The Benefits of Membership

Customized Analysis of Member Benefits For:

Arkansas

March 2014

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Economics and Statistics Department

Arkansas

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 Arkansas credit unions provided $22,934,726 in direct financial benefits to the state's 325,176 members during the twelve months ending March 2014.

These benefits are equivalent to $71 per member or $134 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 Arkansas 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 Arkansas credit unions.

Consider this:

Financing a $25,000 new automobile for 60 months at a Arkansas credit union will save members an average $281 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.

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

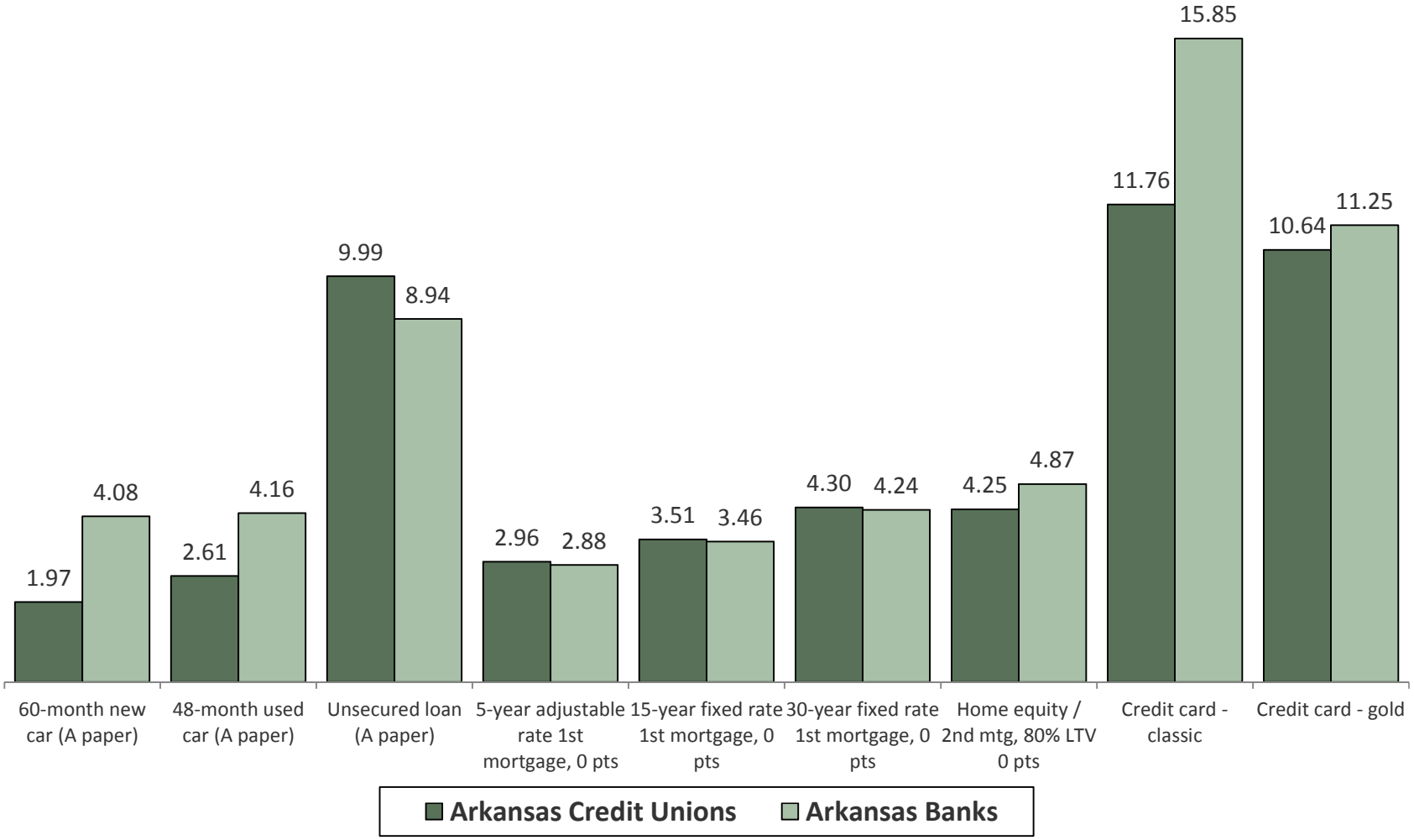
Arkansas credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.

