



# Trendwatch Deep Dive: 2024 NCUA Supervisory Priorities



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# Your Speakers:



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# Today's Agenda

- Overview of NCUA's 2024 Supervisory Priorities
- Credit Union Performance Data
- Demonstration of Callahan's NEW Supervisory Priorities Dashboard – only in Peer Suite





# NCUA's 2024 Supervisory Priorities

**[Link to the NCUA's Press Release](#)**

# NCUA's 2024 Supervisory Priorities

<b>Risk Category</b>	<b>Description or Focus Area</b>
<b>Credit Risk</b>	Asset Quality & Member Financial Health
<b>Liquidity Risk</b>	Availability of Funding
<b>Consumer Financial Protection</b>	Equitable Lending, Fair Fee Policies
<b>Interest Rate Risk (IRR)</b>	Impact of Rate Changes on Portfolios
<b>Cybersecurity</b>	Digital Fraud Protection Policies and Programs



# Why are these Risk Areas Important?

- As the industry's auditor, it is the NCUA's job to have their pulse on the challenges facing credit unions.
- The NCUA's risk area priority list likely mirrors many of the challenges impacting your day-to-day operations.
- NCUA examiners will emphasize these risk areas this year. Credit unions must prepare for questions and in-depth review.



# Credit Union Trends



## Credit union growth slows in 2023

	12/31/2023	12-Mo. Growth	12/31/2022	12-Mo. Growth
Assets	\$2,278.3B	4.0%	\$2,190.2B	5.1%
Loans	\$1,617.8B	6.4%	\$1,521.0B	19.9%
Shares	\$1,900.4B	1.7%	\$1,869.4B	3.3%
Investments	\$564.2B	-1.5%	\$573.0B	-20.6%
Capital	\$232.2B	12.1%	\$207.2B	-5.9%
Members	140.6M	3.0%	136.6M	4.3%

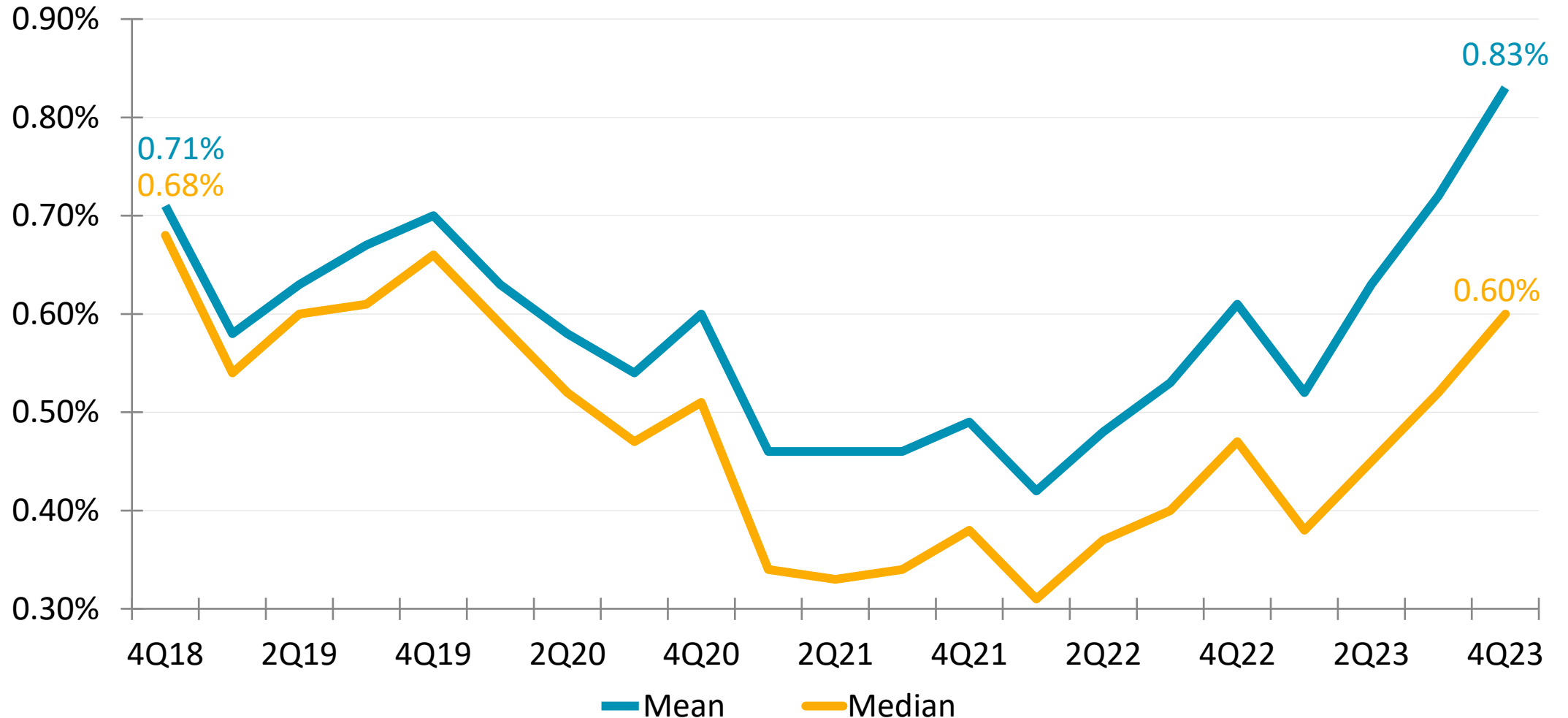




# Credit Risk

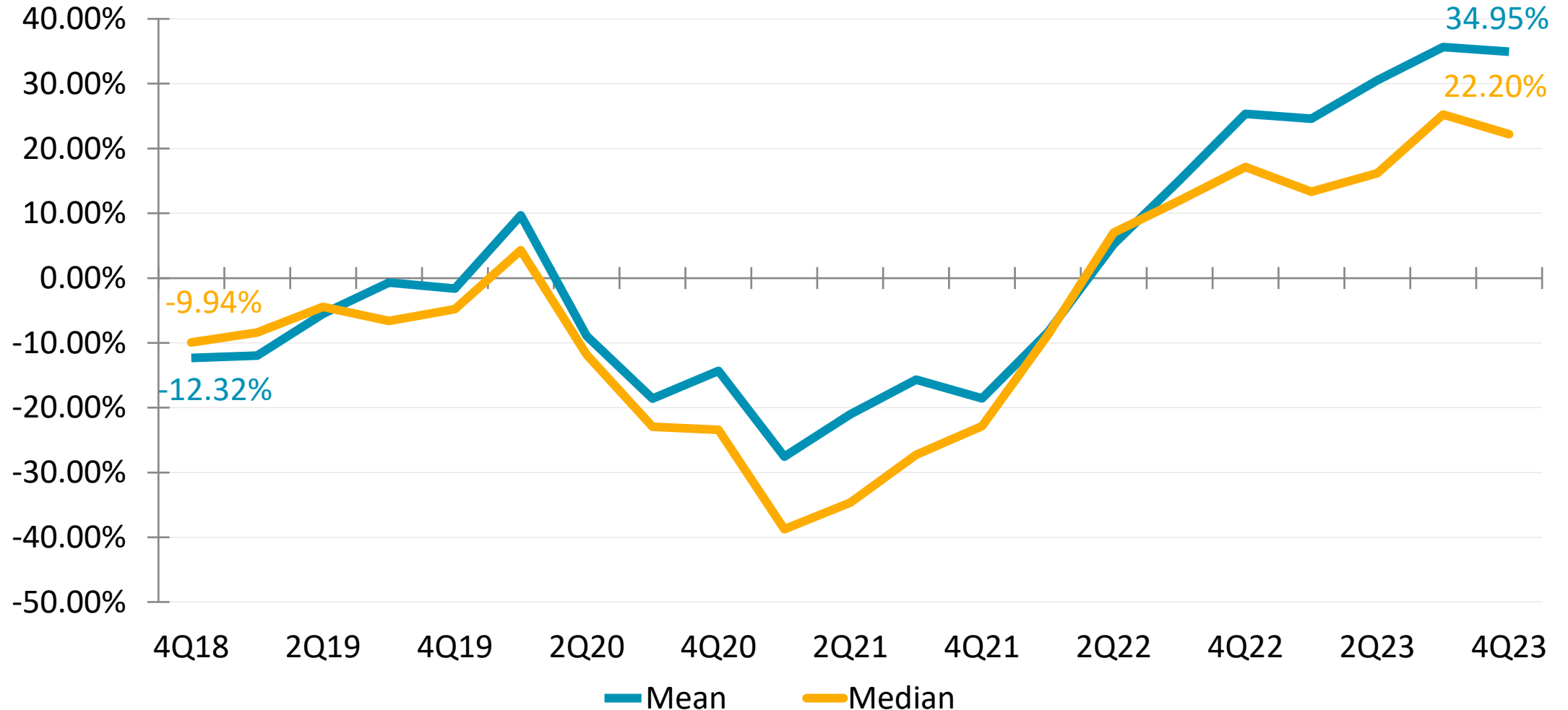
# Loan delinquencies spike, mainly in credit card and used auto

