

Credit Union Asset Quality In 1Q 2025

Delinquency and charge-offs have largely plateaued from last year. Encouragingly, many products improved compared to the previous quarter.

Report By

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Loan Agreement

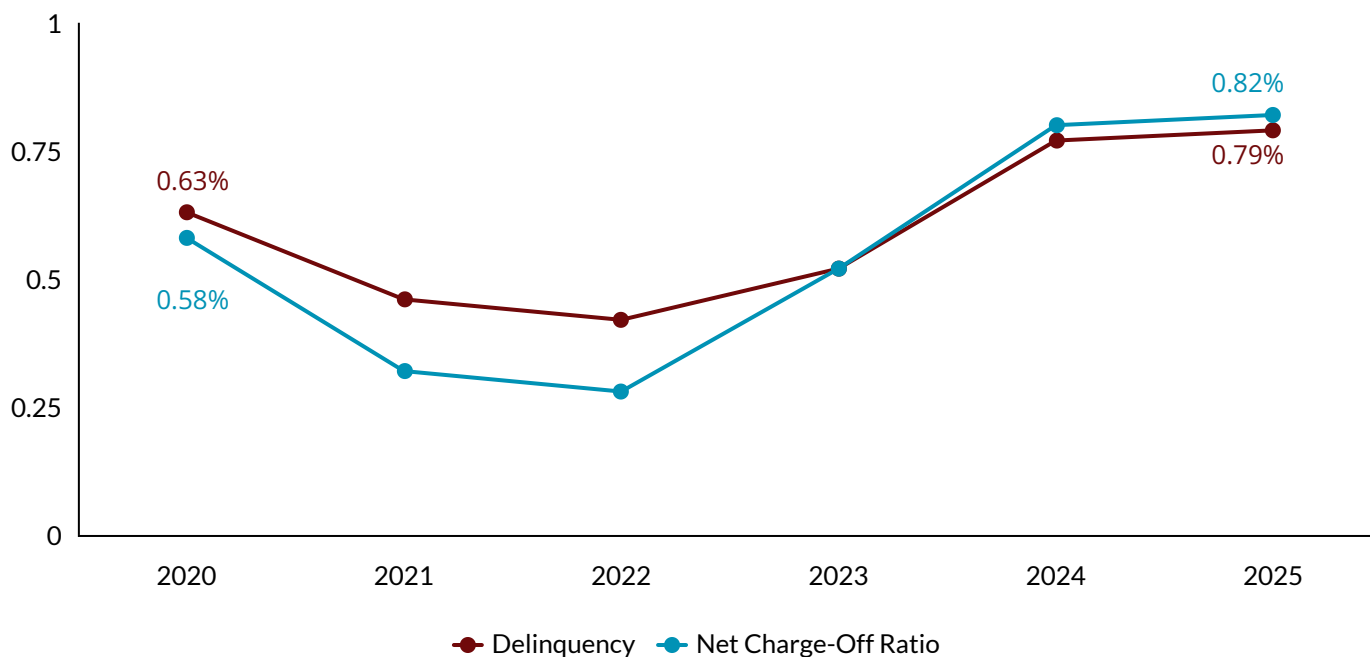
signed into on this date. [Click here to enter loan to terms and conditions of a loan being provided]

[Builder name]
[Address line 1]
[Address line 2]
Tel. [Telephone number]

ASSET QUALITY: DELINQUENCY AND NET CHARGE-OFF RATIO

FOR U.S. CREDIT UNIONS | DATA AS OF 03.31.2025

SOURCE: CALLAHAN & ASSOCIATES



Members are still struggling to repay their loans amid price inflation and tight budgets. On the bright side, while delinquency remains fairly high, the pace slowed during the first quarter. Total loan delinquency at U.S. credit unions increased 2 basis points over the past year, finishing the first quarter at a 0.79% rate. The net charge-off ratio also rose 2 basis points. The first quarter of the year is traditionally a strong time for member repayment rates as households usually have more cash on hand to pay down debts. Although delinquency and charge-offs are up on an annual basis, most loan categories showed significant improvement from 4Q24. Commercial and student loans were the only loan categories to experience heightened delinquency while HELOCs, auto, and credit cards saw increased net charge-offs.

Commercial delinquency has continued to rise over the past year as businesses struggle with inflationary costs. The rise in remote work has adversely affected building valuations as vacancies increase. Firms are flocking to certain districts in cities and leaving others behind. Although companies are increasingly trying to bring tenants back into their offices, foot traffic sits roughly at half of where it was pre-pandemic, according to data from [Avison Young](#).

Serious delinquency for consumer products such as auto loans and credit cards remained relatively stable but HELOC and student loan repayment rates worsened. The latter experienced a large uptick as credit reports resumed student loan reporting after a five-year pause.

