

# ***The Benefits of Membership***

*Customized Analysis of Member Benefits For:*

**California**

***September 2009***

*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 state<sup>1</sup>. 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).

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<sup>1</sup> 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 \$949,154,058 in direct financial benefits to the state's 9,977,374 members during the twelve months ending September 2009.

**These benefits are equivalent to \$95 per member or \$181 per member household <sup>(1)</sup>.**

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 \$118 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, 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.

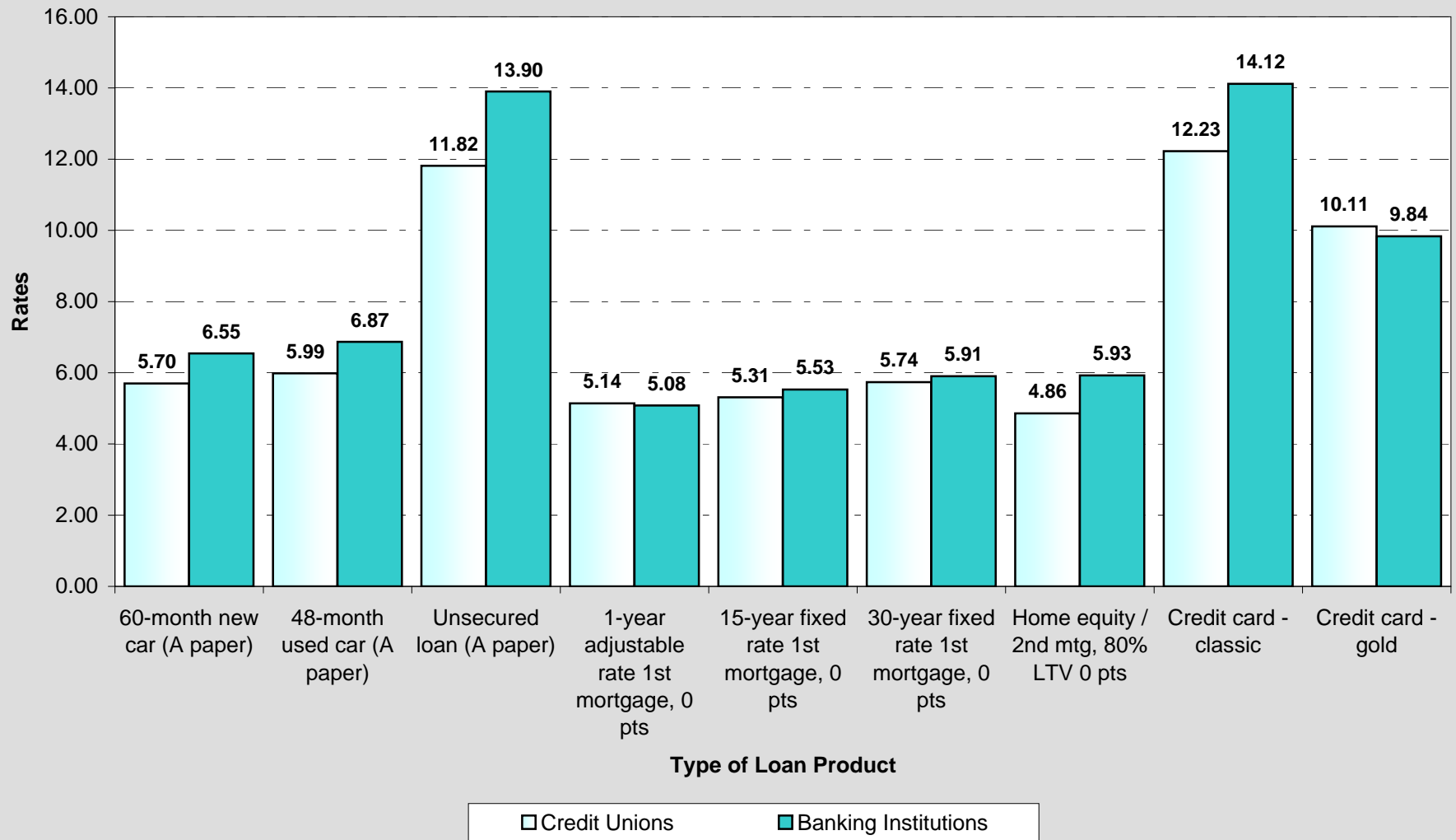


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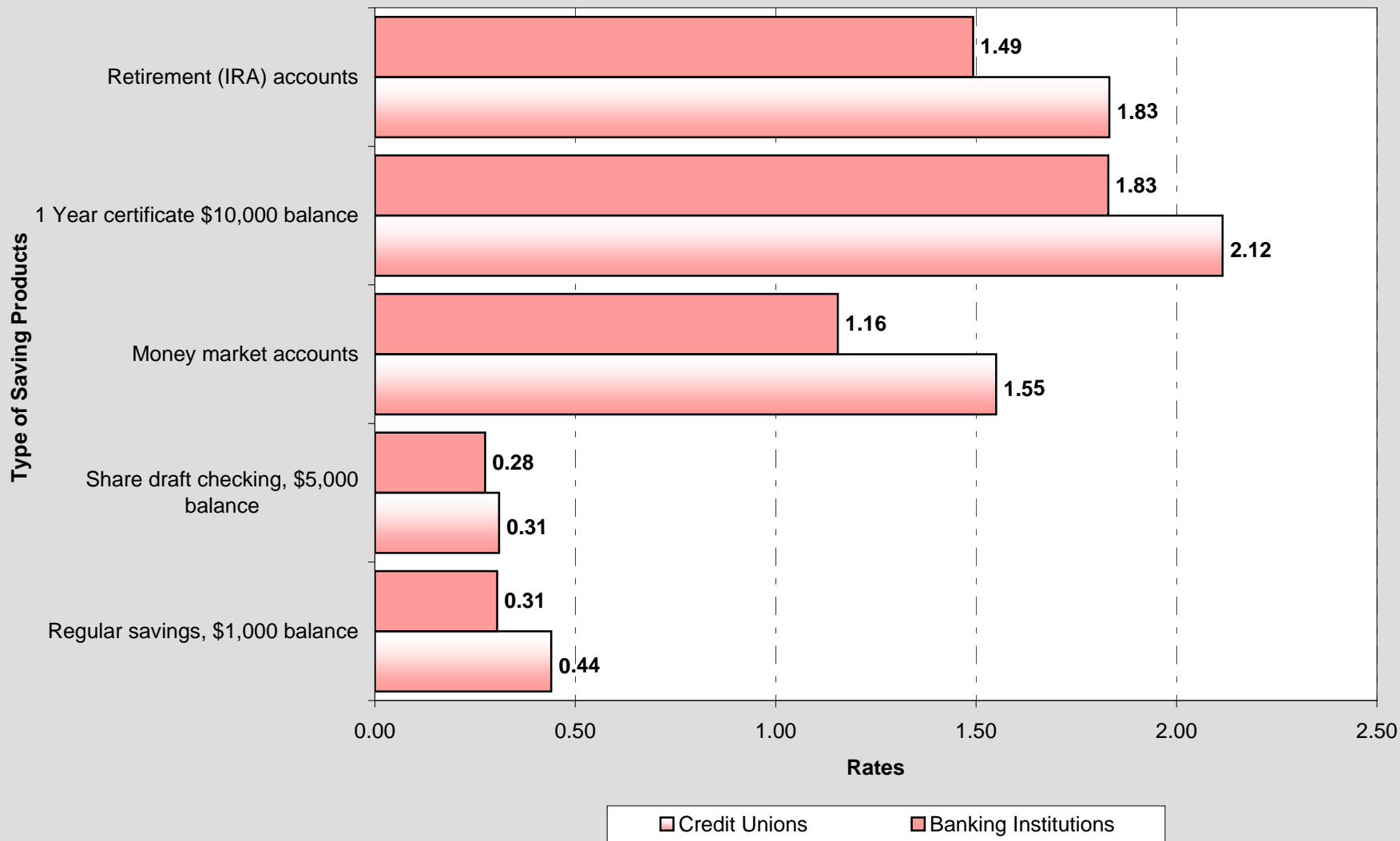
Source: Datatrac, NCUA, and CUNA.

