

The Benefits of Membership

Customized Analysis of Member Benefits For:

California

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Prepared by:

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



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.

California

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 California credit unions provided \$1,345,984,225 in direct financial benefits to the state's 10,004,327 members during the twelve months ending December 2008.

These benefits are equivalent to \$135 per member or \$256 per member household ⁽¹⁾.

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

Consider this:

Financing a \$25,000 new automobile for 60 months at a California credit union will save members an average \$132 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.

California credit unions excel in providing member benefits on many loan and saving products. In particular, California 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.

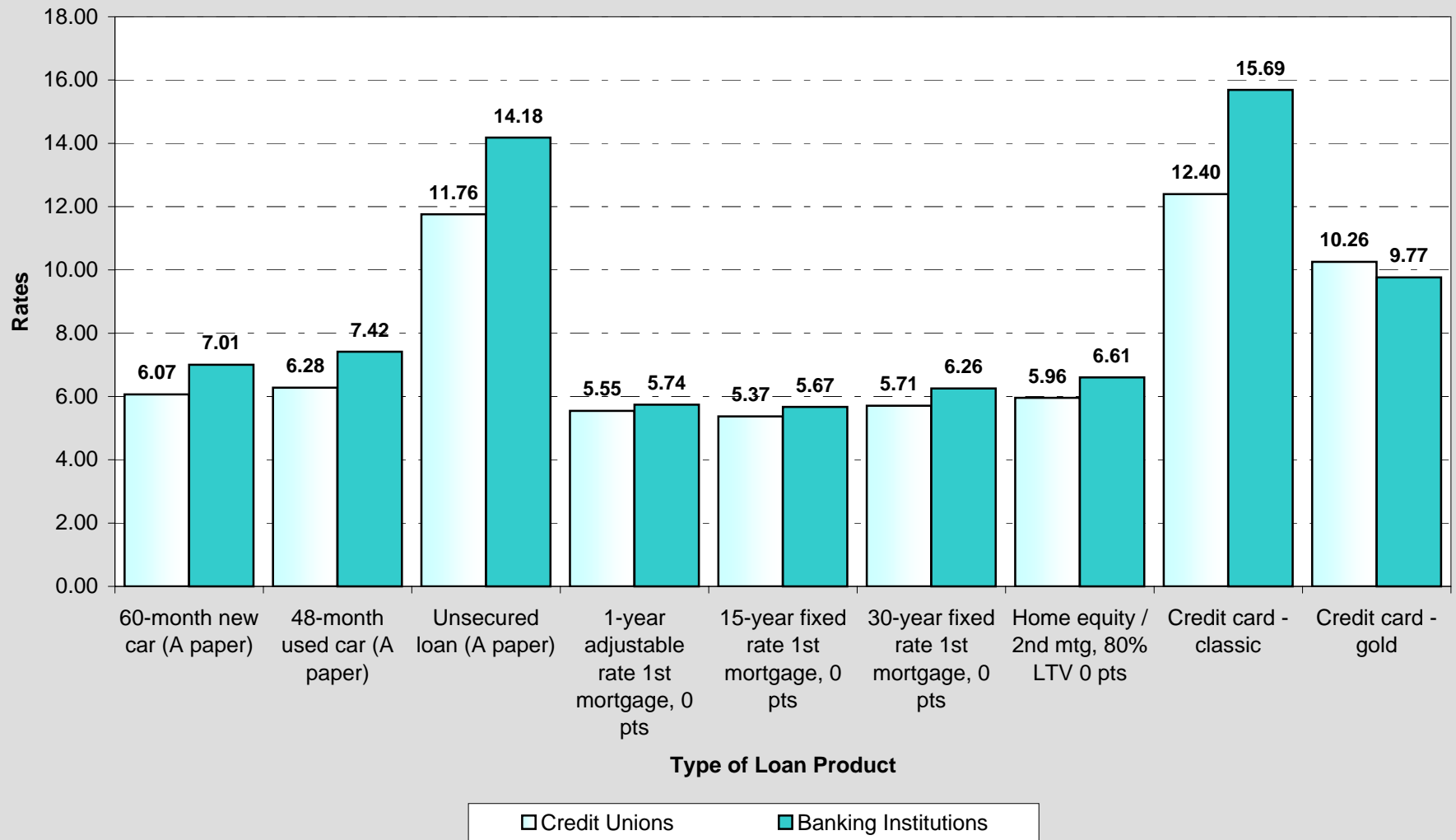
California credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



