

# ***The Benefits of Membership***

*Customized Analysis of Member Benefits For:*

**XYZ Credit Union**

***December 2005***

*Prepared by:*

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



## About Your Benefits of Membership Report

Your Benefits of Membership report compares your credit union's dividend rates, loan rates, and fees to those of banking institutions in the state of Wisconsin<sup>1</sup>. The report combines those comparisons with your credit union's call report data to develop an overall estimate of the financial benefits you provided members in 2005.

It is important to remember that the report provides your credit union with a conservative estimate of benefits. For example, it does not consider non-financial benefits such as the benefits of access to a large ATM network, financial counseling, provision of auto buying services, and the like. The report will nevertheless be very helpful in communicating your credit union's value proposition to your staff, members, potential members, community leaders, and policy makers. It also should be valuable in planning session discussions.

When interpreting your report it is important to remember that any benefit above \$0 means that your credit union is delivering financial benefits compared to the average banking institution in the state. The typical Wisconsin credit union appears to deliver benefits equal to nearly \$75 per member or \$143 per member household based on the national average of 1.9 members per credit union household.

Clearly not all credit unions will deliver a \$75 per-member benefit. Higher financial benefits will tend to be found amongst credit unions that offer a greater variety of services and those with lower operating expense ratios (i.e., higher economies of scale). On the other hand, higher operating expense ratios will tend to be associated with higher non-financial benefits such as personalized "high-touch" service provision.

In a similar vein, the report measures benefits at one distinct point in time. Operational and strategic decisions – building a new branch, expanding your credit union's field of membership, introducing a new product – will undoubtedly be reflected in your credit union's pricing decisions (and estimated benefit levels).

Finally, the report compares your rates and fees to those of banking institutions in the state. Your market could be more (or less) competitive than the state averages suggest. So it would be possible to have a low membership benefit and still be delivering a very good value relative to banking institutions in your market.

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<sup>1</sup> The source for banking institution interest rate data is Datatrac. Datatrac is the nation's leading rate survey firm and tracks interest rates at nearly two-thirds of the banking institutions in Wisconsin.

# XYZ Credit Union

## The Benefits of Membership

Credit unions generally provide financial benefits to members by charging less for loans, paying more on deposits and charging fewer/lower fees compared to banking institutions.

The Credit Union National Association (CUNA) estimates that XYZ Credit Union provided \$23,779,105 in direct financial benefits to its 120,174 members during the twelve months ending in December 2005.

**These benefits are equivalent to \$198 per member or \$376 per member household <sup>(1)</sup>.**

The per-member and per-household member benefits delivered by XYZ Credit Union are substantial. However, these benefits are reported as averages. Mathematically, that means the total benefits you provide are divided across all members (or all member households) - even those that conduct very little financial business with the credit union.

Consider this:

**Financing a \$25,000 new automobile for 60 months at XYZ Credit Union will save a member \$135 per year in interest expense compared to what they would pay at a banking institution.**

Further, loyal members - those who use the credit union extensively <sup>(2)</sup> - often receive total financial benefits that are much greater than the average benefit.

**CUNA estimates that XYZ Credit Union provided loyal high-use member households \$995 in direct financial benefits during the twelve month period.**

XYZ Credit Union excels in providing member benefits in a number of loan and saving product areas. In particular, XYZ Credit Union offers lower loan rates for 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.

XYZ Credit Union also pays its members higher dividends for the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.

