

# ***The Benefits of Membership***

*Customized Analysis of Member Benefits For:*

## **Hawaii**

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Economics and Statistics Department***



# Hawaii

## 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 Hawaii credit unions provided \$57,218,617 in direct financial benefits to the state's 870,255 members during the twelve months ending June 2014.

**These benefits are equivalent to \$66 per member or \$125 per member household <sup>(1)</sup>.**

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 Hawaii 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 Hawaii credit unions.

Consider this:

**Financing a \$25,000 new automobile for 60 months at a Hawaii credit union will save members an average \$190 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.

Hawaii credit unions excel in providing member benefits on many loan and saving products. In particular, Hawaii credit unions offer lower average loan rates on the following accounts: new car loans, used car loans, personal unsecured loans, first mortgage-adjustable rate, home equity loans, credit cards loans.

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

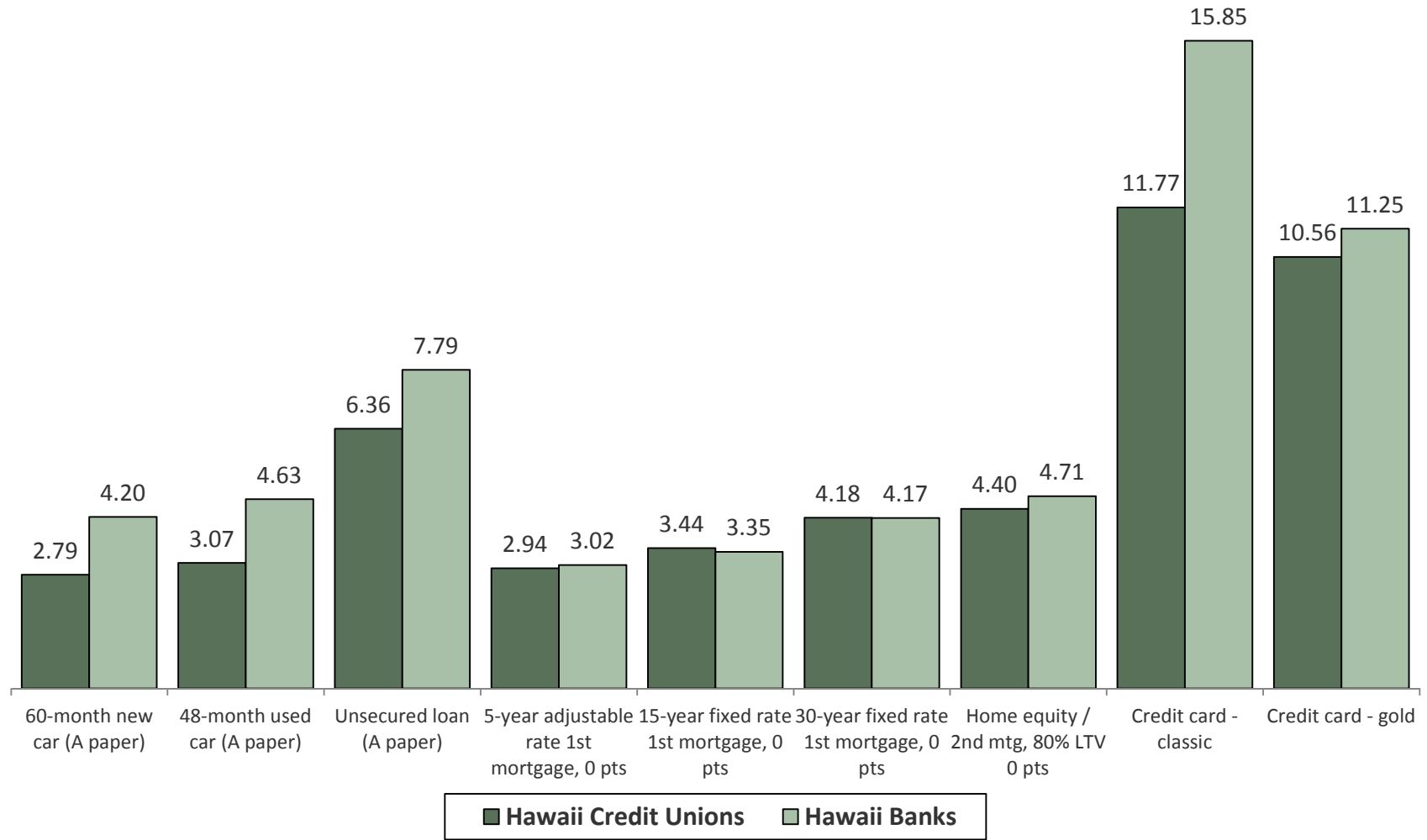


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Source: Datatrac, NCUA, and CUNA.  
(1) Assumes 1.9 credit union members per household.

