

# ***The Benefits of Membership***

*Customized Analysis of Member Benefits For:*

**Kansas**

***December 2008***

*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.

# Kansas

## *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 Kansas credit unions provided \$40,241,199 in direct financial benefits to the state's 563,501 members during the twelve months ending December 2008.

**These benefits are equivalent to \$71 per member or \$136 per member household <sup>(1)</sup>.**

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

Consider this:

**Financing a \$25,000 new automobile for 60 months at a Kansas credit union will save members an average \$162 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.

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

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

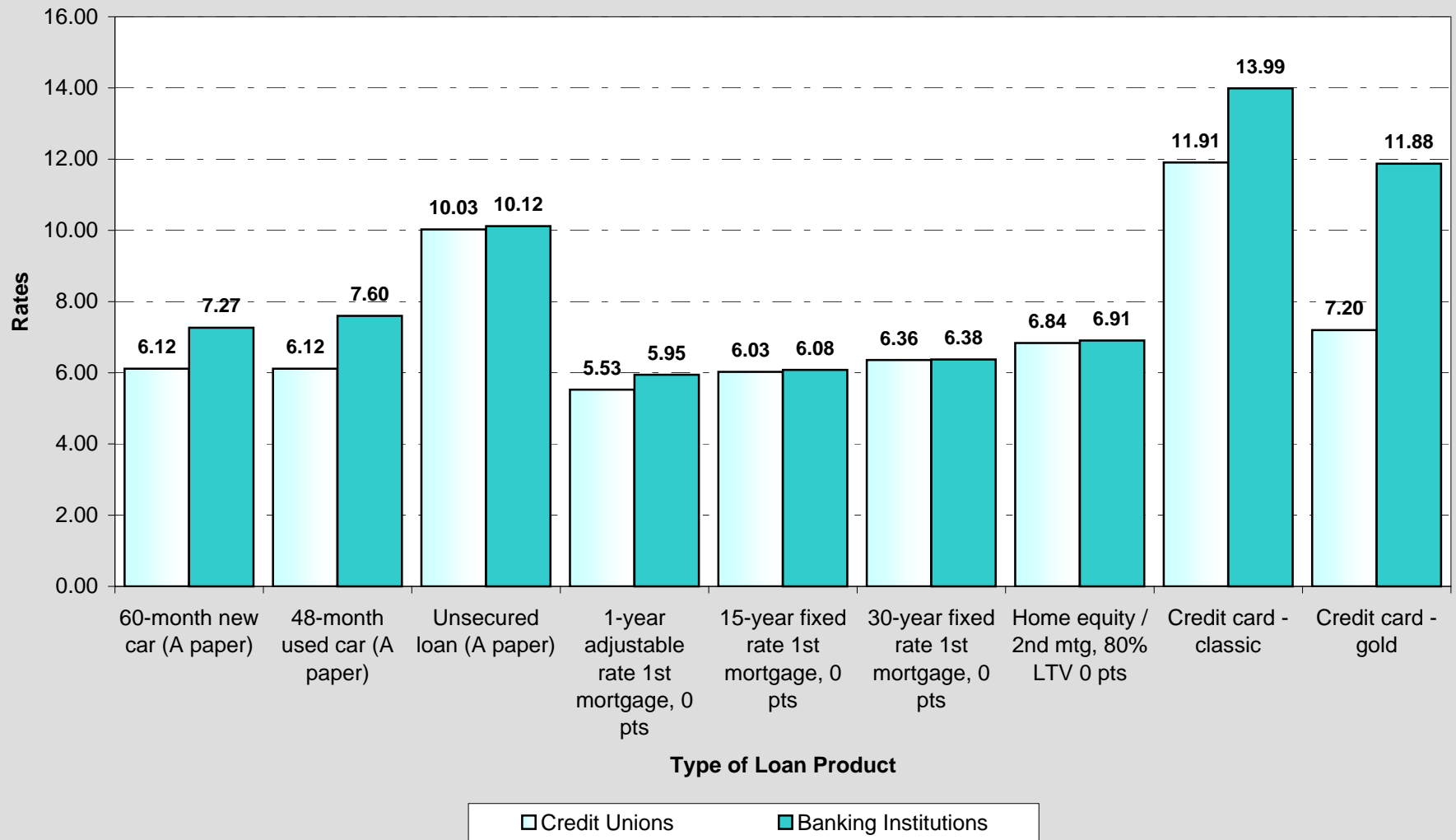


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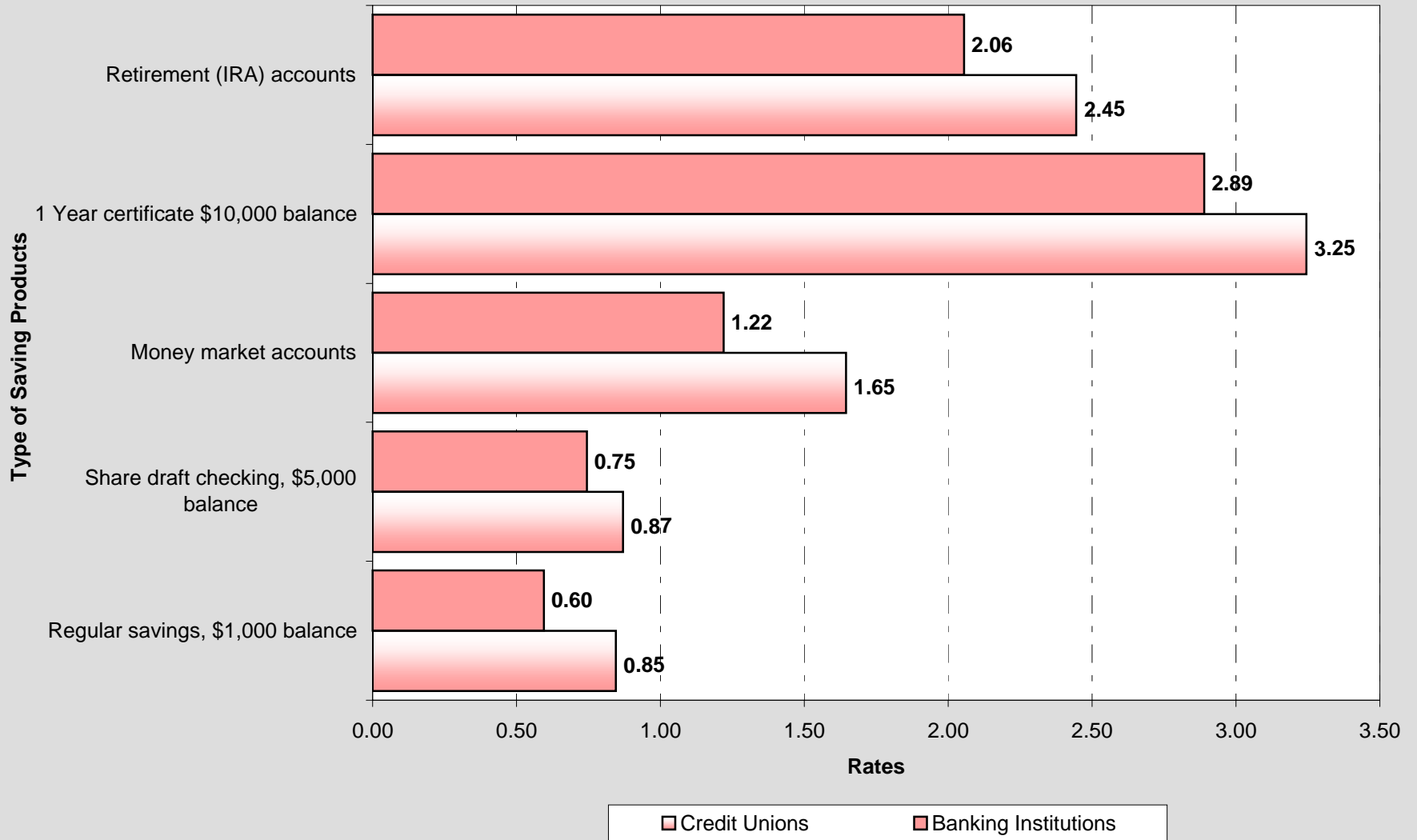
Source: Datatrac, NCUA, and CUNA.

