The Benefits of Membership

Customized Analysis of Member Benefits For:

Michigan

March 2014

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Economics and Statistics Department

AMERICA'S CREDIT UNIONS

Michigan

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 Michigan credit unions provided $215,060,261 in direct financial benefits to the state's 4,542,563 members during the twelve months ending March 2014.

These benefits are equivalent to $47 per member or $90 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 Michigan 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 Michigan credit unions.

Consider this:

Financing a $25,000 new automobile for 60 months at a Michigan credit union will save members an average $112 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.

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

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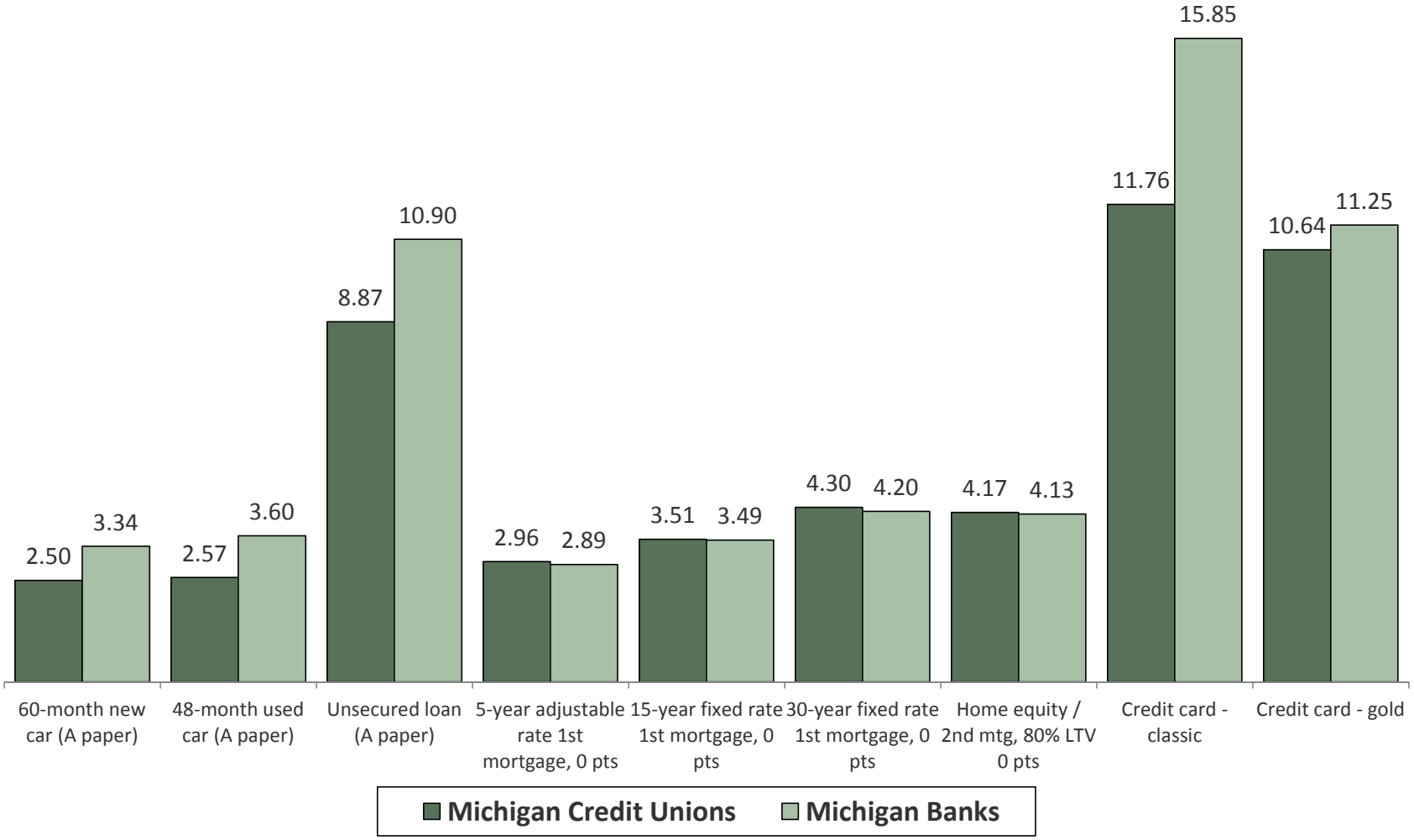
Source: Datatrac, NCUA, and CUNA.
(1)Assumes 1.9 credit union members per household.

