

The Benefits of Membership

Customized Analysis of Member Benefits For:

Alabama

June 2014

Prepared by:

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Alabama

The Benefits of Membership

Credit unions generally provide financial benefits to members through lower loan rates, high saving rates, and fewer fees than banking institutions.

The Credit Union National Association (CUNA) estimates that Alabama credit unions provided \$106,523,172 in direct financial benefits to the state's 1,882,671 members during the twelve months ending June 2014.

These benefits are equivalent to \$57 per member or \$108 per member household ⁽¹⁾.

Estimated total benefits of credit union membership are calculated by accounting for differences in credit union and bank pricing. Specifically, average credit union savings account yields, loan interest rates and fees are compared to average bank savings account yields, loan interest rates and fees. The interest rate differences are then applied to respective average credit union loan and savings balances. Fee differences are weighted and applied to credit union non-interest income to obtain the total estimated benefits arising from fees.

The per-member and per-household benefits delivered by Alabama credit unions are substantial. But, these benefits are averages. Mathematically, that means the total benefits provided are divided across all members (or all member households) - even those who conduct very little financial business with Alabama credit unions.

Consider this:

Financing a \$25,000 new automobile for 60 months at a Alabama credit union will save members an average \$116 per year in interest expense compared to what they would pay at a banking institution in the state.

Further, loyal members - those who use the credit union extensively - often receive total financial benefits that are much greater than the average.

Alabama credit unions excel in providing member benefits on many loan and saving products. In particular, Alabama credit unions offer lower average loan rates on the following accounts: new car loans, used car loans, home equity loans, credit cards loans.

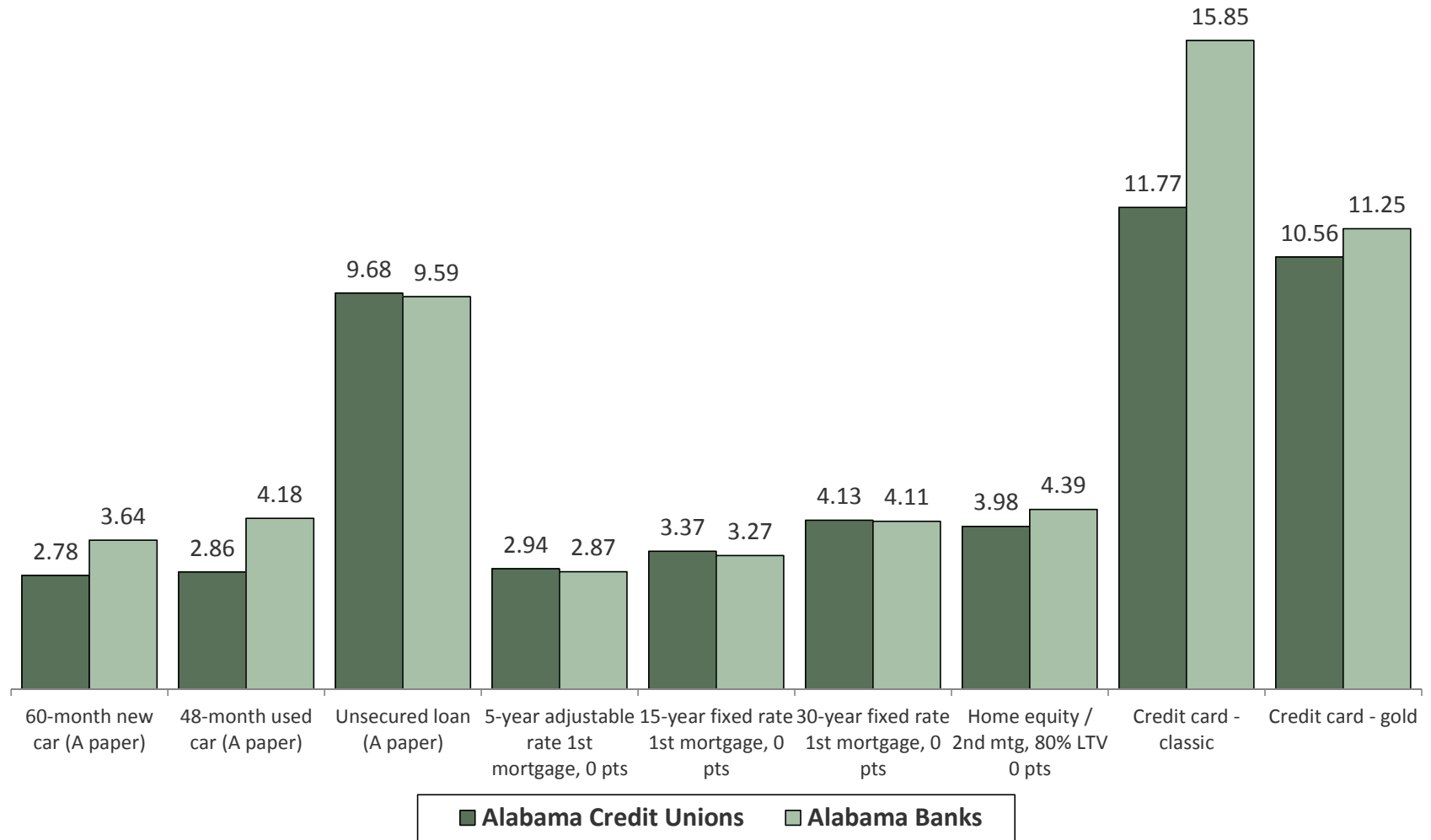
Alabama credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