(1)Assumes 1.9 credit union members per household.

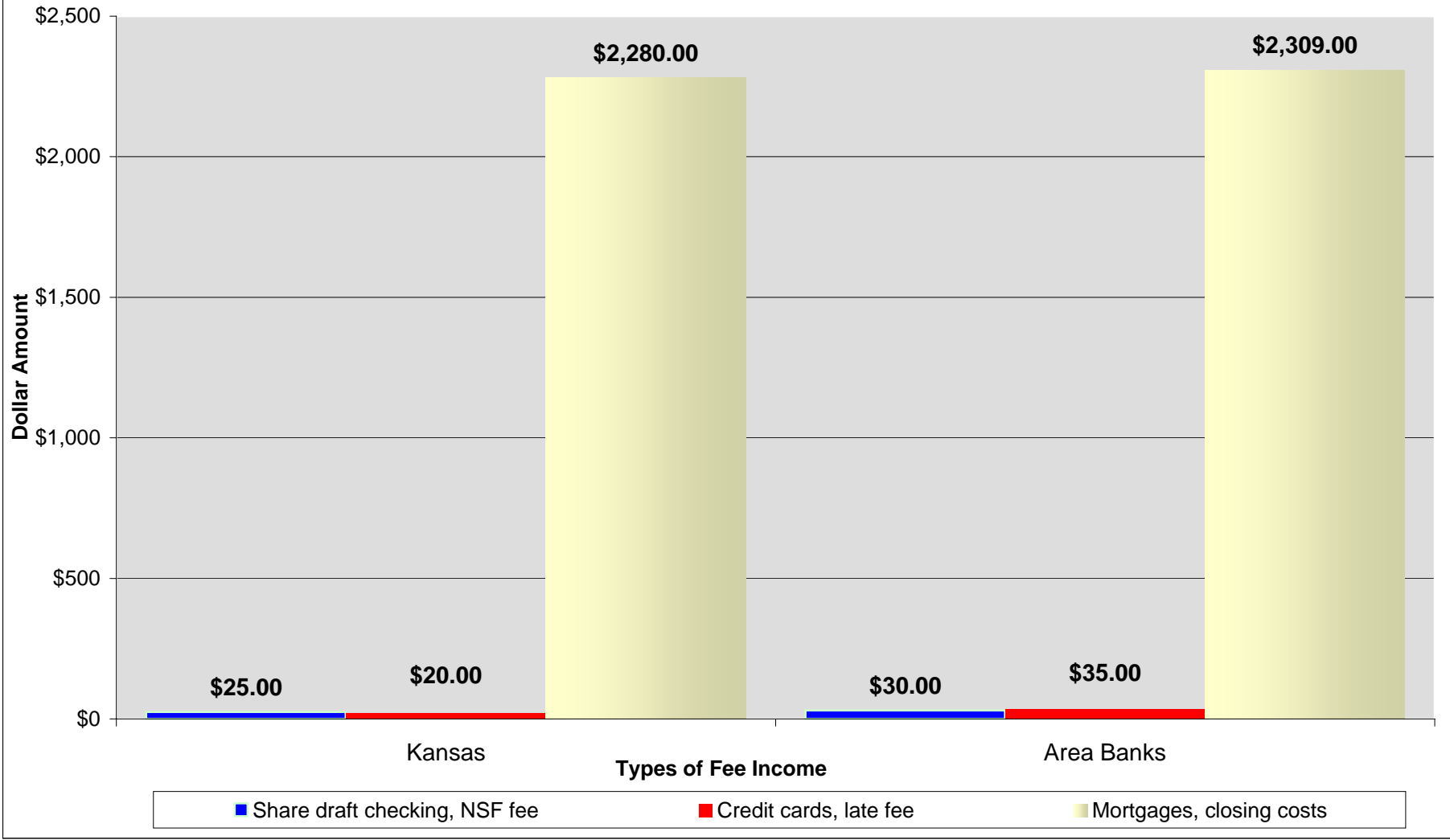
## Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



