EDUCATIONAL WEBINAR

The Next Default

What should credit unions be watching?

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DefaultSleuth
Follow the Clues. Prevent the Loss.

EDUCATIONAL WEBINAR

The Next Default

What should credit unions be watching?

Why a resilient economy can still produce rising member risk — and how to see the warning signs sooner.

Research current through July 28, 2026

ABOUT THIS SESSION

VAIIL builds early-warning analytics for credit unions.

Presented by Stetson Kornegay, Head of Growth.

VAIIL is a CUSO owned by Vizo Financial Corporate Credit Union and Quantworks.

Everything in this session is sourced.

ACTIVITY IS NOT CAPACITY

Two numbers from the same economy , and they don't contradict

+10%

card spending, year over year — debit and credit. This measures **activity**. (JPMorgan, 2Q 2026)

85 bps

credit union delinquency — up from 78 two years ago. This measures **repayment performance** , and it is the highest in over a decade (NCUA)

Both are accurate, and neither disproves the other. Spending measures activity; delinquency measures capacity to repay. They can rise together — so the question is whether you can see capacity fail in the interval between still current, now late, and economically lost.

Sources: JPMorganChase 2Q 2026 earnings (SEC); NCUA Q1 2026 Quarterly Data Summary; NCUA 2026 Supervisory Priorities.

LATE VERSUS LOST

Late versus lost, and the window between them

60 days
delinquent (NCUA measure)

→

90 days
rolling

→

120–180 days
charge-off (FFIEC policy)

→

Loss
final

THE WINDOW — cure, roll, or charge off is decided here

85 bps
loans 60+ days late — decade high, still rising (+5 YoY)

81 bps
net charge-offs — elevated, edged down 2 bps YoY. Late is rising; losses are high but no longer climbing.

Sources: NCUA Q1 2026 QDS; OCC Retail Lending Handbook (2024); FFIEC Uniform Retail Credit Classification, still operative (via FDIC FIL-40-2000).

THE WINDOW

An large number of members are in that window right now.

A decade-high stock of late loans, with losses elevated but no longer climbing.

TAKE THE GOOD NEWS SERIOUSLY

The aggregate story really is positive

4.2%

unemployment, June 2026 (BLS)

6.7%

retail and food-service sales, June year over year (Census)

7 qtrs

consecutive double-digit corporate earnings growth (Blackstone)

90%+

of surveyed CEOs expect conditions to hold or improve (Blackstone)

"The consumer remains resilient." **— JPMorgan CFO, February 2026, guiding card losses to an unremarkable ~3.4%**

Economy has strong numbers, but the question is who the good numbers describe.

Sources: BLS Employment Situation, June 2026; Census Monthly Retail Trade, June 2026; Blackstone 2026 Mid-Year Perspectives; JPMorgan 2026 Company Update transcript.

TAKE THE GOOD NEWS SERIOUSLY

Even the credit union system's aggregate is strong

+4.9%

total assets, year over year — $2.48 trillion

11.24%

net worth ratio — up 29 bps year over year

+4.6%

total loans outstanding — $1.73 trillion

Strong capital, growing balance sheet.

Source: NCUA Q1 2026 Quarterly Data Summary.

WHO THE GOOD NUMBERS DESCRIBE

Where is the money? Spending growth moved up.

60%

of income goes to the top 20% of earners — up from 54% in the 1990s (modeled)

71%

of wealth — up from 61%

57%

of consumption, top quintile — a **modeled estimate**, up from 53%

Measurement caveat: concentration estimates shift substantially depending on whether the source measures out-of-pocket spending, total PCE, growth, or modeled consumption (Minneapolis Fed).

Households earning over $125,000 have driven retail-spending growth since 2023 (New York Fed).

Sources: New York Fed, Tracking the K-Shaped Economy: Who's Driving Spending? (May 2026); Minneapolis Fed, Have U.S. Consumers Gone K-Shaped? (2026); Dallas Fed, Consumption Concentration (Nov. 2025) — modeled, tax-adjusted SCF estimates.

WHO THE GOOD NUMBERS DESCRIBE

What fuels that spending? Assets, not paychecks.

> *"…spending is more broadly supported by their return on assets rather than wages."*
>
> **— Dallas Fed, on high-wealth, high-income households in a concentrated economy**

Same finding, account data: year-end spending "augmented by strong stock market gains — the latter highly unequally distributed" (JPMC Institute). The New York Fed attributes the divide to wealth growth, asset exposure, inflation, and differences in household financial position.

Strong spending numbers are a report on households whose money comes from things they own — not from a paycheck.

Sources: New York Fed, Explaining the K-Shaped Economy (May 2026); Dallas Fed (Nov. 2025) — modeled; JPMorganChase Institute (Nov. 2025).

