

The Benefits of Membership

Customized Analysis of Member Benefits For:

Pennsylvania

September 2014

Prepared by:

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Pennsylvania

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 Pennsylvania credit unions provided \$253,041,607 in direct financial benefits to the state's 3,774,072 members during the twelve months ending September 2014.

These benefits are equivalent to \$67 per member or \$127 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 Pennsylvania 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 Pennsylvania credit unions.

Consider this:

Financing a \$26,000 new automobile for 60 months at a Pennsylvania credit union will save members an average \$156 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.

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

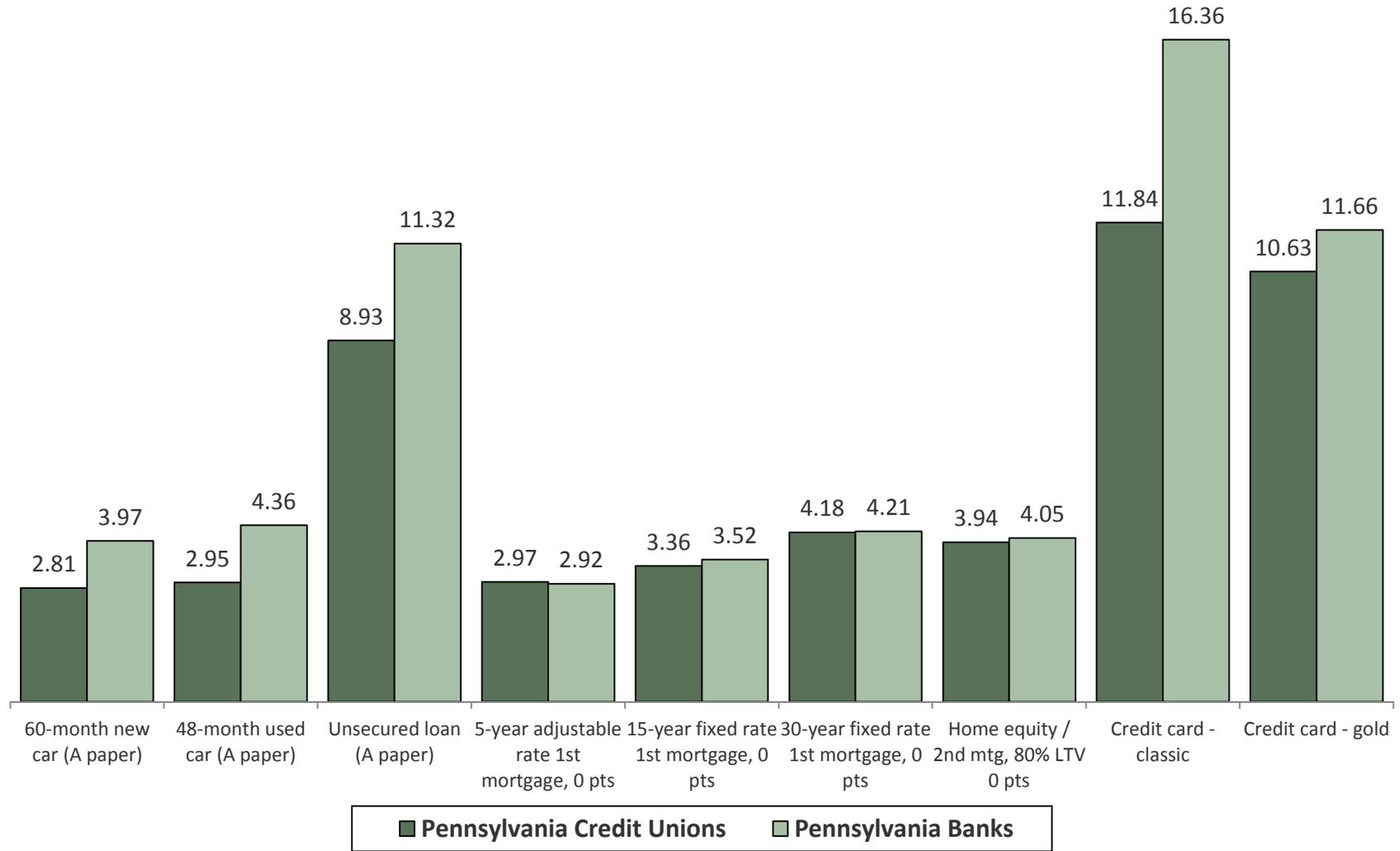
Pennsylvania credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



