



TRENDWATCH 3Q24



November 12, 2024

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Strategic Planning



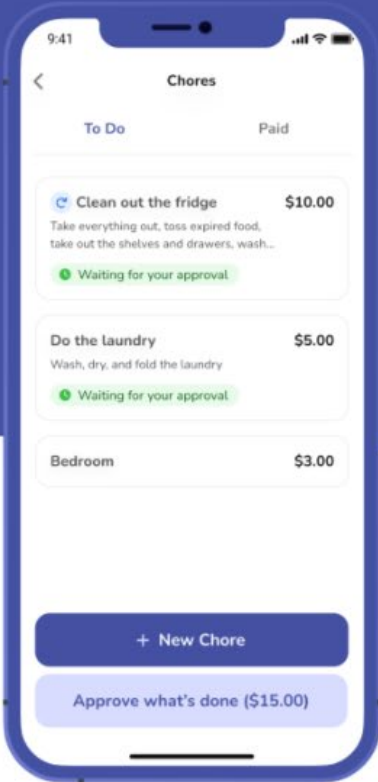
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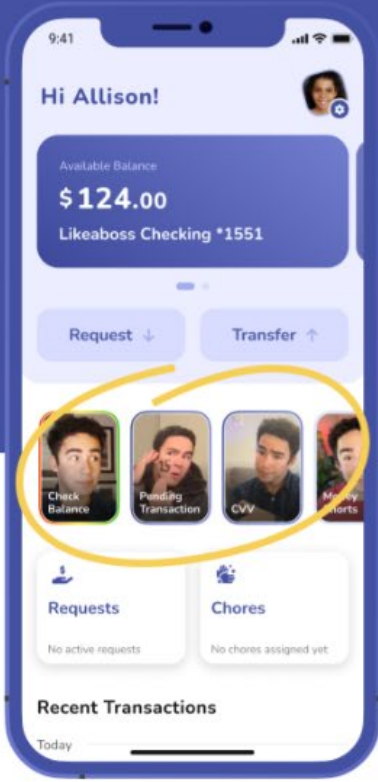
Forget greenlight and get the family banking app that grows your credit union



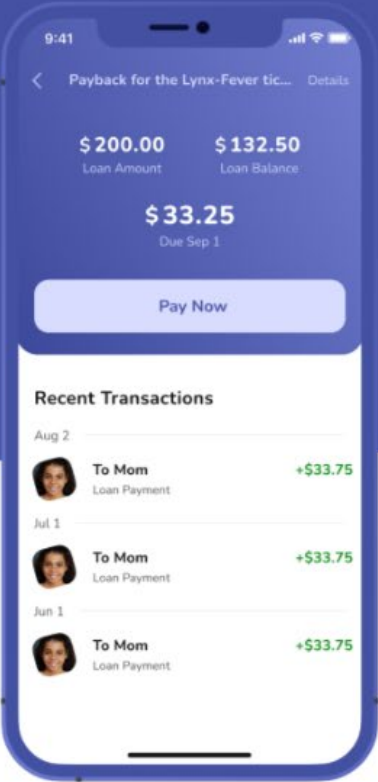
Chores



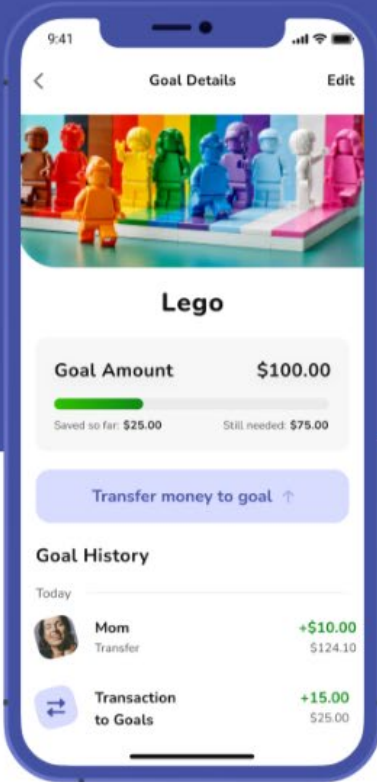
Financial Literacy



Practice Loans



Goals



Scan to learn more

Today's Lineup

Market Update

Andrew Kohl, Chief Investment Officer, Alloya Corporate FCU

Todd Adams, Chief Executive Officer, Alloya Corporate FCU

3Q24 Credit Union Results

Jay Johnson, Chief Collaboration Officer, Callahan & Associates

Alix Patterson, Chief Experience Officer, Callahan & Associates

Targeted Promo to Reprice Mortgage Portfolio

Lia Patino, VP, Mortgage Lending, Wings Credit Union



The Alloya Story

WE ARE A CREDIT UNION

A GREAT EXAMPLE OF THE POWER OF COOPERATION

1,400 MEMBERS WORKING TOGETHER

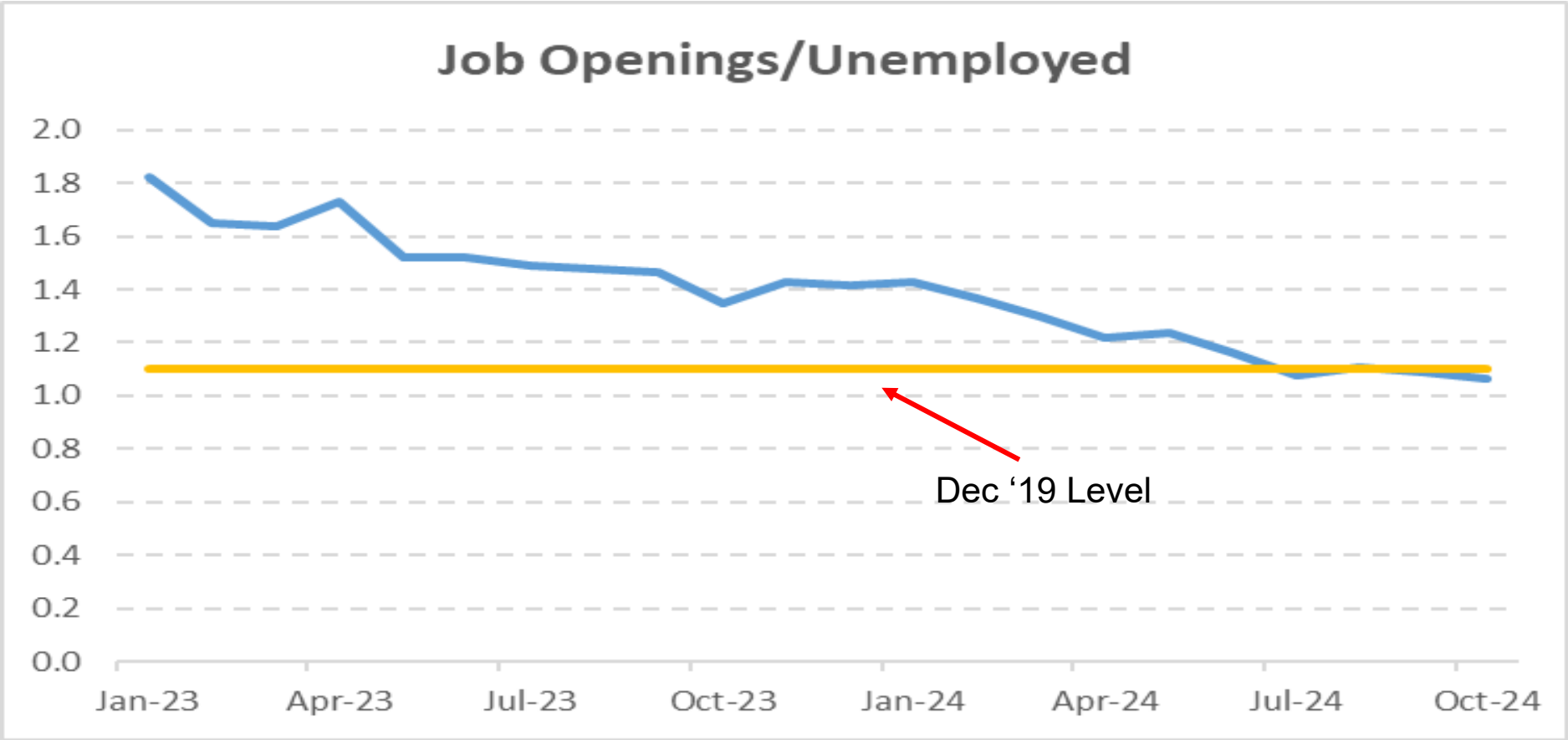
Economic Update

Andrew Kohl, Chief Investment Officer

Todd Adams, Chief Executive Officer



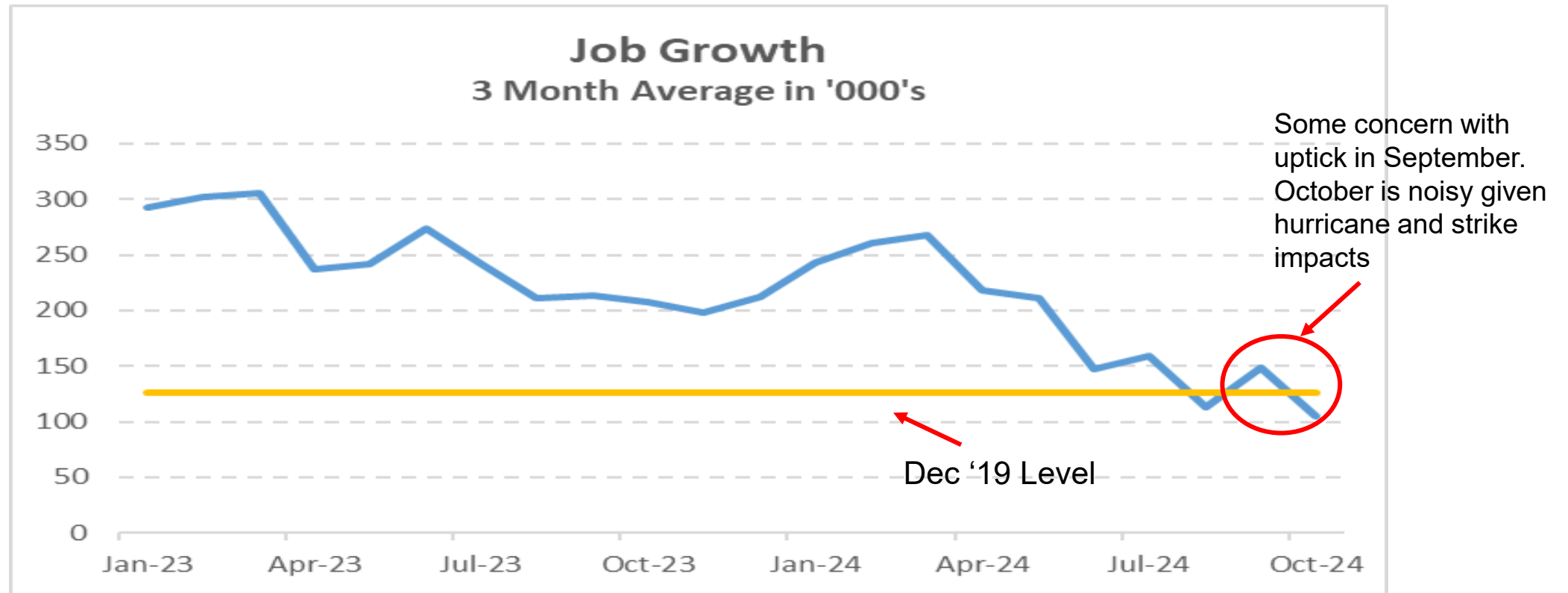
Job Openings to Unemployment Ratio: Back to Pre-Pandemic Levels



Source: Bureau of Labor Statistics



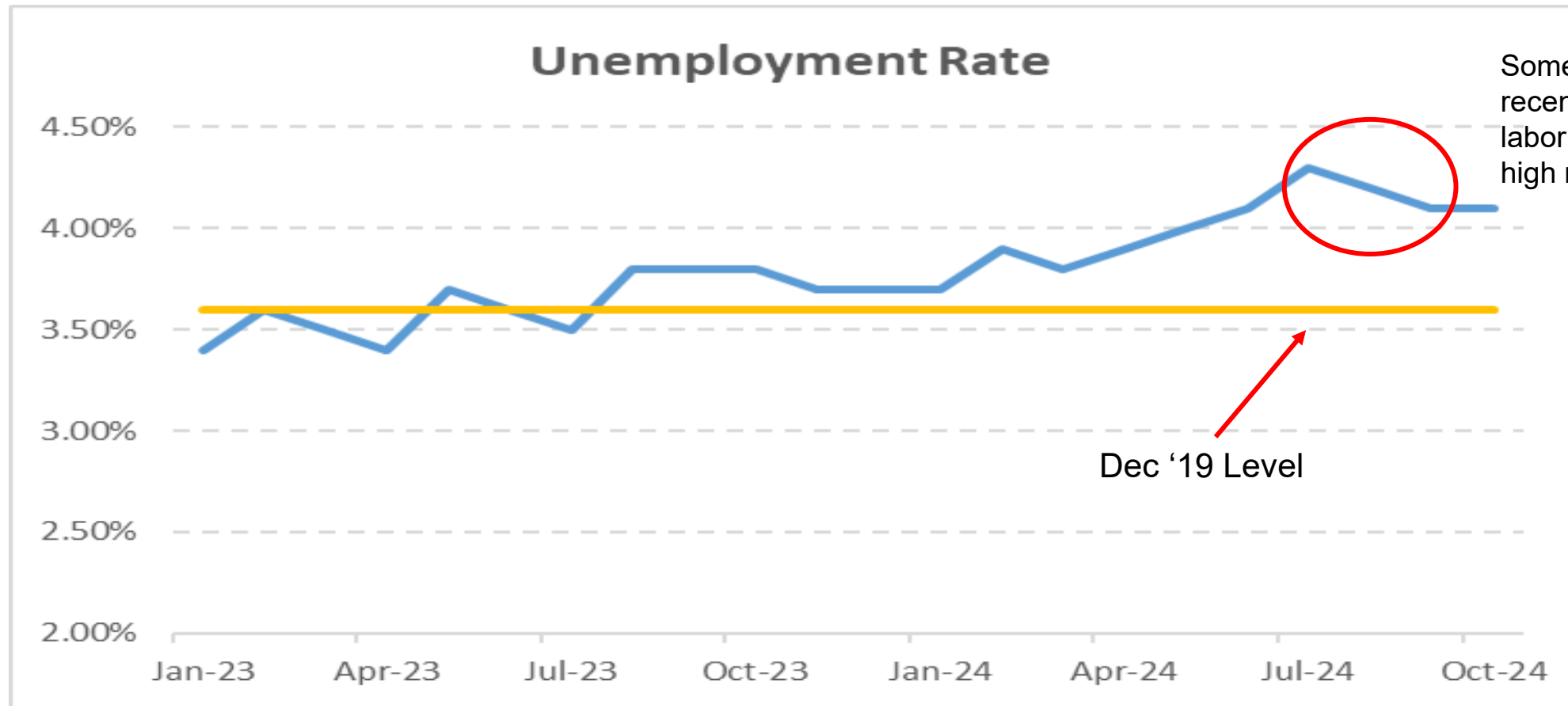
Substantial Decrease in Pace of Monthly Job Growth



Source: Bureau of Labor Statistics



Labor Market has Broadly Weakened



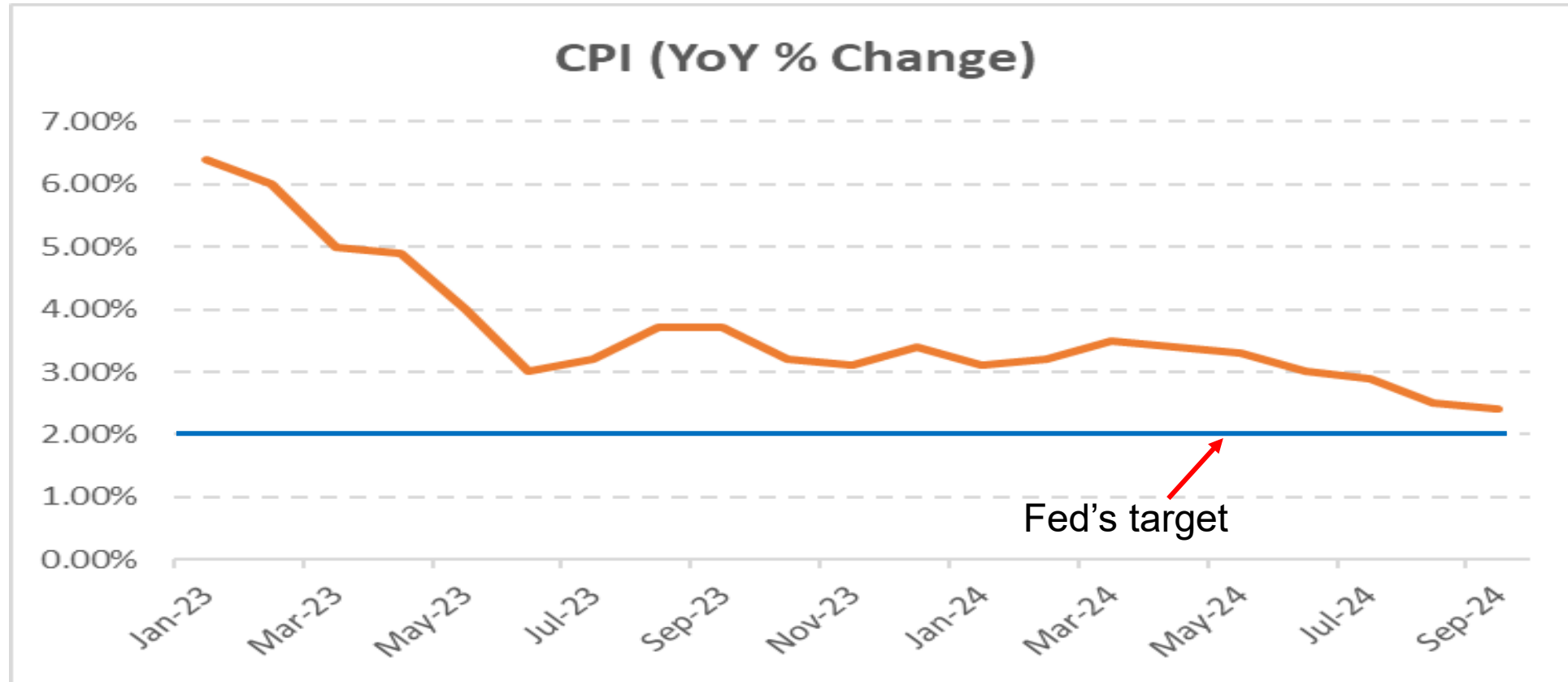
Some concern with recent decline, but labor market data has high margin of error

Dec '19 Level

Source: Bureau of Labor Statistics



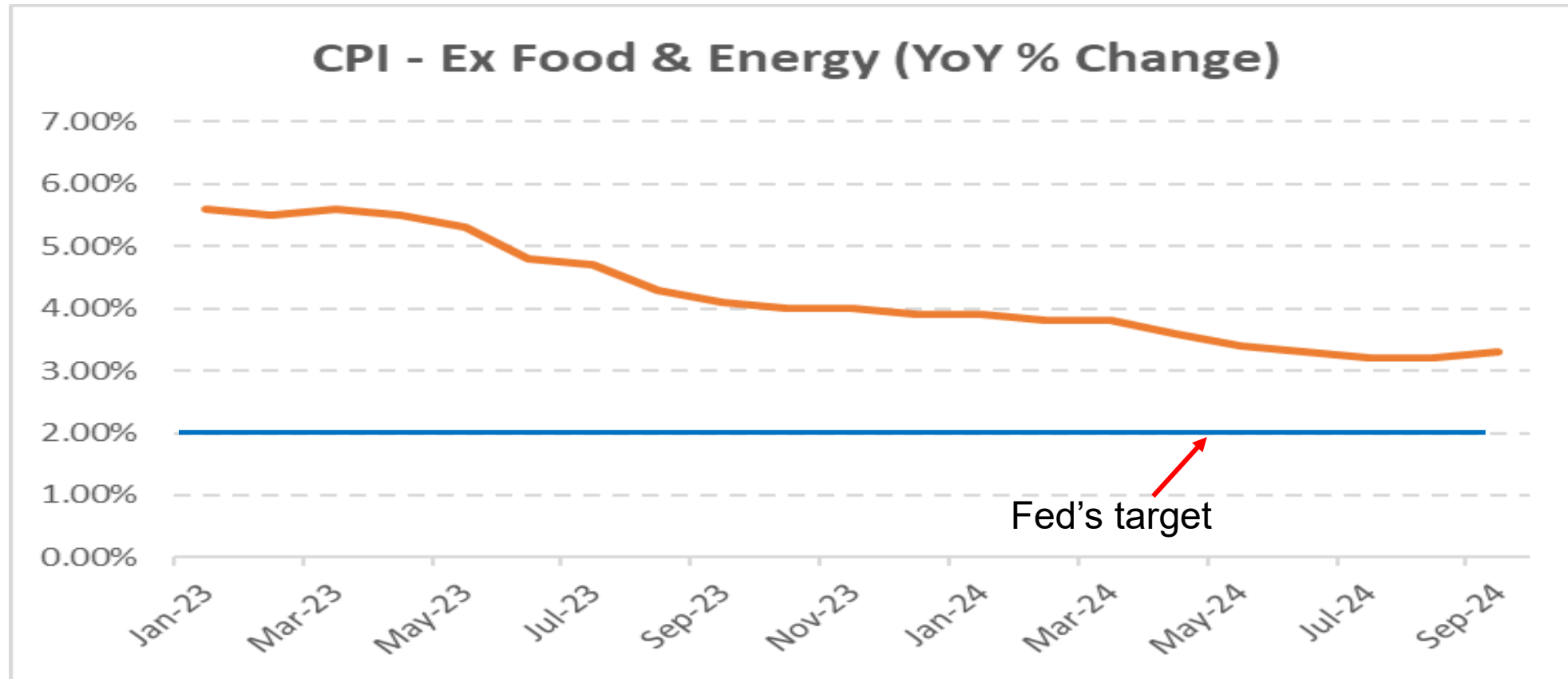
Significant Improvement in Pace of Inflation



