

DFI

DEPARTMENT of
FINANCIAL INSTITUTIONS





COVID-19 Impact

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KENTUCKY DEPARTMENT OF FINANCIAL INSTITUTIONS, 2021

Changes and Impacts of Credit Unions During the Pandemic

- ▶ Rapid transition to remote work
- ▶ Reduced branch availability
- ▶ Reallocation of branch staff to increase call center support
- ▶ Further reaching the Credit Union mission of “People helping People” through supporting members in financial distress, emergency lending, and other creative arrangements
- ▶ Balance sheet growth



Asset Growth

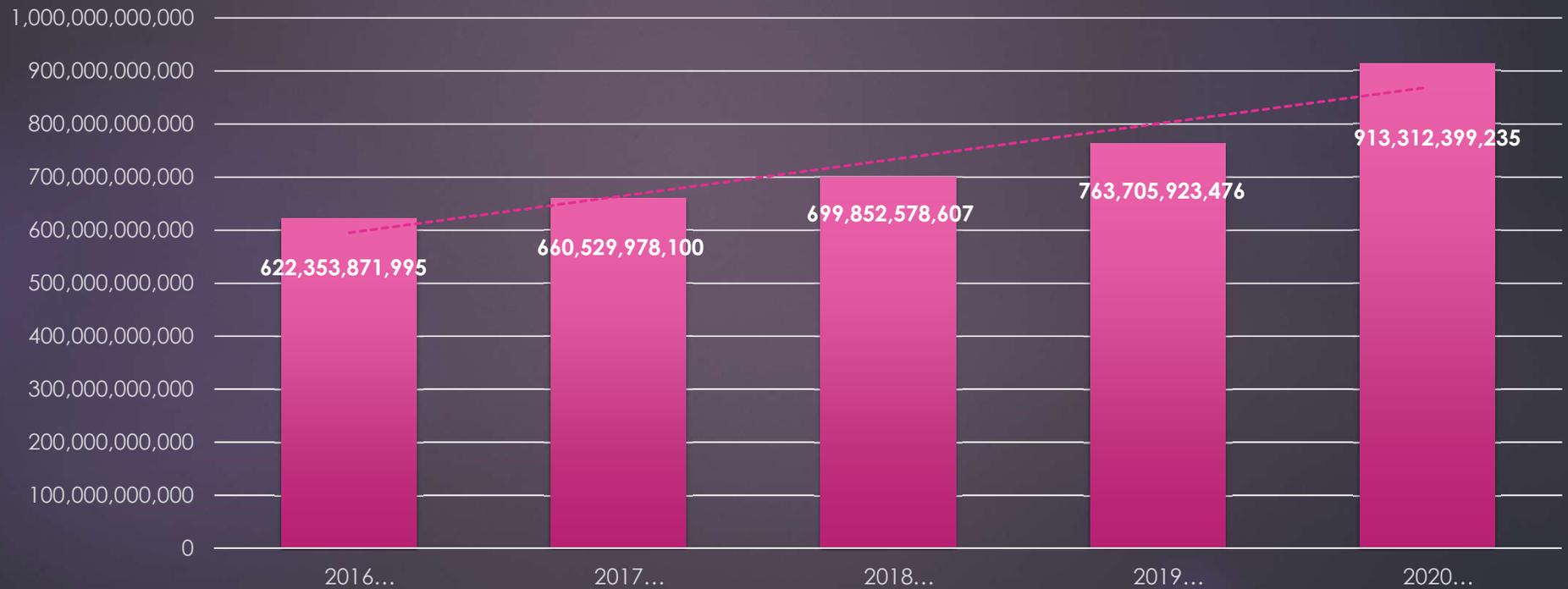
- ▶ Unprecedented asset growth occurred during 2020 due to declined consumer spending declined, multiple economic stimulus payments issued by the federal govt., and expanded unemployment insurance
- ▶ Assets increased by \$149.6 billion, or 19.59% nationwide between YE-2019 and YE-2020
- ▶ Credit Unions experienced a decline in the Capital ratio as assets grew





