

# ***The Benefits of Membership***

*Customized Analysis of Member Benefits For:*

**Hawaii**

***December 2008***

*Prepared by:*

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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.

# 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 \$105,419,272 in direct financial benefits to the state's 805,756 members during the twelve months ending December 2008.

**These benefits are equivalent to \$131 per member or \$249 per member household <sup>(1)</sup>.**

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 \$179 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, personal unsecured loans, first mortgage-fixed rate, first mortgage-adjustable rate, home equity loans, credit cards loans.

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

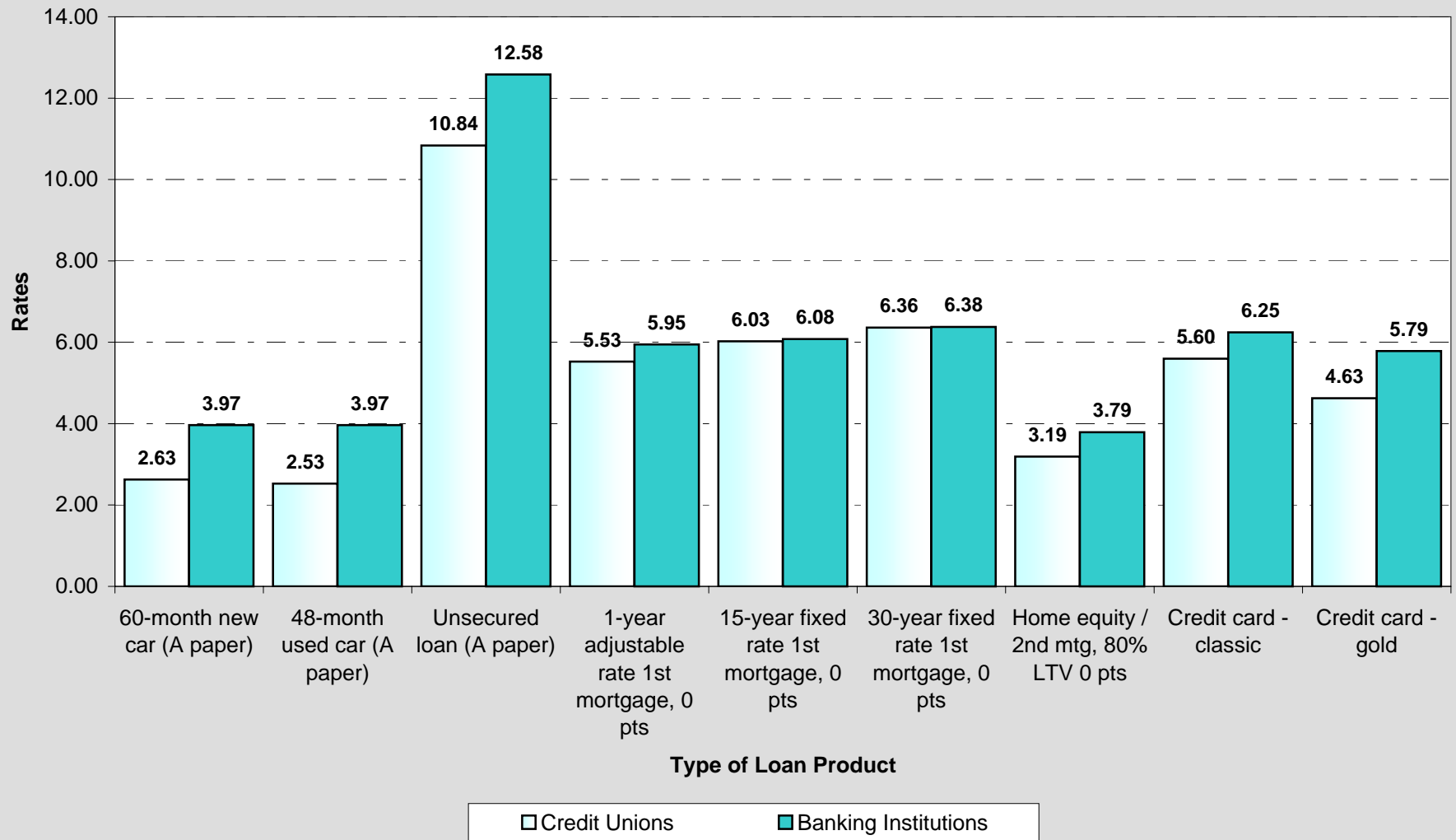


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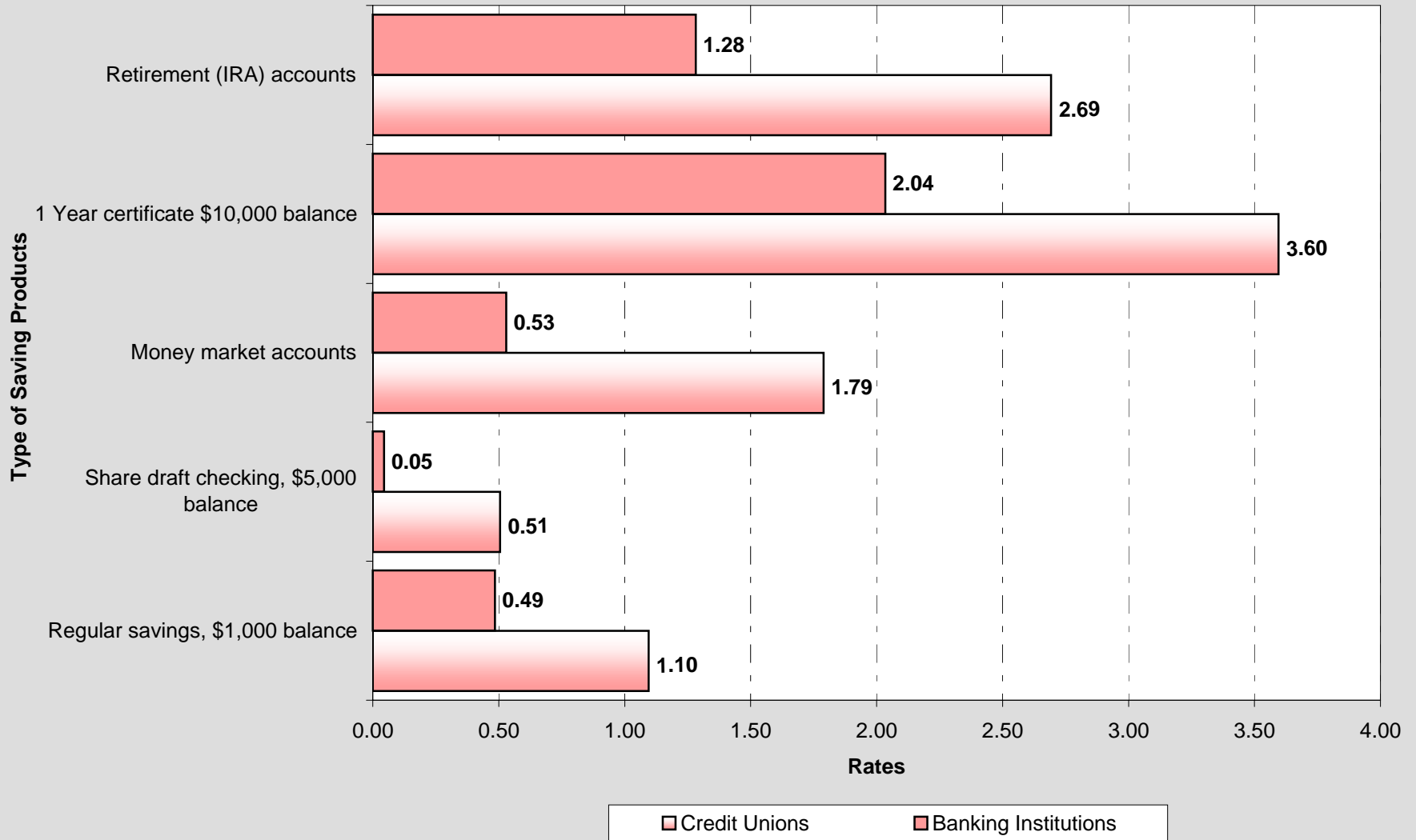
Source: Datatrac, NCUA, and CUNA.

