

The Benefits of Membership

Customized Analysis of Member Benefits For:

Iowa

June 2014

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Iowa

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 \$95,644,375 in direct financial benefits to the state's 1,044,719 members during the twelve months ending June 2014.

These benefits are equivalent to \$92 per member or \$174 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 Iowa 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 Iowa credit unions.

Consider this:

Financing a \$25,000 new automobile for 60 months at a Iowa credit union will save members an average \$252 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.

Iowa credit unions excel in providing member benefits on many loan and saving products. In particular, Iowa 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.

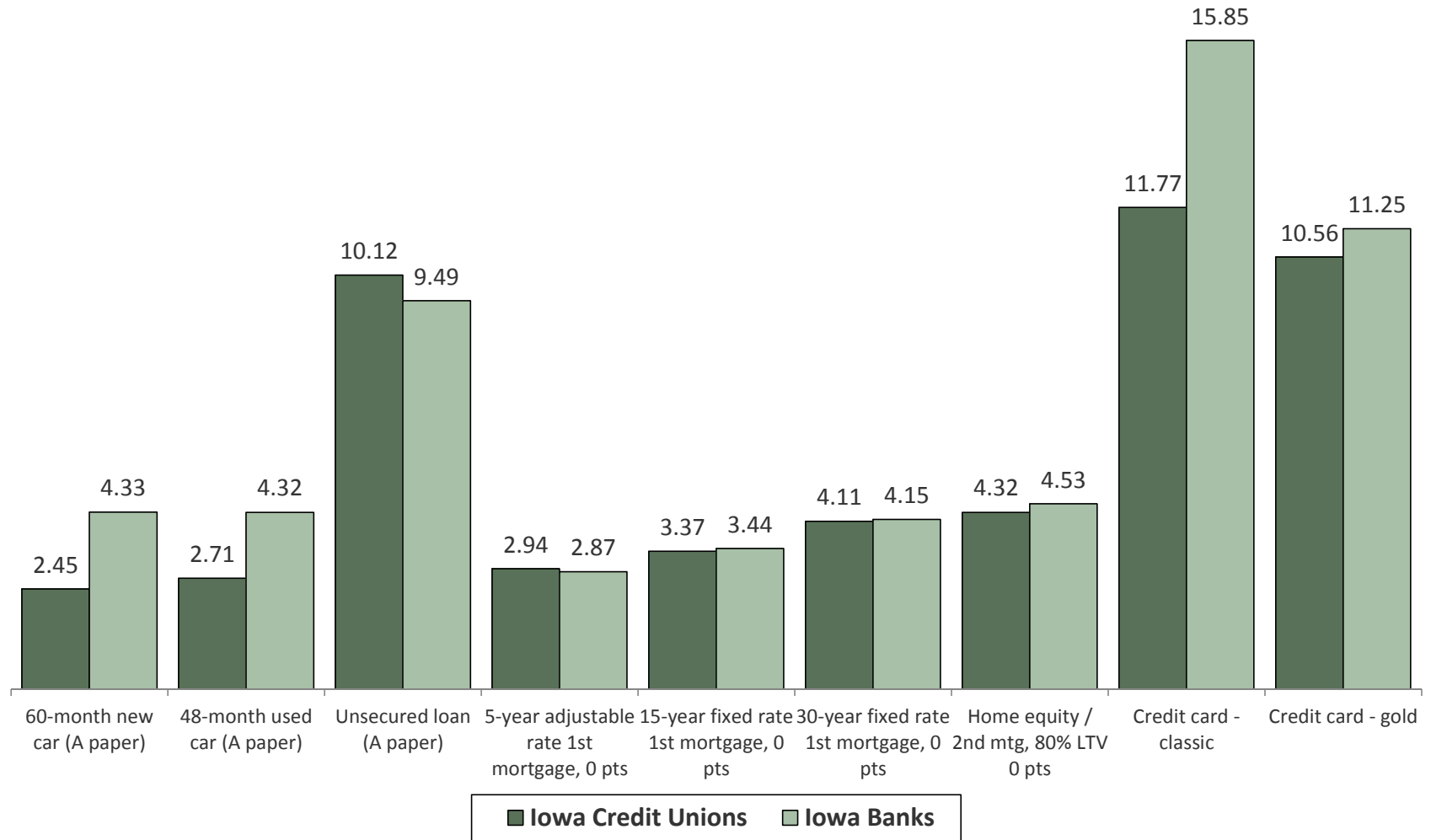
Iowa credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



