

The Benefits of Membership

Customized Analysis of Member Benefits For:

Texas

September 2014

Prepared by:

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



Texas

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 Texas credit unions provided \$763,077,045 in direct financial benefits to the state's 8,106,702 members during the twelve months ending September 2014.

These benefits are equivalent to \$94 per member or \$179 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 Texas 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 Texas credit unions.

Consider this:

Financing a \$25,000 new automobile for 60 months at a Texas credit union will save members an average \$164 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.

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

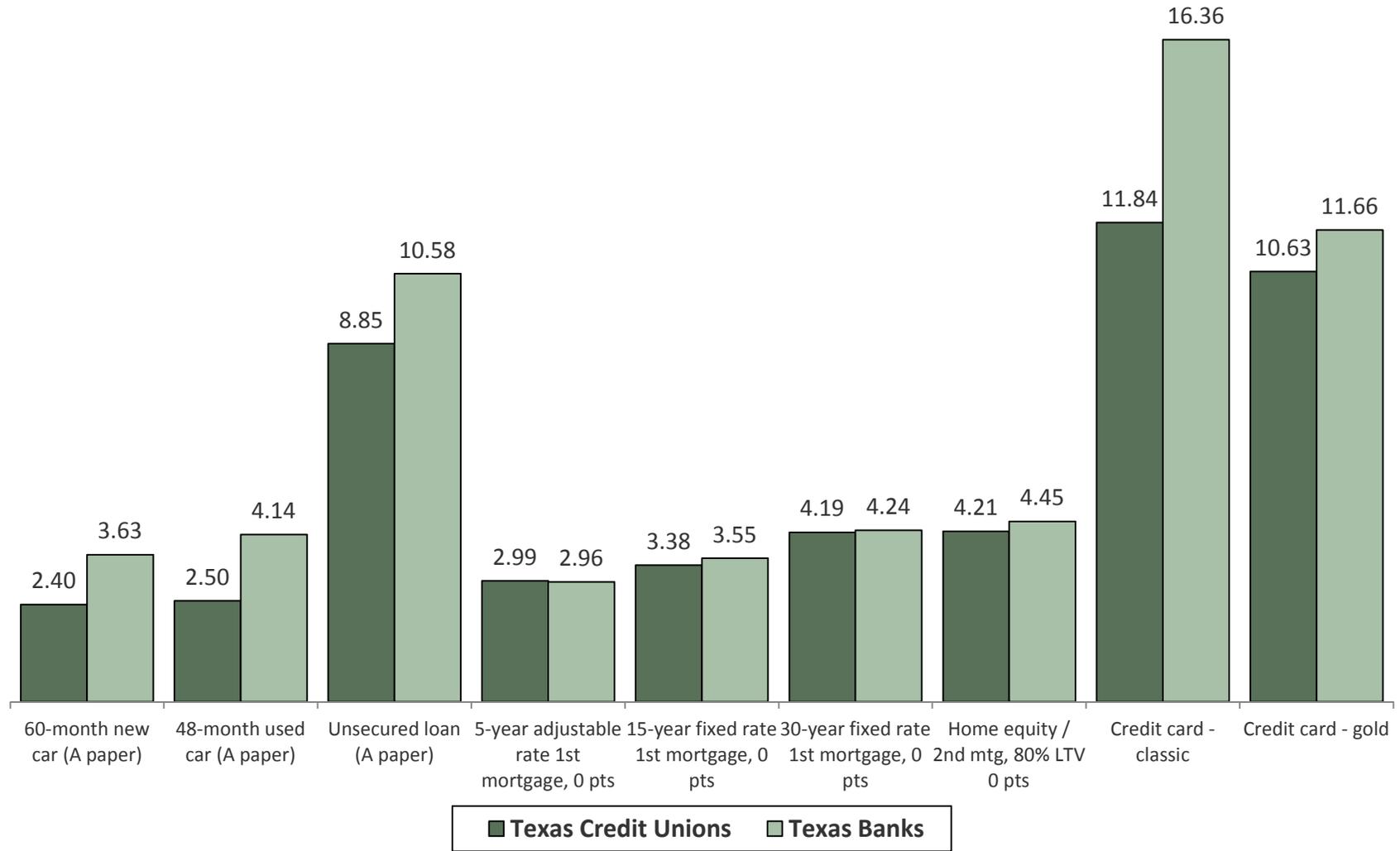
Texas credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



