

The Benefits of Membership

National

December 2008

Prepared by:

***Credit Union National Association
Economics and Statistics Department***



About Your Membership Benefits Report

The Membership Benefits report communicates the value of membership to members. The report compares your credit union's dividend rates, loan rates, and fees to those of banking institutions nationally¹. It combines those comparisons with credit union's call report data to develop an overall estimate of the annual financial benefits to credit union members.

It is important to remember that the report gives a *conservative* estimate of benefits. For example, it does not consider non-financial benefits such as access to a large ATM network, financial counseling, or auto buying services. The report will communicate credit union's proposition to staff, members, potential members, community leaders, and policy makers.

When interpreting the report, remember that any benefit above \$0 means credit union's are delivering financial benefits compared to the average banking institution.

The report measures benefits at one distinct point in time. Operational and strategic decisions – building a new branch, expanding your field of membership, introducing a new product – will undoubtedly be reflected credit union pricing decisions (and estimated benefit levels).

Finally, the report compares rates and fees to banking institutions on a national level.

¹ The source for banking institution interest rate and fee data is Datatrac. Datatrac is the nation's leading rate survey firm and tracks interest rates at over 15,000 institutions nationally.

The Benefits of Credit Union Membership

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

The Credit Union National Association (CUNA) estimates that credit unions provided \$9,233,696,542 in direct financial benefits to the nation's 88,543,043 members during the twelve months ending December 2008.

These benefits are equivalent to \$104 per member or \$198 per member household ⁽¹⁾.

Credit union per-member and per-household benefits 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 credit unions.

Consider this:

Financing a \$25,000 new automobile for 60 months at credit unions will save members an average \$184 per year in interest expense compared to what they would pay at a banking institution. That's approximately \$1,000 in savings over five years.

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

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

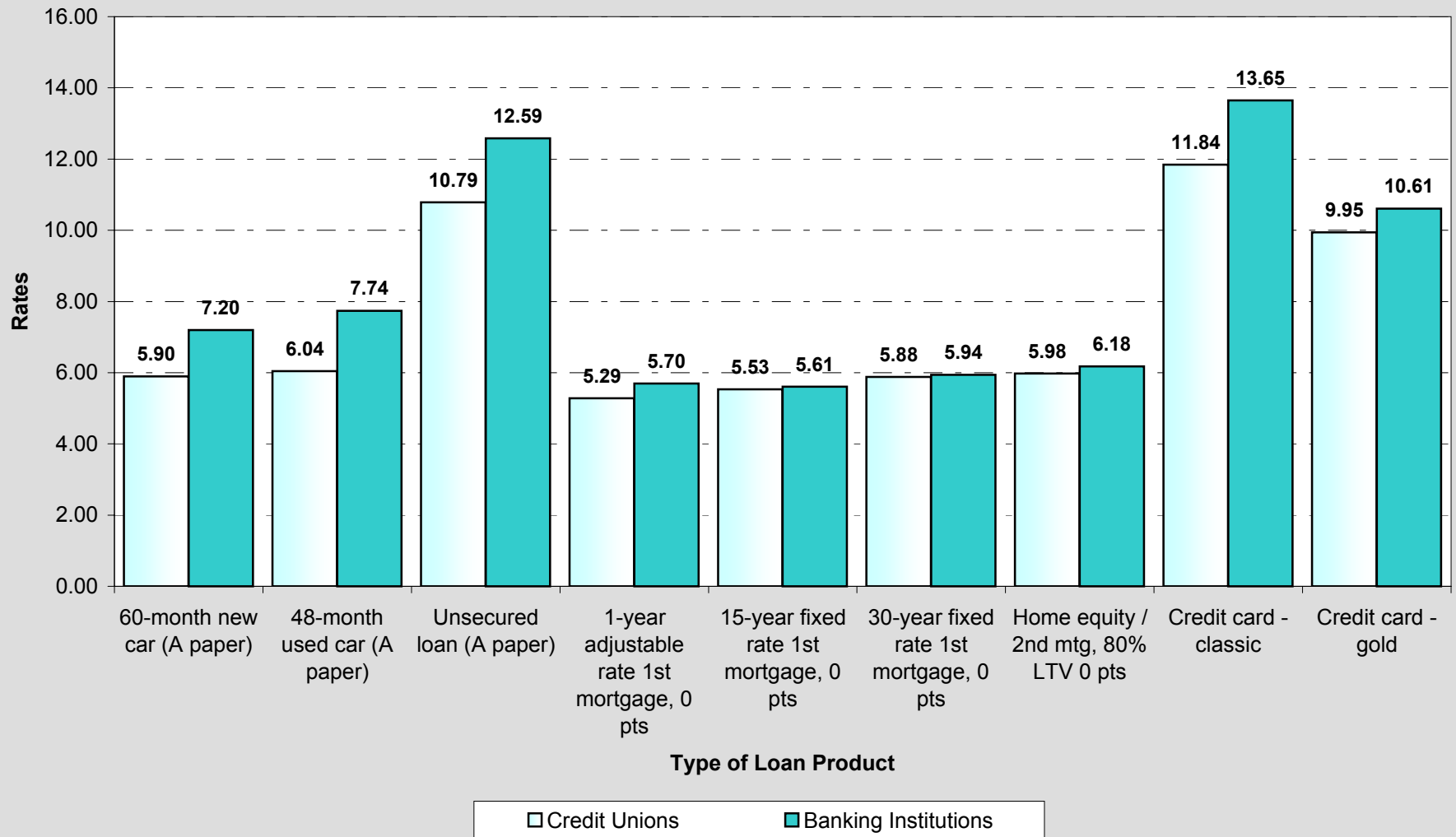
Credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



