

NASCUS[®]

The National Association of State Credit Union Supervisors

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2024 Q3 SCU Industry Report

Industry Status Based on September 2024
5300 Data

NASCUS 2024 3Q SCU INDUSTRY REPORT – INDUSTRY STATUS BASED ON SEPTEMBER 2024 5300 DATA

Background and Introduction

The information presented in this report represents September 30, 2024, 5300 publicly released data and therefore does not include credit unions from Puerto Rico and may not always represent privately insured credit unions unless noted otherwise.

On September 30, 2024, state-chartered credit unions (SCUs) totaled 1,776 charters (includes PISCUs but excludes SCUs in Puerto Rico) with total assets of \$1.16 trillion. These numbers represent a decline from the previous quarter of 21 institutions (46 YTD) and a \$3.2 billion decrease in total SCU assets. Assets in SCUs declined for the second consecutive quarter. Comparatively, the number of FCUs declined 14 charters (74 YTD) and represented a quarterly asset increase of \$17.6 billion. On September 30, 2024, SCUs represented 38.6% of active charters, 49.7% of total assets and 46.9% of reported members.

Puerto Rico chartered Cooperativas declined by two over the last quarter to 92 and reported minor asset growth of only \$100 million to evidence \$12.1 billion in total assets at the same timeframe.

5300 FILING CU SUMMARY REPORT AS OF 09 2024

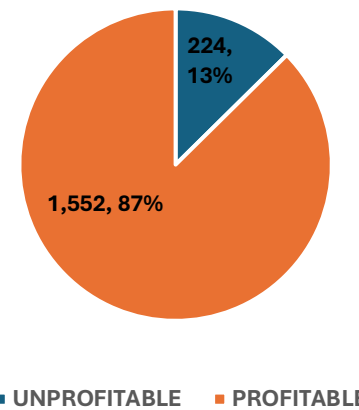
Current Quarter Total	SCU	FCU	% SCU
CU #'S	1,776	2,820	38.64
MEMBERS	67,293,276	76,081,086	46.94
ASSETS	1,161,018,419,032	1,173,436,860,345	49.73
Previous Quarter Total	SCU	FCU	% SCU
CU #'S	1,797	2,834	38.80
MEMBERS	67,569,226	74,806,836	47.46
ASSETS	1,164,198,311,139	1,155,818,662,619	50.18
CHANGE	SCU	FCU	
CU #'S	-21	-14	
MEMBERS	-275,950	1,274,250	
ASSETS	-3,179,892,107	17,618,197,726	

Earnings and Net Worth

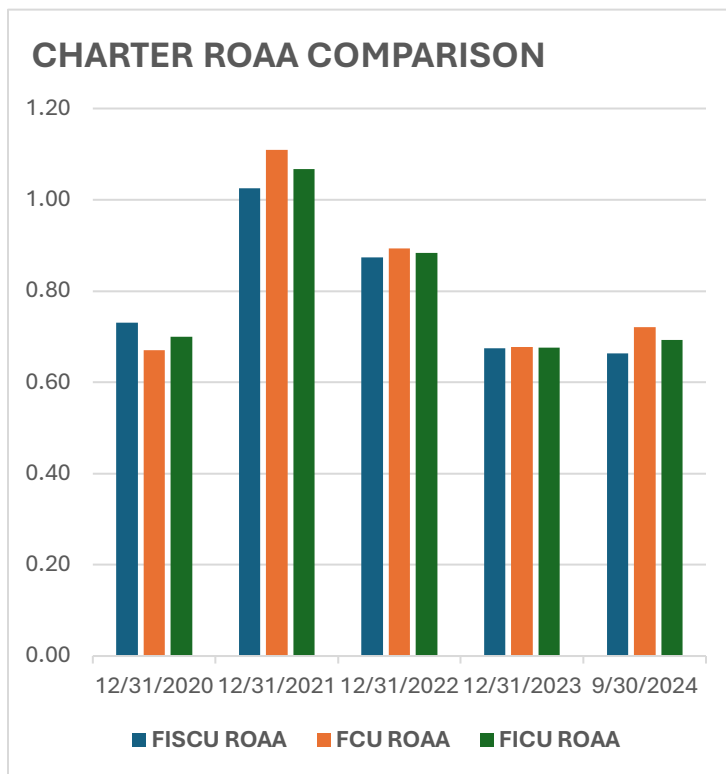
SCUs (excluding Puerto Rico) reported an aggregate annualized ROA of .66, unchanged from the previous quarter, earning \$5.7 billion over the first nine months of 2024 with an average and median YTD institution earnings of \$3.2 million and \$374 thousand, respectively.

The percentage of profitable SCUs improved slightly from 86% of all SCUs at 2Q24 to 87% at 3Q24, likely related to industry consolidation during the quarter. Considering only the 1,552 profitable institutions, spot ROA averaged .95 with a median of .72.

EARNINGS PROFITABILITY



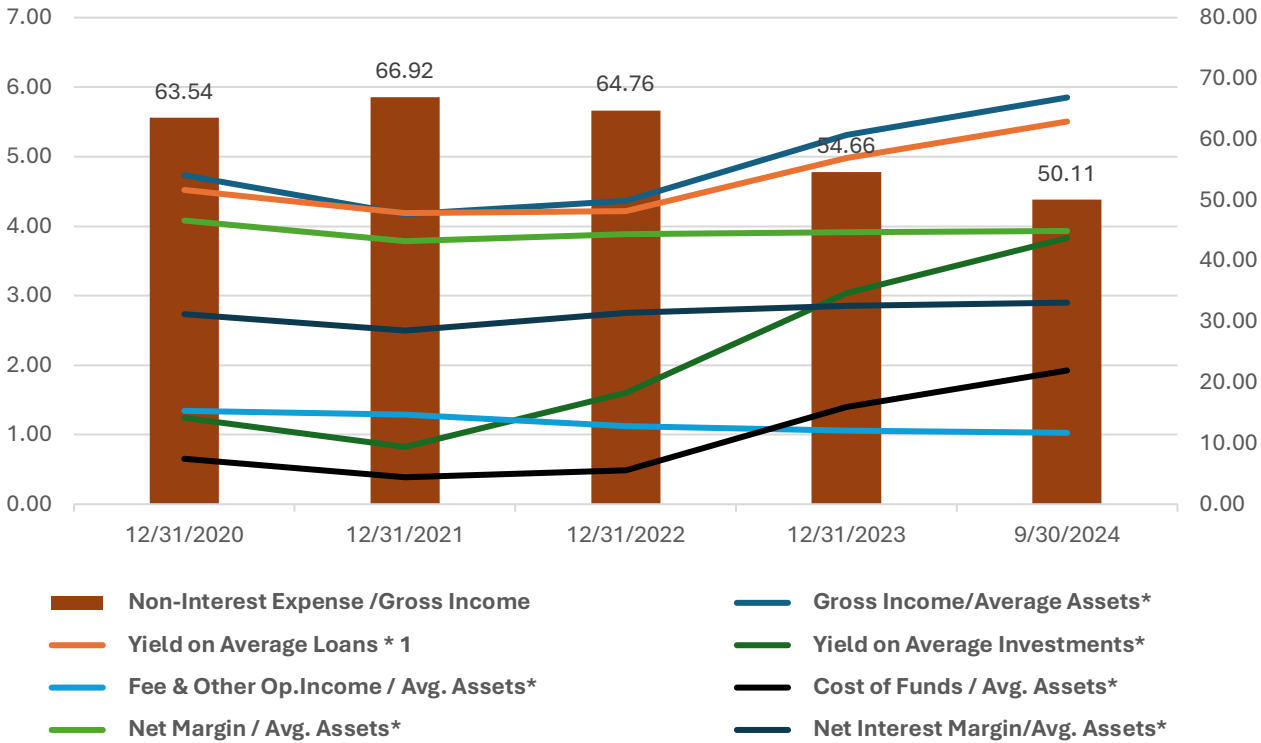
FCUs ROAA of .72 slightly outperformed SCU charters ROAA of .66 YTD 2024 which, while stable compared to 2023 performance, continues to be well below 2021 and 2022 performance for both charters.



