Economic & Credit Union Update

September 2026

If you have any questions or comments, please contact:
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Trustage - Economics
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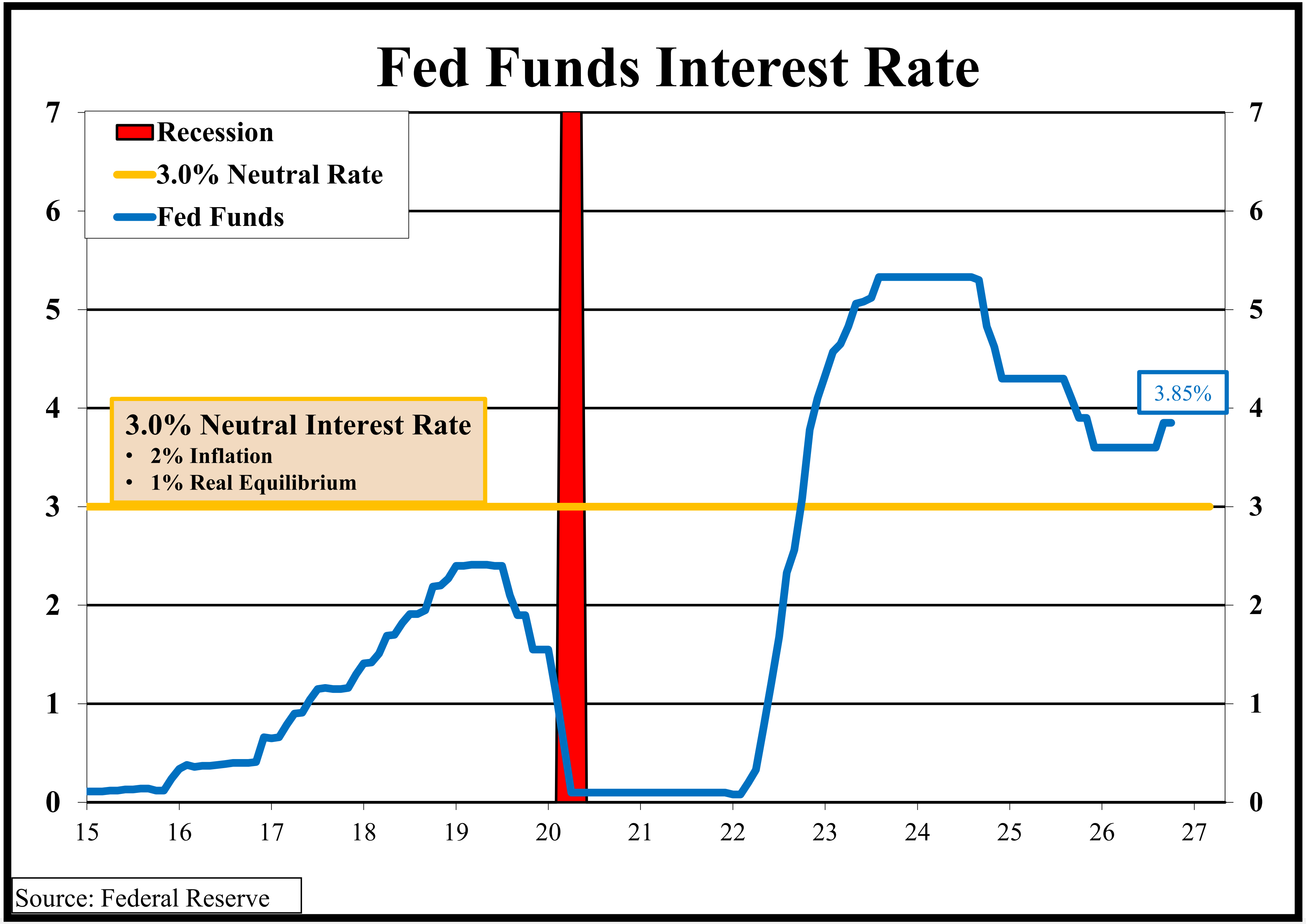
Steve.rick@TruStage.com



Fed Funds Interest Rate
Recession
3.0% Neutral Rate
Fed Funds
3.0% Neutral Interest Rate
• 2% Inflation
• 1% Real Equilibrium
3.85%
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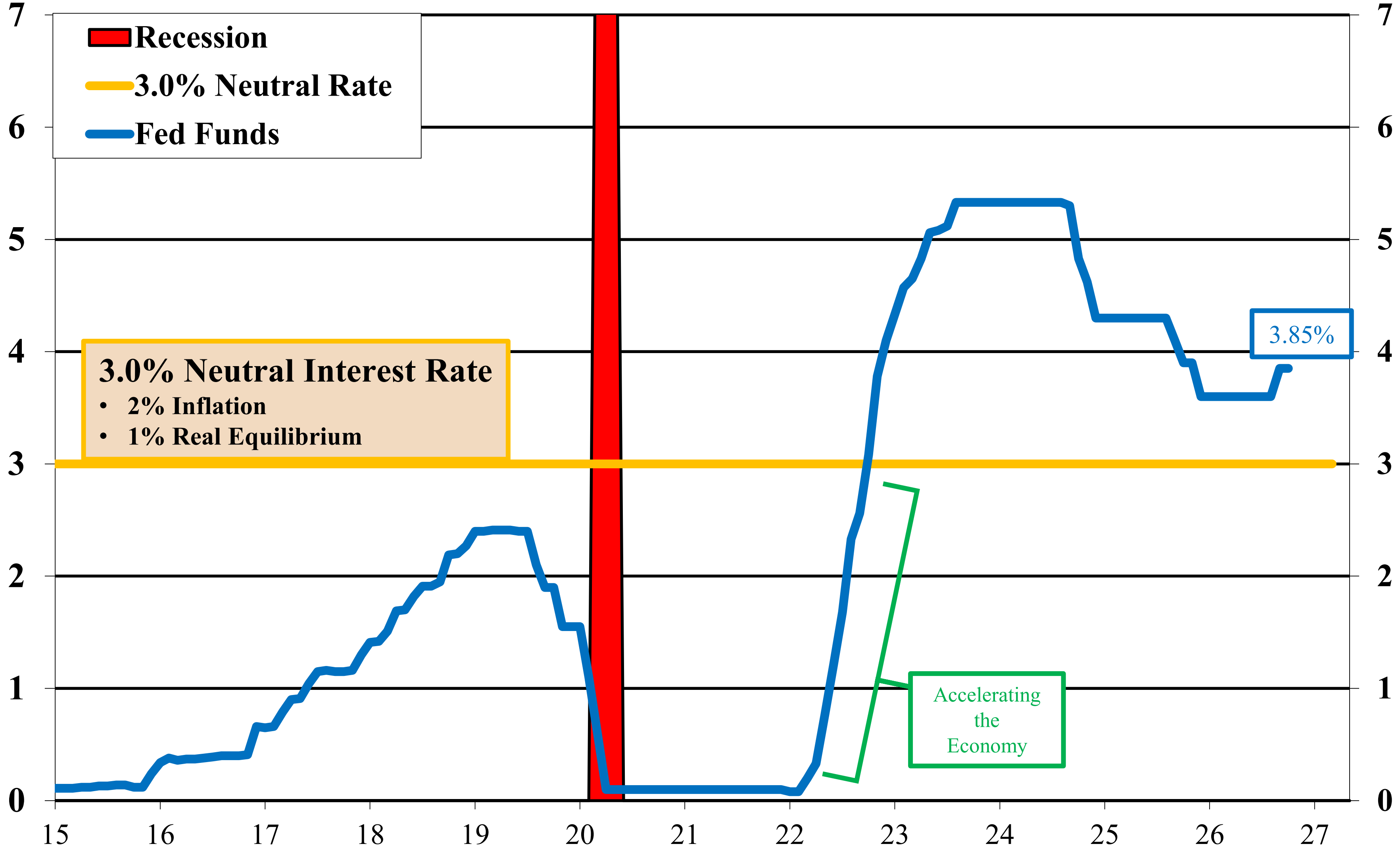
Source: Federal Reserve

Fed Funds Interest Rate



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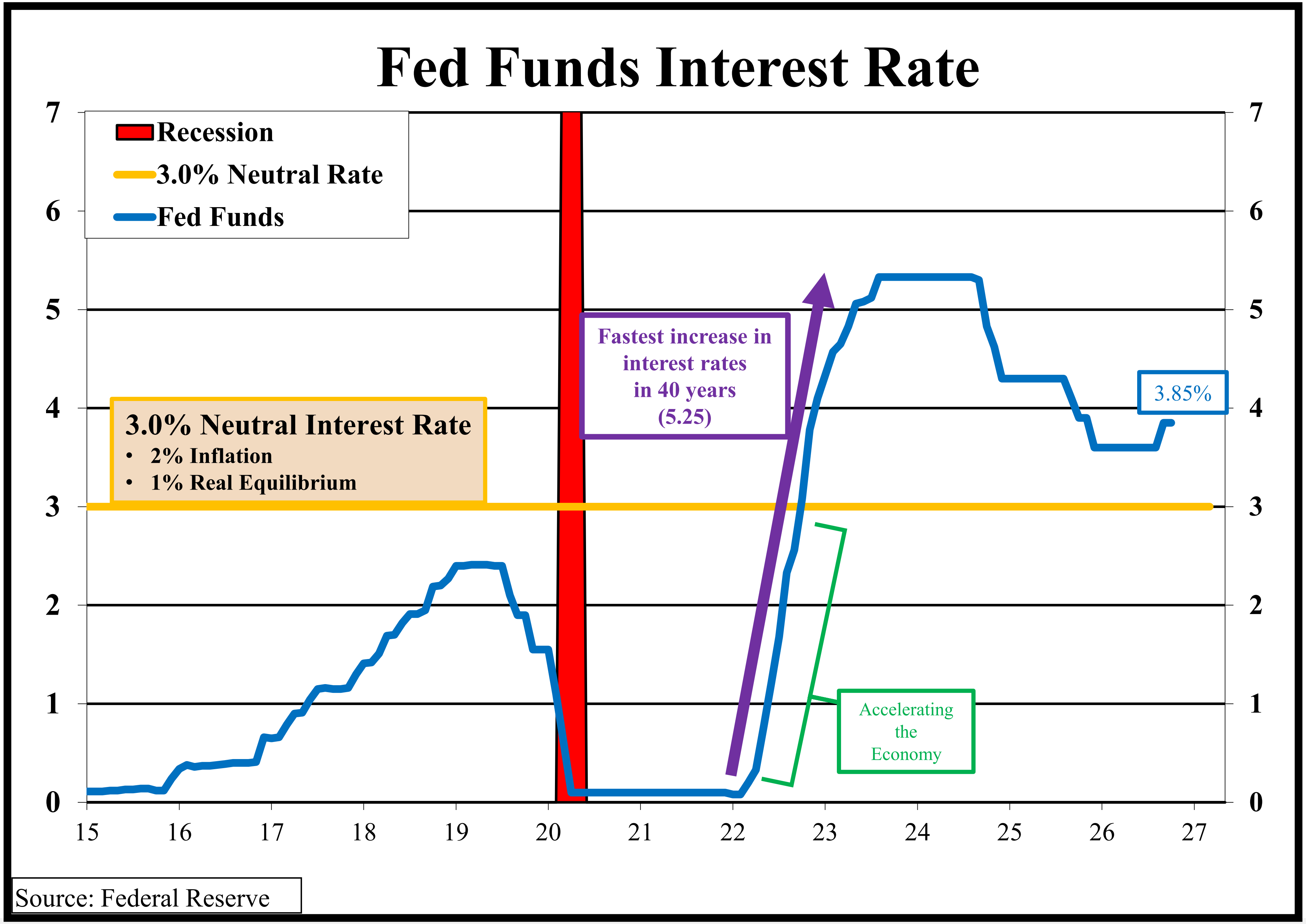

Fed Funds Interest Rate
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Fastest increase in interest rates in 40 years (5.25)
3.85%
Accelerating the Economy
7
6
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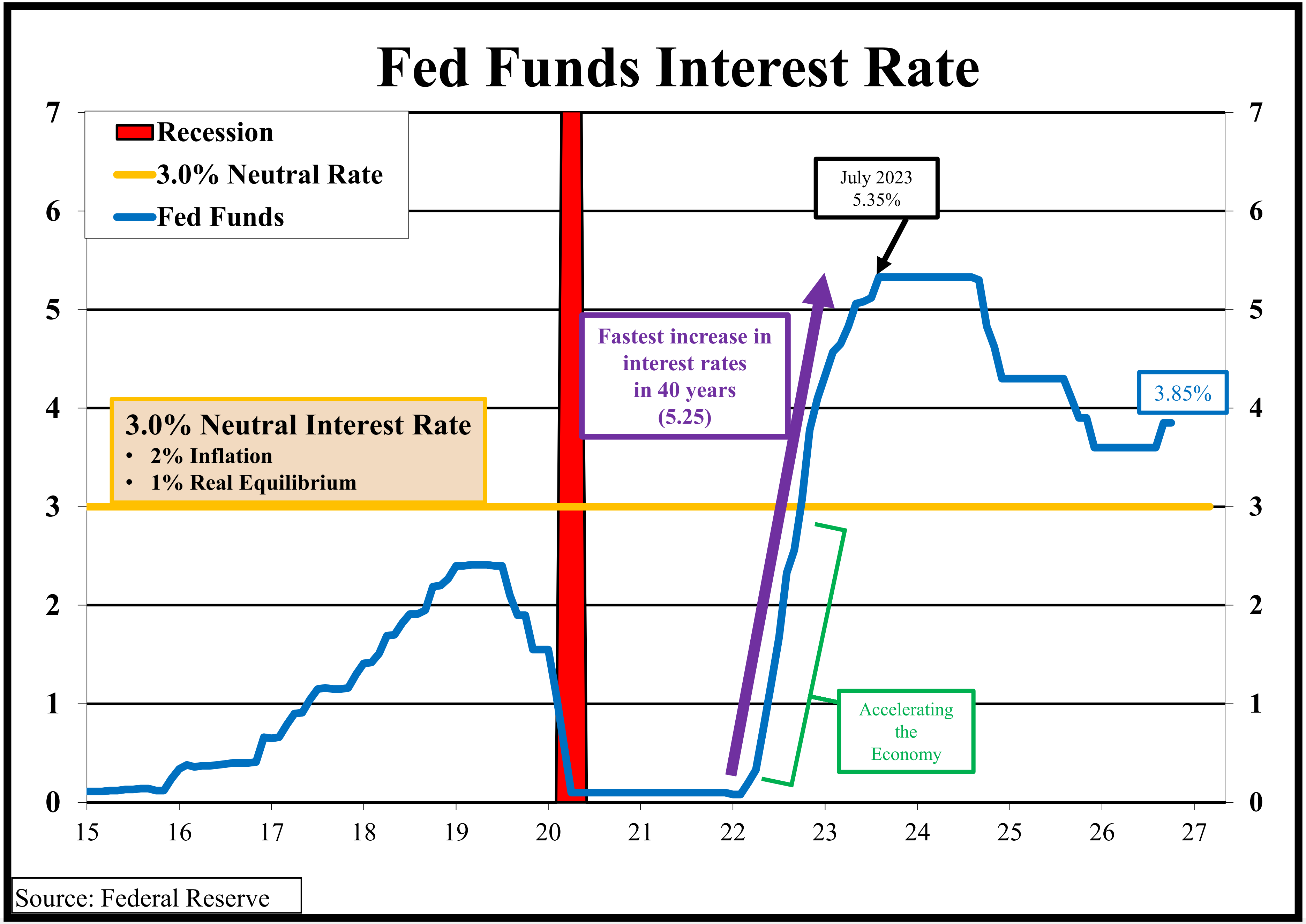
Source: Federal Reserve


Fed Funds Interest Rate
Recession
3.0% Neutral Rate
Fed Funds
July 2023
5.35%
Fastest increase in interest rates in 40 years (5.25)
3.85%
3.0% Neutral Interest Rate
• 2% Inflation
• 1% Real Equilibrium
Accelerating the Economy
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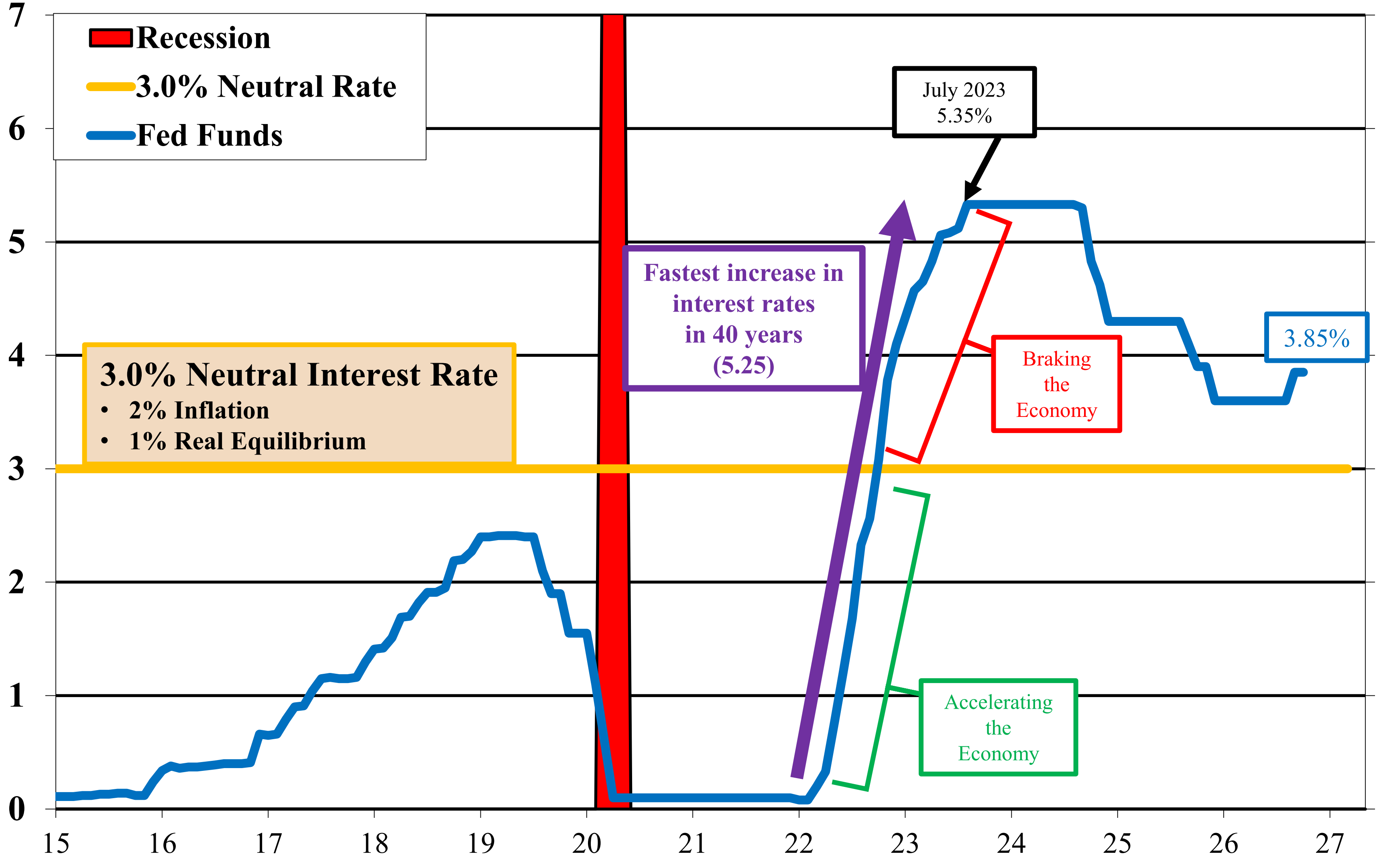
Fed Funds Interest Rate



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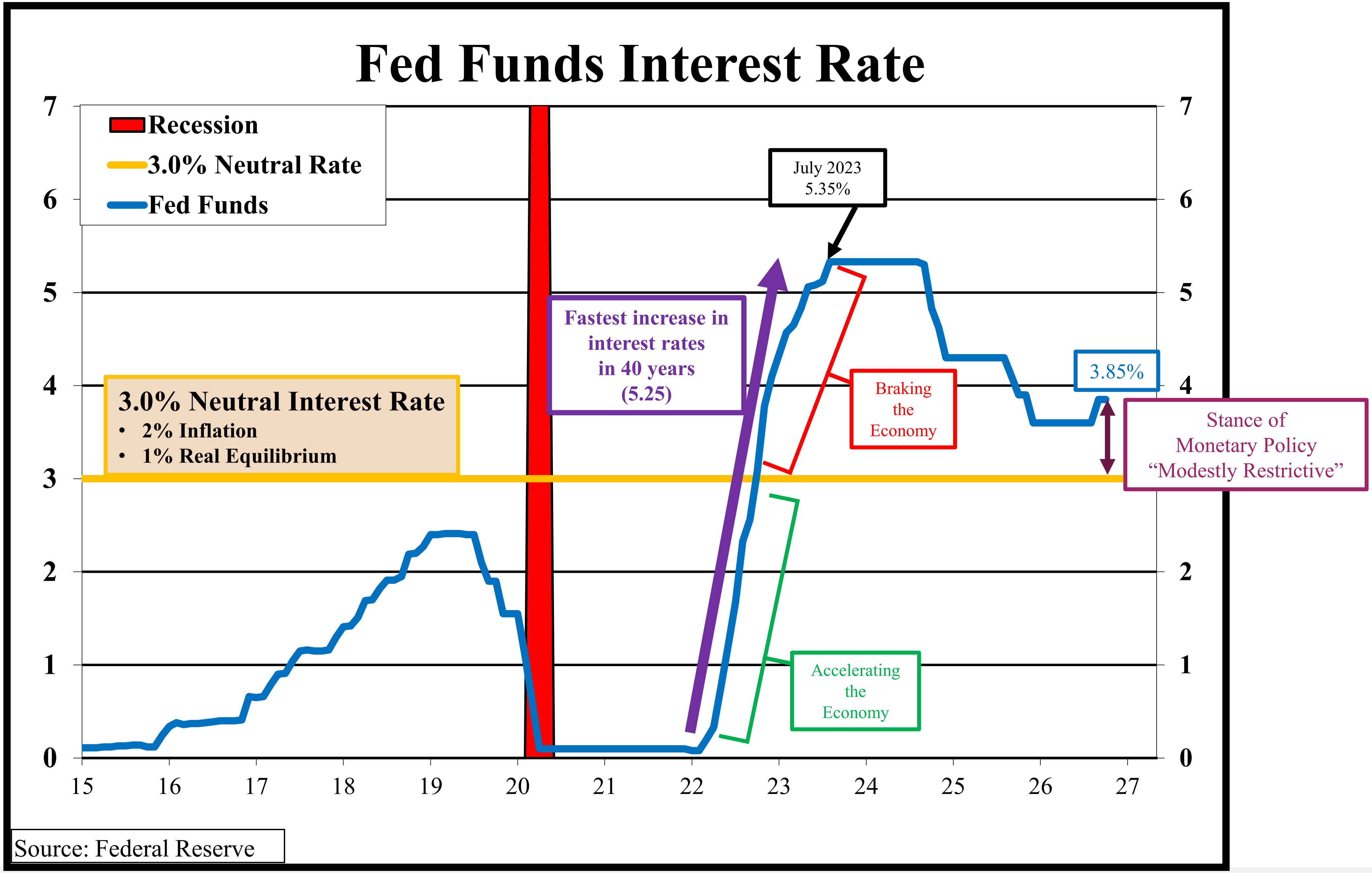

Fed Funds Interest Rate
Recession
3.0% Neutral Rate
Fed Funds
July 2023
5.35%
Fastest increase in interest rates in 40 years (5.25)
Braking the Economy
3.85%
Stance of Monetary Policy “Modestly Restrictive”
3.0% Neutral Interest Rate
• 2% Inflation
• 1% Real Equilibrium
Accelerating the Economy
0
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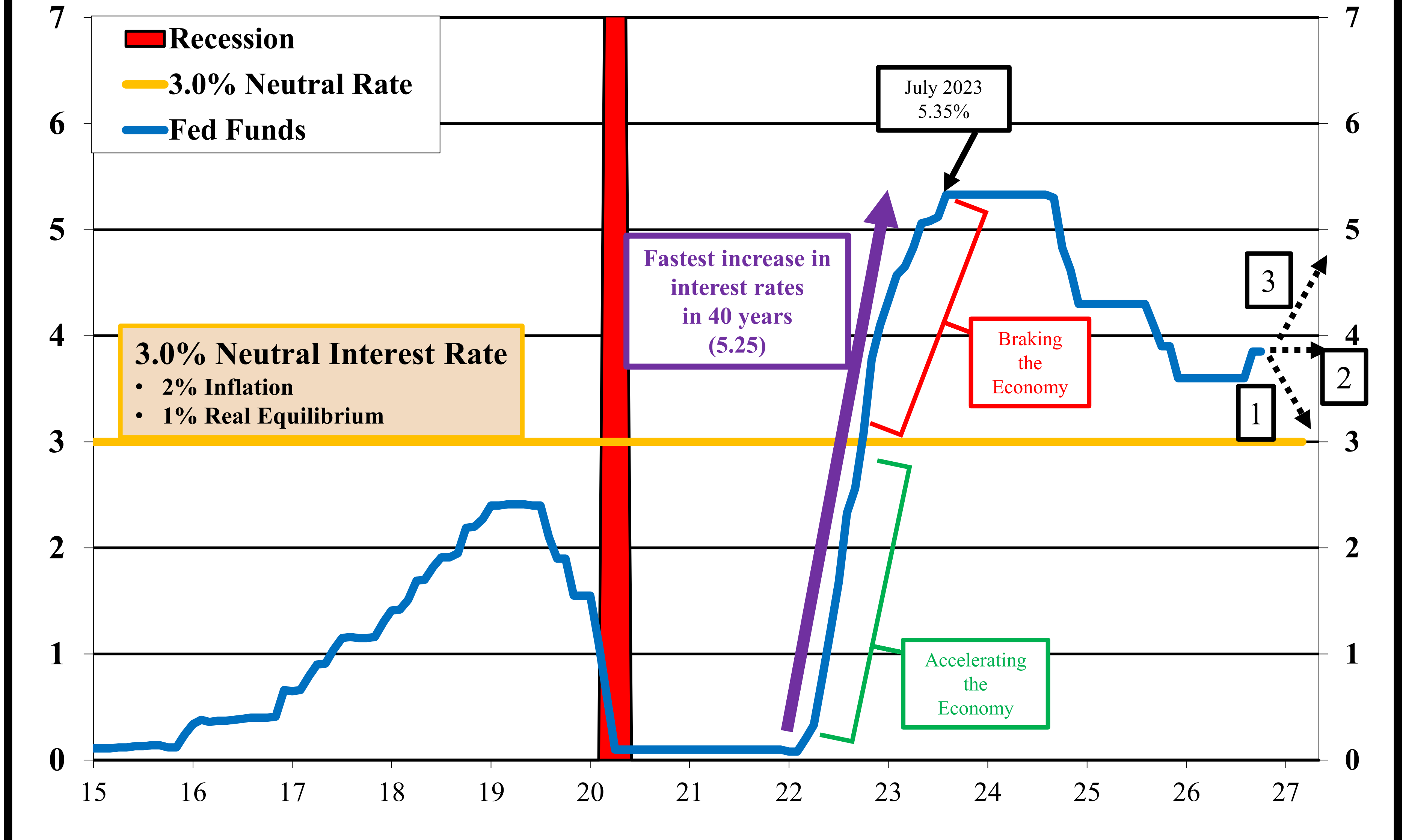
Source: Federal Reserve

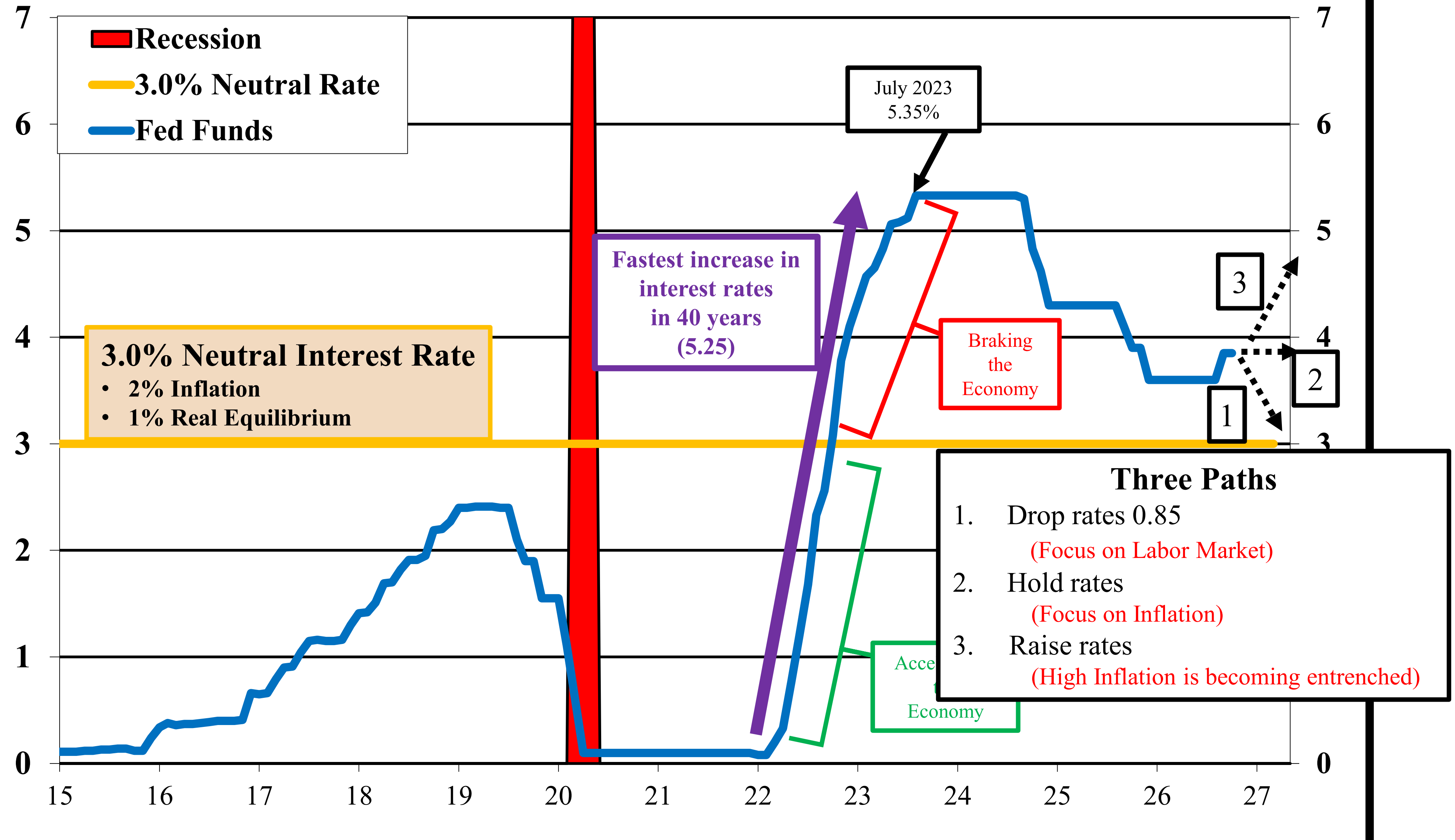
TruStage

Fed Funds Interest Rate



Source: Federal Reserve

Fed Funds Interest Rate



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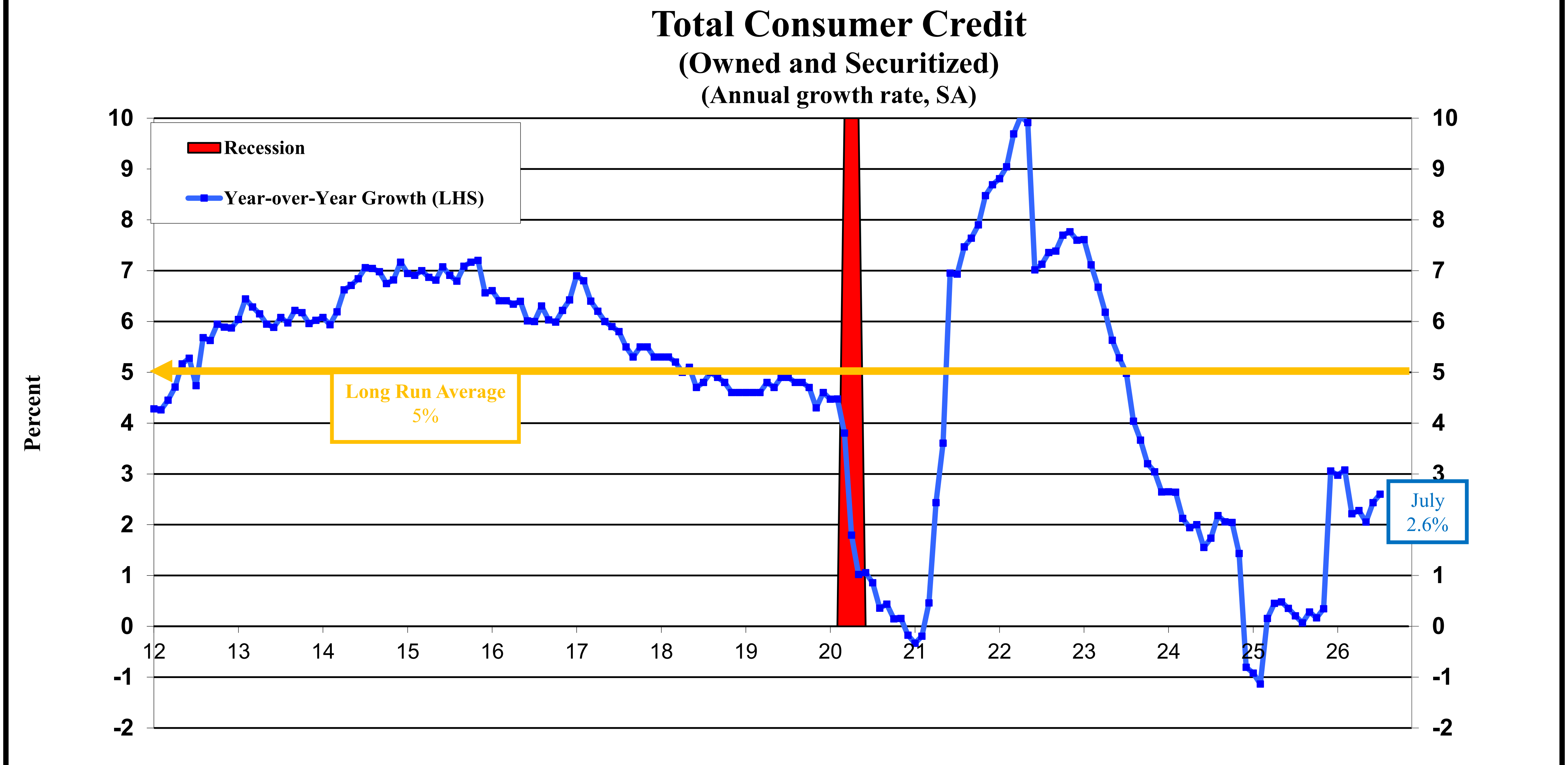
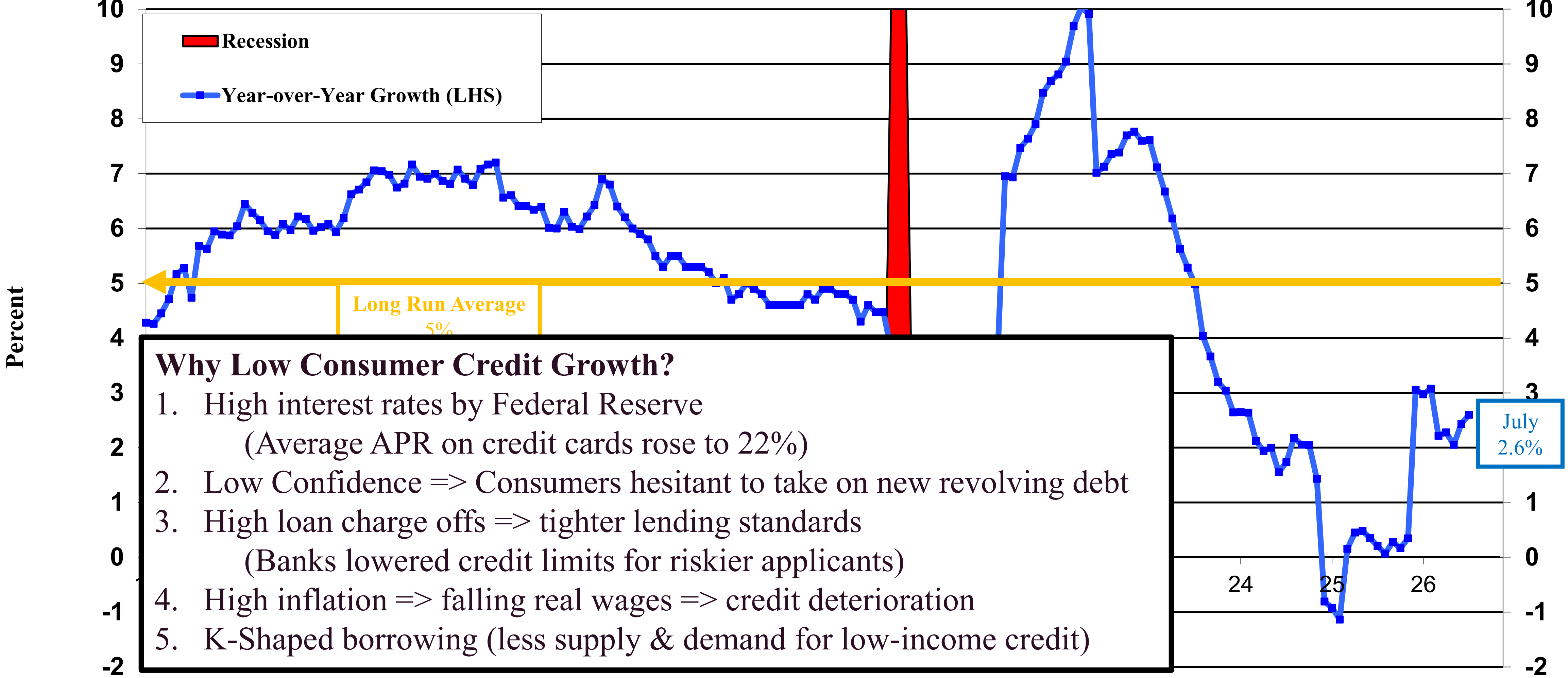


Source: Federal Reserve

Total Consumer Credit
(Owned and Securitized)
(Annual growth rate, SA)

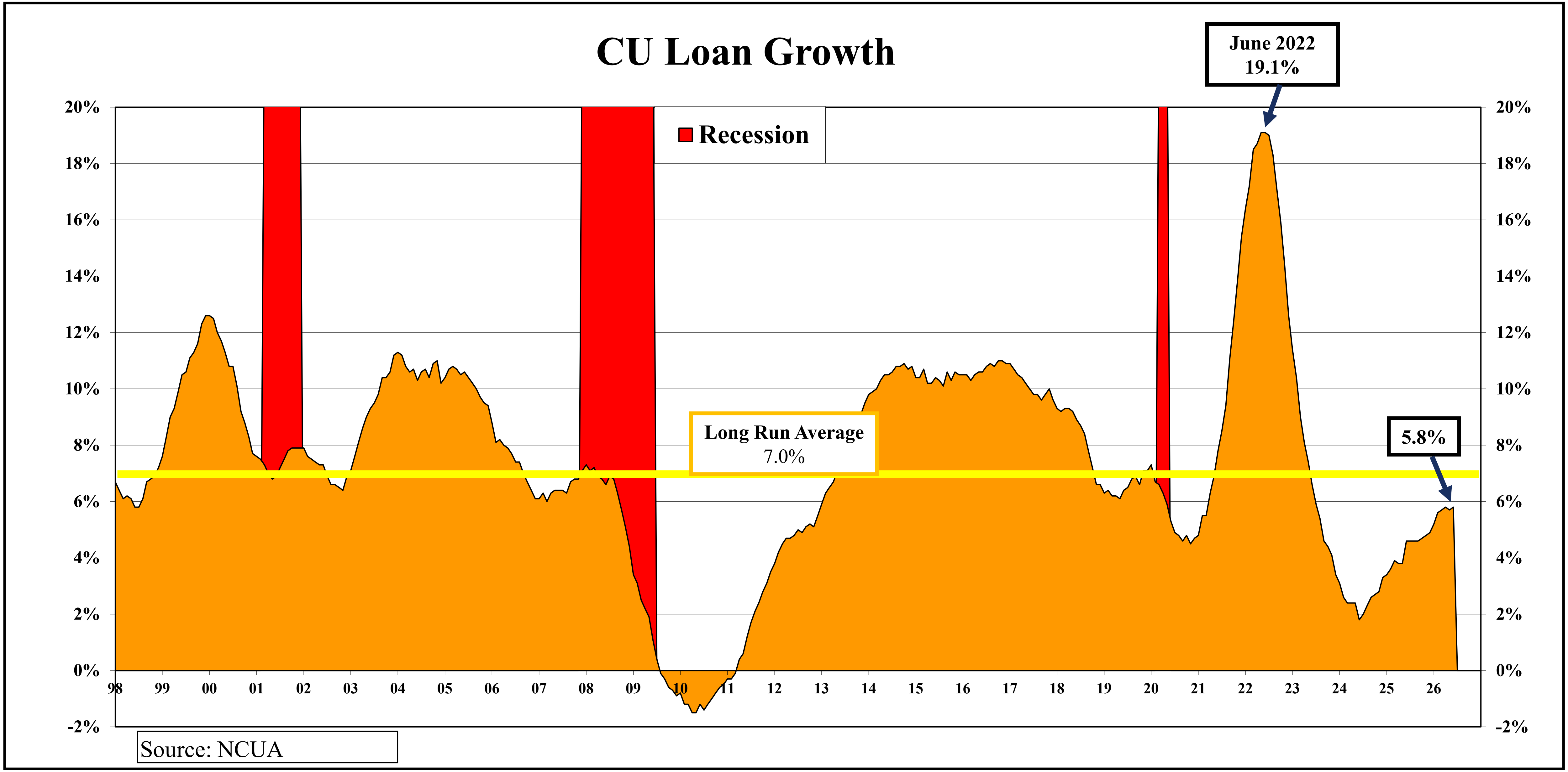


Why Low Consumer Credit Growth?

