

# The Road Ahead for Credit Unions

# Today's Speakers



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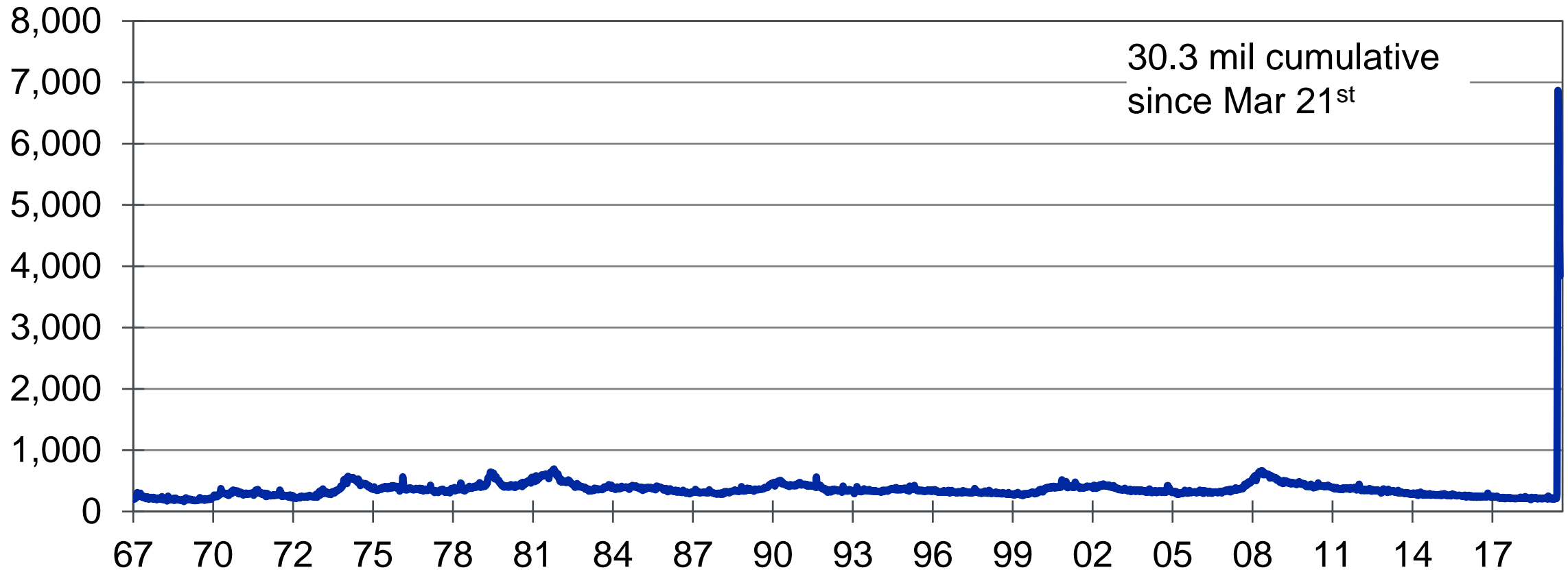
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In Recession

