

The Benefits of Membership

Customized Analysis of Member Benefits For:

Virginia

September 2014

Prepared by:

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



Virginia

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 Virginia credit unions provided \$921,102,139 in direct financial benefits to the state's 8,660,584 members during the twelve months ending September 2014.

These benefits are equivalent to \$106 per member or \$202 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 Virginia 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 Virginia credit unions.

Consider this:

Financing a \$25,000 new automobile for 60 months at a Virginia credit union will save members an average \$145 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.

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

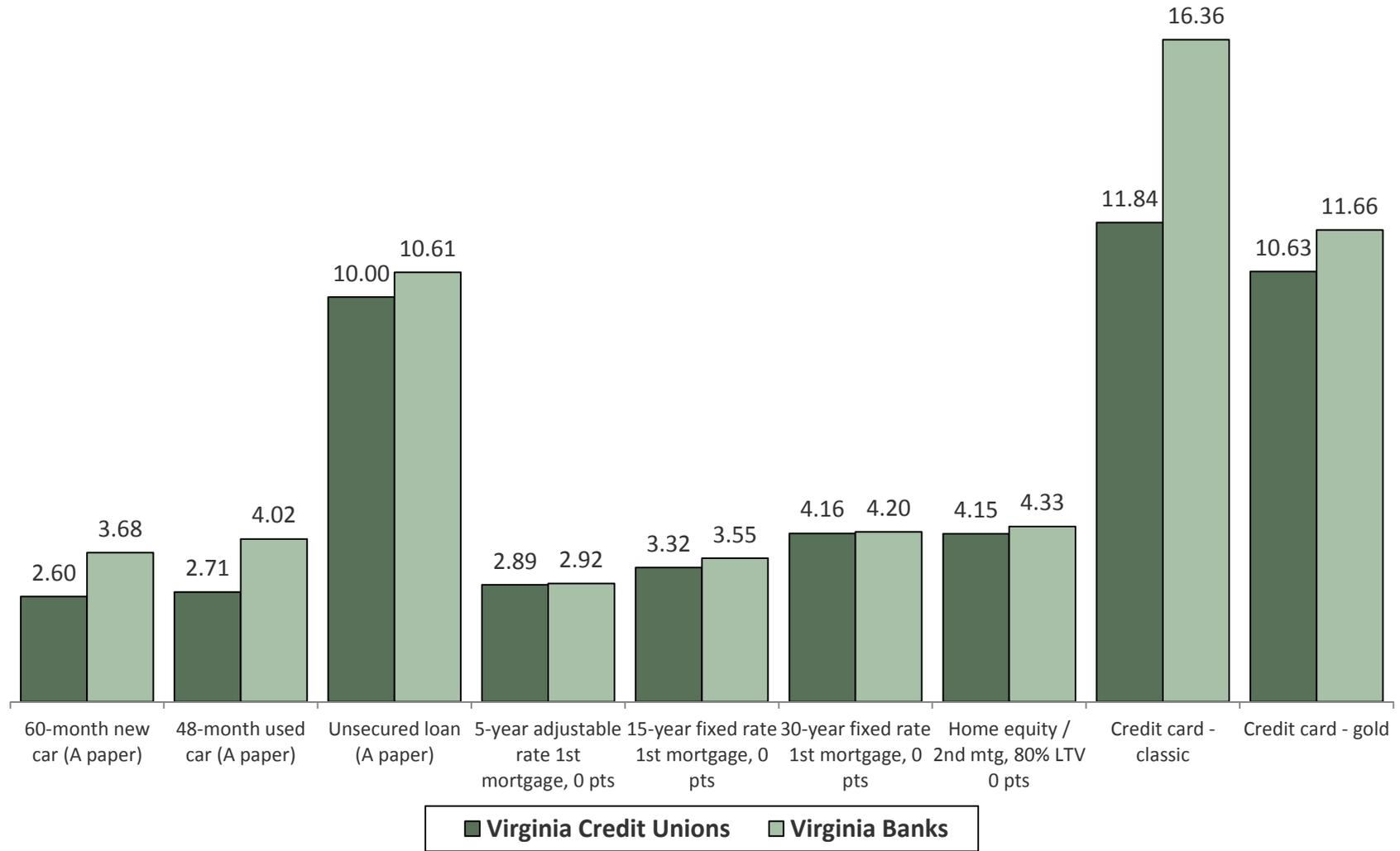
Virginia credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