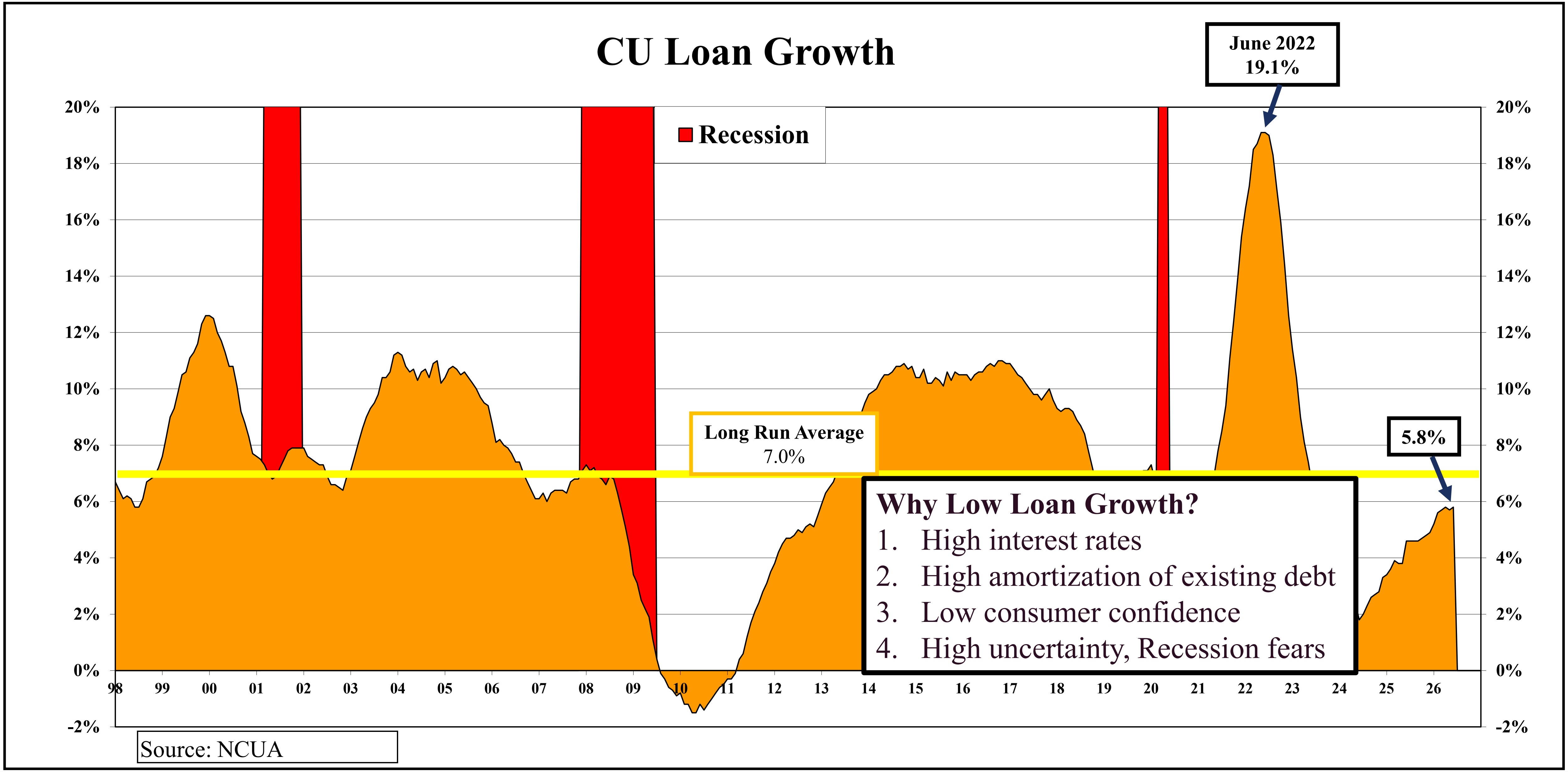
1. High interest rates by Federal Reserve
   (Average APR on credit cards rose to 22%)
2. Low Confidence => Consumers hesitant to take on new revolving debt
3. High loan charge offs => tighter lending standards
   (Banks lowered credit limits for riskier applicants)
4. High inflation => falling real wages => credit deterioration
5. K-Shaped borrowing (less supply & demand for low-income credit)

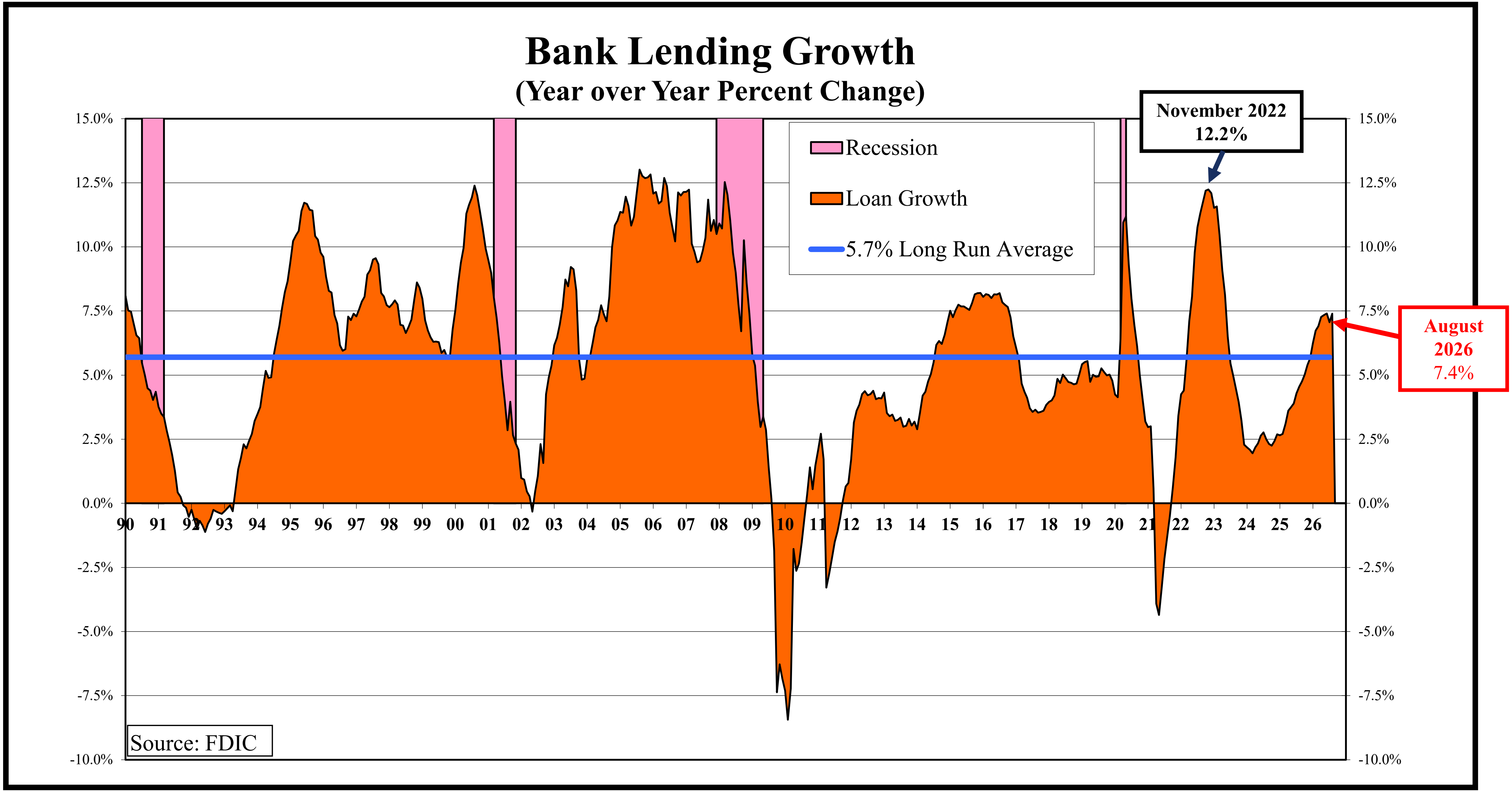
Source: Federal Reserve

Below Trend Credit Union Loan Growth



Below Trend Credit Union Loan Growth

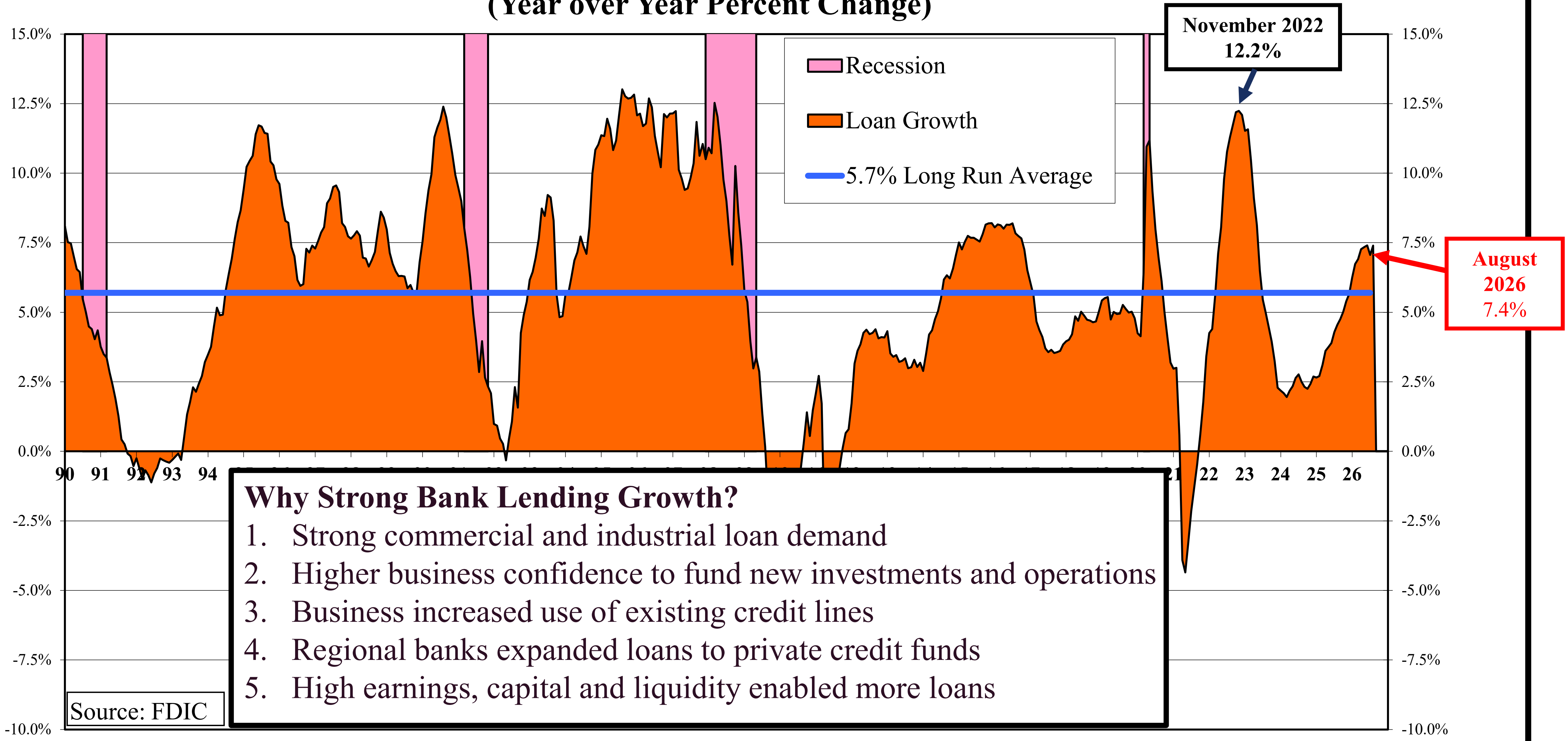




Bank Lending Growth
(Year over Year Percent Change)
15.0%
12.5%
10.0%
7.5%
5.0%
2.5%
0.0%
-2.5%
-5.0%
-7.5%
-10.0%
90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26
Recession
Loan Growth
5.7% Long Run Average
November 2022
12.2%
August
2026
7.4%
Source: FDIC

Bank Lending Growth

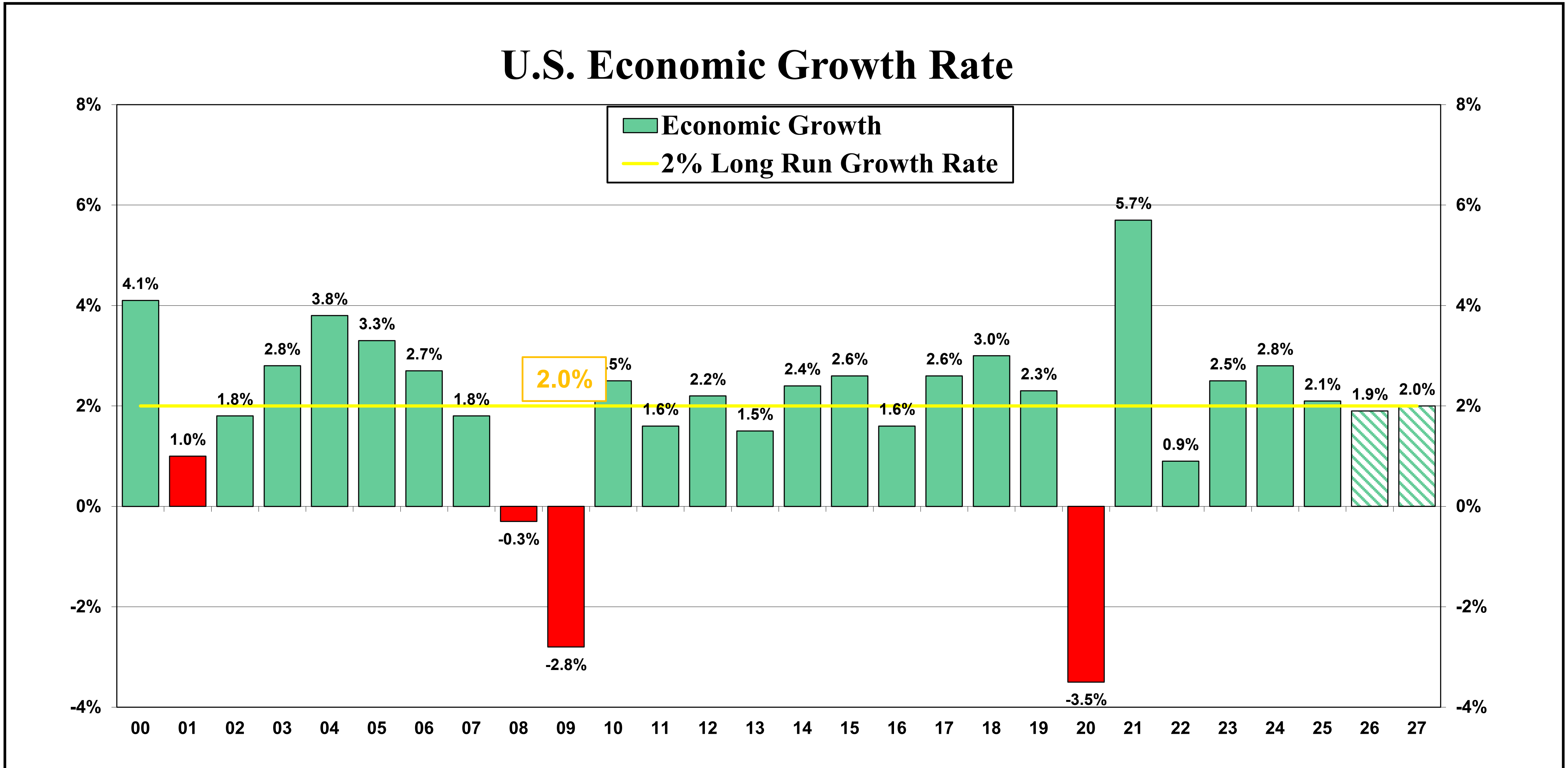
(Year over Year Percent Change)



Why Strong Bank Lending Growth?

1. Strong commercial and industrial loan demand
2. Higher business confidence to fund new investments and operations
3. Business increased use of existing credit lines
4. Regional banks expanded loans to private credit funds
5. High earnings, capital and liquidity enabled more loans

Economic Growth Below Natural Growth Rate



Source: Department of Commerce

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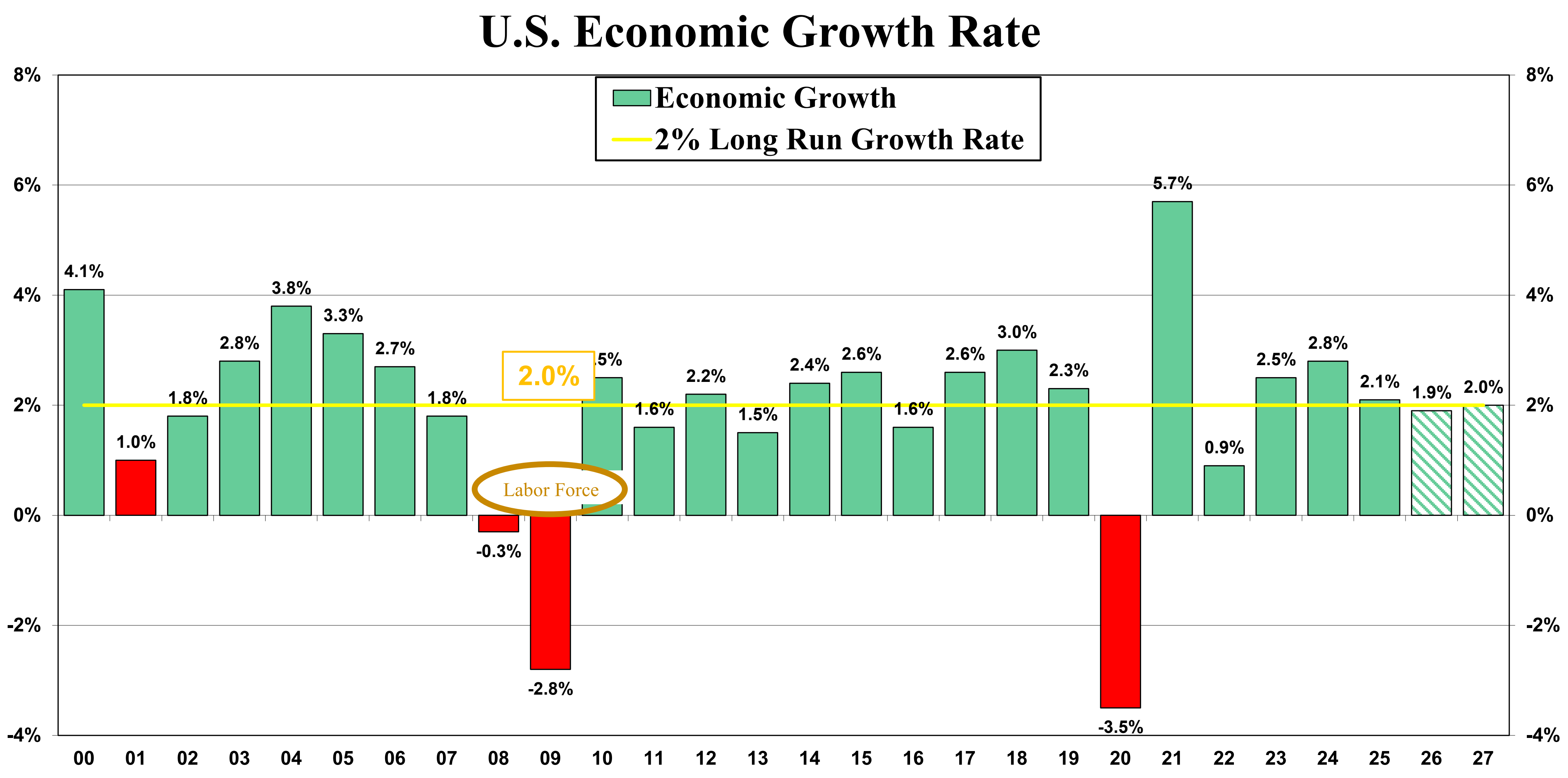

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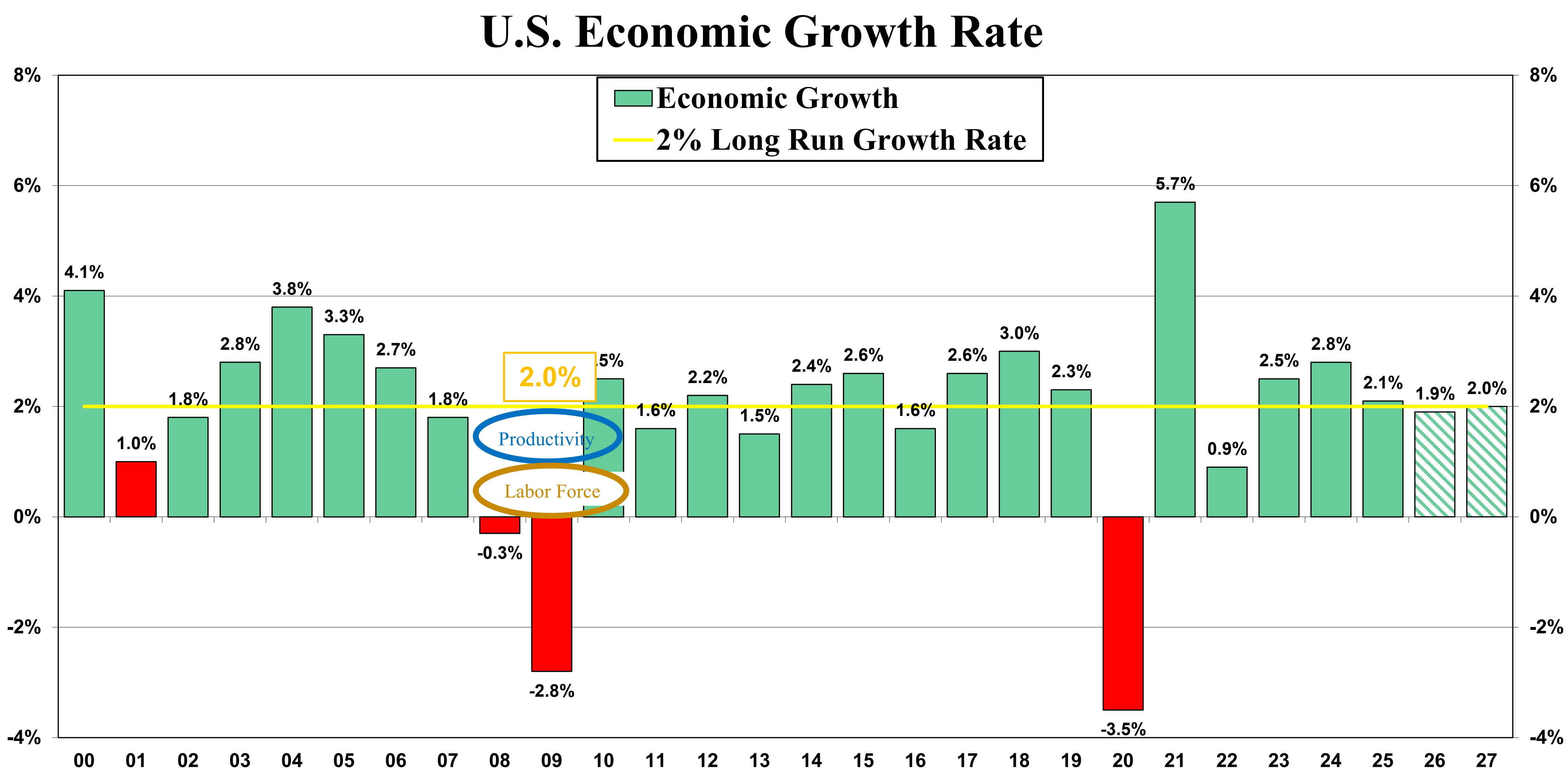

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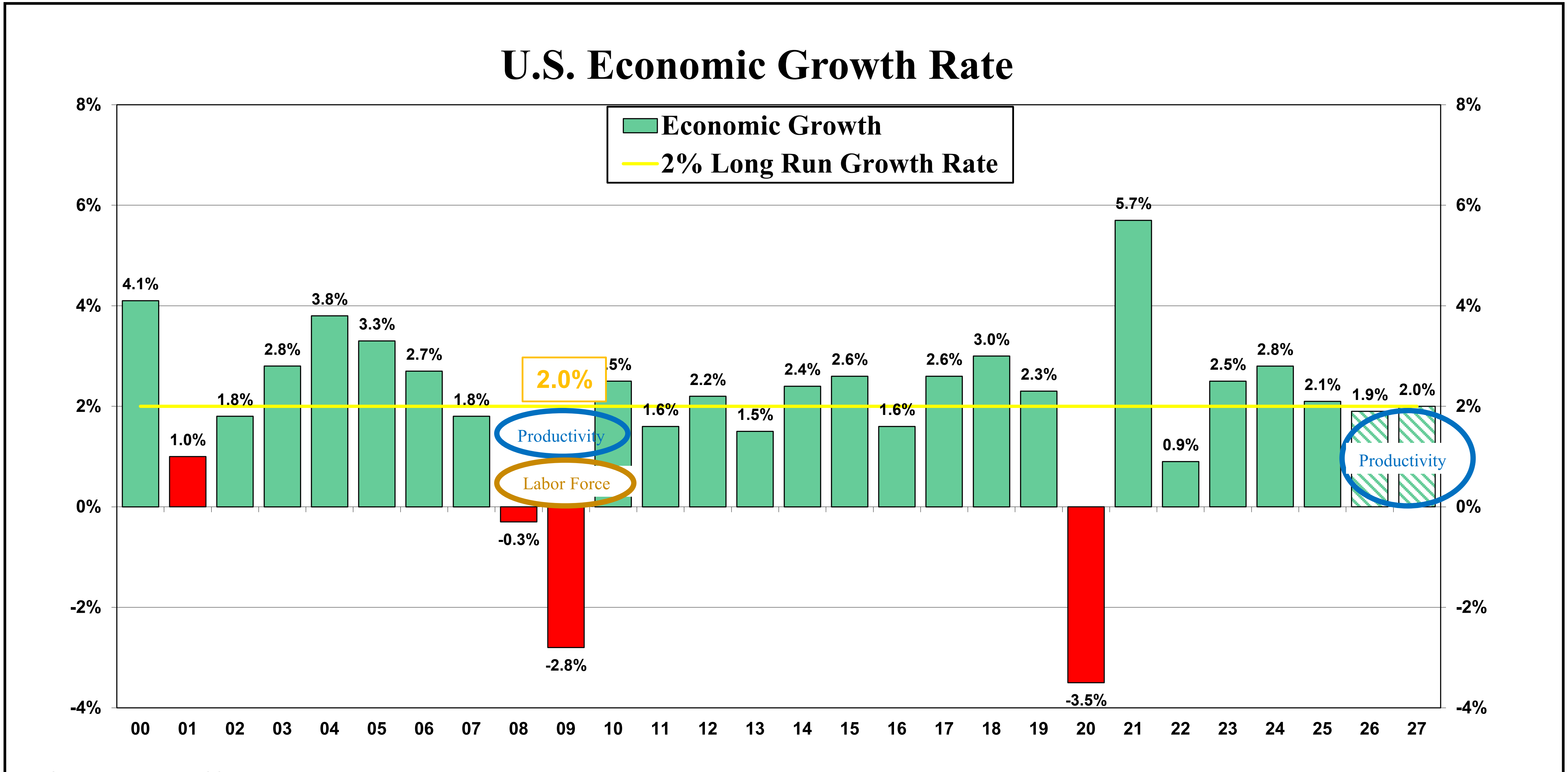
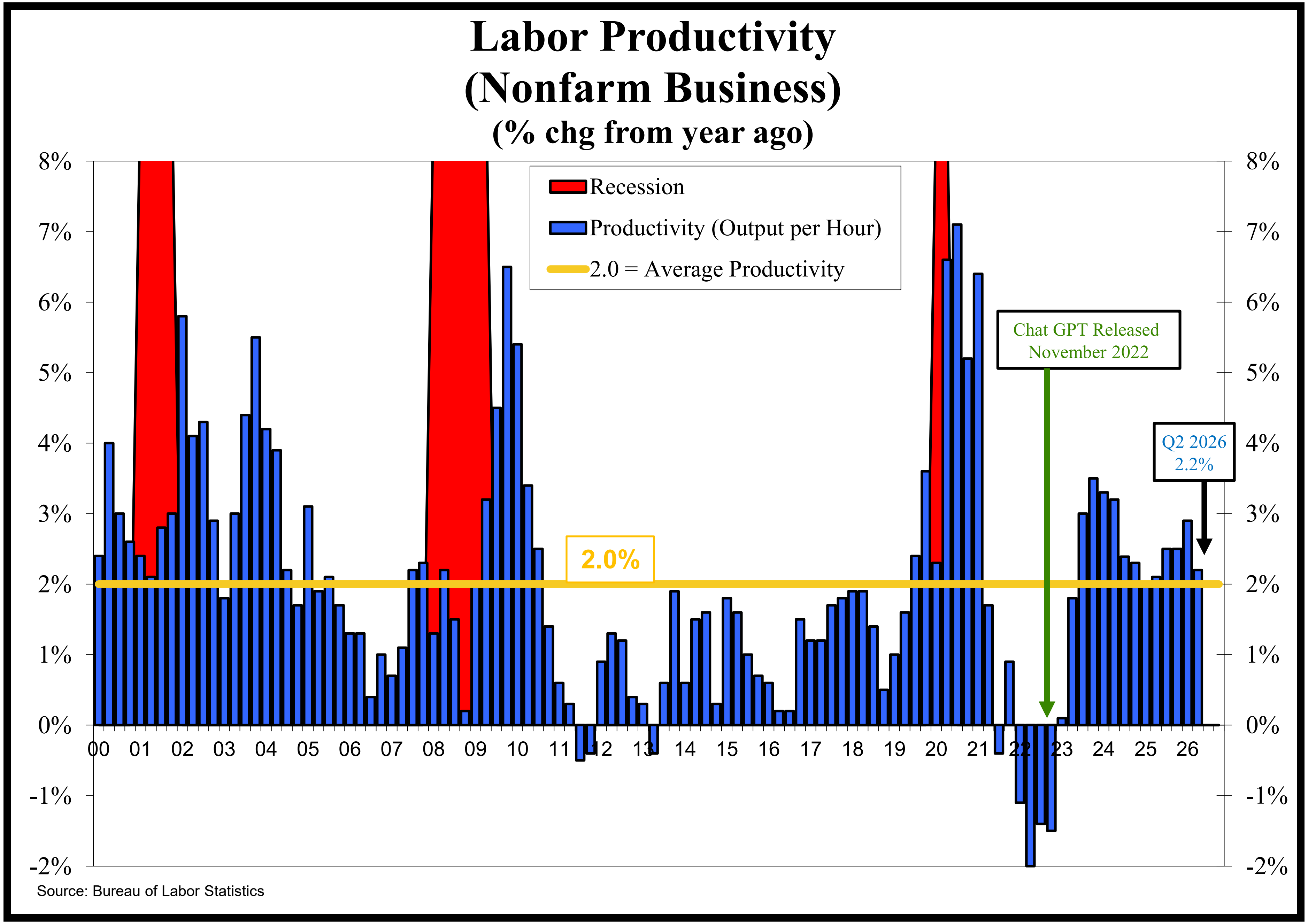
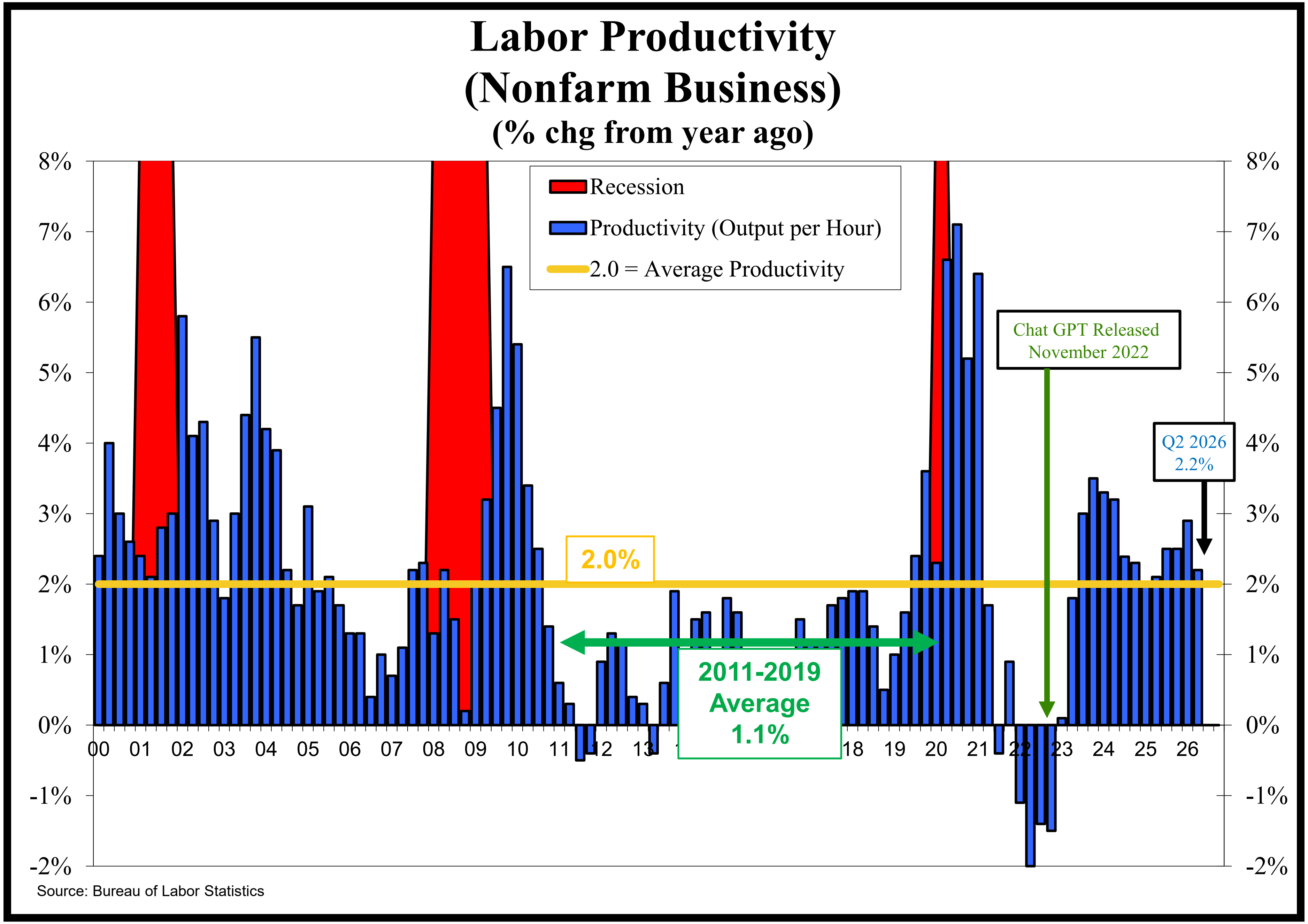


Source: Department of Commerce

Labor Productivity (Nonfarm Business)





Labor Productivity
(Nonfarm Business)
(% chg from year ago)
Recession
Productivity (Output per Hour)
2.0 = Average Productivity
Chat GPT Released
November 2022
Q2 2026
2.2%
2.0%
2011-2019
Average
1.1%
8%
7%
6%
5%
4%
3%
2%
1%
0%
-1%
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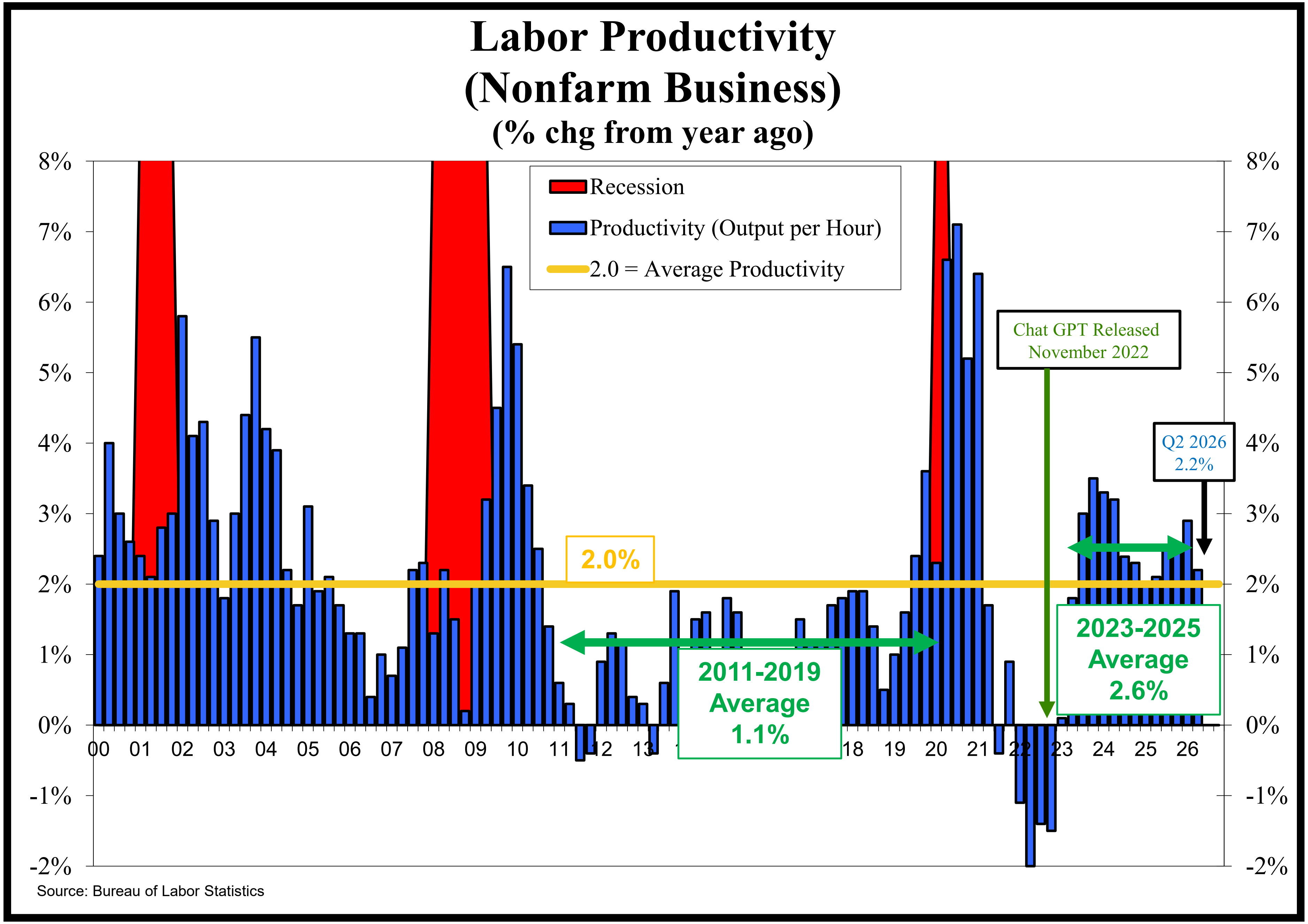
Source: Bureau of Labor Statistics



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2.6%
8%
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5%
4%
3%
2%
1%
0%
-1%
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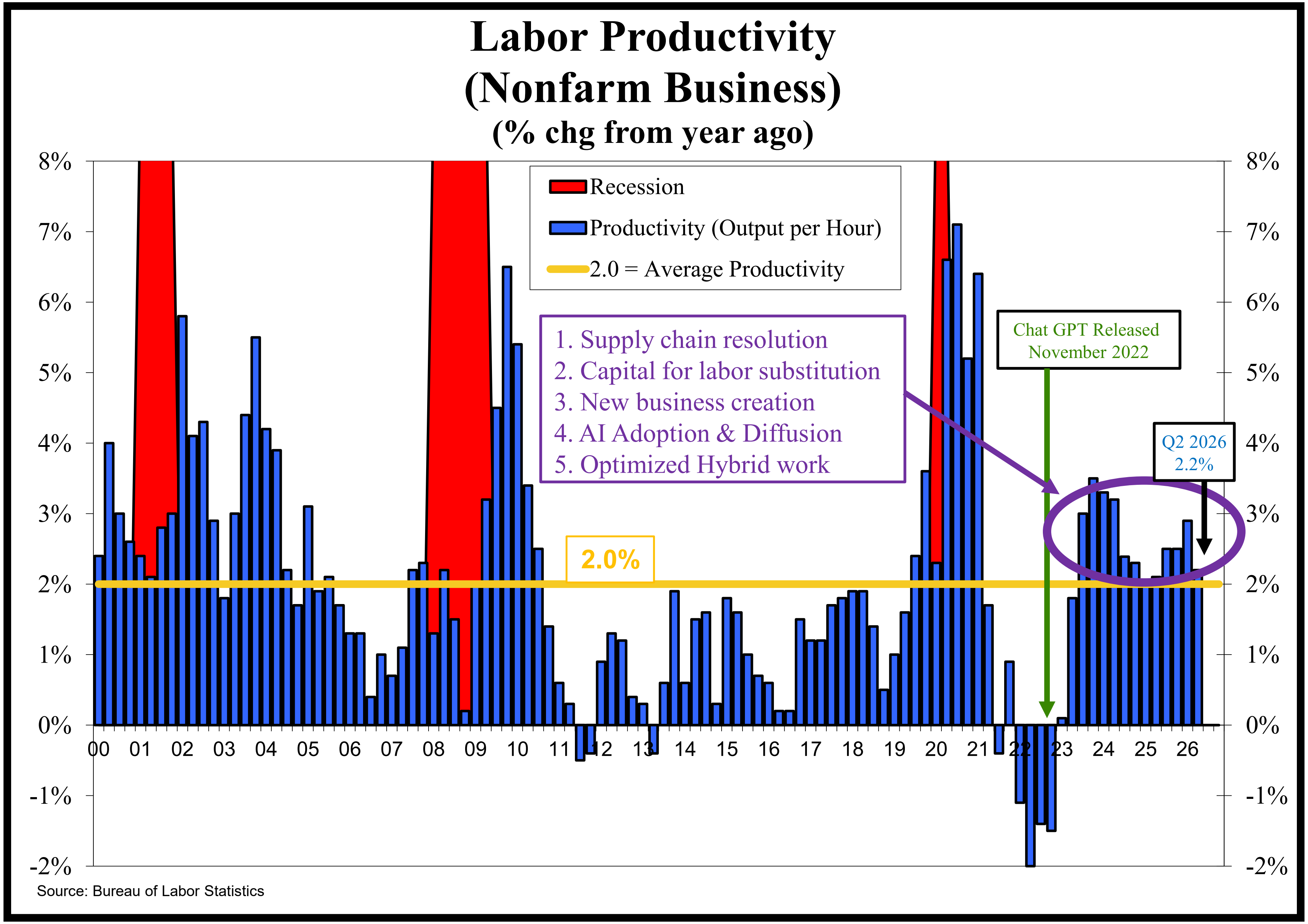

Labor Productivity
(Nonfarm Business)
(% chg from year ago)
8%
7%
6%
5%
4%
3%
2%
1%
0%
-1%
-2%
Recession
Productivity (Output per Hour)
2.0 = Average Productivity
1. Supply chain resolution
2. Capital for labor substitution
3. New business creation
4. AI Adoption & Diffusion
5. Optimized Hybrid work
Chat GPT Released November 2022
Q2 2026 2.2%
2.0%
00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26
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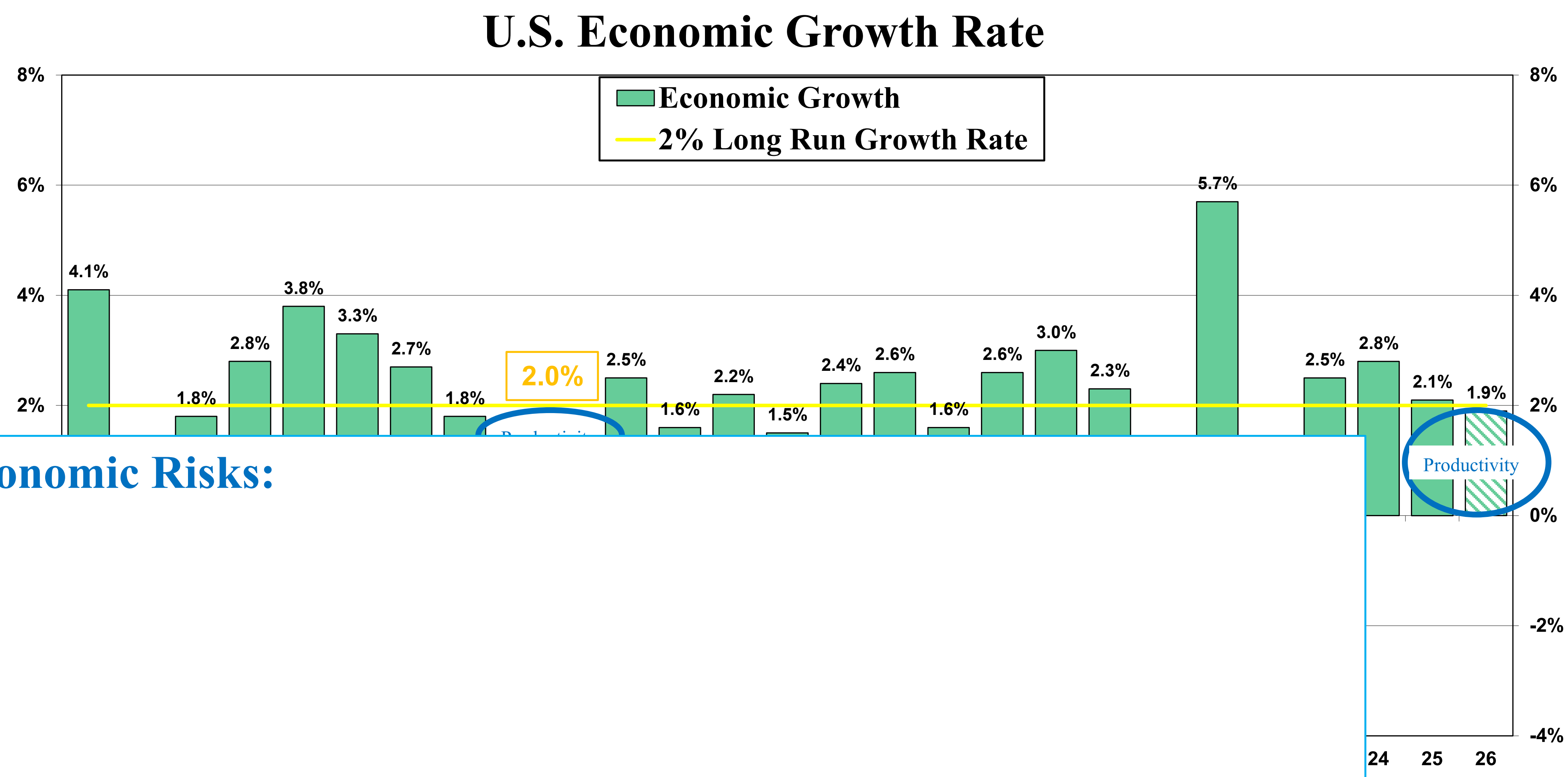

