

The Benefits of Membership

Customized Analysis of Member Benefits For:

Minnesota

September 2014

Prepared by:

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



Minnesota

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 Minnesota credit unions provided \$103,368,213 in direct financial benefits to the state's 1,613,509 members during the twelve months ending September 2014.

These benefits are equivalent to \$64 per member or \$122 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 Minnesota 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 Minnesota credit unions.

Consider this:

Financing a \$25,000 new automobile for 60 months at a Minnesota credit union will save members an average \$238 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.

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

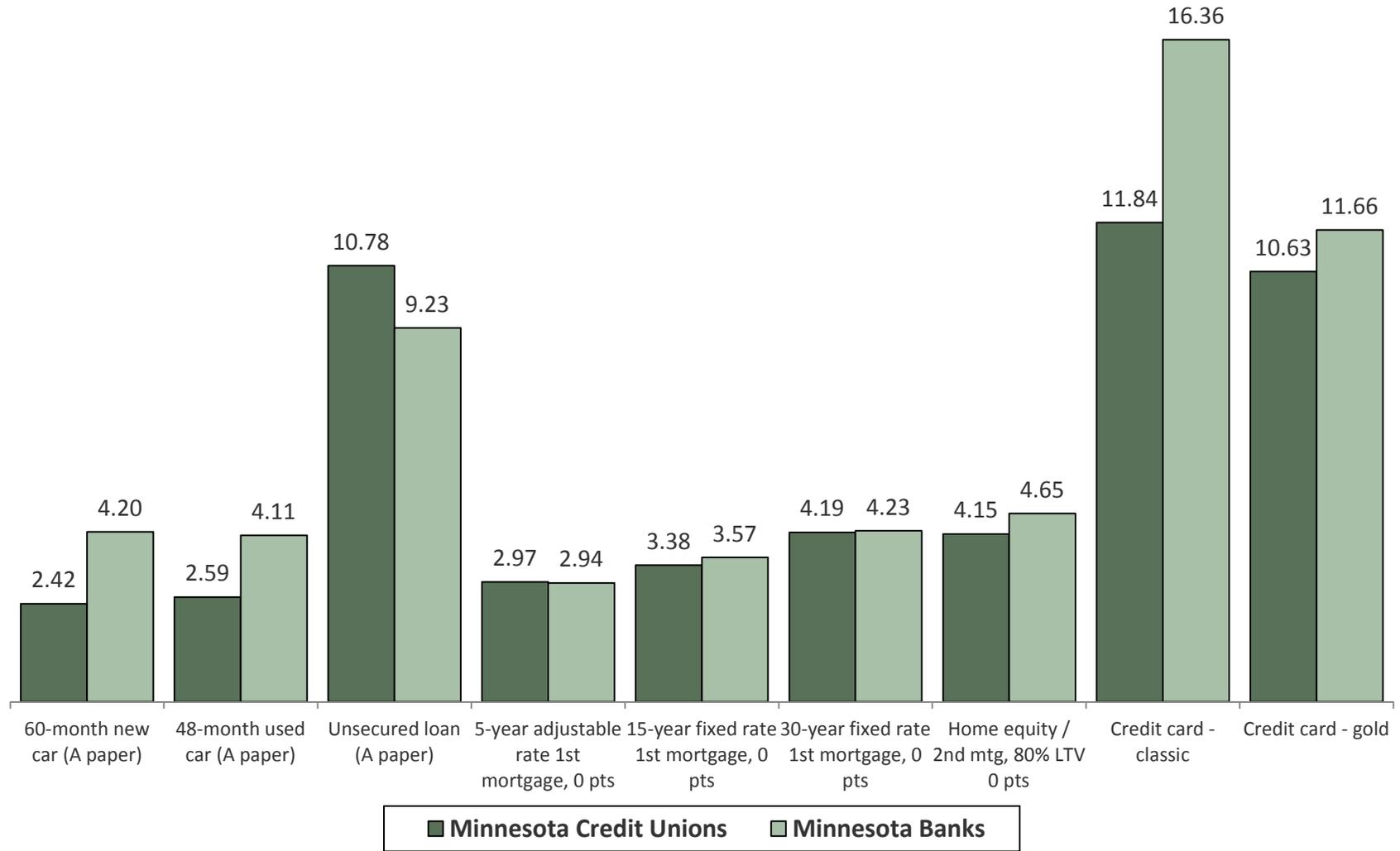
Minnesota credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



