

The Benefits of Membership

Customized Analysis of Member Benefits For:

Michigan

December 2007

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.

Michigan

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 Michigan credit unions provided \$455,642,449 in direct financial benefits to the state's 4,344,073 members during the twelve months ending December 2007.

These benefits are equivalent to \$105 per member or \$199 per member household ⁽¹⁾.

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

Consider this:

Financing a \$25,000 new automobile for 60 months at a Michigan credit union will save members an average \$174 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.

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

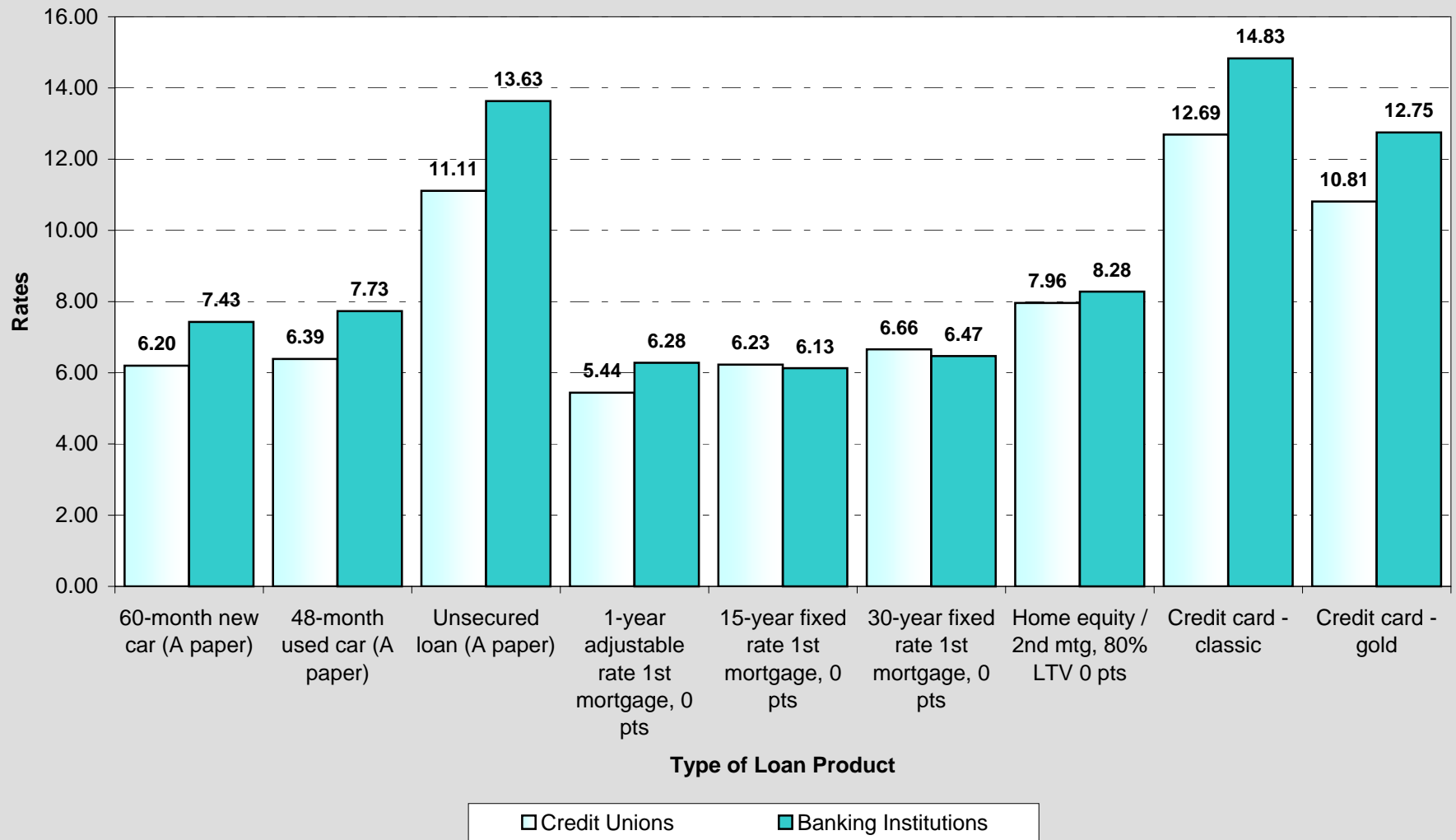
Michigan credit unions also pay members higher average dividends on the following accounts: regular savings, money market accounts, certificate accounts, IRAs.



