The Benefits of Membership

Customized Analysis of Member Benefits For:

Iowa

September 2014

Prepared by:

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Economics and Statistics Department

Iowa

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 Iowa credit unions provided $104,395,716 in direct financial benefits to the state's 1,053,051 members during the twelve months ending September 2014.

These benefits are equivalent to $99 per member or $188 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 $244 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 savings 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.

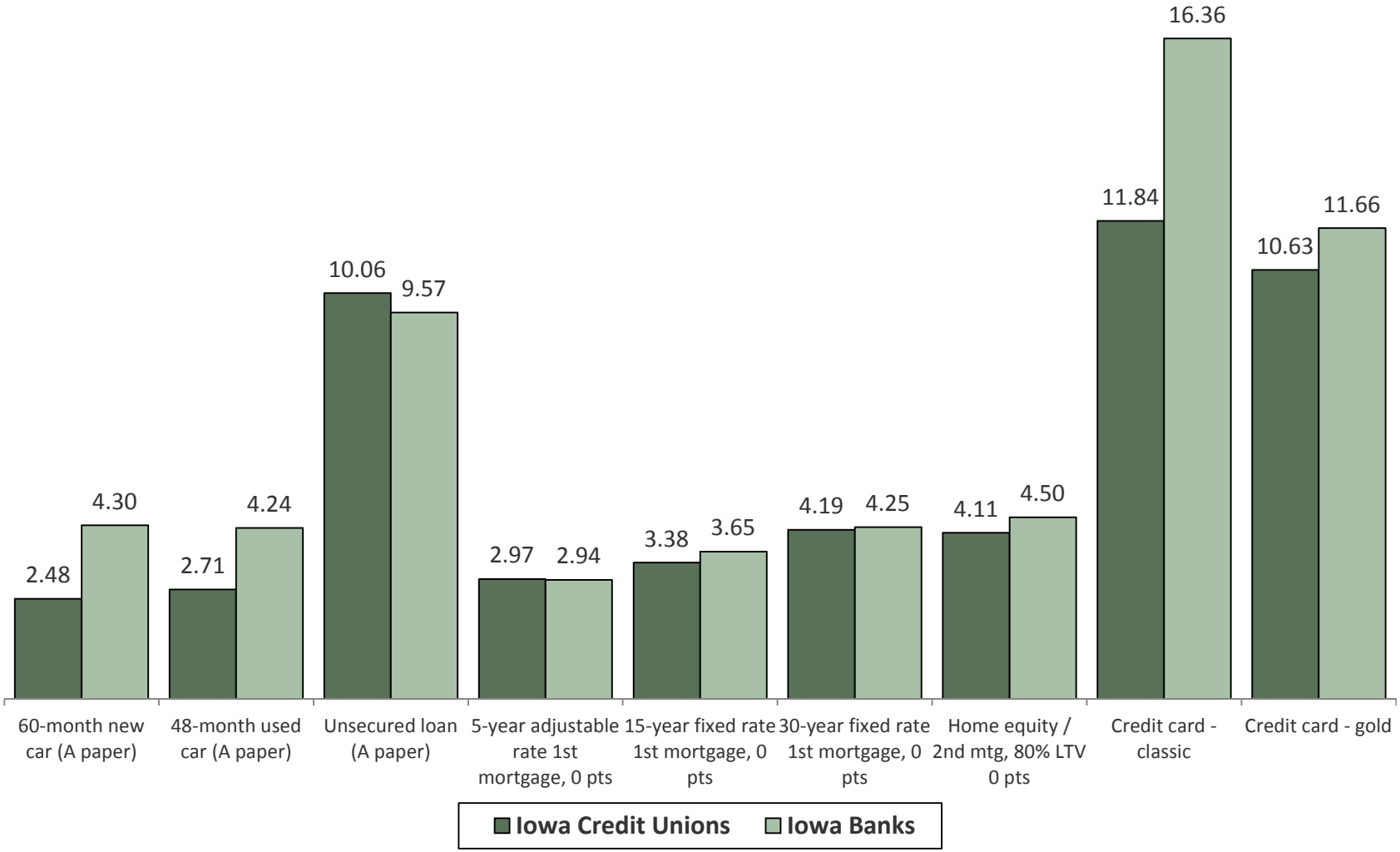
Iowa credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.