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

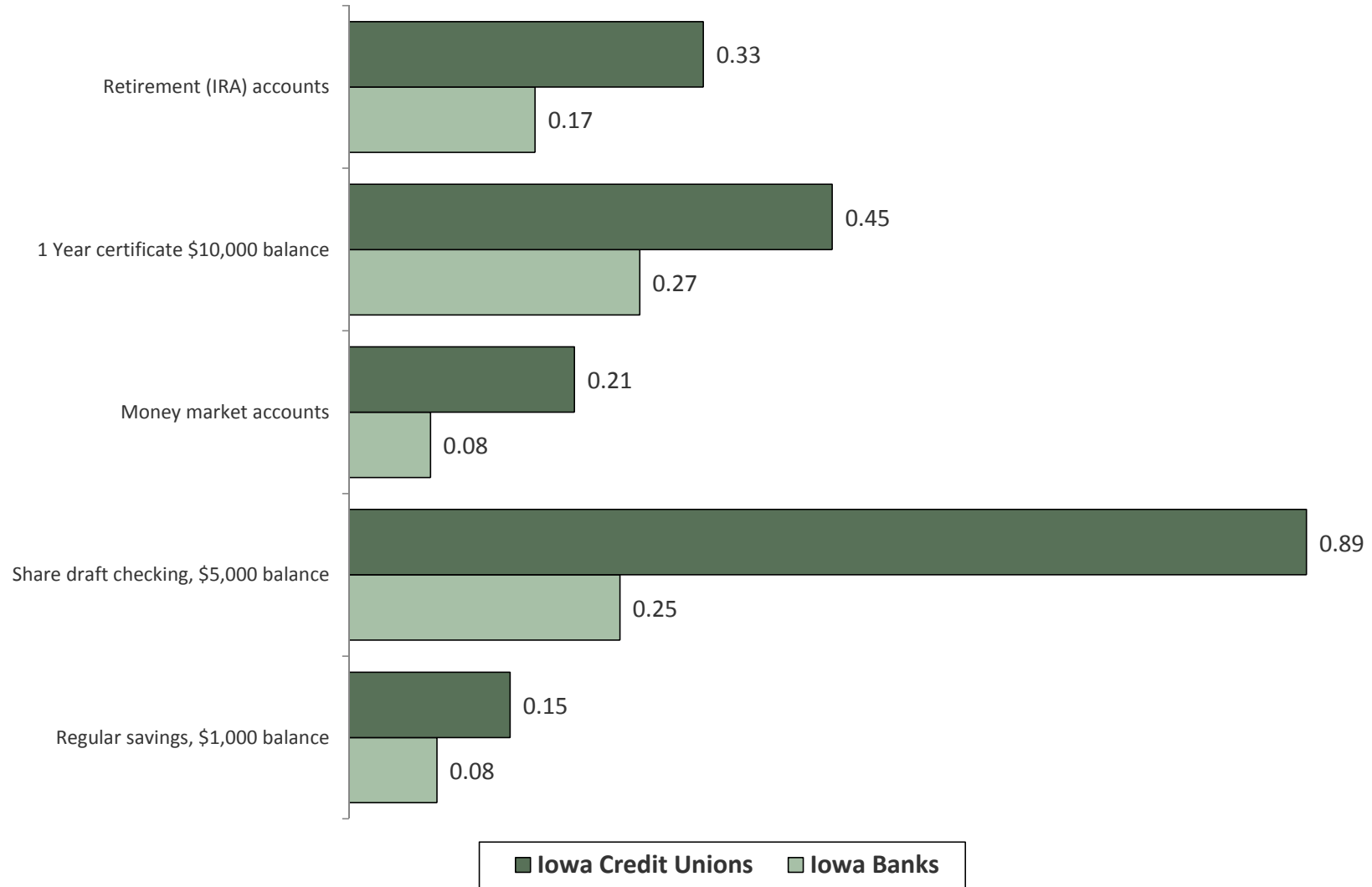
Loan Product Comparative Interest Rates (%)