## Loan Delinquency

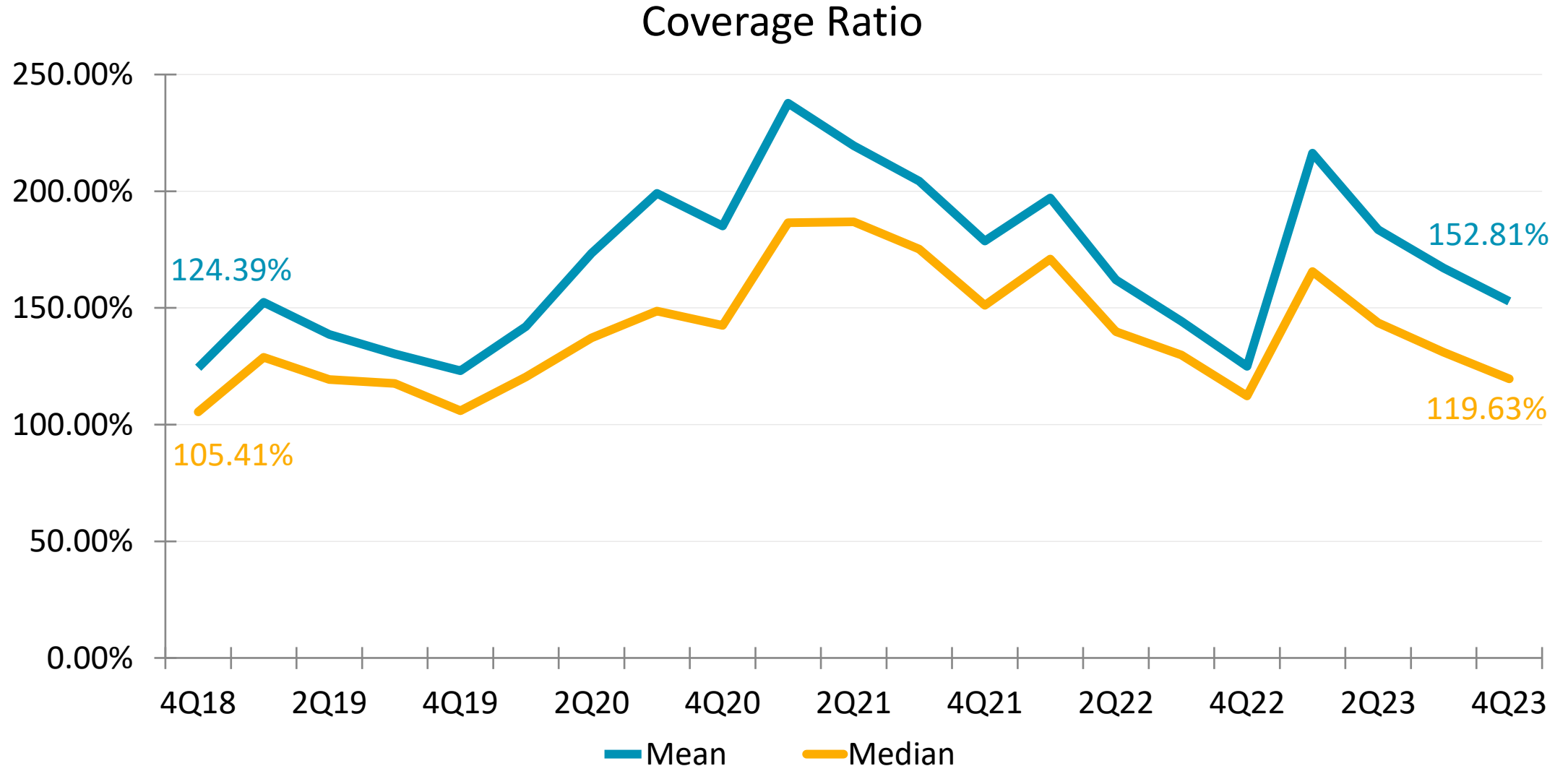


# Higher delinquent loan amounts require more ACL

## Delinquent Loan Growth

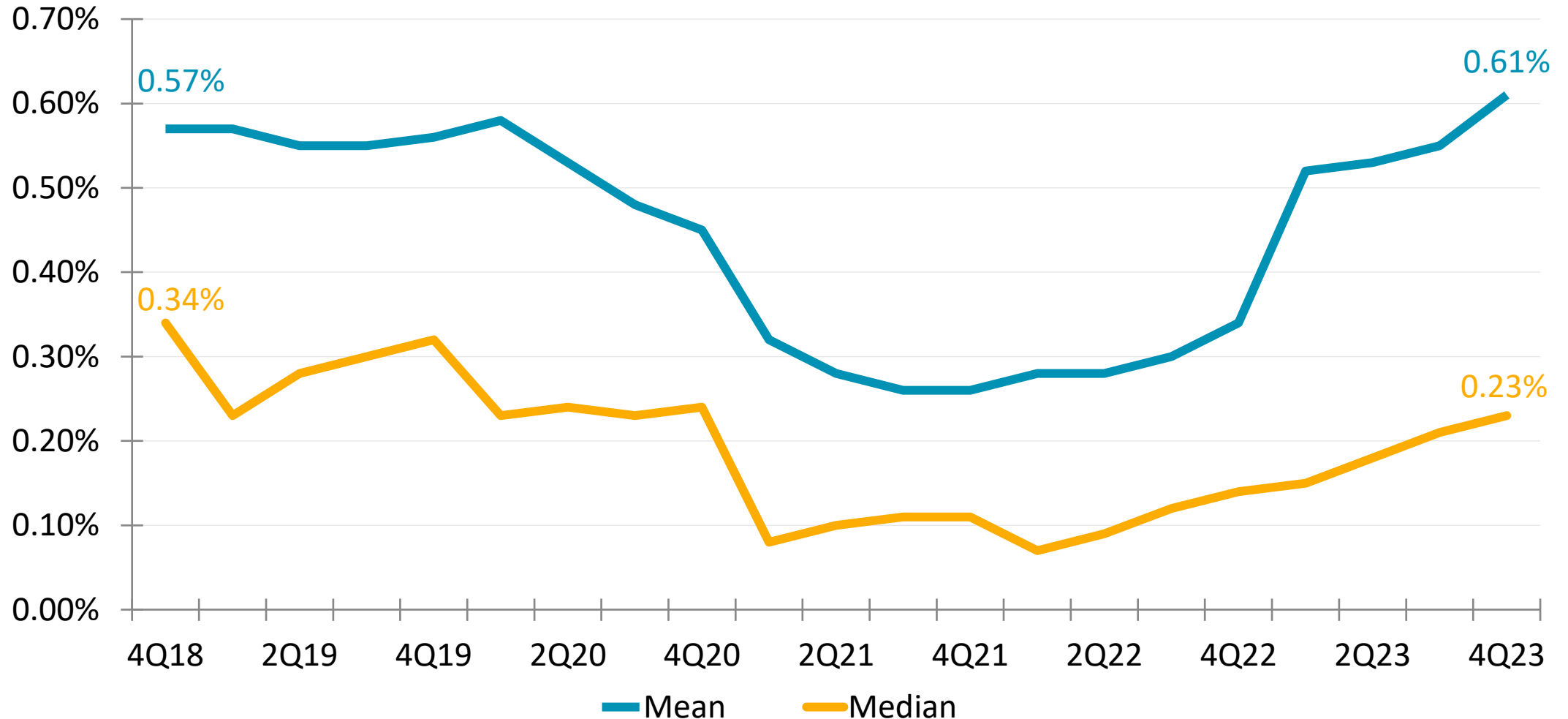


# Coverage is healthy, but not matching pace of delinquency



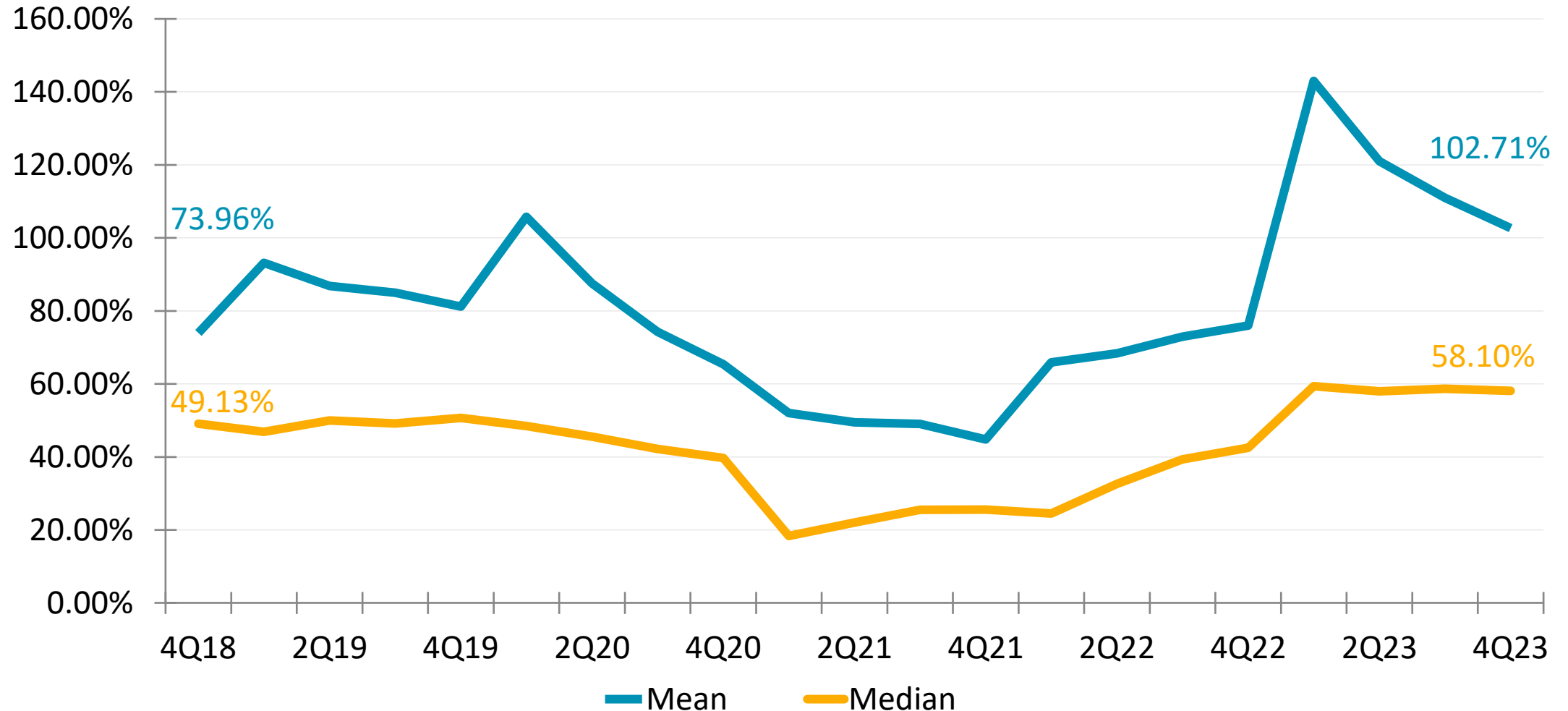