AMERICA'S CREDIT UNIONS™

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

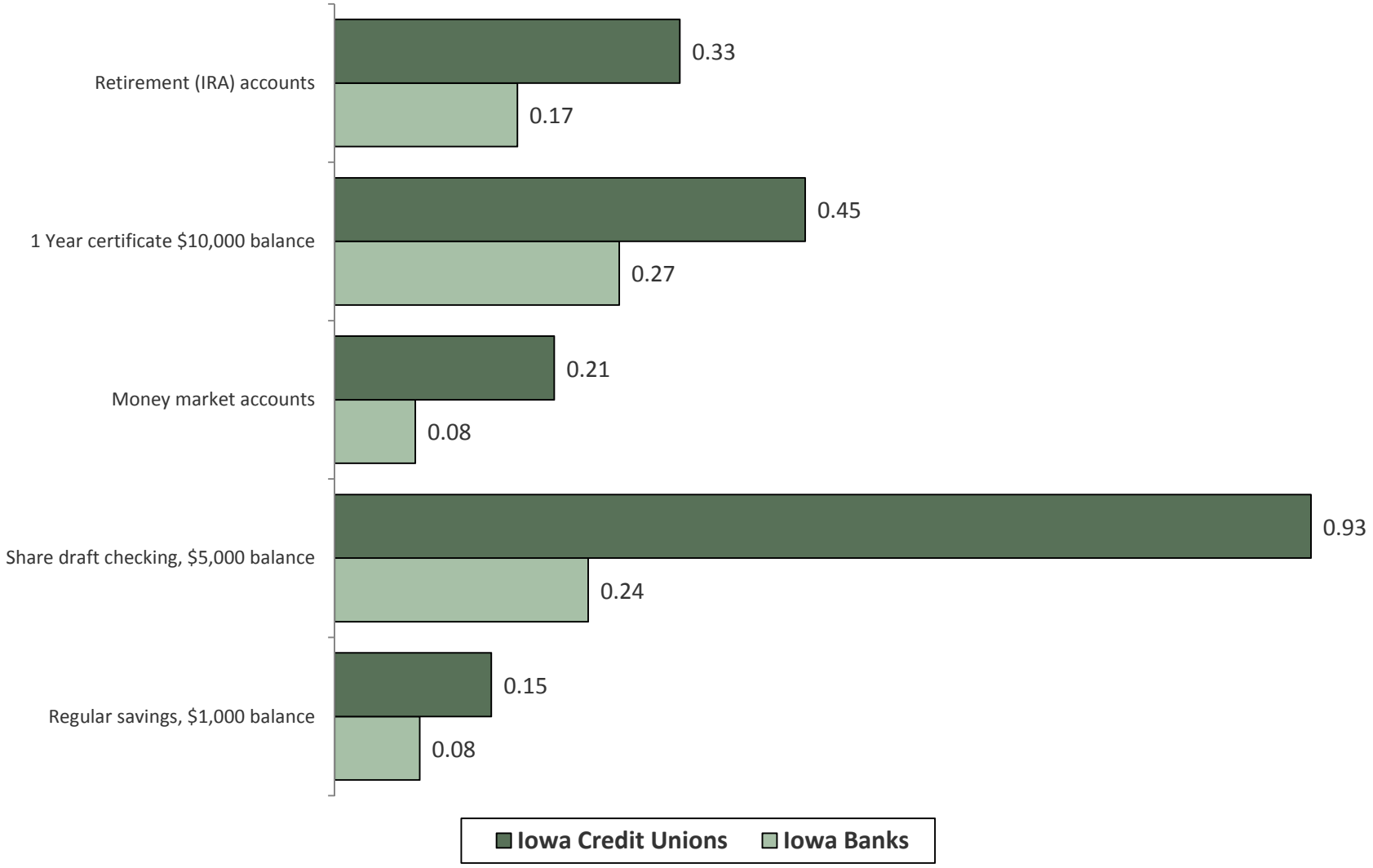
Loan Product Comparative Interest Rates (%)

