

The Benefits of Membership

Customized Analysis of Member Benefits For:

Hawaii

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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.

Hawaii

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 Hawaii credit unions provided \$58,838,257 in direct financial benefits to the state's 809,743 members during the twelve months ending September 2009.

These benefits are equivalent to \$73 per member or \$138 per member household ⁽¹⁾.

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

Consider this:

Financing a \$25,000 new automobile for 60 months at a Hawaii credit union will save members an average \$163 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.

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

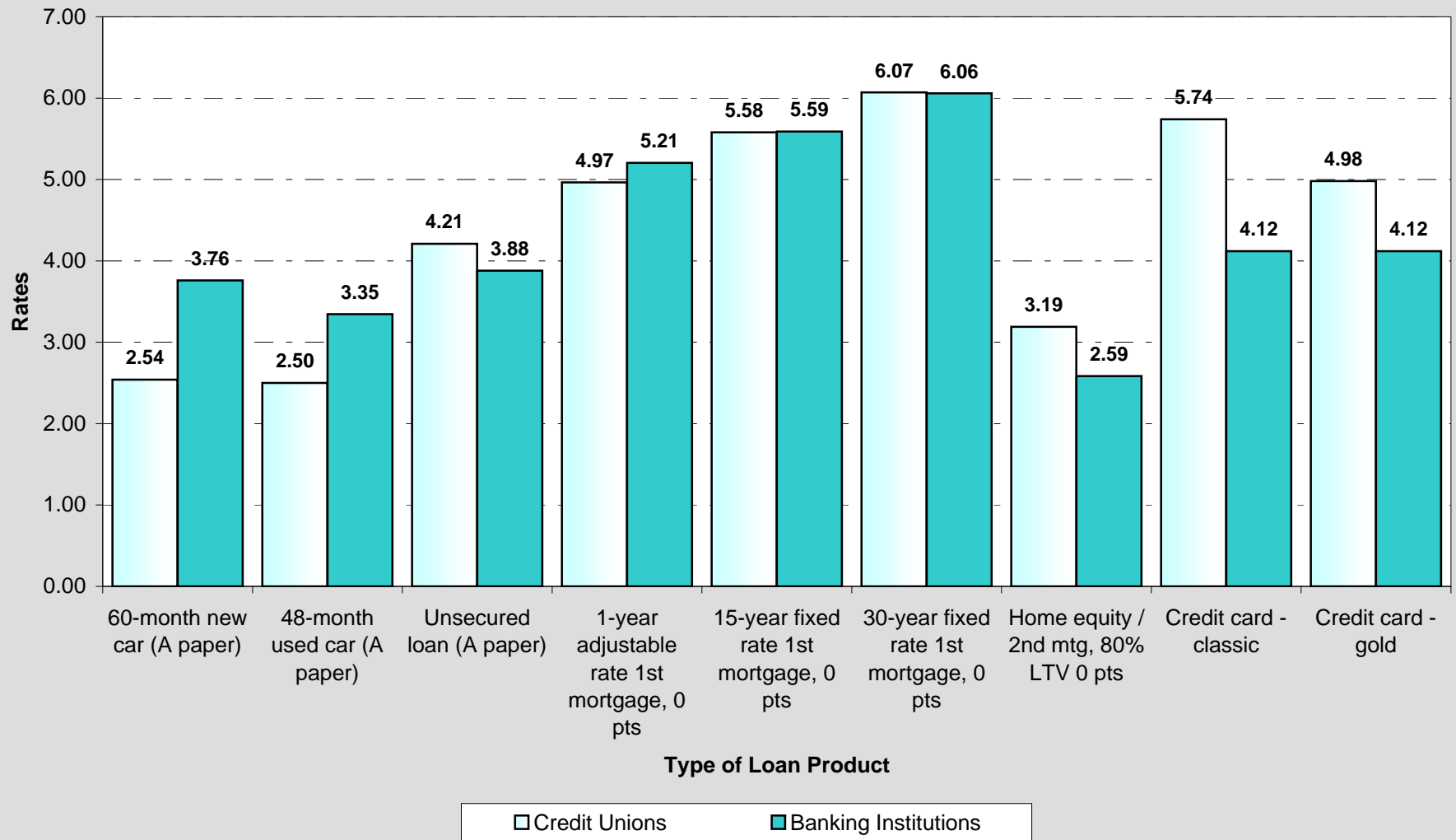
Hawaii credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