(1)Assumes 1.9 credit union members per household.

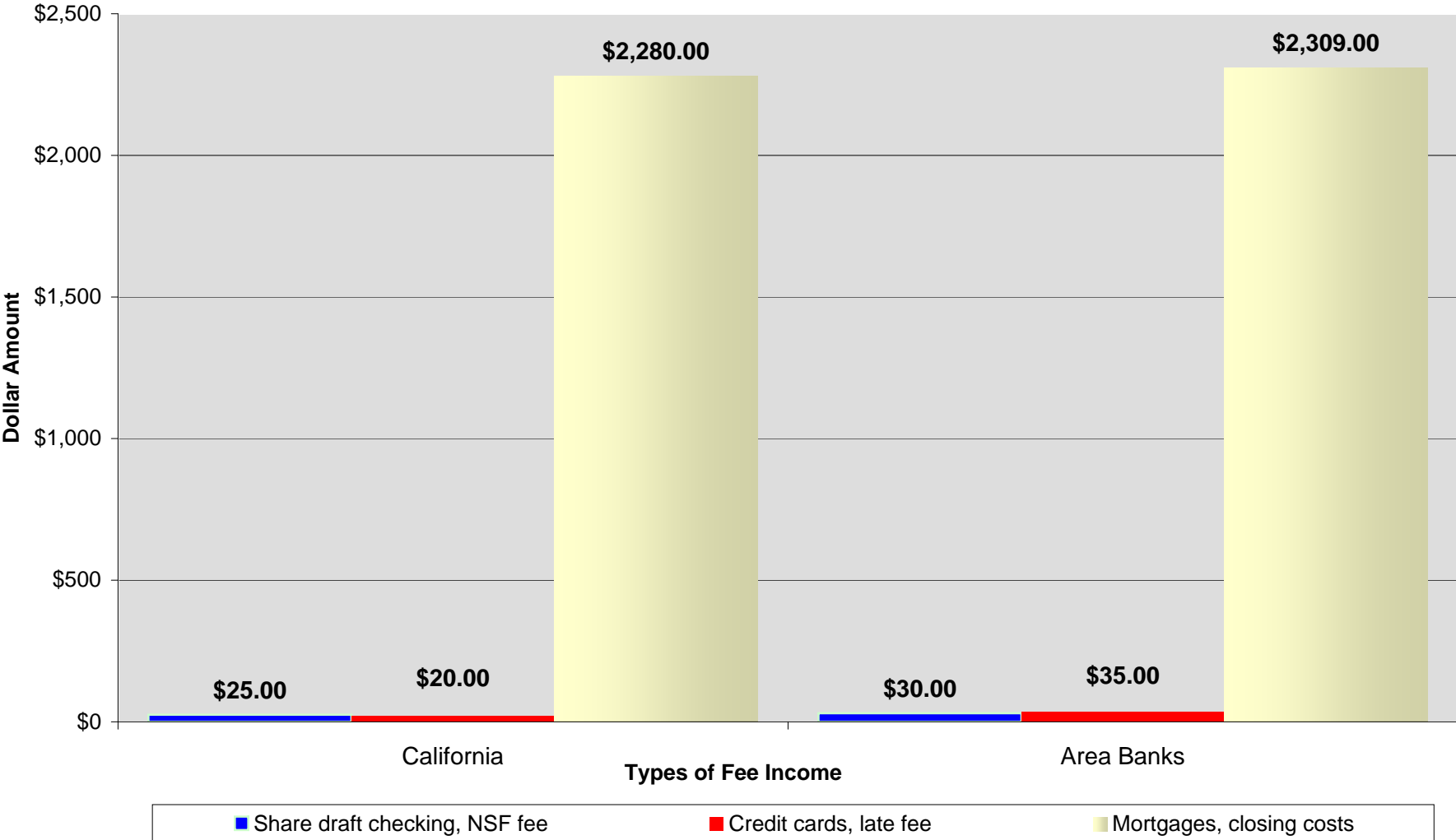
## Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



