

# ***The Benefits of Membership***

*Customized Analysis of Member Benefits For:*

**California**

***December 2007***

*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 \$1,732,309,383 in direct financial benefits to the state's 9,938,712 members during the twelve months ending December 2007.

**These benefits are equivalent to \$174 per member or \$331 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 \$207 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.

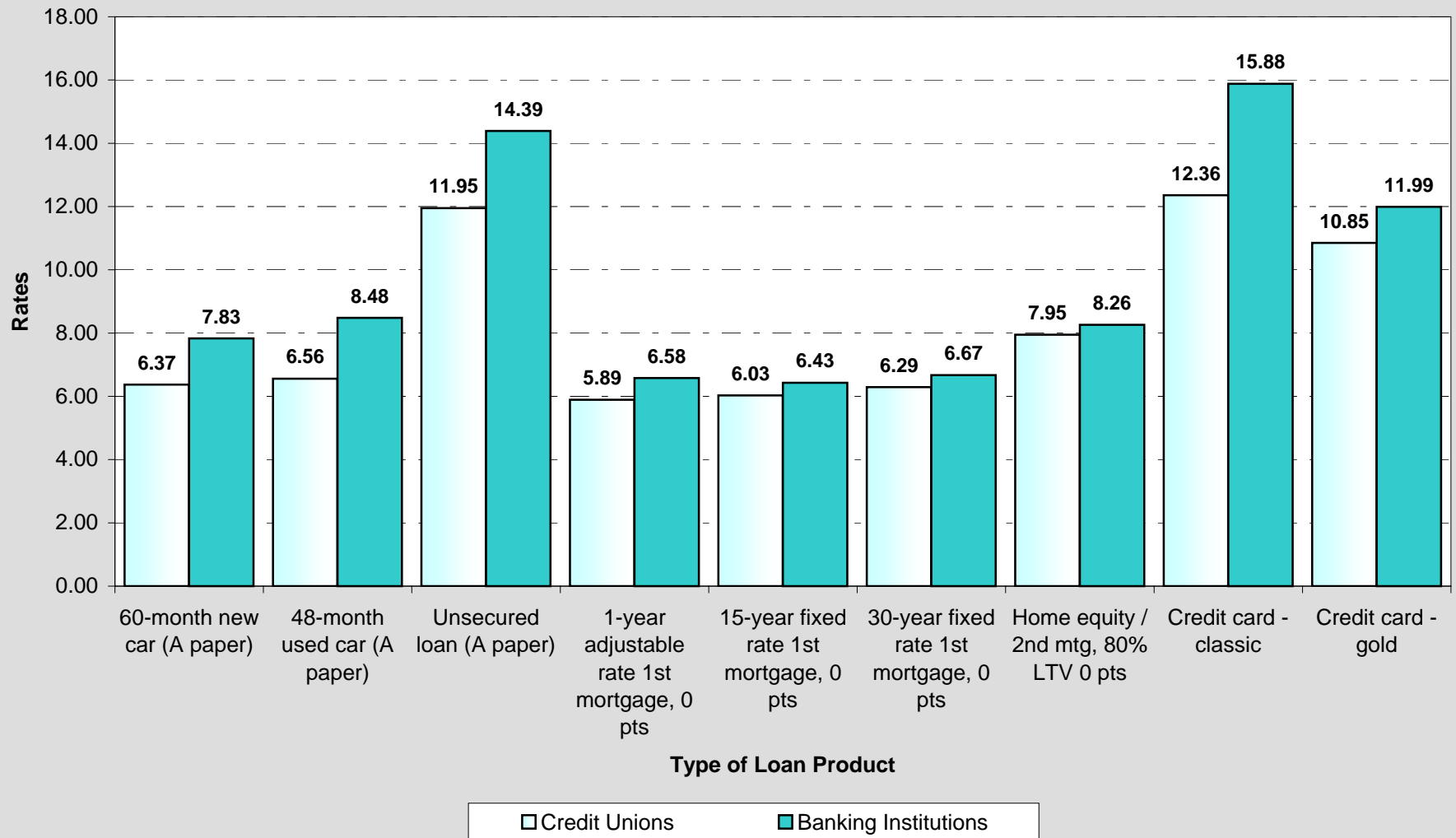


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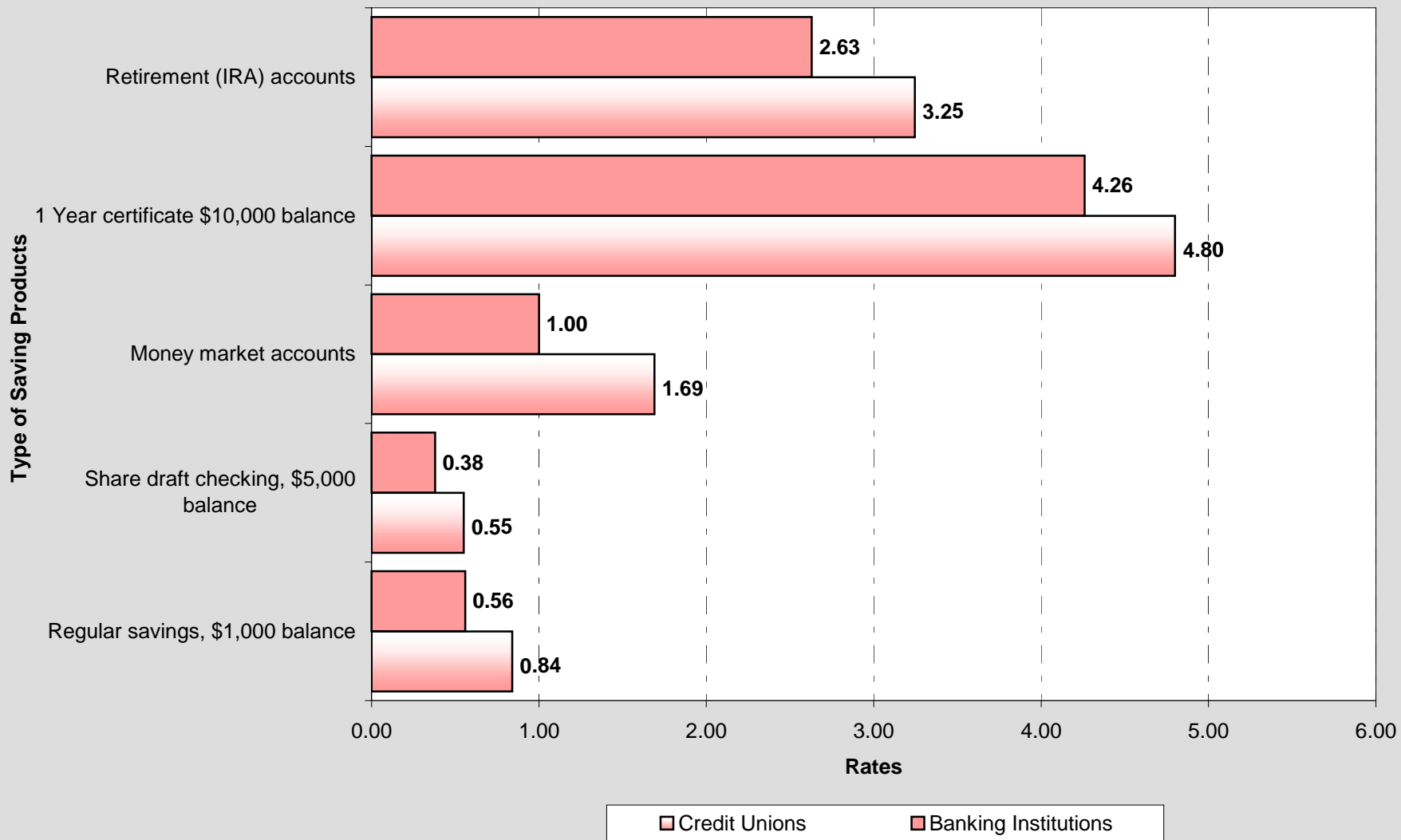
Source: Datatrac, NCUA, and CUNA.

(1)Assumes 1.9 credit union members per household.