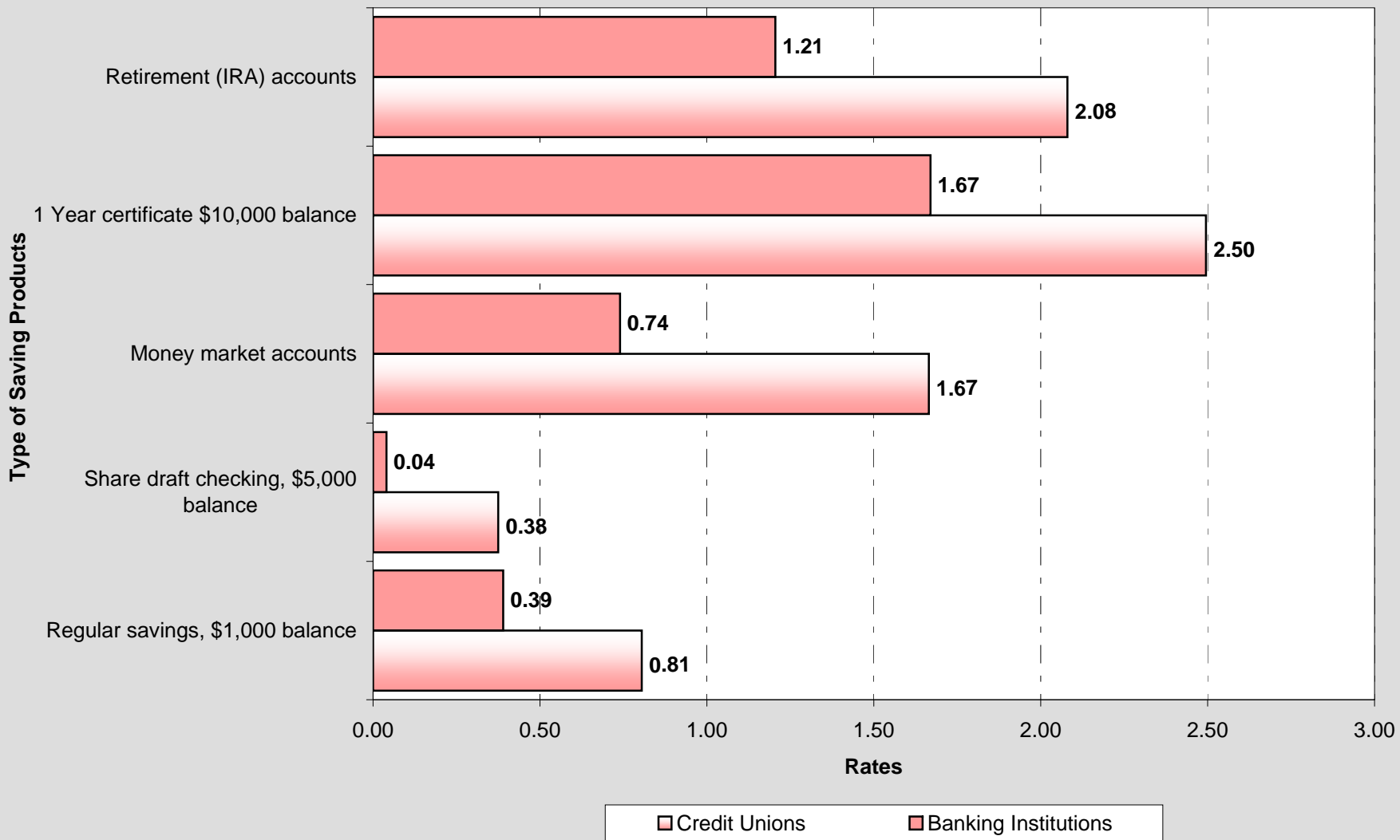
Source: Datatrac, NCUA, and CUNA.