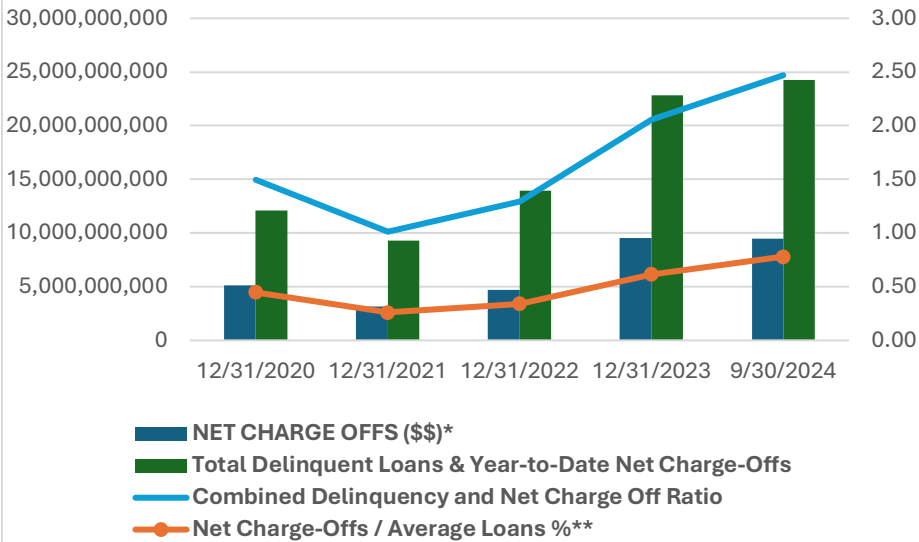
A thorough review of the FISCO earning trends indicates the industry ROAA continued to remain stable but did not improve despite further 3Q24 improvements in operational efficiency (i.e. declines in non-interest expenses).

The impact of improvements in loan and investment yields were mitigated by increased cost of funds and, as a result, the net interest margin remained unchanged. Non-interest income based on fees or other operating income continued to decline to its lowest level to 1.03% of average assets, down from 1.34% of average assets YE 2020.

FISCU EARNING TRENDS



FISCU C/O & DELINQUENCY



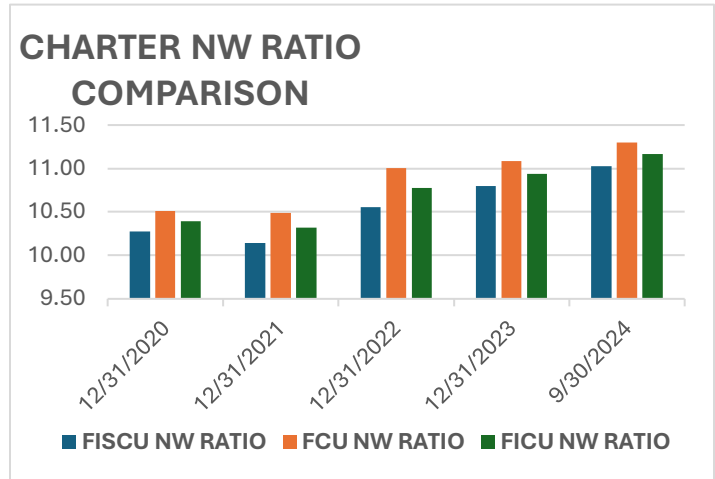
Significantly elevated charge-offs and rising delinquencies continued to require increased provisions to the allowance for loan losses and further hampered earnings.

As of September 30, 2024, FISCUs collectively expensed \$3.8 billion in provision expenses, on pace to exceed YE 2023 provision expenses of \$4.3 billion to an annualized estimate of YE 2024

provision expense of \$5.1 billion.

Aggregate NW for state-chartered credit unions continued to show an improving trend from YE 2021 to approximately 11% of total assets. However, 20 SCUs nationwide reported a PCA status of less than well capitalized, a decrease of one institution from the previous quarter.

Those 20 less-than-well capitalized, state credit unions included seven reporting undercapitalized (3) or significantly undercapitalized (4) status at the end of 3Q24. Those undercapitalized credit unions held an average NW ratio of 4.18% with a median of 3.59%. While the number of undercapitalized institutions held steady from the previous quarter, the average NW ratio of undercapitalized institutions declined approximately 40 basis points from the previous quarter end.

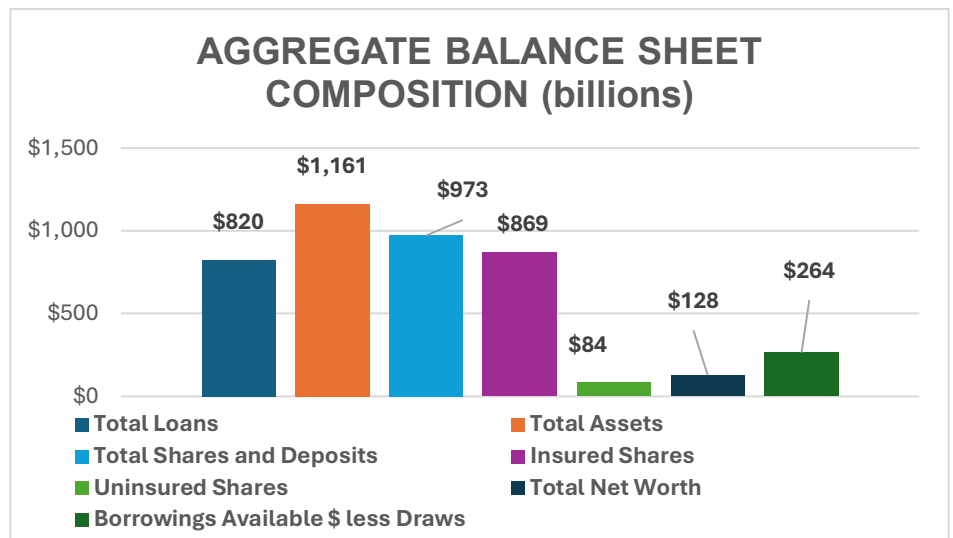


Improvement in net worth ratio trends from 4Q23 resulted from significant improvements in the HTM and AFS losses held in reserve against investment losses and benefited from continued declines in total assets.

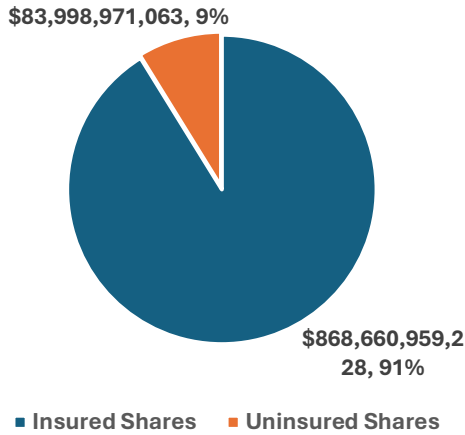
Balance Sheet Composition

The \$1.16 trillion SCU 3Q24 aggregate balance sheet remained almost unchanged with a \$3 billion decline in total assets from the previous quarter.

The balance sheet was funded with \$973 billion in total shares and deposits, a decrease of approximately \$3 billion from the previous quarter, and total net worth of \$128 billion, increasing nominally from \$127 billion last quarter.



INSURED VS UNINSURED SHARES



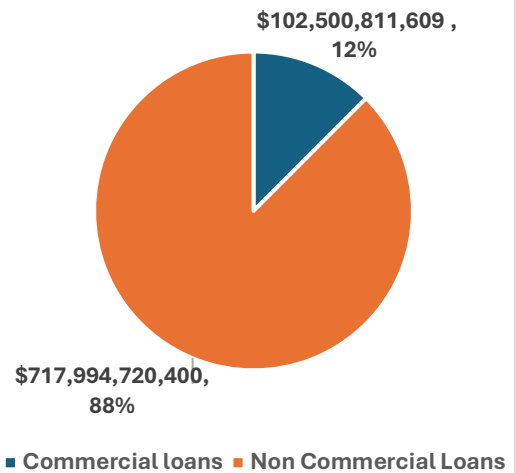
In aggregate, SCUs reported \$264 billion of available lines to address short-term liquidity concerns, an increase of approximately \$11 billion from 2023 YE. In aggregate, the SCU balance sheet liquidity position remained consistent from the previous quarter with only a modest drop of \$2 billion in total shares and continued declines in investment holdings which were mitigated by elevated cash levels and anemic loan growth.

Uninsured shares at 3Q24 represented approximately \$84 billion (up \$3 billion from 2Q) or 9% of total shares.

Total loans held by SCUs of \$820 billion remained unchanged the previous quarter achieving only anemic growth since YE 2023. Currently, SCUs hold \$820 billion of total loans at the quarter's end.

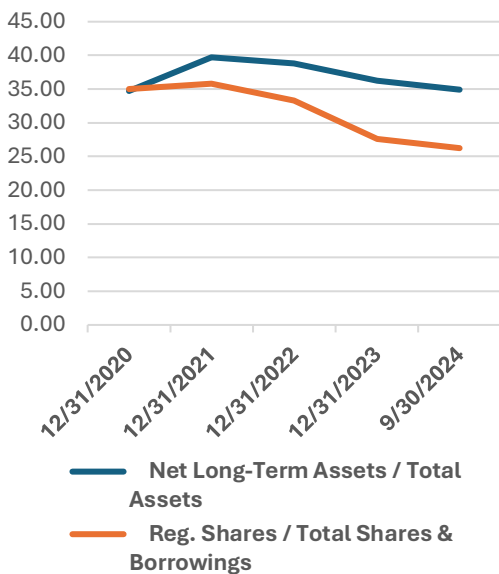
Commercial loans represent approximately 12% of the aggregate SCU loan portfolio. While the level of the total loans remained static from the previous quarter, a modest shift of \$2 billion from non-commercial to commercial credits was noted.