By Loan Type



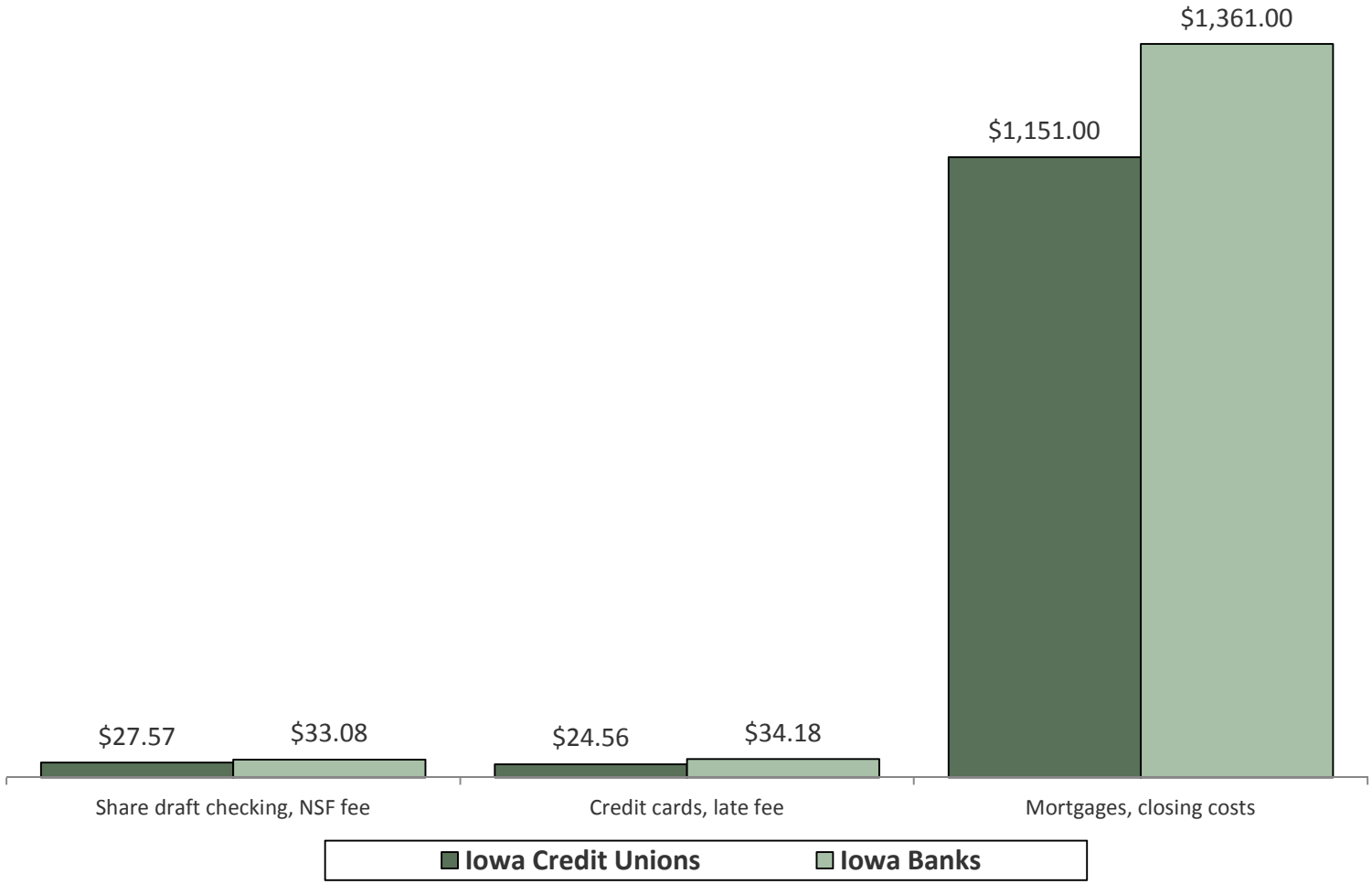
Savings Products Comparative Interest Rates(%)