Source: Datatrac, NCUA, and CUNA.
(1) Assumes 1.9 credit union members per household.

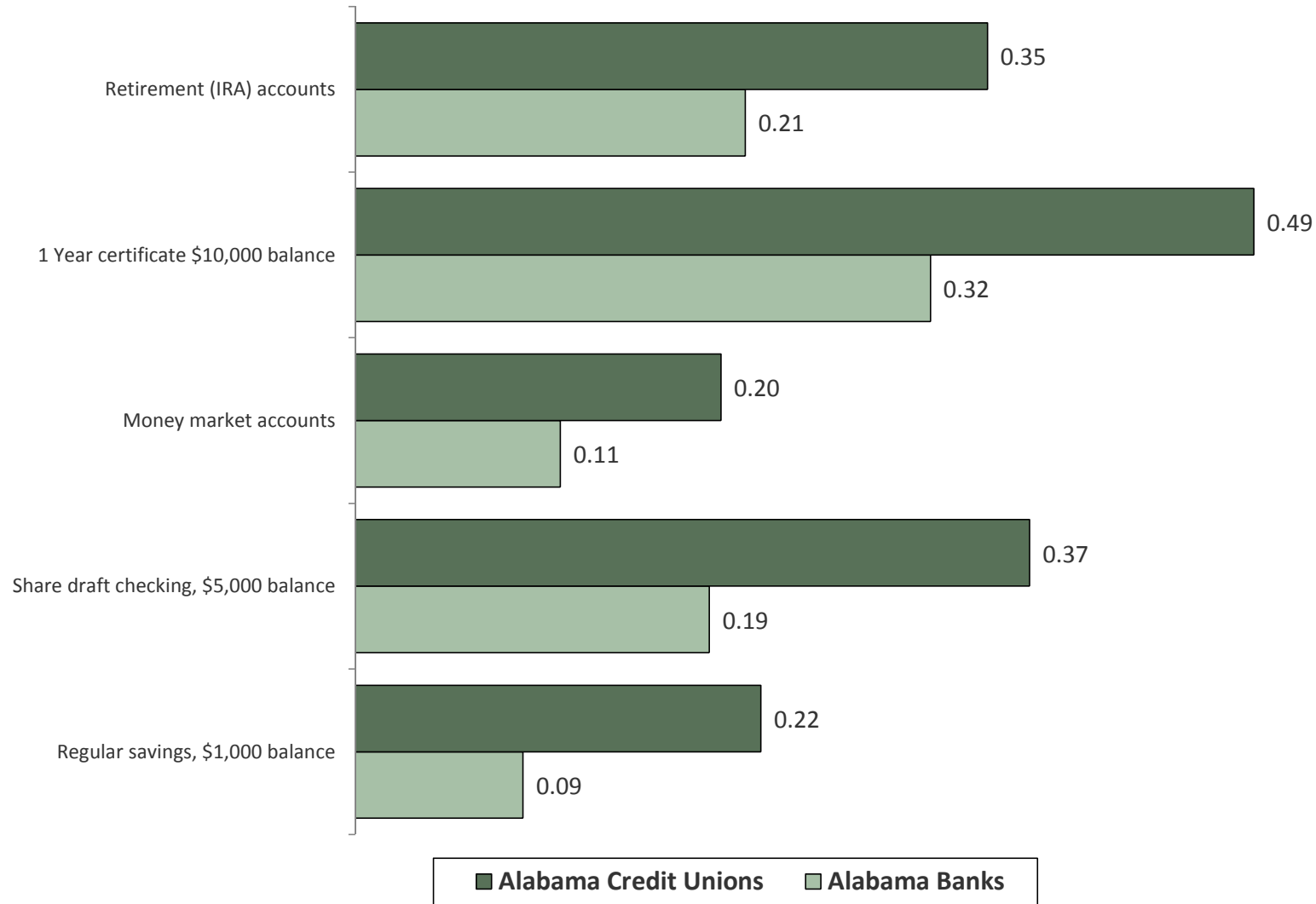
Loan Product Comparative Interest Rates (%)