(1)Assumes 1.9 credit union members per household.

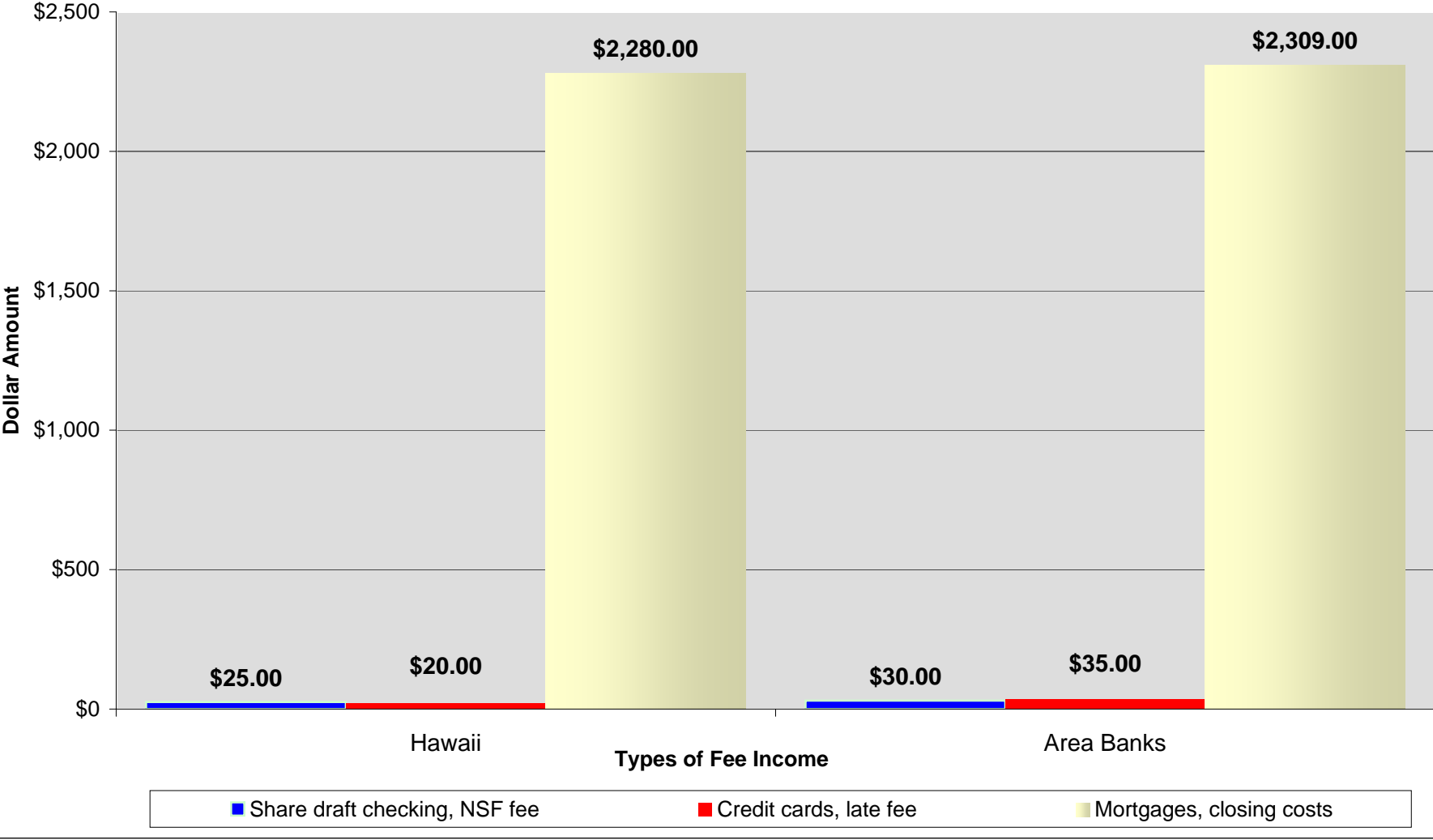
Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