By Savings Account Type



Comparative Fees

By Type



Iowa

Credit Union and Banking Institution

September 2014 Average Interest Rates and Fees

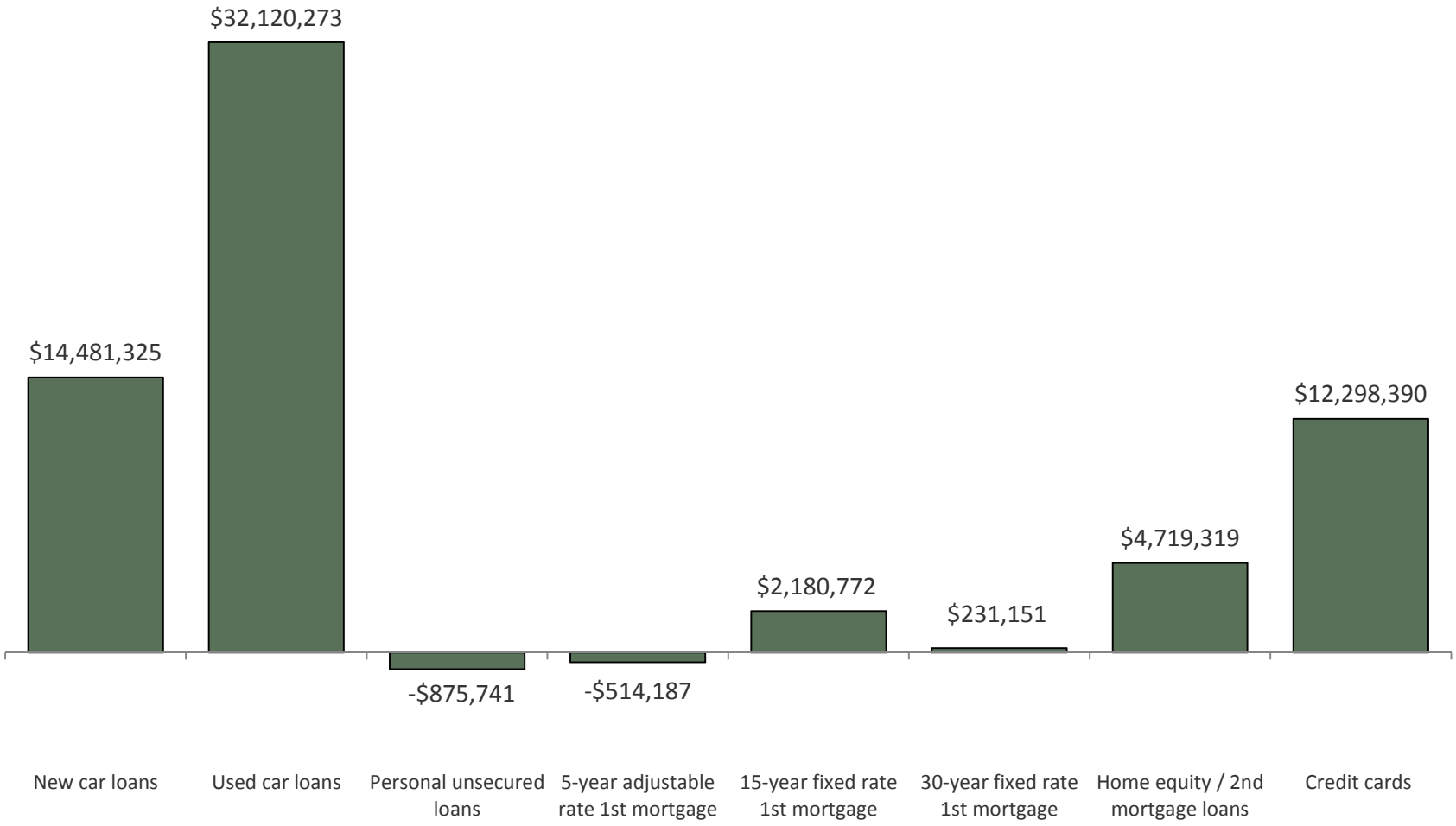
Loan Products	***Average Rate at Credit Unions (%)***	***Average Rate at Banks (%)***	***Rate Difference vs. Banks (%)***
60-month new car (A paper)	2.48	4.30	-1.82
48-month used car (A paper)	2.71	4.24	-1.52
Unsecured loan (A paper)	10.06	9.57	0.48
5-year adjustable rate 1st mortgage, 0 pts	2.97	2.94	0.02
15-year fixed rate 1st mortgage, 0 pts	3.38	3.65	-0.27
30-year fixed rate 1st mortgage, 0 pts	4.19	4.25	-0.07
Home equity / 2nd mtg, 80% LTV 0 pts	4.11	4.50	-0.39
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	0.15	0.08	0.07
Share draft checking, $5,000 balance	0.93	0.24	0.69
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

