

The Benefits of Membership

Customized Analysis of Member Benefits For:

Alabama

September 2014

Prepared by:

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



Alabama

The Benefits of Membership

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

The Credit Union National Association (CUNA) estimates that Alabama credit unions provided \$109,469,500 in direct financial benefits to the state's 1,899,248 members during the twelve months ending September 2014.

These benefits are equivalent to \$58 per member or \$110 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 Alabama 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 Alabama credit unions.

Consider this:

Financing a \$25,000 new automobile for 60 months at a Alabama credit union will save members an average \$133 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.

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

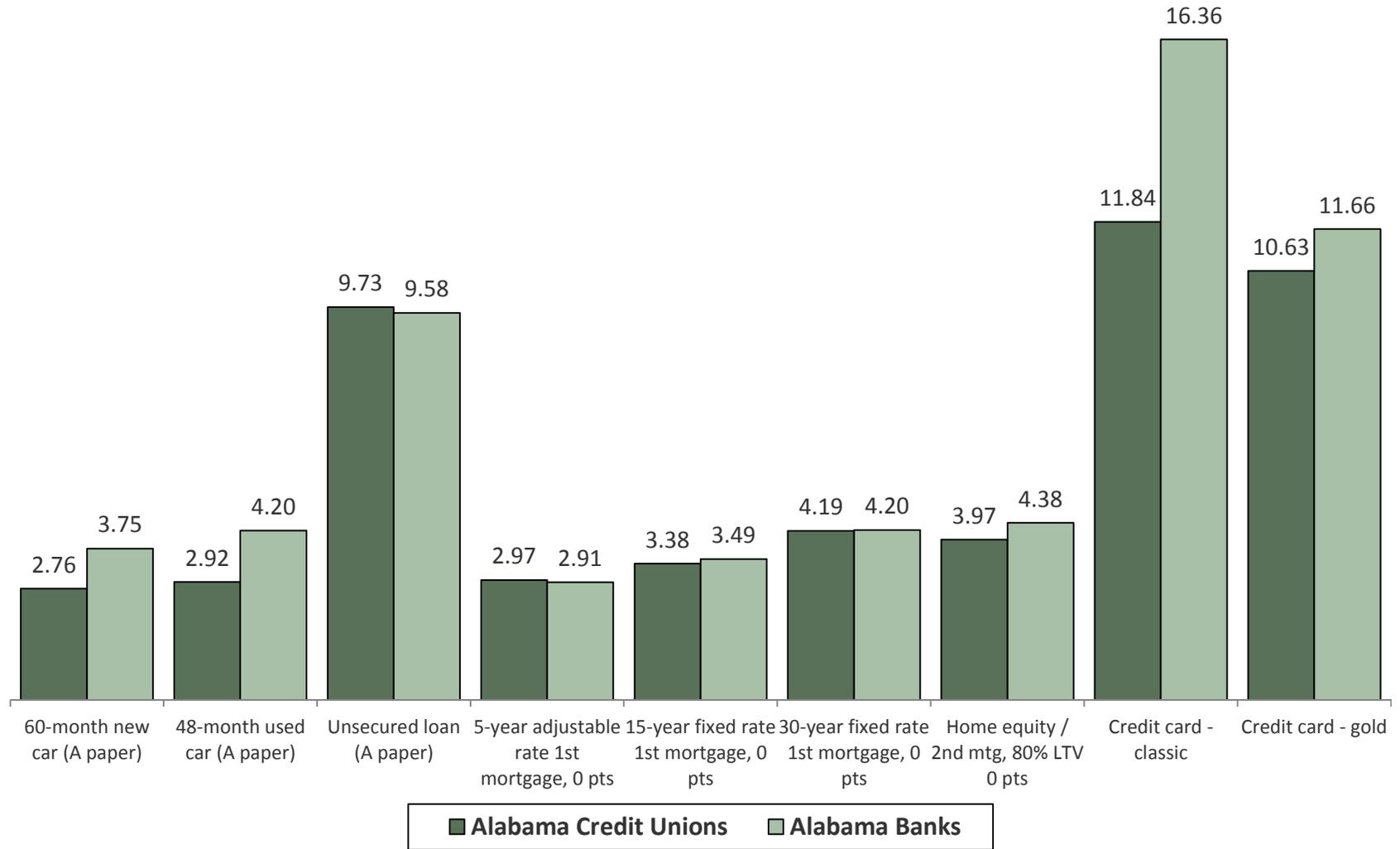
Alabama credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