By Loan Type



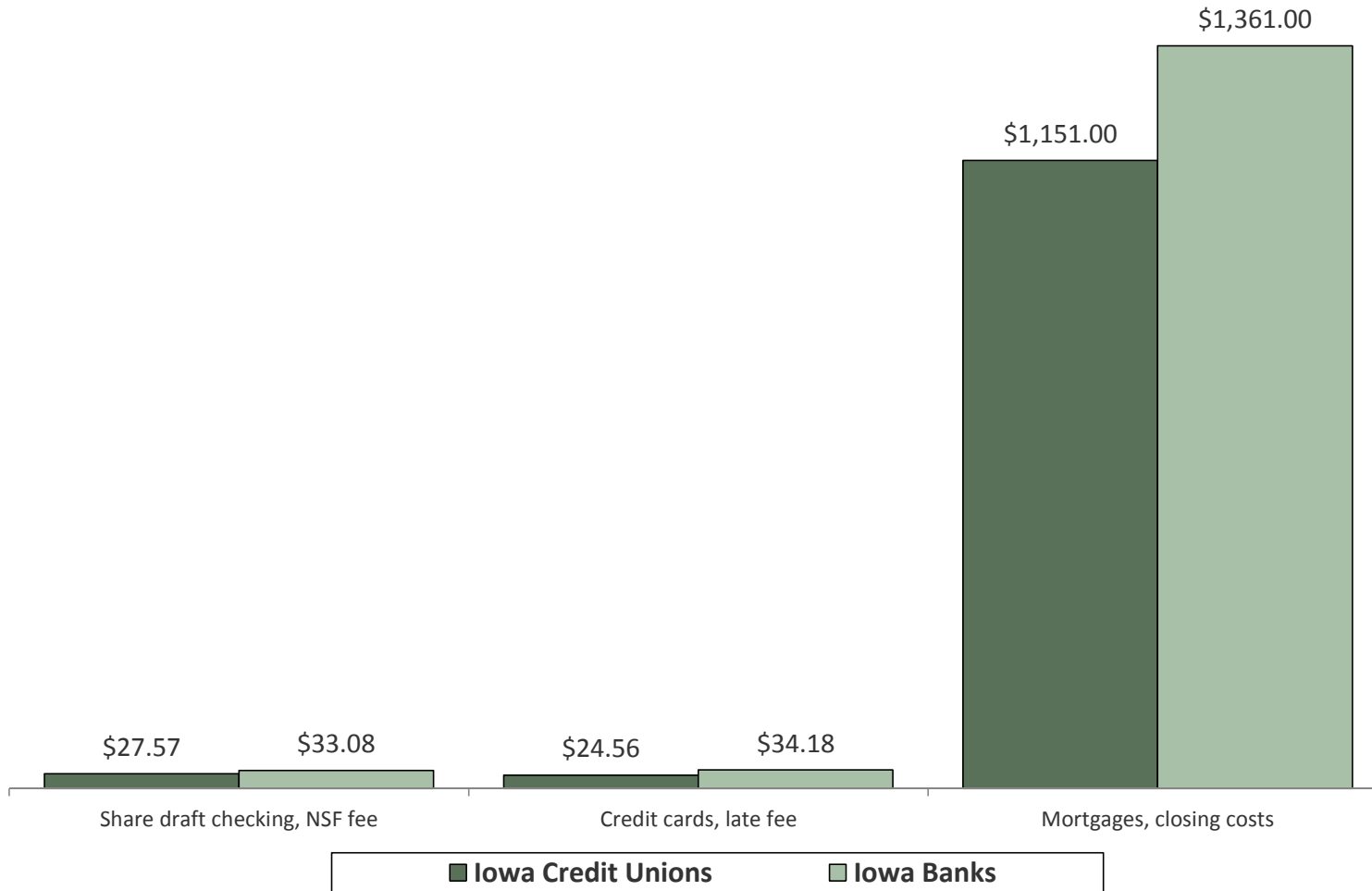
Savings Products Comparative Interest Rates(%)

