

The Benefits of Membership

Customized Analysis of Member Benefits For:

Arkansas

September 2009

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.

Arkansas

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 Arkansas credit unions provided \$10,622,935 in direct financial benefits to the state's 308,650 members during the twelve months ending September 2009.

These benefits are equivalent to \$34 per member or \$65 per member household ⁽¹⁾.

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

Consider this:

Financing a \$25,000 new automobile for 60 months at a Arkansas credit union will save members an average \$42 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.

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

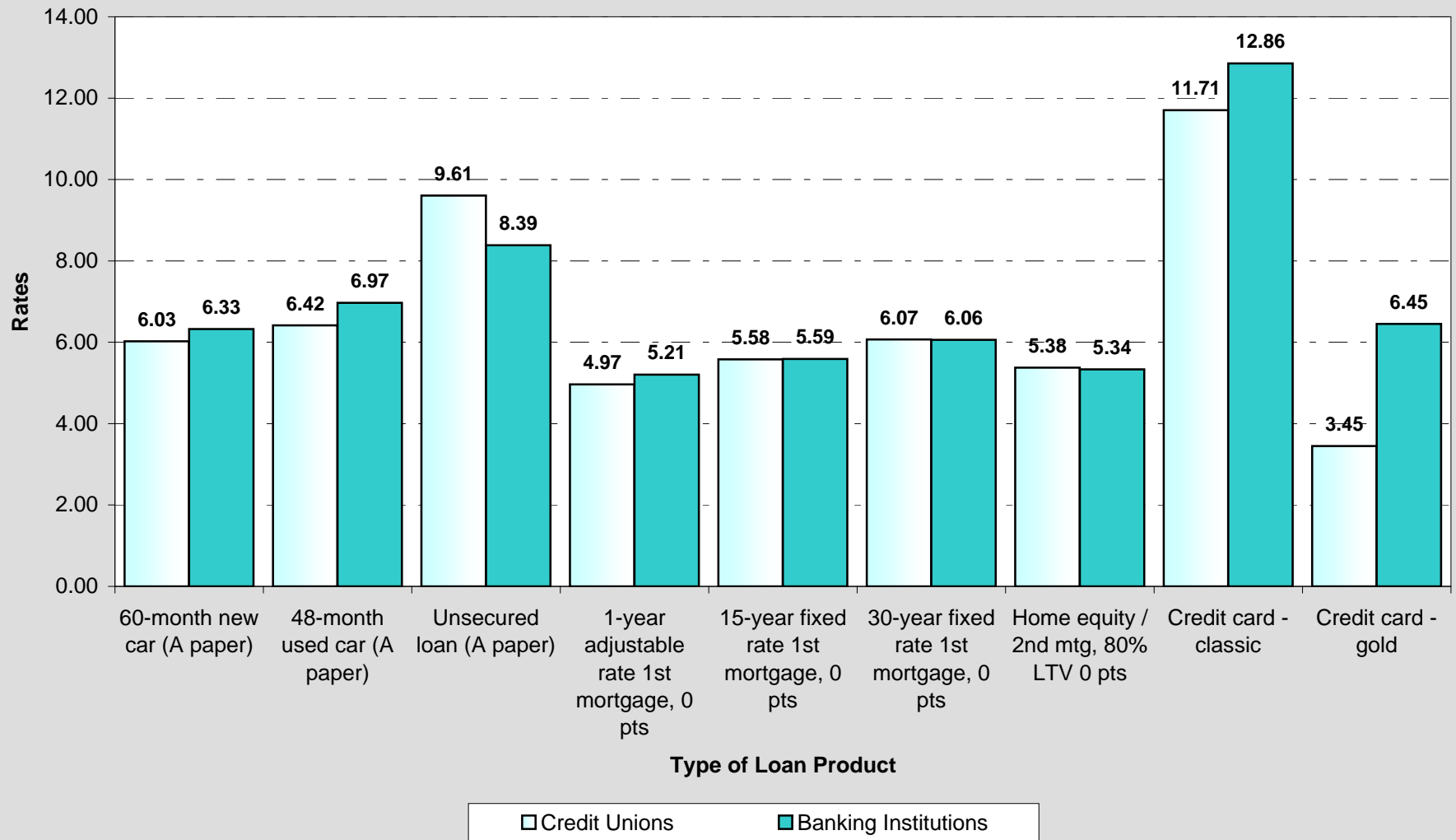
Arkansas credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, certificate accounts, IRAs.