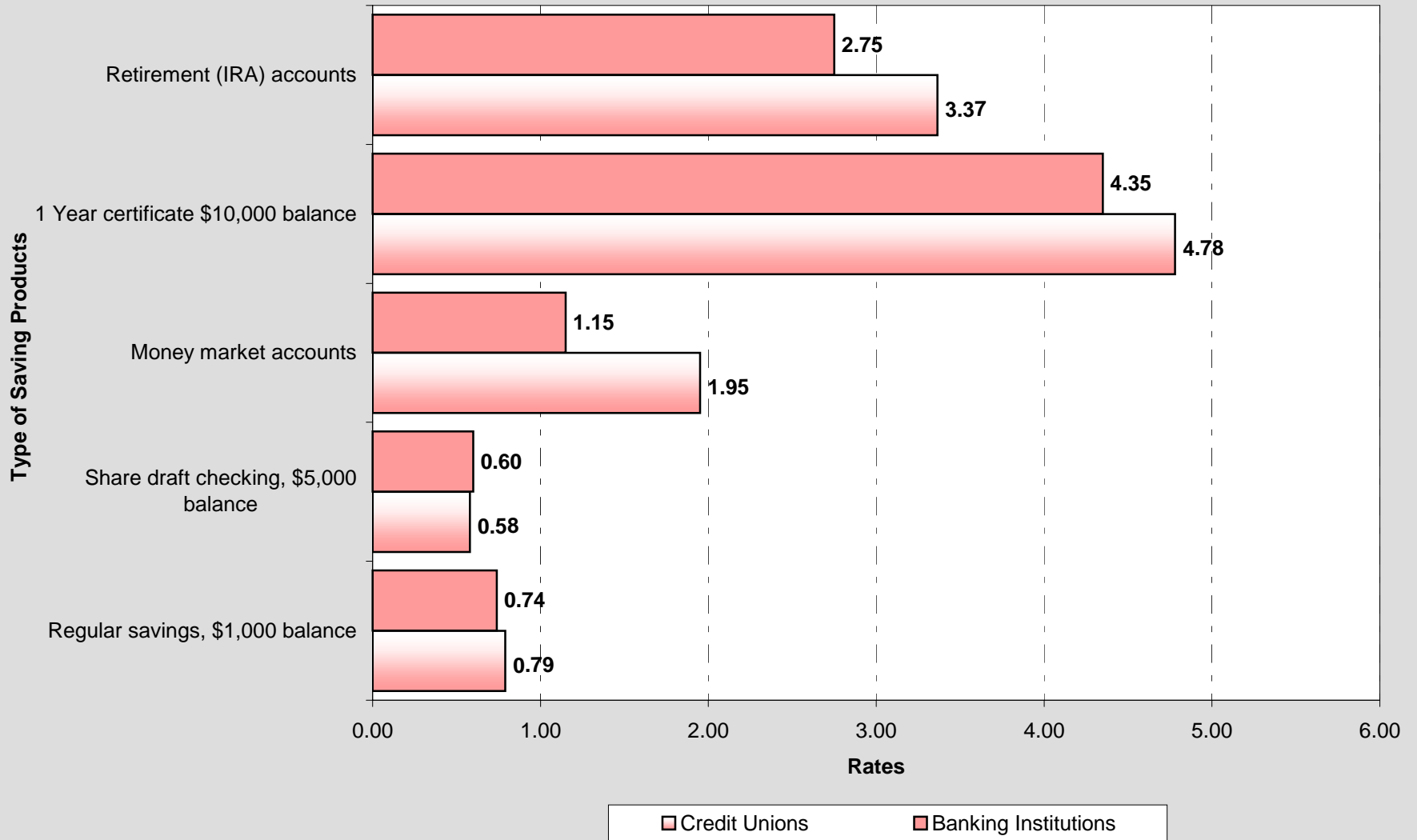
Source: Datatrac, NCUA, and CUNA.

(1) Assumes 1.9 credit union members per household.

