The Benefits of Membership

Customized Analysis of Member Benefits For:

Arizona

March 2014

Prepared by:

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Arizona

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 Arizona credit unions provided \$62,790,270 in direct financial benefits to the state's 1,427,620 members during the twelve months ending March 2014.

These benefits are equivalent to \$44 per member or \$84 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 Arizona 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 Arizona credit unions.

Consider this:

Financing a \$25,000 new automobile for 60 months at a Arizona credit union will save members an average \$80 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.

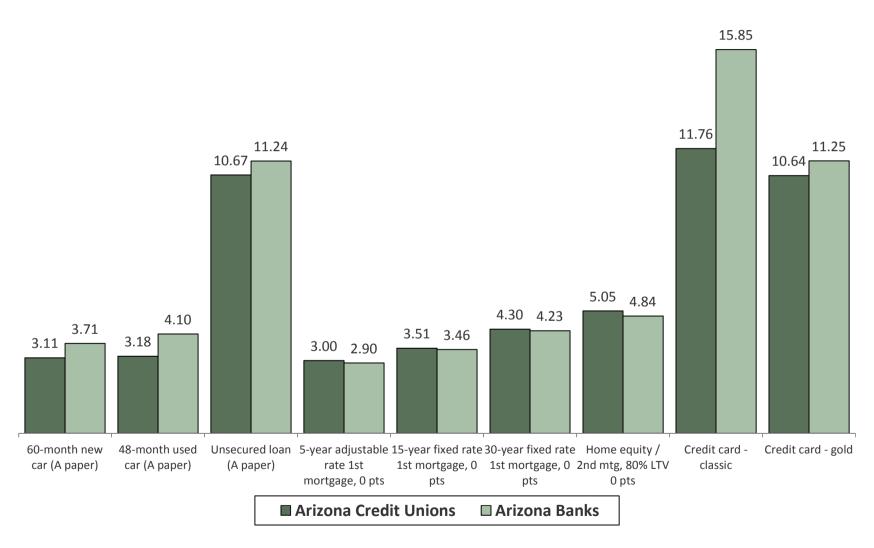
Arizona credit unions excel in providing member benefits on many loan and saving products. In particular, Arizona credit unions offer lower average loan rates on the following accounts: new car loans, used car loans, personal unsecured loans, credit cards loans.

Arizona credit unions also pay members higher average dividends on the following accounts: money market accounts, certificate accounts, IRAs.



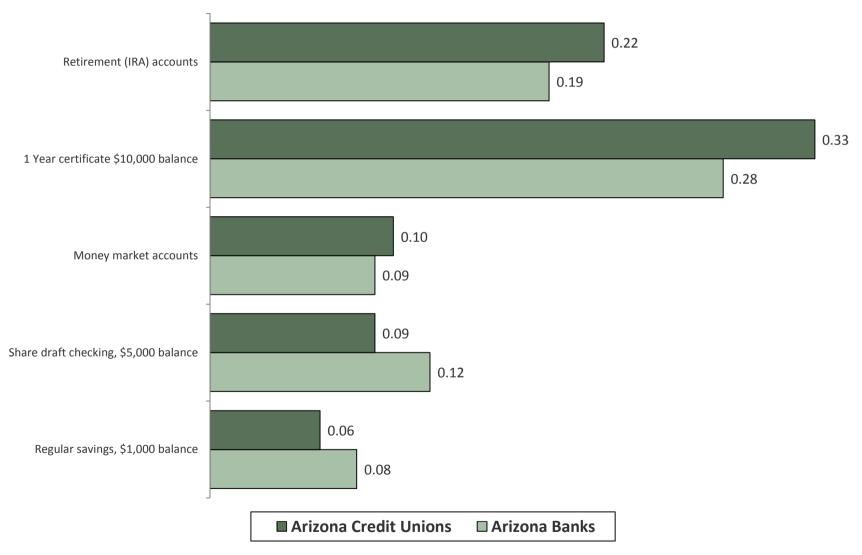
Loan Product Comparative Interest Rates (%)

By Loan Type



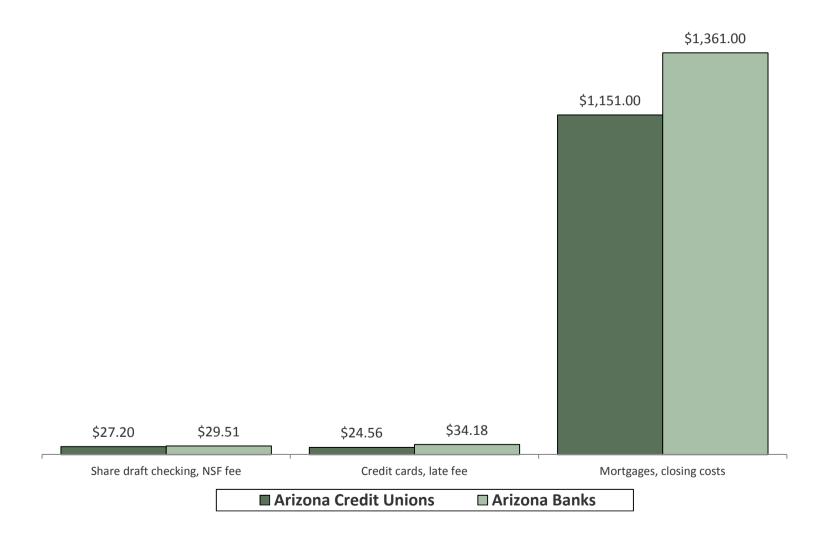
Savings Products Comparative Interest Rates(%)

