

Credit Risk in the Current Economic Environment

What Does this White Paper Cover?

Credit union finance leaders build and depend on various models, indicators, forecasts, and business intelligence to make decisions around credit risk, cost, pricing, and allowance that will ensure the institution's continued viability. What's a finance leader to do when facing a second-tail risk or "black swan" economic event within two decades?

This white paper examines:

- **What** have credit unions done to prepare for a tail risk or "black swan" event that affects credit,
- **What** credit risk indicators credit unions should pay close attention to,
- **What** credit unions can rely on now,
- **Whether** incurred loss provides value or is too speculative,
- **What** sources are being used to forecast credit costs into the near future,
- **How** credit unions are allowing for various credit components,
- **What** examiners and auditors expect, given recent forbearances, and
- **How** a credit union might analyze future losses using data from the Great Recession.

Where Can You Find the White Paper?

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Wings Financial Credit Union
Minneapolis, MN
\$6 billion in assets
295,000 members

Top 3 Takeaways

- 1 While a black swan event is unforeseeable, robust analytic methods allow credit unions to better handle the unpredictability of these rare events.
- 2 In addition to national macroeconomic factors, it is essential to use local and member data to recognize potential risks.
- 3 Finance and lending must work together, agreeing on the data to use and the analyses to perform.