

# Economic & Credit Union Update

If you have any questions or  
comments, please contact:  
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**June 2025**

## *Trump's Economic Policies*

1. **10-20% Universal Tariffs**
2. **Mass Deportation**
3. **Extend 2017 Tax Cuts and Jobs Act**
4. **No tax on tips/overtime/Social Security**
5. **Deregulation/Elimination of red tape**
6. **Reduction of federal employees**

## *Economic Impact*

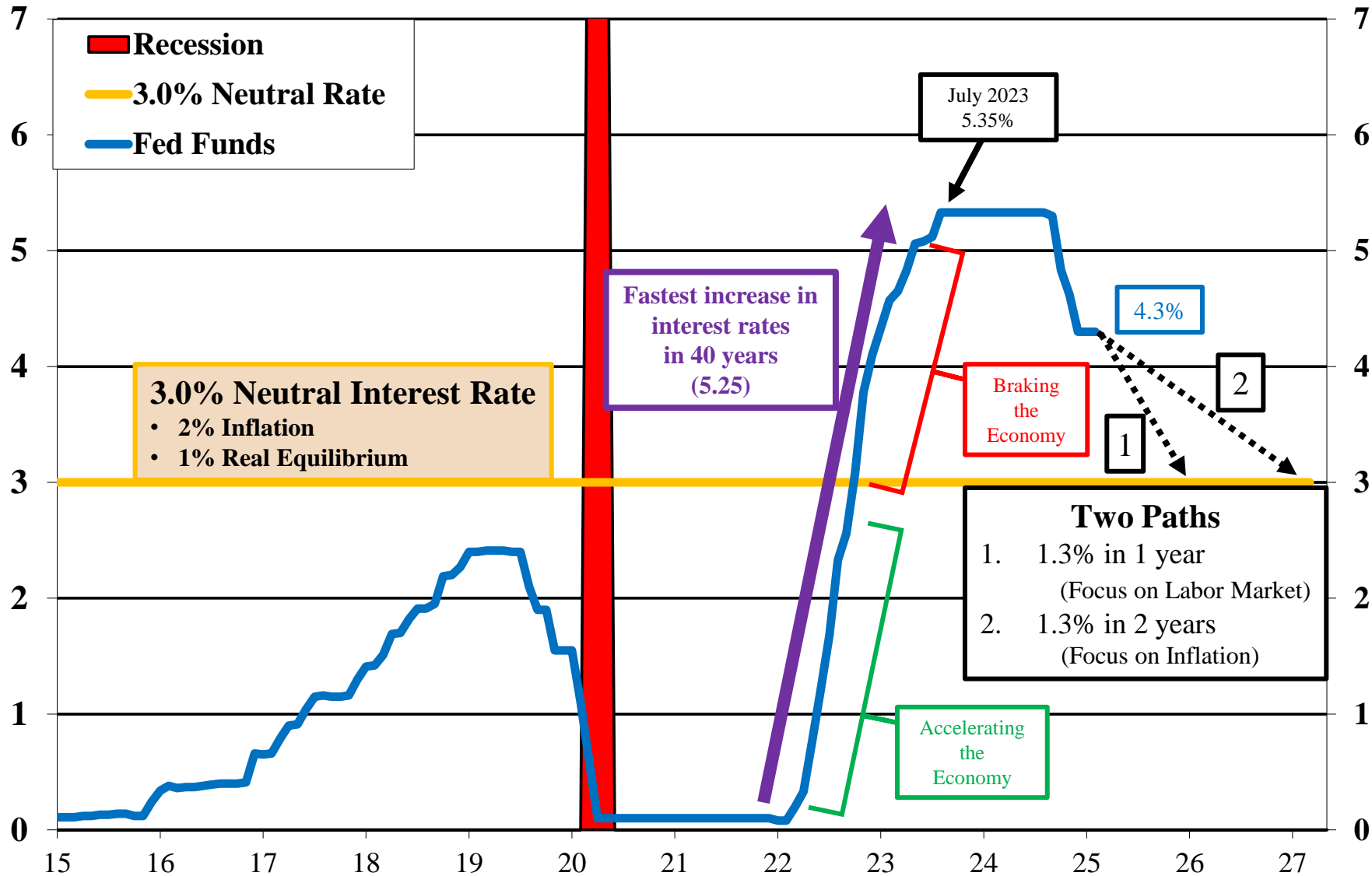
**Higher Inflation / Lower GDP / Lower Deficits**  
**Higher Inflation / Lower GDP / Higher Deficits**  
**Higher Inflation / Higher GDP / Higher Deficits**  
**Higher Inflation / Higher GDP / Higher Deficits**  
**Lower Inflation / Higher GDP / Lower Deficits**  
**Lower Inflation / Lower GDP / Lower Deficits**

**Concerns About Stagflation are Rising**

## *Top 8 Economic Impacts of Tariff Policy*

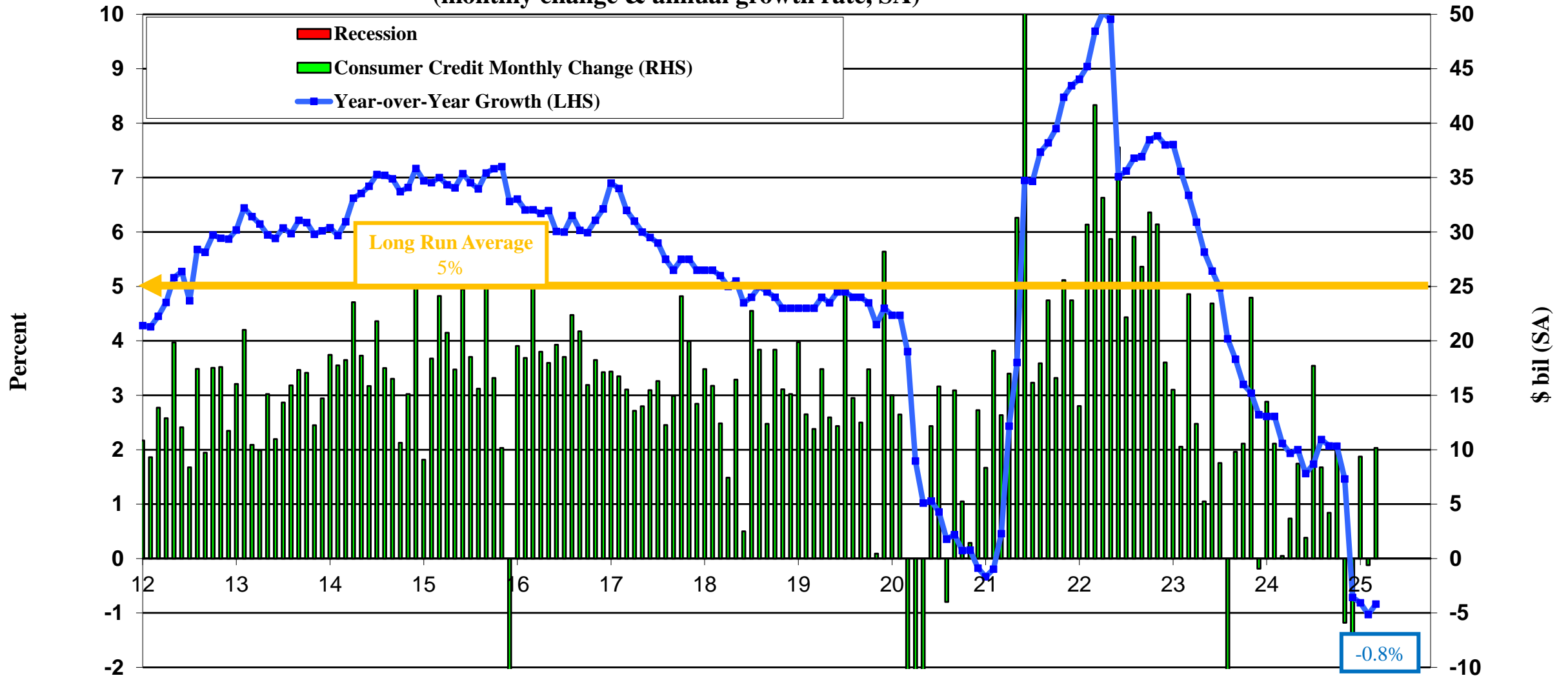
1. ↑ import prices => ↓ households' real incomes => ↓ quantity purchased
2. Substitution towards domestic purchases => ↑ domestic production (if possible)
3. ↑ input prices & ↓ volume sold => ↓ corporate profits => ↓ capital spending & ↓ hiring
4. Tariff policy unpredictability => ↑ uncertainty => ↓ investment spending
5. Foreign reciprocal tariffs => ↓ exports => ↓ domestic production => ↑ unemployment rate
6. ↓ stock prices => “negative wealth effect” => ↑ savings & ↓ spending
7. ↑ consumer uncertainty & ↑ recessionary fears => ↑ savings & ↓ spending
8. ↑ foreigners' boycotting of U.S. => ↓ exports of goods & services