## 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

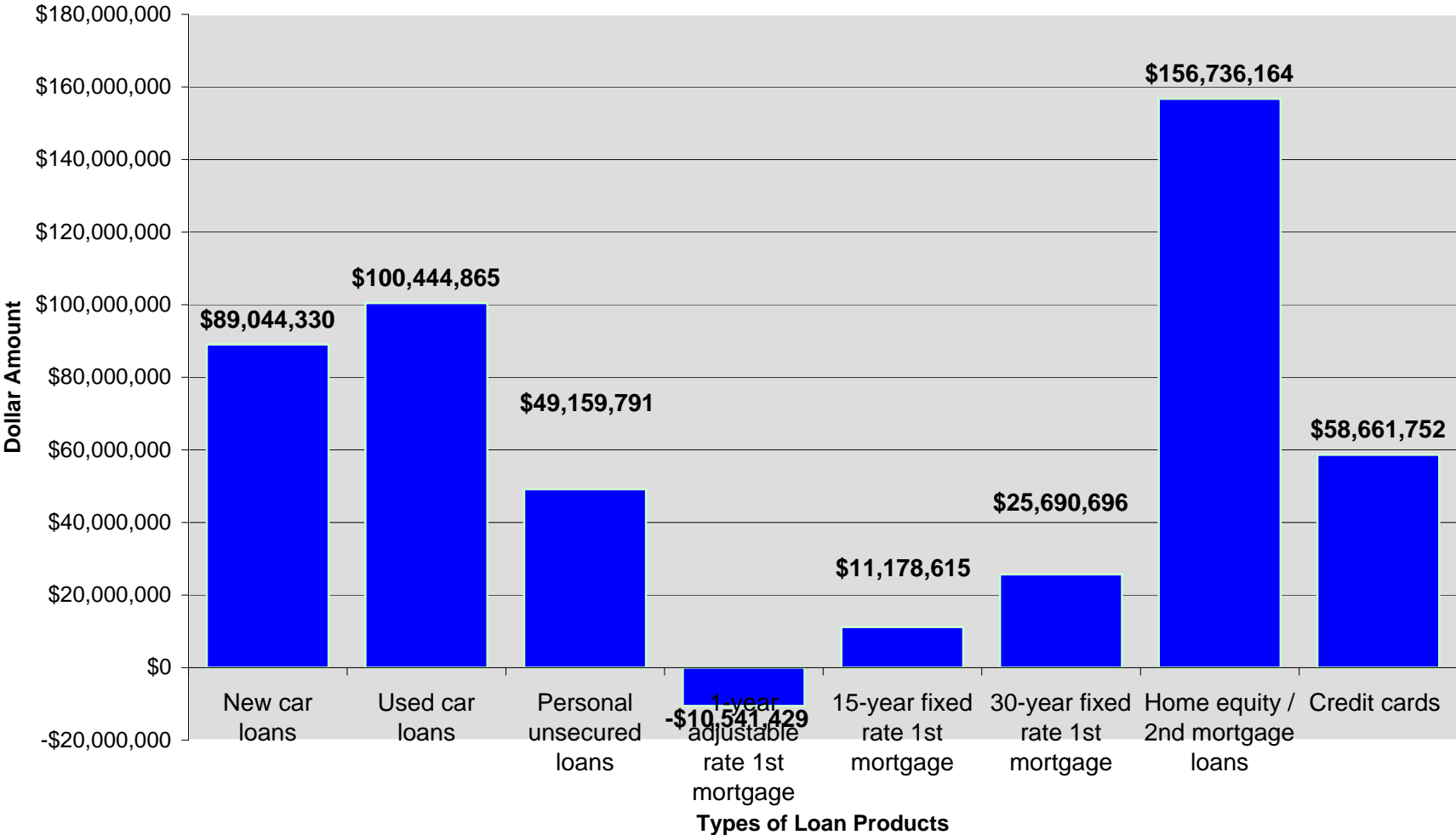


**California**  
**Credit Union and Banking Institution**  
**Third Quarter 2009 Average Interest Rates and Fees**

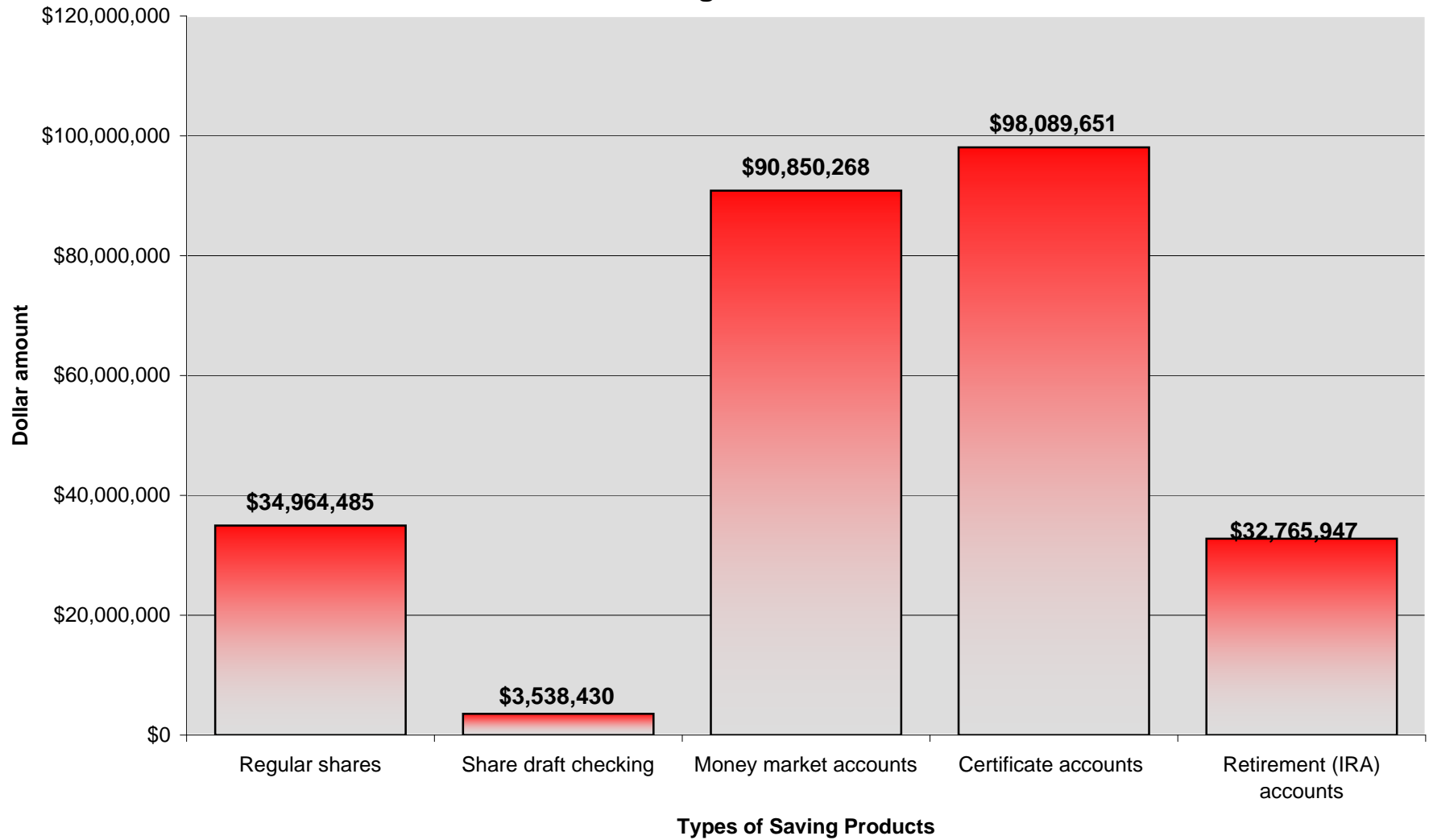
<b>Loan Products</b>	<b>Average Rate at Credit Unions (%)</b>	<b>Average Rate at Banks (%)</b>	<b>Rate Difference vs. Banks (%)</b>
60-month new car (A paper)	5.70	6.55	-0.85
48-month used car (A paper)	5.99	6.87	-0.89
Unsecured loan (A paper)	11.82	13.90	-2.09
1-year adjustable rate 1st mortgage, 0 pts	5.14	5.08	0.06
15-year fixed rate 1st mortgage, 0 pts	5.31	5.53	-0.22
30-year fixed rate 1st mortgage, 0 pts	5.74	5.91	-0.17
Home equity / 2nd mtg, 80% LTV 0 pts	4.86	5.93	-1.07
Credit card - classic	12.23	14.12	-1.89
Credit card - gold	10.11	9.84	0.27
<b>Savings Products</b>			
Regular savings, \$1,000 balance	0.44	0.31	0.14
Share draft checking, \$5,000 balance	0.31	0.28	0.04
Money market accounts	1.55	1.16	0.40
1 Year certificate \$10,000 balance	2.12	1.83	0.29
Retirement (IRA) accounts	1.83	1.49	0.34
<b>Fee Income</b>			
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 Third Quarter 2009