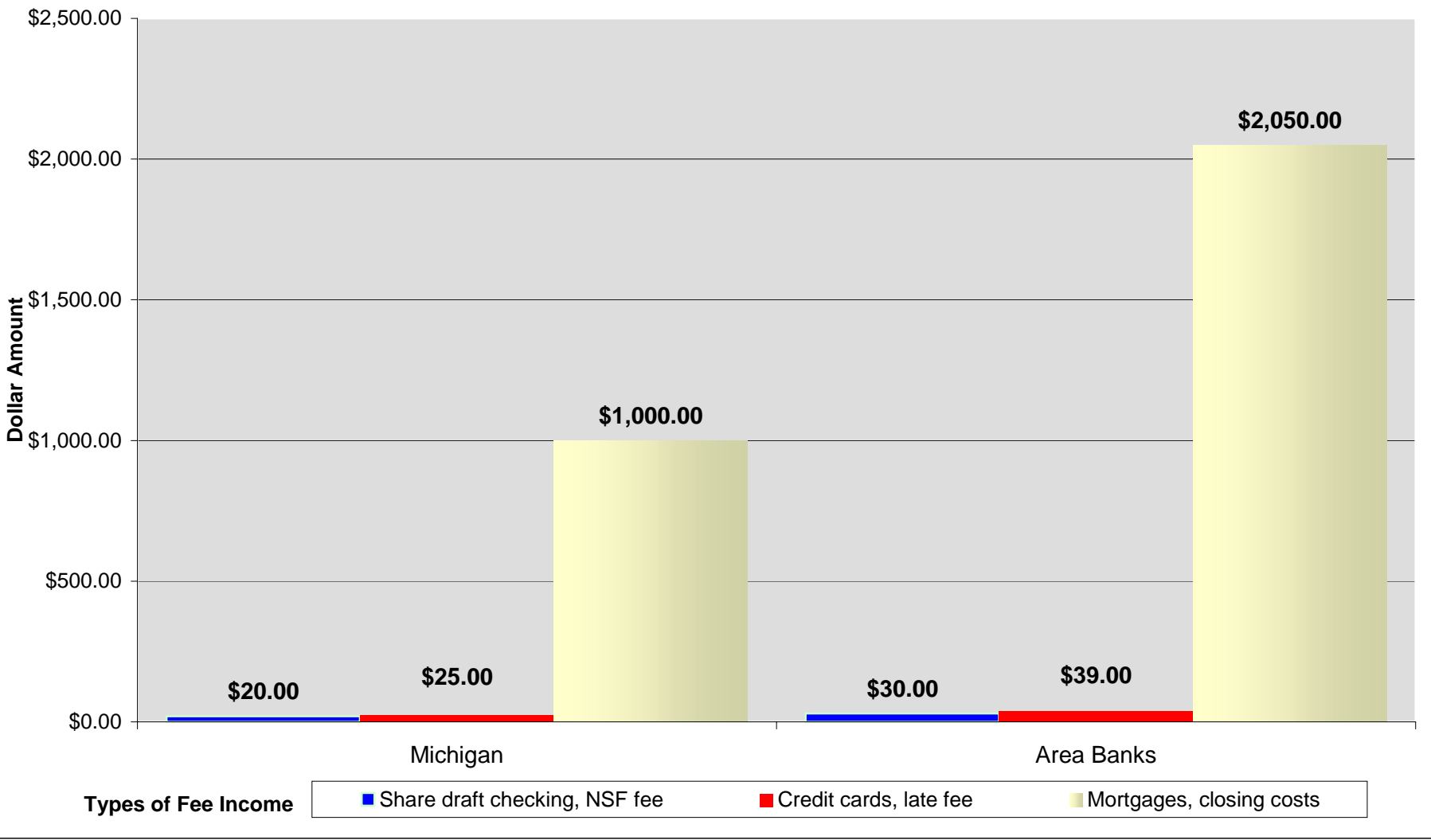
Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



