

The Benefits of Membership

Customized Analysis of Member Benefits For:

Arkansas

December 2007

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 \$27,090,660 in direct financial benefits to the state's 288,196 members during the twelve months ending December 2007.

These benefits are equivalent to \$94 per member or \$179 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 \$342 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, personal unsecured loans, first mortgage-adjustable rate, home equity loans, credit cards loans.

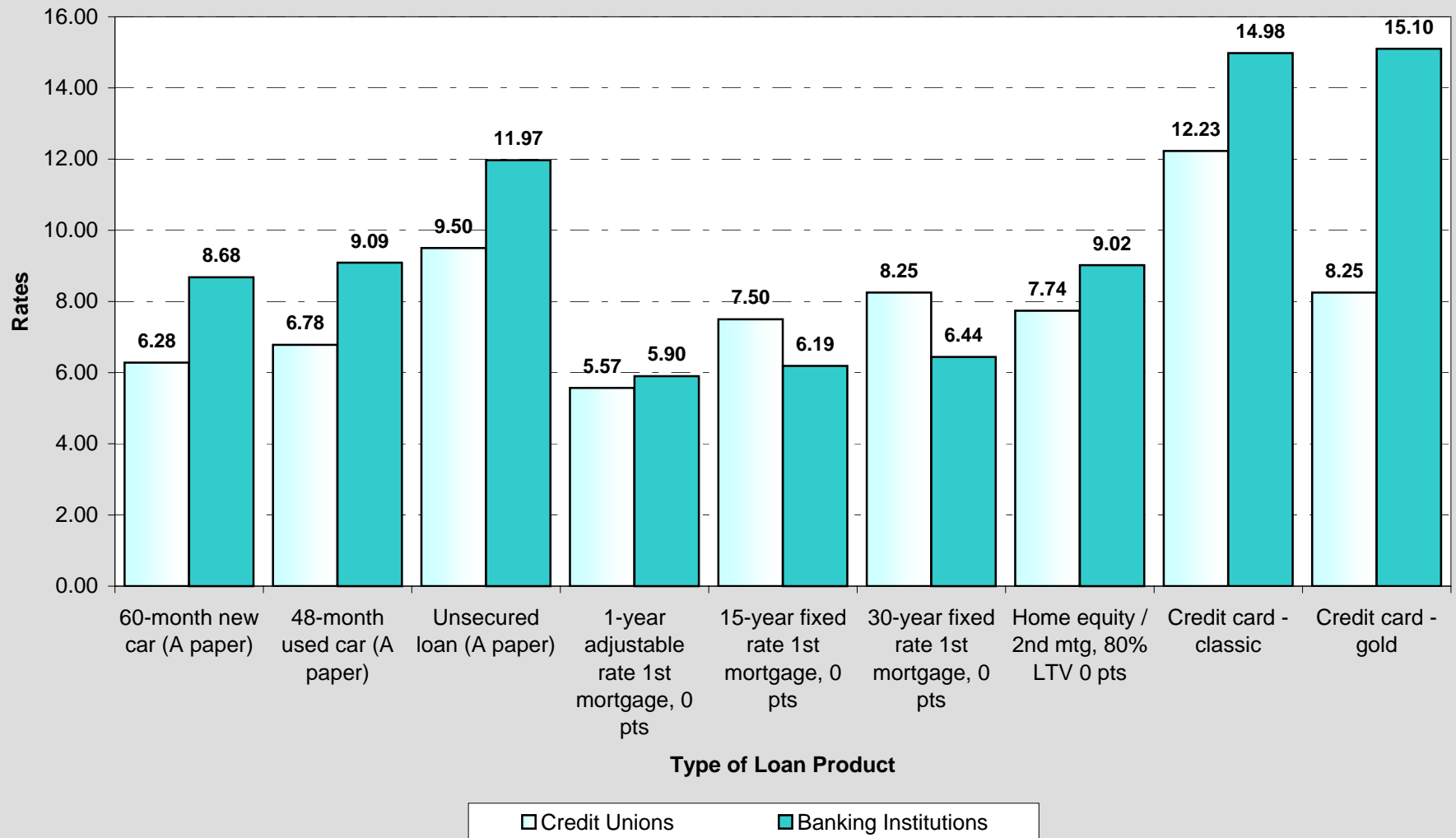
Arkansas credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