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

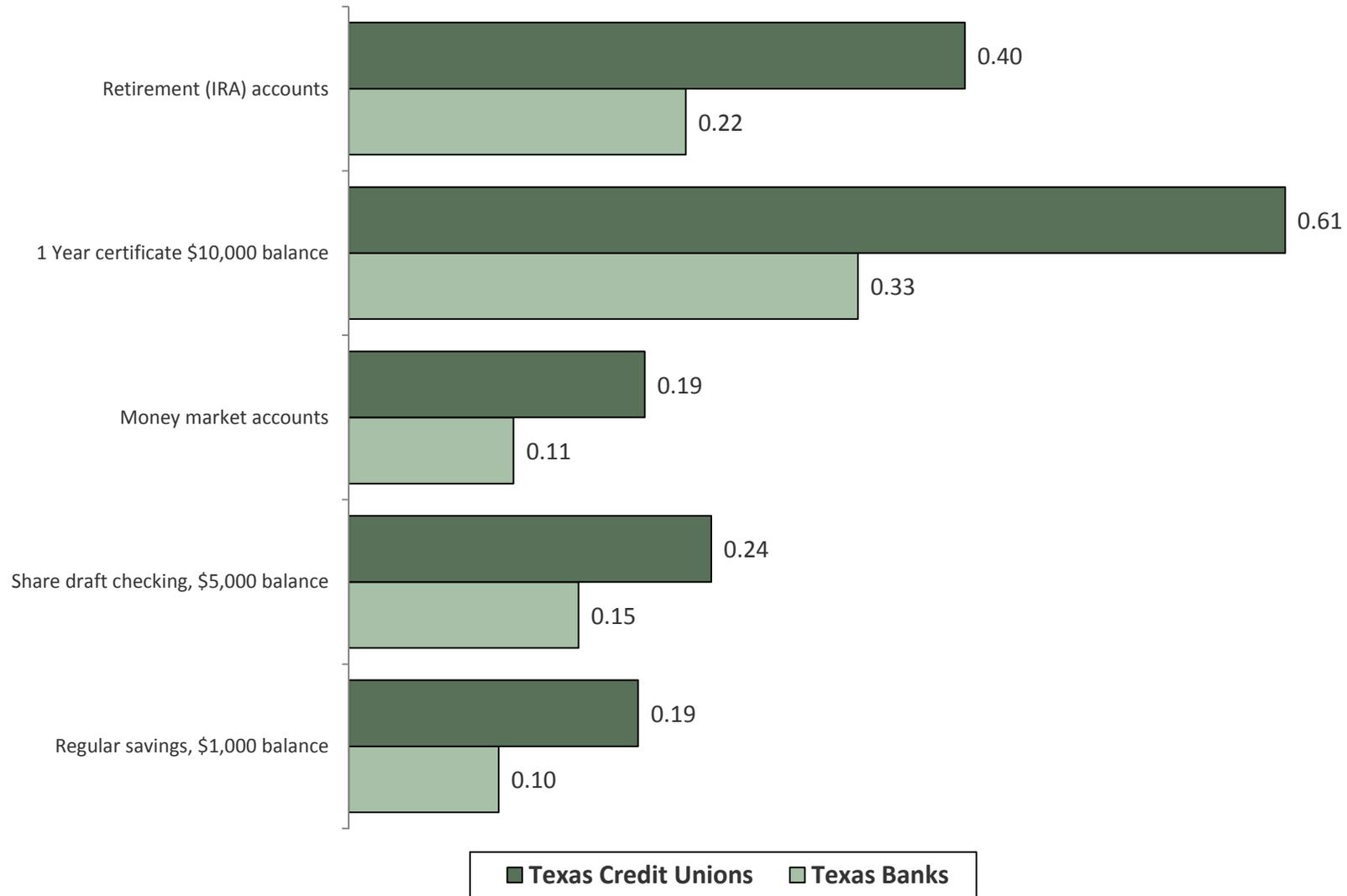
Loan Product Comparative Interest Rates (%)

