

The Benefits of Membership

Customized Analysis of Member Benefits For:

Alabama

December 2008

Prepared by:

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About The Membership Benefits Report

The Membership Benefits report communicates the financial value of credit union membership to credit union staff, members, potential members, community leaders and policy makers. The report compares credit union dividend rates, loan rates, and fees to those of banking institutions in the state¹. It combines those comparisons with the state call report data to develop an overall estimate of the annual financial benefits provided to members.

It is important to remember that the report gives a *conservative* estimate of benefits. For example, it does not consider non-financial benefits such as access to a large ATM network, financial counseling, or auto buying services.

When interpreting the report, remember that any benefit above \$0 means credit unions are delivering financial benefits compared to the average banking institution.

Not all credit unions will deliver lofty financial benefits. Greater financial benefits tend to be found among 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 tend to be associated with other non-financial benefits, such as personalized “high-touch” services.

The report measures benefits at one distinct point in time. Operational and strategic decisions – building new branches, expanding fields of membership, introducing new products – will undoubtedly be reflected in credit union pricing decisions (and estimated benefit levels).

¹ The source for banking institution interest rate and fee data is Datatrac. Datatrac is the nation’s leading rate survey firm and tracks interest rates at over 15,000 institutions nationally.

Alabama

The Benefits of Membership

Credit unions generally provide financial benefits to members through lower loan rates, high saving rates, and fewer fees than banking institutions.

The Credit Union National Association (CUNA) estimates that Alabama credit unions provided \$217,262,913 in direct financial benefits to the state's 1,703,634 members during the twelve months ending December 2008.

These benefits are equivalent to \$128 per member or \$242 per member household ⁽¹⁾.

The per-member and per-household benefits delivered by Alabama 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 Alabama credit unions.

Consider this:

Financing a \$25,000 new automobile for 60 months at a Alabama credit union will save members an average \$319 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.

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

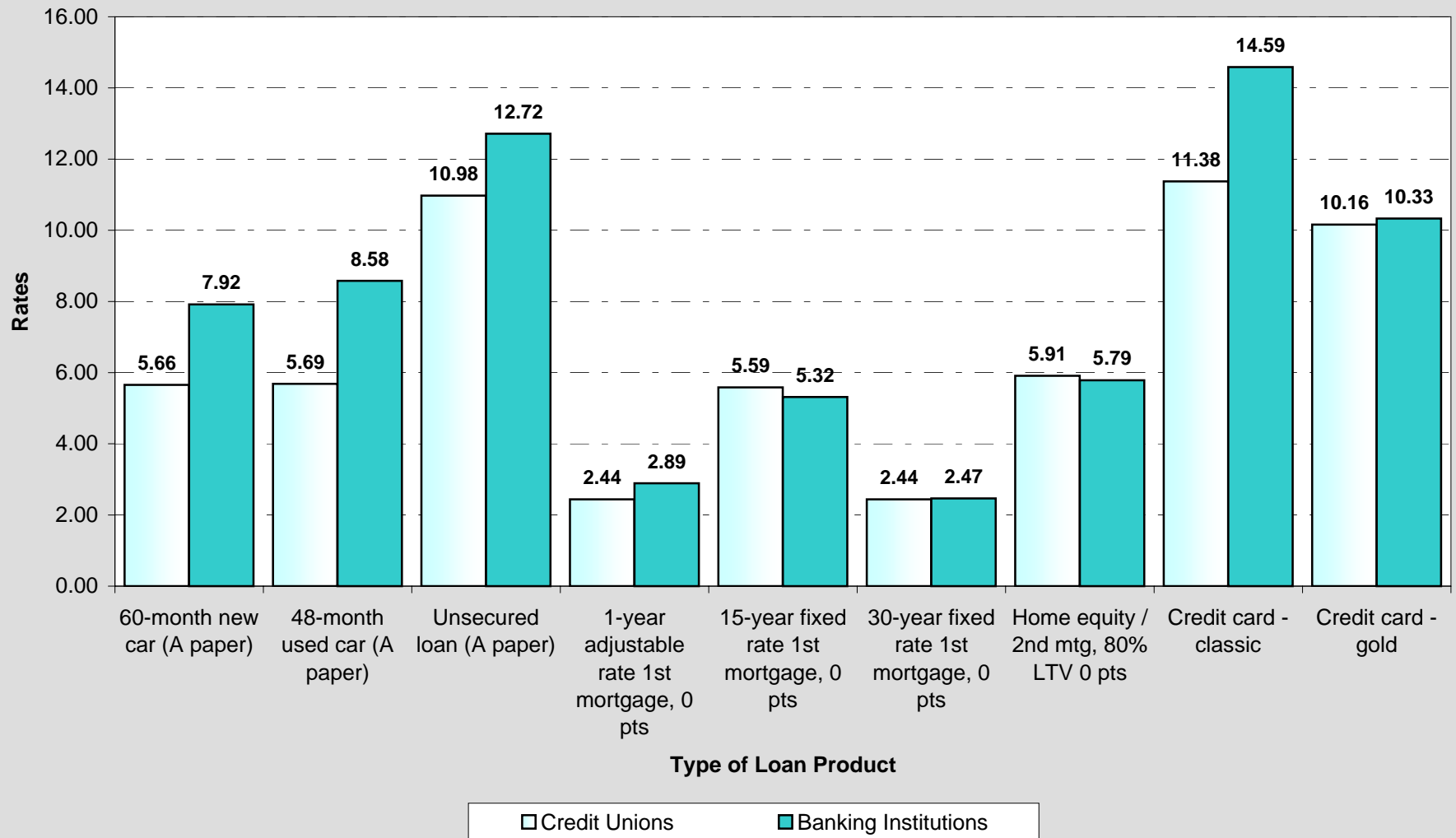
Alabama credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