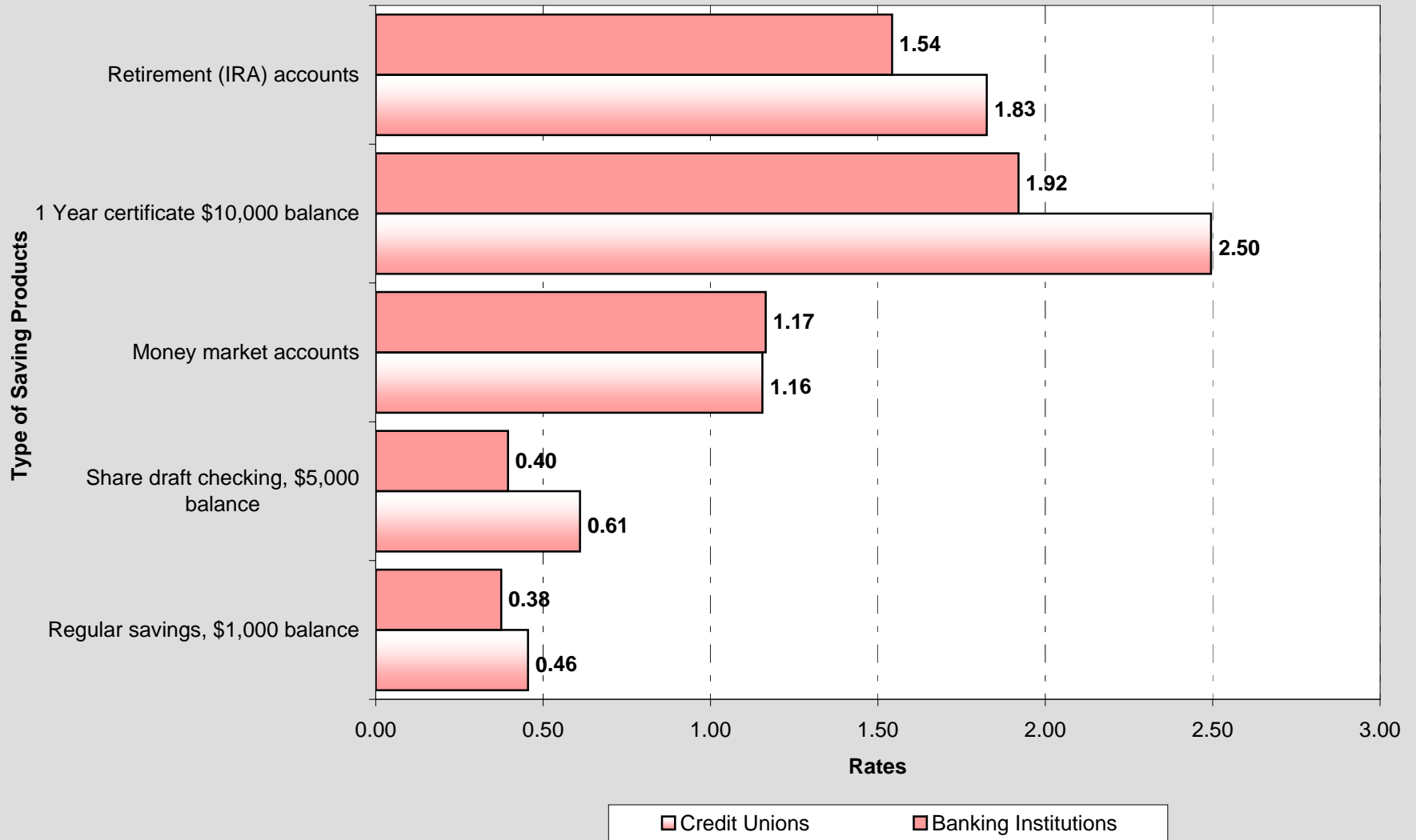
Source: Datatrac, NCUA, and CUNA.