By Loan Type

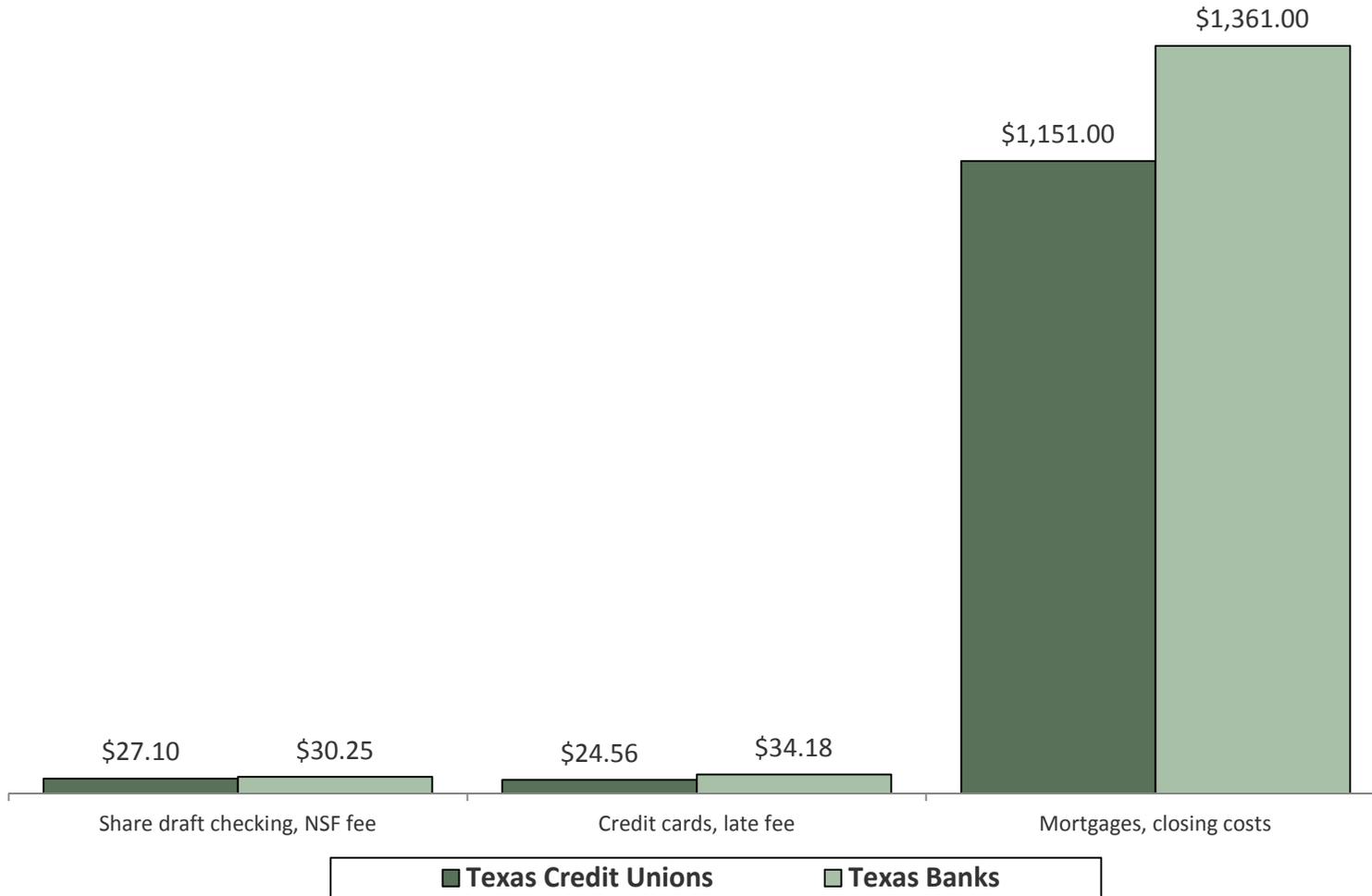


Savings Products Comparative Interest Rates(%)