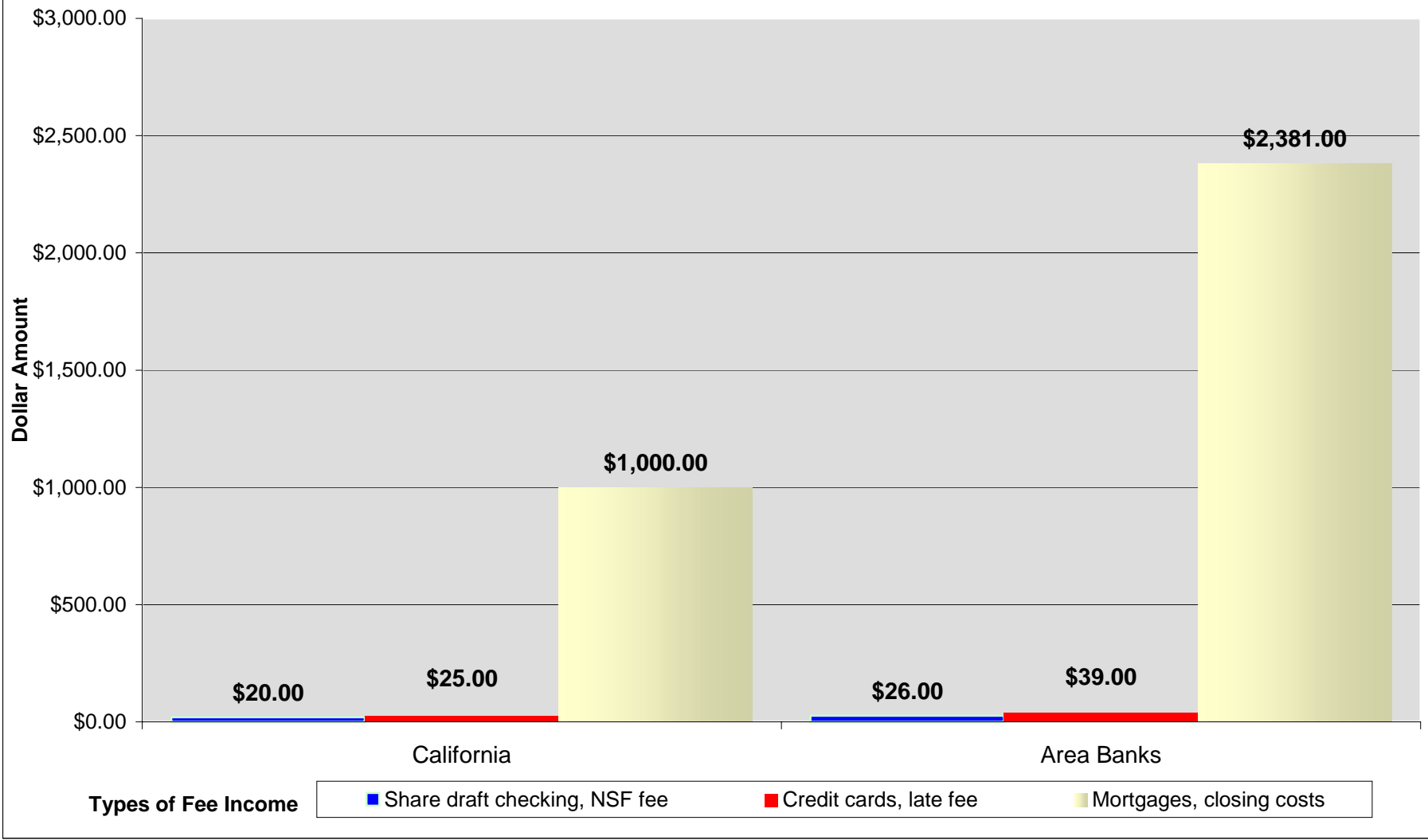
## Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