Economic Risks:

Source: Department of Commerce

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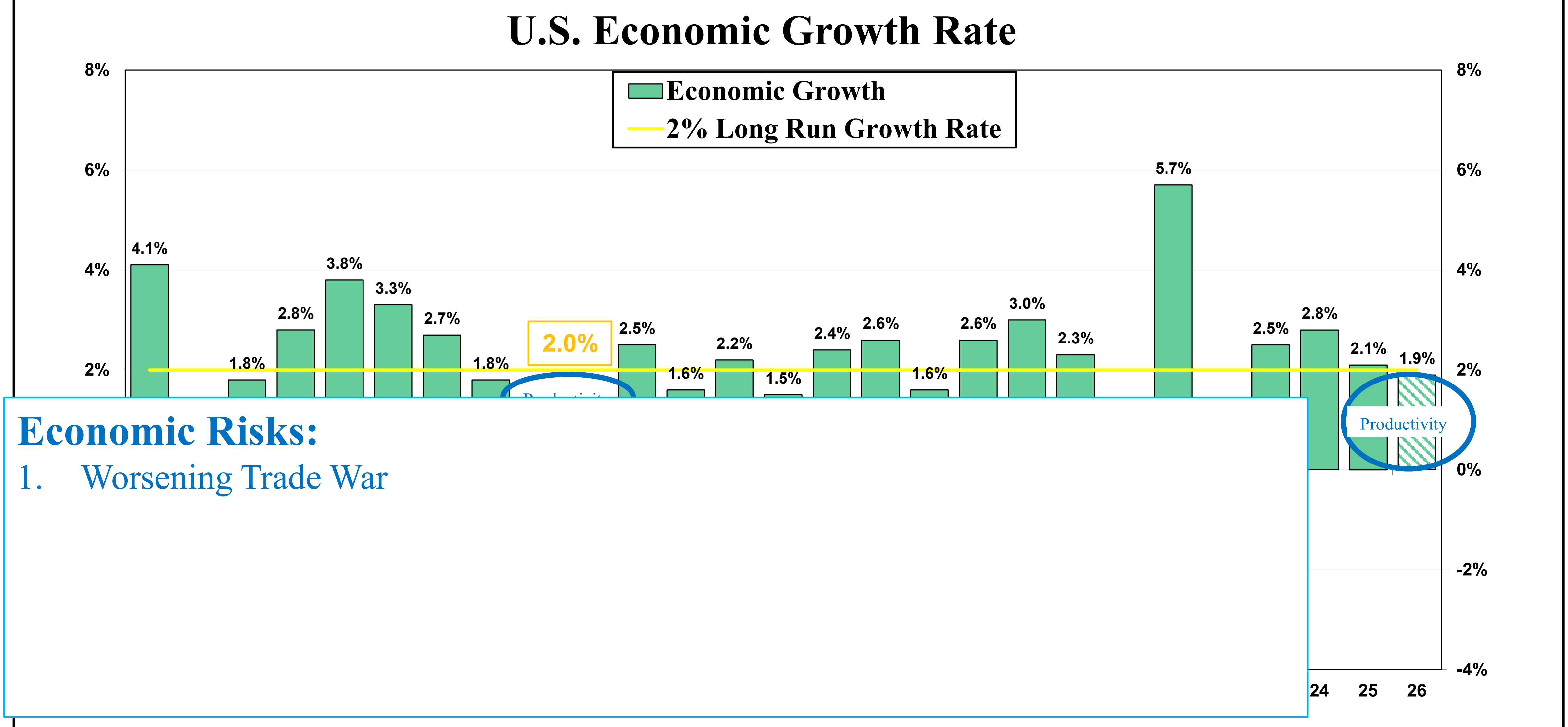
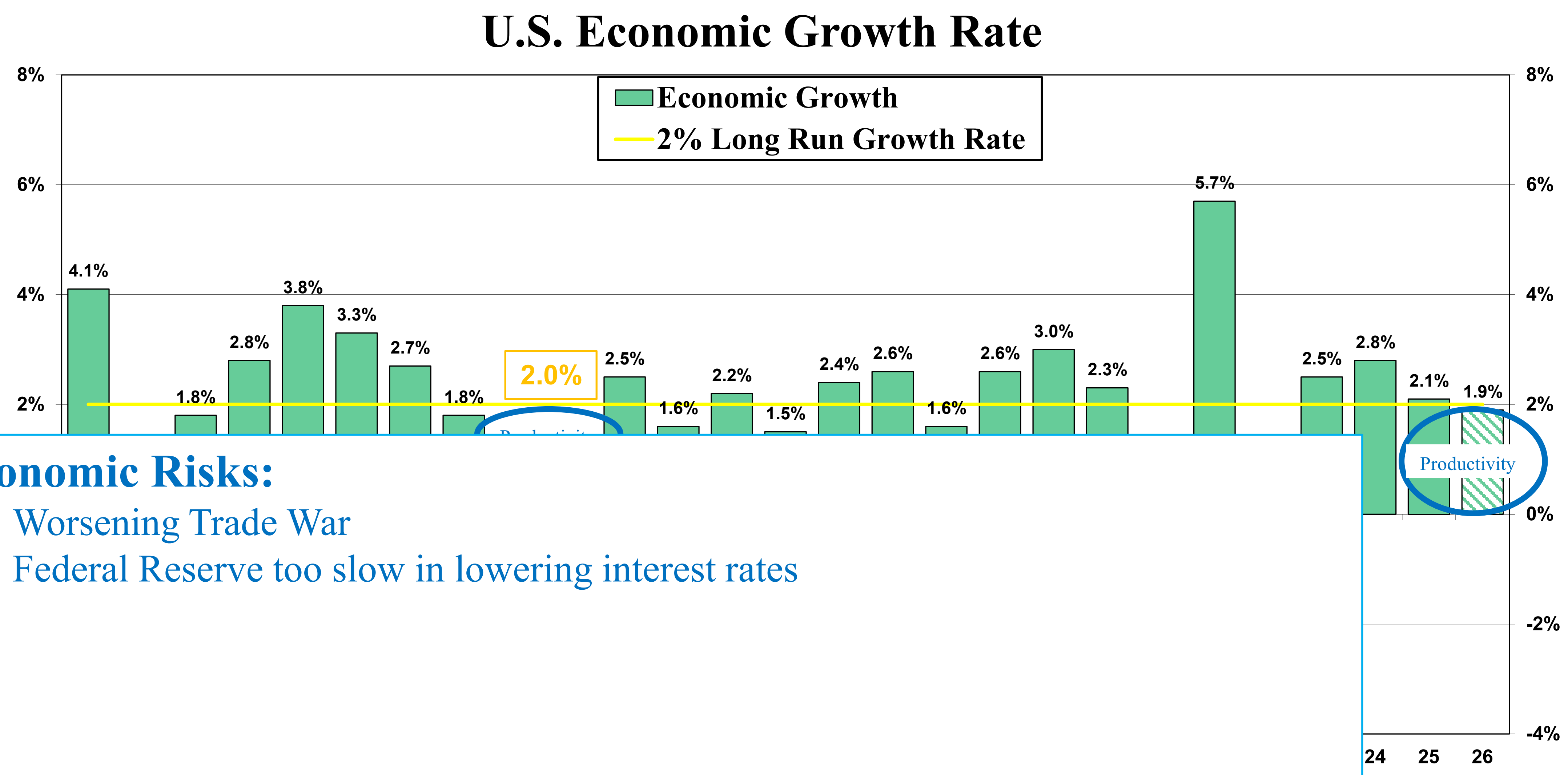


Economic Risks:

1. Worsening Trade War

Source: Department of Commerce

Economic Growth Below Natural Growth Rate

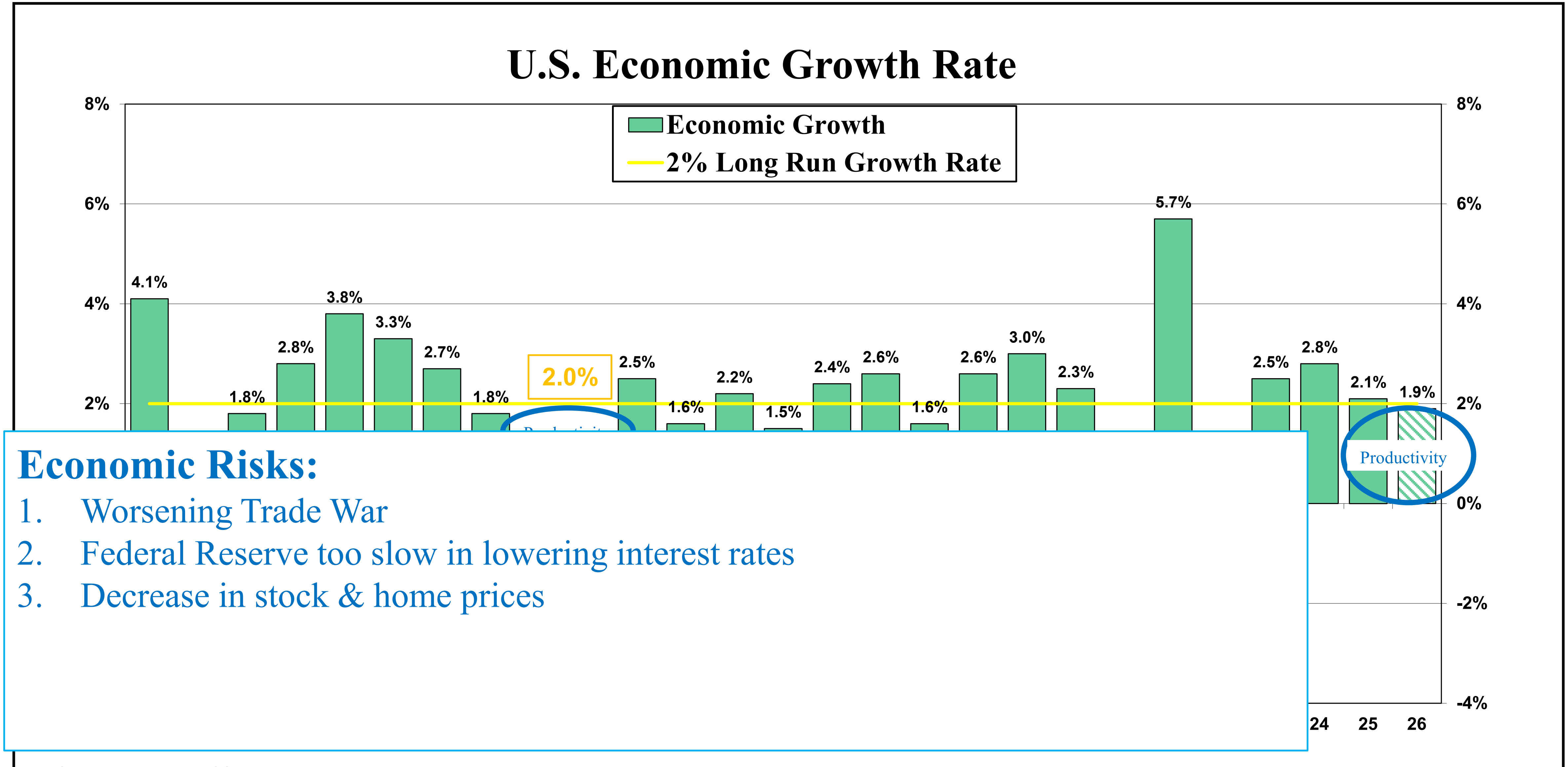


Economic Risks:

1. Worsening Trade War
2. Federal Reserve too slow in lowering interest rates

Source: Department of Commerce

Economic Growth Below Natural Growth Rate



Economic Risks:

1. Worsening Trade War
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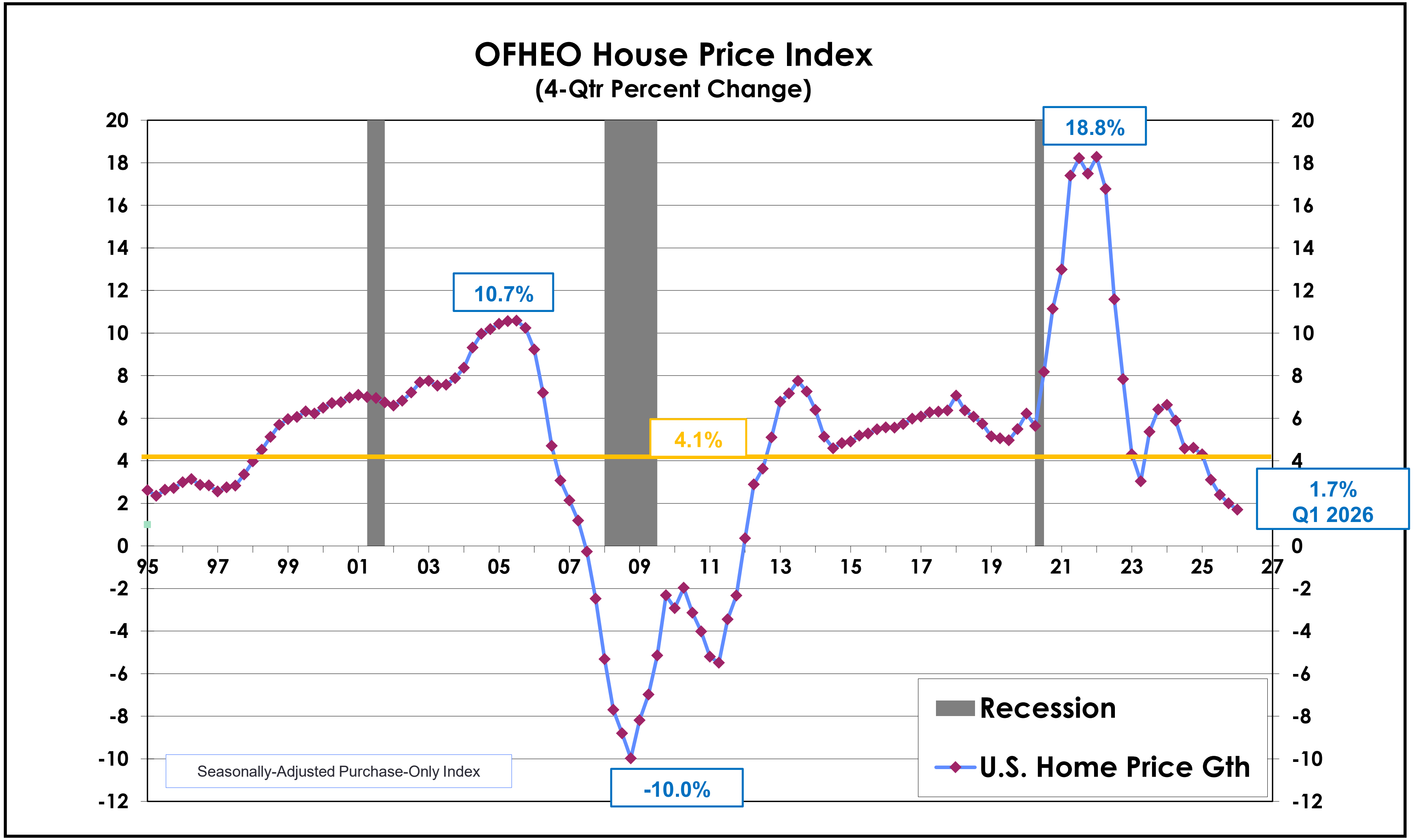
3. Decrease in stock & home prices

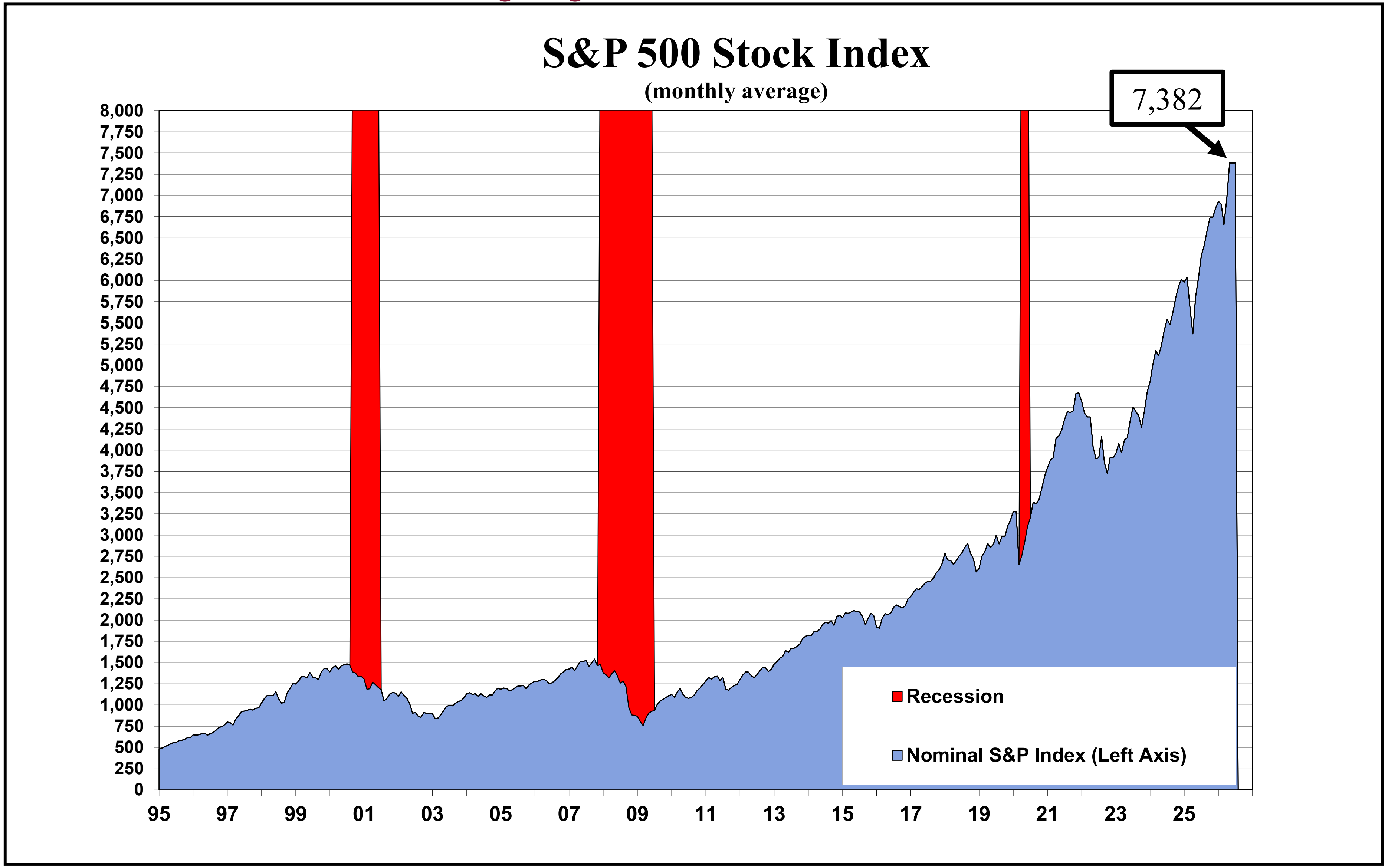
Source: Department of Commerce

Home Price Appreciation are Below Long Run Levels



Shiller PE Ratio
Price earnings ratio is based on average inflation-adjusted earnings from the previous 10 years.
Cyclically Adjusted PE Ratio (CAPE Ratio)

Rising Stock Prices Producing Positive "Wealth Effect" among High-Income Households



Source: S&P Dow Jones Indices

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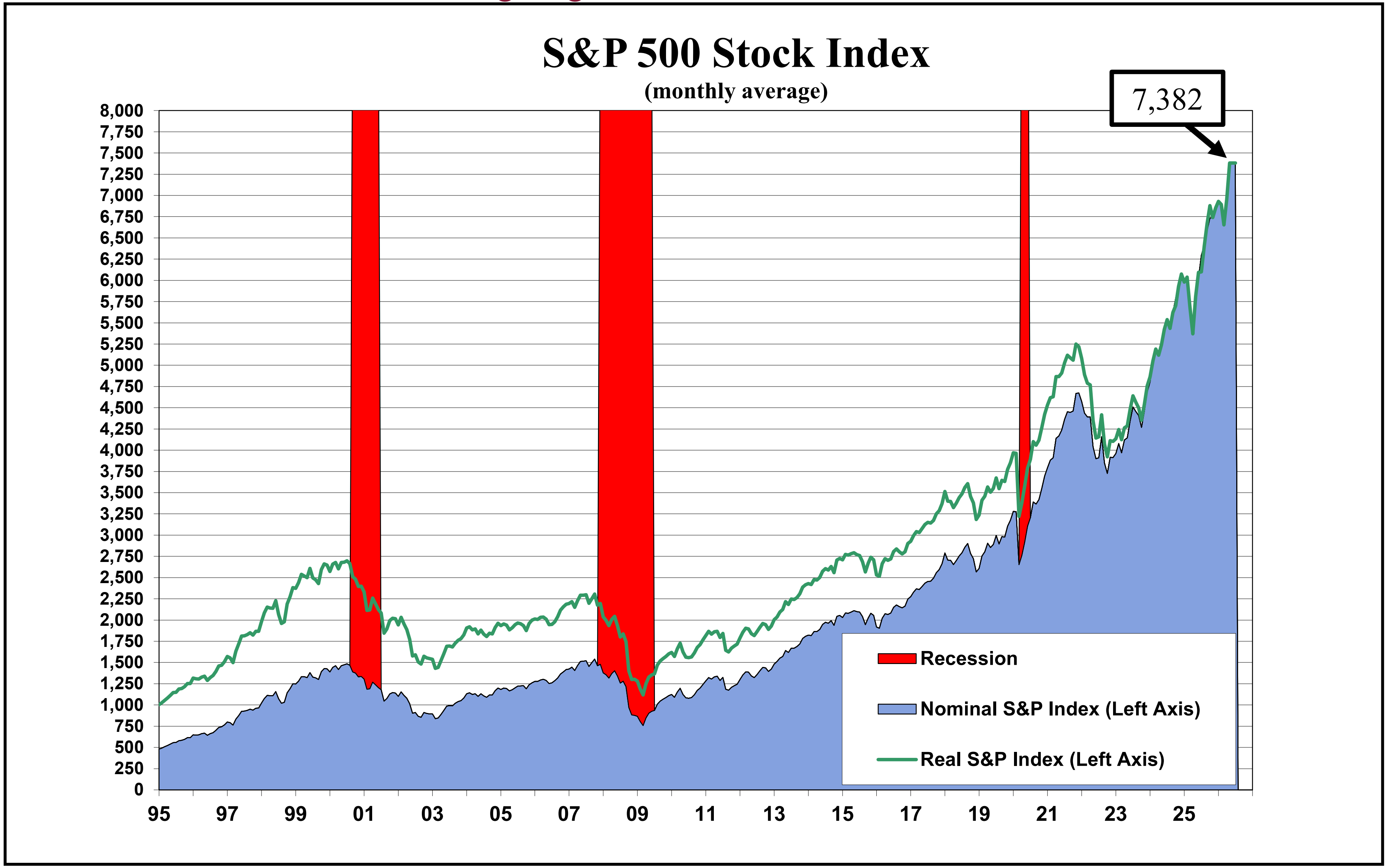

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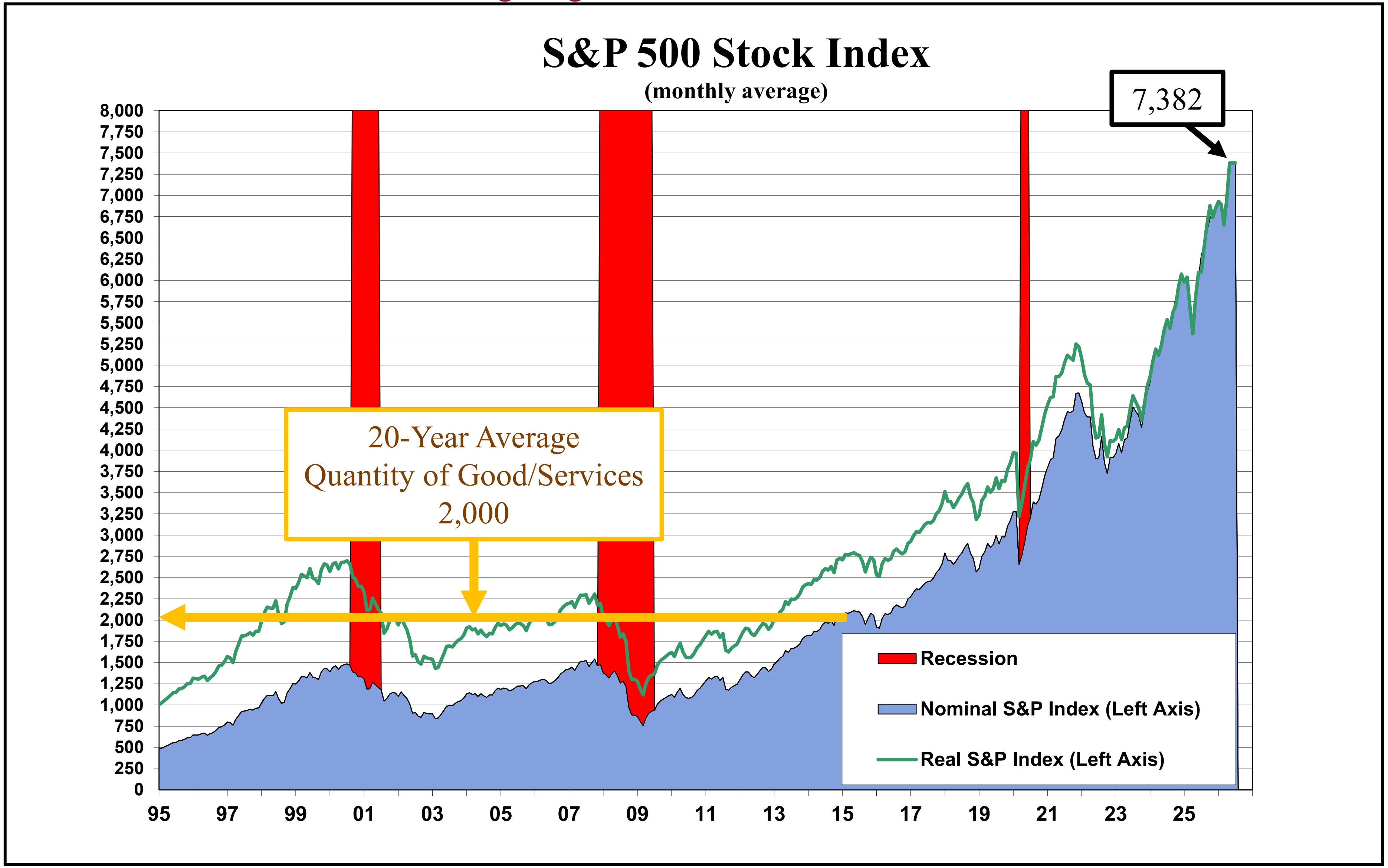

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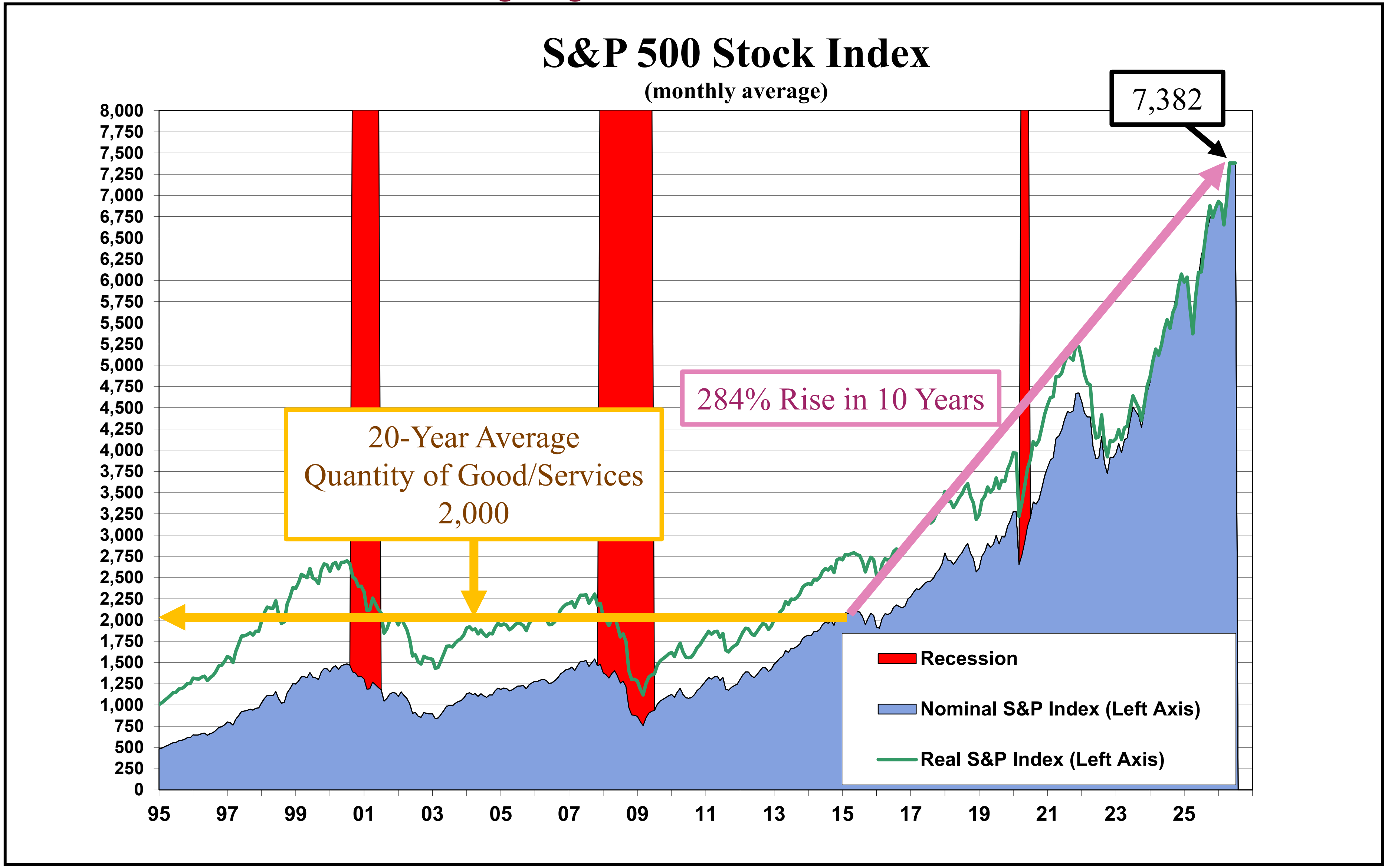

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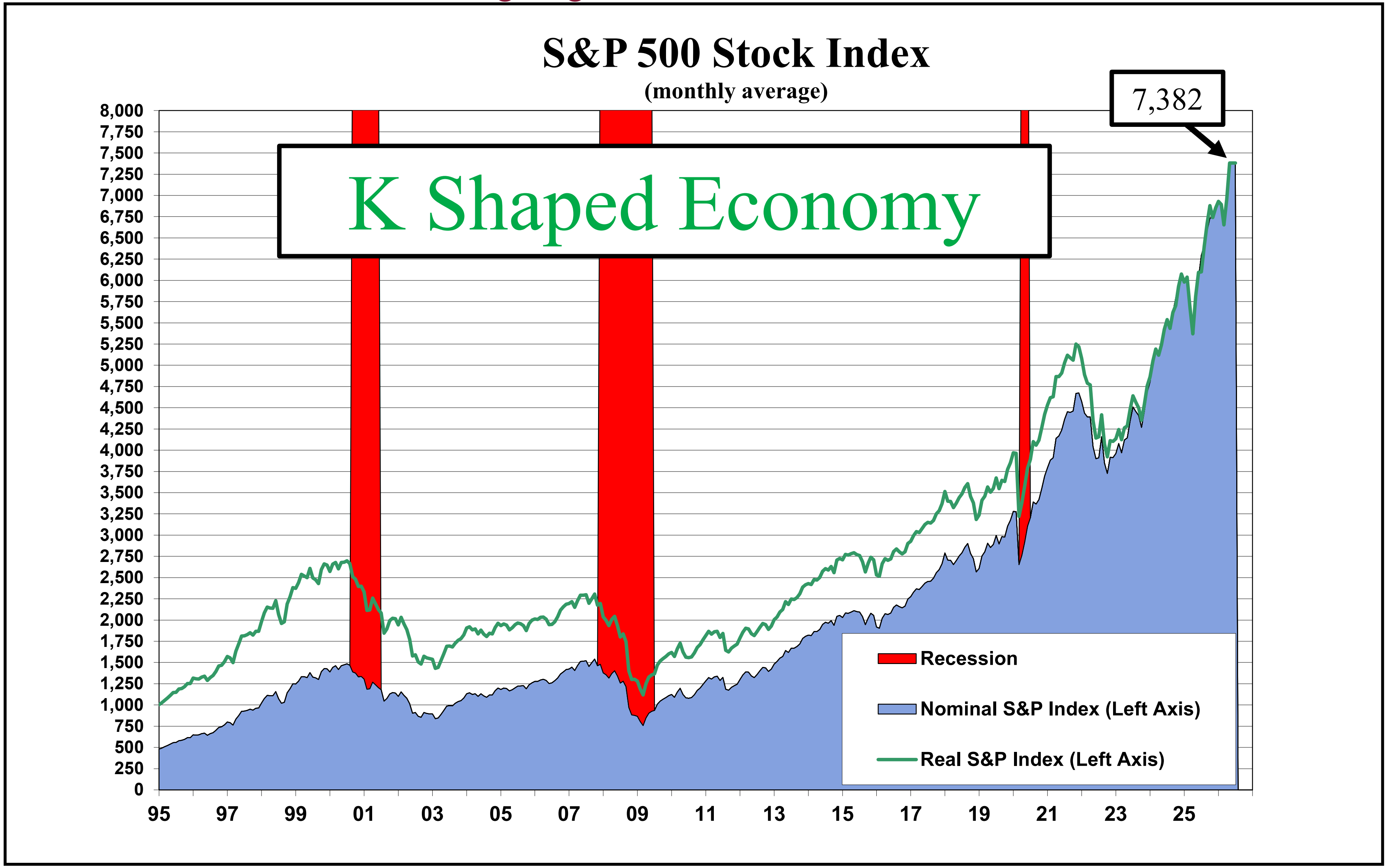

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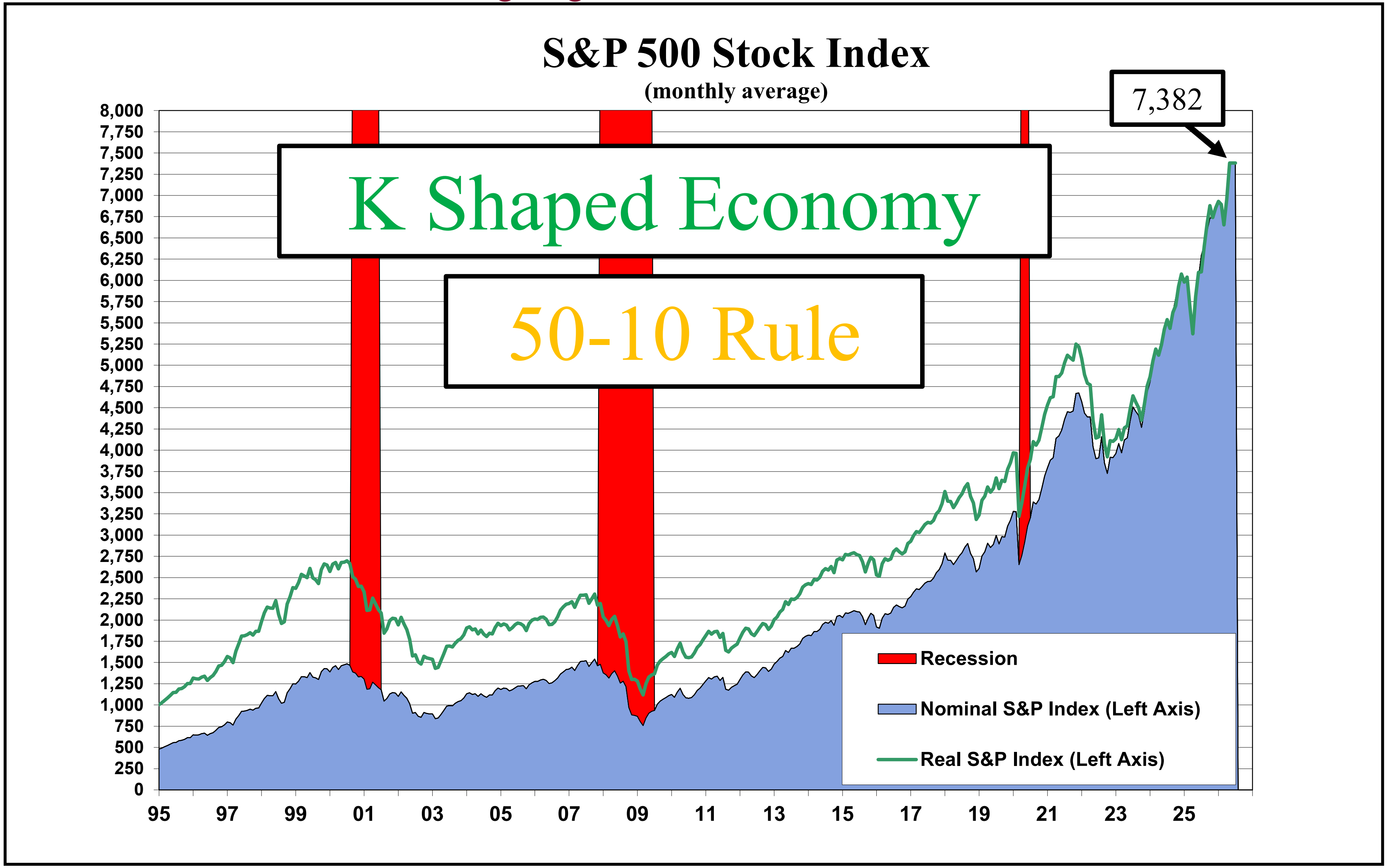

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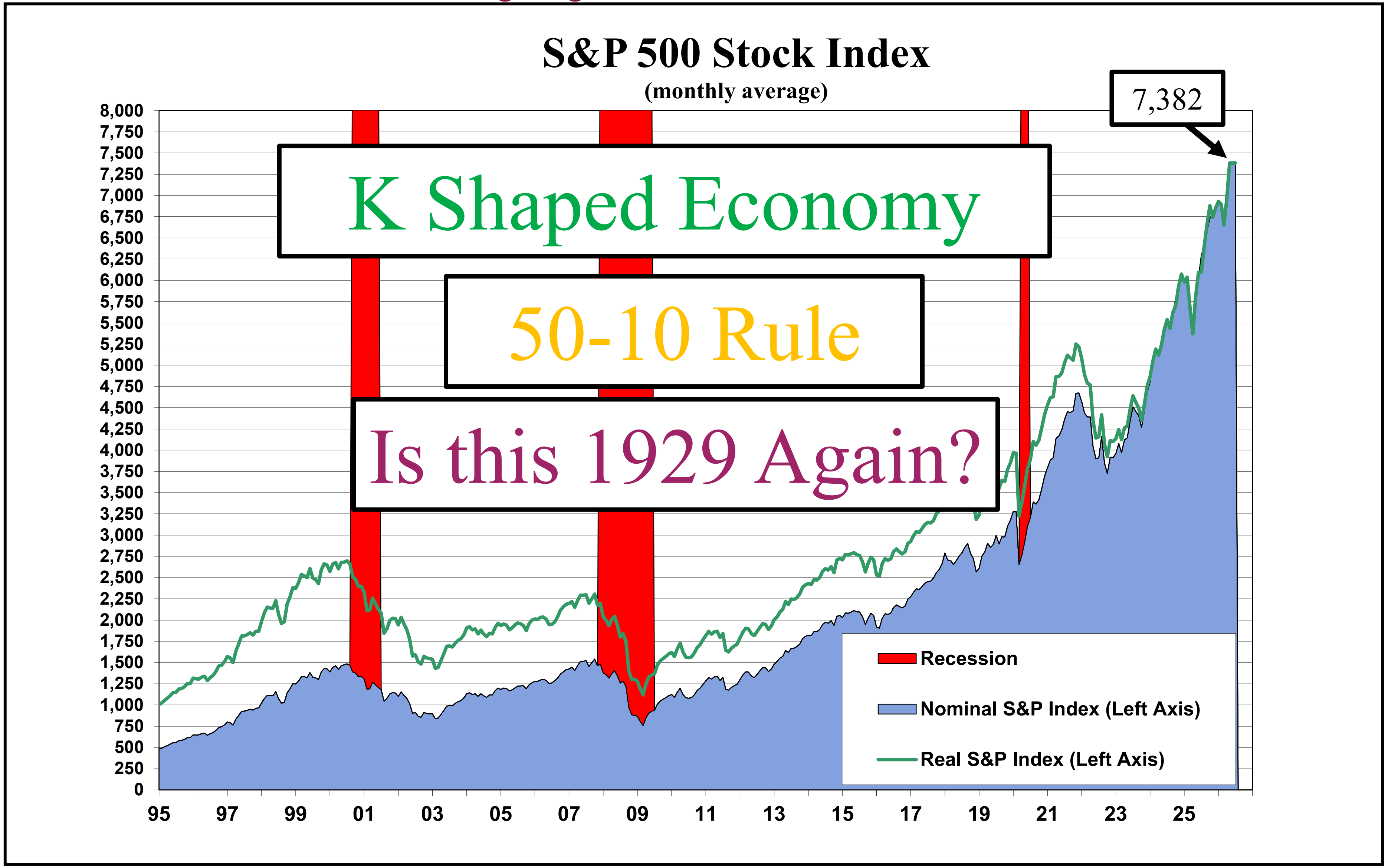

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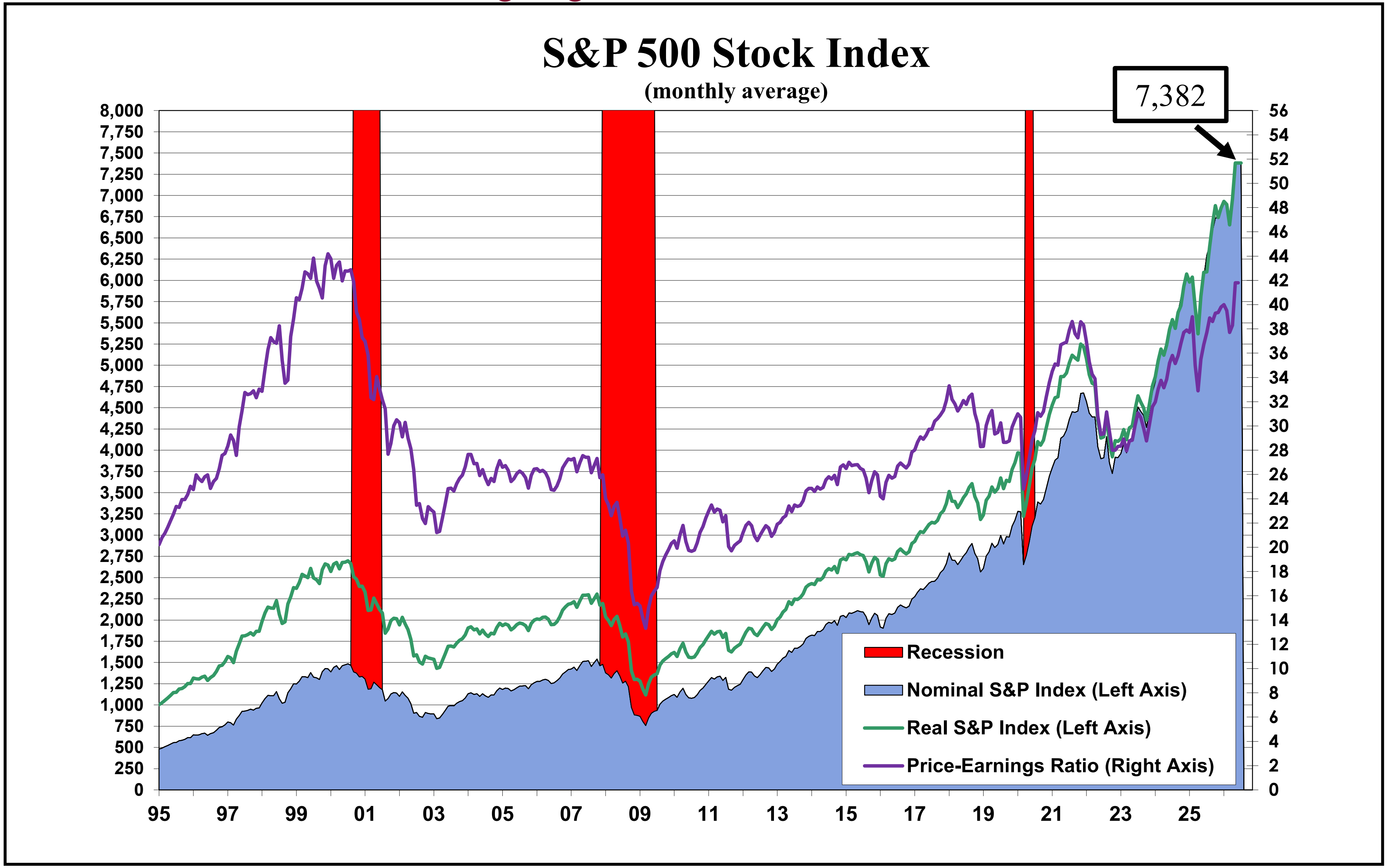