# Unemployment Surges

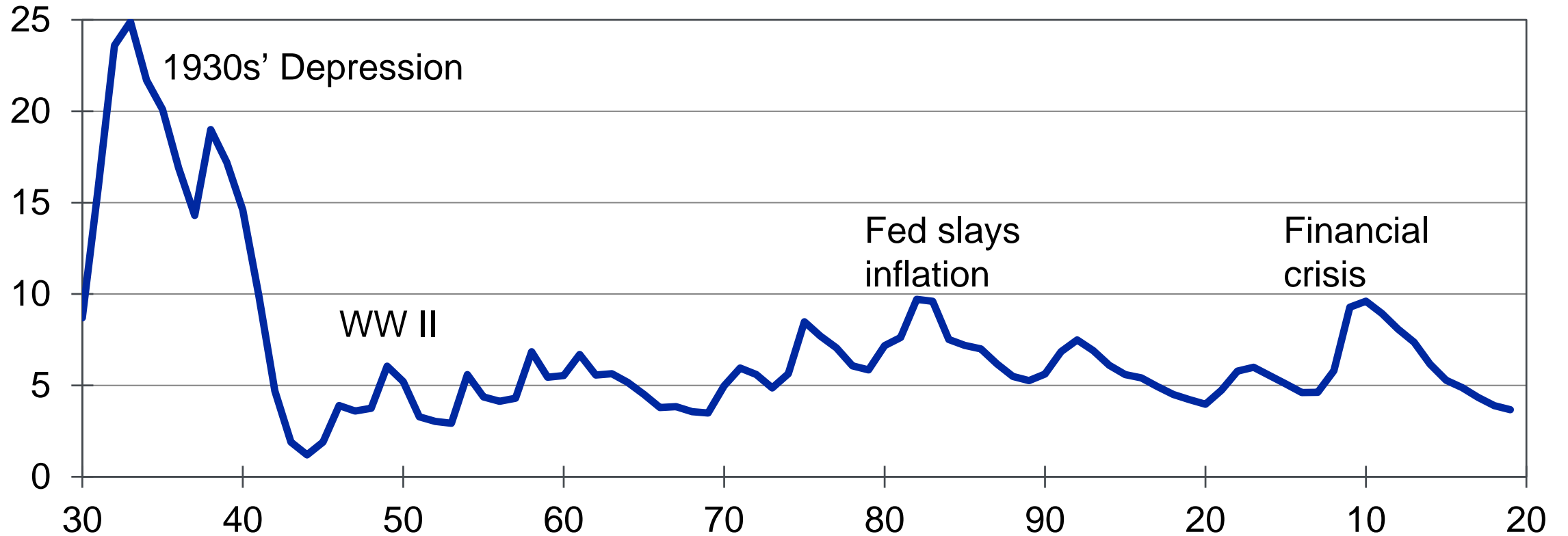
Unemployment insurance claims, ths



Sources: Employment & Training Administration, Moody's Analytics

# Another Economic Depression?

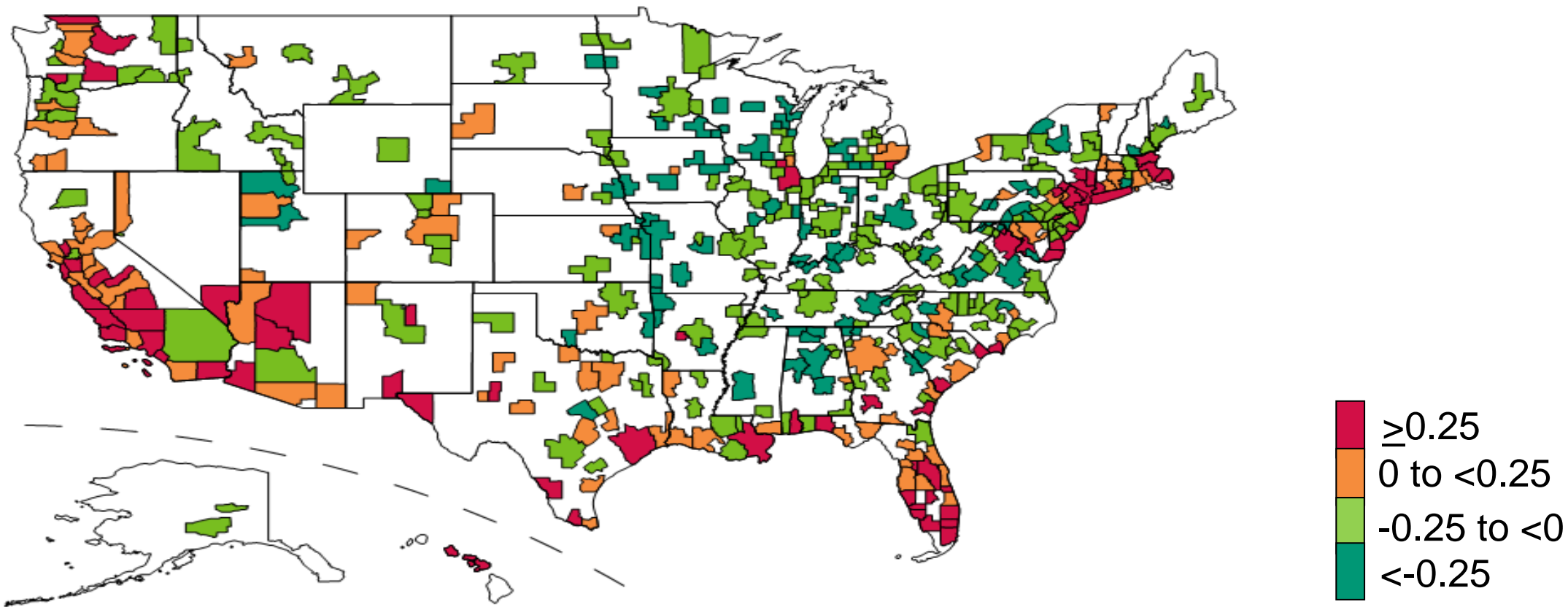
U.S. unemployment rate, %



Sources: Federal Reserve, BEA, Moody's Analytics

# Some Regions Face Higher Risk

Weighted avg Z-score across rankings, 0=metro area avg



Source: Moody's Analytics

# Risk Factors for COVID-19



Virus Exposure



Tourism



Demographics



Poverty rate



Trade/travel disruptions



Small business



Commodities

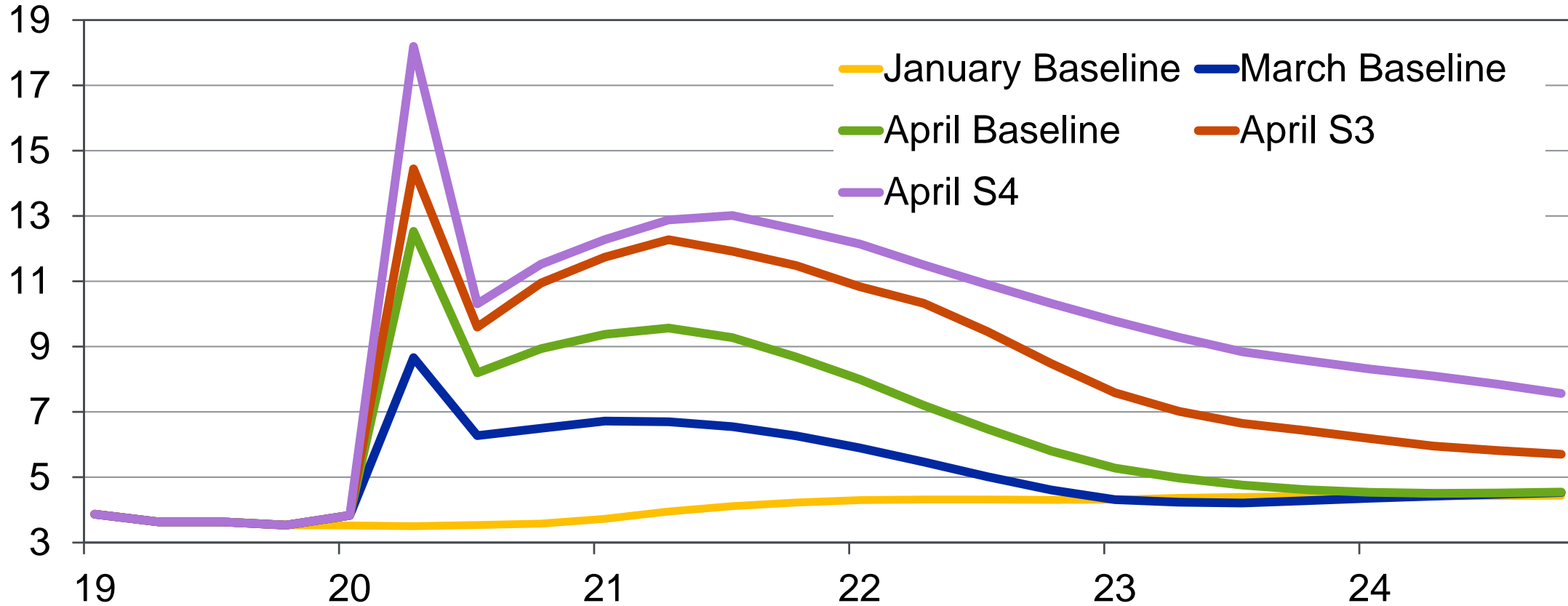


