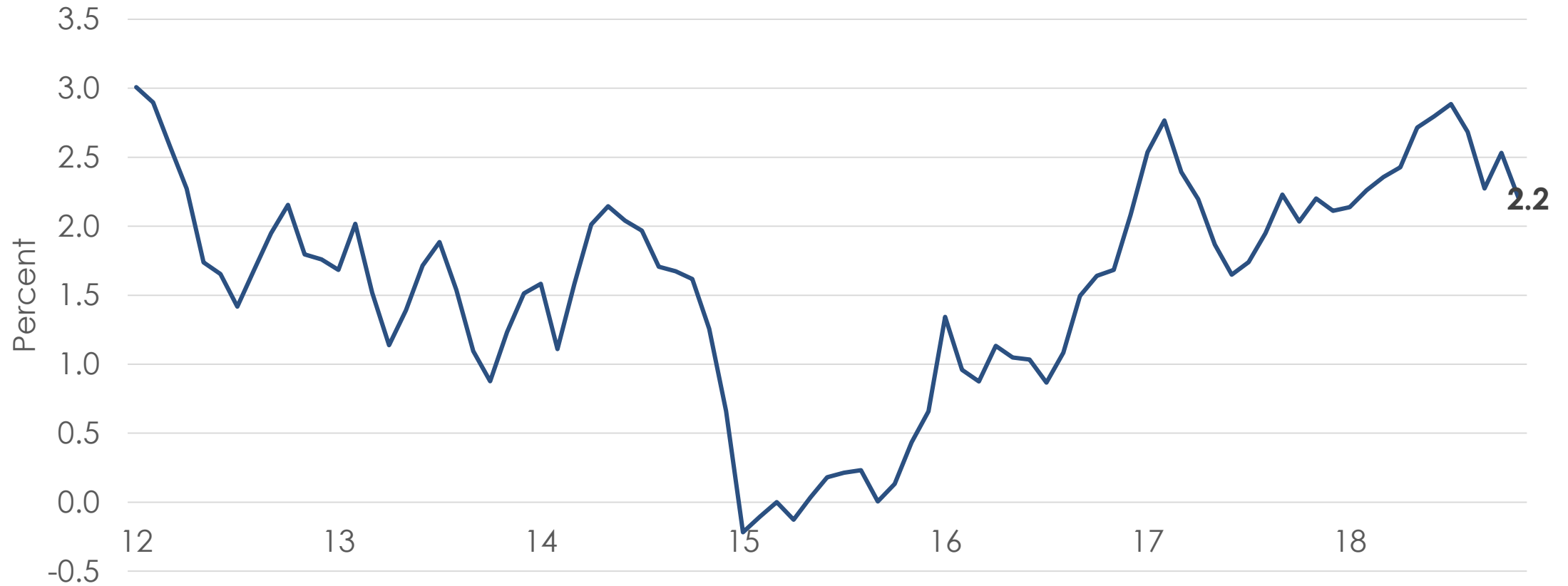


# Most racial and ethnic groups are benefitting from low unemployment rates



# Inflation is cooling

(CPI, YOY)



# And the effective fed funds rate is increasing



Source: Federal Reserve Board of Governors



# CUNA Economic Forecast

January 2019

|                                | Actual Results |       | Quarterly Results/Forecasts |        |        |        | Annual Forecasts |       |
|--------------------------------|----------------|-------|-----------------------------|--------|--------|--------|------------------|-------|
|                                | 5 Yr Avg       | 2017  | 2018:3                      | 2018:4 | 2019:1 | 2019:2 | 2018             | 2019  |
| <b>Growth rates:</b>           |                |       |                             |        |        |        |                  |       |
| Economic Growth (% chg GDP)*   | 2.37%          | 2.20% | 3.40%                       | 2.50%  | 1.75%  | 2.50%  | 3.10%            | 2.25% |
| Inflation (% chg CPI)*         | 1.30%          | 2.10% | 1.81%                       | 1.50%  | 1.75%  | 2.25%  | 2.10%            | 2.25% |
| Unemployment Rate              | 5.60%          | 4.10% | 3.70%                       | 3.90%  | 3.80%  | 3.80%  | 3.90%            | 3.80% |
| Federal Funds Rate (effective) | 0.36%          | 1.33% | 2.20%                       | 2.40%  | 2.40%  | 2.65%  | 2.40%            | 2.90% |
| 10-Year Treasury Rate          | 2.26%          | 2.40% | 3.05%                       | 2.69%  | 2.75%  | 2.80%  | 2.69%            | 3.00% |
| 10-Year-Fed Funds Spread       | 1.90%          | 1.07% | 1.10%                       | 0.29%  | 0.35%  | 0.15%  | 0.29%            | 0.10% |

\*Percent change, annual rate. All other numbers are end-of-period values.