(1)Assumes 1.9 credit union members per household.

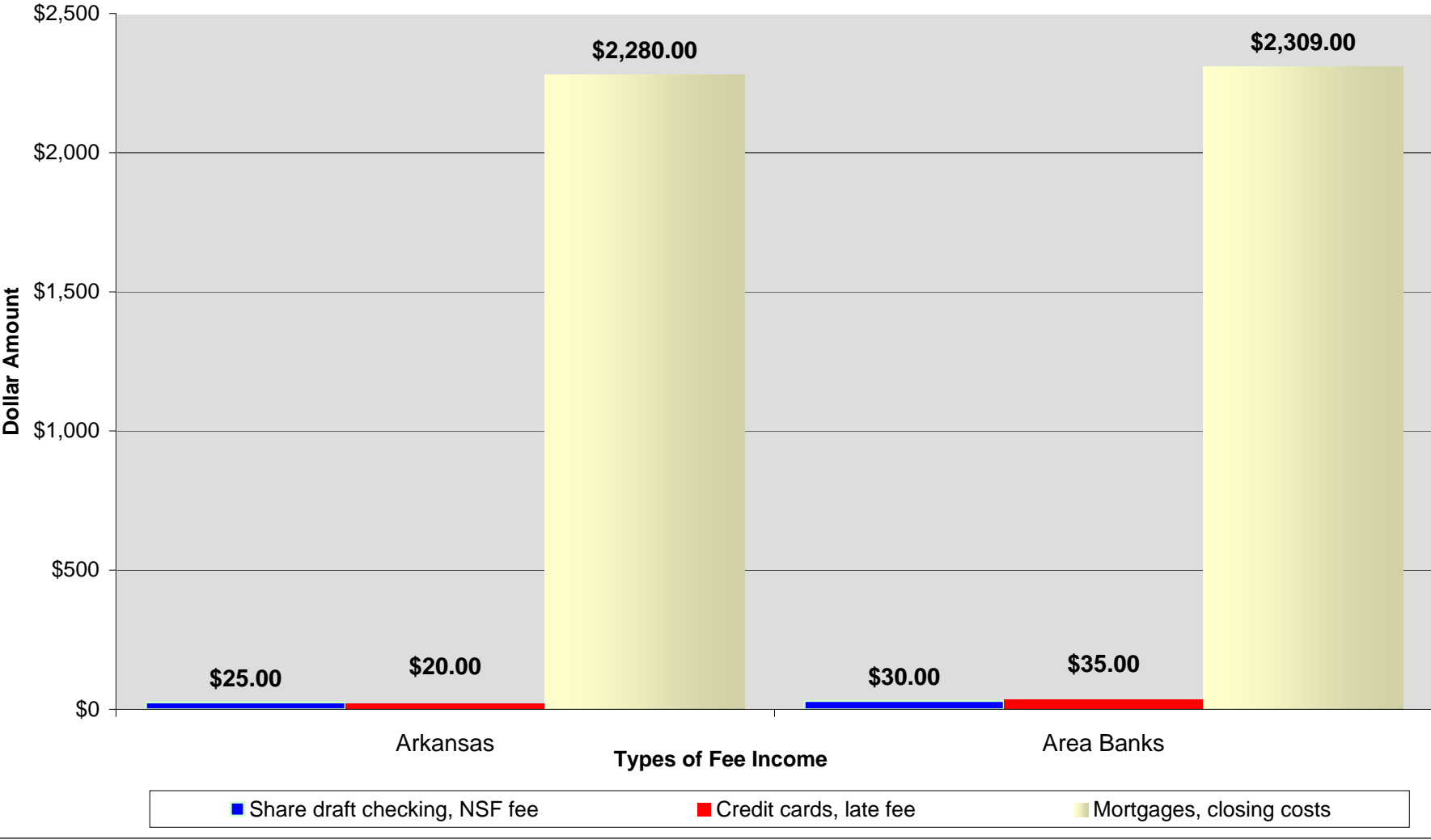
Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