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

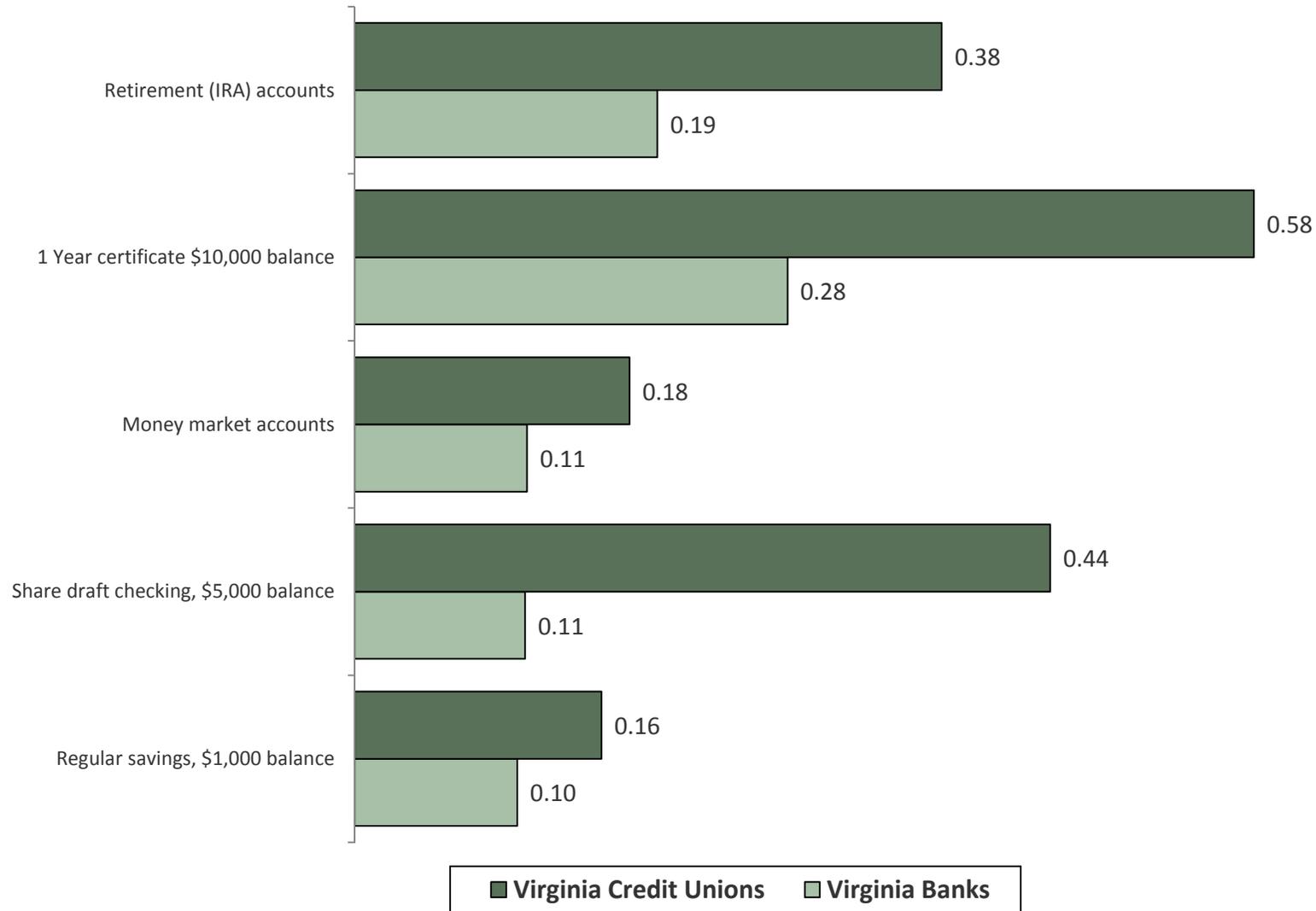
Loan Product Comparative Interest Rates (%)