# CUNA Credit Union Forecast

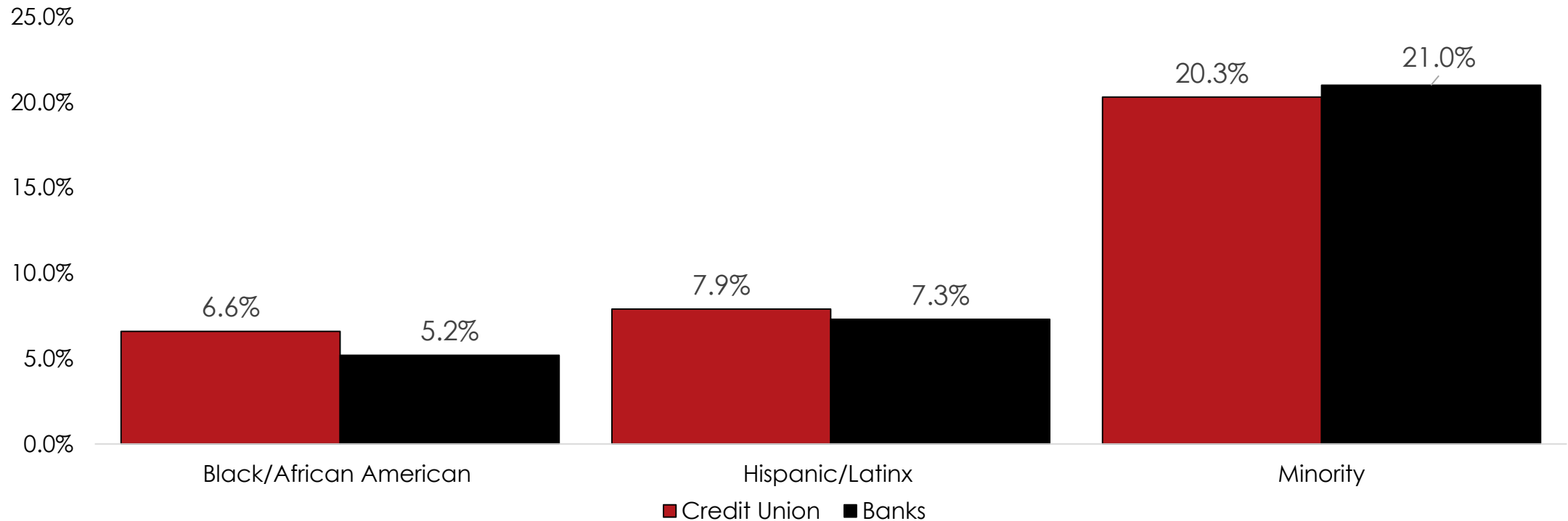
January 2019

|                                 | Actual Results |       | Quarterly Results/Forecasts |        |        |        | Annual Forecasts |       |
|---------------------------------|----------------|-------|-----------------------------|--------|--------|--------|------------------|-------|
|                                 | 5 Yr Avg       | 2017  | 2018:3                      | 2018:4 | 2019:1 | 2019:2 | 2018             | 2019  |
| <b>Growth rates:</b>            |                |       |                             |        |        |        |                  |       |
| Savings growth                  | 5.7%           | 6.0%  | 0.2%                        | 1.5%   | 4.1%   | 1.1%   | 6.0%             | 7.0%  |
| Loan growth                     | 9.8%           | 10.0% | 2.6%                        | 2.1%   | 0.5%   | 2.9%   | 9.5%             | 8.0%  |
| Asset growth                    | 6.2%           | 6.6%  | 0.7%                        | 2.2%   | 4.4%   | 1.1%   | 6.5%             | 7.5%  |
| Membership growth               | 3.5%           | 4.1%  | 1.3%                        | 0.4%   | 1.1%   | 1.0%   | 4.4%             | 3.5%  |
| <b>Liquidity:</b>               |                |       |                             |        |        |        |                  |       |
| Loan-to-share ratio**           | 77.3%          | 82.8% | 85.2%                       | 85.7%  | 82.7%  | 84.4%  | 85.7%            | 86.5% |
| <b>Asset quality:</b>           |                |       |                             |        |        |        |                  |       |
| Delinquency rate**              | 0.86%          | 0.81% | 0.67%                       | 0.65%  | 0.60%  | 0.65%  | 0.65%            | 0.75% |
| Net charge-off rate*            | 0.54%          | 0.59% | 0.55%                       | 0.60%  | 0.55%  | 0.60%  | 0.60%            | 0.65% |
| <b>Earnings:</b>                |                |       |                             |        |        |        |                  |       |
| Return on average assets (ROA)* | 0.77%          | 0.77% | 1.02%                       | 1.00%  | 0.95%  | 0.90%  | 0.95%            | 0.85% |
| <b>Capital adequacy:</b>        |                |       |                             |        |        |        |                  |       |
| Net worth ratio**               | 10.9%          | 11.0% | 11.2%                       | 11.2%  | 11.0%  | 11.1%  | 11.2%            | 10.9% |

\*Quarterly data, annualized. \*\*End of period ratio. Additional information and updates available on our MCUE website.