Selected Third Quarter 2009 Credit Union Fees compared to Banking Institutions

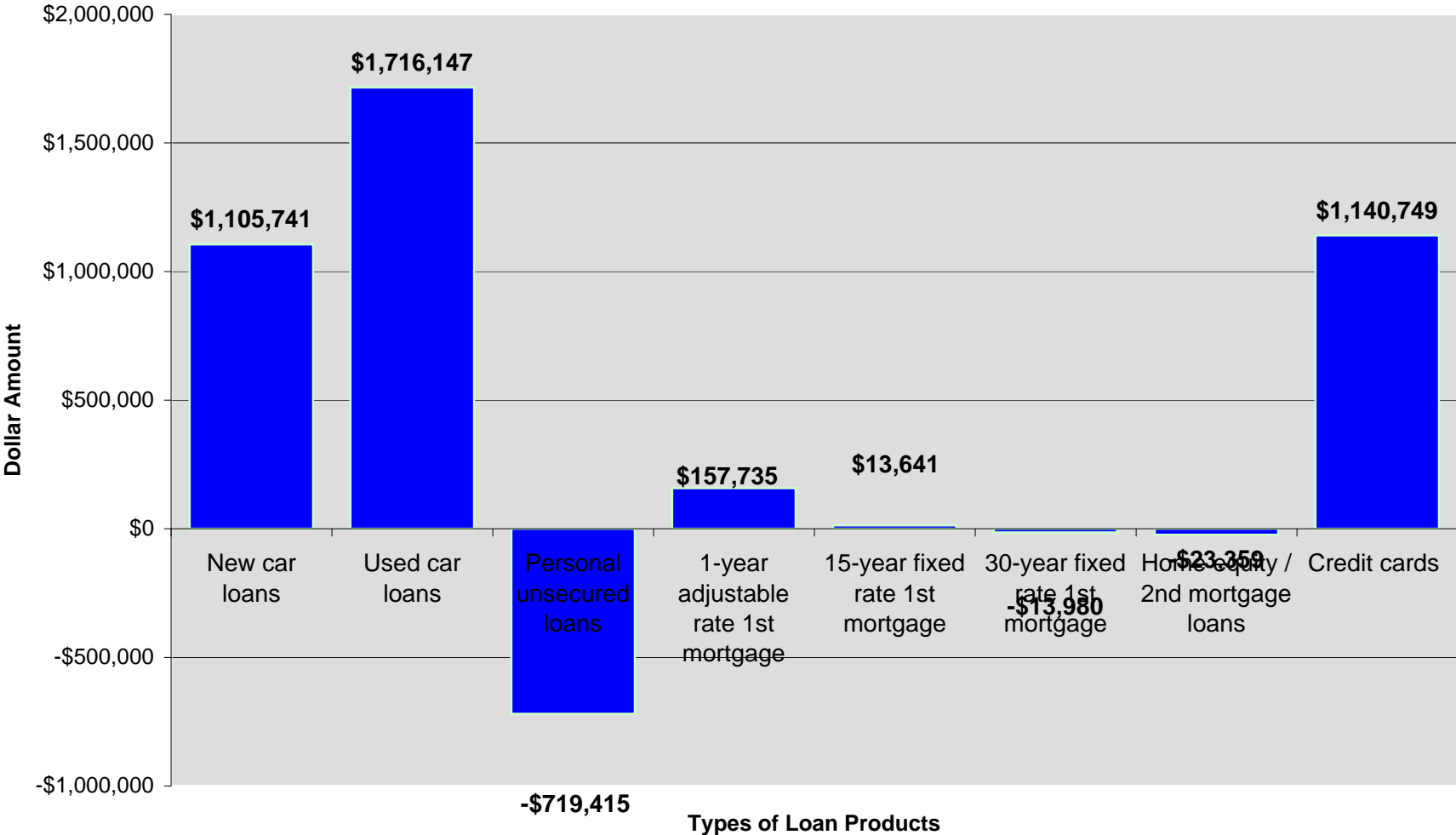


Arkansas
Credit Union and Banking Institution
Third Quarter 2009 Average Interest Rates and Fees