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Economic Outlook

# Rapidly Shifting Outlook

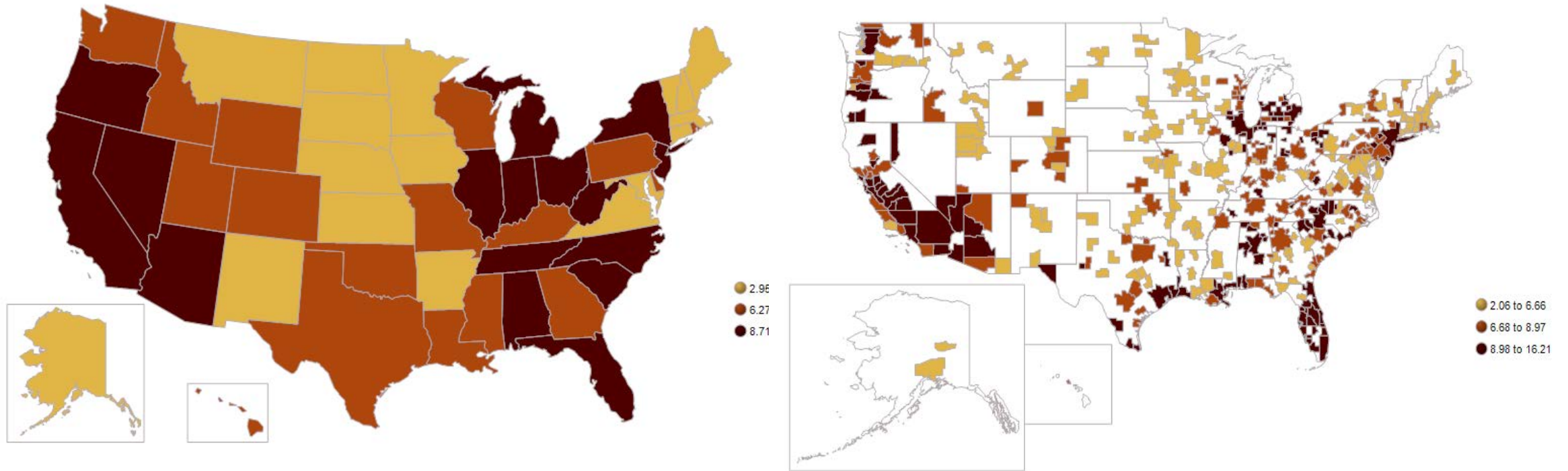
U.S. unemployment rate, %



Sources: BLS, Moody's Analytics

# Joblessness Expected to Worsen All Across

Unemployment rate, 2020Q2, % change yr ago



Sources: BLS, Moody's Analytics

# COVID-19 Epidemiological Assumptions

## S1 Scenario

- <1 mil confirmed U.S. infections
- New infections peak in April
- 1.0% case fatality rate
- 8% hospitalization rate
- Infections abate by June
- 31% excess capacity of hospital beds
- 27% excess capacity of ICU beds
- 30% excess capacity of ventilators