WHAT PAYCHECKS ARE DOING

JPMorgan’s varied data

THE CARD DATA (CFO, FEBRUARY)

“The spend-growth gap between income groups is not outside the pre-pandemic range, and lower-income consumers remain resilient.”

HIS VERY NEXT CAVEAT

“As always, the labor market is the critical factor to watch.”

Source: JPMorgan 2026 Company Update, full event transcript (Credit section).

WHAT PAYCHECKS ARE DOING

The factor JPM CFO named: paychecks have stalled

1.6%

real income growth, prime-age workers — weakest sustained pace since the early 2010s, when unemployment was 7%. Today: 4.3%.

~Half

of workers aged 50–54 are losing purchasing power outright — negative real income growth

Raises look normal on paper. Prices are absorbing them.

Source: JPMorganChase Institute, Real income sustains weak trend (Nov. 25, 2025).

WHAT PAYCHECKS ARE DOING

And the cushion stopped growing

MEDIAN REAL BANK BALANCES · 2019 = 100

Flat since early 2024. “Just enough to spend, but not enough to splurge.” **— JPMC Institute**

The cushion isn’t shrinking. It’s fallen 17 points behind a pace that was already tepid.

Source: JPMorganChase Institute (Nov. 2025) — pre-pandemic real balance growth ~6%/yr.

WHAT PAYCHECKS ARE DOING

The squeeze is aimed at the bottom fifth

3.7%

consumer cash-flow growth overall — cut twice this year from 5.1%

0.8%

for the bottom fifth of earners — who spend ~4x more of their income on gasoline

The tell: staples companies have stopped passing through price increases “given how fragile and pressured the consumer is.”

Source: Goldman Sachs Research, May 8, 2026.

WHERE CREDIT UNIONS SIT

Credit unions: one industry, two views

THE SYSTEM (DOLLAR TOTALS)

Loans +4.6% · Assets +4.9% Net worth 11.24% and rising

Weighted by the largest institutions — a $10B credit union moves the total 1,000x more than a $10M one.

THE TYPICAL CREDIT UNION (MEDIAN)

Loan growth +0.6% (shrank the year before) 55% have fewer members than a year ago

Delinquency 53 → 63 bps in two years — rising faster than the system's 78 → 85

The same two-engine economy, one level down: different story in averages and median.

Sources: NCUA Q1 2026 Quarterly Data Summary; NCUA Quarterly U.S. Map Reviews (Q1 2024–2026).

OUR READ — FLAGGED AS SUCH

A flat loan book with rising delinquency isn't overlending. It could be existing members and loan holders struggling to pay.

TAKEAWAYS

Section one, in three lines

1. National consumer statistics are increasingly a picture of asset-holding households. They're a poor gauge of credit union members.

2. The earliest visible stress isn't in the national data — it's in the median credit union's own numbers. Flat books, rising delinquency.

3. Losses are elevated but no longer climbing, so there is still time to act. But reports built on averages won't say which member needs the call.

SECTION 2

Why members slip

How a member gets from current to sixty days late…because the mechanics are not what most collections playbooks assume.

WHY MEMBERS SLIP

Everyone’s money is bumpy — even the middle

36%

how much the TYPICAL family’s income moves month to month — the median, not the struggling

~5

months per year with a large income swing

The steady and similar paycheck is the exception, not the rule.

Source: JPMorganChase Institute, Weathering Volatility 2.0 — 6 million families, transaction-level, 75 months.

WHY MEMBERS SLIP

The bumps arrive on a schedule

EVENT	HOW OFTEN	BUFFER NEEDED	FAMILIES SHORT
Income dip	every ~9 months	2.8 weeks of income	**48% fall short**
Expense spike	every ~4 months	2.6 weeks	**46%**
Both at once — the double-hit	every ~5.5 years	6.2 weeks	**65%**

Falling behind is mechanical, not moral. Every five or six years a perfectly good member takes the double-hit — and the math runs out.

Source: JPMorganChase Institute, Weathering Volatility 2.0 (verbatim table).

WHY MEMBERS SLIP

And the cushion fell behind the pace

During the years JPMorgan studied — the strongest labor market in decades — balances grew ~6% a year, and even then 65% couldn't cover the double-hit.

+23%

real balances today vs 2019 — flat since early 2024

+40%

where the old pace would have them

The cushion isn't shrinking. It's 17 points behind a pace that was already tepid.

Sources: JPMC Institute, Weathering Volatility 2.0 (2019); Real income sustains weak trend (Nov. 2025).

WHY MEMBERS SLIP

Condition moves constantly — in both directions

Spring 2025 snapshot: 31% healthy · 54% coping · 15% vulnerable — and 2025 was a decent year; vulnerability fell.