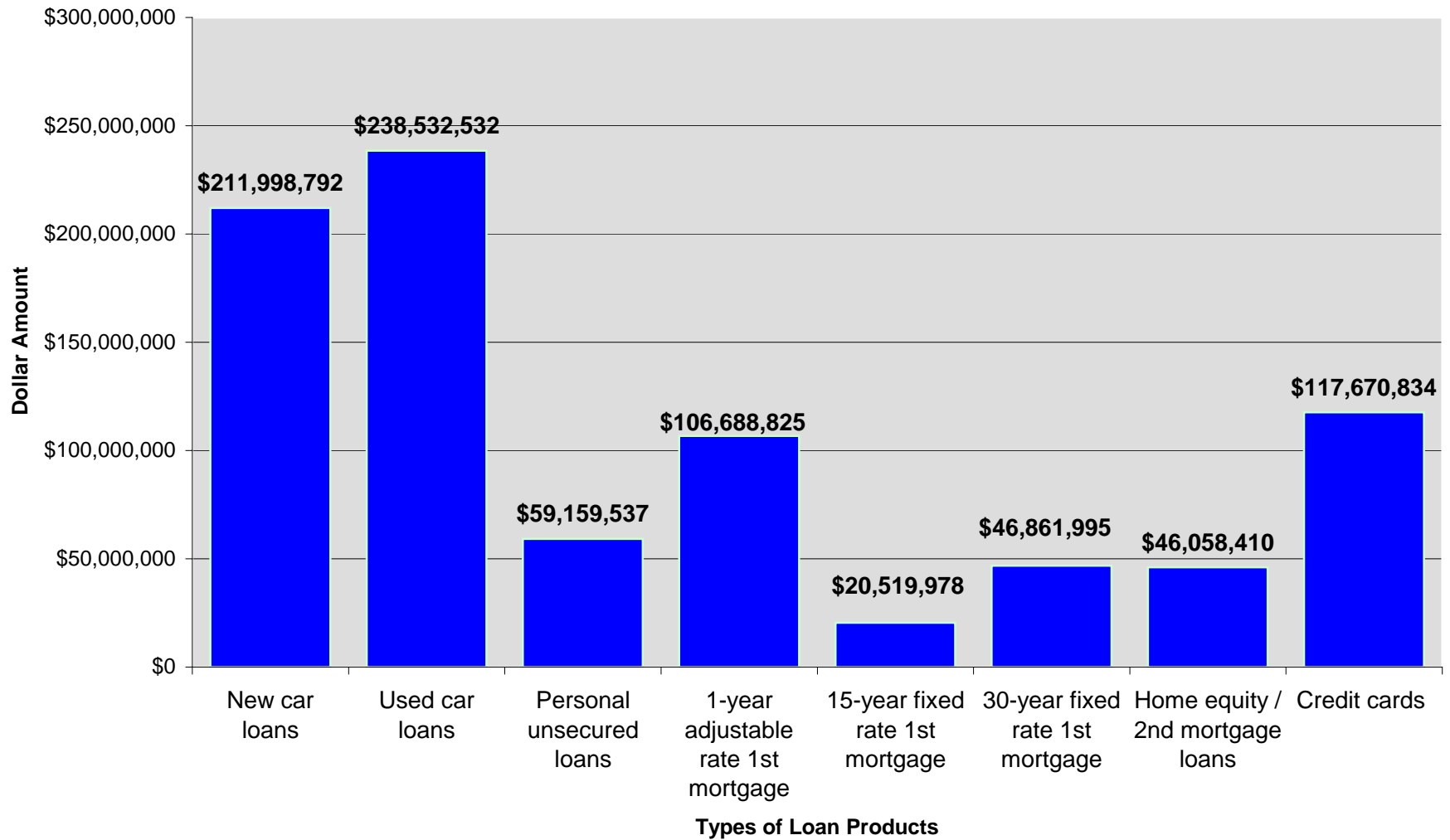
### Selected Credit Union Fees compared to Banking Institutions



