The Benefits of Membership

Customized Analysis of Member Benefits For:

Arizona

June 2013

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Economics and Statistics Department

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 $78,959,455 in direct financial benefits to the state's 1,423,286 members during the twelve months ending June 2013.

These benefits are equivalent to $55 per member or $105 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 $151 per year in interest expense compared to what they would pay at a banking institution in the state.

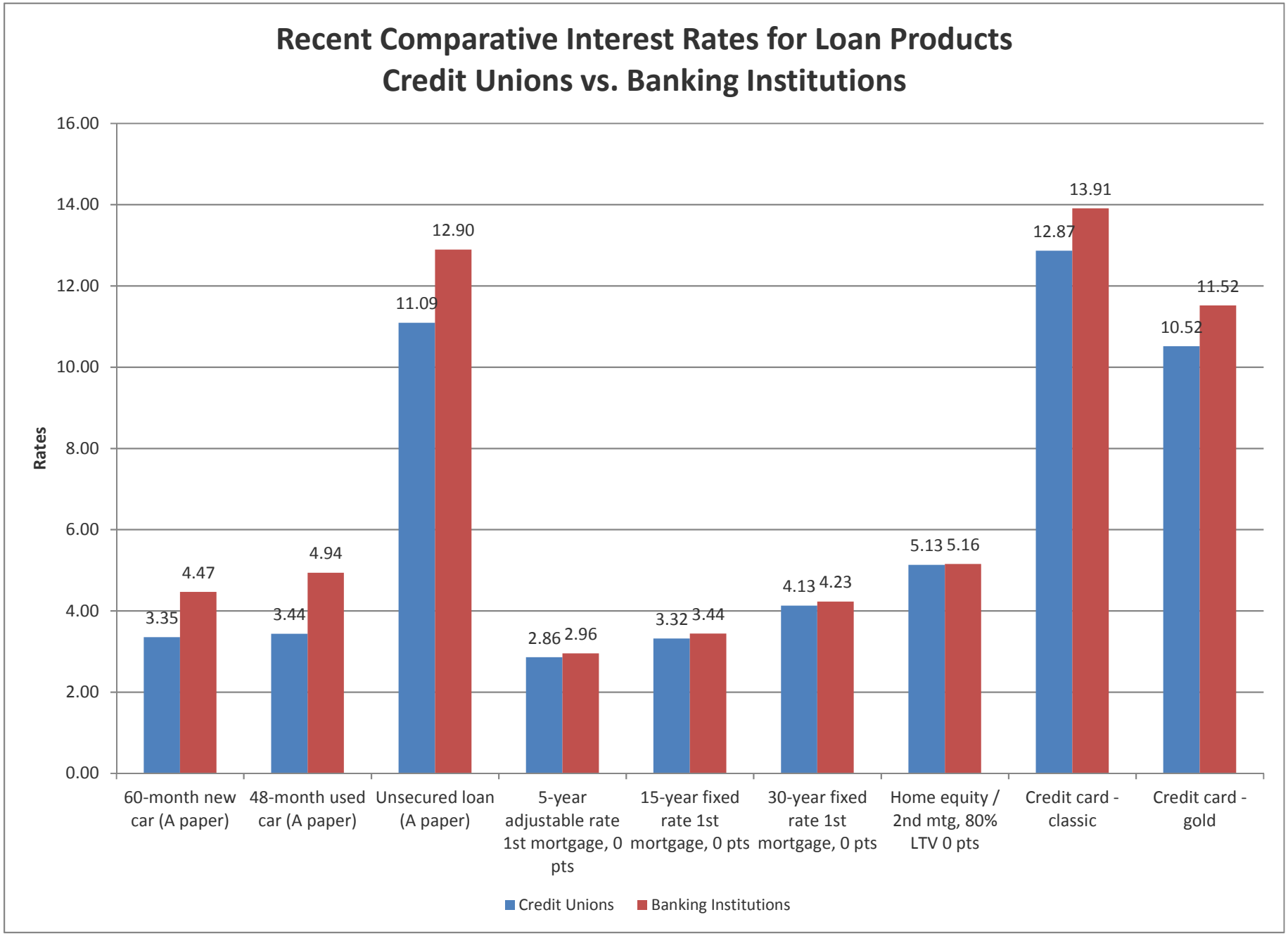
Further, loyal members - those who use the credit union extensively - often receive total financial benefits that are much greater than the average.