# Fed Funds Interest Rate



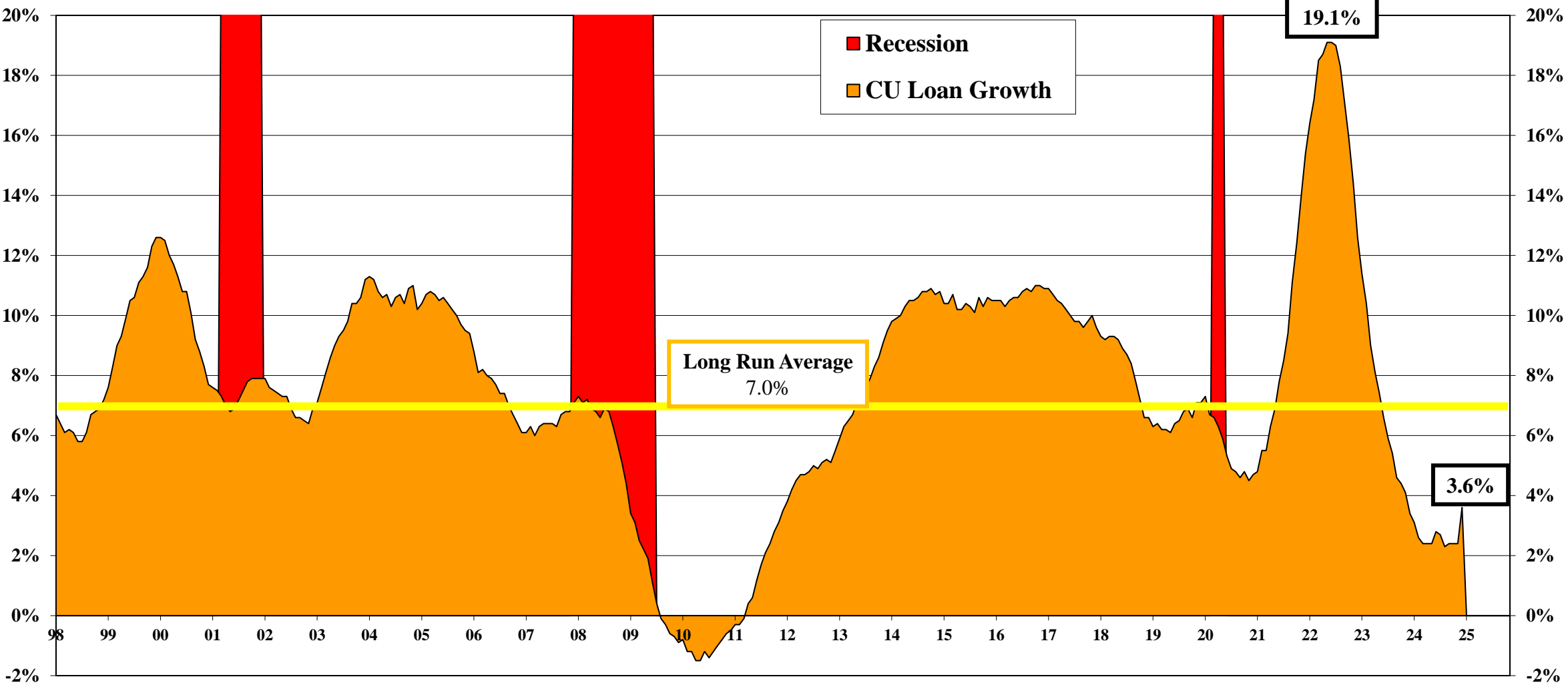
# Consumer Credit Outstanding

(monthly change & annual growth rate, SA)