# Higher delinquencies often foreshadow higher charge-offs

## Net Charge-Off Ratio



# Following a charge-off spike, credit unions and members are adapting

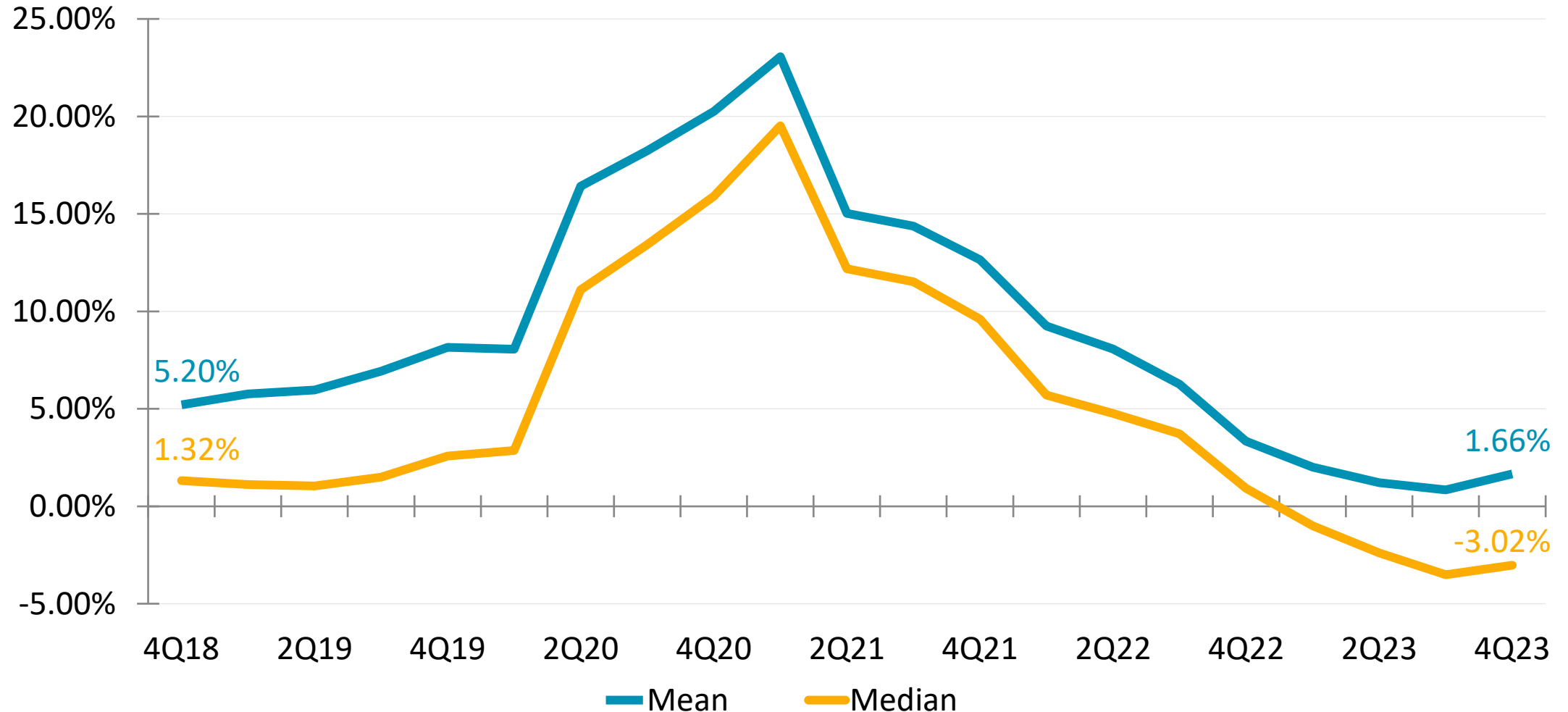
## Net Charge-Offs to Prior Year Delinquent Loans