By Loan Type

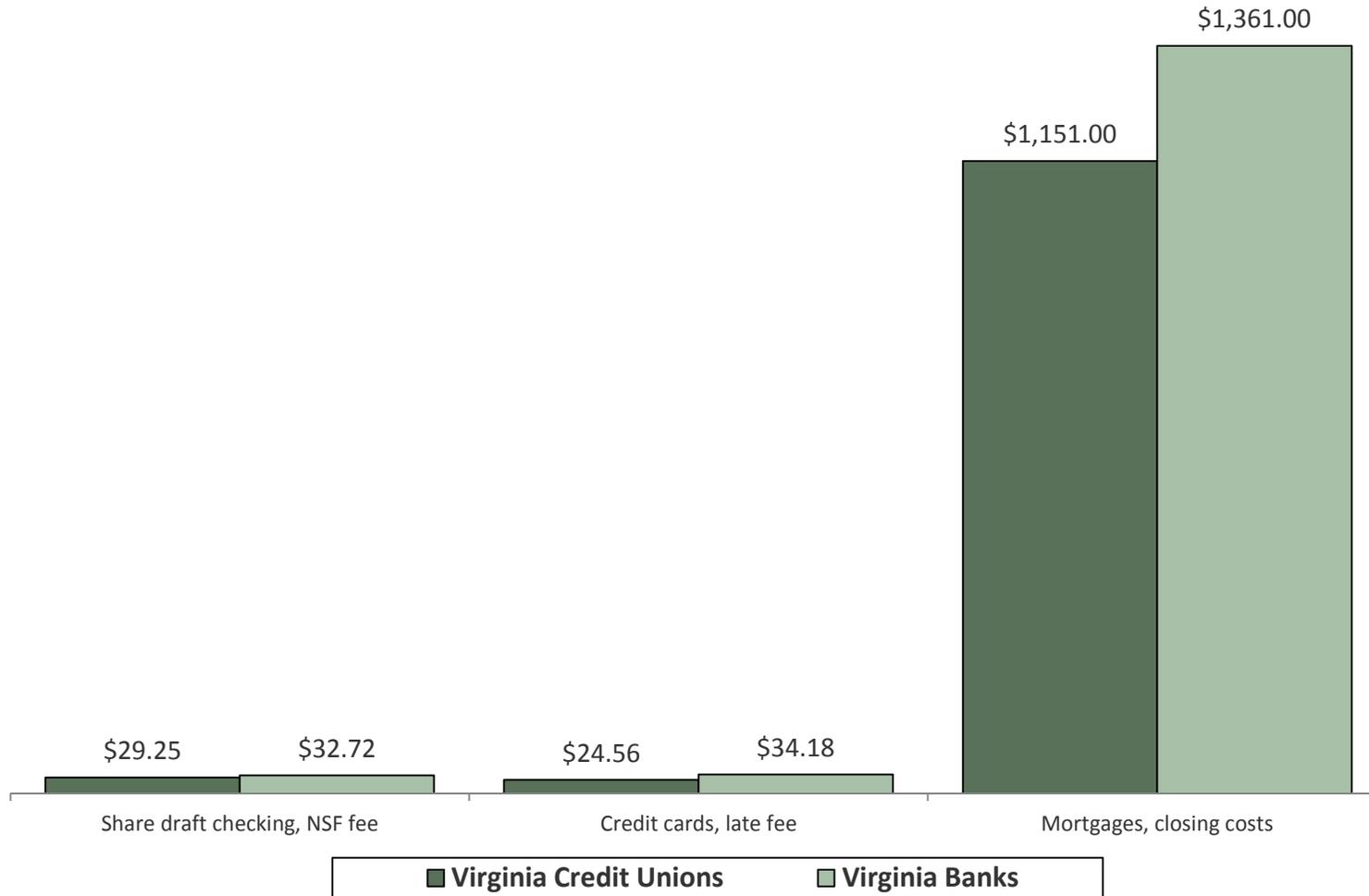


Savings Products Comparative Interest Rates(%)