(1) Assumes 1.9 credit union members per household.

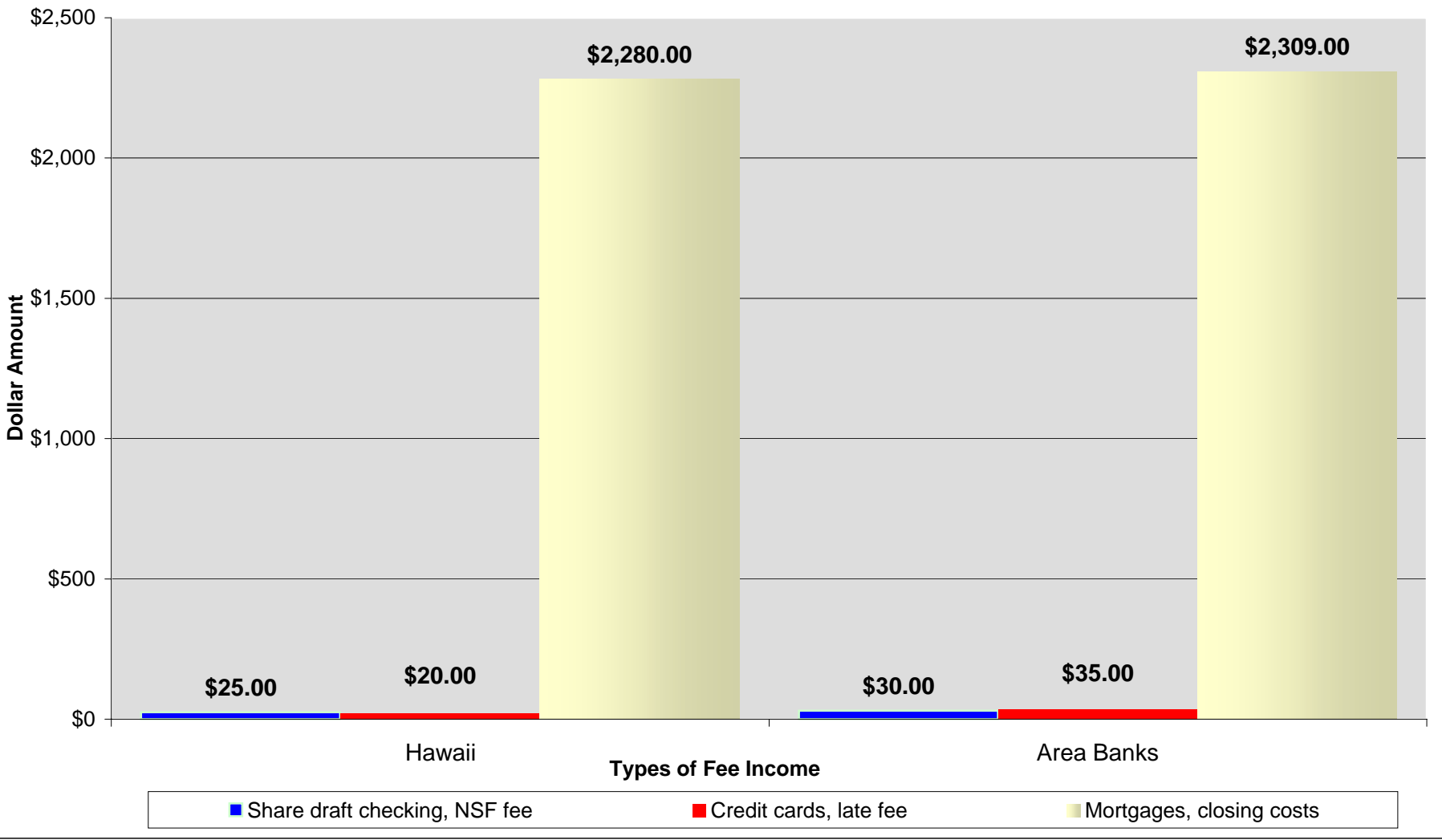
## Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



