



## TRENDWATCH 1Q25



May 15th, 2025

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# Callahan's Strategic Growth Framework

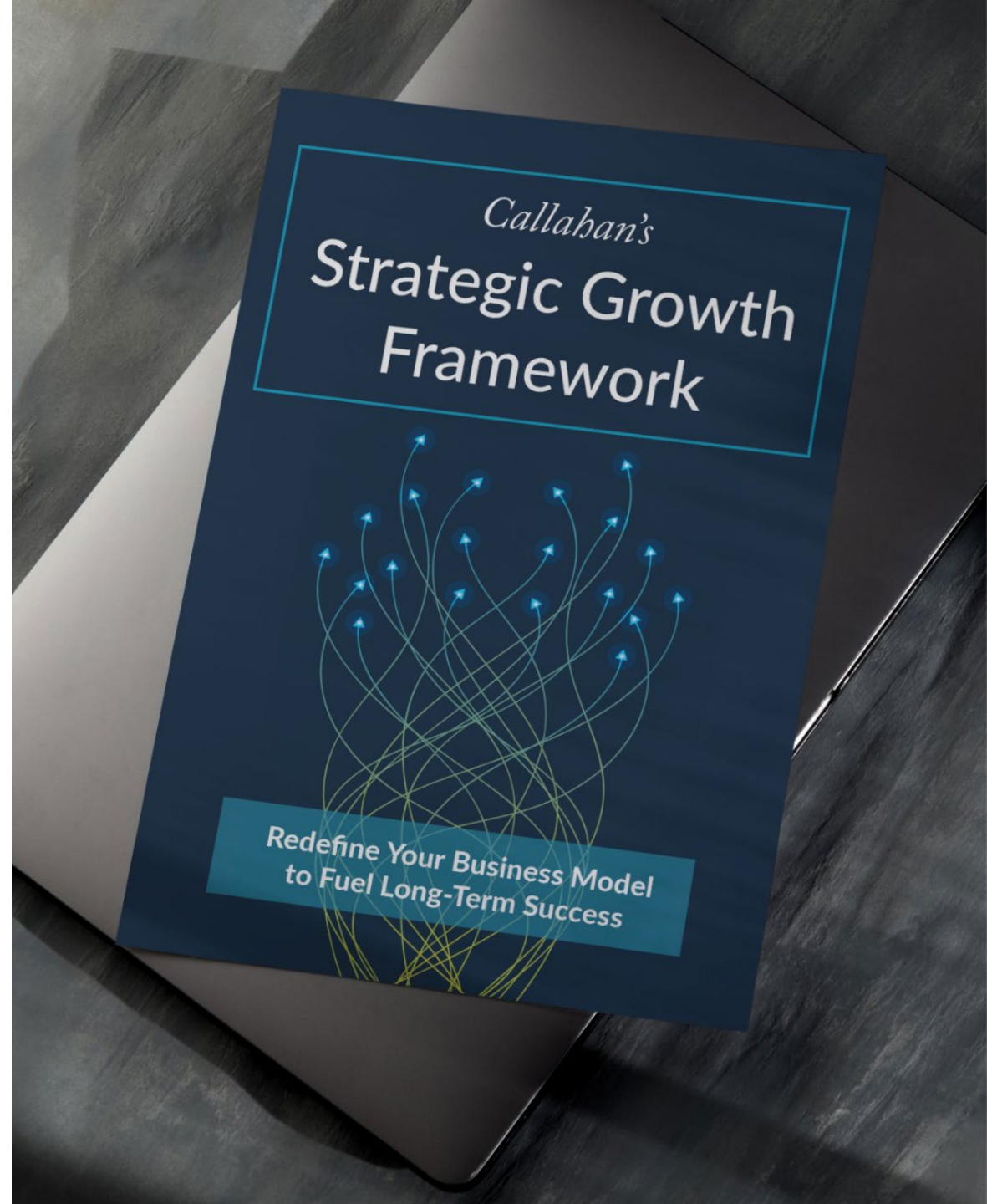
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# 1Q 2025 Credit Union Results

- **Jon Jeffreys**, Chief Executive Officer, Callahan & Associates
- **Jay Johnson**, Chief Collaboration Officer, Callahan & Associates

## Guest Speakers

- **Jason Haley**, Chief Investment Officer, Investment Management Group, ALM First
- **Patrick Basler**, Chief Experience Officer, Great Lakes Credit Union



# Speaker

## Speaker

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**Jason Haley**  
*Chief Investment Officer,  
ALM First Financial  
Advisors, LLC*

# Current Economic Themes

- **Backing away from the trade cliff**

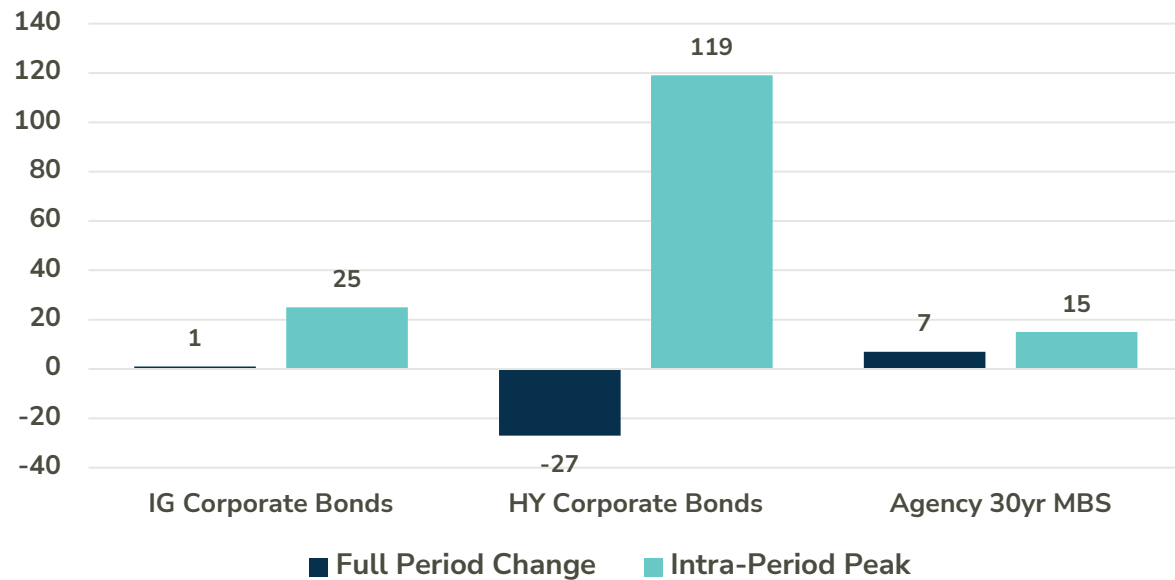
- “Reciprocal” tariffs paused on 4/9 for everyone but China (10% baseline and other tariffs still in play)
- On 5/12, White House announced 90-day reprieve for much of the China tariffs
  - Levies drop from 145% to ~30% for Chinese imports; China reduces tariff on US imports to 10%
- Economic headwinds from trade remain, but the most severe scenario appears to be tabled for the time being

- **Market pares back Fed rate cut expectations**

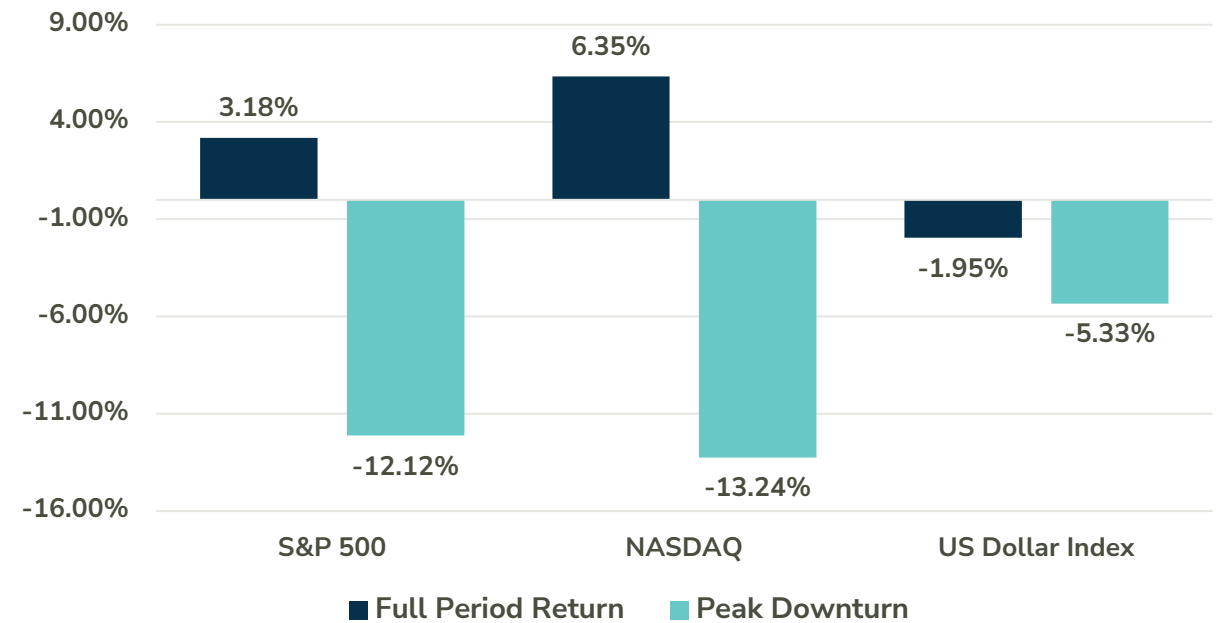
- Perception of less hawkish trade policy has lessened negative growth implications
- As of 5/12, fed funds futures were essentially priced for 2 rate cuts in 2025 (52 bps)
  - 4/30 pricing showed 4 rate cuts in 2025 beginning in the summer
- Fed leaders remain in a wait-and-see mode amid heightened fiscal policy uncertainty

# Did Anything Really Happen?

Fixed Income Spreads  
4/2/25 - 5/12/25



Equity Returns  
4/2/25 - 5/12/25





# Will Weaker Sentiment Lead to Reduced Spending?

University Of Michigan Consumer Sentiment Survey



Source: University of Michigan; Bloomberg

# Consumer Credit: Lowest Income Bracket Struggling

Change In Household Liquid Assets: Q4 2019 - Q4 2024			
Income Brackets	Nominal Liquid Assets	Cumulative Inflation	Real Liquid Assets
Top 1%	48%	18%	30%
80-99%	53%	18%	35%
60-80%	31%	18%	13%
40-60%	50%	18%	32%
20-40%	37%	18%	19%
0-20%	-3%	18%	-21%

*Notes:*

*Household liquid assets include all deposits and money market fund shares.*

*Inflation is cumulative change in PCE Deflator over stated timeframe.*

# Delinquencies Rising For High LTV Mortgages

FHA Mortgage >60-day Delinquency Rates By Origination Year



Source: Ginnie Mae; Santander Capital Markets

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## Share growth nearly doubles while member growth remains slow

	3/31/2025	12-Mo. Growth	03/31/2024	12-Mo. Growth
Assets	\$2,394.0B	2.7%	\$2,330.3B	4.3%
Loans	\$1,671.0B	3.4%	\$1,616.0B	4.6%
Shares	\$2,043.8B	4.6%	\$1,954.2B	2.4%
Investments (incl. Cash)	\$615.4B	0.4%	\$613.1B	2.5%
Capital	\$259.3B	10.3%	\$235.0B	8.6%
Members	144.8M	2.2%	141.7M	2.7%