# CUs Originate a Higher Percentage of Mortgage Loans to Blacks and Hispanics than Banks

Originations as % of Total Originations



Note: "Minority" combines information reported on race and ethnicity. Minority means all races or those of Hispanic/Latinx origin other than White and Whites of Hispanic/Latinx origin.

Source: HMDA, 2017

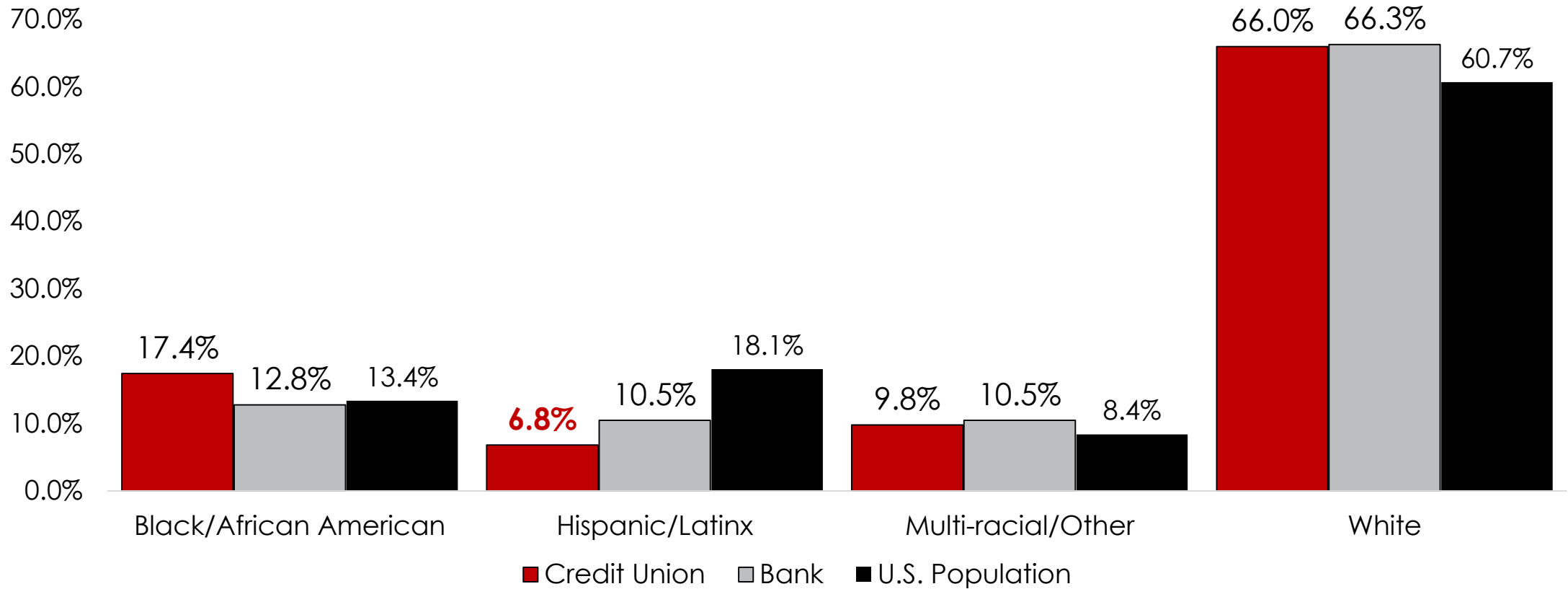
# Credit union loan applicants are more diverse

## Percentage of loan applications from minority applicants

|                        | Credit Union | Bank |
|------------------------|--------------|------|
| Black/African American | 5.7%         | 3.2% |
| Asian American         | 5.1%         | 7.3% |
| Hispanic               | 0.4%         | 0.3% |
| Other Minority         | 0.9%         | 0.6% |

Source: HMDA, 2009-2016

# Hispanic/Latinx Population = CU Opportunity!



# Minority Depository Institutions (MDI) CUs outnumber MDI banks, despite FOM restrictions!

- MDIs range in size from ~\$20.2K to \$2.8B
- MDI median assets: \$6.1 billion
- 3.9 million memberships (3.5% of CU memberships)

| Race/Ethnicity                                | CU          | Bank        |
|---|-------------|-------------|
|   | MDI         | MDI         |
| Black American                                | 278         | 23          |
| Hispanic American                             | 98          | 38          |
| Asian American                                | 49          | 75          |
| Native American                               | 13          | 18          |
| Two or More Races                             | 113         | 1           |
| <b>Total Minority Depository Institutions</b> | <b>551</b>  | <b>152</b>  |
| <b>Total All Depository Institutions</b>      | <b>5548</b> | <b>5477</b> |
| <b>MDIs Percent of Total</b>                  | <b>10%</b>  | <b>3%</b>   |
| <b>MDIs Percent of Total Assets</b>           | <b>3%</b>   | <b>1%</b>   |

Source: NCUA Call Reports (Third Quarter 2018), CUNA, and FDIC MDI Bank Report (Third Quarter 2018)

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