Selected Third Quarter 2009 Credit Union Fees compared to Banking Institutions

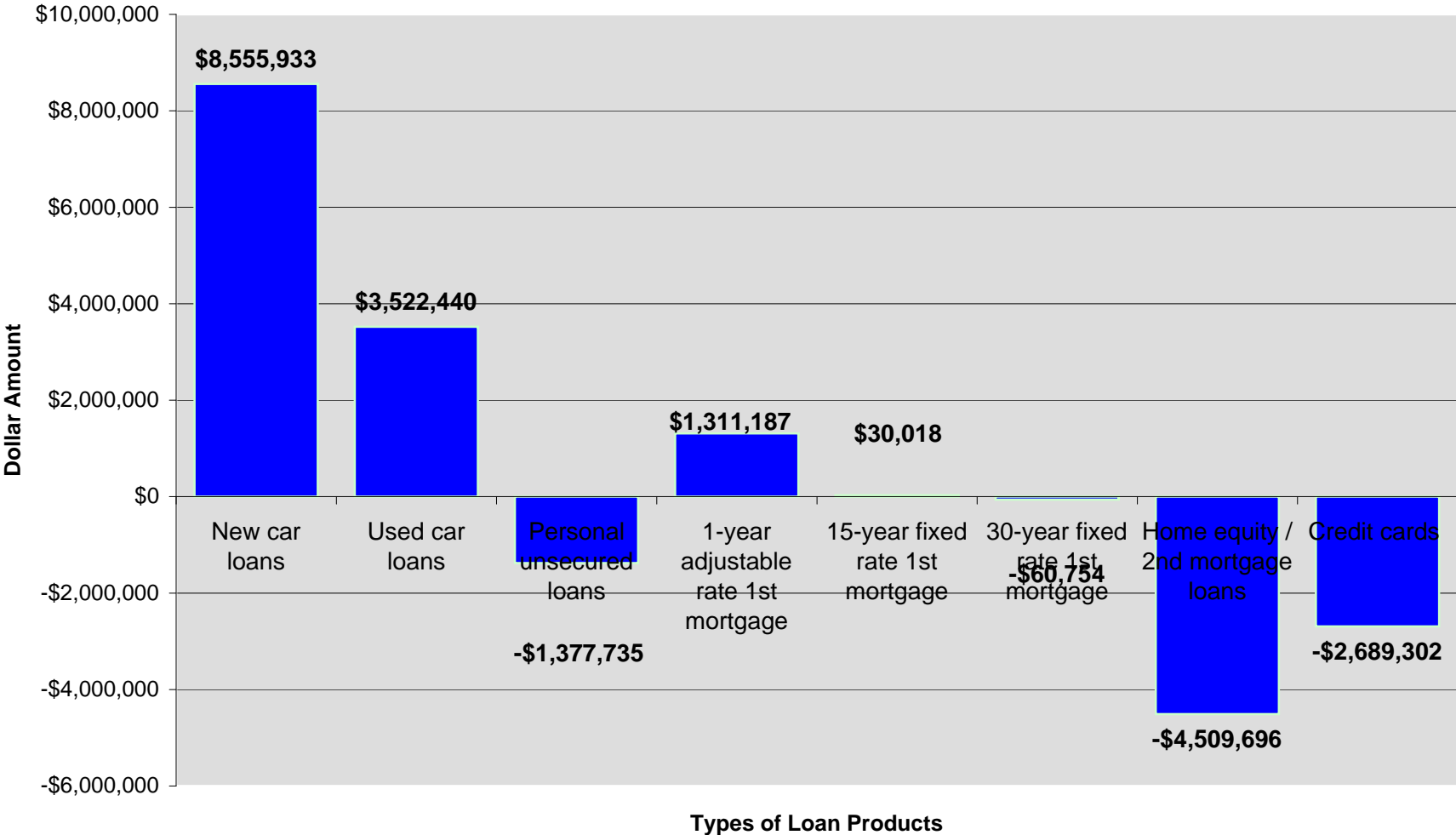


Hawaii
Credit Union and Banking Institution
Third Quarter 2009 Average Interest Rates and Fees