AMERICA'S CREDIT UNIONS™

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

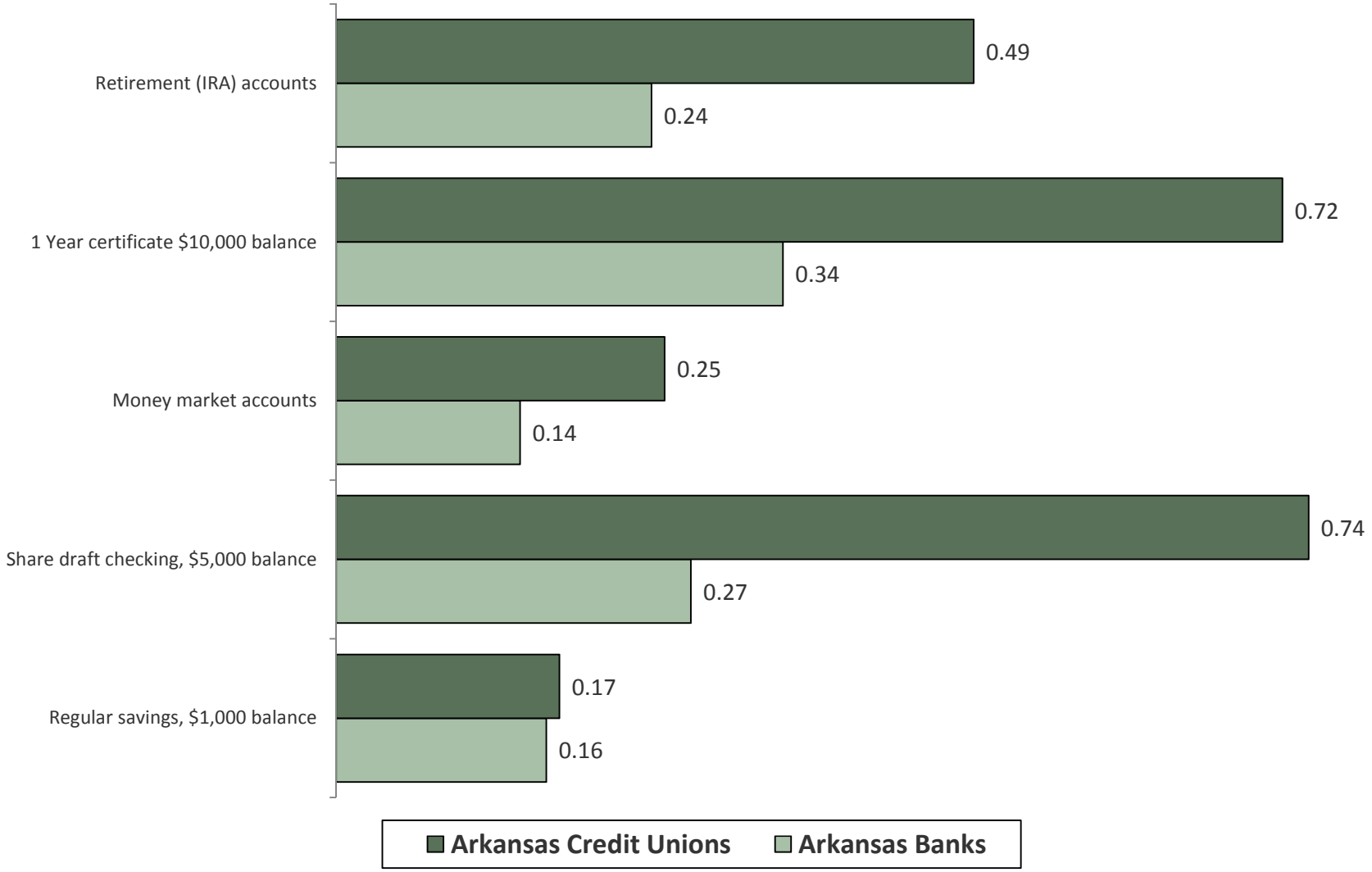
Loan Product Comparative Interest Rates (%)