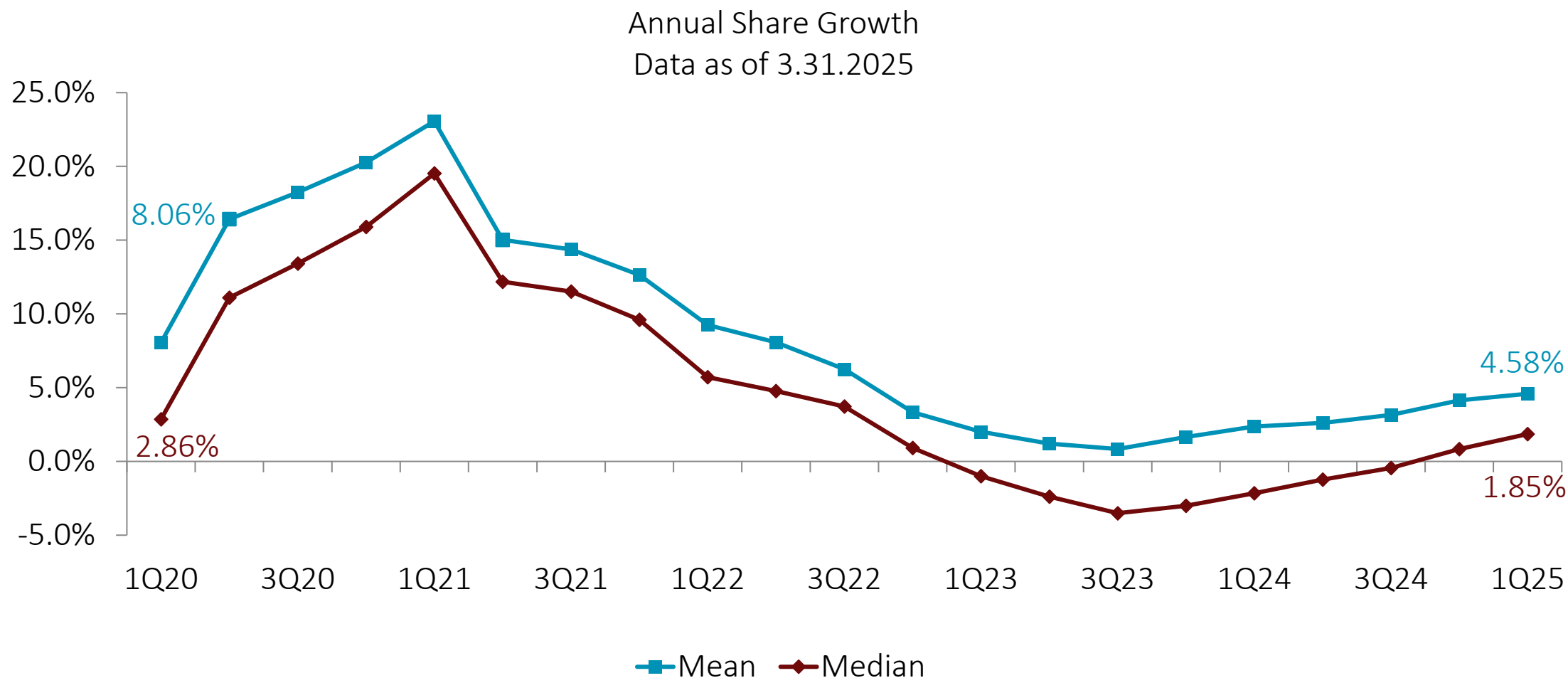
## Mean vs. Median Explained

- Mean = “average” credit union (\$ amount/# of credit unions)
- Industry averages are dominated by larger credit unions’ performance
  - 20 largest CUs (over \$10B in assets) hold **>24% of industry assets**
  - The mean credit union in the country has **~\$533M** in assets
- Median = “middle” credit union performance for each metric
- This is not always an accurate picture of performance for many CUs
  - There are **4,455 active charters** today
  - The median credit union in the country has **~\$62M** in assets