By Loan Type



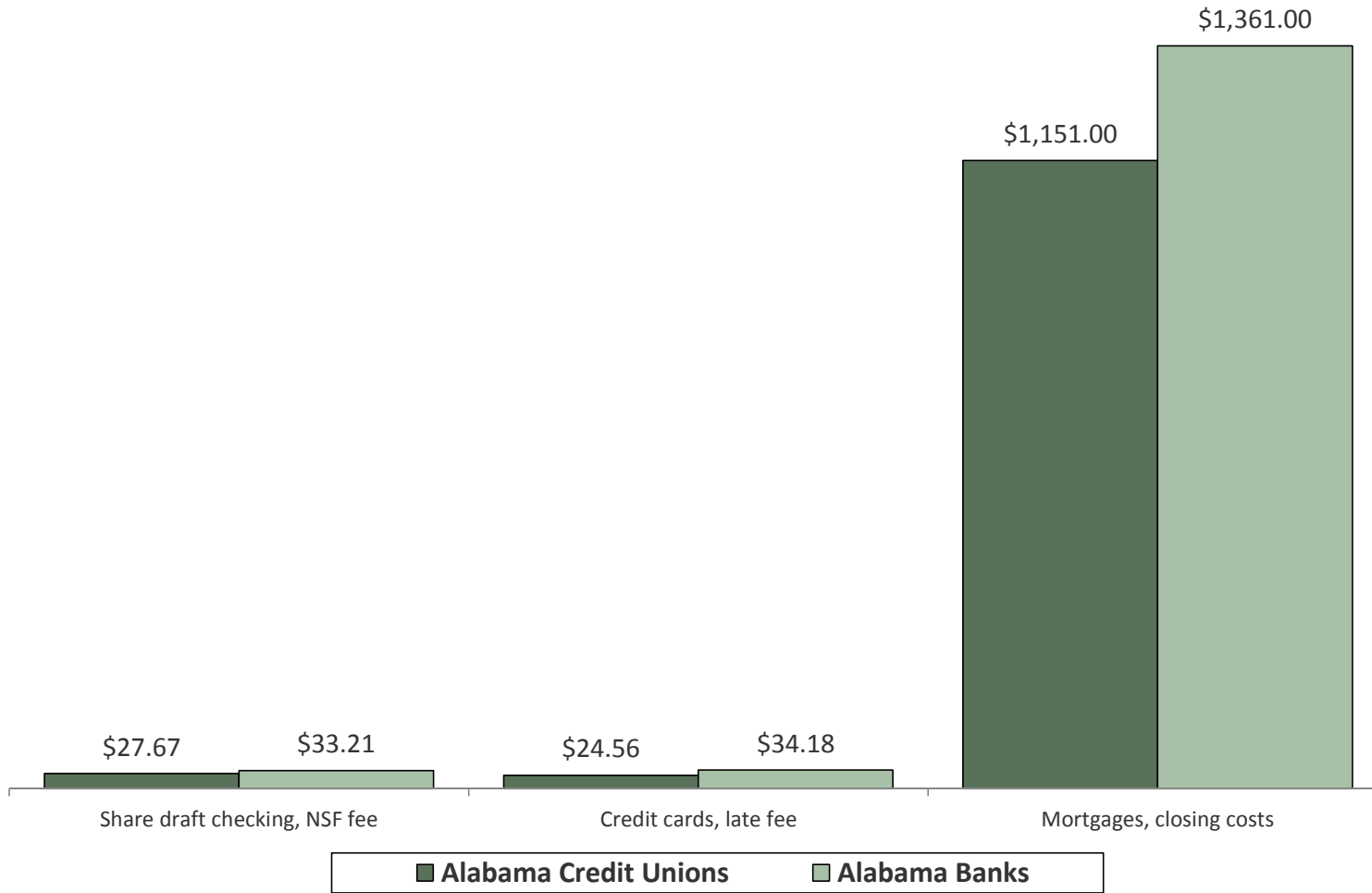
Savings Products Comparative Interest Rates(%)