# Liquidity Risk

# Member deposits are difficult to come by across the board

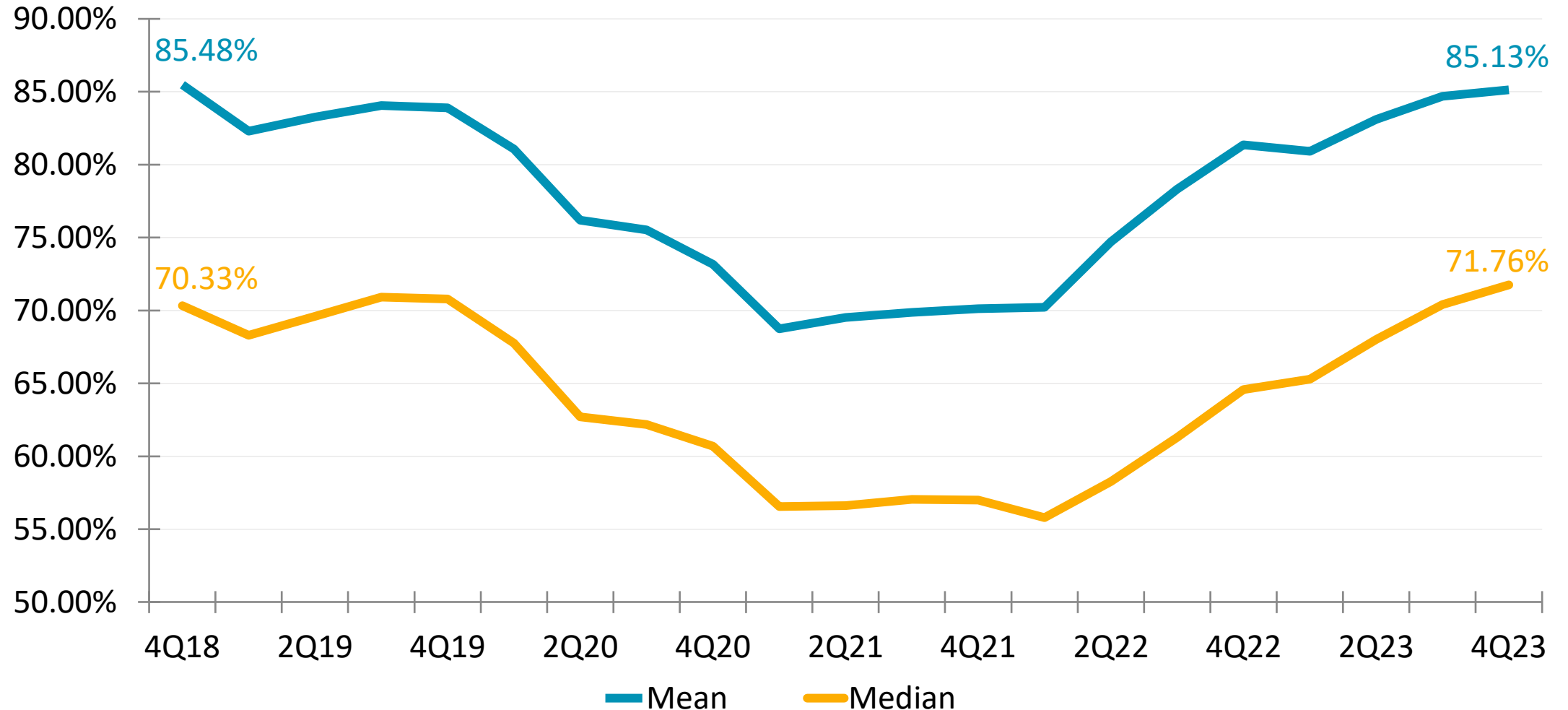
## Share Growth





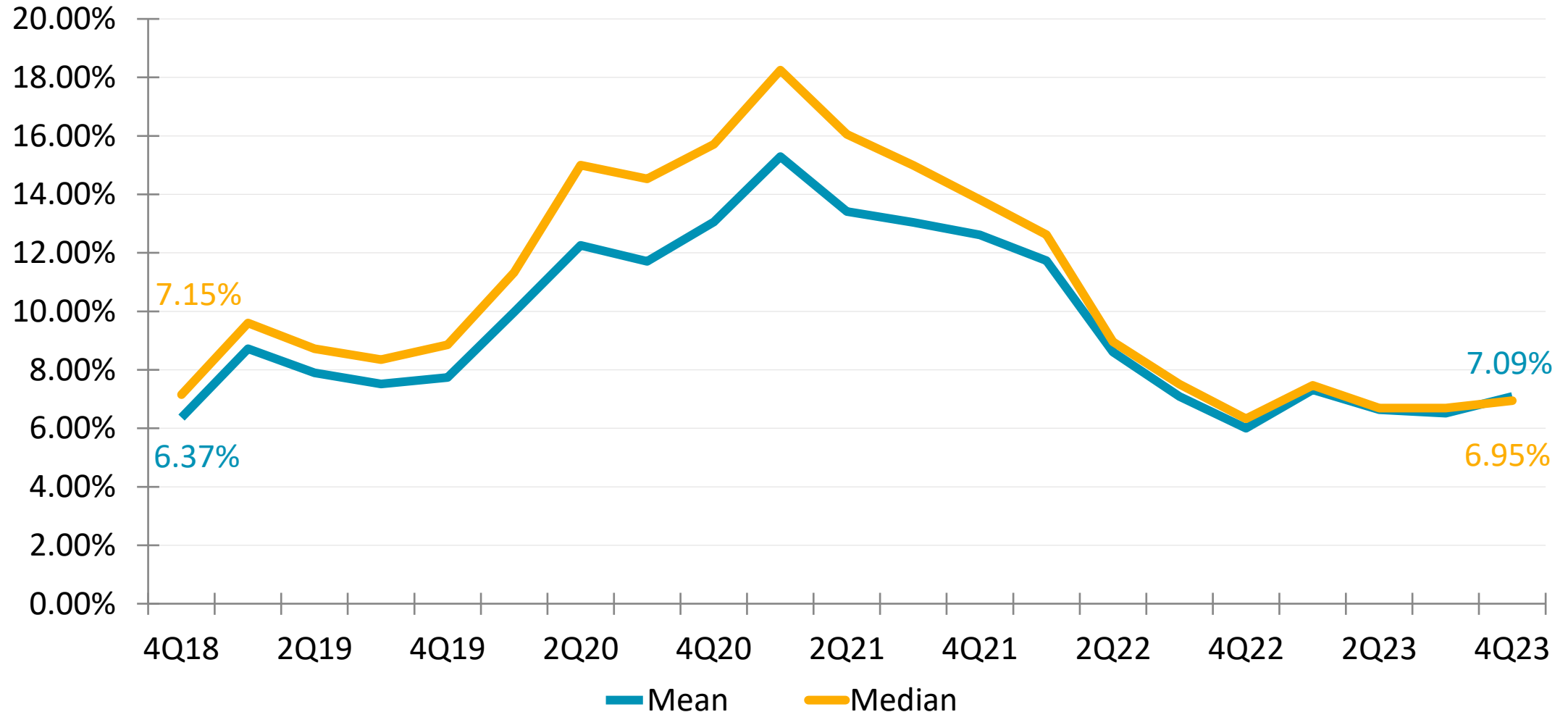
# Loan demand is down, but reduced share inflows impact liquidity

## Loans to Shares



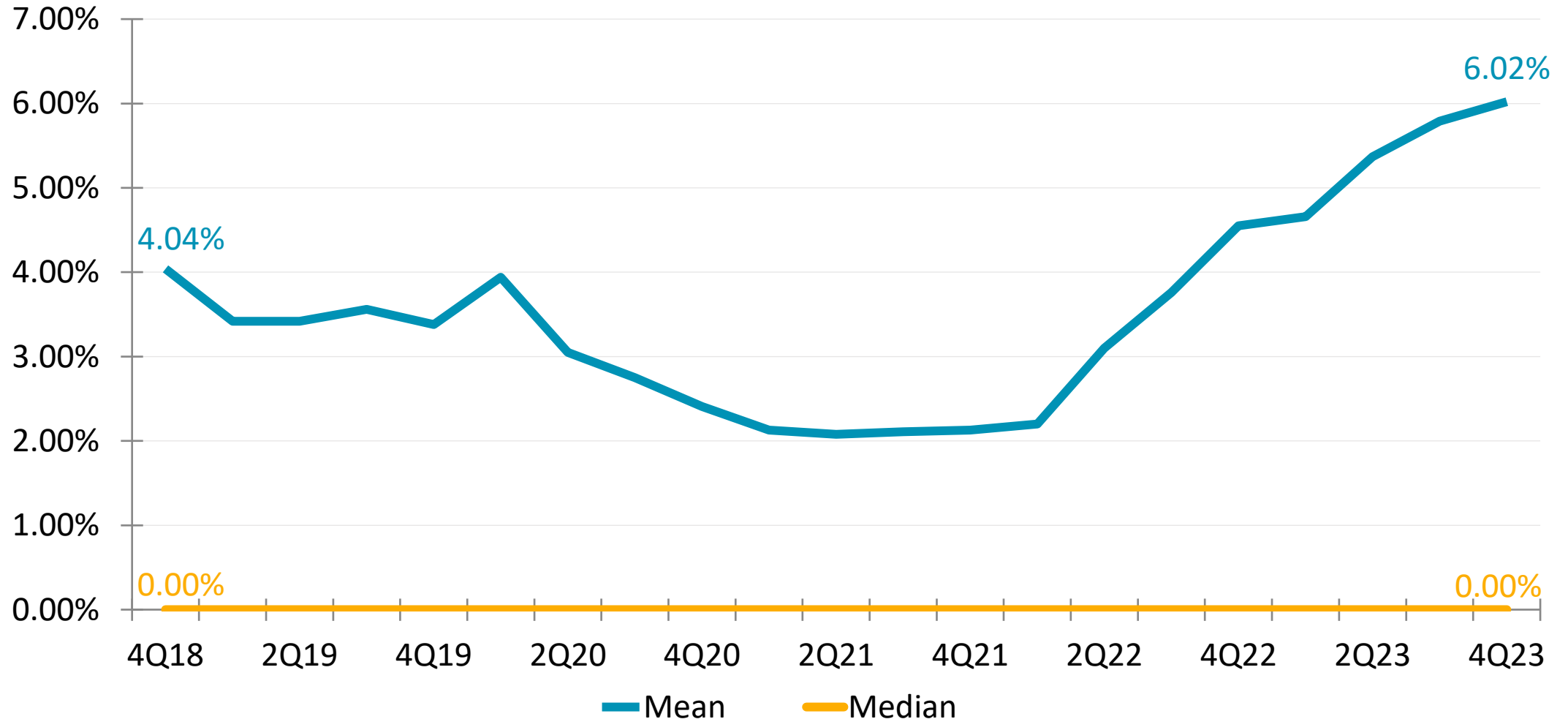
# Lending has eaten into cash reserves built during the pandemic

