The Benefits of Membership

Customized Analysis of Member Benefits For:

New Jersey

September 2014

Prepared by:

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Economics and Statistics Department

New Jersey

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 New Jersey credit unions provided $54,804,300 in direct financial benefits to the state's 1,048,037 members during the twelve months ending September 2014.

These benefits are equivalent to $52 per member or $99 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 New Jersey 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 New Jersey credit unions.

Consider this:

Financing a $25,000 new automobile for 60 months at a New Jersey credit union will save members an average $253 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.

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

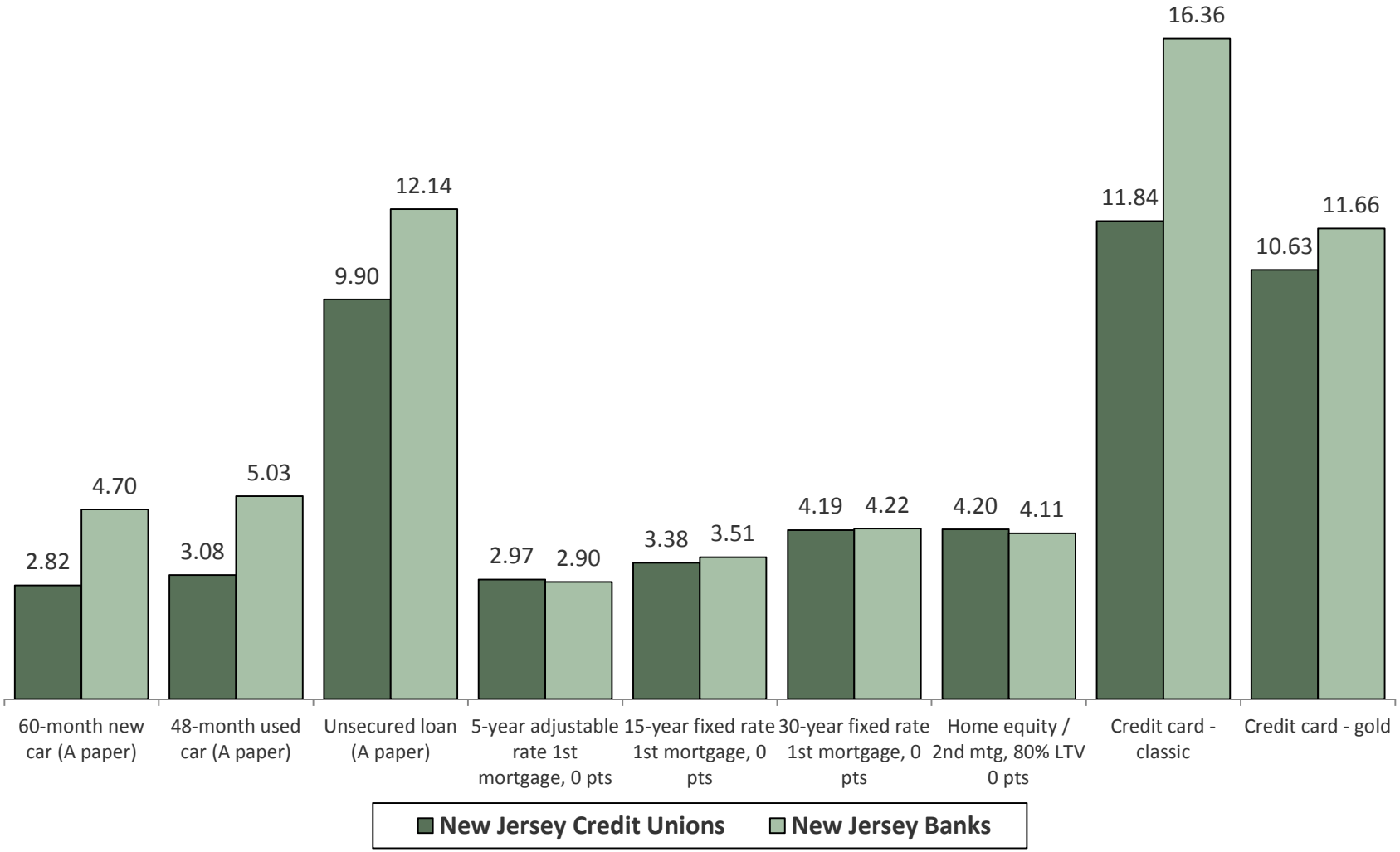
New Jersey credit unions also pay members higher average dividends on the following accounts: share draft checking, money market accounts, certificate accounts, IRAs.