By Savings Account Type



Comparative Fees

By Type



Alabama
Credit Union and Banking Institution
Mid-Year 2014 Average Interest Rates and Fees

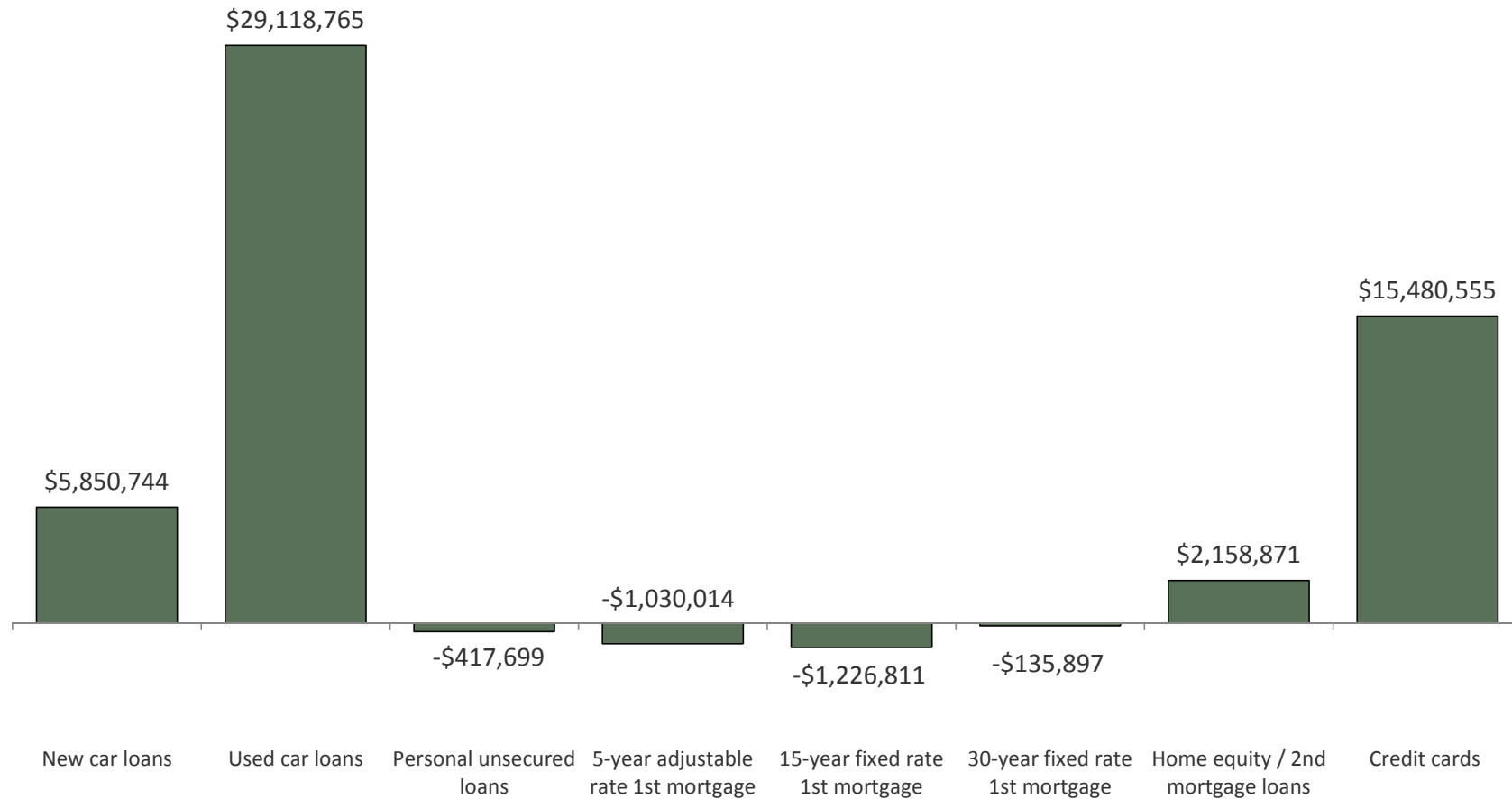
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	2.78	3.64	-0.87
48-month used car (A paper)	2.86	4.18	-1.31
Unsecured loan (A paper)	9.68	9.59	0.09
5-year adjustable rate 1st mortgage, 0 pts	2.94	2.87	0.07
15-year fixed rate 1st mortgage, 0 pts	3.37	3.27	0.10
30-year fixed rate 1st mortgage, 0 pts	4.13	4.11	0.02
Home equity / 2nd mtg, 80% LTV 0 pts	3.98	4.39	-0.42
Credit card - classic	11.77	15.85	-4.08
Credit card - gold	10.56	11.25	-0.69
Savings Products			
Regular savings, \$1,000 balance	0.22	0.09	0.13
Share draft checking, \$5,000 balance	0.37	0.19	0.18
Money market accounts	0.20	0.11	0.09
1 Year certificate \$10,000 balance	0.49	0.32	0.18
Retirement (IRA) accounts	0.35	0.21	0.13
Fee Income			
Share draft checking, NSF fee	\$27.67	\$33.21	-\$5.55
Credit cards, late fee	\$24.56	\$34.18	-\$9.62
Mortgages, closing costs	\$1,151.00	\$1,361.00	-\$210.00

