

The Benefits of Membership

Customized Analysis of Member Benefits For:

Massachusetts

September 2009

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.

Massachusetts

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 Massachusetts credit unions provided \$169,062,835 in direct financial benefits to the state's 2,490,660 members during the twelve months ending September 2009.

These benefits are equivalent to \$68 per member or \$129 per member household ⁽¹⁾.

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

Consider this:

Financing a \$25,000 new automobile for 60 months at a Massachusetts credit union will save members an average \$189 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.

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

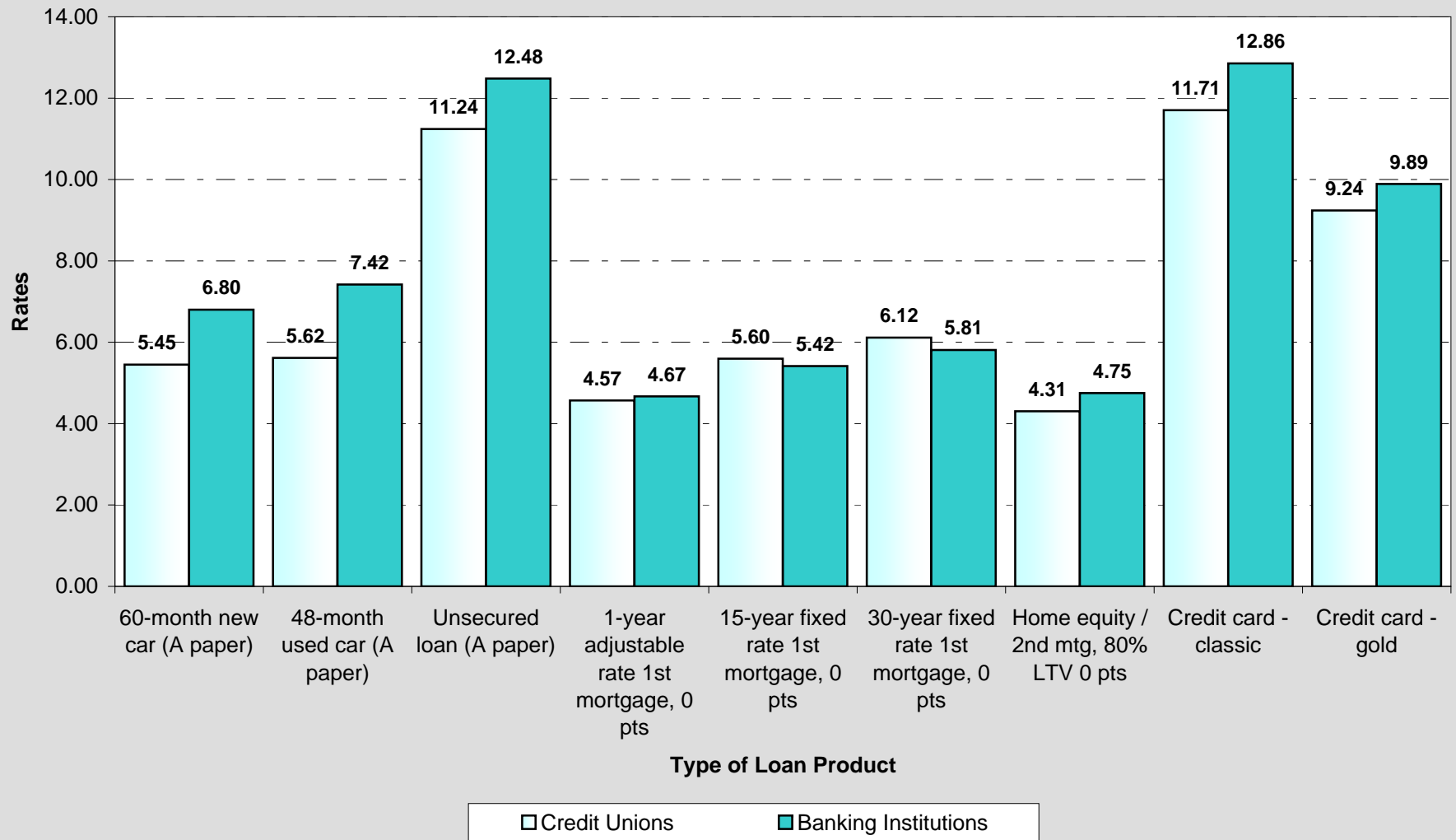
Massachusetts credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