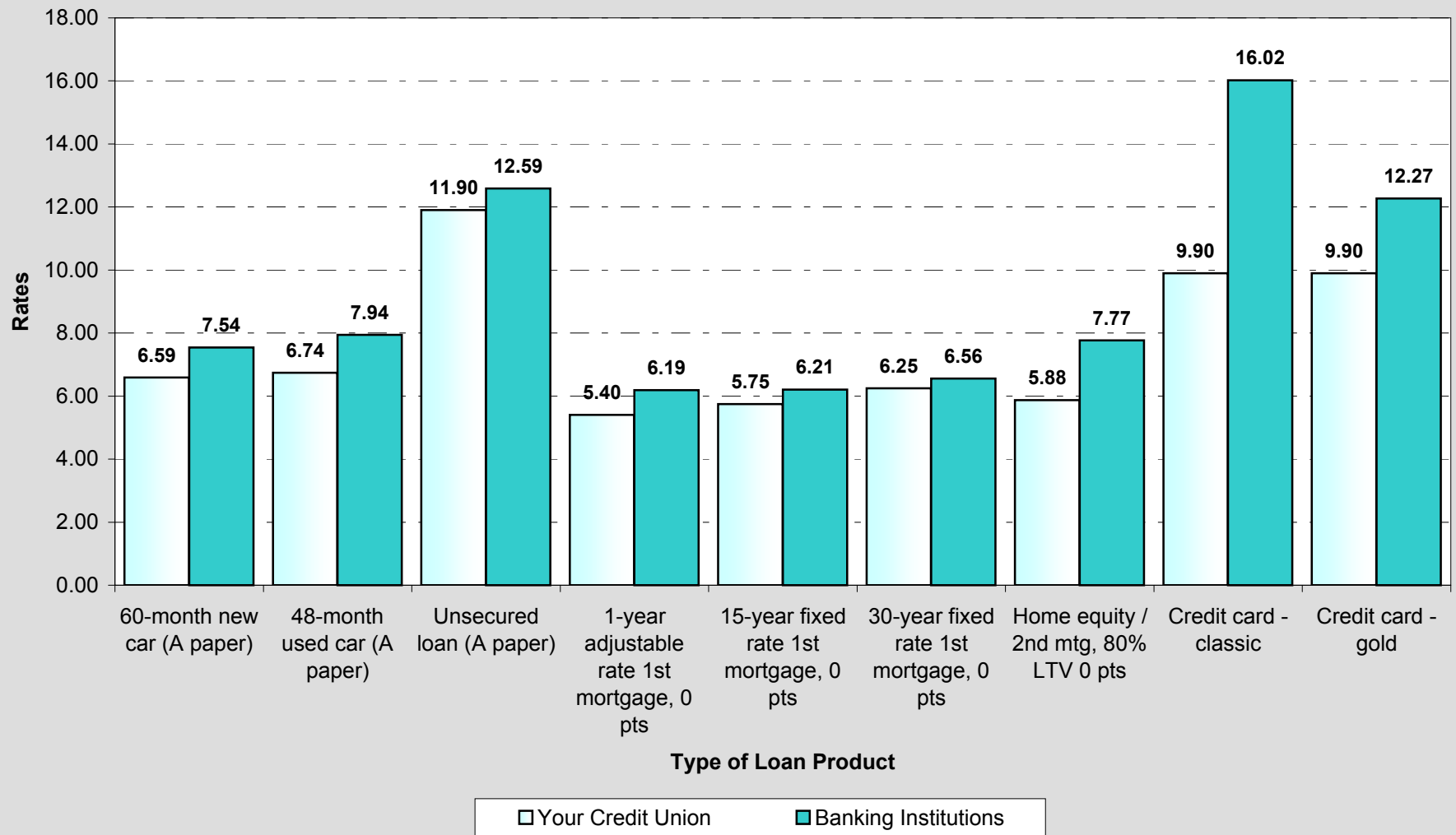
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Source: Datatrac, NCUA, and CUNA.