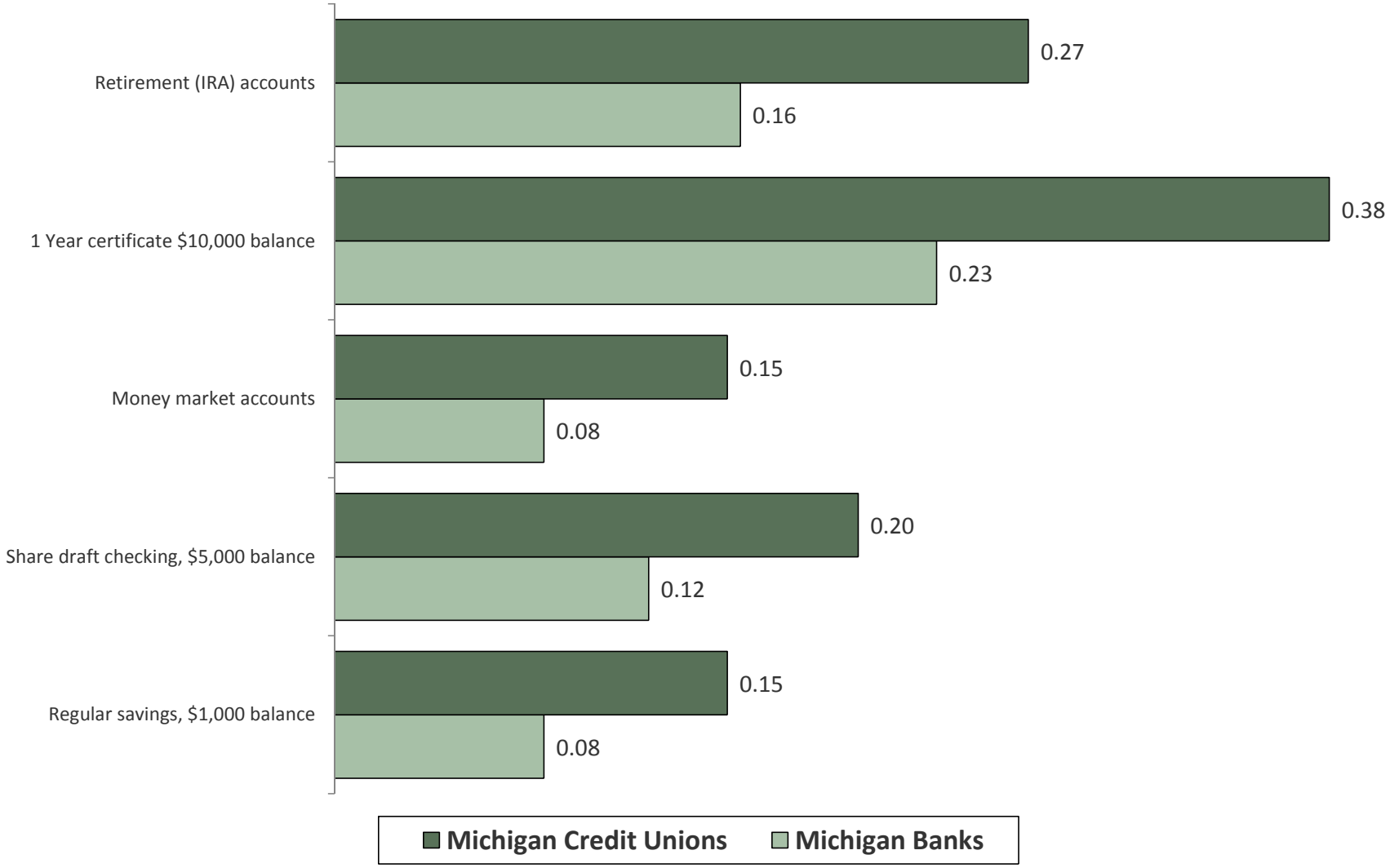
Loan Product Comparative Interest Rates (%)