Source: Bureau of Labor Statistics



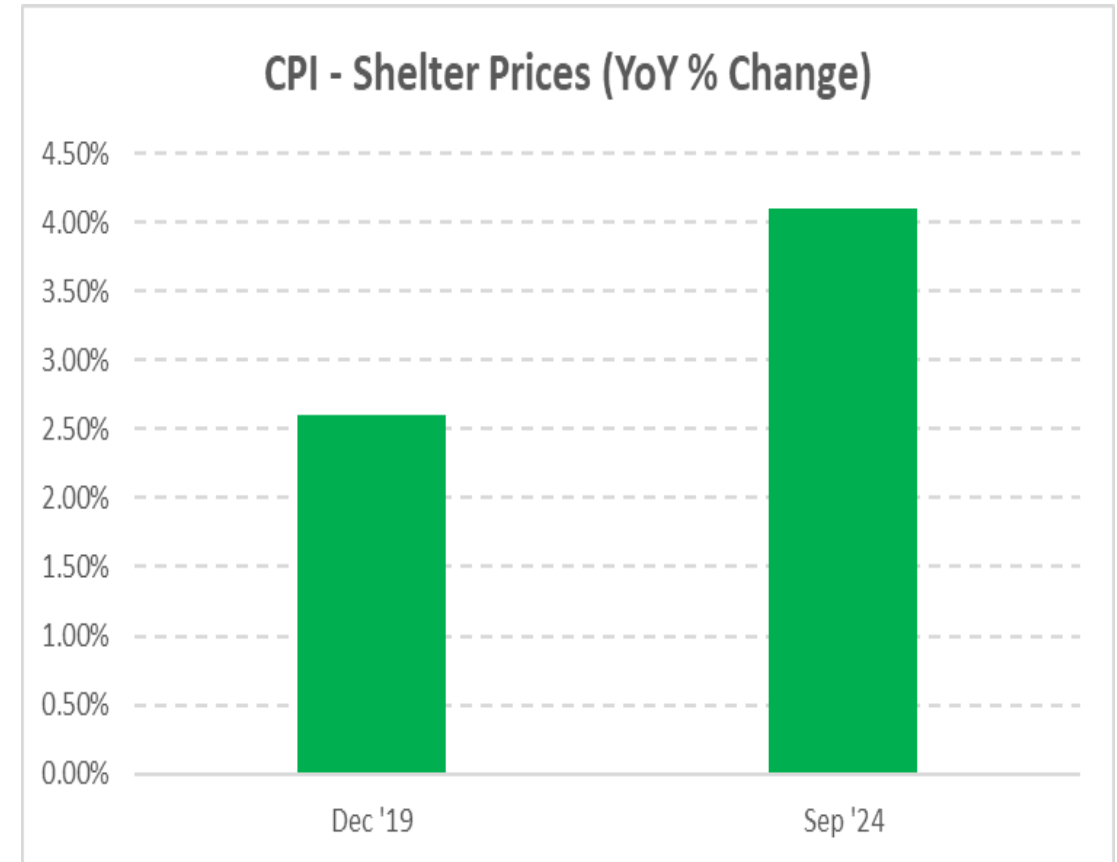
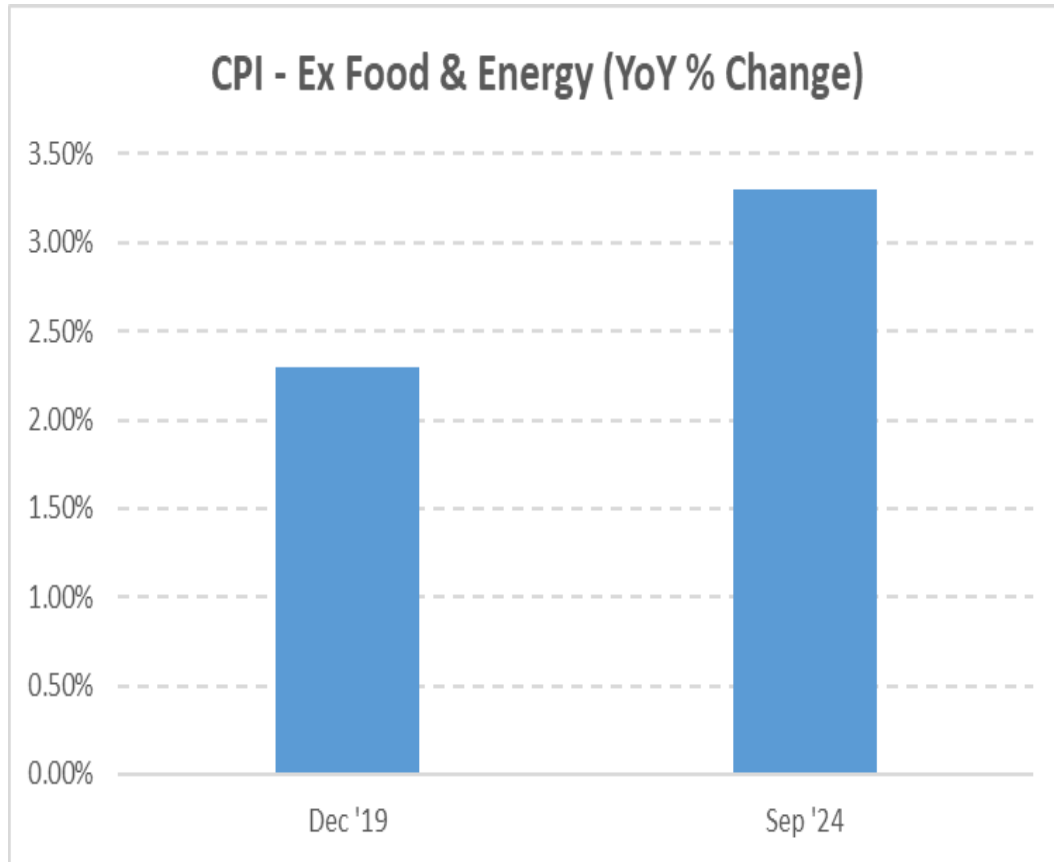
Core Inflation Pace: Improvement, but Still Elevated



Source: Bureau of Labor Statistics



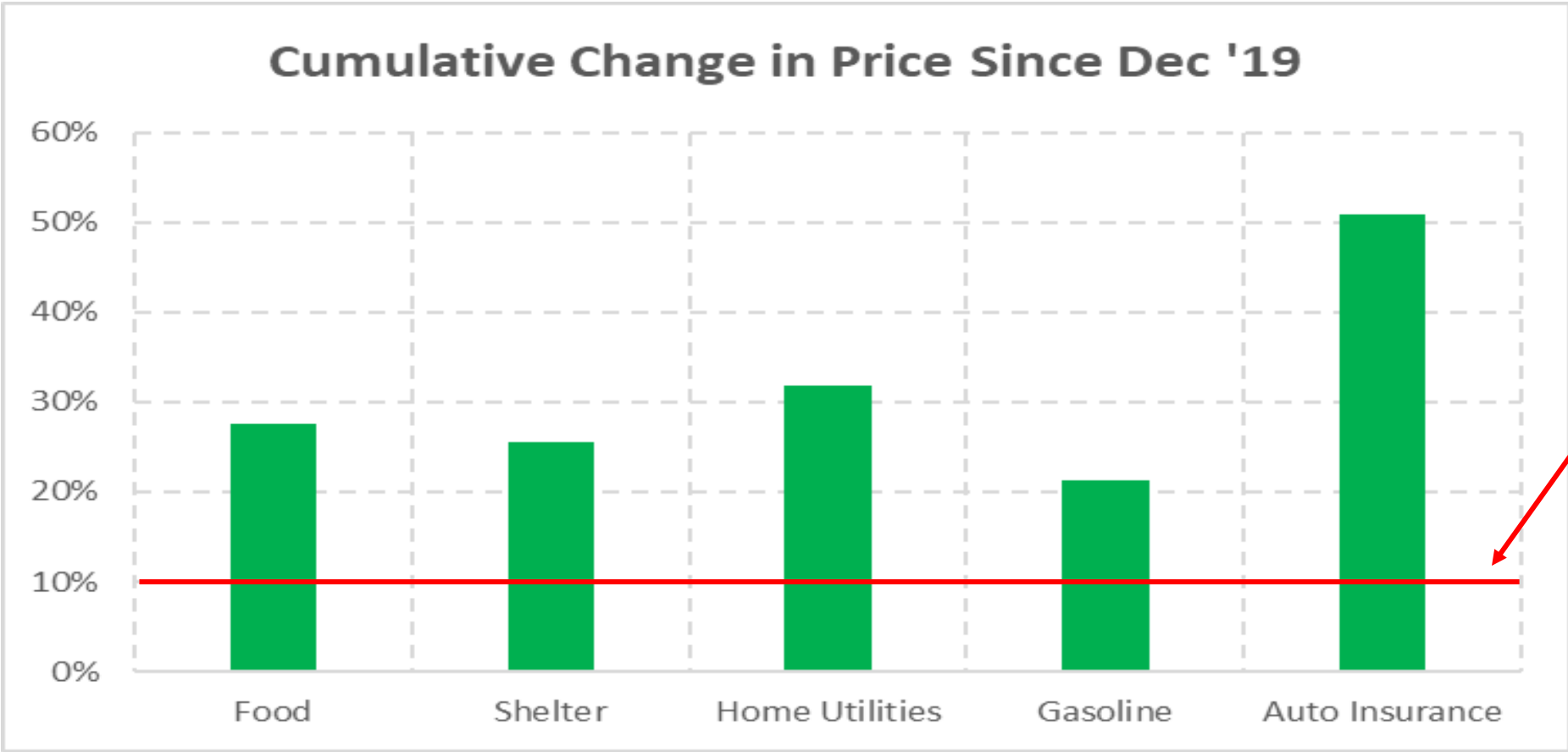
Core Inflation: Higher than Pre-Pandemic Mainly Due to Shelter Prices



Source: Bureau of Labor Statistics



Despite Decline in Pace, Cumulative Inflation Impact Still Being Felt


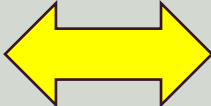









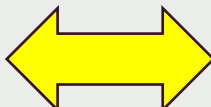


Cumulative price change if inflation per year was 2% over same timeframe

Source: Bureau of Labor Statistics

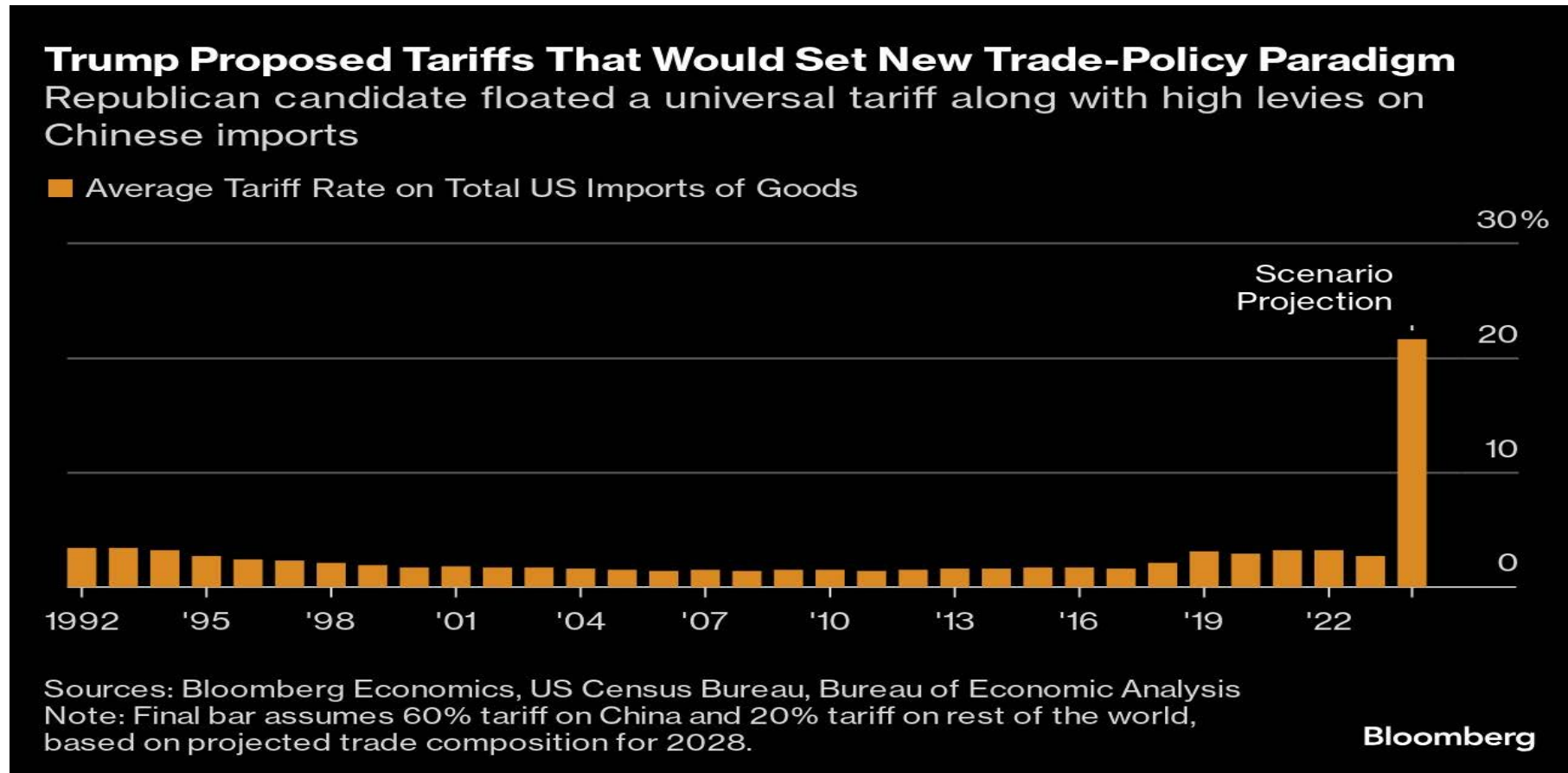


Potential Impacts of Trump's Key Issues

Key Issue	GDP Impact	Inflation Impact	Interest Rate Impact
1) Extension of tax cuts			
2) Increased Tariffs			
3) Reduced Immigration			
4) Deregulation			



Major Change in Proposed Tariffs



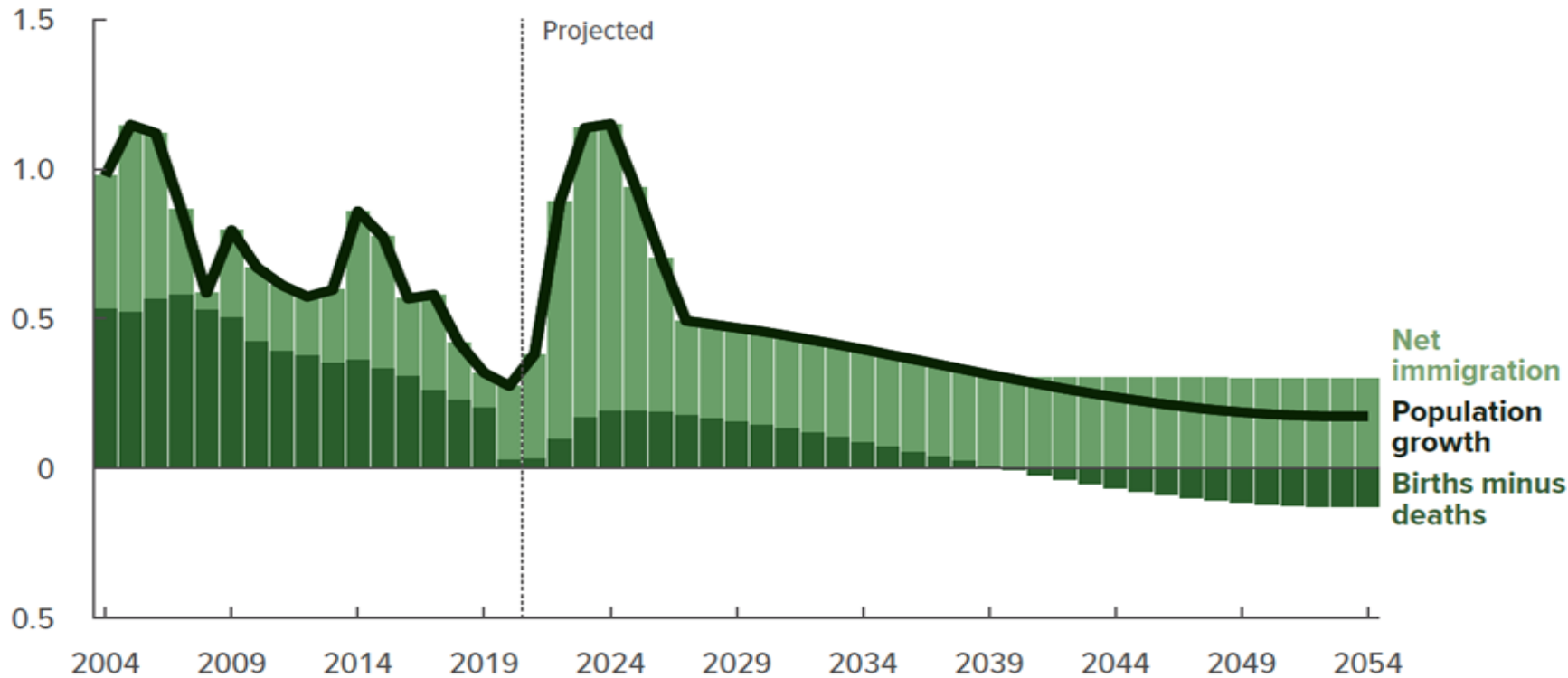
Source: Bloomberg



Lower Immigration Path Could Lead to Shrinking Population

Demographic Factors That Contribute to Population Growth

Percent



By 2040, with the aging of the population, deaths exceed births in CBO's projections. As a result, net immigration accounts for all population growth after that point; without immigration, the population would shrink.