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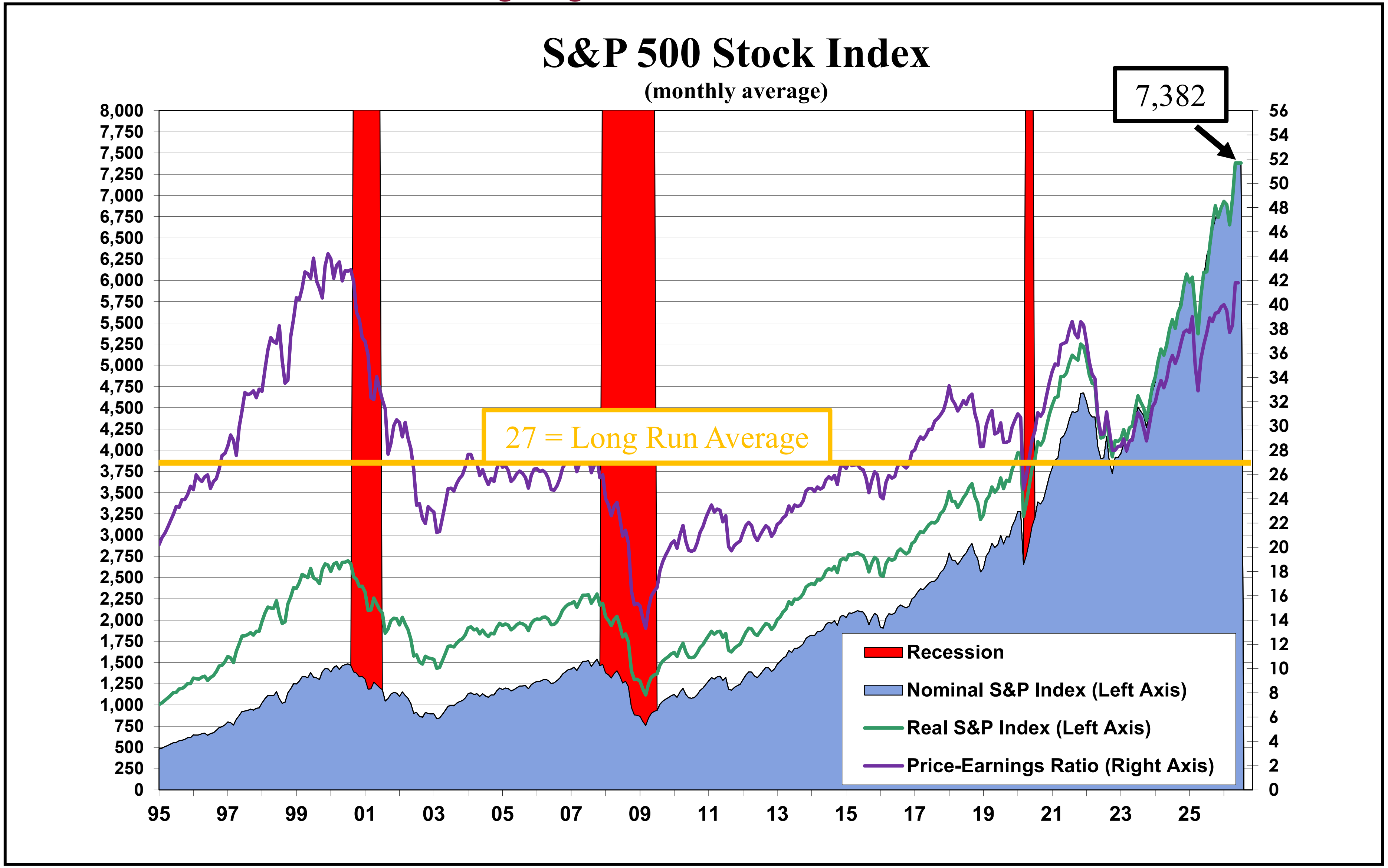

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Rising Stock Prices Producing Positive "Wealth Effect" among High-Income Households

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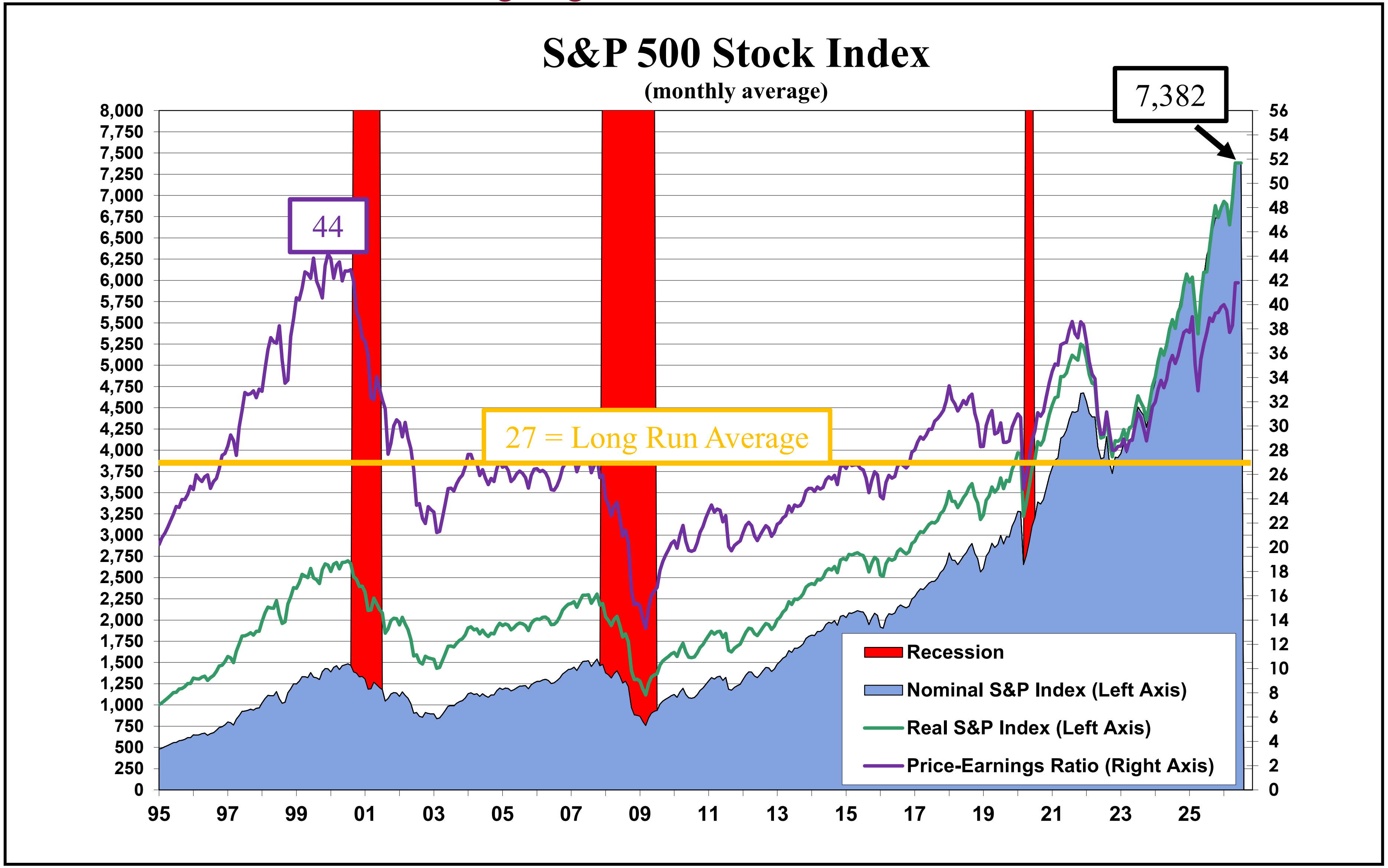

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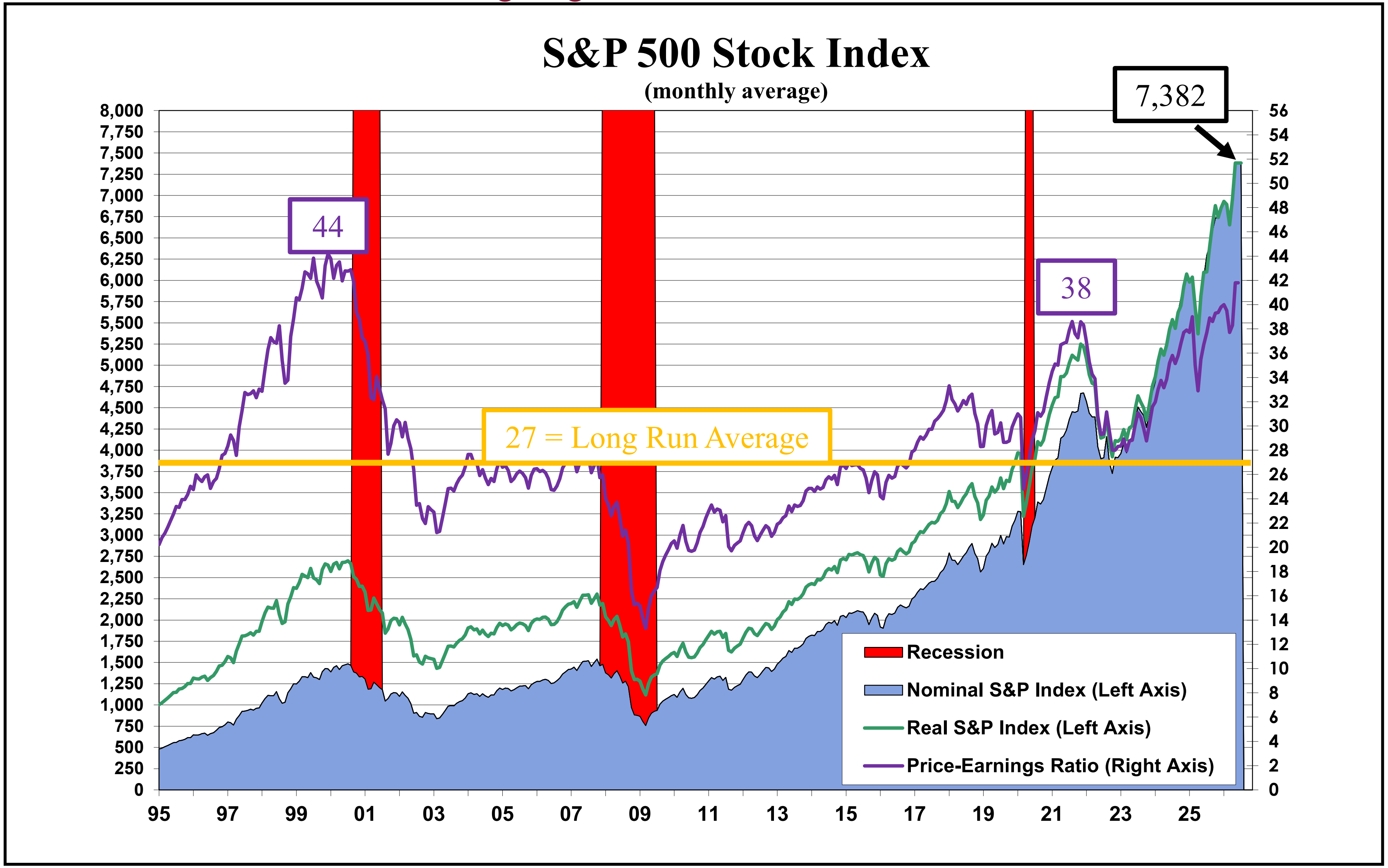

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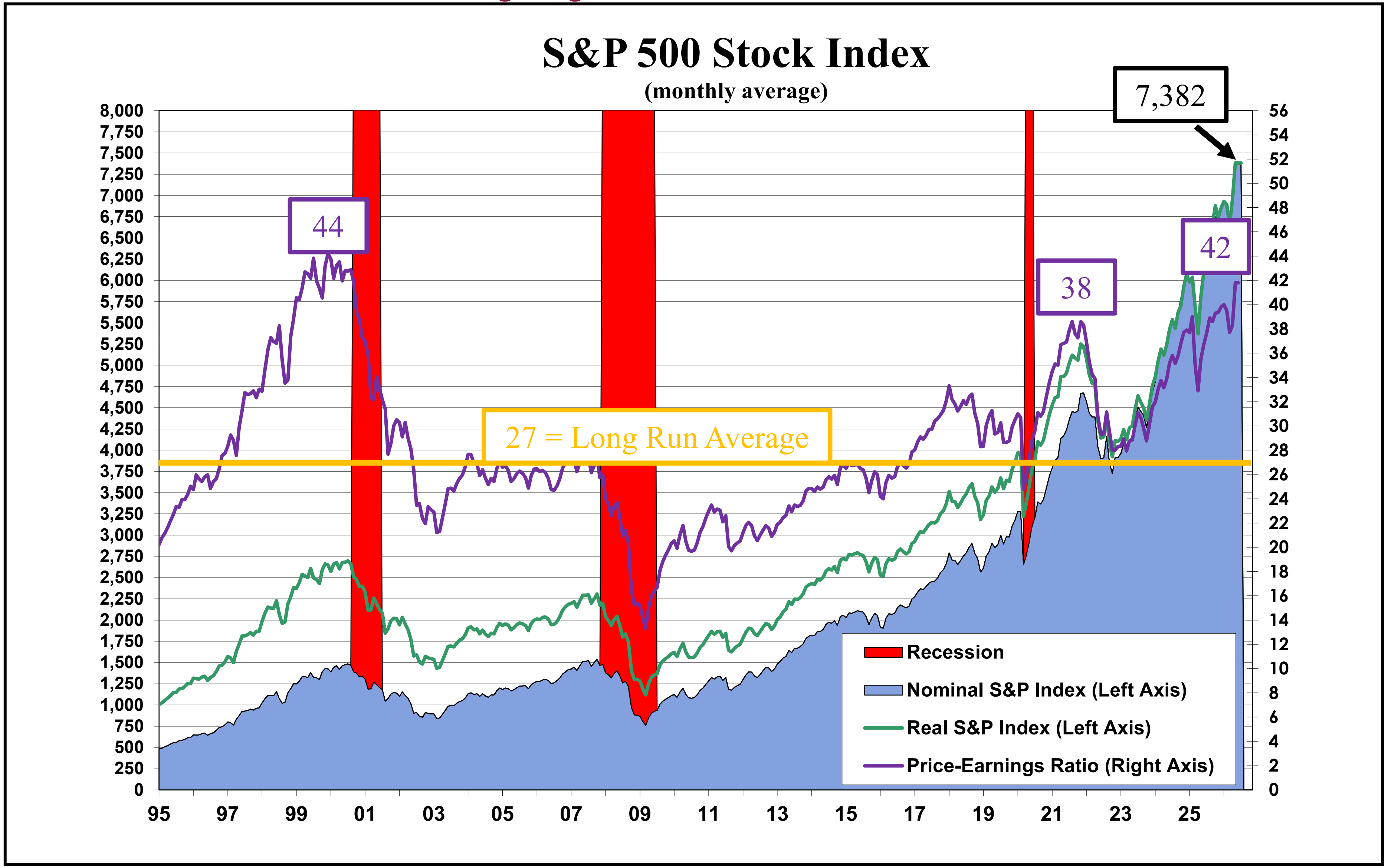

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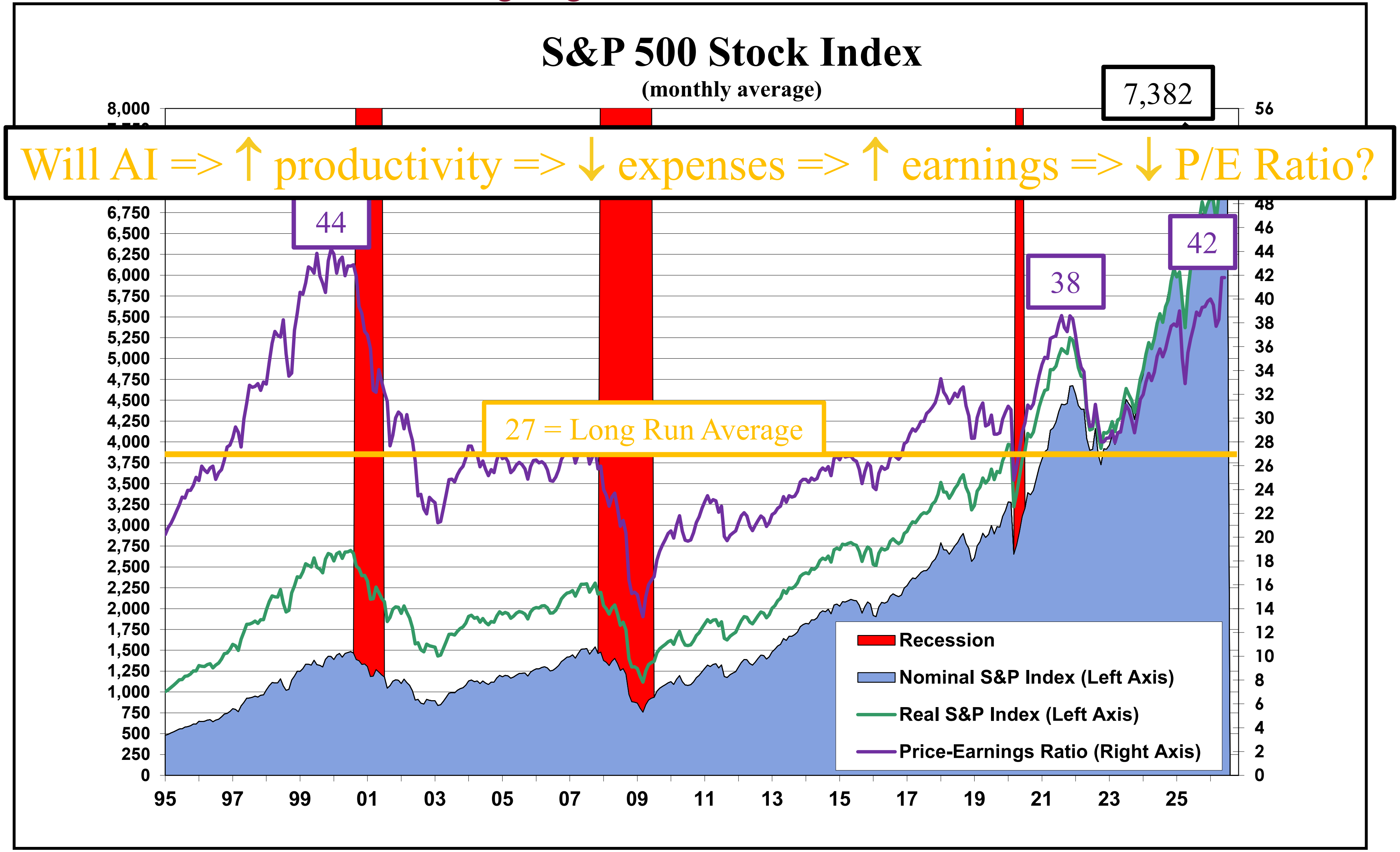
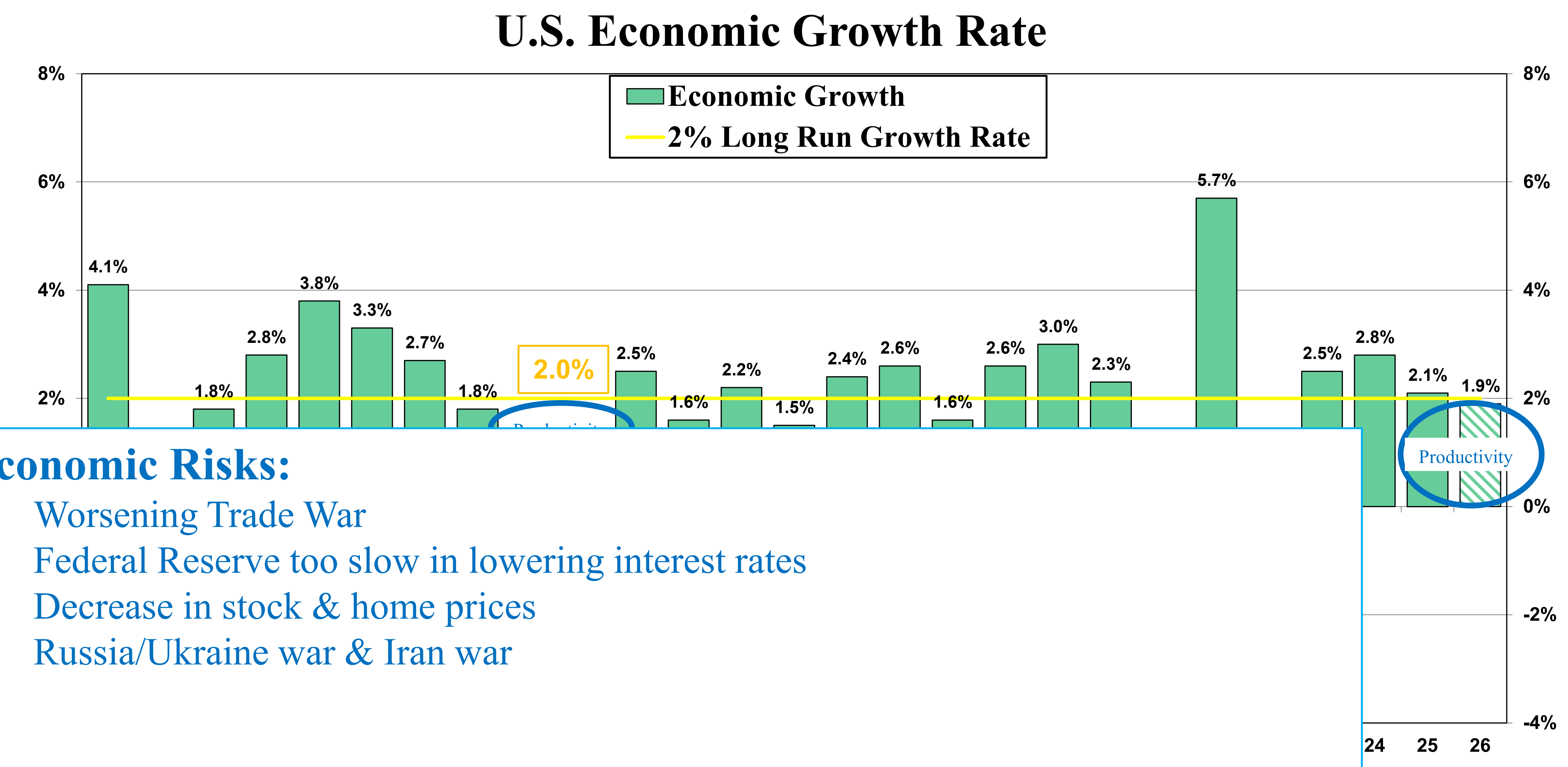


Source: S&P Dow Jones Indices

Economic Growth Below Natural Growth Rate

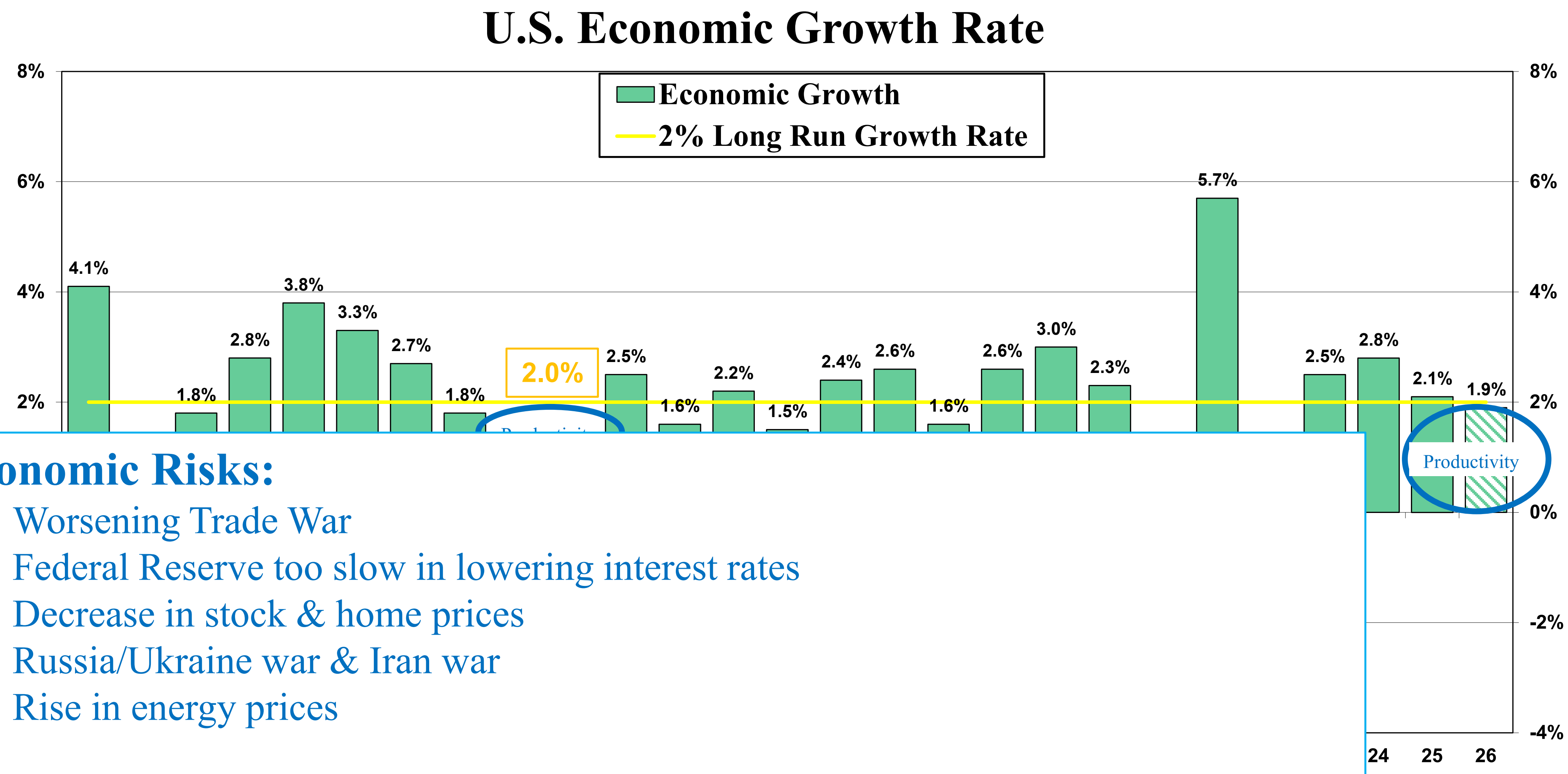


Economic Risks:

1. Worsening Trade War
2. Federal Reserve too slow in lowering interest rates
3. Decrease in stock & home prices
4. Russia/Ukraine war & Iran war

Source: Department of Commerce

Economic Growth Below Natural Growth Rate



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5. Rise in energy prices

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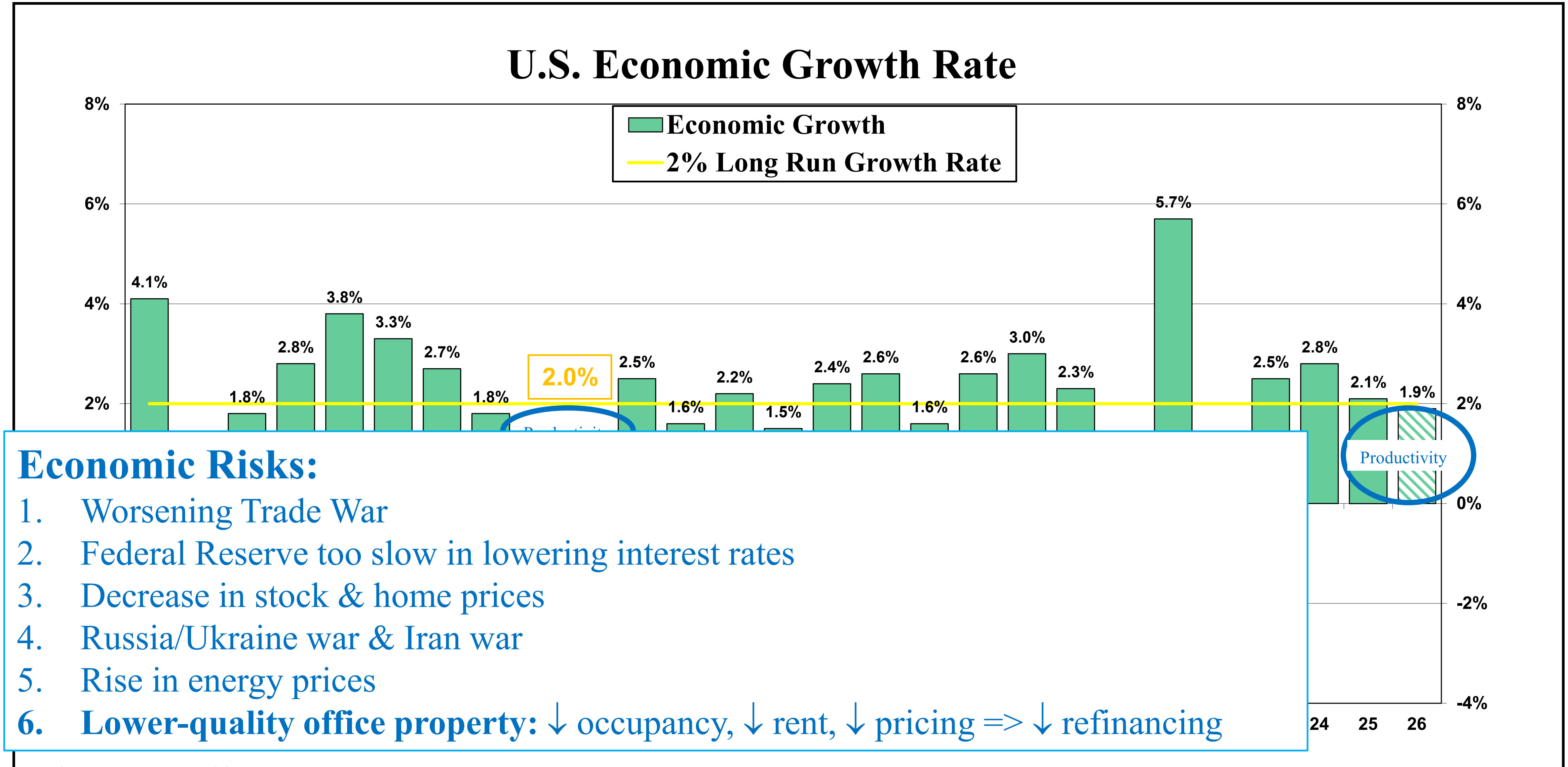

Economic Risks:

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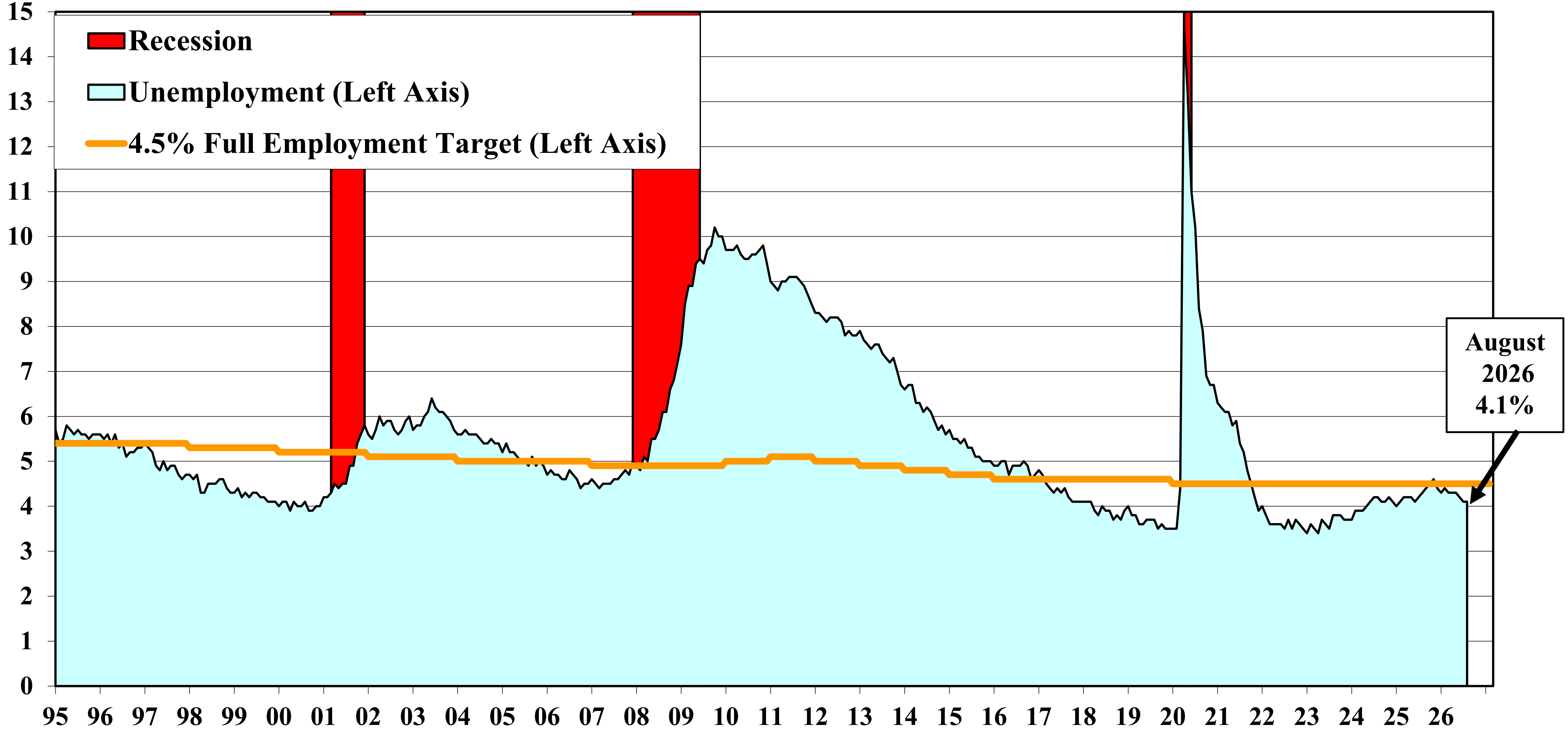
3. Decrease in stock & home prices
4. Russia/Ukraine war & Iran war
5. Rise in energy prices
6. **Lower-quality office property:** ↓ occupancy, ↓ rent, ↓ pricing => ↓ refinancing

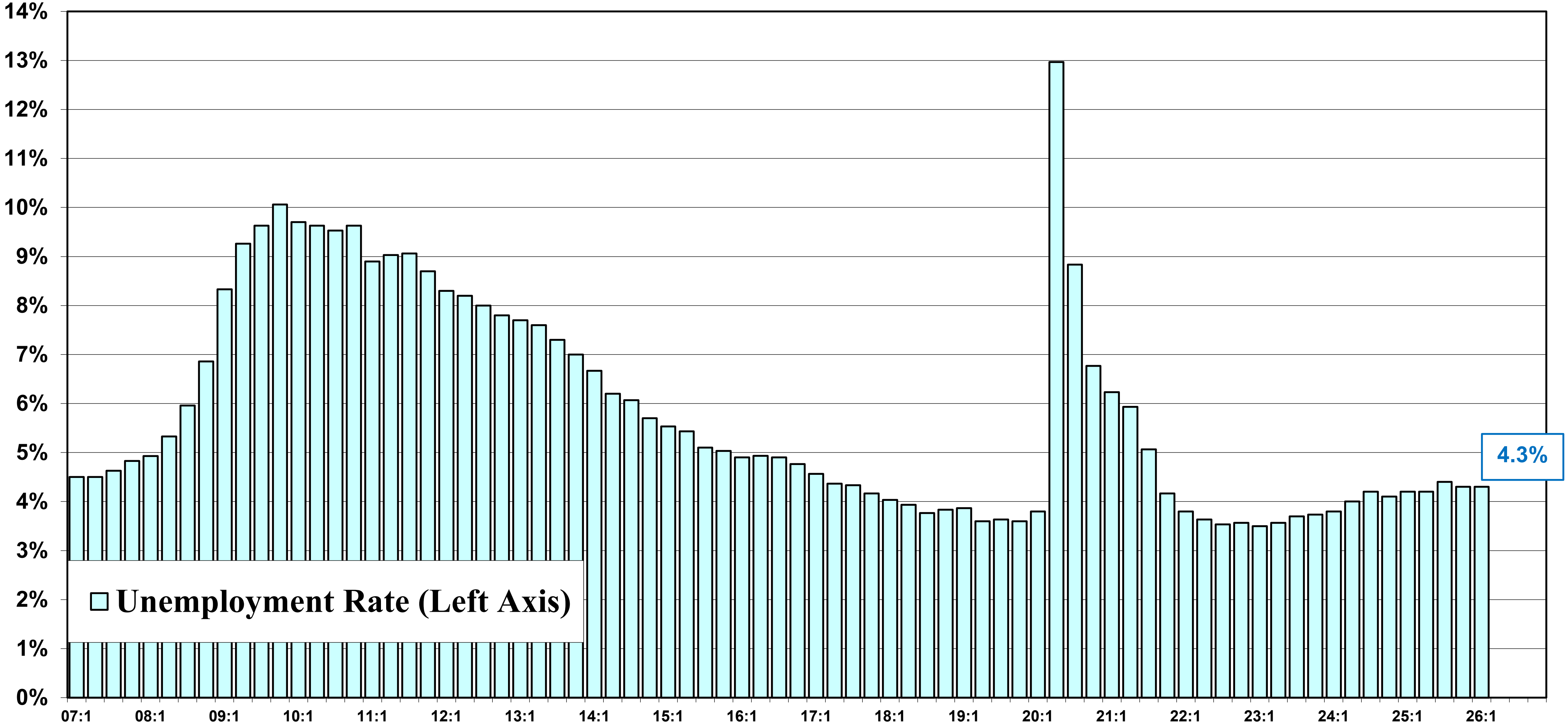
Source: Department of Commerce

Unemployment Rate



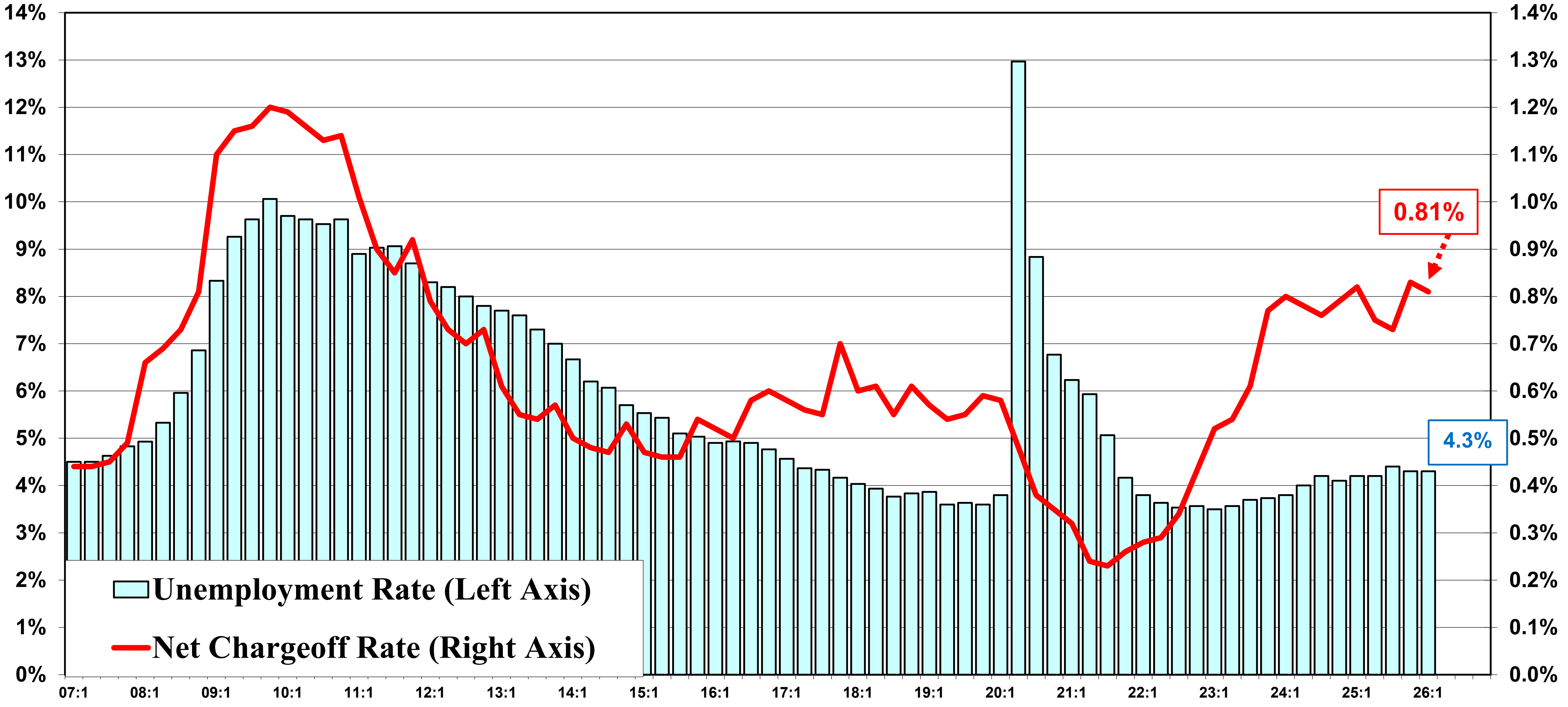
Source: Bureau of Labor Statistics

CU Net Chargeoff Rate
Versus
Unemployment Rate

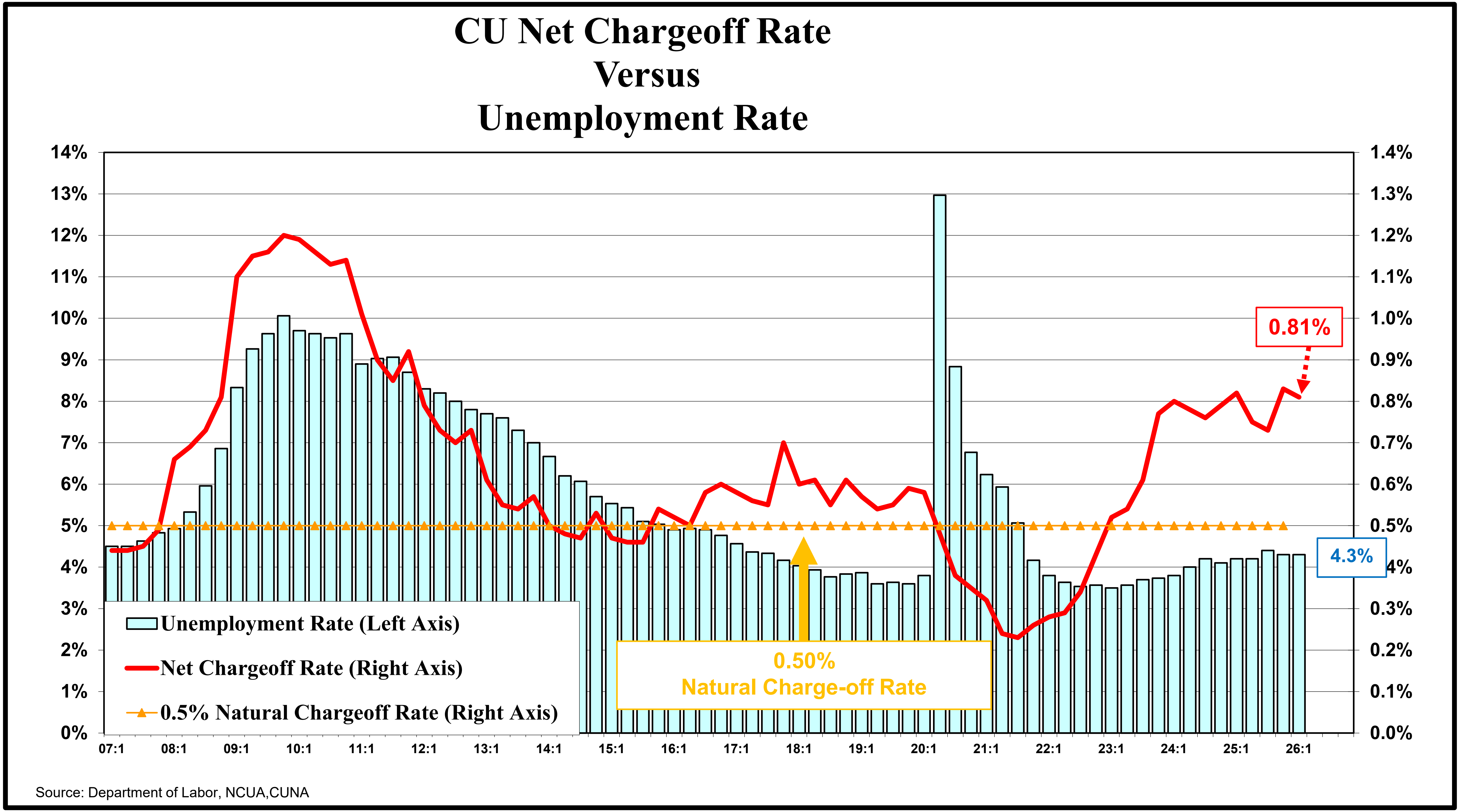


Source: Department of Labor, NCUA,CUNA

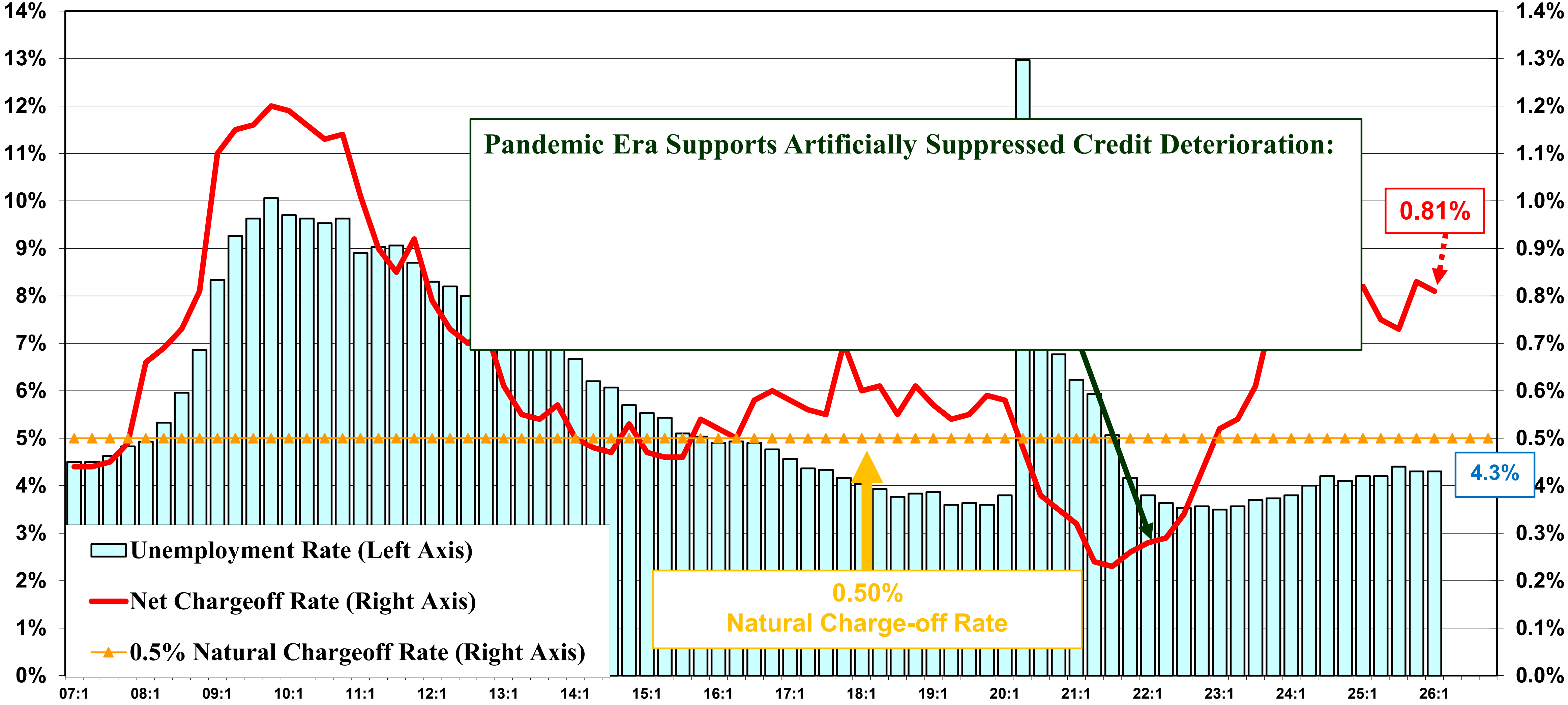
CU Net Chargeoff Rate Versus Unemployment Rate