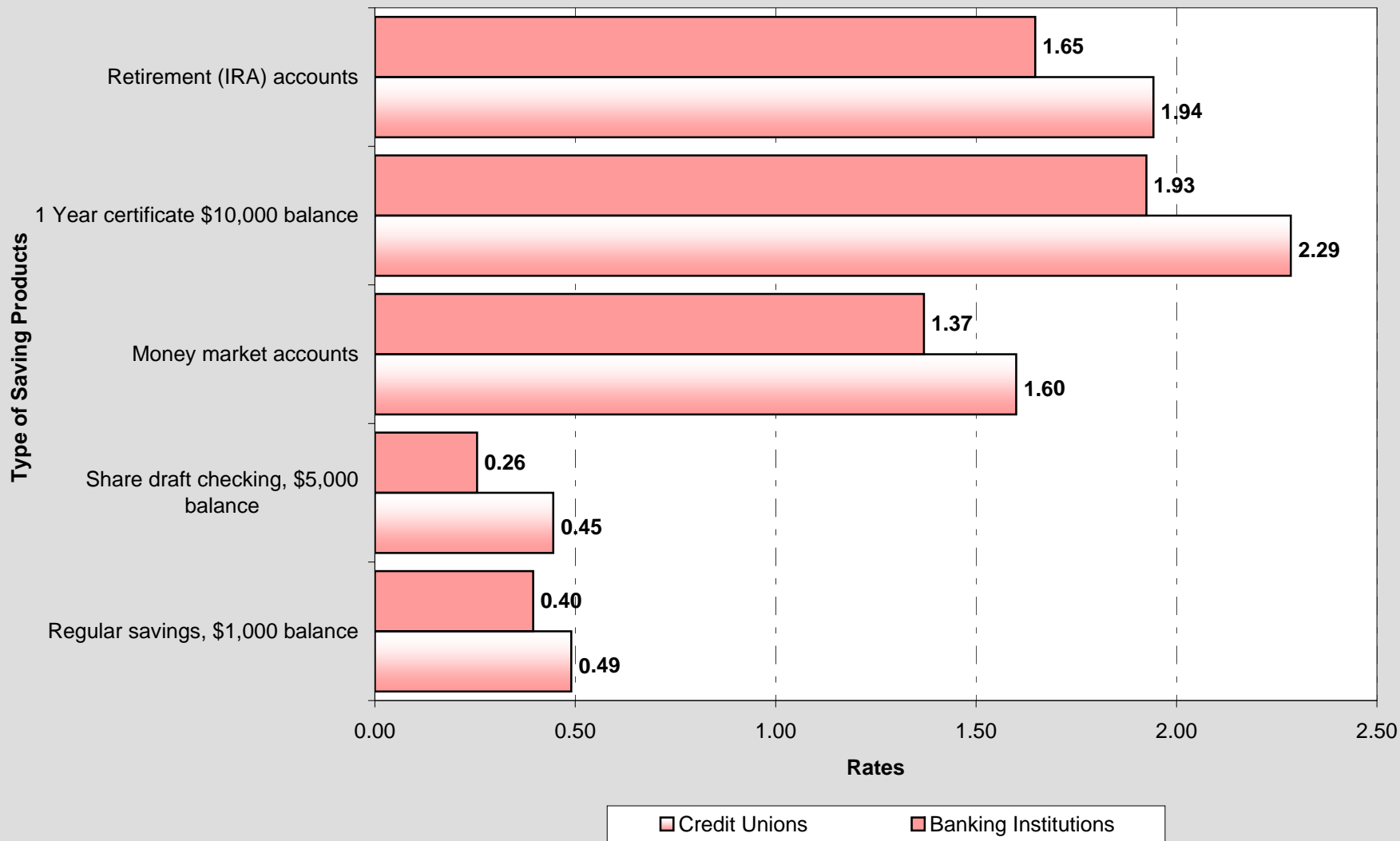
Source: Datatrac, NCUA, and CUNA.

