

The Benefits of Membership

Customized Analysis of Member Benefits For:

Massachusetts

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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.

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 \$197,836,887 in direct financial benefits to the state's 2,442,888 members during the twelve months ending December 2008.

These benefits are equivalent to \$81 per member or \$154 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 \$161 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, home equity loans, credit cards loans.

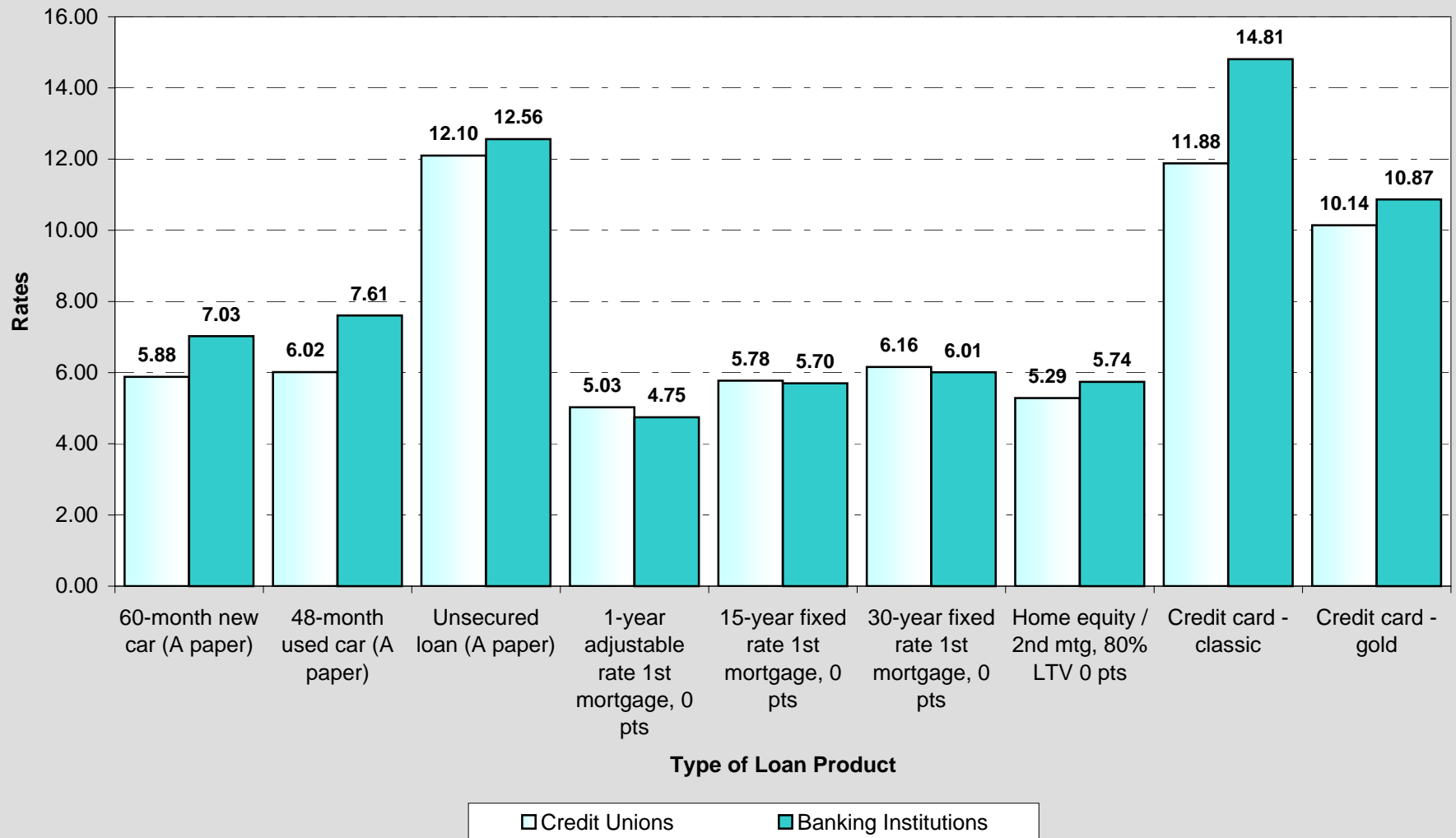
Massachusetts credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