Source: Informa Research Services

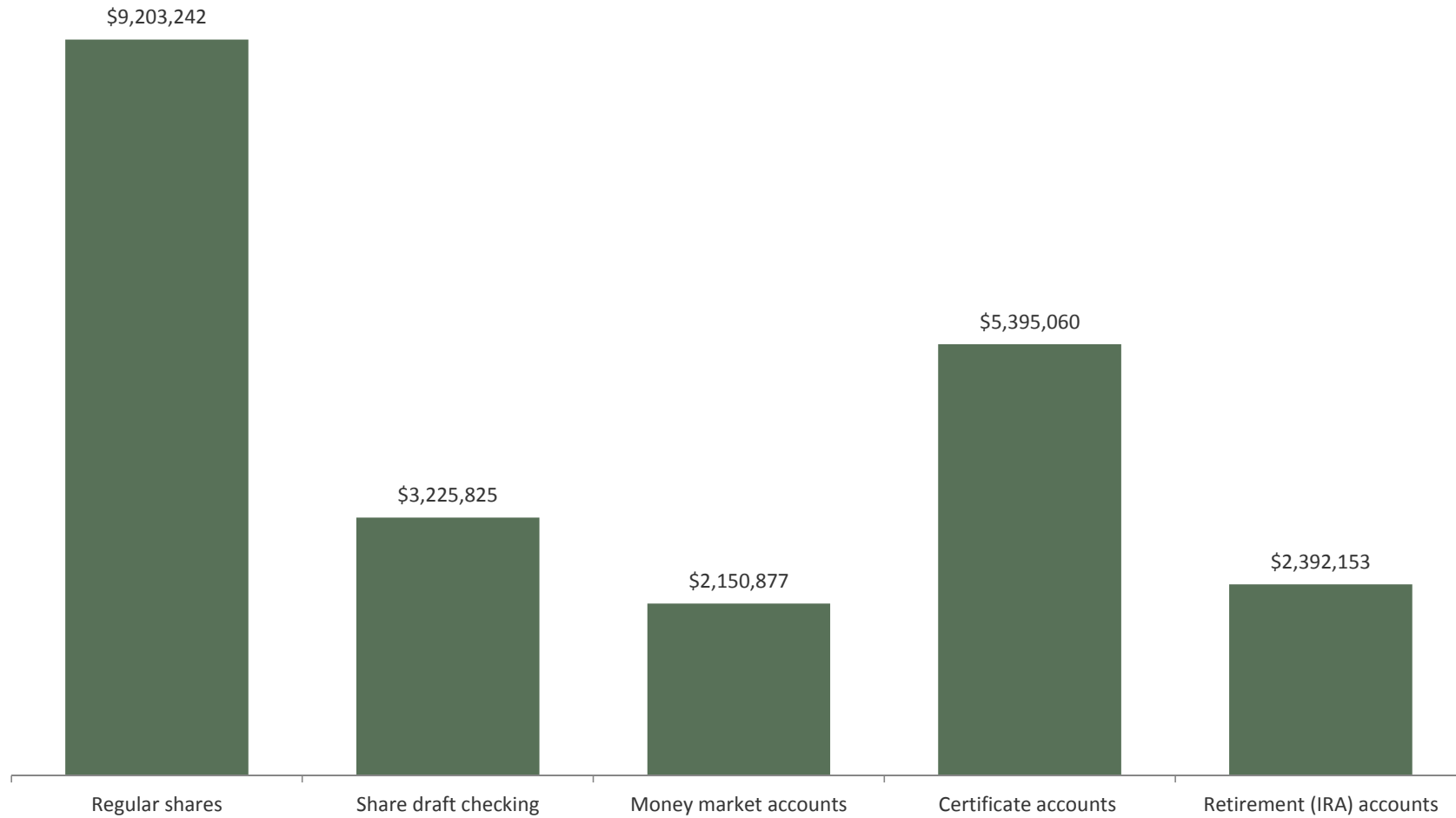
State Credit Unions' Total Loan Rate Benefits