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. California Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	10,537,790,479	-0.85	\$89,044,330
Used car loans	11,349,702,316	-0.89	\$100,444,865
Personal unsecured loans	2,357,783,742	-2.09	\$49,159,791
1-year adjustable rate 1st mortgage	17,569,048,863	0.06	-\$10,541,429
15-year fixed rate 1st mortgage	5,081,188,803	-0.22	\$11,178,615
30-year fixed rate 1st mortgage	15,112,174,095	-0.17	\$25,690,696
Home equity / 2nd mortgage loans	14,717,010,741	-1.07	\$156,736,164
Credit cards	4,349,342,150	-1.89	\$58,661,752
Interest rebates in period			\$15,733
<b>Total CU member benefits arising from lower interest rates on loan products:</b>			<b>\$480,390,518</b>
<u>Savings</u>			
Regular shares	25,899,618,365	0.14	\$34,964,485
Share draft checking	10,109,801,173	0.04	\$3,538,430
Money market accounts	23,000,067,960	0.40	\$90,850,268
Certificate accounts	34,417,421,462	0.29	\$98,089,651
Retirement (IRA) accounts	9,637,043,204	0.34	\$32,765,947
Bonus dividends in period			\$0
<b>Total CU member benefit arising from higher interest rates on saving products:</b>			<b>\$260,208,782</b>
<u>Fee Income</u>			
<b>Total CU member benefit arising from fewer/lower fees:</b>			<b>\$208,554,759</b>
<b>Total CU member benefit arising from interest rates on loan and savings products and lower fees:</b>			<b>\$949,154,058</b>
<b>Total CU member benefit / member:</b>			<b>\$95</b>
<b>Total CU member benefit / member household:</b>			<b>\$181</b>

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**

<b>Demographic Information</b>	<b>Sep-09</b>	<b>Sep-08</b>
Number of branches	1730	1824
Total assets (\$ mil)	127,266	123,781
Total loans (\$ mil)	82,011	87,733
Total surplus funds (\$ mil)	41,781	31,827
Total savings (\$ mil)	106,809	103,354
Total members (thousands)	10,005	10,153
<b>Growth Rates (Year-to-date)</b>		
Total assets	4.2 %	4.0 %
Total loans	-5.2 %	2.9 %
Total surplus funds	30.9 %	8.9 %
Total savings	4.0 %	3.7 %
Total members	0.2 %	2.0 %
<b>Earnings - Basis Pts.</b>		
Yield on total assets	489	560
Dividend/interest cost of assets	173	259
Fee & other income *	141	126
Operating expense	282	305
Loss Provisions	190	110
Net Income (ROA) after stabilization exp *	-57	12
<b>Capital adequacy</b>		
Net worth / assets	9.2	10.8
<b>Asset quality</b>		
Delinquencies / loans	2.3	1.2
Net chargeoffs / average loans	1.8	1.0
Total borrower-bankruptcies	76	47
Bankruptcies per 1000 members	3.6	2.3
<b>Asset/Liability Management</b>		
Loans / savings	76.8	84.9
Loans / assets	64.4	70.9
Long-term assets / assets	39.3	35.9
Core deposits/shares & borrowings	33.9	32.9
<b>Productivity</b>		
Members/potential members	4.4	5.1
Borrowers/members	48.2	50.8
Members/FTE	390	369
Average shares/members (\$)	10,675	10,179
Average loan balances (\$)	16,990	17,008
Salary & Benefits/FTE	70,647	69,096

**\*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.**