## Cash to Assets



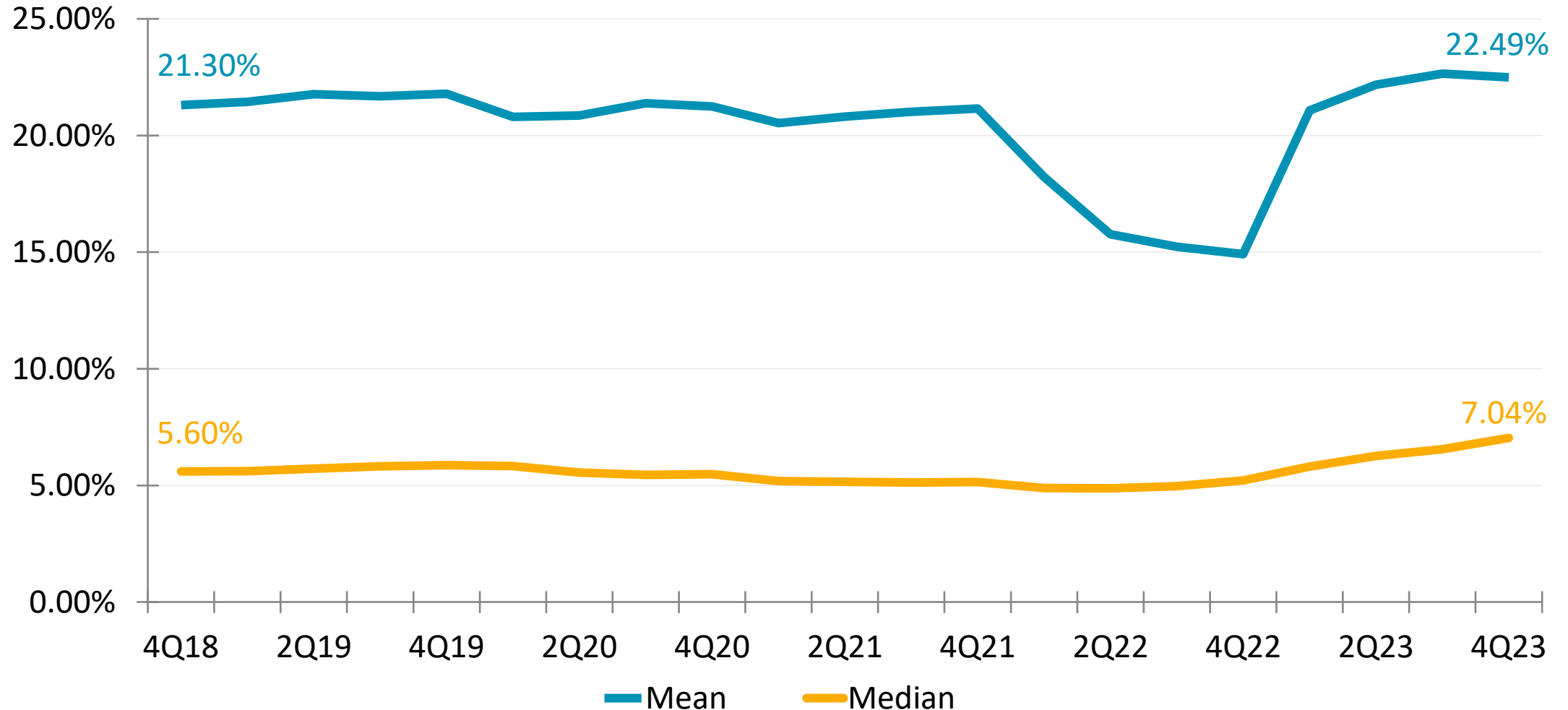
# Credit unions increasingly turning to borrowing to fund lending

## Borrowing to Assets



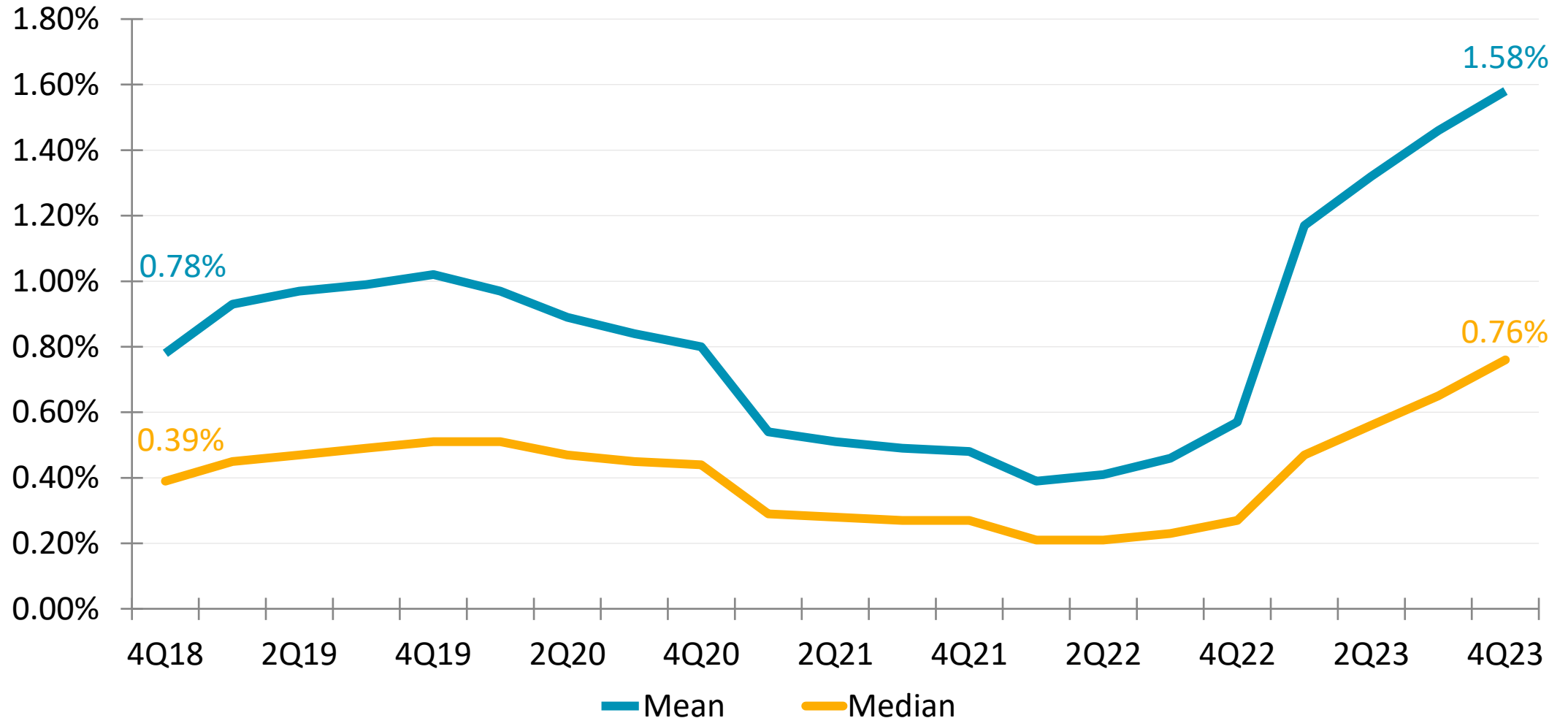
# Situations vary regarding available borrowing capacity

## Available Borrowing Capacity to Assets



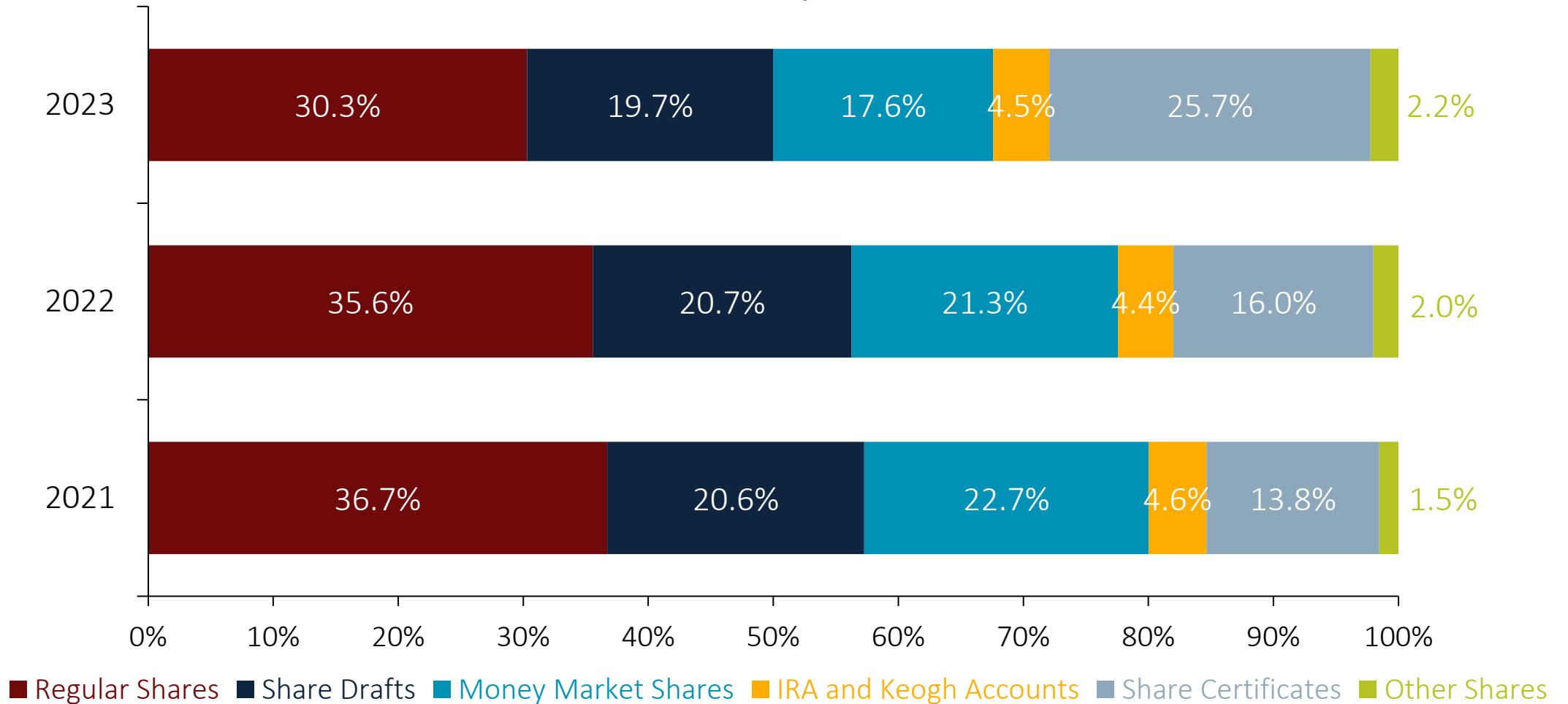
# Cost of funds is closely tied to liquidity situation