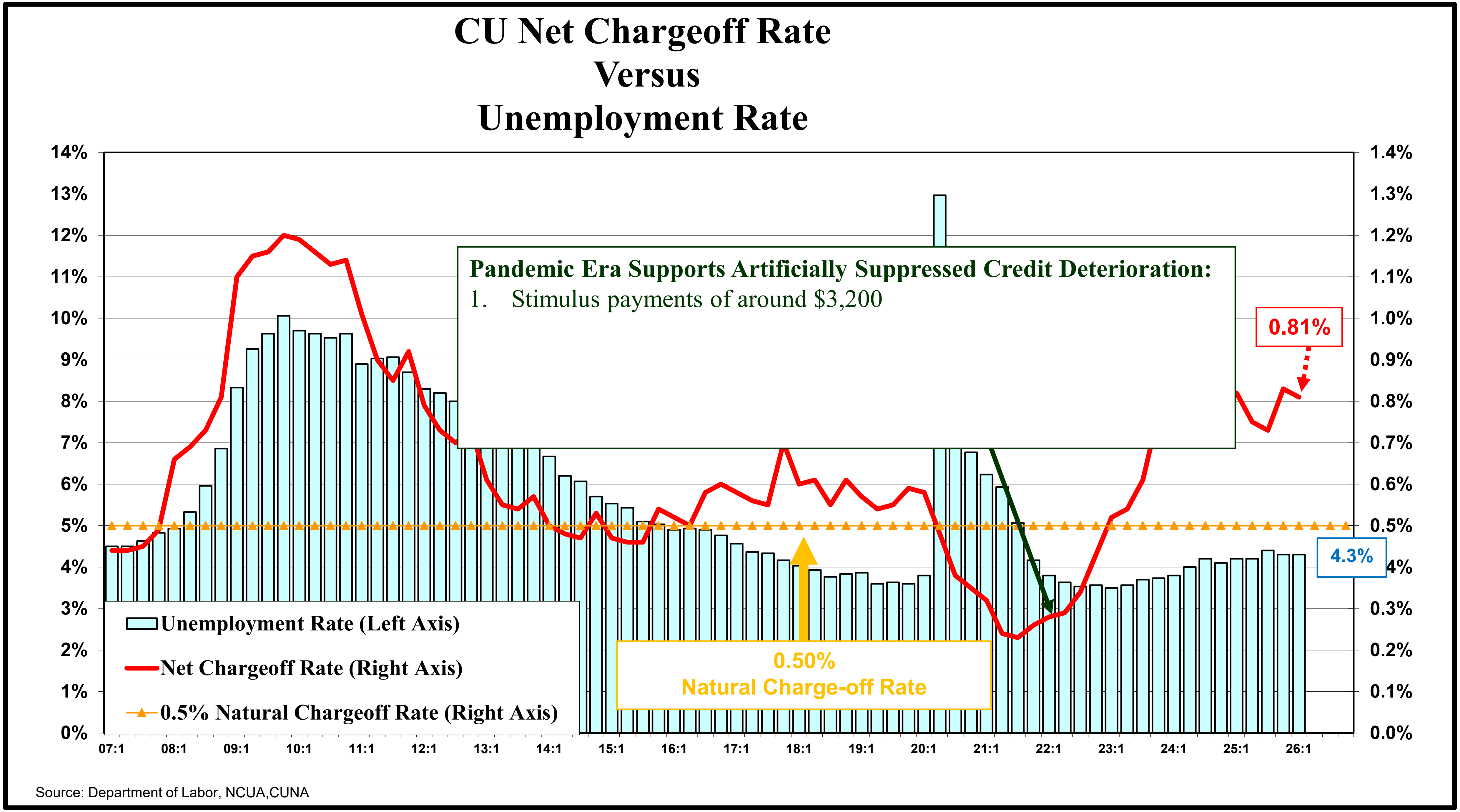
Source: Department of Labor, NCUA,CUNA

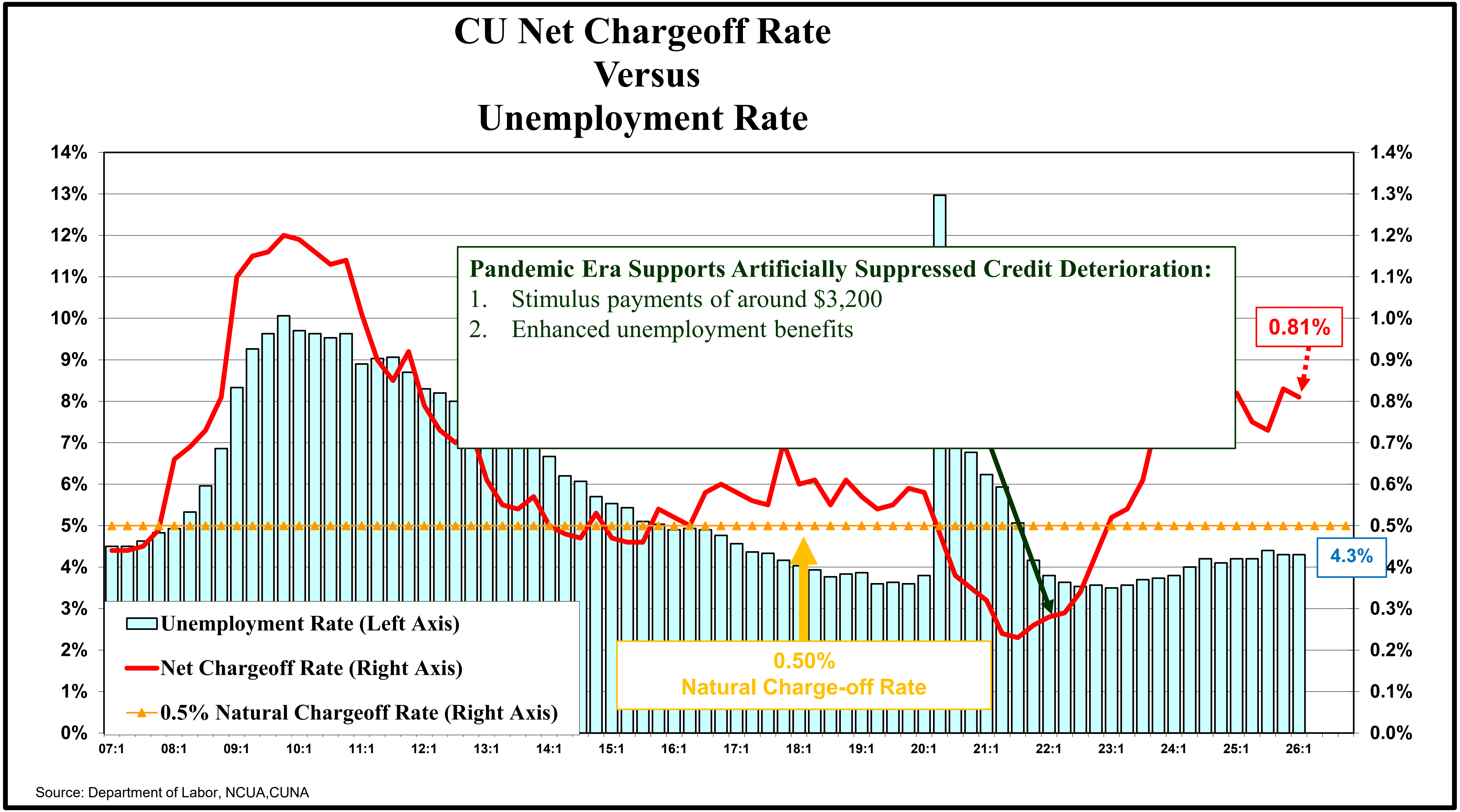

CU Net Chargeoff Rate
Versus
Unemployment Rate
14%
13%
12%
11%
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
1.4%
1.3%
1.2%
1.1%
1.0%
0.9%
0.8%
0.7%
0.6%
0.5%
0.4%
0.3%
0.2%
0.1%
0.0%
0.81%
4.3%
0.50%
Natural Charge-off Rate
Unemployment Rate (Left Axis)
Net Chargeoff Rate (Right Axis)
0.5% Natural Chargeoff Rate (Right Axis)
07:1
08:1
09:1
10:1
11:1
12:1
13:1
14:1
15:1
16:1
17:1
18:1
19:1
20:1
21:1
22:1
23:1
24:1
25:1
26:1
Source: Department of Labor, NCUA,CUNA

CU Net Chargeoff Rate Versus Unemployment Rate

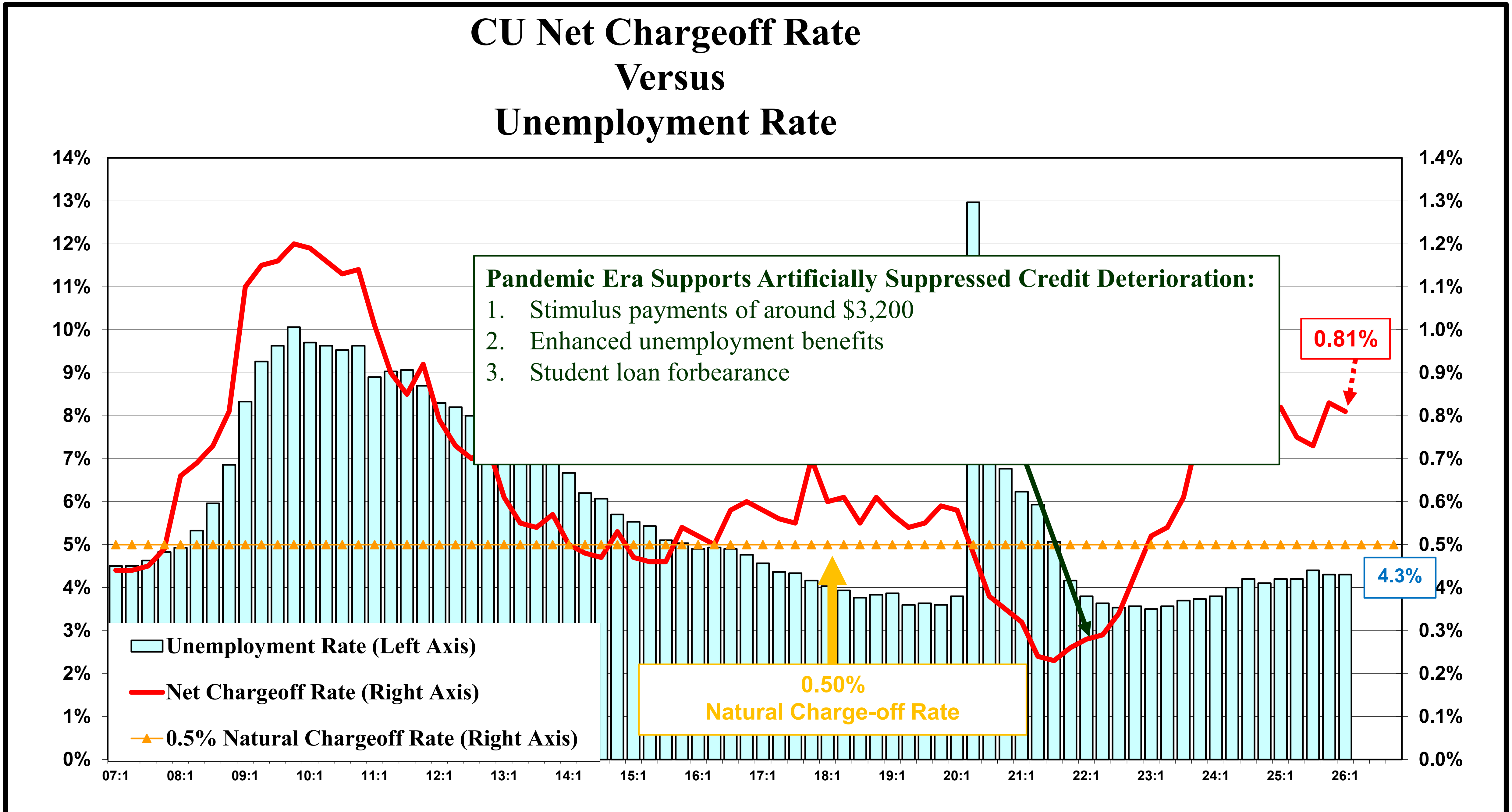


Source: Department of Labor, NCUA,CUNA


CU Net Chargeoff Rate
Versus
Unemployment Rate
14%
13%
12%
11%
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
1.4%
1.3%
1.2%
1.1%
1.0%
0.9%
0.8%
0.7%
0.6%
0.5%
0.4%
0.3%
0.2%
0.1%
0.0%
Pandemic Era Supports Artificially Suppressed Credit Deterioration:
1. Stimulus payments of around $3,200
0.81%
4.3%
0.50%
Natural Charge-off Rate
Unemployment Rate (Left Axis)
Net Chargeoff Rate (Right Axis)
0.5% Natural Chargeoff Rate (Right Axis)
07:1
08:1
09:1
10:1
11:1
12:1
13:1
14:1
15:1
16:1
17:1
18:1
19:1
20:1
21:1
22:1
23:1
24:1
25:1
26:1
Source: Department of Labor, NCUA,CUNA

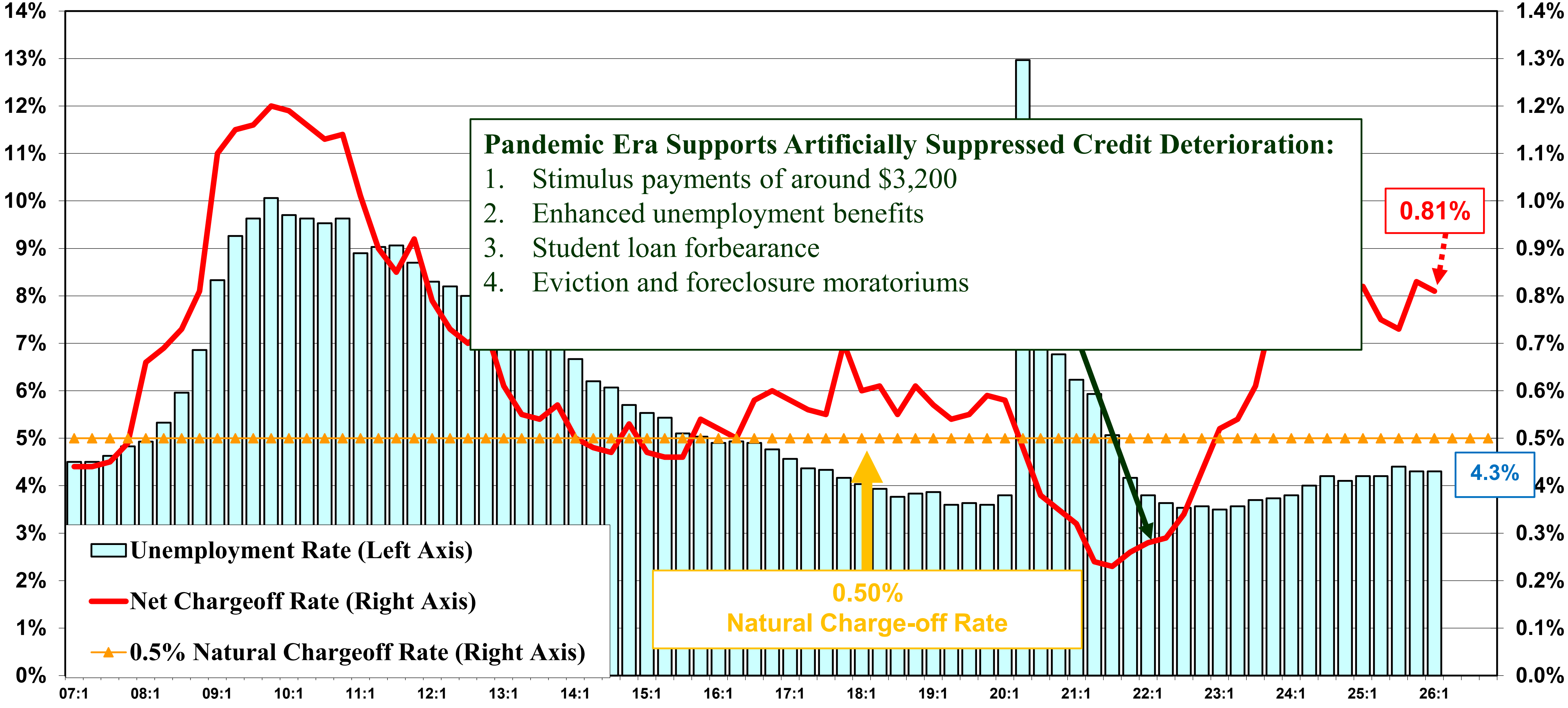


CU Net Chargeoff Rate
Versus
Unemployment Rate
Pandemic Era Supports Artificially Suppressed Credit Deterioration:
1. Stimulus payments of around $3,200
2. Enhanced unemployment benefits
0.81%
4.3%
0.50%
Natural Charge-off Rate
Unemployment Rate (Left Axis)
Net Chargeoff Rate (Right Axis)
0.5% Natural Chargeoff Rate (Right Axis)
14%
13%
12%
11%
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
1.4%
1.3%
1.2%
1.1%
1.0%
0.9%
0.8%
0.7%
0.6%
0.5%
0.4%
0.3%
0.2%
0.1%
0.0%
07:1
08:1
09:1
10:1
11:1
12:1
13:1
14:1
15:1
16:1
17:1
18:1
19:1
20:1
21:1
22:1
23:1
24:1
25:1
26:1
Source: Department of Labor, NCUA,CUNA

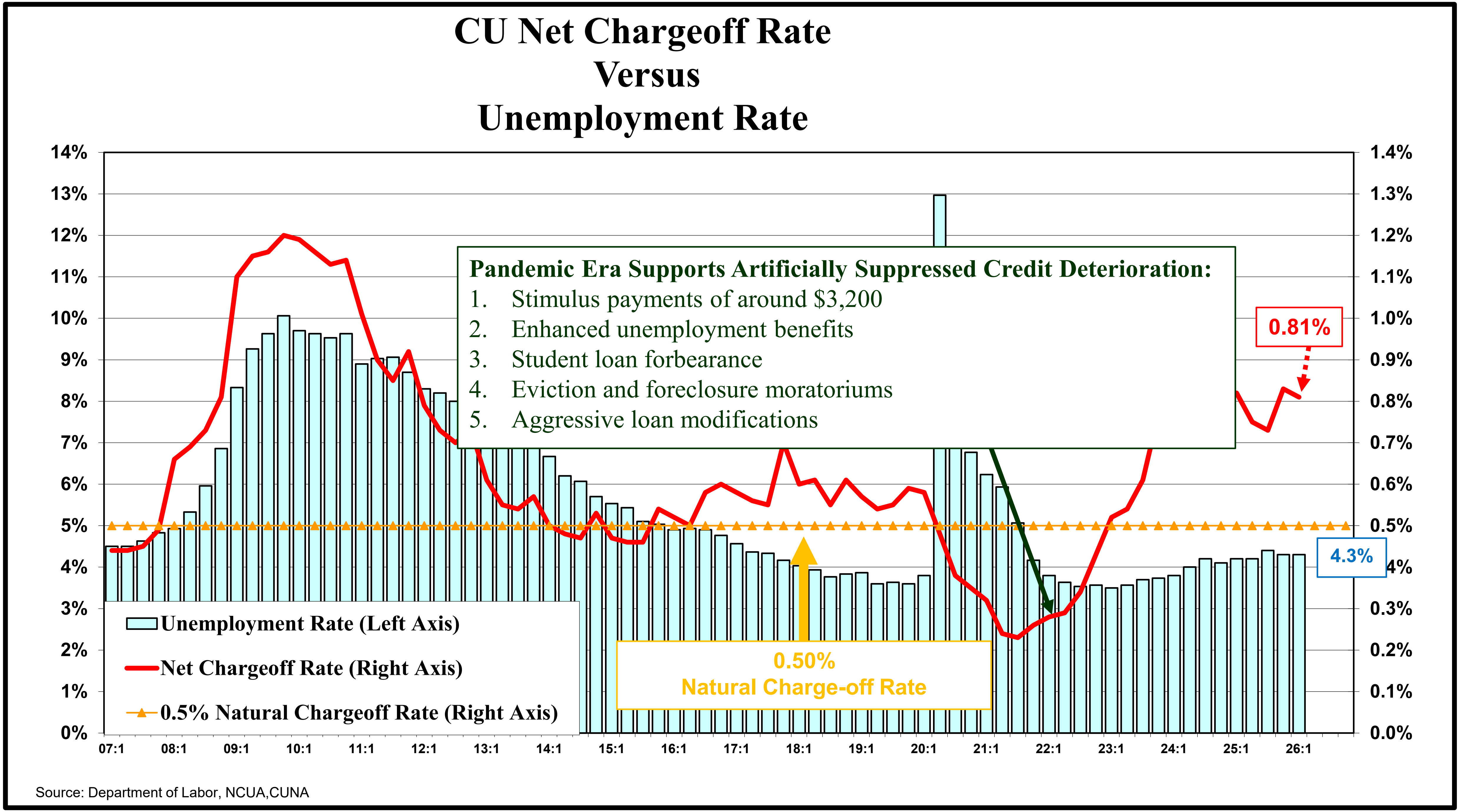


Source: Department of Labor, NCUA,CUNA

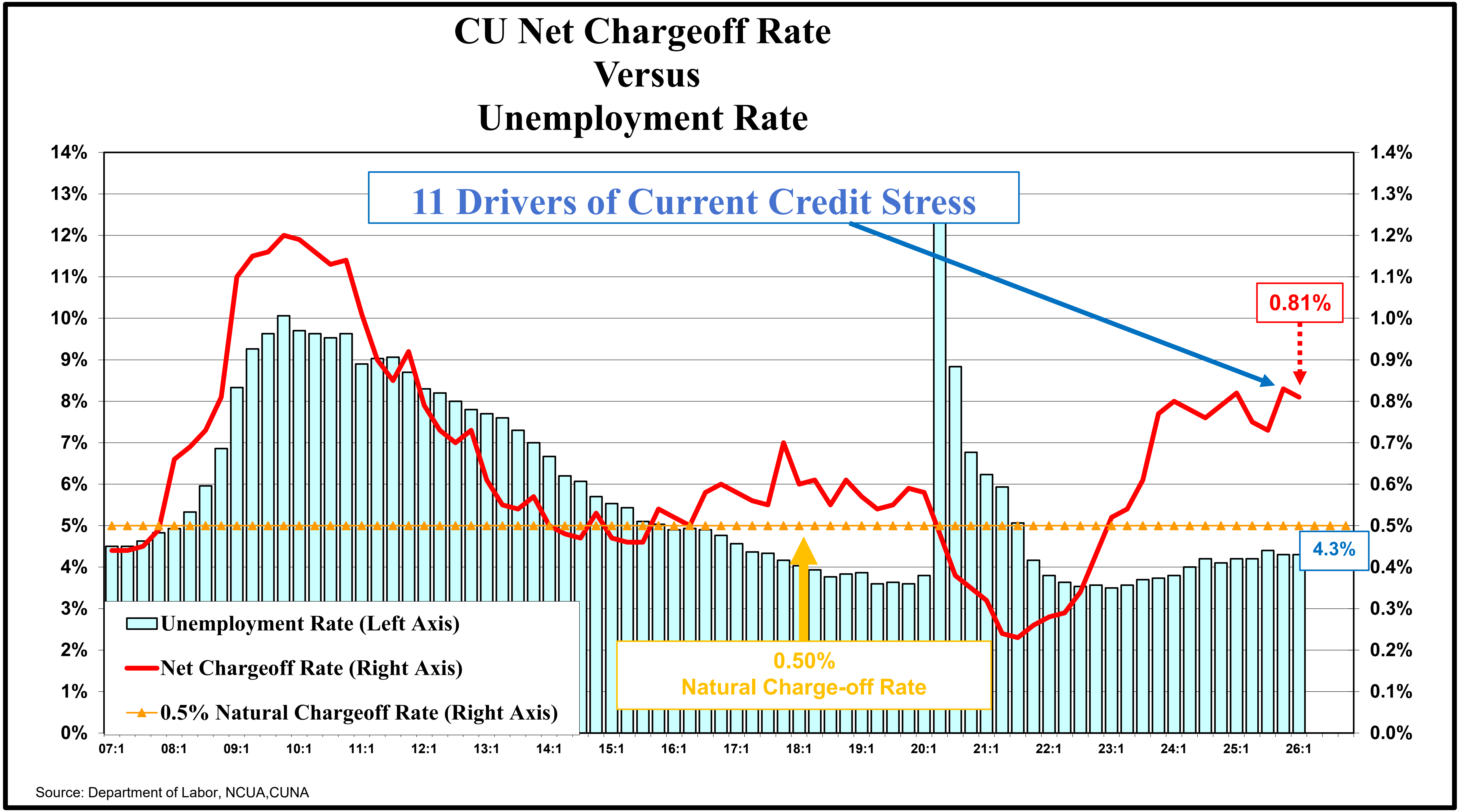
CU Net Chargeoff Rate Versus Unemployment Rate



Source: Department of Labor, NCUA,CUNA



CU Net Chargeoff Rate
Versus
Unemployment Rate
14%
13%
12%
11%
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
1.4%
1.3%
1.2%
1.1%
1.0%
0.9%
0.8%
0.7%
0.6%
0.5%
0.4%
0.3%
0.2%
0.1%
0.0%
07:1
08:1
09:1
10:1
11:1
12:1
13:1
14:1
15:1
16:1
17:1
18:1
19:1
20:1
21:1
22:1
23:1
24:1
25:1
26:1
Pandemic Era Supports Artificially Suppressed Credit Deterioration:
1. Stimulus payments of around $3,200
2. Enhanced unemployment benefits
3. Student loan forbearance
4. Eviction and foreclosure moratoriums
5. Aggressive loan modifications
0.81%
4.3%
0.50%
Natural Charge-off Rate
Unemployment Rate (Left Axis)
Net Chargeoff Rate (Right Axis)
0.5% Natural Chargeoff Rate (Right Axis)
Source: Department of Labor, NCUA,CUNA

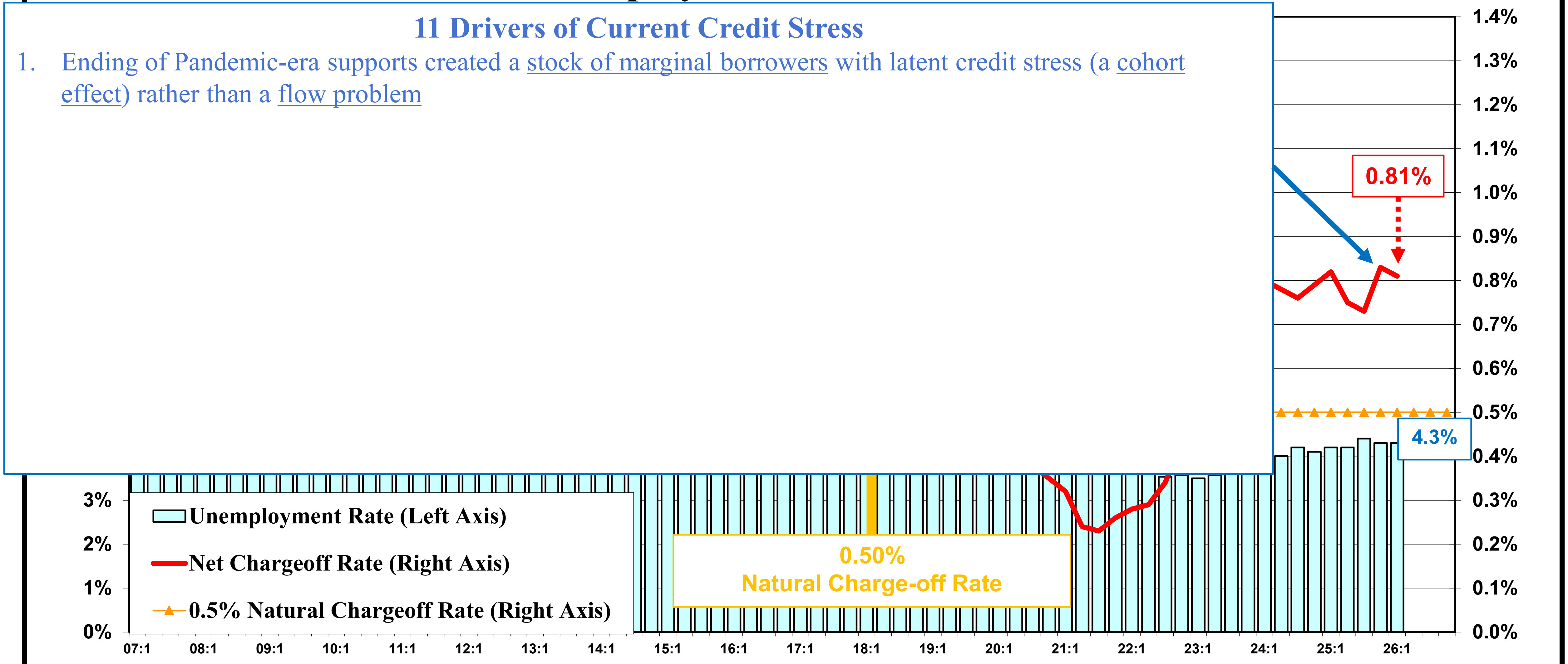


Source: Department of Labor, NCUA,CUNA

CU Net Chargeoff Rate
Versus
Unemployment Rate

11 Drivers of Current Credit Stress

1. Ending of Pandemic-era supports created a stock of marginal borrowers with latent credit stress (a cohort effect) rather than a flow problem

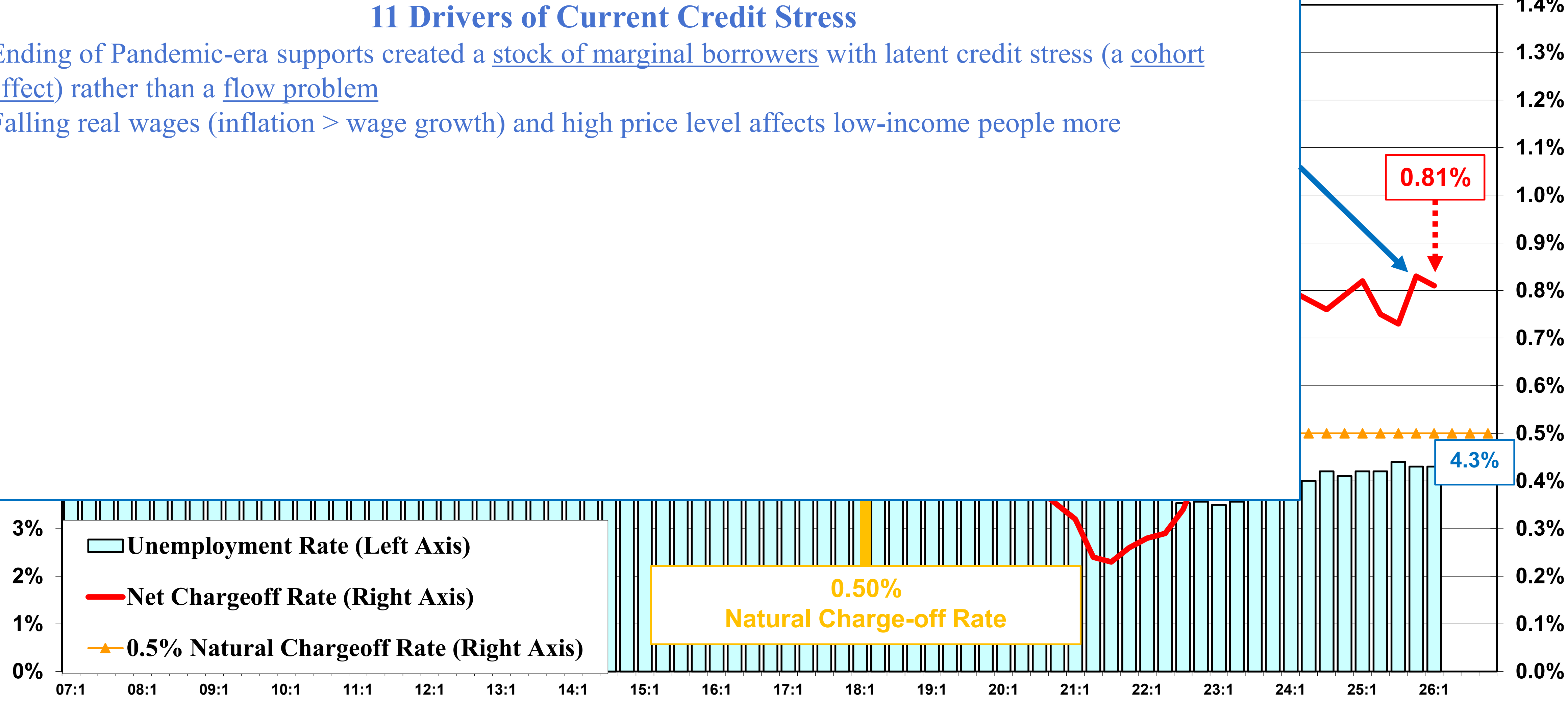


Source: Department of Labor, NCUA,CUNA

CU Net Chargeoff Rate
Versus
Unemployment Rate

11 Drivers of Current Credit Stress

1. Ending of Pandemic-era supports created a stock of marginal borrowers with latent credit stress (a cohort effect) rather than a flow problem
2. Falling real wages (inflation > wage growth) and high price level affects low-income people more



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CU Net Chargeoff Rate Versus Unemployment Rate

11 Drivers of Current Credit Stress

1. Ending of Pandemic-era supports created a stock of marginal borrowers with latent credit stress (a cohort effect) rather than a flow problem
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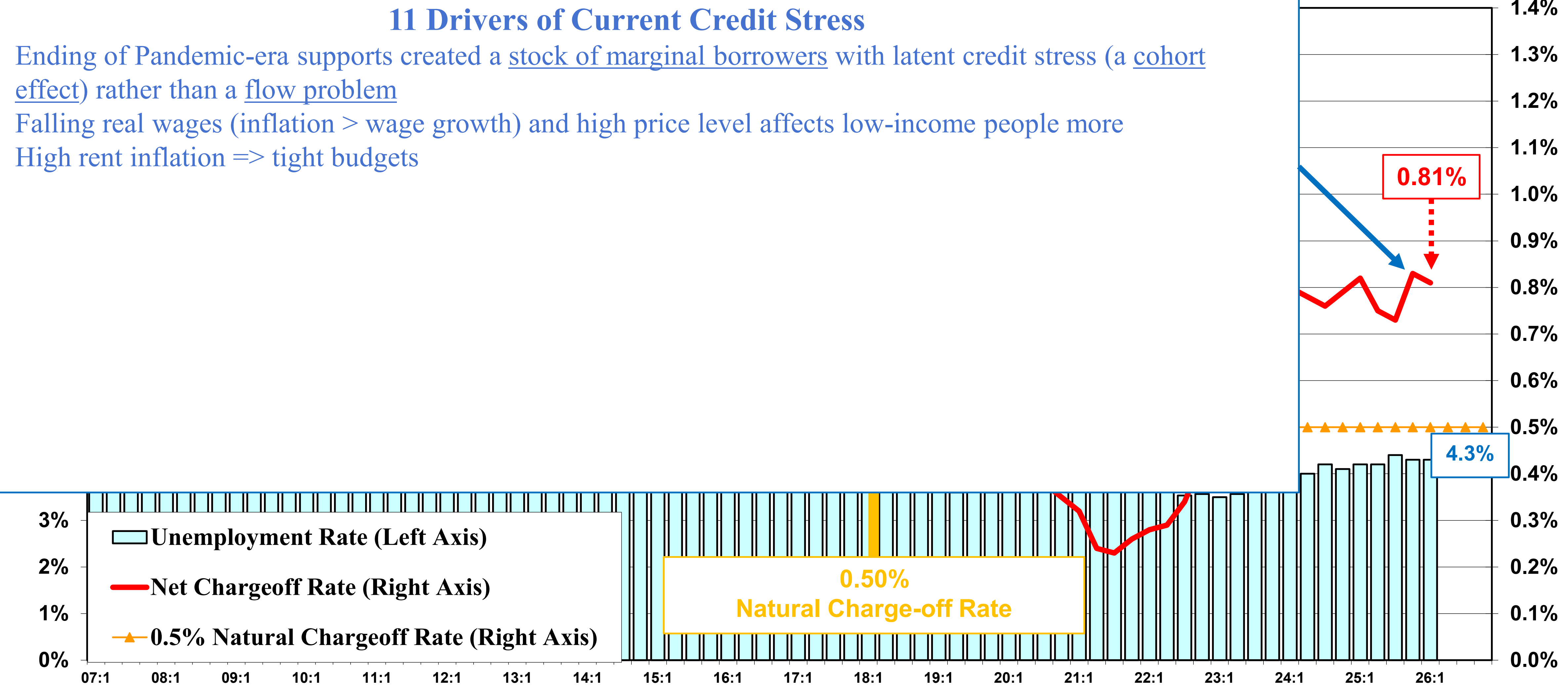
3. High rent inflation => tight budgets



Source: Department of Labor, NCUA,CUNA

CU Net Chargeoff Rate
Versus
Unemployment Rate

11 Drivers of Current Credit Stress

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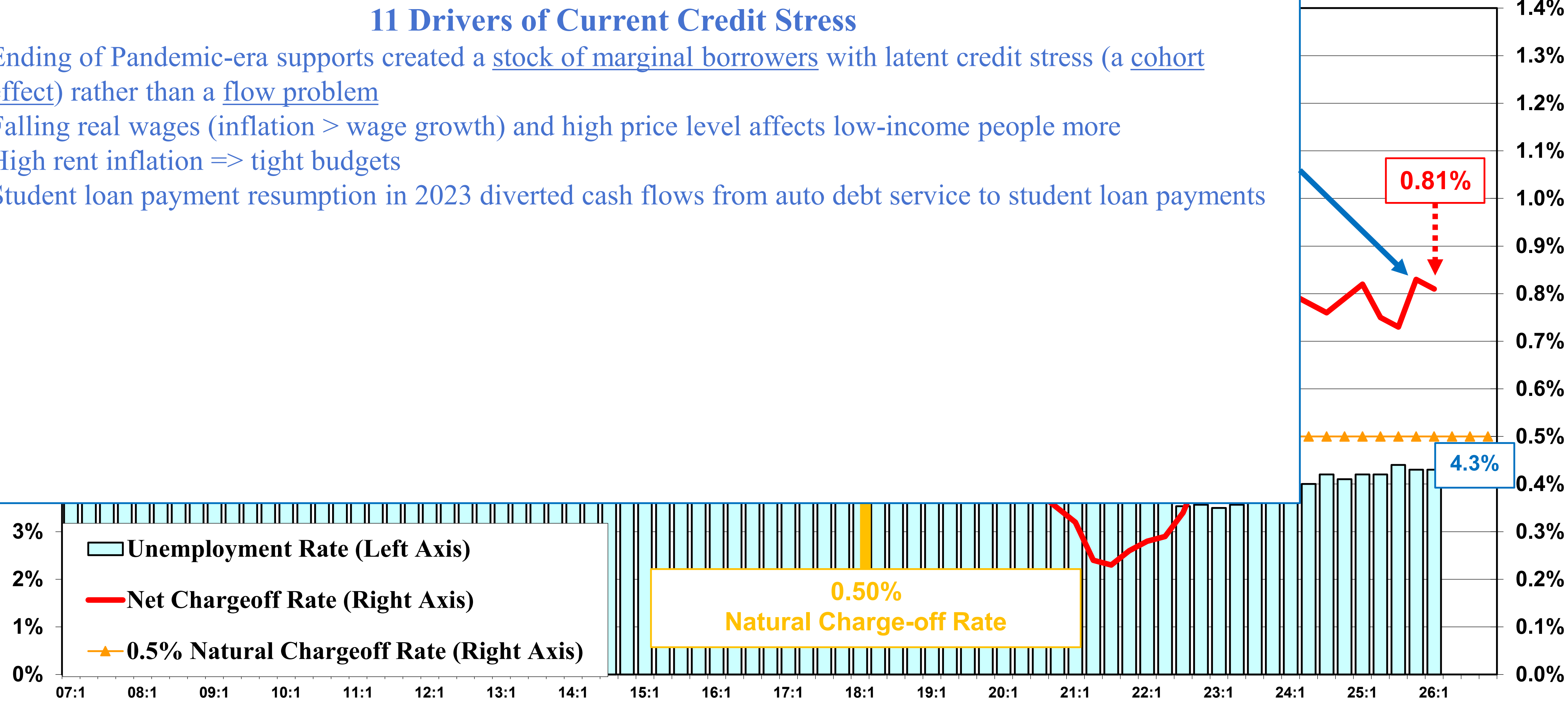
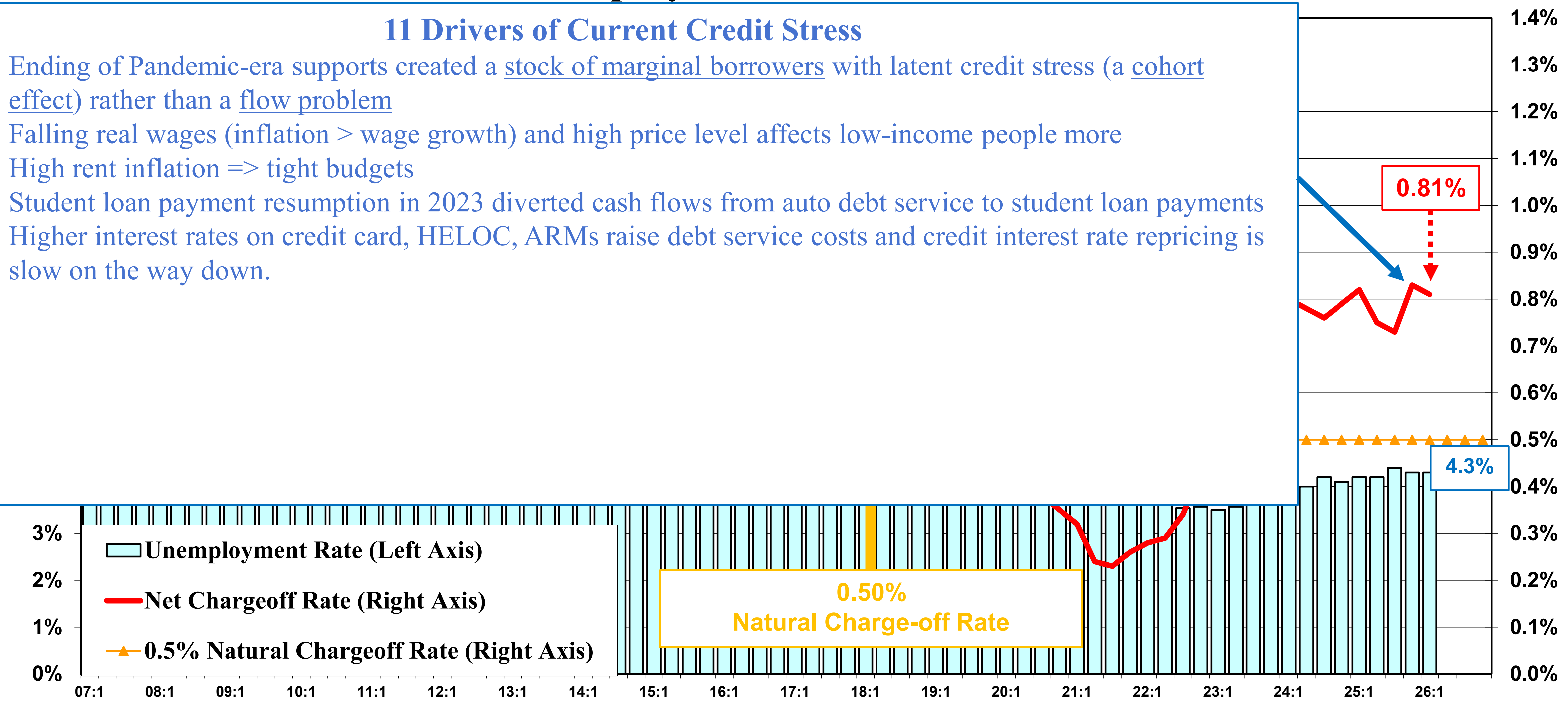
4. Student loan payment resumption in 2023 diverted cash flows from auto debt service to student loan payments



Source: Department of Labor, NCUA,CUNA

CU Net Chargeoff Rate
Versus
Unemployment Rate



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5. Higher interest rates on credit card, HELOC, ARMs raise debt service costs and credit interest rate repricing is slow on the way down.