### Selected 2008 Credit Union Fees compared to Banking Institutions

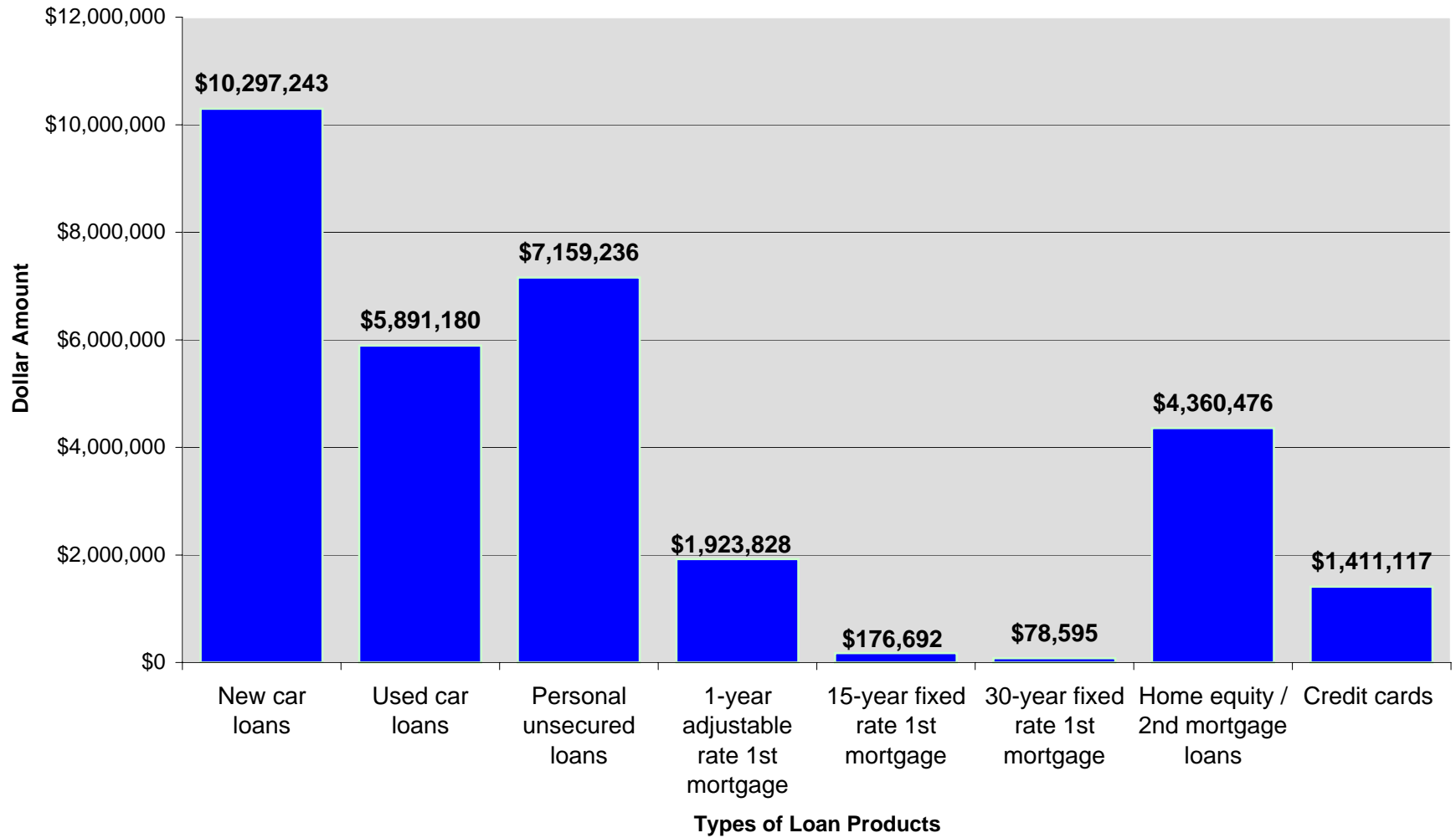


**Hawaii**  
**Credit Union and Banking Instituion**  
**2008 Average Interest Rates and Fees**

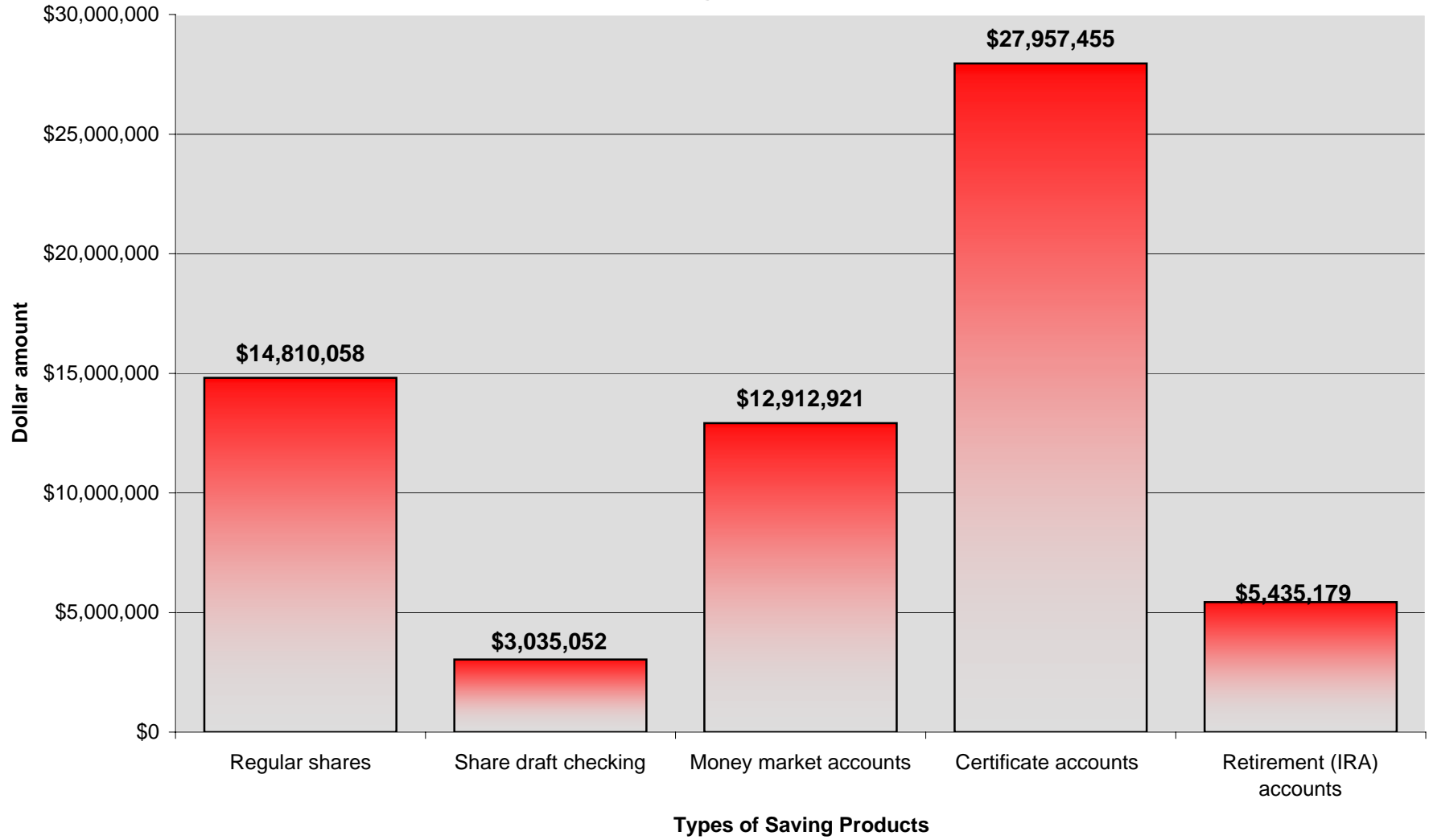
<b>Loan Products</b>	<b>Average Rate at Credit Unions (%)</b>	<b>Average Rate at Banks (%)</b>	<b>Rate Difference vs. Banks (%)</b>
60-month new car (A paper)	2.63	3.97	-1.34
48-month used car (A paper)	2.53	3.97	-1.44
Unsecured loan (A paper)	10.84	12.58	-1.75
1-year adjustable rate 1st mortgage, 0 pts	5.53	5.95	-0.42
15-year fixed rate 1st mortgage, 0 pts	6.03	6.08	-0.05
30-year fixed rate 1st mortgage, 0 pts	6.36	6.38	-0.01
Home equity / 2nd mtg, 80% LTV 0 pts	3.19	3.79	-0.60
Credit card - classic	5.60	6.25	-0.65
Credit card - gold	4.63	5.79	-1.16
<b>Savings Products</b>			
Regular savings, \$1,000 balance	1.10	0.49	0.61
Share draft checking, \$5,000 balance	0.51	0.05	0.46
Money market accounts	1.79	0.53	1.26
1 Year certificate \$10,000 balance	3.60	2.04	1.56
Retirement (IRA) accounts	2.69	1.28	1.41
<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 Hawaii Credit Unions Financial Benefits