## Average Cost of Funds



# Certificates are the main driver of deposit attraction, but costly

## Share Composition

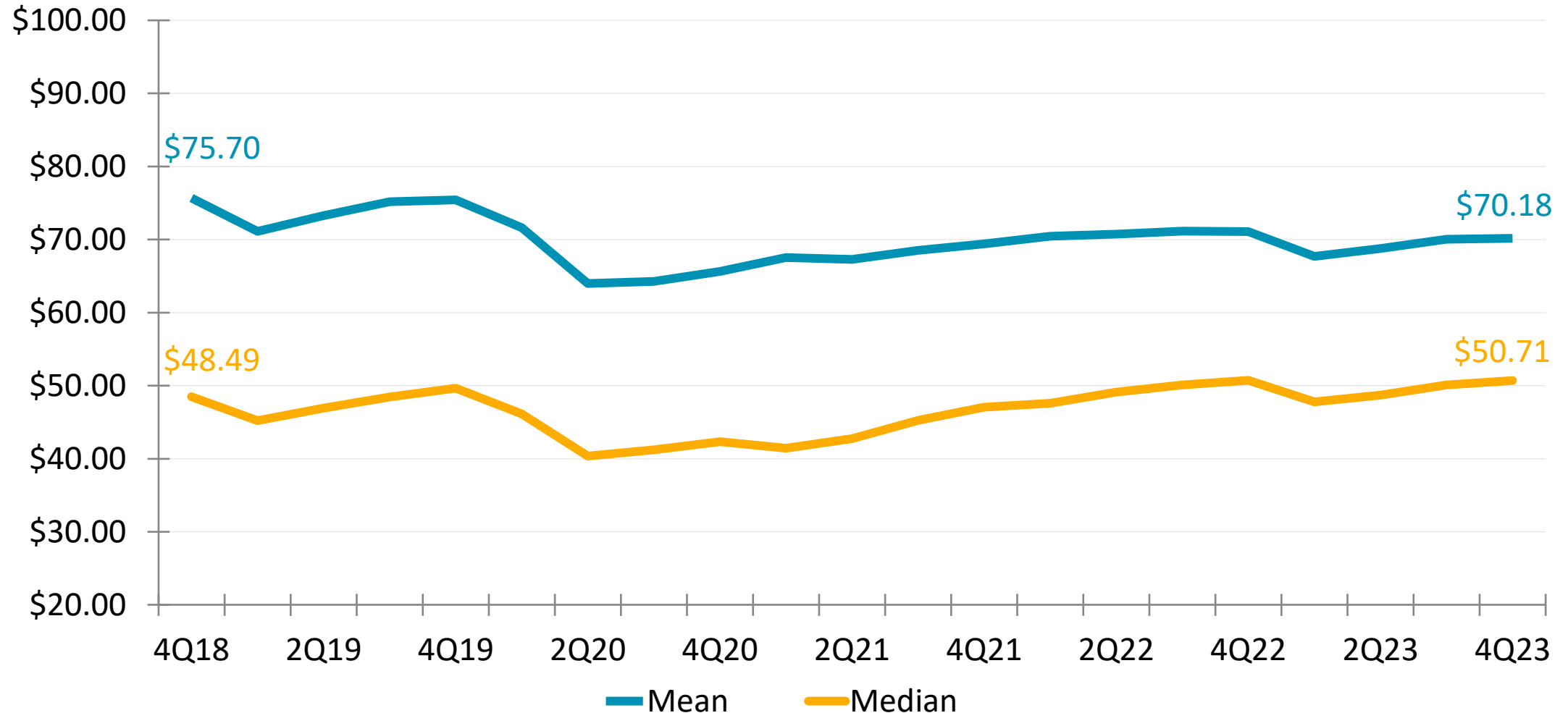




# Consumer Financial Protection

# Fees are in the public eye...more fees will need more justification

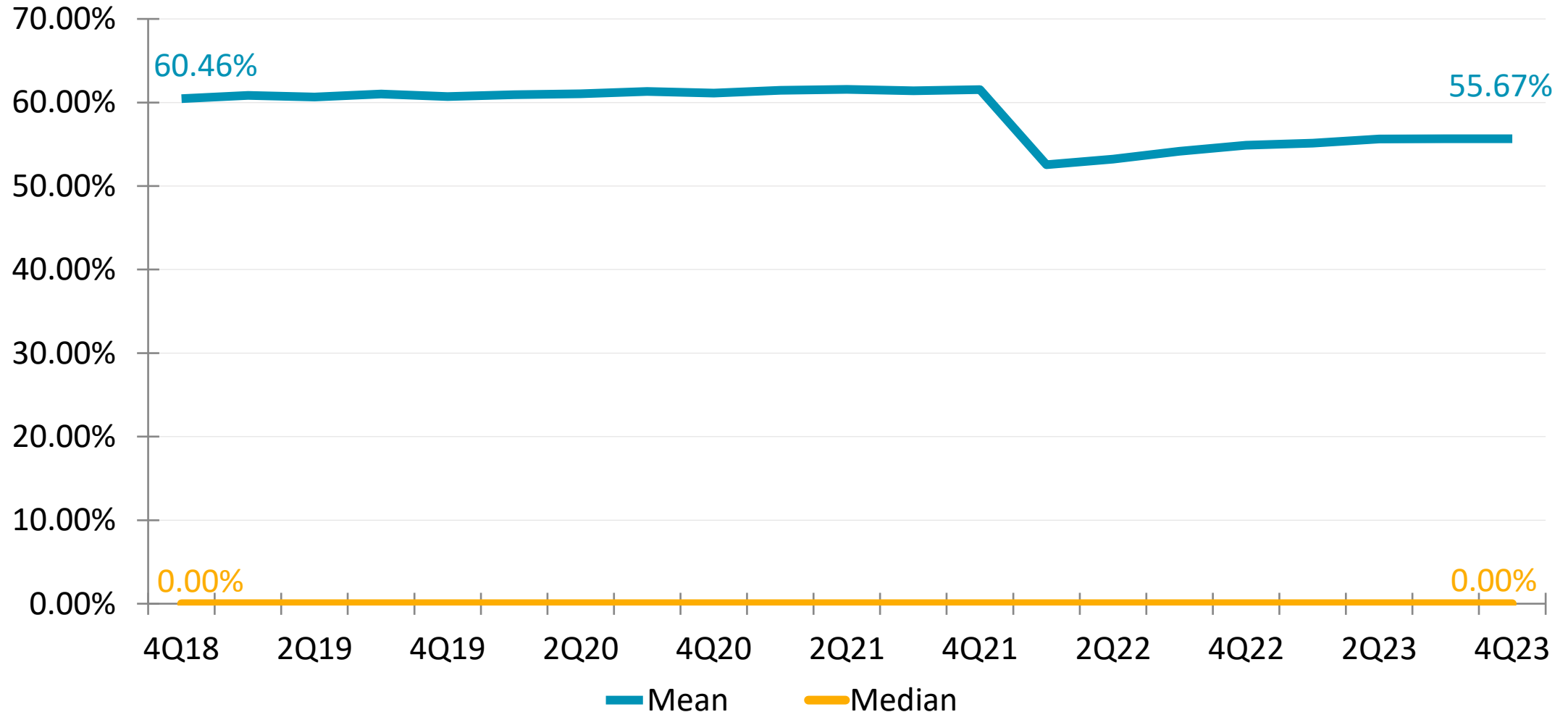
## Fee Income per Member





# Those utilizing indirect partnerships must