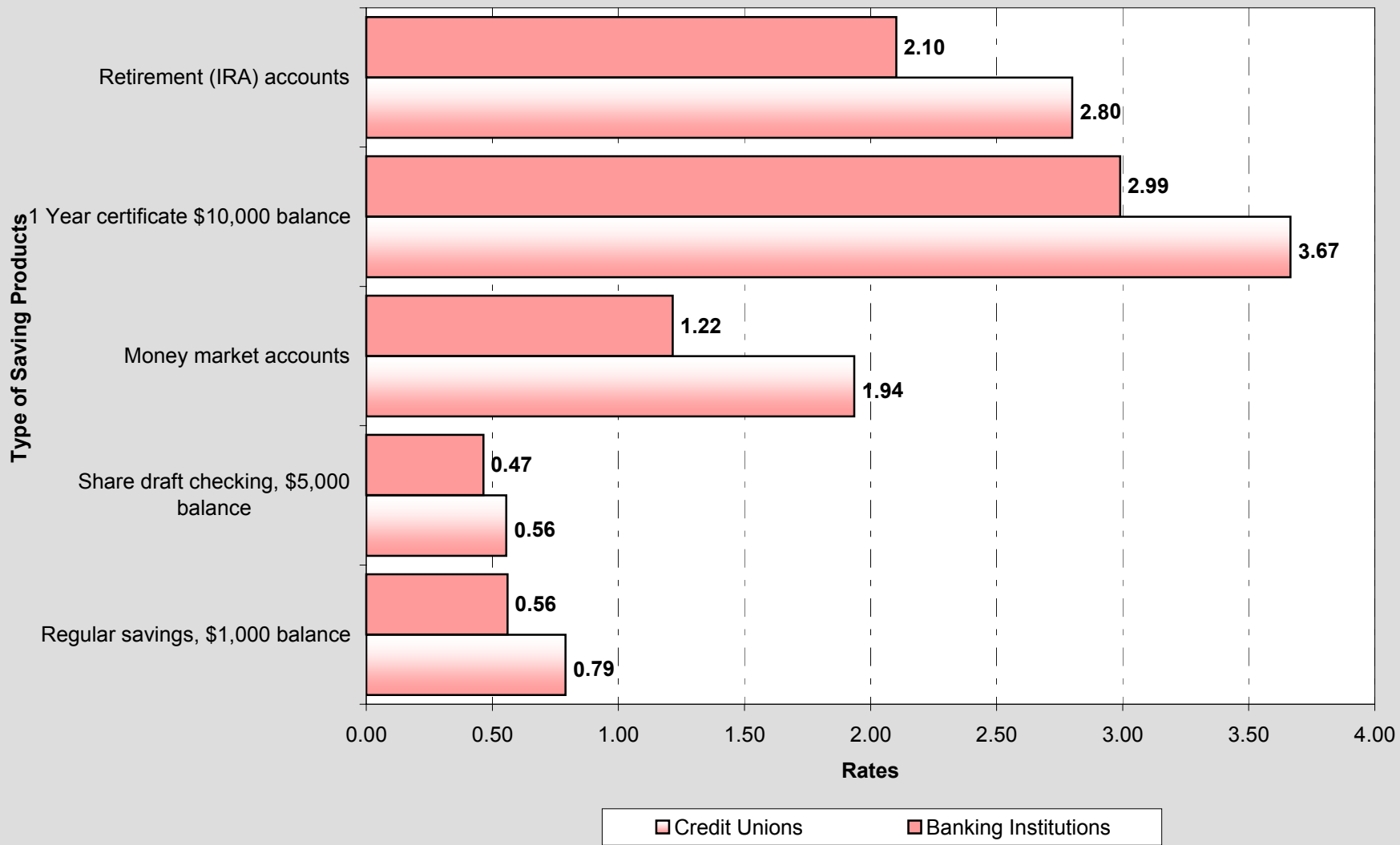
Source: Datatrac, NCUA, and CUNA.