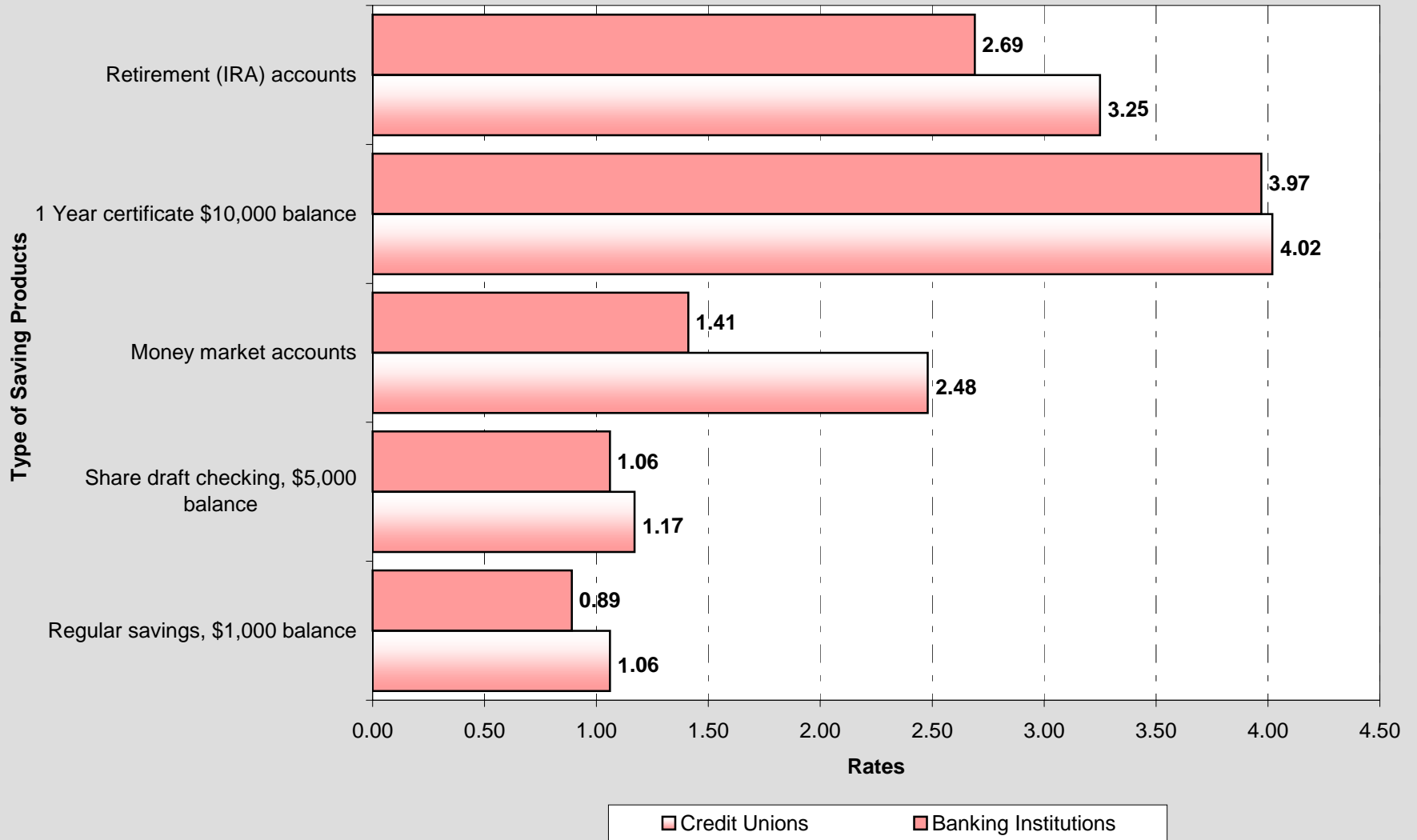
Source: Datatrac, NCUA, and CUNA.