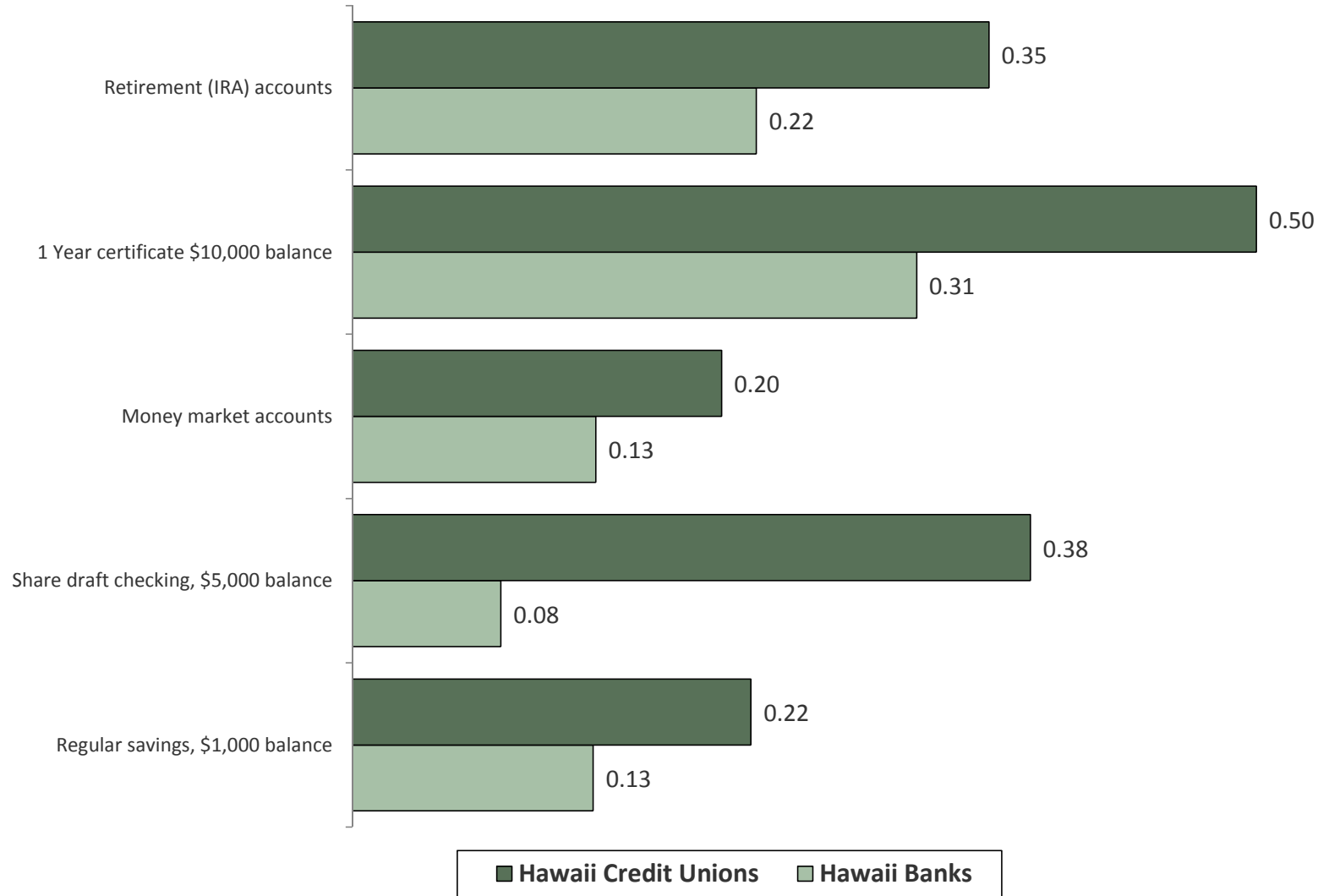
# Loan Product Comparative Interest Rates (%)