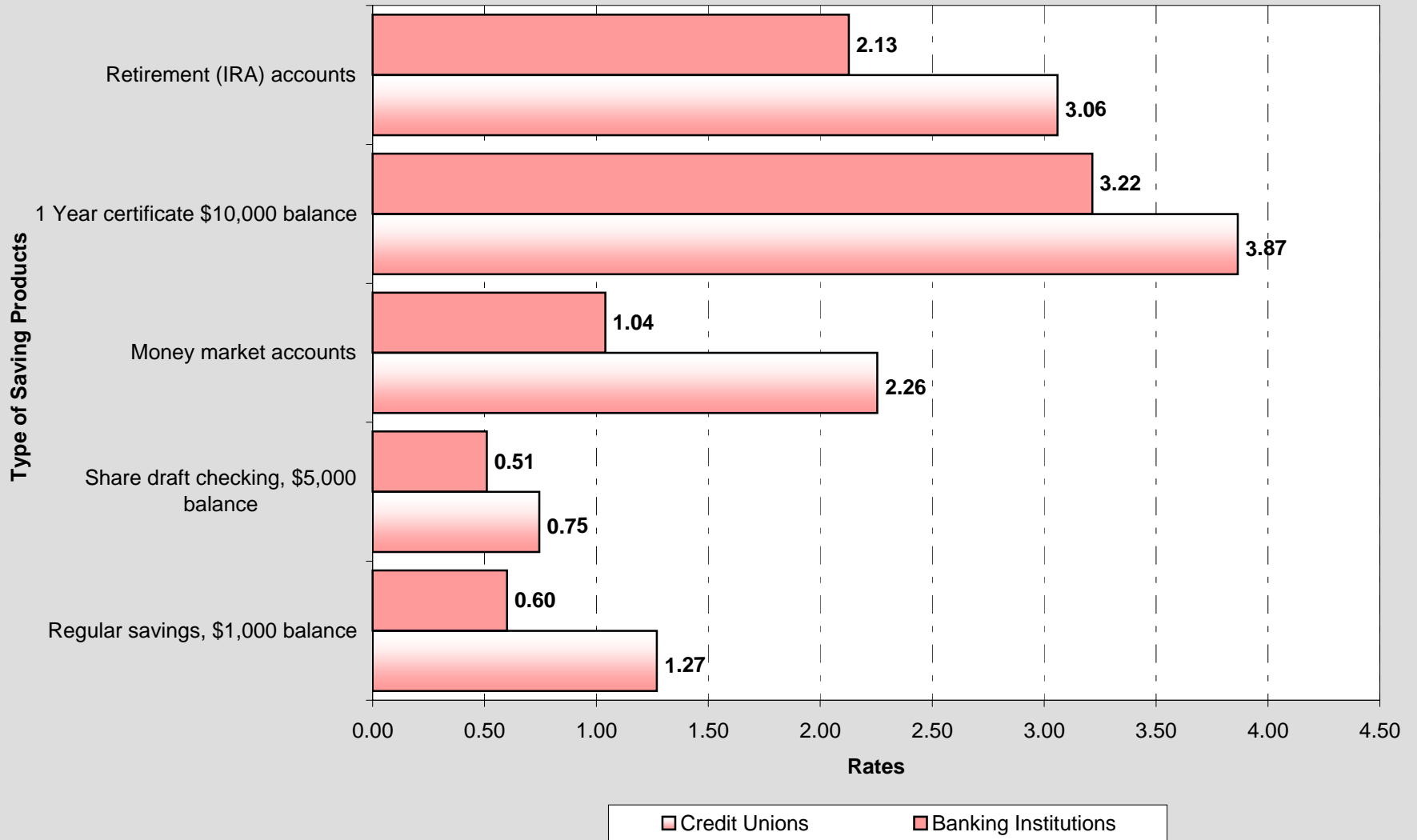
Source: Datatrac, NCUA, and CUNA.