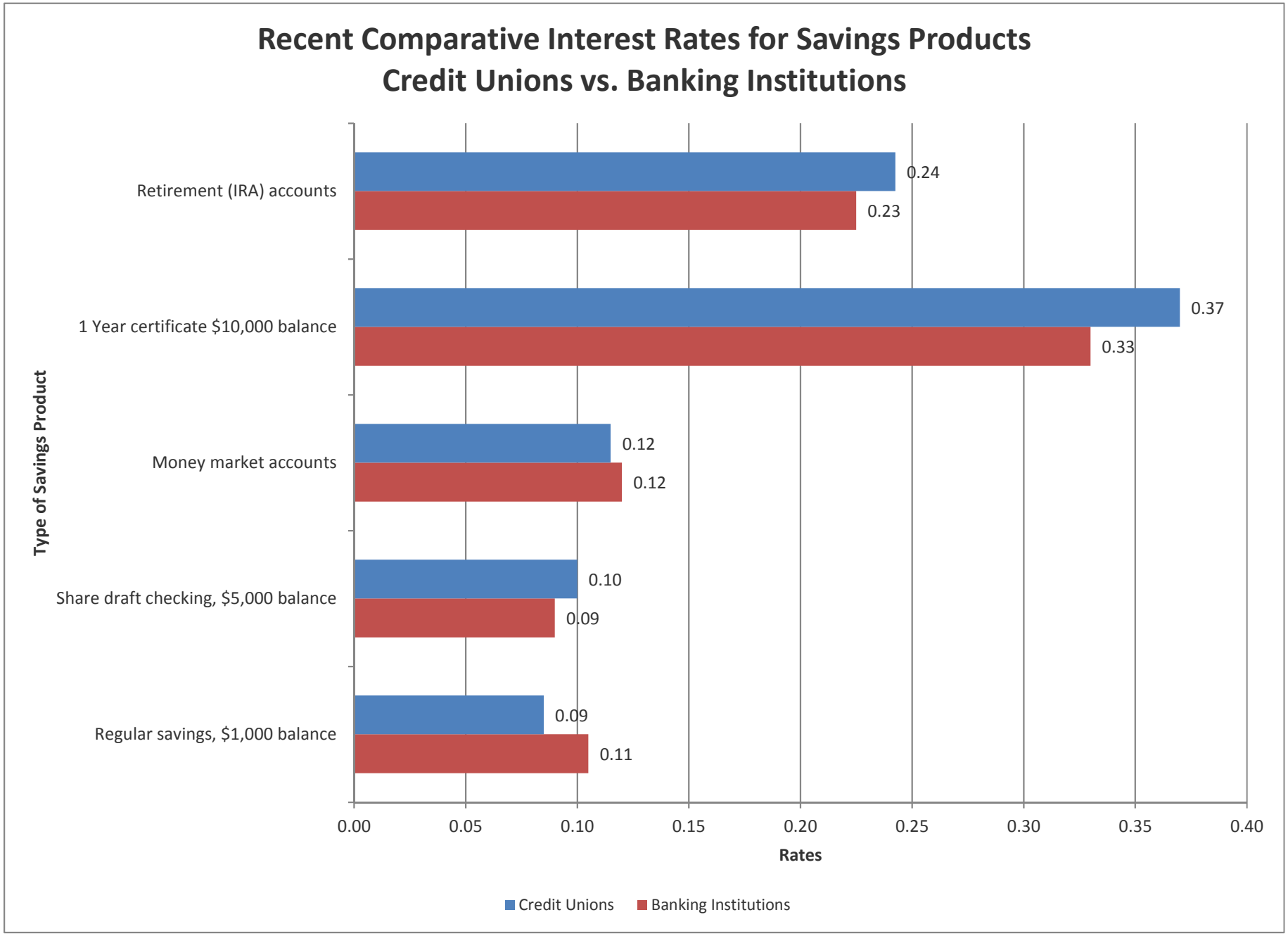
Arizona credit unions excel in providing member benefits on many loan and saving products. In particular, Arizona credit unions offer lower average loan rates on the following accounts: new car loans, used car loans, personal unsecured loans, first mortgage-fixed rate, first mortgage-adjustable rate,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