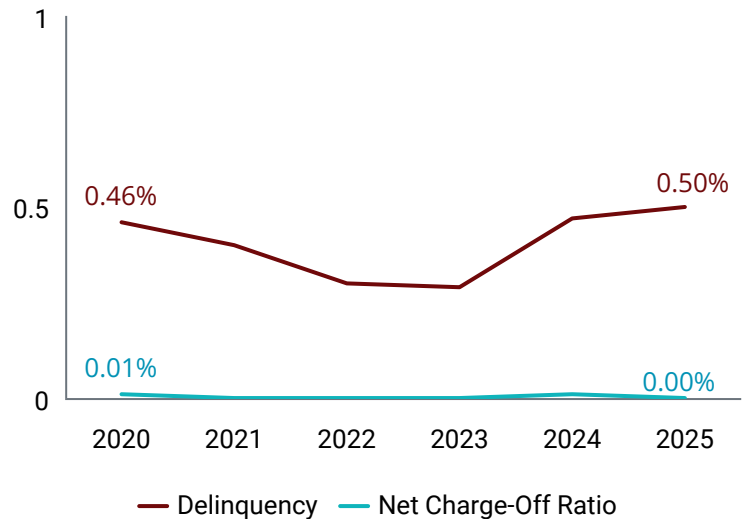
All said, although delinquency rates are still higher than historical norms, they have generally come down from last quarter and seem to have plateaued. Furthermore, ongoing pressure to reduce interest rates could lead to better refinancing opportunities, alleviating some pressure.

Many members still feel pinched by the stressors of the American economy. When economic headwinds arise, credit unions like to think of themselves as a trusted advisor and a helping hand. For credit unions committed to that mission, financial education and credit support are becoming more important by the day. Now is the time to showcase the credit union difference.

First Mortgage Asset Quality

Traditionally a more secure loan type, first mortgage delinquency has continued to rise on an annual basis, up 3 basis points from last year. However, it is down 29 basis points from last quarter, a significant improvement.

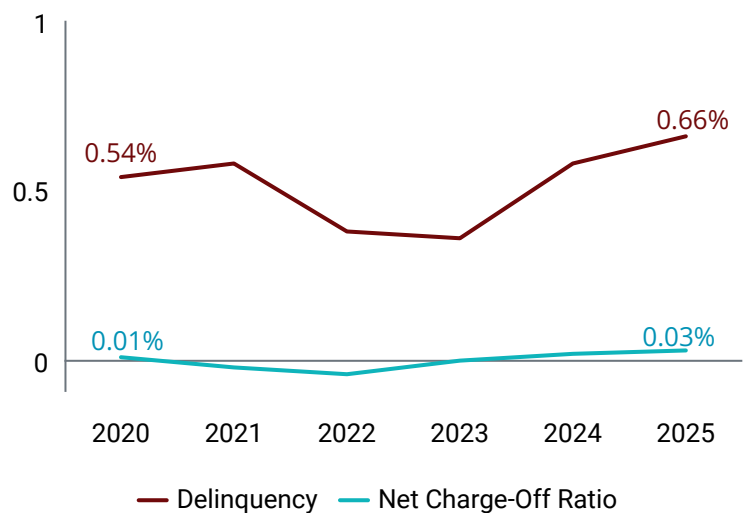
Unlike last quarter, where more niche lending products like FHA loans drove higher delinquencies, things are different in the first quarter. According to data from the [Mortgage Bankers Association](#), first-quarter delinquencies came primarily from conventional home lending.



Other Real Estate Asset Quality

Other real estate loans experienced similar struggles. Delinquency rose 8 basis points year-over-year in the first quarter. These loans typically include HELOCs, which are ideal for homeowners needing extra liquidity.

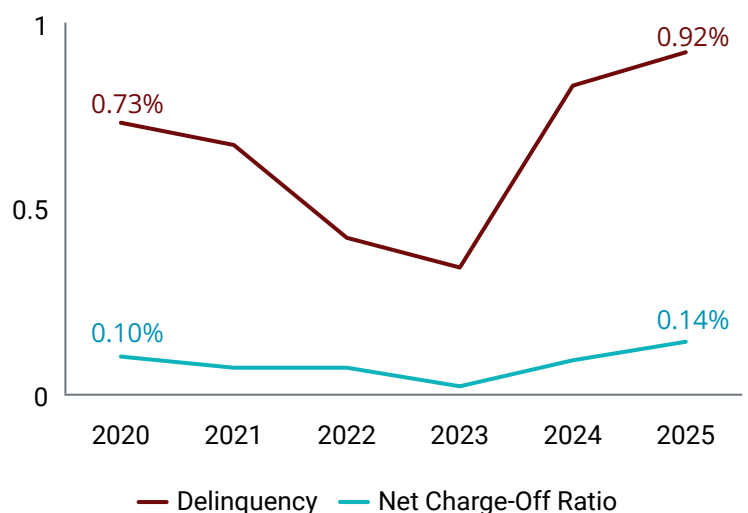
Credit unions often work with members to avoid charging off a HELOC, perhaps more than other loan types. These loans are collateralized but members also have the option to refinance or take out a new loan. Elevated home prices and equity levels made HELOCs popular avenues for members to access cash but difficulties in repayment could force credit unions to revisit underwriting practices.