(1) Assumes 1.9 credit union members per household.

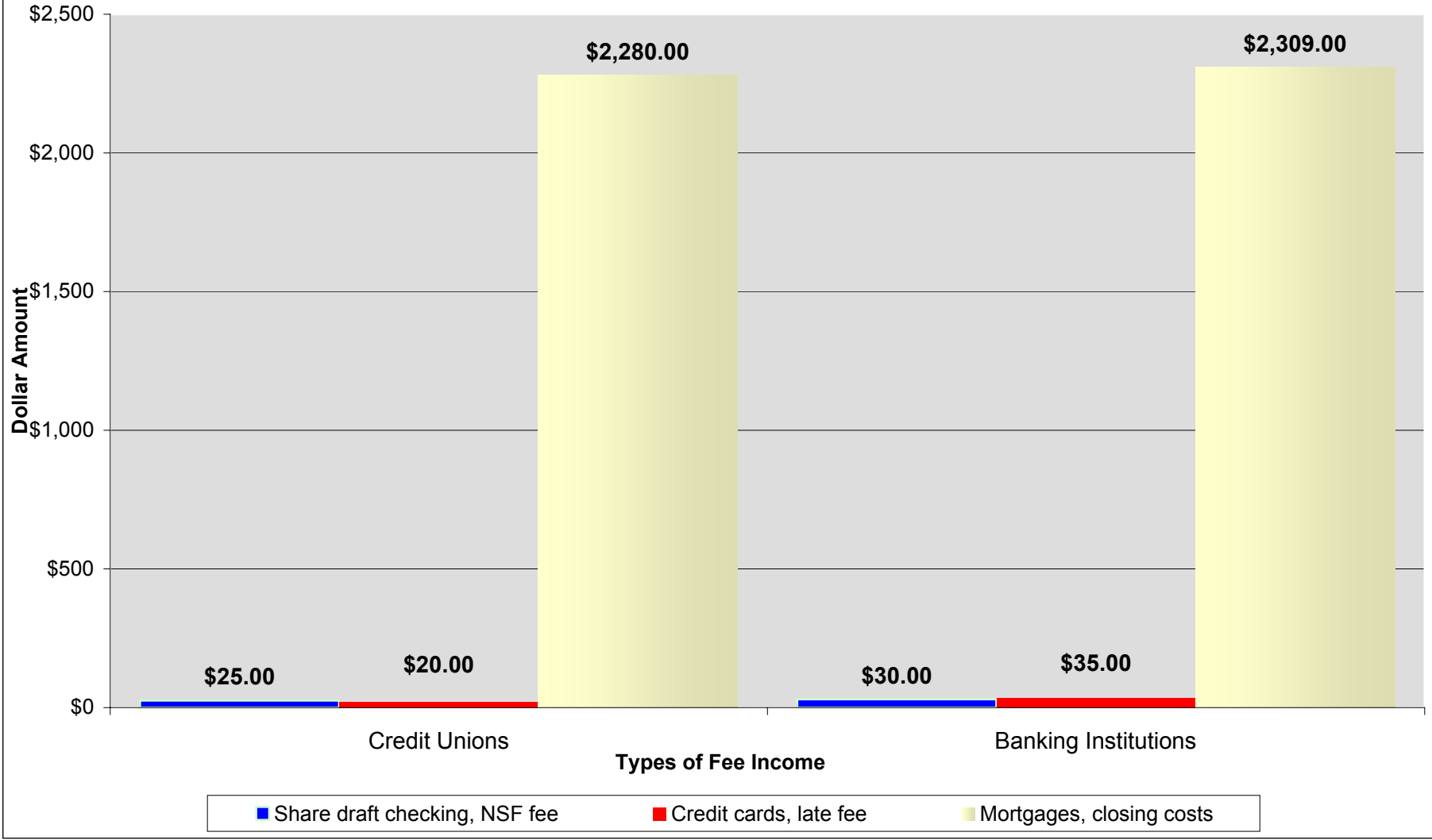
Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