By Savings Account Type



Comparative Fees

By Type



Arizona

Credit Union and Banking Instituion

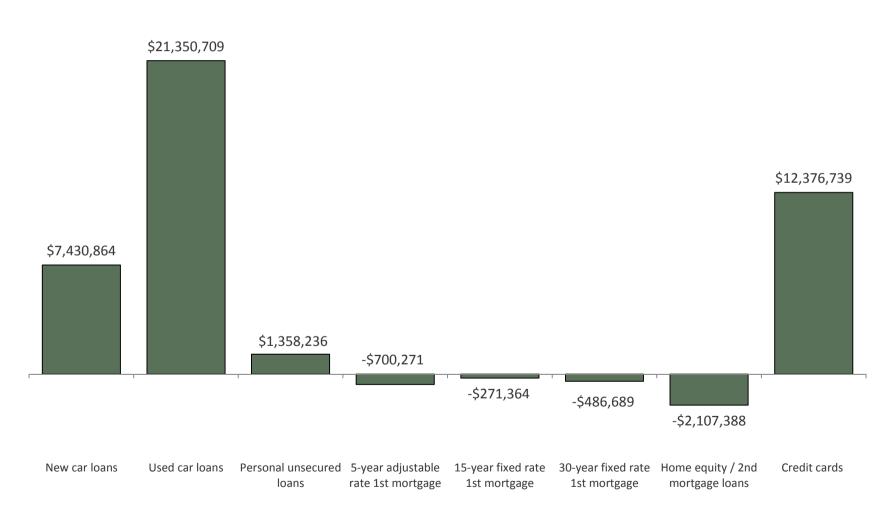
First-Quarter 2014 Average Interest Rates and Fees

Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	3.11	3.71	-0.60
48-month used car (A paper)	3.18	4.10	-0.92
Unsecured loan (A paper)	10.67	11.24	-0.57
5-year adjustable rate 1st mortgage, 0 pts	3.00	2.90	0.10
15-year fixed rate 1st mortgage, 0 pts	3.51	3.46	0.05
30-year fixed rate 1st mortgage, 0 pts	4.30	4.23	0.07
Home equity / 2nd mtg, 80% LTV 0 pts	5.05	4.84	0.21
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	0.06	0.08	-0.02
Share draft checking, \$5,000 balance	0.09	0.12	-0.03
Money market accounts	0.10	0.09	0.01
1 Year certificate \$10,000 balance	0.33	0.28	0.05
Retirement (IRA) accounts	0.22	0.19	0.03
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 Arizona Credit Unions First-Quarter 2014

	Avg. Balance at	Rate Difference vs. Arizona	Total Financial Benefit to Your
<u>Loans</u>	Credit Unions (1)	Banks (%) (2)	Members
New car loans	1,238,477,289	-0.60	\$7,430,864
Used car loans	2,320,729,220	-0.92	\$21,350,709
Personal unsecured loans	238,286,931	-0.57	\$1,358,236
5-year adjustable rate 1st mortgage	700,271,463	0.10	-\$700,271
15-year fixed rate 1st mortgage	542,727,836	0.05	-\$271,364
30-year fixed rate 1st mortgage	695,270,092	0.07	-\$486,689
Home equity / 2nd mortgage loans	1,003,517,927	0.21	-\$2,107,388
Credit cards	384,370,774	-4.09	\$12,376,739
Interest rebates in period	\$2		
Total CU member benefits arising from lower interest ra	\$38,950,837		
Savings			
Regular shares	3,596,719,097	-0.02	-\$719,344
Share draft checking	1,437,245,791	-0.03	-\$431,174
Money market accounts	4,430,151,147	0.01	\$443,015
Certificate accounts	1,465,117,449	0.05	\$732,559
Retirement (IRA) accounts	890,395,238	0.03	\$267,119
Bonus dividends in period	\$0		
Total CU member benefit arising from higher interest ra	\$292,175		
Fee Income			
Total CU member benefit arising from fewer/lower fees			\$23,547,259
Total CU member benefit arising from interest rates	s on loan and savings products and lo	ower fees:	\$62,790,270
Total CU member benefit / member:			\$44
Total CU member benefit / member household:			\$84

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;

Arizona Performance Profile

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Demographic Information	Mar 14	Mar 13
Number of branches	264	264
Total assets (\$ mil)	14,323	13,260
Total loans (\$ mil)	7,773	7,168
Total surplus funds (\$ mil)	5,816	5,472
Total savings (\$ mil)	12,144	11,721
Total members (thousands)	1,427	1,428
Growth Rates (Trailing 12 months) *		
Total assets	8.0 %	4.0 %
Total loans	8.4 %	6.0 %
Total surplus funds	6.3 %	0.7 %
Total savings	3.6 %	3.3 %
Total members	-0.1 %	0.0 %
Earnings - Basis Pts. *		
Yield on total assets	338	332
Dividend/interest cost of assets	30	30
Fee & other income	200	231
Operating expense	400	408
Loss Provisions	11	27
Net Income (ROA) after stabilization exp	98	98
Capital adequacy		
Net worth / assets	9.9	9.5
Asset quality *		
Delinguencies / Ioans	0.6	0.6
Net chargeoffs / average loans	0.5	0.8
Total borrower-bankruptcies	17	19
Bankruptcies per 1000 members	0.6	0.6
Asset/Liability Management		
Loans / savings	64.0	61.2
_oans / assets	54.3	54.1
_ong-term assets / assets	32.3	31.3
Core deposits/shares & borrowings	42.9	41.4
Productivity		
Members/potential members	3.5	3.6
Borrowers/members	46.2	45.3
Members/FTE	322	339
Average shares/members (\$)	8,510	8,207
Average loan balances (\$)	11,784	11,090
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Salary & Benefits/FTE	67,546	64,462

^{*} 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.