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

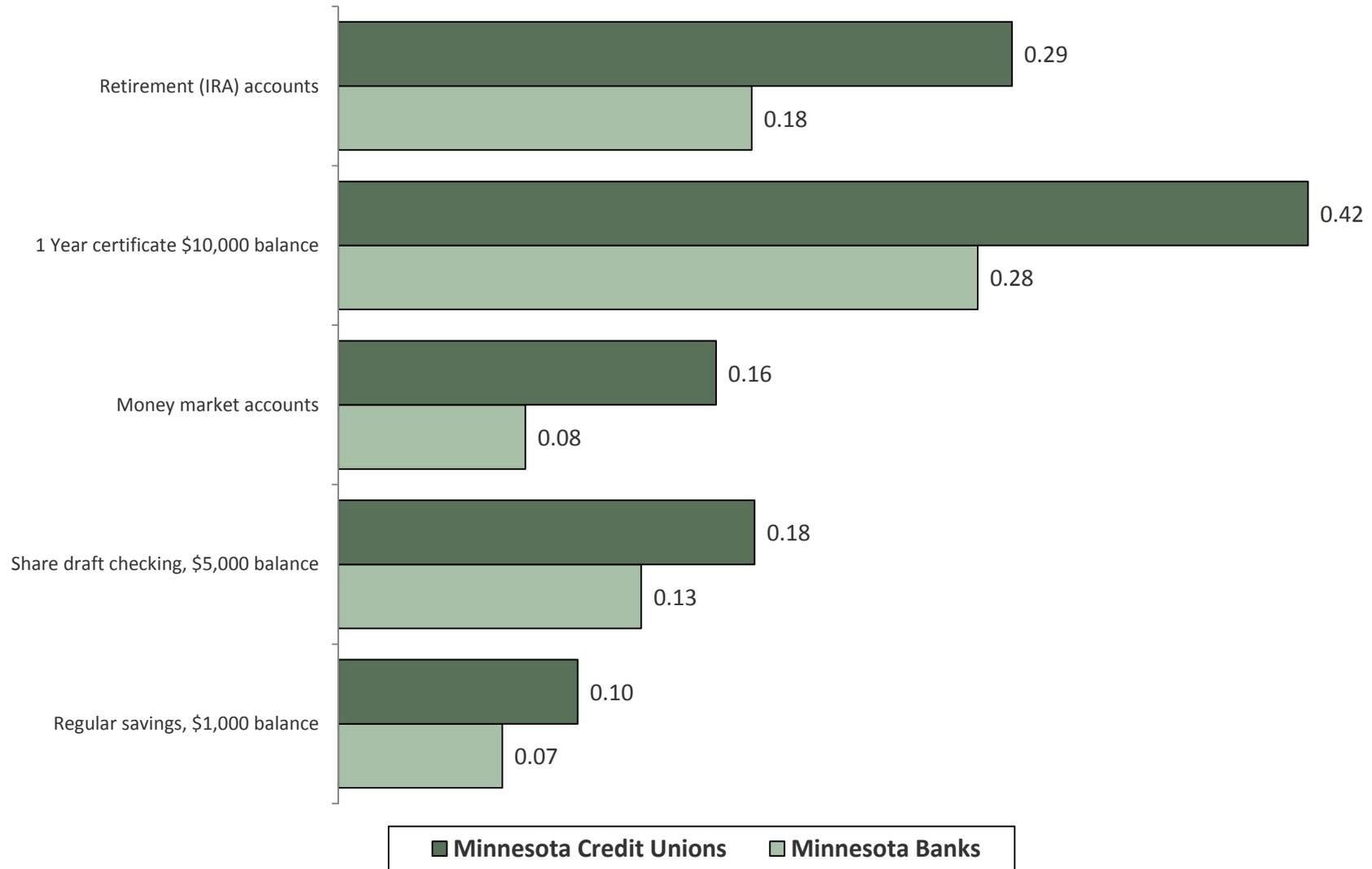
Loan Product Comparative Interest Rates (%)