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

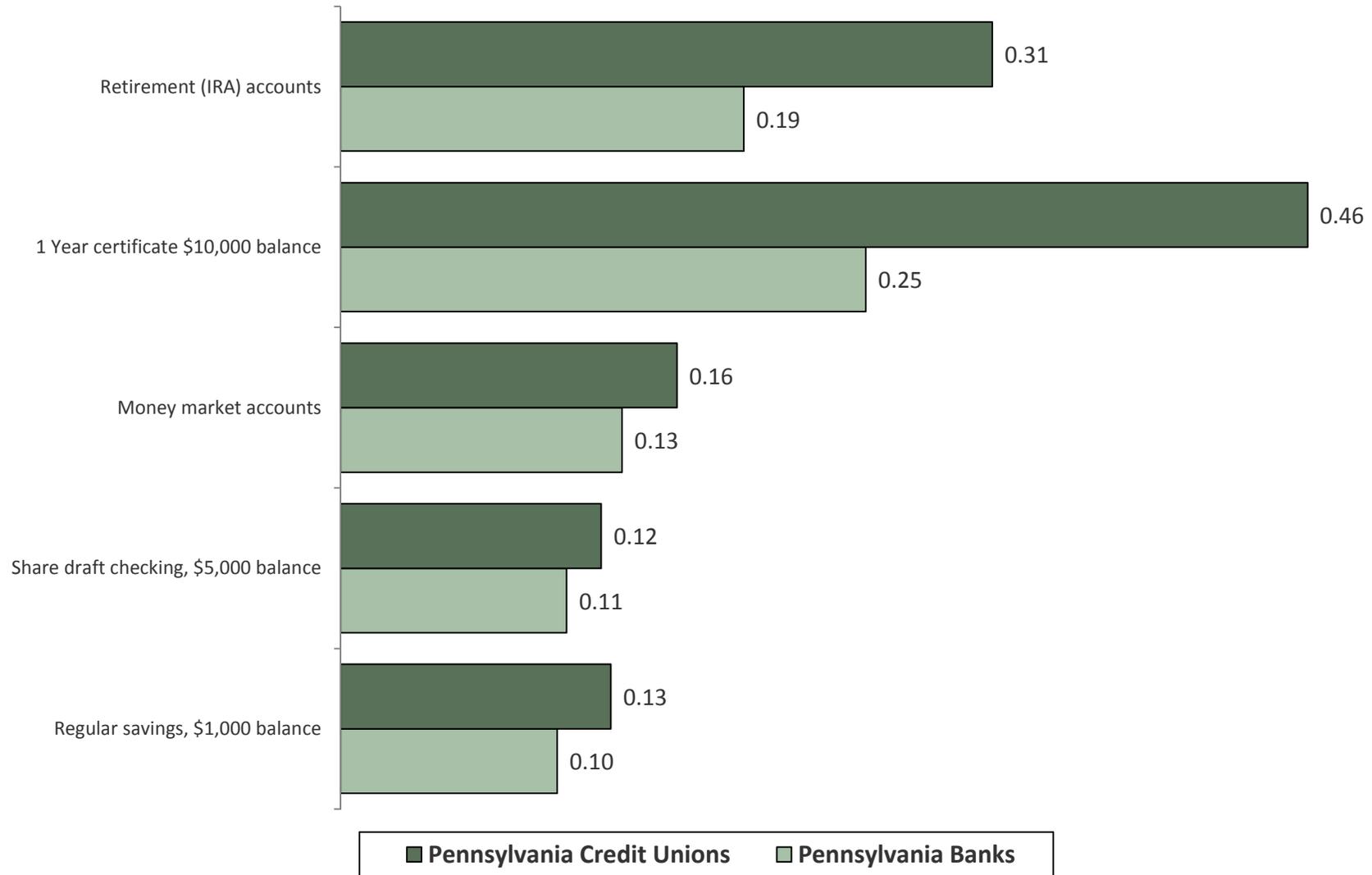
Loan Product Comparative Interest Rates (%)