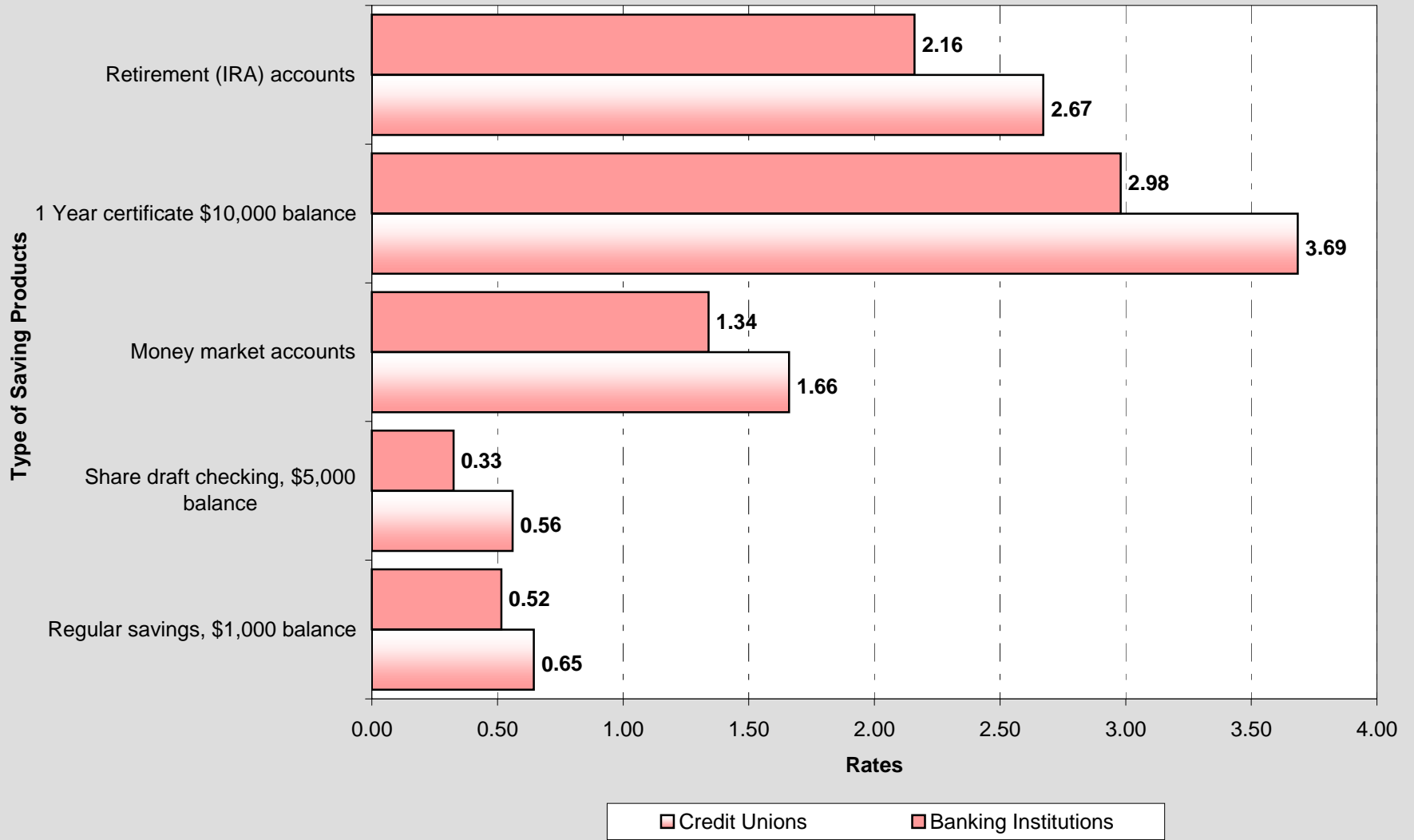
Source: Datatrac, NCUA, and CUNA.