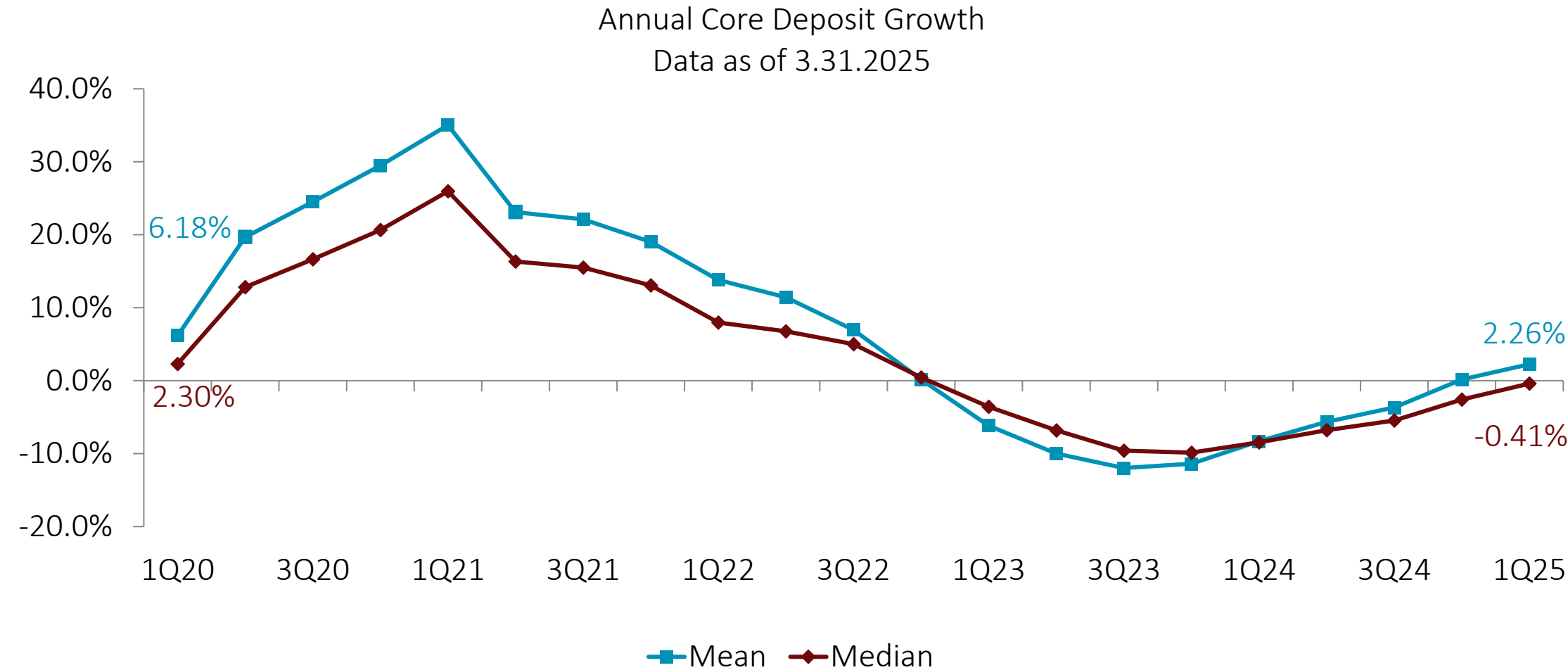


# Is Member Behavior Changing?

# Share growth is trending back up, though still below historical averages

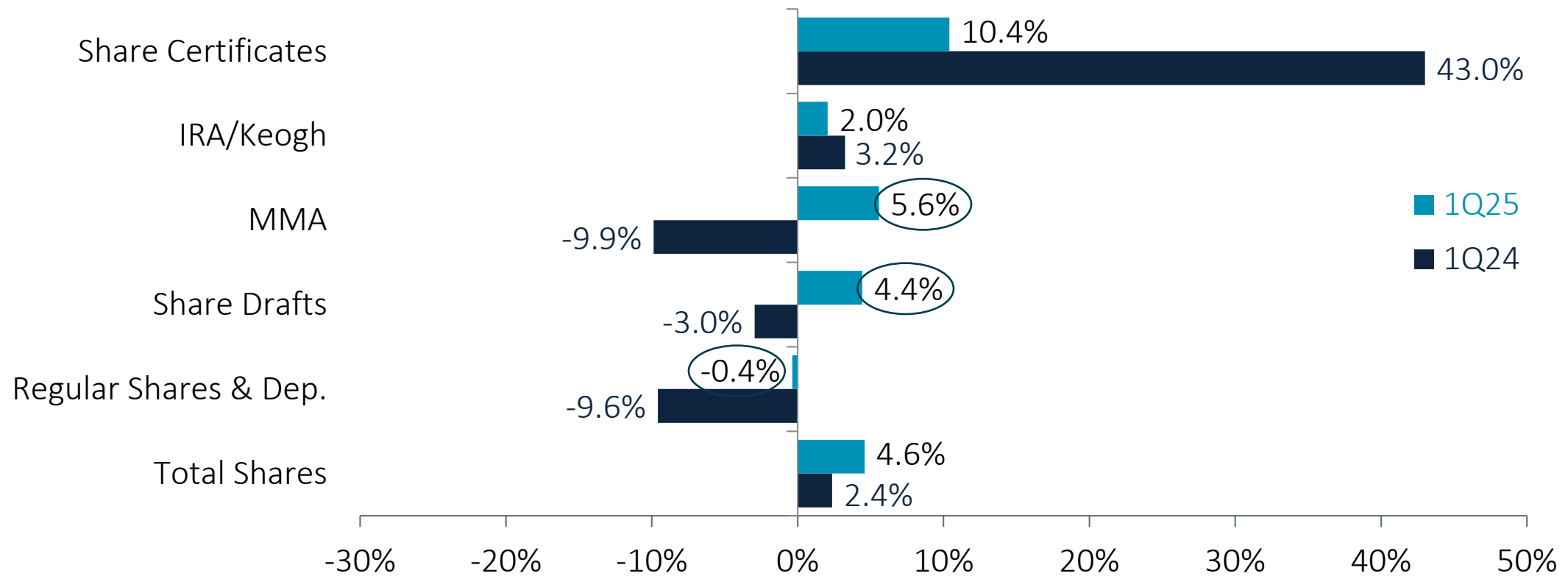


# Core deposits are once again contributing to share growth

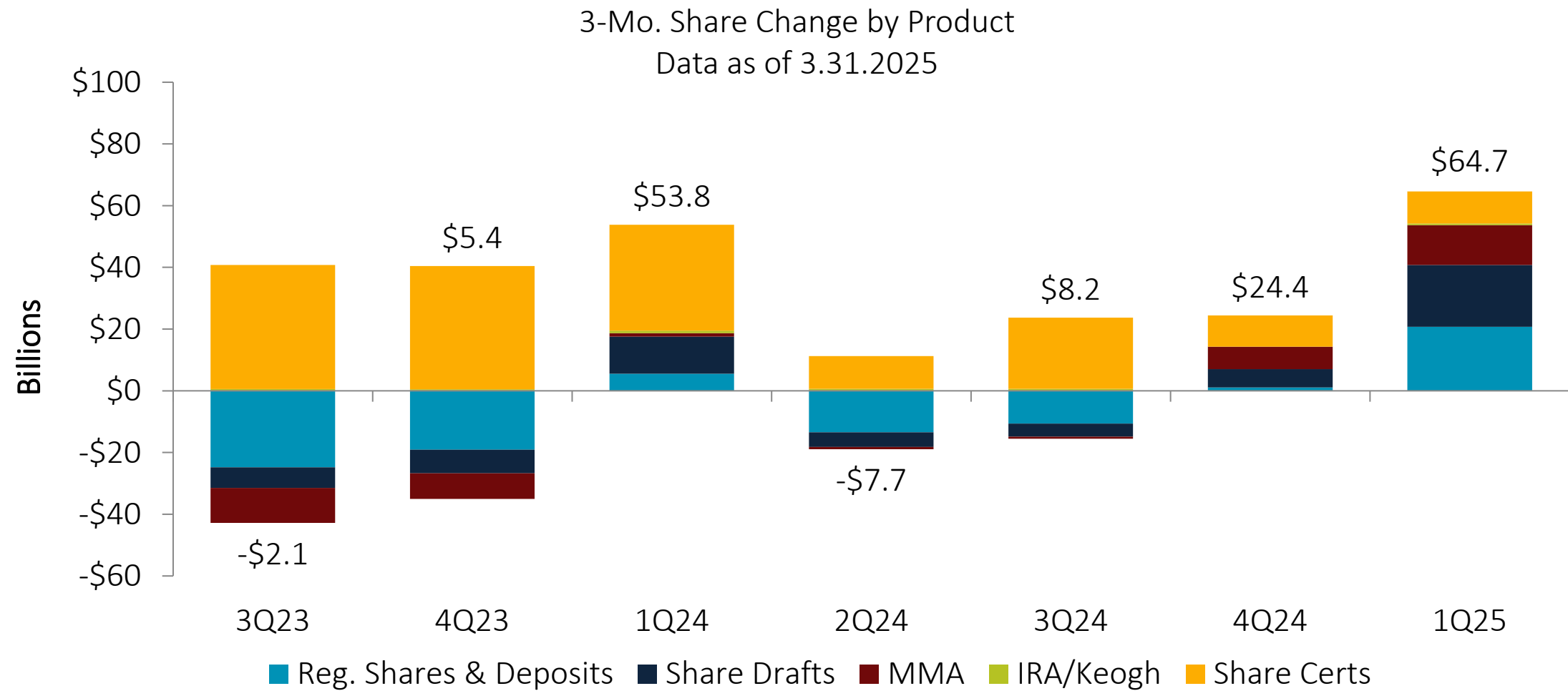


# Core deposit balances are rising as growth in certificates slows

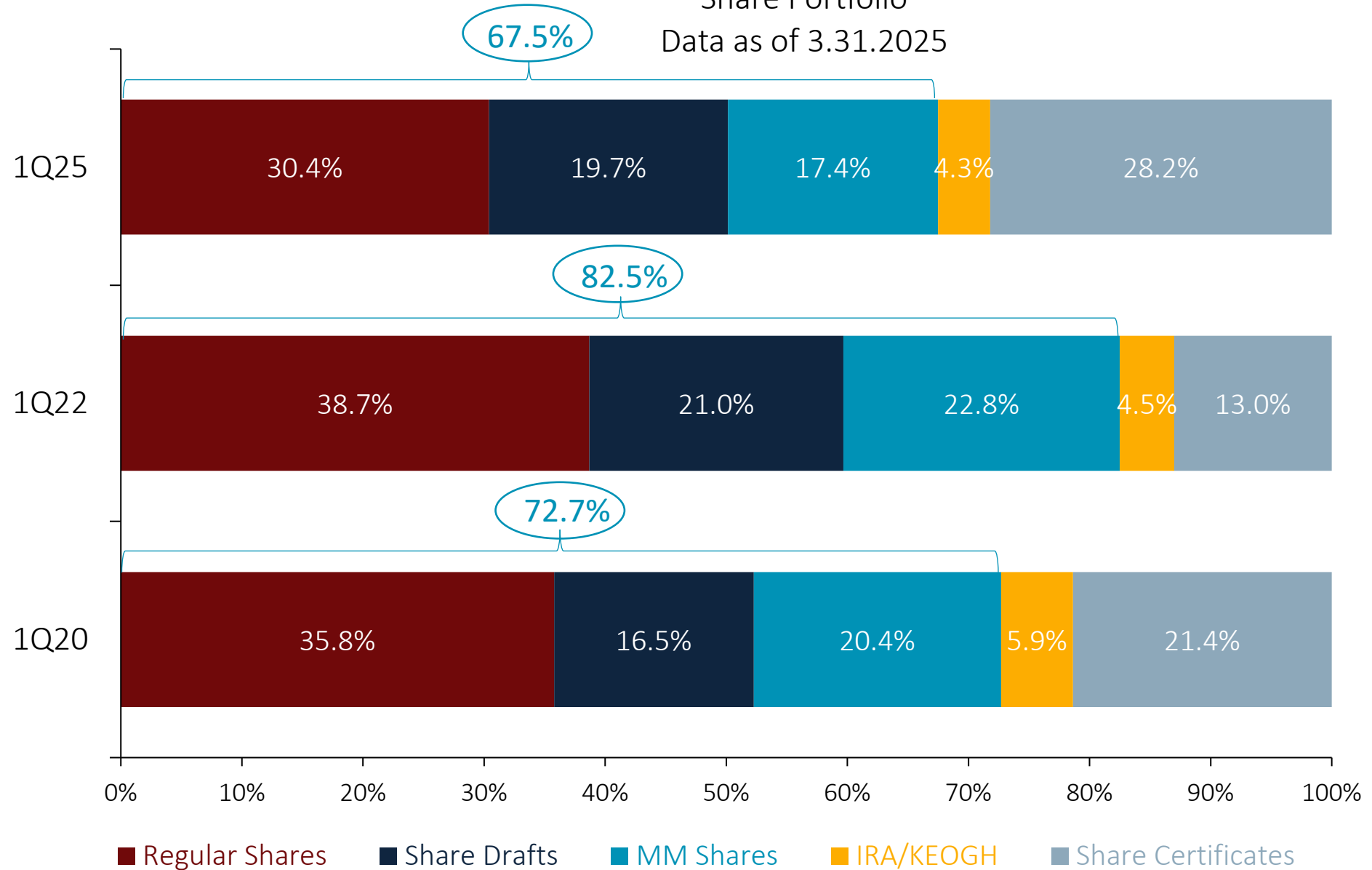
12-Mo. Growth in Shares Segments  
Data as of 3.31.2025



# Members are putting more savings into short-term options



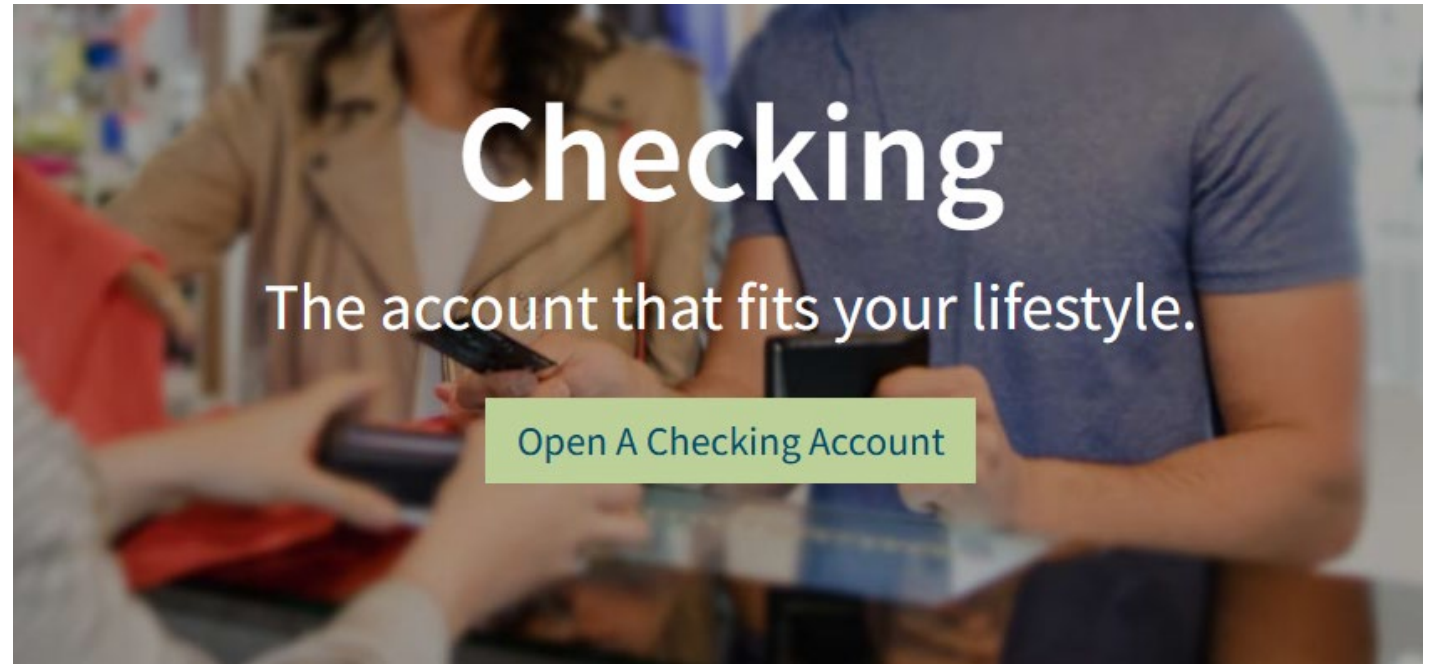
Share Portfolio  
Data as of 3.31.2025







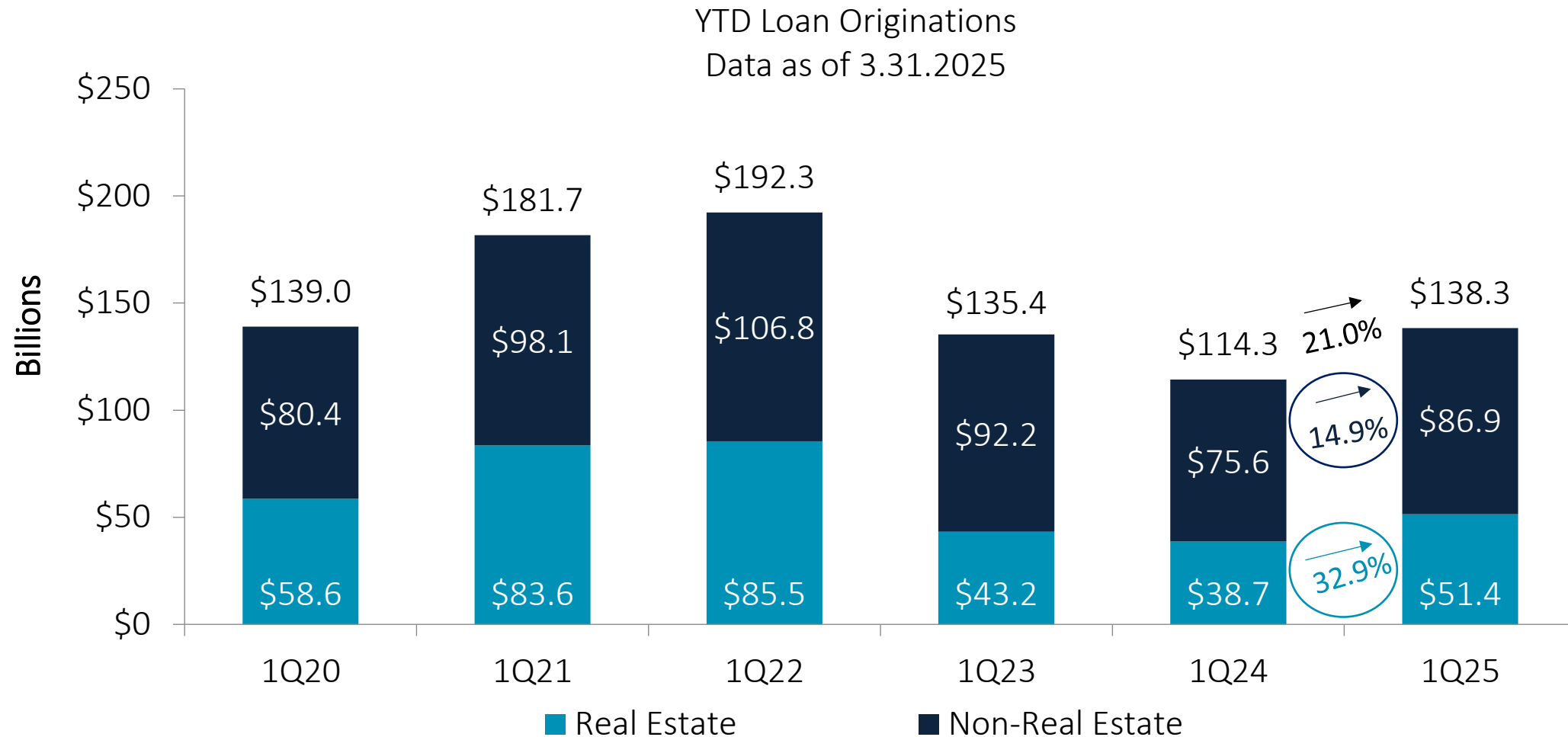
**CEFCU**



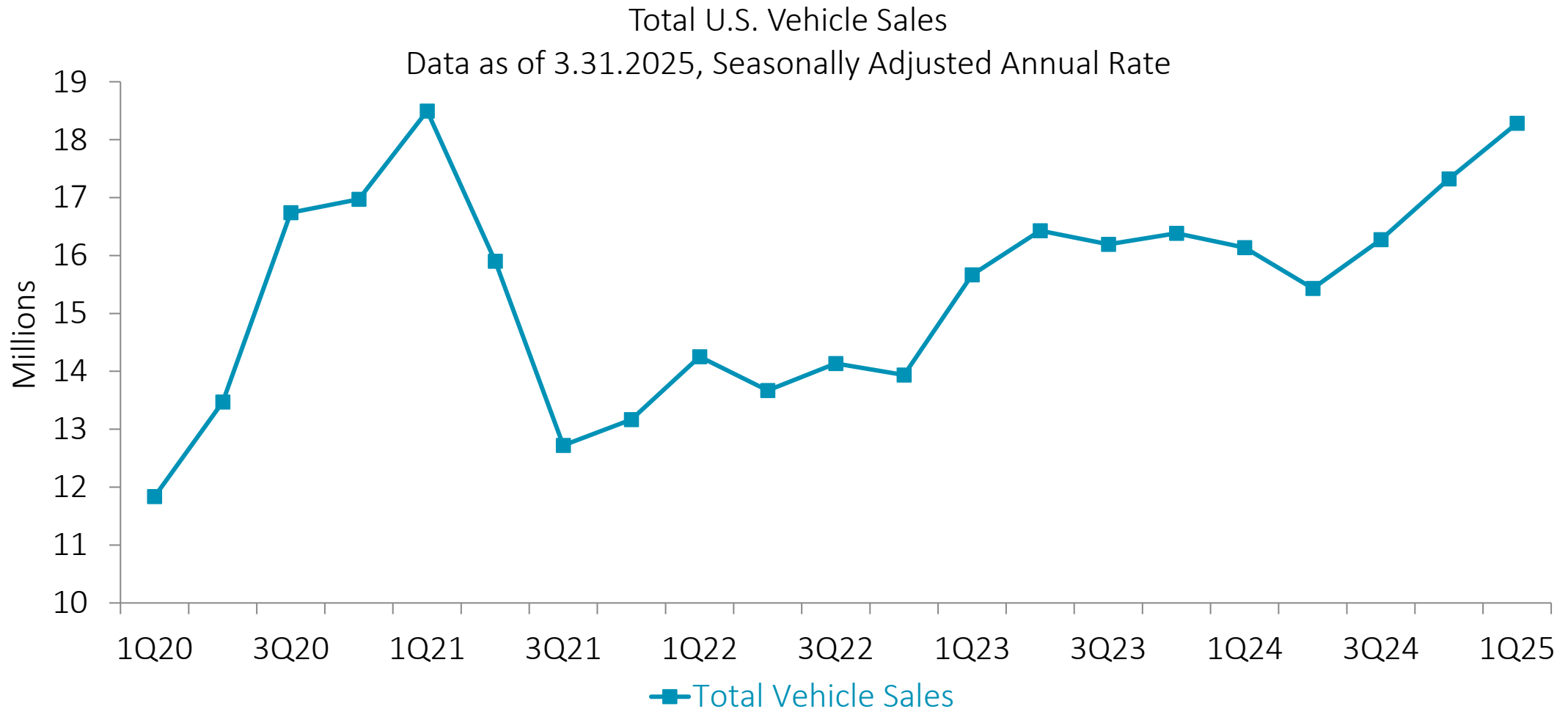
## How Analytics Combats Attrition At CEFCU

The Illinois-based credit union has used analytics, AI, and more old-fashioned methods to keep members and deepen relationships.