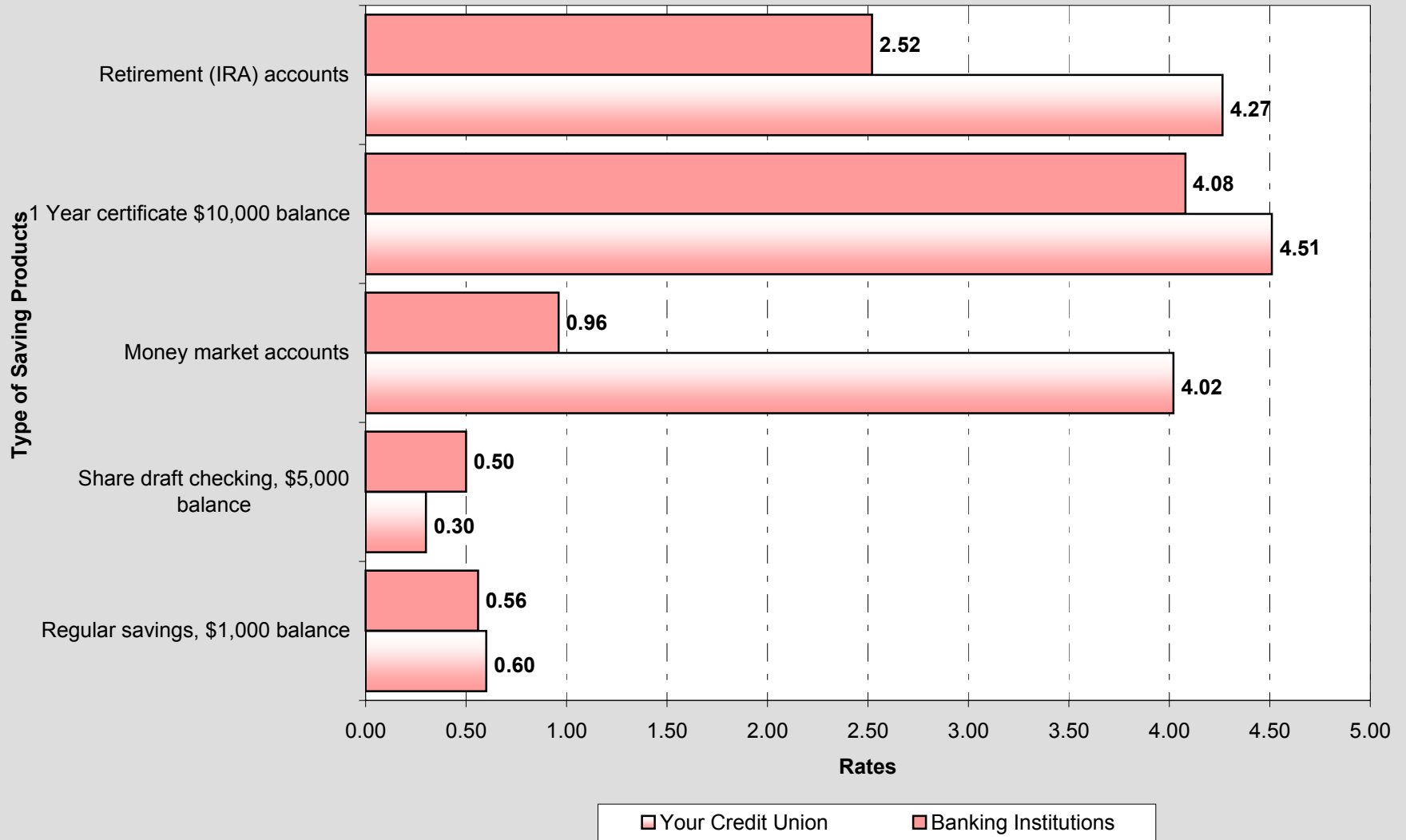
(1)Assumes 1.9 credit union members per household. (2)A "loyal member" is assumed to have a \$25,000, 60-month new auto loan, a classic credit card with an average balance of \$3,500, a \$75,000, 30-year fixed-rate mortgage, \$1,000 in an interest-bearing checking account, \$10,000 in a one-year certificate account, and \$5,000 in a money market account.



