

DATA DISPATCH

Credit quality at US credit unions, community banks improves YOY in Q2

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Market Intelligence

Credit quality improved at U.S. community banks and credit unions in the second quarter as delinquencies remained muted and net charge-offs tumbled.

Net charge-offs fell by roughly half year over year at both U.S. credit unions and U.S. community banks under \$10 billion in assets in the second quarter.

Meanwhile, net charge-offs as a percentage of average loans fell to 0.24% at credit unions in the second quarter, down 24 basis points year over year and 8 basis points quarter over quarter. The NCO ratio at community banks dropped to 0.08% in the second quarter, down 10 basis points year over year and even with the first quarter.

Similarly, the nonperforming assets ratio at U.S. credit unions fell 11 basis points year over year to 0.30% in the second quarter, while it fell 18 basis points year over year at U.S. community banks to 0.69%.

Credit quality at US credit unions and community banks, Q2'21

Aggregate balances	Q2'21 (\$B)	Change (%)	
		QOQ	YOY
Nonperforming assets	5.90	0.2	-18.1
	20.32	-5.7	-9.7
Net charge-offs	0.71	-23.2	-48.3
	0.37	9.7	-50.4
Loan loss reserves	12.08	-6.0	4.9
	26.36	-0.6	10.2
Aggregate ratios	Q2'21 (%)	Change (bps)	
Nonperforming assets/total assets	0.30	0	-11
	0.69	-6	-18
Texas ratio ^{2,3}	2.76	-8	-87
	6.52	-67	-147
Reserves/nonperforming assets	204.83	-1,353	4,502
	129.73	672	2,342
Reserves/total loans and leases	1.01	-9	0
	1.43	-4	7
Net charge-offs/average loans	0.24	-8	-24
	0.08	0	-10

Credit unions **Community banks¹**

Data compiled Aug. 19, 2021.

bps = basis points

Analysis based on regulatory filings of U.S. credit unions and community banks as of June 30, 2021. Excludes corporate credit unions.

Paycheck Protection Program loans excluded from total assets, total loans and leases, and average loans.

¹ Community banks include all U.S. commercial banks, savings banks, and savings and loan associations that reported total assets of less than \$10 billion for the quarter ended June 30, 2021; excludes nondepository trusts and companies with a foreign banking organization charter. Parents and middle-tier parents of banks and thrifts with over \$10 billion in assets are also excluded from the analysis.

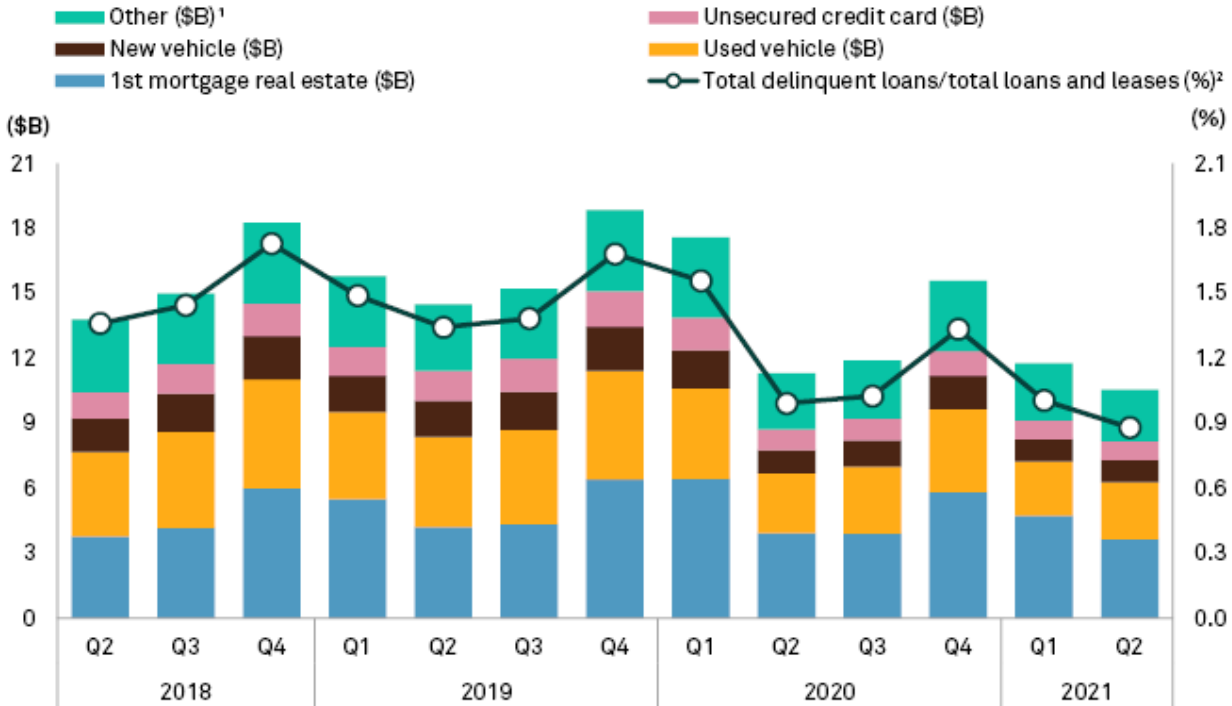
² Texas ratio for credit unions is total nonperforming assets as a percentage of total equity, loan loss reserves and uninsured secondary capital at low-income designated credit unions.