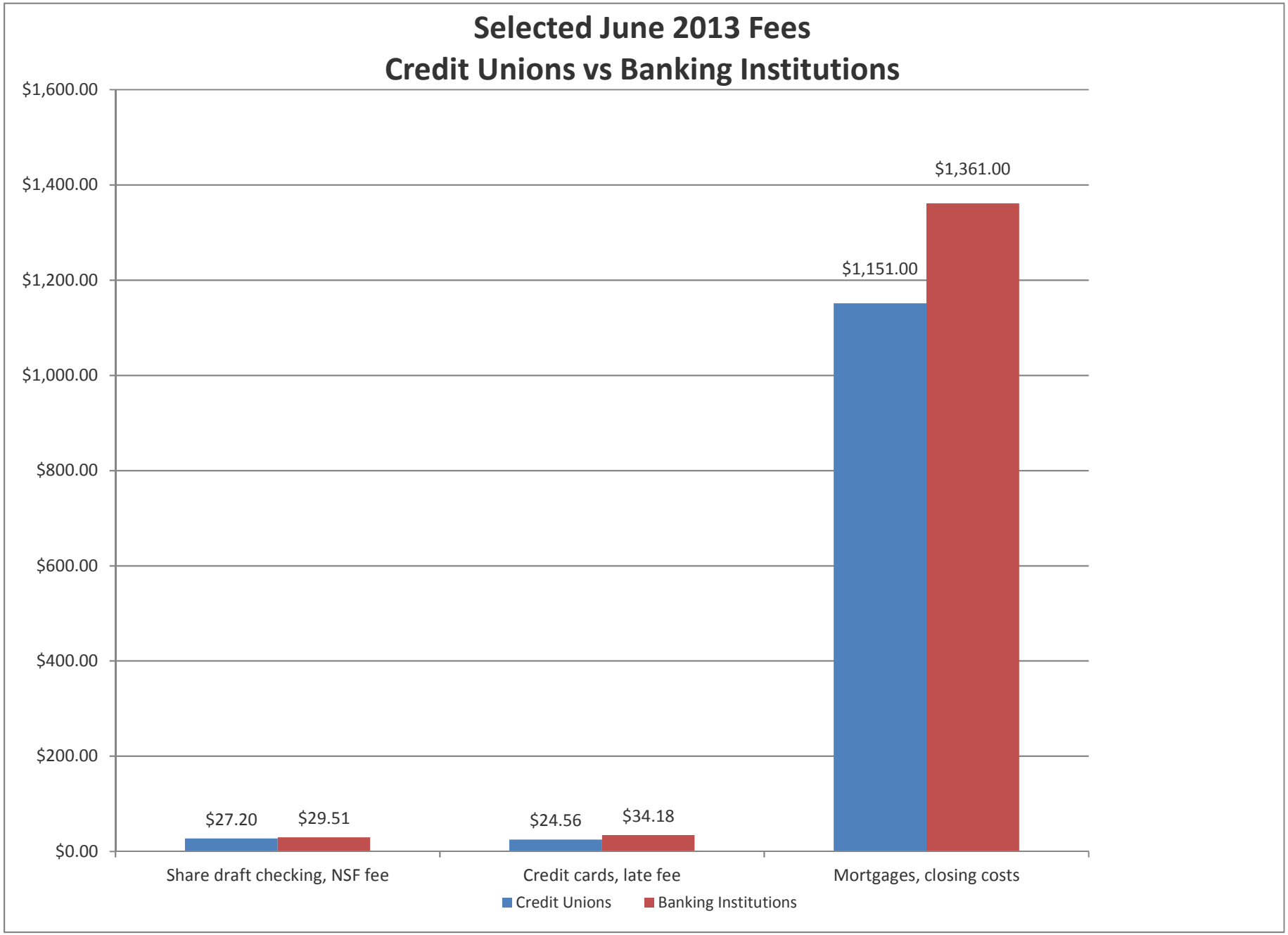
Arizona credit unions also pay members higher average dividends on the following accounts: share draft checking, certificate accounts, IRAs.

