

# ***The Benefits of Membership***

*Customized Analysis of Member Benefits For:*

**Maryland**

***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.

# Maryland

## *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 Maryland credit unions provided \$196,442,006 in direct financial benefits to the state's 1,735,159 members during the twelve months ending December 2008.

**These benefits are equivalent to \$113 per member or \$215 per member household <sup>(1)</sup>.**

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

Consider this:

**Financing a \$25,000 new automobile for 60 months at a Maryland credit union will save members an average \$280 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.

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

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

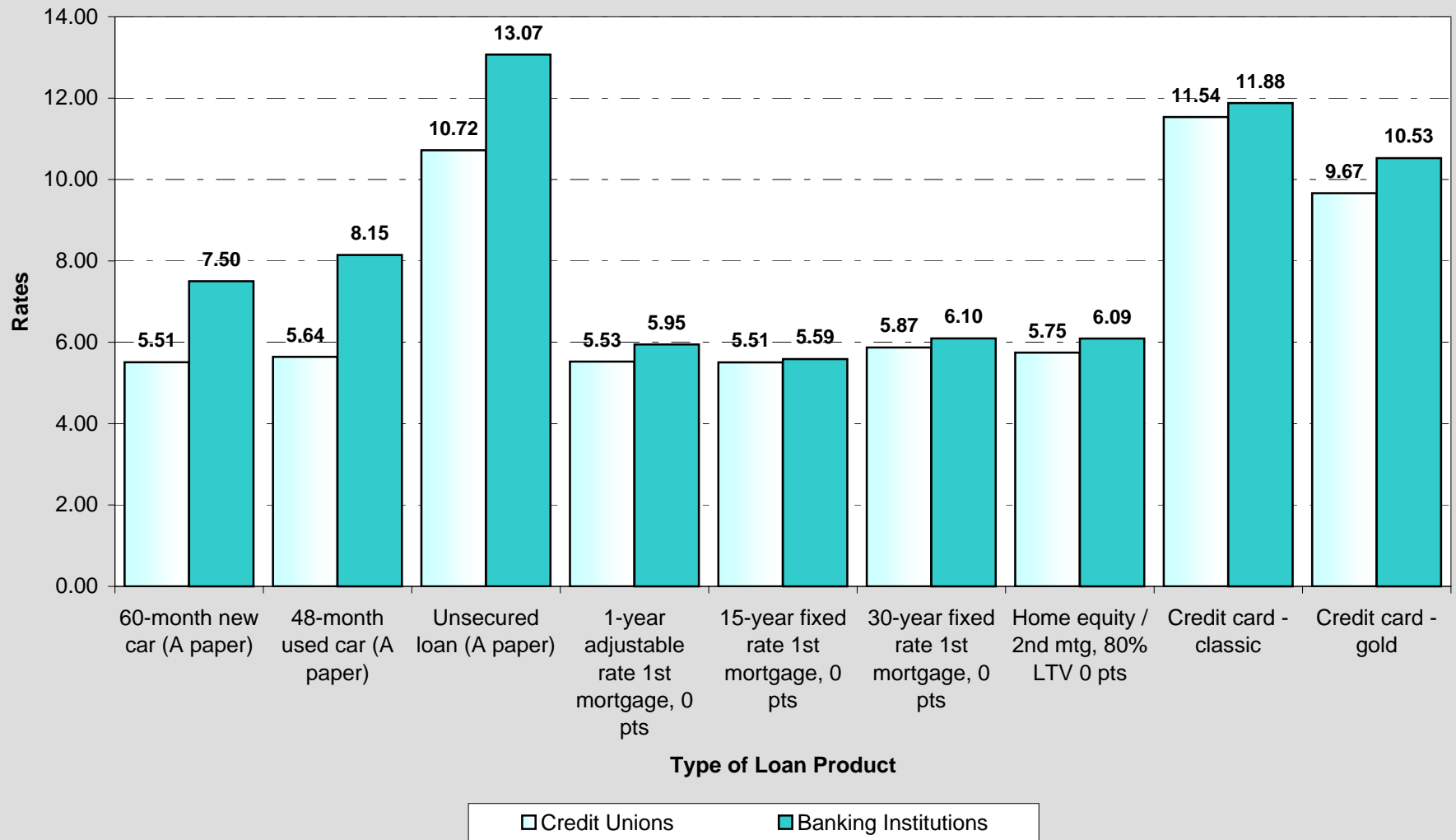


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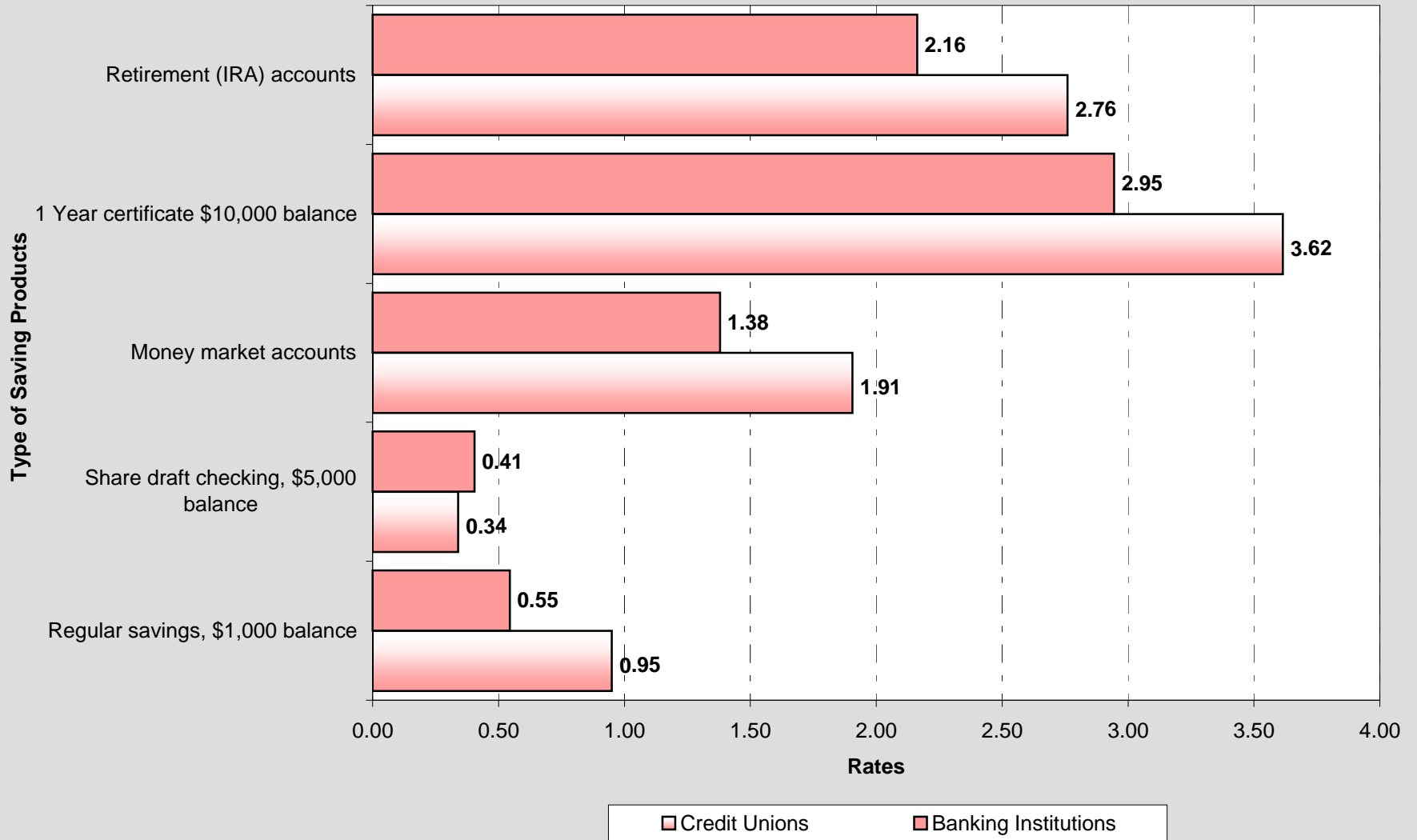
Source: Datatrac, NCUA, and CUNA.