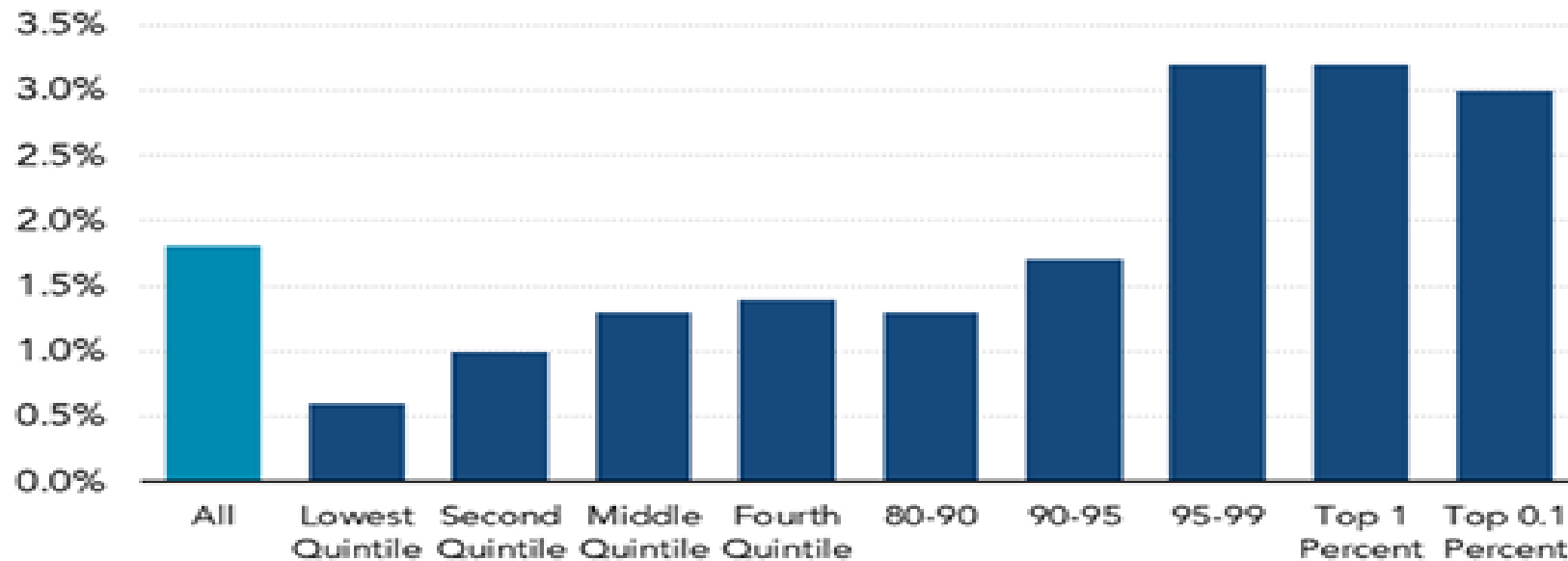
Source: Congressional Budget Office (CBO) January 18, 2024



Benefit from 2017 Tax Cuts to Be Retained

Percent Change in After-Tax Income

If certain expiring TCJA provisions are made permanent, by expanded cash income percentile, 2027



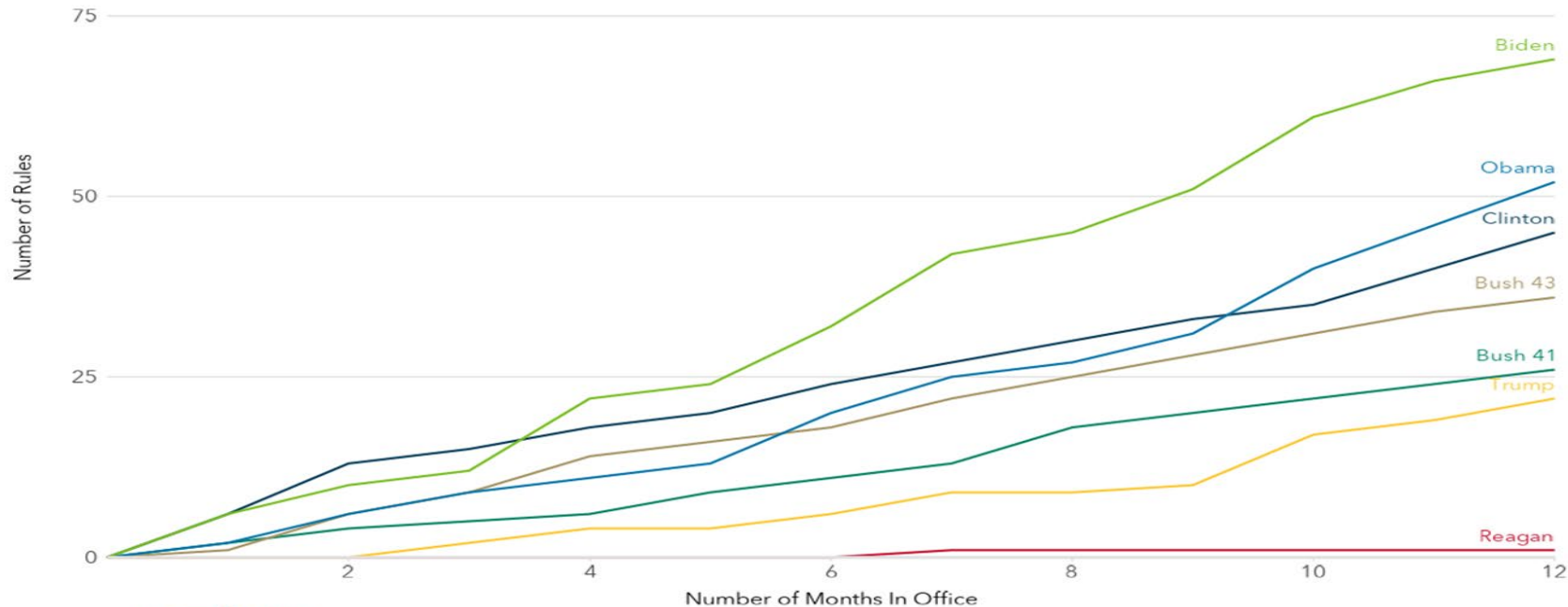
Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0324-1).

Notes: Further information is available in TPC's "T24-0025 - Make Certain Provisions in the 2017 Tax Act Permanent, by ECI Percentile, 2027" model estimates.



Republican Leadership Has Led to Fewer Regulations

Cumulative Economically Significant Final Rules Published by Administration in First Year



Regulatory Studies Center
THE GEORGE WASHINGTON UNIVERSITY

Source: Office of the Federal Register (federalregister.gov) for Biden administration and all subsequent administrations; Office of Information and Regulatory Affairs (reginfo.gov) for all prior administrations.

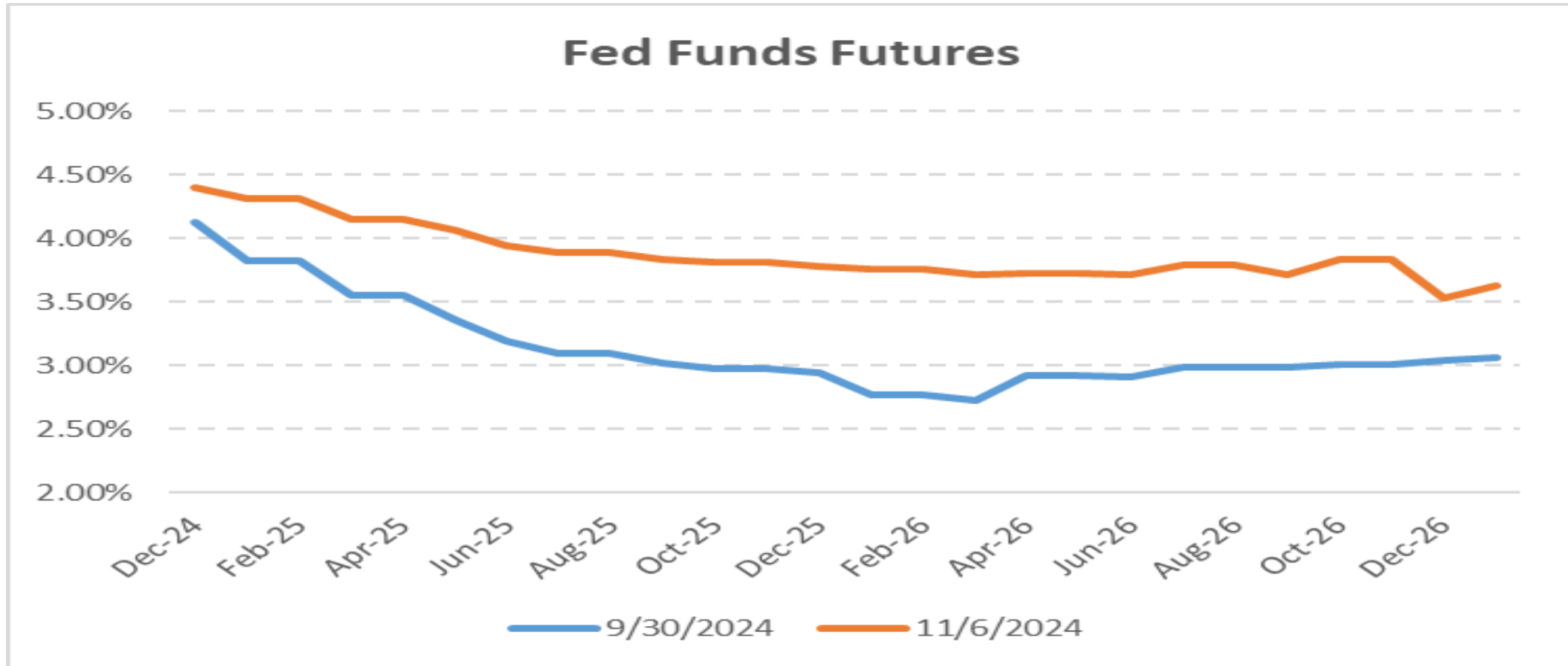
Updated: September 06, 2024

Recent Trump Quote:

“I am pledging today that in my second term we will eliminate a minimum of 10 old regulations for every one regulation.”



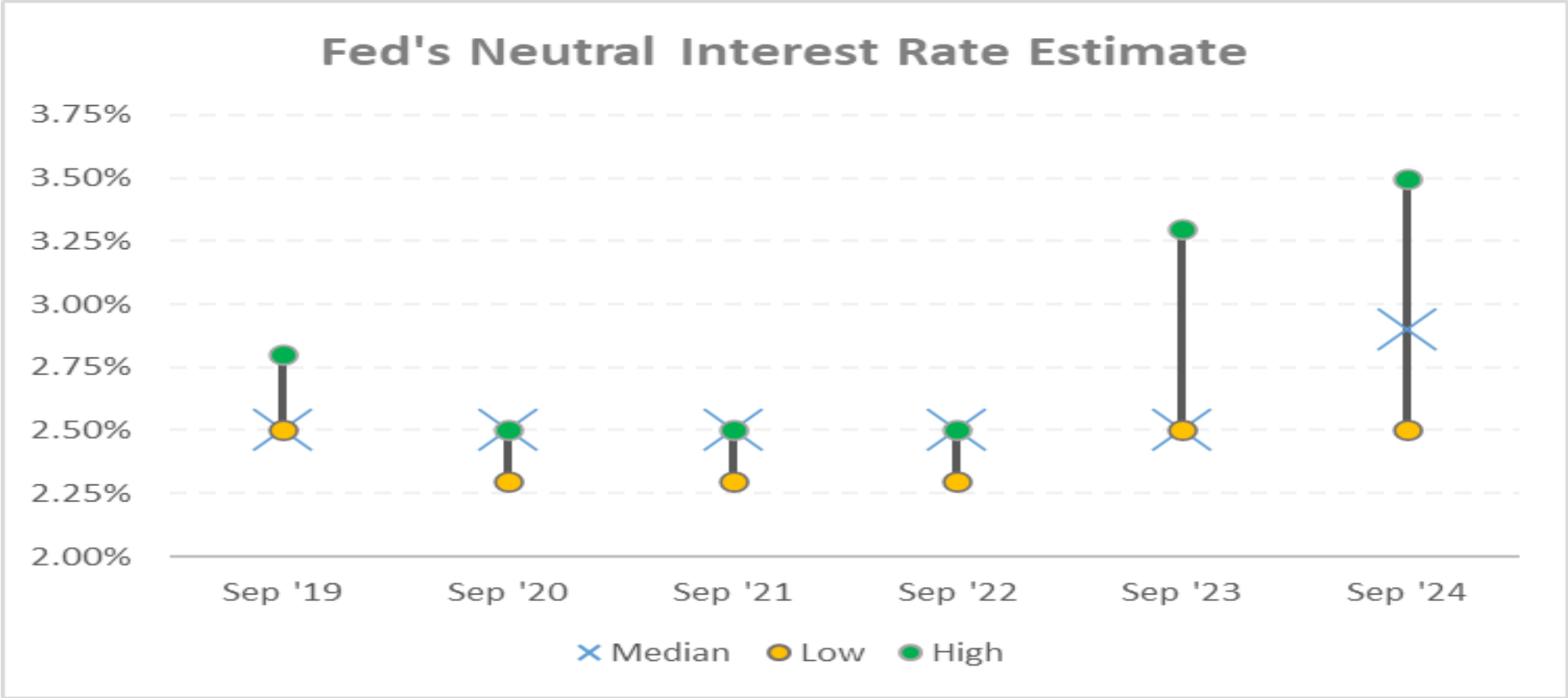
Rate Cut Expectations Have Eased



Source: Bloomberg



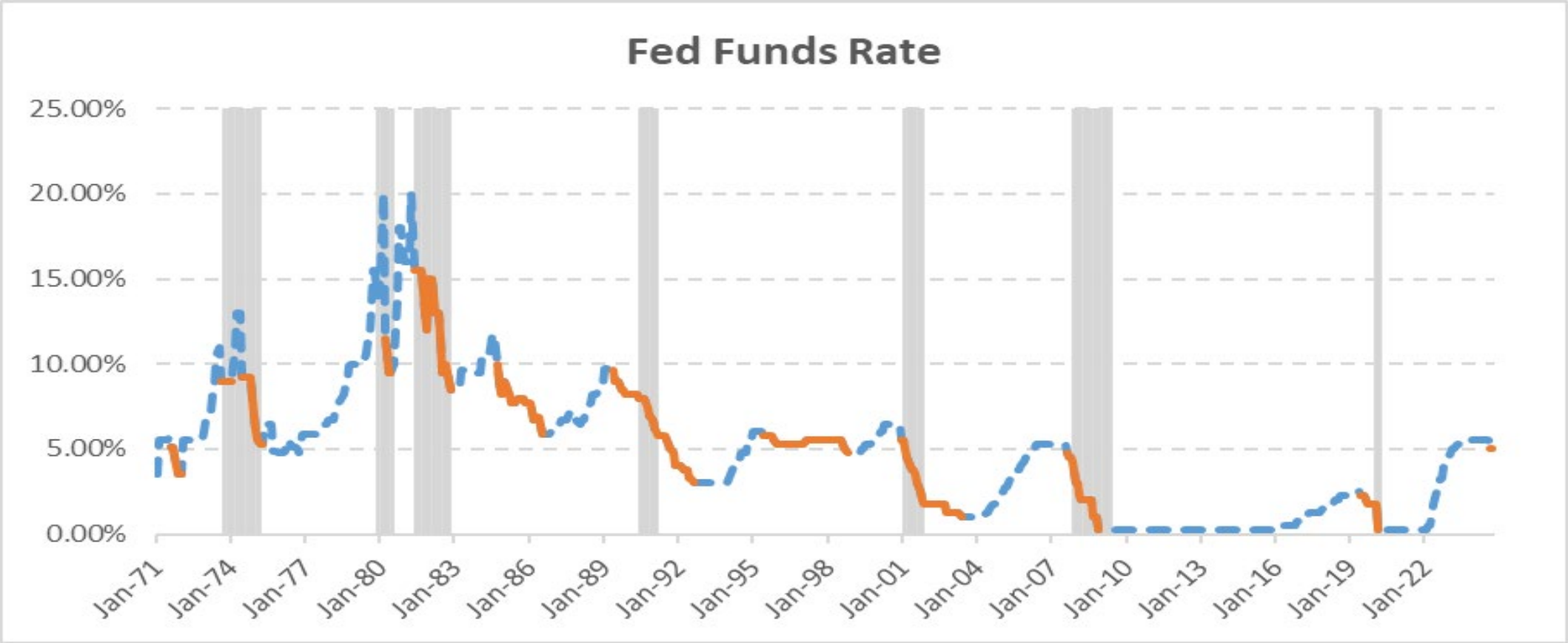
Fed's Neutral Rate Forecast Has Increased



Source: Federal Reserve



History of Rate Cut Cycles

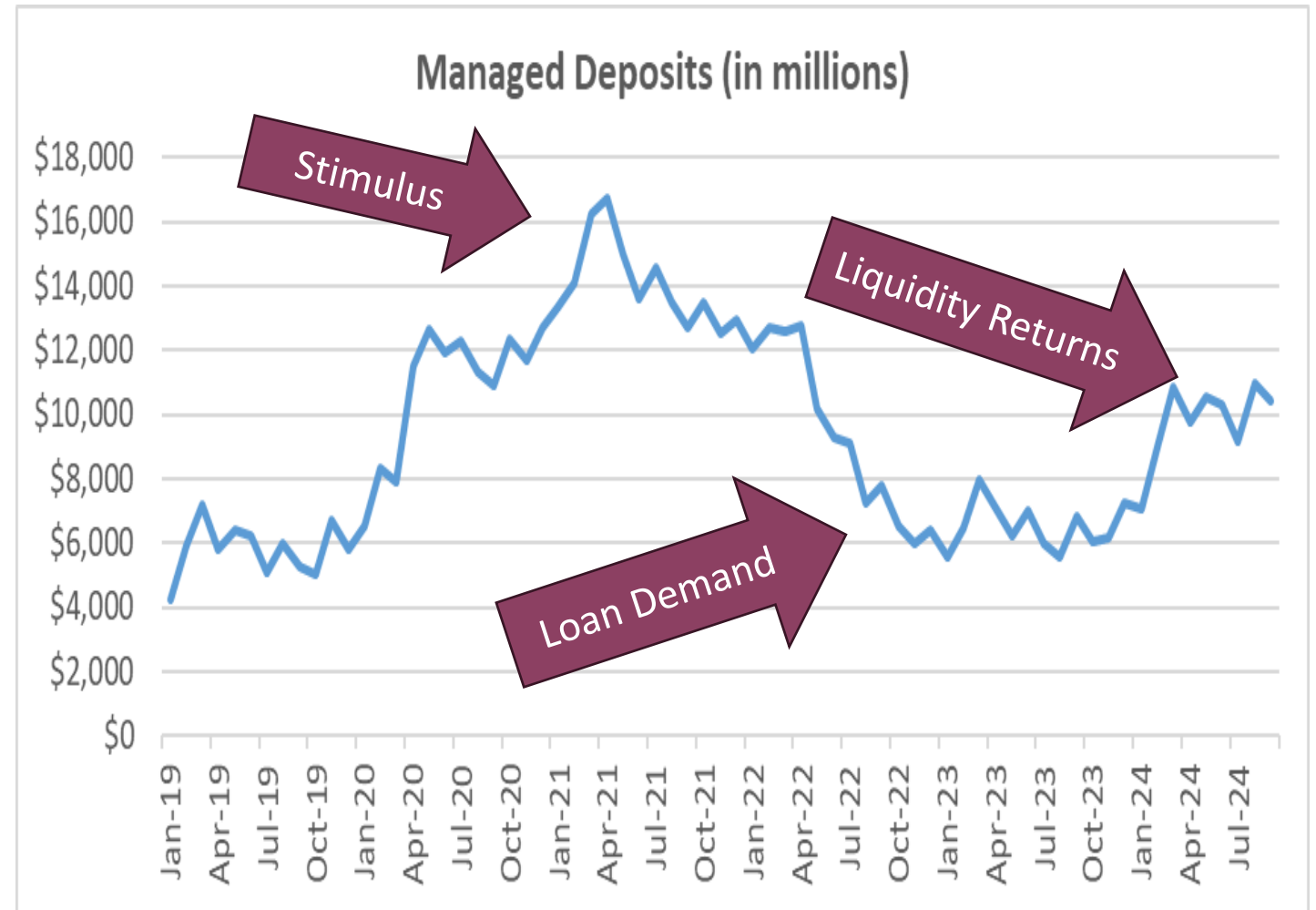


Source: Bloomberg



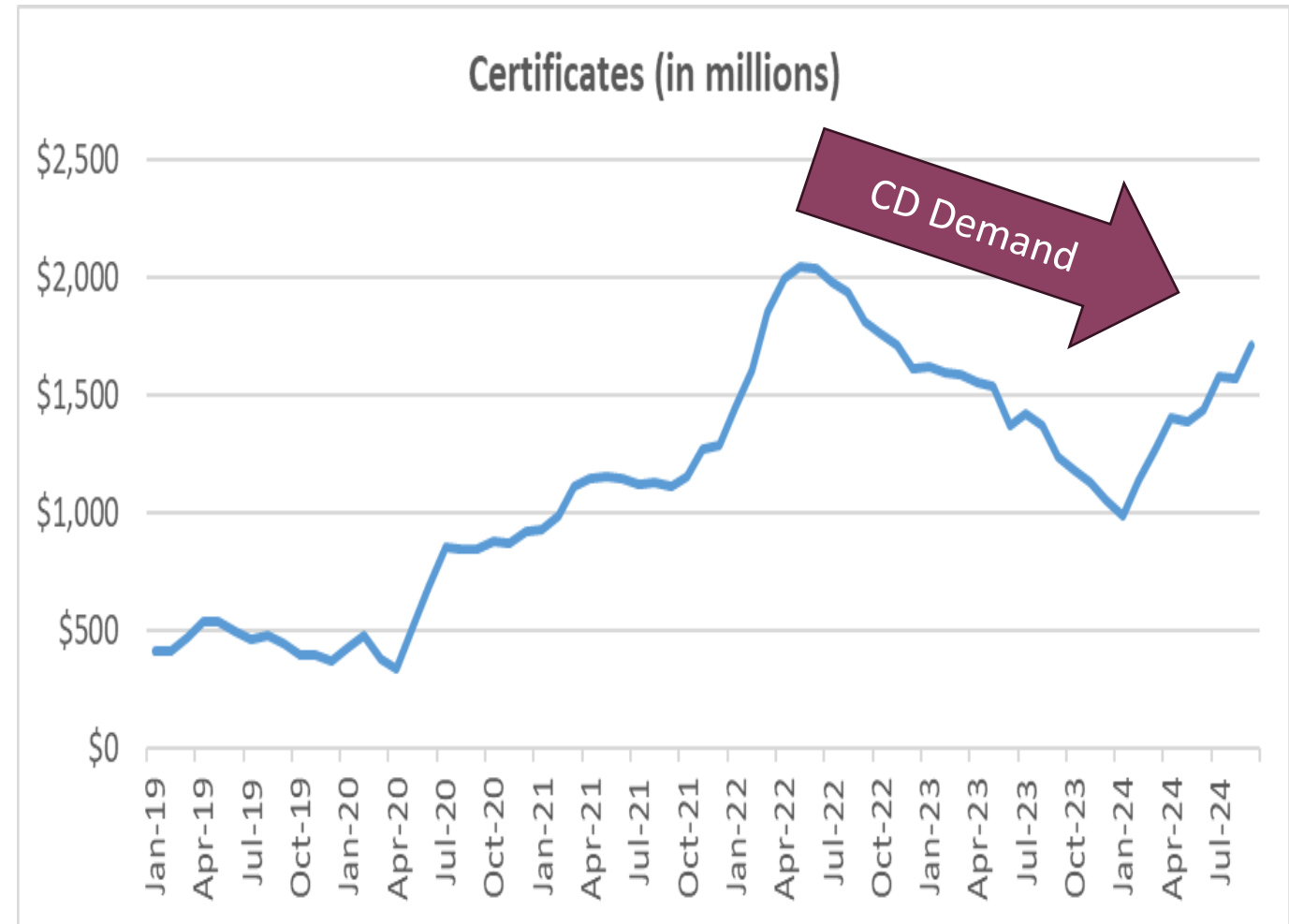
Alloya Balance Sheet Trends - Managed Deposits

- Pandemic stimulus funds flooded into credit unions in 2020/2021
- Credit unions used excess funds to support 3-years worth of loan growth in 2022/2023.
- Significant growth in balances in 2024. Why? Recession Indicator?