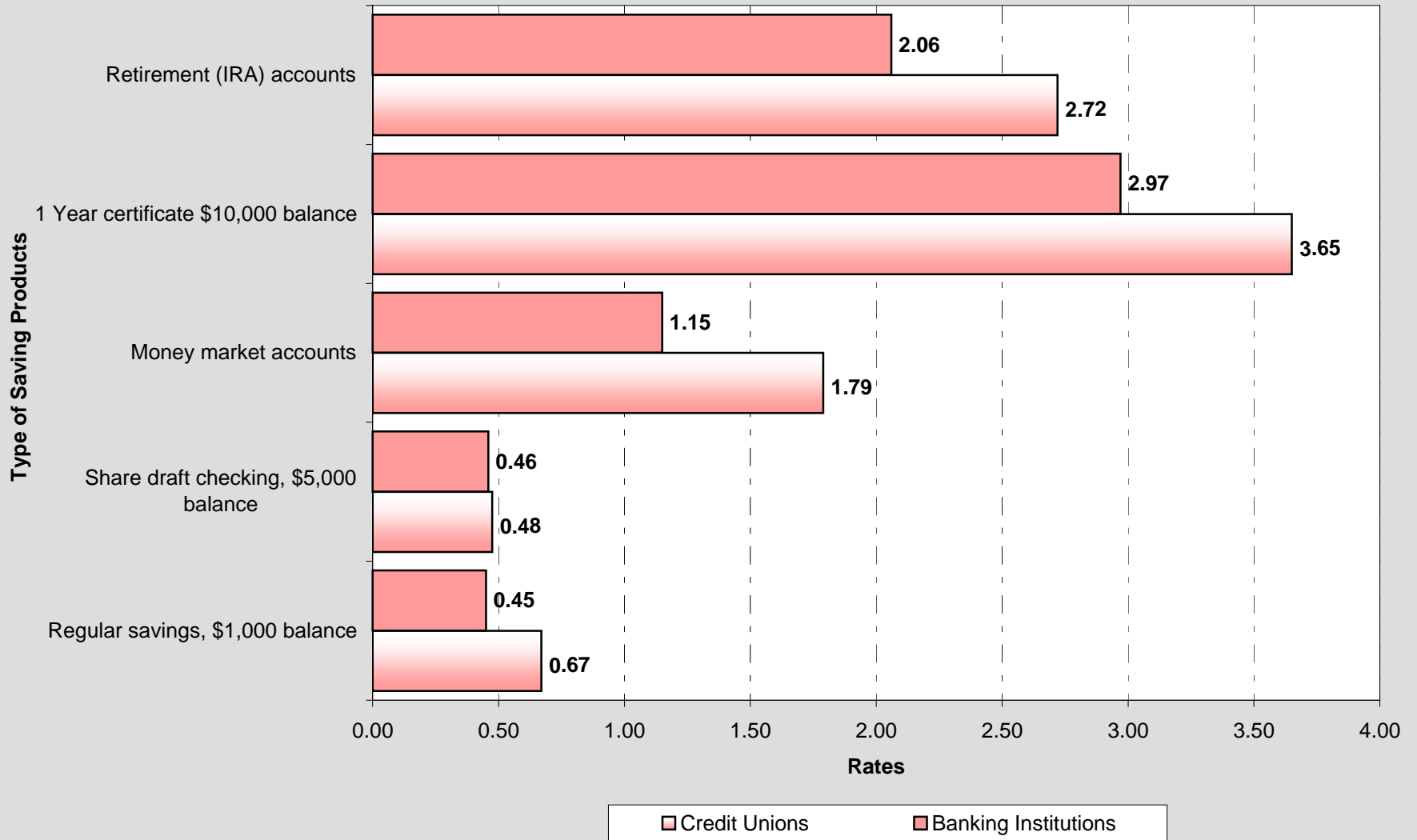
Source: Datatrac, NCUA, and CUNA.