(1) Assumes 1.9 credit union members per household.

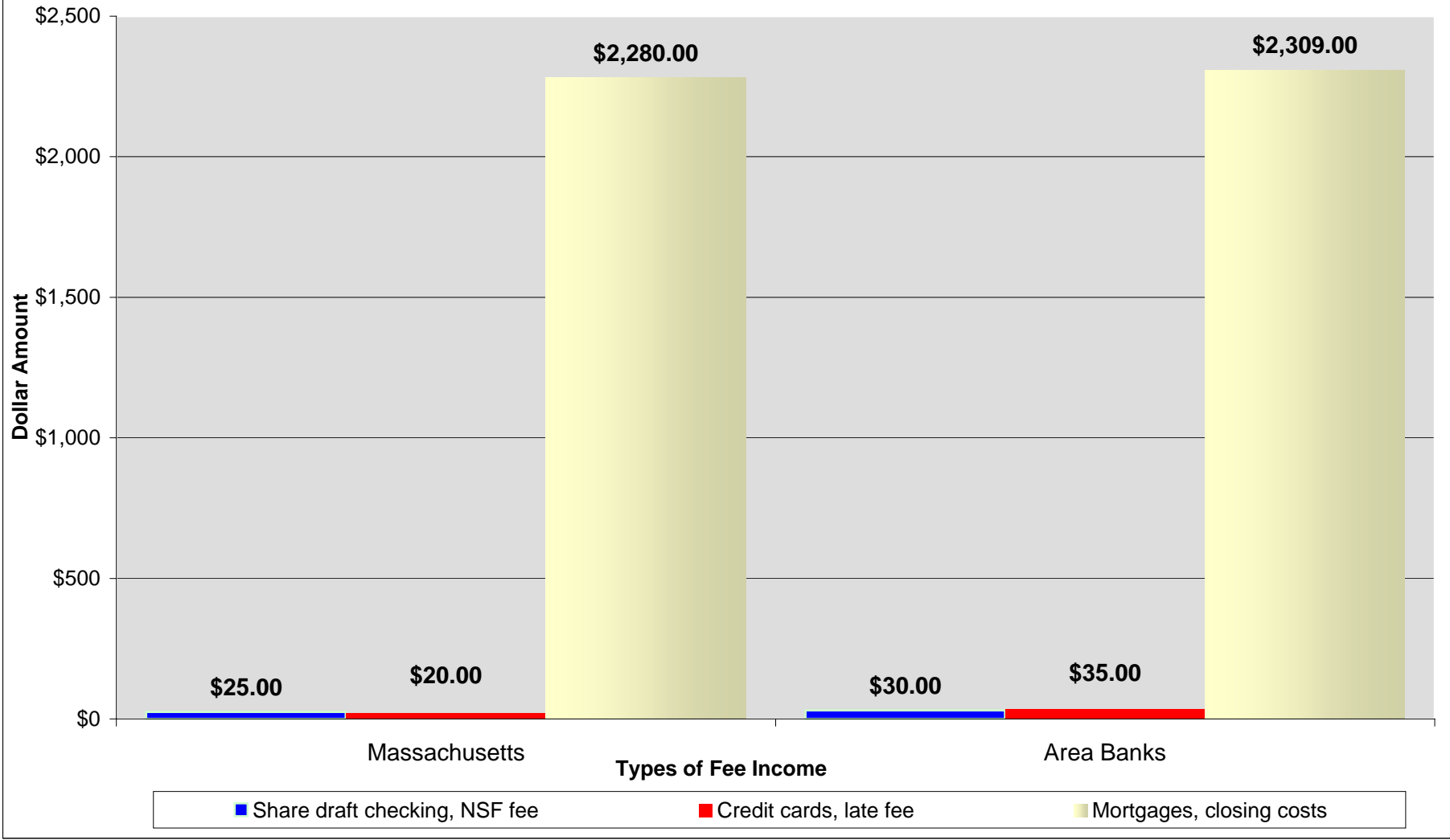
Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