(1) Assumes 1.9 credit union members per household.

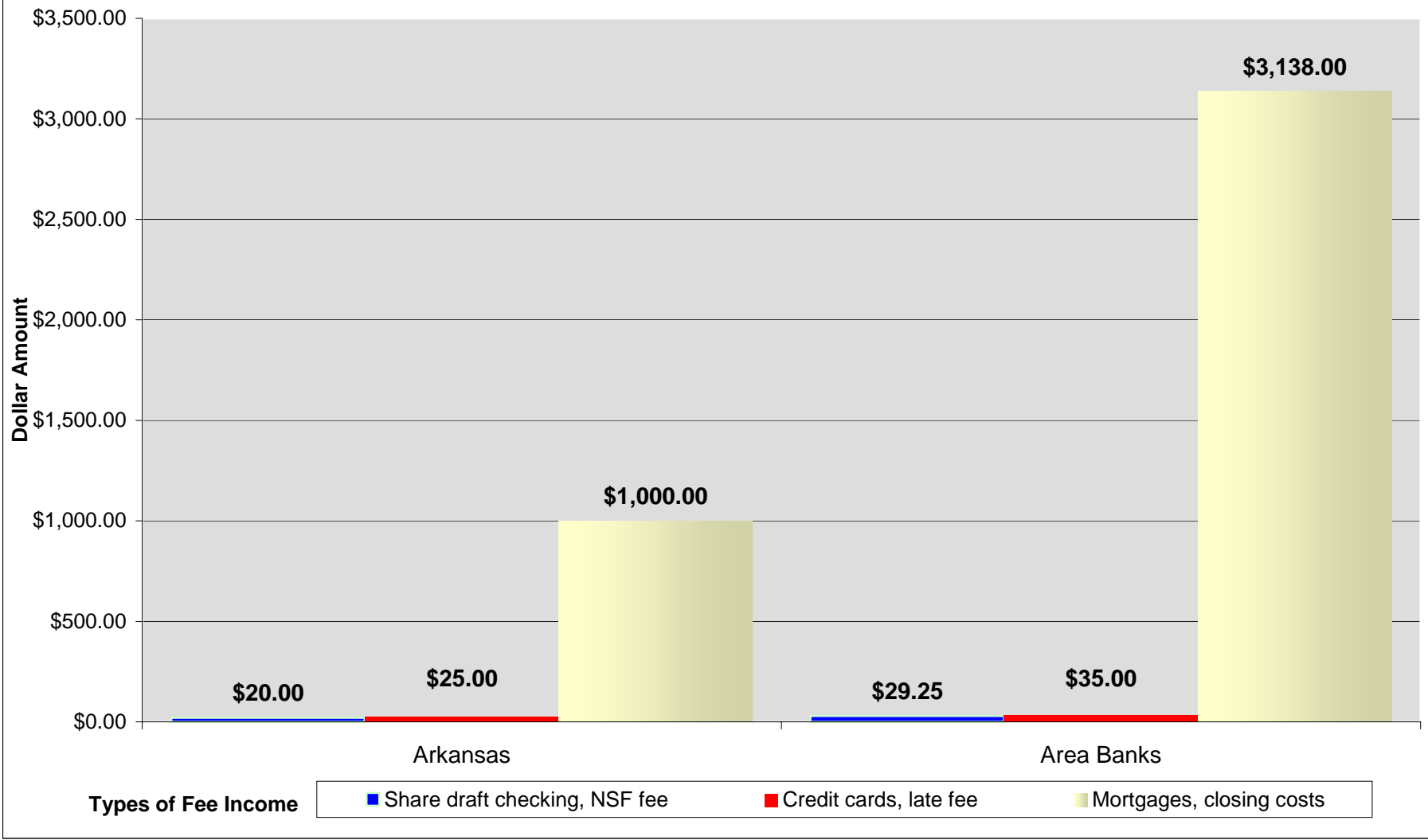
Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