31M

households changed financial-health tiers in twelve months — a quarter of the country

18M ↑

moved up a tier

13M ↓

moved DOWN a tier — in a good year

The loan file is a photograph. The member is a movie. The movie is constantly changing scenes.

Source: Financial Health Network, Financial Health Pulse 2025 U.S. Trends Report (longitudinal panel).

THE PHOTOGRAPH PROBLEM

Within a year, one in four households is somewhere else, and the ones who slid down didn't call to tell you. Do you have a system to know?

Everything underwriting knew was true on the day the loan was booked. Financial condition doesn't stay booked.

WHY MEMBERS SLIP

What tips a household: capacity, not character

Job loss

moves default risk about as much as a 35% collapse in home value — the autopsy of the last default wave (foreclosure-crisis households, incomes and mortgages matched)

Health shocks, in the U.S.

12,823 injured patients vs 25,195 matched controls, **98% insured** : medical-debt collections +5.2 pp, mean medical debt +$290, bankruptcies +3.2 per 1,000. Nationally, 21% faced an unexpected major medical expense, 18% carry medical debt, 26% skipped care over cost.

Sources: Gerardi, Herkenhoff, Ohanian & Willen (NBER w21630), historical U.S. mechanism evidence; Changes in Medical Debt and Bankruptcy After Acute Traumatic Injuries (2026); Federal Reserve SHED 2025, Economic Hardships. Insurance changes the nature of the shock — it does not eliminate it.

WHY MEMBERS SLIP

And they fight — longer than your reports can see

80%

of borrowers so squeezed they'd have had to cut below subsistence to stay current… were still paying.

People drain savings, juggle cards, cut everything else , and pay you while quietly drowning. Two consequences:

1. By the time a payment is missed, the member already lost a months-long private fight — that's why the missed payment is such a late signal.
2. The delinquent queue is a mix — lost capacity, competing obligations, self-cures — so one-size treatment fails. Both get their own sections.

The missed payment isn't the first signal that existed. It's the last one.

Source: Gerardi et al. (NBER w21630) — 96% of able underwater borrowers also kept paying.

WHY MEMBERS SLIP

Where it’s surfacing right now

Fed economists, national credit files, all lenders: card and auto delinquency reached financial-crisis levels, then broadly flattened. Cards: stable or improving across every score band. Then Q3 2025:

+70 bps

auto delinquency in low-income neighborhoods — in a single quarter

Non-prime

borrowers up. Renters up. Homeowners flat.

+30%

how much typical auto payments rose 2020–2023 — recent vintages still underperform

> **The exact households the paycheck data flagged, in the exact product paycheck households depend on. The current supervisory description is *elevated, persistent, and concentrated* , not accelerating everywhere.**

Sources: Federal Reserve FEDS Note (Nov. 24, 2025), NY Fed CCP/Equifax — LMI tracts hold 4%/19% of auto balances: concentration, not contagion; Fed Financial Stability Report (May 2026); Fed Supervision and Regulation Report (June 2026).

SECTION 2 CLOSE

Stress is real, concentrated, and moving segment by segment , invisible in any average.

And one level below those segments is a member, leaving a trail: the payroll deposit that shrinks, the savings transfer that runs the wrong way, the autopay that fails. Reading that trail is the next section.

SECTION 3

The trail

A missed payment is often the last visible event — not the first financial change.

THE TRAIL

Three institutions, three different members

The Fed

Everyone, shallowly

A mile wide, an inch deep. Excellent for averages, blind to individuals.

The bureau

Monthly, credit-only, lagged

Reported credit events, weeks stale. No paycheck, no savings, no cash flow.

You

Every deposit, transfer, and autopay

The primary checking account is the highest-resolution financial record a household leaves. You host it.

> **Every number so far came from somebody else’s telescope. For your own members, you already hold the best one.**

