CUNA Economic Update: GAC 2019

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CUNA Economic Update is sponsored by CUNA Finance Council
Agenda

• Overview of the economy
• Credit union operations & impact
• Diversity, equity & inclusion
• Research project updates
• Q & A
Overview of the economy
U.S. economic growth

Percent Changes in GDP
Source: BEA, CUNA

-2.5 2.6 1.6 2.2 1.8 2.5 2.9 1.6 2.2 2.2 4.2 3.4 2.6 2.3


Forecast
U.S. average annual civilian labor force growth
By decade // Source: BLS

U.S. average annual productivity growth
Nonfarm business real output per person by decade//
Source: BLS
Average annual % growth in real potential GDP

Source: Congressional Budget Office

<table>
<thead>
<tr>
<th>Period</th>
<th>Potential Labor Force Productivity</th>
<th>Potential Labor Force</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-1973</td>
<td>1.6</td>
<td>2.4</td>
</tr>
<tr>
<td>1974-1981</td>
<td>2.5</td>
<td>0.6</td>
</tr>
<tr>
<td>1982-1990</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>1991-2001</td>
<td>1.2</td>
<td>2.0</td>
</tr>
<tr>
<td>2002-2016</td>
<td>1.1</td>
<td>0.7</td>
</tr>
<tr>
<td>2017-2027</td>
<td>1.3</td>
<td>0.5</td>
</tr>
</tbody>
</table>

Source: Congressional Budget Office
U.S. unemployment rate (%)

Source: BLS

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Unemployment by racial & ethnic group

Source: BLS
The next recession
The current U.S. economic expansion began in mid-2009. When is it most likely to end? Survey conducted May 4-8, 2018

Recession odds rising
The average probability of the U.S. economy being in recession in the next 12 months // Source: WSJ Survey of Economists
Interest rates (1980-2019)

Source: Freddie Mac, Federal Reserve
Yield curve & recessions

Source: Federal Reserve & NBER
Household debt without mortgages

Household debt service payments as a percent of disposable personal income

Source: Federal Reserve
Index of consumer sentiment

Source: University of Michigan

Long-run average = 86.1
Nonfinancial corporate debt as a percentage of GDP

Source: Federal Reserve
State of the U.S. Economy

- U.S. economy growing at a healthy rate but growth will slow
- Labor markets will remain near full employment
- Inflation controlled at just under 2.0%
- Consumer finances in good shape but some warning signs
- Federal Reserve showing restraint

**Biggest concerns:**
- Interest rates
- Trade disputes
- Rising corporate debt
- Slowing global growth
Credit union operations & impact
CUs deliver big financial benefits

Year-ending September 2018 - Billions // Source: CUNA Policy Analysis

- Higher Savings Yields: $2.7
- Lower Interest Rates on Loans: $7.6
- Fewer & Lower Fees: $1.3
- Nonmember Benefits: $4.4
X 2?
### Significant benefits over many years

Trend in CU financial benefits - Billions // Source: CUNA Policy Analysis

<table>
<thead>
<tr>
<th>Year</th>
<th>Bank Customer Indirect Benefits</th>
<th>CU Member Direct Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>'07</td>
<td>$11.0</td>
<td>$4.3</td>
</tr>
<tr>
<td>'08</td>
<td>$9.2</td>
<td>$3.6</td>
</tr>
<tr>
<td>'09</td>
<td>$7.3</td>
<td>$2.8</td>
</tr>
<tr>
<td>'10</td>
<td>$6.9</td>
<td>$2.7</td>
</tr>
<tr>
<td>'11</td>
<td>$6.3</td>
<td>$2.5</td>
</tr>
<tr>
<td>'12</td>
<td>$5.7</td>
<td>$2.2</td>
</tr>
<tr>
<td>'13</td>
<td>$6.5</td>
<td>$2.5</td>
</tr>
<tr>
<td>'14</td>
<td>$7.1</td>
<td>$2.8</td>
</tr>
<tr>
<td>'15</td>
<td>$9.3</td>
<td>$3.6</td>
</tr>
<tr>
<td>'16</td>
<td>$10.2</td>
<td>$3.8</td>
</tr>
<tr>
<td>'17</td>
<td>$10.8</td>
<td>$4.2</td>
</tr>
<tr>
<td>'18</td>
<td>$11.6</td>
<td>$4.4</td>
</tr>
</tbody>
</table>
Consumers voting with their feet!

