The Road Ahead for Credit Unions
Today’s Speakers

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In Recession
Unemployment Surges

Unemployment insurance claims, ths

30.3 mil cumulative since Mar 21\textsuperscript{st}

Sources: Employment & Training Administration, Moody’s Analytics
Another Economic Depression?

U.S. unemployment rate, %

1930s’ Depression

WW II

Fed slays inflation

Financial crisis

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
- Demographics
- Trade/travel disruptions
- Commodities
- Tourism
- Poverty rate
- Small business
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

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<th>S1 10% Upside</th>
<th>Baseline</th>
<th>S3 10% Downside</th>
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<td>• $2.2 t fiscal stimulus</td>
<td>• $2.2 t fiscal stimulus</td>
<td>• Stimulus enacted but:</td>
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<td>• Effective distribution of govt ventilators, masks</td>
<td>• Direct payments to individuals</td>
<td>• Programs to distribute funds delayed by procedural bottlenecks</td>
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<td>• Credible federal guidance on timing of return to work</td>
<td>• Boost to UI benefits</td>
<td>• Magnitude proves insufficient to stem bankruptcies</td>
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<td>• Programs to distribute stimulus funds more effective than expected</td>
<td>• $500 b credit facility</td>
<td>• Confusing federal return to work guidance</td>
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<td>• 4th and 5th stimulus in 2020Q4 and 20201Q1</td>
<td>• $50 b to airlines</td>
<td>• No additional stimulus</td>
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<td>• $100 b to hospitals</td>
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<td>• Fed QE, lending facilities</td>
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<td>• 4th stimulus 2020Q4</td>
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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
3

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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