(1) Assumes 1.9 credit union members per household.

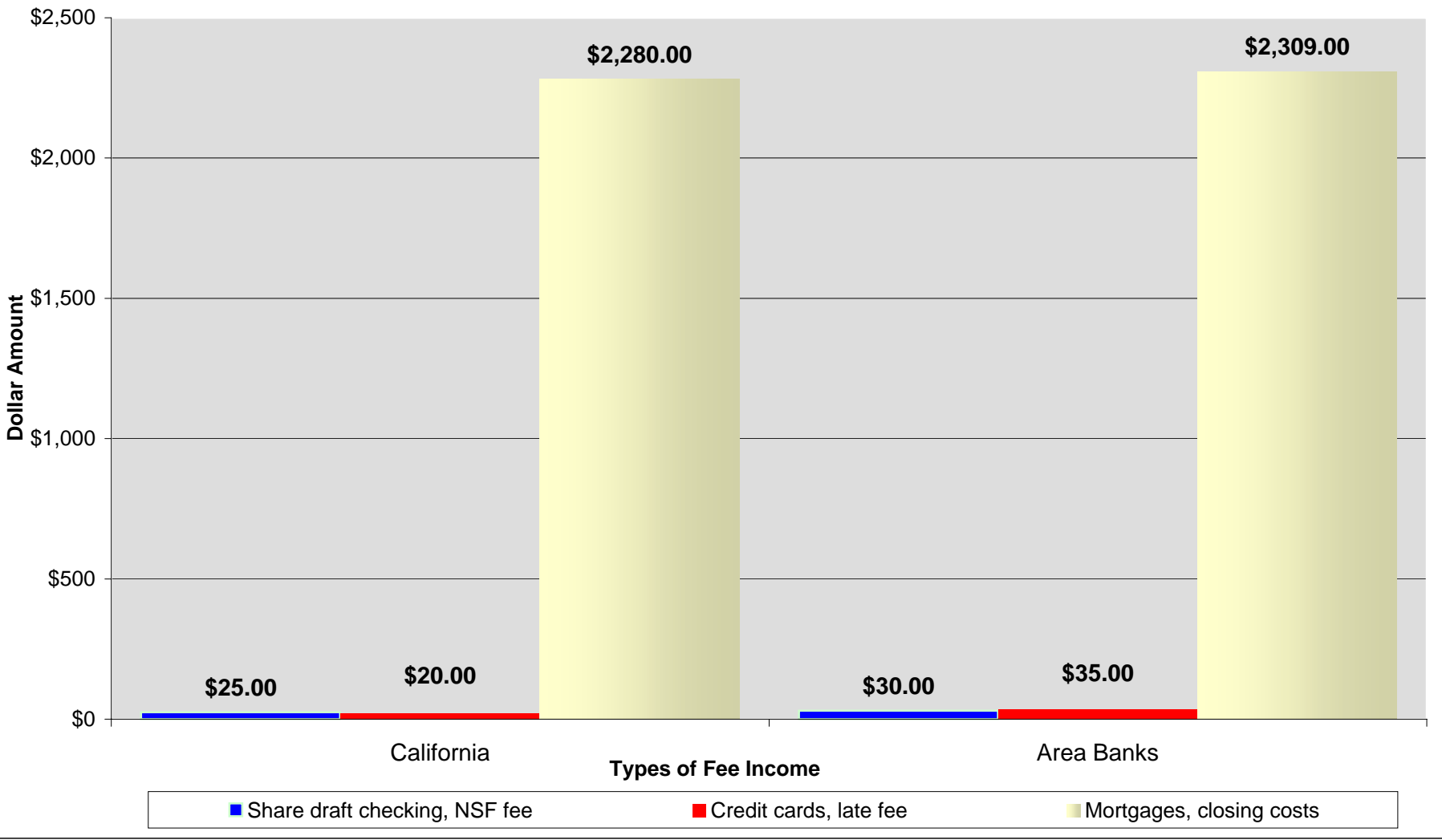
Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



