

# ***The Benefits of Membership***

*Customized Analysis of Member Benefits For:*

## **Massachusetts**

***June 2014***

*Prepared by:*

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



# Massachusetts

## 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 Massachusetts credit unions provided \$245,368,703 in direct financial benefits to the state's 2,493,856 members during the twelve months ending June 2014.

**These benefits are equivalent to \$98 per member or \$187 per member household <sup>(1)</sup>.**

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 Massachusetts 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 Massachusetts credit unions.

Consider this:

**Financing a \$25,000 new automobile for 60 months at a Massachusetts credit union will save members an average \$329 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.

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

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

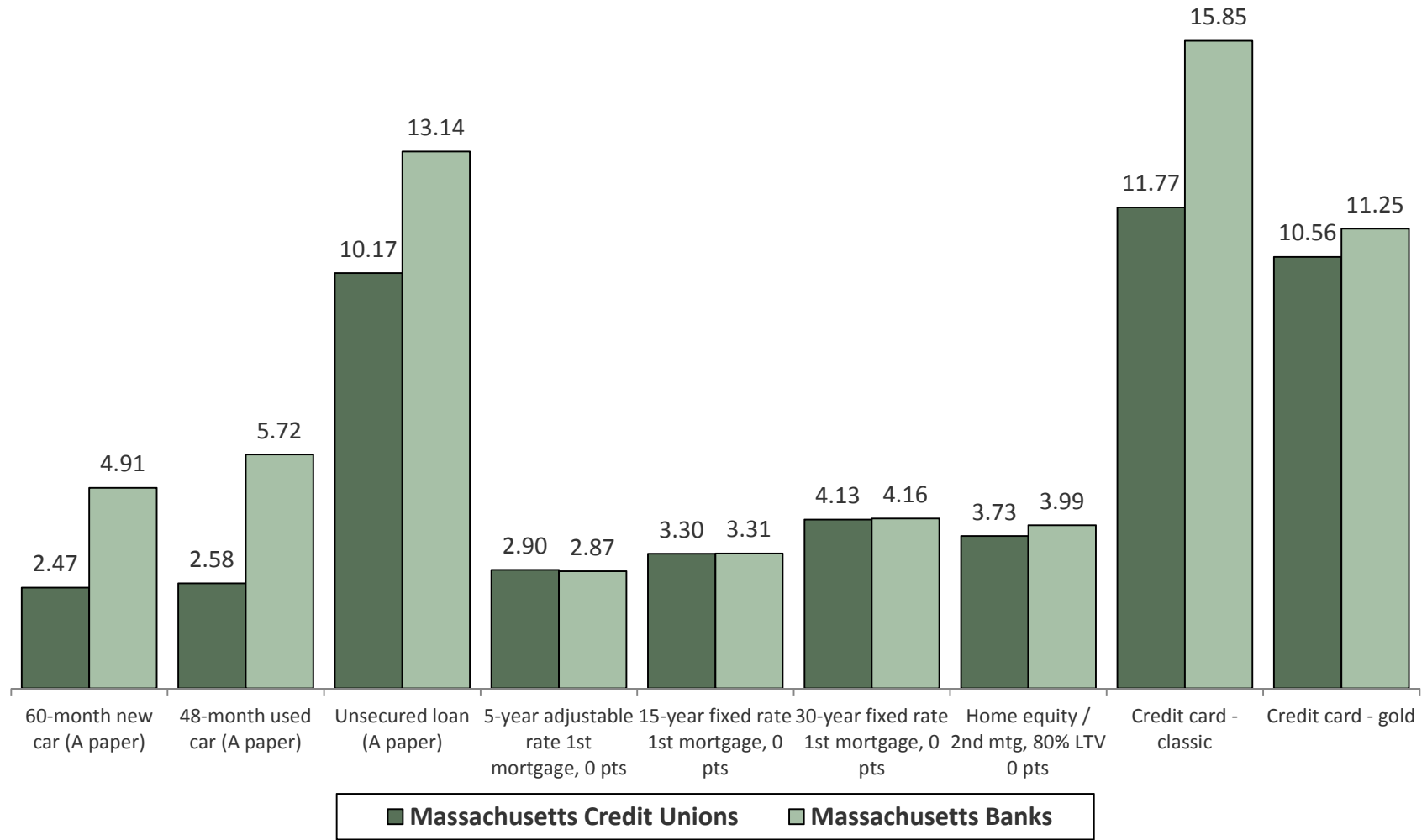


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Source: Datatrac, NCUA, and CUNA.  
(1) Assumes 1.9 credit union members per household.