## Baseline Forecast

- 2-4 mil confirmed U.S. infections
- New infections peak in May
- 1.5% case fatality rate
- 10% hospitalization rate
- Infections abate by July
- 19% excess capacity of hospital beds
- 4% excess capacity of ICU beds
- 17% excess capacity of ventilators

## S3 Scenario

- 8-10 mil confirmed U.S. infections
- New infections peak in June
- 4.5% case fatality rate
- 20% hospitalization rate
- Infections abate by September
- 47% capacity deficit of hospital beds
- 125% capacity deficit of ICU beds
- 56% capacity deficit of ventilators

# Policy Assumptions

## S1 10% Upside

- \$2.2 t fiscal stimulus
- Effective distribution of govt ventilators, masks
- Credible federal guidance on timing of return to work
- Programs to distribute stimulus funds more effective than expected
- 4<sup>th</sup> and 5<sup>th</sup> stimulus in 2020Q4 and 2021Q1

## Baseline

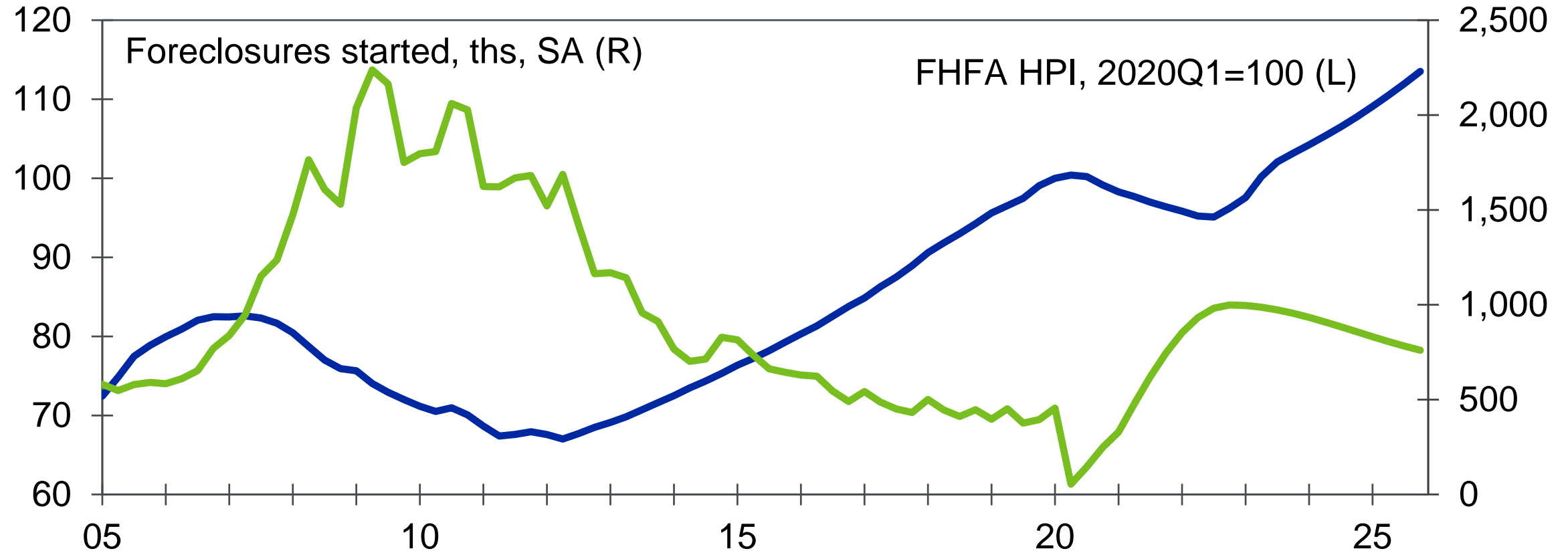
- \$2.2 t fiscal stimulus
- Direct payments to individuals
- Boost to UI benefits
- \$500 b credit facility
- \$50 b to airlines
- \$100 b to hospitals
- Fed QE, lending facilities
- 4<sup>th</sup> stimulus 2020Q4

## S3 10% Downside

- Stimulus enacted but:
- Programs to distribute funds delayed by procedural bottlenecks
- Magnitude proves insufficient to stem bankruptcies
- Confusing federal return to work guidance
- No additional stimulus