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

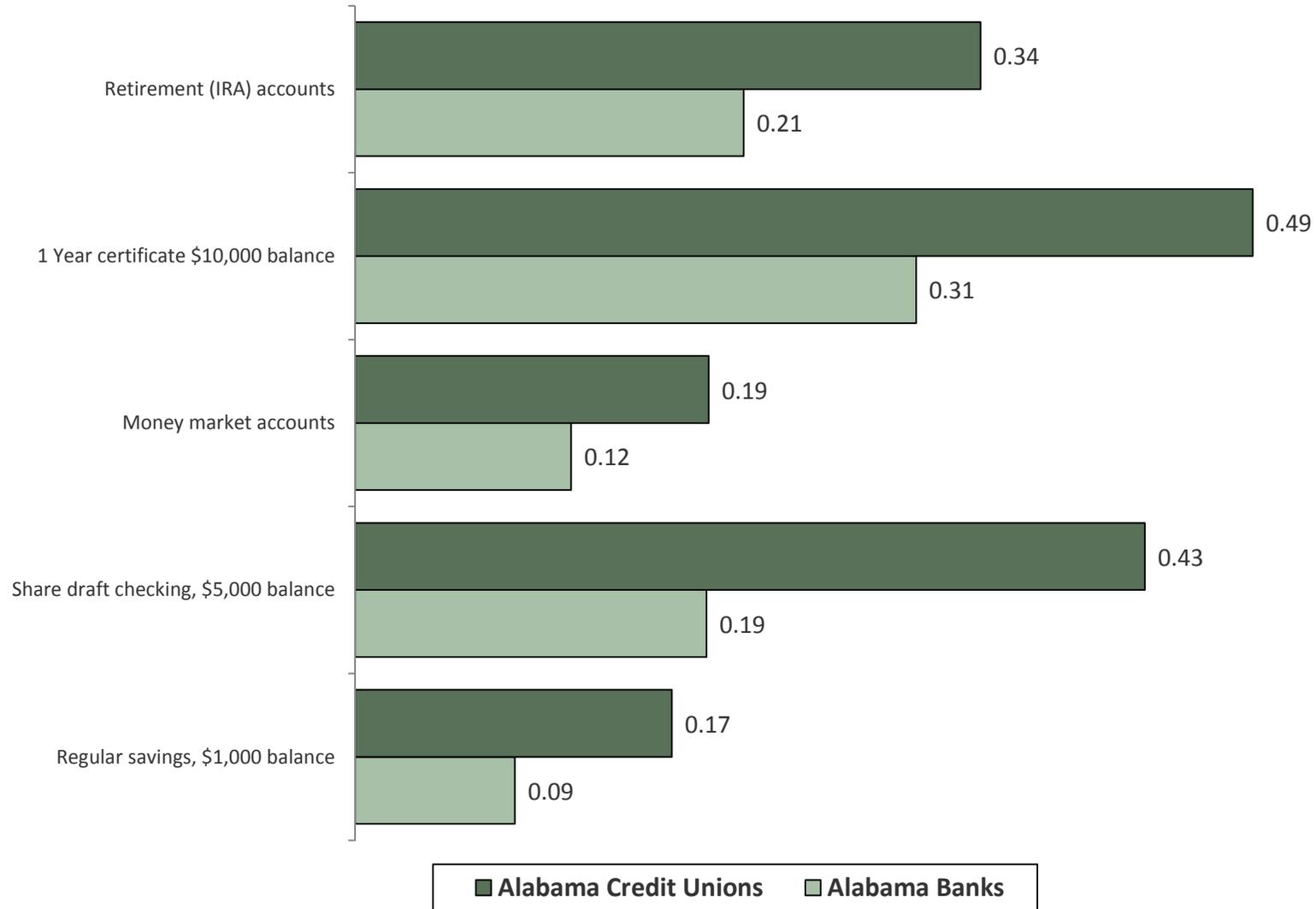
Loan Product Comparative Interest Rates (%)