By Savings Account Type



Comparative Fees

By Type

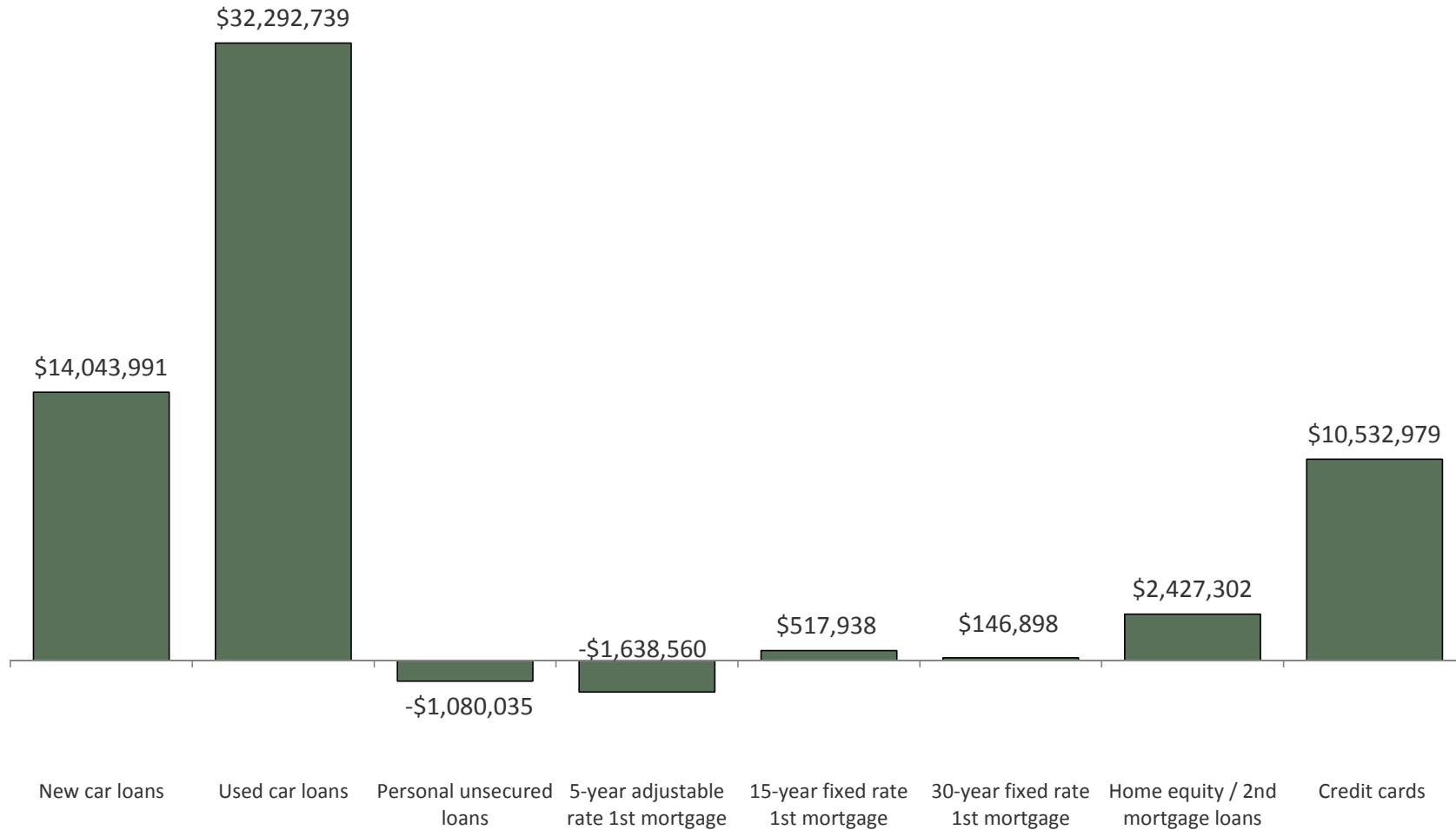


Iowa
Credit Union and Banking Institution
Mid-Year 2014 Average Interest Rates and Fees