AMERICA'S CREDIT UNIONS™

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

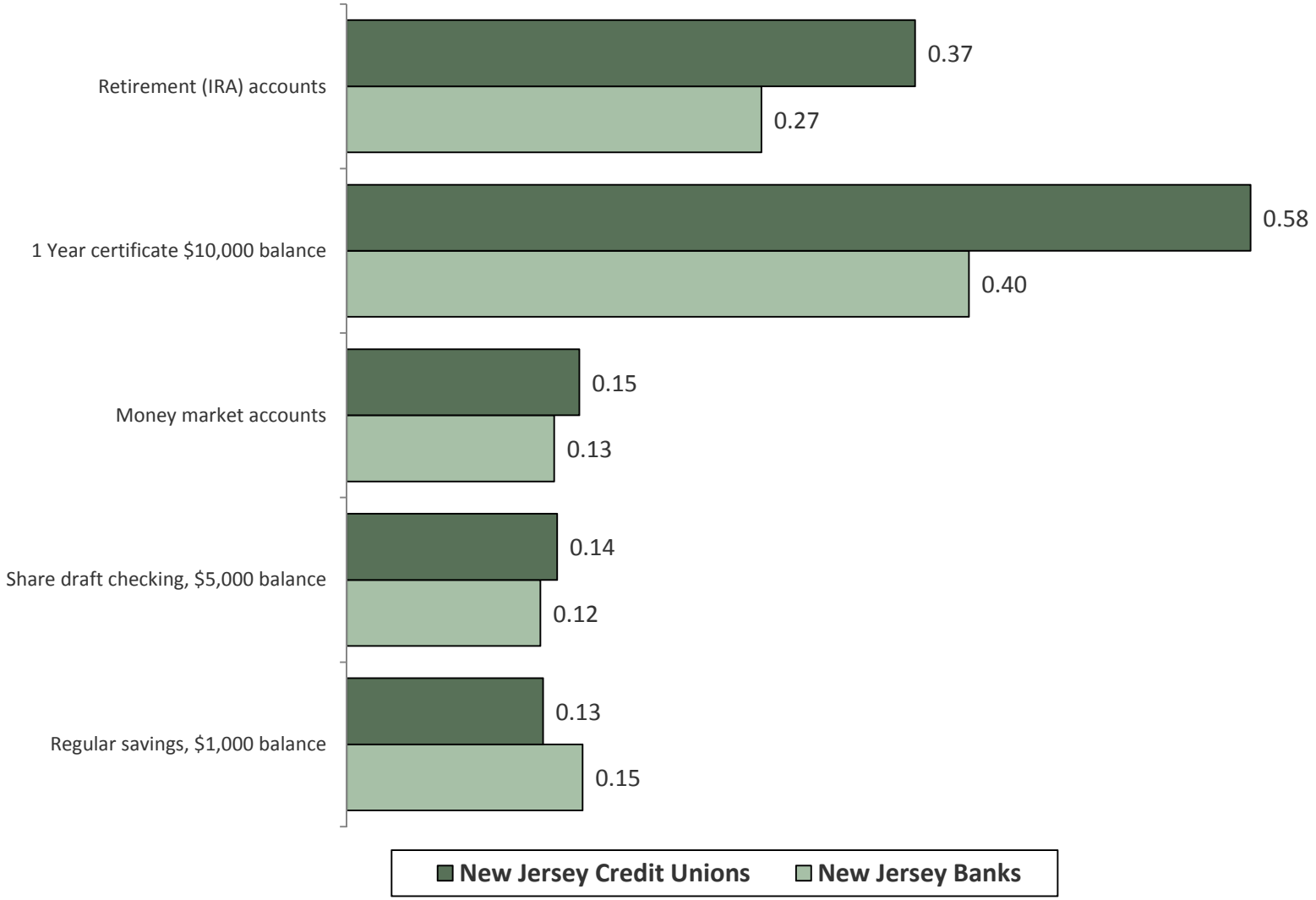
Loan Product Comparative Interest Rates (%)