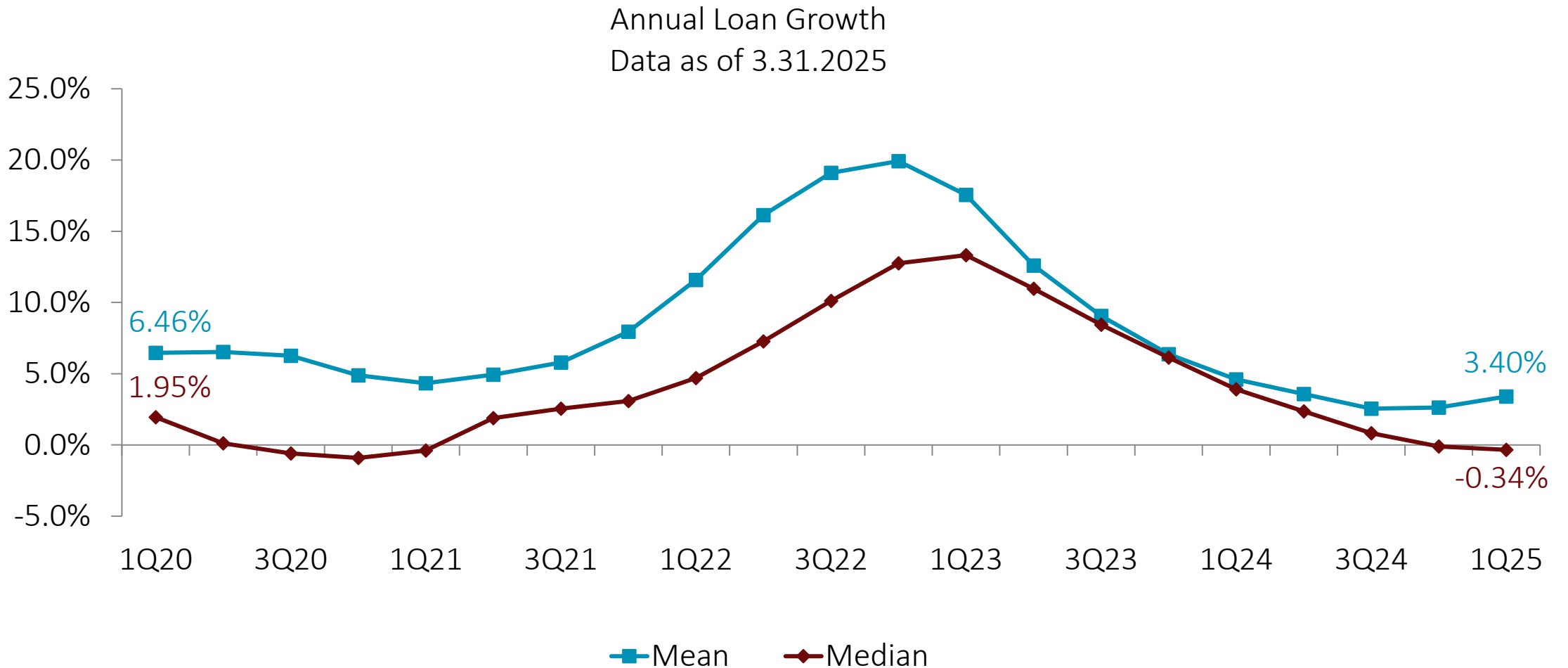
# Highest quarter for consumer lending since 3Q23



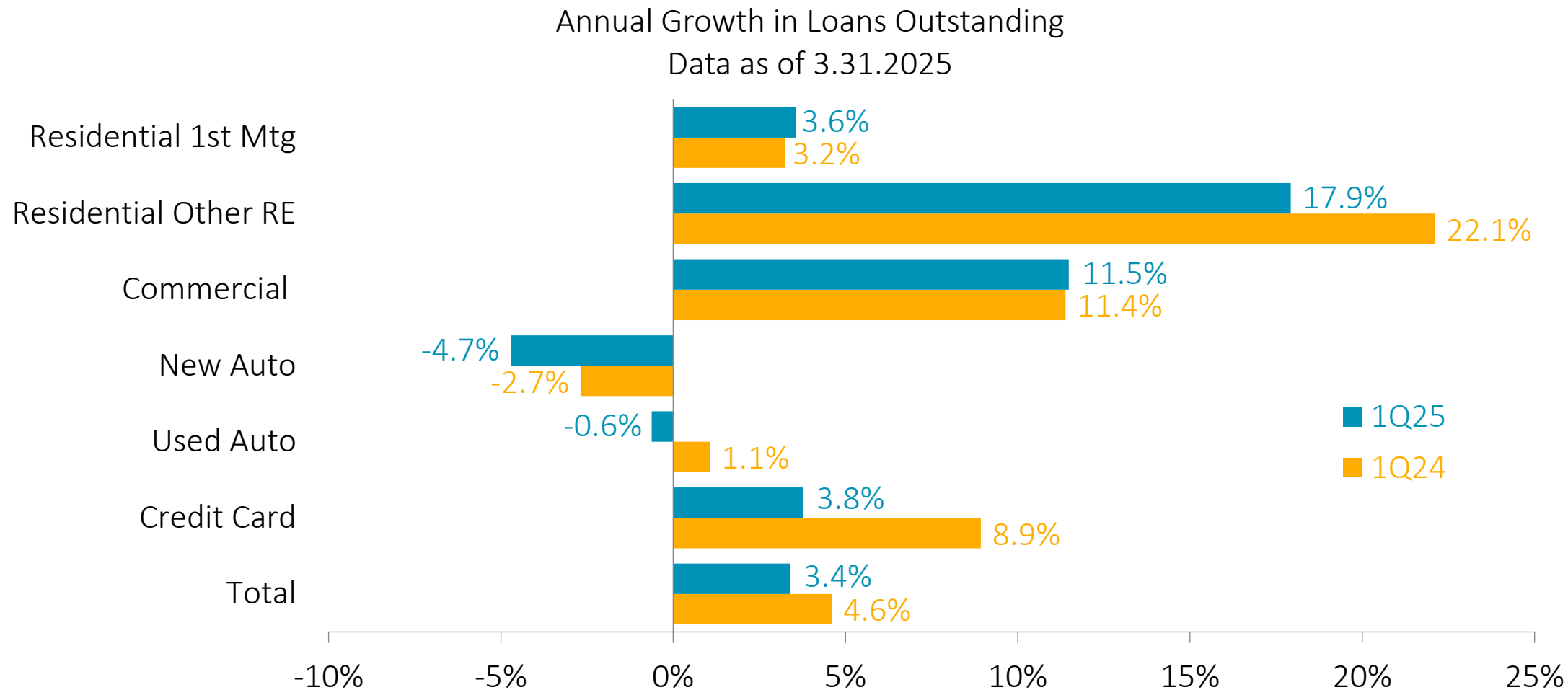
# Americans purchased vehicles to get ahead of tariffs



# Larger credit unions are driving industry loan growth



# Loan growth slows in most products versus a year ago



A photograph of a woman in a military uniform, seen from the side, smiling warmly at a young child. The child is also smiling and looking up at the woman. The background is slightly blurred, showing an indoor setting.

**Military Loans**  
Deals for Service Men and Women

## Help On The Homefront

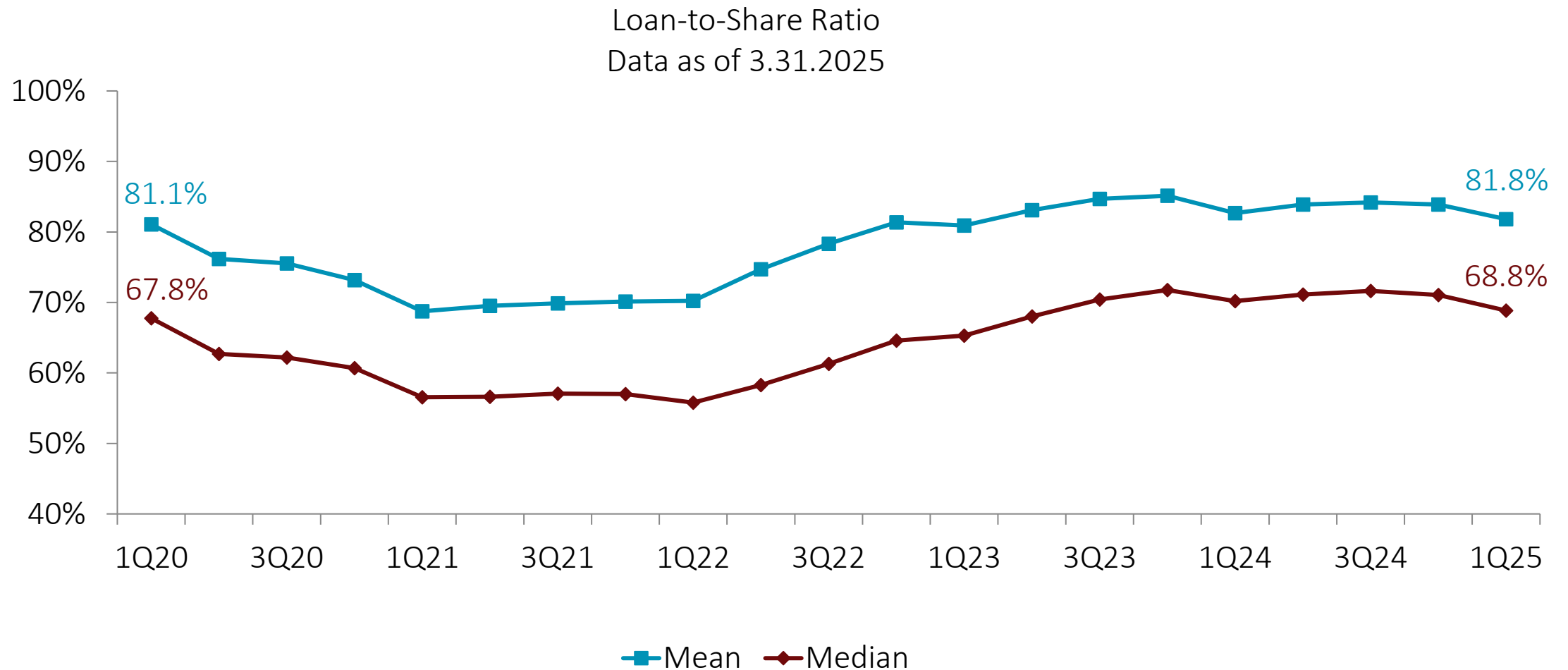
Military and corporate moves often require lending support. Credit unions are there to offer it.