Asset Growth Continued

5-Year Asset Trends of State-Chartered Credit Unions Nationwide

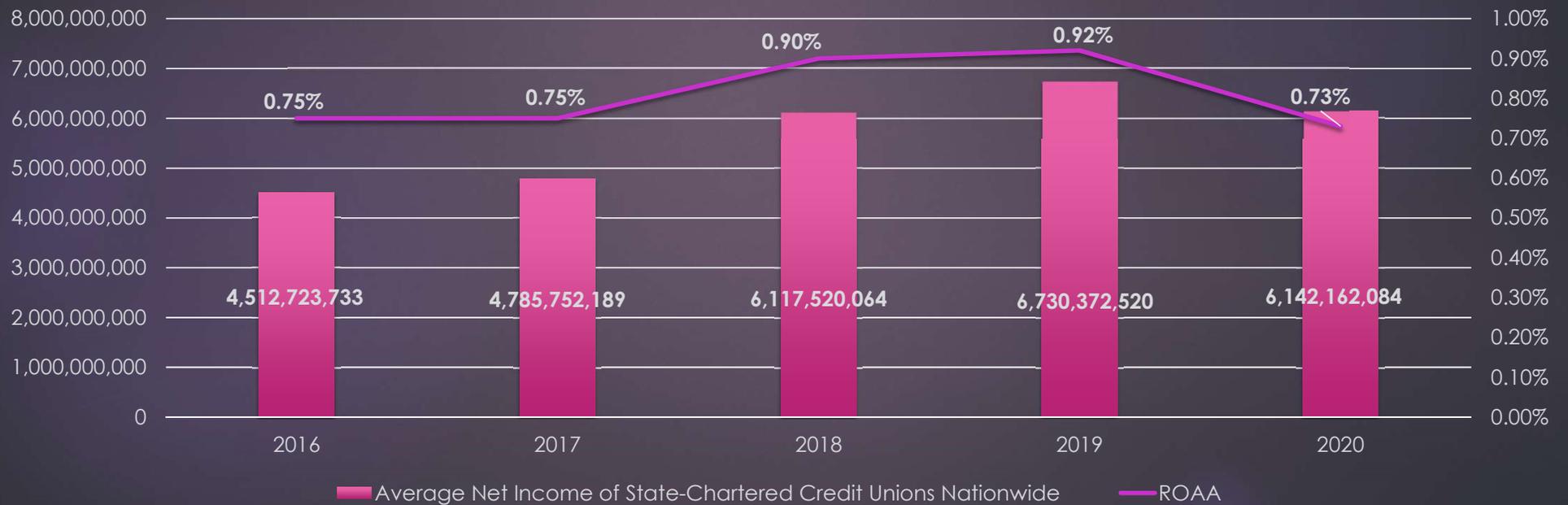




Earnings

Earnings declined industry wide for all state-chartered credit unions by \$588.2 million, or 8.74% between YE-2019 and YE-2020

5-Year Earnings Performance of State-Chartered Credit Unions Nationwide



Reasons for Decline in Earnings

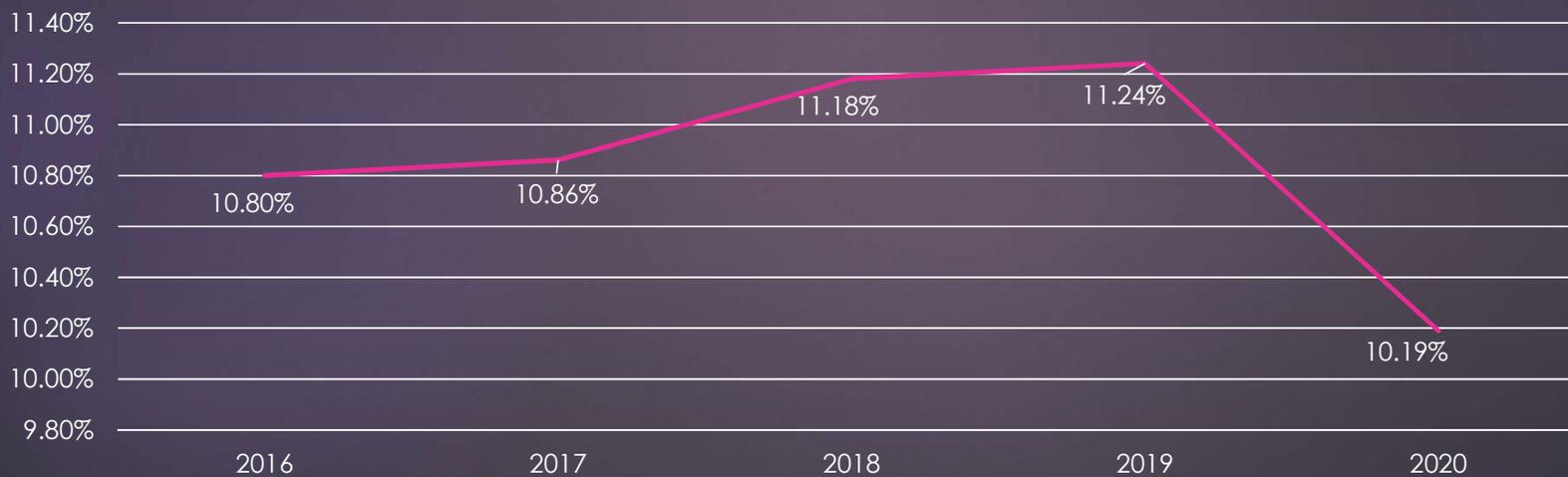
- ▶ Reduced investment income from historically low rates
- ▶ Increased provision expenses to anticipate potential loan losses
- ▶ Declined fee income from reduced member spending resulting in lower NSF fees and interchange income