By Loan Type



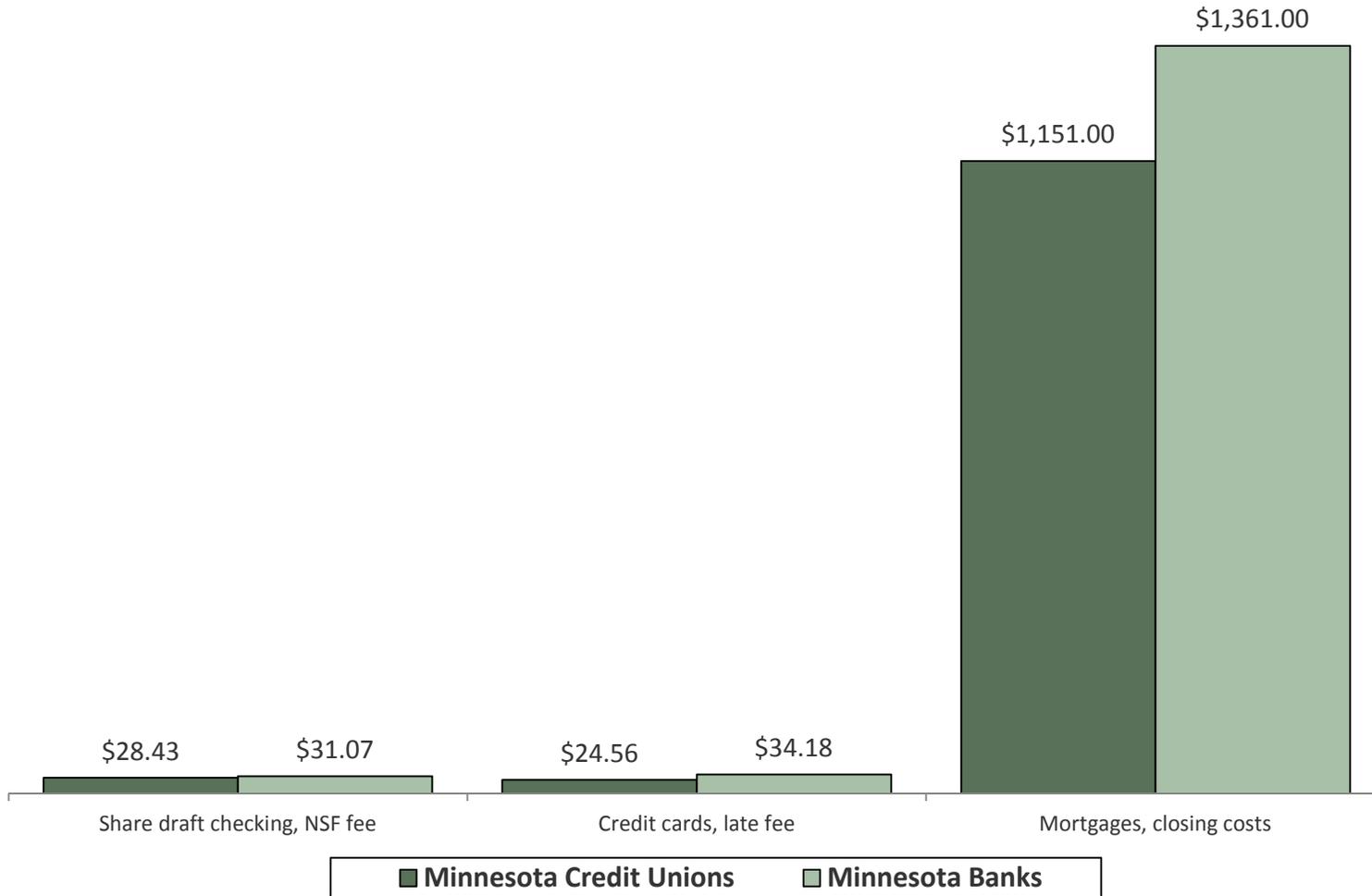
Savings Products Comparative Interest Rates(%)