By Loan Type

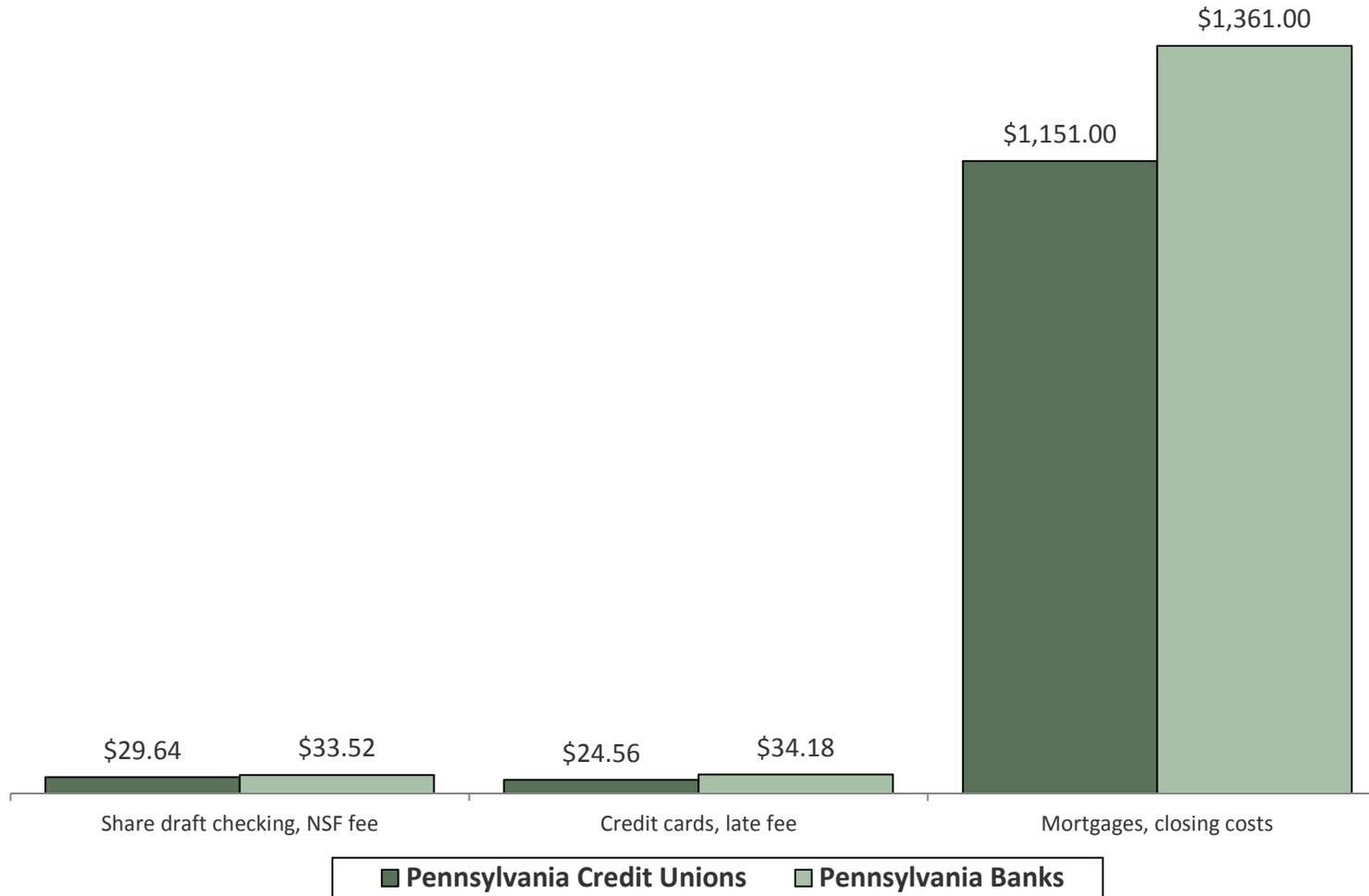


Savings Products Comparative Interest Rates(%)