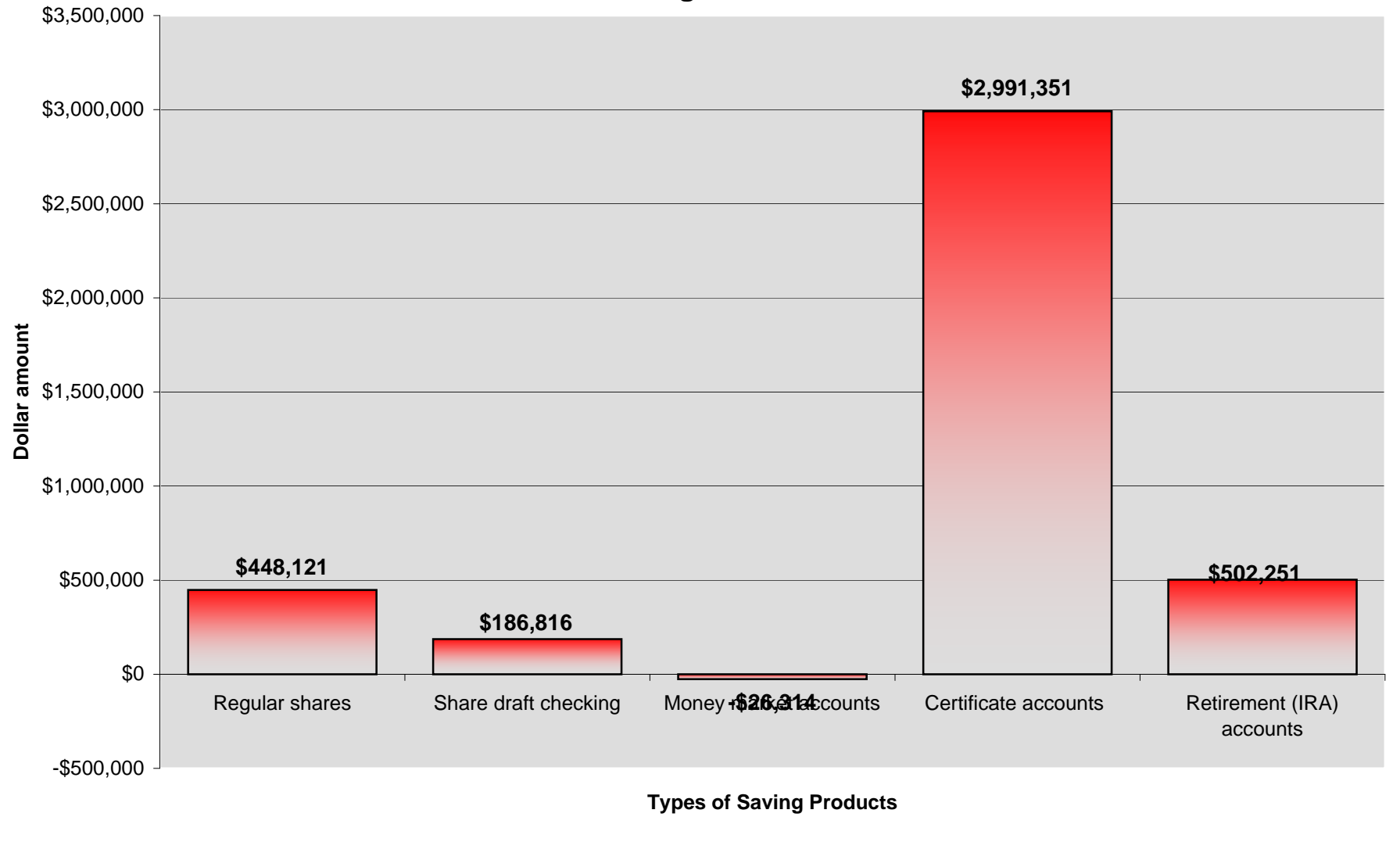
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	6.03	6.33	-0.30
48-month used car (A paper)	6.42	6.97	-0.56
Unsecured loan (A paper)	9.61	8.39	1.22
1-year adjustable rate 1st mortgage, 0 pts	4.97	5.21	-0.24
15-year fixed rate 1st mortgage, 0 pts	5.58	5.59	-0.01
30-year fixed rate 1st mortgage, 0 pts	6.07	6.06	0.01
Home equity / 2nd mtg, 80% LTV 0 pts	5.38	5.34	0.04
Credit card - classic	11.71	12.86	-1.15
Credit card - gold	3.45	6.45	-3.00
Savings Products			
Regular savings, \$1,000 balance	0.46	0.38	0.08
Share draft checking, \$5,000 balance	0.61	0.40	0.22
Money market accounts	1.16	1.17	-0.01
1 Year certificate \$10,000 balance	2.50	1.92	0.58
Retirement (IRA) accounts	1.83	1.54	0.28
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 Arkansas Credit Unions Financial Benefits Third Quarter 2009