By Loan Type



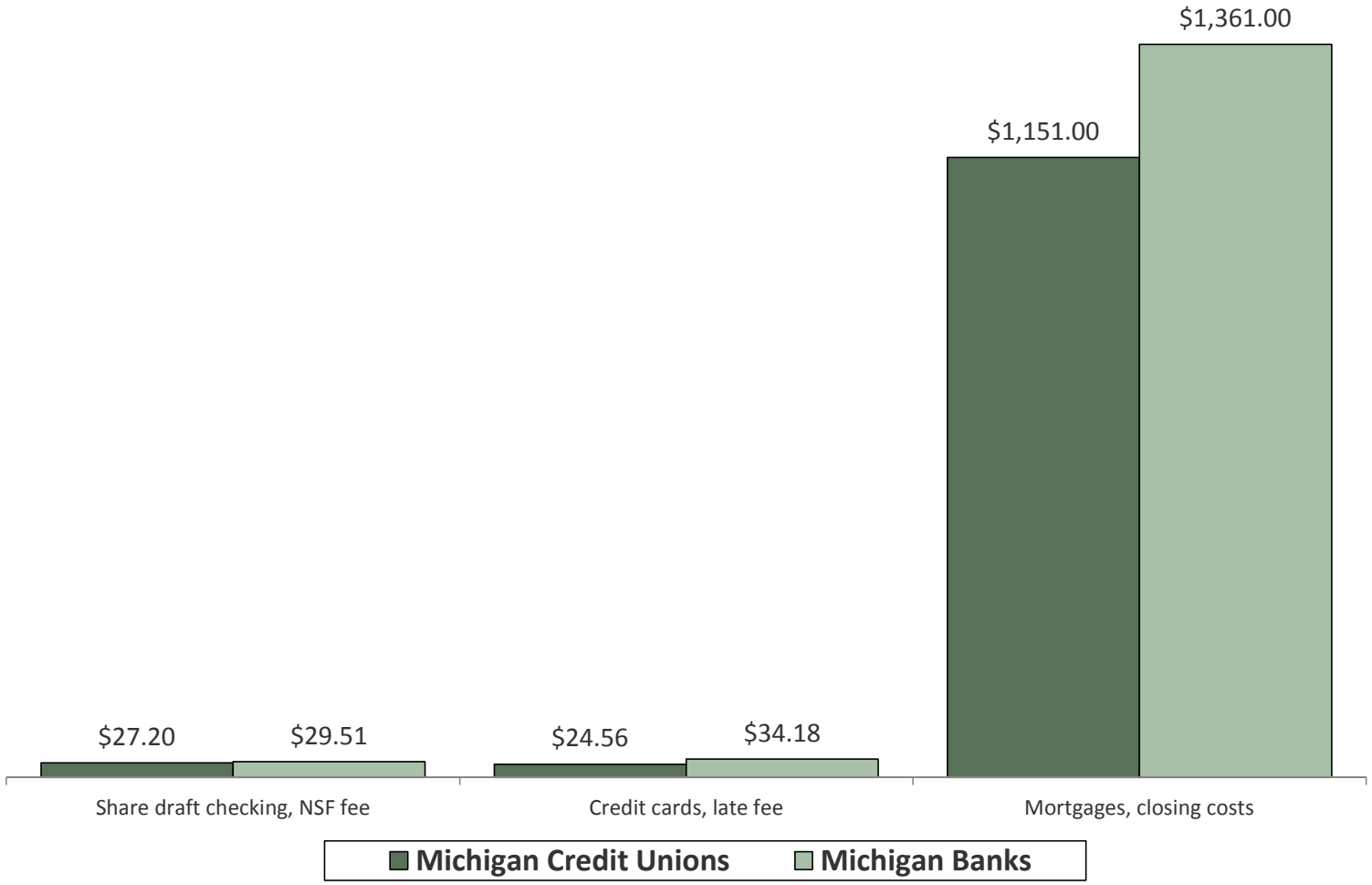
Savings Products Comparative Interest Rates(%)