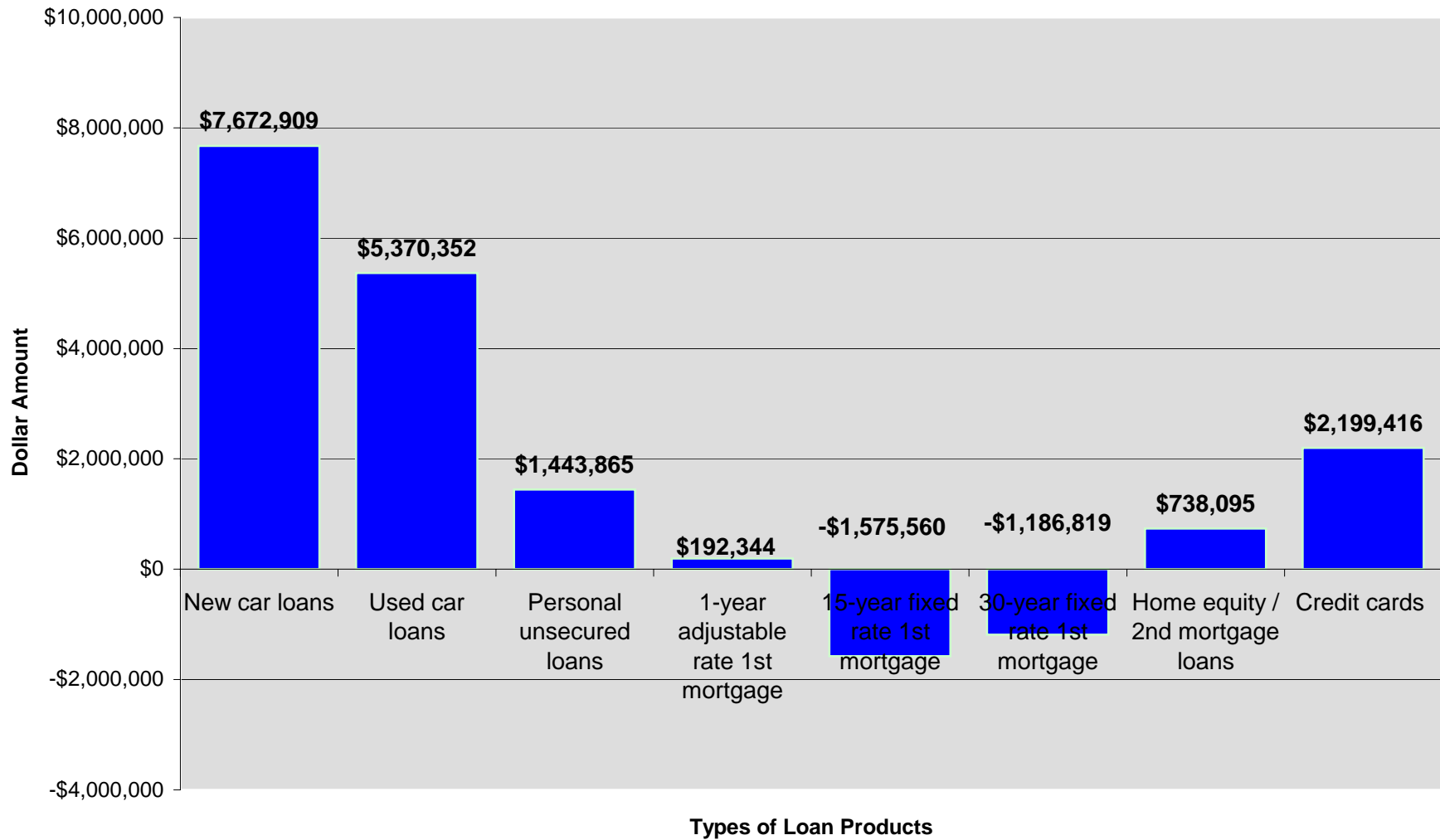
Selected Credit Union Fees compared to Banking Institutions