Compared to State Banking Institutions

by Loan Type



State Credit Unions' Total Savings Dividend Benefits Compared to State Banking Institutions by Account Type



Estimated Financial Benefits for Alabama Credit Unions Mid-Year 2014

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Alabama Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	675,605,493	-0.87	\$5,850,744
Used car loans	2,216,039,931	-1.31	\$29,118,765
Personal unsecured loans	491,410,651	0.09	-\$417,699
5-year adjustable rate 1st mortgage	1,391,910,493	0.07	-\$1,030,014
15-year fixed rate 1st mortgage	1,179,626,102	0.10	-\$1,226,811
30-year fixed rate 1st mortgage	543,586,915	0.02	-\$135,897
Home equity / 2nd mortgage loans	518,959,417	-0.42	\$2,158,871
Credit cards	478,903,476	-4.08	\$15,480,555
Interest rebates in period			\$63,534
Total CU member benefits arising from lower interest rates on loan products:			\$49,862,048
 <u>Savings</u>			
Regular shares	7,050,591,248	0.13	\$9,203,242
Share draft checking	1,835,363,156	0.18	\$3,225,825
Money market accounts	2,440,711,974	0.09	\$2,150,877
Certificate accounts	3,039,104,785	0.18	\$5,395,060
Retirement (IRA) accounts	1,801,005,911	0.13	\$2,392,153
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$22,367,158
 <u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$34,293,966
 Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$106,523,172
 Total CU member benefit / member:			\$57
Total CU member benefit / member household:			\$108

Source: Datatrac, NCUA, and CUNA

(1) Average balance as of June 2014 and June 2013, according to the NCUA call report.; (2) Source for rates and fees: Informa Research Services;

**Alabama
Performance Profile**

Demographic Information	Jun 14	Jun 13
Number of branches	435	425
Total assets (\$ mil)	18,844	18,332
Total loans (\$ mil)	8,351	7,830
Total surplus funds (\$ mil)	9,619	9,672
Total savings (\$ mil)	16,508	16,095
Total members (thousands)	1,903	1,863
Growth Rates (Trailing 12 months) *		
Total assets	2.8 %	4.2 %
Total loans	6.7 %	3.9 %
Total surplus funds	-0.5 %	4.0 %
Total savings	2.6 %	4.3 %
Total members	2.2 %	2.9 %
Earnings - Basis Pts. *		
Yield on total assets	301	300
Dividend/interest cost of assets	53	61
Fee & other income	142	144
Operating expense	293	294
Loss Provisions	21	23
Net Income (ROA) after stabilization exp	76	66
Capital adequacy		
Net worth / assets	11.4	11.1
Asset quality *		
Delinquencies / loans	1.2	1.2
Net chargeoffs / average loans	0.5	0.6
Total borrower-bankruptcies	21	22
Bankruptcies per 1000 members	1.3	1.4
Asset/Liability Management		
Loans / savings	50.6	48.6
Loans / assets	44.3	42.7
Long-term assets / assets	40.0	36.6
Core deposits/shares & borrowings	55.3	53.5
Productivity		
Members/potential members	7.1	7.1
Borrowers/members	44.0	43.6
Members/FTE	405	409
Average shares/members (\$)	8,676	8,641
Average loan balances (\$)	9,980	9,643
Salary & Benefits/FTE	56,805	56,461

* Earnings, net chargeoffs, and bankruptcies are year-to-date numbers annualized. Due to significant seasonal variation, balance sheet growth rates are for the trailing 12 months.