## Recent Comparative Interest Rates for Loan Products Your Credit Union vs. Banking Institutions in State



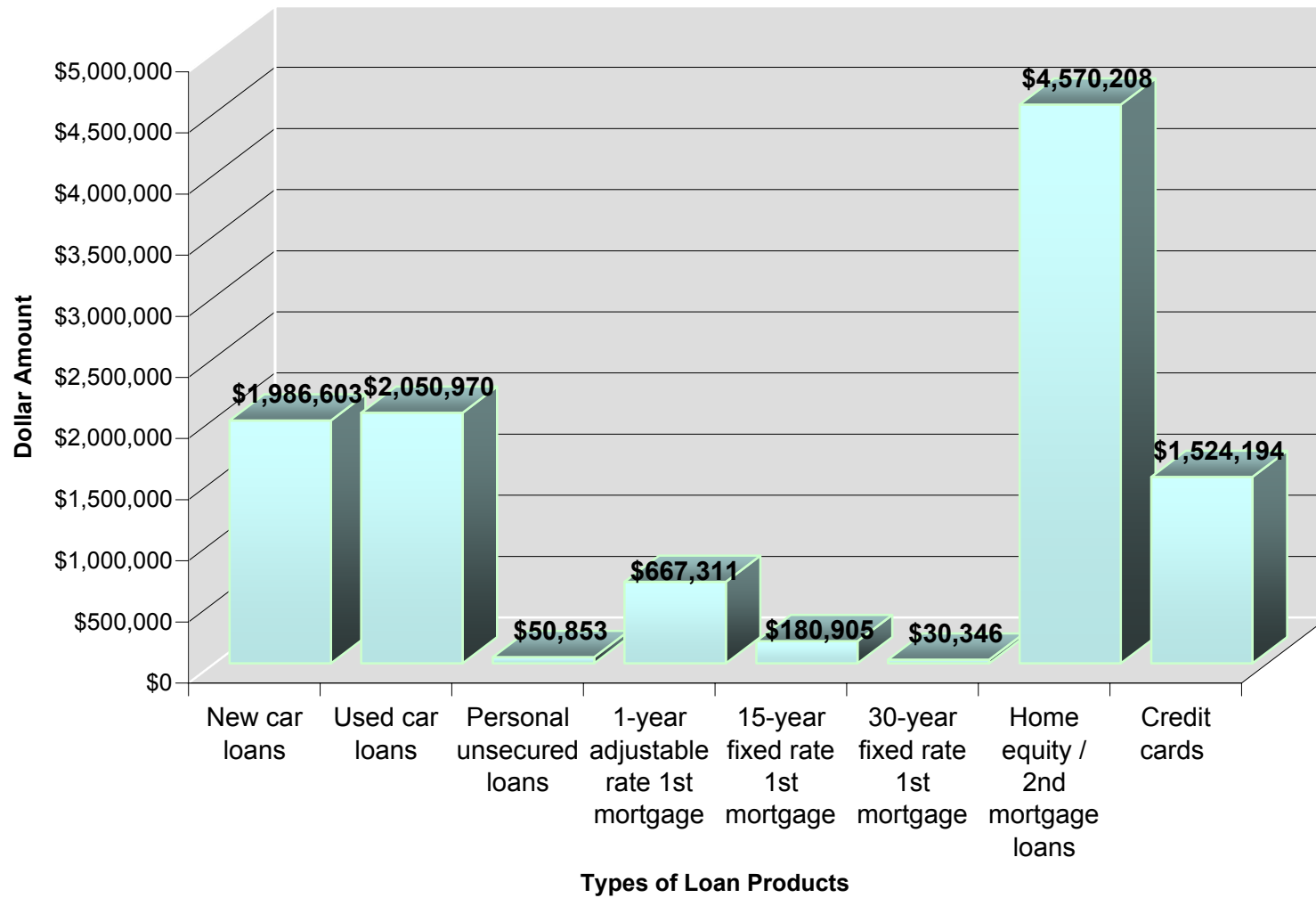
## Recent Comparative Interest Rates for Credit Union Saving Products Your Credit Union vs. Banking Institutions in State