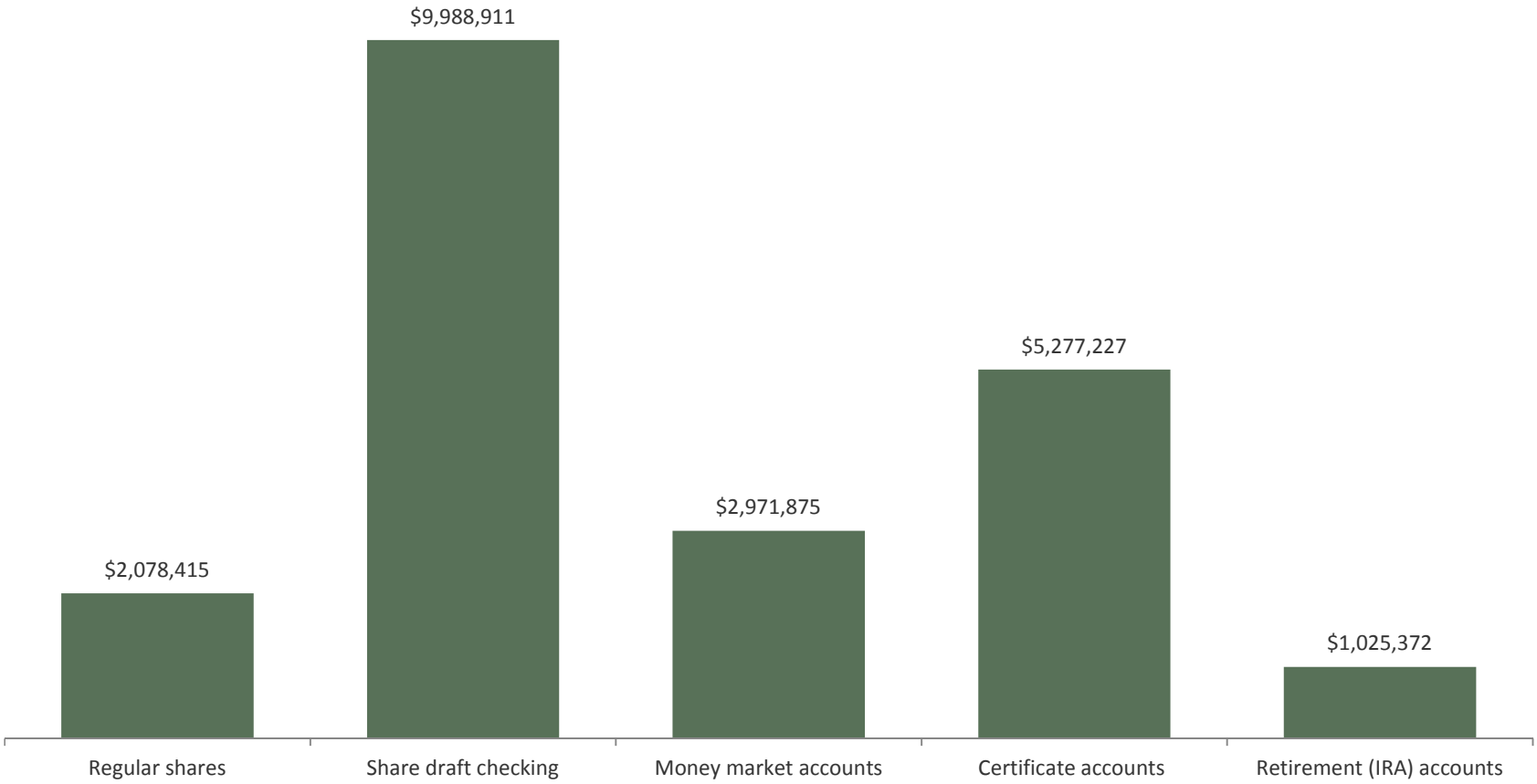
by Loan Type



State Credit Unions' Total Savings Dividend Benefits

Compared to State Banking Institutions

by Account Type



Estimated Financial Benefits for Iowa Credit Unions

September 2014

Loans	Avg. Balance at Credit Unions (1)	Rate Difference vs. Iowa Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	795,677,217	-1.82	$14,481,325
Used car loans	2,107,629,488	-1.52	$32,120,273
Personal unsecured loans	181,312,791	0.48	-$875,741
5-year adjustable rate 1st mortgage	2,448,509,133	0.02	-$514,187
15-year fixed rate 1st mortgage	813,721,007	-0.27	$2,180,772
30-year fixed rate 1st mortgage	335,001,401	-0.07	$231,151
Home equity / 2nd mortgage loans	1,222,621,556	-0.39	$4,719,319
Credit cards	337,173,127	-4.52	$12,298,390
Interest rebates in period			$364
Total CU member benefits arising from lower interest rates on loan products:			$64,641,667
Savings			
Regular shares	3,033,583,479	0.07	$2,078,415
Share draft checking	1,445,681,949	0.69	$9,988,911
Money market accounts	2,239,429,662	0.13	$2,971,875
Certificate accounts	2,969,283,692	0.18	$5,277,227
Retirement (IRA) accounts	660,605,251	0.16	$1,025,372
Bonus dividends in period			$0
Total CU member benefit arising from higher interest rates on savings products:			$21,341,799
Fee Income			
Total CU member benefit arising from fewer / lower fees:			$18,412,250
Total CU member benefit arising from interest rates on loans, savings products and lower fees:			$104,395,716