WHY EARLIER IS POSSIBLE

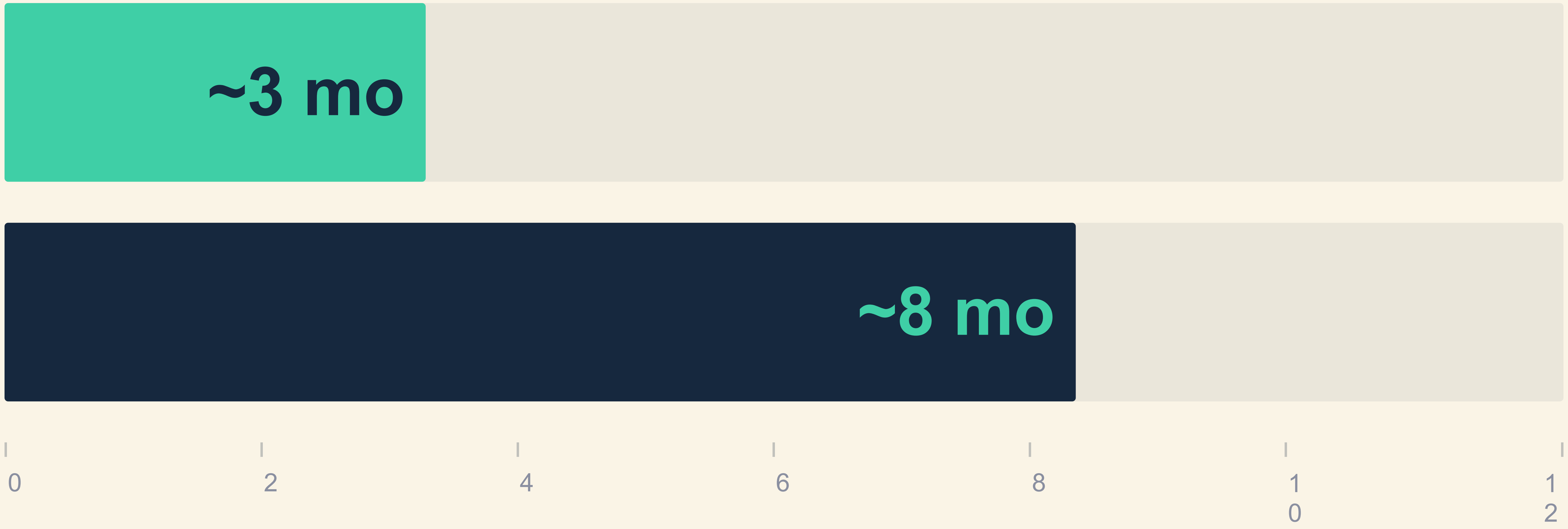
Liquidity buys time

CASH AVAILABLE WHEN INCOME FELL

MONTHS OF RUNWAY BEFORE DEFAULT

Less than one mortgage payment

About 2.2 mortgage payments



The cushion does not tell us who will default. It tells us how much time a household has to adjust — and how much time you have to help.

Source: JPMorgan Chase Institute, Falling Behind: Income Shocks and Mortgage Default. U.S. mortgage borrowers who eventually became seriously delinquent; deposit plus loan data. Bars show the study's median timings — not a universal countdown.

WHY EARLIER IS POSSIBLE

Credit history and cash flow answer different questions

THE CREDIT FILE ASKS

Has this member repaid obligations over time?

Essential history — but it records credit events after they are reported, so it may not show a household's changing capacity as quickly as behavior does.

CASH FLOW ASKS

What does this member's capacity look like right now?

Income arriving, cash on hand, obligations clearing — observed as it happens, in the account you already hold.

Recent U.S. research found cash-flow information added **modest but measurable** information beyond the traditional credit file. It did not replace the credit score — it described something different.

Not a better score. A different question…current capacity rather than accumulated history.

Sources: FinRegLab, Advancing the Credit Ecosystem (June 2025); Federal Reserve, Alternative Data in Credit Underwriting (Oct. 2025). Underwriting evidence; model detail in appendix. It does not establish a servicing lead time — that you prove on your own book.

WHAT IS OBSERVABLE

What changes before the payment changes?

Income

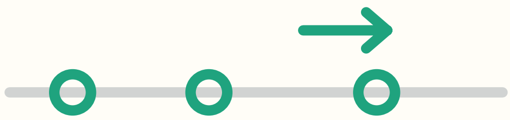
Smaller, missing, or less consistent deposits.

Liquidity

Declining balances, or a shorter cushion after payday.

Obligations

Rising utilization, or new demands on available cash.



Payment behavior

Later payments, failed autopays, repeated overdrafts.

> **The question is never whether one transaction occurred. It is whether the member’s financial mechanics are changing.**

Shapes are schematic, not member data. Category alignment: JPMorgan Chase Institute (income volatility, cash buffers); Federal Reserve SHED 2025 (utilization, BNPL); New York Fed (cross-product delinquency).

WHAT IS OBSERVABLE

One transaction is noise. A pattern is information.

Change

Different from **this** member's own normal — not from an average member's.

Persistence

It continued past one isolated period. Normal cash flow is bumpy.

Convergence

More than one kind of behavior moved in the same direction.

This is **not** a checklist for employees to run account by account. At portfolio scale it takes integrated data and a repeatable process. **The human role begins when that process surfaces a material change worth reviewing.**

Technology prioritizes attention. People supply context, judgment, and support.

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Follow the Clues. Prevent the Loss.