# House Prices Slump...Foreclosures Increase

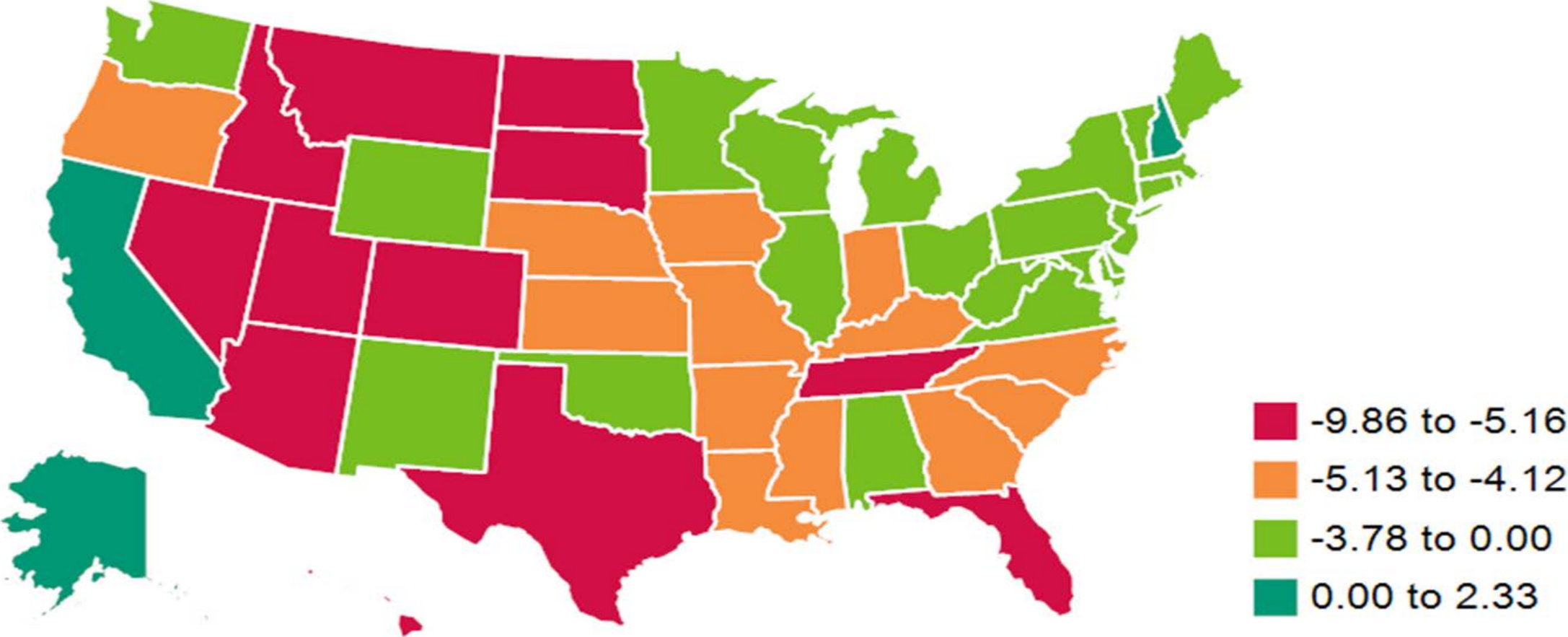
Apr baseline forecast



Sources: FHFA, MBA, Moody's Analytics

# Price Correction More Severe in Some Areas

Baseline forecast FHFA all-transaction index, 2021Q2, % change yr



Sources: FHFA, Moody's Analytics

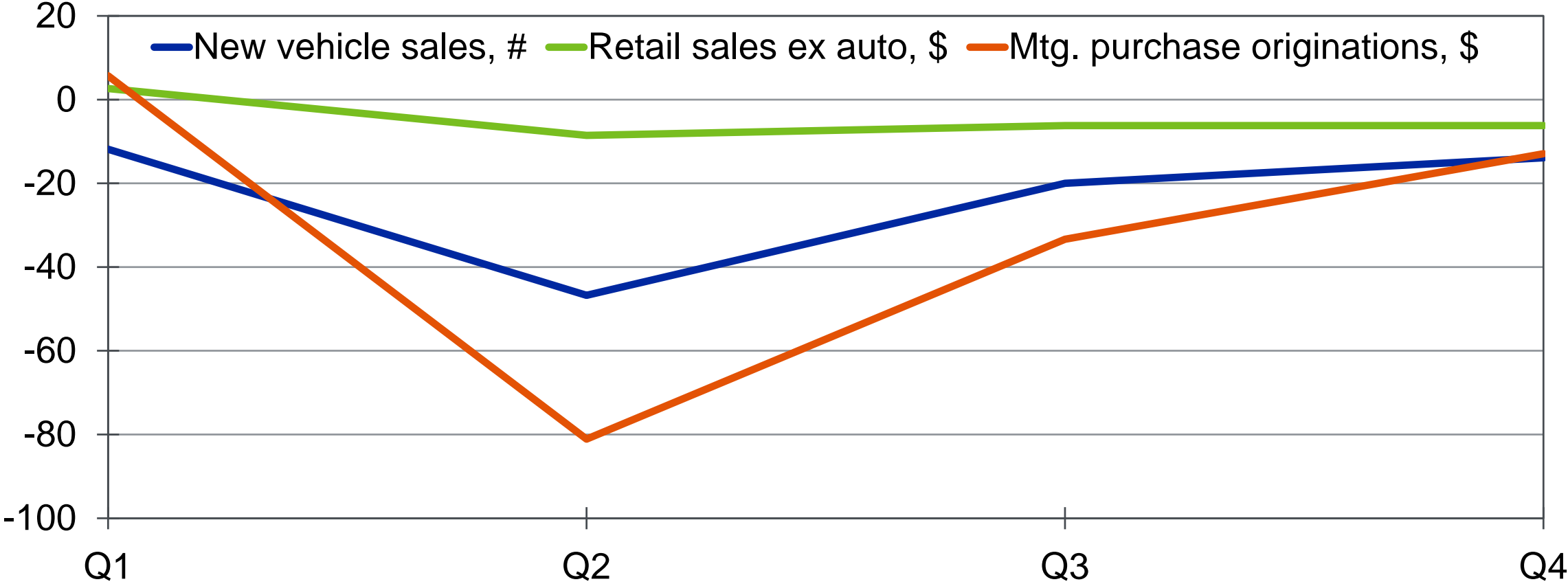
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Consumer Credit