Percent change in CU memberships (%) // Source: NCUA and CUNA

<table>
<thead>
<tr>
<th>Year</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>'07</td>
<td>1.3</td>
</tr>
<tr>
<td>'08</td>
<td>1.6</td>
</tr>
<tr>
<td>'09</td>
<td>1.4</td>
</tr>
<tr>
<td>'10</td>
<td>0.7</td>
</tr>
<tr>
<td>'11</td>
<td>1.5</td>
</tr>
<tr>
<td>'12</td>
<td>2.1</td>
</tr>
<tr>
<td>'13</td>
<td>2.5</td>
</tr>
<tr>
<td>'14</td>
<td>3.1</td>
</tr>
<tr>
<td>'15</td>
<td>3.5</td>
</tr>
<tr>
<td>'16</td>
<td>4.0</td>
</tr>
<tr>
<td>'17</td>
<td>4.1</td>
</tr>
<tr>
<td>'18</td>
<td>4.4</td>
</tr>
</tbody>
</table>
CU memberships as a percent of U.S. population

Source: Census Bureau, NCUA, CUNA
Obvious meaningful interactions!

Credit union 12-Month loan growth (%) // Source: NCUA and CUNA

<table>
<thead>
<tr>
<th>Year</th>
<th>Loan Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>'07</td>
<td>6.5</td>
</tr>
<tr>
<td>'08</td>
<td>6.7</td>
</tr>
<tr>
<td>'09</td>
<td>1.2</td>
</tr>
<tr>
<td>'10</td>
<td>-1.2</td>
</tr>
<tr>
<td>'11</td>
<td>1.2</td>
</tr>
<tr>
<td>'12</td>
<td>4.8</td>
</tr>
<tr>
<td>'13</td>
<td>7.3</td>
</tr>
<tr>
<td>'14</td>
<td>10.4</td>
</tr>
<tr>
<td>'15</td>
<td>10.5</td>
</tr>
<tr>
<td>'16</td>
<td>10.6</td>
</tr>
<tr>
<td>'17</td>
<td>10.0</td>
</tr>
<tr>
<td>'18</td>
<td>8.9</td>
</tr>
</tbody>
</table>
Healthy, broad-based CU loan growth

12-month growth within seven key portfolios // Source: NCUA and CUNA
CU Share of Total Revolving Credit Doubled in Ten Years!

Sources: FDIC, NCUA, CUNA
CU auto loan market share

Share of Owned & Securitized Loans. Source: Federal Reserve G.19, NCUA, CUNA

22.4% 22.9% 24.4% 23.3% 22.2% 22.3% 22.8% 24.2% 25.5% 27.2% 29.0% 31.7%

CU market share of 1\textsuperscript{st} mortgage originations

Sources: MBAA, CUNA
CU share of depository institution small businesses loans nearly tripled in ten years!

Sources: FDIC, NCUA, CUNA
Three key operational wildcards

1. More obvious margin pressures
   - Rising rates
   - Tight liquidity
Relative fast loan growth translates to tight liquidity

Loans-to-savings ration (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>71.0</td>
</tr>
<tr>
<td>2014</td>
<td>75.1</td>
</tr>
<tr>
<td>2015</td>
<td>77.7</td>
</tr>
<tr>
<td>2016</td>
<td>79.8</td>
</tr>
<tr>
<td>2017</td>
<td>82.8</td>
</tr>
<tr>
<td>2018</td>
<td>85.8</td>
</tr>
</tbody>
</table>
Especially tight liquidity at larger shops

Loan-to-savings ratio (%) by asset size category

- < $20 Mil: 60.7%
- $20-$50: 62.9%
- $50-$100: 68.0%
- $100-$250: 76.8%
- $250-$500: 81.9%
- $500-$1B: 86.0%
- > $1 Bil: 89.6%
Liquidity pressures may cause CUs to increase deposit rates, putting the squeeze on interest margins.