By Savings Account Type



Comparative Fees By Type

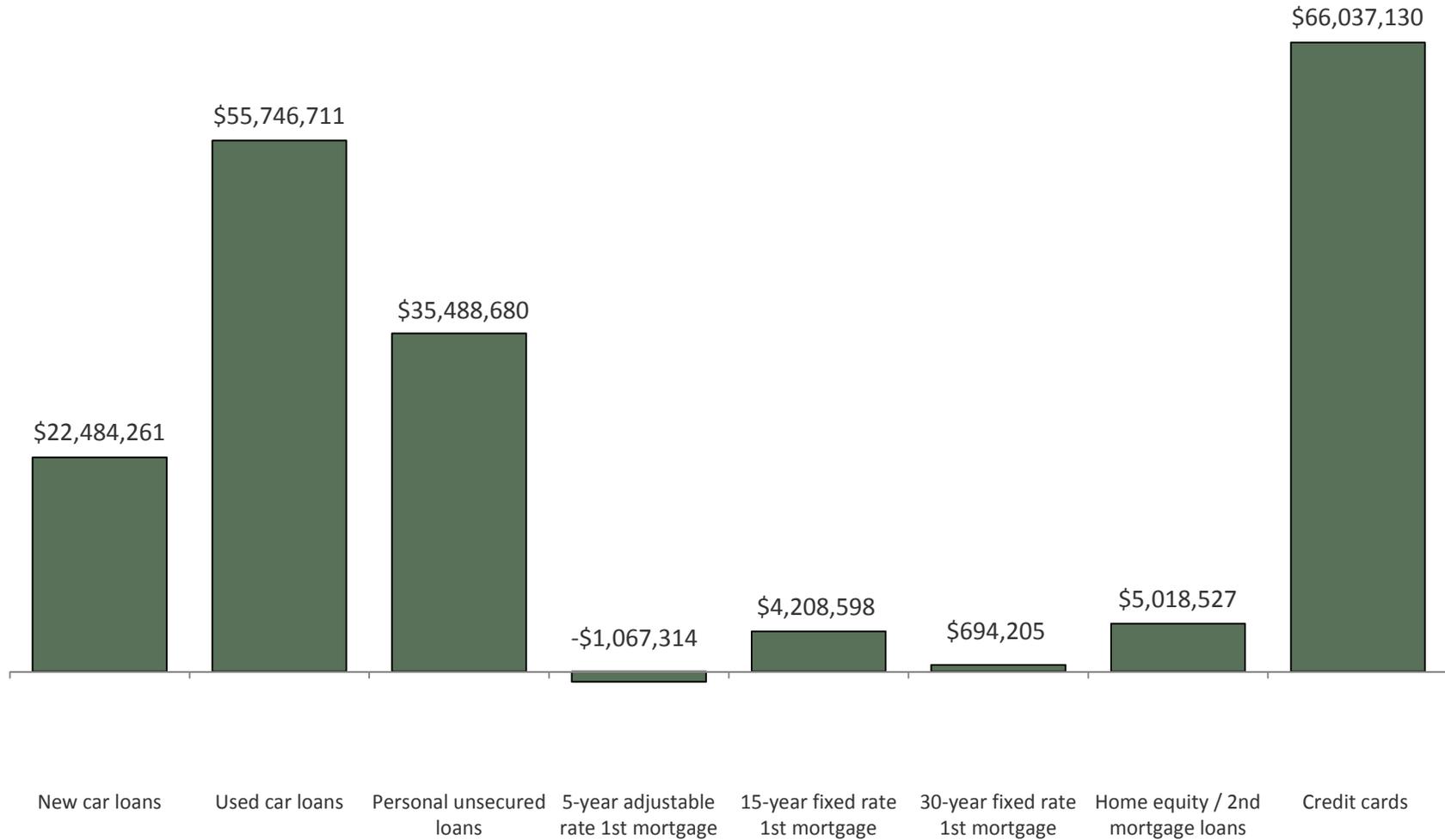


Pennsylvania
Credit Union and Banking Institution
September 2014 Average Interest Rates and Fees