confirm TILA compliance

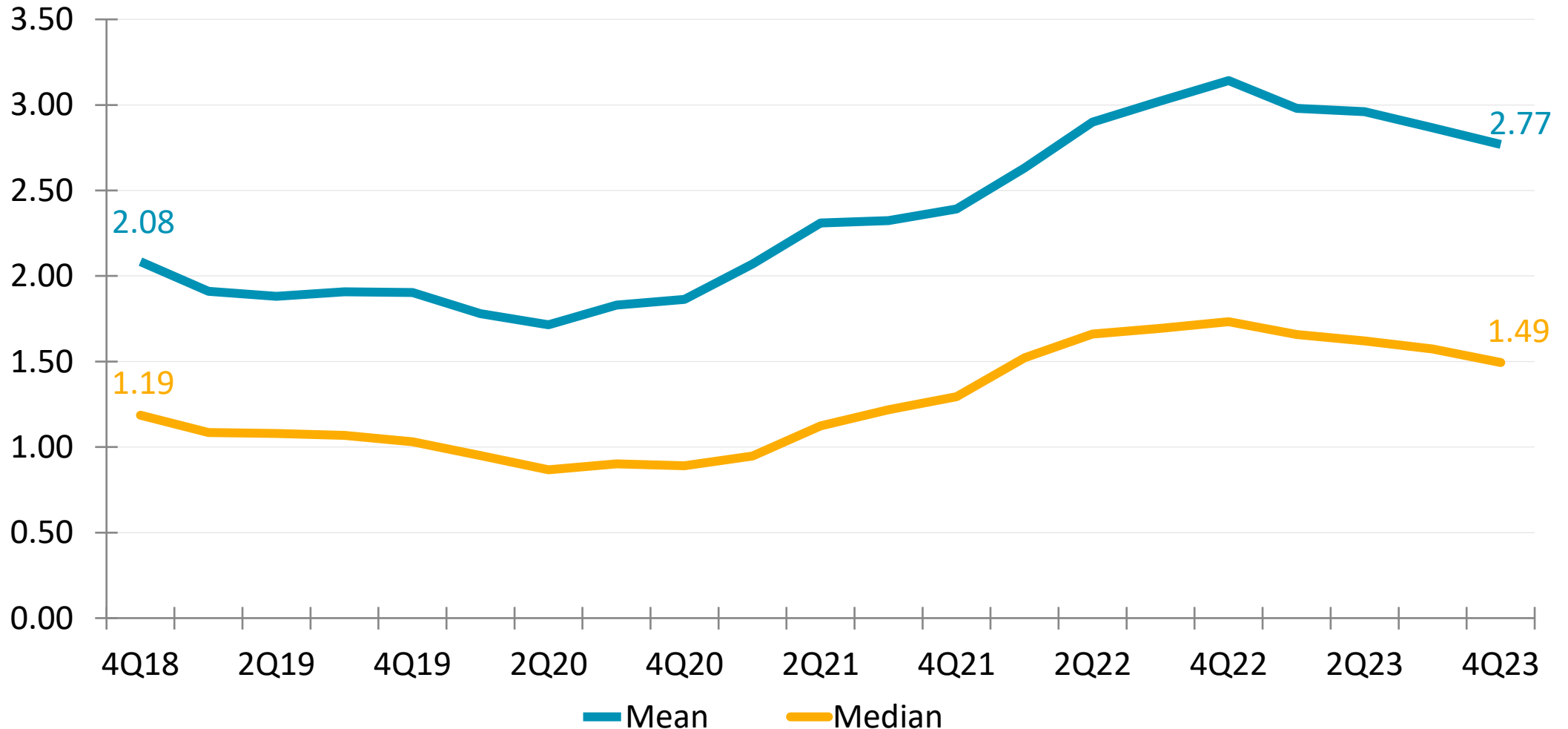
## Indirect Loans/Total Auto Loans



# Interest Rate Risk

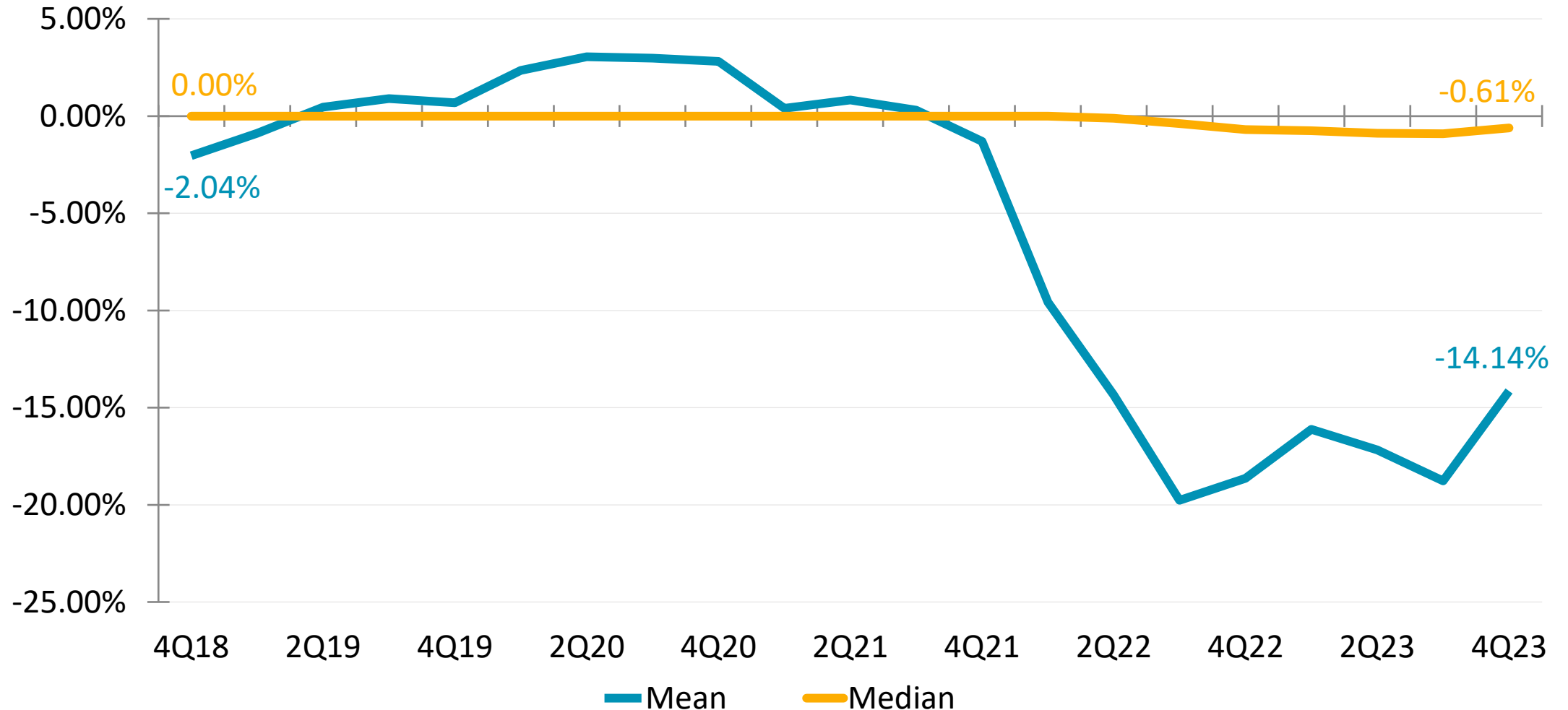
# Portfolios gradually shorten as investments mature

## Weighted Average Life of Investment Portfolio (incl. Cash)



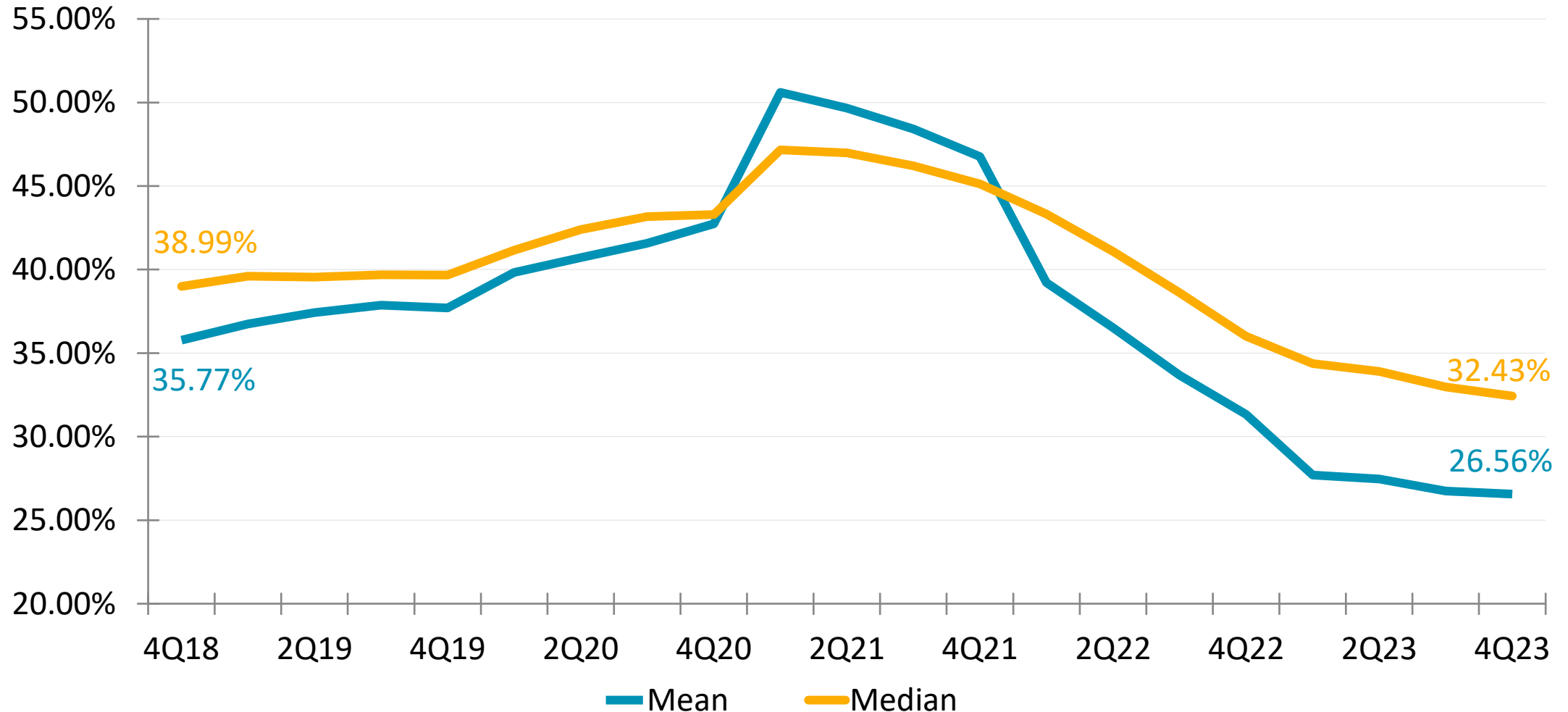
# Unrealized losses on investments complicate liquidation