(1) Assumes 1.9 credit union members per household.

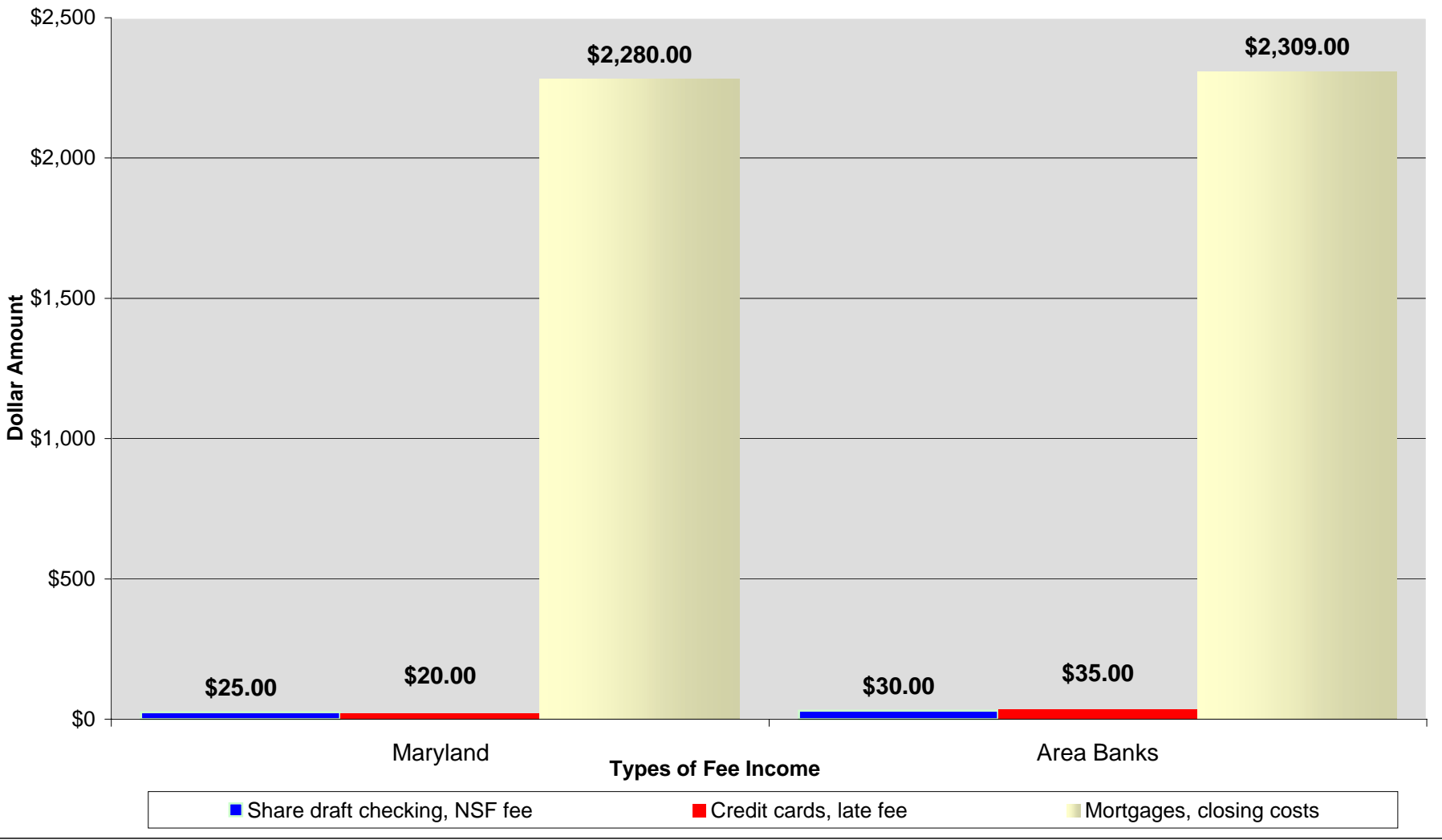
## Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