Selected 2008 Credit Union Fees compared to Banking Institutions

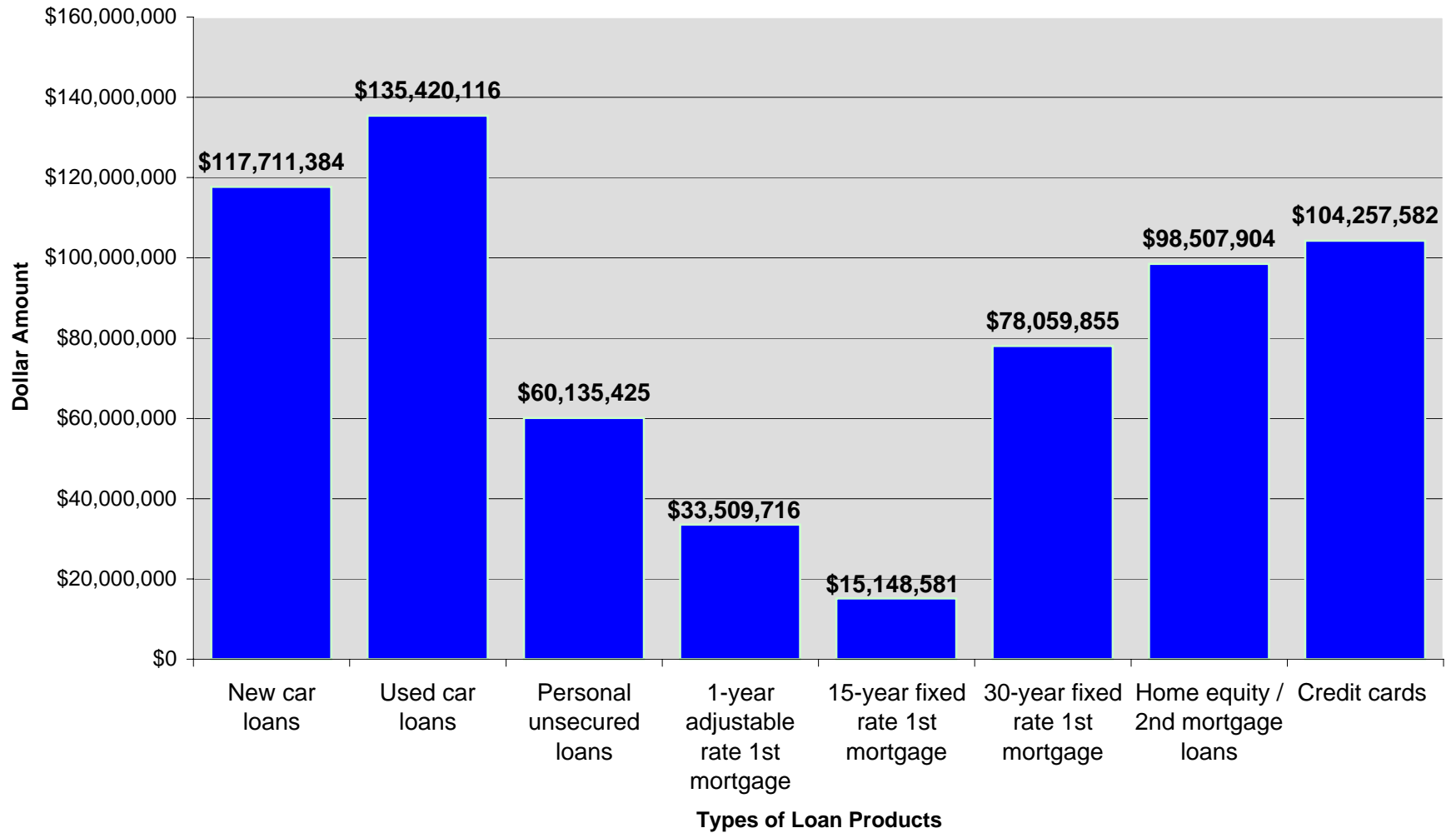


California
Credit Union and Banking Institution
2008 Average Interest Rates and Fees