By Savings Account Type



Comparative Fees By Type

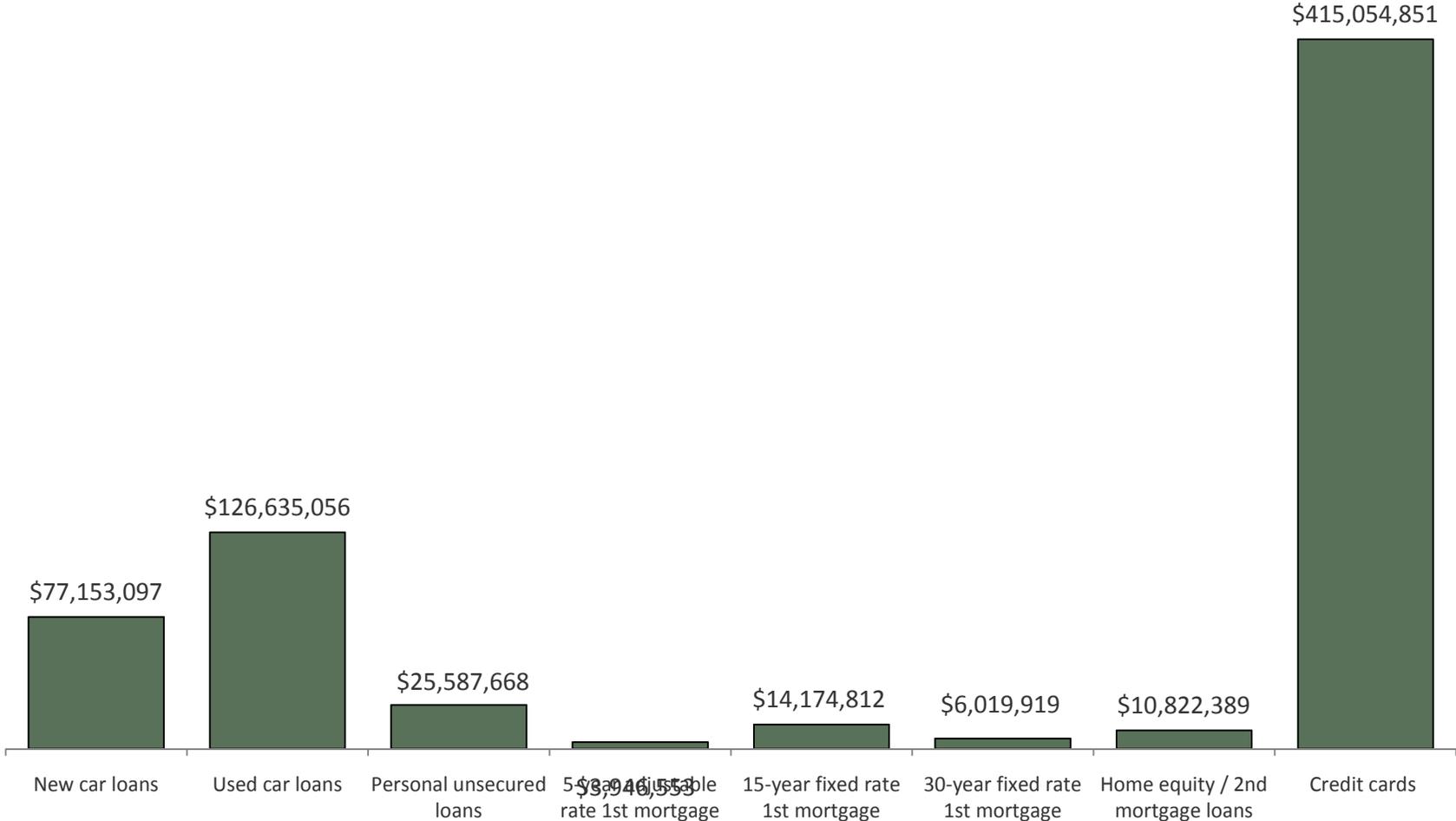


Virginia
Credit Union and Banking Institution
September 2014 Average Interest Rates and Fees