(1) Assumes 1.9 credit union members per household.

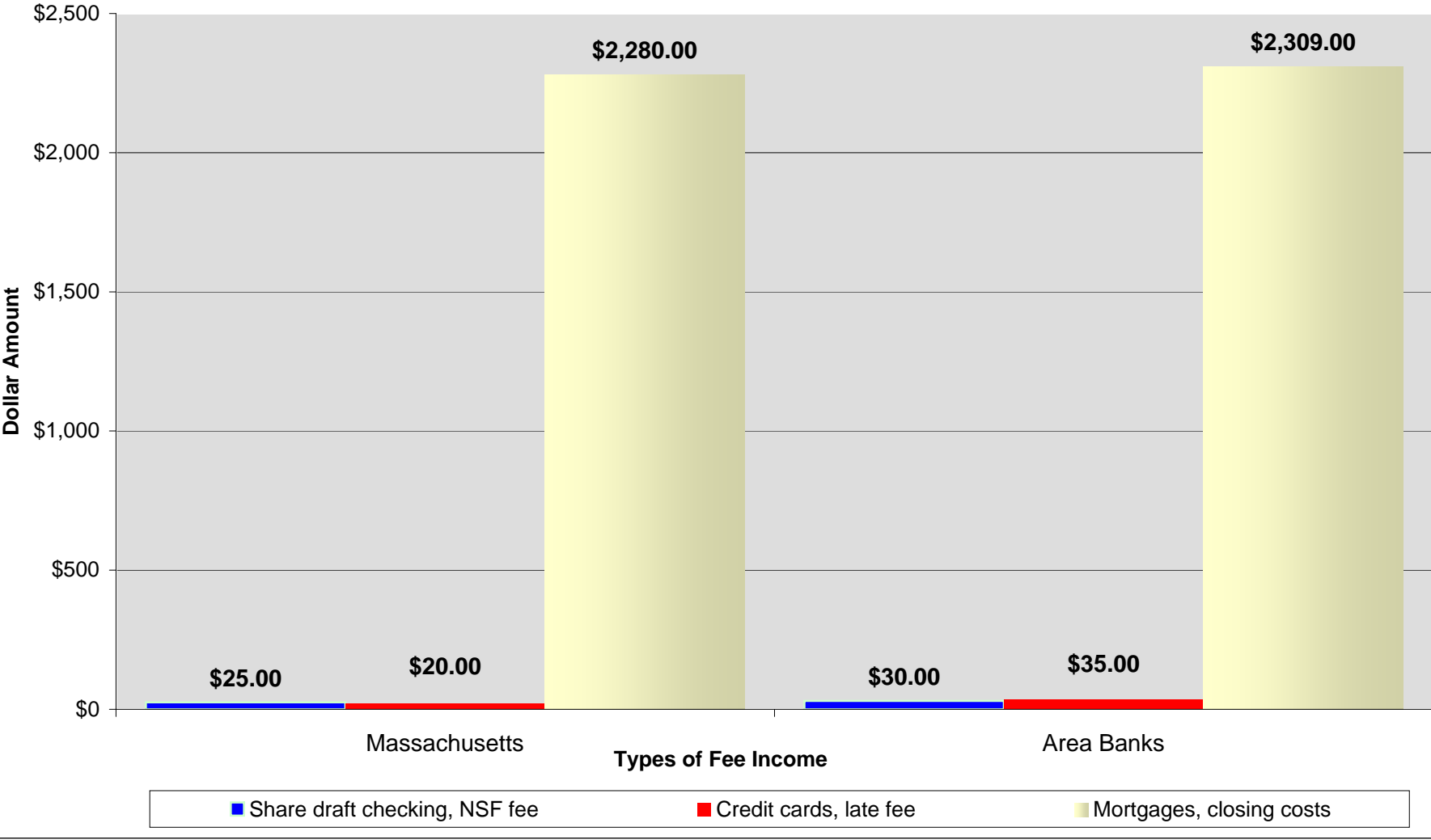
Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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