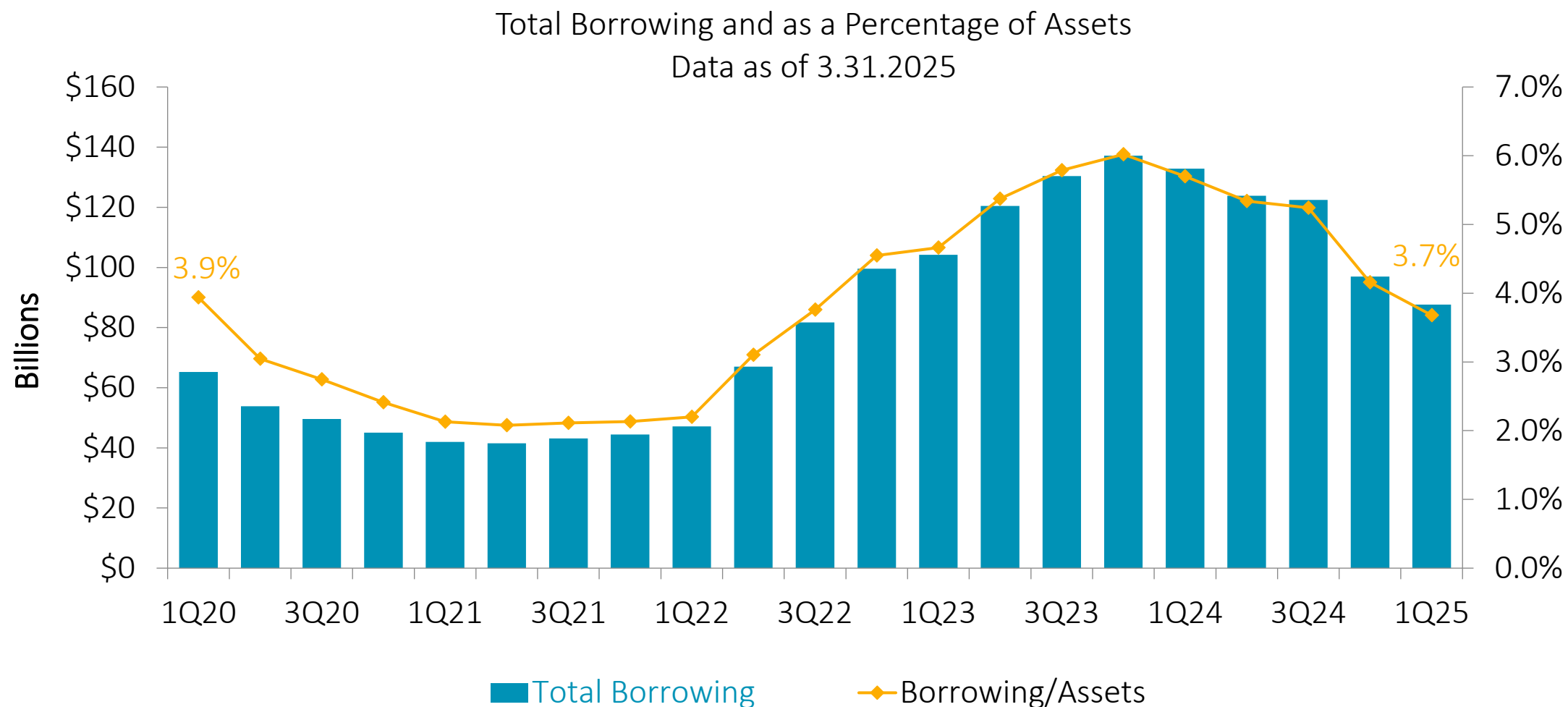


# Liquidity has normalized

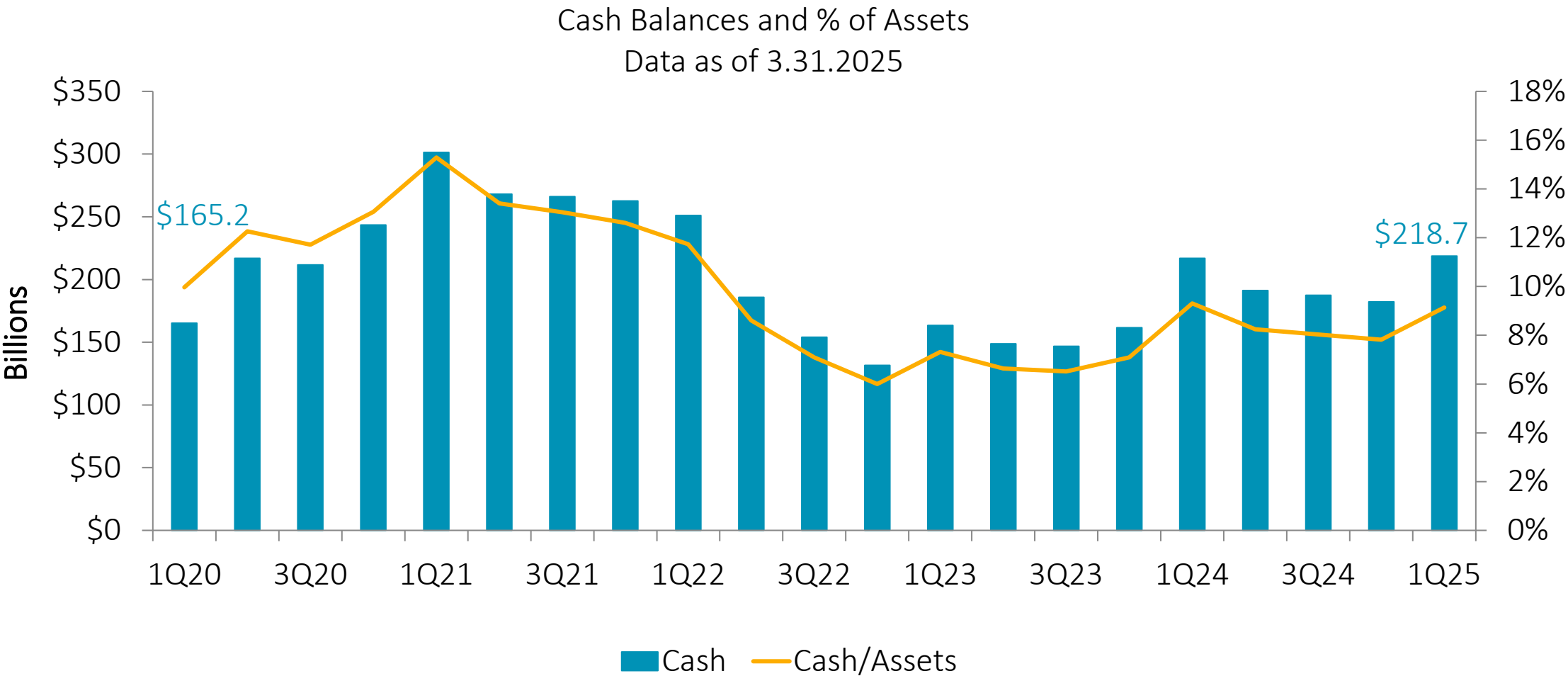
# Loan-to-share ratio follows pattern of declining in first quarter