By Loan Type



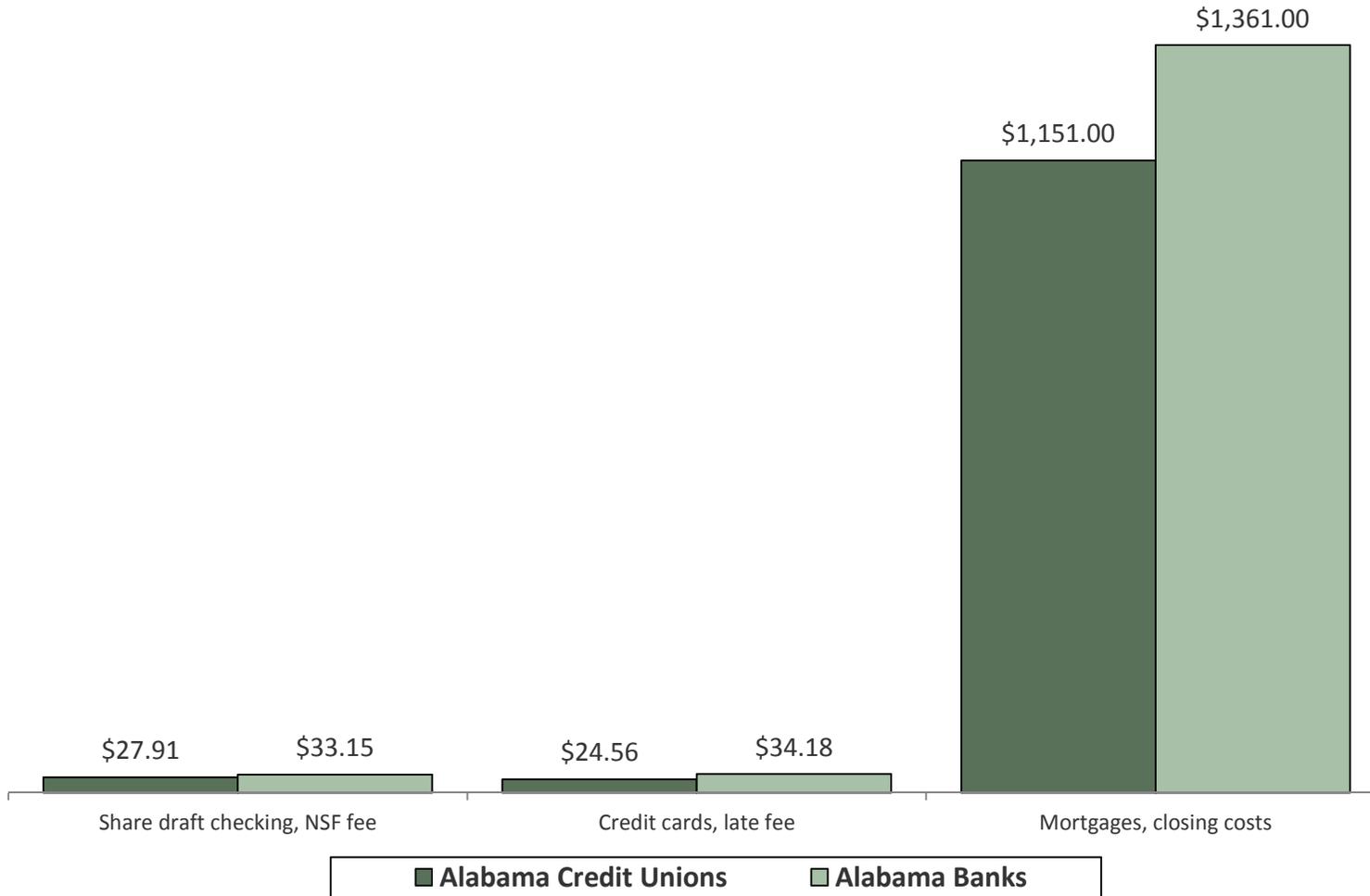
Savings Products Comparative Interest Rates(%)