U.S. CU dividend & interest cost of assets haven’t followed market rate increases up
Source: NCUA & CUNA
4.36%

U.S. CU net interest margin as a percent of average assets – increasing due to strong loan growth
Source: NCUA & CUNA

Credit Union National Association
Three key operational wildcards

1. More obvious margin pressures
   - Rising rates
   - Tight liquidity

2. More obvious pressure on non-interest margins
   - Lower demand for fixed-rate mortgages
   - New York Times article
Higher interest rates & recent press clipping may put the squeeze on non-interest margins

Mortgage sales have helped to boost U.S. CU “other non-interest income”
% of avg. assets // Source: NCUA & CUNA

Average monthly service charge payments on checking accounts
Charges include account maintenance fees, minimum balance fees, overdrafts, ATM charges and other regular service fees. Source: Moebs Financial
### Three key operational wildcards

1. **More obvious margin pressures**
   - Rising rates
   - Tight liquidity

2. **More obvious pressure on non-interest margins**
   - Lower demand for fixed-rate mortgages
   - New York Times article

3. **Talent management**
   - Attracting & retaining
   - Differentiation
   - Operating expense pressures
U.S. CU salary and benefit expense
As a % of average assets // Source: NCUA and CUNA

CU Employee Turnover Trends

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>12%</td>
</tr>
<tr>
<td>2014</td>
<td>12%</td>
</tr>
<tr>
<td>2015</td>
<td>13%</td>
</tr>
<tr>
<td>2016</td>
<td>16%</td>
</tr>
<tr>
<td>2017</td>
<td>12%</td>
</tr>
<tr>
<td>2018</td>
<td>11%</td>
</tr>
</tbody>
</table>

Source: CUNA Turnover/Staffing Survey.
Smaller shops continue to experience membership growth challenges

Membership growth by asset size category // Source: NCUA and CUNA
CU consolidation mirrors trends in the banking industry

Total number of institutions // Source: FDIC, NCUA and CUNA
U.S. credit union outlook

• Fast (but slowing) membership growth
• Healthy (but slowing) loan growth
• Tight liquidity/lower exposure to IRR/high asset quality
• Healthy and fairly stable earnings
• Capital positions nearing pre-recession peak
• Concerns include significant variation in results by size and substantial consolidation
## CUNA credit union forecast

<table>
<thead>
<tr>
<th></th>
<th>Actual Results</th>
<th>Quarterly Results/Forecasts</th>
<th>Annual Forecasts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Growth rates:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings growth</td>
<td>5.7%</td>
<td>5.2%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Loan growth</td>
<td>9.8%</td>
<td>8.9%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Asset growth</td>
<td>6.2%</td>
<td>5.4%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Membership growth</td>
<td>3.5%</td>
<td>4.4%</td>
<td>1.3%</td>
</tr>
<tr>
<td><strong>Liquidity:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan-to-share ratio**</td>
<td>77.3%</td>
<td>85.8%</td>
<td>85.2%</td>
</tr>
<tr>
<td><strong>Asset quality:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delinquency rate**</td>
<td>0.86%</td>
<td>0.71%</td>
<td>0.67%</td>
</tr>
<tr>
<td>Net charge-off rate*</td>
<td>0.54%</td>
<td>0.57%</td>
<td>0.55%</td>
</tr>
<tr>
<td><strong>Earnings:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on average assets (ROA)*</td>
<td>0.77%</td>
<td>0.91%</td>
<td>1.02%</td>
</tr>
<tr>
<td><strong>Capital adequacy:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net worth ratio**</td>
<td>10.9%</td>
<td>11.3%</td>
<td>11.2%</td>
</tr>
</tbody>
</table>