AMERICA'S CREDIT UNIONS

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
Rates
16.00
14.00
12.00
10.00
8.00
6.00
4.00
2.00
0.00
3.35
4.47
3.44
4.94
11.09
12.90
2.86
2.96
3.32
3.44
4.13
4.23
5.13
5.16
12.87
13.91
10.52
11.52
60-month new car (A paper)
48-month used car (A paper)
Unsecured loan (A paper)
5-year adjustable rate 1st mortgage, 0 pts
15-year fixed rate 1st mortgage, 0 pts
30-year fixed rate 1st mortgage, 0 pts
Home equity / 2nd mtg, 80% LTV 0 pts
Credit card - classic
Credit card - gold
Credit Unions
Banking Institutions

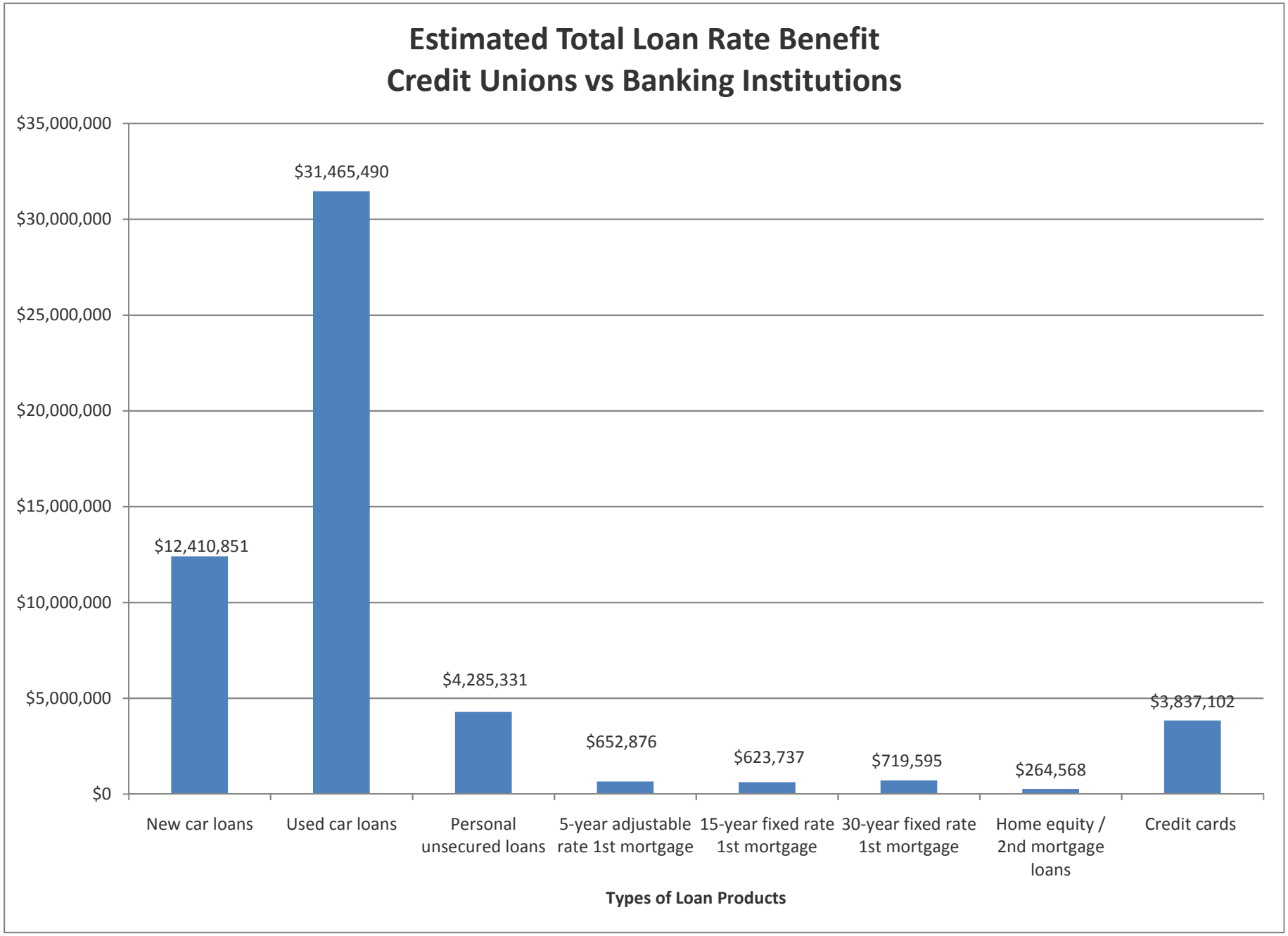

Recent Comparative Interest Rates for Savings Products
Credit Unions vs. Banking Institutions
Type of Savings Product
Retirement (IRA) accounts
1 Year certificate $10,000 balance
Money market accounts
Share draft checking, $5,000 balance
Regular savings, $1,000 balance
0.24
0.23
0.37
0.33
0.12
0.12
0.10
0.09
0.09
0.11
0.00
0.05
0.10
0.15
0.20
0.25
0.30
0.35
0.40
Rates
Credit Unions
Banking Institutions