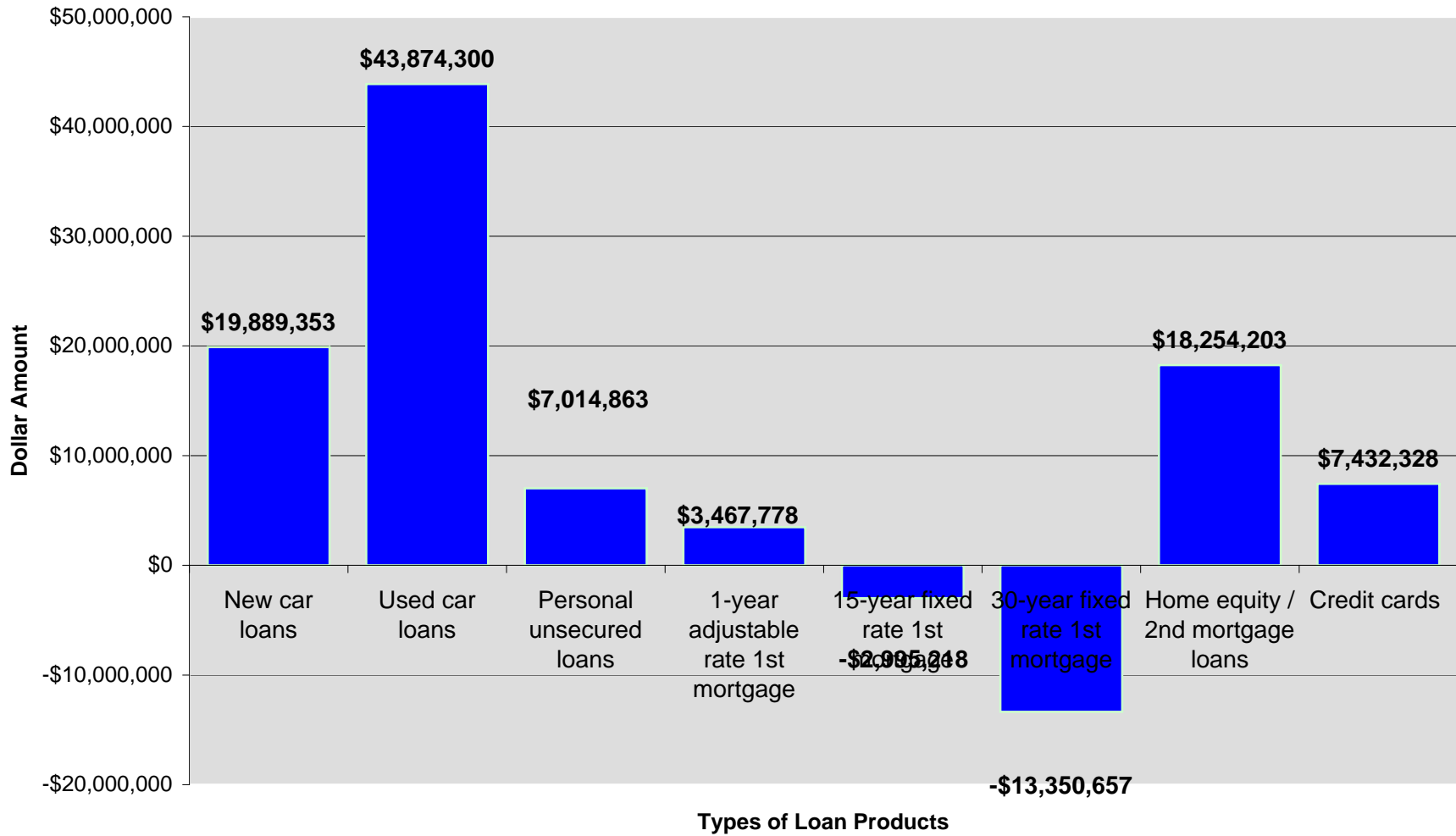


Massachusetts
Credit Union and Banking Institution
Third Quarter 2009 Average Interest Rates and Fees