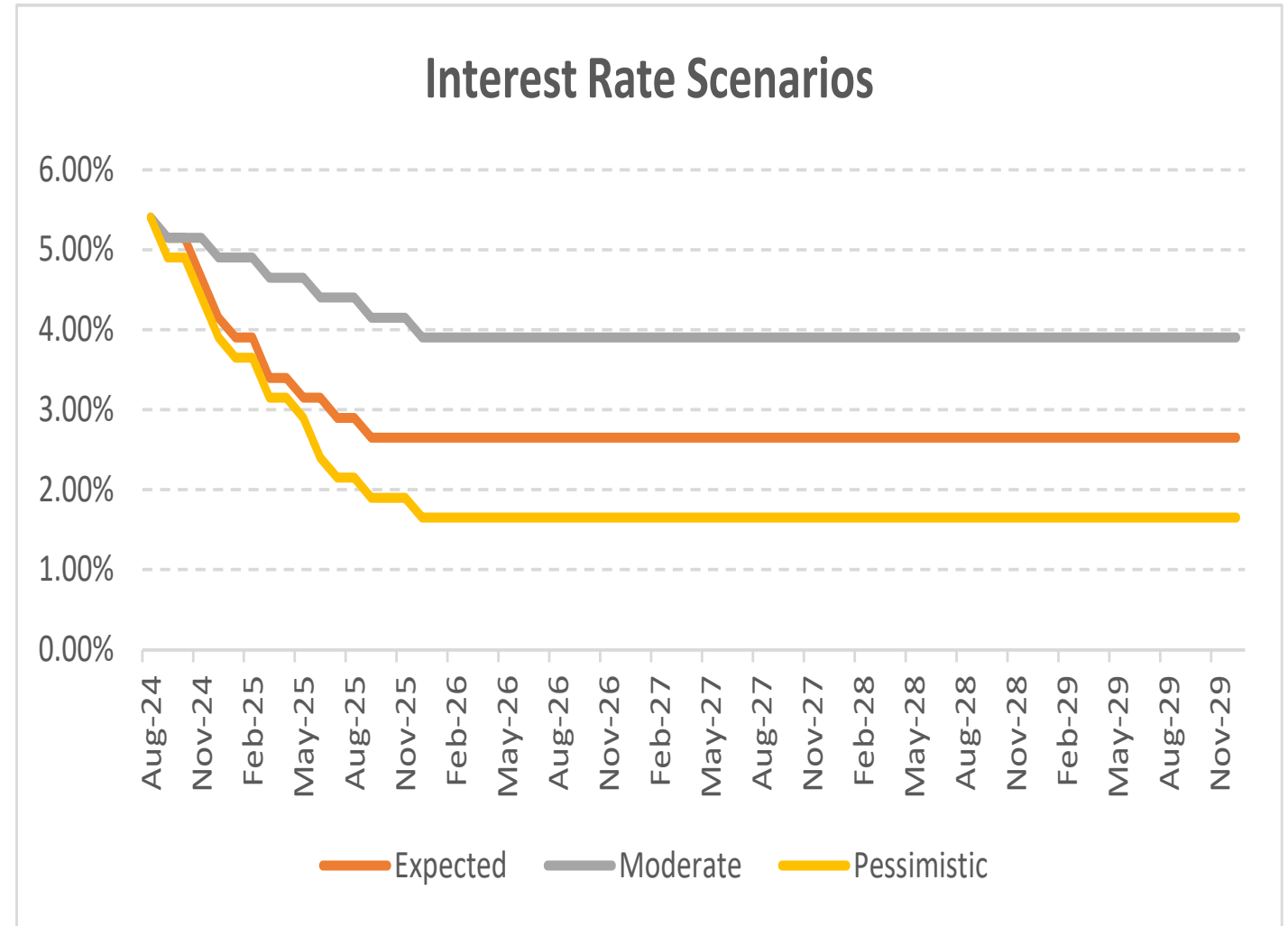
Alloya Balance Sheet Trends - Certificates

- Significant increase in 2024
- Alloya strategically increased number of specials to expand member value.
- Meeting demand for investments with certain cash flows. Fixed interest, no optionality.



Scenario Planning for Budget

- Alloya applies the current interest rate futures as its expected budget case to avoid bias. Currently expect FF to end at 2.75%.
- Very important to run different scenarios given high level of volatility in rates market. Assessing plans with a FF range of 1.75 to 4.00%.
- How would these FF outcomes impact Alloya's operational plans?



Thank you for your continued support!



Credit Union Results

Slow growth headlines 2024 results through three quarters

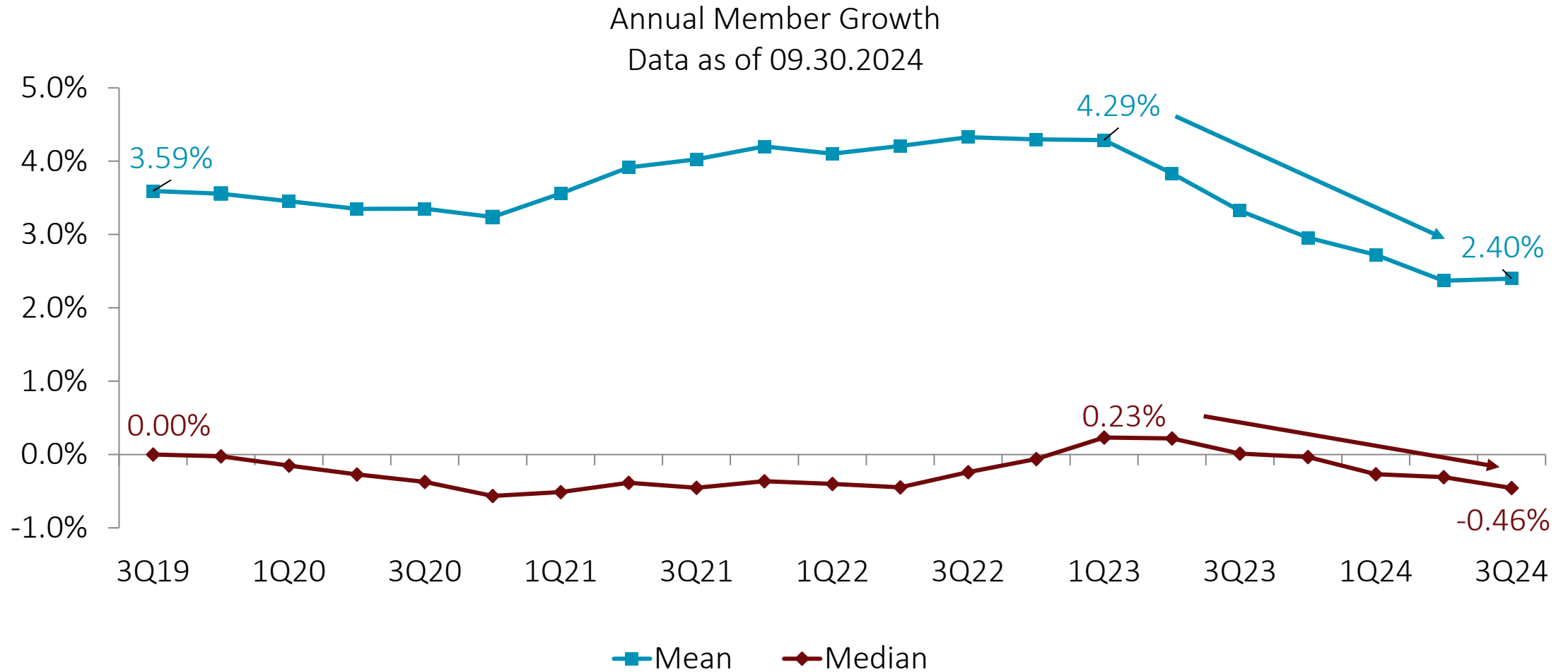
	9/30/2024	12-Mo. Growth	9/30/2023	12-Mo. Growth
Assets	\$2,335.5B	3.7%	\$2,251.7B	3.6%
Loans	\$1,646.4B	2.6%	\$1,604.8B	9.1%
Shares	\$1,955.4B	3.2%	\$1,895.0B	0.8%
Investments (incl. Cash)	\$584.9B	5.5%	\$554.6B	-8.7%
Capital	\$253.0B	15.6%	\$218.9B	9.3%
Members	143.5M	2.4%	140.2M	3.3%

Slow Growth

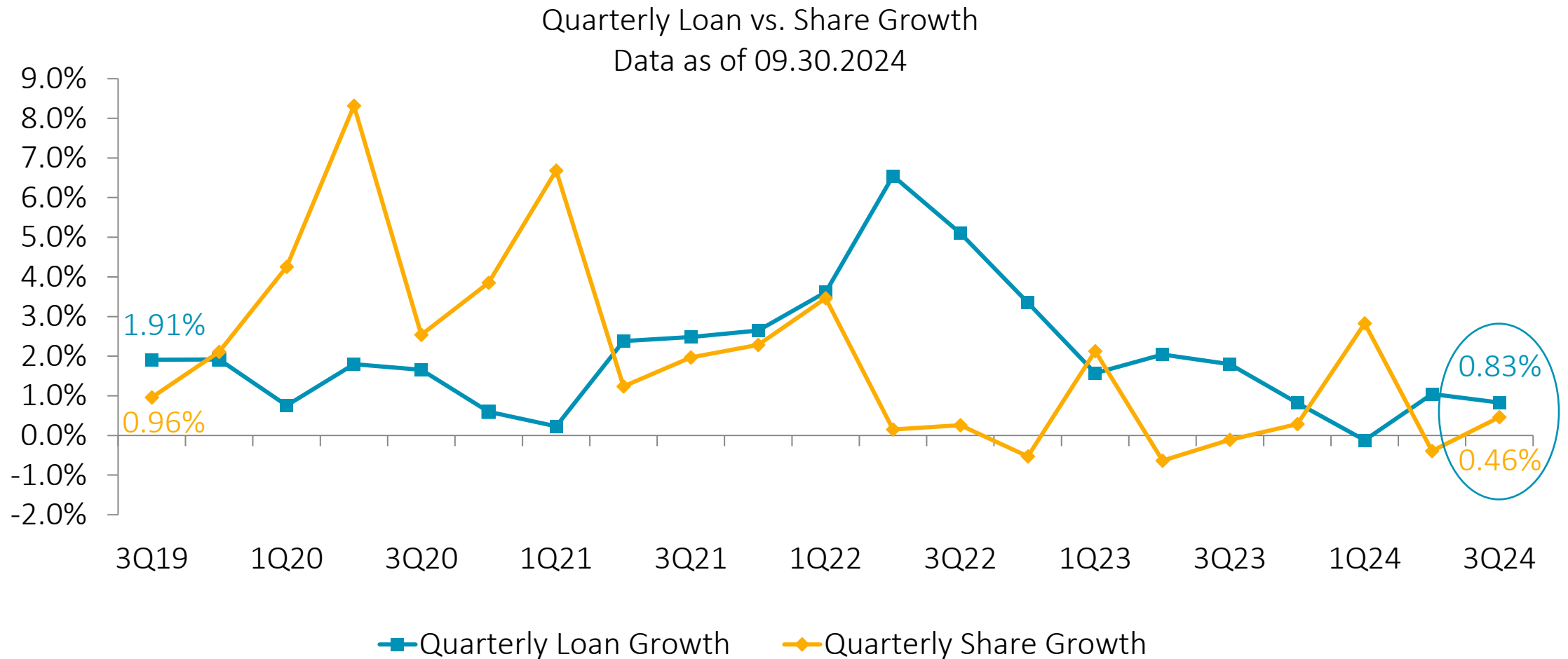
Mean vs. Median Explained

- Mean = “average” credit union (\$ amount/# of credit unions)
- Industry averages are dominated by larger credit unions’ performance
 - 21 largest CUs (over \$10B in assets) hold **25% of industry assets**
 - The mean credit union in the country has **~\$500M** in assets
- Median = “middle” credit union performance for each metric
- This is not always an accurate picture of performance for many CUs
 - There are **4,600 active charters** today
 - The median credit union in the country has **~\$59M** in assets

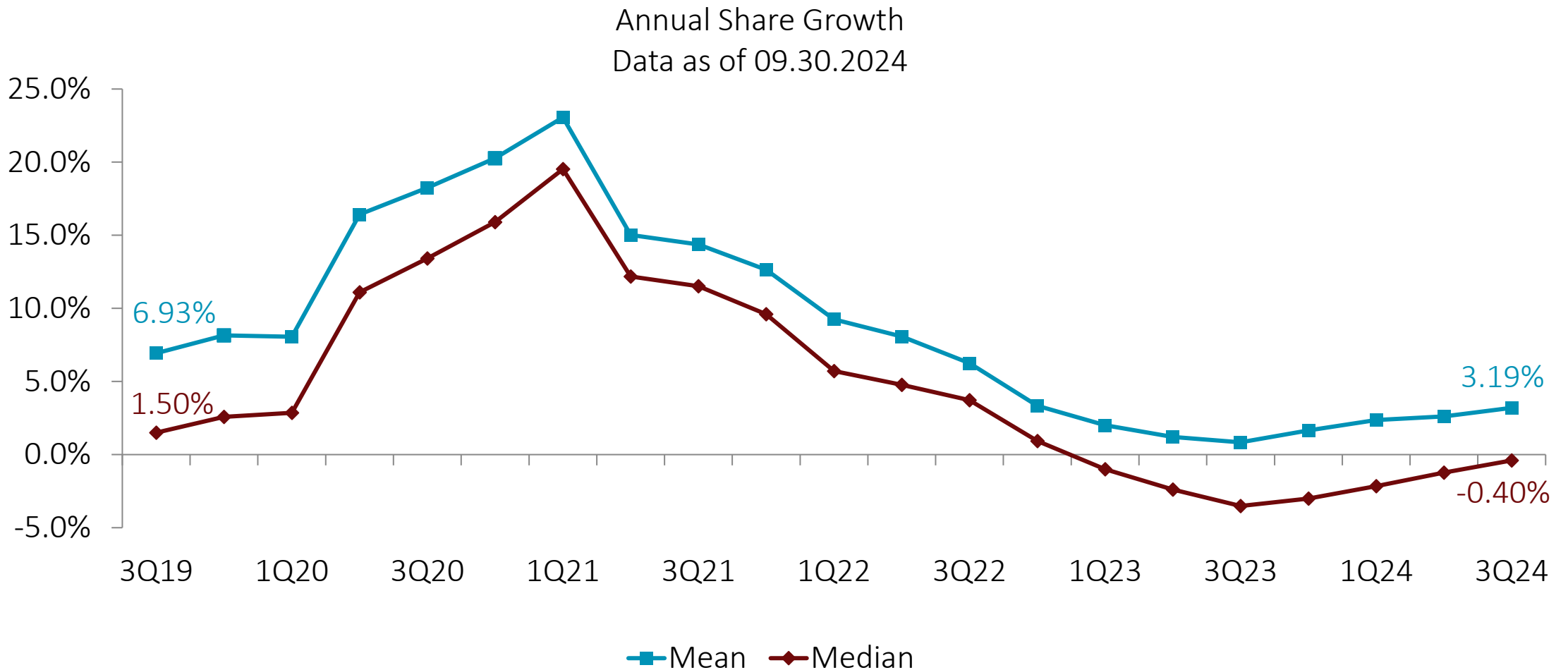
Member growth has trended down since 2023



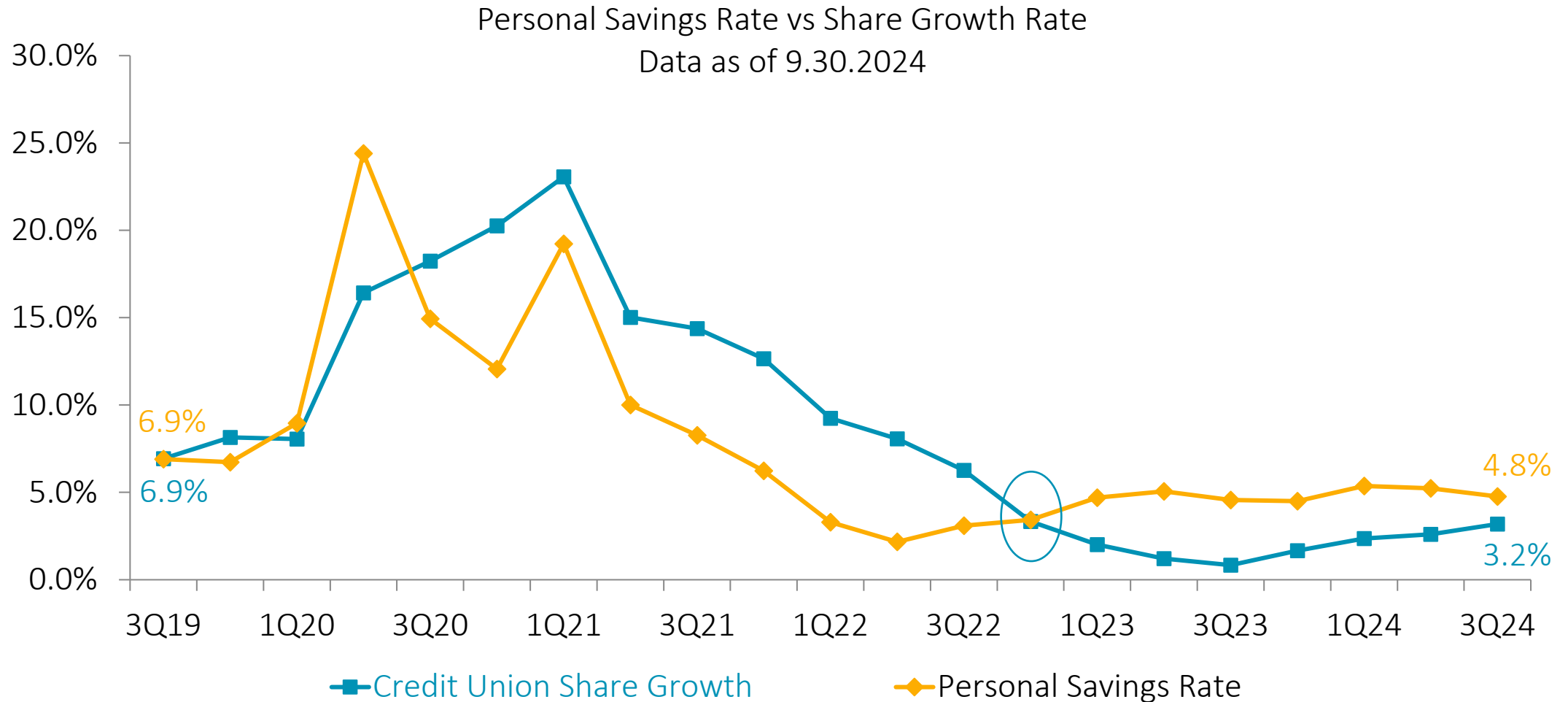
Quarterly loan and share growth are both below 1% in third quarter