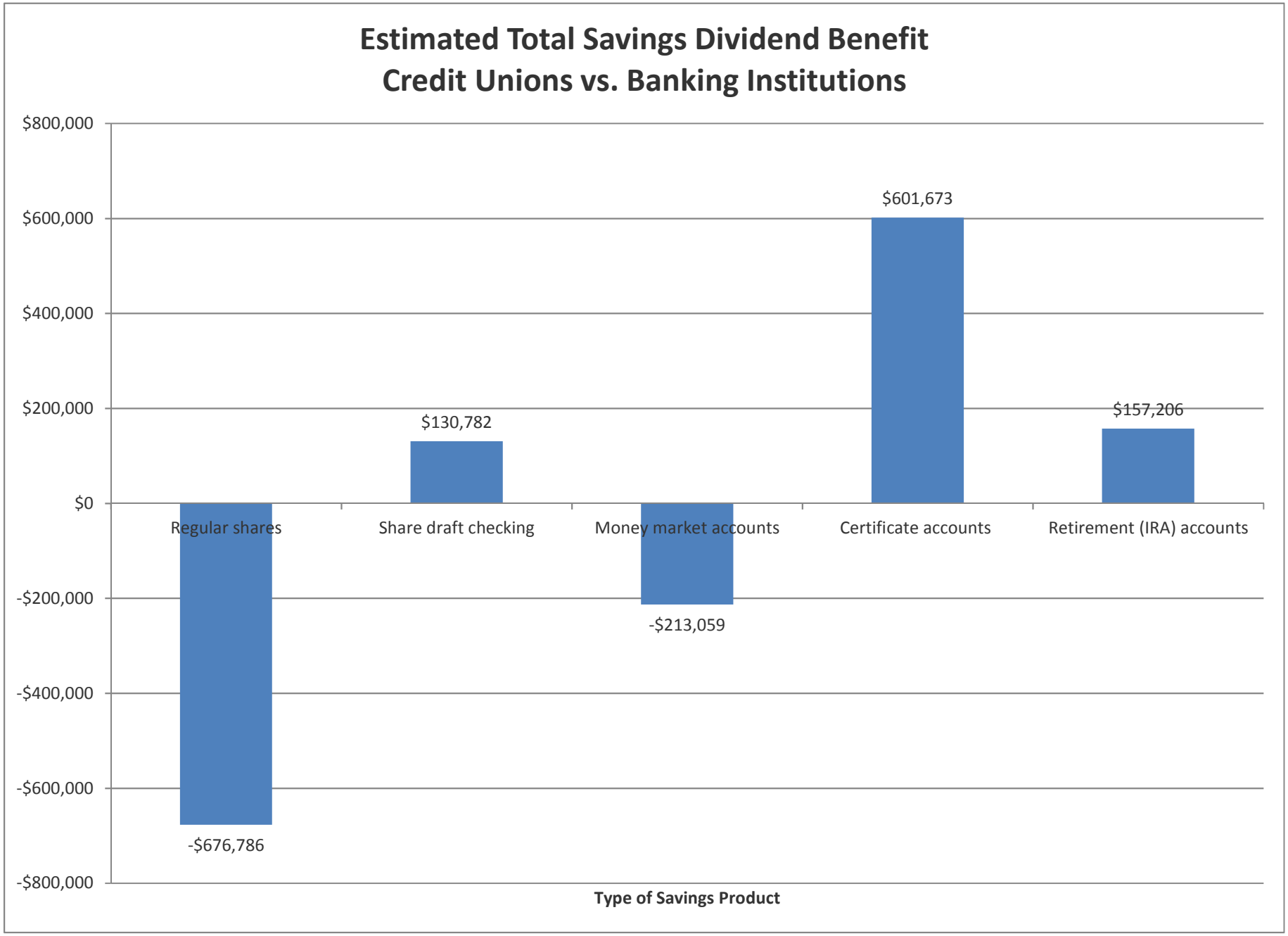

Selected June 2013 Fees
Credit Unions vs Banking Institutions
$1,600.00
$1,400.00
$1,200.00
$1,000.00
$800.00
$600.00
$400.00
$200.00
$0.00
$27.20
$29.51
$24.56
$34.18
$1,151.00
$1,361.00
Share draft checking, NSF fee
Credit cards, late fee
Mortgages, closing costs
Credit Unions
Banking Institutions

Arizona
Credit Union and Banking Instituion
Mid-Year 2013 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)	3.35	4.47	-1.12
48-month used car (A paper)	3.44	4.94	-1.51
Unsecured loan (A paper)	11.09	12.90	-1.81
5-year adjustable rate 1st mortgage, 0 pts	2.86	2.96	-0.09
15-year fixed rate 1st mortgage, 0 pts	3.32	3.44	-0.12
30-year fixed rate 1st mortgage, 0 pts	4.13	4.23	-0.10
Home equity / 2nd mtg, 80% LTV 0 pts	5.13	5.16	-0.02
Credit card - classic	12.87	13.91	-1.05
Credit card - gold	10.52	11.52	-1.01
Savings Products			
Regular savings, $1,000 balance	0.09	0.11	-0.02
Share draft checking, $5,000 balance	0.10	0.09	0.01
Money market accounts	0.12	0.12	-0.01
1 Year certificate $10,000 balance	0.37	0.33	0.04
Retirement (IRA) accounts	0.24	0.23	0.02
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


Estimated Total Loan Rate Benefit
Credit Unions vs Banking Institutions
$35,000,000
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$0
$12,410,851
$31,465,490
$4,285,331
$652,876
$623,737
$719,595
$264,568
$3,837,102
New car loans
Used car loans
Personal unsecured loans
5-year adjustable rate 1st mortgage
15-year fixed rate 1st mortgage
30-year fixed rate 1st mortgage
Home equity / 2nd mortgage loans
Credit cards
Types of Loan Products