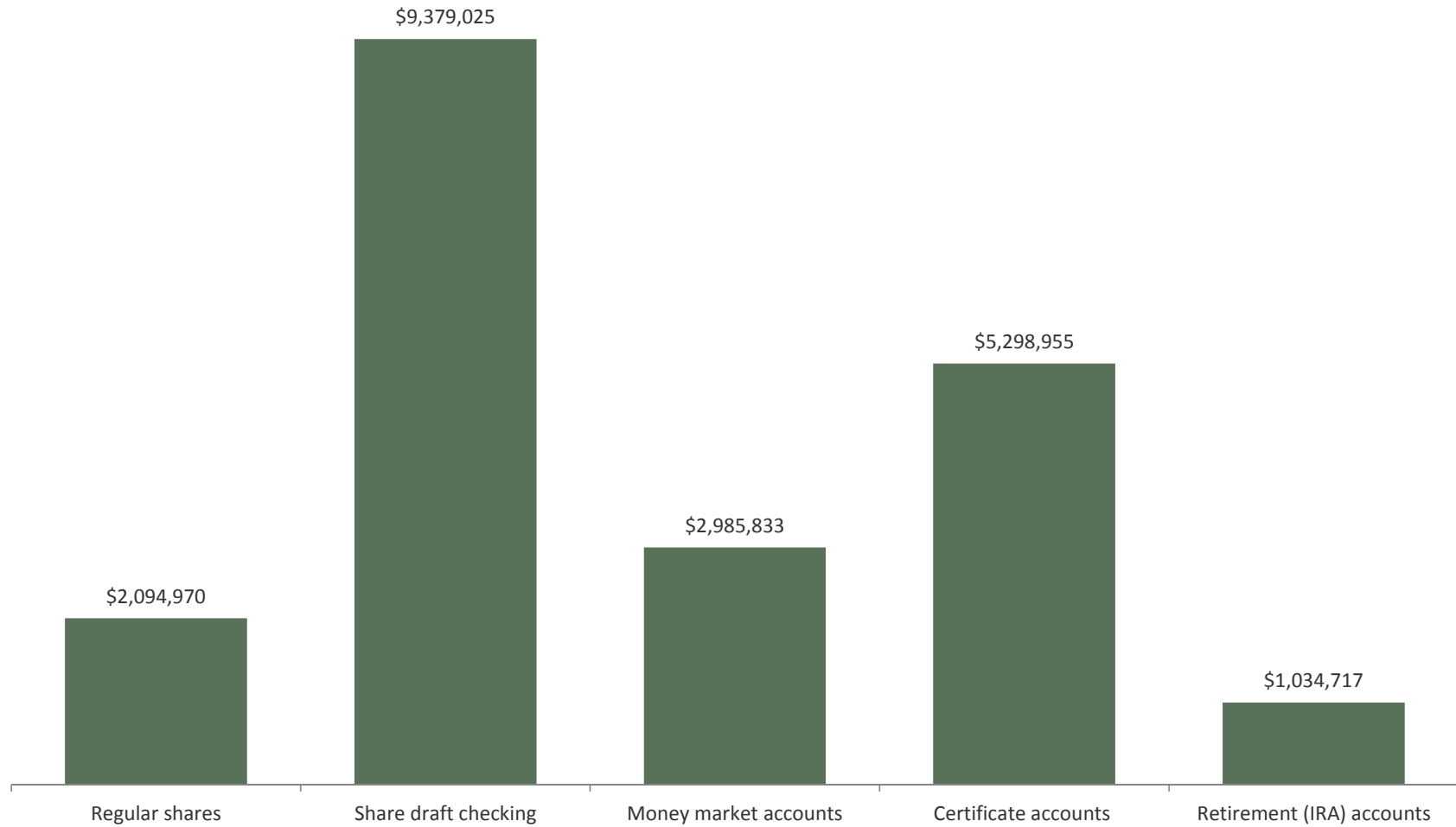
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	2.45	4.33	-1.88
48-month used car (A paper)	2.71	4.32	-1.61
Unsecured loan (A paper)	10.12	9.49	0.62
5-year adjustable rate 1st mortgage, 0 pts	2.94	2.87	0.07
15-year fixed rate 1st mortgage, 0 pts	3.37	3.44	-0.06
30-year fixed rate 1st mortgage, 0 pts	4.11	4.15	-0.05
Home equity / 2nd mtg, 80% LTV 0 pts	4.32	4.53	-0.21
Credit card - classic	11.77	15.85	-4.08
Credit card - gold	10.56	11.25	-0.69
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	0.21	0.08	0.13
1 Year certificate \$10,000 balance	0.45	0.27	0.18
Retirement (IRA) accounts	0.33	0.17	0.16
Fee Income			
Share draft checking, NSF fee	\$27.57	\$33.08	-\$5.51
Credit cards, late fee	\$24.56	\$34.18	-\$9.62
Mortgages, closing costs	\$1,151.00	\$1,361.00	-\$210.00