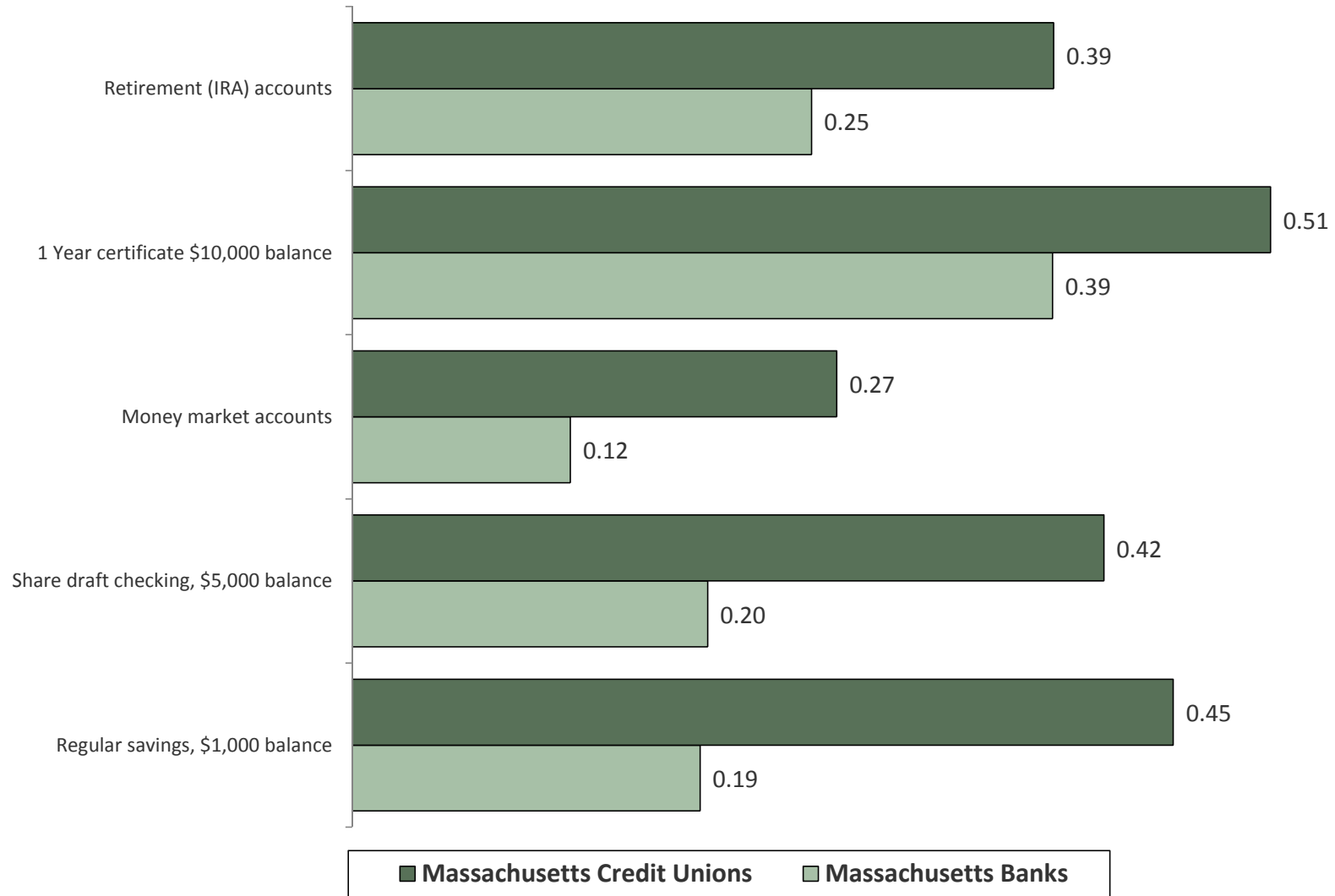
# Loan Product Comparative Interest Rates (%)