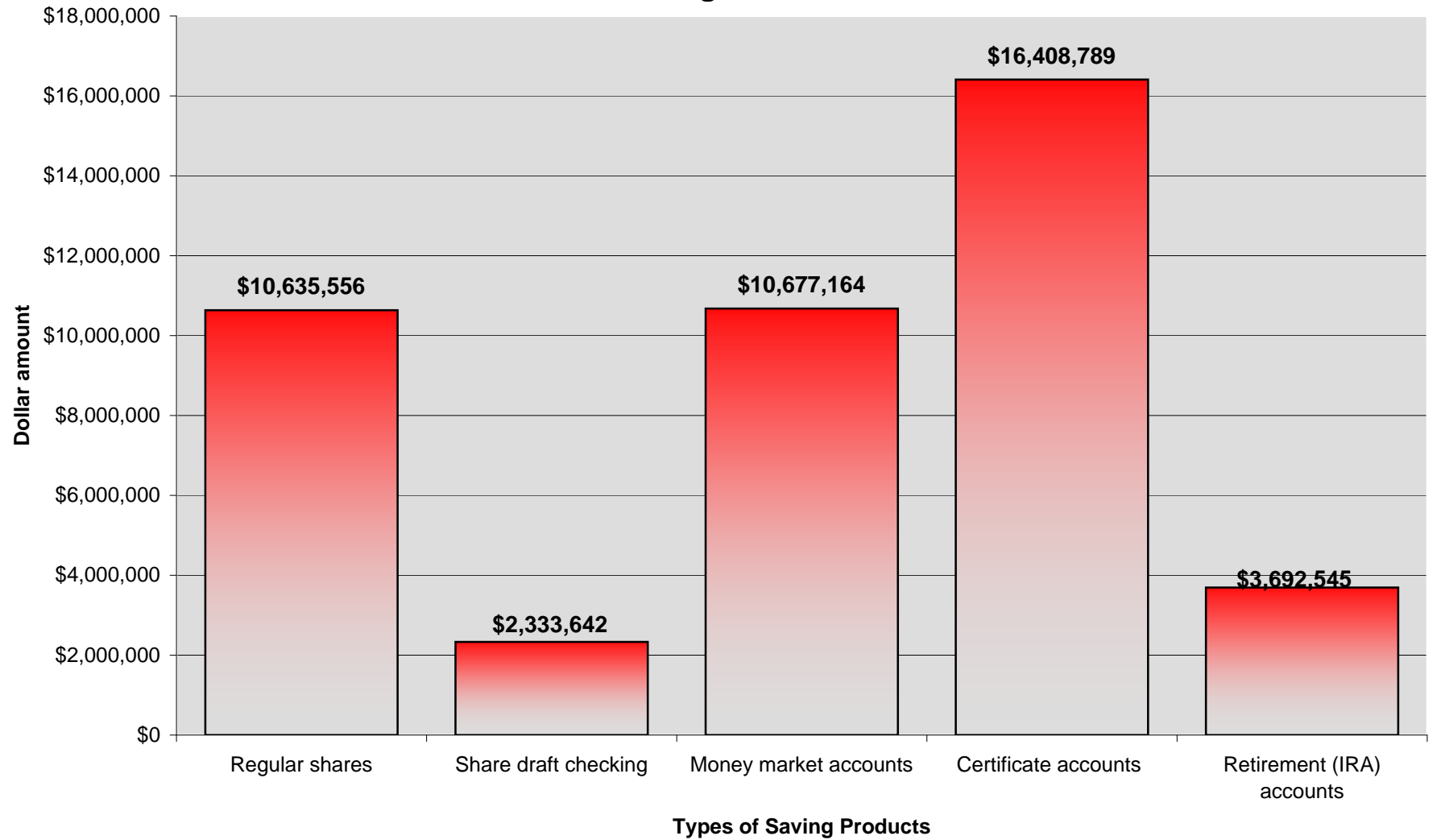
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	2.54	3.76	-1.22
48-month used car (A paper)	2.50	3.35	-0.85
Unsecured loan (A paper)	4.21	3.88	0.33
1-year adjustable rate 1st mortgage, 0 pts	4.97	5.21	-0.24
15-year fixed 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	3.19	2.59	0.61
Credit card - classic	5.74	4.12	1.62
Credit card - gold	4.98	4.12	0.86
Savings Products			
Regular savings, \$1,000 balance	0.81	0.39	0.42
Share draft checking, \$5,000 balance	0.38	0.04	0.34
Money market accounts	1.67	0.74	0.93
1 Year certificate \$10,000 balance	2.50	1.67	0.83
Retirement (IRA) accounts	2.08	1.21	0.88
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 Hawaii Credit Unions Financial Benefits Third Quarter 2009