By Loan Type



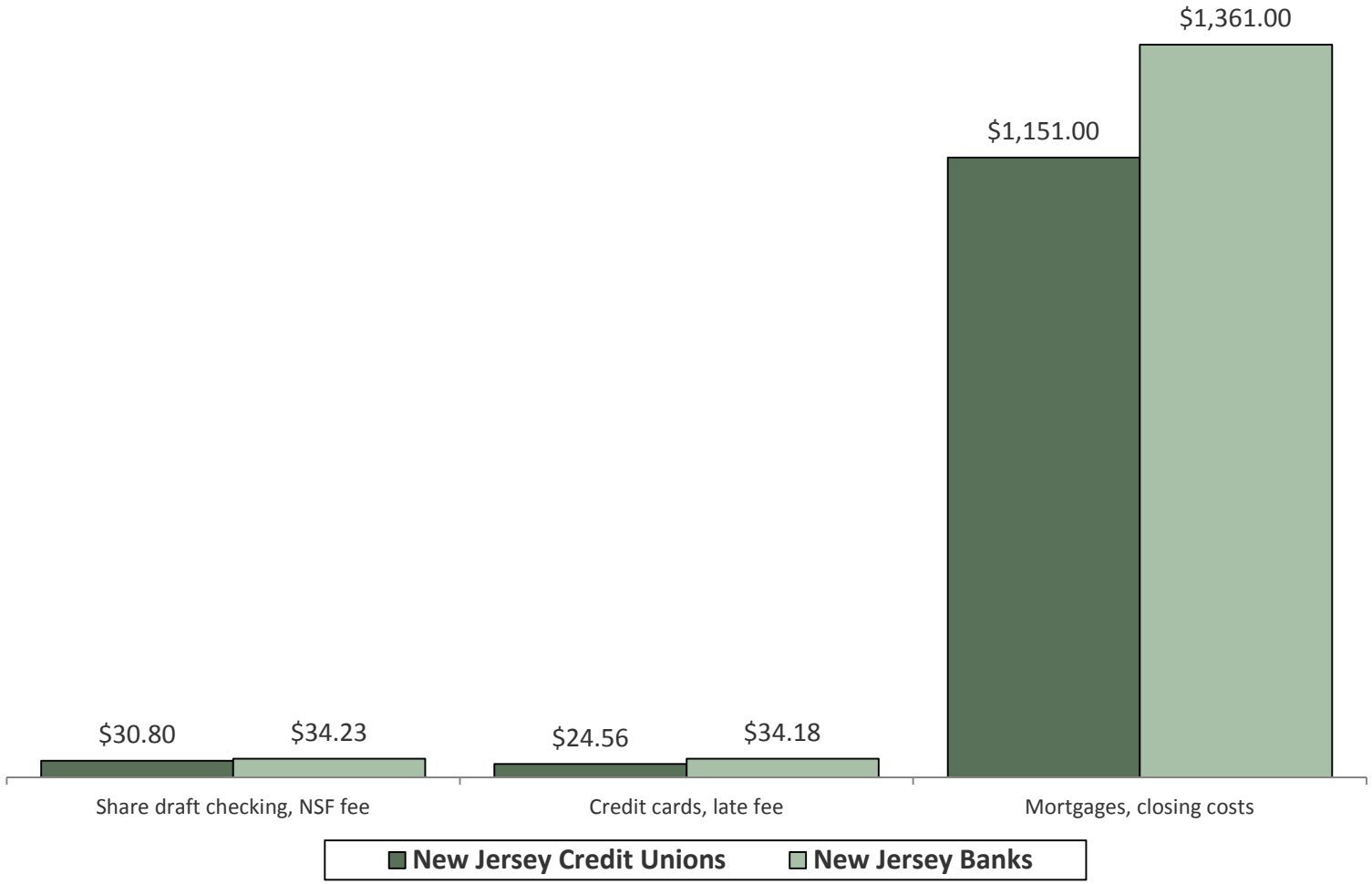
Savings Products Comparative Interest Rates(%)