Selected 2008 Credit Union Fees compared to Banking Institutions

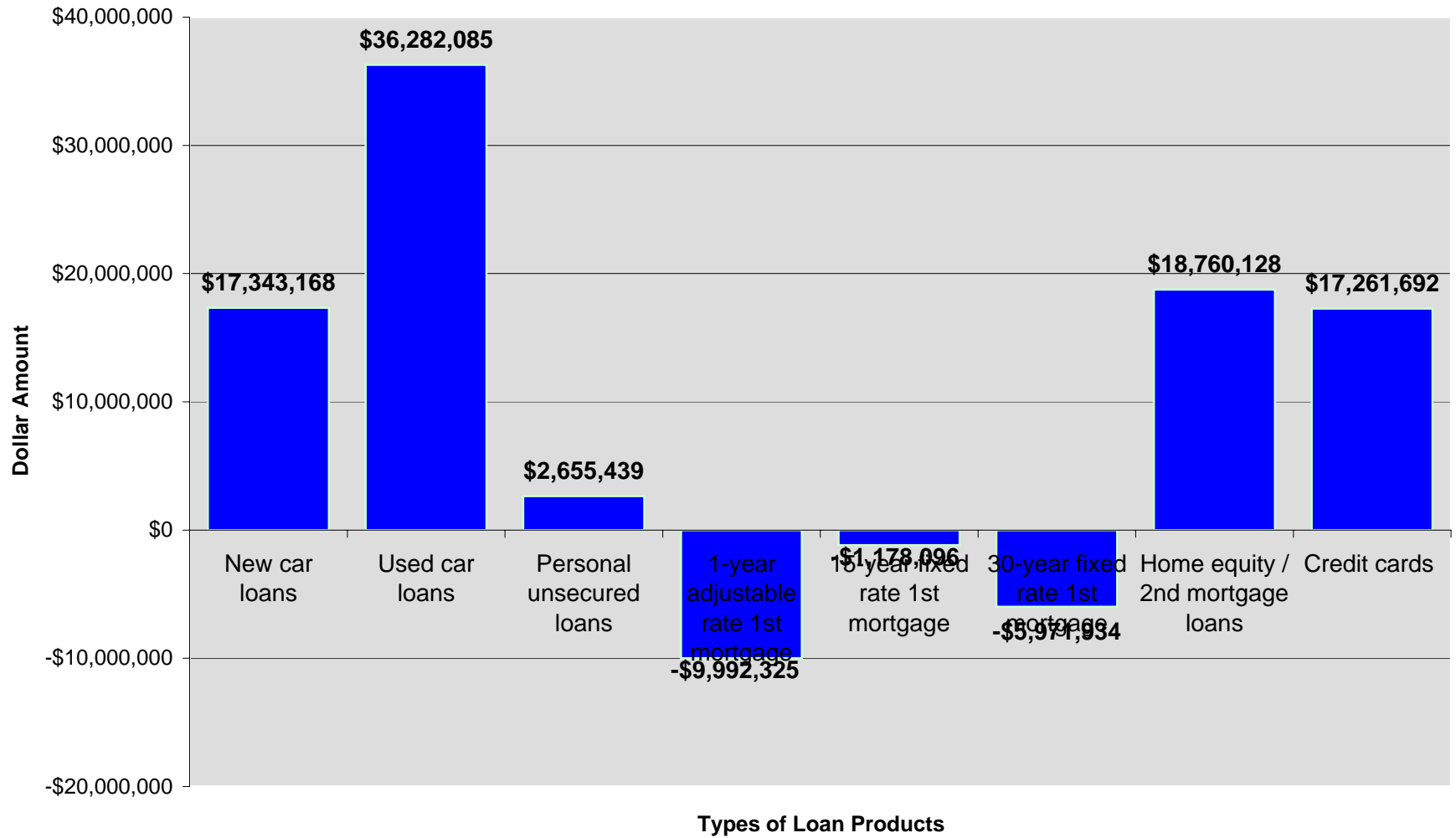


Massachusetts
Credit Union and Banking Institution
2008 Average Interest Rates and Fees