	Avg. Balance at Credit Unions (1)	Rate Difference vs. Hawaii Banks (%) (2)	Total Financial Benefit to Your Members
<u>Loans</u>			
New car loans	701,305,962	-1.22	\$8,555,933
Used car loans	416,856,786	-0.85	\$3,522,440
Personal unsecured loans	417,495,572	0.33	-\$1,377,735
1-year adjustable rate 1st mortgage	546,327,737	-0.24	\$1,311,187
15-year fixed rate 1st mortgage	300,184,312	-0.01	\$30,018
30-year fixed rate 1st mortgage	607,536,671	0.01	-\$60,754
Home equity / 2nd mortgage loans	745,404,349	0.61	-\$4,509,696
Credit cards	188,063,097	1.62	-\$2,689,302
Interest rebates in period			\$146,301
Total CU member benefits arising from lower interest rates on loan products:			\$4,928,391
<u>Savings</u>			
Regular shares	2,562,784,602	0.42	\$10,635,556
Share draft checking	696,609,610	0.34	\$2,333,642
Money market accounts	1,154,287,967	0.93	\$10,677,164
Certificate accounts	1,988,944,153	0.83	\$16,408,789
Retirement (IRA) accounts	422,005,102	0.88	\$3,692,545
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$43,747,696
<u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$10,162,170
Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$58,838,257
Total CU member benefit / member:			\$73
Total CU member benefit / member household:			\$138

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;

Hawaii
Performance Profile

Demographic Information	Sep-09	Sep-08
Number of branches	191	173
Total assets (\$ mil)	8,861	7,790
Total loans (\$ mil)	4,301	4,146
Total surplus funds (\$ mil)	4,252	3,362
Total savings (\$ mil)	7,591	6,727
Total members (thousands)	861	862
Growth Rates (Year-to-date)		
Total assets	13.0 %	6.1 %
Total loans	1.8 %	5.0 %
Total surplus funds	26.6 %	8.3 %
Total savings	11.1 %	6.3 %
Total members	0.4 %	0.3 %
Earnings - Basis Pts.		
Yield on total assets	463	536
Dividend/interest cost of assets	151	195
Fee & other income *	156	90
Operating expense	294	316
Loss Provisions	54	36
Net Income (ROA) after stabilization exp *	97	80
Capital adequacy		
Net worth / assets	10.8	12.6
Asset quality		
Delinquencies / loans	1.4	0.8
Net chargeoffs / average loans	0.8	0.6
Total borrower-bankruptcies	8	5
Bankruptcies per 1000 members	0.9	0.6
Asset/Liability Management		
Loans / savings	56.7	61.6
Loans / assets	48.5	53.2
Long-term assets / assets	33.2	32.2
Core deposits/shares & borrowings	45.0	48.0
Productivity		
Members/potential members	13.1	15.2
Borrowers/members	38.0	39.5
Members/FTE	394	396
Average shares/members (\$)	8,821	7,805
Average loan balances (\$)	13,165	12,176
Salary & Benefits/FTE	55,898	53,929

***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.**