By Savings Account Type



Comparative Fees

By Type

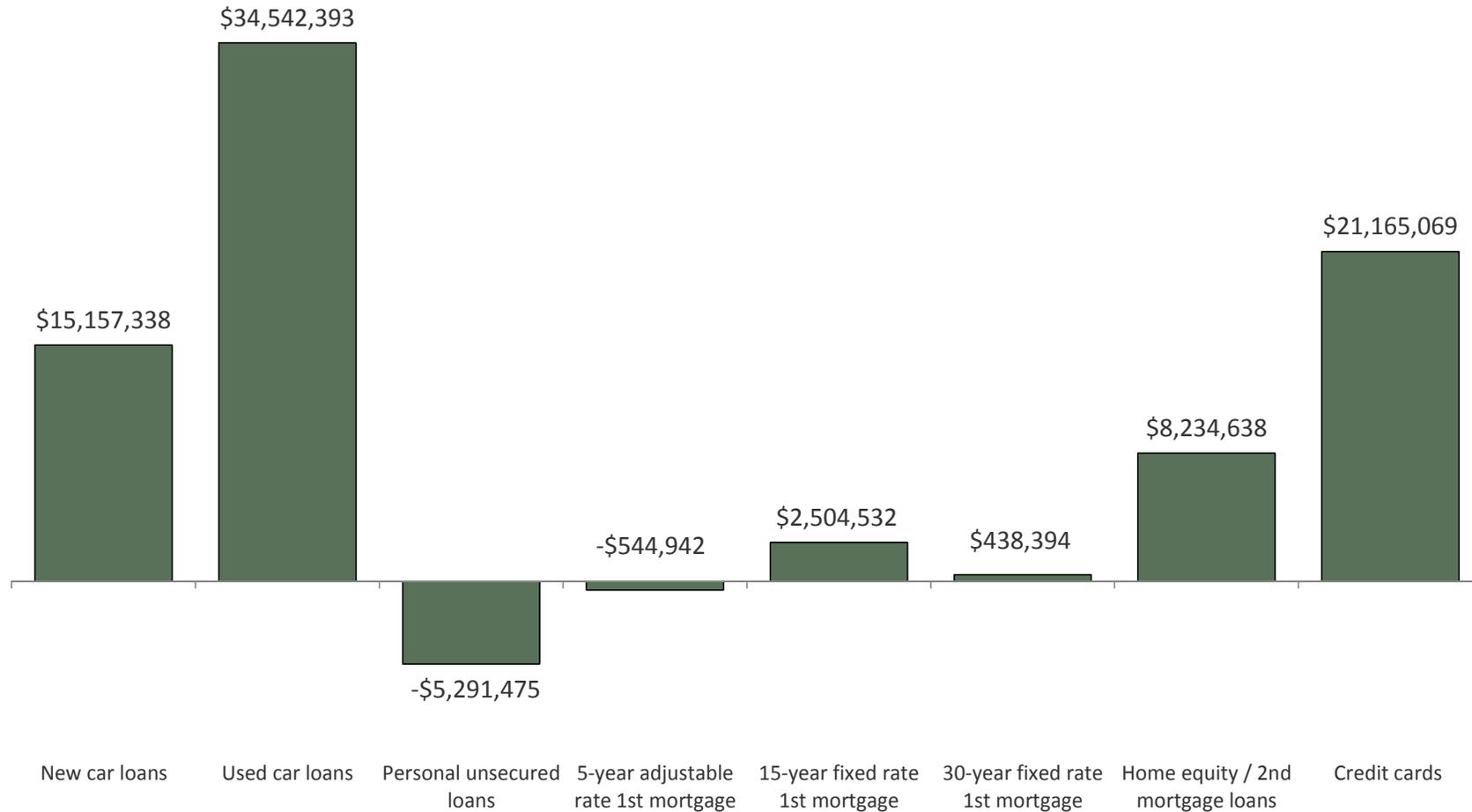


Minnesota
Credit Union and Banking Institution
September 2014 Average Interest Rates and Fees

