The Benefits of Membership

Customized Analysis of Member Benefits For:

Iowa

March 2014

Prepared by:

Credit Union National Association Economics and Statistics Department



lowa

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 Iowa credit unions provided \$84,329,211 in direct financial benefits to the state's 1,048,587 members during the twelve months ending March 2014.

These benefits are equivalent to \$80 per member or \$153 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 lowa 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 lowa credit unions.

Consider this:

Financing a \$25,000 new automobile for 60 months at a lowa credit union will save members an average \$230 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.

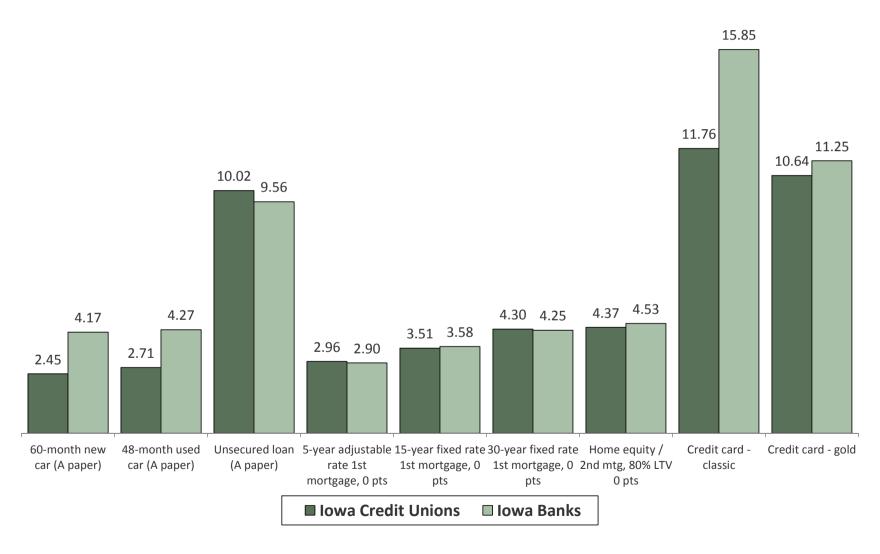
lowa credit unions excel in providing member benefits on many loan and saving products. In particular, lowa credit unions offer lower average loan rates on the following accounts: new car loans, used car loans, first mortgage-fixed rate, home equity loans, credit cards loans.

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



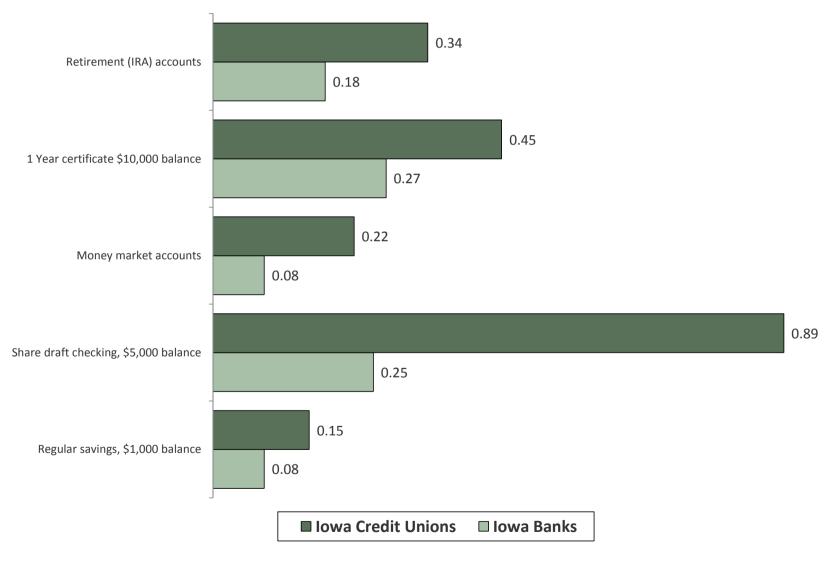
Loan Product Comparative Interest Rates (%)