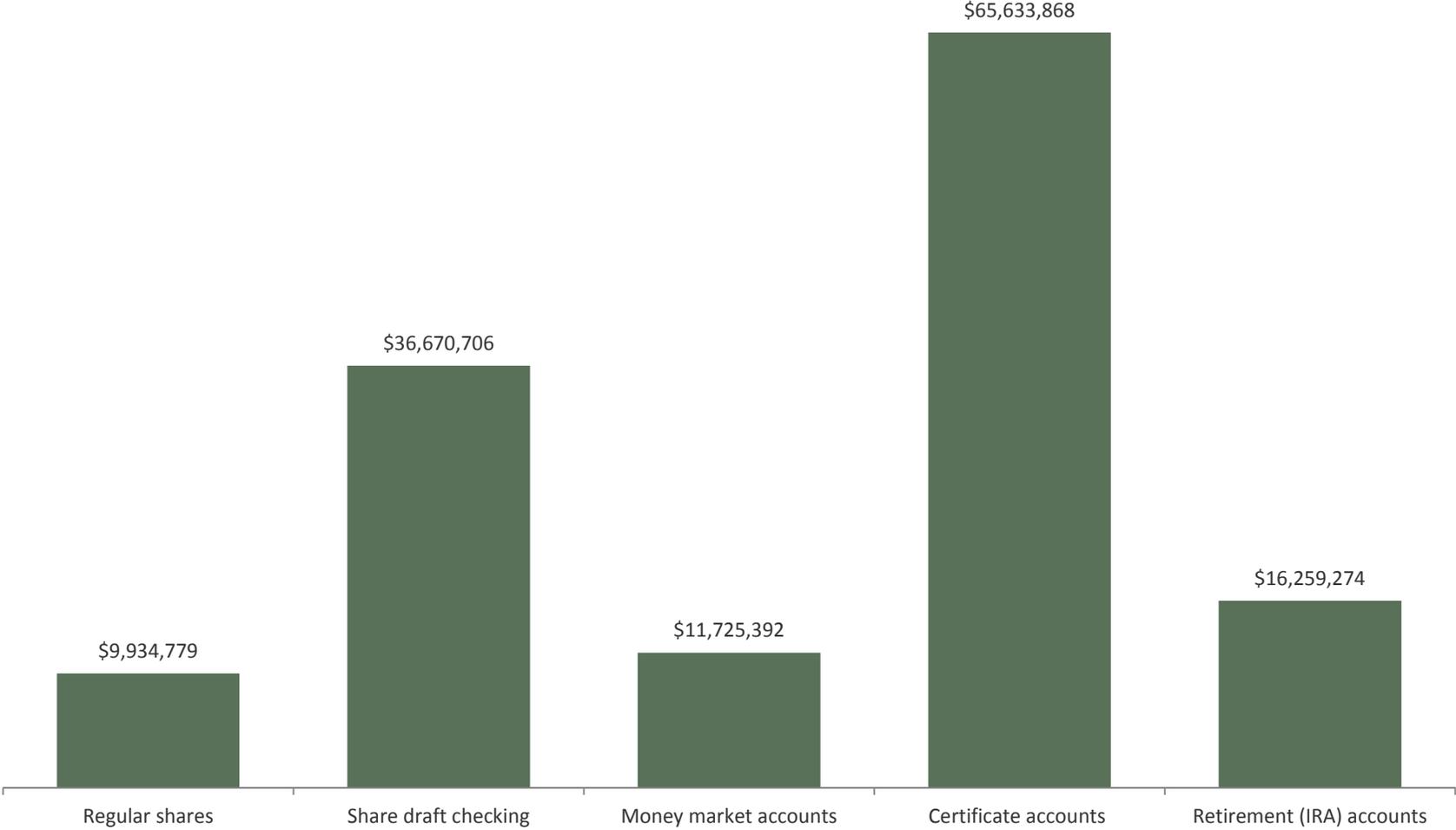
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	2.60	3.68	-1.08
48-month used car (A paper)	2.71	4.02	-1.31
Unsecured loan (A paper)	10.00	10.61	-0.61
5-year adjustable rate 1st mortgage, 0 pts	2.89	2.92	-0.04
15-year fixed rate 1st mortgage, 0 pts	3.32	3.55	-0.23
30-year fixed rate 1st mortgage, 0 pts	4.16	4.20	-0.04
Home equity / 2nd mtg, 80% LTV 0 pts	4.15	4.33	-0.18
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	0.16	0.10	0.05
Share draft checking, \$5,000 balance	0.44	0.11	0.34
Money market accounts	0.18	0.11	0.07
1 Year certificate \$10,000 balance	0.58	0.28	0.30
Retirement (IRA) accounts	0.38	0.19	0.18
Fee Income			
Share draft checking, NSF fee	\$29.25	\$32.72	-\$3.47
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 Virginia Credit Unions September 2014