## By Loan Type

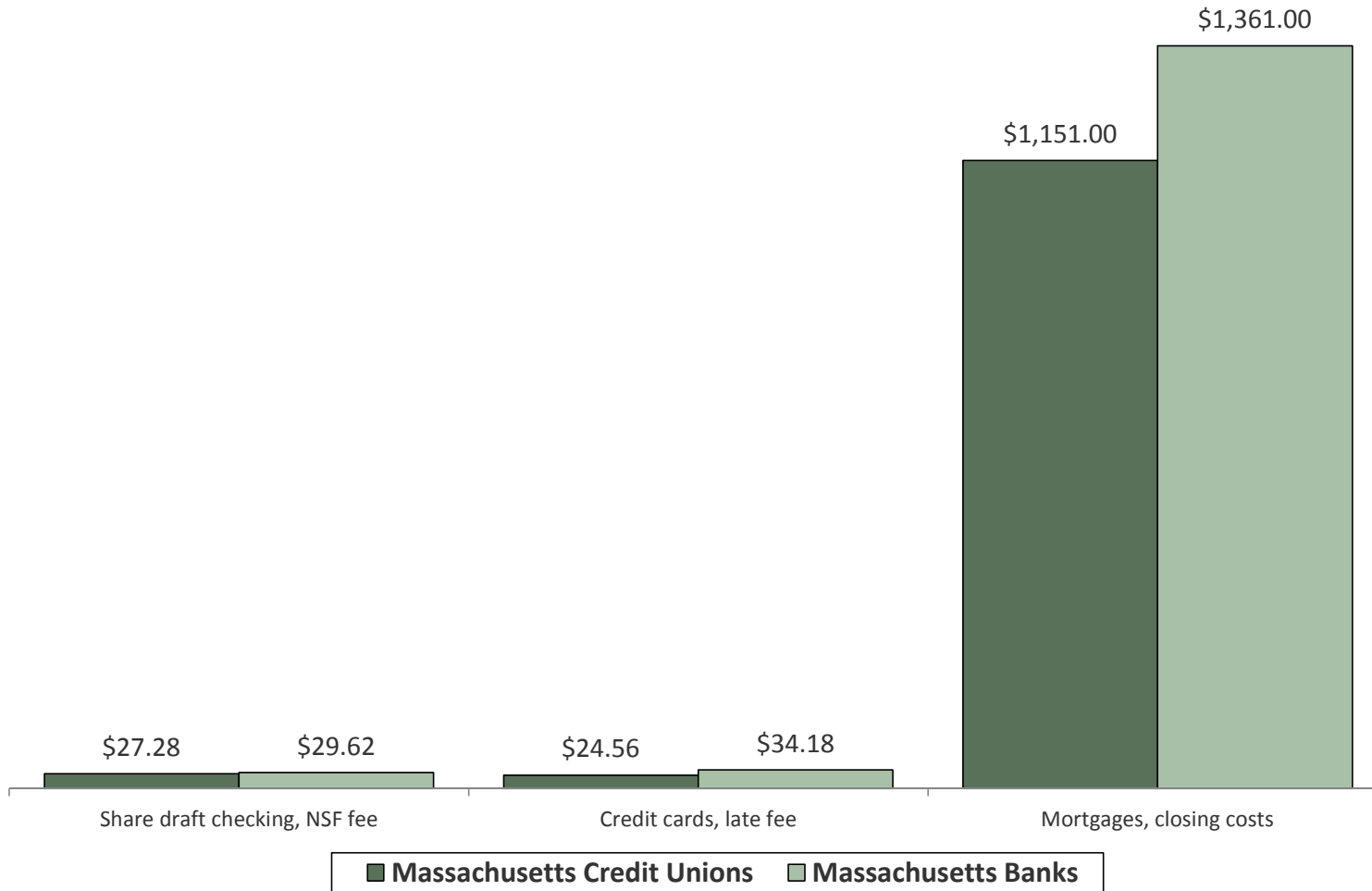


# Savings Products Comparative Interest Rates(%)

## By Savings Account Type



# Comparative Fees By Type

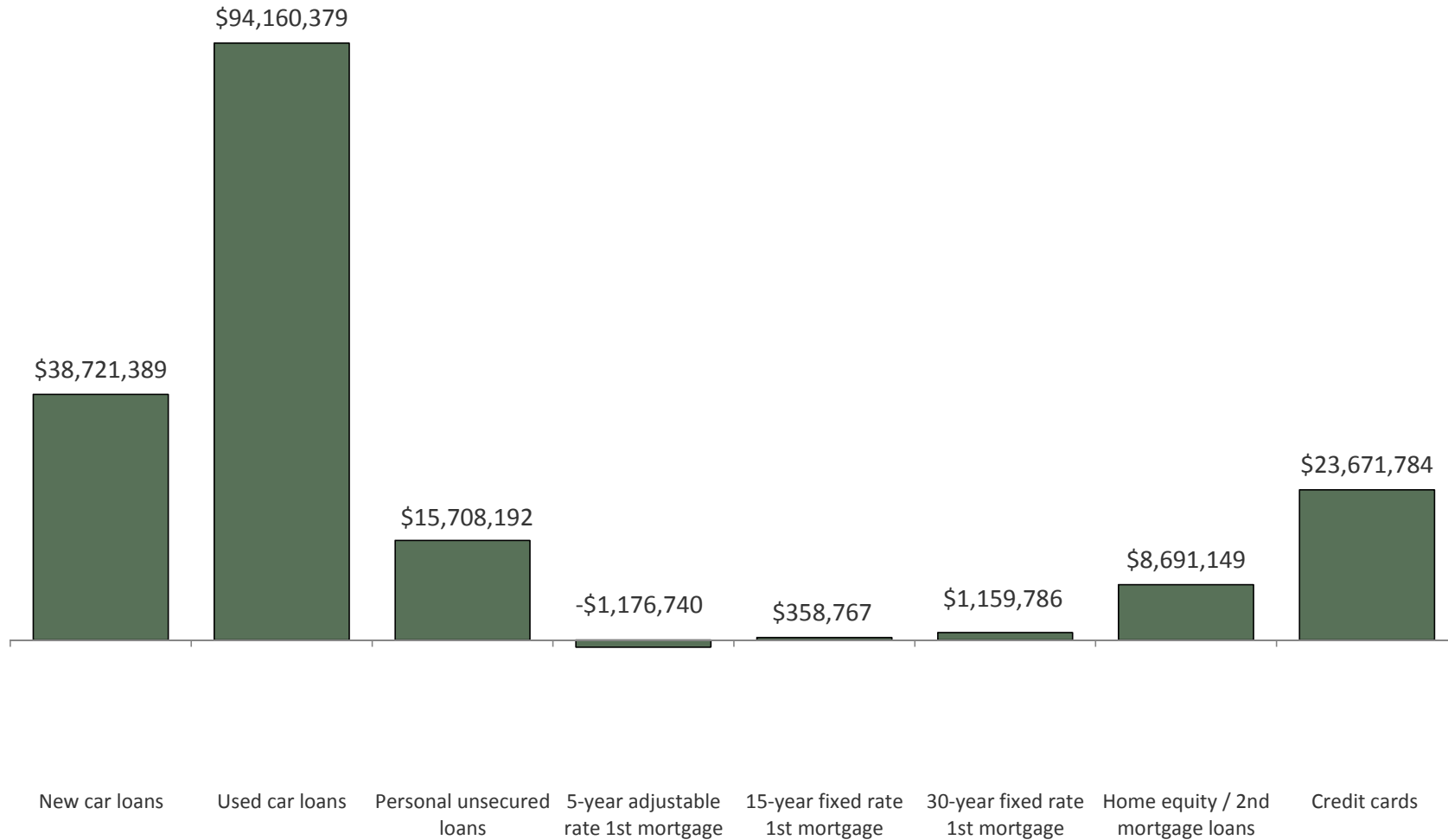


**Massachusetts**  
**Credit Union and Banking Institution**  
**Mid-Year 2014 Average Interest Rates and Fees**

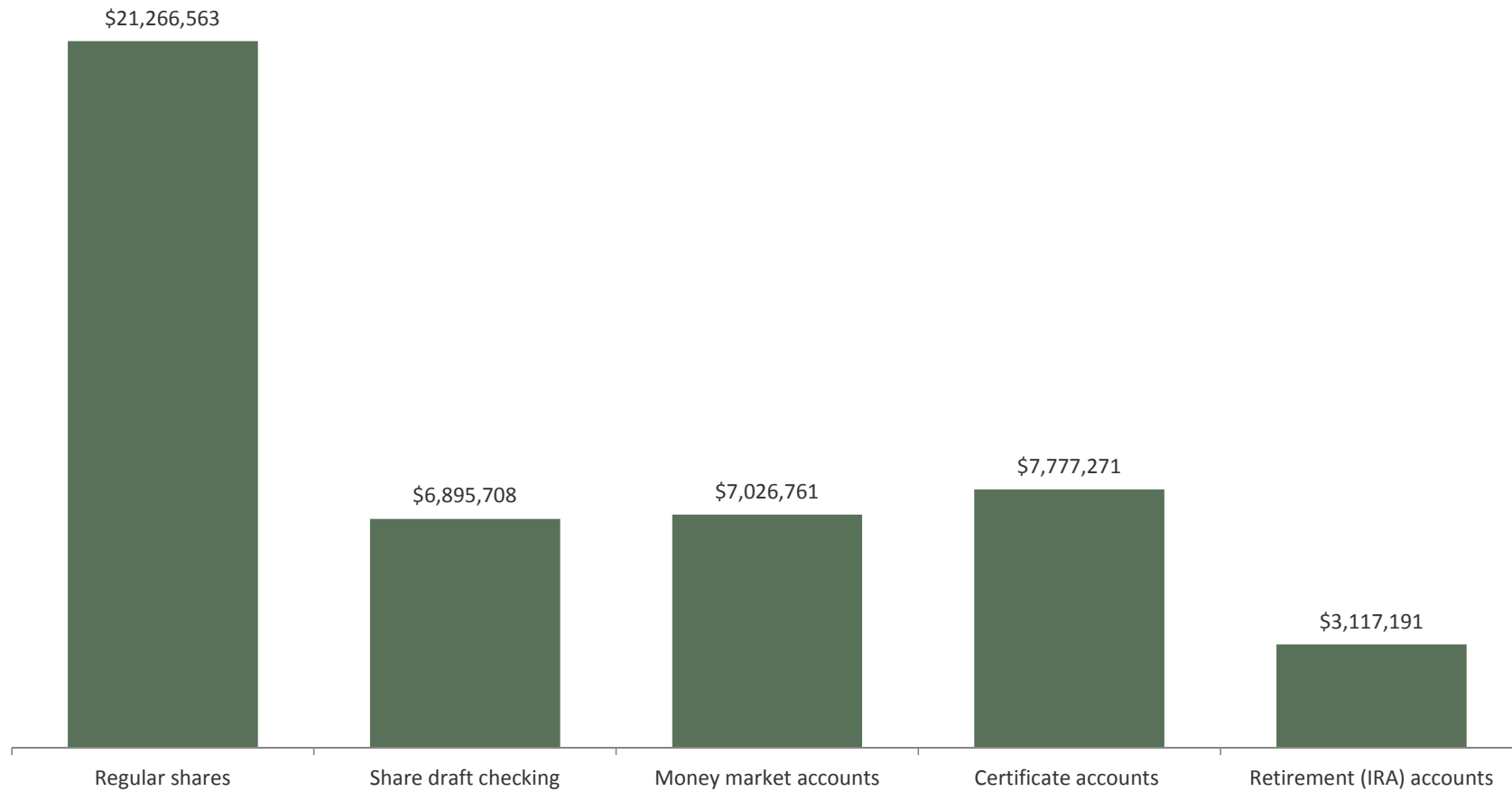
<b>Loan Products</b>	<b>Average Rate at Credit Unions (%)</b>	<b>Average Rate at Banks (%)</b>	<b>Rate Difference vs. Banks (%)</b>
60-month new car (A paper)	2.47	4.91	-2.44
48-month used car (A paper)	2.58	5.72	-3.15
Unsecured loan (A paper)	10.17	13.14	-2.97
5-year adjustable rate 1st mortgage, 0 pts	2.90	2.87	0.03
15-year fixed rate 1st mortgage, 0 pts	3.30	3.31	-0.01
30-year fixed rate 1st mortgage, 0 pts	4.13	4.16	-0.03
Home equity / 2nd mtg, 80% LTV 0 pts	3.73	3.99	-0.26
Credit card - classic	11.77	15.85	-4.08
Credit card - gold	10.56	11.25	-0.69
<b>Savings Products</b>			
Regular savings, \$1,000 balance	0.45	0.19	0.26
Share draft checking, \$5,000 balance	0.42	0.20	0.22
Money market accounts	0.27	0.12	0.15
1 Year certificate \$10,000 balance	0.51	0.39	0.12
Retirement (IRA) accounts	0.39	0.25	0.13
<b>Fee Income</b>			
Share draft checking, NSF fee	\$27.28	\$29.62	-\$2.34
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 Massachusetts Credit Unions Mid-Year 2014