2008

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Hawaii Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	768,450,996	-1.34	\$10,297,243
Used car loans	409,109,712	-1.44	\$5,891,180
Personal unsecured loans	410,271,393	-1.75	\$7,159,236
1-year adjustable rate 1st mortgage	458,054,346	-0.42	\$1,923,828
15-year fixed rate 1st mortgage	321,257,661	-0.05	\$176,692
30-year fixed rate 1st mortgage	523,968,820	-0.01	\$78,595
Home equity / 2nd mortgage loans	726,746,015	-0.60	\$4,360,476
Credit cards	181,494,154	-0.65	\$1,411,117
Interest rebates in period			\$1,040,341
<b>Total CU member benefits arising from lower interest rates on loan products:</b>			<b>\$32,338,708</b>
 <u>Savings</u>			
Regular shares	2,427,878,413	0.61	\$14,810,058
Share draft checking	659,793,850	0.46	\$3,035,052
Money market accounts	1,024,835,040	1.26	\$12,912,921
Certificate accounts	1,792,144,562	1.56	\$27,957,455
Retirement (IRA) accounts	385,473,678	1.41	\$5,435,179
Bonus dividends in period			\$0
<b>Total CU member benefit arising from higher interest rates on saving products:</b>			<b>\$64,150,666</b>
 <u>Fee Income</u>			
<b>Total CU member benefit arising from fewer/lower fees:</b>			<b>\$8,929,898</b>
 <b>Total CU member benefit arising from interest rates on loan and savings products and lower fees:</b>			<b>\$105,419,272</b>
 <b>Total CU member benefit / member:</b>			<b>\$131</b>
<b>Total CU member benefit / member household:</b>			<b>\$249</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;

**Hawaii**  
**Performance Profile**

<b>Demographic Information</b>	<b>Dec-08</b>	<b>Dec-07</b>
Number of branches	178	167
Total assets (\$ mil)	7,913	7,341
Total loans (\$ mil)	4,226	3,949
Total surplus funds (\$ mil)	3,400	3,105
Total savings (\$ mil)	6,833	6,332
Total members (thousands)	857	859
<b>Growth Rates</b>		
Total assets	8.0 %	6.2 %
Total loans	7.3 %	9.5 %
Total surplus funds	9.7 %	1.8 %
Total savings	8.2 %	6.3 %
Total members	0.3 %	4.5 %
<b>Earnings - Basis Pts.</b>		
Yield on total assets	530	553
- Dividend/interest cost of assets	191	213
+ Fee & other income	90	85
- Operating expense	320	316
- Loss Provisions	46	24
= Net Income (ROA)	63	84
<b>Capital adequacy</b>		
Net worth / assets	12.4	12.7
<b>Asset quality</b>		
Delinquencies / loans	1.1	0.8
Net chargeoffs / average loans	0.6	0.4
Total borrower-bankruptcies	7	4
Bankruptcies per 1000 members	0.8	0.4
<b>Asset/Liability Management</b>		
Loans / savings	61.9	62.4
Loans / assets	53.4	53.8
Long-term assets / assets	31.1	27.7
Core deposits/shares & borrowings	46.9	49.8
<b>Productivity</b>		
Members/potential members	15.2	15.7
Borrowers/members	38.3	39.1
Members/FTE	394	409
Average shares/members (\$)	7,970	7,370
Average loan balances (\$)	12,863	11,768
Salary & Benefits/FTE	54,395	52,485