## By Loan Type



# Savings Products Comparative Interest Rates(%)

## By Savings Account Type



# Comparative Fees By Type

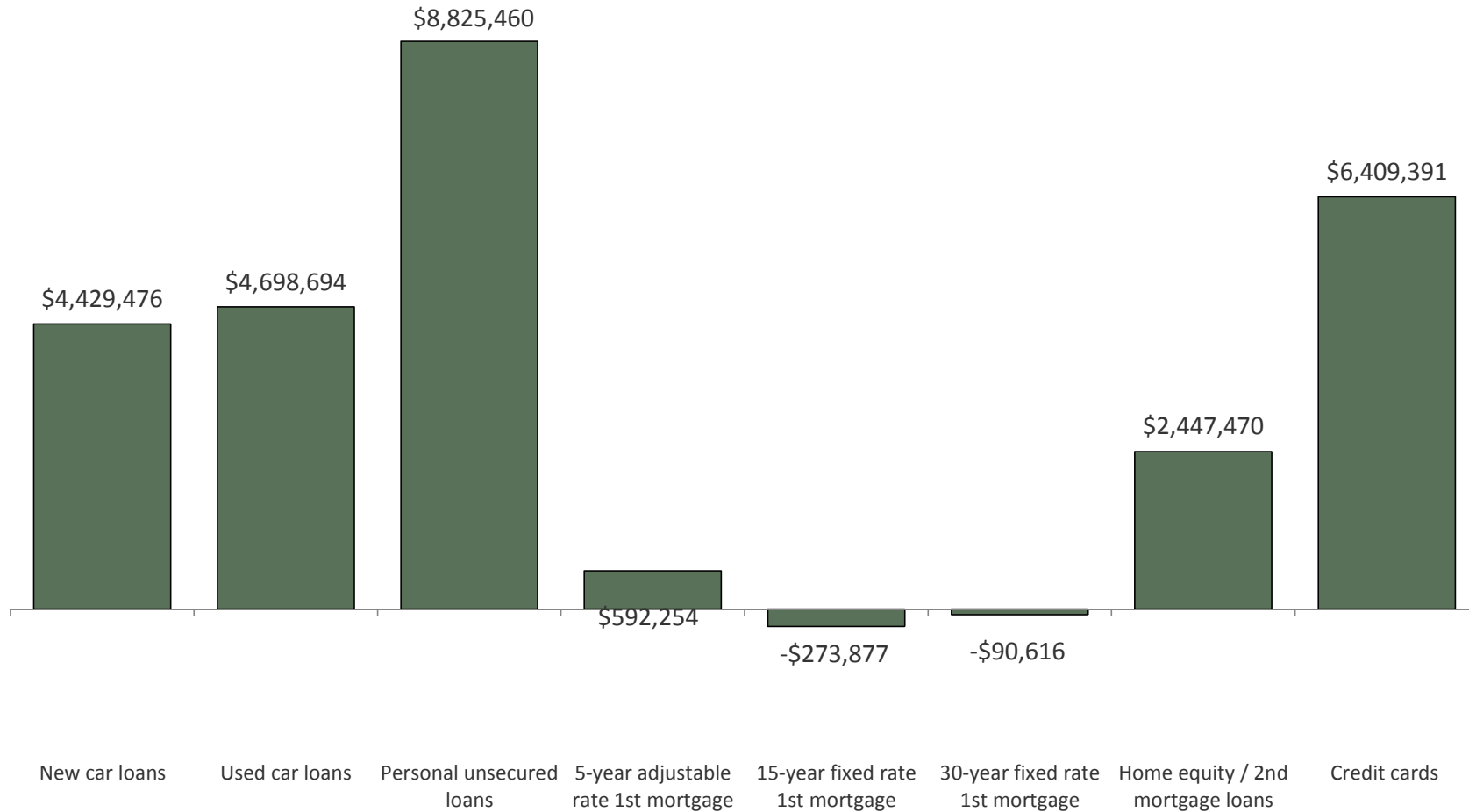


**Hawaii**  
**Credit Union and Banking Institution**  
**Mid-Year 2014 Average Interest Rates and Fees**

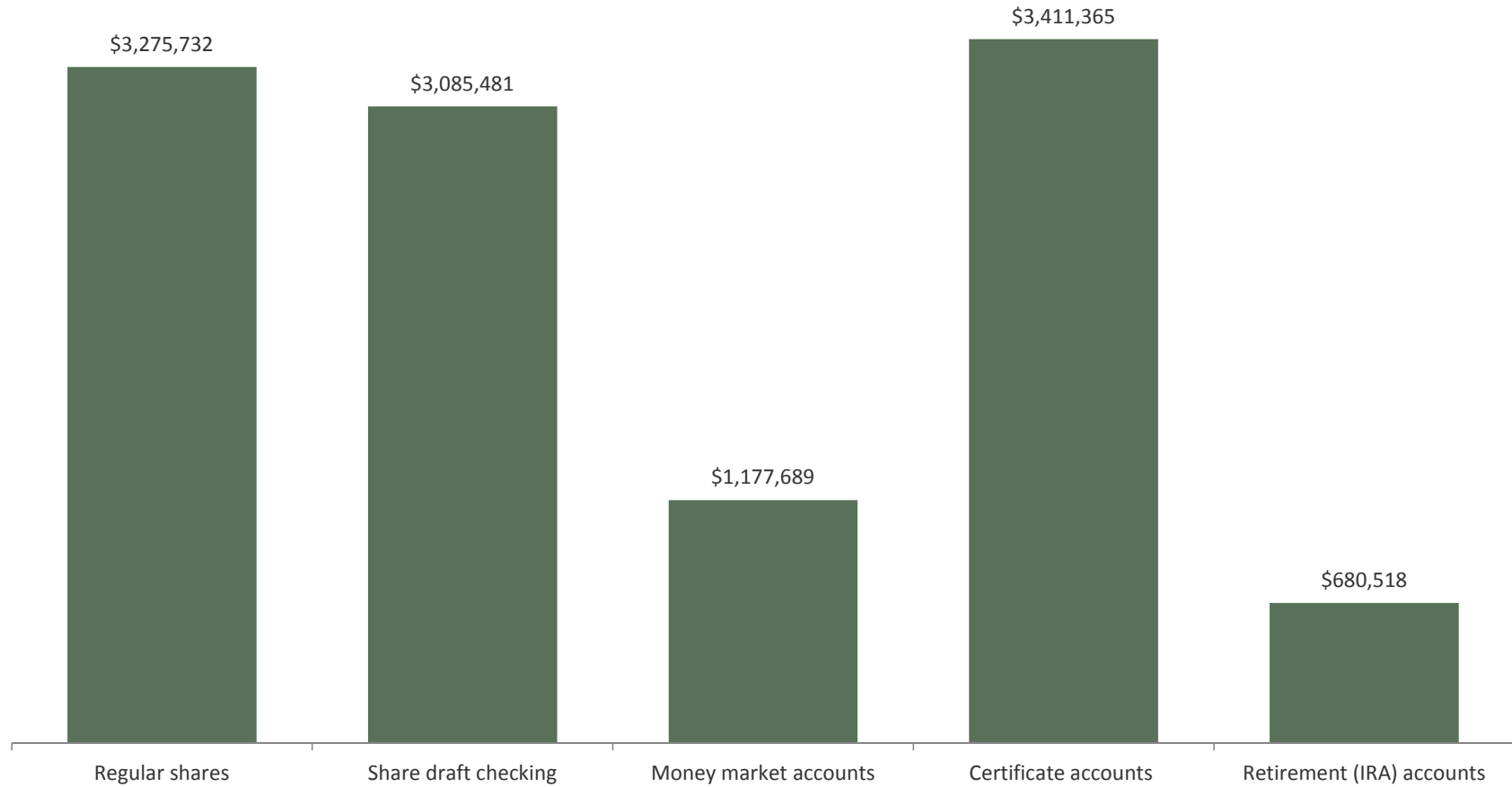
<b>Loan Products</b>	<b>Average Rate at Credit Unions (%)</b>	<b>Average Rate at Banks (%)</b>	<b>Rate Difference vs. Banks (%)</b>
60-month new car (A paper)	2.79	4.20	-1.41
48-month used car (A paper)	3.07	4.63	-1.56
Unsecured loan (A paper)	6.36	7.79	-1.44
5-year adjustable rate 1st mortgage, 0 pts	2.94	3.02	-0.08
15-year fixed rate 1st mortgage, 0 pts	3.44	3.35	0.09
30-year fixed rate 1st mortgage, 0 pts	4.18	4.17	0.01
Home equity / 2nd mtg, 80% LTV 0 pts	4.40	4.71	-0.31
Credit card - classic	11.77	15.85	-4.08
Credit card - gold	10.56	11.25	-0.69
<b>Savings Products</b>			
Regular savings, \$1,000 balance	0.22	0.13	0.09
Share draft checking, \$5,000 balance	0.38	0.08	0.29
Money market accounts	0.20	0.13	0.07
1 Year certificate \$10,000 balance	0.50	0.31	0.19
Retirement (IRA) accounts	0.35	0.22	0.13
<b>Fee Income</b>			
Share draft checking, NSF fee	\$22.40	\$34.32	-\$11.92
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 Hawaii Credit Unions Mid-Year 2014