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Virginia Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	7,117,444,335	-1.08	\$77,153,097
Used car loans	9,666,798,137	-1.31	\$126,635,056
Personal unsecured loans	4,187,834,359	-0.61	\$25,587,668
5-year adjustable rate 1st mortgage	10,962,646,368	-0.04	\$3,946,553
15-year fixed rate 1st mortgage	6,136,282,420	-0.23	\$14,174,812
30-year fixed rate 1st mortgage	15,435,688,491	-0.04	\$6,019,919
Home equity / 2nd mortgage loans	6,079,994,023	-0.18	\$10,822,389
Credit cards	11,379,159,729	-4.52	\$415,054,851
Interest rebates in period			\$61,454
Total CU member benefits arising from lower interest rates on loan products:			\$679,455,798
 <u>Savings</u>			
Regular shares	18,415,687,859	0.05	\$9,934,779
Share draft checking	10,920,975,920	0.34	\$36,670,706
Money market accounts	17,889,871,653	0.07	\$11,725,392
Certificate accounts	22,011,890,930	0.30	\$65,633,868
Retirement (IRA) accounts	8,940,626,156	0.18	\$16,259,274
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on savings products:			\$140,224,019
 <u>Fee Income</u>			
Total CU member benefit arising from fewer / lower fees:			\$101,422,322
 Total CU member benefit arising from interest rates on loans, savings products and lower fees:			\$921,102,139
 Total CU member benefit / member:			\$106
Total CU member benefit / member household:			\$202

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;

**Virginia
Performance Profile**

Demographic Information	Sep 14	Sep 13
Number of branches	806	783
Total assets (\$ mil)	108,618	98,238
Total loans (\$ mil)	77,876	68,718
Total surplus funds (\$ mil)	25,544	25,058
Total savings (\$ mil)	80,898	75,321
Total members (thousands)	9,020	8,296
Growth Rates (Trailing 12 months) *		
Total assets	10.2 %	6.9 %
Total loans	13.0 %	11.5 %
Total surplus funds	1.2 %	-3.6 %
Total savings	6.9 %	6.2 %
Total members	8.7 %	8.1 %
Earnings - Basis Pts. *		
Yield on total assets	437	427
Dividend / interest cost of assets	99	112
Fee & other income	143	159
Operating expense	307	302
Loss Provisions	72	66
Net Income (ROA) after stabilization exp	102	105
Capital adequacy		
Net worth / assets	10.7	10.8
Asset quality *		
Delinquencies / loans	0.7	0.8
Net chargeoffs / average loans	0.9	0.9
Total borrower-bankruptcies	88	83
Bankruptcies per 1000 members	1.5	1.7
Asset/Liability Management		
Loans / savings	96.3	91.2
Loans / assets	71.7	70.0
Long-term assets / assets	34.1	37.6
Core deposits/shares & borrowings	36.4	36.1
Productivity		
Members / potential members	16.3	15.7
Borrowers / members	65.7	66.1
Members / FTE	466	462
Average shares / members (\$)	8,969	9,079
Average loan balances (\$)	13,136	12,538
Salary & Benefits / FTE	74,357	73,331

* 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.