By Savings Account Type



Comparative Fees

By Type

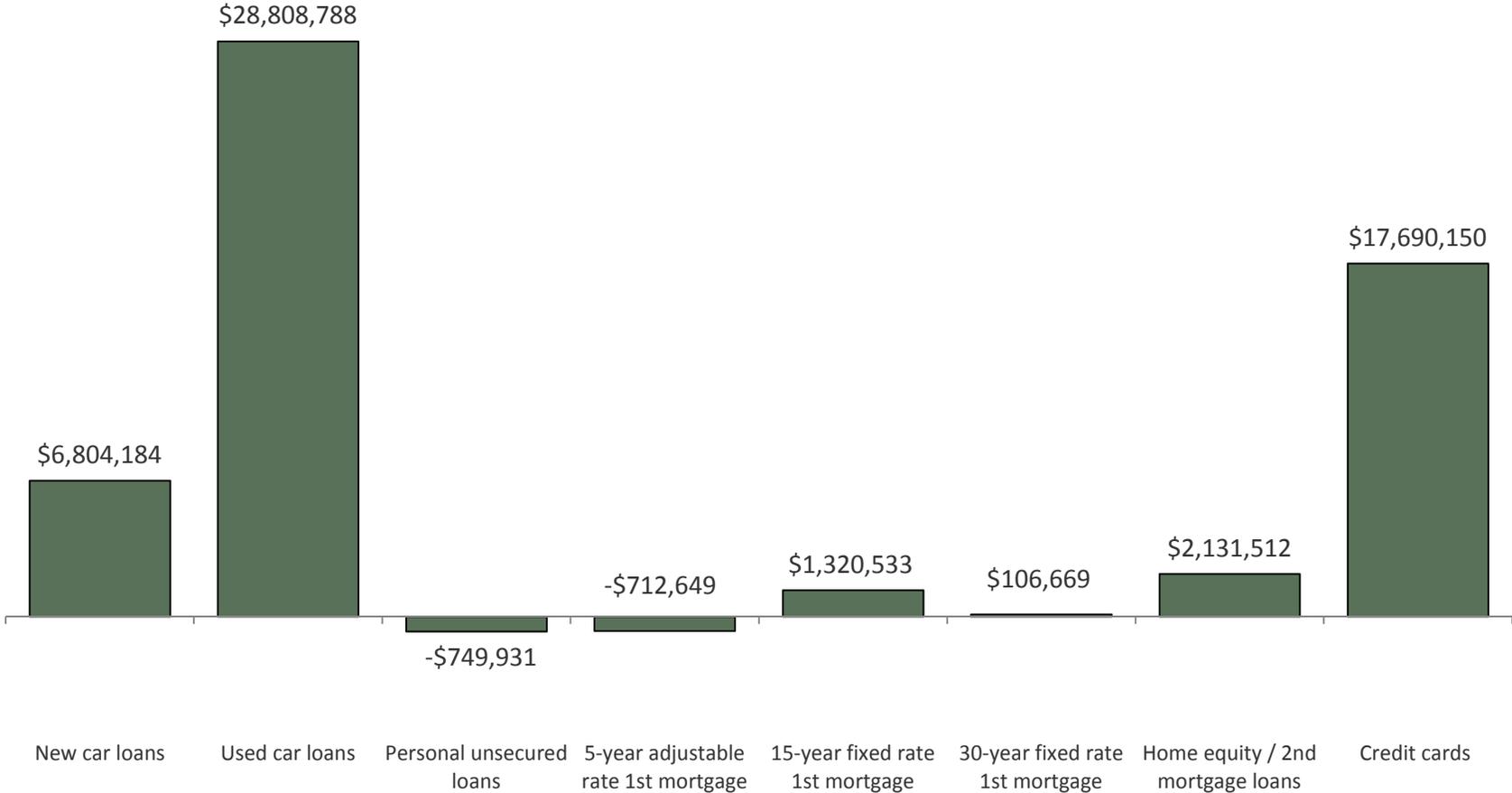


Alabama
Credit Union and Banking Institution
September 2014 Average Interest Rates and Fees