# Borrowings fall back to 2022 levels as liquidity improves

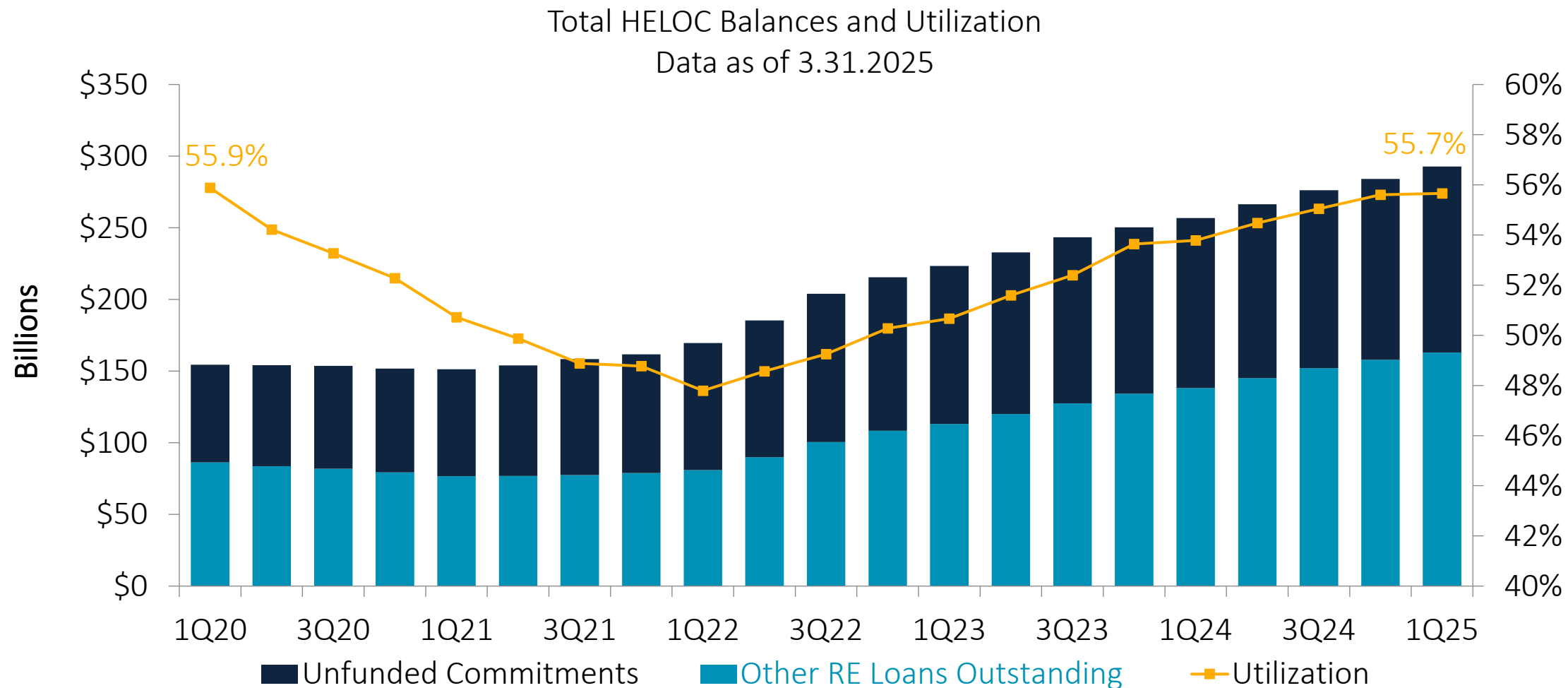


# Cash balances rise to 9.1% of assets

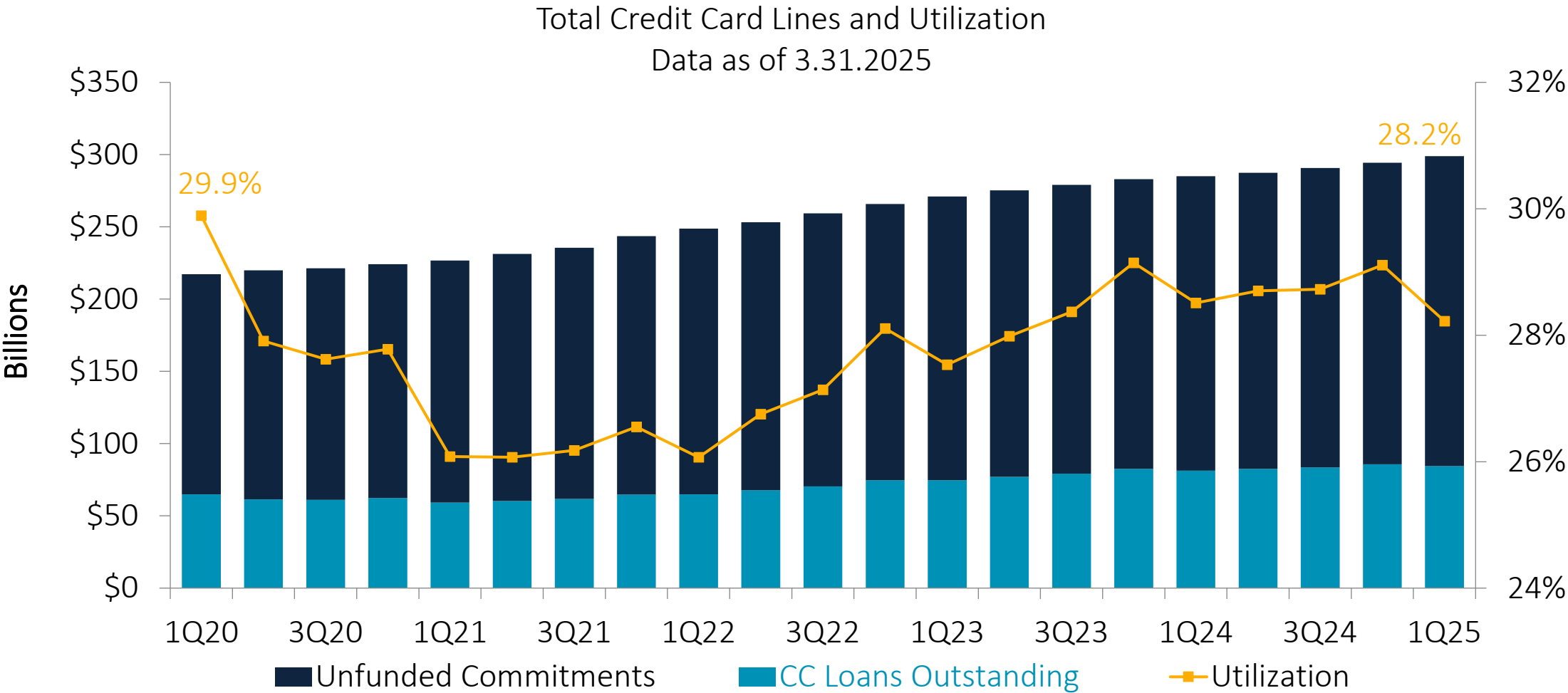


# Members are Managing Credit

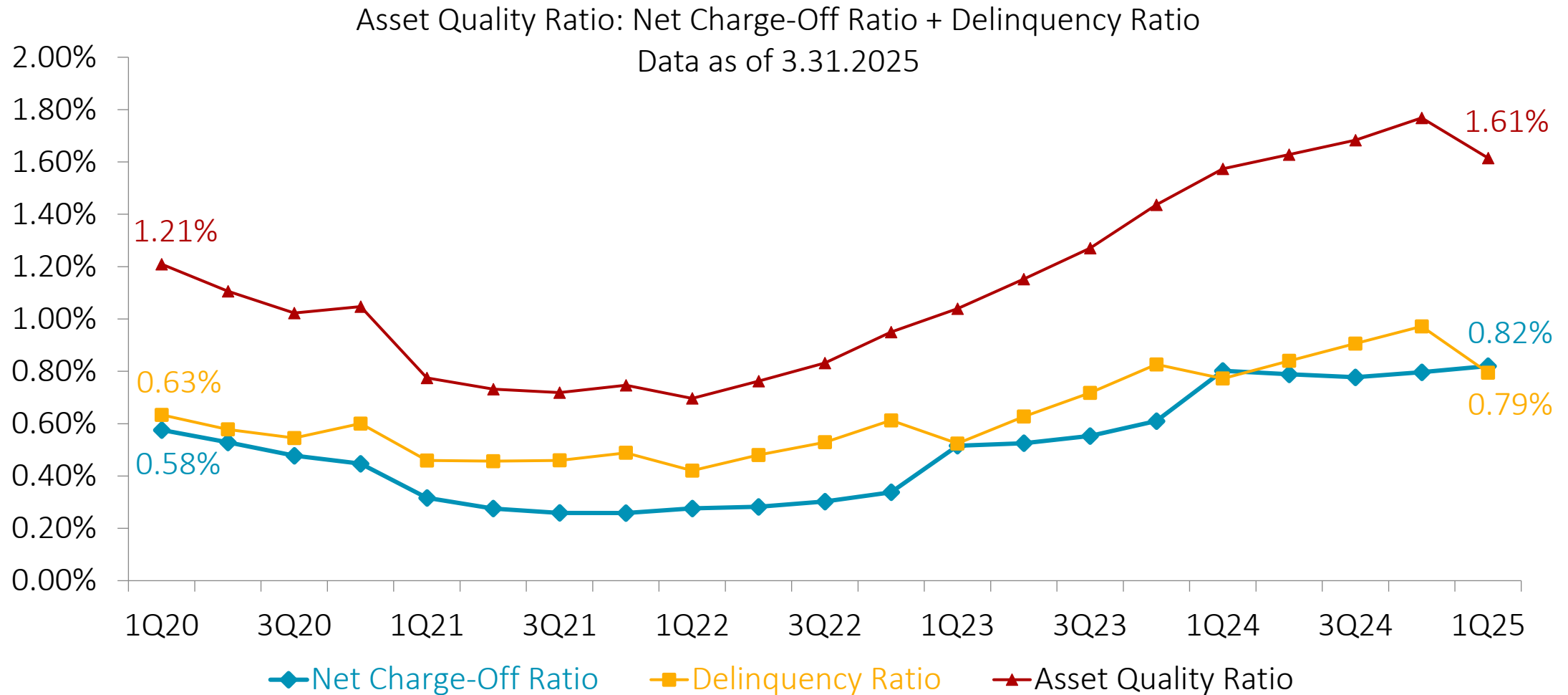
# HELOCs remains in demand from members



# Credit card utilization drops as members pay down holiday balances



# Asset quality improves as delinquency falls; Net charge-offs up slightly







## Say Hello To Help

A partnership between a North Florida credit union and United Way's local 211 service addresses an array of social challenges while establishing the cooperative as a trusted local resource.

- Bannockburn, IL
- Approx. \$1.5B in assets
- Over 110,000 members
- 264 FTEs
- 23 branches



# The Vision

- Why did our Vision change? Lack of identity, no differentiators for competitive advantage.
- How did we solve? Through Strategic Plan initiatives crafted and bought in by Board
- Board – CEO – Leaders – Staff commitment. CEO leads by example
- Over the last 7 years, Board and Sr Leadership team focused on ensuring mission-based philosophy is front and center; Strategic Pillar
- Our Vision: Community Giveback: build up our Communities, build up Consumers and Small Businesses in those communities, strengthens everyone including the credit union.
- Mission-based centric approach.
  - Financial access to everyone
  - Serving the unbanked and underbanked
- Lead with our vision, deliberate, intentional, scalable. It's our North Star.

# Leaning into our Mission

- GLCU made the strategic decision to scale Foundation obtained through merger
- Moved all philanthropic initiatives underneath Foundation
- GLCU Foundation for Financial Empowerment provides significant differentiators that frame the GLCU “Story”.
  - HUD-certified Counseling and Education
  - Financial literacy programs for Youth: One Summer Chicago, YouthBuild
  - Great Wave Volunteer Program
  - Board Giving and scholarships
- Community and Industry Partnerships
  - Bank On – first state-chartered credit union in Illinois
  - Inclusiv – Juntos Avanzamos, LID, CDCU
  - Leaders Network – partnership opportunity through ICUL
- \$1M reduction in fees; kept NSF/OD with resources to manage
- Par Value \$1
- Product/Service alignment

**/ inclusiv /**



## Why?

- Because it's the right thing to do
- Chicagoland area has many financial deserts or pockets of unbanked consumers
- FOM is diverse
- Developing grant opportunities we couldn't obtain through credit union
- Competitive pricing strategy is only one way we give back to our communities; strategic decision to use income to fund community initiatives

# A History with HUD

- GLCU is **one of five credit unions nationwide** that offers HUD-certified counseling for free to anyone in the community through the GLCU Foundation for Financial Empowerment.
- It's more than just products and services for us. If we can provide counseling to assist with affordable housing, it'll **benefit residents, businesses, and the credit union**. We want to be a collaborative partner that is strategically **driving change and behaviors** in the diverse communities we serve.
- **When we partner with other nonprofits and other funders**, we have greater amounts of money to work with to **make a bigger impact**. For example, when Illinois had unused HUD grant funds, GLCU was a natural candidate to receive them based on our comprehensive reporting, which demonstrated how we regularly exceeded the program's projected results.
- Another benefit of GLCU's social impact programs and low-income designation is **access to deposits from large, publicly traded companies** through C Note — such as Coke, Amazon, and Patagonia — looking to invest in financial institutions for social mission work. These deposits earn GLCU's regular certificate rates.





# Teaming Up with The Leaders Network



## JOINING FORCES FOR BETTER BANKING

The Leaders Network has partnered with Great Lakes Credit Union to provide financial services to the residents of Chicago's Austin neighborhood and surrounding areas.

Visit [glcu.org/LeadersNetwork](https://glcu.org/LeadersNetwork)



## Benefits of GLCU's Mission-based Work

- Creates the “Story” for GLCU.
- Alignment of products/services with low/mod income – 2<sup>nd</sup> Chance Checking, Credit Builder Loan (0% rate), Save to Win, EasyVest, Holiday Giveback.
- Higher income and net worth members value our intentional mission work; younger generations appreciate grassroots, mission-based organizations.
- Benefits to M&A strategy; credit unions know they'll partner with a large credit union true to the credit union mission.
- Creation of CUSO offerings that align with Mission.
  - Pay it Forward with Mortgage CUSO
  - Variety of insurance offerings and price points
- Realized we cannot be everything to everyone, looking for nonprofit partners that align with our philosophy (financial and hands-on/leadership support). How can we use our prods/serv/programming to help their organization.

**Thank you!**

Patrick Basler

CXO, GLCU

Chairperson, GLCUFFE

[patrickb@glcu.org](mailto:patrickb@glcu.org)







**BRAND NEW**

# Anatomy Of A Credit Union

Featuring insights from today's special guest speaker, Patrick Basler.