(1) Assumes 1.9 credit union members per household.

Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



Recent Comparative Interest Rates for Credit Unions Saving Products Credit Unions vs. Banking Institutions

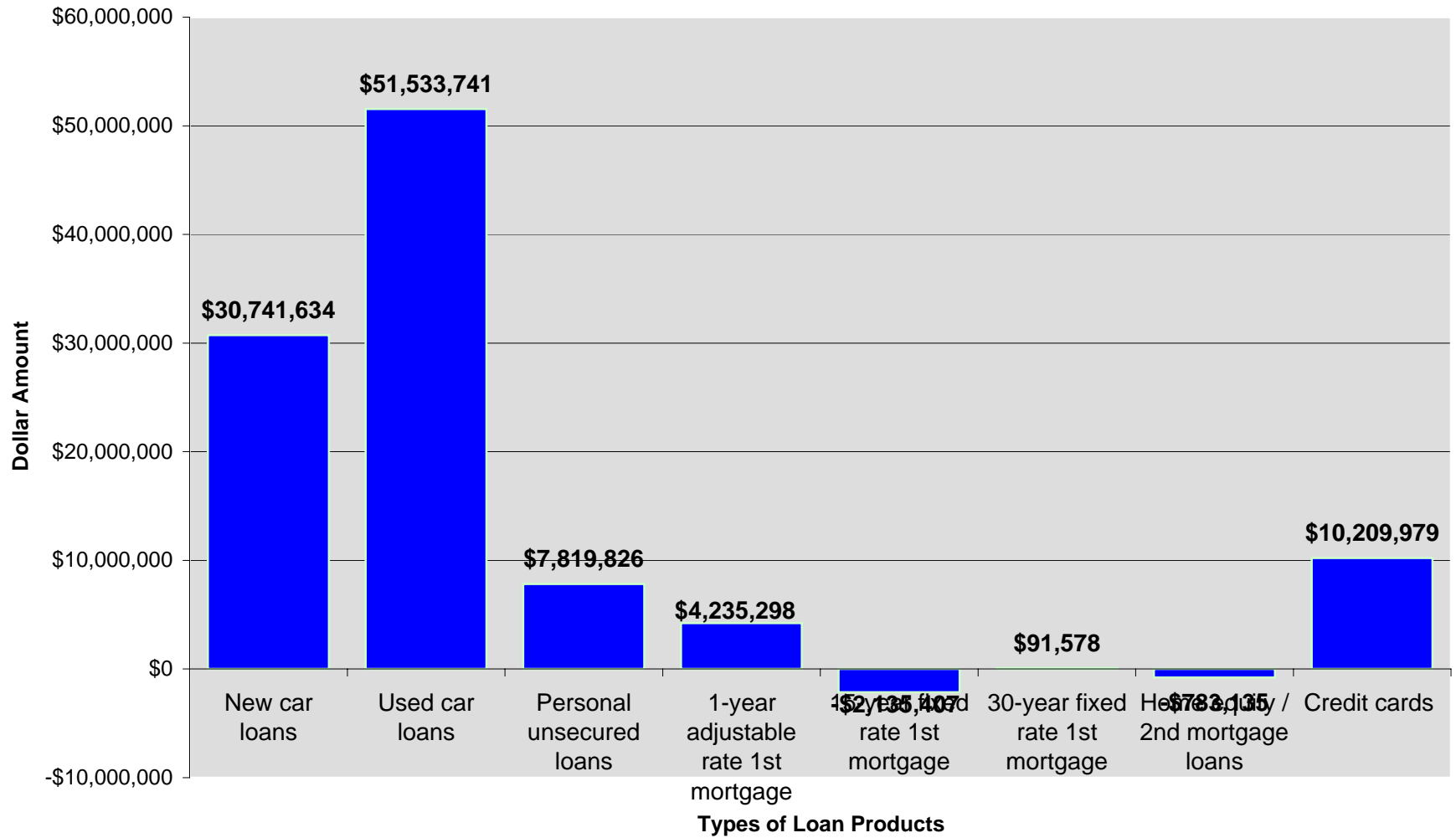


Alabama
Credit Union and Banking Institution
2008 Average Interest Rates and Fees