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Vizo financial

THE RULE, APPLIED

Current does not mean unchanged

WHAT HER ACCOUNT SHOWS

INCOME
Payroll deposits decline

LIQUIDITY
The post-payday cushion contracts

PAYMENT BEHAVIOR
One payment drifts later in the month

WHAT THE DELINQUENCY REPORT SHOWS

CURRENT

No missed payment. Nothing to report. Nothing to work.

And we still see only part of Dana. A paycheck may have moved rather than disappeared; savings may sit at another institution; obligations may clear elsewhere. Missing information is **uncertainty,** never reassurance. An alert begins a review; it does not end one.

Nothing here concludes that Dana will default. It concludes that her capacity has changed across independent measures, and that a person should take a look.

Dana is a fictional composite, not a member record; shapes are schematic. Multi-institution context: Financial Health Network, FinHealth Spend 2025.

TAKEAWAYS

Section three, in four lines

1. A missed payment is usually the end of a developing process — and the cushion determines how long that process runs.

2. Cash flow answers a different question than the credit file: current capacity, not accumulated history.

3. No single transaction predicts default. Change, persistence, and convergence — and no institution sees the whole household.

4. Nobody should be reviewing checking accounts by hand. A system prioritizes attention; people decide what it means and what to do.

Next: you can see Dana in month two. What do you do — and does doing anything beat doing nothing? Section 4, with the honest evidence.

APPENDIX · REFERENCE — NOT PRESENTED LIVE

Section 3 detail, retired from the live flow

Reporting can lag badly

9–27 months between borrowers stopping student-loan payment and defaults posting to credit reports (reporting pause plus the 270-day rule). Score drop when it posted: **−91 pts** . 3.6M borrowers, two quarters.

NY Fed, Student Loan Defaults Return After Pandemic Pause (May 2026). An unusual product — illustrative of lag only.

Model performance detail

Cash-flow data improved ROC-AUC by 0.0029–0.0061 and gave a 0.6–1.6% simulated approval lift at a 3% cutoff — small, measured, significant.

FinRegLab (June 2025); Fed alternative-data review (Oct. 2025). Underwriting evidence, accounts opened 2018–2019.

Default concentrates in thin cushions

Under one mortgage payment of liquid cash: **1.8%** three-year default vs **0.3%** with three to four payments saved. That group is **20% of borrowers, 54% of defaults** , regardless of equity or income.

JPMorgan Chase Institute, Trading Equity for Liquidity (2019). Durable mechanism evidence, not a 2026 measurement.

Borrowing capacity tightens first

Median card utilization: **13%** among borrowers who stayed current, roughly **90%** among those about to go newly delinquent. At 90–100% utilization, about **one in three** went delinquent.

NY Fed, Delinquency Is Increasingly in the Cards for Maxed-Out Borrowers (May 2024).

Signals to validate locally before trusting

New gig-platform deposits · employer-description changes · autopay cancellation · new payday-lender or BNPL ACH debits · insurance-payment interruption · direct-deposit rerouting. BNPL is invisible to all three bureaus but autopay-by-construction through checking; 11% of users had one trigger an overdraft (Fed SHED 2025).

Reasonable practitioner hypotheses — test them in your own portfolio before relying on them.

APPENDIX · REFERENCE — NOT PRESENTED LIVE

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SECTION 4

Does reaching out actually work?

A cautious yes — outreach can change repayment behavior. But contact by itself is not a treatment.

THE ANCHOR STUDY

A U.S. credit union ran the experiment for us

A randomized field experiment with a large U.S. credit union tested several ways of responding to installment-loan delinquency — from simple reminder emails to counseling and automated savings.

Reminder emails helped

They reduced moderate and severe payment delinquency.

The higher-touch help did not

Counseling and savings offers showed no effect — too few members ever enrolled.

Making help available is not the same as making it usable. A program cannot change an outcome if members never enter it.

Source: Roll, Chun, Despard, Bufe & Kondratjeva, Journal of Consumer Affairs 58(3), 2024. Population: members already experiencing installment-loan delinquency.

EVIDENCE AT SCALE

Small effects can matter at scale

−0.42 pp

fewer borrowers entered 60-day delinquency after a behaviorally informed email, versus the standard servicer email

A federal experiment randomized roughly **12.8 million borrowers** . A single follow-up message three days later improved the result further — at essentially no marginal cost.

The limitation: these were federal student-loan borrowers who had **already missed a payment** . It shows communication can change behavior at scale. It does not tell you what pre-delinquency outreach will do on auto, card, or unsecured loans.

Tiny per member, meaningful at portfolio scale — and cheap. But the size of the effect on your book is yours to find out.

Source: Kuan et al., PNAS 122(4), 2025. Remaining effect sizes and scaled counts in the appendix.