*Quarterly data, annualized.  **End of period ratio.  Additional information and updates available on our MCUE website.
Diversity, equity, & inclusion
Diversity, equity, and inclusion at CUNA

“CUNA is an employer that values an inclusive workspace where employees feel valued, included and respected for their individuality.” – CUNA Corporate Diversity Statement

"CUNA, uniquely positioned to unify the movement, will use its role as thought-leader to call awareness to Diversity & Inclusion and will provide supportive training & education and enable networking opportunities to provoke thoughtful dialogue and action." – CUNA Board

"...I challenge all of us in the movement to consider the addition of an eighth cooperative principle: Diversity and inclusion." – Maurice Smith, CUNA Board Chair
Why DEI?

• **Value alignment**
  DEI aligns with the credit union movements’ principles of “democracy and voluntary membership without discrimination” and of its philosophy of “people helping people.”

• **A solid business case**
  There is a decades’ worth of research showing that organizations that are more diverse tend to perform better, have better customer orientation, are more collaborative, and attract and retain top talent. This suggests that more diverse CUs will be more successful—earning more and growing faster.

• **Our core demographic**
  Shrinking middle class in the U.S. is struggling + high and growing inequality in the U.S. **CUs were designed to address financial inclusion and the needs of this demographic.** We need to redouble our efforts around equity/financial inclusion.

• **Policy makers and regulators care**
  Newly elected congressional leaders, as well as regulators, have made it clear that they care about deepening financial inclusion for diverse and underserved populations.
DEI is a market imperative

Percent Change in U.S. Population, 2010-2050

- Mixed/Other: 184%
- Native American: 3%
- Asian or Pacific Islander: 126%
- Latino: 109%
- Black: 34%
- White: -5%
- All: 29%

Racial Profile of U.S. Population, 2045

- White*: 49.7%
- Hispanic: 24.6%
- Black*: 13.1%
- Asian*: 7.9%
- Other*: 0.9%
- Multiracial*: 3.8%


CUNA research on DEI at credit unions

• Our research seeks to answer two questions
  • What does diversity and inclusion look like at credit unions?
  • How are credit unions reaching and serving diverse members?

• We gather and analyze data
  • HMDA
  • Federal Reserve SCF
  • NCUA Call Report
  • CUNA Membership Survey and other CUNA Surveys
  • Filene Reports
  • Inclusiv and Coopera

• Disseminate results via presentations, video economic updates, trendlines articles, white papers, and policy briefs
Credit union leadership and DEI
Female CU CEO representation beats average financial industry rates, but we still have work to do

- 52% of credit union CEOs are women versus only 5% at commercial banks.

- A CEO of a larger credit union is 4X more likely to be a woman than a CEO of a comparable sized bank.

- Only 14% of CEOs of credit unions with over $1B in assets are female.

- There is no evidence for a gender pay gap for credit union CEOs, after accounting for differences in asset size.

Source: NCUA, Credit Union National Association, SEC.
Credit union CEO diversity: survey results

<table>
<thead>
<tr>
<th></th>
<th>CU CEO</th>
<th>U.S. Population</th>
<th>Fortune 500 CEO</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Indian or Alaska Native</td>
<td>0.3%</td>
<td>1.3%</td>
<td>--</td>
</tr>
<tr>
<td>Asian American</td>
<td>0.2%</td>
<td>4.4%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Black or African American</td>
<td>1.4%</td>
<td>13.4%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Hispanic/Latinx</td>
<td>2.2%</td>
<td>18.1%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Two or More Races</td>
<td>1.0%</td>
<td>2.7%</td>
<td>--</td>
</tr>
<tr>
<td>White</td>
<td>89.8%</td>
<td>60.7%</td>
<td>95.2%</td>
</tr>
</tbody>
</table>

• The overwhelming majority of CEOs at a typical credit union are white followed by Hispanic/Latinx.