By Loan Type



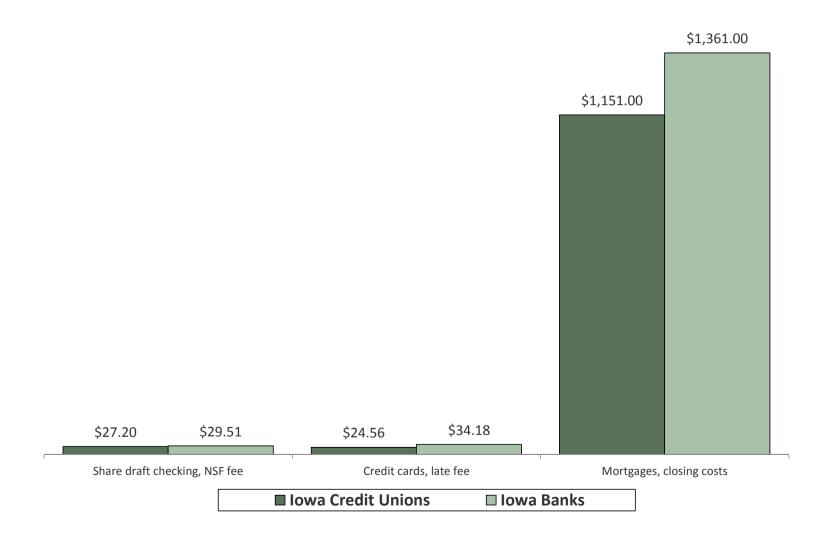
Savings Products Comparative Interest Rates(%)

By Savings Account Type



Comparative Fees

By Type



Iowa

Credit Union and Banking Instituion

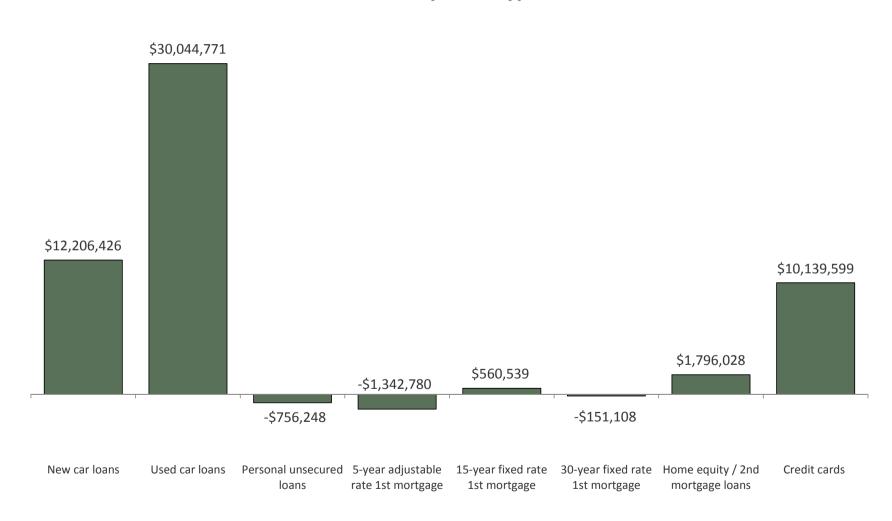
First-Quarter 2014 Average Interest Rates and Fees

Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	2.45	4.17	-1.72
48-month used car (A paper)	2.71	4.27	-1.56
Unsecured loan (A paper)	10.02	9.56	0.46
5-year adjustable rate 1st mortgage, 0 pts	2.96	2.90	0.06
15-year fixed rate 1st mortgage, 0 pts	3.51	3.58	-0.07
30-year fixed rate 1st mortgage, 0 pts	4.30	4.25	0.05
Home equity / 2nd mtg, 80% LTV 0 pts	4.37	4.53	-0.16
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	0.89	0.25	0.64
Money market accounts	0.22	0.08	0.14
1 Year certificate \$10,000 balance	0.45	0.27	0.18
Retirement (IRA) accounts	0.34	0.18	0.16
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