Estimated Total Savings Dividend Benefit
Credit Unions vs. Banking Institutions
$800,000
$600,000
$400,000
$200,000
$0
-$200,000
-$400,000
-$600,000
-$800,000
-$676,786
$130,782
-$213,059
$601,673
$157,206
Regular shares
Share draft checking
Money market accounts
Certificate accounts
Retirement (IRA) accounts
Type of Savings Product

Estimated Arizona Credit Unions Financial Benefits

Mid-Year 2013

Loans	Avg. Balance at Credit Unions (1)	Rate Difference vs. Arizona Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	1,113,080,815	-1.12	$12,410,851
Used car loans	2,090,730,259	-1.51	$31,465,490
Personal unsecured loans	237,414,455	-1.81	$4,285,331
5-year adjustable rate 1st mortgage	687,237,764	-0.09	$652,876
15-year fixed rate 1st mortgage	519,781,157	-0.12	$623,737
30-year fixed rate 1st mortgage	719,594,527	-0.10	$719,595
Home equity / 2nd mortgage loans	1,058,272,053	-0.02	$264,568
Credit cards	370,734,523	-1.05	$3,837,102
Interest rebates in period			$63
Total CU member benefits arising from lower interest rates on loan products:			$54,259,613
Savings			
Regular shares	3,383,928,572	-0.02	-$676,786
Share draft checking	1,307,816,937	0.01	$130,782
Money market accounts	4,261,177,034	-0.01	-$213,059
Certificate accounts	1,504,182,016	0.04	$601,673
Retirement (IRA) accounts	898,318,743	0.02	$157,206
Bonus dividends in period			$0
Total CU member benefit arising from higher interest rates on saving products:			-$184
Fee Income			
Total CU member benefit arising from fewer/lower fees:			$24,700,025
Total CU member benefit arising from interest rates on loan and savings products and lower fees:			$78,959,455
Total CU member benefit / member:			$55
Total CU member benefit / member household:			$105

Source: Datatrac, NCUA, and CUNA

(1) Average balance as of September 2012 and September 2011, according to the NCUA call report.; (2) Source for rates and fees: Datatrac;

Arizona
Performance Profile

Demographic Information	Jun 13	Jun 12
Number of branches	263	277
Total assets ($ mil)	13,267	12,774
Total loans ($ mil)	7,332	6,910
Total surplus funds ($ mil)	5,288	5,284
Total savings ($ mil)	11,693	11,361
Total members (thousands)	1,420	1,430
Growth Rates (Trailing 12 months) *		
Total assets	3.9 %	7.2 %
Total loans	6.1 %	-1.5 %
Total surplus funds	0.1 %	17.6 %
Total savings	2.9 %	5.5 %
Total members	-0.7 %	-0.8 %
Earnings - Basis Pts. *		
Yield on total assets	337	381
Dividend/interest cost of assets	31	35
Fee & other income	233	235
Operating expense	412	412
Loss Provisions	22	20
Net Income (ROA) after stabilization exp	106	149
Capital adequancy		
Net worth / assets	9.8	8.9
Asset quality *		
Delinquencies / loans	0.6	1.1
Net chargeoffs / average loans	0.7	1.6
Total borrower-bankruptcies	38	50
Bankruptcies per 1000 members	1.2	1.6
Asset/Liability Management		
Loans / savings	62.7	60.8
Loans / assets	55.3	54.1
Long-term assets / assets	33.4	30.5
Core deposits/shares & borrowings	41.0	40.3
Productivity		
Members/potentional members	3.5	3.8
Borrowers/members	45.5	44.2
Members/FTE	331	345
Average shares/members ($)	8,234	7,946
Average loan balances ($)	11,347	10,923
Salary & Benefits/FTE	64,069	63,192

*** 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.**