Executive Summary

Despite the tumult of political changes in 2025, U.S. credit unions can navigate the Trump administration's policies by leveraging their strengths and preparing for both opportunities and risks. Below are the key insights and takeaways from our analysis:

- **Deregulation Brings Relief** – The administration's sweeping deregulatory moves, including an effective shutdown of the CFPB, mean fewer new rules and potentially lower compliance costs for credit unions. NCUA supervision may become more lenient, and proposals to merge regulators have not yet materialized . This gives credit unions breathing room to focus on growth and innovation instead of new regulations. **However, self-regulation is crucial** – maintaining high consumer protection standards and prudent risk management internally will safeguard your credit union's reputation and stability in the absence of federal oversight.
- **Changes in Oversight and Policy** – Federal regulators are being re-shaped. The CFPB halt has effectively frozen consumer protection rulemaking , and the NCUA's leadership is shifting to a pro-business tone. Watch for **NCUA policy changes** such as possible expanded powers (e.g., business lending limits) or adjusted supervision priorities. Credit unions should engage with NCUA's evolving agenda and ensure they take advantage of any new flexibility (for example, field of membership expansions or capital rule tweaks) while staying prepared for potential consolidation of regulators in the future.
- **Economic Climate: Cautious Optimism** – The U.S. economy could see solid growth fueled by tax cuts and deregulation, but inflation and interest rate dynamics will be the swing factors. Expect **interest rates to remain relatively high in 2025**, as the Fed resists political pressure to cut until inflation is clearly tamed . This will keep pressure on margins – **loan yields are up, but so are deposit costs**. Credit unions should manage interest rate risk closely and be ready for either scenario: rates

staying higher for longer (meaning focus on controlling funding costs and offering competitive savings products) or an eventual rate drop (meaning preparing for a refinance wave and investment portfolio impacts).

- **Lending and Credit Risk –** In lending, **demand patterns are shifting**. Mortgage lending may lag due to high rates unless the administration's housing policies significantly improve secondary markets (e.g., changes at Fannie/Freddie won't happen overnight). Auto and small business lending have growth potential in a strong economy, but credit unions must lend prudently to avoid future delinquencies. Monitor credit quality vigilantly: NCUA has flagged rising delinquencies in credit cards and other loans . With possible economic overheating or an eventual downturn, **ensure underwriting standards remain sound**. Now is a good time to refine credit risk models and do stress tests on your loan portfolio for higher unemployment scenarios.
- **Tax Exemption Under Threat** – A notable risk: the credit union federal tax exemption has been targeted in budget proposals as a way to raise revenue . While not a certainty, this threat is more real now than it has been in years. **Losing the tax exemption would drastically alter credit unions' economics**, potentially reducing net income by 20-30% on average (depending on your current ROA). All credit union leaders should support advocacy efforts to protect the tax status. At the same time, **run contingency analyses**: how would your business model need to change if, in a worst case, credit unions were taxed? Identifying efficiencies or alternative revenue streams now can be a fallback if the landscape changes.
- **Competitive Landscape: Banks and Fintechs –** Banks are emboldened by deregulation and may pursue mergers (creating larger competitors) and aggressive growth strategies . Fintech and Big Tech firms have fewer regulators watching them, so expect more innovative financial products vying for your members' attention. **Credit unions' best competitive response is doubling down on their**

core strengths: member trust, personalized service, and community presence. Use the current environment to invest in digital enhancements and partnerships (so you can offer similar tech conveniences), while marketing the credit union difference – no shareholders, just members. Ensure your pricing stays attractive; banks might use tax savings to offer enticing rates or rewards, so keep a close eye on market rates and be prepared to adjust or promote your better fee structure.

- **Crypto and Digital Assets** – The federal government is now actively promoting digital asset innovation and has stopped efforts to launch a U.S. CBDC . A working group will propose new crypto regulations in the coming months. **This is an opportunity for credit unions to cautiously explore blockchain and crypto services**. Member interest in crypto, especially among younger demographics, can be met through partnerships (offering a crypto trading option via a trusted provider, for example). But proceed carefully: emphasize member education and only introduce products when you're confident in their safety and compliance. The crypto arena can be volatile – a friendlier regulatory stance does not eliminate market risks. Ensure robust due diligence on any crypto-related activities.
- **Economic Indicators to Watch** – Keep a dashboard of key metrics: inflation, unemployment, interest rates (Fed decisions), and regional economic indicators relevant to your field of membership. For example, if you serve a military population, watch defense budget changes; if you're in an agricultural area, watch crop prices and trade policy news. **Early warning signals** (like a jump in unemployment claims in your area or a sharp yield curve change) should trigger internal discussions on adjusting strategy (perhaps tightening credit or ramping up collections efforts if a downturn looms).
- **Scenario Preparedness** – We've outlined best, baseline, and worst-case scenarios. **Ensure your strategic plan covers elements of each.** In your strategic planning sessions and board meetings, ask: "If things really take off, how do we capitalize? If

things head south, how do we shelter and assist members?" Having playbooks for different outcomes means you won't be caught flat-footed. For instance, best-case may involve expansion – have a prioritized list of investments or growth initiatives to execute if performance exceeds expectations. Worst-case may involve cost control and member relief programs – identify what could be trimmed or how you'd help members through hardship (skip-a-pay, financial counseling) so you can activate those quickly if needed.

- **Member Focus and Communication** – Through all the policy and economic changes, **maintaining member trust is paramount**. Communicate proactively about what these changes mean. Let members know that even though the CFPB is quiet, your credit union remains committed to fair and transparent practices. If interest rates and prices are pinching budgets, offer help – perhaps a financial check-up or restructuring loans for those who need it. This not only manages risk (by addressing issues early) but also cements loyalty. In good times, celebrate the cooperative advantage – for example, if you have record earnings due to tax cuts or growth, consider a bonus dividend to members or increased community giving, underscoring that your profits benefit them, not Wall Street.

In conclusion, 2025 will be a year of significant change, but credit unions' mission of serving members' financial well-being remains unchanged. By staying informed of policy shifts , remaining agile in strategy, and keeping the member at the center of all decisions, credit unions can turn potential disruptions into opportunities. Whether it's navigating a lighter regulatory regime, adjusting to economic policy impacts, or fending off competitive challenges, credit unions have the tools and cooperative ethos to succeed.

Plan for the worst, hope for the best, and continue delivering value to your members – that is the sure path through uncertain times.