By Savings Account Type



Comparative Fees

By Type



New Jersey
Credit Union and Banking Institution
September 2014 Average Interest Rates and Fees

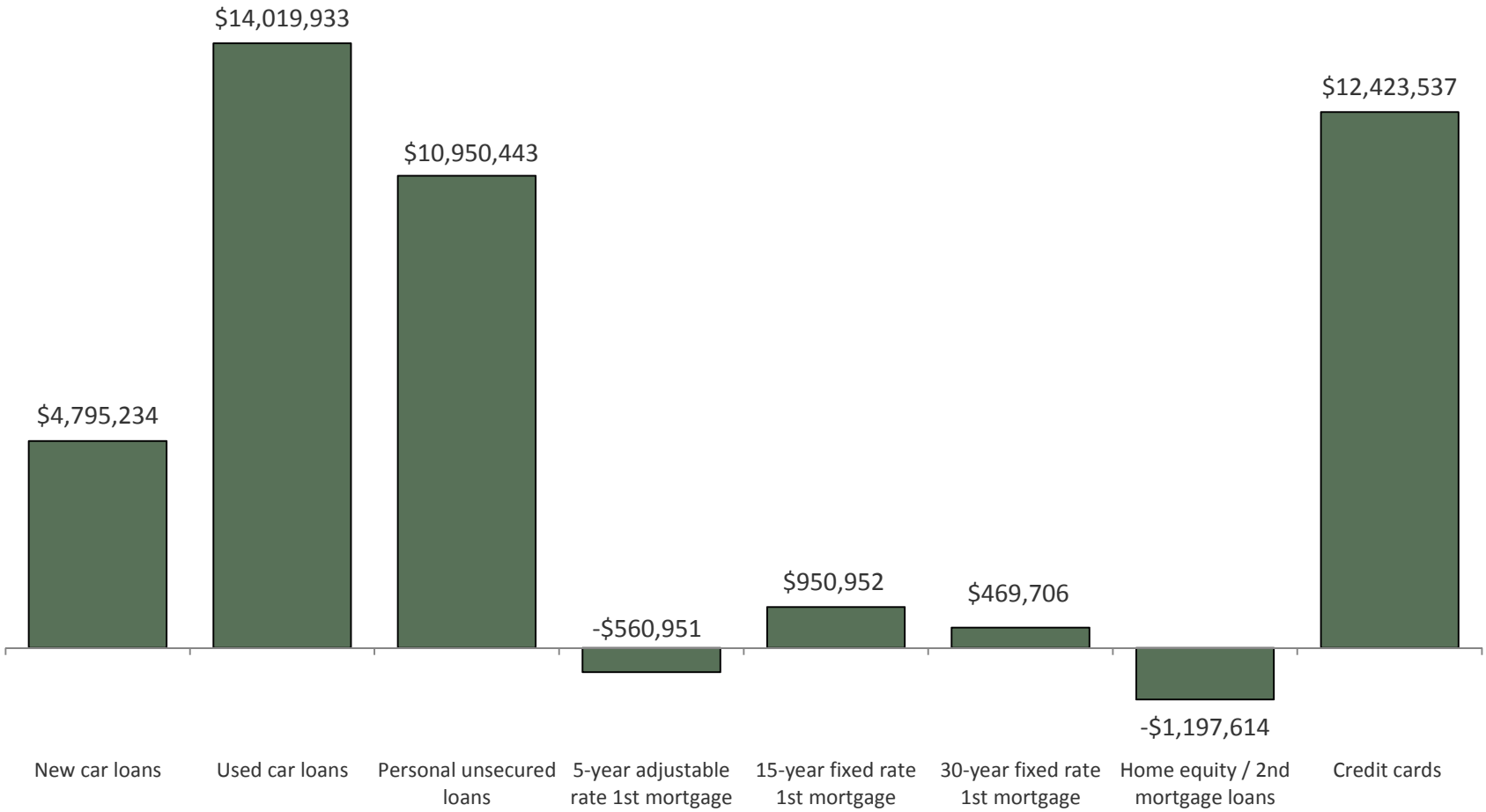
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	2.82	4.70	-1.88
48-month used car (A paper)	3.08	5.03	-1.95
Unsecured loan (A paper)	9.90	12.14	-2.24
5-year adjustable rate 1st mortgage, 0 pts	2.97	2.90	0.06
15-year fixed rate 1st mortgage, 0 pts	3.38	3.51	-0.14
30-year fixed rate 1st mortgage, 0 pts	4.19	4.22	-0.04
Home equity / 2nd mtg, 80% LTV 0 pts	4.20	4.11	0.09
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	0.13	0.15	-0.03
Share draft checking, $5,000 balance	0.14	0.12	0.01
Money market accounts	0.15	0.13	0.02
1 Year certificate $10,000 balance	0.58	0.40	0.18
Retirement (IRA) accounts	0.37	0.27	0.10
Fee Income			
Share draft checking, NSF fee	$30.80	$34.23	-$3.43
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