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

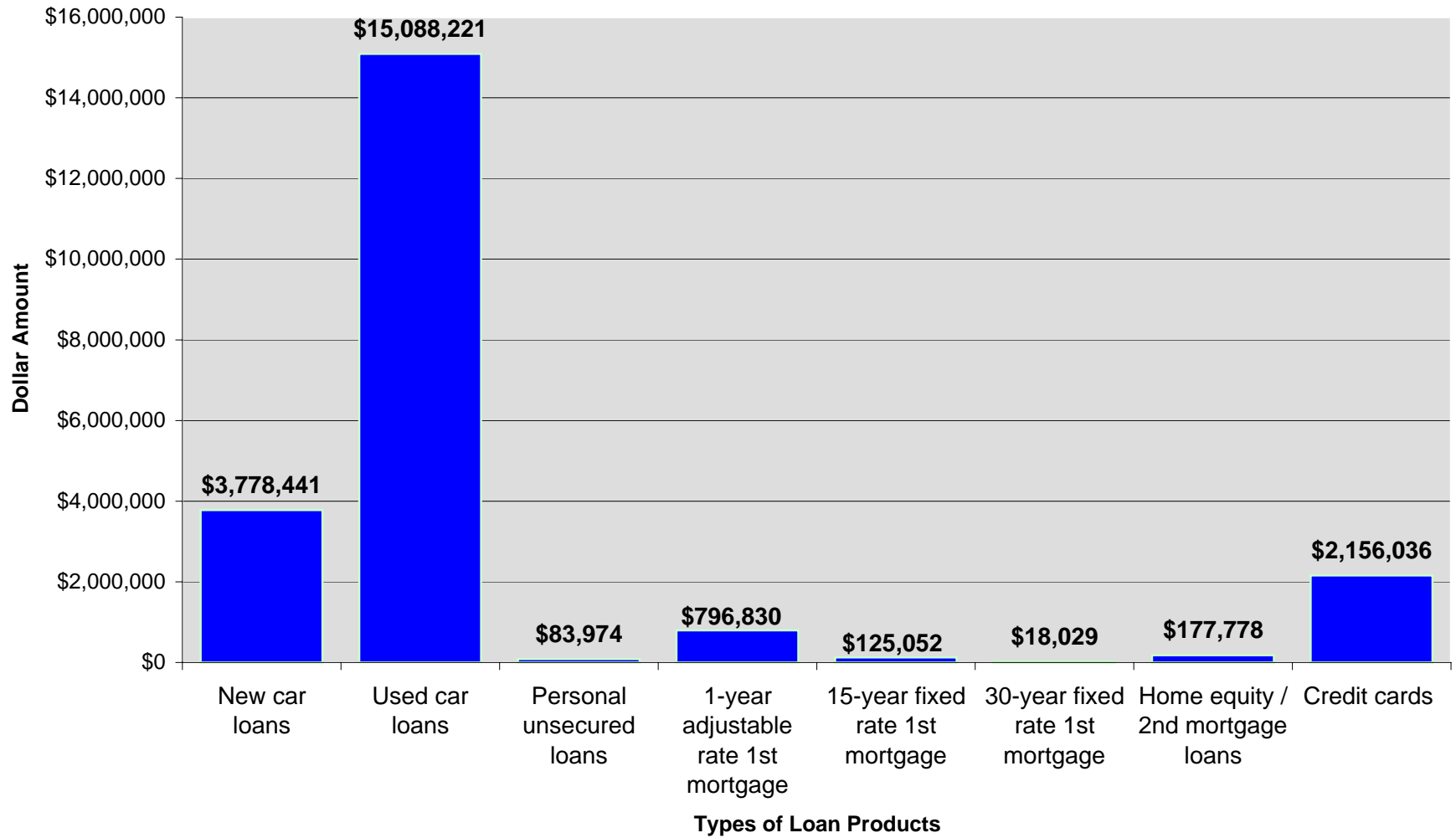


**Kansas**  
**Credit Union and Banking Instituion**  
**2008 Average Interest Rates and Fees**

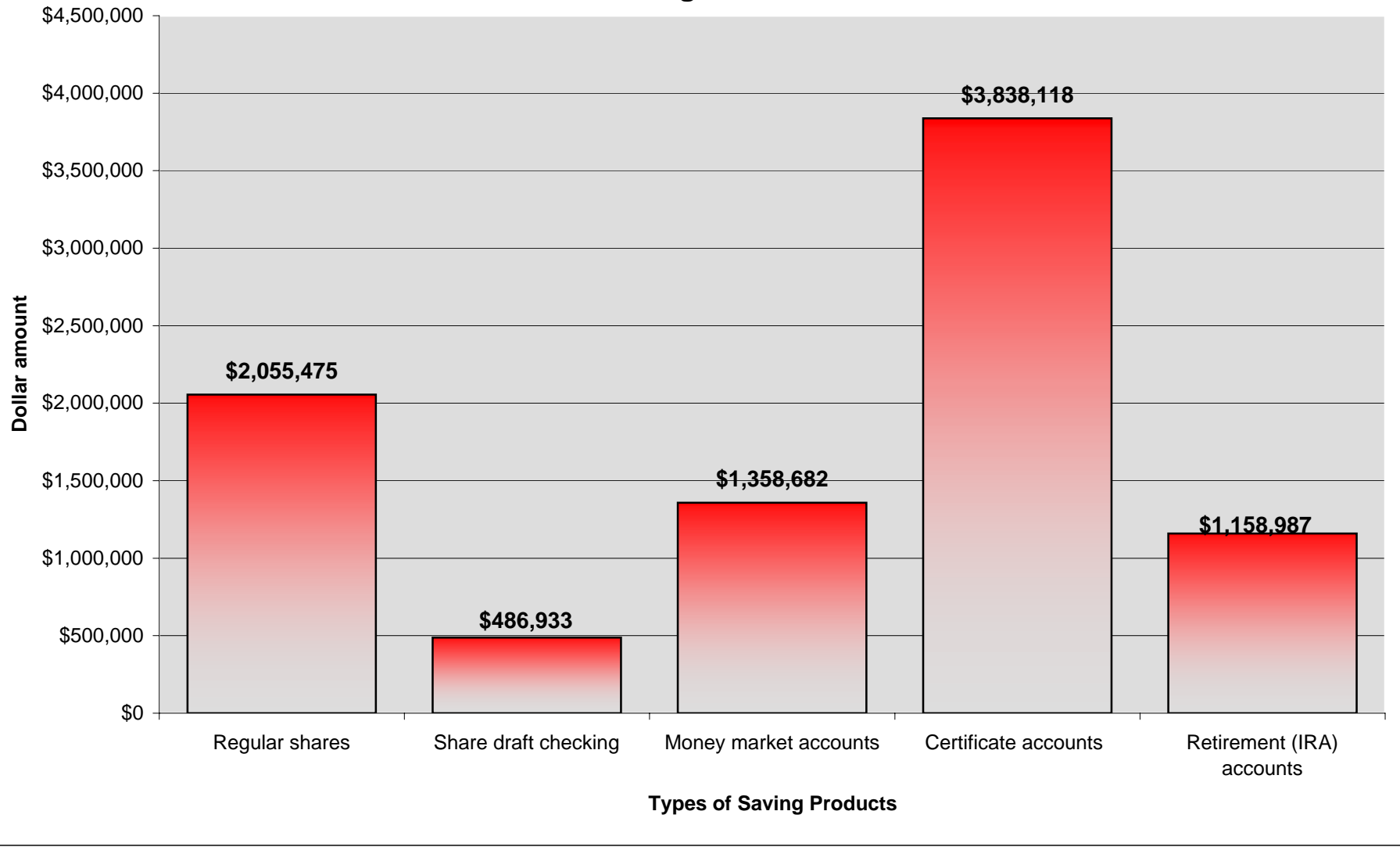
<b>Loan Products</b>	<b>Average Rate at Credit Unions (%)</b>	<b>Average Rate at Banks (%)</b>	<b>Rate Difference vs. Banks (%)</b>
60-month new car (A paper)	6.12	7.27	-1.15
48-month used car (A paper)	6.12	7.60	-1.49
Unsecured loan (A paper)	10.03	10.12	-0.09
1-year adjustable rate 1st mortgage, 0 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	6.84	6.91	-0.07
Credit card - classic	11.91	13.99	-2.09
Credit card - gold	7.20	11.88	-4.68
<b>Savings Products</b>			
Regular savings, \$1,000 balance	0.85	0.60	0.25
Share draft checking, \$5,000 balance	0.87	0.75	0.13
Money market accounts	1.65	1.22	0.43
1 Year certificate \$10,000 balance	3.25	2.89	0.36
Retirement (IRA) accounts	2.45	2.06	0.39
<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 Kansas Credit Unions Financial Benefits 2008