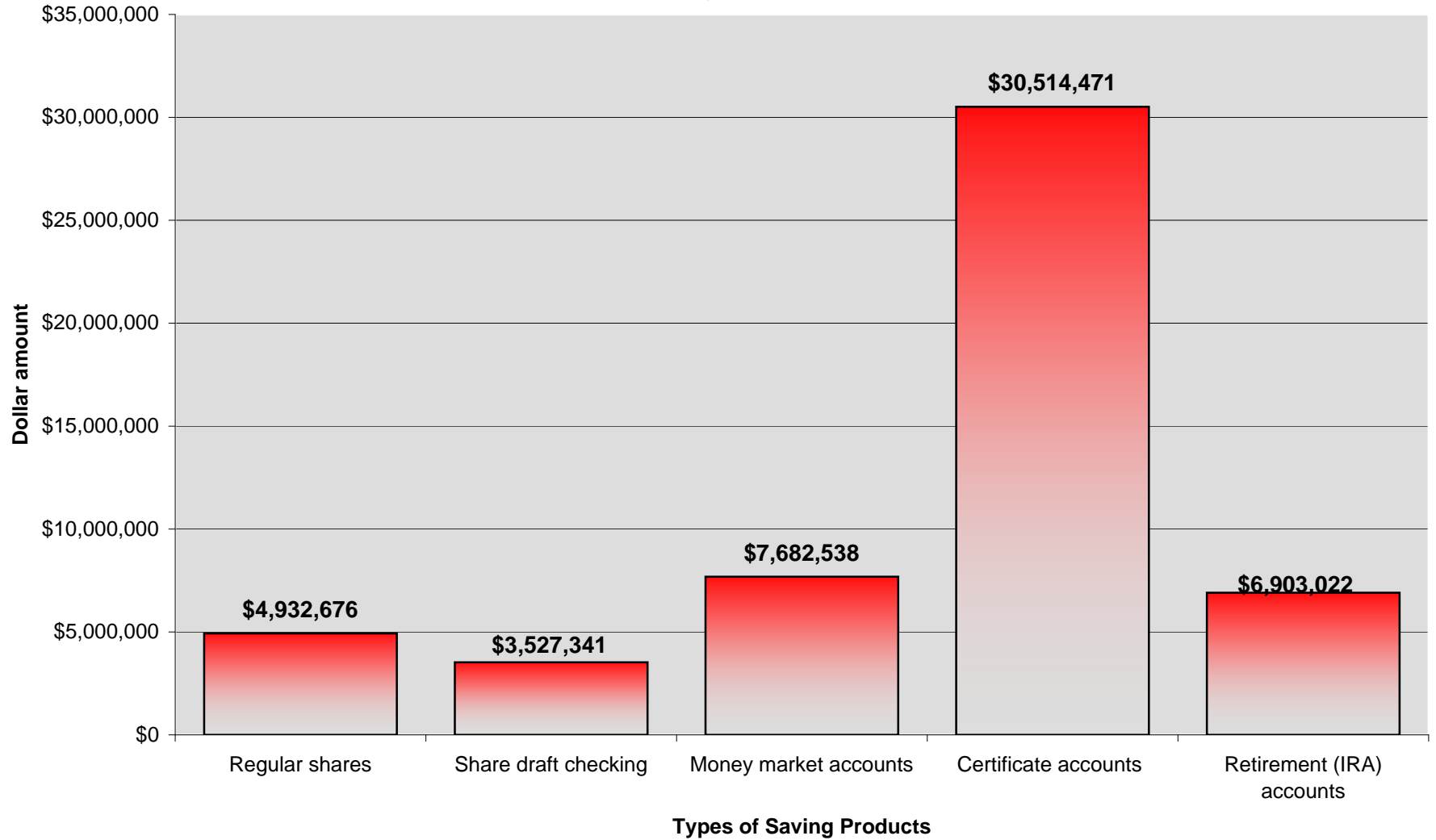
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	5.45	6.80	-1.35
48-month used car (A paper)	5.62	7.42	-1.81
Unsecured loan (A paper)	11.24	12.48	-1.24
1-year adjustable rate 1st mortgage, 0 pts	4.57	4.67	-0.10
15-year fixed rate 1st mortgage, 0 pts	5.60	5.42	0.18
30-year fixed rate 1st mortgage, 0 pts	6.12	5.81	0.31
Home equity / 2nd mtg, 80% LTV 0 pts	4.31	4.75	-0.45
Credit card - classic	11.71	12.86	-1.15
Credit card - gold	9.24	9.89	-0.65
Savings Products			
Regular savings, \$1,000 balance	0.49	0.40	0.10
Share draft checking, \$5,000 balance	0.45	0.26	0.19
Money market accounts	1.60	1.37	0.23
1 Year certificate \$10,000 balance	2.29	1.93	0.36
Retirement (IRA) accounts	1.94	1.65	0.30
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 Massachusetts Credit Unions Financial Benefits Third Quarter 2009