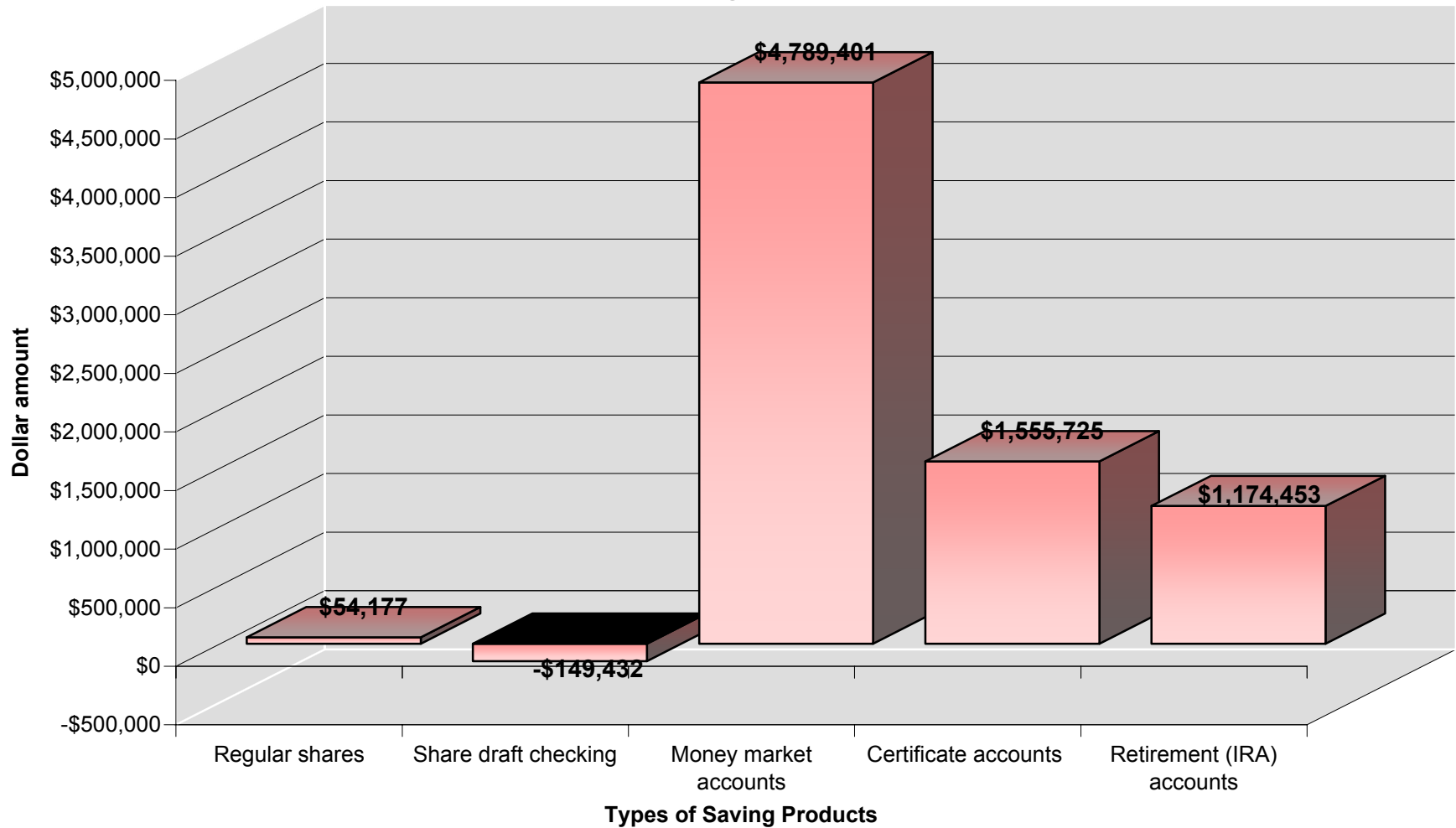
**Recent Interest Rates at XYZ Credit Union  
and  
Banking Institutions in Wisconsin**

<b>Loan Products</b>	<b>Rate at your Credit Union (%)</b>	<b>Average Rate at Banks (%)</b>	<b>Rate Difference vs. Banks (%)</b>
60-month new car (A paper)	6.59	7.54	-0.95
48-month used car (A paper)	6.74	7.94	-1.20
Unsecured loan (A paper)	11.90	12.59	-0.69
1-year adjustable rate 1st mortgage, 0 pts	5.40	6.19	-0.79
15-year fixed rate 1st mortgage, 0 pts	5.75	6.21	-0.46
30-year fixed rate 1st mortgage, 0 pts	6.25	6.56	-0.31
Home equity / 2nd mtg, 80% LTV 0 pts	5.88	7.77	-1.90
Credit card - classic	9.90	16.02	-6.12
Credit card - gold	9.90	12.27	-2.37
<b>Savings Products</b>			
Regular savings, \$1,000 balance	0.60	0.56	0.04
Share draft checking, \$5,000 balance	0.30	0.50	-0.20
Money market accounts	4.02	0.96	3.06
1 Year certificate \$10,000 balance	4.51	4.08	0.43
Retirement (IRA) accounts	4.27	2.52	1.75
<b>Fee Income</b>			
Share draft checking, NSF fee	\$23.00	\$27.50	-\$4.50
Credit cards, late fee	\$15.00	\$56.79	-\$41.79
Mortgages, closing costs	\$495.00	\$1,350.00	-\$855.00