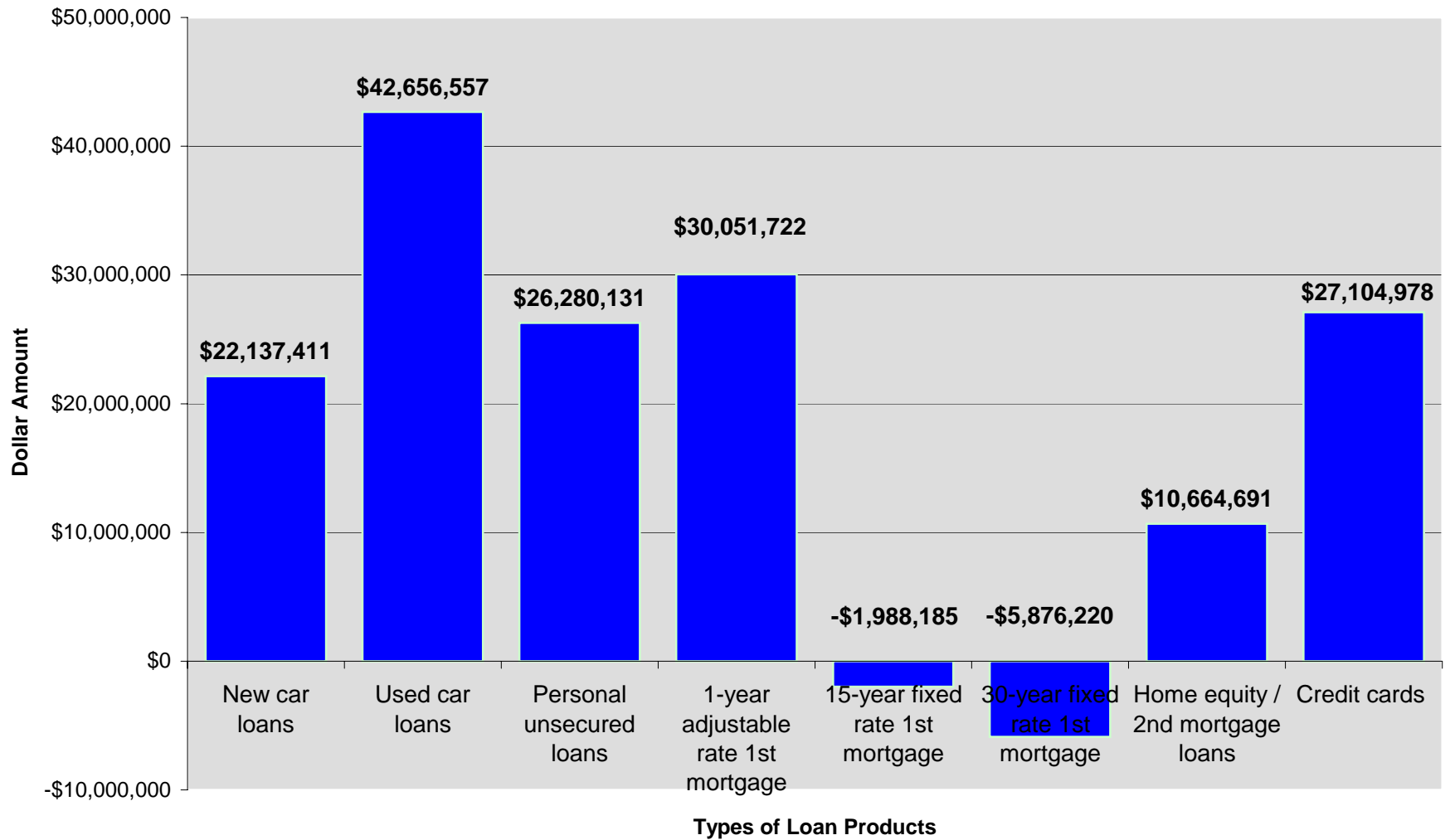
Selected Credit Union Fees compared to Banking Institutions