COMMERCIAL VS NON COMMERCIAL LOANS



Investments held by FISCUs represented \$164 billion, declining to the lowest levels noted since YE 2020, continuing its downward trend with another \$1 billion decline in 3Q24 and \$8 billion decline YTD

CORE LONG-TERM FUNDING GAP

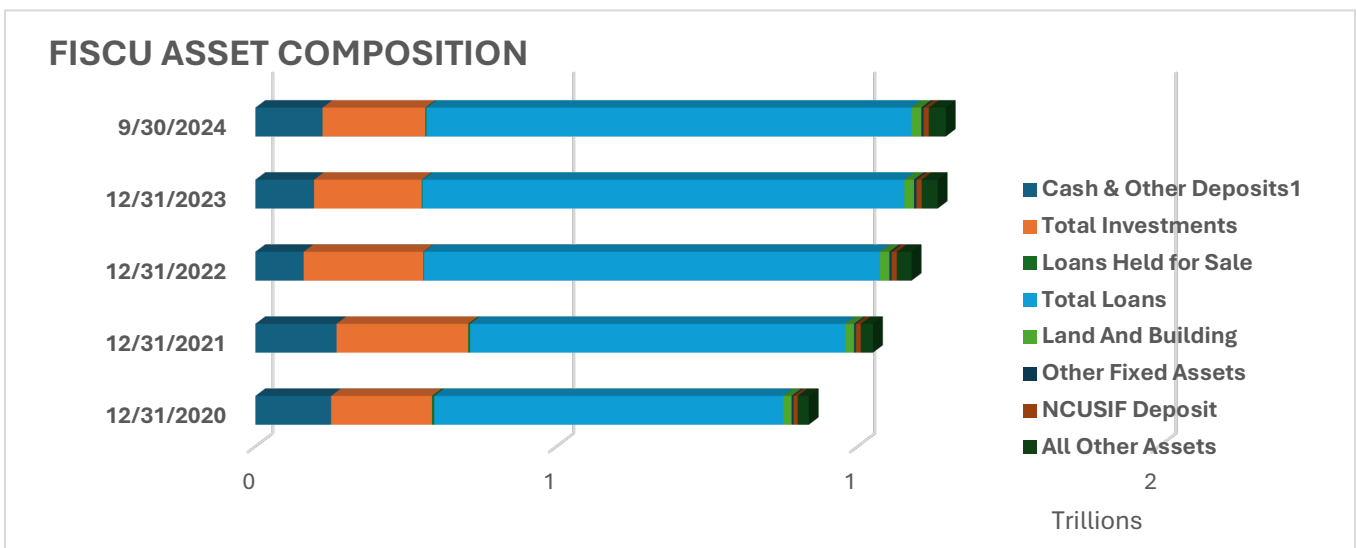
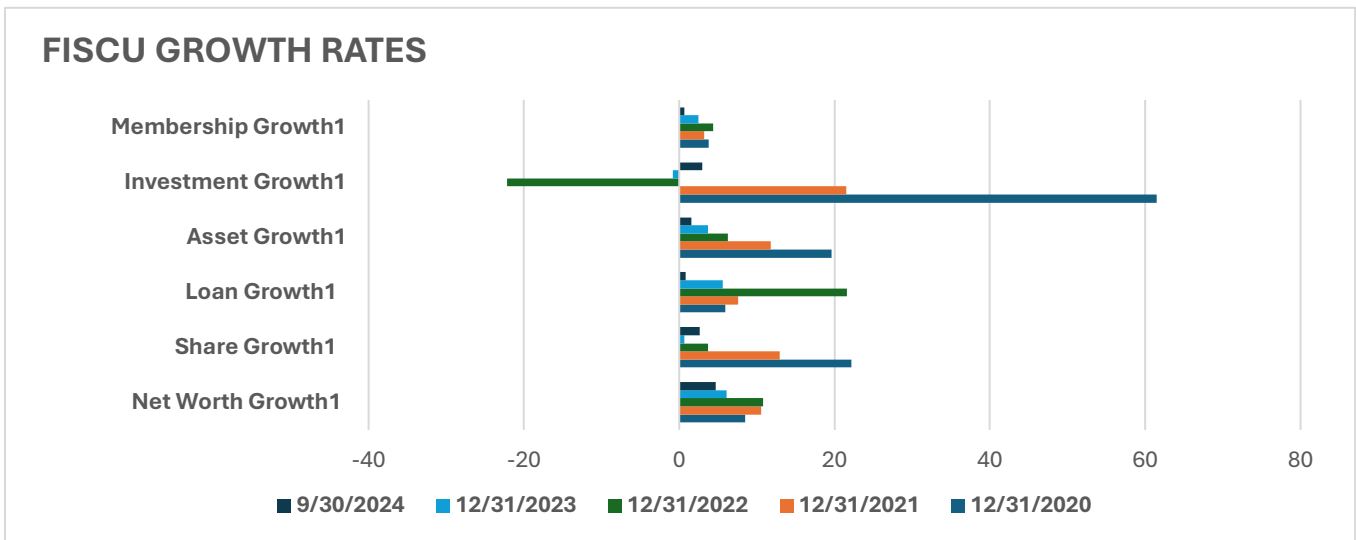


2024. Significant improvement in both HTM and AFS losses is also noted in 3Q24.

Liquidity, while remaining relatively stable, continues to represent elevated risk. As evident in the Core Long-Term Funding Gap graphic, declines in regular shares as a percentage of funding continue to outpace the

decline of net long-term assets, although both have leveled out from the more extreme slopes noted in previous quarters.

Annual FISCO growth rates are anemic, while maintaining positive performance. Share growth was modest and improved over 2023 growth rates but represents the second worst yearly growth of the five-year period. Investment growth while positive was nominal and did not make up for the significant declines in 2022 and lack of growth in 2023. Membership and asset growth rates remained positive, but almost nonexistent in 2024 for SCUs. The most notable year over year growth rate at September 30, 2024, was net worth, which appears driven by the earnings impact of an increased short-term nature of the balance sheet and an inverted yield curve as well as the anemic asset growth noted from the previous year.



Delinquency and Charge Offs

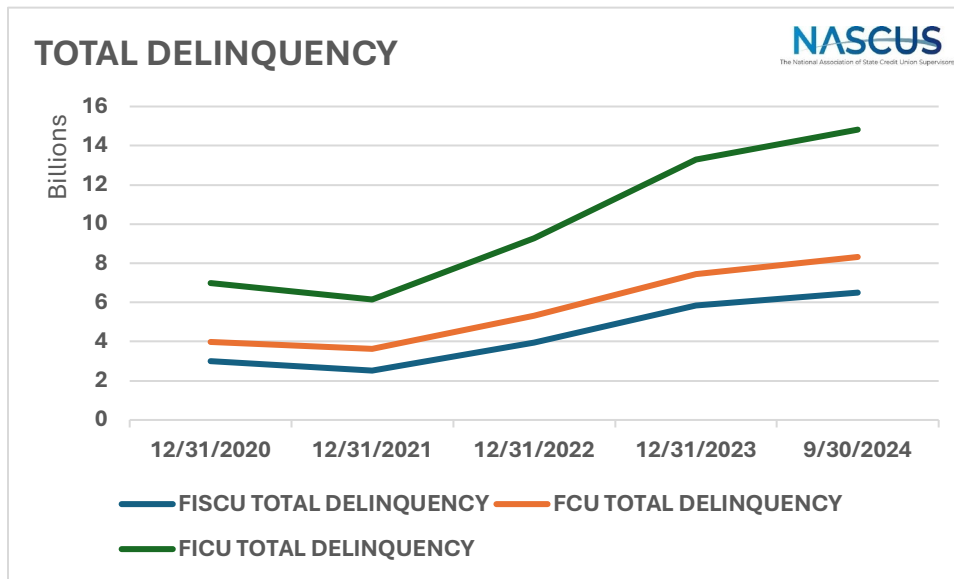
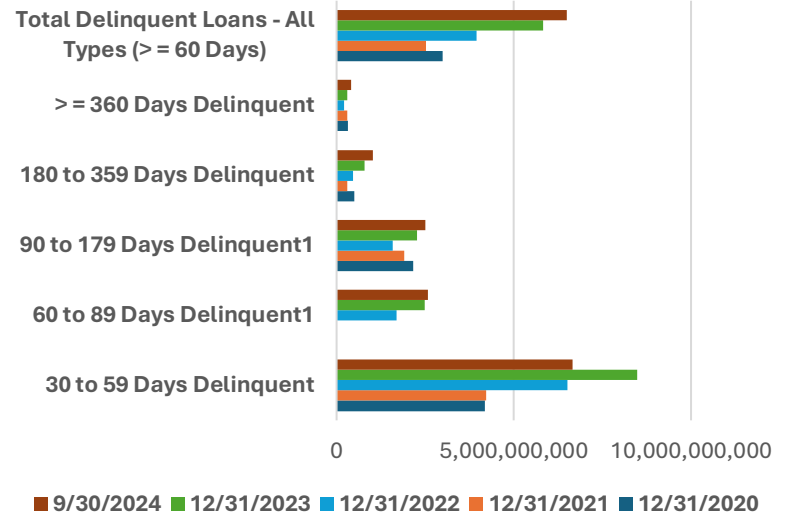
FISCU delinquency greater than 60 days increased from \$5.9 billion to \$6.5 representing a \$600 million increase from the previous quarter. Although higher than that experienced over the last four years, the level does not yet represent those noted during the last recession. The graphs provided confirm these trends and differentiate that despite these increases, FISCUs continue to report total delinquencies at rates less than those of their federally chartered peers.