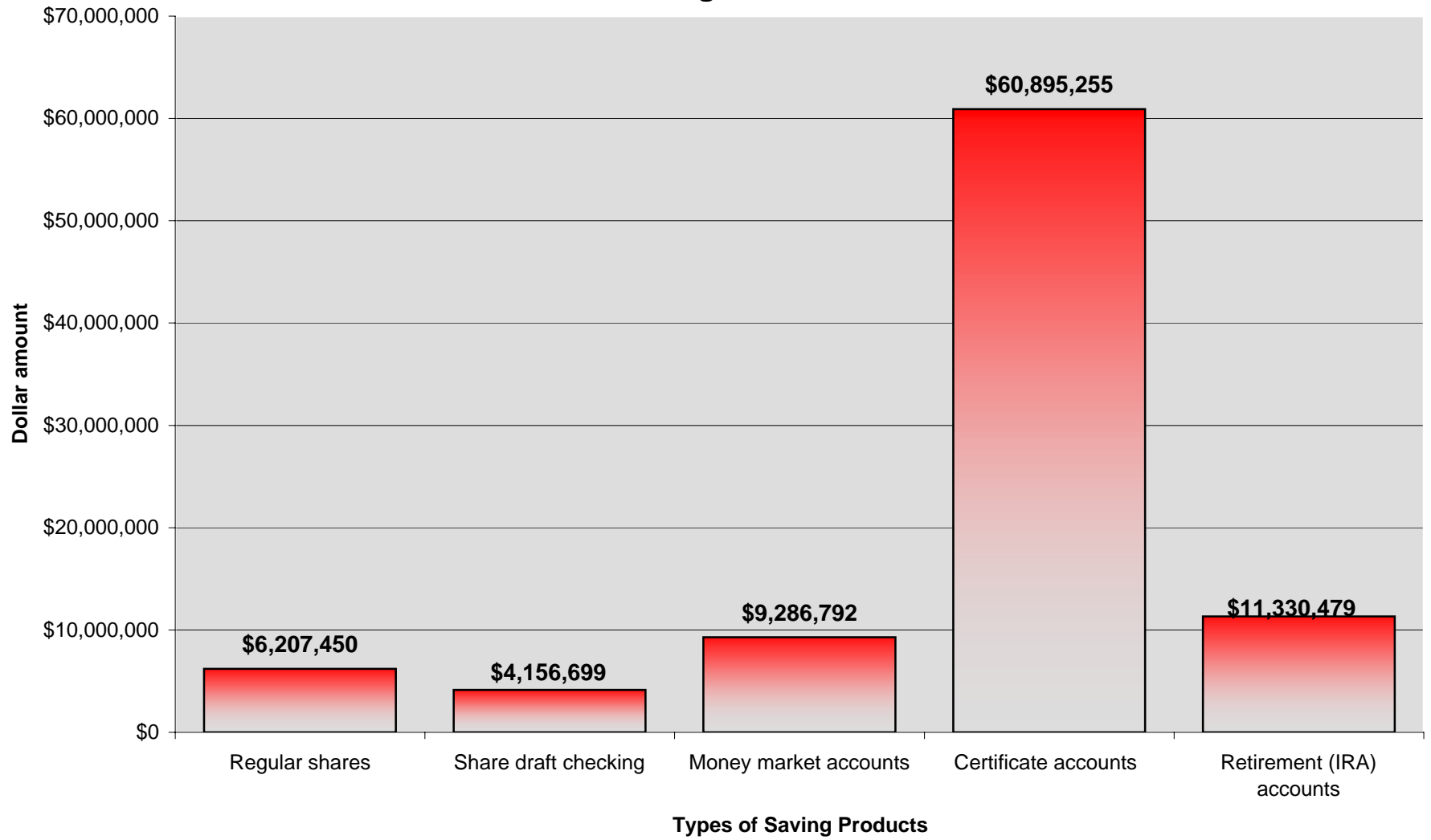
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	5.88	7.03	-1.15
48-month used car (A paper)	6.02	7.61	-1.59
Unsecured loan (A paper)	12.10	12.56	-0.46
1-year adjustable rate 1st mortgage, 0 pts	5.03	4.75	0.28
15-year fixed rate 1st mortgage, 0 pts	5.78	5.70	0.08
30-year fixed rate 1st mortgage, 0 pts	6.16	6.01	0.15
Home equity / 2nd mtg, 80% LTV 0 pts	5.29	5.74	-0.46
Credit card - classic	11.88	14.81	-2.93
Credit card - gold	10.14	10.87	-0.73
Savings Products			
Regular savings, \$1,000 balance	0.65	0.52	0.13
Share draft checking, \$5,000 balance	0.56	0.33	0.24
Money market accounts	1.66	1.34	0.32
1 Year certificate \$10,000 balance	3.69	2.98	0.71
Retirement (IRA) accounts	2.67	2.16	0.51
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 2008