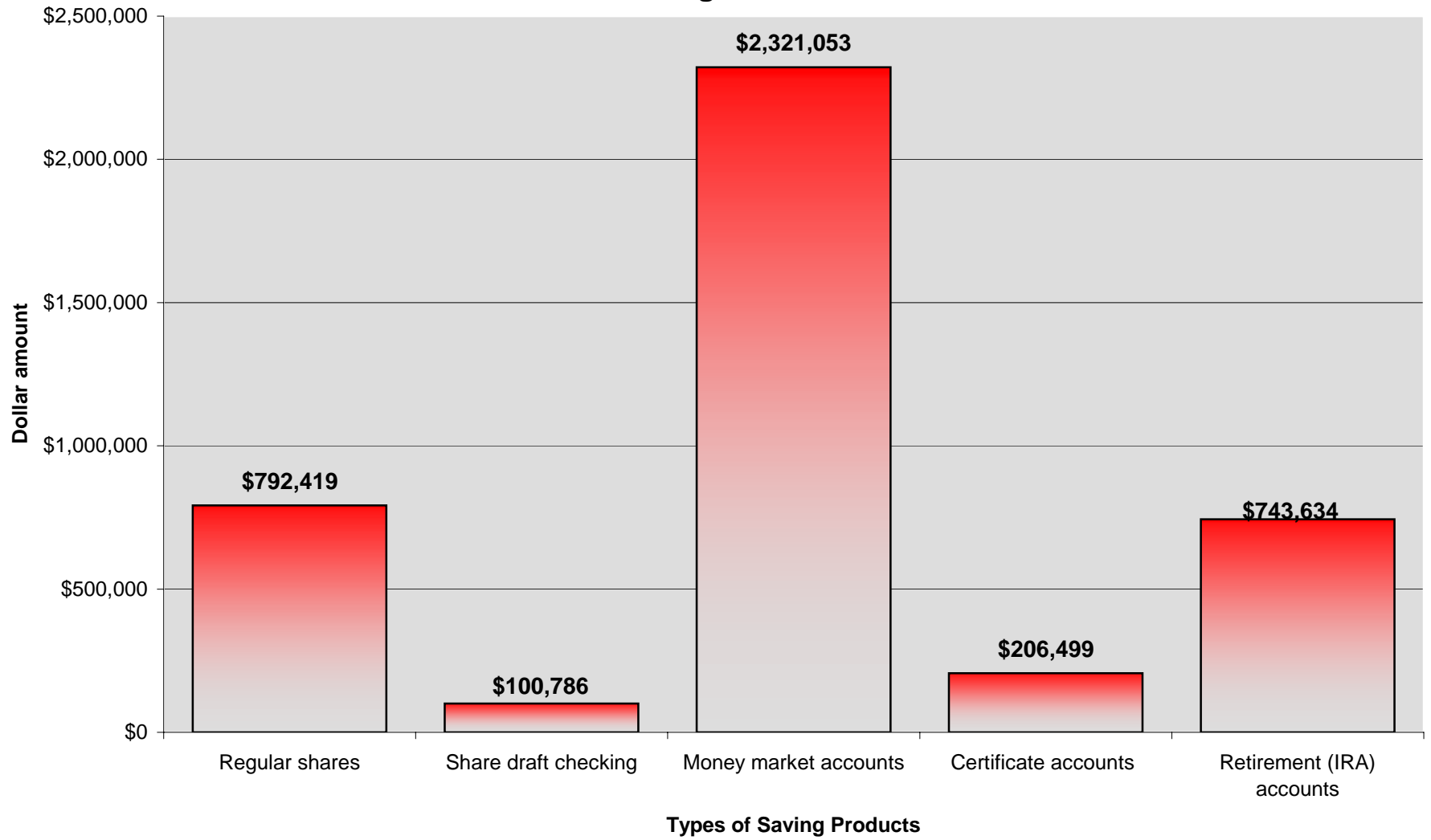
**Recent Interest Rates at Credit Unions
and
Banking Institutions in Arkansas**

Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	6.28	8.68	-2.40
48-month used car (A paper)	6.78	9.09	-2.31
Unsecured loan (A paper)	9.50	11.97	-2.47
1-year adjustable rate 1st mortgage, 0 pts	5.57	5.90	-0.33
15-year fixed rate 1st mortgage, 0 pts	7.50	6.19	1.31
30-year fixed rate 1st mortgage, 0 pts	8.25	6.44	1.81
Home equity / 2nd mtg, 80% LTV 0 pts	7.74	9.02	-1.28
Credit card - classic	12.23	14.98	-2.75
Credit card - gold	8.25	15.10	-6.85
Savings Products			
Regular savings, \$1,000 balance	1.06	0.89	0.17
Share draft checking, \$5,000 balance	1.17	1.06	0.11
Money market accounts	2.48	1.41	1.07
1 Year certificate \$10,000 balance	4.02	3.97	0.05
Retirement (IRA) accounts	3.25	2.69	0.56
Fee Income			
Share draft checking, NSF fee	\$20.00	\$29.25	-\$9.25
Credit cards, late fee	\$25.00	\$35.00	-\$10.00
Mortgages, closing costs	\$1,000.00	\$3,138.00	-\$2,138.00

Estimated Credit Union Loan Rate Benefits vs. Banking Institutions



Estimated Credit Union Savings Dividend Benefits vs. Banking Institutions



Estimated Arkansas Credit Unions Financial Benefits Year-End 2007

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Arkansas Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	319,704,541	-2.40	\$7,672,909
Used car loans	232,482,752	-2.31	\$5,370,352
Personal unsecured loans	58,456,067	-2.47	\$1,443,865
1-year adjustable rate 1st mortgage	58,285,946	-0.33	\$192,344
15-year fixed rate 1st mortgage	120,271,784	1.31	-\$1,575,560
30-year fixed rate 1st mortgage	65,570,086	1.81	-\$1,186,819
Home equity / 2nd mortgage loans	57,663,707	-1.28	\$738,095
Credit cards	58,262,667	-2.75	\$2,199,416
Interest rebates in period			\$85,367
Total CU member benefits arising from lower interest rates on loan products:			\$14,939,968
 <u>Savings</u>			
Regular shares	466,128,594	0.17	\$792,419
Share draft checking	91,623,184	0.11	\$100,786
Money market accounts	216,920,828	1.07	\$2,321,053
Certificate accounts	412,998,392	0.05	\$206,499
Retirement (IRA) accounts	132,791,864	0.56	\$743,634
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$4,164,391
 <u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$7,986,301
 Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$27,090,660
 Total CU member benefit / member:			\$94
Total CU member benefit / member household:			\$179

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;

**Arkansas
Performance Profile**

Demographic Information	Dec-07	Dec-06
Number of branches	97	95
Total assets (\$ mil)	1,736,624,620	1,624,506,280
Total loans (\$ mil)	1,105,604,064	1,026,879,013
Total surplus funds (\$ mil)	548,163,242	527,420,471
Total savings (\$ mil)	1,401,864,484	1,330,817,205
Total members (thousands)	292,665	287,185
Growth Rates		
Total assets	7.7 %	3.9 %
Total loans	8.5 %	2.3 %
Total surplus funds	4.7 %	6.3 %
Total savings	6.0 %	1.7 %
Total members	3.2 %	2.4 %
Earnings - Basis Pts.		
Yield on total assets	601	562
- Dividend/interest cost of assets	264	224
+ Fee & other income	101	97
- Operating expense	347	338
- Loss Provisions	23	18
= Net Income (ROA)	70	79
Capital adequacy		
Net worth / assets	15.3	15.7
Asset quality		
Delinquencies / loans	1.1	1.1
Net chargeoffs / average loans	0.4	0.4
Total borrower-bankruptcies	11	9
Bankruptcies per 1000 members	2.6	2.2
Asset/Liability Management		
Loans / savings	78.9	77.2
Loans / assets	63.7	63.2
Long-term assets / assets	25.2	19.9
Core deposits/shares & borrowings	37.6	42.1
Productivity		
Members/potential members	17.0	21.2
Borrowers/members	41.9	41.6
Members/FTE	437	450
Average shares/members (\$)	4,790	4,634
Average loan balances (\$)	9,024	8,588
Salary & Benefits/FTE	41,516	39,881