By Loan Type



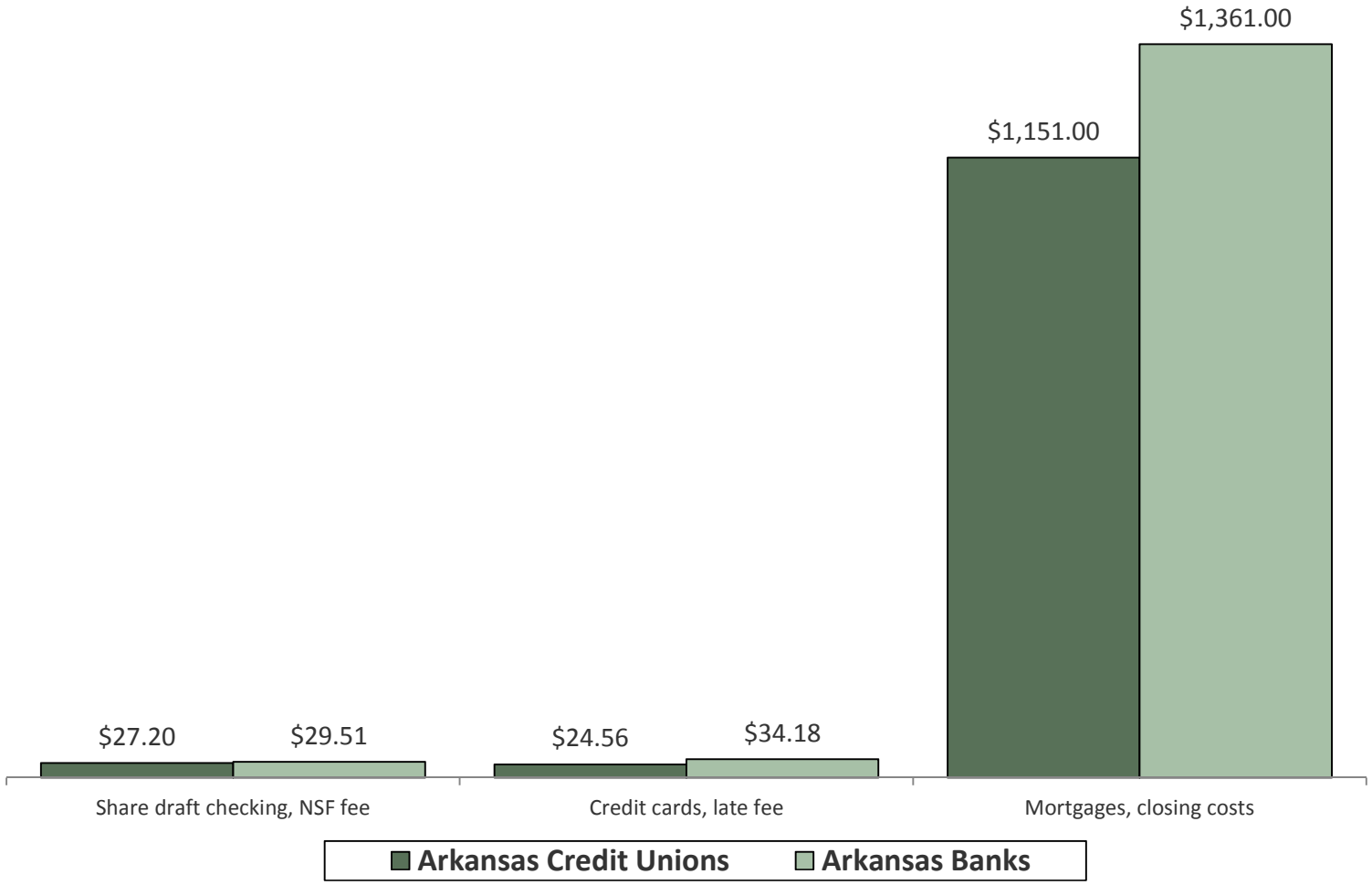
Savings Products Comparative Interest Rates(%)