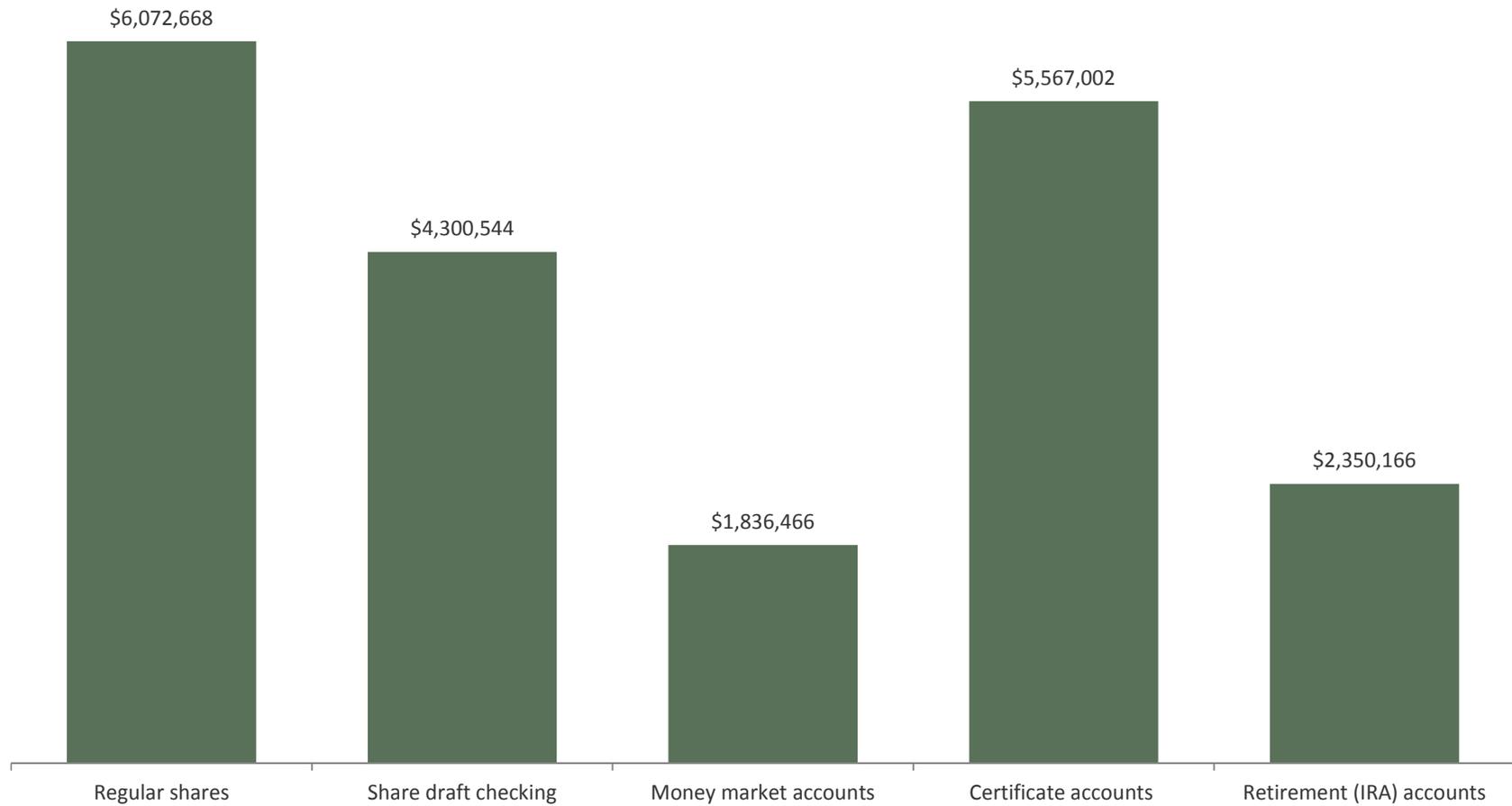
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	2.76	3.75	-0.99
48-month used car (A paper)	2.92	4.20	-1.28
Unsecured loan (A paper)	9.73	9.58	0.15
5-year adjustable rate 1st mortgage, 0 pts	2.97	2.91	0.05
15-year fixed rate 1st mortgage, 0 pts	3.38	3.49	-0.11
30-year fixed rate 1st mortgage, 0 pts	4.19	4.20	-0.02
Home equity / 2nd mtg, 80% LTV 0 pts	3.97	4.38	-0.41
Credit card - classic	11.84	16.36	-4.52
Credit card - gold	10.63	11.66	-1.03
Savings Products			
Regular savings, \$1,000 balance	0.17	0.09	0.09
Share draft checking, \$5,000 balance	0.43	0.19	0.24
Money market accounts	0.19	0.12	0.08
1 Year certificate \$10,000 balance	0.49	0.31	0.18
Retirement (IRA) accounts	0.34	0.21	0.13
Fee Income			
Share draft checking, NSF fee	\$27.91	\$33.15	-\$5.24
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 Alabama Credit Unions September 2014