Source: Department of Labor, NCUA,CUNA

CU Net Chargeoff Rate
Versus
Unemployment Rate

11 Drivers of Current Credit Stress

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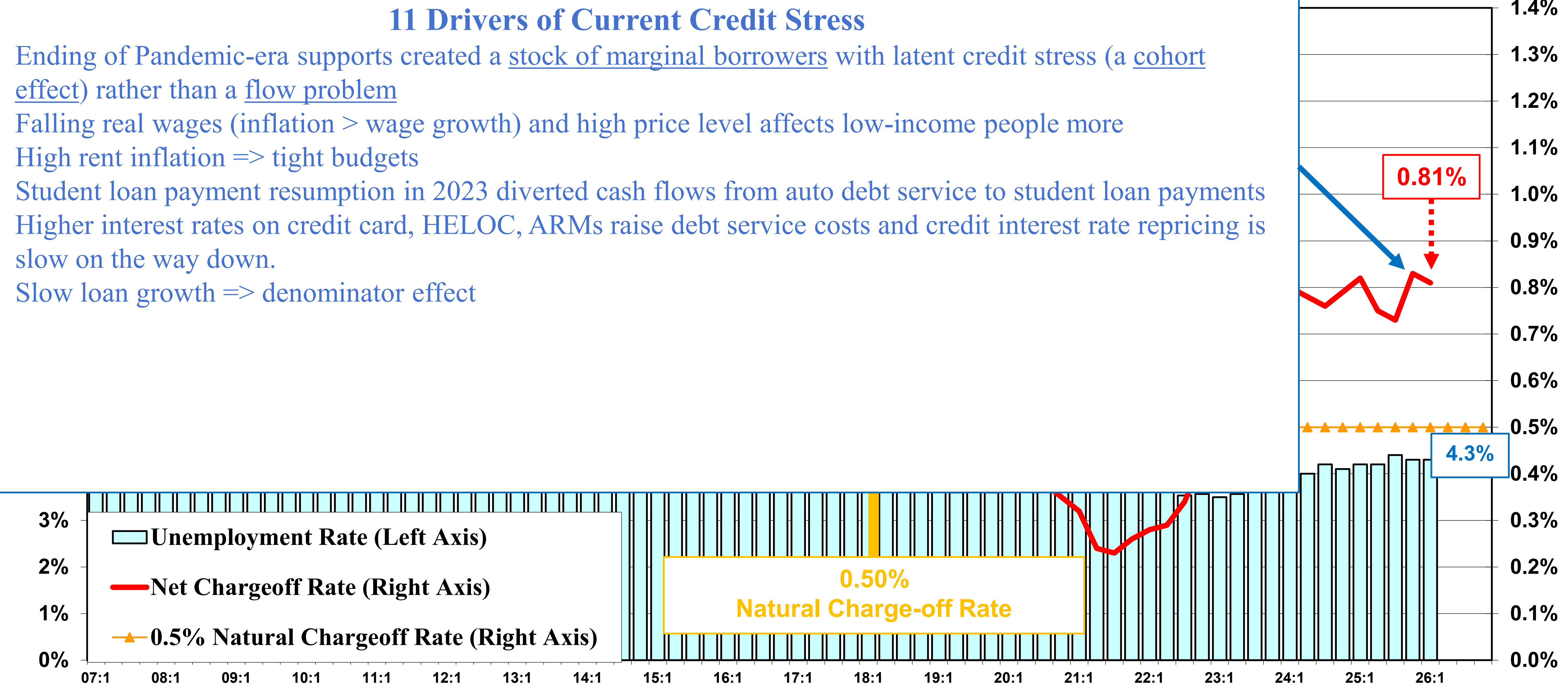
6. Slow loan growth => denominator effect



Source: Department of Labor, NCUA,CUNA

CU Net Chargeoff Rate Versus Unemployment Rate

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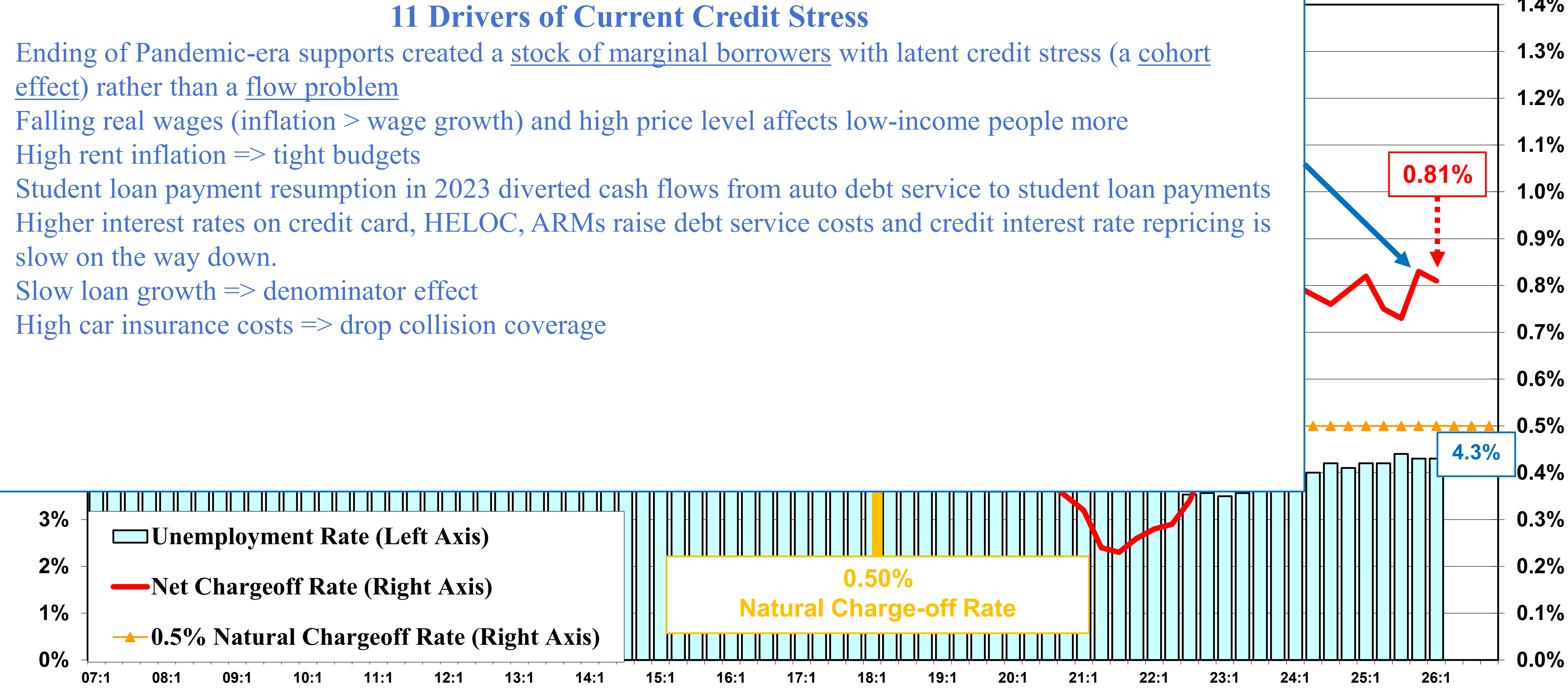
6. Slow loan growth => denominator effect
7. High car insurance costs => drop collision coverage



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CU Net Chargeoff Rate
Versus
Unemployment Rate

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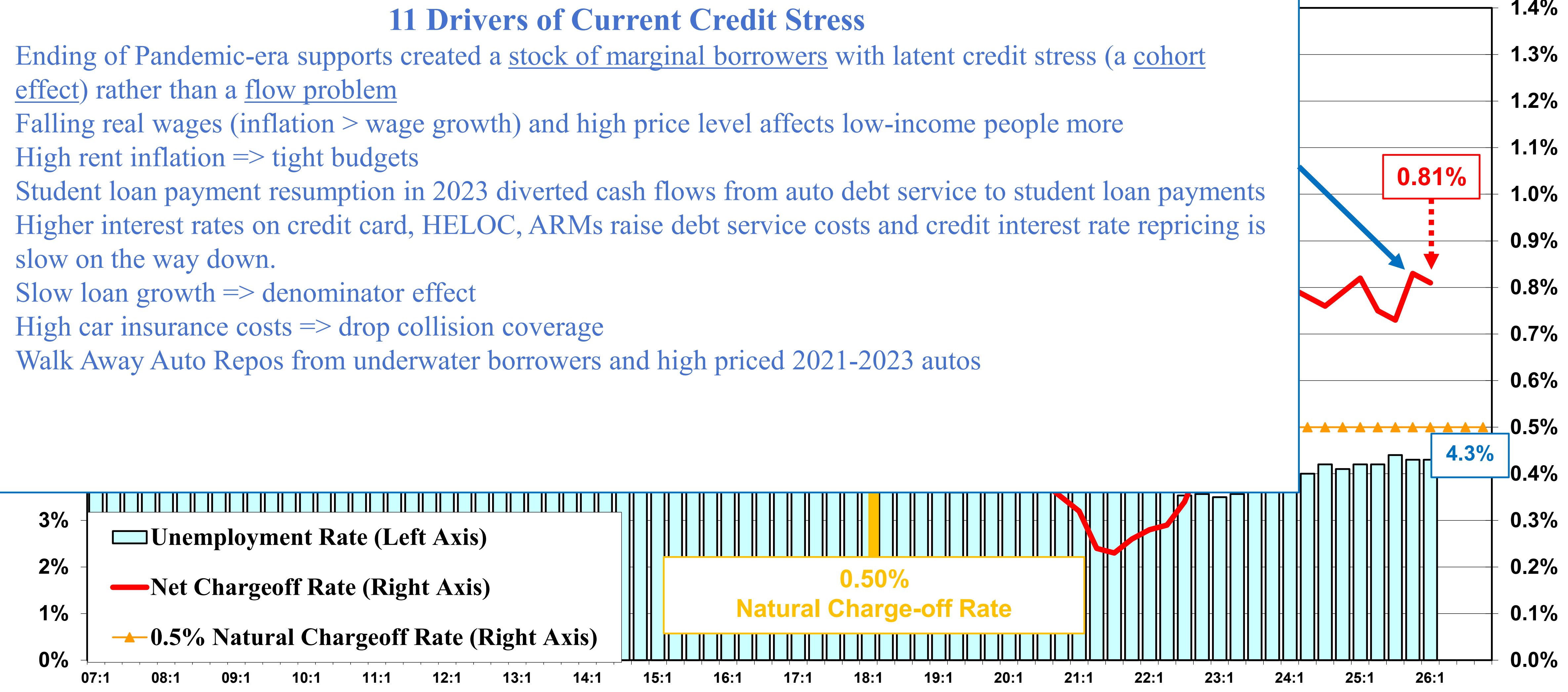
8. Walk Away Auto Repos from underwater borrowers and high priced 2021-2023 autos



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Versus
Unemployment Rate

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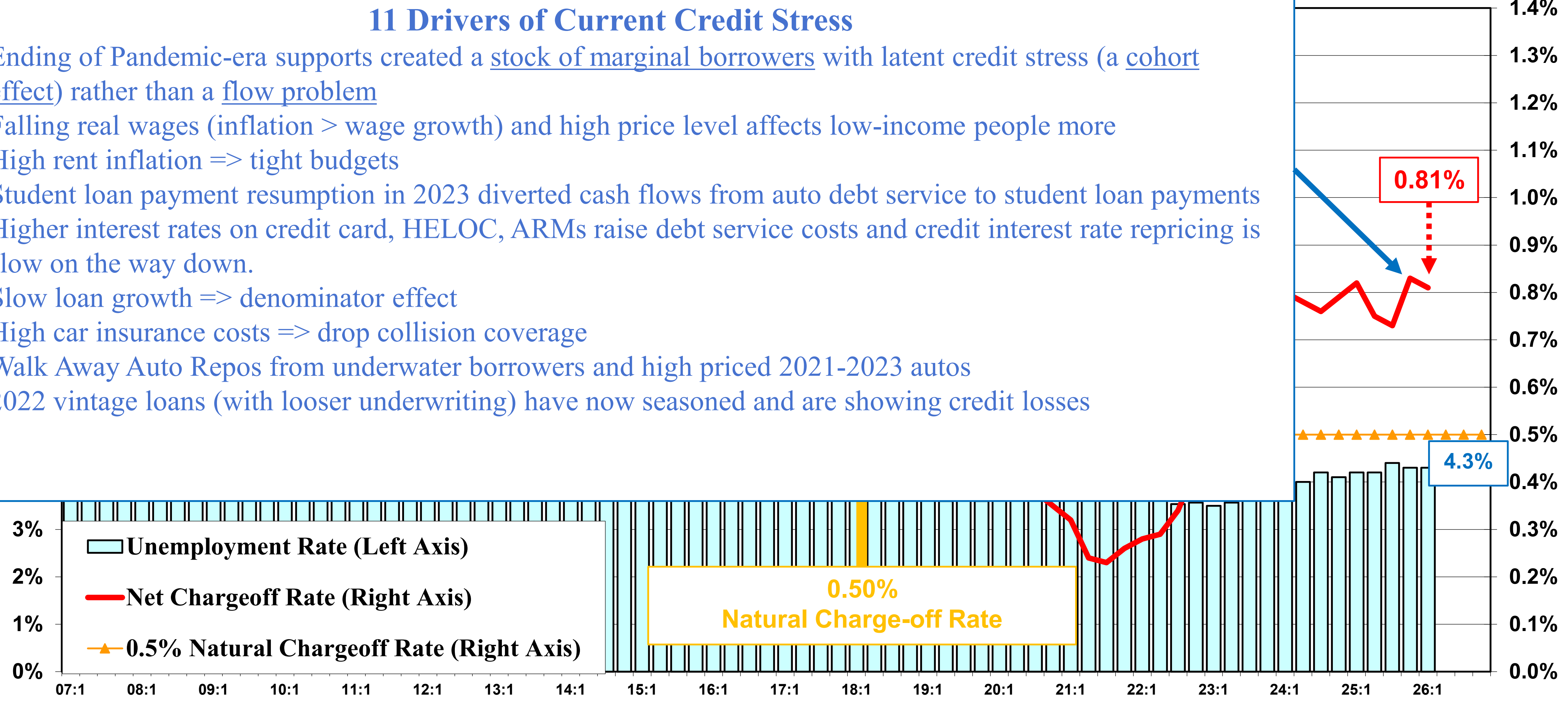
9. 2022 vintage loans (with looser underwriting) have now seasoned and are showing credit losses



Source: Department of Labor, NCUA,CUNA

CU Net Chargeoff Rate
Versus
Unemployment Rate

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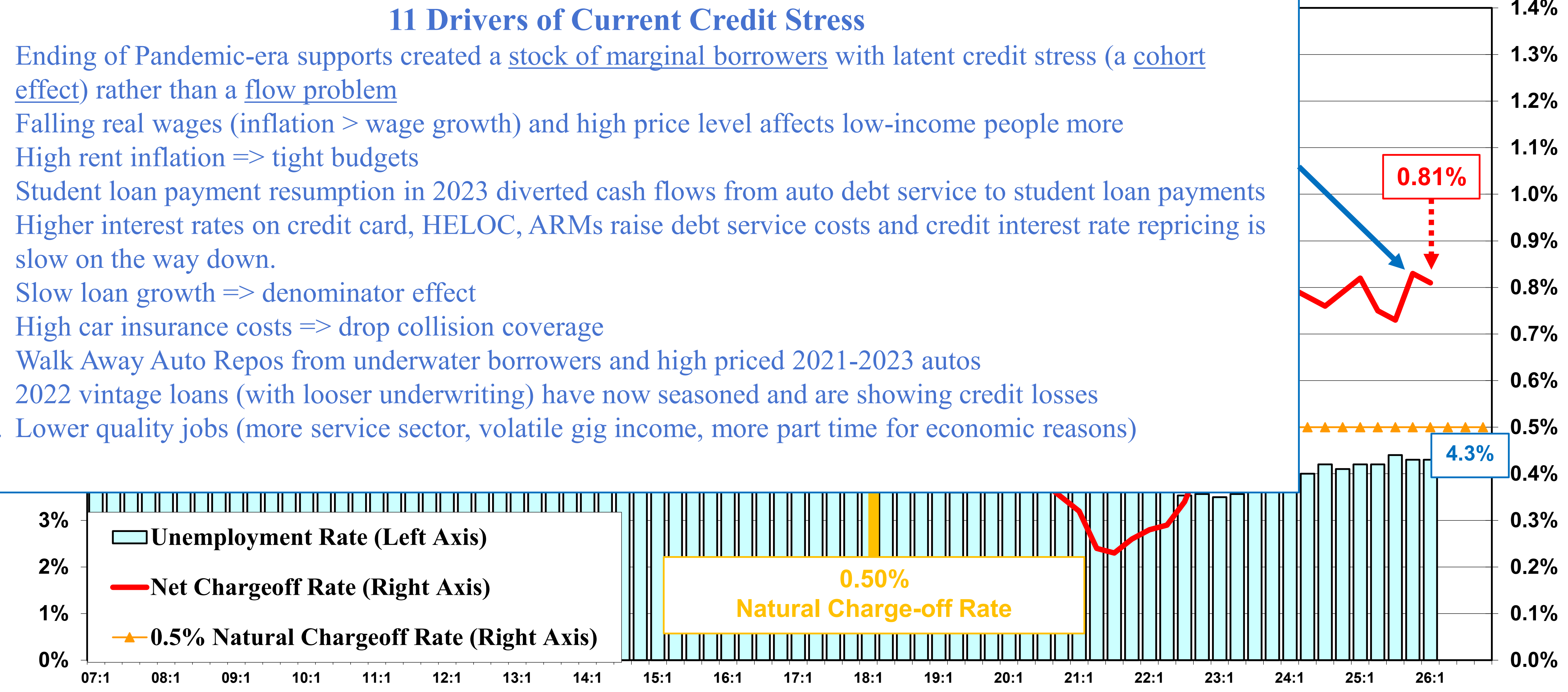

Source: Department of Labor, NCUA,CUNA

CU Net Chargeoff Rate
Versus
Unemployment Rate

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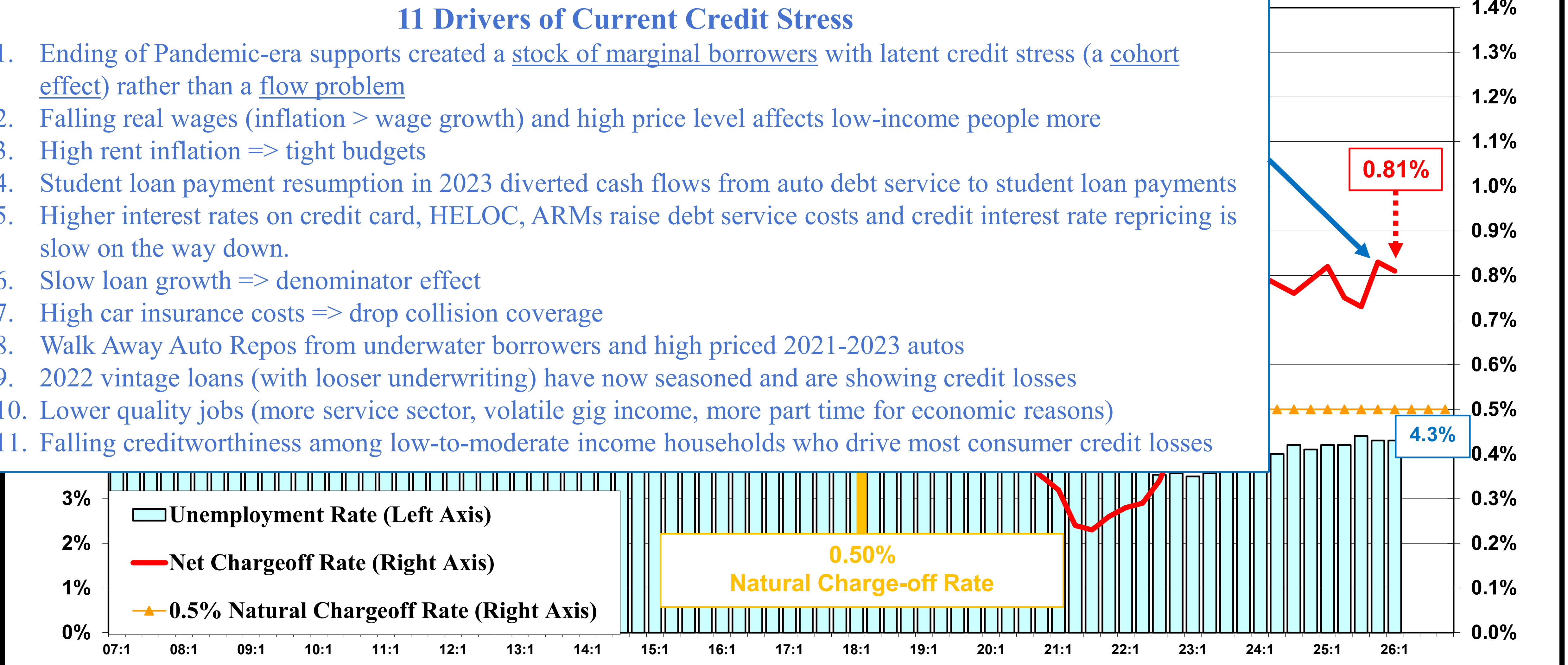
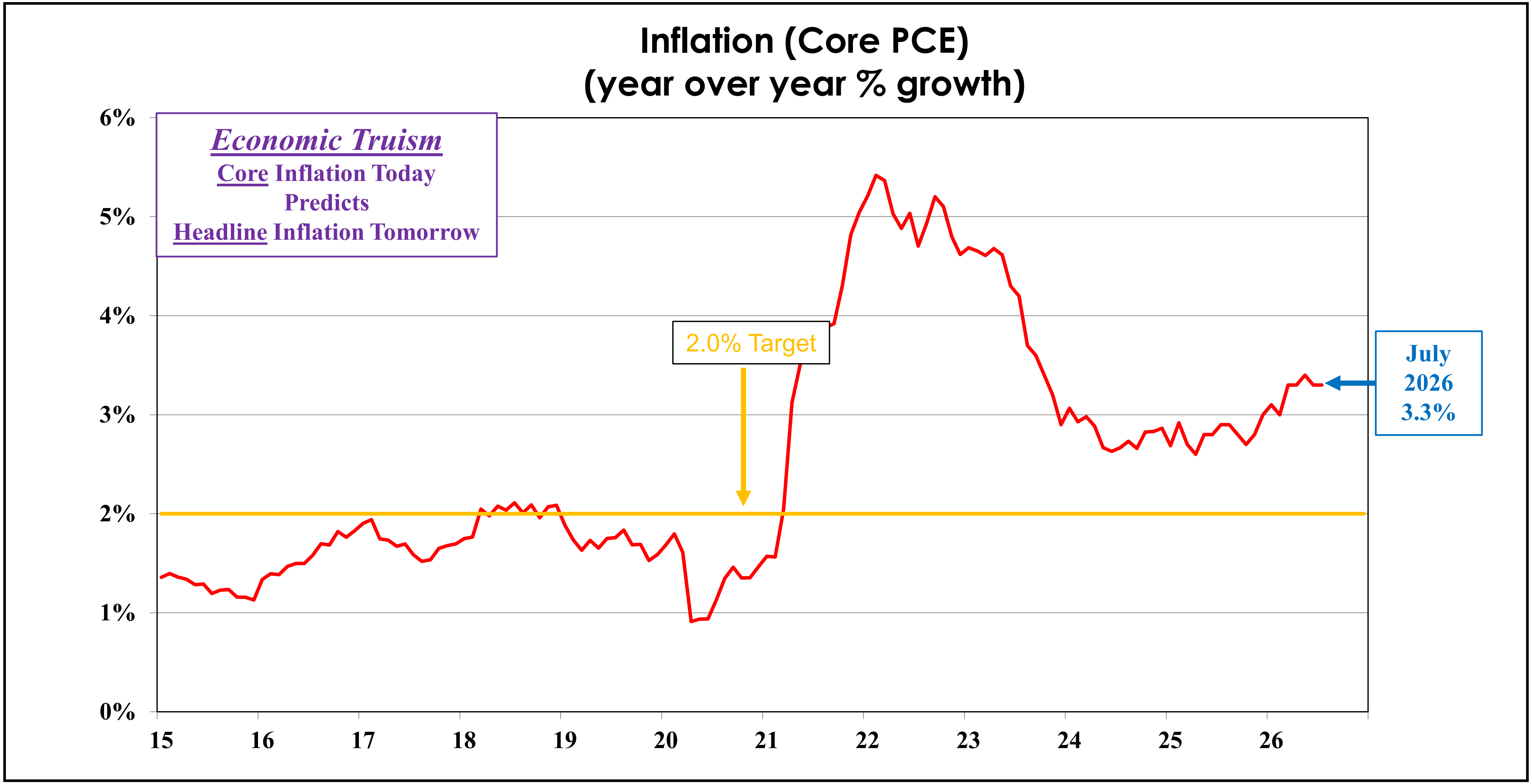
10. Lower quality jobs (more service sector, volatile gig income, more part time for economic reasons)
11. Falling creditworthiness among low-to-moderate income households who drive most consumer credit losses