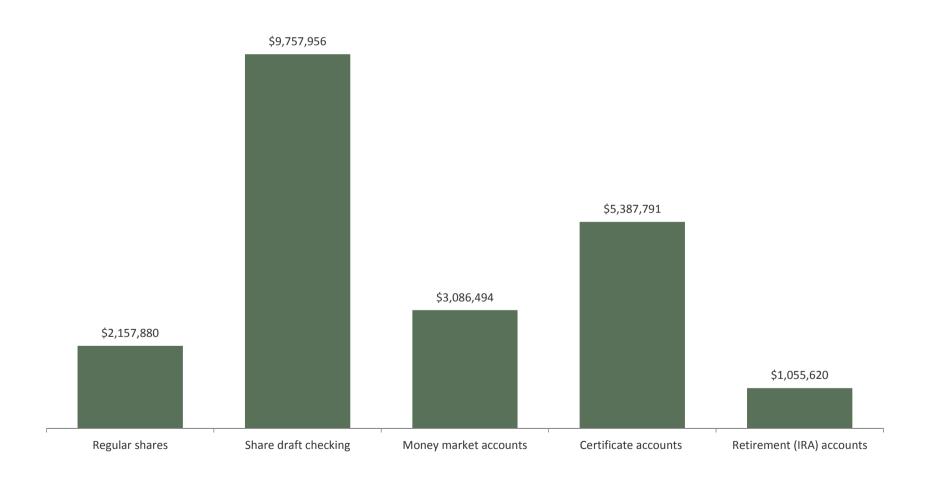
State Credit Unions' Total Loan Rate Benefits

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 Iowa Credit Unions First-Quarter 2014

	Avg. Balance at	Rate Difference vs. lowa	Total Financial Benefit to Your
<u>Loans</u>	Credit Unions (1)	Banks (%) (2)	Members
New car loans	709,675,931	-1.72	\$12,206,426
Used car loans	1,925,946,844	-1.56	\$30,044,771
Personal unsecured loans	164,401,711	0.46	-\$756,248
5-year adjustable rate 1st mortgage	2,237,965,897	0.06	-\$1,342,780
15-year fixed rate 1st mortgage	800,770,502	-0.07	\$560,539
30-year fixed rate 1st mortgage	302,216,072	0.05	-\$151,108
Home equity / 2nd mortgage loans	1,122,517,576	-0.16	\$1,796,028
Credit cards	314,894,378	-4.09	\$10,139,599
nterest rebates in period	\$231		
Total CU member benefits arising from lower interest re	\$52,497,459		
<u>Savings</u>			
Regular shares	3,082,685,975	0.07	\$2,157,880
Share draft checking	1,524,680,588	0.64	\$9,757,956
Money market accounts	2,204,638,652	0.14	\$3,086,494
Certificate accounts	2,993,217,256	0.18	\$5,387,791
Retirement (IRA) accounts	659,762,304	0.16	\$1,055,620
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest ra	\$21,445,741		
Fee Income			
Total CU member benefit arising from fewer/lower fees	\$10,386,011		
Total CU member benefit arising from interest rates	\$84,329,211		
Total CU member benefit / member:			\$80

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;

Iowa Performance Profile

Demographic Information	Mar 14	Mar 13
Number of branches	284	279
Total assets (\$ mil)	12,585	11,967
Total loans (\$ mil)	8,542	7,500
Total surplus funds (\$ mil)	3,495	3,988
Total savings (\$ mil)	10,890	10,372
Total members (thousands)	1,059	1,042
Growth Rates (Trailing 12 months) *		
Total assets	5.4 %	10.3 %
Total loans	14.1 %	10.2 %
Total surplus funds	-12.1 %	10.2 %
Total savings	5.3 %	10.7 %
Total members	2.1 %	2.7 %
Earnings - Basis Pts. *		
Yield on total assets	363	364
Dividend/interest cost of assets	68	84
Fee & other income	119	131
Operating expense	296	301
Loss Provisions	25	15
Net Income (ROA) after stabilization exp	94	94
Capital adequacy		
Net worth / assets	10.2	9.7
Asset quality *		
Delinquencies / loans	0.7	1.0
Net chargeoffs / average loans	0.4	0.4
Total borrower-bankruptcies	4	4
Bankruptcies per 1000 members	0.4	0.5
Asset/Liability Management		
Loans / savings	78.4	72.3
Loans / assets	67.9	62.7
Long-term assets / assets	38.1	33.8
Core deposits/shares & borrowings	43.1	41.5
Productivity		
Members/potential members	5.2	5.4
Borrowers/members	60.8	57.9
Members/FTE	336	343
Average shares/members (\$)	10,279	9,953
Average loan balances (\$)	13,251	12,433
Salary & Benefits/FTE	58,976	59,616
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^{*} 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.