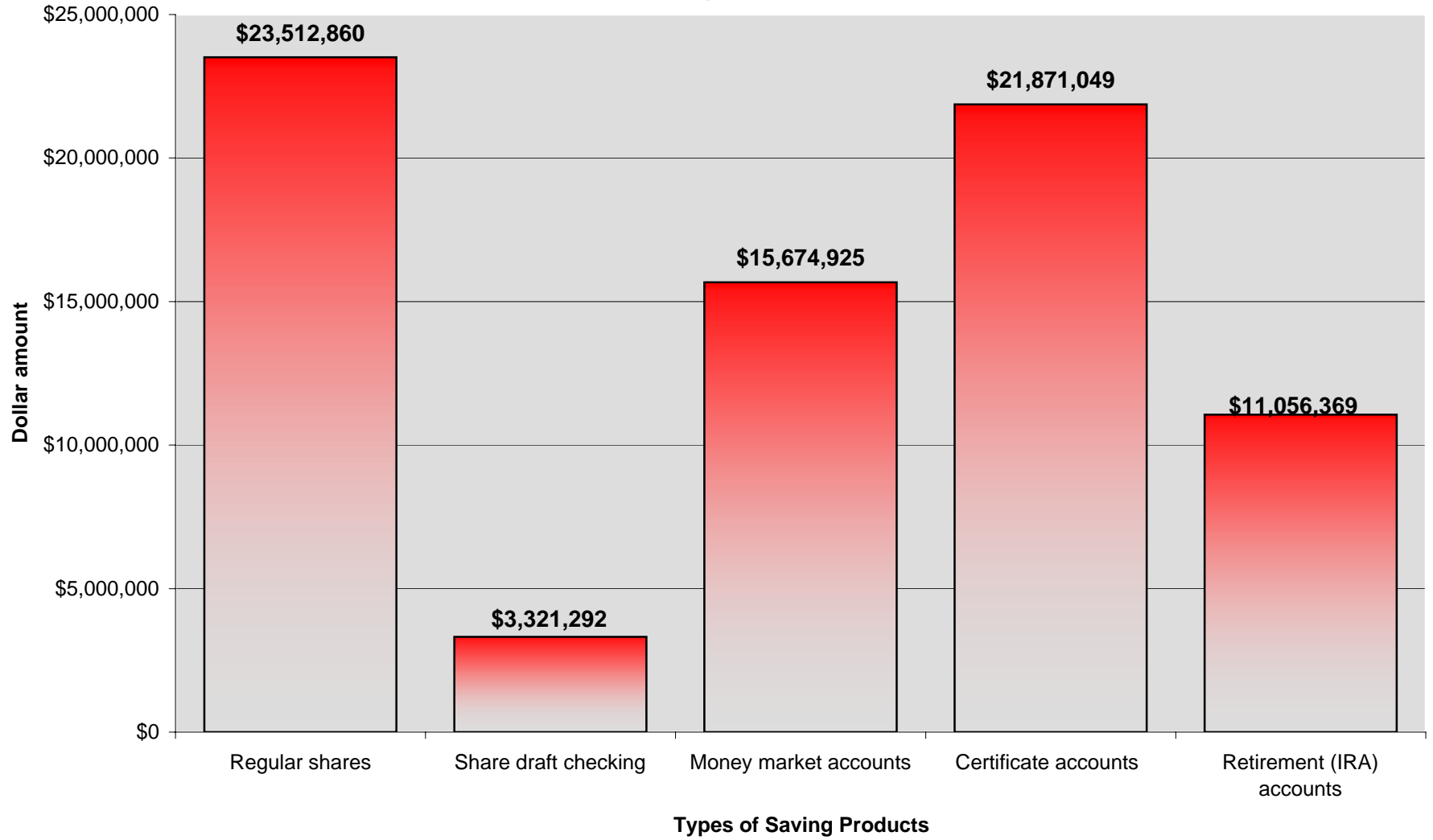
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	5.66	7.92	-2.26
48-month used car (A paper)	5.69	8.58	-2.90
Unsecured loan (A paper)	10.98	12.72	-1.74
1-year adjustable rate 1st mortgage, 0 pts	2.44	2.89	-0.45
15-year fixed rate 1st mortgage, 0 pts	5.59	5.32	0.27
30-year fixed rate 1st mortgage, 0 pts	2.44	2.47	-0.02
Home equity / 2nd mtg, 80% LTV 0 pts	5.91	5.79	0.13
Credit card - classic	11.38	14.59	-3.21
Credit card - gold	10.16	10.33	-0.17
Savings Products			
Regular savings, \$1,000 balance	1.27	0.60	0.67
Share draft checking, \$5,000 balance	0.75	0.51	0.24
Money market accounts	2.26	1.04	1.22
1 Year certificate \$10,000 balance	3.87	3.22	0.65
Retirement (IRA) accounts	3.06	2.13	0.93
Fee Income			
Share draft checking, NSF fee	\$25.00	\$30.00	-\$5.00
Credit cards, late fee	\$20.00	\$35.00	-\$15.00
Mortgages, closing costs	\$2,280.00	\$2,309.00	-\$29.00