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Massachusetts Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	1,514,687,130	-1.15	\$17,343,168
Used car loans	2,281,892,128	-1.59	\$36,282,085
Personal unsecured loans	577,269,327	-0.46	\$2,655,439
1-year adjustable rate 1st mortgage	3,568,687,338	0.28	-\$9,992,325
15-year fixed rate 1st mortgage	1,570,795,097	0.08	-\$1,178,096
30-year fixed rate 1st mortgage	3,981,289,422	0.15	-\$5,971,934
Home equity / 2nd mortgage loans	4,123,105,036	-0.46	\$18,760,128
Credit cards	725,662,300	-2.93	\$17,261,692
Interest rebates in period			\$403,838
Total CU member benefits arising from lower interest rates on loan products:			\$75,563,994
<u>Savings</u>			
Regular shares	4,774,961,634	0.13	\$6,207,450
Share draft checking	1,768,808,142	0.24	\$4,156,699
Money market accounts	2,902,122,513	0.32	\$9,286,792
Certificate accounts	8,637,624,865	0.71	\$60,895,255
Retirement (IRA) accounts	2,210,825,178	0.51	\$11,330,479
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$91,876,676
<u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$30,396,217
Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$197,836,887
Total CU member benefit / member:			\$81
Total CU member benefit / member household:			\$154

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	Dec-08	Dec-07
Number of branches	507	496
Total assets (\$ mil)	26,575	24,621
Total loans (\$ mil)	19,391	18,227
Total surplus funds (\$ mil)	6,432	5,642
Total savings (\$ mil)	21,184	20,136
Total members (thousands)	2,473	2,441
Growth Rates		
Total assets	8.7 %	4.5 %
Total loans	7.1 %	5.1 %
Total surplus funds	14.9 %	2.1 %
Total savings	5.9 %	2.2 %
Total members	2.3 %	2.1 %
Earnings - Basis Pts.		
Yield on total assets	540	576
- Dividend/interest cost of assets	249	285
+ Fee & other income	74	69
- Operating expense	276	282
- Loss Provisions	55	34
= Net Income (ROA)	34	44
Capital adequacy		
Net worth / assets	10.7	11.3
Asset quality		
Delinquencies / loans	1.2	0.9
Net chargeoffs / average loans	0.5	0.4
Total borrower-bankruptcies	15	10
Bankruptcies per 1000 members	1.4	1.0
Asset/Liability Management		
Loans / savings	91.5	90.5
Loans / assets	73.0	74.0
Long-term assets / assets	38.9	38.0
Core deposits/shares & borrowings	28.8	30.2
Productivity		
Members/potential members	4.9	4.9
Borrowers/members	45.6	45.3
Members/FTE	407	403
Average shares/members (\$)	8,568	8,250
Average loan balances (\$)	17,183	16,493
Salary & Benefits/FTE	60,036	58,153