By Savings Account Type



Comparative Fees By Type

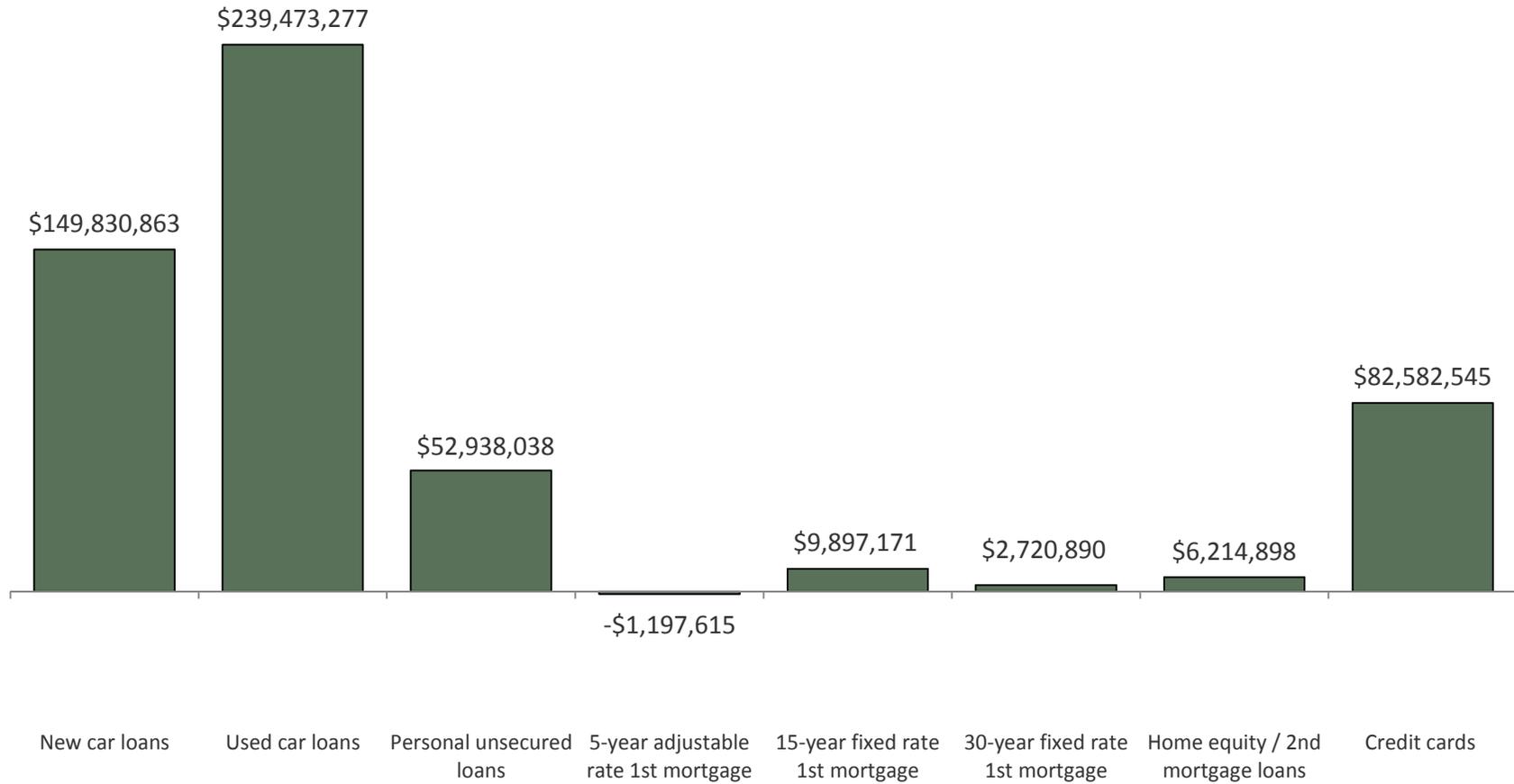


Texas
Credit Union and Banking Institution
September 2014 Average Interest Rates and Fees