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Massachusetts Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	1,586,292,042	-2.44	\$38,721,389
Used car loans	2,991,117,492	-3.15	\$94,160,379
Personal unsecured loans	528,717,319	-2.97	\$15,708,192
5-year adjustable rate 1st mortgage	3,461,000,350	0.03	-\$1,176,740
15-year fixed rate 1st mortgage	3,261,519,411	-0.01	\$358,767
30-year fixed rate 1st mortgage	4,142,093,743	-0.03	\$1,159,786
Home equity / 2nd mortgage loans	3,342,749,637	-0.26	\$8,691,149
Credit cards	732,305,755	-4.08	\$23,671,784
Interest rebates in period			\$207,673
<b>Total CU member benefits arising from lower interest rates on loan products:</b>			<b>\$181,502,378</b>
 <u>Savings</u>			
Regular shares	8,119,123,492	0.26	\$21,266,563
Share draft checking	3,144,299,265	0.22	\$6,895,708
Money market accounts	4,766,261,462	0.15	\$7,026,761
Certificate accounts	6,442,156,887	0.12	\$7,777,271
Retirement (IRA) accounts	2,324,945,392	0.13	\$3,117,191
Bonus dividends in period			\$0
<b>Total CU member benefit arising from higher interest rates on saving products:</b>			<b>\$46,083,494</b>
 <u>Fee Income</u>			
<b>Total CU member benefit arising from fewer/lower fees:</b>			<b>\$17,782,831</b>
 <b>Total CU member benefit arising from interest rates on loan and savings products and lower fees:</b>			<b>\$245,368,703</b>
 <b>Total CU member benefit / member:</b>			<b>\$98</b>
<b>Total CU member benefit / member household:</b>			<b>\$187</b>

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;

**Massachusetts  
Performance Profile**

<b>Demographic Information</b>	<b>Jun 14</b>	<b>Jun 13</b>
Number of branches	485	501
Total assets (\$ mil)	31,390	31,900
Total loans (\$ mil)	21,614	21,683
Total surplus funds (\$ mil)	8,855	9,351
Total savings (\$ mil)	25,761	26,464
Total members (thousands)	2,546	2,585
<b>Growth Rates (Trailing 12 months) *</b>		
Total assets	4.7 %	4.9 %
Total loans	7.5 %	7.2 %
Total surplus funds	-2.3 %	-0.4 %
Total savings	2.6 %	4.4 %
Total members	4.3 %	4.2 %
<b>Earnings - Basis Pts. *</b>		
Yield on total assets	319	328
Dividend/interest cost of assets	55	63
Fee & other income	77	90
Operating expense	270	279
Loss Provisions	10	15
Net Income (ROA) after stabilization exp	62	61
<b>Capital adequacy</b>		
Net worth / assets	10.8	10.6
<b>Asset quality *</b>		
Delinquencies / loans	0.8	1.0
Net chargeoffs / average loans	0.3	0.4
Total borrower-bankruptcies	7	8
Bankruptcies per 1000 members	0.5	0.6
<b>Asset/Liability Management</b>		
Loans / savings	83.9	81.9
Loans / assets	68.9	68.0
Long-term assets / assets	42.9	43.4
Core deposits/shares & borrowings	42.6	40.7
<b>Productivity</b>		
Members/potential members	3.8	3.9
Borrowers/members	47.3	45.6
Members/FTE	410	403
Average shares/members (\$)	10,117	10,236
Average loan balances (\$)	17,948	18,388
Salary & Benefits/FTE	68,011	67,965

\* 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.