• Just over 5% of CU CEOs at a typical credit union are people of color—slightly better than Fortune 500 companies.

• The majority of CU CEOs are over 56 years old.

Source: Credit Union National Association, Census, Forbes, Wall St. Journal and Diversity Inc.
2018 CUNA member survey results

• The typical credit union board
  • 90% White
  • 8% Black/African American

• The typical Fortune 500 company board
  • 83.9% White
  • 16.1% People of Color POC
    • 8.6% Black/African American
    • 3.8% Hispanic/Latinx
    • 3.7% Asian/Pacific Islander
    • 0.1% Other
  (Alliance for Board Diversity, 2019)

• The typical credit union’s leadership team
  • 90% White
  • 5% Black/African American
Credit unions: reaching and serving diverse members
Credit union member diversity: age, employment, education, and income

<table>
<thead>
<tr>
<th>Credit Unions Members</th>
<th>Bank Clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are younger: 50.7 years old</td>
<td>52.3 years old</td>
</tr>
<tr>
<td>Are employed at a higher rate: 63.1% employed</td>
<td>55.2% employed</td>
</tr>
<tr>
<td>Have more education: 64.4% some college or a BA</td>
<td>62.7% some college or a BA</td>
</tr>
<tr>
<td>Have higher median income: $58,955</td>
<td>$54,682</td>
</tr>
<tr>
<td>Have (much) lower average income: $78,201</td>
<td>$101,835</td>
</tr>
<tr>
<td>Have (much) lower average net worth: $309,583</td>
<td>$698,038</td>
</tr>
</tbody>
</table>

Credit unions serve middle-income members vs. banks serve low- and high-income clients

- **Credit Unions**
  - < $25,000: 14.4%
  - $25,000 - $100,000: 20.2%
  - $100,000 - $200,000: 21.0%
  - > $200,000: 16.9%

- **Banks**
  - < $25,000: 54.1%
  - $25,000 - $100,000: 4.5%
  - $100,000 - $200,000: 8.0%
  - > $200,000: 16.9%

Place matters

CUs have a higher percentage of their branches in low-income, modest means, and diverse areas than banks

- **Low-income, 7.8%**
  - 50% higher proportion of CU branches in low-income areas than banks!

- **Low-income, 5.2%**

- **Modest means**
  - CU branches: 67.2%
  - Bank branches: 65.0%
  - Higher percentage of CU branches in modest means and diverse areas than banks!

- **Diverse areas (more than 30% Non White)**
  - CU branches: 11.8%
  - Bank branches: 10.5%

- **Upper-income**
  - CU branches: 24.4%
  - Bank branches: 29.3%

CUs originate a higher percentage of mortgage loans to Blacks and Hispanics than banks

Mortgage originations as % of total mortgage originations

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Credit Unions</th>
<th>Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black/African American</td>
<td>6.6%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Hispanic/Latinx</td>
<td>7.9%</td>
<td>7.3%</td>
</tr>
</tbody>
</table>

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.

CUs receive a higher percentage of mortgage loan applications from people of color

Applications as a Percentage of Total

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Credit Unions</th>
<th>Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black/African American</td>
<td>9%</td>
<td>6%</td>
</tr>
<tr>
<td>Hispanic/Latinx</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Minority</td>
<td>24%</td>
<td>23%</td>
</tr>
</tbody>
</table>

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.

All groups saved on their auto loan interest rates at credit unions, but people of color saved more.