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Alabama Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	686,597,829	-0.99	\$6,804,184
Used car loans	2,255,973,996	-1.28	\$28,808,788
Personal unsecured loans	506,710,337	0.15	-\$749,931
5-year adjustable rate 1st mortgage	1,397,351,801	0.05	-\$712,649
15-year fixed rate 1st mortgage	1,222,716,168	-0.11	\$1,320,533
30-year fixed rate 1st mortgage	561,413,519	-0.02	\$106,669
Home equity / 2nd mortgage loans	516,104,634	-0.41	\$2,131,512
Credit cards	484,993,819	-4.52	\$17,690,150
Interest rebates in period			\$87,918
Total CU member benefits arising from lower interest rates on loan products:			\$55,487,173
 <u>Savings</u>			
Regular shares	7,053,514,609	0.09	\$6,072,668
Share draft checking	1,788,277,983	0.24	\$4,300,544
Money market accounts	2,433,935,730	0.08	\$1,836,466
Certificate accounts	3,014,048,278	0.18	\$5,567,002
Retirement (IRA) accounts	1,806,747,286	0.13	\$2,350,166
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on savings products:			\$20,126,847
 <u>Fee Income</u>			
Total CU member benefit arising from fewer / lower fees:			\$33,855,480
 Total CU member benefit arising from interest rates on loans, savings products and lower fees:			\$109,469,500
 Total CU member benefit / member:			\$58
Total CU member benefit / member household:			\$110

Source: Informa Research Services, NCUA, and CUNA

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

**Alabama
Performance Profile**

Demographic Information	Sep 14	Sep 13
Number of branches	438	430
Total assets (\$ mil)	18,793	18,279
Total loans (\$ mil)	8,500	8,018
Total surplus funds (\$ mil)	9,408	9,434
Total savings (\$ mil)	16,412	16,057
Total members (thousands)	1,922	1,876
Growth Rates (Trailing 12 months) *		
Total assets	2.8 %	3.9 %
Total loans	6.0 %	5.0 %
Total surplus funds	-0.3 %	2.9 %
Total savings	2.2 %	4.4 %
Total members	2.5 %	2.7 %
Earnings - Basis Pts. *		
Yield on total assets	303	301
Dividend / interest cost of assets	54	61
Fee & other income	144	145
Operating expense	295	298
Loss Provisions	26	26
Net Income (ROA) after stabilization exp	72	62
Capital adequacy		
Net worth / assets	11.6	11.2
Asset quality *		
Delinquencies / loans	1.1	1.6
Net chargeoffs / average loans	0.6	0.6
Total borrower-bankruptcies	31	33
Bankruptcies per 1000 members	1.9	2.1
Asset/Liability Management		
Loans / savings	51.8	49.9
Loans / assets	45.2	43.9
Long-term assets / assets	39.8	38.4
Core deposits/shares & borrowings	55.3	53.5
Productivity		
Members / potential members	7.2	7.2
Borrowers / members	44.4	43.7
Members / FTE	409	411
Average shares / members (\$)	8,537	8,559
Average loan balances (\$)	9,961	9,775
Salary & Benefits / FTE	57,189	56,326

* 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.