Net Worth

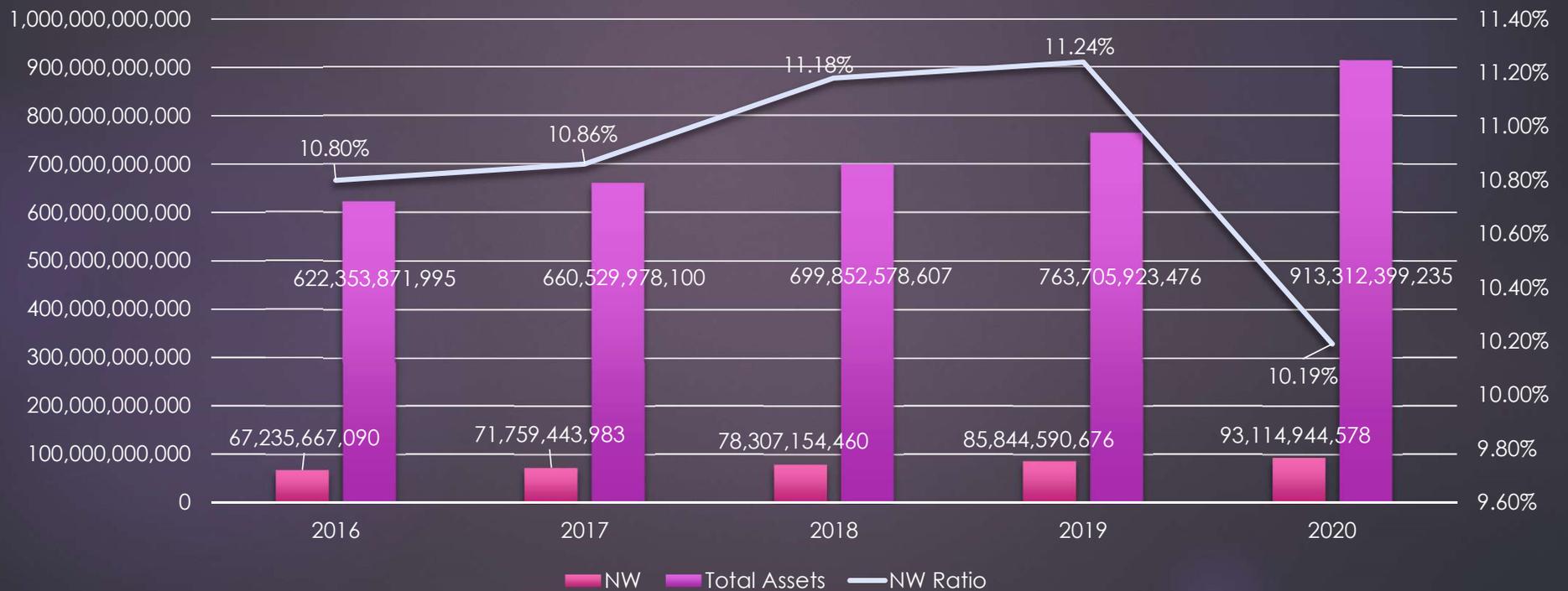
- ▶ Net worth as a percentage of total assets declined 1.05% between YE-2019 and YE-2020
- ▶ This decline in the NW ratio is attributed to asset growth

5-Year NW Ratio Trends of State-Chartered Credit Unions Nationwide





5-Year Comparison of Net Worth, Total Assets, and Net Worth Ratio for State-Chartered Credit Unions Nationwide