FISCU delinquency grew only modestly in each of the reporting buckets for reportable delinquency (>60 days).

Further, non-reportable delinquencies

(those less than 60 days), decreased from the previous YE to levels commensurate with YE 2022 to \$6.7 billion, well below the \$8.5 billion reported at YE 2023.

FISCU DELINQUENCY

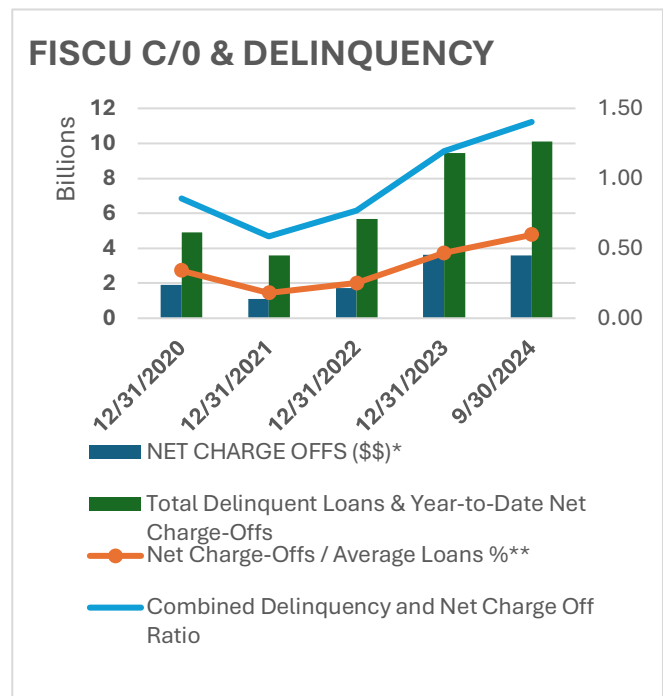
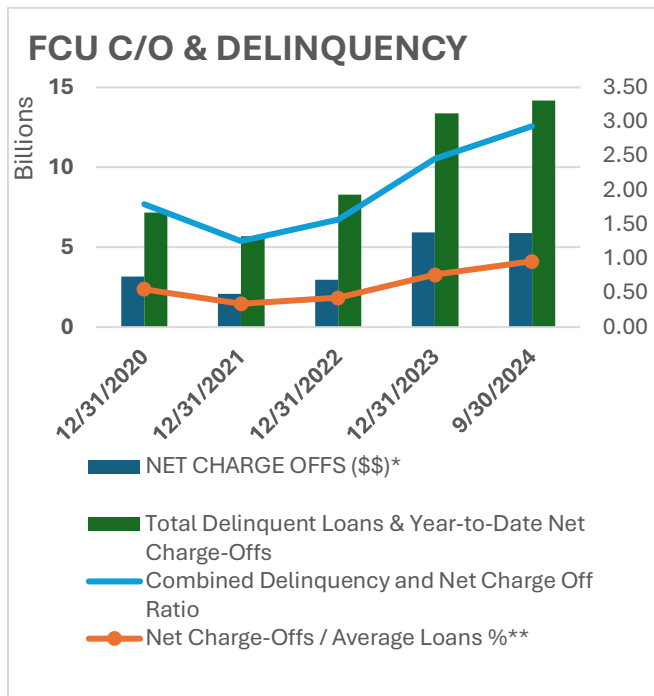
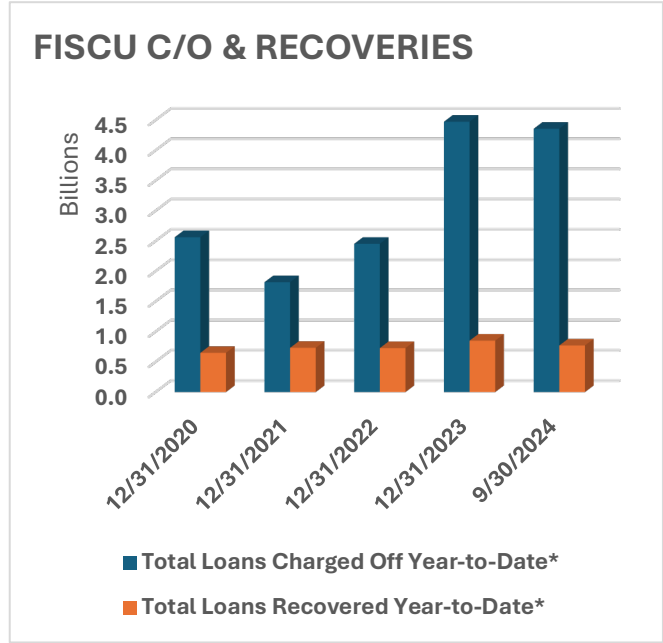
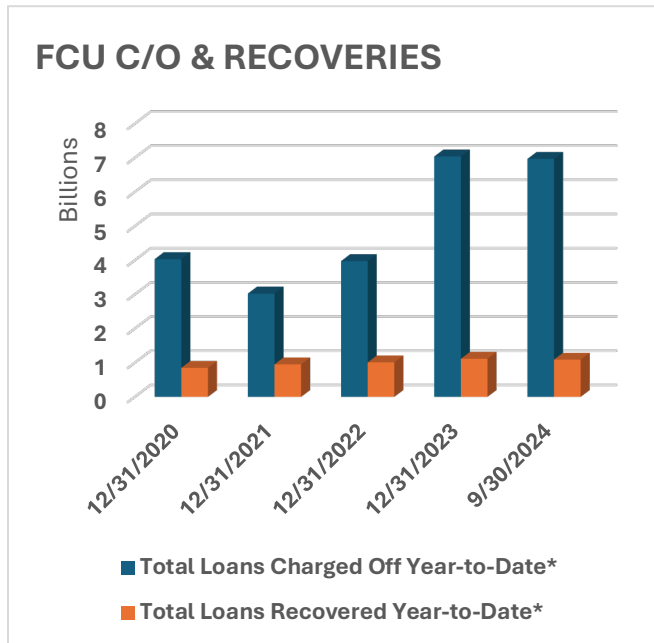


While this is a positive sign it should also be noted that elevated net losses have been experienced and reasonably impact reported delinquencies.