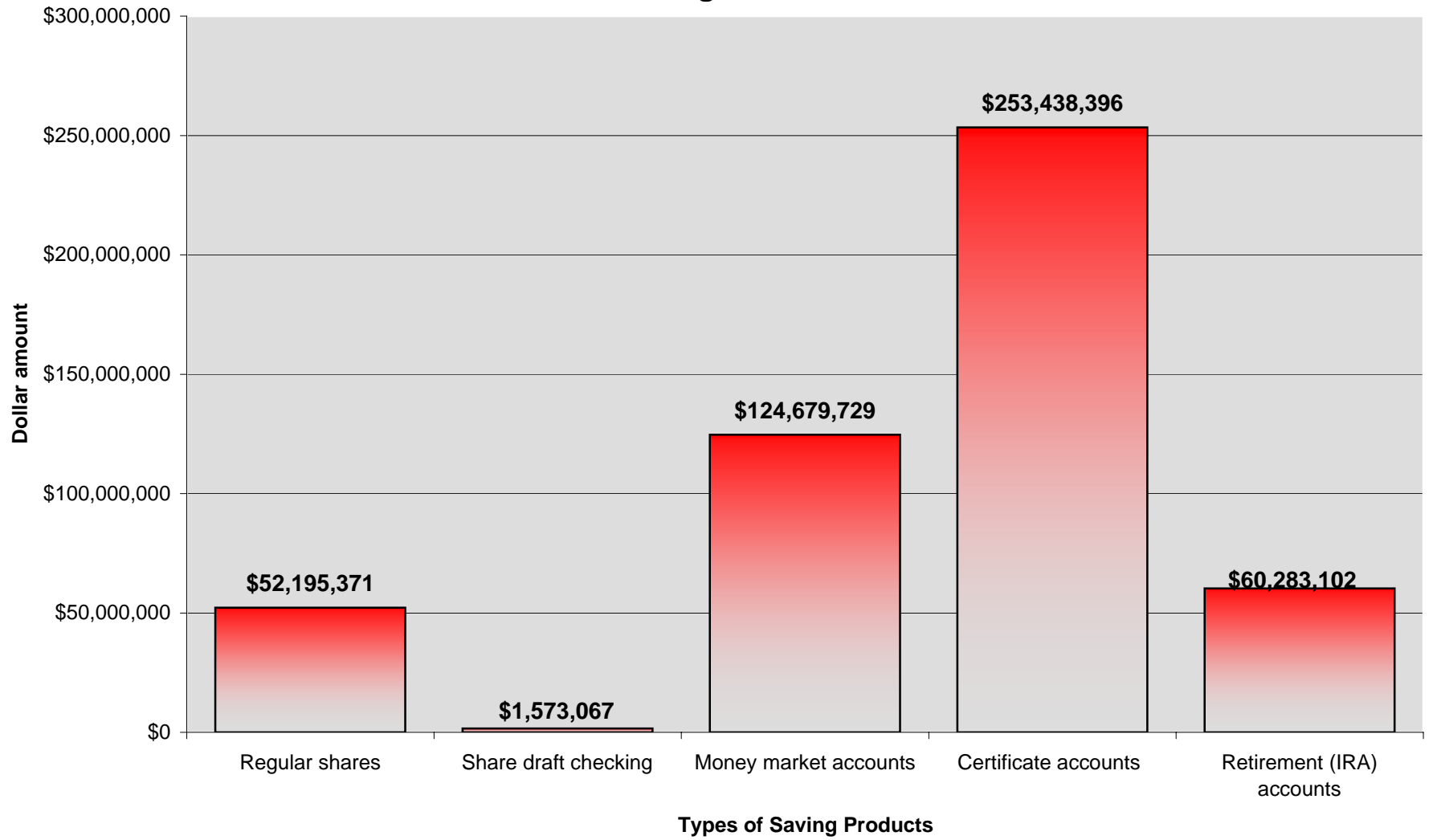
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	6.07	7.01	-0.94
48-month used car (A paper)	6.28	7.42	-1.14
Unsecured loan (A paper)	11.76	14.18	-2.42
1-year adjustable rate 1st mortgage, 0 pts	5.55	5.74	-0.20
15-year fixed rate 1st mortgage, 0 pts	5.37	5.67	-0.30
30-year fixed rate 1st mortgage, 0 pts	5.71	6.26	-0.55
Home equity / 2nd mtg, 80% LTV 0 pts	5.96	6.61	-0.65
Credit card - classic	12.40	15.69	-3.30
Credit card - gold	10.26	9.77	0.49
Savings Products			
Regular savings, \$1,000 balance	0.67	0.45	0.22
Share draft checking, \$5,000 balance	0.48	0.46	0.02
Money market accounts	1.79	1.15	0.64
1 Year certificate \$10,000 balance	3.65	2.97	0.68
Retirement (IRA) accounts	2.72	2.06	0.66
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 California Credit Unions Financial Benefits 2008