By Savings Account Type



Comparative Fees

By Type



Arkansas

Credit Union and Banking Instituion

First-Quarter 2014 Average Interest Rates and Fees

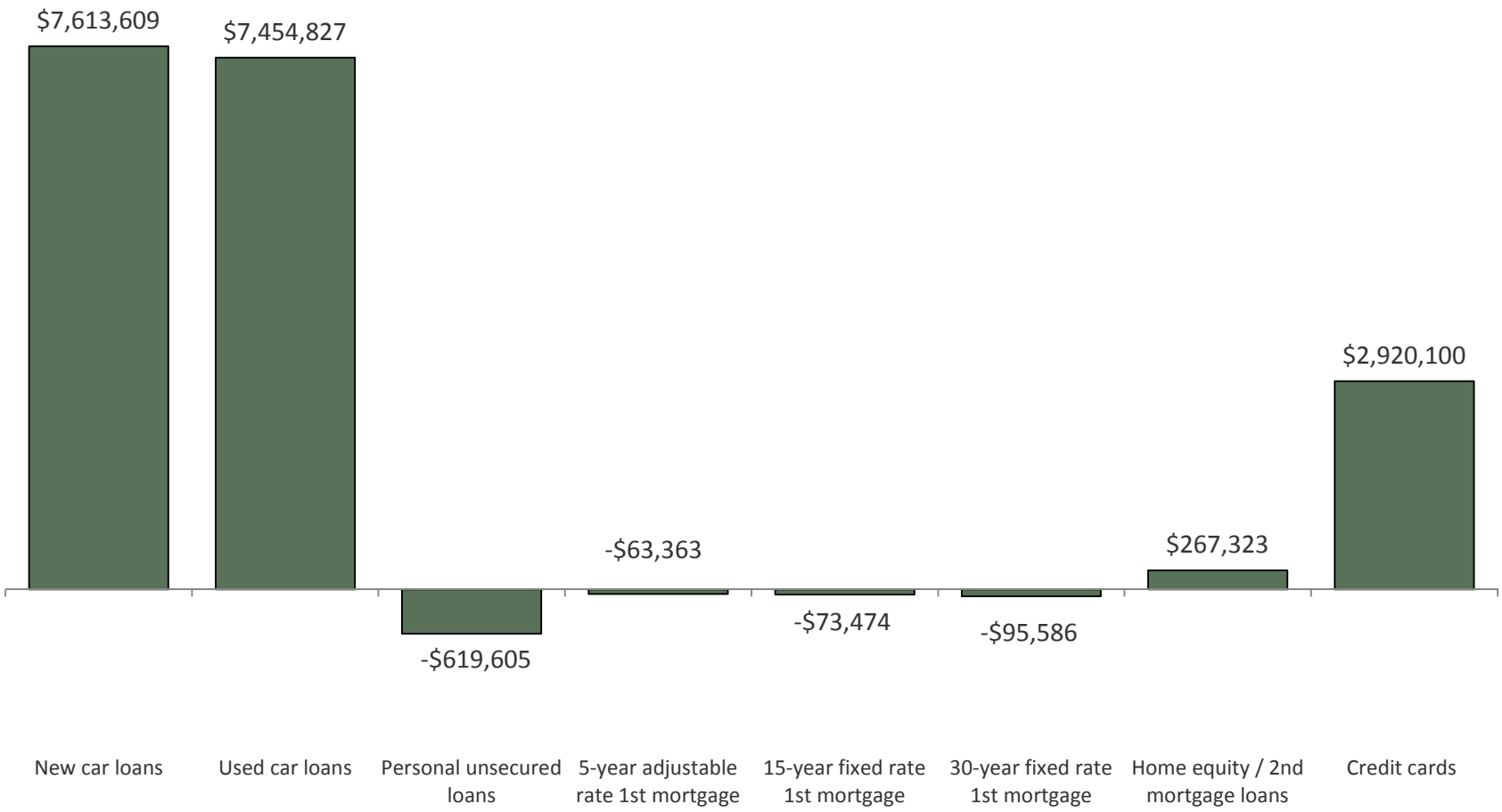
Loan Products	***Average Rate at Credit Unions (%)***	***Average Rate at Banks (%)***	***Rate Difference vs. Banks (%)***
60-month new car (A paper)	1.97	4.08	-2.11
48-month used car (A paper)	2.61	4.16	-1.55
Unsecured loan (A paper)	9.99	8.94	1.05
5-year adjustable rate 1st mortgage, 0 pts	2.96	2.88	0.08
15-year fixed rate 1st mortgage, 0 pts	3.51	3.46	0.05
30-year fixed rate 1st mortgage, 0 pts	4.30	4.24	0.06
Home equity / 2nd mtg, 80% LTV 0 pts	4.25	4.87	-0.62
Credit card - classic	11.76	15.85	-4.09
Credit card - gold	10.64	11.25	-0.61
Savings Products			
Regular savings, $1,000 balance	0.17	0.16	0.01
Share draft checking, $5,000 balance	0.74	0.27	0.47
Money market accounts	0.25	0.14	0.11
1 Year certificate $10,000 balance	0.72	0.34	0.38
Retirement (IRA) accounts	0.49	0.24	0.25
Fee Income			
Share draft checking, NSF fee	$27.20	$29.51	-$2.31
Credit cards, late fee	$24.56	$34.18	-$9.62
Mortgages, closing costs	$1,151.00	$1,361.00	-$210.00

