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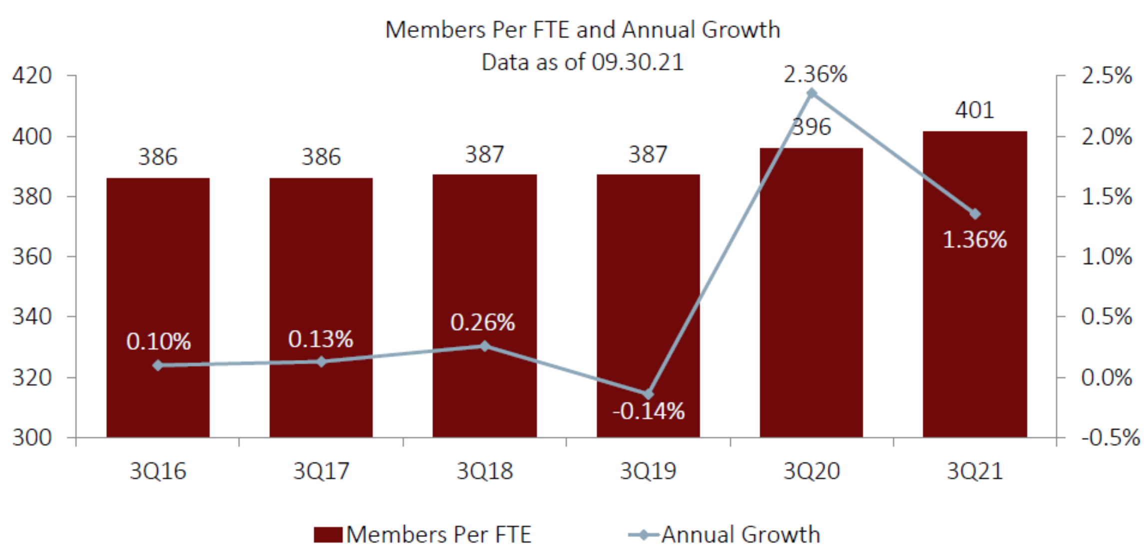
Record Earnings Plus 5 Million New Members Combine To Create A Huge Opportunity For Credit Unions

Industry membership increased 4.1 percent from one year ago, equating to a record 12-month increase of 5.2 million people. Assets grew 12.9 percent year-over-year as of Sept. 30, 2021, officially making credit unions a $2 trillion industry. Notably, the industry has doubled in size in less than 10 years after crossing the $1 trillion-mark in 2012. These strong growth numbers were among the main takeaways from the third-quarter 2021 Trendwatch webinar hosted by Callahan & Associates last week.

Combine these strong growth numbers with record earnings, 1.11 percent ROA year-to-date through September, the credit union industry has a huge opportunity to invest back in their memberships through new technology, specialized staff, higher dividends, and lower rates.

“With high earnings and low delinquencies, credit unions have some room to take calculated risks, and credit union leaders must think about how to best convert this strong financial performance into positive community impact,” said William Hunt, Callahan and Associates’ senior industry analyst and Trendwatch presenter. “Businesses can only save on expenses for so long before starting to fall behind more innovative competition that might be investing in more advanced delivery channels - whether through technology or staffing.”

One possible way to re-invest these record earnings is through investments in staff. As American industries struggle with a “Great Resignation,” credit union hiring has slowed. On a per-employee basis, staff are now responsible for serving more members – and more member assets – than ever before.



Credit unions are asking employees to do more for a growing membership. Source: Callahan’s Peer-to-Peer

The Trendwatch webinar also included a presentation by Callahan Vice President Jennifer Davis. Davis covered Callahan's Impact Initiative and Network – a group of more than 500 credit unions collaborating on quantitively measuring credit union impact in four key categories: employees, members, communities, and the environment.

"Although creating an impact benchmark is a worthwhile endeavor, we realized we shouldn't stop there — and, frankly, we shouldn't start there either," said Davis. "To harness the power of this data, to foster conversation, and to encourage collaboration, community-impact minded credit union executives need a network of likeminded leaders to learn from other's successes and setbacks, work together on new initiatives, and motivate one other to keep moving forward."

Other data highlights include:

- Credit unions continue to support economic recovery with record-breaking loan demand, as year-to-date originations grew 19.2 percent year-over-year through September.
- While originations have been historically high for more than a year, the industry hasn't seen much balance sheet growth because members used trillions of dollars of temporary federal relief to pay down loan balances. This pattern has started to change, and the loan-to-share ratio has started to increase accordingly, finishing September at 69.9 percent.
- American consumers continue to turn to credit unions as their primary financial institution. Over 60 percent of members have a checking account with their credit union, another all-time high.
- Members are still spending and saving at accelerated rates. Between Sept. 30, 2020, and Sept. 30, 2021, share balances expanded 14.4 percent and the average member relationship grew by $1,308 to $22,175.
- ROA is at the highest level this century, up 46 basis points year-over-year to 1.11 percent. As interest earning spreads remain compressed by low rates, much of this earnings growth came from controlling expenses.
- Industrywide capitalization has also stabilized and even improved. Rapidly rising asset balances drove the cumulative credit union net worth ratio down to a low of 10.02% in March of 2021, stickier loan balances and expense controls have helped this key capital ratio improve over each of the past two quarters, closing September at 10.24%. Still well above the NCUA's 7% minimum capitalization threshold, credit unions have the capital available to invest in new forms of member service.

A recording of the 3Q21 Trendwatch webinar can be viewed here. Click here for more takeaways from a Callahan analyst. Click here to learn more about the Impact Network.