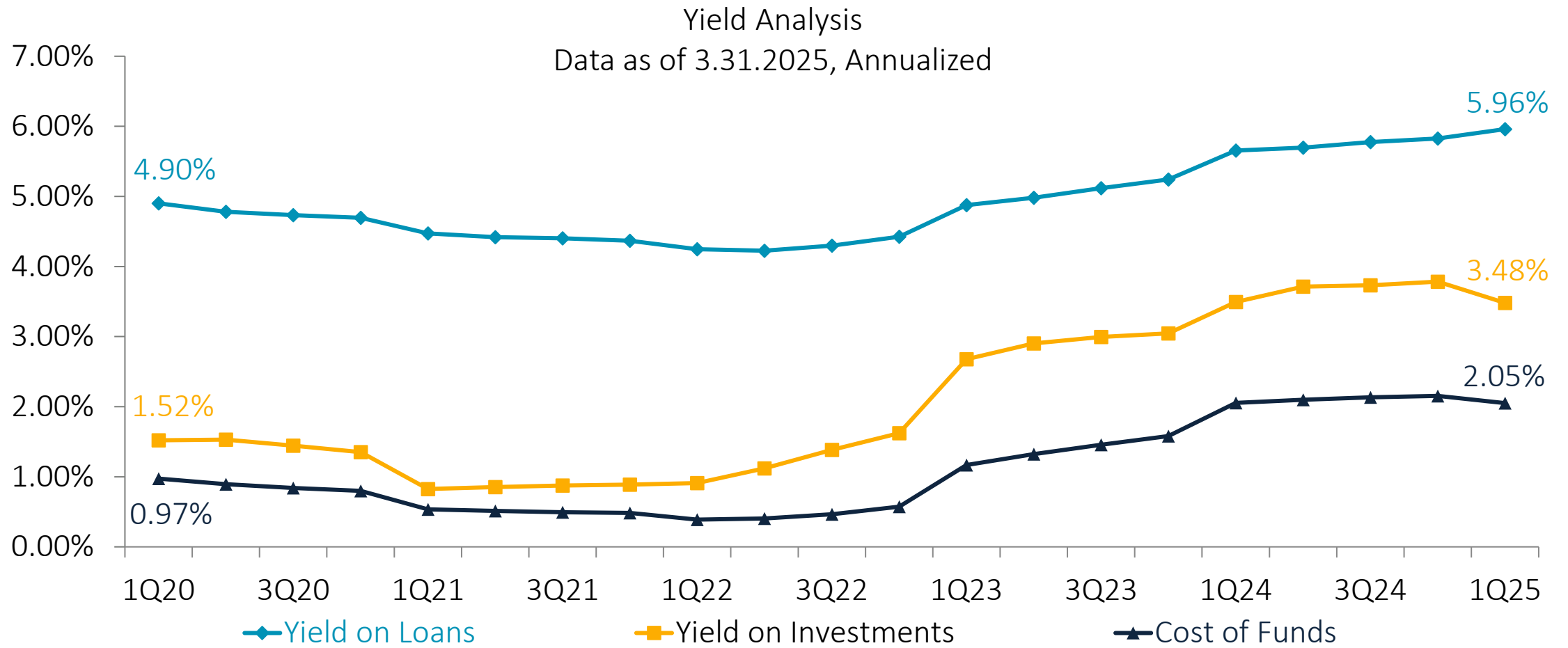
SPRING 2025

**Anatomy Of A Credit Union**  
GREAT LAKES CREDIT UNION

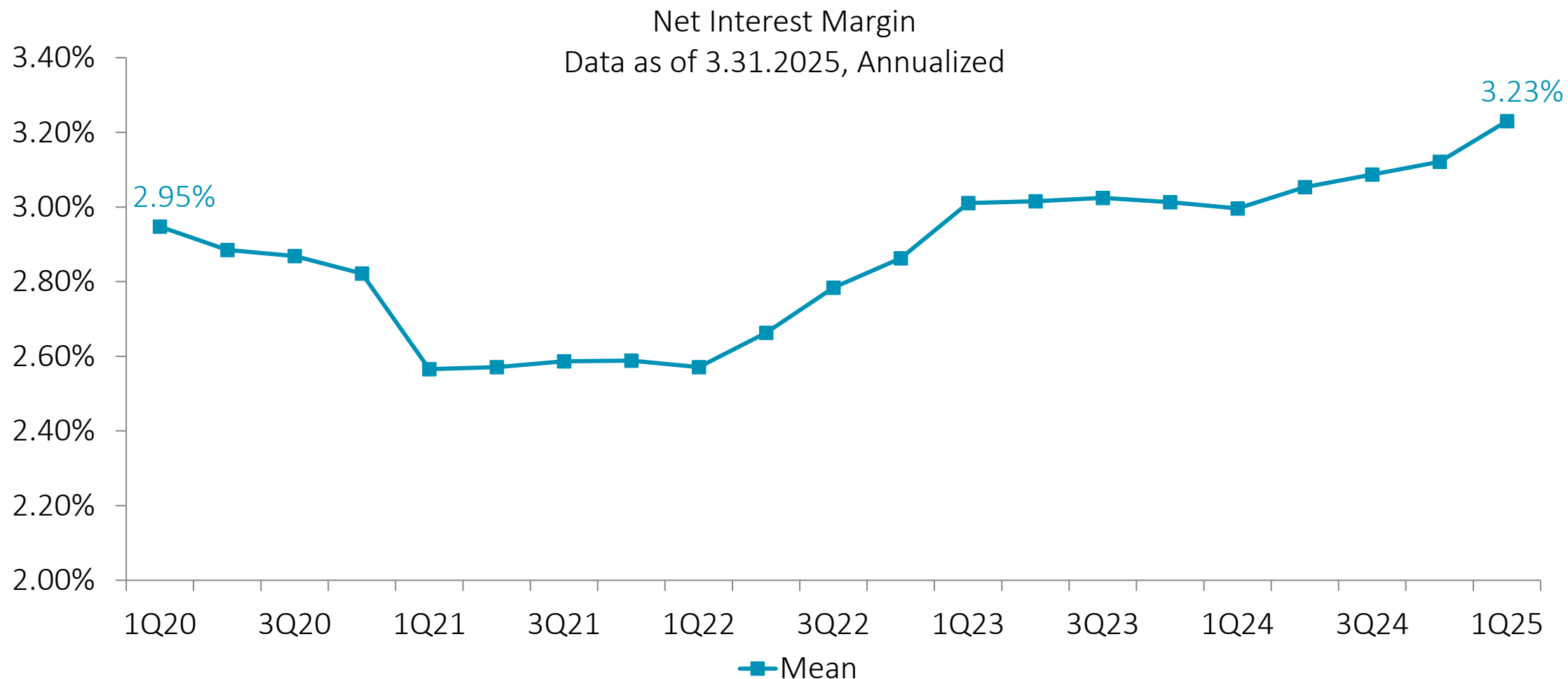


# Interest Margin Widens

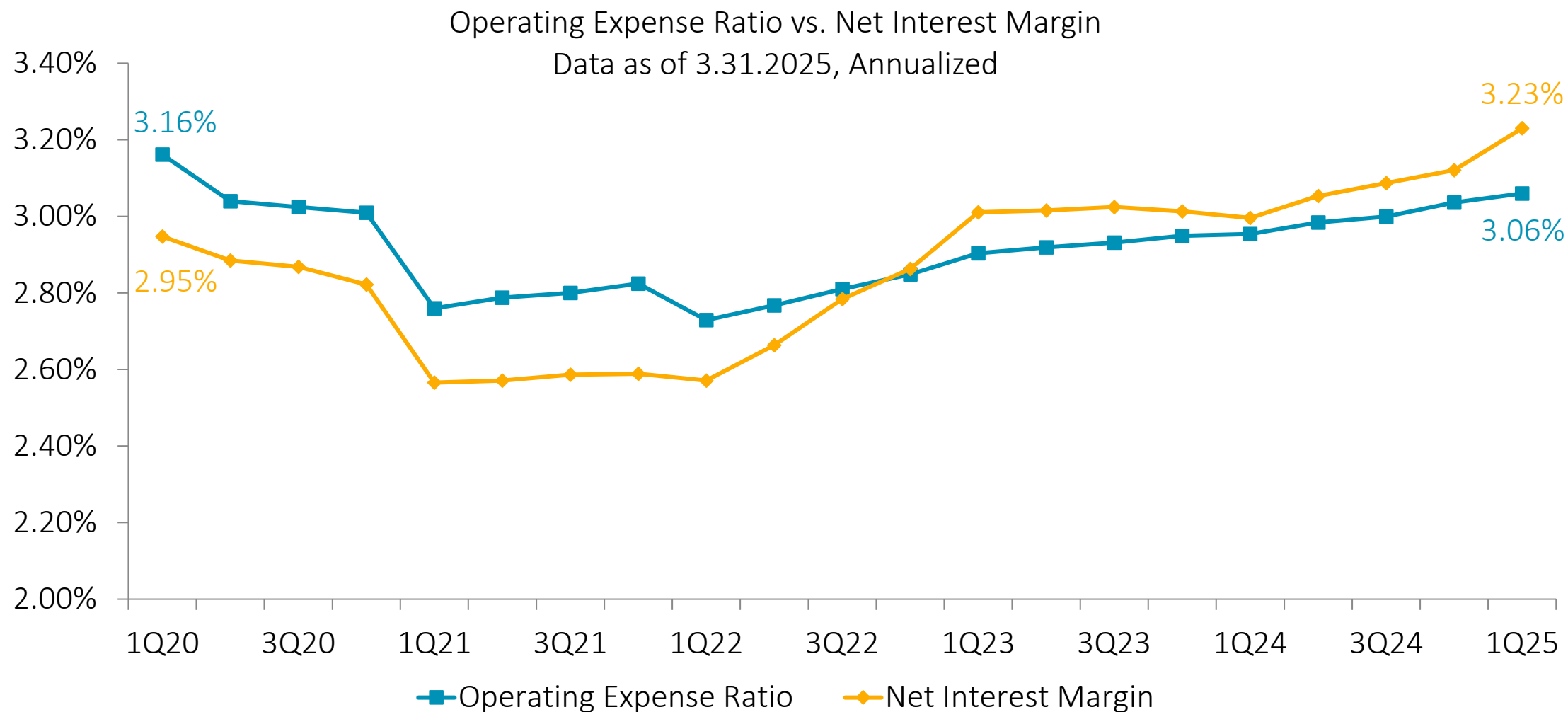
# Loan yield rises; cost of funds declines



# Net interest margin reaches the highest level since 2009

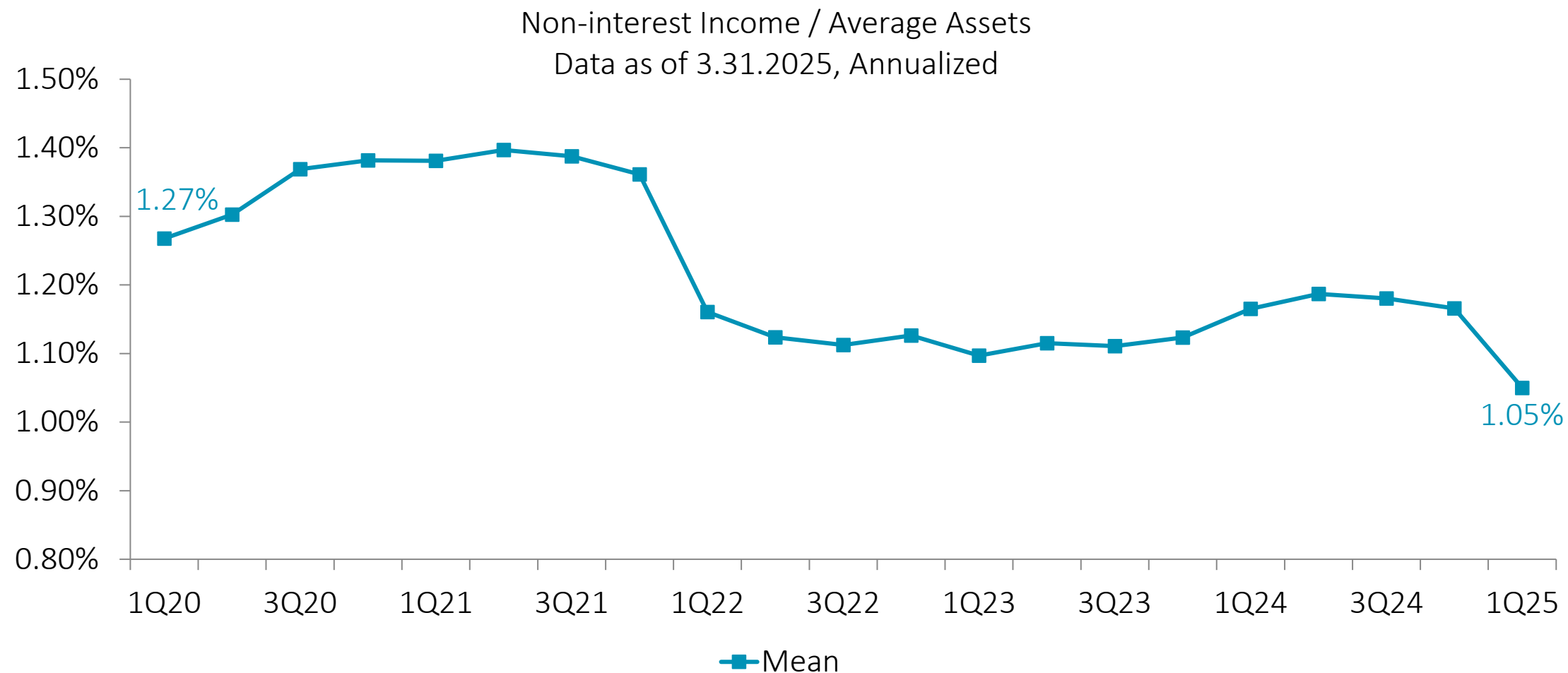


# Margin increase outpaces rise in operating expense ratio





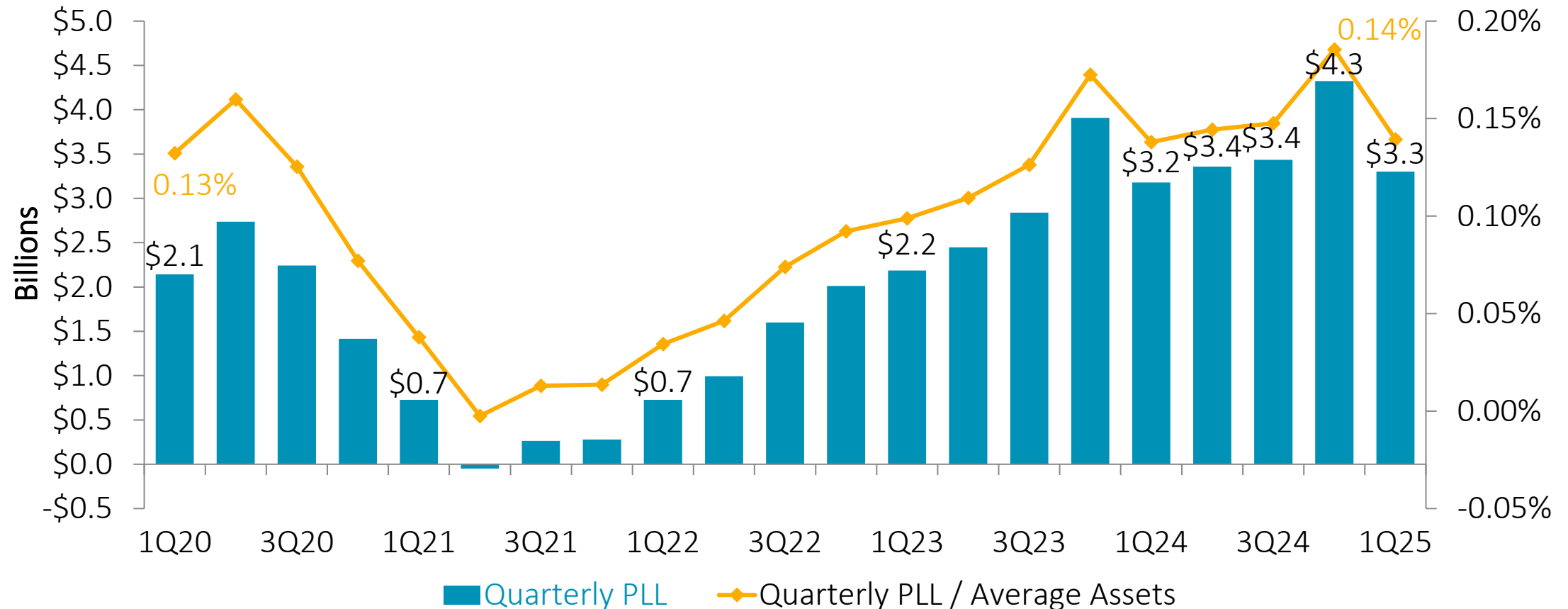
# Non-interest income declines significantly as investment gains wane