Total CU member benefit / member:			$99
Total CU member benefit / member household:			$188

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;

Iowa
Performance Profile

Demographic Information	Sep 14	Sep 13
Number of branches	278	277
Total assets ($ mil)	12,826	12,038
Total loans ($ mil)	9,312	8,222
Total surplus funds ($ mil)	2,940	3,305
Total savings ($ mil)	10,847	10,414
Total members (thousands)	1,075	1,055
Growth Rates (Trailing 12 months) *		
Total assets	8.3 %	8.4 %
Total loans	14.6 %	11.5 %
Total surplus funds	-8.6 %	0.3 %
Total savings	5.9 %	9.2 %
Total members	4.3 %	2.2 %
Earnings - Basis Pts. *		
Yield on total assets	371	373
Dividend / interest cost of assets	67	81
Fee & other income	129	142
Operating expense	295	304
Loss Provisions	31	26
Net Income (ROA) after stabilization exp	107	104
Capital adequacy		
Net worth / assets	10.5	10.2
Asset quality *		
Delinquencies / loans	0.9	1.0
Net chargeoffs / average loans	0.4	0.4
Total borrower-bankruptcies	11	10
Bankruptcies per 1000 members	1.1	1.1
Asset/Liability Management		
Loans / savings	85.9	79.0
Loans / assets	72.6	68.3
Long-term assets / assets	38.3	38.7
Core deposits/shares & borrowings	41.8	40.8
Productivity		
Members / potential members	4.8	5.3
Borrowers / members	63.1	60.0
Members / FTE	342	344
Average shares / members ($)	10,089	9,867
Average loan balances ($)	13,722	12,993
Salary & Benefits / FTE	59,014	59,425

*** 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.**