Est. Total Current Price Risk as % of Net Worth



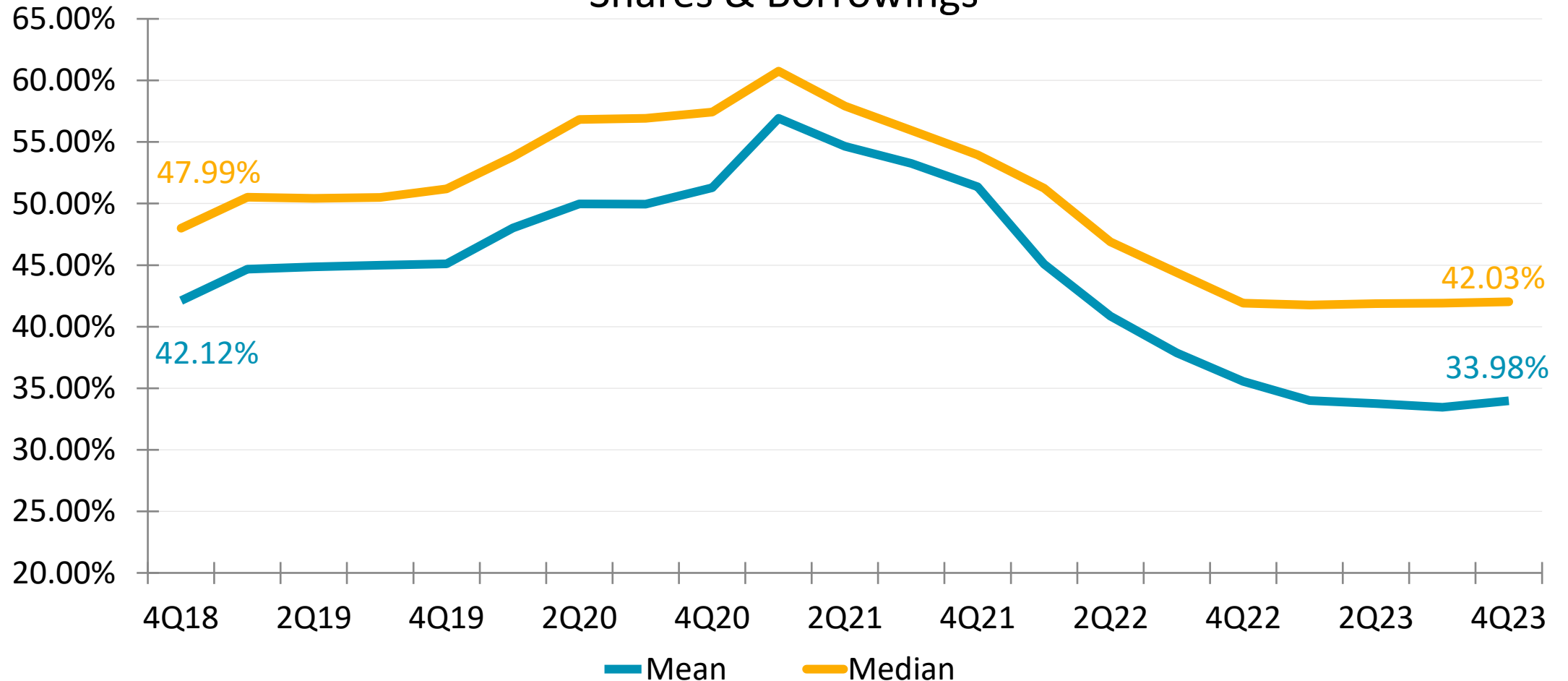
# Amidst tight budgets, members aren't paying down loans early

## Est. Paydown Rate on Total Loans



# All combined, estimated repricing opportunity is lower, for now

## Est. Asset Repricing Opportunity in the Next 12 Mo. as a % of Shares & Borrowings



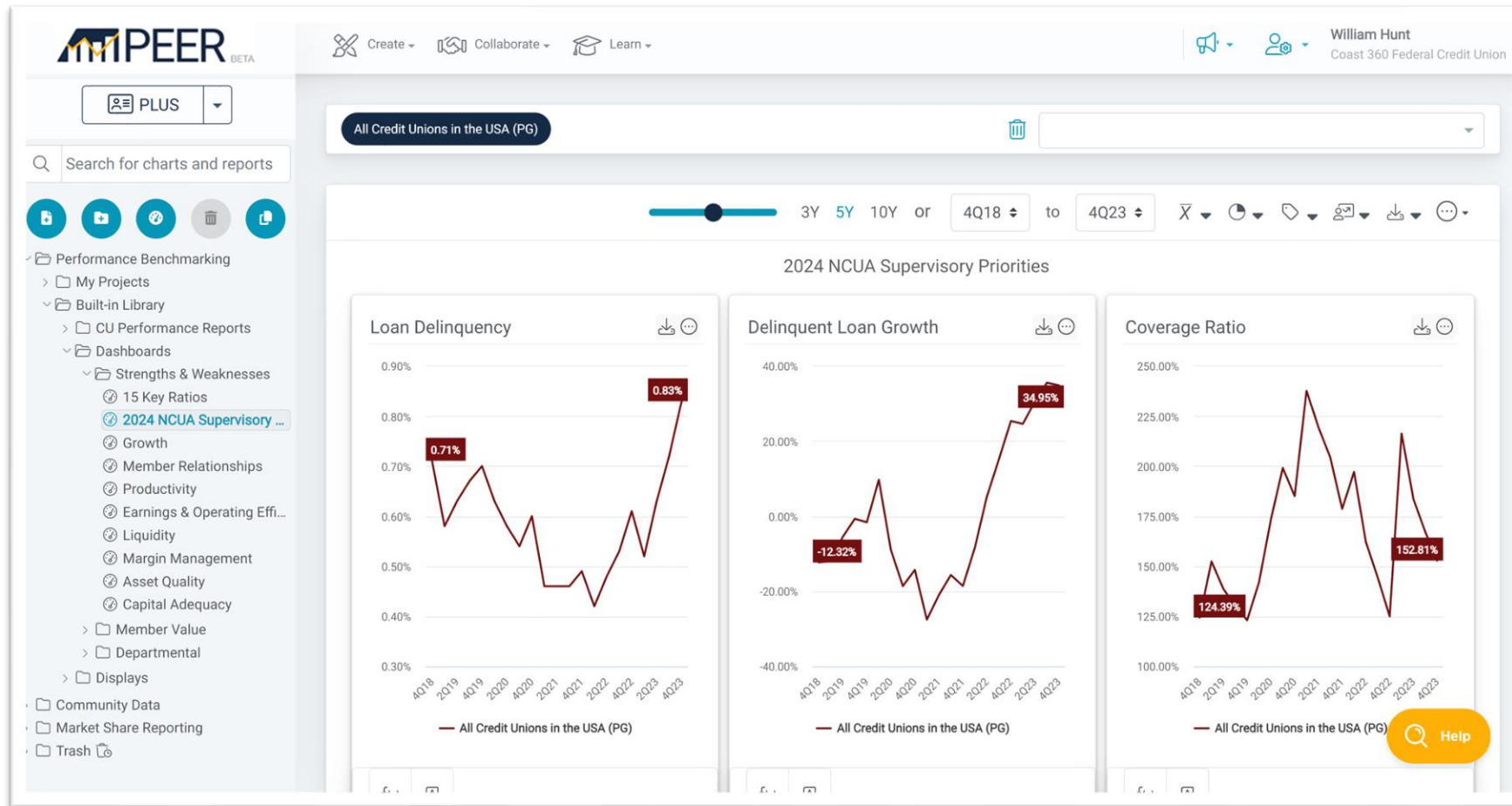


# Takeaways and Closing Thoughts

- 2024 will likely be another slow-growth year as credit unions manage liquidity and margins, pressure on non-interest income, the credit cycle, and increased fraud.
- Many member households aren't feeling great about their financial situation. They need hope!
- But institutional risks must be considered as well. Asset quality is likely to continue its upward trend. Changes in interest rates could have polarizing effects on credit union liquidity and margins.

# But how does My Credit Union Stack Up?

## Let's look at Callahan's new 2024 NCUA Supervisory Dashboard







## Rules of the Road:

- Callahan's **NEW 2024 NCUA Supervisory Dashboard** is informative, but it is **NOT** a scorecard.
- “Strong” or “poor” performance on the dashboard is subjective, and results do not guarantee results on an NCUA Examination.
- The goal is to inform your credit union’s general position in these key risk areas, prompt internal questions, and help prepare you for some key questions that may be asked by an examiner.

# Q & A



If you'd like to request a free copy of your credit union's dashboard and performance walkthrough, please scan the QR code or use the [link](#) dropped in the chat.

# THANK YOU FOR WATCHING



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