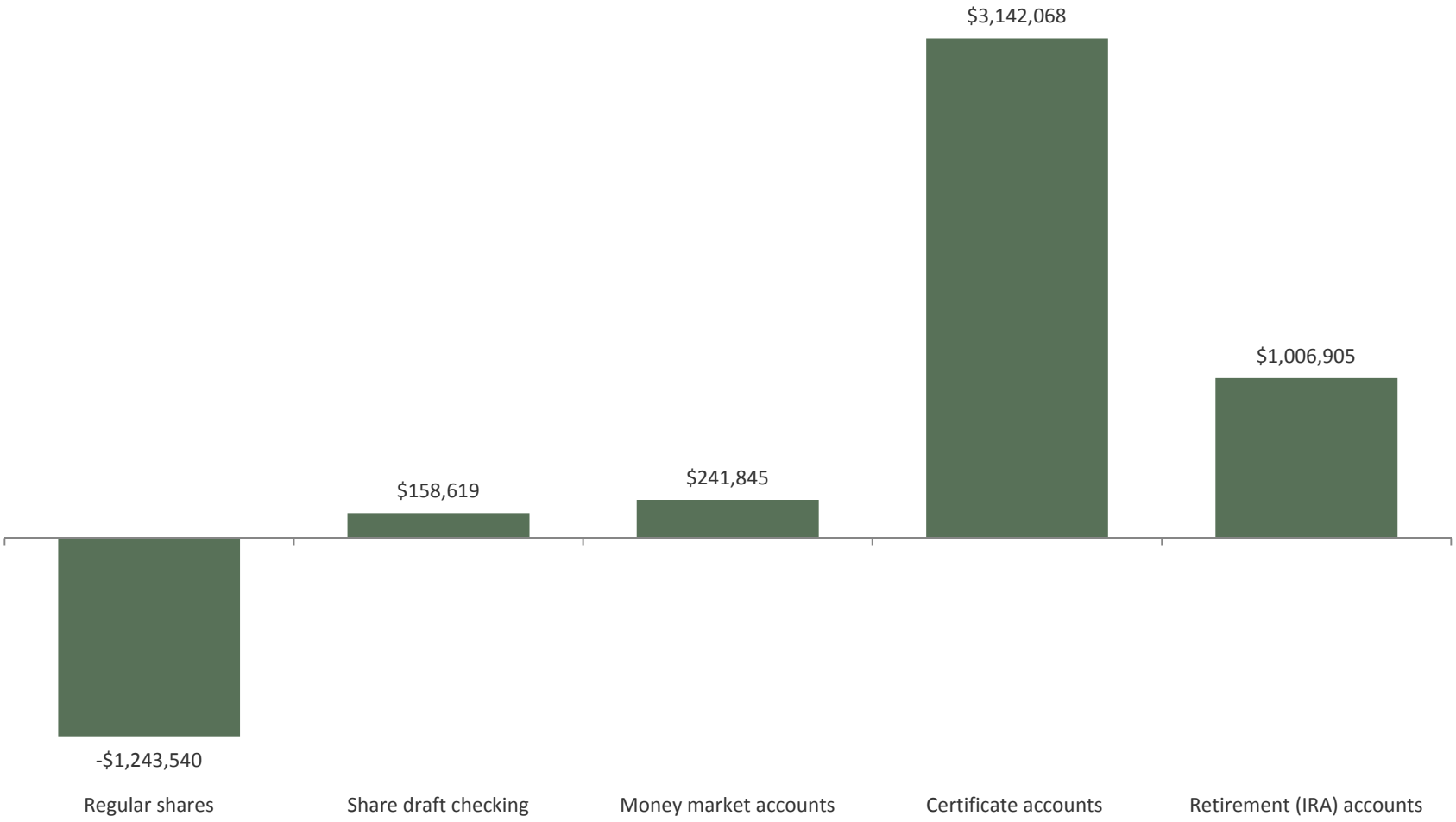
by Loan Type



State Credit Unions' Total Savings Dividend Benefits

Compared to State Banking Institutions

by Account Type



Estimated Financial Benefits for New Jersey Credit Unions

September 2014

Loans	Avg. Balance at Credit Unions (1)	Rate Difference vs. New Jersey Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	255,337,270	-1.88	$4,795,234
Used car loans	718,602,393	-1.95	$14,019,933
Personal unsecured loans	488,859,077	-2.24	$10,950,443
5-year adjustable rate 1st mortgage	890,398,103	0.06	-$560,951
15-year fixed rate 1st mortgage	704,408,753	-0.14	$950,952
30-year fixed rate 1st mortgage	1,236,068,270	-0.04	$469,706
Home equity / 2nd mortgage loans	1,274,057,441	0.09	-$1,197,614
Credit cards	340,604,163	-4.52	$12,423,537
Interest rebates in period			$35,606
Total CU member benefits arising from lower interest rates on loan products:			$41,886,846
Savings			
Regular shares	4,892,616,089	-0.03	-$1,243,540
Share draft checking	1,465,019,618	0.01	$158,619
Money market accounts	1,488,279,067	0.02	$241,845
Certificate accounts	1,731,273,895	0.18	$3,142,068
Retirement (IRA) accounts	1,018,419,697	0.10	$1,006,905
Bonus dividends in period			$0
Total CU member benefit arising from higher interest rates on savings products:			$3,305,897
Fee Income			
Total CU member benefit arising from fewer / lower fees:			$9,611,558
Total CU member benefit arising from interest rates on loans, savings products and lower fees:			$54,804,300