# Consumers Demand Less in 2020

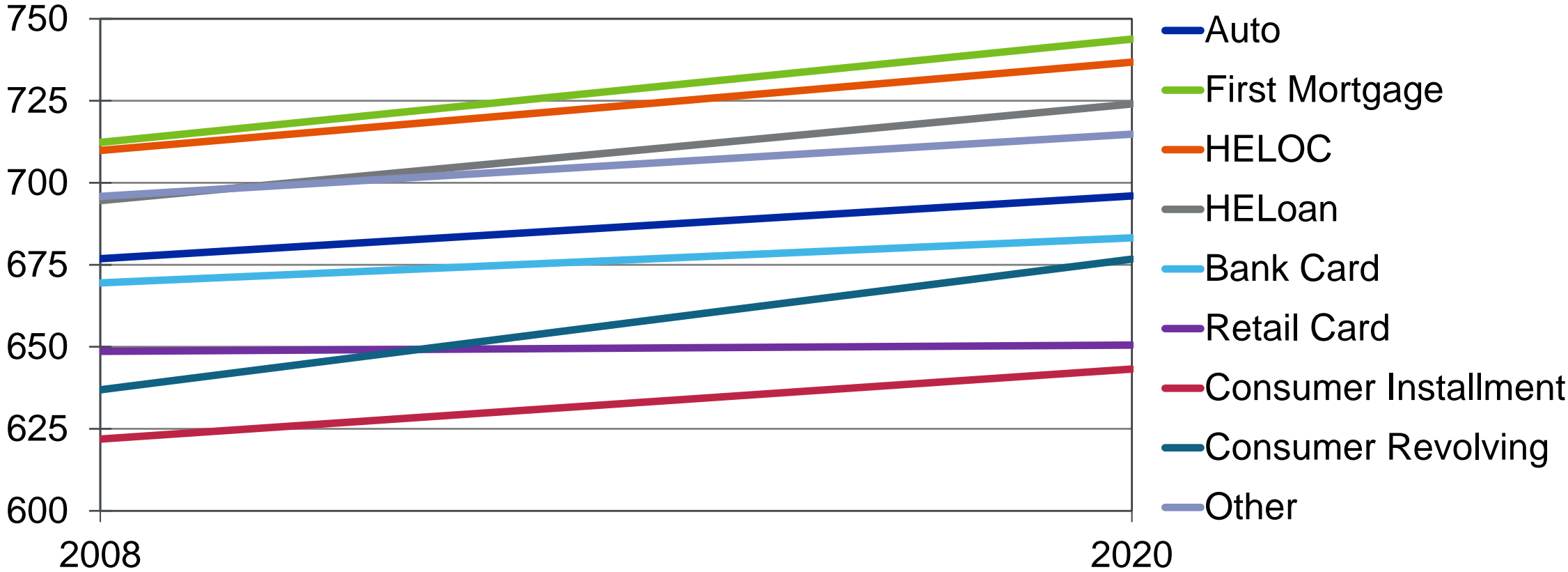
% change yr ago, Apr 2020 baseline



Sources: BEA, U.S. Census Bureau, MBA, Moody's Analytics

# Credit Scores Higher Than Financial Crisis

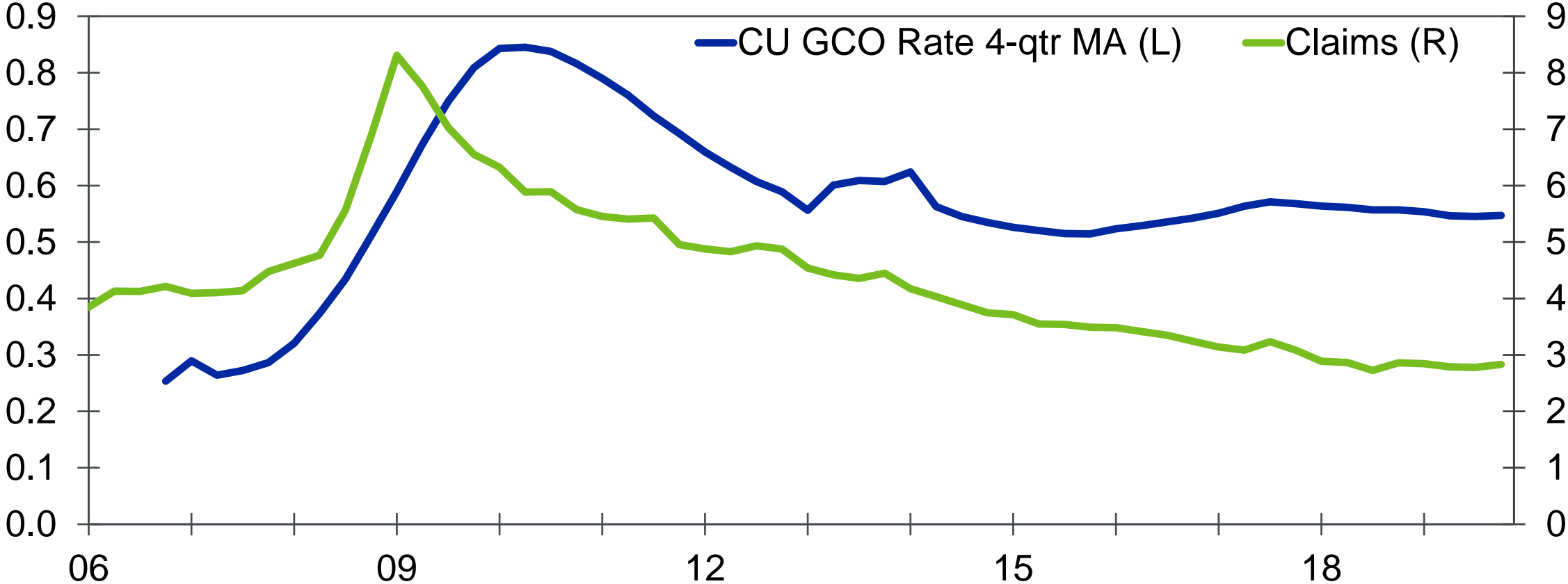
Current credit scores, Sep 2008 to Jan 2020, balance weighted