Credit union share growth is moving higher but remains below historical averages

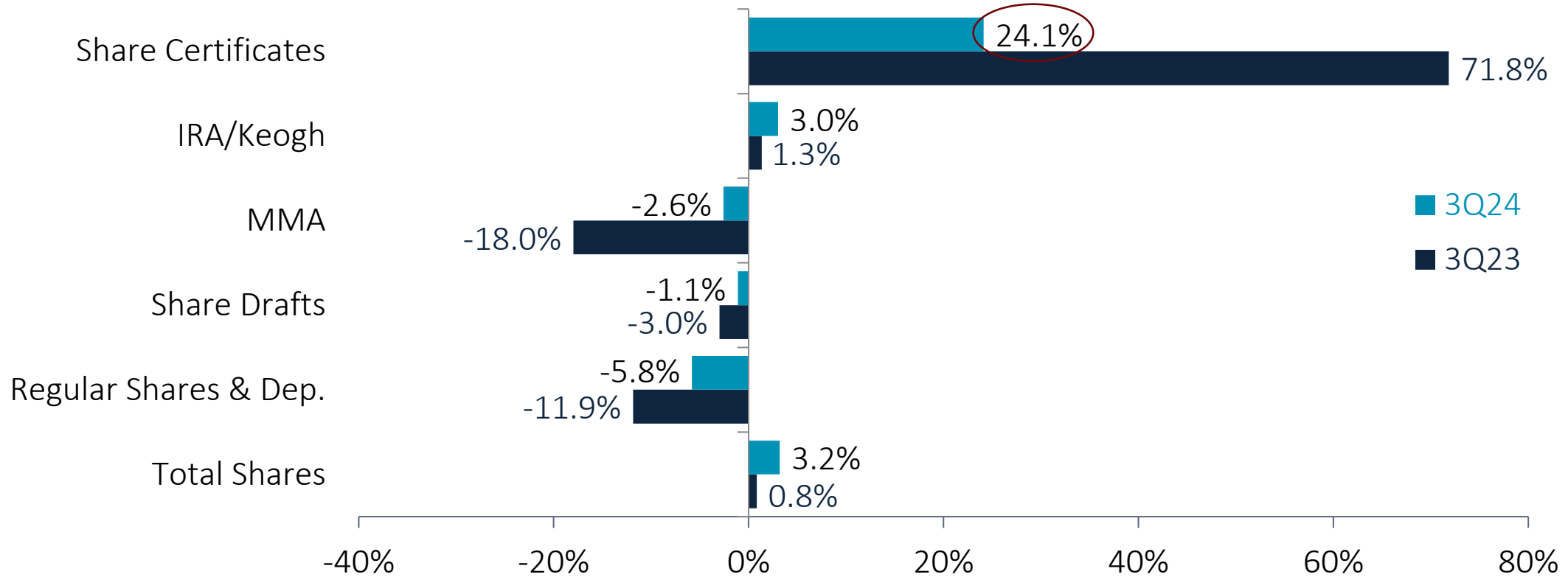


Credit union share growth has trailed the national savings rate since 2022

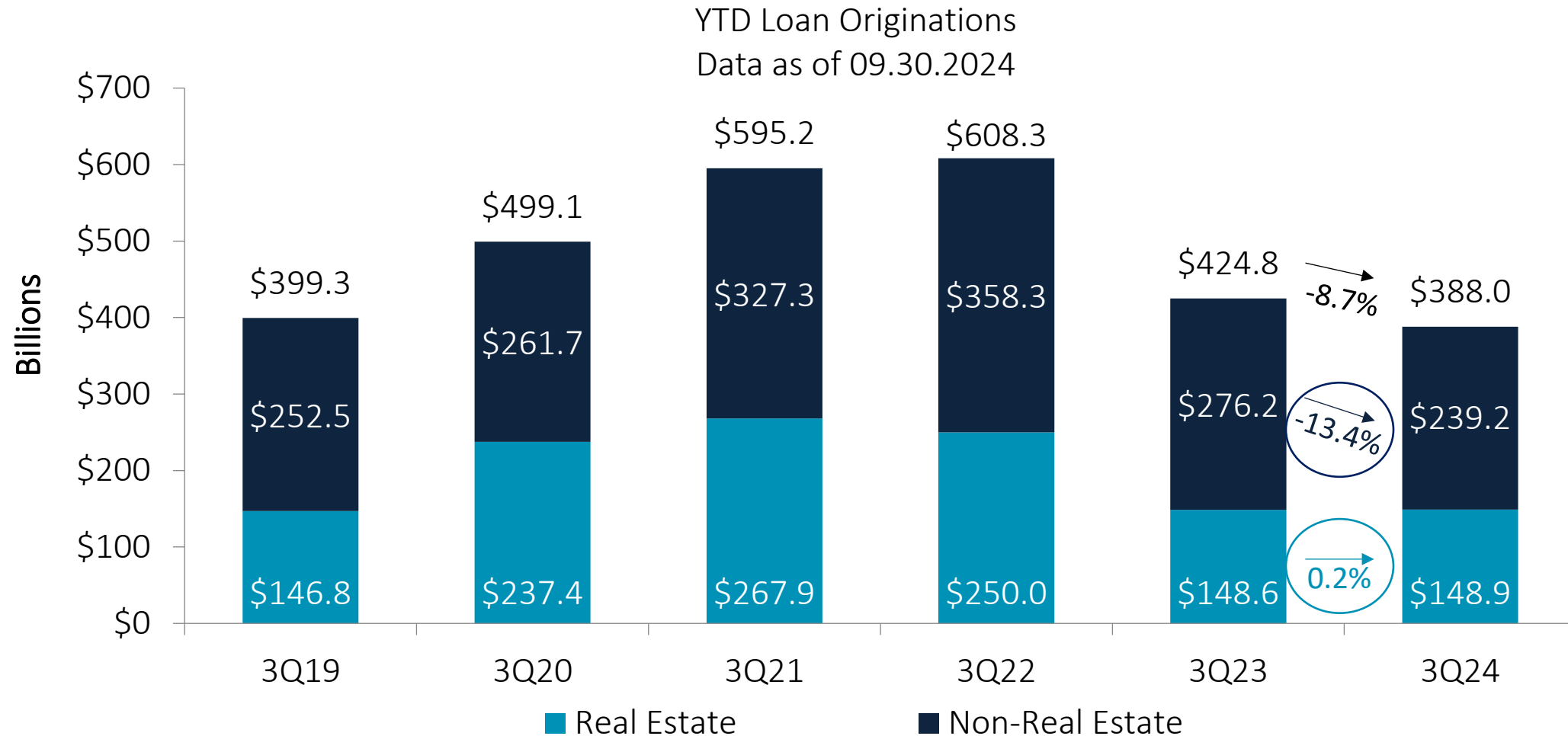


Certificates continue to drive share portfolio growth as growth rates in other savings products improve

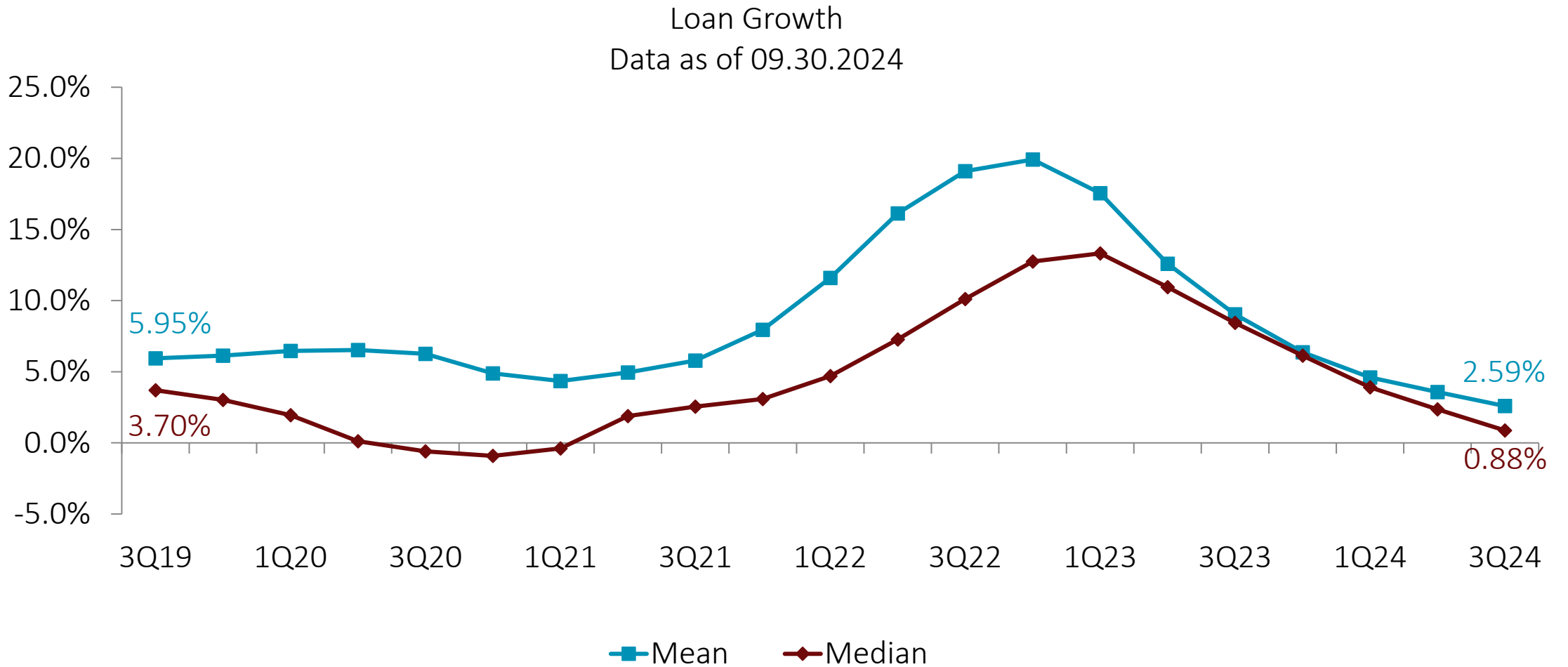
12-Mo. Growth in Shares Segments
Data as of 09.30.2024



Real estate originations record slight gain versus 2023

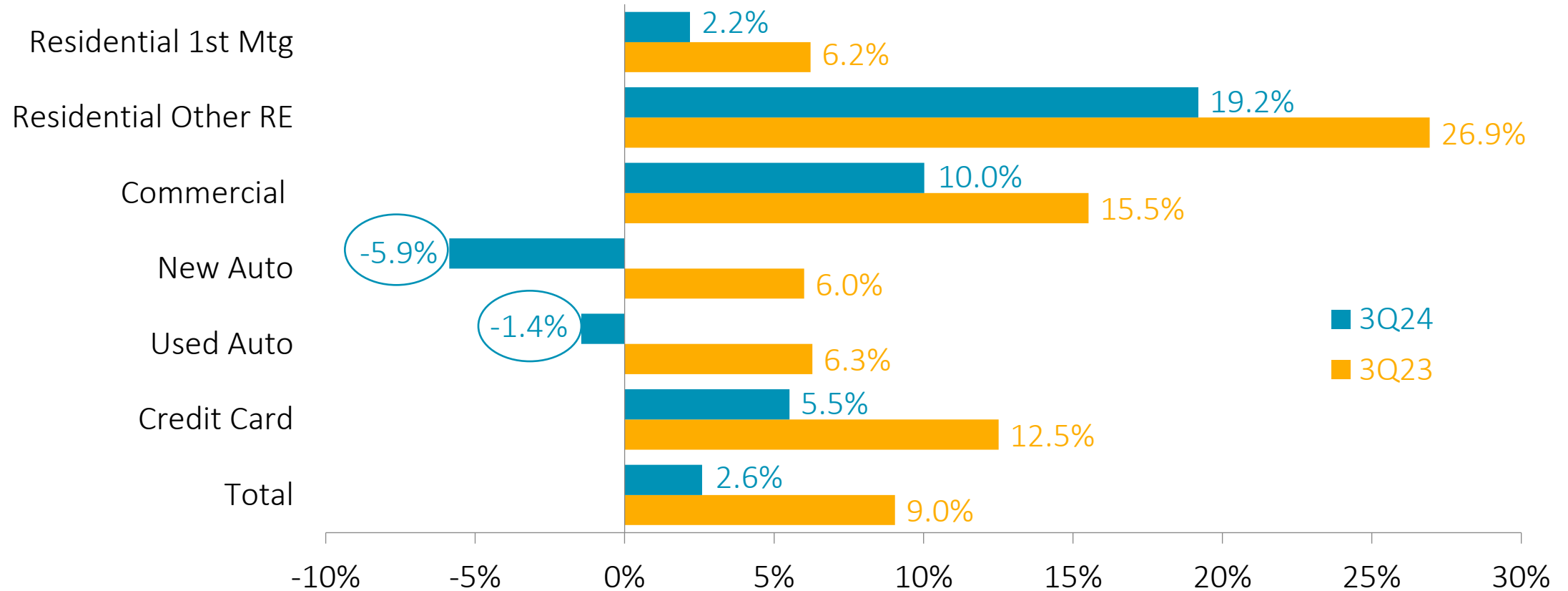


Loan portfolio growth continues to slow

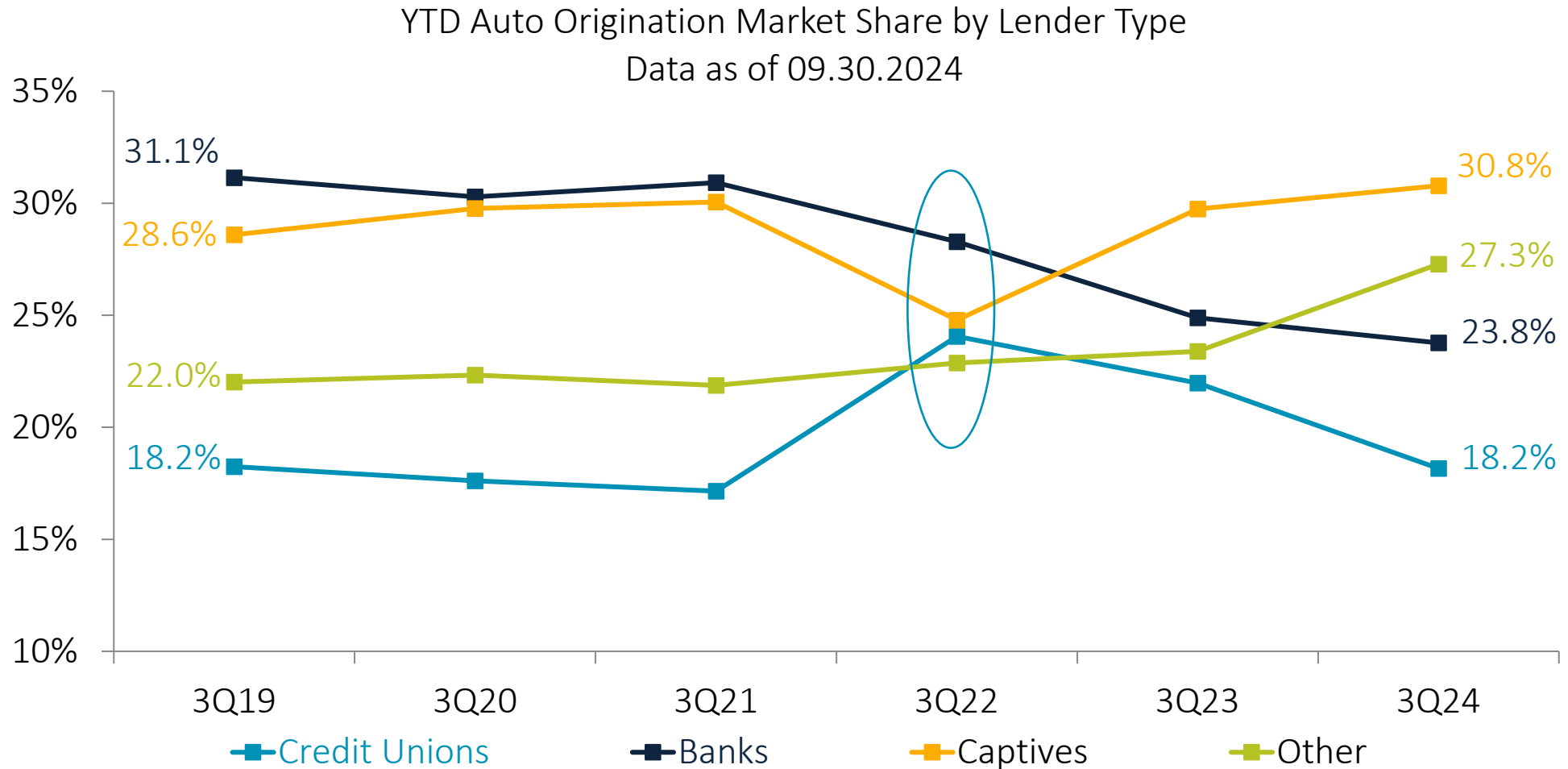


A shrinking auto loan portfolio impacts total loan growth

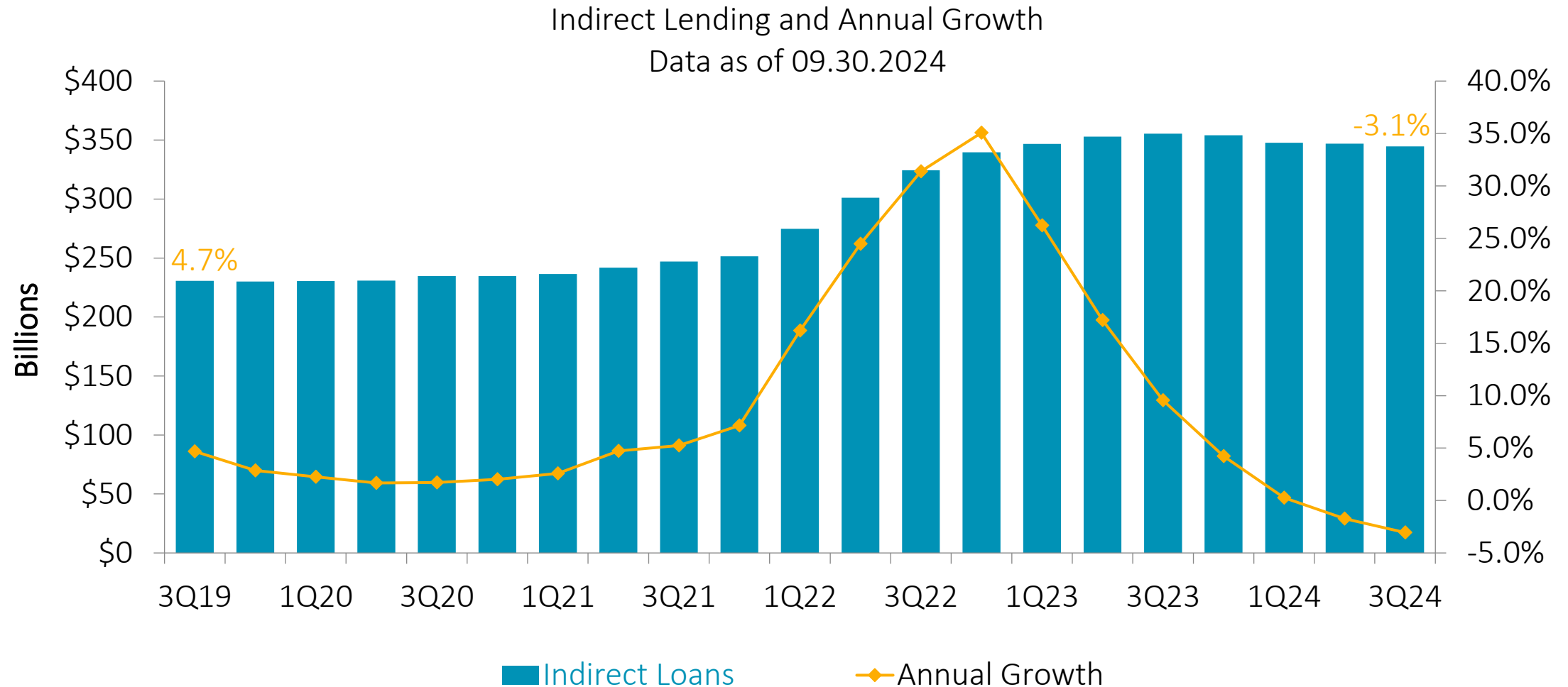
Annual Growth in Loans Outstanding
Data as of 09.30.2024



Captives and finance companies have increased their share of the auto lending market since 2022



Indirect lending balances fall 3.1% year-over-year





Targeted Promo to Reprice Mortgage Portfolio

Lia Patino
VP-Mortgage Lending





When your CEO asks how we can move some of those super low-rate mortgages off the balance sheet, you get creative!

- Identify an offer that was attractive enough for our members to consider giving up their sub 4% rate
- Collaborate early on with mortgage loan officers, marketing and compliance
- Be willing to adjust offer if it is not producing the desired results
- Connect with your members, they will tell you what they need
- Do it all for little to no cost



Program Details

Create a highly targeted marketing campaign that contains significant value for the members

■ Criteria

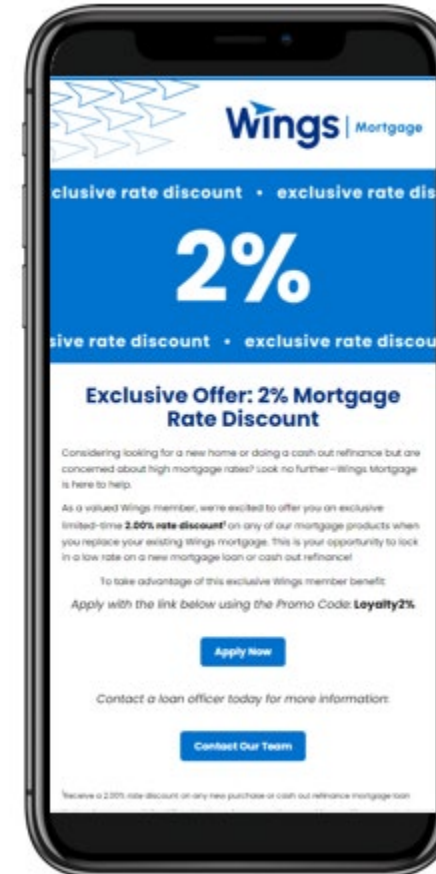
- Mortgages that are held in the portfolio priced at 4% and below
- Exclude for delinquency and those nearing payoff
- Scrub for do-not-contact status

■ Process

- Divided list into two: sub 3% rates and 3-4% rates
- Focused on the sub 3% group first, knowing this would be the hardest group to get movement on
- Divided the sub 3% list in half by random selection (group 1 & 2) allowing us the ability to provide separate offers to gauge interest
- Worked closely with compliance and marketing
- Delivered first batch by email with deadline of 45 days to apply

Offer Details

- We branded this campaign as a loyalty program that contained an exclusive offer
- Up to 2% discount off current market rates, not to go below 5%
- New loan must replace the existing low-rate loan
- Will lend up to 1.5 times the original loan balance
- Eligible on a purchase or cash out refinance
- Not eligible on FHA or VA loans
- Non-transferable





Results (Round 1) – Not Great

- High number of emails were opened (60%)
- Click thru was low (less than 5%)
- Minimal applications within the 45-day window
- We had MLOs call out to members included in the first batch
 - Feedback was similar with many of the members we spoke to:
 - “I have a great rate”
 - “Not interest in moving at this time”
 - “I do not have a need for cash out”

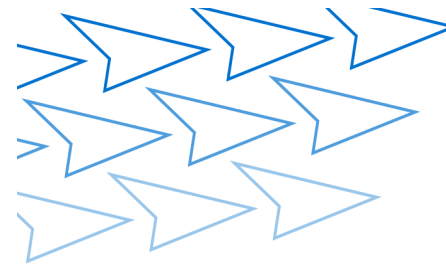


Now What?