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

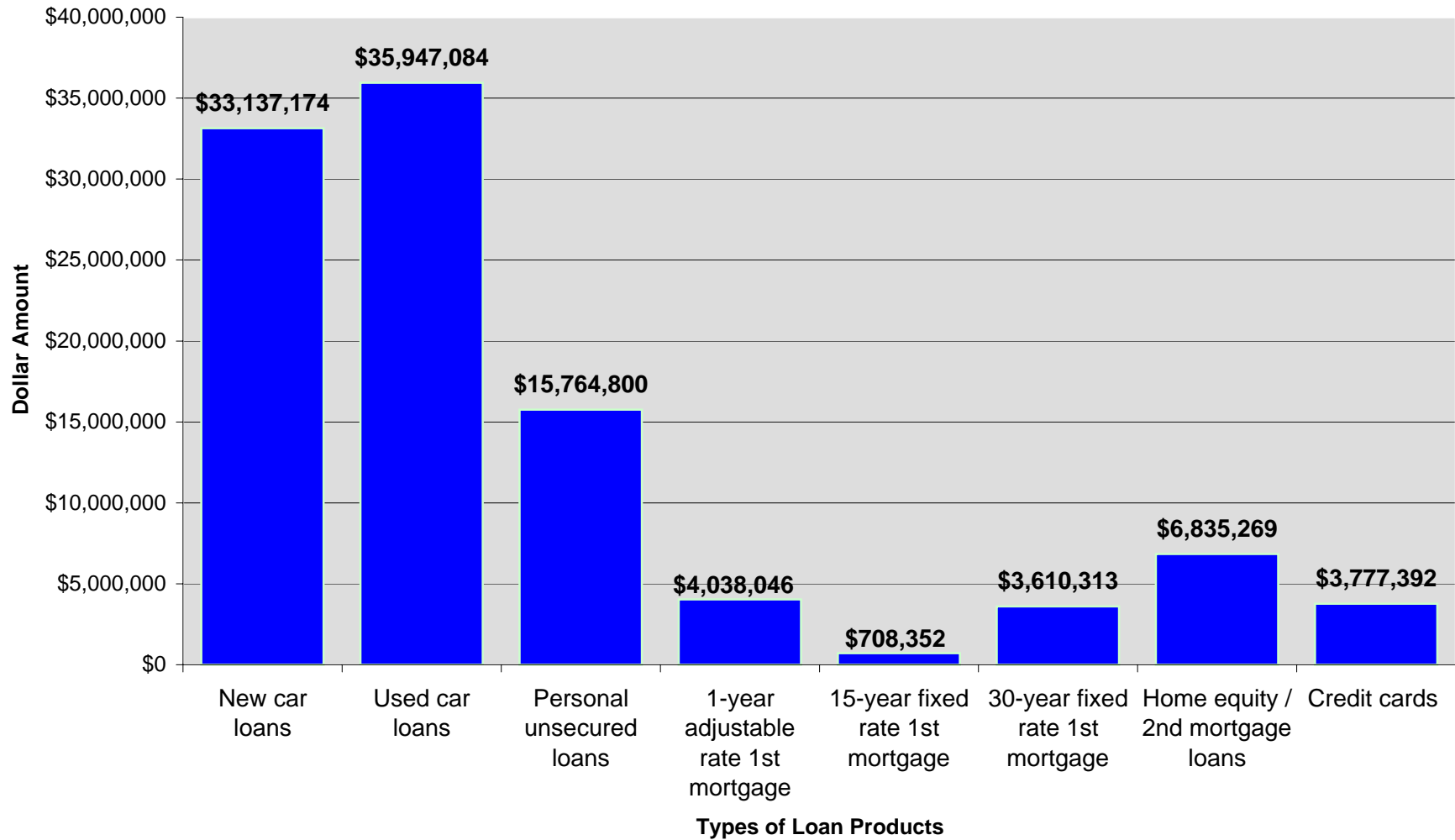


**Maryland**  
**Credit Union and Banking Institution**  
**2008 Average Interest Rates and Fees**

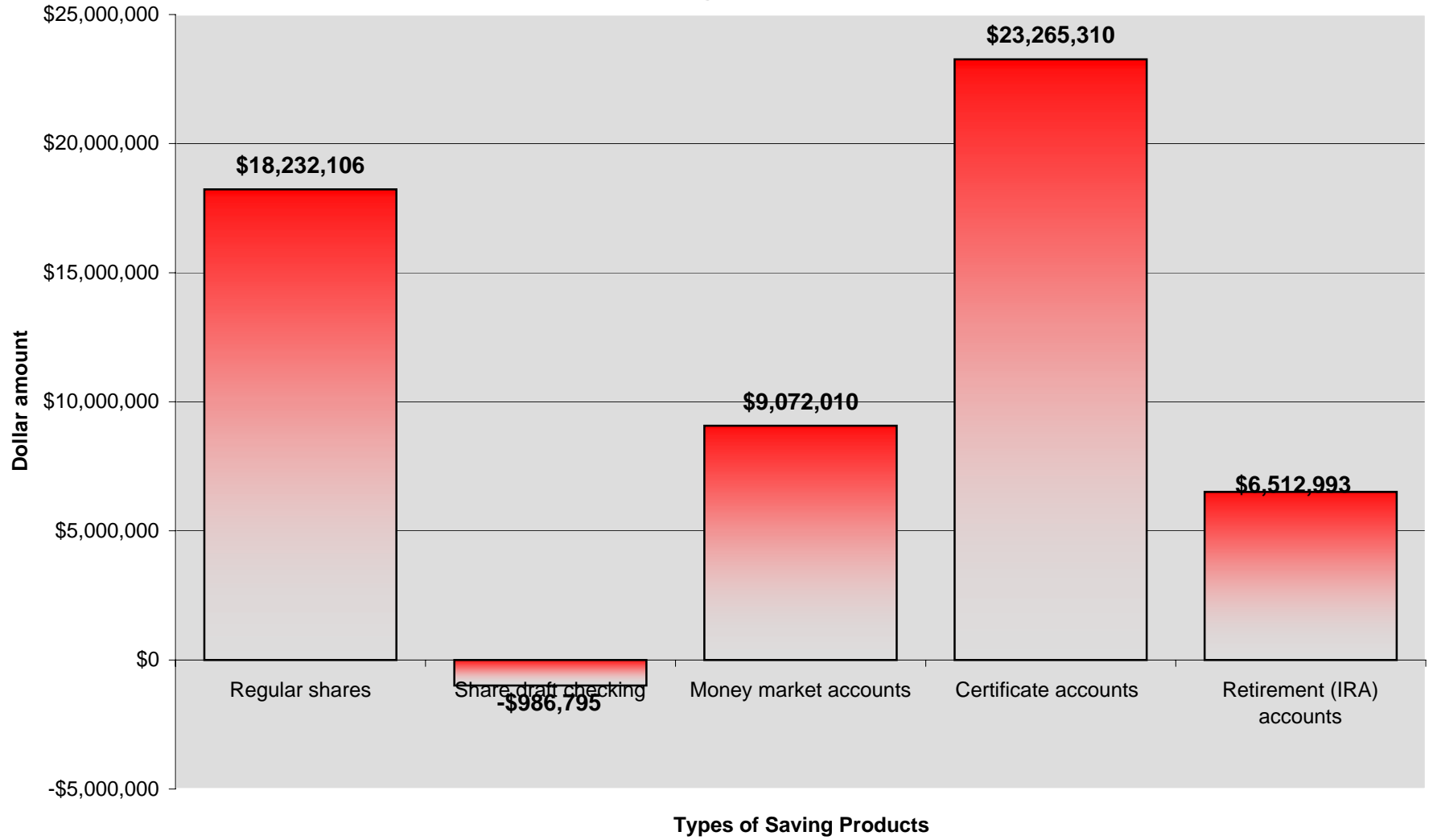
<b>Loan Products</b>	<b>Average Rate at Credit Unions (%)</b>	<b>Average Rate at Banks (%)</b>	<b>Rate Difference vs. Banks (%)</b>
60-month new car (A paper)	5.51	7.50	-1.99
48-month used car (A paper)	5.64	8.15	-2.51
Unsecured loan (A paper)	10.72	13.07	-2.35
1-year adjustable rate 1st mortgage, 0 pts	5.53	5.95	-0.42
15-year fixed rate 1st mortgage, 0 pts	5.51	5.59	-0.08
30-year fixed rate 1st mortgage, 0 pts	5.87	6.10	-0.23
Home equity / 2nd mtg, 80% LTV 0 pts	5.75	6.09	-0.35
Credit card - classic	11.54	11.88	-0.35
Credit card - gold	9.67	10.53	-0.86
<b>Savings Products</b>			
Regular savings, \$1,000 balance	0.95	0.55	0.41
Share draft checking, \$5,000 balance	0.34	0.41	-0.07
Money market accounts	1.91	1.38	0.53
1 Year certificate \$10,000 balance	3.62	2.95	0.67
Retirement (IRA) accounts	2.76	2.16	0.60
<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 Maryland Credit Unions Financial Benefits 2008