Sources: CreditForecast.com, Moody's Analytics

# Credit Union Default Rates Follow Unemployment Claim Uptick

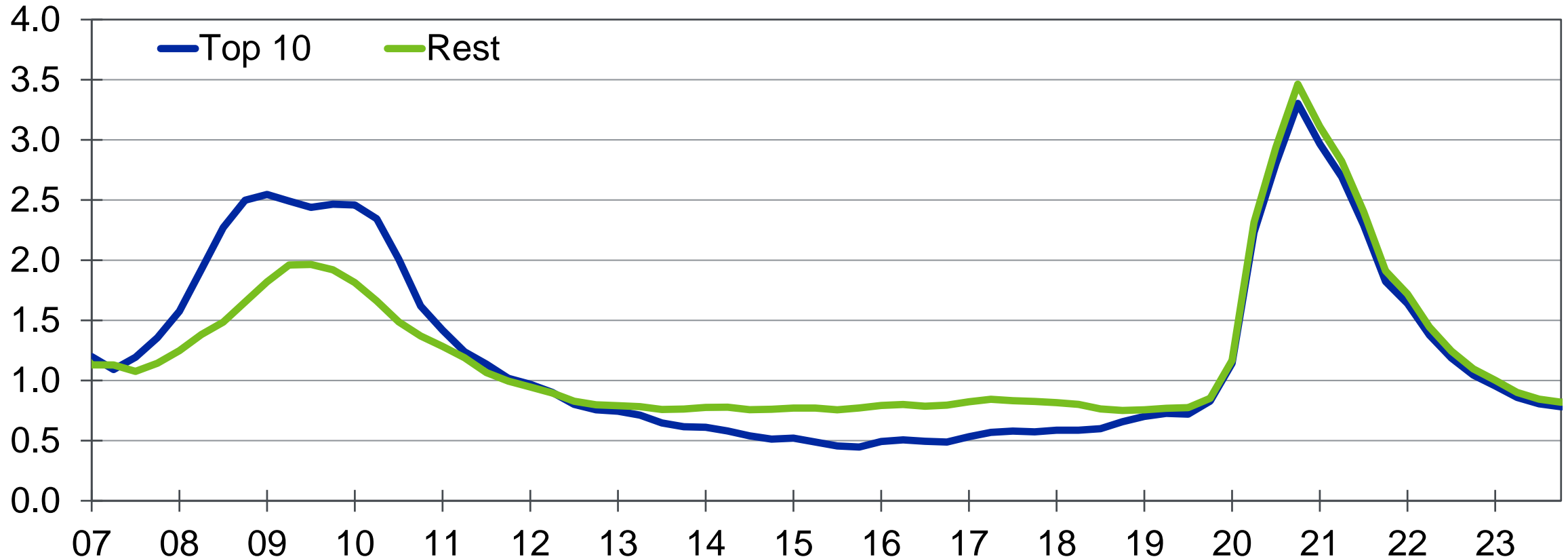
Annualized (%) GCO Rate, unemployment claims (mil)