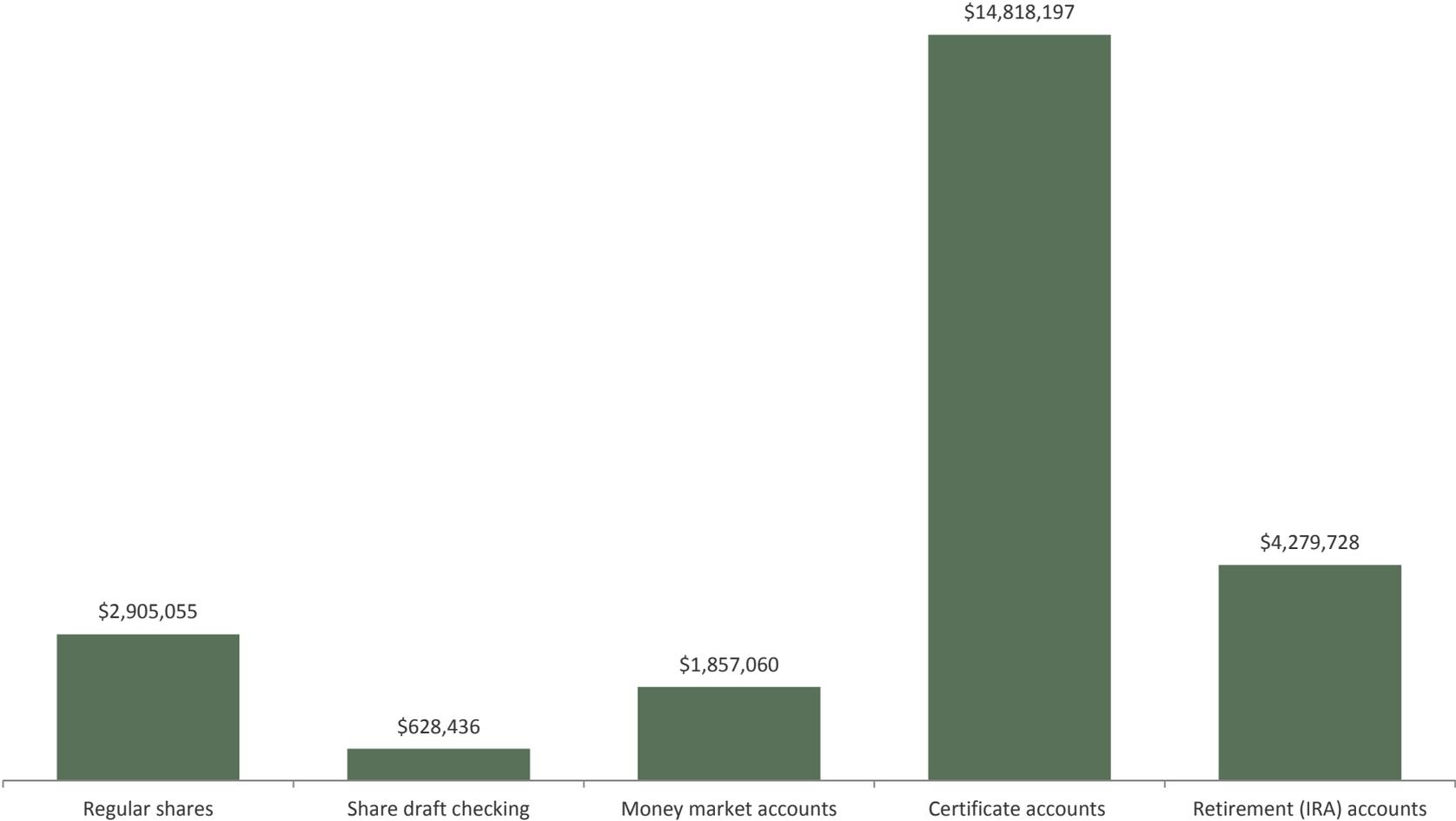
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	2.81	3.97	-1.16
48-month used car (A paper)	2.95	4.36	-1.41
Unsecured loan (A paper)	8.93	11.32	-2.40
5-year adjustable rate 1st mortgage, 0 pts	2.97	2.92	0.05
15-year fixed rate 1st mortgage, 0 pts	3.36	3.52	-0.16
30-year fixed rate 1st mortgage, 0 pts	4.18	4.21	-0.03
Home equity / 2nd mtg, 80% LTV 0 pts	3.94	4.05	-0.11
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	0.10	0.03
Share draft checking, \$5,000 balance	0.12	0.11	0.02
Money market accounts	0.16	0.13	0.03
1 Year certificate \$10,000 balance	0.46	0.25	0.21
Retirement (IRA) accounts	0.31	0.19	0.12
Fee Income			
Share draft checking, NSF fee	\$29.64	\$33.52	-\$3.88
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 Pennsylvania Credit Unions September 2014