Provision expenses for the first nine months are on pace to exceed 2023 provisions and are currently estimated at \$5.1 billion at YE 2024. Annualized estimates of 2024 net charge offs based on the YTD performance could

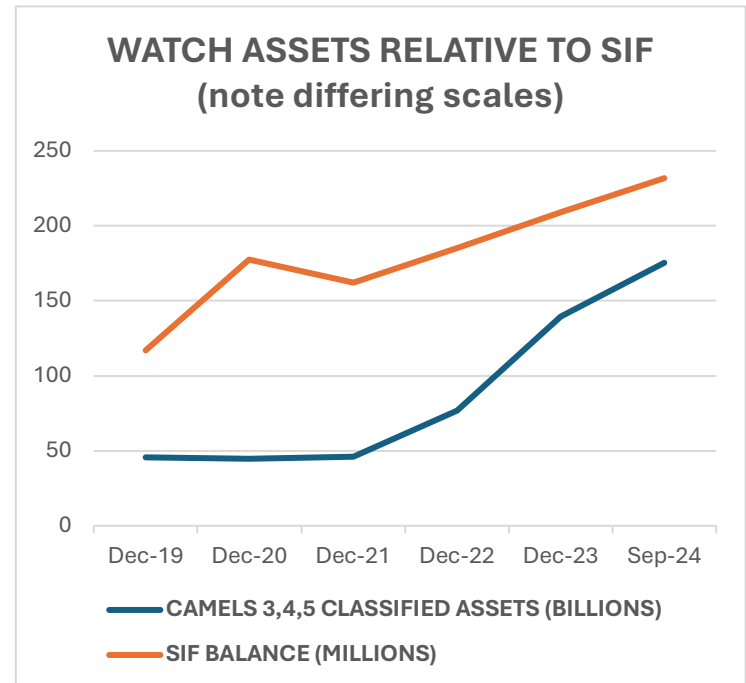
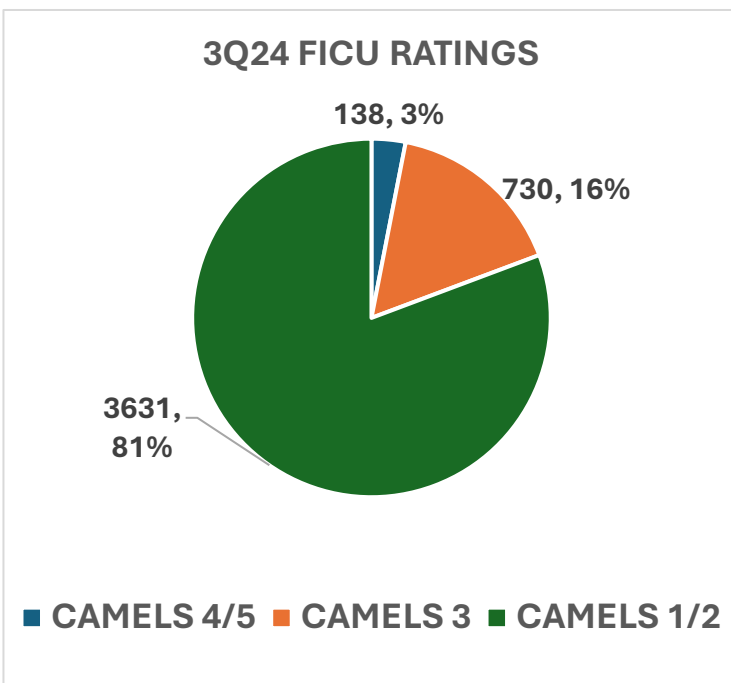
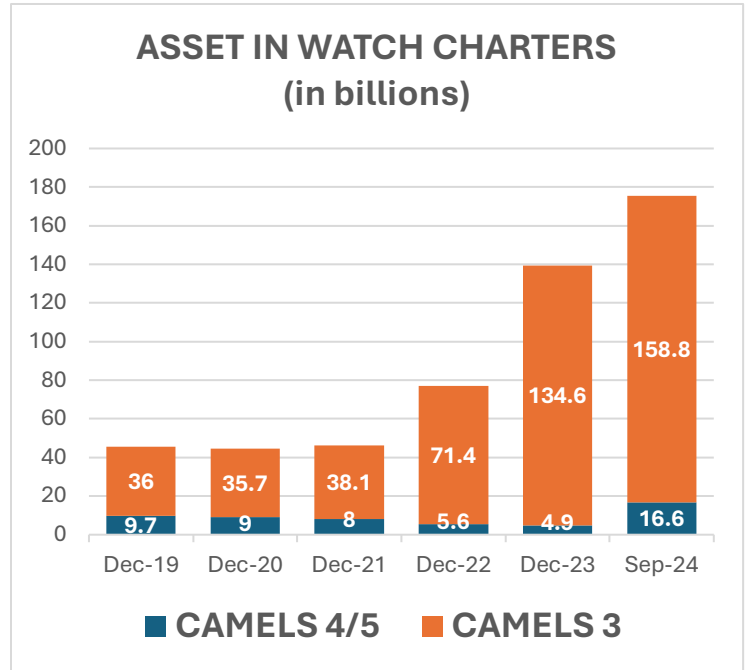
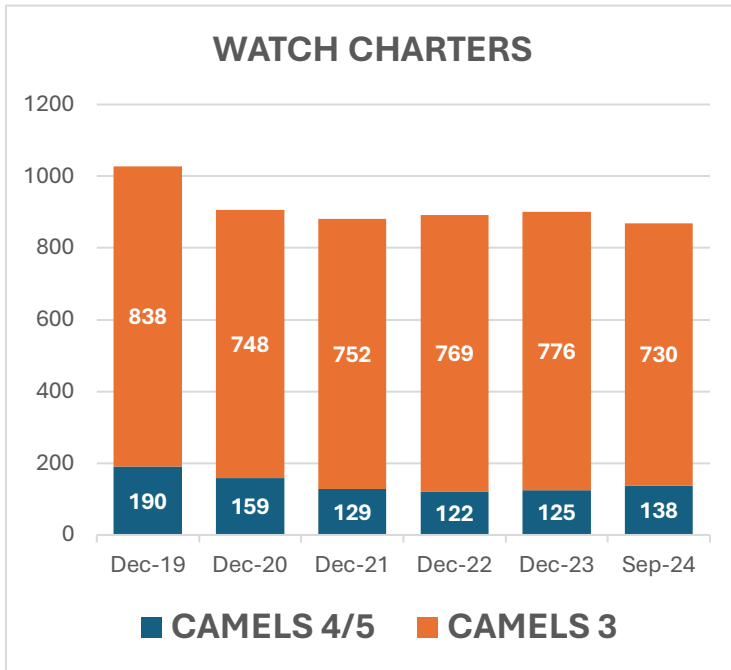
indicate significant additional impact of embedded credit risk remains within the FISCU loan portfolio.

Due to the significance of the credit risk aspect of the portfolio, additional related graphs are presented to represent FISCU and FCU delinquency and charge-off trends.