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. California Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	12,522,487,608	-0.94	\$117,711,384
Used car loans	11,931,287,765	-1.14	\$135,420,116
Personal unsecured loans	2,484,934,923	-2.42	\$60,135,425
1-year adjustable rate 1st mortgage	17,184,469,823	-0.20	\$33,509,716
15-year fixed rate 1st mortgage	5,049,526,874	-0.30	\$15,148,581
30-year fixed rate 1st mortgage	14,322,909,202	-0.55	\$78,059,855
Home equity / 2nd mortgage loans	15,272,543,257	-0.65	\$98,507,904
Credit cards	4,438,853,948	-3.30	\$104,257,582
Interest rebates in period			\$1,193,698
Total CU member benefits arising from lower interest rates on loan products:			\$643,944,261
<u>Savings</u>			
Regular shares	23,725,168,516	0.22	\$52,195,371
Share draft checking	10,487,115,202	0.02	\$1,573,067
Money market accounts	19,481,207,727	0.64	\$124,679,729
Certificate accounts	37,270,352,290	0.68	\$253,438,396
Retirement (IRA) accounts	9,133,803,334	0.66	\$60,283,102
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$492,169,665
<u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$209,870,299
Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$1,345,984,225
Total CU member benefit / member:			\$135
Total CU member benefit / member household:			\$256

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;

**California
Performance Profile**

Demographic Information	Dec-08	Dec-07
Number of branches	1826	1824
Total assets (\$ mil)	123,695	120,607
Total loans (\$ mil)	87,216	86,603
Total surplus funds (\$ mil)	32,392	29,536
Total savings (\$ mil)	103,558	101,015
Total members (thousands)	10,098	10,099
Growth Rates		
Total assets	4.3 %	5.2 %
Total loans	2.6 %	6.0 %
Total surplus funds	11.0 %	2.6 %
Total savings	4.3 %	4.2 %
Total members	1.9 %	3.3 %
Earnings - Basis Pts.		
Yield on total assets	556	586
- Dividend/interest cost of assets	251	298
+ Fee & other income	123	114
- Operating expense	306	304
- Loss Provisions	139	58
= Net Income (ROA)	-16	40
Capital adequacy		
Net worth / assets	10.5	10.9
Asset quality		
Delinquencies / loans	1.7	0.9
Net chargeoffs / average loans	1.2	0.6
Total borrower-bankruptcies	63	32
Bankruptcies per 1000 members	3.1	1.6
Asset/Liability Management		
Loans / savings	84.2	85.7
Loans / assets	70.5	71.8
Long-term assets / assets	34.8	32.8
Core deposits/shares & borrowings	32.5	33.0
Productivity		
Members/potential members	4.6	5.1
Borrowers/members	50.3	52.0
Members/FTE	372	366
Average shares/members (\$)	10,255	10,003
Average loan balances (\$)	17,186	16,479
Salary & Benefits/FTE	69,896	65,784