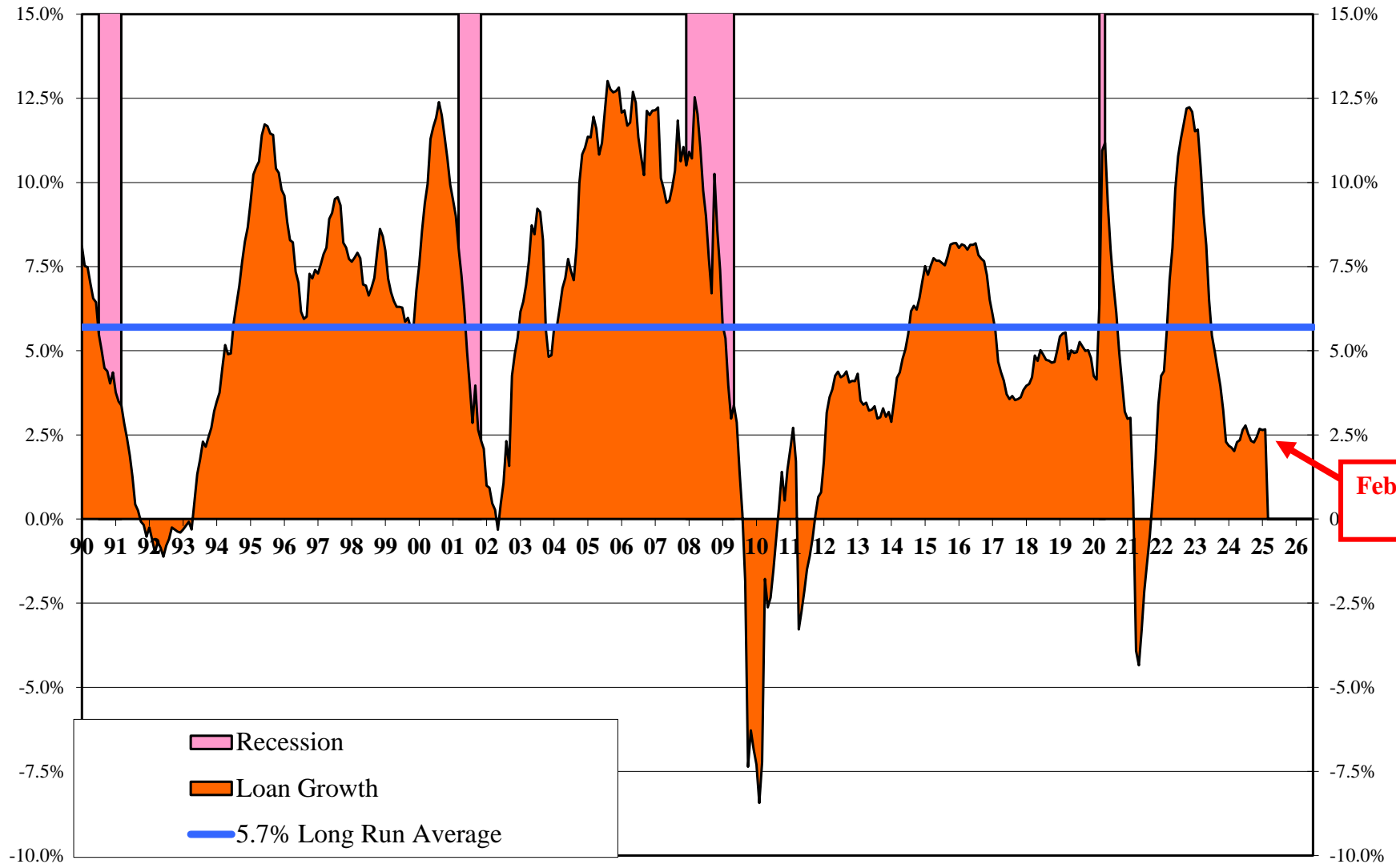


# Weak Credit Union Loan Growth

## CU Loan Growth



# Bank Lending Growth (Year over Year Percent Change)

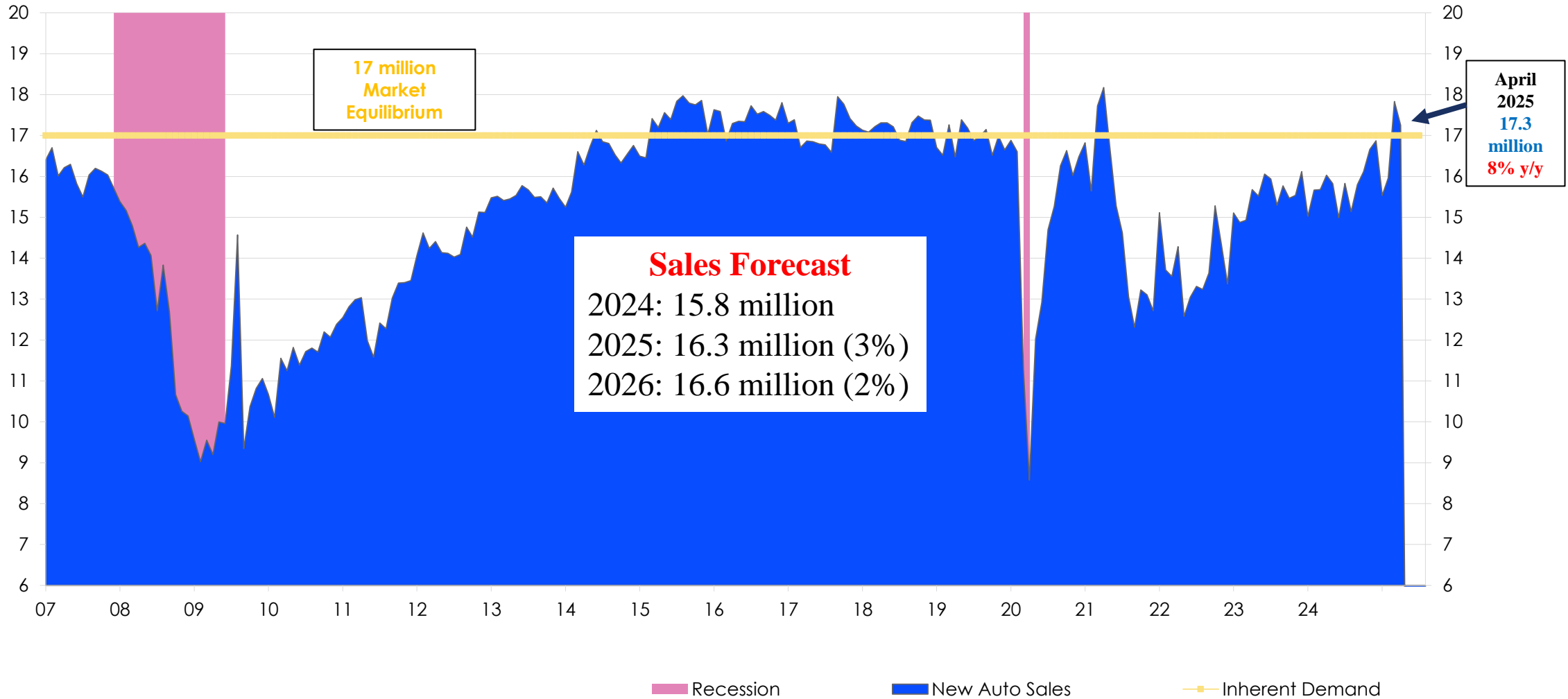


**February 2025**  
2.6%

# U.S. Vehicles Sales

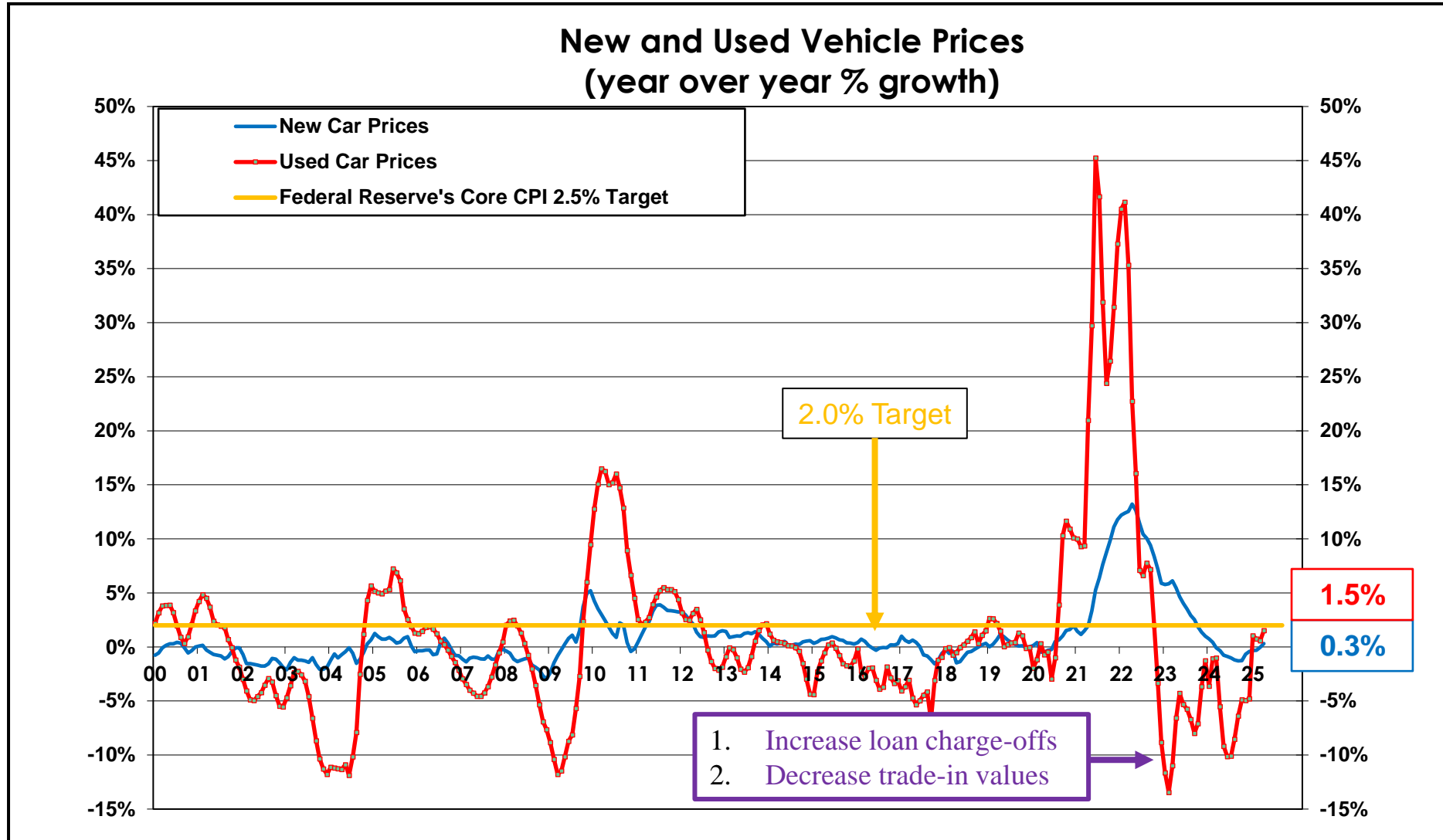
Seasonally-Adjusted Annual Rate

Millions of Units





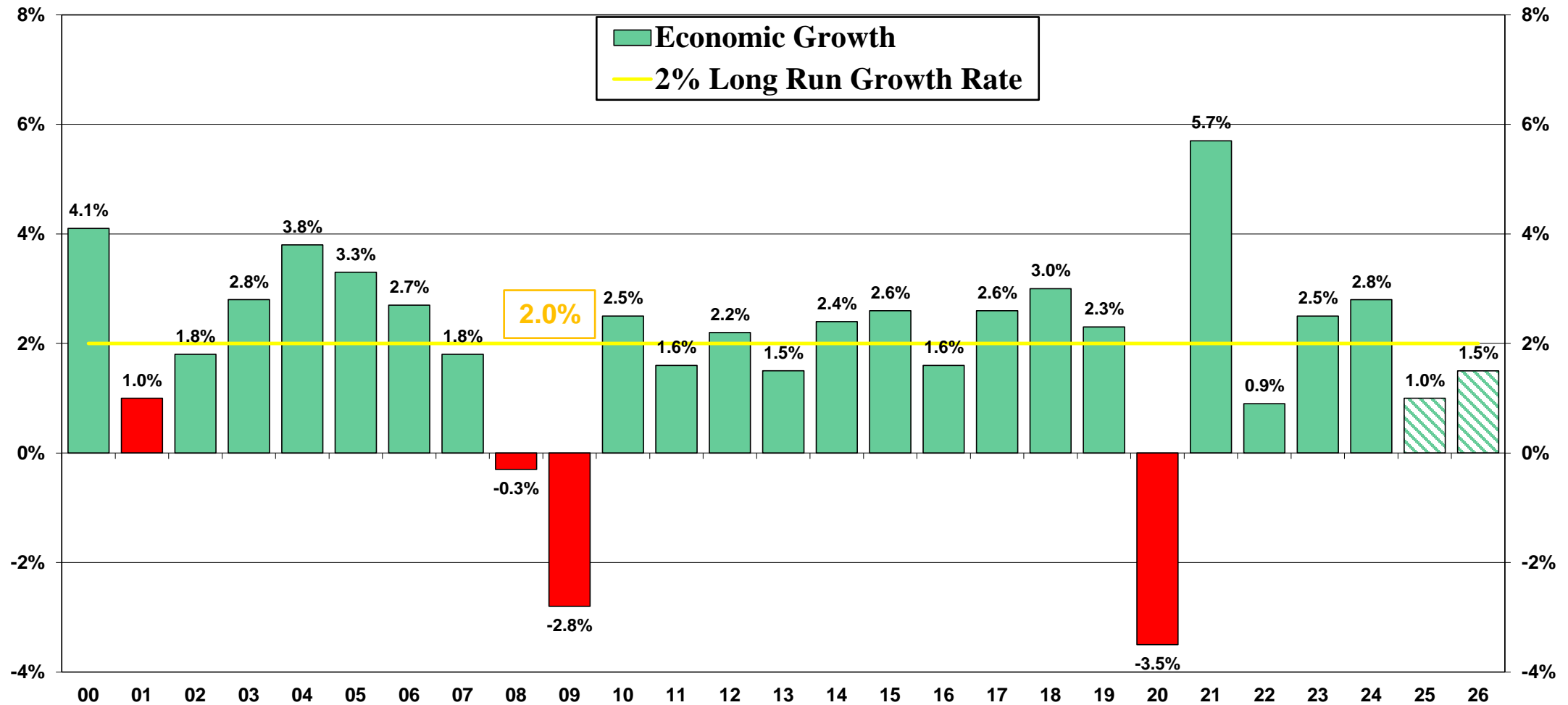
# Vehicle Prices are Falling



Source: Bureau of Labor Statistics