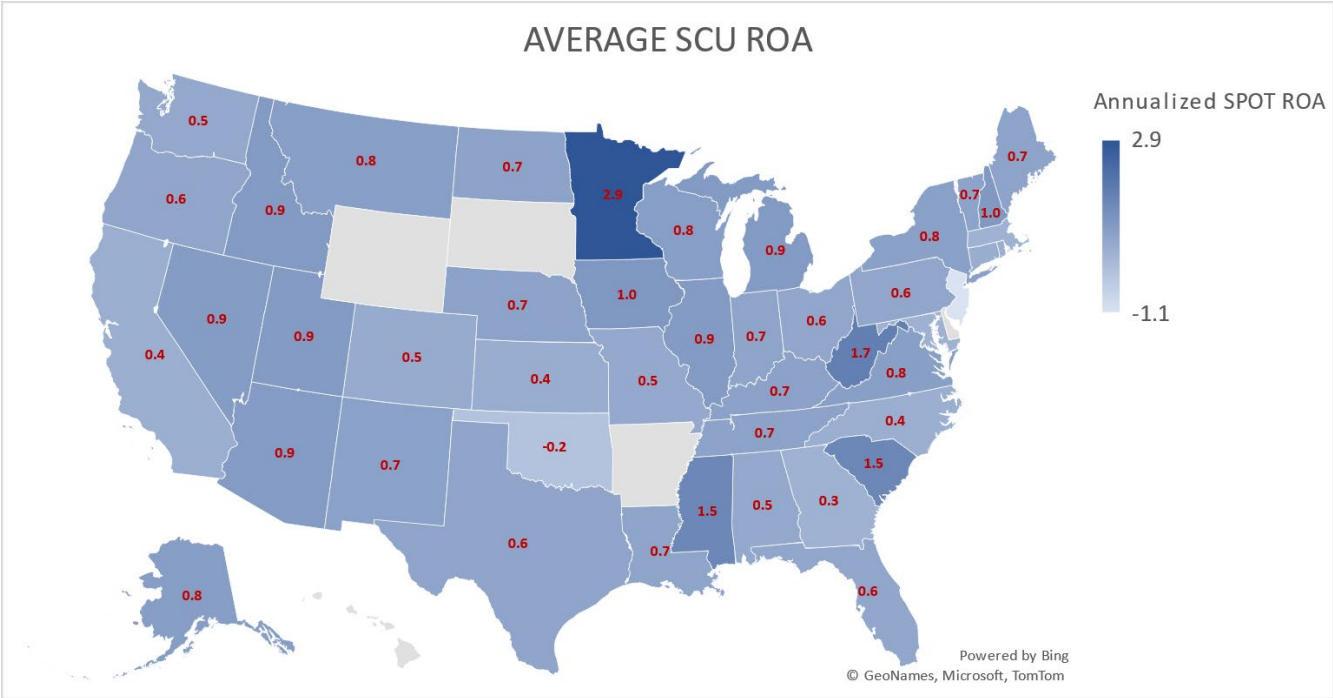
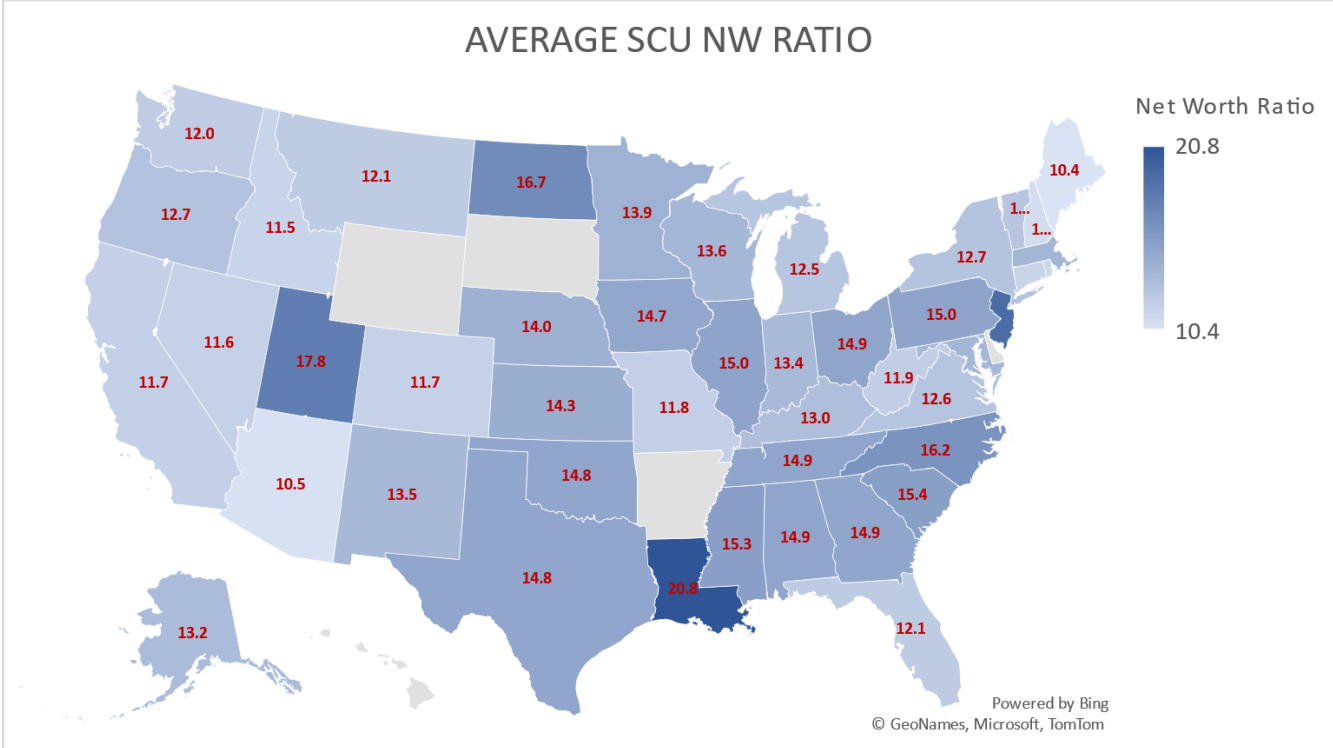


Watch FICU Assets and Institutions Based on Quarterly NCUA SIF Analysis

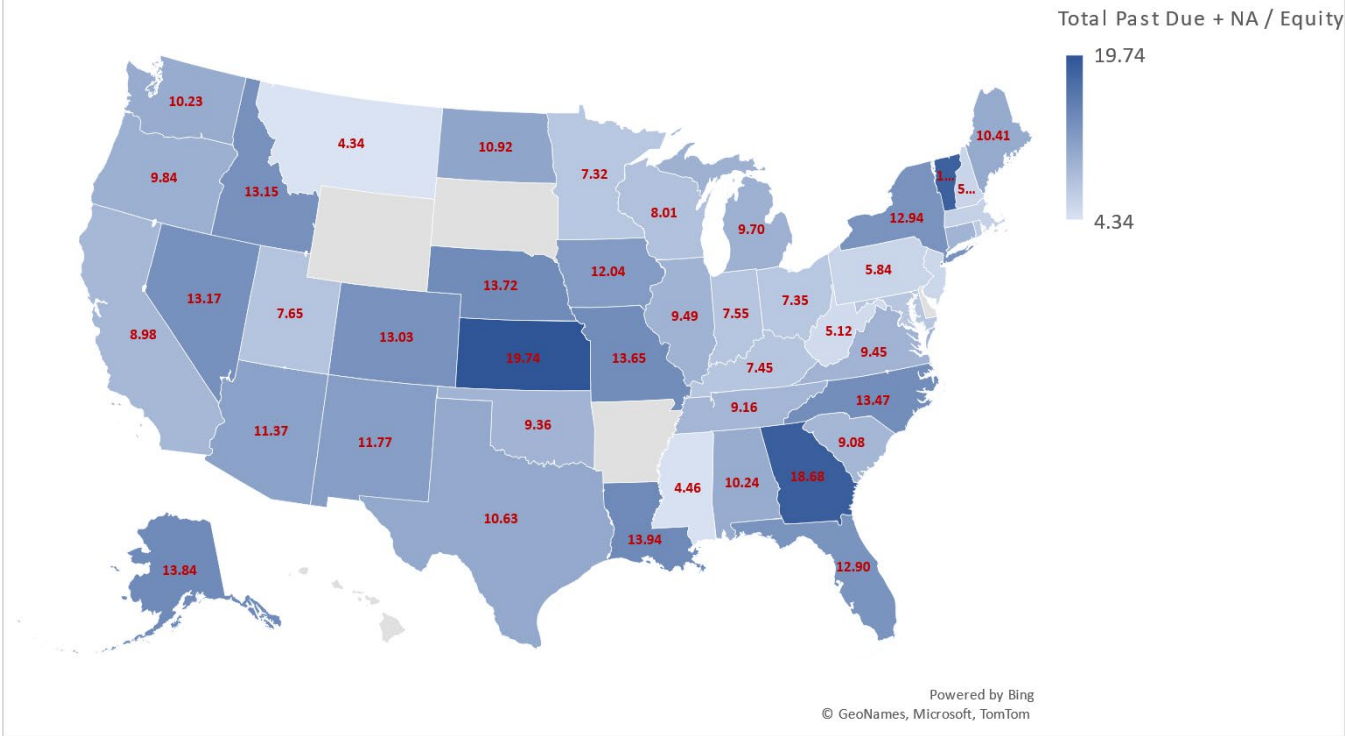
The following graphs represent the level of Watch institutions, those with a composite rating three or worse, based on information provided in the NCUA's quarterly review of the SIF.