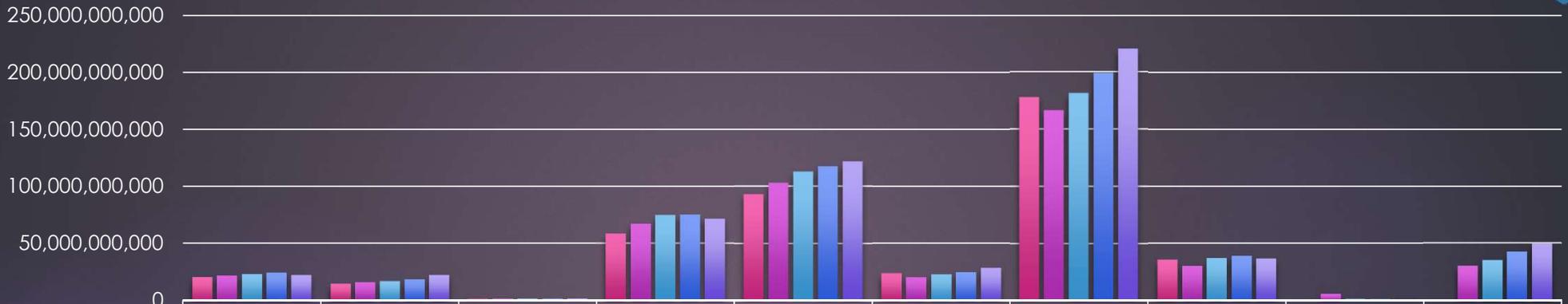
Loan Trends

- ▶ Overall, loans are up \$32.6 billion, or 5.96% between YE-2019 and YE-2020 for state-chartered credit unions nationwide and \$211.8 million, or 6.67% at all KY-chartered credit unions.
- ▶ Nationwide, state-chartered credit unions saw increased consumer and commercial real-estate lending due to historically low mortgage rates. Non-real estate lines of credit also increased.
- ▶ Similarly, KY-chartered credit unions saw increased trends in both consumer and commercial real-estate.





5-Year Loan Trend of All State-Chartered Credit Unions Nationwide

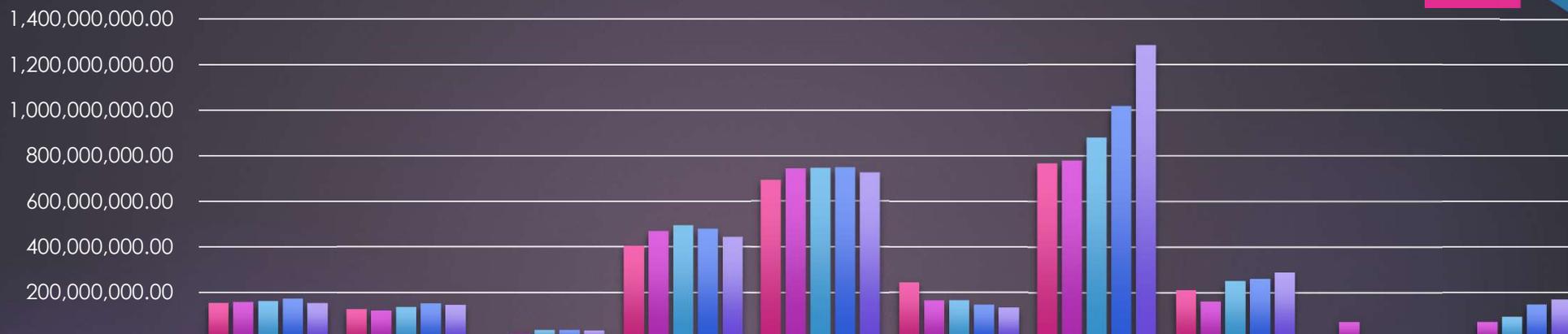


	Unsecured Credit Card Loans	All Other Unsecured Loans/Lines of Credit	Non-Federally Guaranteed Student Loans	New Vehicle Loans	Used Vehicle Loans	All Other Secured Non-Real Estate Loans/Lines of Credit	Total Loans/Lines of Credit Secured by 1st Lien 1-4 Family Residential Properties	Total Loans/Lines of Credit Secured by Junior Lien 1-4 Family Residential Properties	All Other Real Estate Loans/Lines of Credit	Commercial Loans/Lines of Credit Real Estate Secured
2016	19,821,469,	14,538,381,	1,608,567.8	58,423,376,	93,029,992,	23,345,022,	177,894,883	35,056,243,	0	0
2017	21,088,995,	15,522,600,	1,778,942.8	66,877,053,	102,847,526	20,156,501,	166,446,679	29,879,338,	6,118,031.5	30,611,837,
2018	22,285,516,	16,707,192,	1,910,584.8	74,517,362,	112,705,672	22,521,728,	181,285,445	36,502,825,	1,795,452.7	35,515,003,
2019	23,544,245,	18,144,256,	1,905,433.1	74,733,360,	117,402,121	24,339,230,	198,968,919	38,321,883,	1,530,845.6	42,268,368,
2020	21,552,579,	21,771,294,	1,858,506.3	71,284,830,	121,636,093	27,855,590,	220,242,984	36,107,935,	1,257,920.2	49,909,516,