Recent Comparative Interest Rates for Saving Products Credit Unions vs. Banking Institutions



Selected 2008 Credit Union Fees Compared to Banking Institutions

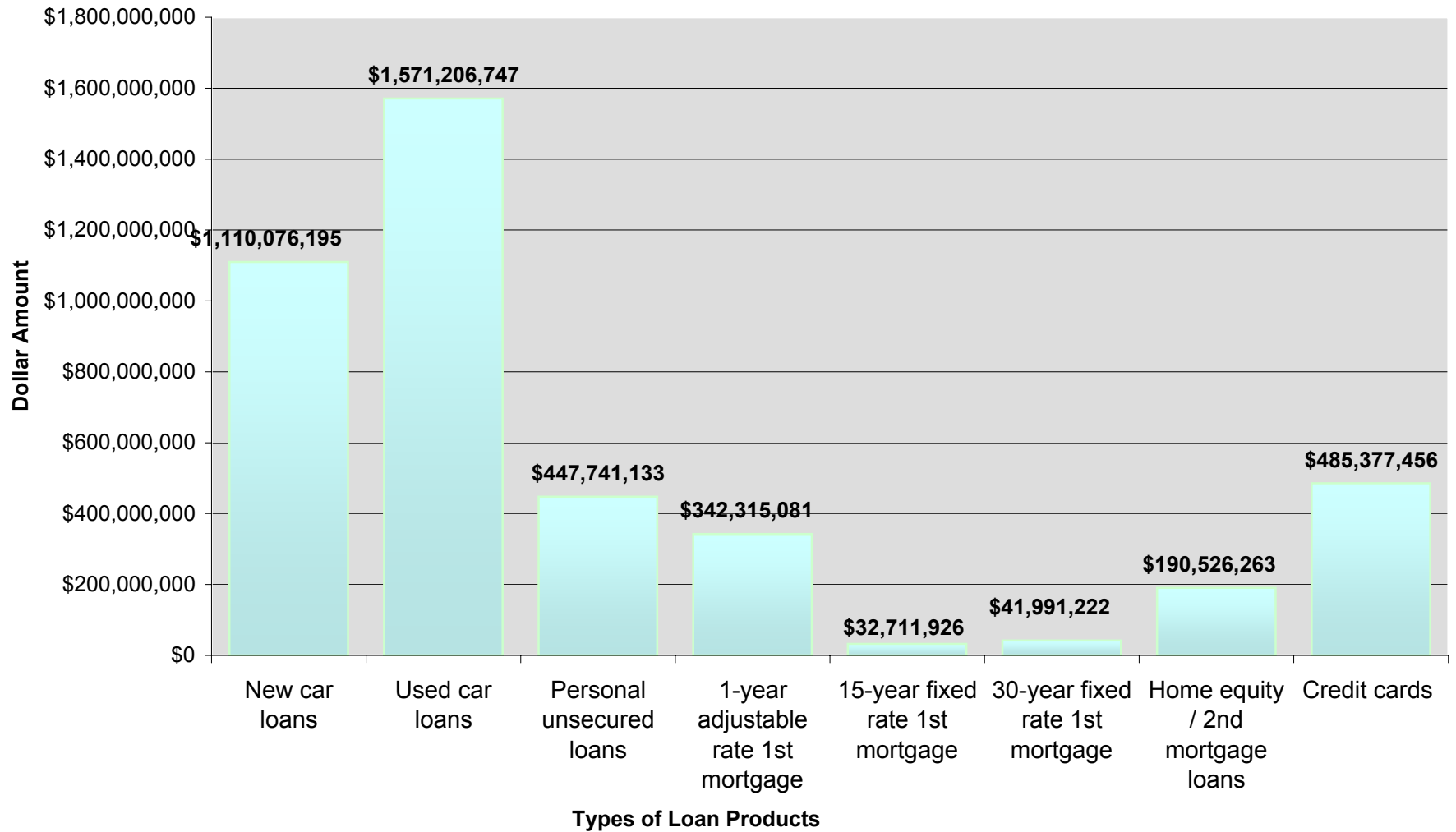


**Credit Union and Banking Institution
2008 Average Interest Rates and Fees**

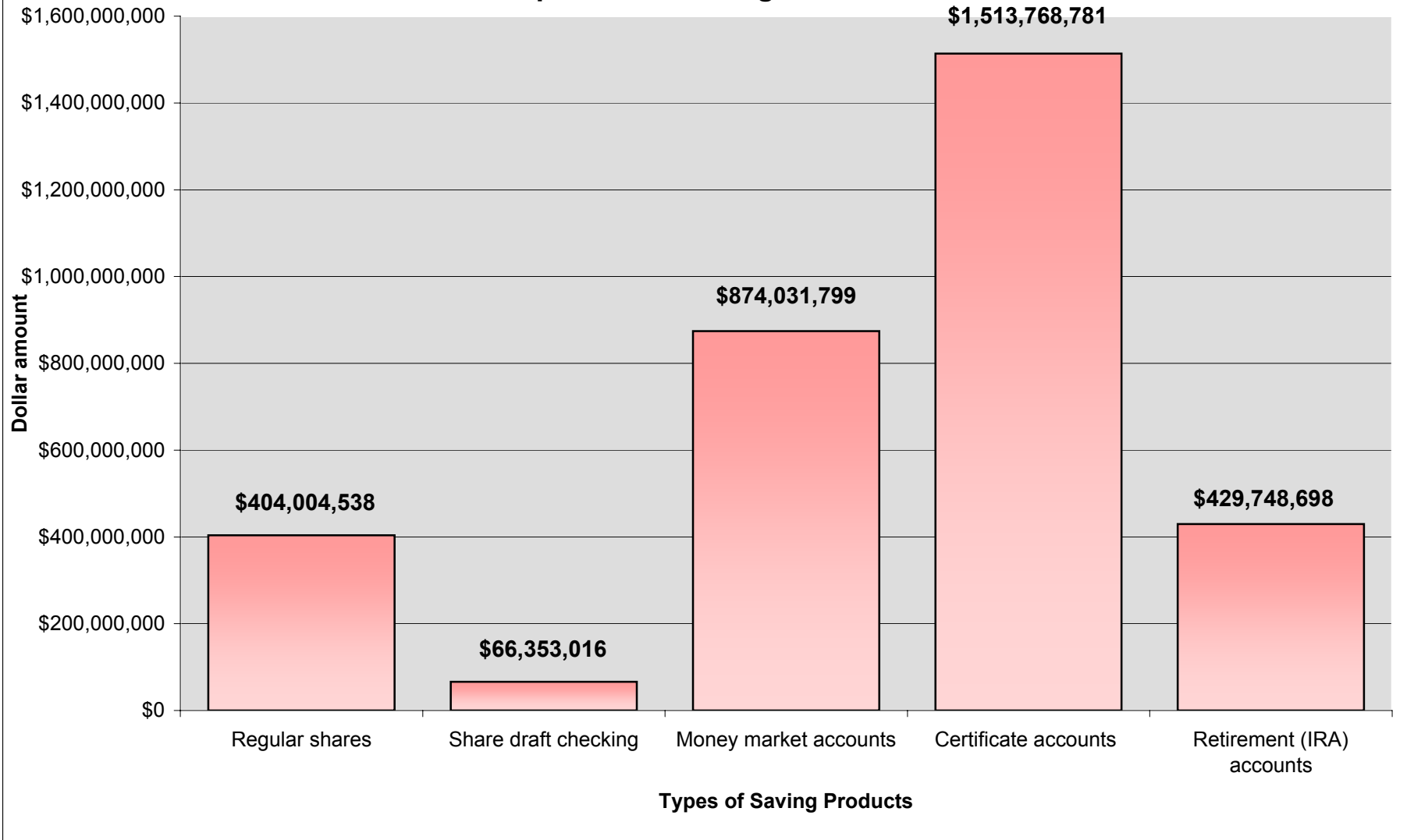
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	5.90	7.20	-1.31
48-month used car (A paper)	6.04	7.74	-1.70
Unsecured loan (A paper)	10.79	12.59	-1.80
1-year adjustable rate 1st mortgage, 0 pts	5.29	5.70	-0.41
15-year fixed rate 1st mortgage, 0 pts	5.53	5.61	-0.08
30-year fixed rate 1st mortgage, 0 pts	5.88	5.94	-0.06
Home equity / 2nd mtg, 80% LTV 0 pts	5.98	6.18	-0.20
Credit card - classic	11.84	13.65	-1.81
Credit card - gold	9.95	10.61	-0.66
Savings Products			
Regular savings, \$1,000 balance	0.79	0.56	0.23
Share draft checking, \$5,000 balance	0.56	0.47	0.09
Money market accounts	1.94	1.22	0.72
1 Year certificate \$10,000 balance	3.67	2.99	0.68
Retirement (IRA) accounts	2.80	2.10	0.70
Fee Income			
Share draft checking, NSF fee	\$25.00	\$30.00	-\$5.00
Credit cards, late fee	\$20.00	\$35.00	-\$15.00
Mortgages, closing costs	\$2,280.00	\$2,309.00	-\$29.00