By Savings Account Type



Comparative Fees

By Type



Michigan
Credit Union and Banking Instituion
First-Quarter 2014 Average Interest Rates and Fees

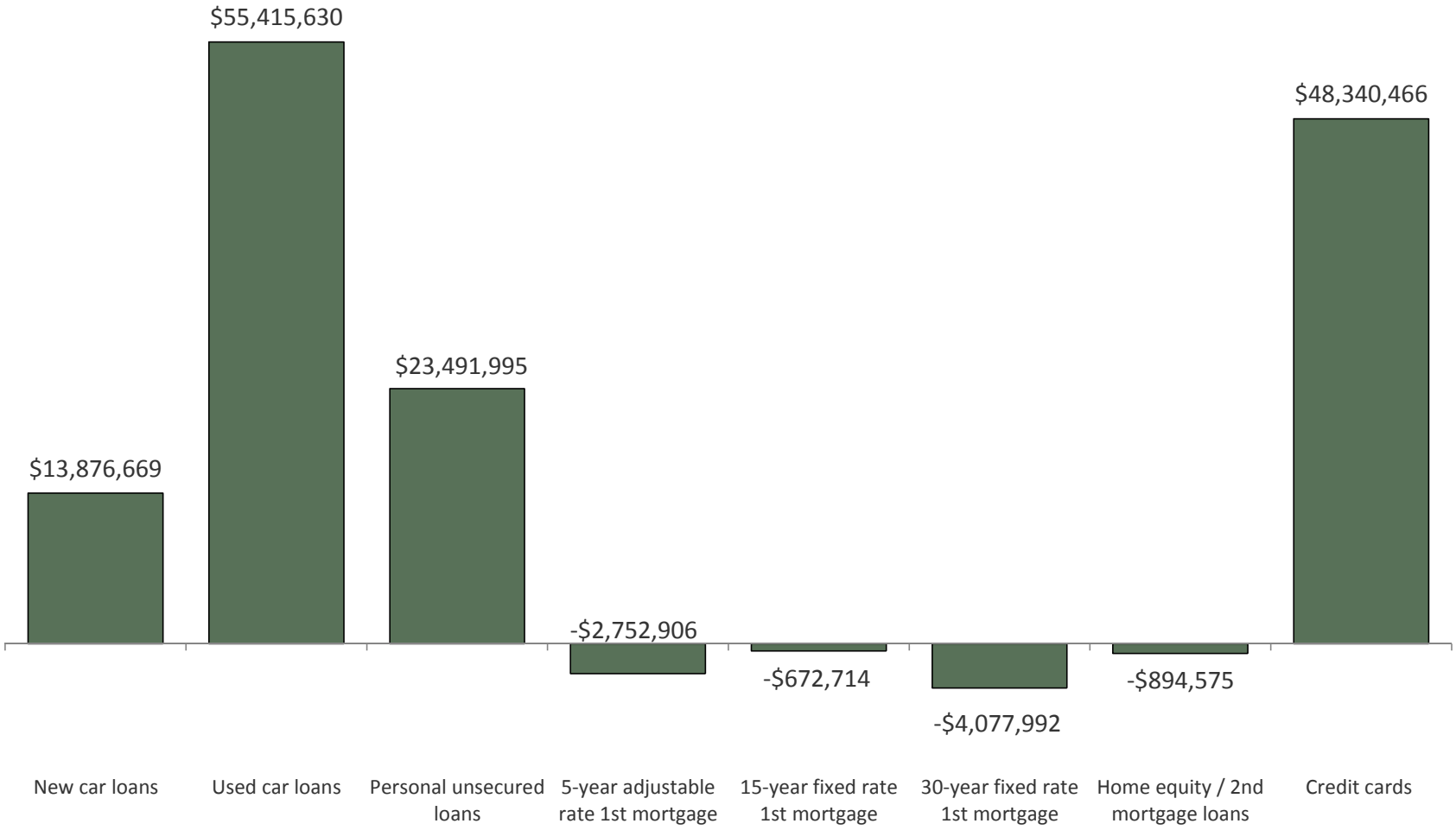
Loan Products	***Average Rate at Credit Unions (%)***	***Average Rate at Banks (%)***	***Rate Difference vs. Banks (%)***
60-month new car (A paper)	2.50	3.34	-0.84
48-month used car (A paper)	2.57	3.60	-1.03
Unsecured loan (A paper)	8.87	10.90	-2.03
5-year adjustable rate 1st mortgage, 0 pts	2.96	2.89	0.07
15-year fixed rate 1st mortgage, 0 pts	3.51	3.49	0.02
30-year fixed rate 1st mortgage, 0 pts	4.30	4.20	0.10
Home equity / 2nd mtg, 80% LTV 0 pts	4.17	4.13	0.04
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	0.15	0.08	0.07
Share draft checking, $5,000 balance	0.20	0.12	0.08
Money market accounts	0.15	0.08	0.07
1 Year certificate $10,000 balance	0.38	0.23	0.15
Retirement (IRA) accounts	0.27	0.16	0.11
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