Sources: NCUA, BLS, Moody's Analytics

# Credit Union Auto Loans in Trouble

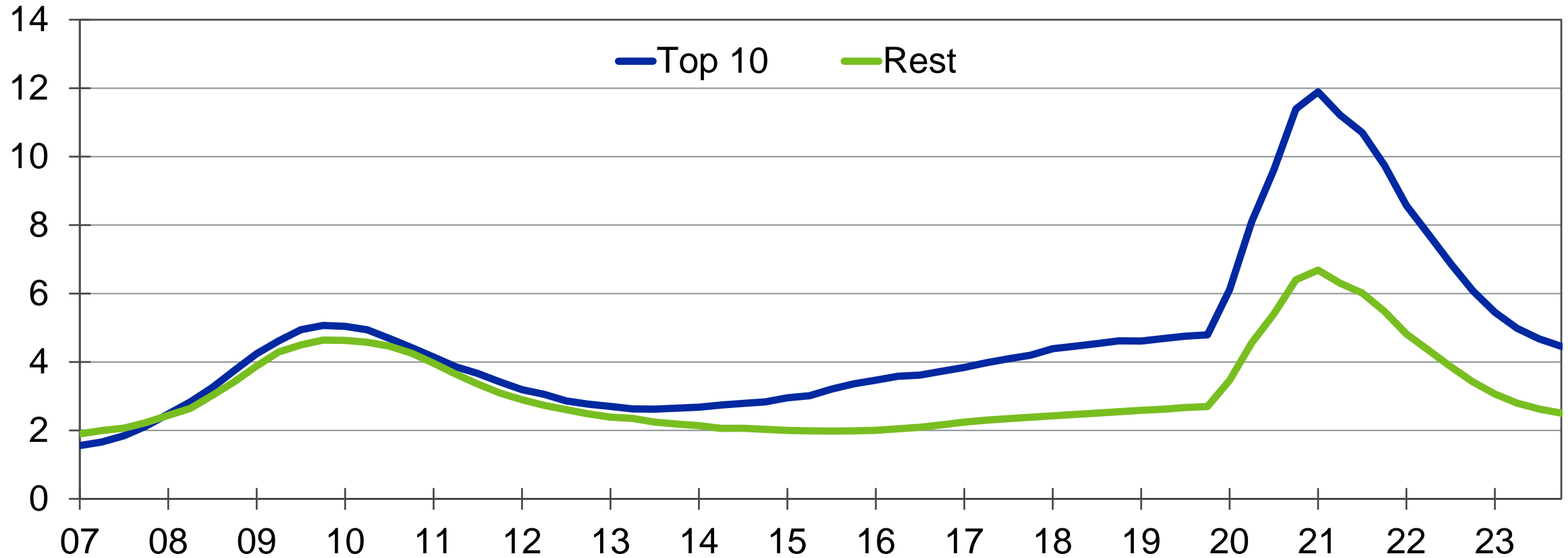
Apr S3, 4-qtr MA, gross-loss rate, % annualized



Sources: NCUA, CreditForecast.com, Moody's Analytics

# Credit Union Credit Cards in Uncharted Territory

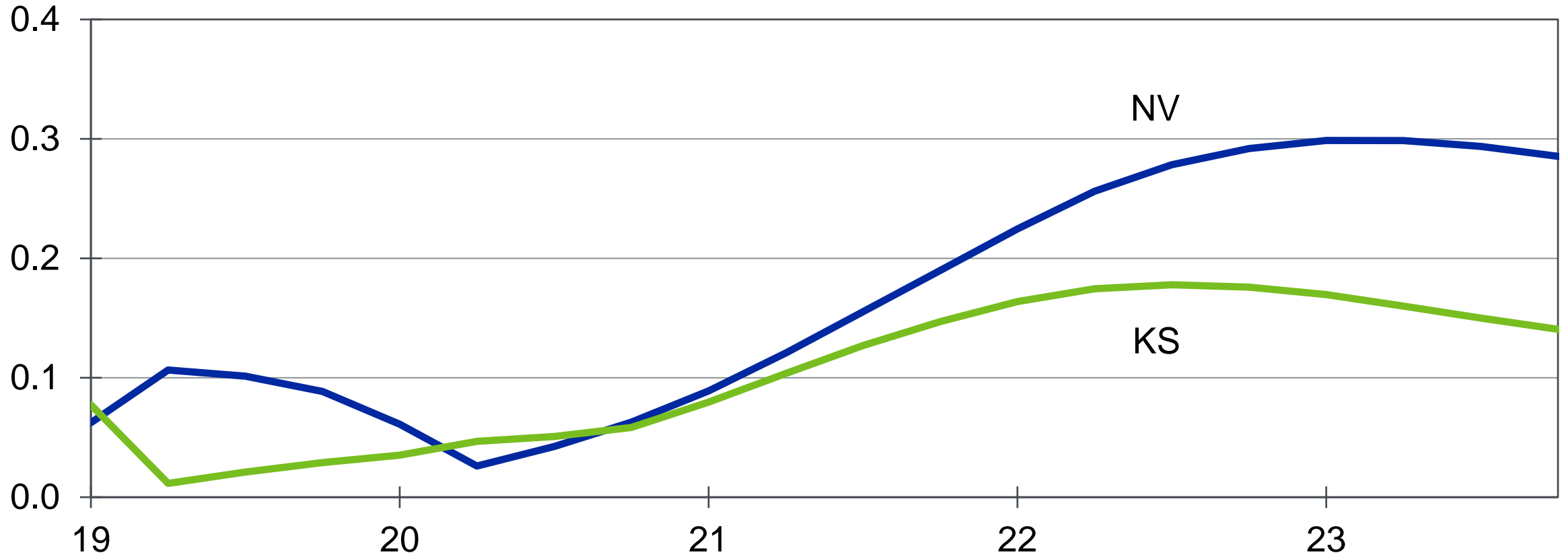
Apr S3, gross-loss rate, % annualized



Sources: NCUA, CreditForecast.com, Moody's Analytics

# Different Impact for Credit Unions Across Regions

Gross-loss rates, 4-qtr MA, First Mortgage, % annualized, Apr S4



Sources: NCUA, CreditForecast.com, Moody's Analytics

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