2016 2017 2018 2019 2020



5-Year Loan Trend of All KY-Chartered Credit Unions



	Unsecured Credit Card Loans	All Other Unsecured Loans/Lines of Credit	Non-Federally Guaranteed Student Loans	New Vehicle Loans	Used Vehicle Loans	All Other Secured Non-Real Estate Loans/Lines of Credit	Total Loans/Lines of Credit Secured by 1st Lien 1-4 Family Residential Properties	Total Loans/Lines of Credit Secured by Junior Lien 1-4 Family Residential Properties	All Other Real Estate Loans/Lines of Credit	Commercial Loans/Lines of Credit Real Estate Secured
2016	152,352,61	127,863,27	7,693,989.	404,112,34	690,761,05	243,995,10	766,364,50	211,812,67	-	-
2017	157,340,00	121,348,26	20,244,832	467,697,95	741,078,42	164,235,60	778,789,61	161,610,71	73,111,990	71,622,338
2018	160,971,76	136,853,60	36,988,796	492,286,29	743,744,99	167,012,25	880,004,88	251,849,92	11,870,344	94,880,089
2019	172,737,73	154,315,34	37,125,042	477,427,63	745,425,91	147,469,38	1,017,159,	262,051,79	12,256,712	146,585,21
2020	152,038,02	145,861,02	34,830,370	442,305,13	722,523,64	134,505,63	1,283,878,	289,215,13	10,229,681	168,121,88

2016 2017 2018 2019 2020

Examinations Before COVID-19

What did examinations look like before the pandemic?

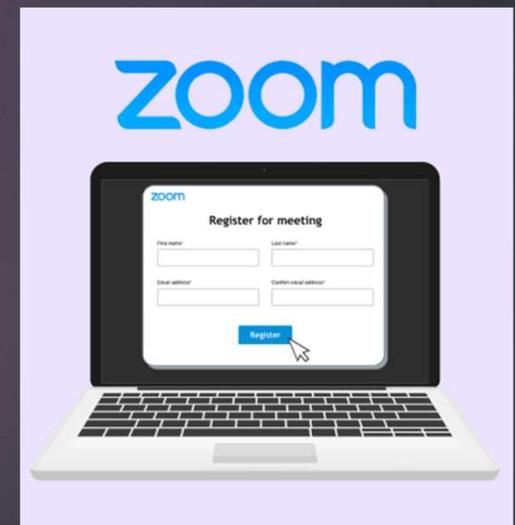
- ▶ Examiners completed examinations 100% onsite
- ▶ Onsite examination time ranged from 1-3 weeks depending on asset size and supervisory concerns
- ▶ Examiners presented examination reports to the Board in person



Examinations During COVID-19

How have examinations changed during the pandemic?

- ▶ The Department shifted its examination posture to 100% offsite
- ▶ On rare occasions, examiners may have gone onsite to review documents in which credit union management preferred an onsite review (such as loan files) following agency and credit union safety guidelines
- ▶ Examiners presented examination reports to the Board virtually or via teleconference



Examinations After COVID-19

What will examinations look like post pandemic?

- ▶ The Department will implement a hybrid examination process that will include both on and offsite examination procedures
- ▶ On versus offsite examination procedures will be determined by:
 - a. Credit Union management's preference and ability to accommodate offsite work and/or an onsite presence;
 - b. Examination staff's ability to effectively complete the assignment or procedure remotely;
 - c. The credit union's risk profile and prior examination concerns



Resources



1. NCUA Asset Thresholds - <https://www.govinfo.gov/content/pkg/FR-2021-03-23/pdf/2021-05967.pdf>
2. Prompt Corrective Action Regulatory Relief Measures in Response to the COVID-19 Pandemic - <https://www.ncua.gov/regulation-supervision/letters-credit-unions-other-guidance/prompt-corrective-action-regulatory-relief-measures-response-covid-19-pandemic>
3. Working with Borrowers Affected by the COVID-19 Pandemic - <https://www.ncua.gov/regulation-supervision/letters-credit-unions-other-guidance/working-borrowers-affected-covid-19-pandemic>
4. Summary of the Coronavirus Aid, Relief, and Economic Security (CARES) Act - <https://www.ncua.gov/regulation-supervision/letters-credit-unions-other-guidance/summary-coronavirus-aid-relief-and-economic-security-cares-act>