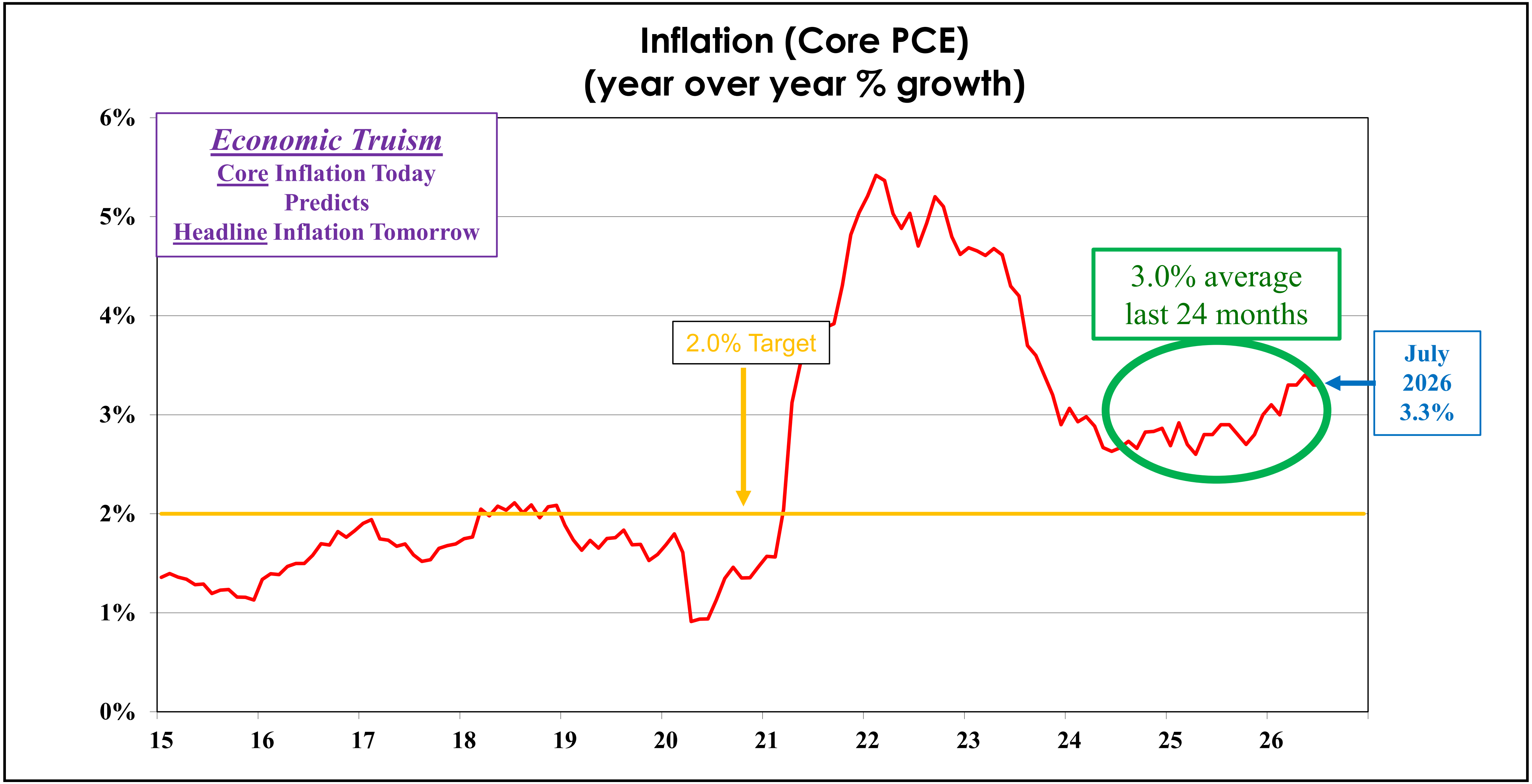
Source: Department of Labor, NCUA,CUNA

Inflation Above 2% Target



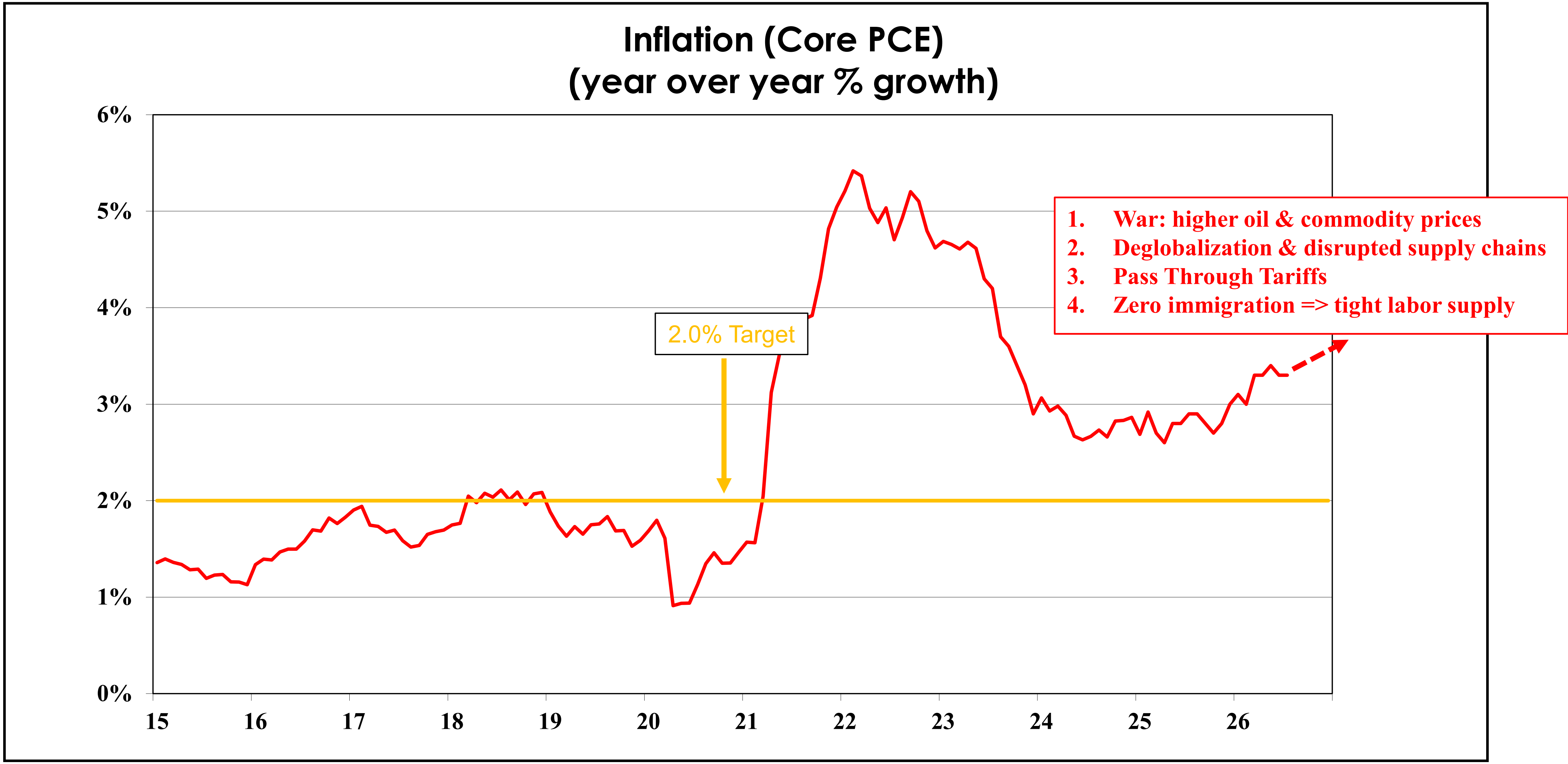
Source: Bureau of Labor Statistics

Inflation Above 2% Target



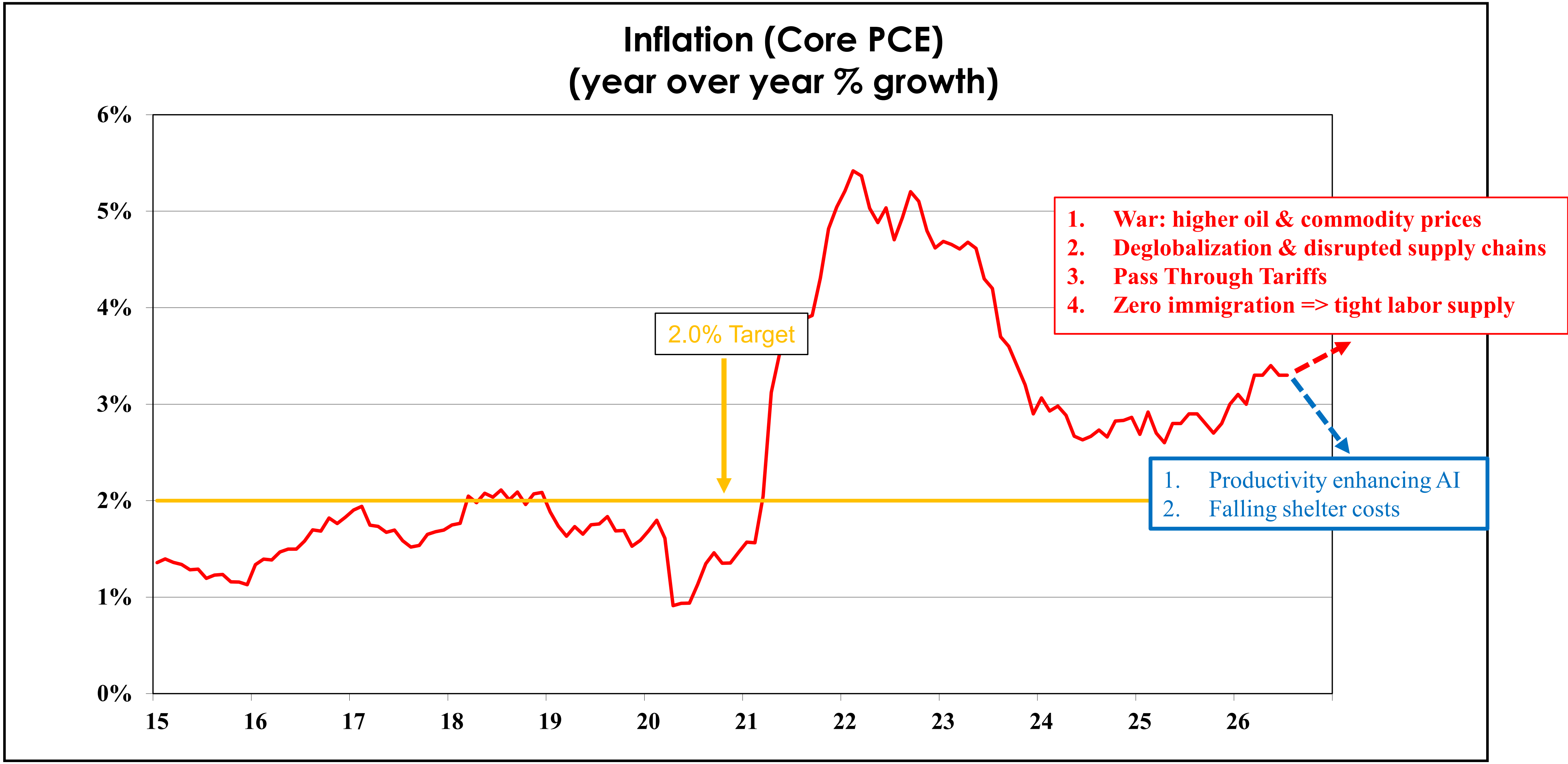
Source: Bureau of Labor Statistics

Inflation Above 2% Target



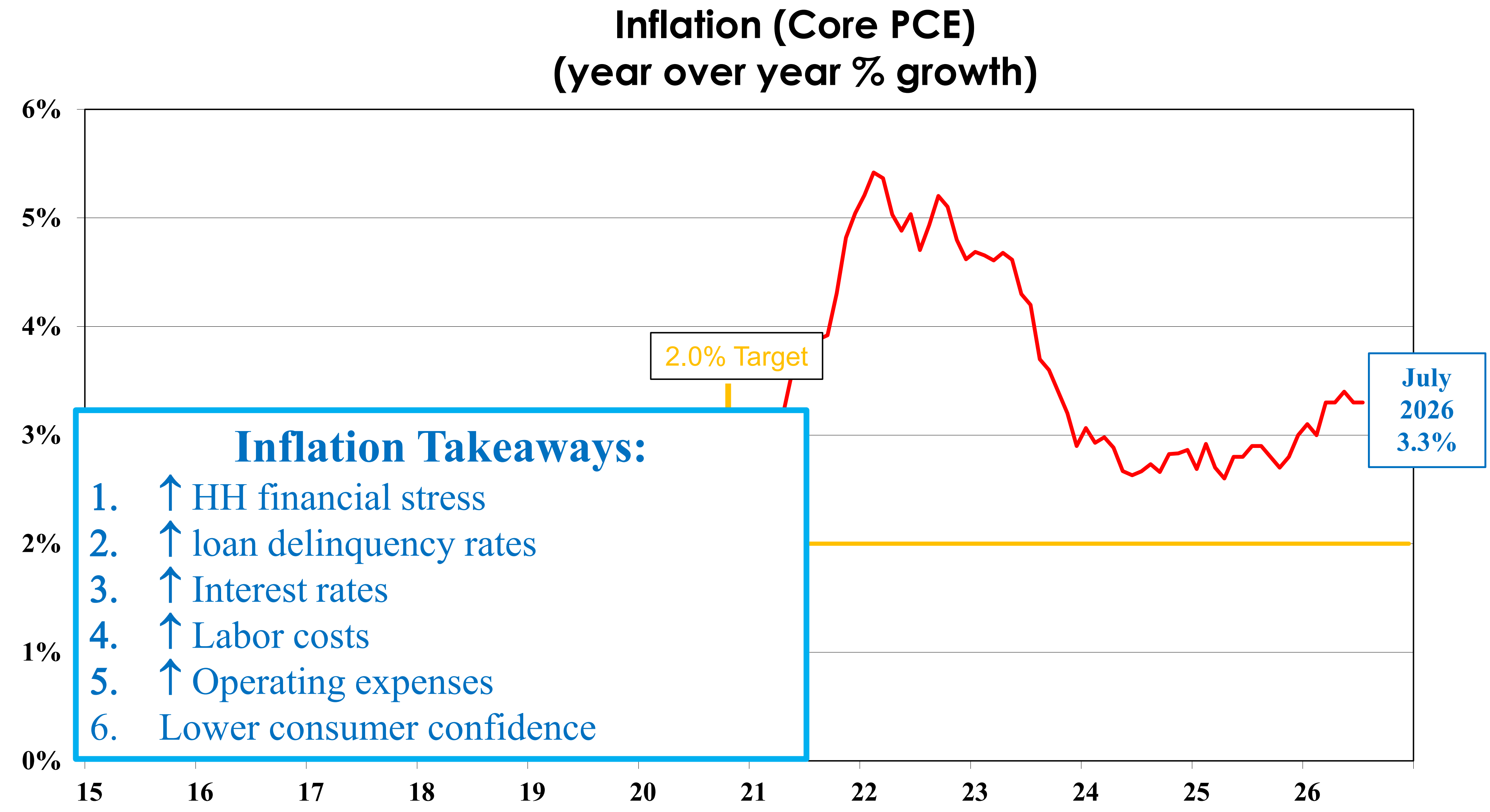
Source: Bureau of Labor Statistics

Inflation Above 2% Target



Source: Bureau of Labor Statistics

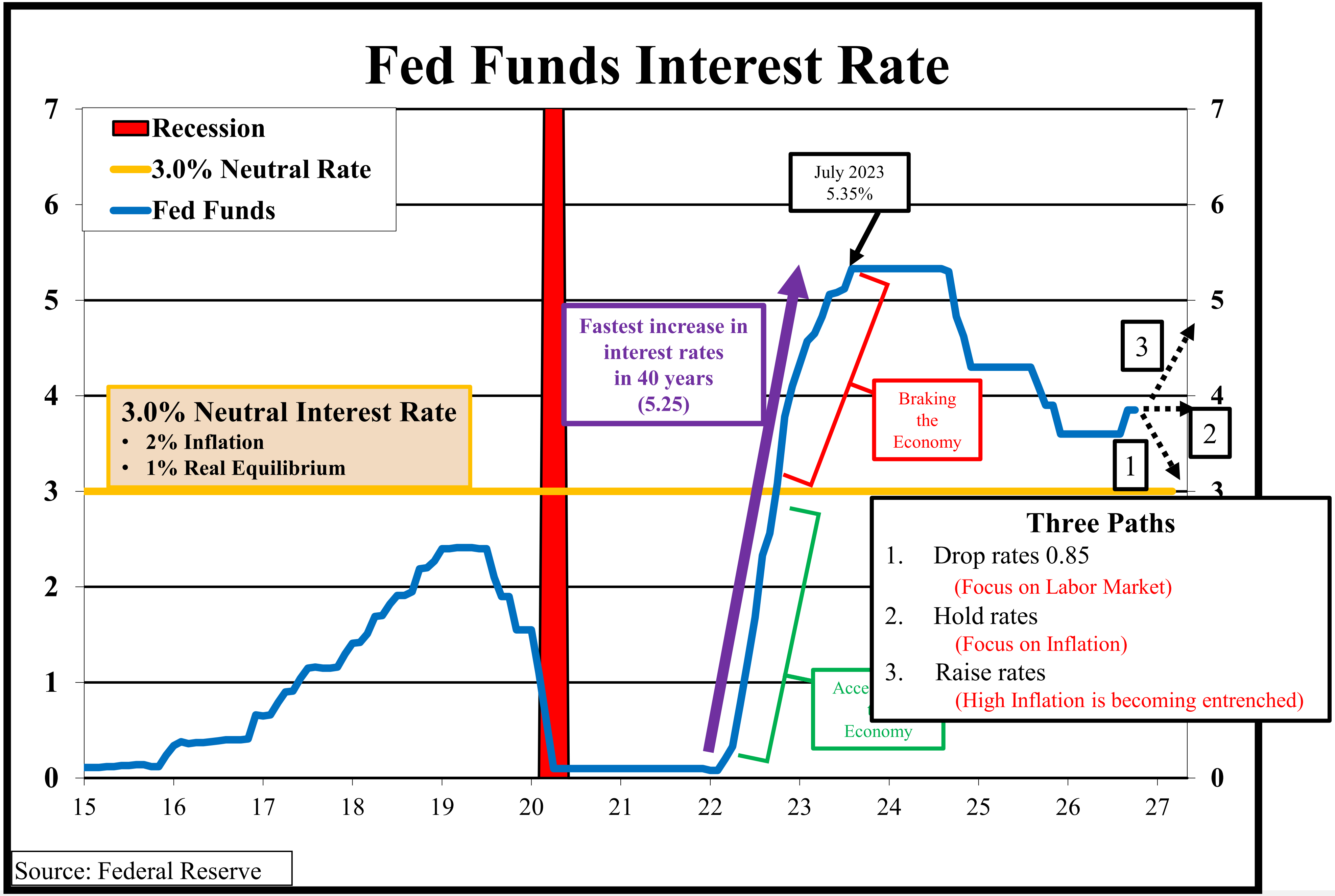
Inflation Above 2% Target

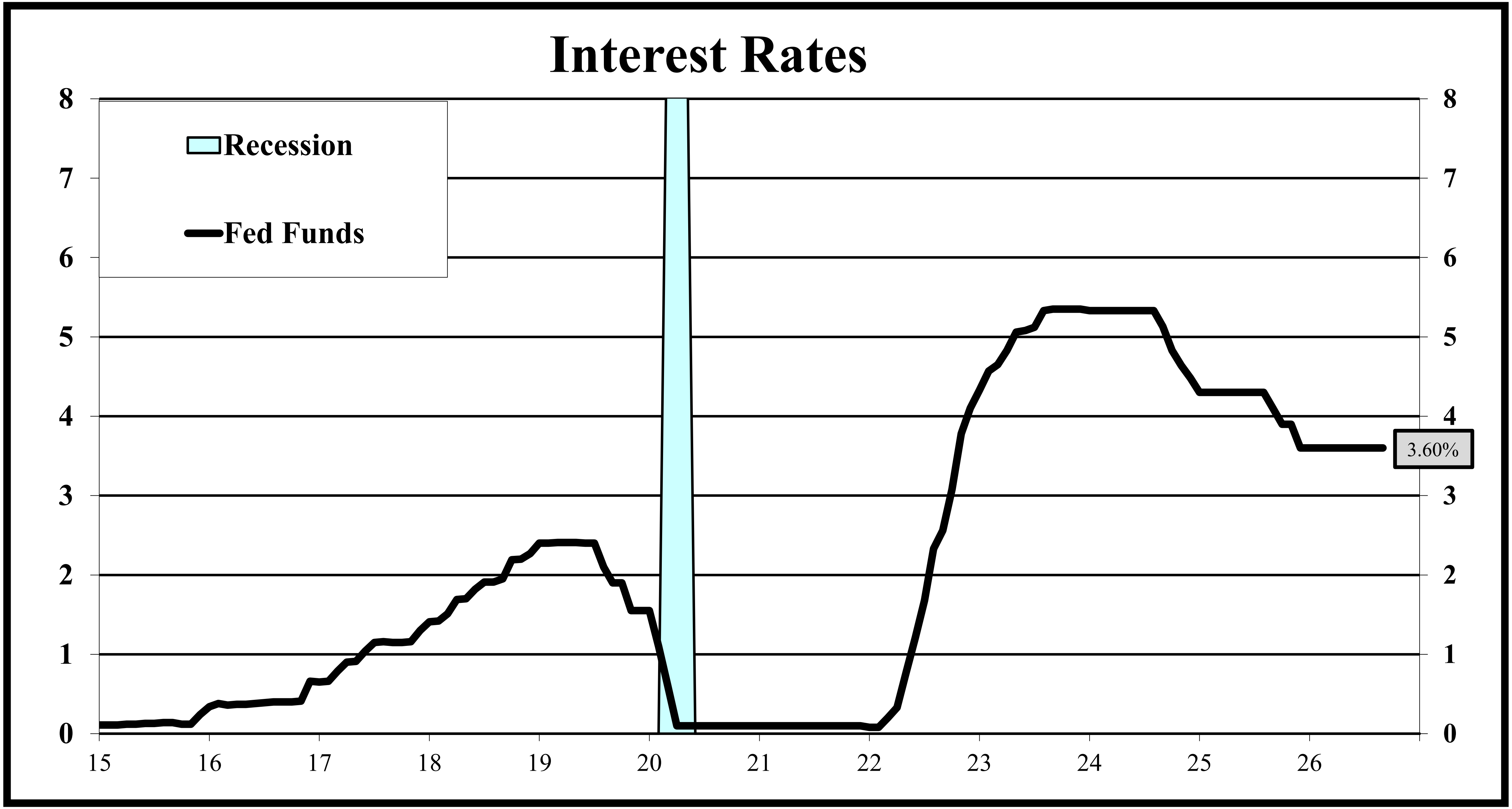


Inflation Takeaways:

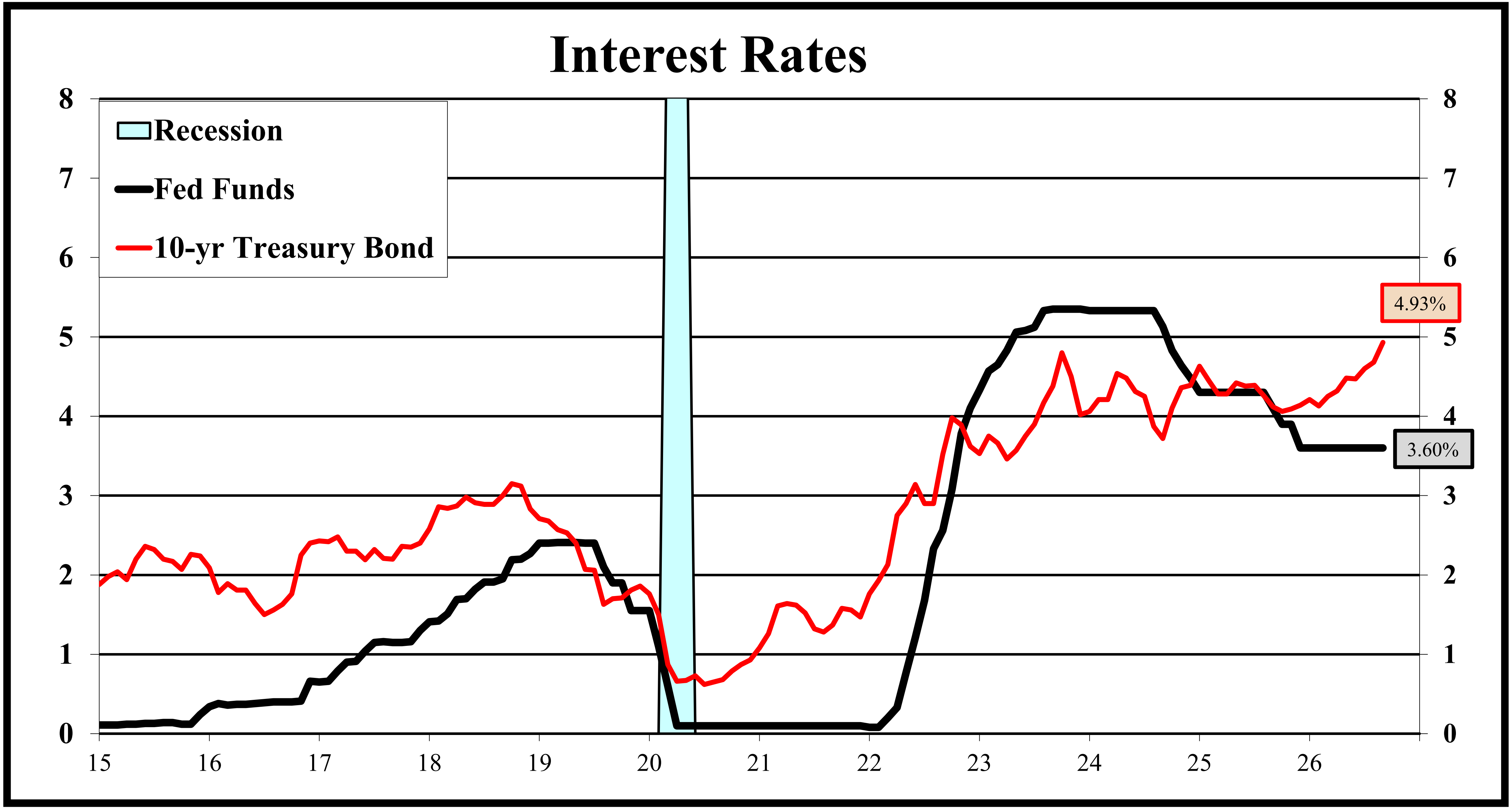
1. ↑ HH financial stress
2. ↑ loan delinquency rates
3. ↑ Interest rates
4. ↑ Labor costs
5. ↑ Operating expenses
6. Lower consumer confidence

Source: Bureau of Labor Statistics

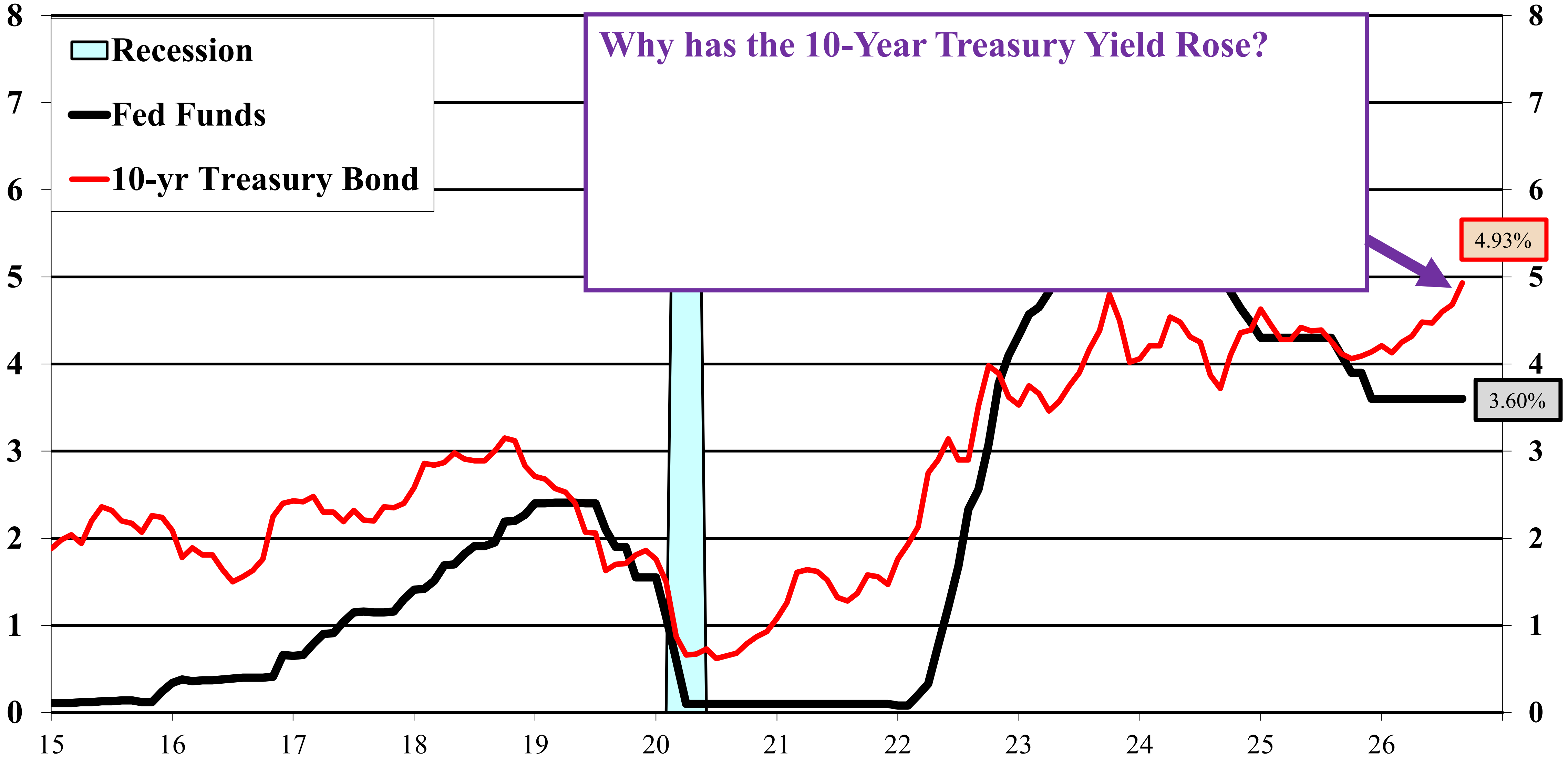

Fed Funds Interest Rate
Recession
3.0% Neutral Rate
Fed Funds
July 2023
5.35%
Fastest increase in interest rates in 40 years (5.25)
Braking the Economy
3.0% Neutral Interest Rate
• 2% Inflation
• 1% Real Equilibrium
Economy
Three Paths
1. Drop rates 0.85
(Focus on Labor Market)
2. Hold rates
(Focus on Inflation)
3. Raise rates
(High Inflation is becoming entrenched)
7
6
5
4
3
2
1
0
15
16
17
18
19
20
21
22
23
24
25
26
27
Source: Federal Reserve



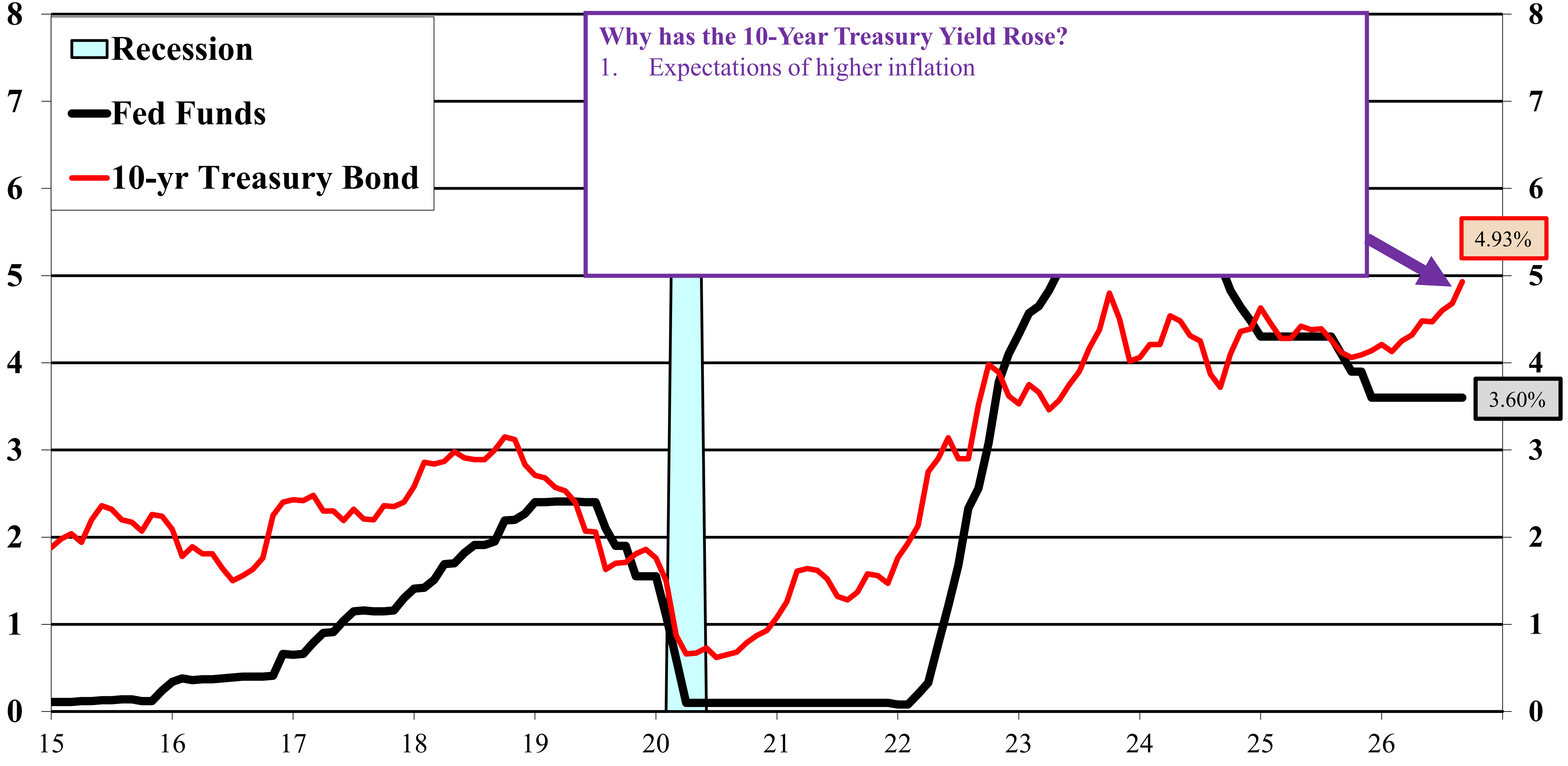
Interest Rates
Recession
Fed Funds
8
7
6
5
4
3
2
1
0
15
16
17
18
19
20
21
22
23
24
25
26
3.60%

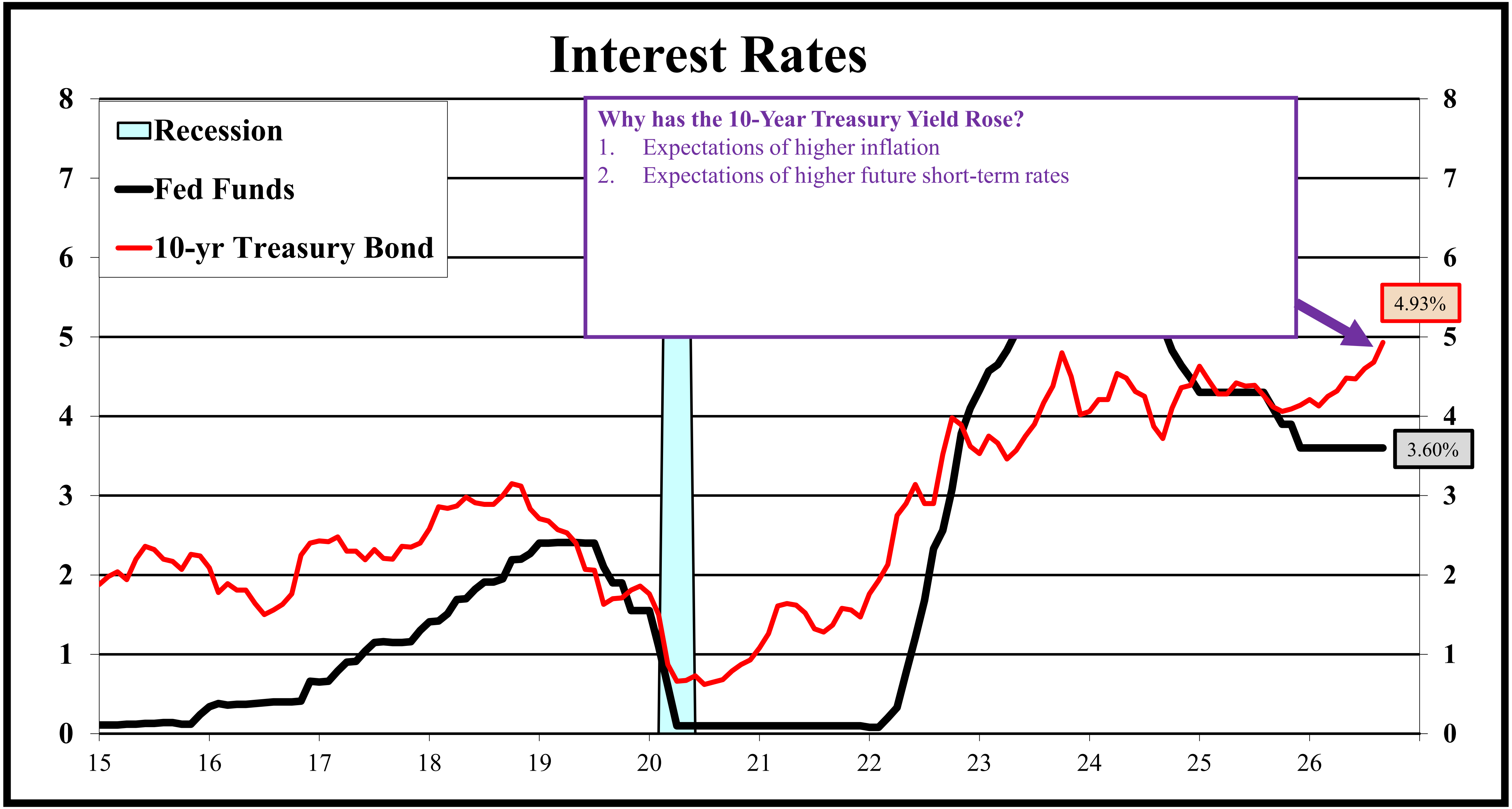

Interest Rates
Recession
Fed Funds
10-yr Treasury Bond
4.93%
3.60%
0
1
2
3
4
5
6
7
8
15
16
17
18
19
20
21
22
23
24
25
26

Interest Rates

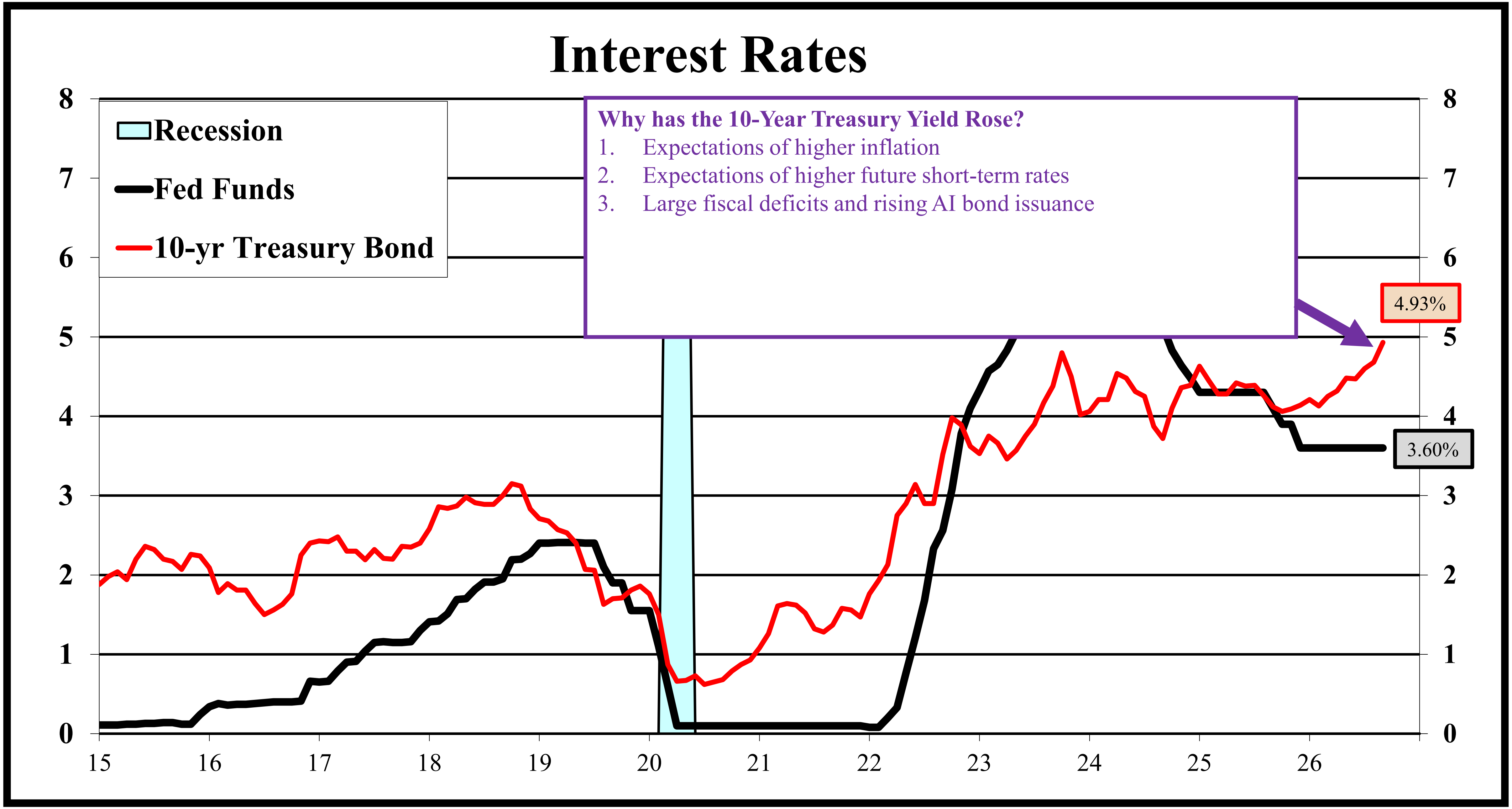


Interest Rates

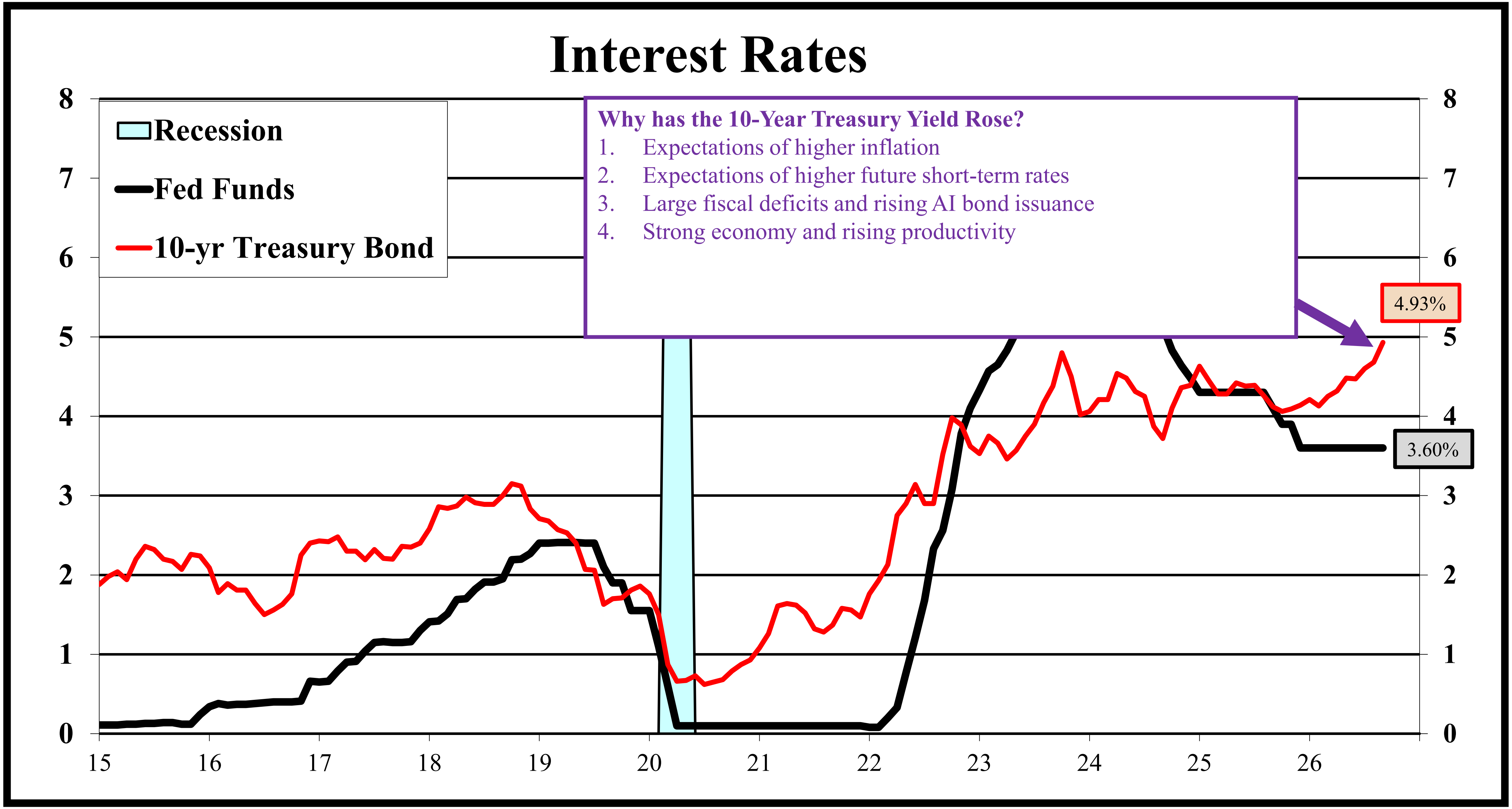




Interest Rates
Recession
Fed Funds
10-yr Treasury Bond
Why has the 10-Year Treasury Yield Rose?
1. Expectations of higher inflation
2. Expectations of higher future short-term rates
4.93%
3.60%
8
7
6
5
4
3
2
1
0
15
16
17
18
19
20
21
22
23
24
25
26



Interest Rates
Recession
Fed Funds
10-yr Treasury Bond
Why has the 10-Year Treasury Yield Rose?
1. Expectations of higher inflation
2. Expectations of higher future short-term rates
3. Large fiscal deficits and rising AI bond issuance
4.93%
3.60%
8
7
6
5
4
3
2
1
0
15
16
17
18
19
20
21
22
23
24
25
26


Interest Rates
Recession
Fed Funds
10-yr Treasury Bond
Why has the 10-Year Treasury Yield Rose?
1. Expectations of higher inflation
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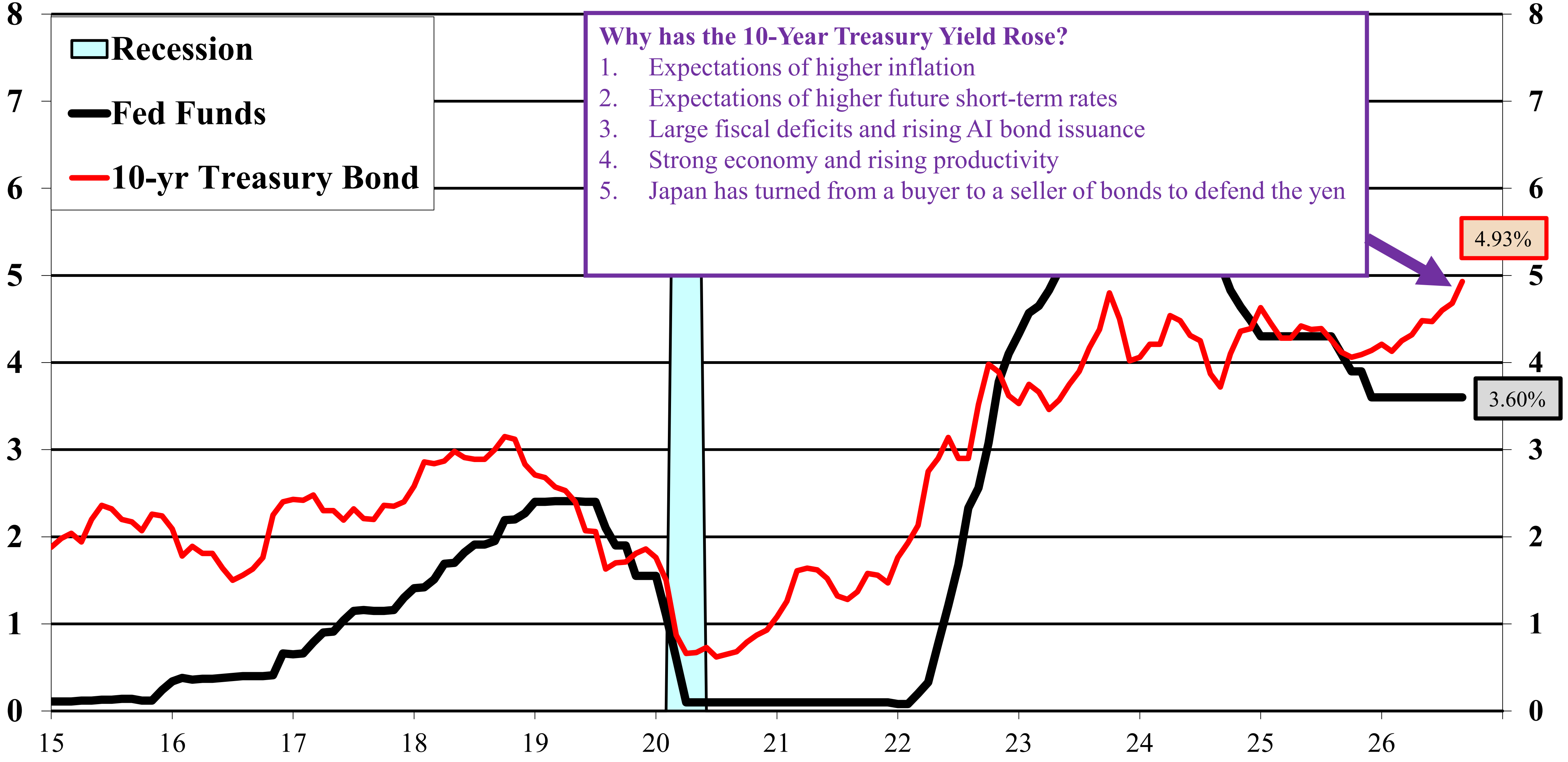
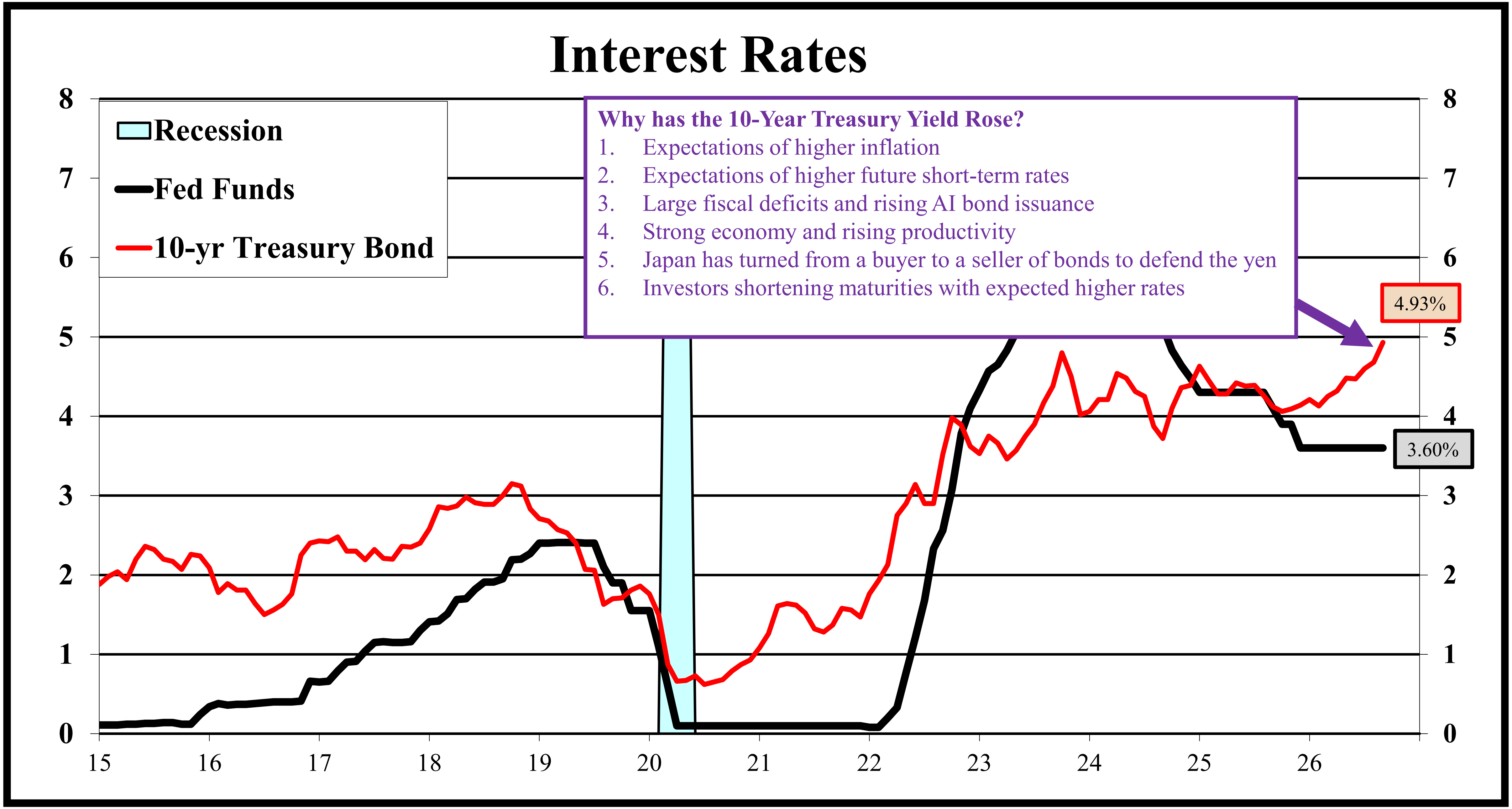
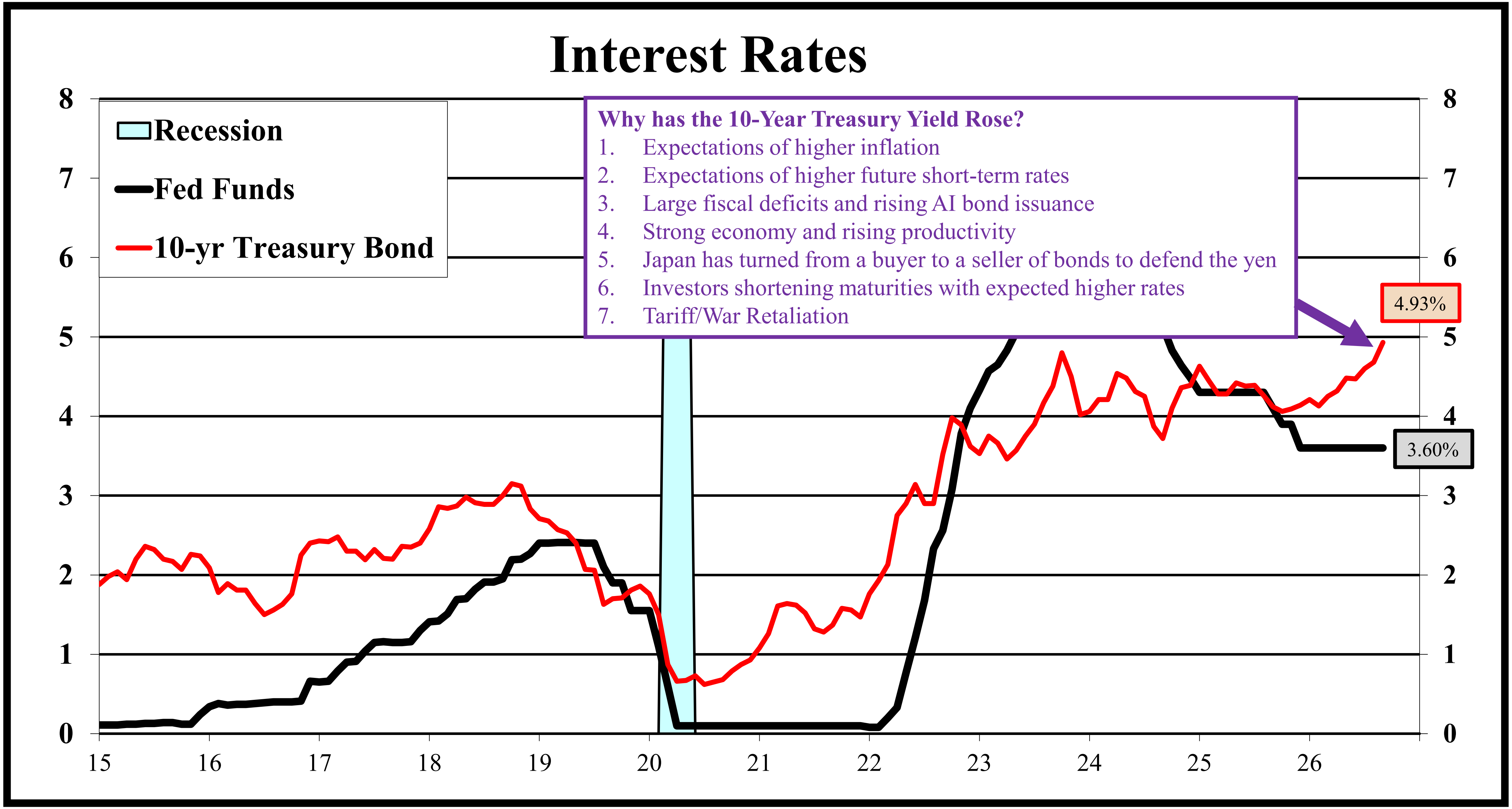
4. Strong economy and rising productivity
4.93%
3.60%
8
7
6
5
4
3
2
1
0
15
16
17
18
19
20
21
22
23
24
25
26

Interest Rates





Interest Rates
Recession
Fed Funds
10-yr Treasury Bond
Why has the 10-Year Treasury Yield Rose?
1. Expectations of higher inflation
2. Expectations of higher future short-term rates
3. Large fiscal deficits and rising AI bond issuance
4. Strong economy and rising productivity
5. Japan has turned from a buyer to a seller of bonds to defend the yen
6. Investors shortening maturities with expected higher rates
4.93%
3.60%
0 1 2 3 4 5 6 7 8
15 16 17 18 19 20 21 22 23 24 25 26