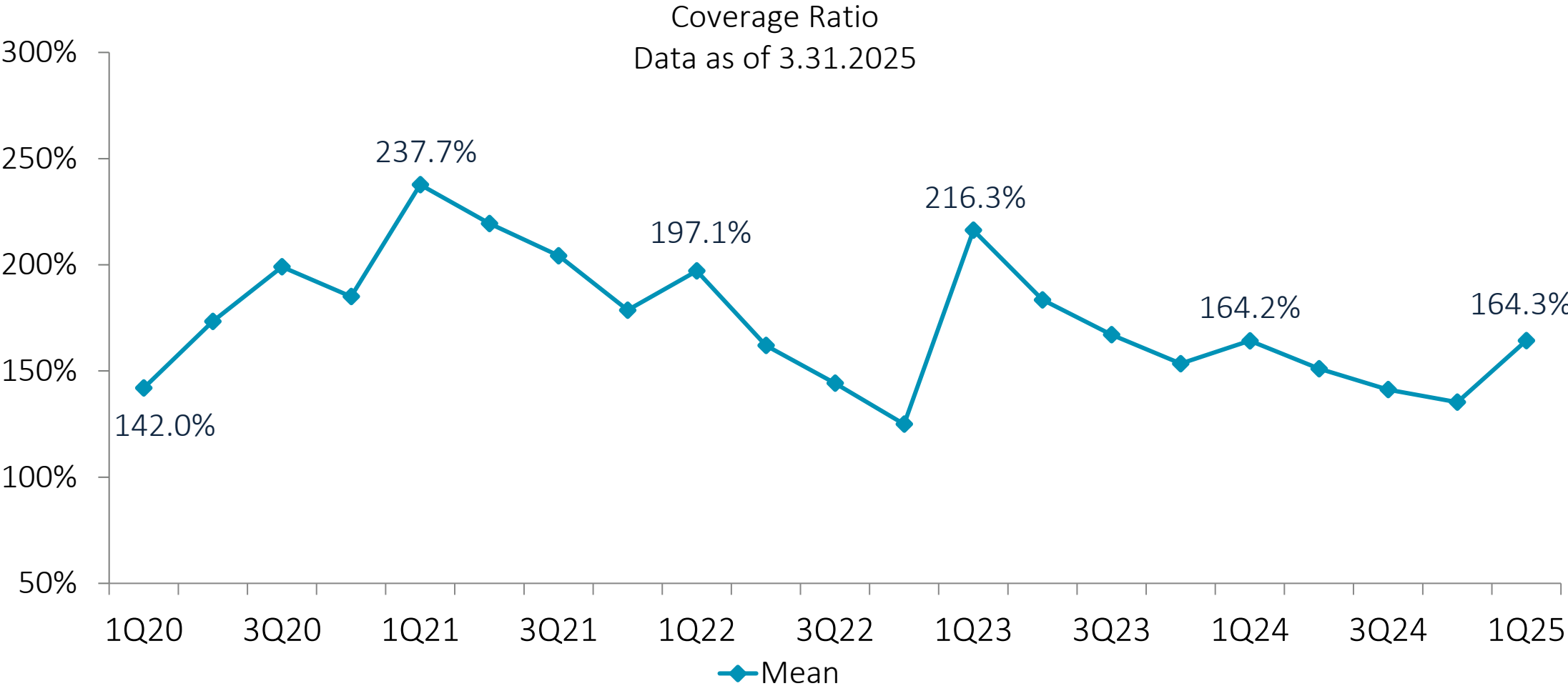
# Provision expense up slightly from 1Q24

Quarterly Provision for Loan & Lease Losses and % of Avg Assets

Data as of 3.31.2025

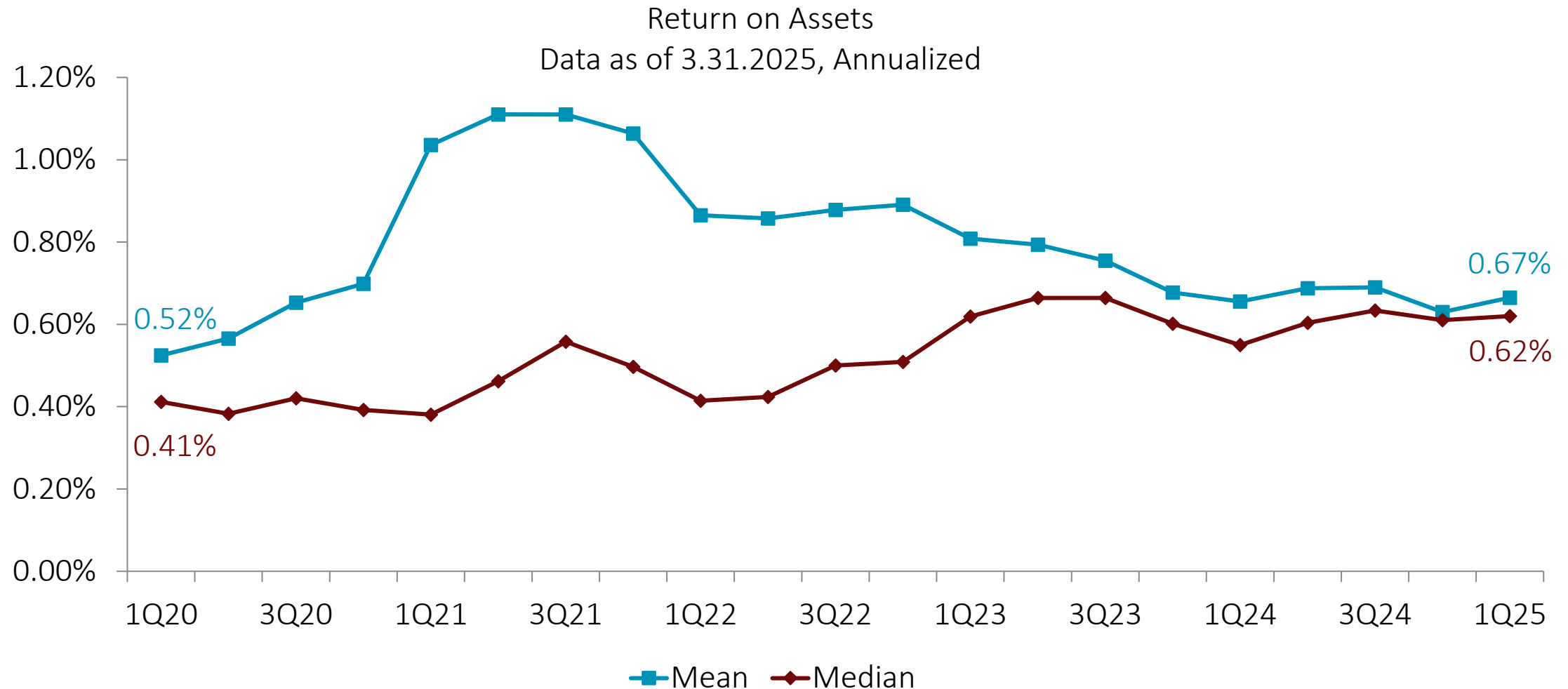


# Credit unions are reserving \$1.64 for every \$1 of delinquent loans





# ROA remains in a narrow range

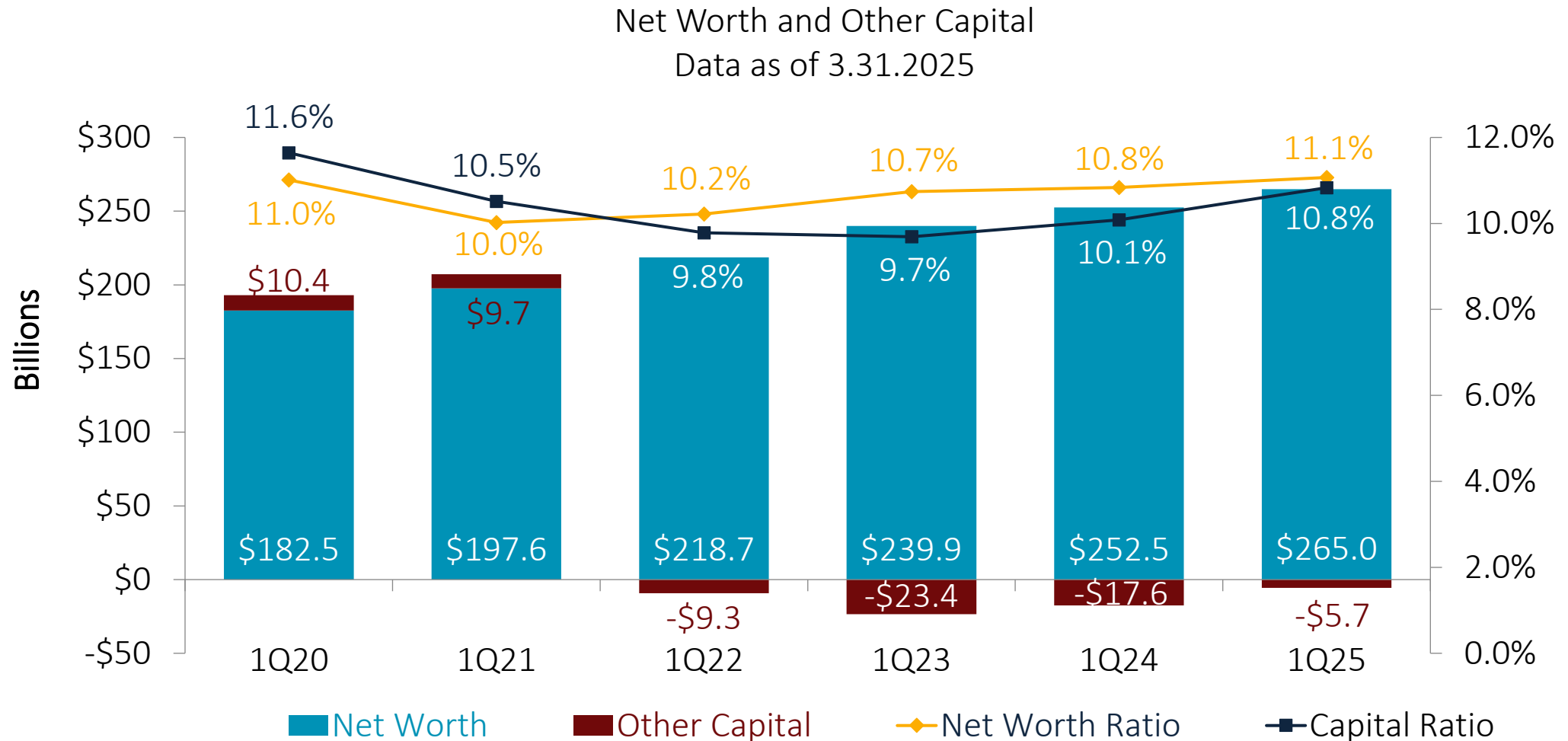


Higher asset yield is offset by lower non-interest income and higher operating expenses

	3/31/2025	3/31/2024	Impact on ROA
Interest Income	5.05%	4.83%	+22
Interest Expense	1.82%	1.84%	+2
Net Interest Margin	3.23%	3.00%	+23
Non-interest Income	1.05%	1.17%	-12
Operating Expenses	3.06%	2.95%	-11
Provision for Loan Losses	0.56%	0.55%	-1
ROA	0.67%	0.66%	+1

Expressed as a % of Avg. Assets  
May not sum due to rounding

# Total capital and net worth ratios move higher



# Takeaways and Closing Thoughts

- Credit unions are starting 2025 on a positive note with members adding to share and loan balances.
- Uncertainties remain on the economic, legislative and regulatory fronts. Credit unions need to be ready to adapt to changing conditions while continuing to focus on the long-term. Are there lessons from the pandemic that can be applied?
- Members are looking for support amidst financial constraints and uncertainty. Credit unions can be their trusted advisor and build long-term relationships. It starts with listening to member concerns and questions.



## Employee Certifications Turn Tellers Into Teachers

Canopy Credit Union's push to certify staff as financial coaches is part of a broader strategy to build community resilience, strengthen internal culture, and deepen member relationships.

# THANK YOU FOR WATCHING



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