Source: Informa Research Services

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 Mid-Year 2014

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Iowa Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	747,020,807	-1.88	\$14,043,991
Used car loans	2,005,760,215	-1.61	\$32,292,739
Personal unsecured loans	173,082,485	0.62	-\$1,080,035
5-year adjustable rate 1st mortgage	2,307,831,670	0.07	-\$1,638,560
15-year fixed rate 1st mortgage	809,278,169	-0.06	\$517,938
30-year fixed rate 1st mortgage	312,548,464	-0.05	\$146,898
Home equity / 2nd mortgage loans	1,161,388,399	-0.21	\$2,427,302
Credit cards	325,846,222	-4.08	\$10,532,979
Interest rebates in period			\$334
Total CU member benefits arising from lower interest rates on loan products:			\$57,243,586
 <u>Savings</u>			
Regular shares	3,069,856,821	0.07	\$2,094,970
Share draft checking	1,466,723,276	0.64	\$9,379,025
Money market accounts	2,225,144,110	0.13	\$2,985,833
Certificate accounts	2,955,938,776	0.18	\$5,298,955
Retirement (IRA) accounts	660,210,123	0.16	\$1,034,717
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$20,793,499
 <u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$17,607,290
 Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$95,644,375
 Total CU member benefit / member:			\$92
Total CU member benefit / member household:			\$174

Source: Datatrac, NCUA, and CUNA

(1) Average balance as of June 2014 and June 2013, according to the NCUA call report.; (2) Source for rates and fees: Informa Research Services;

**Iowa
Performance Profile**

Demographic Information	Jun 14	Jun 13
Number of branches	278	277
Total assets (\$ mil)	12,688	12,005
Total loans (\$ mil)	8,923	7,837
Total surplus funds (\$ mil)	3,199	3,658
Total savings (\$ mil)	10,834	10,419
Total members (thousands)	1,066	1,051
Growth Rates (Trailing 12 months) *		
Total assets	7.0 %	9.6 %
Total loans	15.0 %	10.7 %
Total surplus funds	-11.0 %	5.8 %
Total savings	5.3 %	10.5 %
Total members	3.2 %	2.6 %
Earnings - Basis Pts. *		
Yield on total assets	367	369
Dividend/interest cost of assets	67	83
Fee & other income	128	137
Operating expense	296	304
Loss Provisions	27	22
Net Income (ROA) after stabilization exp	106	97
Capital adequacy		
Net worth / assets	10.4	9.9
Asset quality *		
Delinquencies / loans	0.8	0.9
Net chargeoffs / average loans	0.4	0.4
Total borrower-bankruptcies	7	7
Bankruptcies per 1000 members	0.8	0.8
Asset/Liability Management		
Loans / savings	82.4	75.2
Loans / assets	70.3	65.3
Long-term assets / assets	38.2	36.7
Core deposits/shares & borrowings	42.6	41.4
Productivity		
Members/potential members	4.6	5.3
Borrowers/members	62.0	58.8
Members/FTE	341	347
Average shares/members (\$)	10,166	9,914
Average loan balances (\$)	13,506	12,692
Salary & Benefits/FTE	59,429	59,952

* 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.