Interest Rates
Recession
Fed Funds
10-yr Treasury Bond
Why has the 10-Year Treasury Yield Rose?
1. Expectations of higher inflation
2. Expectations of higher future short-term rates
3. Large fiscal deficits and rising AI bond issuance
4. Strong economy and rising productivity
5. Japan has turned from a buyer to a seller of bonds to defend the yen
6. Investors shortening maturities with expected higher rates
7. Tariff/War Retaliation
4.93%
3.60%
8
7
6
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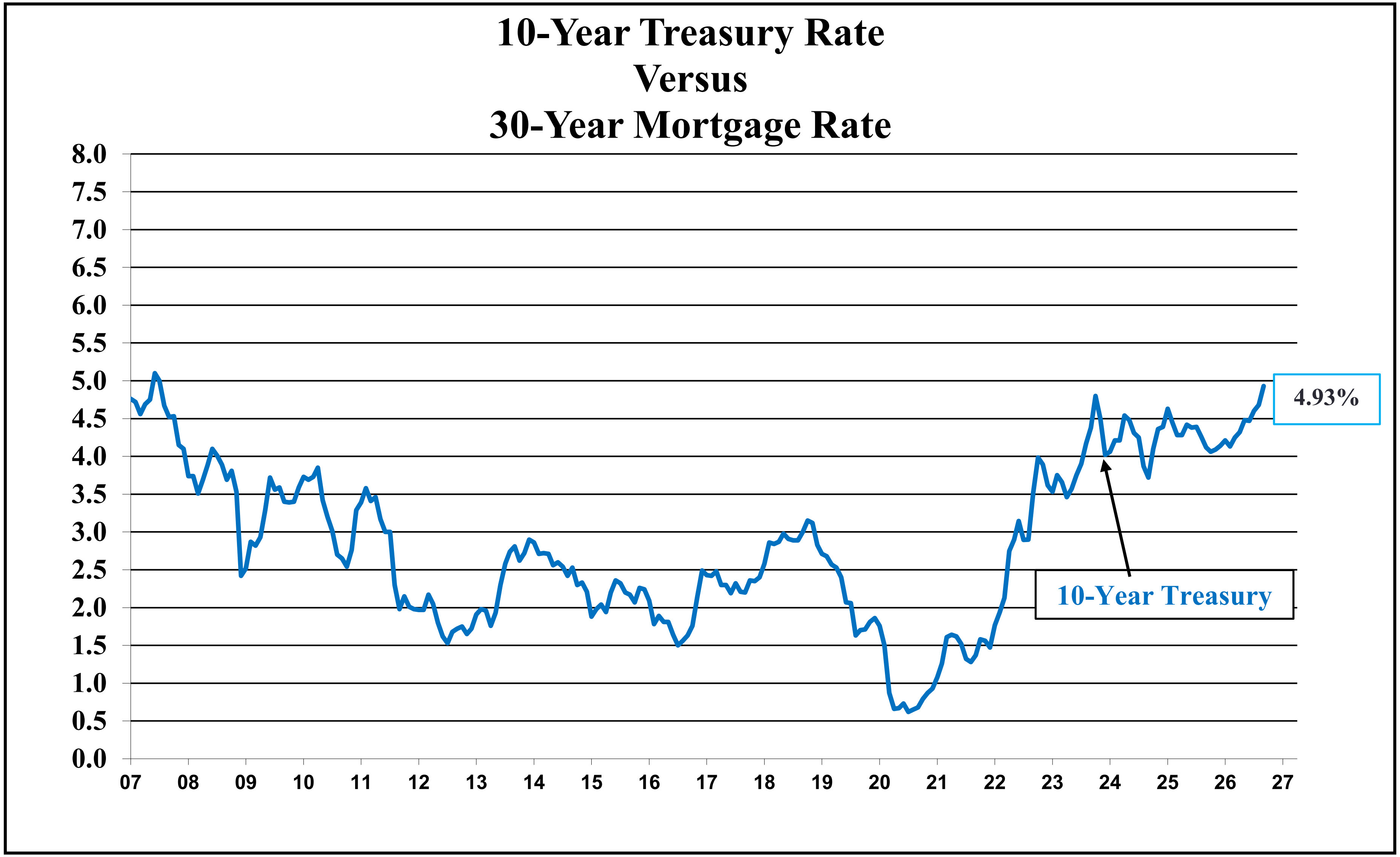
Rising Inflation Expectations, a Stronger Economy and Falling Foreign Bond Demand is Pushing Up Nominal Interest Rates. (4)



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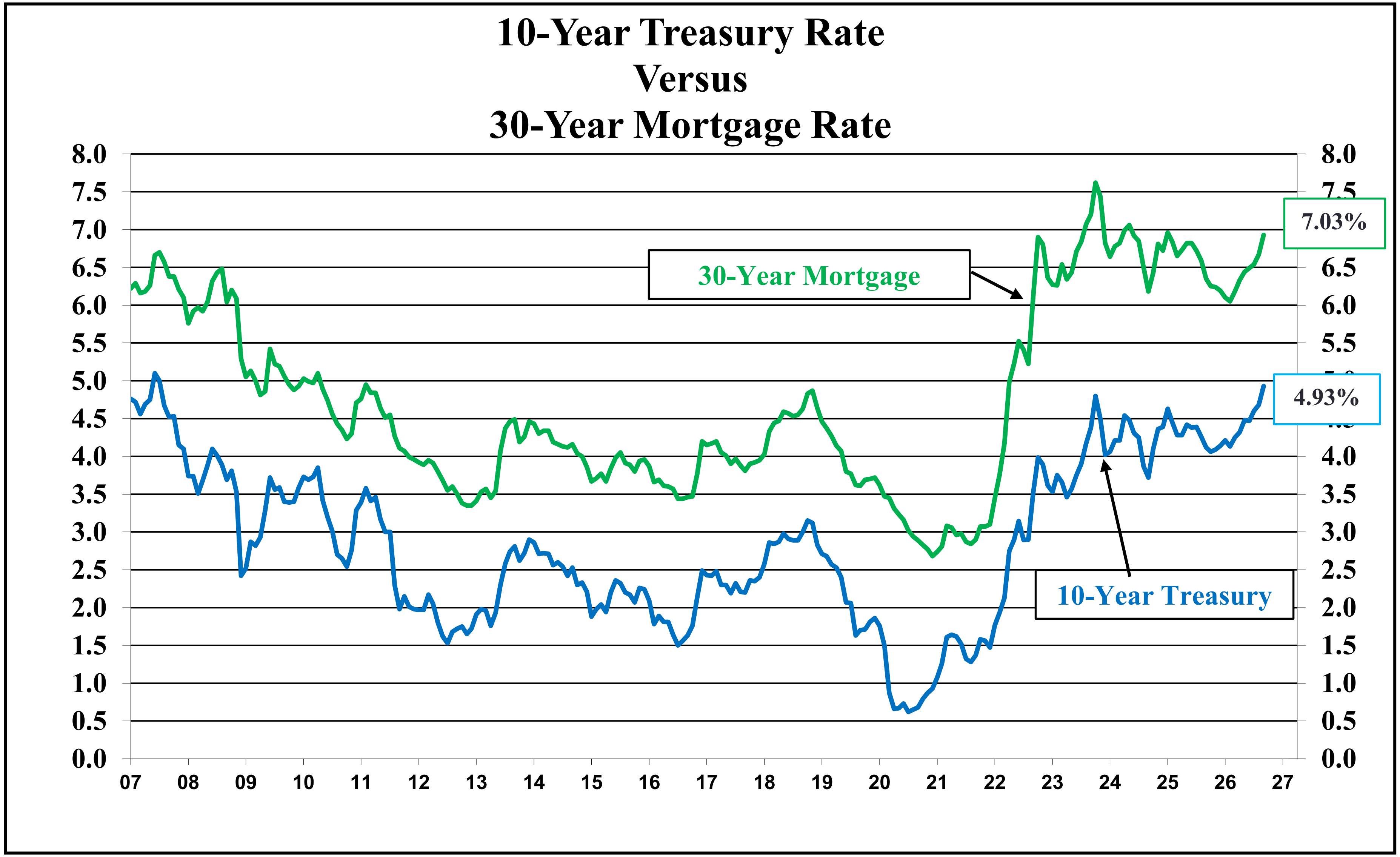

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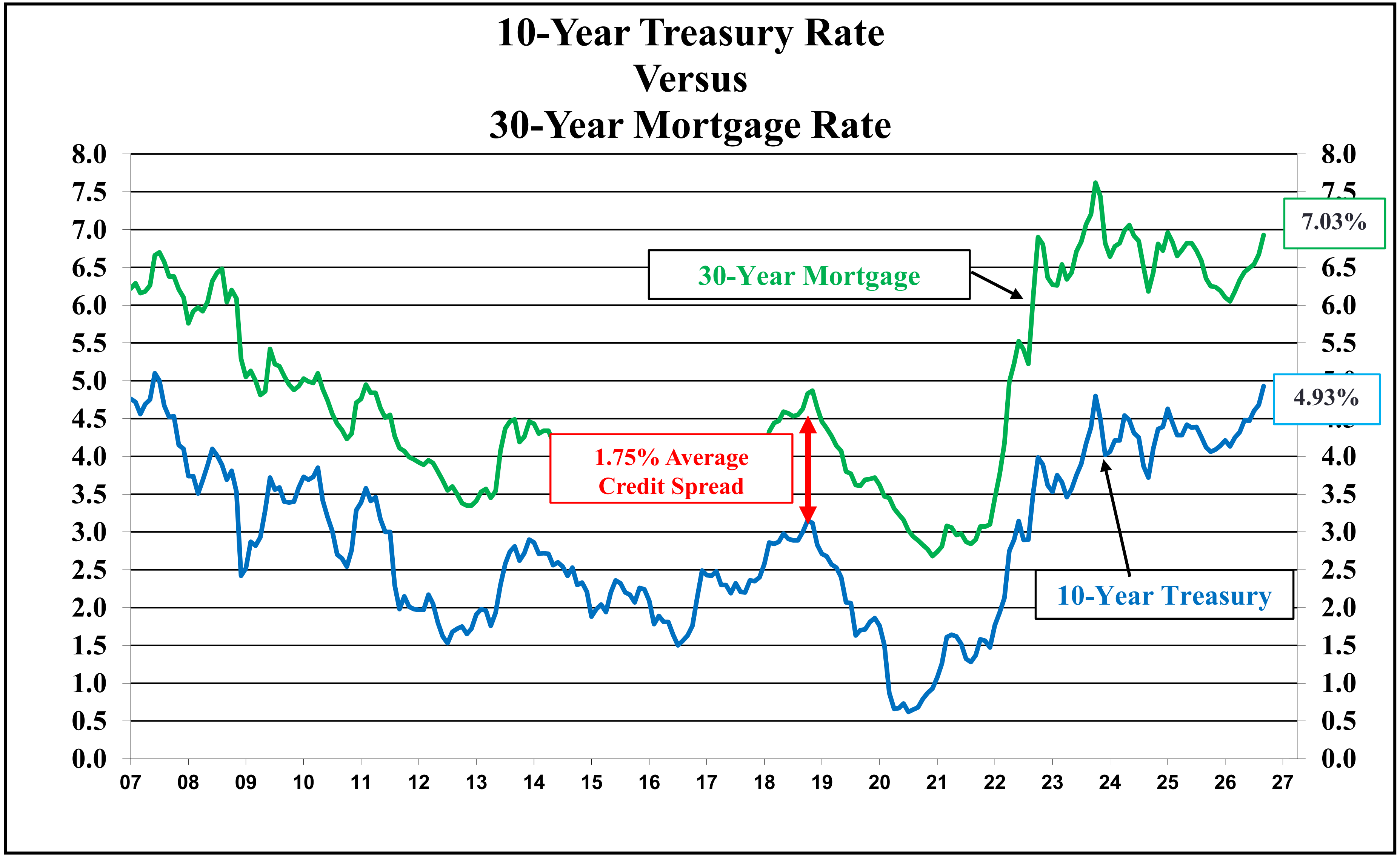

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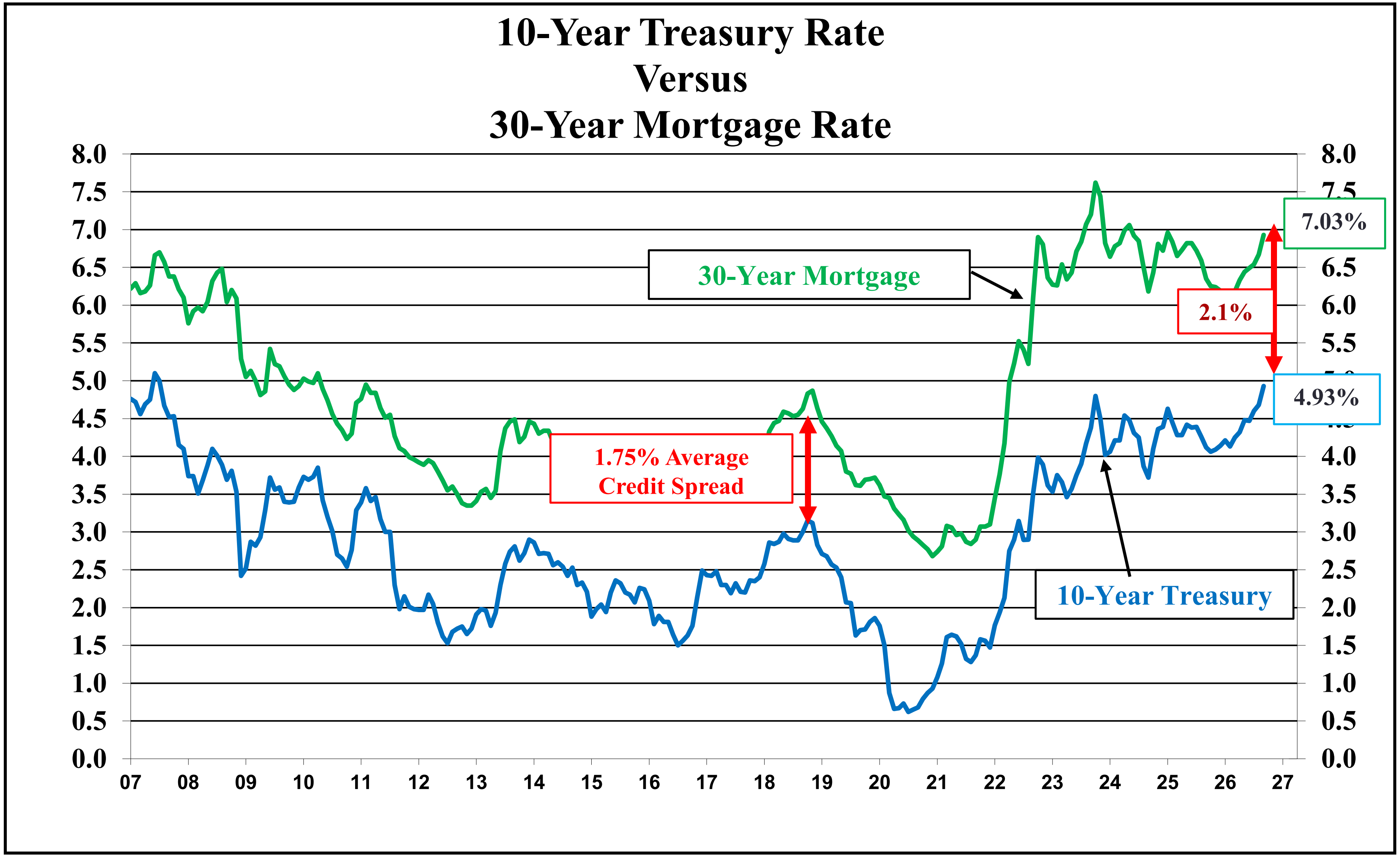
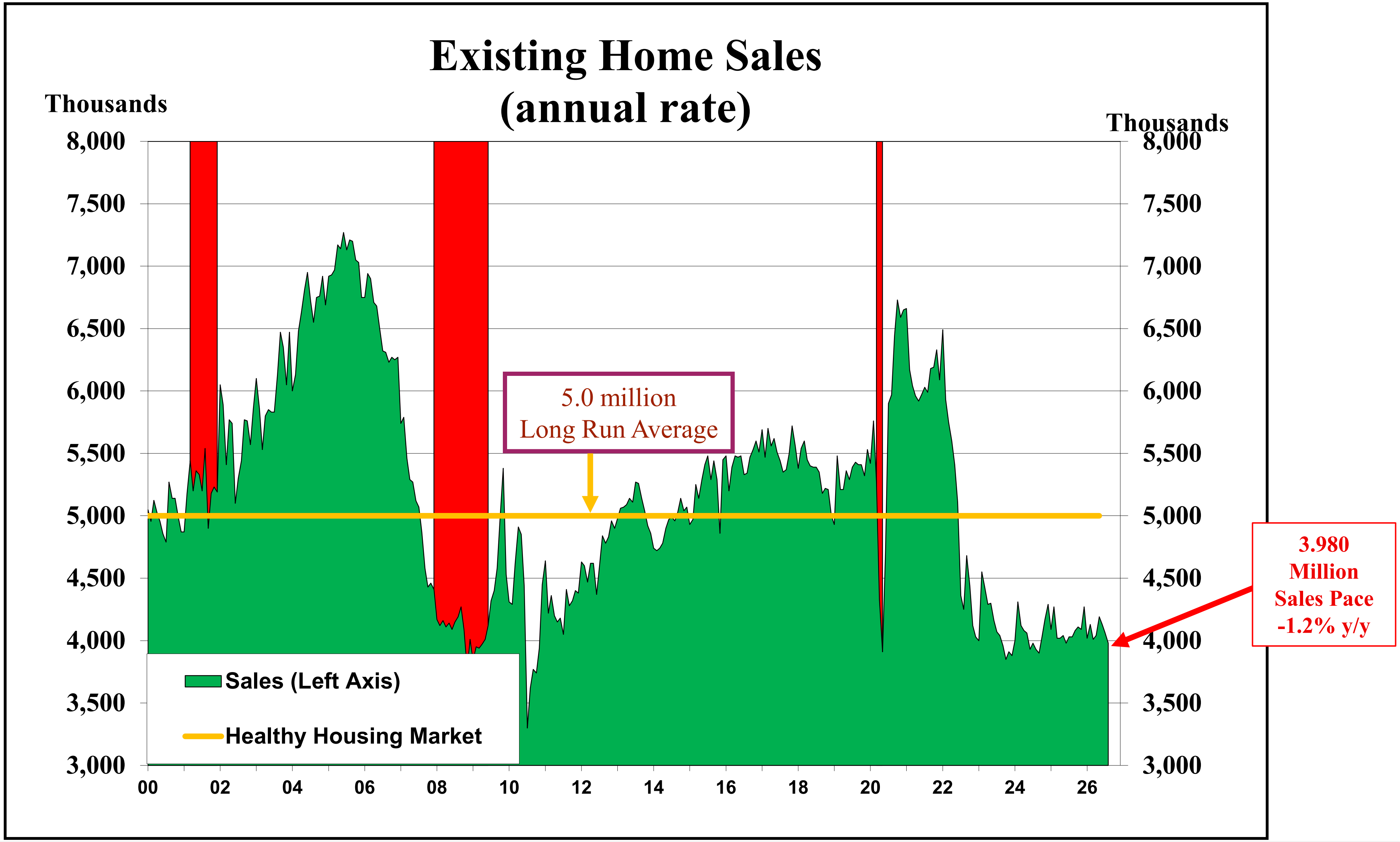
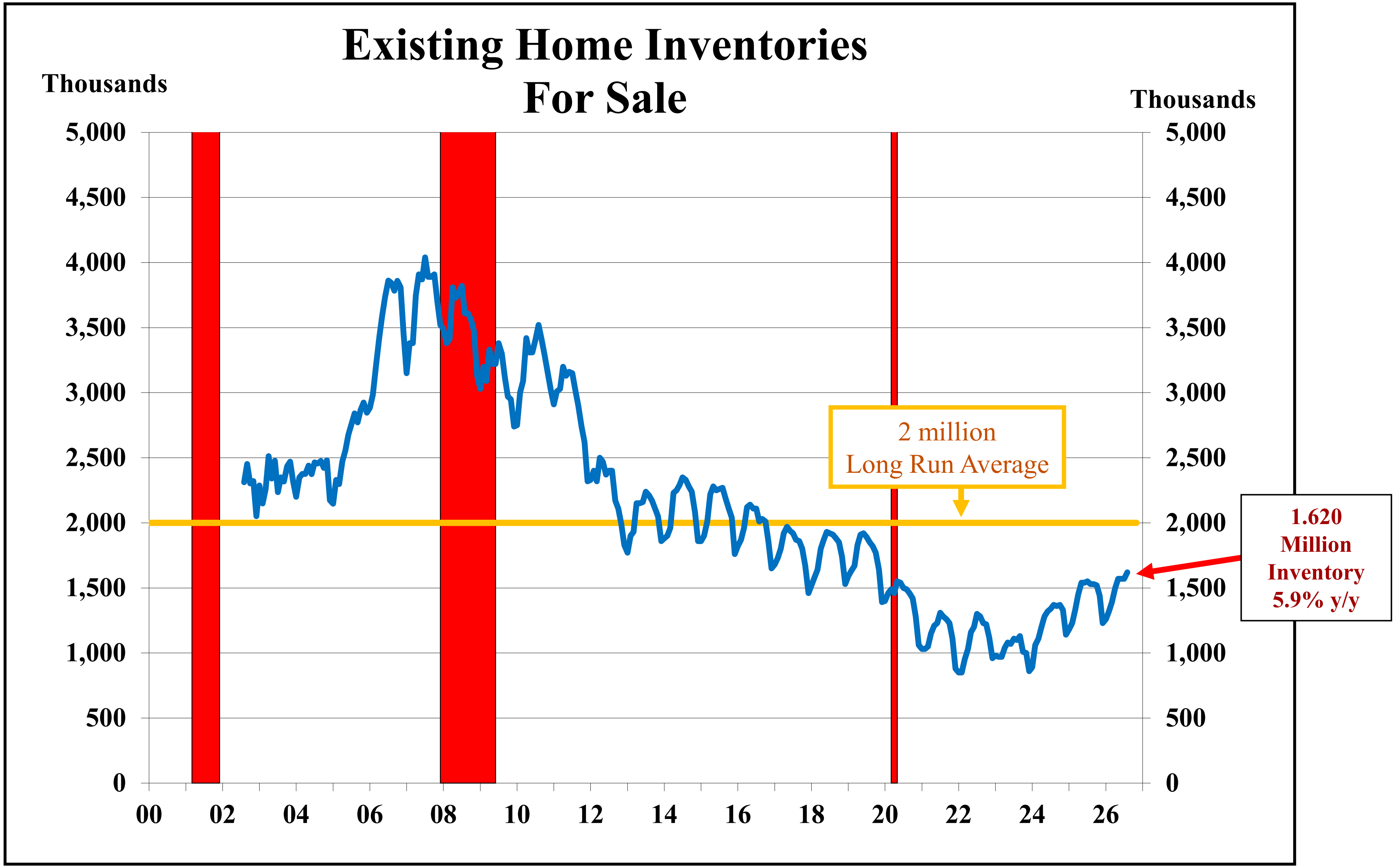


Home Sales are 20% Below Normal



Home Inventories are 20% Below Normal



Credit Union Balance Sheet

Credit Union Balance Sheet

Assets	

Credit Union Balance Sheet

Assets	Liabilities + Capital

Credit Union Balance Sheet

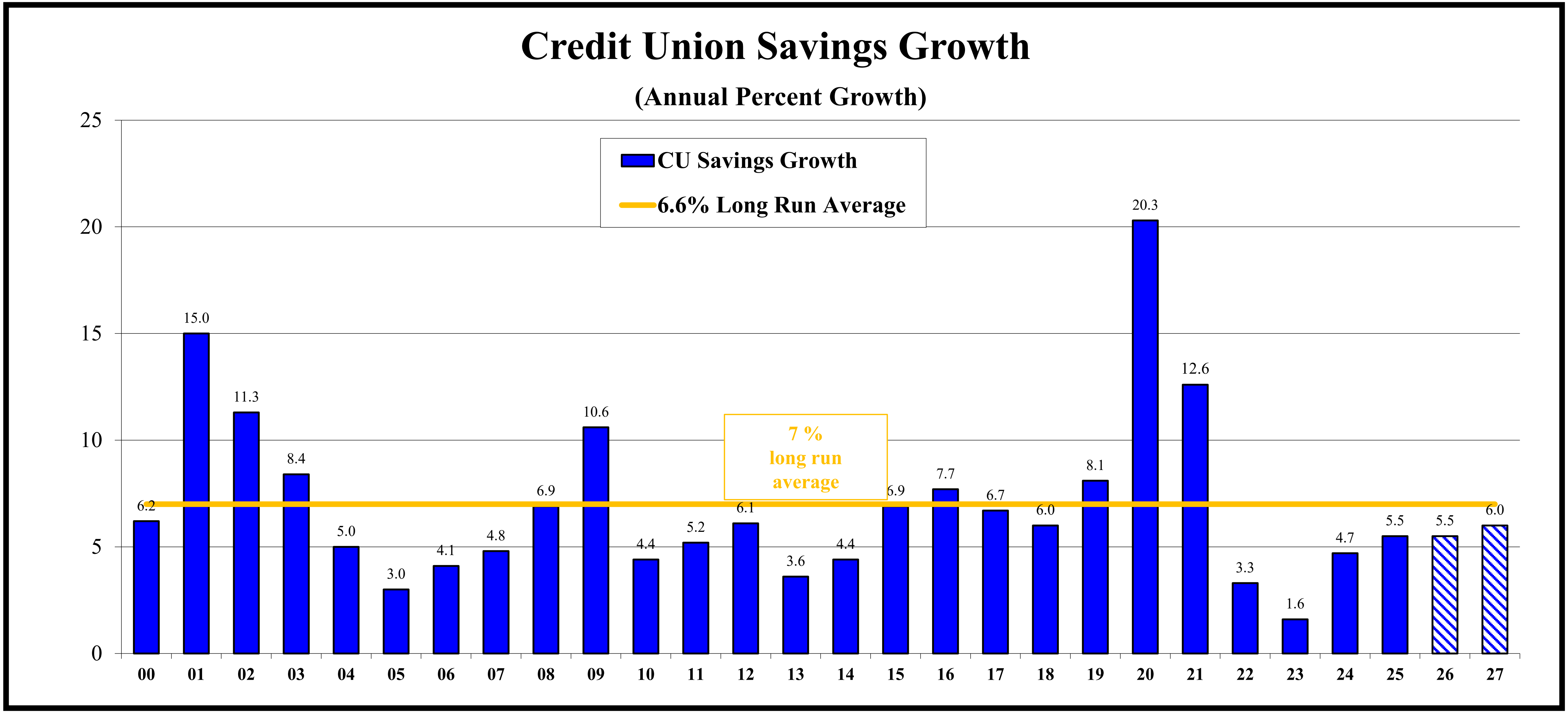
Assets

Liabilities + Capital

Deposits

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

Stronger Credit Union Savings Growth



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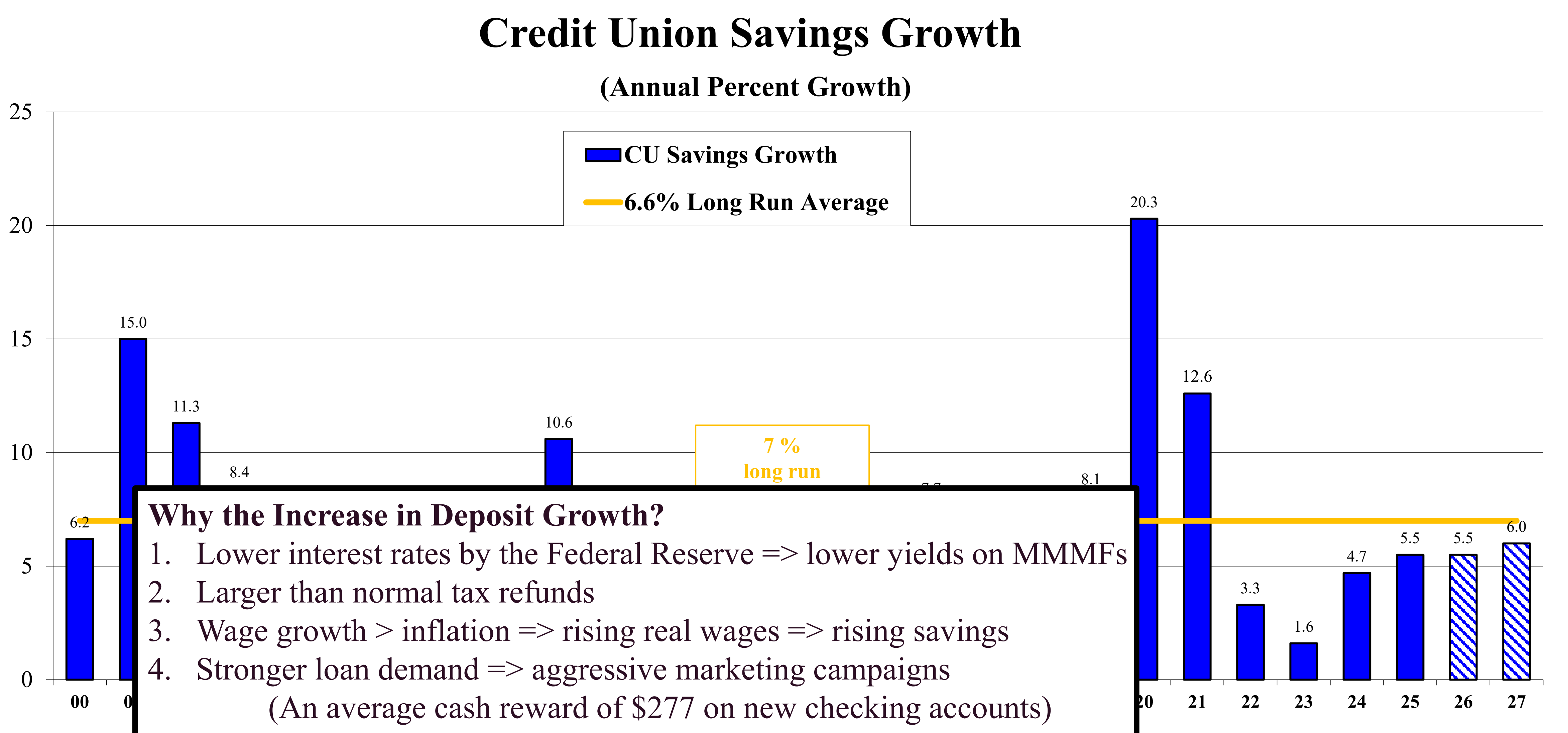


Why the Increase in Deposit Growth?

1. Lower interest rates by the Federal Reserve => lower yields on MMMFs
2. Larger than normal tax refunds
3. Wage growth > inflation => rising real wages => rising savings
4. Stronger loan demand => aggressive marketing campaigns

(An average cash reward of $277 on new checking accounts)

Credit Union Balance Sheet

Assets

Liabilities + Capital

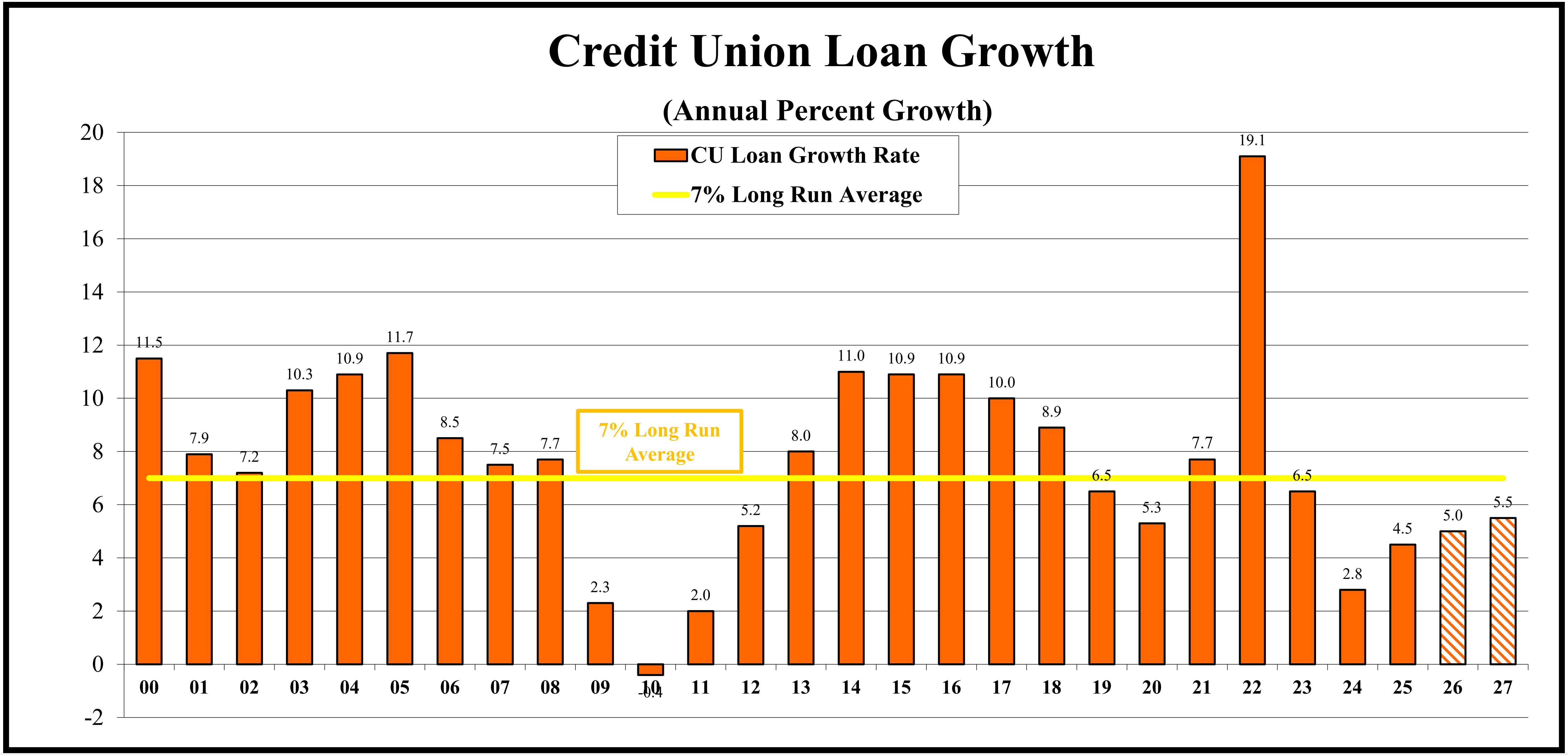
Deposits

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

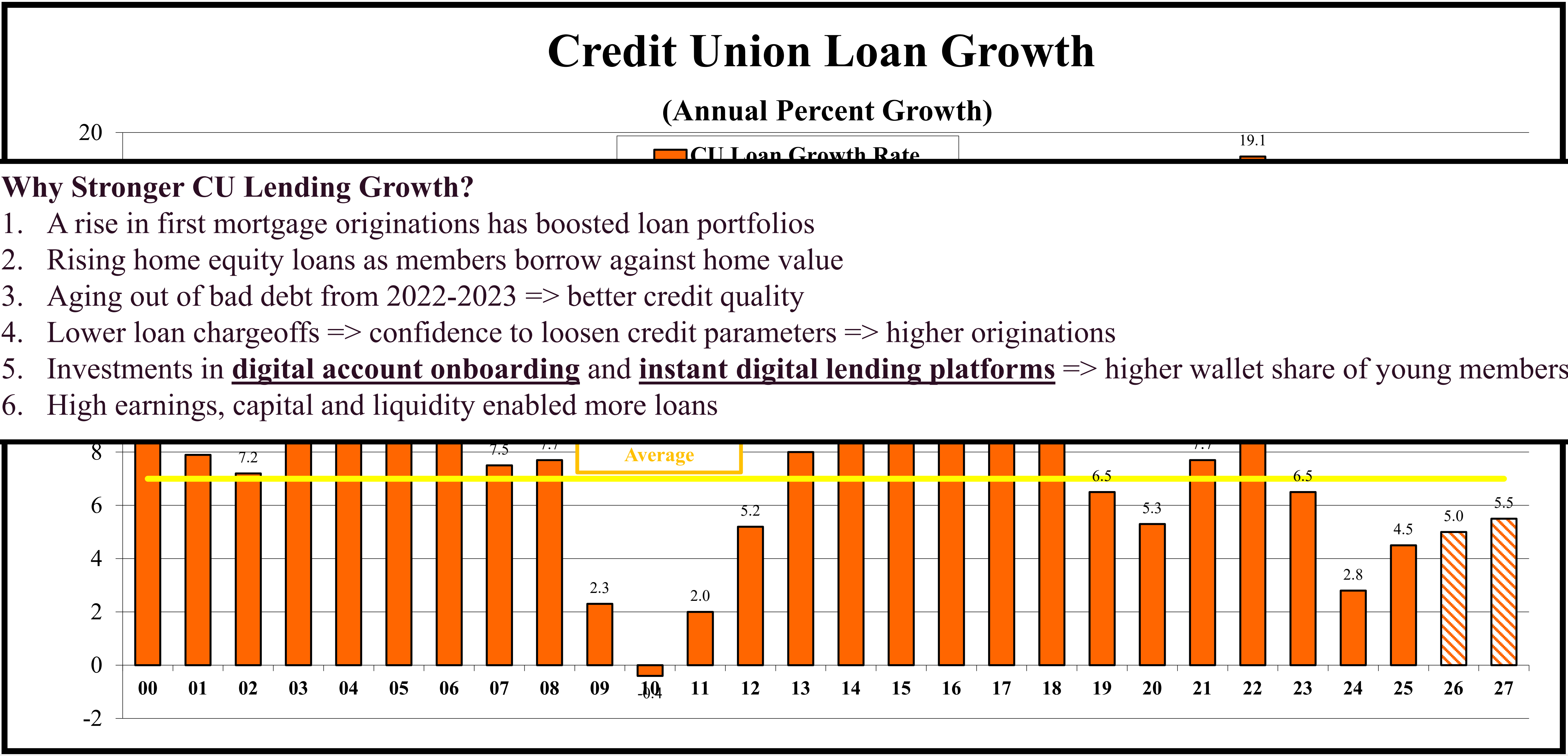
Loans

- Commercial
- Auto
- Home
- Credit Card

Slow Credit Union Loan Growth



Slow Credit Union Loan Growth



Why Stronger CU Lending Growth?

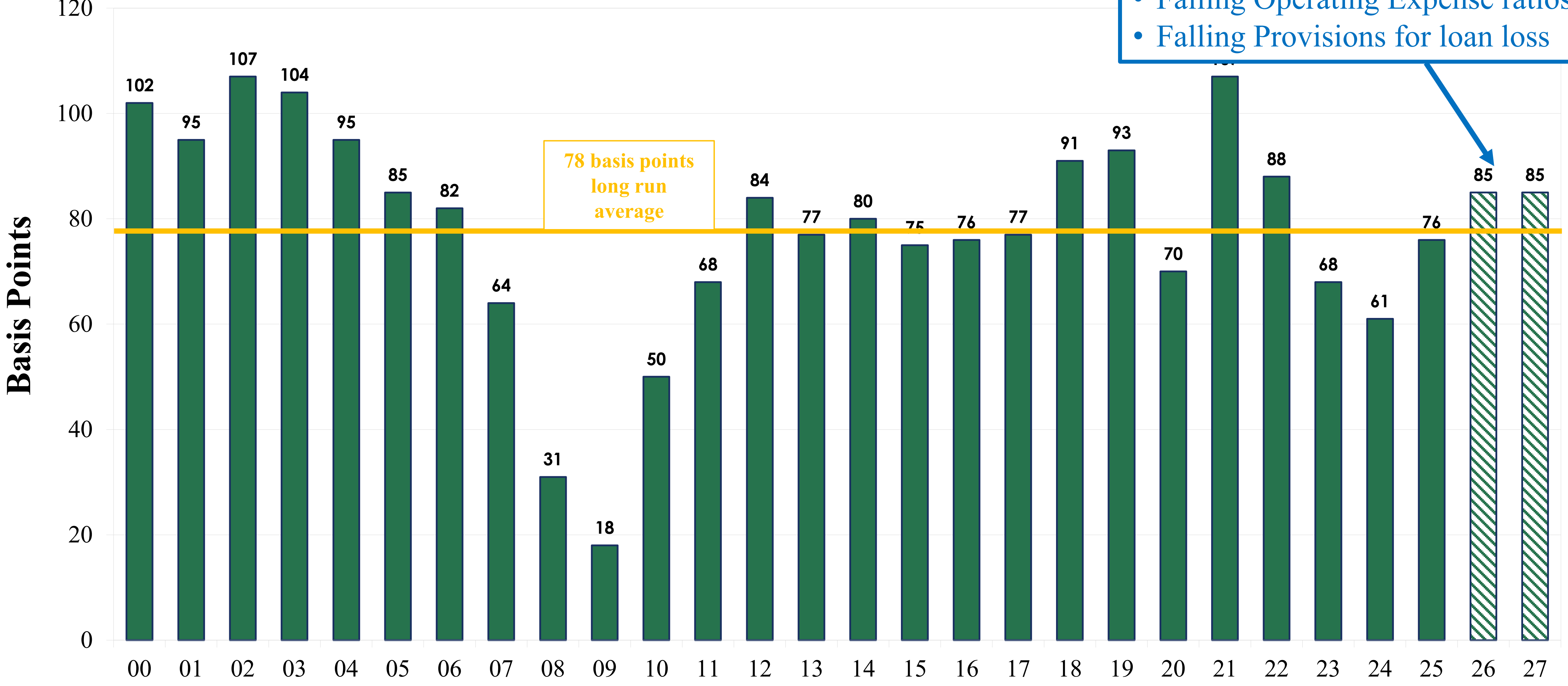
1. A rise in first mortgage originations has boosted loan portfolios
2. Rising home equity loans as members borrow against home value
3. Aging out of bad debt from 2022-2023 => better credit quality
4. Lower loan chargeoffs => confidence to loosen credit parameters => higher originations
5. Investments in **digital account onboarding** and **instant digital lending platforms** => higher wallet share of young members
6. High earnings, capital and liquidity enabled more loans

Credit Union Net Income

(Percent of Average Assets)

2026-2027

- Rising Net Interest Margins
- Falling Operating Expense ratios
- Falling Provisions for loan loss



Economic Update Summary For 2027

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4. Rising interest rates in 2027
5. Credit union loan growth below trend in 2027, (5.5%)
6. Credit Union Return on Assets expected to rise to 0.85% in 2027

Questions?

Economic Forecast

July 2026

	Past results		Quarterly Actual/Forecasts				Annual Forecasts	
	Previous 10 Yr. Avg	2025	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2026	2027
Growth rates:								
Economic Growth (% chg GDP)*	2.5%	2.1%	2.1%	2.0%	1.8%	1.8%	2.0%	2.0%
Inflation (CPI, 12 mth % chg)	3.3%	2.7%	3.2%	3.5%	3.7%	3.5%	3.5%	2.8%
Unemployment Rate (BLS)	4.3%	4.4%	4.4%	4.2%	4.2%	4.2%	4.2%	4.2%
Federal Funds Rate (effective)	2.36%	3.64%	3.64%	3.63%	3.63%	3.80%	3.80%	3.80%
10-Year Treasury Rate	2.84%	4.18%	4.30%	4.44%	4.40%	4.40%	4.40%	4.30%
10-Year-Fed Funds Spread	0.48%	0.54%	0.66%	0.81%	0.77%	0.60%	0.60%	0.50%

*Percent change, annualized rate for quarterly and Q4-to-Q4 change for annual. All other numbers are end-of-period values.

Credit Union Forecast

July 2026

	Past Results		Actuals/Forecasts				Annual Forecasts	
	10 Yr Average	2025	2026 Q1	2026 Q2	2025 Q3	2025 Q4	2026	2027
Growth rates:								
Savings growth	7.4%	5.5%	2.6%	1.0%	0.5%	1.4%	5.5%	6.0%
Loan growth	8.1%	4.6%	0.4%	1.8%	1.5%	1.3%	5.0%	5.5%
Asset growth	7.4%	5.4%	2.0%	1.0%	0.5%	1.5%	5.0%	5.5%
Membership growth	3.5%	1.6%	0.6%	0.5%	0.7%	0.2%	2.0%	2.0%
Liquidity:								
Loan-to-share ratio**	81.1%	83.2%	81.4%	82.1%	82.9%	82.8%	82.8%	82.4%
Asset quality:								
Delinquency rate**	0.75%	1.02%	0.84%	0.90%	0.93%	0.95%	0.95%	0.90%
Net charge-off rate*	0.55%	0.78%	0.81%	0.75%	0.77%	0.80%	0.80%	0.75%
Earnings:								
Return on average assets (ROA)*	0.67%	0.76%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%
Capital adequacy:								
Net worth ratio**	10.9%	11.3%	11.3%	11.4%	11.5%	11.6%	11.6%	11.8%

*Quarterly data, annualized. **End of period ratio. Net worth forecast does not account for CECL Provision