Commercial Asset Quality

In perhaps the most worrying sign for asset quality, commercial delinquencies were up both annually and from last quarter. Net charge-offs were up annually but down from the end of 2024. For many credit unions, commercial loans are a more recent business line. While these delinquencies are not limited to credit unions, the trends raise concern and demand monitoring.

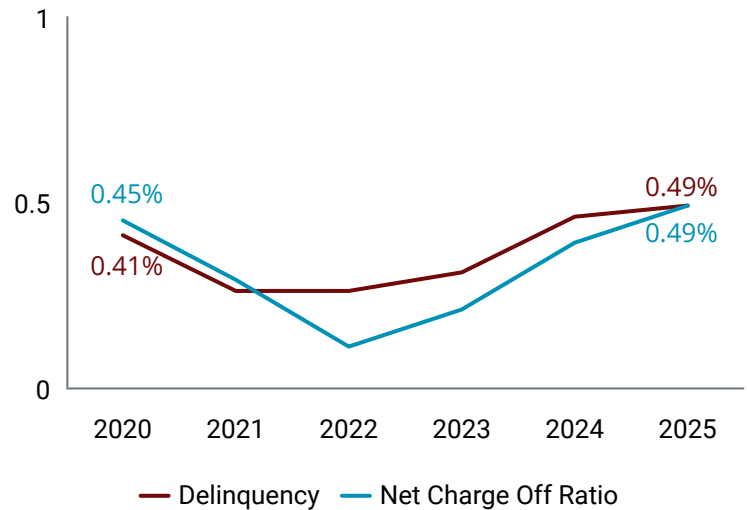
Despite years of increased popularity, commercial loans only make up about 10% of the loan portfolio, meaning the impact of this rise in delinquency is kept in check by its relative size.



New Auto Asset Quality

As members try to get ahead of potential tariffs, national auto growth has risen from last quarter. Credit unions reclaimed over a percentage point of their market share that had been taken by captive finance companies, now sitting near 11%. Although up on an annual basis, new auto delinquency fell by 9 basis points from last quarter.

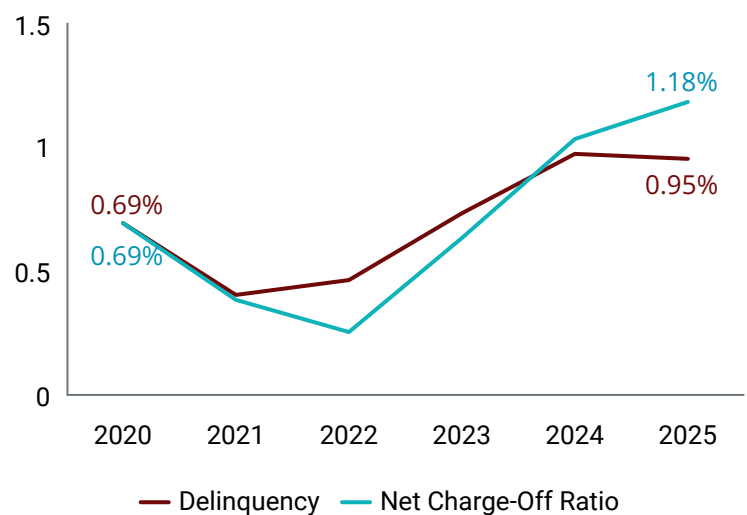
To open the year, delinquencies rose 3 basis points while net charge-offs rose 10 basis points to match delinquencies on an annual basis.



Used Auto Asset Quality

Used auto loans make up the bulk of all vehicle loans on credit union balance sheets – over two-thirds – highlighting their overall importance to both cooperatives and their members. Used auto prices are continuing to rise because of increased demand. Net charge-offs were up 15 basis points on an annual basis while delinquencies were down 2 basis points, implying that members are doing better.

As credit unions orient themselves toward their new members, this has meant charging off many non-performing loans that may have been sourced indirectly.



Credit Card Asset Quality

Although only a small portion of credit union portfolios, the impact that credit cards have on members' everyday lives cannot be understated. Credit cards can be used for daily purchases and to bridge a temporary gap to keep the lights on or the car running. However, because of their low dollar amount, goods bought on credit cards aren't as critical as a house or car. Because of this, credit card asset quality typically runs higher than other products. These are often the first payments to fall by the wayside.

Thankfully, these payments seem to have plateaued over the past year. To open 2025, charge-offs rose 13 basis points while delinquencies held steady.