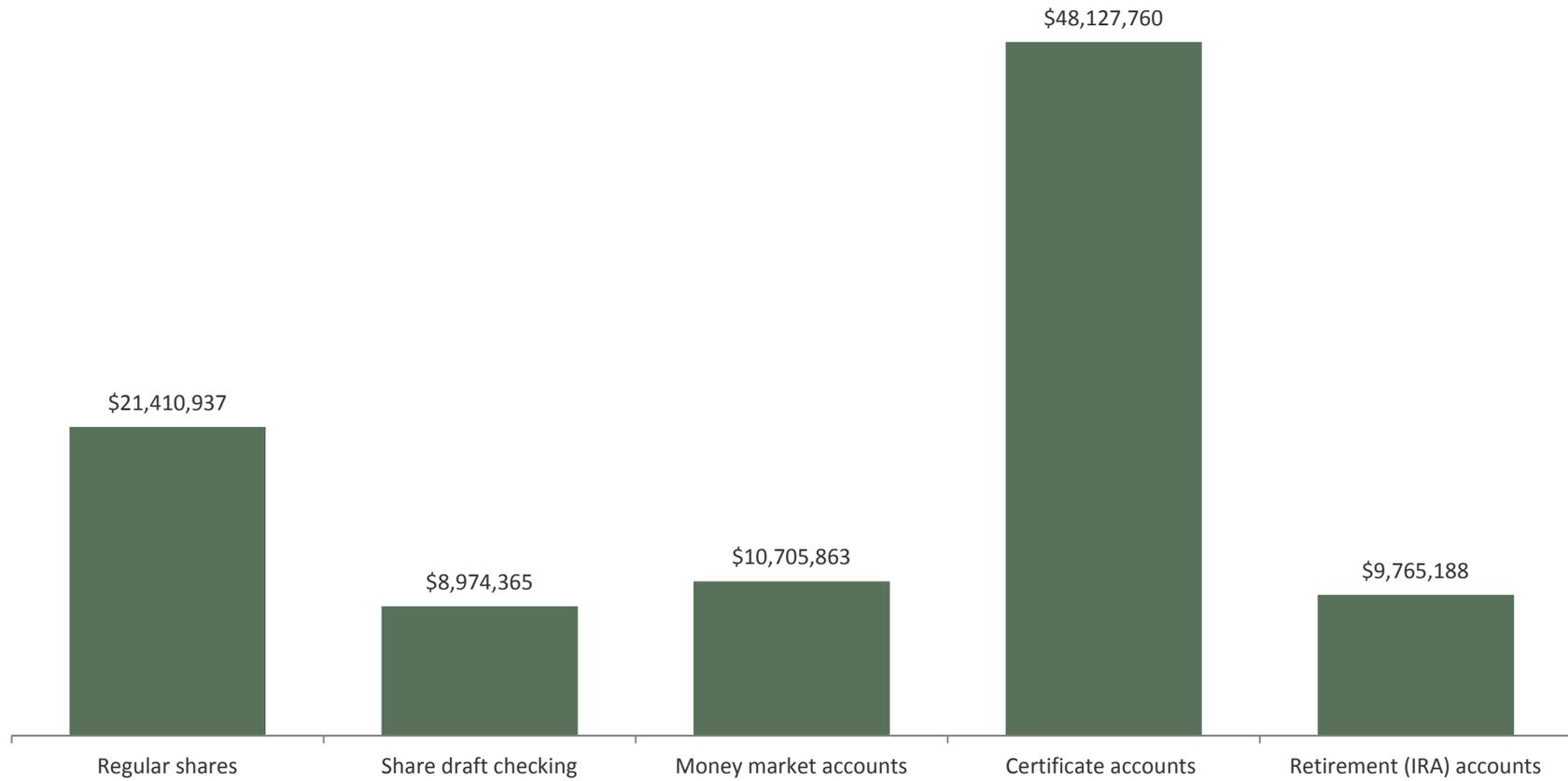
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	2.40	3.63	-1.23
48-month used car (A paper)	2.50	4.14	-1.64
Unsecured loan (A paper)	8.85	10.58	-1.73
5-year adjustable rate 1st mortgage, 0 pts	2.99	2.96	0.03
15-year fixed rate 1st mortgage, 0 pts	3.38	3.55	-0.17
30-year fixed rate 1st mortgage, 0 pts	4.19	4.24	-0.05
Home equity / 2nd mtg, 80% LTV 0 pts	4.21	4.45	-0.24
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	0.19	0.10	0.09
Share draft checking, \$5,000 balance	0.24	0.15	0.09
Money market accounts	0.19	0.11	0.09
1 Year certificate \$10,000 balance	0.61	0.33	0.28
Retirement (IRA) accounts	0.40	0.22	0.18
Fee Income			
Share draft checking, NSF fee	\$27.10	\$30.25	-\$3.16
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 Texas Credit Unions September 2014