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Pennsylvania Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	1,941,646,055	-1.16	\$22,484,261
Used car loans	3,950,865,401	-1.41	\$55,746,711
Personal unsecured loans	1,479,928,262	-2.40	\$35,488,680
5-year adjustable rate 1st mortgage	2,320,247,452	0.05	-\$1,067,314
15-year fixed rate 1st mortgage	2,680,635,906	-0.16	\$4,208,598
30-year fixed rate 1st mortgage	2,314,017,177	-0.03	\$694,205
Home equity / 2nd mortgage loans	4,779,549,096	-0.11	\$5,018,527
Credit cards	1,810,476,503	-4.52	\$66,037,130
Interest rebates in period			\$127,219
Total CU member benefits arising from lower interest rates on loan products:			\$188,738,018
 <u>Savings</u>			
Regular shares	11,374,029,341	0.03	\$2,905,055
Share draft checking	3,824,801,352	0.02	\$628,436
Money market accounts	7,105,908,534	0.03	\$1,857,060
Certificate accounts	7,049,765,677	0.21	\$14,818,197
Retirement (IRA) accounts	3,621,851,414	0.12	\$4,279,728
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on savings products:			\$24,488,476
 <u>Fee Income</u>			
Total CU member benefit arising from fewer / lower fees:			\$39,815,114
 Total CU member benefit arising from interest rates on loans, savings products and lower fees:			\$253,041,607
 Total CU member benefit / member:			\$67
Total CU member benefit / member household:			\$127

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;

**Pennsylvania
Performance Profile**

Demographic Information	Sep 14	Sep 13
Number of branches	976	993
Total assets (\$ mil)	39,276	38,187
Total loans (\$ mil)	23,007	21,739
Total surplus funds (\$ mil)	14,900	15,102
Total savings (\$ mil)	33,806	33,300
Total members (thousands)	3,828	3,769
Growth Rates (Trailing 12 months) *		
Total assets	3.6 %	3.2 %
Total loans	6.6 %	4.5 %
Total surplus funds	-0.6 %	1.2 %
Total savings	2.3 %	2.8 %
Total members	2.9 %	1.8 %
Earnings - Basis Pts. *		
Yield on total assets	331	335
Dividend / interest cost of assets	49	56
Fee & other income	108	113
Operating expense	296	299
Loss Provisions	35	33
Net Income (ROA) after stabilization exp	59	60
Capital adequacy		
Net worth / assets	11.4	11.2
Asset quality *		
Delinquencies / loans	1.0	1.1
Net chargeoffs / average loans	0.5	0.5
Total borrower-bankruptcies	7	7
Bankruptcies per 1000 members	0.8	0.9
Asset/Liability Management		
Loans / savings	68.1	65.3
Loans / assets	58.6	56.9
Long-term assets / assets	35.3	35.4
Core deposits/shares & borrowings	45.6	44.3
Productivity		
Members / potential members	6.1	6.2
Borrowers / members	52.7	51.3
Members / FTE	420	420
Average shares / members (\$)	8,831	8,836
Average loan balances (\$)	11,395	11,255
Salary & Benefits / FTE	62,350	60,839

* 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.