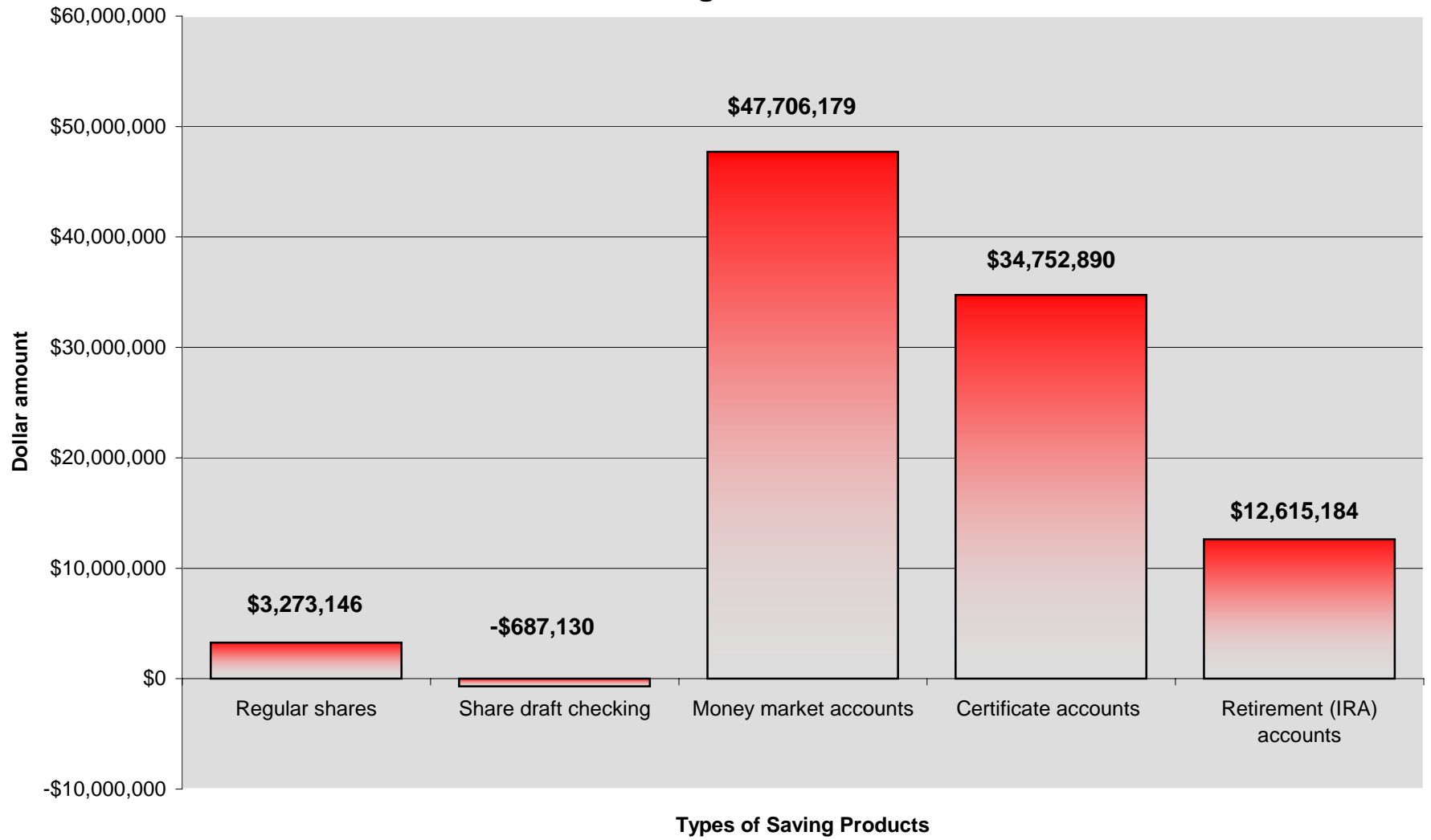
**Recent Interest Rates at Credit Unions
and
Banking Institutions in Michigan**

| Loan Products | Average Rate at Credit Unions (%) | Average Rate at Banks (%) | Rate Difference vs. Banks (%) |
|--|--|----------------------------------|--------------------------------------|
| 60-month new car (A paper) | 6.20 | 7.43 | -1.23 |
| 48-month used car (A paper) | 6.39 | 7.73 | -1.34 |
| Unsecured loan (A paper) | 11.11 | 13.63 | -2.52 |
| 1-year adjustable rate 1st mortgage, 0 pts | 5.44 | 6.28 | -0.84 |
| 15-year fixed rate 1st mortgage, 0 pts | 6.23 | 6.13 | 0.10 |
| 30-year fixed rate 1st mortgage, 0 pts | 6.66 | 6.47 | 0.19 |
| Home equity / 2nd mtg, 80% LTV 0 pts | 7.96 | 8.28 | -0.32 |
| Credit card - classic | 12.69 | 14.83 | -2.14 |
| Credit card - gold | 10.81 | 12.75 | -1.94 |
| Savings Products | | | |
| Regular savings, \$1,000 balance | 0.79 | 0.74 | 0.05 |
| Share draft checking, \$5,000 balance | 0.58 | 0.60 | -0.02 |
| Money market accounts | 1.95 | 1.15 | 0.80 |
| 1 Year certificate \$10,000 balance | 4.78 | 4.35 | 0.43 |
| Retirement (IRA) accounts | 3.37 | 2.75 | 0.62 |
| Fee Income | | | |
| Share draft checking, NSF fee | \$20.00 | \$30.00 | -\$10.00 |
| Credit cards, late fee | \$25.00 | \$39.00 | -\$14.00 |
| Mortgages, closing costs | \$1,000.00 | \$2,050.00 | -\$1,050.00 |