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Kansas Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	328,560,121	-1.15	\$3,778,441
Used car loans	1,016,041,797	-1.49	\$15,088,221
Personal unsecured loans	88,393,584	-0.09	\$83,974
1-year adjustable rate 1st mortgage	189,721,533	-0.42	\$796,830
15-year fixed rate 1st mortgage	227,366,587	-0.05	\$125,052
30-year fixed rate 1st mortgage	120,196,400	-0.01	\$18,029
Home equity / 2nd mortgage loans	253,968,163	-0.07	\$177,778
Credit cards	78,903,407	-2.09	\$2,156,036
Interest rebates in period			\$201,779
<b>Total CU member benefits arising from lower interest rates on loan products:</b>			<b>\$22,426,140</b>
 <u>Savings</u>			
Regular shares	822,190,166	0.25	\$2,055,475
Share draft checking	389,546,405	0.13	\$486,933
Money market accounts	319,689,897	0.43	\$1,358,682
Certificate accounts	1,081,159,908	0.36	\$3,838,118
Retirement (IRA) accounts	297,176,056	0.39	\$1,158,987
Bonus dividends in period			\$0
<b>Total CU member benefit arising from higher interest rates on saving products:</b>			<b>\$8,898,195</b>
 <u>Fee Income</u>			
<b>Total CU member benefit arising from fewer/lower fees:</b>			<b>\$8,916,865</b>
 <b>Total CU member benefit arising from interest rates on loan and savings products and lower fees:</b>			<b>\$40,241,199</b>
 <b>Total CU member benefit / member:</b>			<b>\$71</b>
<b>Total CU member benefit / member household:</b>			<b>\$136</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;

**Kansas**  
**Performance Profile**

<b>Demographic Information</b>	<b>Dec-08</b>	<b>Dec-07</b>
Number of branches	210	201
Total assets (\$ mil)	3,745	3,363
Total loans (\$ mil)	2,593	2,361
Total surplus funds (\$ mil)	1,004	859
Total savings (\$ mil)	3,138	2,835
Total members (thousands)	569	563
<b>Growth Rates</b>		
Total assets	11.8 %	6.6 %
Total loans	10.3 %	5.2 %
Total surplus funds	17.2 %	11.2 %
Total savings	11.2 %	6.3 %
Total members	2.1 %	3.2 %
<b>Earnings - Basis Pts.</b>		
Yield on total assets	610	628
- Dividend/interest cost of assets	235	259
+ Fee & other income	142	140
- Operating expense	396	396
- Loss Provisions	56	40
= Net Income (ROA)	65	74
<b>Capital adequacy</b>		
Net worth / assets	11.8	12.5
<b>Asset quality</b>		
Delinquencies / loans	1.3	1.2
Net chargeoffs / average loans	0.6	0.5
Total borrower-bankruptcies	13	10
Bankruptcies per 1000 members	2.5	1.9
<b>Asset/Liability Management</b>		
Loans / savings	82.6	83.3
Loans / assets	69.2	70.2
Long-term assets / assets	20.6	19.7
Core deposits/shares & borrowings	39.0	40.3
<b>Productivity</b>		
Members/potential members	4.5	8.6
Borrowers/members	48.5	46.7
Members/FTE	373	383
Average shares/members (\$)	5,511	5,036
Average loan balances (\$)	9,392	8,972
Salary & Benefits/FTE	44,842	43,286