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Maryland Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	1,665,184,624	-1.99	\$33,137,174
Used car loans	1,435,013,327	-2.51	\$35,947,084
Personal unsecured loans	670,842,548	-2.35	\$15,764,800
1-year adjustable rate 1st mortgage	961,439,492	-0.42	\$4,038,046
15-year fixed rate 1st mortgage	885,440,282	-0.08	\$708,352
30-year fixed rate 1st mortgage	1,604,583,716	-0.23	\$3,610,313
Home equity / 2nd mortgage loans	1,981,237,421	-0.35	\$6,835,269
Credit cards	797,338,669	-0.35	\$3,777,392
Interest rebates in period			\$2,525,893
<b>Total CU member benefits arising from lower interest rates on loan products:</b>			<b>\$106,344,323</b>
<u>Savings</u>			
Regular shares	4,501,754,500	0.41	\$18,232,106
Share draft checking	1,518,146,471	-0.07	-\$986,795
Money market accounts	1,728,001,826	0.53	\$9,072,010
Certificate accounts	3,472,434,314	0.67	\$23,265,310
Retirement (IRA) accounts	1,090,040,618	0.60	\$6,512,993
Bonus dividends in period			\$0
<b>Total CU member benefit arising from higher interest rates on saving products:</b>			<b>\$56,095,623</b>
<u>Fee Income</u>			
<b>Total CU member benefit arising from fewer/lower fees:</b>			<b>\$34,002,060</b>
<b>Total CU member benefit arising from interest rates on loan and savings products and lower fees:</b>			<b>\$196,442,006</b>
<b>Total CU member benefit / member:</b>			<b>\$113</b>
<b>Total CU member benefit / member household:</b>			<b>\$215</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;

**Maryland  
Performance Profile**

<b>Demographic Information</b>	<b>Dec-08</b>	<b>Dec-07</b>
Number of branches	317	307
Total assets (\$ mil)	15,430	14,352
Total loans (\$ mil)	10,450	9,863
Total surplus funds (\$ mil)	4,358	3,916
Total savings (\$ mil)	12,927	12,038
Total members (thousands)	1,738	1,735
<b>Growth Rates</b>		
Total assets	7.5 %	5.1 %
Total loans	6.0 %	7.5 %
Total surplus funds	11.3 %	-0.7 %
Total savings	7.4 %	4.1 %
Total members	0.3 %	0.4 %
<b>Earnings - Basis Pts.</b>		
Yield on total assets	548	581
- Dividend/interest cost of assets	210	233
+ Fee & other income	145	145
- Operating expense	385	381
- Loss Provisions	62	26
= Net Income (ROA)	36	85
<b>Capital adequacy</b>		
Net worth / assets	12.1	12.6
<b>Asset quality</b>		
Delinquencies / loans	1.0	0.6
Net chargeoffs / average loans	0.7	0.3
Total borrower-bankruptcies	24	15
Bankruptcies per 1000 members	1.5	1.0
<b>Asset/Liability Management</b>		
Loans / savings	80.8	81.9
Loans / assets	67.7	68.7
Long-term assets / assets	33.5	31.2
Core deposits/shares & borrowings	46.2	48.2
<b>Productivity</b>		
Members/potential members	13.0	12.6
Borrowers/members	48.7	48.1
Members/FTE	373	375
Average shares/members (\$)	7,438	6,938
Average loan balances (\$)	12,346	11,811
Salary & Benefits/FTE	63,024	59,083