- Enhanced offer for group 2 and extended the same enhanced offer to group 1
 - Extended offer for an additional 60 days for group 1
 - Kept the 2% discount
 - Waived the origination fee
- In addition to emails, we added banners and messaging to our online and mobile banking platforms.
 - When the member logs into their account the offer will appear if they are eligible
- We continued with our call campaign. If we could talk with the members, many times it led to an application.

How did it work?

- 86 applications
- Over 40% resulted in a closed loan
- Received positive feedback from members
- Some were interested but not ready to move at the time of the offer



Wings | Mortgage



Exclusive Offer: 2% Mortgage Rate Discount and Waived Origination Fee

Considering looking for a new home or doing a cash out refinance but concerned about high mortgage rates? Wings Mortgage is here to help.

As a valued Wings member, we're excited to offer you an exclusive limited-time **2.00% rate discount** on any of our mortgage products when you replace your existing Wings mortgage. On top of that, **we'll waive your origination fee**. That's an additional savings of up to \$1,200. This is your opportunity to lock in a low rate on a new mortgage loan or cash out refinance!

*Take advantage of this exclusive Wings member benefit by applying with the Promo Code: **Loyalty2%**.*



What is Next?

- Extended similar offer to 3-4% mortgage rate group
 - 40 applications received w/ 50% resulting in a closed loan
 - Promo is still active thru end of year
- Preparing to market another offer to the sub 3% group to see if we can get more movement
 - We will adjust offer slightly
 - With rates remaining high we anticipate additional interest



Wings

Credit Union



Lia Patino
VP – Mortgage Lending

952-997-8090

lpatino@wingsfinancial.com

14985 Glazier Avenue
Apple Valley, MN 55124



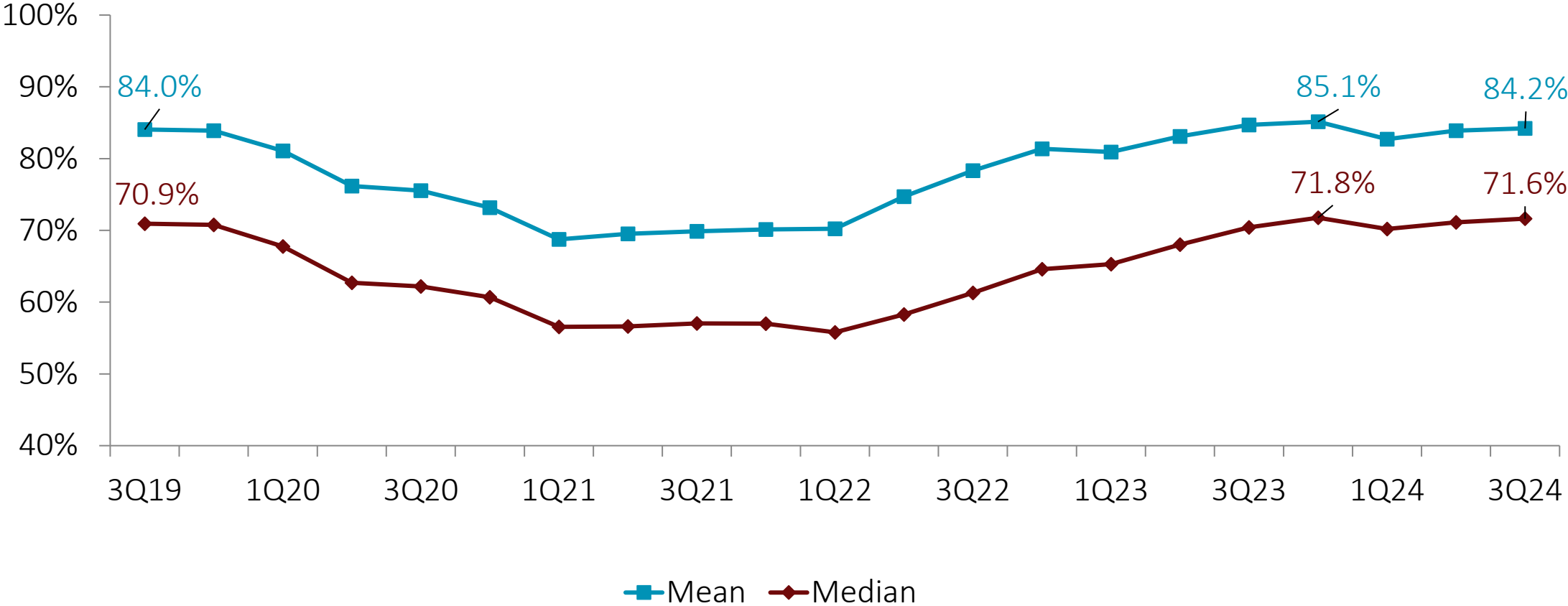
THANK YOU!

wingscu.com

Liquidity Management

Loan-to-share ratio moves slightly higher, remains just below peak

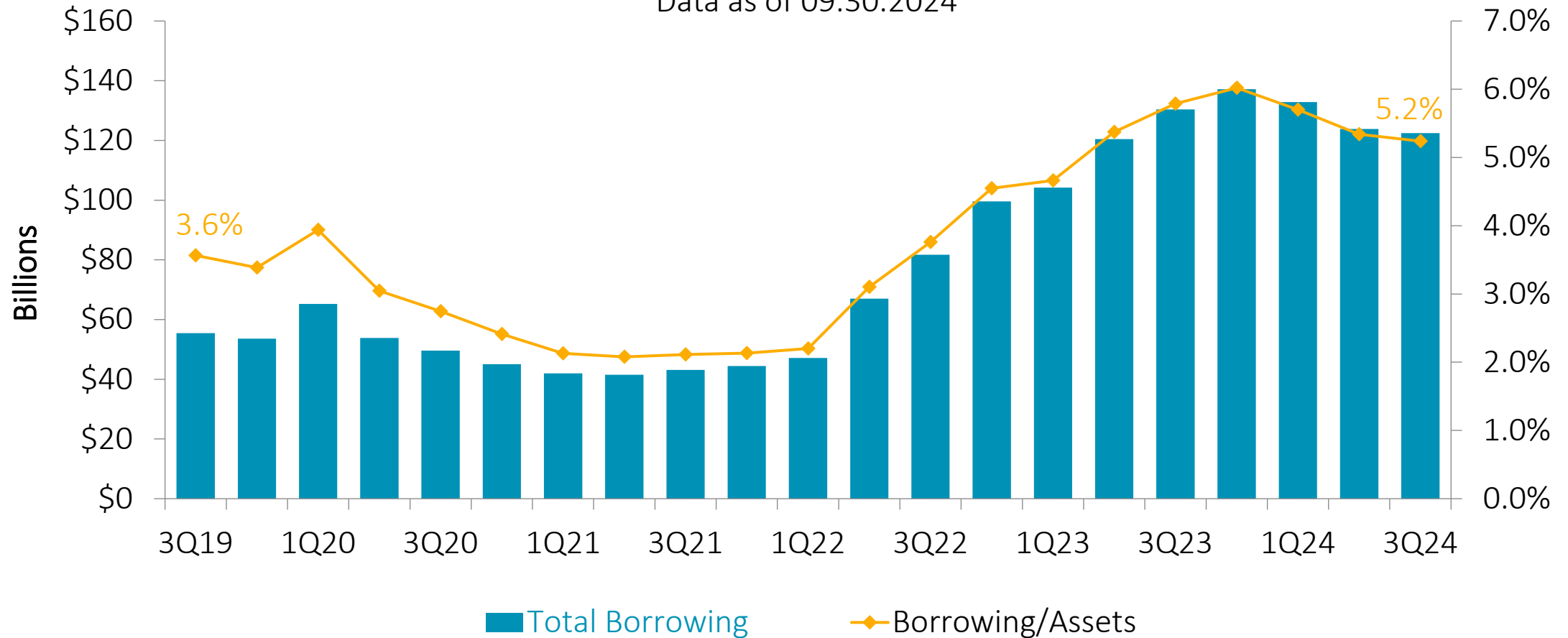
Loan-to-Share Ratio
Data as of 09.30.2024



Borrowings are coming down

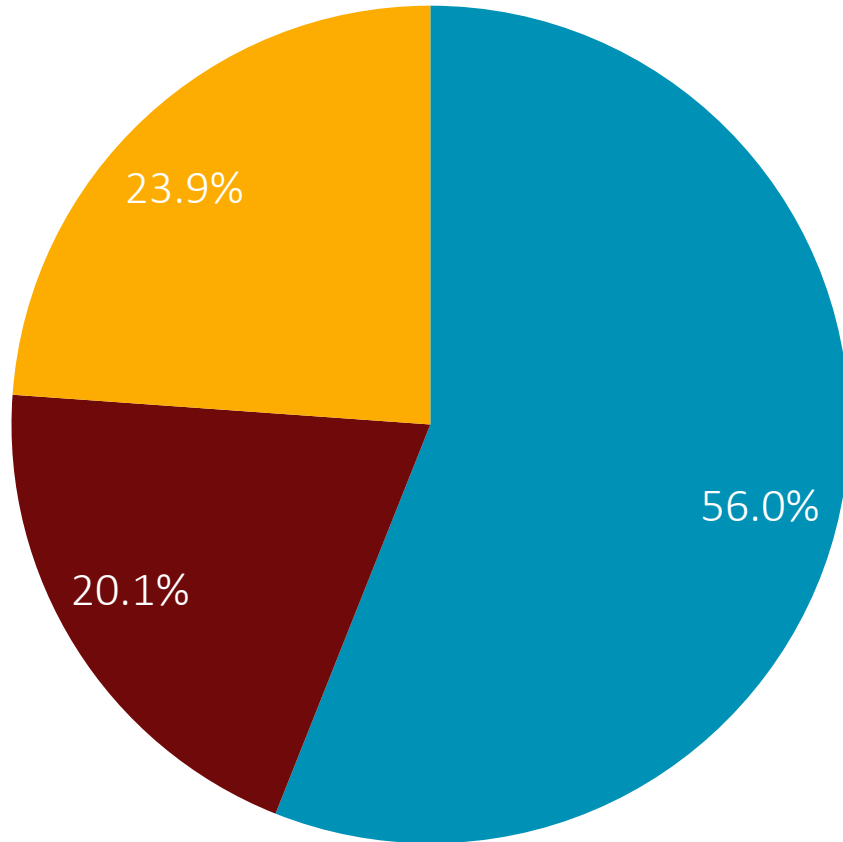
Total Borrowing and as a Percentage of Assets

Data as of 09.30.2024

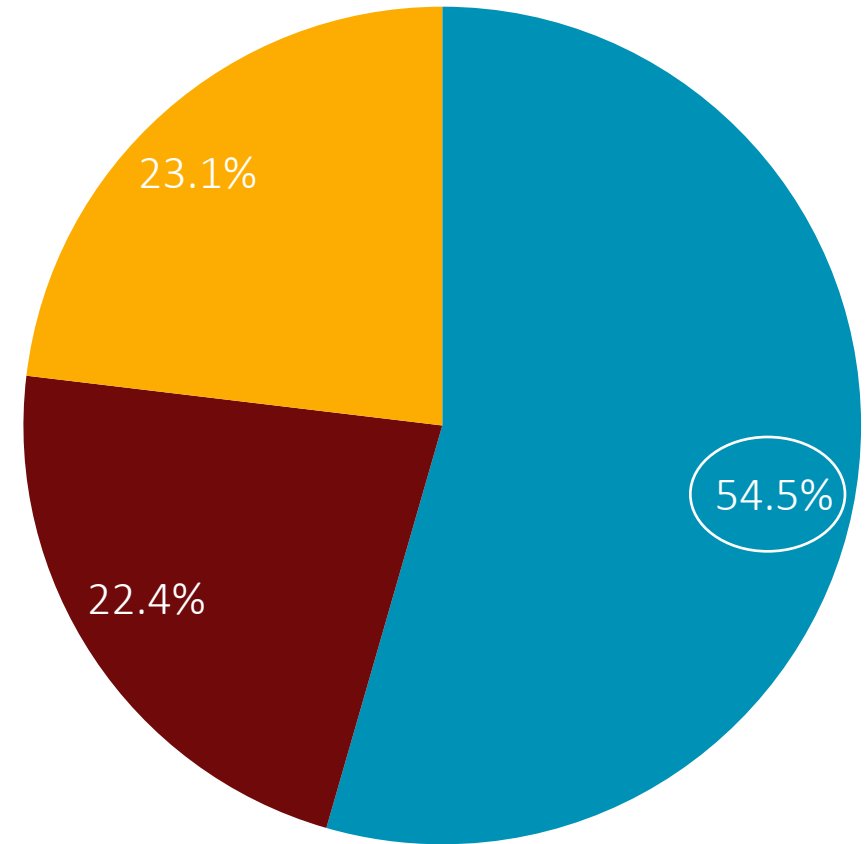


55% of borrowings will mature in next 12 months

Borrowing Maturity
Data as of 09.30.2023



Borrowing Maturity
Data as of 09.30.2024

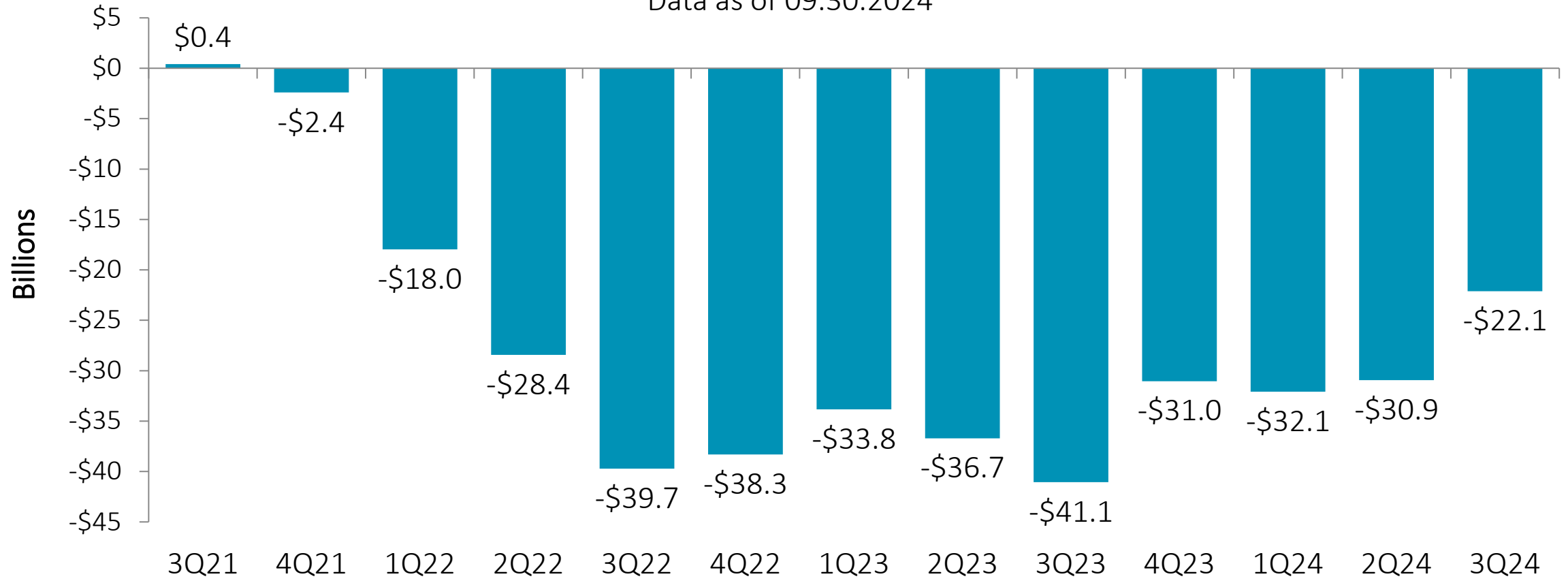


- < 1 Year
- 1-3 Years
- > 3 Years

Unrealized losses lessen by \$9 billion

Accumulated Unrealized Gain (Loss) on Available for Sale Securities

Data as of 09.30.2024



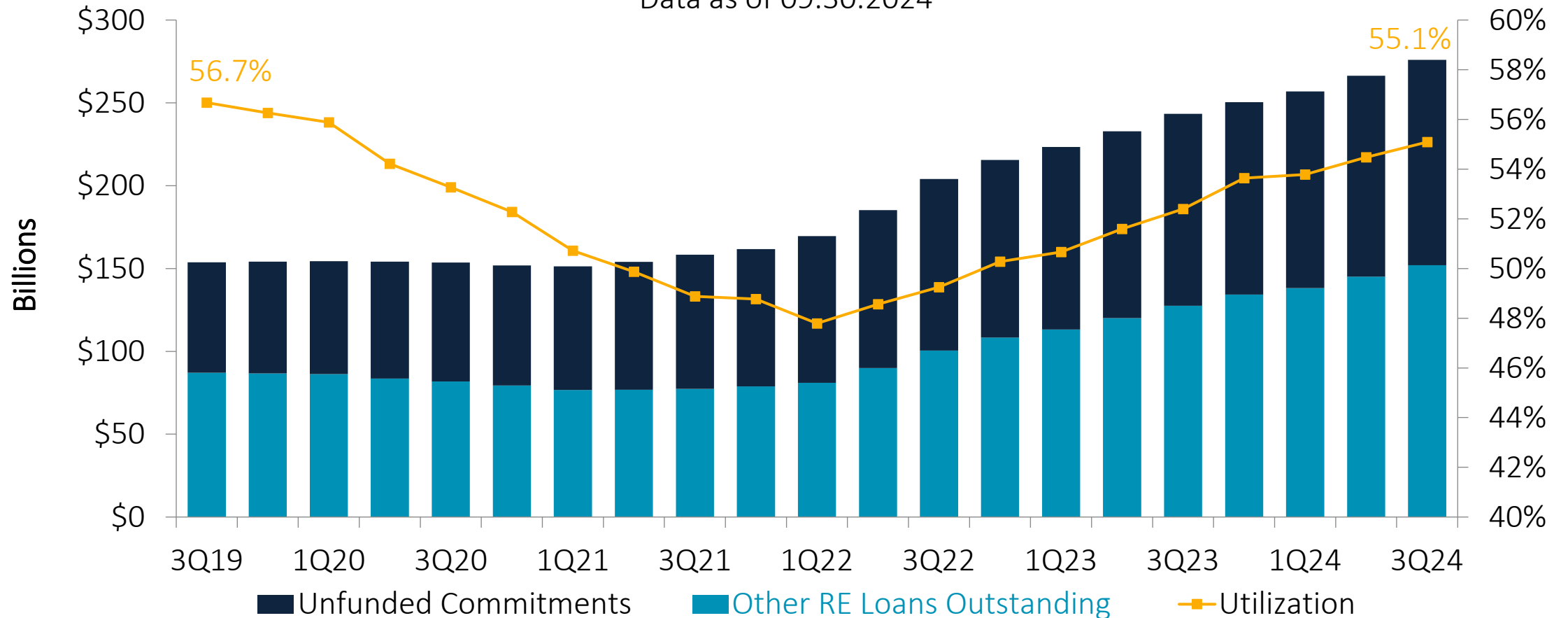


Member Financial Challenges



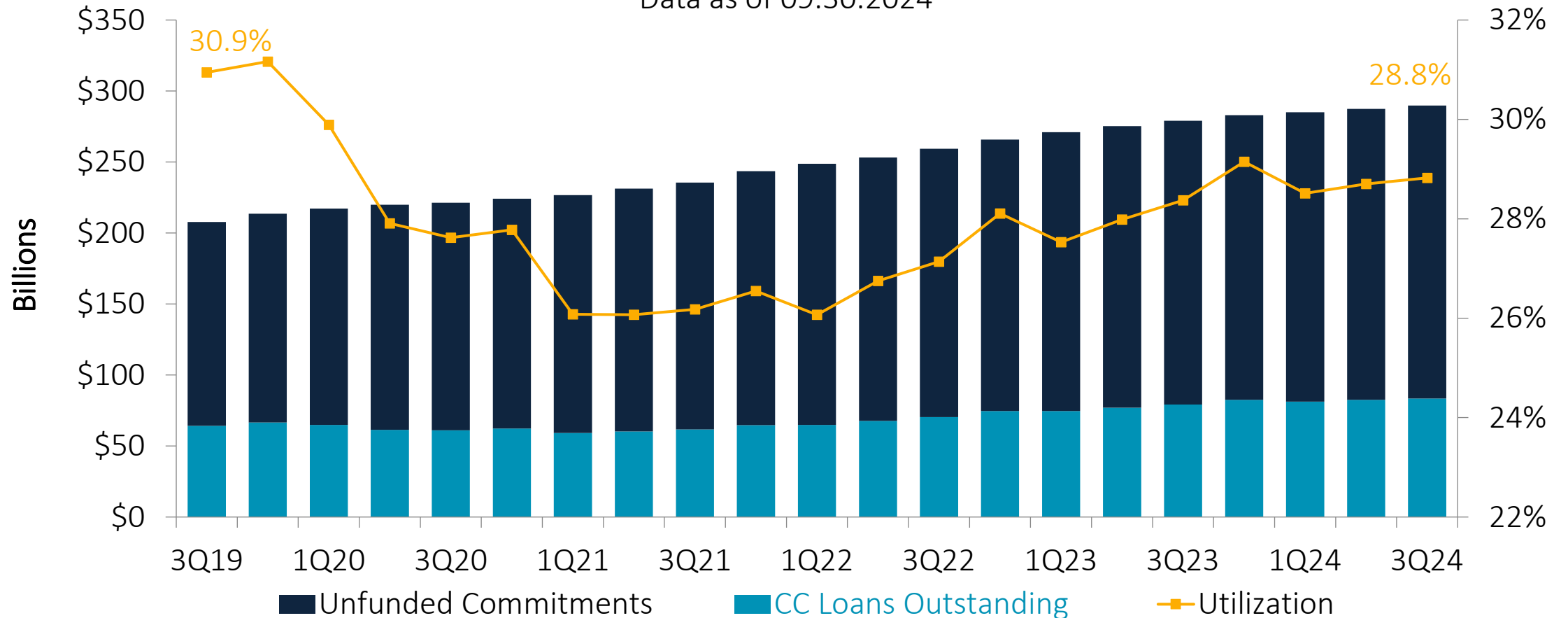
Members are increasing their utilization of home equity lines