# Economic Growth Below Natural Growth Rate

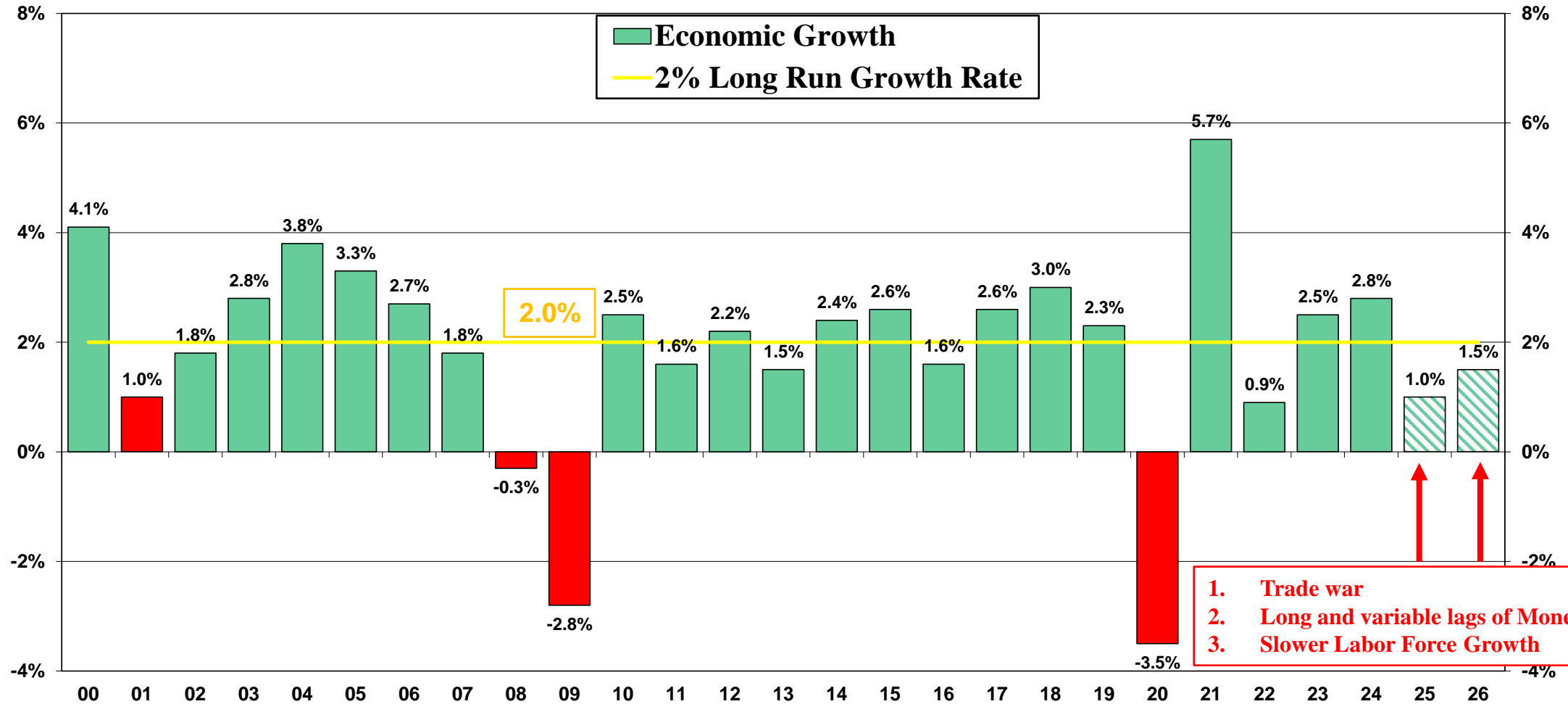
## U.S. Economic Growth Rate



Source: Department of Commerce

# Economic Growth Below Natural Growth Rate

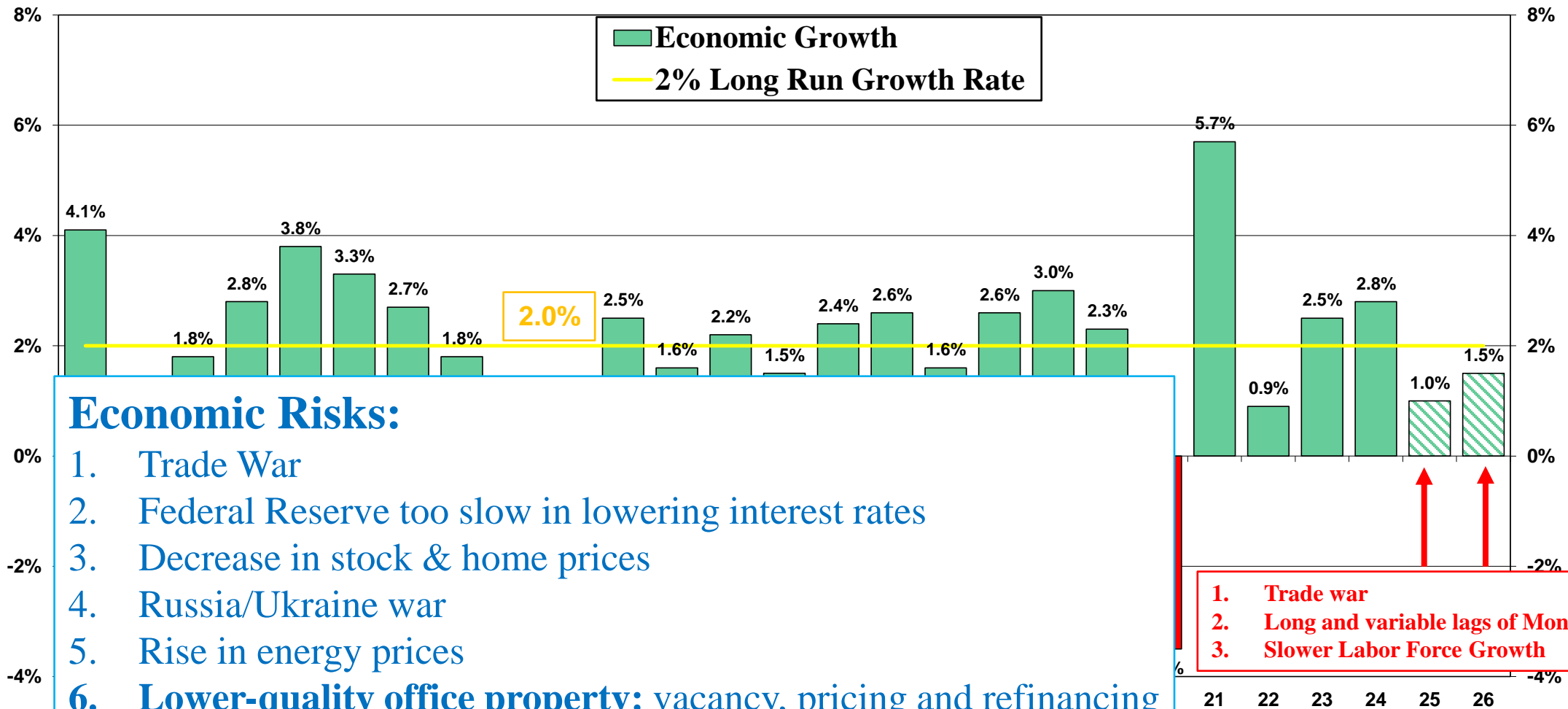
## U.S. Economic Growth Rate



Source: Department of Commerce

# Economic Growth Below Natural Growth Rate

## U.S. Economic Growth Rate



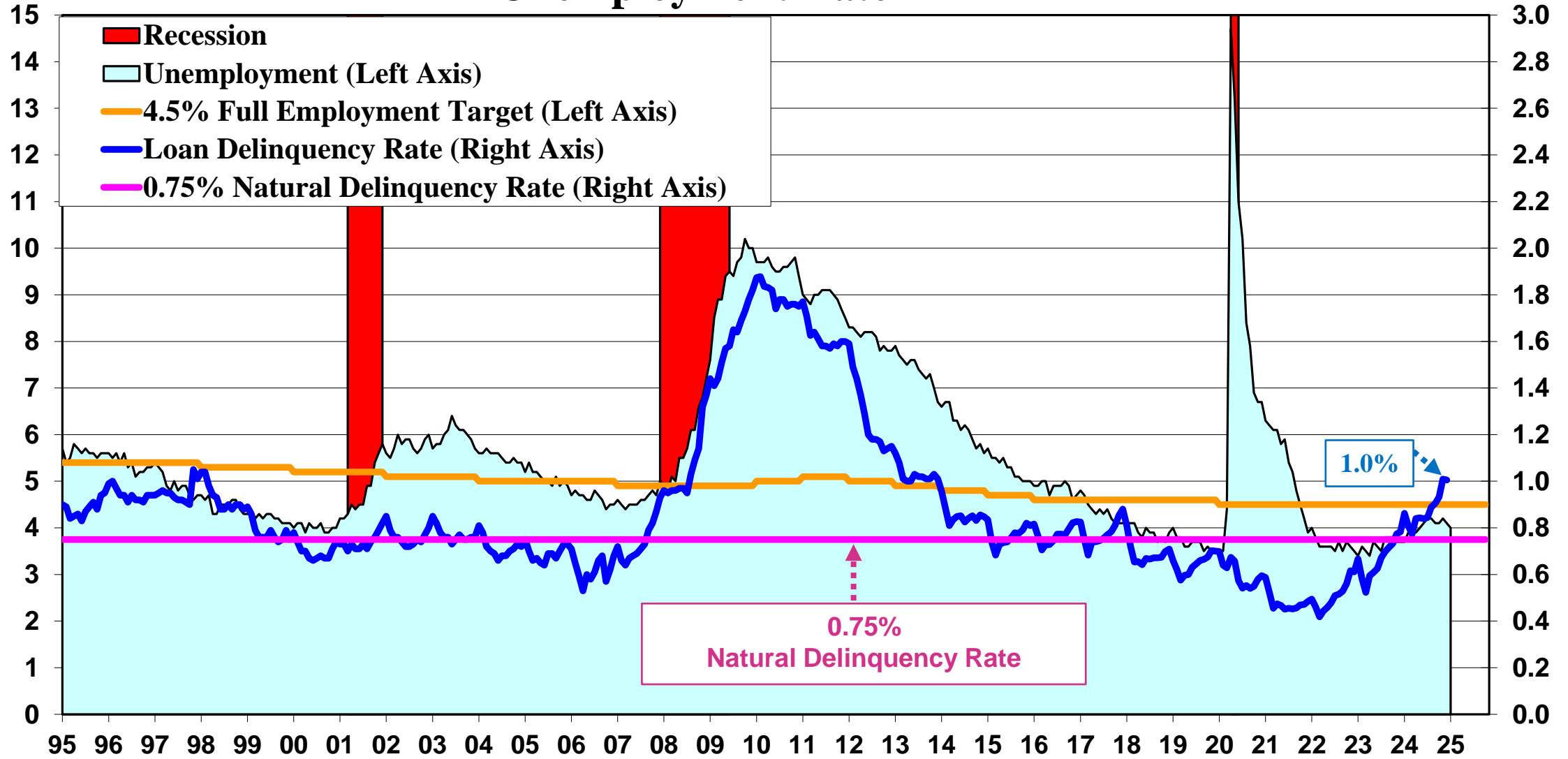
### Economic Risks:

1. Trade War
2. Federal Reserve too slow in lowering interest rates
3. Decrease in stock & home prices
4. Russia/Ukraine war
5. Rise in energy prices
6. Lower-quality office property: vacancy, pricing and refinancing

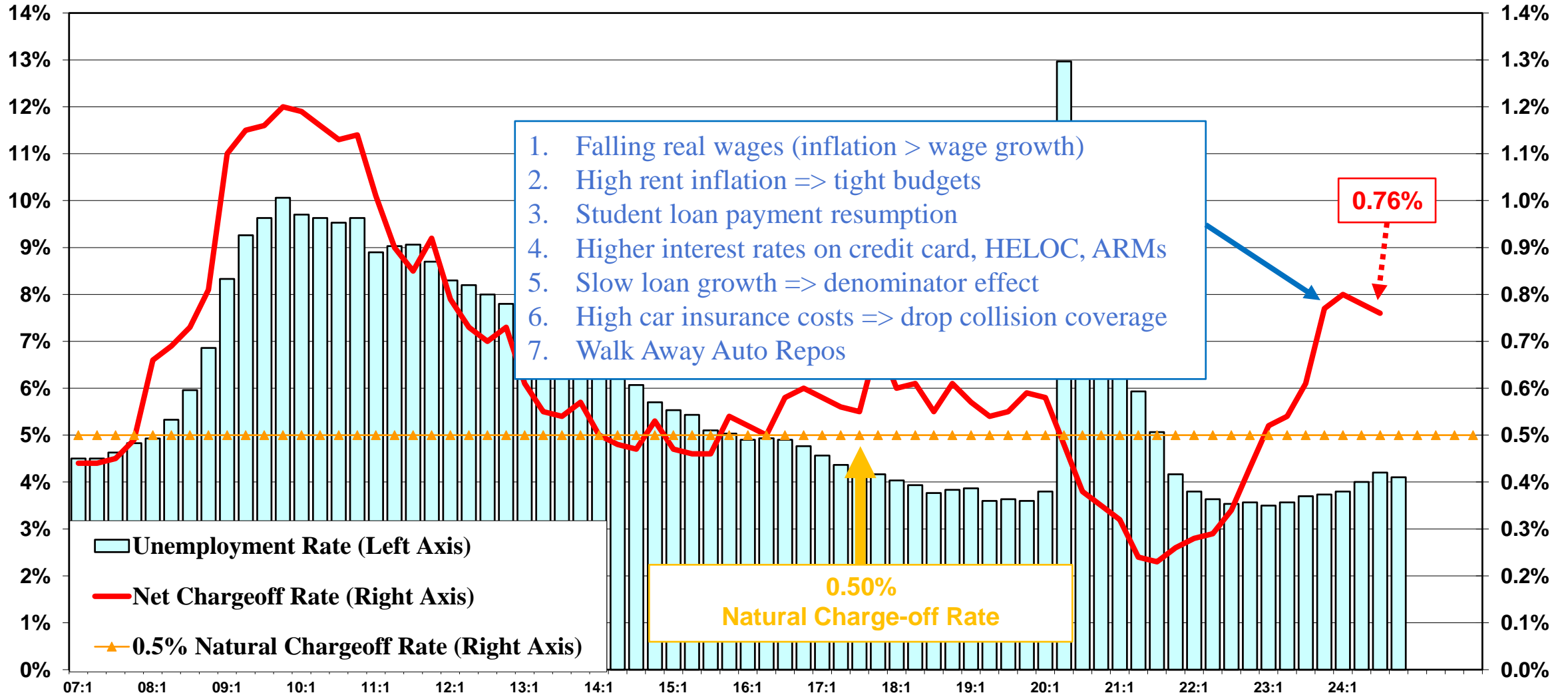
1. Trade war
2. Long and variable lags of Monetary Policy
3. Slower Labor Force Growth

Source: Department of Commerce

# CU Delinquency Rate Versus Unemployment Rate



# CU Net Chargeoff Rate Versus Unemployment Rate

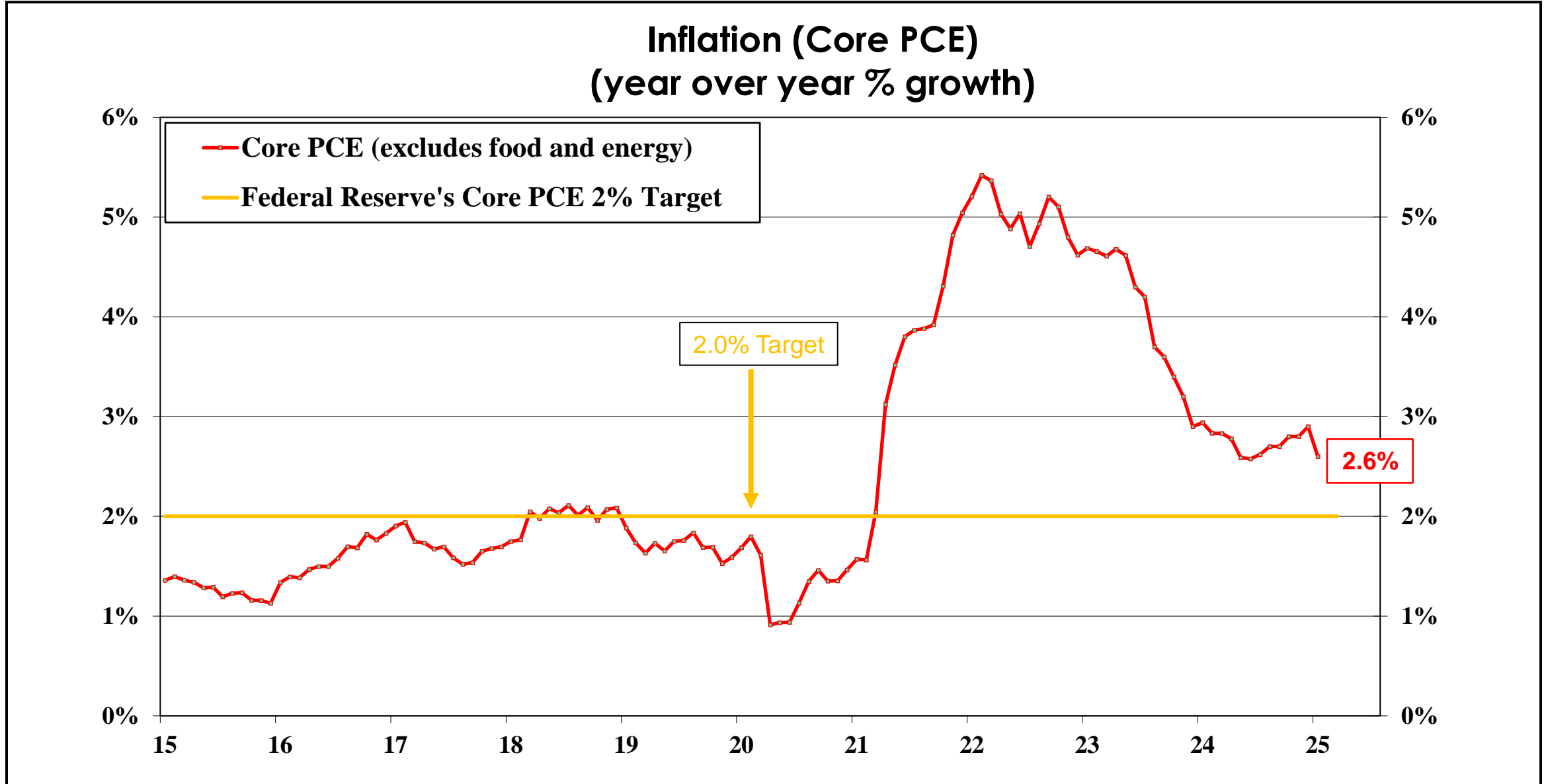


1. Falling real wages (inflation > wage growth)
2. High rent inflation => tight budgets
3. Student loan payment resumption
4. Higher interest rates on credit card, HELOC, ARMs
5. Slow loan growth => denominator effect
6. High car insurance costs => drop collision coverage
7. Walk Away Auto Reps