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Texas Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	12,161,596,021	-1.23	\$149,830,863
Used car loans	14,593,130,822	-1.64	\$239,473,277
Personal unsecured loans	3,063,543,876	-1.73	\$52,938,038
5-year adjustable rate 1st mortgage	3,863,272,820	0.03	-\$1,197,615
15-year fixed rate 1st mortgage	5,720,908,129	-0.17	\$9,897,171
30-year fixed rate 1st mortgage	5,133,755,209	-0.05	\$2,720,890
Home equity / 2nd mortgage loans	2,557,571,220	-0.24	\$6,214,898
Credit cards	2,264,086,232	-4.52	\$82,582,545
Interest rebates in period			\$1,147,469
Total CU member benefits arising from lower interest rates on loan products:			\$543,607,537
 <u>Savings</u>			
Regular shares	23,606,238,936	0.09	\$21,410,937
Share draft checking	10,391,331,442	0.09	\$8,974,365
Money market accounts	12,547,457,996	0.09	\$10,705,863
Certificate accounts	17,326,462,038	0.28	\$48,127,760
Retirement (IRA) accounts	5,378,887,220	0.18	\$9,765,188
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on savings products:			\$98,984,113
 <u>Fee Income</u>			
Total CU member benefit arising from fewer / lower fees:			\$120,485,394
 Total CU member benefit arising from interest rates on loans, savings products and lower fees:			\$763,077,045
 Total CU member benefit / member:			\$94
Total CU member benefit / member household:			\$179

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;

**Texas
Performance Profile**

Demographic Information	Sep 14	Sep 13
Number of branches	1650	1628
Total assets (\$ mil)	83,977	80,189
Total loans (\$ mil)	56,440	51,068
Total surplus funds (\$ mil)	23,826	25,602
Total savings (\$ mil)	72,519	69,838
Total members (thousands)	8,197	8,041
Growth Rates (Trailing 12 months) *		
Total assets	4.9 %	5.6 %
Total loans	10.7 %	8.0 %
Total surplus funds	-6.7 %	1.2 %
Total savings	4.0 %	5.7 %
Total members	2.2 %	1.4 %
Earnings - Basis Pts. *		
Yield on total assets	351	351
Dividend / interest cost of assets	58	66
Fee & other income	154	151
Operating expense	332	337
Loss Provisions	36	25
Net Income (ROA) after stabilization exp	80	74
Capital adequacy		
Net worth / assets	10.4	10.1
Asset quality *		
Delinquencies / loans	0.7	0.8
Net chargeoffs / average loans	0.5	0.5
Total borrower-bankruptcies	18	17
Bankruptcies per 1000 members	1.1	1.1
Asset/Liability Management		
Loans / savings	77.8	73.1
Loans / assets	67.2	63.7
Long-term assets / assets	30.2	29.7
Core deposits/shares & borrowings	48.3	45.8
Productivity		
Members / potential members	6.0	6.2
Borrowers / members	53.9	50.4
Members / FTE	372	380
Average shares / members (\$)	8,847	8,685
Average loan balances (\$)	12,780	12,611
Salary & Benefits / FTE	62,317	60,941

* 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.