Total HELOC Balances and Utilization
Data as of 09.30.2024

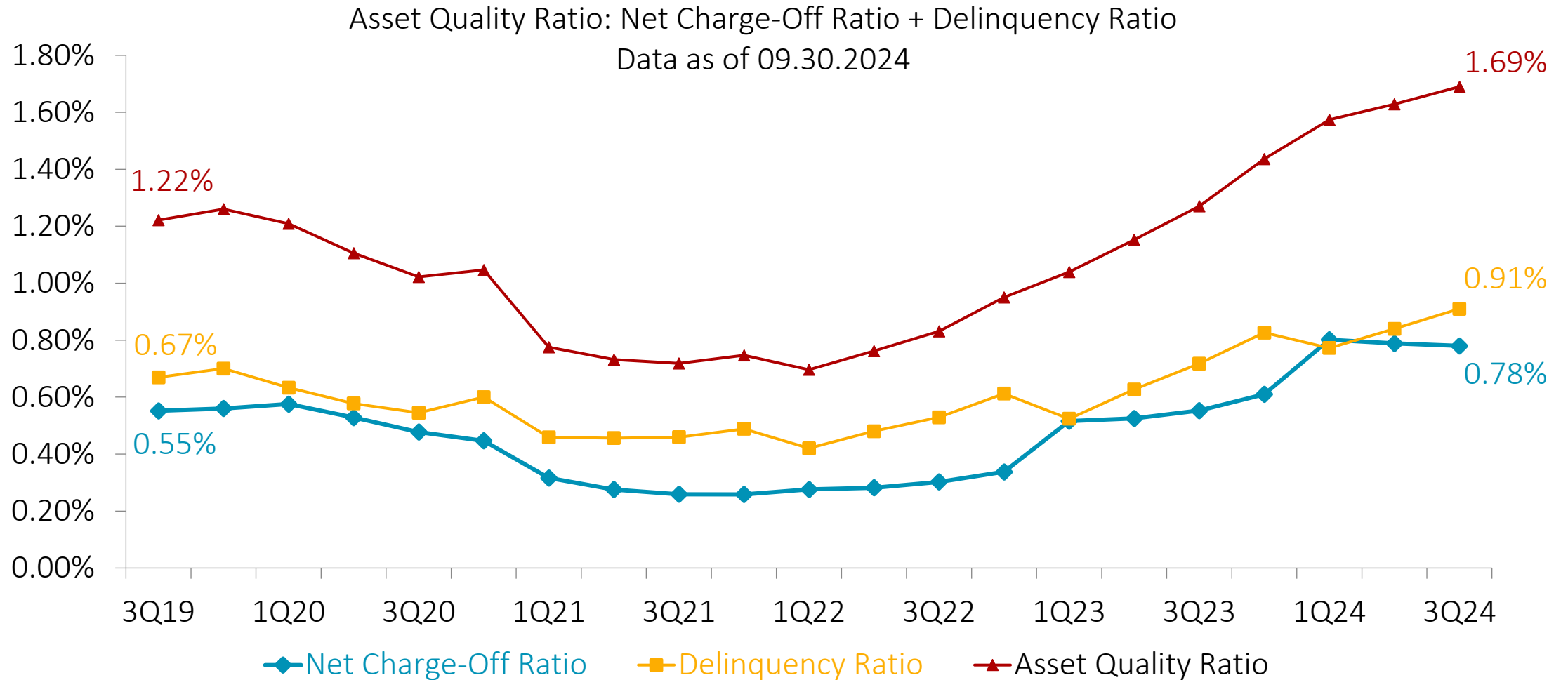


Credit card usage is trending upwards

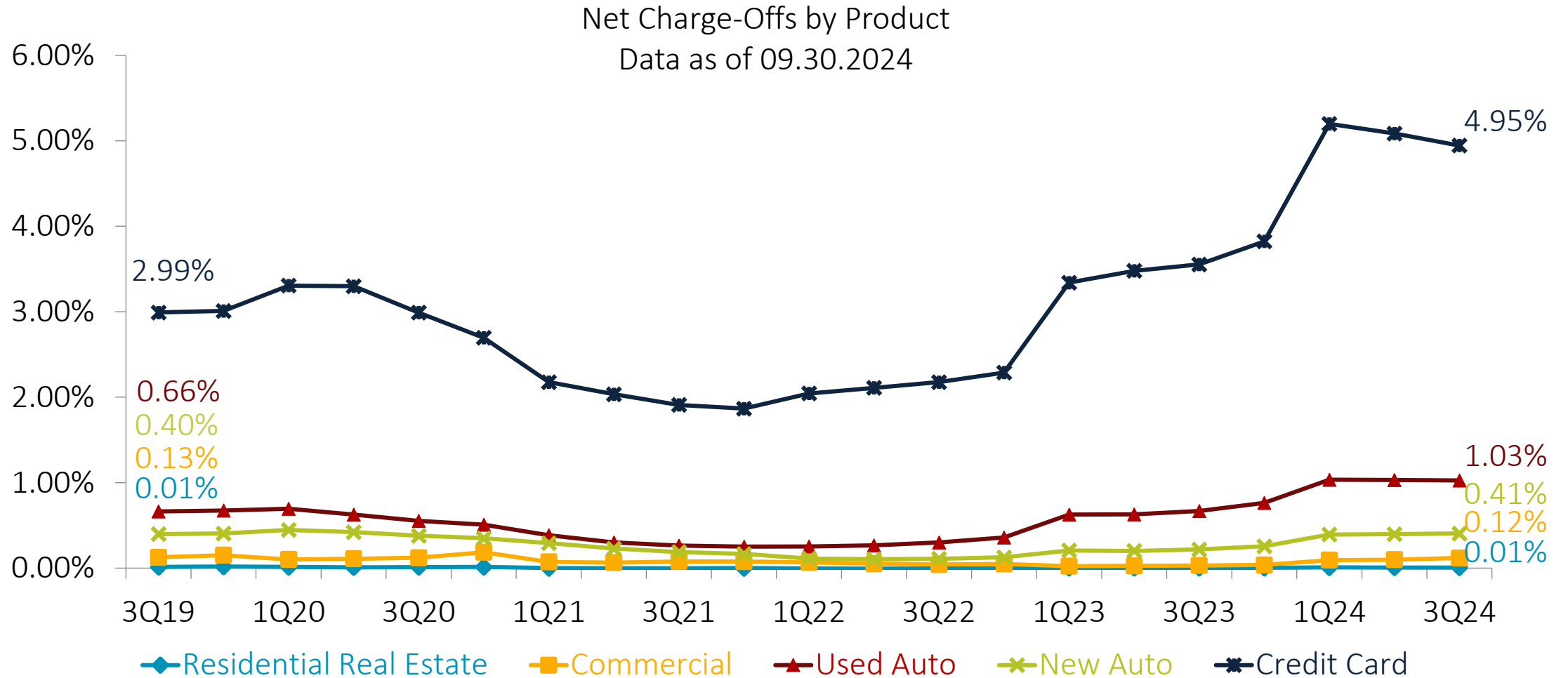
Total Credit Card Lines and Utilization
Data as of 09.30.2024



Delinquency is rising as net charge-offs tick lower



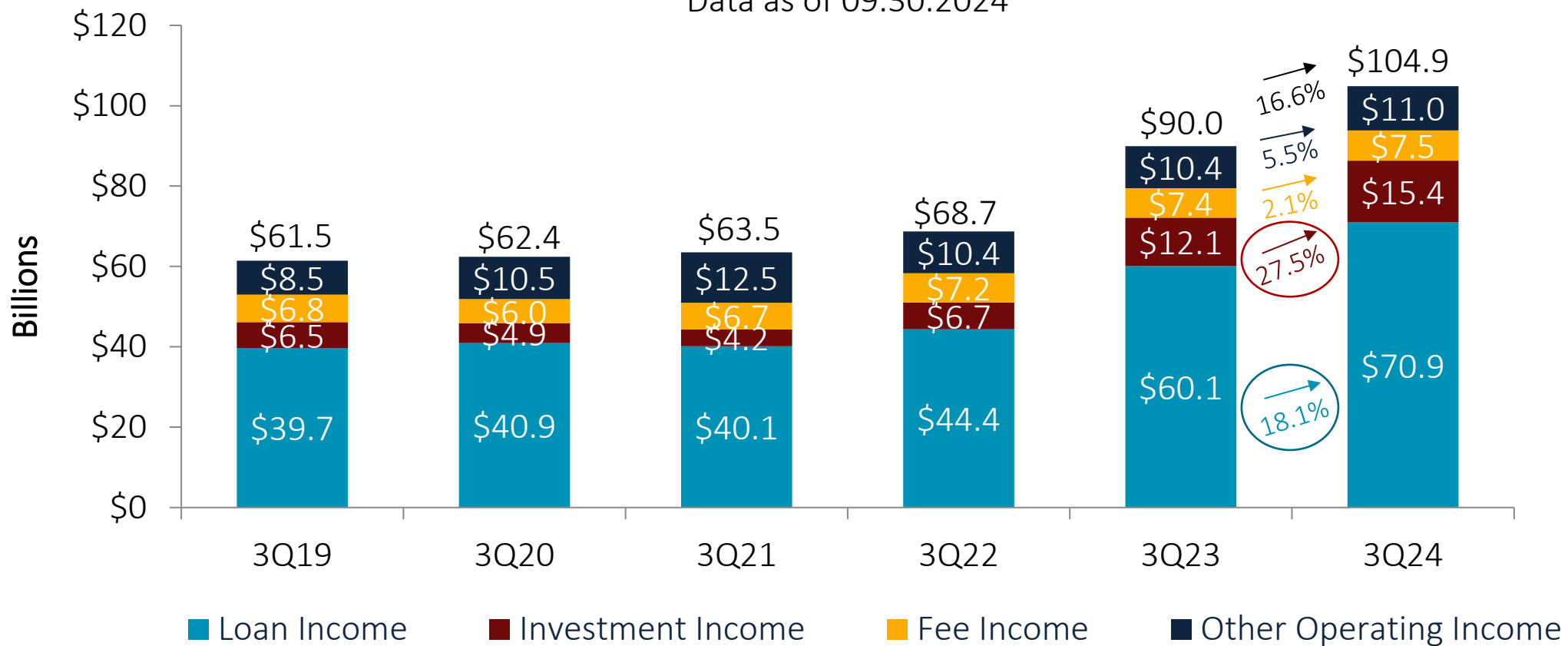
Charge-offs are flat or falling for major loan products