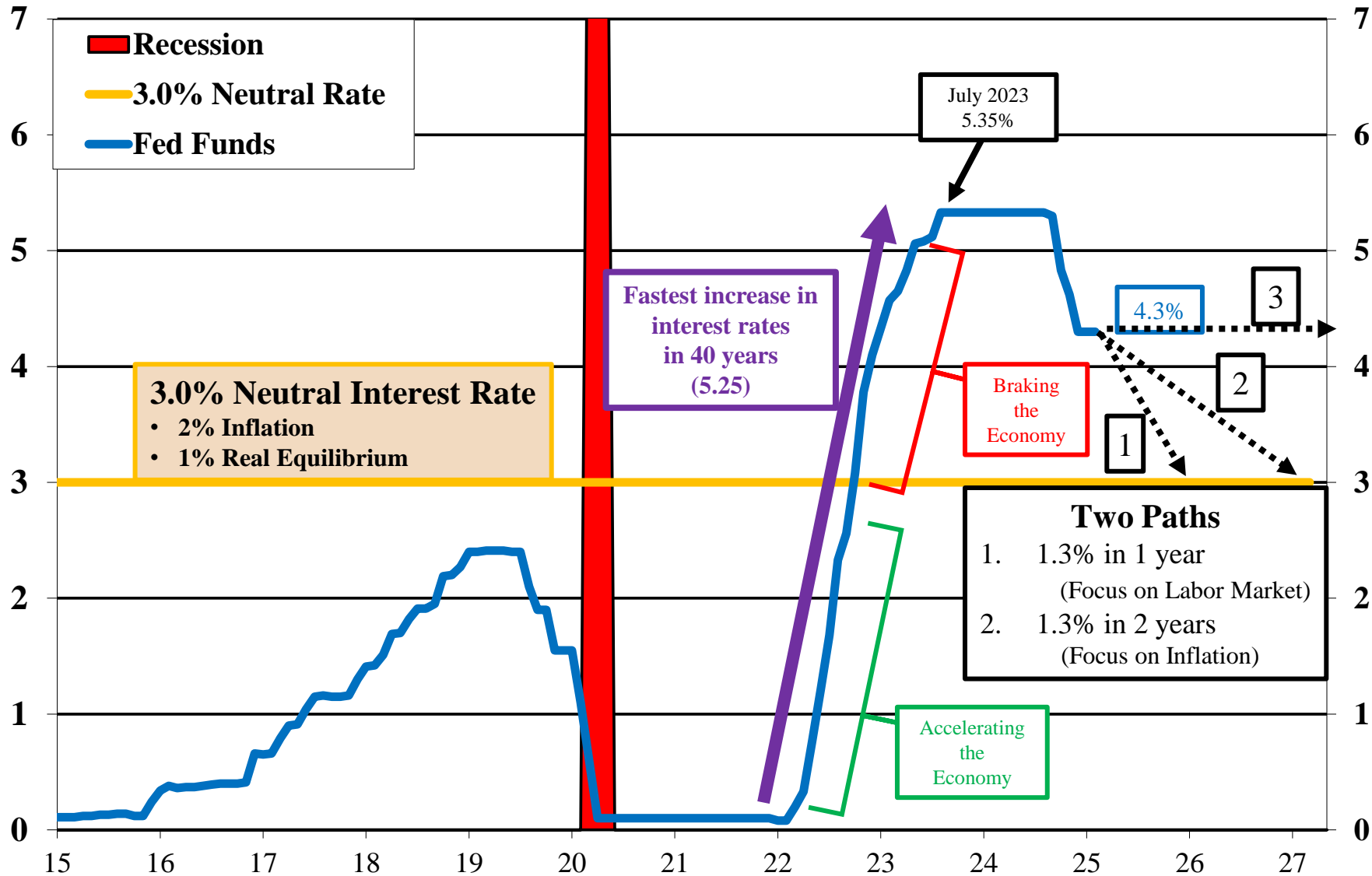
0.50%  
Natural Charge-off Rate

0.76%

# Inflation Above 2% Target



# Fed Funds Interest Rate





# Credit Union Balance Sheet

**Assets**

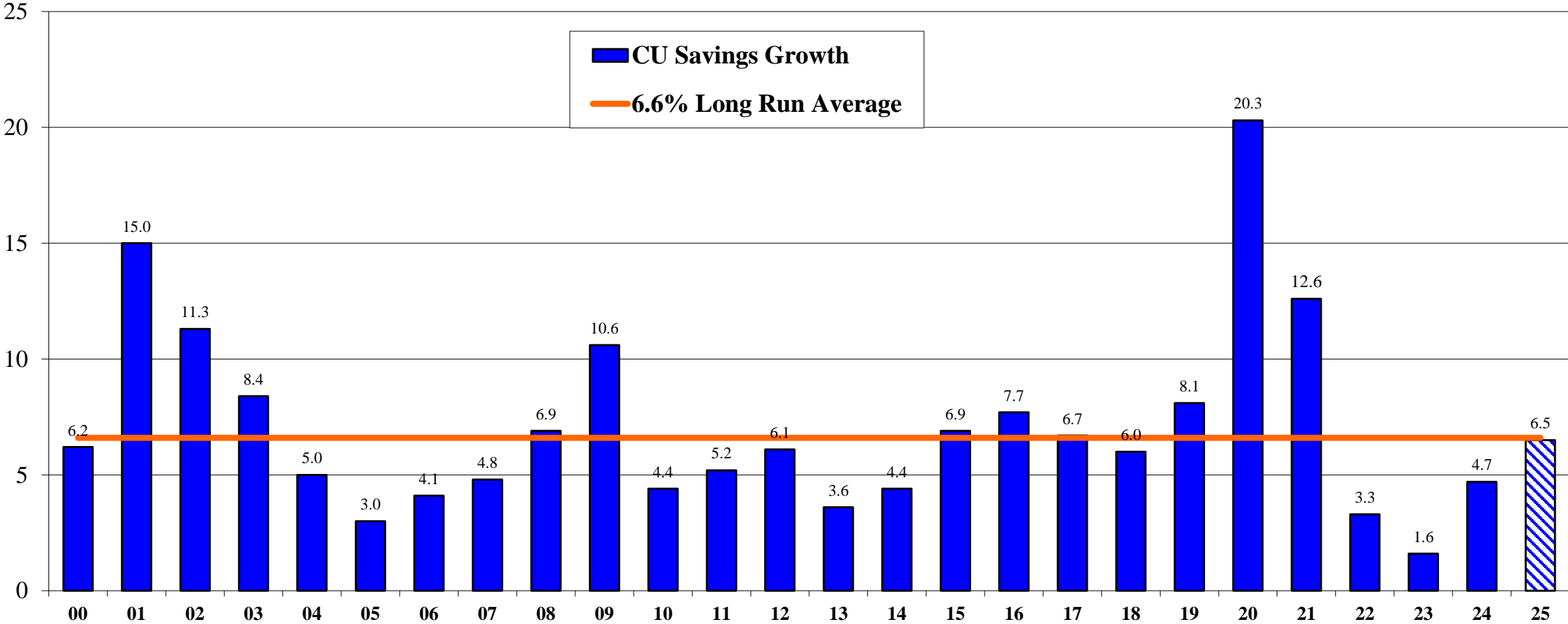
**Liabilities + Capital**

## Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

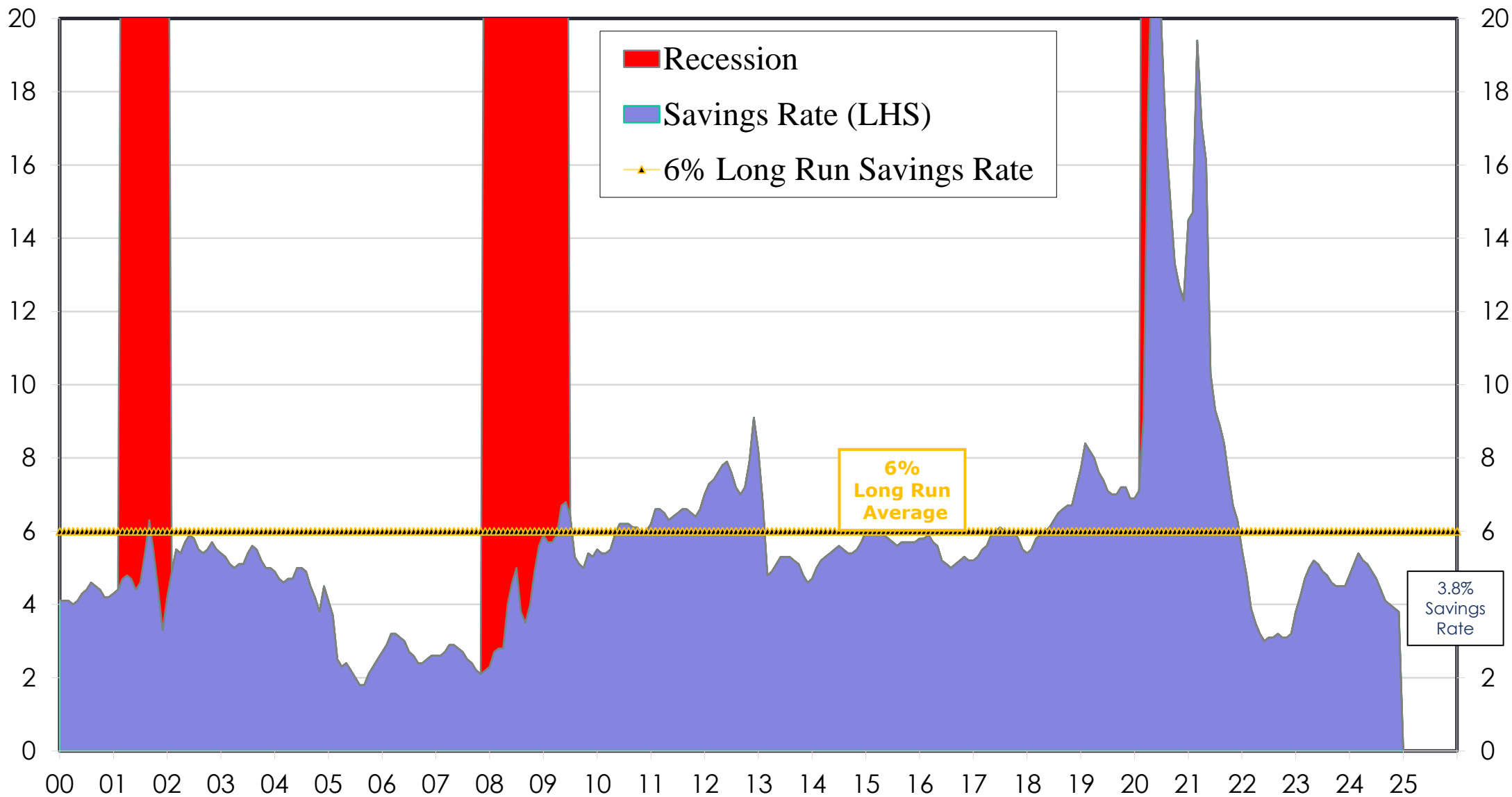
# Slow Credit Union Savings Growth

## Credit Union Savings Growth (Annual Percent Growth)



# Personal Savings Rate

[3-month moving average (Personal Savings/DPI)]