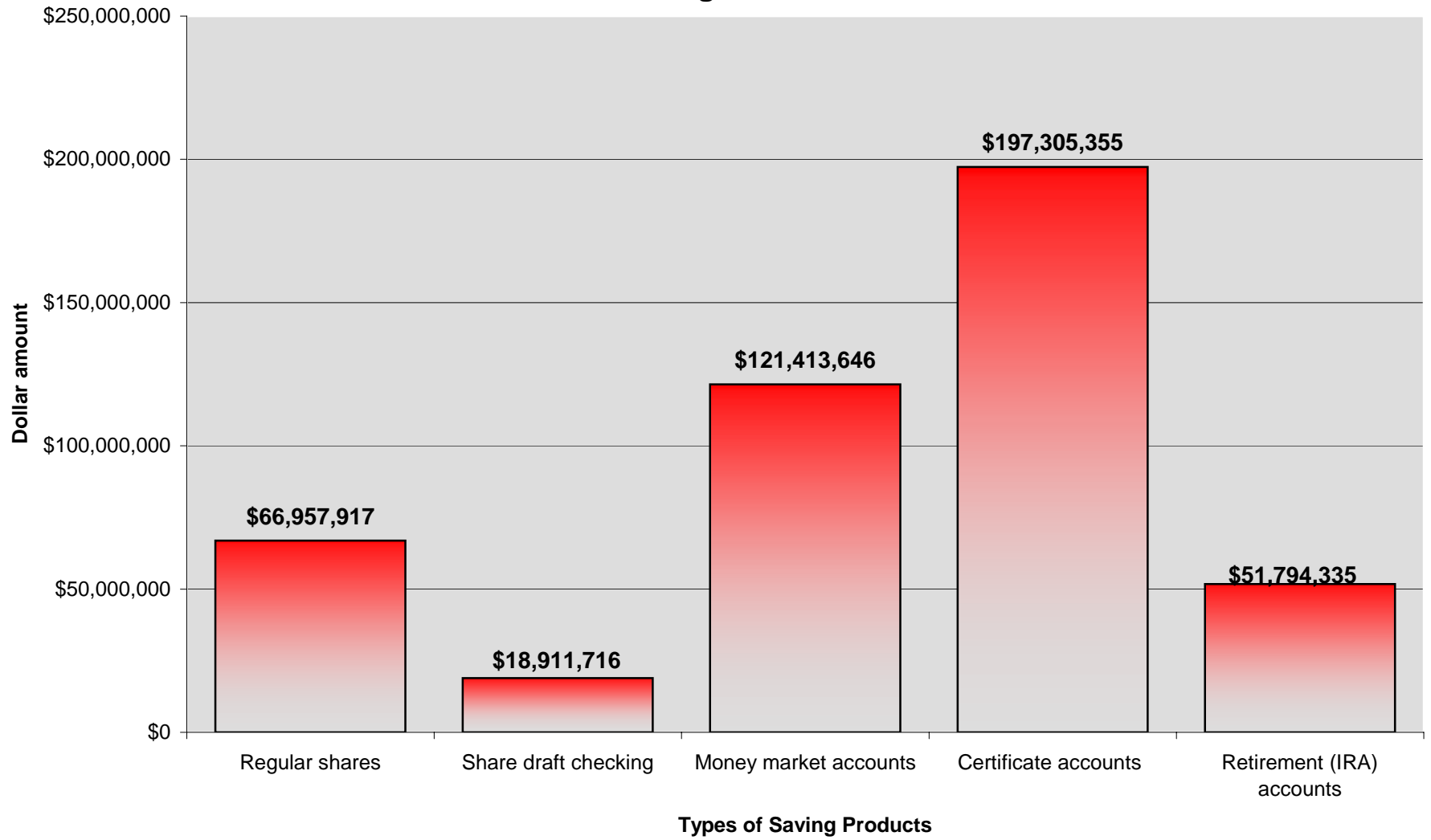
**Recent Interest Rates at Credit Unions  
and  
Banking Institutions in California**

<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)	6.37	7.83	-1.46
48-month used car (A paper)	6.56	8.48	-1.92
Unsecured loan (A paper)	11.95	14.39	-2.44
1-year adjustable rate 1st mortgage, 0 pts	5.89	6.58	-0.69
15-year fixed rate 1st mortgage, 0 pts	6.03	6.43	-0.40
30-year fixed rate 1st mortgage, 0 pts	6.29	6.67	-0.38
Home equity / 2nd mtg, 80% LTV 0 pts	7.95	8.26	-0.31
Credit card - classic	12.36	15.88	-3.52
Credit card - gold	10.85	11.99	-1.14
<b>Savings Products</b>			
Regular savings, \$1,000 balance	0.84	0.56	0.28
Share draft checking, \$5,000 balance	0.55	0.38	0.17
Money market accounts	1.69	1.00	0.69
1 Year certificate \$10,000 balance	4.80	4.26	0.54
Retirement (IRA) accounts	3.25	2.63	0.62
<b>Fee Income</b>			
Share draft checking, NSF fee	\$20.00	\$26.00	-\$6.00
Credit cards, late fee	\$25.00	\$39.00	-\$14.00
Mortgages, closing costs	\$1,000.00	\$2,381.00	-\$1,381.00