Source: Datatrac

State Credit Unions' Total Loan Rate Benefits

Compared to State Banking Institutions

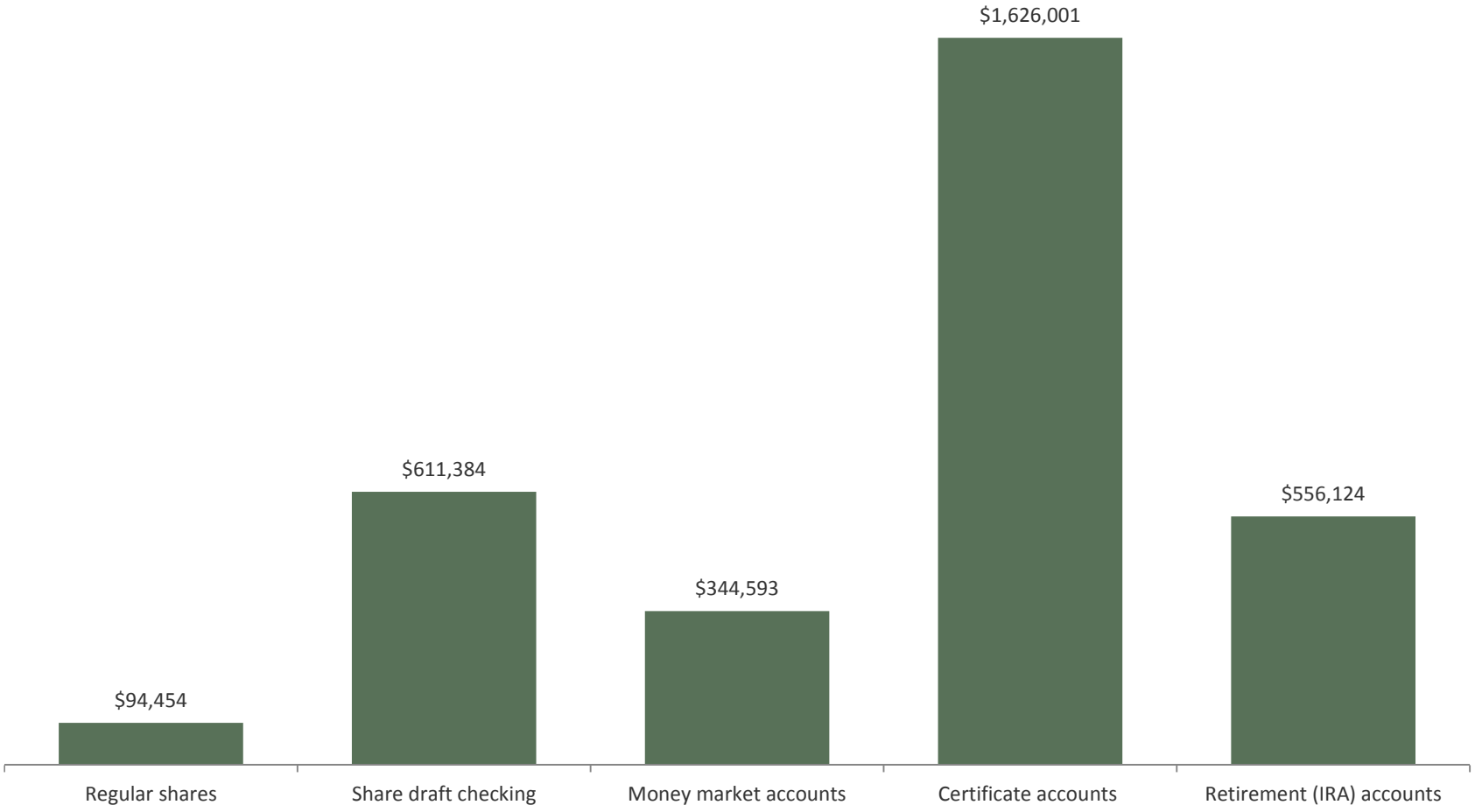
by Loan Type



State Credit Unions' Total Savings Dividend Benefits

Compared to State Banking Institutions

by Account Type



Estimated Financial Benefits for Arkansas Credit Unions

First-Quarter 2014

Loans	Avg. Balance at Credit Unions (1)	Rate Difference vs. Arkansas Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	360,834,560	-2.11	$7,613,609
Used car loans	480,956,604	-1.55	$7,454,827
Personal unsecured loans	59,009,955	1.05	-$619,605
5-year adjustable rate 1st mortgage	79,203,735	0.08	-$63,363
15-year fixed rate 1st mortgage	146,948,275	0.05	-$73,474
30-year fixed rate 1st mortgage	159,310,740	0.06	-$95,586
Home equity / 2nd mortgage loans	43,116,602	-0.62	$267,323
Credit cards	90,686,332	-4.09	$2,920,100
Interest rebates in period			$0
Total CU member benefits arising from lower interest rates on loan products:			$17,403,831
Savings			
Regular shares	944,541,282	0.01	$94,454
Share draft checking	130,081,608	0.47	$611,384
Money market accounts	313,266,035	0.11	$344,593
Certificate accounts	427,895,014	0.38	$1,626,001
Retirement (IRA) accounts	226,989,575	0.25	$556,124
Bonus dividends in period			$0
Total CU member benefit arising from higher interest rates on saving products:			$3,232,556
Fee Income			
Total CU member benefit arising from fewer/lower fees:			$2,298,339
Total CU member benefit arising from interest rates on loan and savings products and lower fees:			$22,934,726