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Massachusetts Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	1,473,285,422	-1.35	\$19,889,353
Used car loans	2,430,709,134	-1.81	\$43,874,300
Personal unsecured loans	565,714,762	-1.24	\$7,014,863
1-year adjustable rate 1st mortgage	3,467,778,478	-0.10	\$3,467,778
15-year fixed rate 1st mortgage	1,664,009,820	0.18	-\$2,995,218
30-year fixed rate 1st mortgage	4,377,264,516	0.31	-\$13,350,657
Home equity / 2nd mortgage loans	4,102,068,096	-0.45	\$18,254,203
Credit cards	725,105,124	-1.15	\$7,432,328
Interest rebates in period			\$0
Total CU member benefits arising from lower interest rates on loan products:			\$83,586,951
 <u>Savings</u>			
Regular shares	5,192,290,912	0.10	\$4,932,676
Share draft checking	1,856,495,478	0.19	\$3,527,341
Money market accounts	3,340,233,830	0.23	\$7,682,538
Certificate accounts	8,476,241,909	0.36	\$30,514,471
Retirement (IRA) accounts	2,340,007,450	0.30	\$6,903,022
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$53,560,048
 <u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$31,915,836
 Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$169,062,835
 Total CU member benefit / member:			\$68
Total CU member benefit / member household:			\$129

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;

**Massachusetts
Performance Profile**

Demographic Information	Sep-09	Sep-08
Number of branches	515	512
Total assets (\$ mil)	27,342	26,087
Total loans (\$ mil)	19,336	19,380
Total surplus funds (\$ mil)	7,272	5,958
Total savings (\$ mil)	22,531	20,750
Total members (thousands)	2,519	2,495
Growth Rates (Year-to-date)		
Total assets	3.7 %	6.0 %
Total loans	0.3 %	6.4 %
Total surplus funds	13.7 %	5.8 %
Total savings	6.9 %	3.1 %
Total members	2.5 %	2.4 %
Earnings - Basis Pts.		
Yield on total assets	482	547
Dividend/interest cost of assets	195	255
Fee & other income *	127	75
Operating expense	263	279
Loss Provisions	69	48
Net Income (ROA) after stabilization exp *	43	41
Capital adequacy		
Net worth / assets	10.4	10.9
Asset quality		
Delinquencies / loans	1.6	1.0
Net chargeoffs / average loans	0.6	0.5
Total borrower-bankruptcies	20	13
Bankruptcies per 1000 members	1.7	1.2
Asset/Liability Management		
Loans / savings	85.8	93.4
Loans / assets	70.7	74.3
Long-term assets / assets	42.3	40.9
Core deposits/shares & borrowings	31.0	29.8
Productivity		
Members/potential members	5.1	4.9
Borrowers/members	45.2	45.3
Members/FTE	423	412
Average shares/members (\$)	8,945	8,317
Average loan balances (\$)	17,001	17,167
Salary & Benefits/FTE	62,063	60,468

***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.**