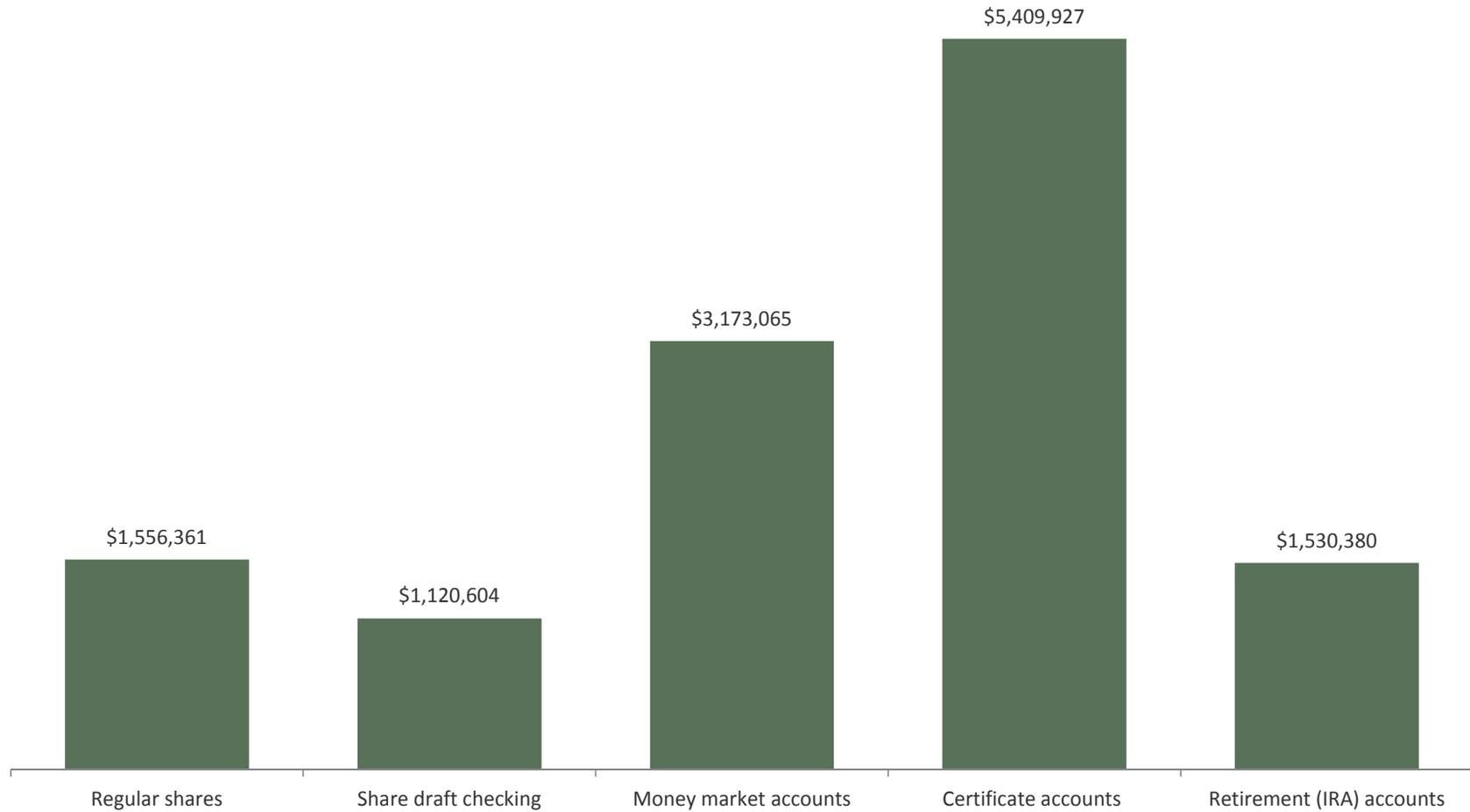
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	2.42	4.20	-1.78
48-month used car (A paper)	2.59	4.11	-1.53
Unsecured loan (A paper)	10.78	9.23	1.54
5-year adjustable rate 1st mortgage, 0 pts	2.97	2.94	0.03
15-year fixed rate 1st mortgage, 0 pts	3.38	3.57	-0.19
30-year fixed rate 1st mortgage, 0 pts	4.19	4.23	-0.04
Home equity / 2nd mtg, 80% LTV 0 pts	4.15	4.65	-0.50
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	0.10	0.07	0.03
Share draft checking, \$5,000 balance	0.18	0.13	0.05
Money market accounts	0.16	0.08	0.08
1 Year certificate \$10,000 balance	0.42	0.28	0.14
Retirement (IRA) accounts	0.29	0.18	0.11
Fee Income			
Share draft checking, NSF fee	\$28.43	\$31.07	-\$2.64
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 Minnesota Credit Unions