Total CU member benefit / member:			$71
Total CU member benefit / member household:			$134

Source: Datatrac, NCUA, and CUNA

(1) Average balance as of first-quarter 2014 and first-quarter 2013, according to the NCUA call report.; (2) Source for rates and fees: Datatrac;

Arkansas
Performance Profile

Demographic Information	Mar 14	Mar 13
Number of branches	102	101
Total assets ($ mil)	2,635	2,536
Total loans ($ mil)	1,619	1,461
Total surplus funds ($ mil)	875	961
Total savings ($ mil)	2,153	2,068
Total members (thousands)	328	324
Growth Rates (Trailing 12 months) *		
Total assets	4.1 %	2.5 %
Total loans	10.9 %	0.0 %
Total surplus funds	-8.7 %	6.3 %
Total savings	4.3 %	2.3 %
Total members	1.7 %	-0.9 %
Earnings - Basis Pts. *		
Yield on total assets	322	337
Dividend/interest cost of assets	54	63
Fee & other income	109	117
Operating expense	310	306
Loss Provisions	33	17
Net Income (ROA) after stabilization exp	34	68
Capital adequacy		
Net worth / assets	12.9	13.0
Asset quality *		
Delinquencies / loans	0.8	0.8
Net chargeoffs / average loans	0.5	0.3
Total borrower-bankruptcies	4	4
Bankruptcies per 1000 members	0.7	0.7
Asset/Liability Management		
Loans / savings	75.2	70.6
Loans / assets	61.4	57.6
Long-term assets / assets	23.6	24.5
Core deposits/shares & borrowings	48.5	47.7
Productivity		
Members/potential members	9.9	12.1
Borrowers/members	45.0	43.5
Members/FTE	426	439
Average shares/members ($)	6,565	6,378
Average loan balances ($)	10,959	10,355
Salary & Benefits/FTE	47,110	49,190

*** 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.**