# Credit Union Balance Sheet

**Assets**

**Liabilities + Capital**

## Deposits

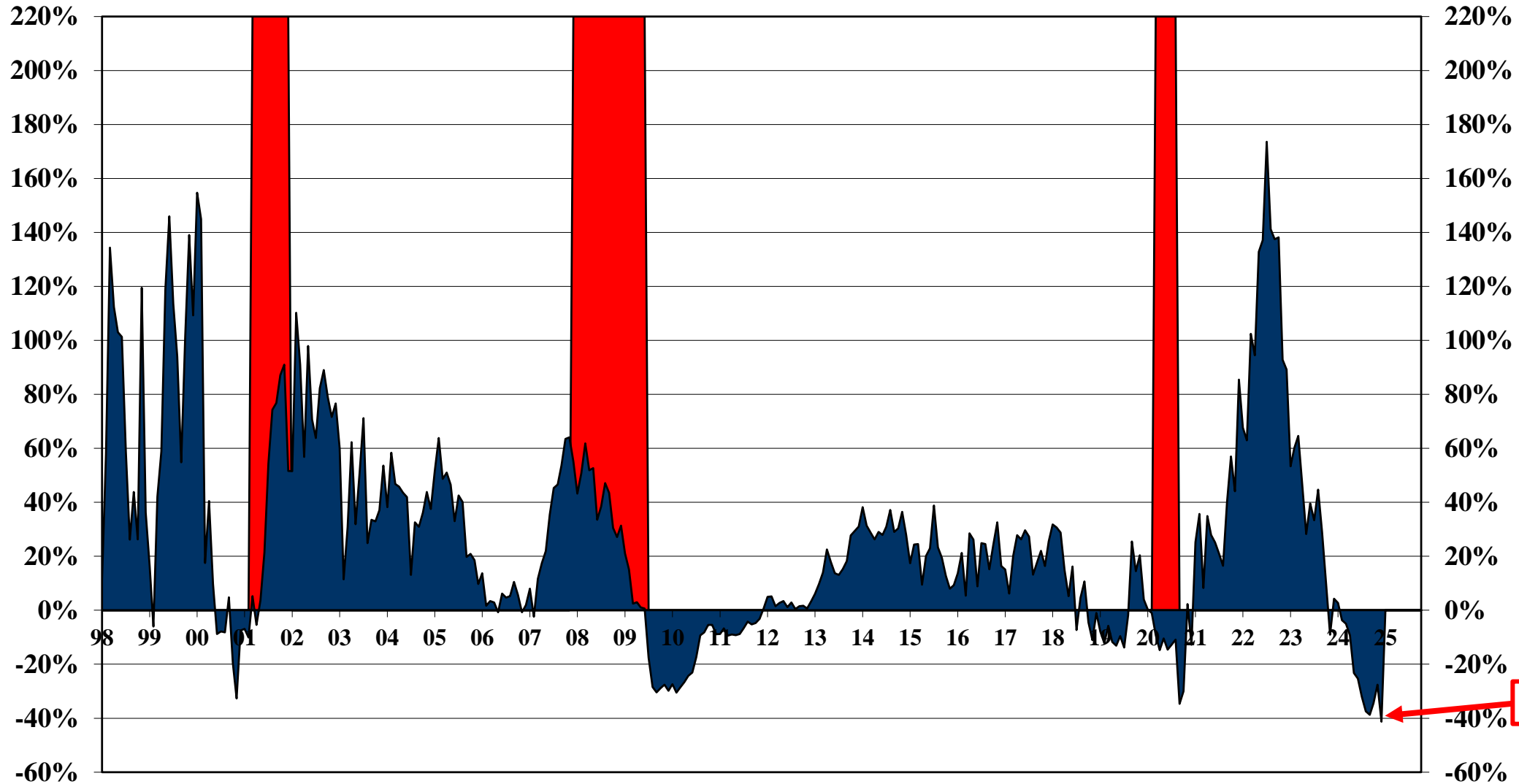
- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

## Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

# CU Borrowings Growth

Seasonally Adjusted  
Annualized Growth Rate



# Credit Union Balance Sheet

**Assets**

**Liabilities + Capital**

## Deposits

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## Borrowings

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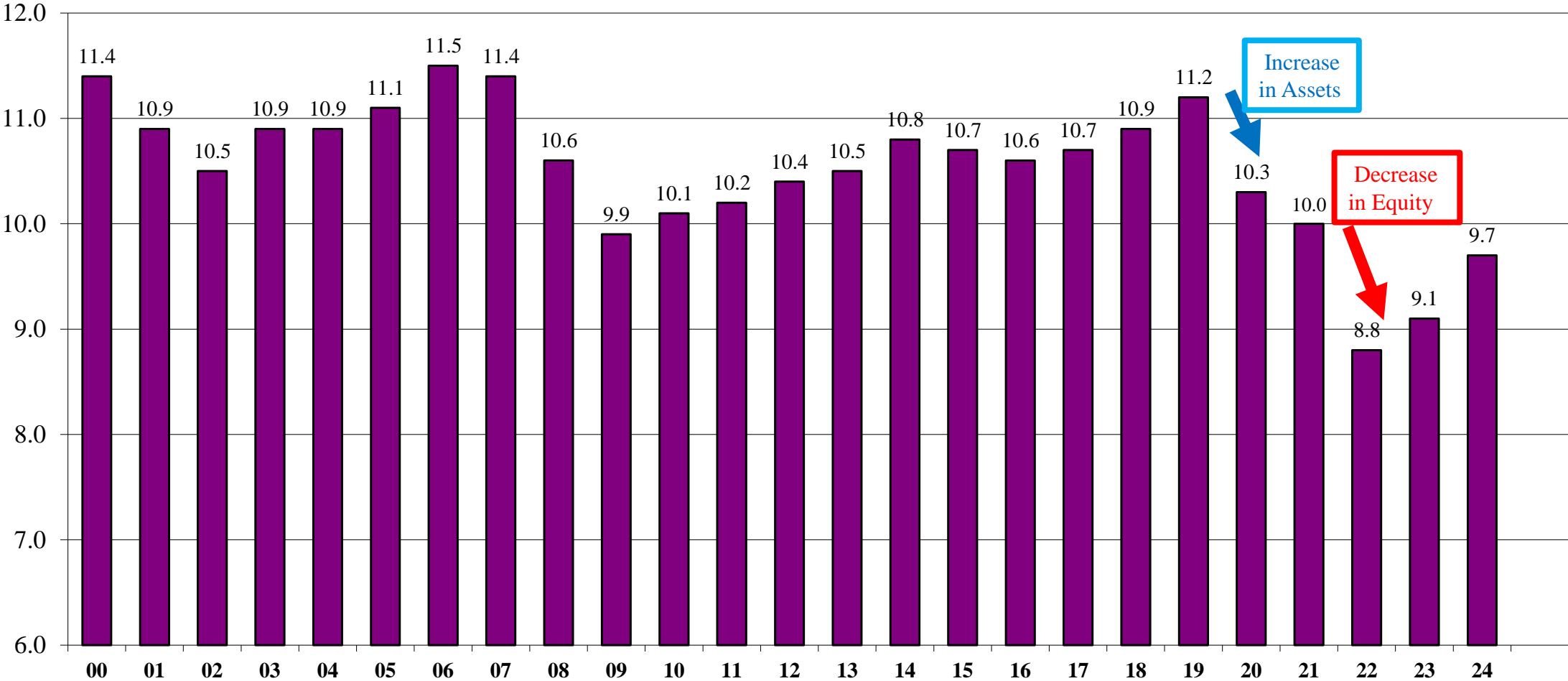
## Equity (Net Capital)

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

-4% of  
Investments

# Falling Equity Ratios

## Equity-To-Asset Ratios



# Credit Union Balance Sheet

**Assets**

**Liabilities + Capital**

**Cash (Reserves)**

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# Credit Union Balance Sheet

## Assets

## Liabilities + Capital

### Cash (Reserves)

### Fixed Assets

- Land
- Building
- Equipment

### Deposits

- Checking Accounts
- Savings
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- Certificates of Deposits

### Borrowings

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# Credit Union Balance Sheet

## Assets

## Liabilities + Capital

### Cash (Reserves)

### Fixed Assets

- Land
- Building
- Equipment

### Investments

- < 1 year maturity 50%
- 1–3 year maturity 19%
- > 3-year maturity 31%

### Deposits

- Checking Accounts
- Savings
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### Borrowings