Source: Datatrac

Estimated Credit Union Loan Rate Benefits vs. Banking Institutions



Estimated Credit Union Savings Dividend Benefits vs. Banking Institutions



Estimated Alabama Credit Unions Financial Benefits 2008

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Alabama Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	1,360,249,313	-2.26	\$30,741,634
Used car loans	1,780,094,670	-2.90	\$51,533,741
Personal unsecured loans	449,415,278	-1.74	\$7,819,826
1-year adjustable rate 1st mortgage	941,177,429	-0.45	\$4,235,298
15-year fixed rate 1st mortgage	790,891,432	0.27	-\$2,135,407
30-year fixed rate 1st mortgage	366,313,886	-0.02	\$91,578
Home equity / 2nd mortgage loans	626,507,715	0.13	-\$783,135
Credit cards	416,733,853	-3.21	\$10,209,979
Interest rebates in period			\$1,614,851
Total CU member benefits arising from lower interest rates on loan products:			\$103,328,367
<u>Savings</u>			
Regular shares	3,509,382,099	0.67	\$23,512,860
Share draft checking	1,413,315,581	0.24	\$3,321,292
Money market accounts	1,290,117,312	1.22	\$15,674,925
Certificate accounts	3,364,776,842	0.65	\$21,871,049
Retirement (IRA) accounts	1,185,669,642	0.93	\$11,056,369
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$75,436,496
<u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$38,498,051
Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$217,262,913
Total CU member benefit / member:			\$128
Total CU member benefit / member household:			\$242

Source: Datatrac, NCUA, and CUNA

(1) Average balance as of year-end 2007 and year-end 2008, according to the NCUA call report.; (2) Source for rates and fees: Datatrac;

Certificate of Excellence

is hereby granted to:

Alabama

The Credit Union National Association has determined that Alabama provided \$217,262,913 in direct financial benefits to its 1,703,634 members during the twelve months ending in December 2008. These benefits are equivalent to approximately \$242 per member household.

Alabama provided loyal high-use member households \$773 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.



**Alabama
Performance Profile**

Demographic Information	Dec-08	Dec-07
Number of branches	431	429
Total assets (\$ mil)	13,083	12,148
Total loans (\$ mil)	7,368	6,912
Total surplus funds (\$ mil)	5,090	4,670
Total savings (\$ mil)	11,306	10,471
Total members (thousands)	1,728	1,685
Growth Rates		
Total assets	7.9 %	8.1 %
Total loans	6.7 %	6.2 %
Total surplus funds	9.2 %	10.9 %
Total savings	8.1 %	7.5 %
Total members	2.9 %	3.5 %
Earnings - Basis Pts.		
Yield on total assets	532	577
- Dividend/interest cost of assets	239	278
+ Fee & other income	179	169
- Operating expense	346	349
- Loss Provisions	49	37
= Net Income (ROA)	77	82
Capital adequacy		
Net worth / assets	12.1	12.3
Asset quality		
Delinquencies / loans	1.2	1.1
Net chargeoffs / average loans	0.7	0.5
Total borrower-bankruptcies	43	30
Bankruptcies per 1000 members	3.5	2.7
Asset/Liability Management		
Loans / savings	65.2	66.0
Loans / assets	56.3	56.9
Long-term assets / assets	27.0	25.0
Core deposits/shares & borrowings	44.4	45.9
Productivity		
Members/potential members	8.8	11.2
Borrowers/members	48.0	49.0
Members/FTE	393	398
Average shares/members (\$)	6,543	6,212
Average loan balances (\$)	8,877	8,364
Salary & Benefits/FTE	48,052	46,135