

Credit Union Trends Report

Executive Summary June 2023

TruStage's Chief Economist, Steven Rick, shares trends of lending volume and credit quality. Additional highlights this month include:

Economy

- Credit union yield on asset ratios rose to 4.06% in the first quarter of 2023, the highest since 2010 and approaching the 4.6% long run average.
- Credit union yield on asset ratios is highly correlated to the 10-year Treasury interest rate.
- Over the last year, yield-on-asset ratios rose from 2.92% in Q1 2022, to 4.06% in Q1 2023.
- Expect the yield on asset ratio to rise to 4.65% by the end of the year as the Federal Reserve raises the Fed Funds interest rate to 5.6% by year end, from 5.1% today, and loan growth exceeds investment growth, shifting the mix of assets to higher yielding loans.

Lending

- During the first 4 months of 2023, loan balances rose 2.5%, similar to the 10-year average growth rate of 2.4%.
- Looking forward, the month of May is historically the beginning of the new auto lending season, so we expect credit union new auto lending to accelerate through October.
- The contract interest rates on a 30-year fixed-rate conventional home mortgage fell to 6.34% in April, down from 6.54% in March but higher than the 4.98% reported in April 2022.
- Expect credit union loan balances to rise 7.5% in 2023, and 8% in 2024 which will be above the long run average rate of 7.2%.

Members/Assets

- Credit unions now hold 13.2% of the total household savings market in April, the highest in credit union history and up from 12% one year ago, 9.6% twenty years ago and 4.6% forty years ago.
- Savings growth for the first four months of the year came in at 1%, below the 4.1% average pace set during the last 20 years.
- With rising interest rates stressing some credit unions to the point of considering a merger, expect a surge in mergers during 2023-2026 as smaller credit unions with limited asset growth, capital growth and digital capabilities with look for merger partners to increase the products and services offered to their members.

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Source: June 2023, CUNA Economics & Statistics and TruStage Economics. This report on key CU indicators is based on data from TruStage E&S's Monthly Credit Union Estimates, the Federal Reserve Board, and TruStage – Economics

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