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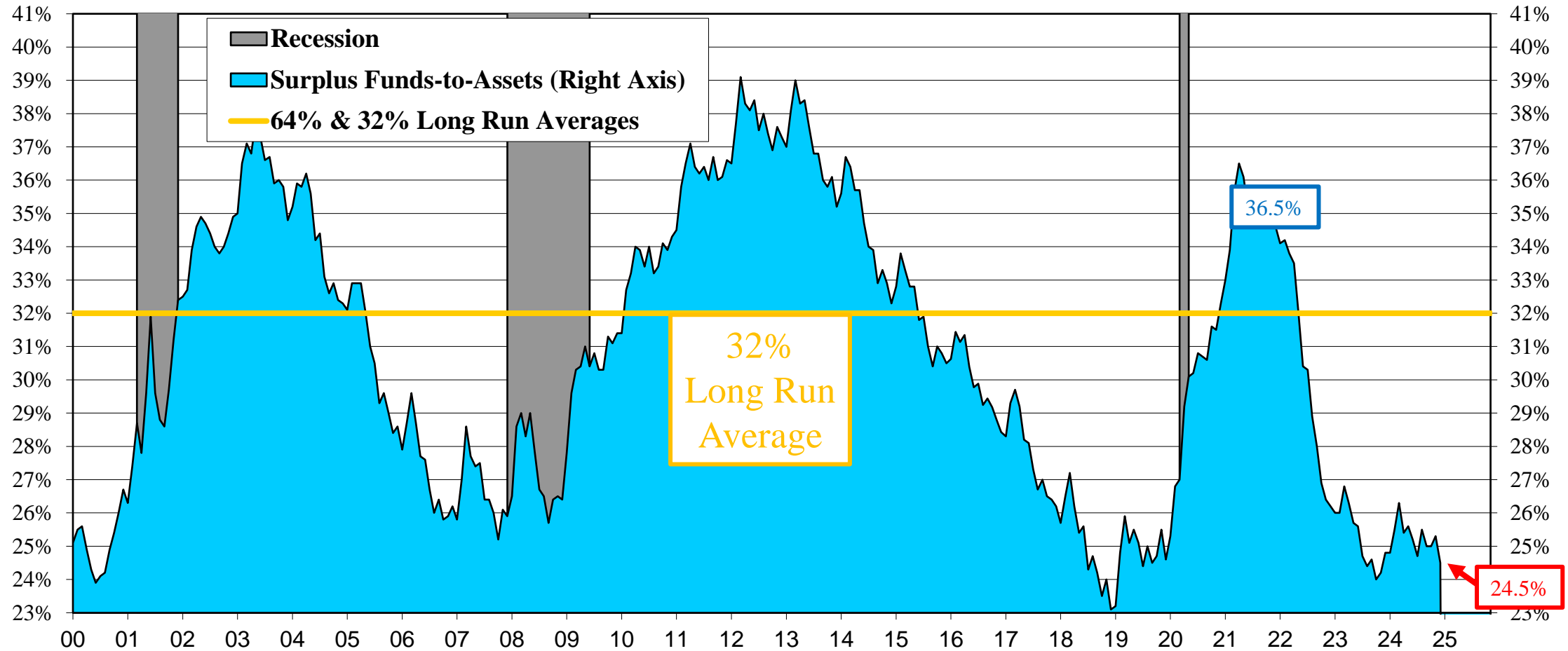
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-4% of  
Investments

# Investments Are Falling and Yields Are Rising

## CU Surplus Funds (Cash + Investments)



# Credit Union Balance Sheet

## Assets

## Liabilities + Capital

### Cash (Reserves)

### Fixed Assets

- Land
- Building
- Equipment

### Investments

- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

### Loans

- Commercial
- Auto
- Home
- Credit Card

### Deposits

- Checking Accounts
- Savings
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### Borrowings

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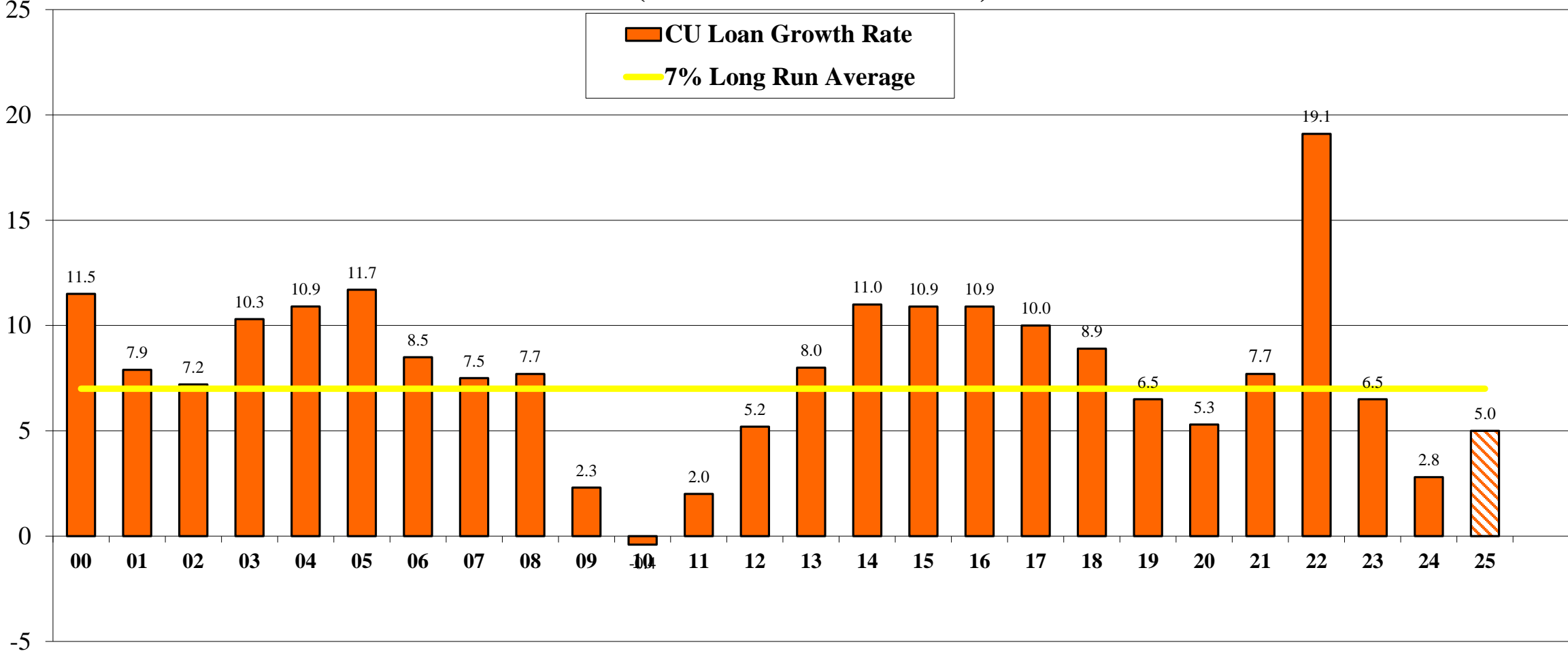
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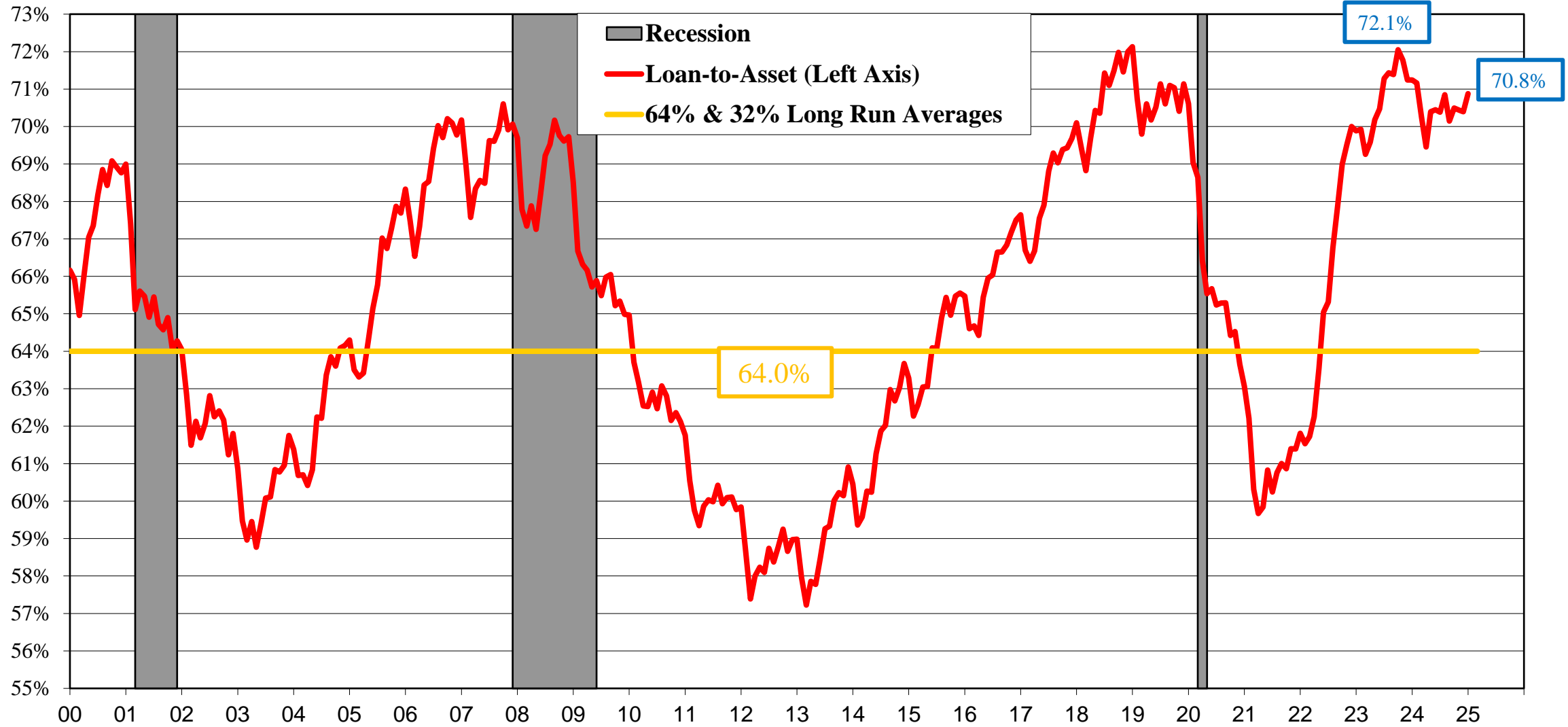
# Slow Credit Union Loan Growth

## Credit Union Loan Growth

(Annual Percent Growth)



# CU Loan to Asset Ratio



# Credit Union Balance Sheet

## Assets

## Liabilities + Capital

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### Fixed Assets

- Land
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- Equipment

### Investments

- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

### Loans

- Commercial
- Auto
- Home
- Credit Card

### Allowance for Loan Loss

### Deposits

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**“Non progredi est regredi”**

To not go forward is to go backward

If you're not growing, you're dying