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Hawaii Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	313,480,272	-1.41	\$4,429,476
Used car loans	301,391,543	-1.56	\$4,698,694
Personal unsecured loans	615,014,662	-1.44	\$8,825,460
5-year adjustable rate 1st mortgage	779,281,057	-0.08	\$592,254
15-year fixed rate 1st mortgage	294,490,928	0.09	-\$273,877
30-year fixed rate 1st mortgage	697,046,819	0.01	-\$90,616
Home equity / 2nd mortgage loans	799,826,952	-0.31	\$2,447,470
Credit cards	198,279,696	-4.08	\$6,409,391
Interest rebates in period			\$100,132
<b>Total CU member benefits arising from lower interest rates on loan products:</b>			<b>\$27,138,385</b>
 <u>Savings</u>			
Regular shares	3,752,414,673	0.09	\$3,275,732
Share draft checking	1,053,443,627	0.29	\$3,085,481
Money market accounts	1,694,516,836	0.07	\$1,177,689
Certificate accounts	1,815,572,501	0.19	\$3,411,365
Retirement (IRA) accounts	528,774,164	0.13	\$680,518
Bonus dividends in period			\$0
<b>Total CU member benefit arising from higher interest rates on saving products:</b>			<b>\$11,630,786</b>
 <u>Fee Income</u>			
<b>Total CU member benefit arising from fewer/lower fees:</b>			<b>\$18,449,446</b>
 <b>Total CU member benefit arising from interest rates on loan and savings products and lower fees:</b>			<b>\$57,218,617</b>
 <b>Total CU member benefit / member:</b>			<b>\$66</b>
<b>Total CU member benefit / member household:</b>			<b>\$125</b>

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;

**Hawaii  
Performance Profile**

<b>Demographic Information</b>	<b>Jun 14</b>	<b>Jun 13</b>
Number of branches	169	184
Total assets (\$ mil)	10,296	10,109
Total loans (\$ mil)	4,213	4,089
Total surplus funds (\$ mil)	5,714	5,654
Total savings (\$ mil)	9,068	8,923
Total members (thousands)	880	870
<b>Growth Rates (Trailing 12 months) *</b>		
Total assets	2.6 %	2.5 %
Total loans	3.6 %	-1.4 %
Total surplus funds	1.9 %	5.8 %
Total savings	2.3 %	2.6 %
Total members	2.0 %	1.6 %
<b>Earnings - Basis Pts. *</b>		
Yield on total assets	282	291
Dividend/interest cost of assets	31	38
Fee & other income	97	85
Operating expense	272	282
Loss Provisions	9	13
Net Income (ROA) after stabilization exp	68	42
<b>Capital adequacy</b>		
Net worth / assets	10.9	10.6
<b>Asset quality *</b>		
Delinquencies / loans	1.0	1.3
Net chargeoffs / average loans	0.4	0.5
Total borrower-bankruptcies	3	4
Bankruptcies per 1000 members	0.3	0.3
<b>Asset/Liability Management</b>		
Loans / savings	46.5	45.8
Loans / assets	40.9	40.4
Long-term assets / assets	40.0	39.3
Core deposits/shares & borrowings	54.7	52.7
<b>Productivity</b>		
Members/potential members	9.9	9.9
Borrowers/members	32.4	32.5
Members/FTE	406	394
Average shares/members (\$)	10,310	10,253
Average loan balances (\$)	14,798	14,439
Salary & Benefits/FTE	62,839	62,632

\* 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.