Source: Datatrac.

Estimated Credit Union Loan Rate Benefits Compared to Banking Institutions



Estimated Credit Union Savings Dividend Benefits Compared to Banking Institutions



Estimated Credit Union Financial Benefits 2008

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Banks (%) (2)	Total Financial Benefit to Members
New car loans	85,063,309,945	-1.31	\$1,110,076,195
Used car loans	92,696,563,260	-1.70	\$1,571,206,747
Personal unsecured loans	24,874,507,399	-1.80	\$447,741,133
1-year adjustable rate 1st mortgage	83,491,483,277	-0.41	\$342,315,081
15-year fixed rate 1st mortgage	43,615,901,551	-0.08	\$32,711,926
30-year fixed rate 1st mortgage	69,985,369,959	-0.06	\$41,991,222
Home equity / 2nd mortgage loans	95,263,131,452	-0.20	\$190,526,263
Credit cards	31,854,139,820	-1.81	\$485,377,456
Interest rebates in period			\$66,116,309
Total CU member benefit arising from lower interest rates on loan products:			\$4,288,062,332
 <u>Savings</u>			
Regular shares	175,654,146,931	0.23	\$404,004,538
Share draft checking	73,725,573,579	0.09	\$66,353,016
Money market accounts	121,393,305,406	0.72	\$874,031,799
Certificate accounts	224,262,041,628	0.68	\$1,513,768,781
Retirement (IRA) accounts	61,612,716,521	0.70	\$429,748,698
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$3,287,906,832
 <u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$1,657,727,378
 Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$9,233,696,542
 Total CU member benefit / member:			\$104
Total CU member benefit / member household:			\$198

Source: Datatrac, NCUA, and CUNA

(1) Average balance as of year-end 2007 and year-end 2008, according to the NCUA call report.; (2) surce for rates and fees: Datatrac;

**National
Performance Profile**

Demographic Information	Dec-08	Dec-07
Number of branches	21,399	20,846
Total assets (\$ mil)	825,802	770,100
Total loans (\$ mil)	575,814	539,546
Total surplus funds (\$ mil)	217,870	199,252
Total savings (\$ mil)	691,766	646,820
Total members (thousands)	89,914	88,497
Growth Rates		
Total assets	8.2 %	7.0 %
Total loans	7.7 %	7.5 %
Total surplus funds	10.3 %	5.4 %
Total savings	7.9 %	6.1 %
Total members	2.7 %	2.4 %
Earnings - Basis Pts.		
Yield on total assets	562	592
- Dividend/interest cost of assets	244	280
+ Fee & other income	138	136
- Operating expense	338	340
- Loss Provisions	86	43
= Net Income (ROA)	31	65
Capital adequacy		
Net worth / assets	10.9	11.4
Asset quality		
Delinquencies / loans	1.4	0.9
Net chargeoffs / average loans	0.8	0.5
Total borrower-bankruptcies	29	19
Bankruptcies per 1000 members	2.6	1.8
Asset/Liability Management		
Loans / savings	83.2	83.4
Loans / assets	69.7	70.1
Long-term assets / assets	31.3	29.3
Core deposits/shares & borrowings	36.2	37.1
Productivity		
Members/potential members	6.9	7.3
Borrowers/members	50.7	50.8
Members/FTE	372	374
Average shares/members (\$)	7,694	7,309
Average loan balances (\$)	12,624	12,011
Salary & Benefits/FTE	55,837	53,630