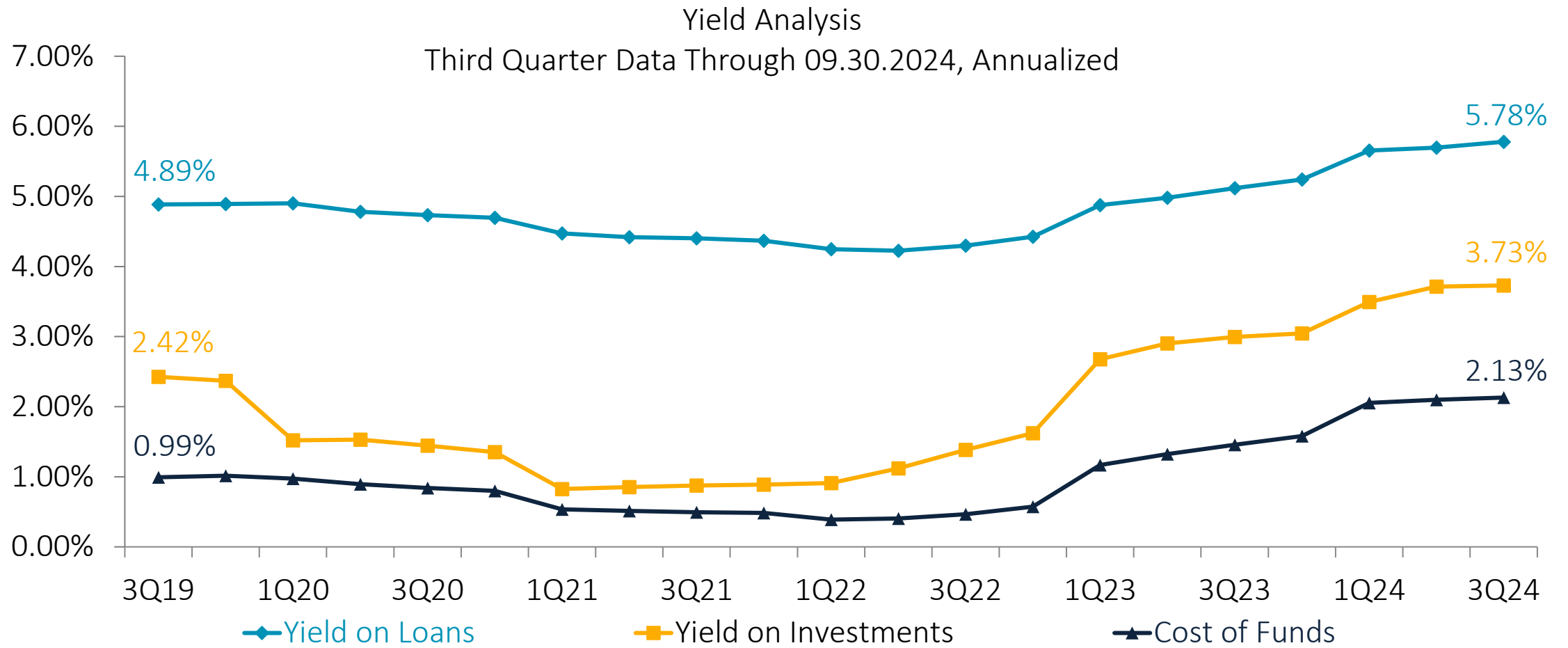
Lower Earnings

Revenue rises at a double-digit pace, driven by interest income

YTD Total Revenue
Data as of 09.30.2024

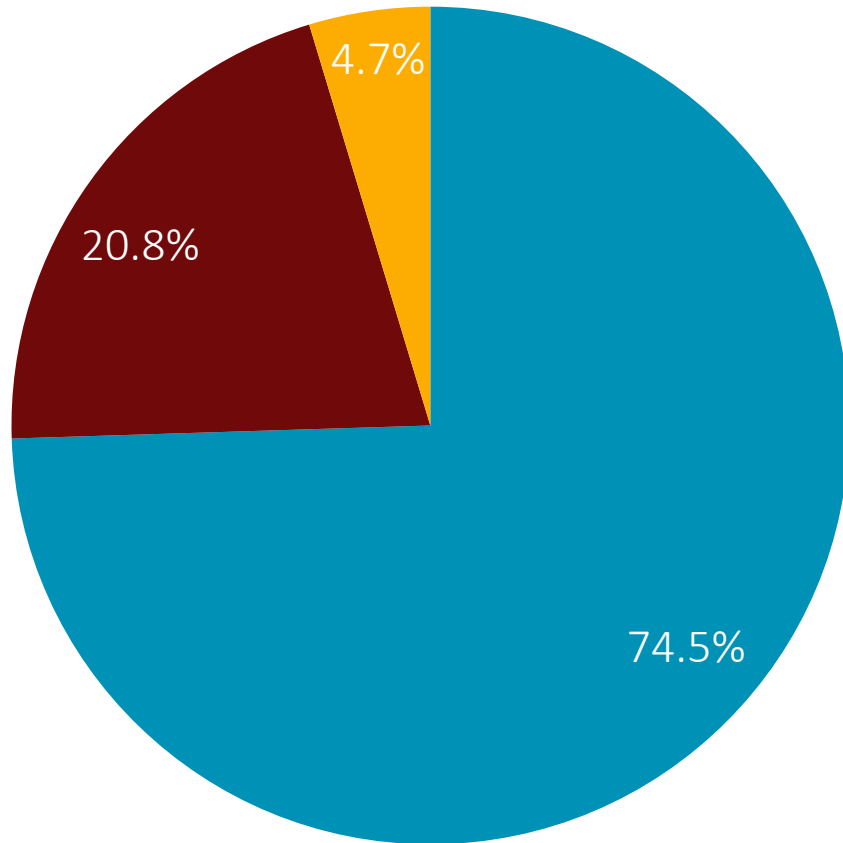


Asset yields and cost of funds move higher

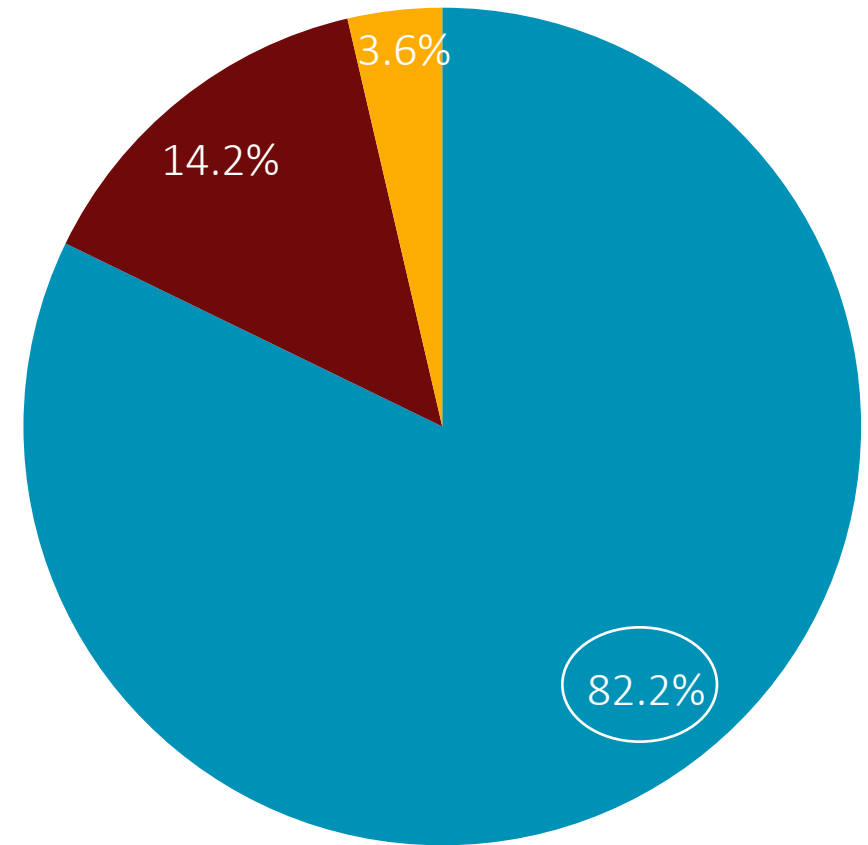


Over 82% of share certificates mature in less than one year

Share Certificate Maturity
Data as of 09.30.2023

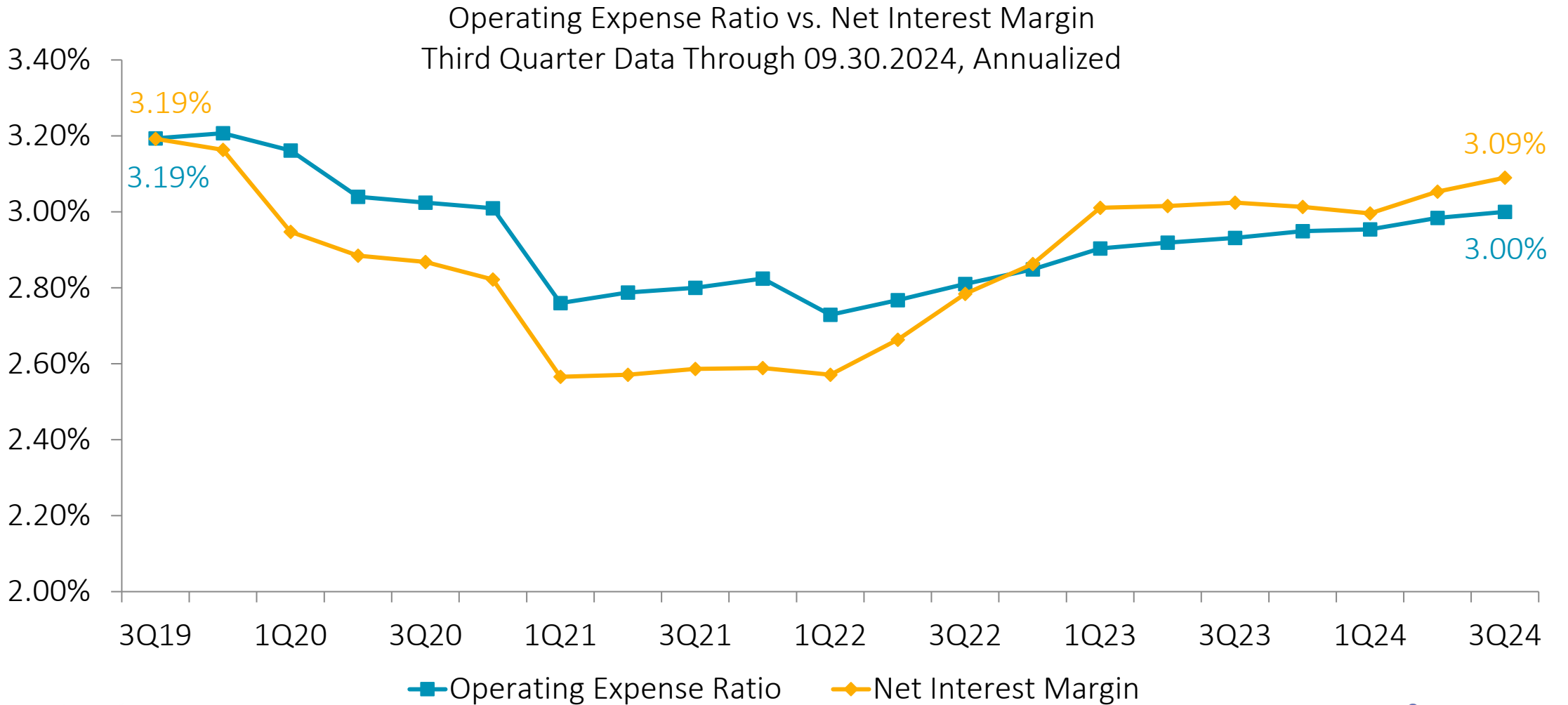


Share Certificate Maturity
Data as of 09.30.2024

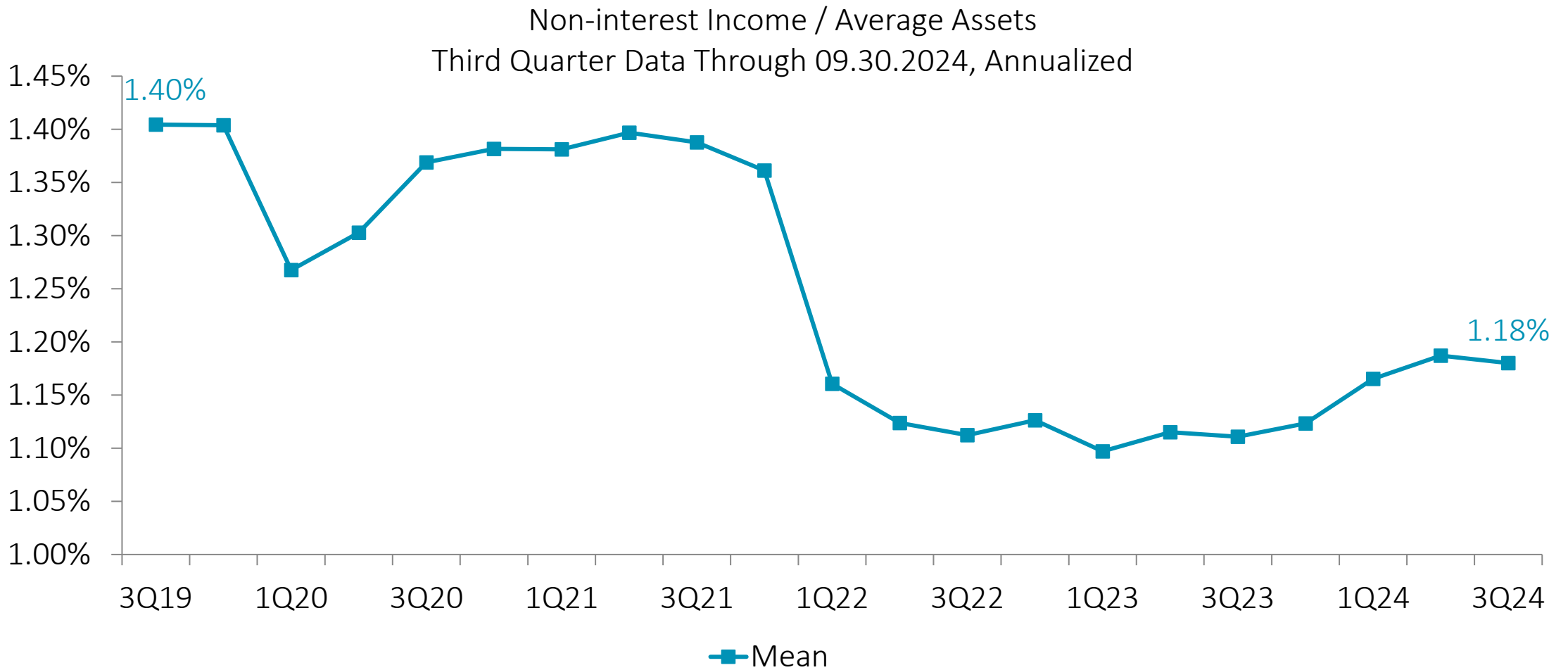


- < 1 Year
- 1-3 Years
- > 3 Years

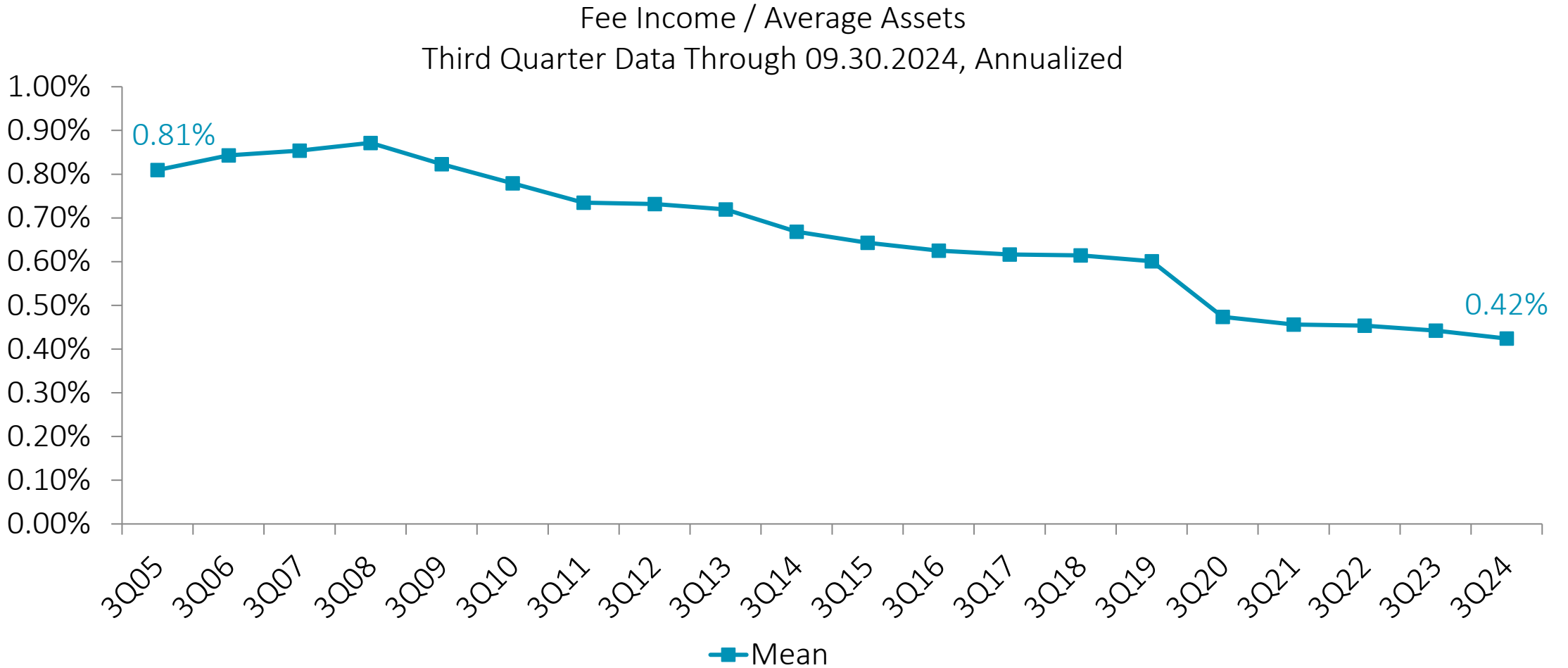
Net interest margin remains above operating expense ratio



Non-interest income falls slightly from second quarter...

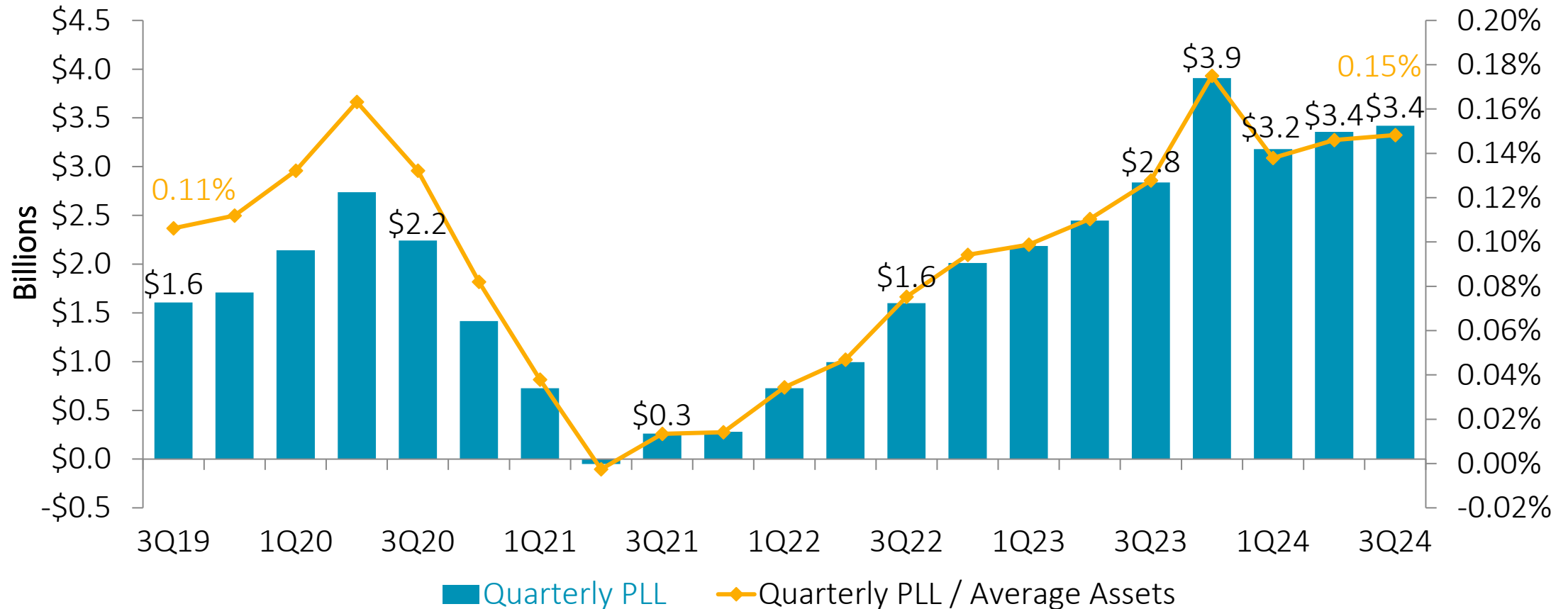


As fee income continues to decline as a percentage of assets

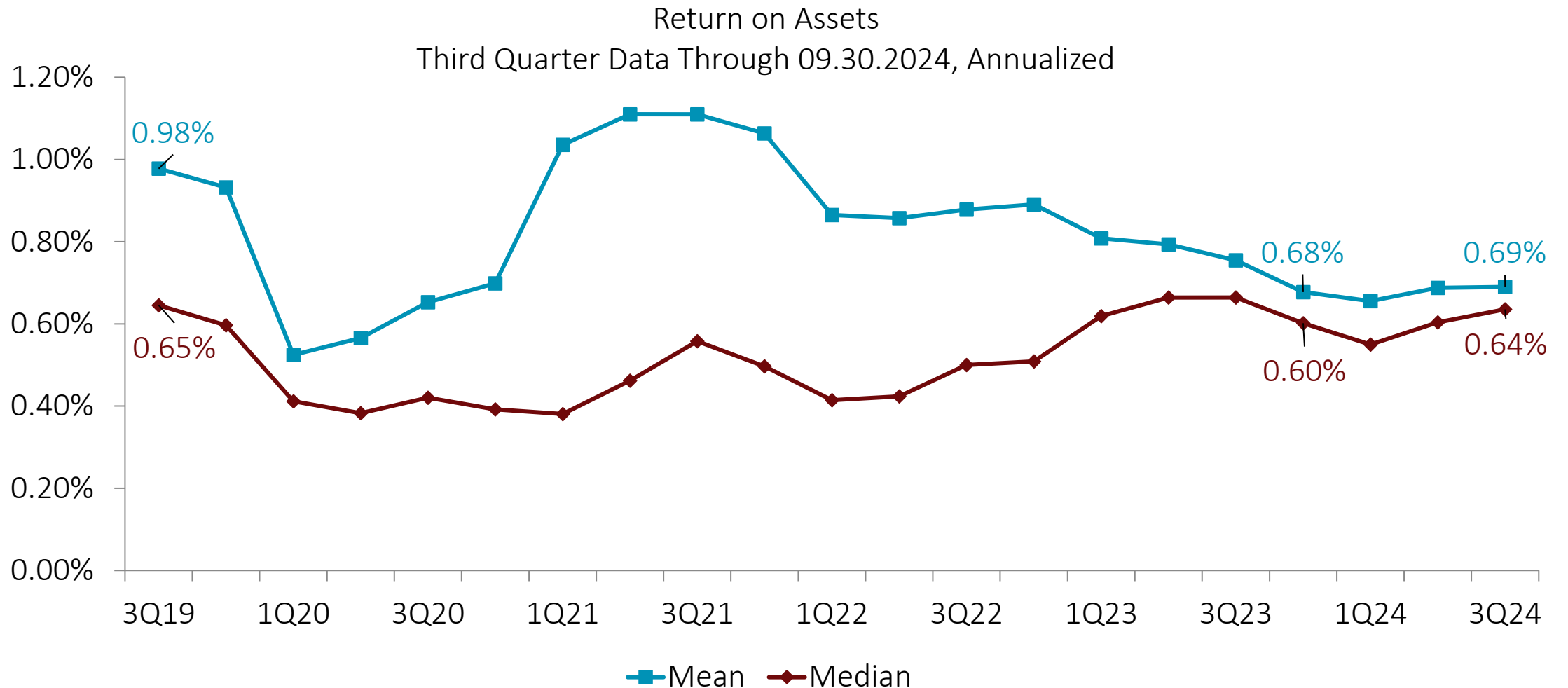


Provision expense is moving higher

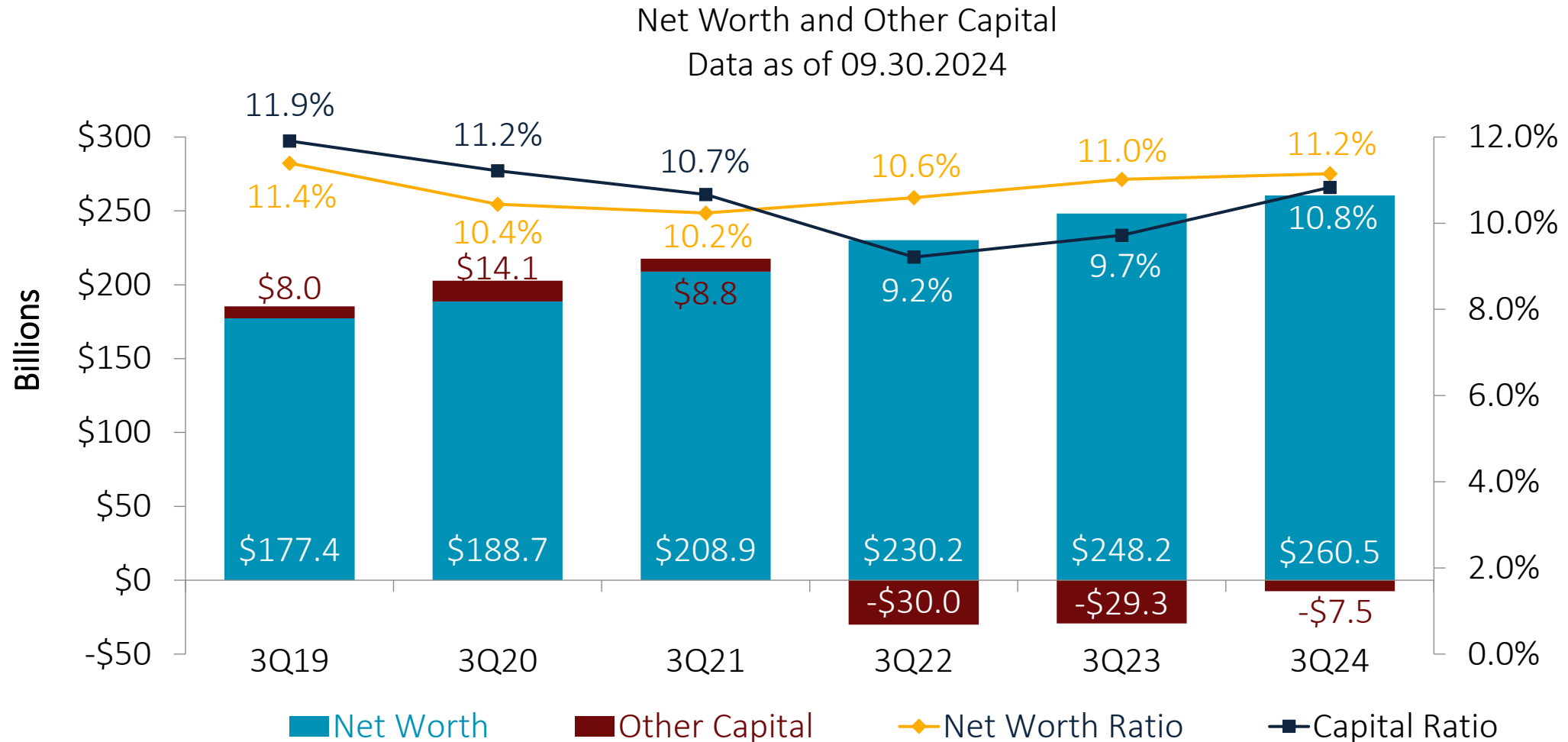
Quarterly Provision for Loan & Lease Losses and % of Avg Assets
Data as of 09.30.2024



Mean and median ROA are just above YE23 through three quarters



Capital ratio gets boost from improving unrealized investment losses



Takeaways and Closing Thoughts

- The Fed's interest rate moves may spur lending opportunities heading into 2025 as consumers take advantage of lower borrowing costs.
- Households are concerned about their financial security and outlook. Credit unions can demonstrate their difference by engaging with members to understand their priorities and help them navigate a sound financial path.
- As cooperatives, credit unions are designed to stay in the market when competitors pull back. Even in a slow growth environment, opportunities remain for credit unions to support members' saving and borrowing needs.

Credit union and bank performance in 2024

	Credit Unions 12-Mo. Growth through Sept	All Banks 12-Mo. Growth through June	Community Banks 12-Mo. Growth through June
Assets	3.7%	1.8%	-0.8%
Loans	2.6%	2.0%	0.9%
Shares/Deposits	3.2%	0.8%	-1.0%
Return on Assets*	0.69%	1.15%	0.95%

*Year-to-date annualized; After-Tax ROA for Banks

THANK YOU FOR WATCHING



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