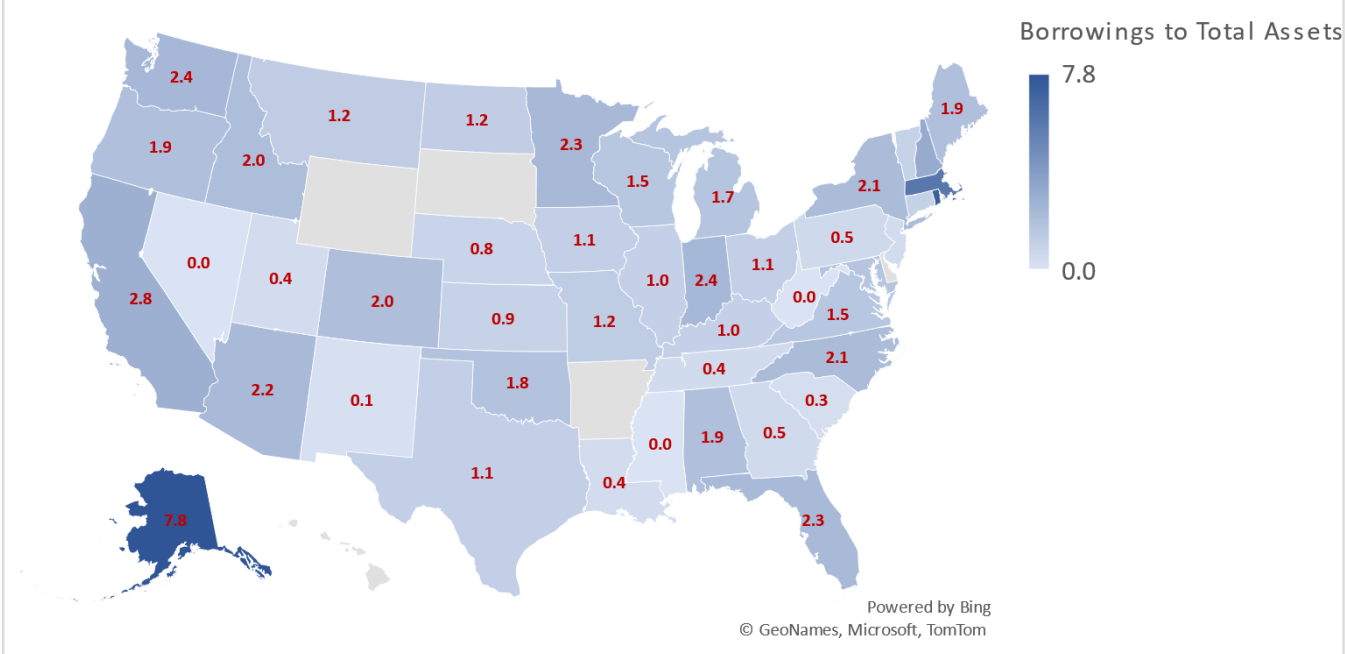
State by State Averages



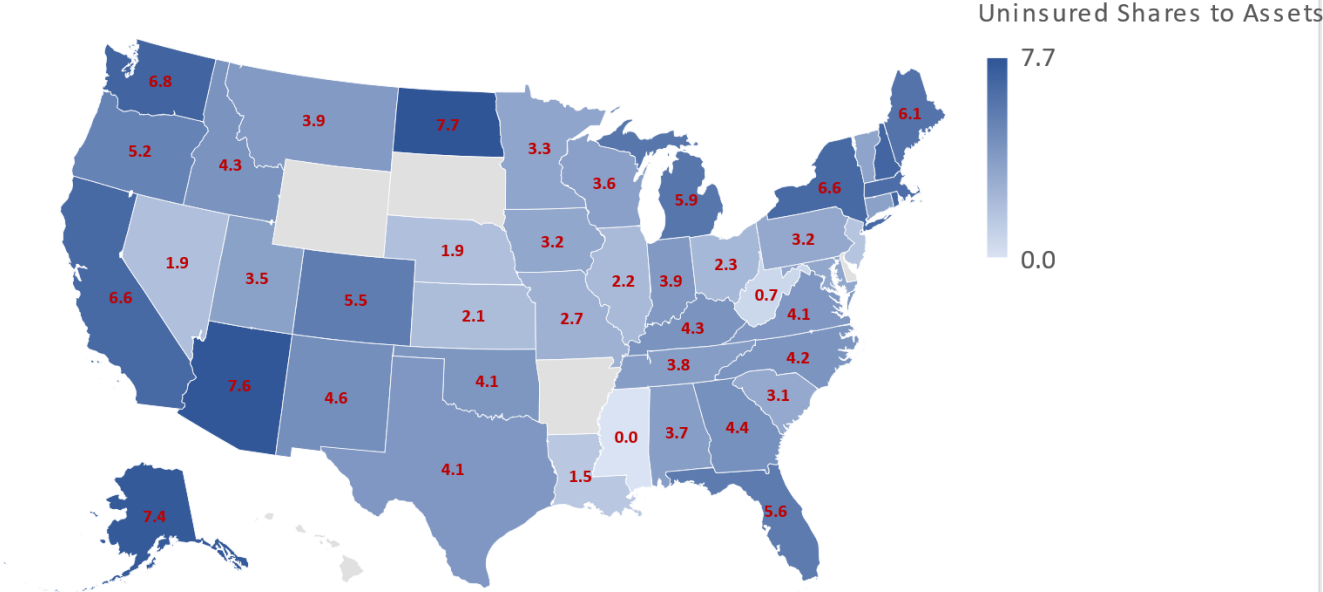
AVG TOTAL PD+NA/EQUITY



AVG SCU BORROWINGS TO TOTAL ASSETS

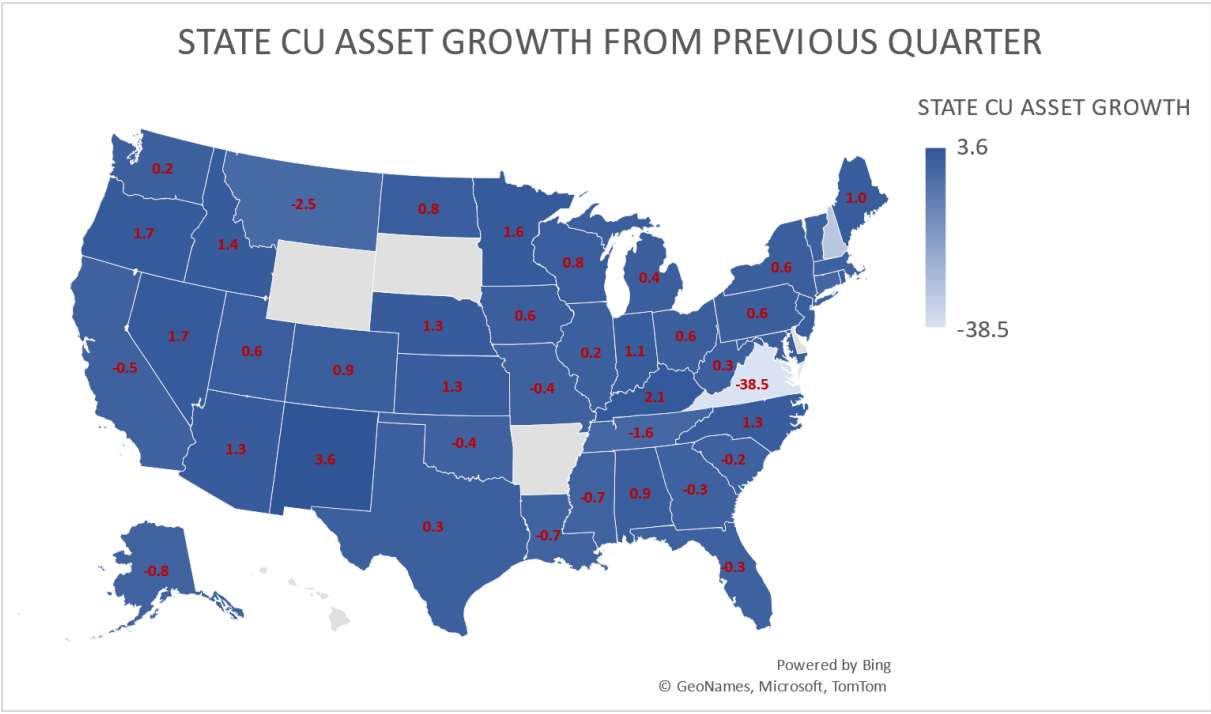
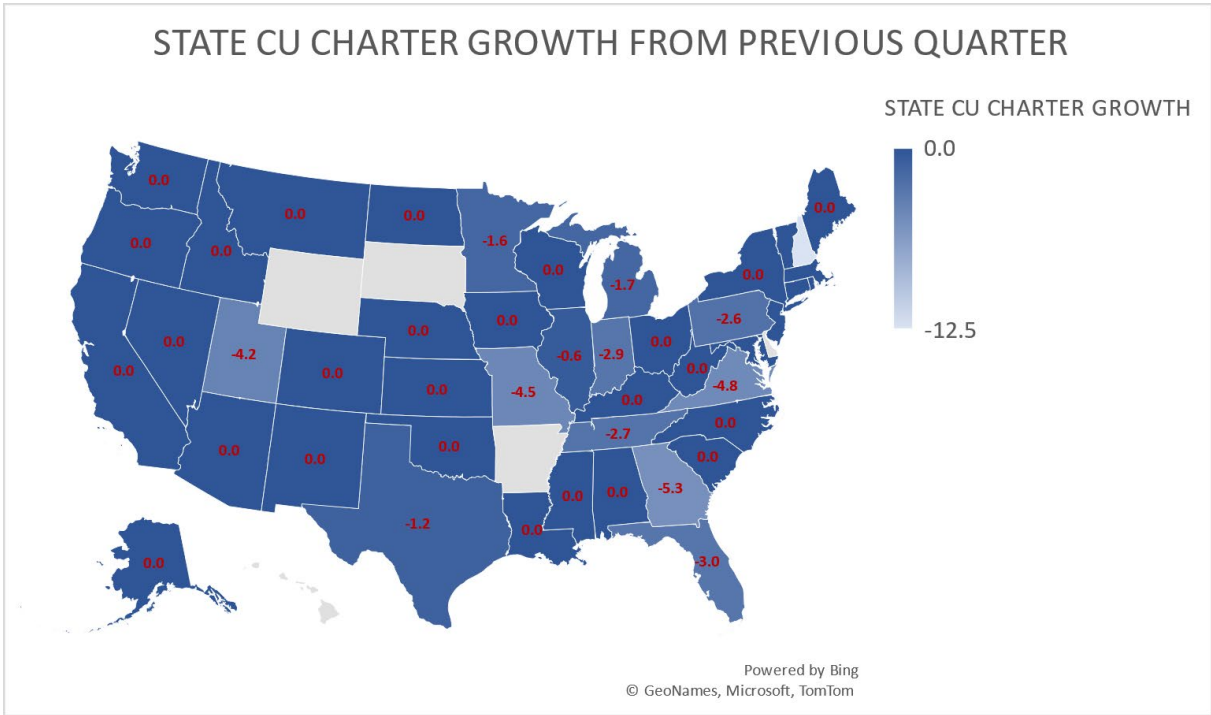