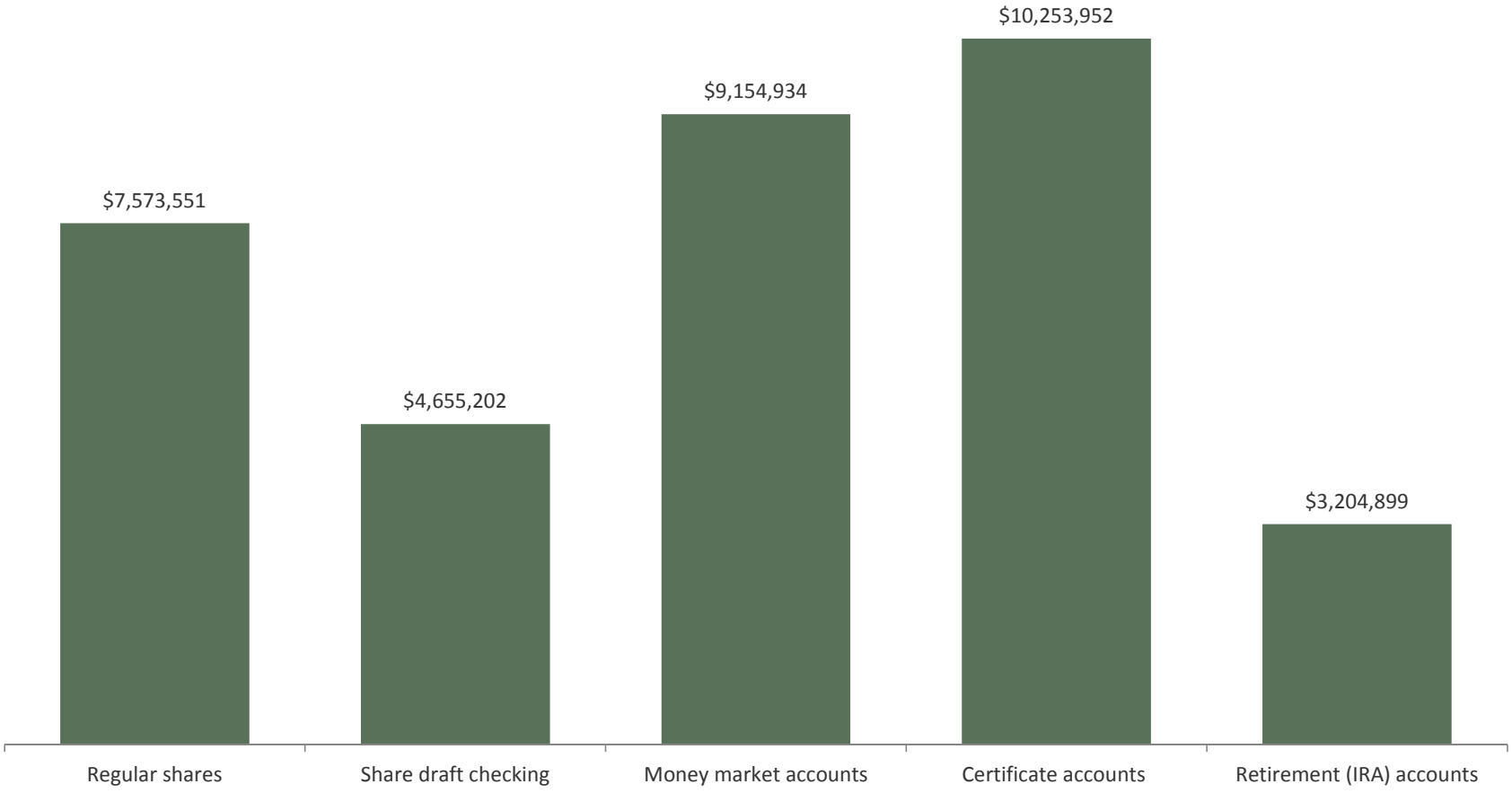
by Loan Type



State Credit Unions' Total Savings Dividend Benefits

Compared to State Banking Institutions

by Account Type



Estimated Financial Benefits for Michigan Credit Unions

First-Quarter 2014

Loans	Avg. Balance at Credit Unions (1)	Rate Difference vs. Michigan Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	1,651,984,384	-0.84	$13,876,669
Used car loans	5,380,158,226	-1.03	$55,415,630
Personal unsecured loans	1,157,241,128	-2.03	$23,491,995
5-year adjustable rate 1st mortgage	3,932,723,252	0.07	-$2,752,906
15-year fixed rate 1st mortgage	3,363,569,156	0.02	-$672,714
30-year fixed rate 1st mortgage	4,077,992,002	0.10	-$4,077,992
Home equity / 2nd mortgage loans	2,236,436,597	0.04	-$894,575
Credit cards	1,501,256,720	-4.09	$48,340,466
Interest rebates in period			$1,793,194
Total CU member benefits arising from lower interest rates on loan products:			$134,519,767
Savings			
Regular shares	10,819,358,349	0.07	$7,573,551
Share draft checking	5,819,002,937	0.08	$4,655,202
Money market accounts	13,078,476,653	0.07	$9,154,934
Certificate accounts	6,835,968,125	0.15	$10,253,952
Retirement (IRA) accounts	2,913,544,123	0.11	$3,204,899
Bonus dividends in period			$0
Total CU member benefit arising from higher interest rates on saving products:			$34,842,538
Fee Income			
Total CU member benefit arising from fewer/lower fees:			$45,697,956
Total CU member benefit arising from interest rates on loan and savings products and lower fees:			$215,060,261