## Estimated Credit Union Loan Rate Benefits Compared to Banking Institutions in State



### Estimated Credit Union Savings Dividend Benefits Compared to Banking Institutions in State



## Estimated XYZ Credit Union Financial Benefits 2005

<u>Loans</u>	Avg. Balance at Your Credit Union (1)	Rate Difference vs. Wisconsin Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	209,116,107	-0.95	\$1,986,603
Used car loans	170,914,195	-1.20	\$2,050,970
Personal unsecured loans	7,370,052	-0.69	\$50,853
1-year adjustable rate 1st mortgage	84,469,702	-0.79	\$667,311
15-year fixed rate 1st mortgage	39,327,091	-0.46	\$180,905
30-year fixed rate 1st mortgage	9,788,892	-0.31	\$30,346
Home equity / 2nd mortgage loans	241,171,904	-1.90	\$4,570,208
Credit cards	29,410,393	-6.12	\$1,524,194
Interest rebates in period			\$0
<b>Total CU member benefits arising from lower interest rates on loan products:</b>			<b>\$11,061,389</b>
 <u>Savings</u>			
Regular shares	135,442,853	0.04	\$54,177
Share draft checking	74,716,031	-0.20	-\$149,432
Money market accounts	156,516,383	3.06	\$4,789,401
Certificate accounts	361,796,578	0.43	\$1,555,725
Retirement (IRA) accounts	67,303,916	1.75	\$1,174,453
Bonus dividends in period			\$522,180
<b>Total CU member benefit arising from higher interest rates on saving products:</b>			<b>\$7,946,505</b>
 <u>Fee Income</u>			
<b>Total CU member benefit arising from fewer/lower fees:</b>			<b>\$4,771,212</b>
 <b>Total CU member benefit arising from interest rates on loan and savings products and lower fees:</b>			<b>\$23,779,105</b>
 <b>Total CU member benefit / member:</b>			<b>\$198</b>
<b>Total CU member benefit / member household:</b>			<b>\$376</b>

Source: Datatrac, NCUA, and CUNA

(1) Average balance as of year-end 2005 and year-end 2004, according to the NCUA call report.; (2) Credit union rates provided by individual credit union, bank rates provided by Datatrac;

# *Certificate of Excellence*

*is hereby granted to:*

***XYZ Credit Union***

*for providing \$23,779,105 in direct financial benefits to its 120,174 members during the twelve months ending in December 2005. These benefits are equivalent to approximately \$376 per member household.*

*XYZ Credit Union provided loyal high-use member households \$995 in direct financial benefits.*

*Credit unions generally provide financial benefits to members by charging less for loans, paying more on deposits and charging fewer/lower fees compared to banking institutions.*



**XYZ Credit Union  
Performance Profile**

<b>Demographic Information</b>	<b>2005</b>	<b>2004</b>
Number of branches	11	11
Total assets (\$ mil)	1,002,258,155	897,932,425
Total loans (\$ mil)	852,658,772	766,338,244
Total surplus funds (\$ mil)	103,026,459	84,975,399
Total savings (\$ mil)	836,925,198	756,718,709
Total members (thousands)	123,267	117,081
<b>Growth Rates</b>		
Total assets	11.6 %	13.8 %
Total loans	11.3 %	22.2 %
Total surplus funds	21.2 %	-22.9 %
Total savings	10.6 %	11.5 %
Total members	5.3 %	8.0 %
<b>Earnings - Basis Pts.</b>		
Yield on total assets	465	455
- Dividend/interest cost of assets	241	187
+ Fee & other income	114	125
- Operating expense	248	270
- Loss Provisions	36	34
= Net Income (ROA)	55	88
<b>Capital adequacy</b>		
Net worth / assets	7.6	7.8
<b>Asset quality</b>		
Delinquencies / loans	1.1	1.0
Net chargeoffs / average loans	0.3	0.4
Total borrower-bankruptcies	803	548
Bankruptcies per 1000 members	6.5	4.7
<b>Asset/Liability Management</b>		
Loans / savings	101.9	101.3
Loans / assets	85.1	85.3
Long-term assets / assets	11.9	13.4
Core deposits/shares & borrowings	24.9	25.9
<b>Productivity</b>		
Members/potential members	12.3	11.7
Borrowers/members	56.3	55.7
Members/FTE	462	420
Average shares/members (\$)	6,790	6,463
Average loan balances (\$)	12,291	11,750
Salary & Benefits/FTE	49,145	45,803