DESIGN, TESTED

Help has to be easy to enter

Be specific

Name the situation and the concrete options. Vague concern gives the member nothing to act on.

Make the next step easy

In a channel the member already uses. Not discover, download, print, sign, and call during business hours.

Follow up

In the federal experiment, one follow-up message improved on the first. Persistence beat polish.

> This is the same lesson the credit-union trial delivered from the other direction: the counseling and savings arms failed on **enrollment**, not on merit. Remove steps from the path into help before adding programs to the end of it.

A good program behind a hard door produces very little benefit.

Sources: Kuan et al., PNAS 122(4), 2025; Roll et al., Journal of Consumer Affairs 58(3), 2024. Framing comparisons in the appendix.

THE RESPONSE

Match the response to the barrier

APPARENT BARRIER	APPROPRIATE STARTING RESPONSE
Attention	A clear reminder, and a follow-up.
Process or timing	Repair autopay, clarify instructions, or consider timing flexibility where policy permits.
Reduced capacity	A workable arrangement that creates real monthly breathing room. Another reminder will not do it.

Do not assume you know the barrier , the alert does not diagnose the member, and an average result does not tell you which response will work for a particular one. Formal collections remains an important part of the process; it should not be the only response available.

Outreach clarifies the problem. The response has to fit what the conversation reveals.

Operating framework, informed by the studies cited in this section. Practices illustrative — effect-size detail in the appendix.

PROVING IT LOCALLY

Measure outcomes, not activity

1 Did members enter the offered pathway?

2 Did cure or roll rates improve?

3 Did the improvement persist?

4 Did complaints or unequal outcomes increase?

When compliance and operations permit, keep a **fair comparison group** . If everyone receives the intervention at once, it becomes hard to separate the program's effect from an improving month or a changing portfolio.

The national studies tell us outreach can work. Only your own portfolio can tell you whether *your* outreach worked.

TAKEAWAYS

Section four, in four lines

1 Outreach can work — and the average effect is usually modest.

2 A reminder can solve attention or friction. It cannot manufacture income.

3 Help that is hard to access produces little benefit, even when the program itself is good.

4 Measure repayment outcomes — not calls, emails, or cases opened.

The limitation, plainly: the strongest experiments here involve borrowers who were already delinquent or had already missed a payment. They support the value of outreach. They do **not** prove that pre-delinquency outreach triggered by cash-flow signals produces the same result. That has to be tested on your own portfolio.

Next: what is the institution permitted to do with this information — and how do you keep supportive monitoring from becoming surveillance or automated judgment?

APPENDIX · REFERENCE — NOT PRESENTED LIVE

Section 4 detail, retired from the live flow

Full federal-experiment results

Behaviorally informed email: **−0.42 pp** entry into 60-day delinquency. One follow-up three days later: a further **−0.57 pp** . Scaled across the experiment, roughly **57,700–101,900 fewer** 60-day delinquencies and **~200,000 more** income-driven repayment applications, at nearly zero marginal cost.

Kuan et al., PNAS 122(4), 2025. Federal student-loan borrowers who had already missed a payment.

Message-framing comparisons

Framing the benefit as a percentage beat framing it as dollars — “cut your payment 12%” outperformed “save $80” by about **0.14 pp** . Two recommended actions beat one action at a time; the authors warn explicitly about the risks of oversimplification.

Kuan et al., PNAS 122(4), 2025 — preregistered comparisons.

Exploratory subgroup findings

Effects ran **47–59% larger for women** and **41–87% larger** for borrowers who had previously used income-driven repayment, with variation by balance and loan age. Reported by the authors as exploratory.

Kuan et al. (2025). Hypotheses for further segmentation testing — never an automated treatment rule, and a fair-lending review question.

What actually relieves incapacity

Foreclosure-crisis analysis found ability to pay dominant: a **10% drop** in monthly income left over raised default probability **1.1–2.5 points** . Modifications that increased borrower **liquidity** reduced defaults; modifications that added equity while leaving borrowers underwater did not.

Gerardi, Herkenhoff, Ohanian & Willen (NBER 21630); JPMorgan Chase Institute, Trading Equity for Liquidity (2019).

Illustrative portfolio arithmetic — not a projection

Applying the federal experiment’s combined email effect to its randomized population implies on the order of **79,800 avoided 60-day delinquencies** . The number is offered only to show why a fraction of a percentage point is worth measuring at scale. It is not transferable to a credit-union portfolio: different product, different population, different starting delinquency state. Any local estimate should come from your own book with a comparison group.

Derived from Kuan et al. (2025) midpoint effects. Illustrative arithmetic only.