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

- **MDI CUs asset size range:** ~$20.2K to $2.8B
- **MDI CU median assets:** $6.1M
- **MDI CU memberships:** 3.9M memberships (3.5% of CU memberships)

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>CU</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black American</td>
<td>278</td>
<td>23</td>
</tr>
<tr>
<td>Hispanic American</td>
<td>98</td>
<td>38</td>
</tr>
<tr>
<td>Asian American</td>
<td>49</td>
<td>75</td>
</tr>
<tr>
<td>Native American</td>
<td>13</td>
<td>18</td>
</tr>
<tr>
<td>Two or More Races</td>
<td>113</td>
<td>1</td>
</tr>
<tr>
<td>Total MDI</td>
<td>551</td>
<td>152</td>
</tr>
</tbody>
</table>

| Total All Depository Institutions | 5,548 | 5,477 |
| MDIs Percent of Total | 10%   | 3%    |
| MDIs Percent of Total Assets | 3%    | 1%    |

Ongoing research projects
Comparison of compensation structures 2010-2016

Banks & Credit unions with under $3b in assets // Source: SEC, IRS

Credit Union
- Base Salary: 73.9%
- Performance-based: 9.4%
- Retirement & Deferred: 9.5%
- Other Income: 7.2%

Bank
- Base Salary: 62.5%
- Performance-based: 7.9%
- Retirement & Deferred: 6.3%
- Other Income: 23.3%
Total fines paid at biggest banks 2008-2017

Billions of dollars // Source: Keefe, Bruyette & Woods

- Bank of America: $76.1
- JPMorgan Chase: $43.7
- Citigroup: $19.0
- Deutsche Bank: $14.0
- Wells Fargo: $11.8
- RBS: $10.1
- BNP Paribas: $9.3
- Credit Suisse: $9.1
- Morgan Stanley: $8.6
- Goldman Sachs: $7.7
- UBS: $6.5
Subprime Mortgage Originations as % of Total (2004-2007)

Source: HMDA

Credit Unions  | Banks
--- | ---
2004 | 3.6% | 9.7%
2005 | 3.6% |
2006 | 23.6% |
2007 | 4.6% |
2008 | 4.4% |
2009 | 3.6% |
2010 | 3.6% |
2011 | 3.6% |
2012 | 3.6% |
2013 | 3.6% |
2014 | 3.6% |
2015 | 3.6% |
2016 | 3.6% |
2017 | 4.6% |
Credit unions vs. bank failures

**Number of failures 2008-2018**
Sources: FDIC, NCUA, CUNA

<table>
<thead>
<tr>
<th></th>
<th>Credit Unions</th>
<th>Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failures</td>
<td>189</td>
<td>528</td>
</tr>
</tbody>
</table>

**Assets in failed institutions 2008-2017**
Billions of dollars // Sources: FDIC, NCUA, CUNA

<table>
<thead>
<tr>
<th></th>
<th>Credit Unions</th>
<th>Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>$12.4</td>
<td>$701.3</td>
</tr>
</tbody>
</table>

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2018 Exam Survey

• Overall level of Exam Satisfaction Unchanged vs. 2017
  • 3.6 on a 5-point scale
    • State: 3.9
    • Federal 3.5
    • Joint 3.4
  • But 24% dissatisfied
  • State-only modestly improved. NCUA unchanged. Joint lower.

• Fewer report lower CAMEL rating vs previous exam.
  • 8% vs. 11% in 2017.
  • 16% disagree with their CAMEL rating

• Little change in prevalence administrative orders & other written agreements
  • 26% vs. 24% in 2017.
Top Exam Issues Requiring Action

• General Safety and Soundness Issues
  • Loan policy (24%) and cyber security (19%) most prevalent
  • Increases in prevalence of S&S issues with MBL and Liquidity
  • Decline in prevalence of loan policy issues

• Compliance-related Issues
  • Servicemember civil relief act most prevalent (6%)
  • No significant changes vs. 2017

• BSA
  • CU risk assessment and CTRs most prevalent (6%)
  • No significant changes vs. 2017
Consolidation of Regions: New Exam/Super Team Effect on Exam Experience

14% of NCUA exams.

- Extremely Negative: 13%
- Modestly Negative: 24%
- No effect on the Experience: 31%
- Modestly Positive: 18%
- Extremely Positive: 15%
THANK YOU!

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