Total CU member benefit / member:			$52
Total CU member benefit / member household:			$99

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;

New Jersey
Performance Profile

Demographic Information	Sep 14	Sep 13
Number of branches	326	335
Total assets ($ mil)	12,461	12,551
Total loans ($ mil)	6,655	6,453
Total surplus funds ($ mil)	5,351	5,648
Total savings ($ mil)	11,007	11,150
Total members (thousands)	1,052	1,063
Growth Rates (Trailing 12 months) *		
Total assets	0.6 %	1.3 %
Total loans	4.9 %	2.3 %
Total surplus funds	-4.7 %	0.0 %
Total savings	0.1 %	1.8 %
Total members	0.8 %	0.9 %
Earnings - Basis Pts. *		
Yield on total assets	322	328
Dividend / interest cost of assets	47	52
Fee & other income	86	94
Operating expense	296	301
Loss Provisions	32	34
Net Income (ROA) after stabilization exp	34	34
Capital adequacy		
Net worth / assets	10.3	9.9
Asset quality *		
Delinquencies / loans	1.8	2.0
Net chargeoffs / average loans	0.6	0.7
Total borrower-bankruptcies	5	7
Bankruptcies per 1000 members	0.9	1.4
Asset/Liability Management		
Loans / savings	60.5	57.9
Loans / assets	53.4	51.4
Long-term assets / assets	44.8	46.3
Core deposits/shares & borrowings	58.3	56.0
Productivity		
Members / potential members	5.3	5.7
Borrowers / members	46.9	44.2
Members / FTE	428	428
Average shares / members ($)	10,462	10,491
Average loan balances ($)	13,477	13,728
Salary & Benefits / FTE	72,590	72,213

*** 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.**