APPENDIX · REFERENCE — NOT PRESENTED LIVE

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jpmorganchase.com/institute · nber.org/papers/w21630

SECTION 5

From data to action

The answer is not necessarily collecting more data. It is operationalizing the data the institution already has.

DefaultSleuth
Follow the Clues. Prevent the Loss.

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Vizo financial

FROM DATA TO ACTION

The data may already be there

STORED AS INDIVIDUAL EVENTS

- A payroll deposit arrived.
- A balance changed.
- A transfer to savings reversed.
- An automatic payment cleared.
- An overdraft occurred.
- A loan payment posted late in the month.

→

WHAT YOU NEED IS THE RELATIONSHIP AMONG THEM

- ? **Is income declining?**
- ? **Are payments moving later?**
- ? **Is liquidity being consumed?**
- ? **Are several of those changes happening together?**

The data is already digital. The insight is not yet operational.

FROM DATA TO ACTION

Less a crystal ball, more a way to notice change at scale

It sets a baseline for each member, then repeatedly asks the same three questions from Section 3 — across the whole portfolio, at a cadence manual review could never reach.

CHANGE

What changed from this member's normal?

PERSISTENCE

Did the change persist?

CONVERGENCE

Are several indicators moving together?

THE OUTPUT SHOULD NOT BE

~~"This member will default."~~

THE USEFUL OUTPUT IS

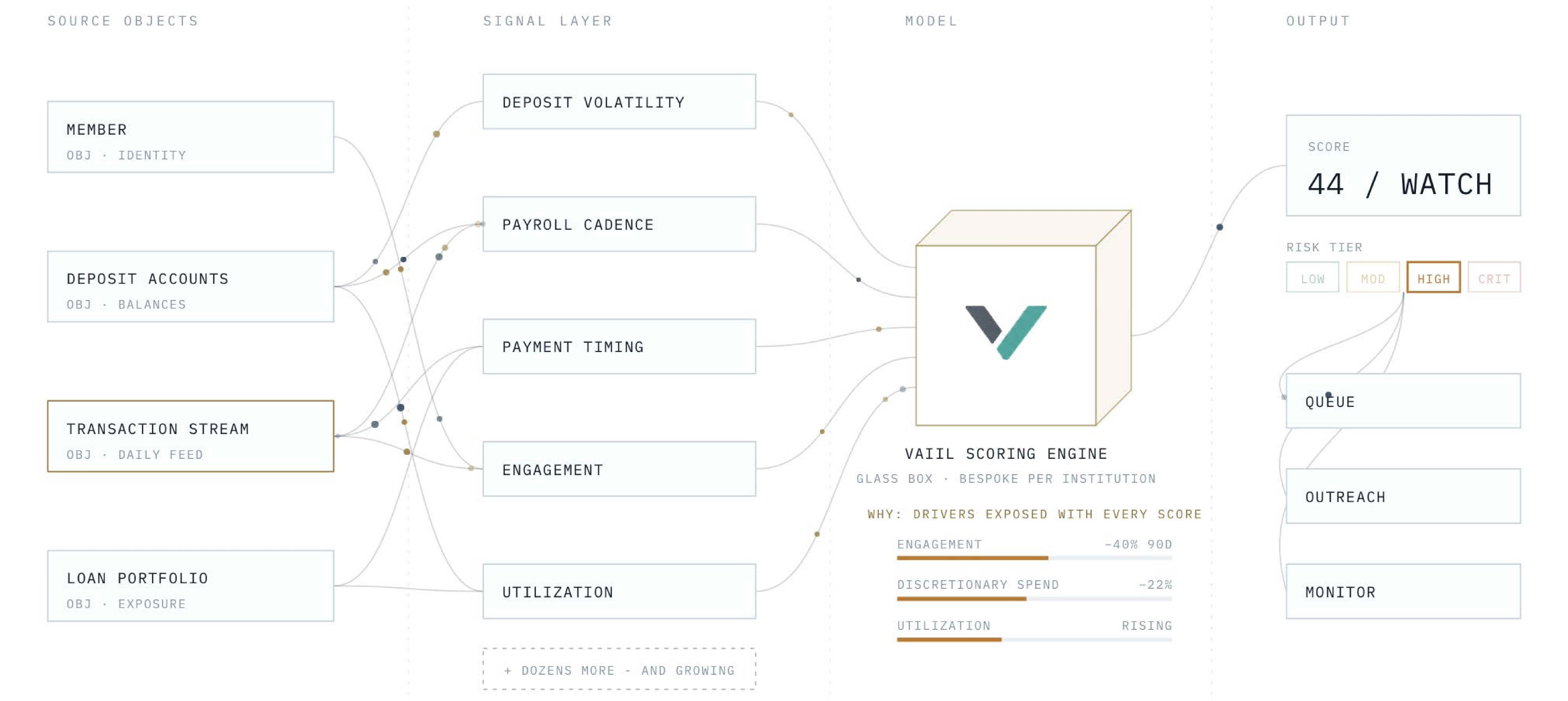
"Something meaningful has changed here and this is why it may deserve review."