Total CU member benefit / member:			$47
Total CU member benefit / member household:			$90

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;

Michigan
Performance Profile

Demographic Information	Mar 14	Mar 13
Number of branches	1024	1022
Total assets ($ mil)	47,969	45,985
Total loans ($ mil)	26,327	24,313
Total surplus funds ($ mil)	19,616	19,765
Total savings ($ mil)	41,328	39,768
Total members (thousands)	4,649	4,565
Growth Rates (Trailing 12 months) *		
Total assets	6.7 %	5.8 %
Total loans	10.5 %	5.3 %
Total surplus funds	1.9 %	6.6 %
Total savings	6.4 %	5.5 %
Total members	4.8 %	2.7 %
Earnings - Basis Pts. *		
Yield on total assets	338	338
Dividend/interest cost of assets	40	44
Fee & other income	140	156
Operating expense	336	331
Loss Provisions	20	27
Net Income (ROA) after stabilization exp	81	92
Capital adequacy		
Net worth / assets	11.2	10.9
Asset quality *		
Delinquencies / loans	0.8	0.9
Net chargeoffs / average loans	0.5	0.6
Total borrower-bankruptcies	11	16
Bankruptcies per 1000 members	0.7	1.1
Asset/Liability Management		
Loans / savings	63.7	61.1
Loans / assets	54.9	52.9
Long-term assets / assets	41.7	36.9
Core deposits/shares & borrowings	41.6	40.8
Productivity		
Members/potential members	3.2	3.8
Borrowers/members	53.5	51.2
Members/FTE	365	372
Average shares/members ($)	8,889	8,711
Average loan balances ($)	10,579	10,406
Salary & Benefits/FTE	61,956	60,844

*** 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.**