September 2014

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Minnesota Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	852,973,452	-1.78	\$15,157,338
Used car loans	2,265,074,962	-1.53	\$34,542,393
Personal unsecured loans	343,379,277	1.54	-\$5,291,475
5-year adjustable rate 1st mortgage	2,018,302,591	0.03	-\$544,942
15-year fixed rate 1st mortgage	1,297,685,198	-0.19	\$2,504,532
30-year fixed rate 1st mortgage	1,043,795,639	-0.04	\$438,394
Home equity / 2nd mortgage loans	1,633,856,770	-0.50	\$8,234,638
Credit cards	580,262,335	-4.52	\$21,165,069
Interest rebates in period			\$75,169
Total CU member benefits arising from lower interest rates on loan products:			\$76,281,117
<u>Savings</u>			
Regular shares	4,790,762,500	0.03	\$1,556,361
Share draft checking	2,294,997,085	0.05	\$1,120,604
Money market accounts	3,863,897,545	0.08	\$3,173,065
Certificate accounts	3,800,249,578	0.14	\$5,409,927
Retirement (IRA) accounts	1,363,500,922	0.11	\$1,530,380
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on savings products:			\$12,790,336
<u>Fee Income</u>			
Total CU member benefit arising from fewer / lower fees:			\$14,296,759
<u>Total CU member benefit arising from interest rates on loans, savings products and lower fees:</u>			\$103,368,213
<u>Total CU member benefit / member:</u>			\$64
<u>Total CU member benefit / member household:</u>			\$122

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;

**Minnesota
Performance Profile**

Demographic Information	Sep 14	Sep 13
Number of branches	372	373
Total assets (\$ mil)	19,121	18,553
Total loans (\$ mil)	11,537	10,977
Total surplus funds (\$ mil)	6,801	6,833
Total savings (\$ mil)	16,635	16,239
Total members (thousands)	1,644	1,607
Growth Rates (Trailing 12 months) *		
Total assets	4.2 %	5.1 %
Total loans	6.2 %	6.1 %
Total surplus funds	0.5 %	3.4 %
Total savings	3.5 %	5.4 %
Total members	3.8 %	2.9 %
Earnings - Basis Pts. *		
Yield on total assets	333	340
Dividend / interest cost of assets	52	61
Fee & other income	114	122
Operating expense	301	306
Loss Provisions	18	22
Net Income (ROA) after stabilization exp	77	74
Capital adequacy		
Net worth / assets	10.8	10.3
Asset quality *		
Delinquencies / loans	0.7	0.9
Net chargeoffs / average loans	0.3	0.4
Total borrower-bankruptcies	14	16
Bankruptcies per 1000 members	1.1	1.3
Asset/Liability Management		
Loans / savings	69.4	67.6
Loans / assets	60.3	59.2
Long-term assets / assets	38.9	40.0
Core deposits/shares & borrowings	44.0	41.9
Productivity		
Members / potential members	4.4	2.7
Borrowers / members	59.5	58.2
Members / FTE	387	378
Average shares / members (\$)	10,121	10,106
Average loan balances (\$)	11,805	11,744
Salary & Benefits / FTE	66,547	62,901

* 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.