Machine learning turns transactions into trajectories and trajectories into a manageable set of questions for people to investigate.

DefaultSleuth
Follow the Clues. Prevent the Loss.

FIG. 01 - HOW DEFAULTSLEUTH SCORES A LOAN · SIGNALS → SCORE → ACTION

ROUTING



FROM DATA TO ACTION

Where DefaultSleuth fits

BRINGS TOGETHER

Loan, deposit, and transaction information from systems you already run.

COMPARES

Current activity against the member's own prior pattern — not an average member's.

PRODUCES

A prioritized work queue — and the reason each relationship appeared on it.

OUR CLAIM

Our public materials describe DefaultSleuth as capable of surfacing risk **up to three months before default**. A credit union should validate that against its own portfolio: early enough, accurate enough, and at a case volume your staff can actually manage.

The model identifies the change. The credit union determines what it means and what should happen next.

Sources: vfccu.org/solutions_mobile/defaultsleuth.html; DefaultSleuth overview, vfccu.org/assets/recordings/4.2.26DefaultSleuth.pdf. Vendor-stated capabilities.

FROM DATA TO ACTION

Turn the signal into a workflow

01
Detect
Decide which loan, deposit, and transaction data is used — and how often it refreshes.

02
Review
Define what qualifies, and set the volume at a level staff can realistically work.

03
Reach out
Give employees the reasons behind each alert — not merely a score.

04
Respond
A reminder, a process repair, or an approved hardship pathway. Match the barrier.

05
Measure
Did the member respond? Did it cure? Did it roll? Did the improvement hold?

ONE GUARDRAIL TRAVELS THE WHOLE LOOP

An early-warning signal should prioritize **supportive attention** . It should not quietly become an automated reason to deny credit, reduce access, or change terms.

The signal opens a conversation. It should not close a door to the relationship.

Governance detail — Regulation B adverse-action obligations and the board's six questions — in the appendix.

THE REAL VALUE

It does not remove the shock. It changes when you learn of it.

None of this eliminates job loss, medical expense, inflation, or income volatility. It may change **when** the credit union becomes aware of their financial effect. That creates time.

Time to review the relationship.

Time to understand what changed.

Time to offer a relevant option.

Time to act before collections is the only option left.

The real value is not a score.

It is time for a better conversation — while the member and the credit union still have choices.

> **Credit unions were built to take sensible risk on members. Seeing trouble earlier is not a reason to lend less , it is what lets you stand by people with your eyes open.**

TAKE THIS BACK WITH YOU

What do you wish you could see before the missed payment?

The next default may already be developing inside a relationship that still looks current. The data may already be there. The question is whether we can turn it into time and the right action.

ONE NEXT STEP

Bring us one question about your own portfolio.

Thirty minutes. We’ll walk it against your data — no feature tour.

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APPENDIX · REFERENCE — NOT PRESENTED LIVE

Section 5 detail: governance and the do-it-anyway list

Two uses — keep them apart

Prioritizing who gets a call

The model decides where staff look first. No rate changes, no credit denied. Ordinary risk-management rules apply.

Changing terms or access

Cutting a limit, repricing, denying credit. Regulation B then requires specific, accurate reasons — and “the algorithm is complex” is not one of them.

12 CFR 1002.9 and its Official Interpretation. CFPB Circular 2022-03 was withdrawn May 12, 2025 — the requirement stands; the circular is no longer the authority.

Six questions the board should answer

Purpose
Are we prioritizing help — or making credit decisions?

Data
Is every input permitted, accurate, and proportionate to that purpose?

Explanation
Can a lender say out loud why this member showed up on the list?

Fairness
Do results and outreach differ by group — and would we know?

Vendor
Can we audit it, challenge it, and leave?

Outcomes
Are roll rates falling and cures rising — or are we just busy?

NCUA 2026 Supervisory Priorities (26-CU-01); NCUA AI and CUSO guidance; interagency statement on alternative data.

Worth doing whether or not you ever call us

1. Split reporting: what’s late, newly late, rolling, curing.
2. Look at risk by product, vintage, employer, and channel — not just the total.
3. Set a baseline for each member’s income, cushion, and borrowing — then watch for change.
4. Write the pre-collections playbook: who gets a check-in, who gets help, who escalates.
5. Measure the program — lift, false positives, fairness, and what happened to the member.

None of this requires buying anything. Technology scales a good process; it does not replace one.