³ Texas ratio for community banks is nonperforming assets plus loans 90 days or more past due, net of delinquent government guaranteed loans and other real estate owned covered by loss-sharing agreements with the FDIC, as a percentage of tangible equity and reserves. Allowance for credit losses on off-balance sheet credit exposures are not included in loan loss reserves.

Source: S&P Global Market Intelligence

Delinquent loans as a percentage of total loans and leases at U.S. credit unions dropped to 0.88% as of June 30, compared to 1.01% in the first quarter and 0.99% in the year-ago quarter.

Delinquencies at US credit unions by loan type



Data compiled Aug. 19, 2021.

Analysis based on regulatory filings for U.S. credit unions. Excludes corporate credit unions.

Delinquencies include loans 30 days or more past due.

¹ Includes payday alternative loans, non-federally guaranteed student loans, other real estate loans, lease receivables, and all other loans reported by credit unions.

² Paycheck Protection Program loans excluded from total loans and leases.

Source: S&P Global Market Intelligence

Eighteen of the 20 largest U.S. credit unions by loans and leases reported lower NCO ratios year over year in the second quarter, while 15 of the top 20 reported lower nonperforming loan ratios.

Vienna, Va.-based Navy FCU, the largest U.S. credit union by loans, reported that 0.80% of its loans were nonperforming as of June 30, and its NCO ratio dropped to 0.92% in the second quarter from 1.76% in the year-ago quarter.

Asset quality at 20 largest US credit unions by loans and leases, Q2'21

Company	Total loans and leases (\$B)	NPLs/loans		Reserves/NPAs		NCOs/average loans	
		(%)	vs. Q2'20*	(%)	vs. Q2'20*	(%)	vs. Q2'20*
Navy FCU	88.96	0.80	▲	302.3	▼	0.92	▼
State Employees CU	24.16	1.21	▼	134.7	▲	0.13	▼
Pentagon FCU	20.94	1.21	▲	94.5	▼	0.58	▼
Boeing Employees CU	12.32	0.20	▼	424.7	▼	0.17	▼
SchoolsFirst FCU	11.79	0.34	▼	222.7	▲	0.16	▼
America First FCU	10.11	0.55	▼	263.7	▲	0.31	▼
Suncoast CU	9.65	0.25	▼	576.2	▲	0.20	▼
Golden 1 CU	9.35	0.30	▼	315.2	▲	0.20	▼
Mountain America FCU	9.27	0.44	▼	226.6	▲	0.28	▼
Alliant CU	9.07	0.46	▼	176.3	▼	0.42	▼
Randolph-Brooks FCU	8.94	0.21	▼	446.5	▲	0.25	▼
First Technology FCU	8.83	0.21	▼	341.5	▲	0.39	▼
Security Service FCU	8.49	0.51	▲	340.9	▲	0.42	▼
Alaska USA FCU	7.78	0.81	▼	80.2	▲	0.08	▼
VyStar CU	7.38	0.25	▼	304.5	▲	0.40	▲
Digital FCU	6.92	0.59	▼	384.3	▲	0.47	▼
Lake Michigan CU	6.80	0.15	▲	144.6	▲	0.00	▼
GreenState CU	6.79	0.34	▼	206.0	▲	0.22	▼
Bethpage FCU	6.30	1.53	▼	91.6	▲	0.11	▼
Ent CU	6.29	0.52	▲	45.2	▼	0.12	▲
Industry aggregate		0.46	▼	204.8	▲	0.24	▼

Data compiled Aug. 19, 2021.

NCOs = net charge-offs

Analysis includes U.S. credit unions that filed call reports for the quarter ended June 30, 2021. Excludes corporate credit unions.

* The year-over-year comparison represents the change in values rounded to two decimal places.

Paycheck Protection Program loans excluded from total loans and leases and average loans.

Source: S&P Global Market Intelligence

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