	Avg. Balance at Credit Unions (1)	Rate Difference vs. Arkansas Banks (%) (2)	Total Financial Benefit to Your Members
<u>Loans</u>			
New car loans	368,580,339	-0.30	\$1,105,741
Used car loans	309,215,765	-0.56	\$1,716,147
Personal unsecured loans	58,968,421	1.22	-\$719,415
1-year adjustable rate 1st mortgage	65,722,987	-0.24	\$157,735
15-year fixed rate 1st mortgage	136,410,257	-0.01	\$13,641
30-year fixed rate 1st mortgage	139,796,058	0.01	-\$13,980
Home equity / 2nd mortgage loans	58,397,996	0.04	-\$23,359
Credit cards	70,744,137	-1.15	\$1,140,749
Interest rebates in period			\$19,222
Total CU member benefits arising from lower interest rates on loan products:			\$3,396,482
<u>Savings</u>			
Regular shares	560,150,628	0.08	\$448,121
Share draft checking	86,891,005	0.22	\$186,816
Money market accounts	263,142,663	-0.01	-\$26,314
Certificate accounts	520,235,014	0.58	\$2,991,351
Retirement (IRA) accounts	177,787,909	0.28	\$502,251
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$4,102,224
<u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$3,124,229
Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$10,622,935
Total CU member benefit / member:			\$34
Total CU member benefit / member household:			\$65

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;

**Arkansas
Performance Profile**

Demographic Information	Sep-09	Sep-08
Number of branches	104	98
Total assets (\$ mil)	2,148	1,937
Total loans (\$ mil)	1,389	1,216
Total surplus funds (\$ mil)	670	638
Total savings (\$ mil)	1,724	1,558
Total members (thousands)	318	301
Growth Rates (Year-to-date)		
Total assets	8.8 %	11.6 %
Total loans	10.8 %	10.0 %
Total surplus funds	5.0 %	16.4 %
Total savings	9.2 %	11.1 %
Total members	5.4 %	2.9 %
Earnings - Basis Pts.		
Yield on total assets	512	577
Dividend/interest cost of assets	179	236
Fee & other income *	151	110
Operating expense	318	342
Loss Provisions	36	34
Net Income (ROA) after stabilization exp *	91	76
Capital adequacy		
Net worth / assets	13.3	14.3
Asset quality		
Delinquencies / loans	1.0	0.9
Net chargeoffs / average loans	0.5	0.5
Total borrower-bankruptcies	13	9
Bankruptcies per 1000 members	2.7	1.9
Asset/Liability Management		
Loans / savings	80.6	78.1
Loans / assets	64.7	62.8
Long-term assets / assets	25.8	28.1
Core deposits/shares & borrowings	39.0	34.9
Productivity		
Members/potential members	15.6	15.7
Borrowers/members	42.0	41.6
Members/FTE	464	437
Average shares/members (\$)	5,418	5,171
Average loan balances (\$)	10,384	9,712
Salary & Benefits/FTE	46,053	42,960

***Credit unions did not uniformly report stabilization expenses or reversals of the expense. Therefore, some income and expense ratios are not comparable to previous periods. Use extreme caution when coming to conclusions from this data.**