## Estimated Credit Union Loan Rate Benefits vs. Banking Institutions



### Estimated Credit Union Savings Dividend Benefits vs. Banking Institutions



## Estimated California Credit Unions Financial Benefits Year-End 2007

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. California Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	14,520,465,206	-1.46	\$211,998,792
Used car loans	12,423,569,388	-1.92	\$238,532,532
Personal unsecured loans	2,424,571,185	-2.44	\$59,159,537
1-year adjustable rate 1st mortgage	15,462,148,497	-0.69	\$106,688,825
15-year fixed rate 1st mortgage	5,129,994,393	-0.40	\$20,519,978
30-year fixed rate 1st mortgage	12,332,103,903	-0.38	\$46,861,995
Home equity / 2nd mortgage loans	14,857,551,745	-0.31	\$46,058,410
Credit cards	4,022,934,500	-3.52	\$117,670,834
Interest rebates in period			\$1,763,145
<b>Total CU member benefits arising from lower interest rates on loan products:</b>			<b>\$849,254,048</b>
<u>Savings</u>			
Regular shares	23,913,541,689	0.28	\$66,957,917
Share draft checking	11,124,539,083	0.17	\$18,911,716
Money market accounts	17,596,180,647	0.69	\$121,413,646
Certificate accounts	36,538,028,747	0.54	\$197,305,355
Retirement (IRA) accounts	8,421,843,116	0.62	\$51,794,335
Bonus dividends in period			\$0
<b>Total CU member benefit arising from higher interest rates on saving products:</b>			<b>\$456,382,970</b>
<u>Fee Income</u>			
<b>Total CU member benefit arising from fewer/lower fees:</b>			<b>\$426,672,365</b>
<b>Total CU member benefit arising from interest rates on loan and savings products and lower fees:</b>			<b>\$1,732,309,383</b>
<b>Total CU member benefit / member:</b>			<b>\$174</b>
<b>Total CU member benefit / member household:</b>			<b>\$331</b>

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;

**California  
Performance Profile**

<b>Demographic Information</b>	<b>Dec-07</b>	<b>Dec-06</b>
Number of branches	1824	1763
Total assets (\$ mil)	120,606,757,194	116,044,134,775
Total loans (\$ mil)	86,603,137,475	82,777,845,444
Total surplus funds (\$ mil)	29,536,027,170	29,052,487,303
Total savings (\$ mil)	101,015,344,874	98,133,583,362
Total members (thousands)	10,098,563	9,936,707
<b>Growth Rates</b>		
Total assets	5.2 %	5.2 %
Total loans	6.0 %	9.9 %
Total surplus funds	2.6 %	-7.5 %
Total savings	4.2 %	4.6 %
Total members	3.3 %	1.8 %
<b>Earnings - Basis Pts.</b>		
Yield on total assets	586	546
- Dividend/interest cost of assets	298	246
+ Fee & other income	114	102
- Operating expense	304	295
- Loss Provisions	58	27
= Net Income (ROA)	40	79
<b>Capital adequacy</b>		
Net worth / assets	10.9	11.0
<b>Asset quality</b>		
Delinquencies / loans	0.9	0.5
Net chargeoffs / average loans	0.6	0.4
Total borrower-bankruptcies	32	16
Bankruptcies per 1000 members	1.6	0.9
<b>Asset/Liability Management</b>		
Loans / savings	85.7	84.4
Loans / assets	71.8	71.3
Long-term assets / assets	32.8	30.2
Core deposits/shares & borrowings	33.0	36.0
<b>Productivity</b>		
Members/potential members	5.1	5.3
Borrowers/members	52.0	51.9
Members/FTE	366	373
Average shares/members (\$)	10,003	9,876
Average loan balances (\$)	16,478	16,057
Salary & Benefits/FTE	65,784	63,331