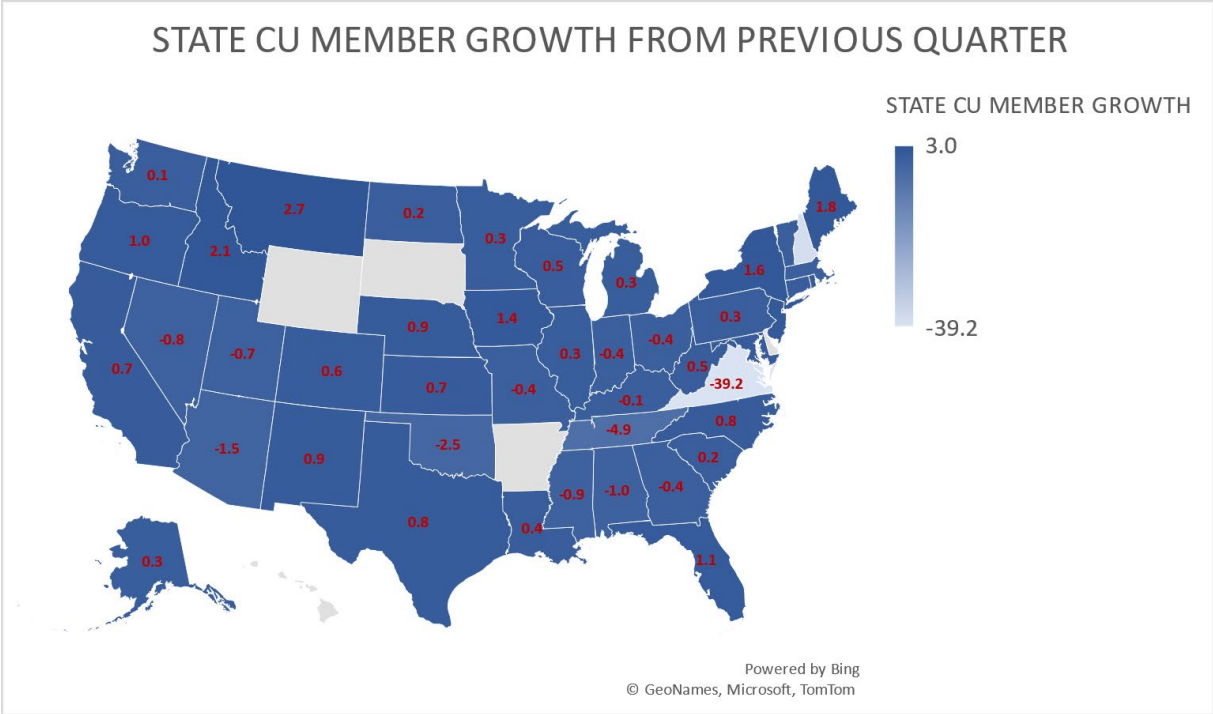
AVG SCU UNINSURED SHARES TO ASSETS



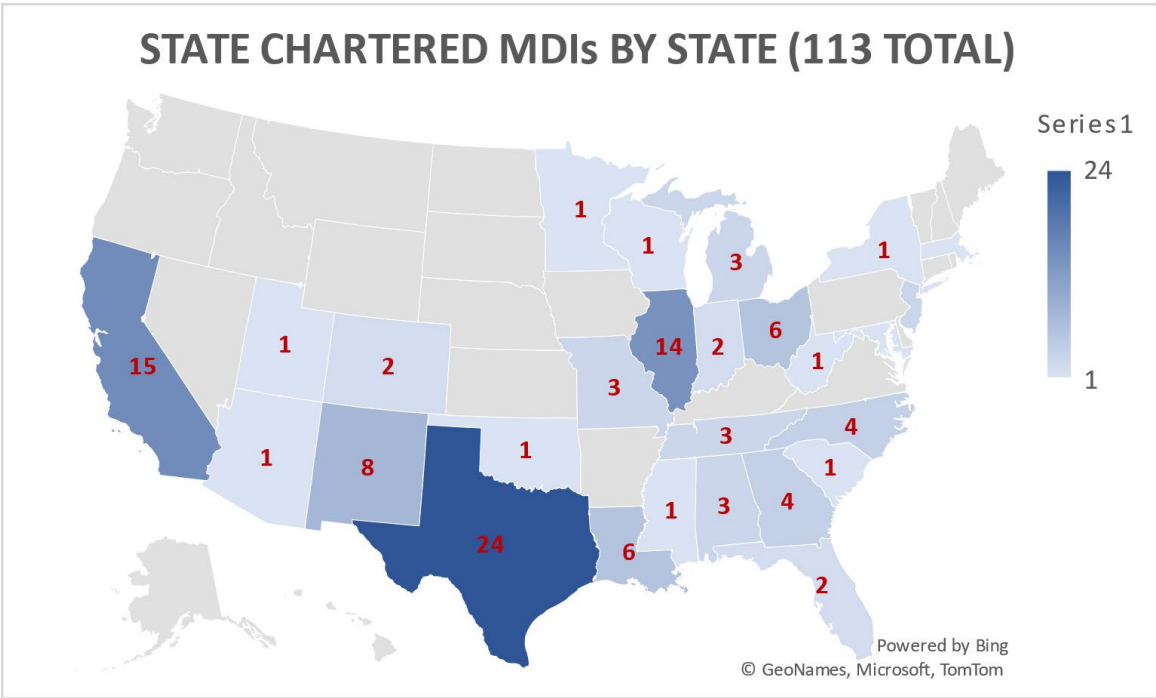
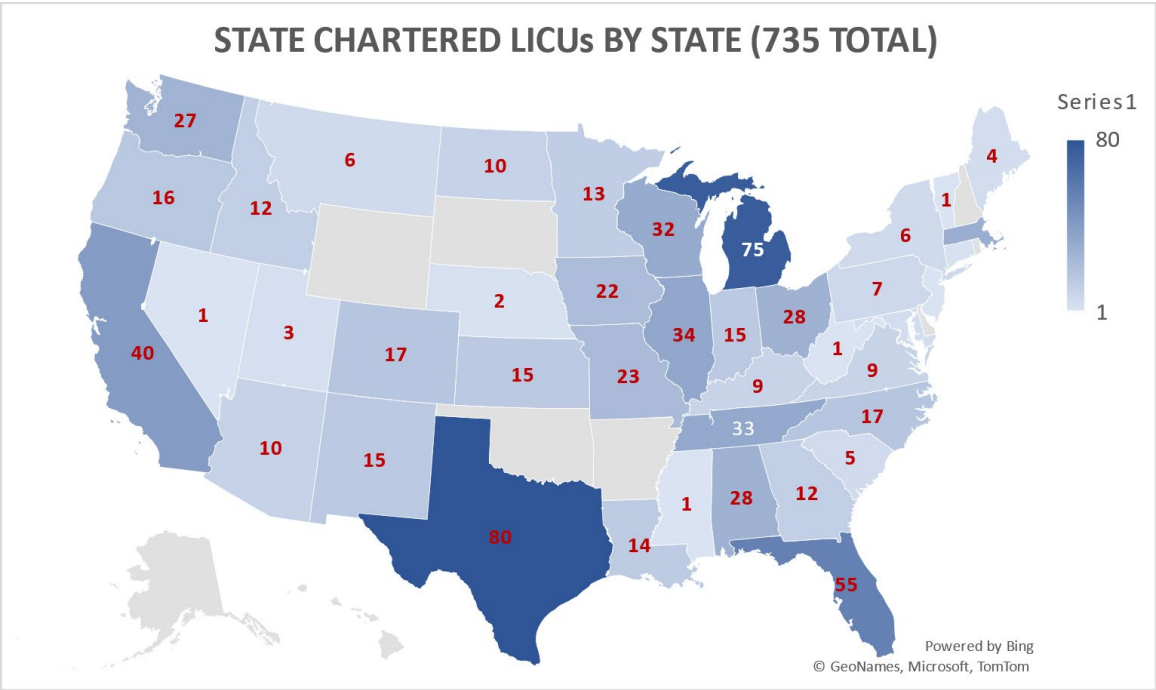
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State Growth Rates





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