Estimated Credit Union Loan Rate Benefits vs. Banking Institutions



Estimated Credit Union Savings Dividend Benefits vs. Banking Institutions



Estimated Michigan Credit Unions Financial Benefits Year-End 2007

| <u>Loans</u> | Avg. Balance at Credit Unions (1) | Rate Difference vs. Michigan Banks (%) (2) | Total Financial Benefit to Your Members |
|---|---|---|--|
| New car loans | 1,799,789,531 | -1.23 | \$22,137,411 |
| Used car loans | 3,183,325,183 | -1.34 | \$42,656,557 |
| Personal unsecured loans | 1,042,862,356 | -2.52 | \$26,280,131 |
| 1-year adjustable rate 1st mortgage | 3,577,585,951 | -0.84 | \$30,051,722 |
| 15-year fixed rate 1st mortgage | 1,988,184,502 | 0.10 | -\$1,988,185 |
| 30-year fixed rate 1st mortgage | 3,092,747,226 | 0.19 | -\$5,876,220 |
| Home equity / 2nd mortgage loans | 3,332,716,027 | -0.32 | \$10,664,691 |
| Credit cards | 1,296,888,887 | -2.14 | \$27,104,978 |
| Interest rebates in period | | | \$13,562,861 |
| Total CU member benefits arising from lower interest rates on loan products: | | | \$164,593,948 |
| | | | |
| <u>Savings</u> | | | |
| Regular shares | 6,546,291,931 | 0.05 | \$3,273,146 |
| Share draft checking | 3,435,649,104 | -0.02 | -\$687,130 |
| Money market accounts | 5,963,272,367 | 0.80 | \$47,706,179 |
| Certificate accounts | 8,082,067,441 | 0.43 | \$34,752,890 |
| Retirement (IRA) accounts | 2,051,249,370 | 0.62 | \$12,615,184 |
| Bonus dividends in period | | | \$0 |
| Total CU member benefit arising from higher interest rates on saving products: | | | \$97,660,269 |
| | | | |
| <u>Fee Income</u> | | | |
| Total CU member benefit arising from fewer/lower fees: | | | \$193,388,232 |
| | | | |
| Total CU member benefit arising from interest rates on loan and savings products and lower fees: | | | \$455,642,449 |
| | | | |
| Total CU member benefit / member: | | | \$105 |
| Total CU member benefit / member household: | | | \$199 |

Source: Datatrac, NCUA, and CUNA

(1) Average balance as of year-end 2005 and year-end 2004, according to the NCUA call report.; (2) Credit union rates provided by individual credit union, bank rates provided by Datatrac;

**Michigan
Performance Profile**

| Demographic Information | Dec-07 | Dec-06 |
|------------------------------------|----------------|----------------|
| Number of branches | 991 | 962 |
| Total assets (\$ mil) | 32,517,852,689 | 31,638,588,060 |
| Total loans (\$ mil) | 21,231,034,872 | 21,039,798,398 |
| Total surplus funds (\$ mil) | 9,674,933,339 | 9,116,666,940 |
| Total savings (\$ mil) | 27,292,312,966 | 26,465,541,091 |
| Total members (thousands) | 4,400,058 | 4,401,899 |
| Growth Rates | | |
| Total assets | 5.5 % | 4.1 % |
| Total loans | 4.0 % | 5.6 % |
| Total surplus funds | 7.9 % | -0.3 % |
| Total savings | 5.6 % | 3.6 % |
| Total members | 2.5 % | 2.6 % |
| Earnings - Basis Pts. | | |
| Yield on total assets | 585 | 555 |
| - Dividend/interest cost of assets | 252 | 216 |
| + Fee & other income | 148 | 144 |
| - Operating expense | 380 | 379 |
| - Loss Provisions | 46 | 39 |
| = Net Income (ROA) | 55 | 65 |
| Capital adequacy | | |
| Net worth / assets | 12.6 | 12.6 |
| Asset quality | | |
| Delinquencies / loans | 1.4 | 1.1 |
| Net chargeoffs / average loans | 0.6 | 0.6 |
| Total borrower-bankruptcies | 32 | 25 |
| Bankruptcies per 1000 members | 2.6 | 2.2 |
| Asset/Liability Management | | |
| Loans / savings | 77.8 | 79.5 |
| Loans / assets | 65.3 | 66.5 |
| Long-term assets / assets | 32.3 | 30.1 |
| Core deposits/shares & borrowings | 35.7 | 38.4 |
| Productivity | | |
| Members/potential members | 6.8 | 8.0 |
| Borrowers/members | 50.4 | 50.4 |
| Members/FTE | 386 | 388 |
| Average shares/members (\$) | 6,203 | 6,012 |
| Average loan balances (\$) | 9,567 | 9,494 |
| Salary & Benefits/FTE | 52,526 | 51,592 |