

# ***The Benefits of Membership***

*Customized Analysis of Member Benefits For:*

**Michigan**

***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.

# 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 \$397,521,844 in direct financial benefits to the state's 4,309,150 members during the twelve months ending December 2008.

**These benefits are equivalent to \$92 per member or \$175 per member household <sup>(1)</sup>.**

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 \$156 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-fixed rate, 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, share draft checking, money market accounts, certificate accounts, IRAs.

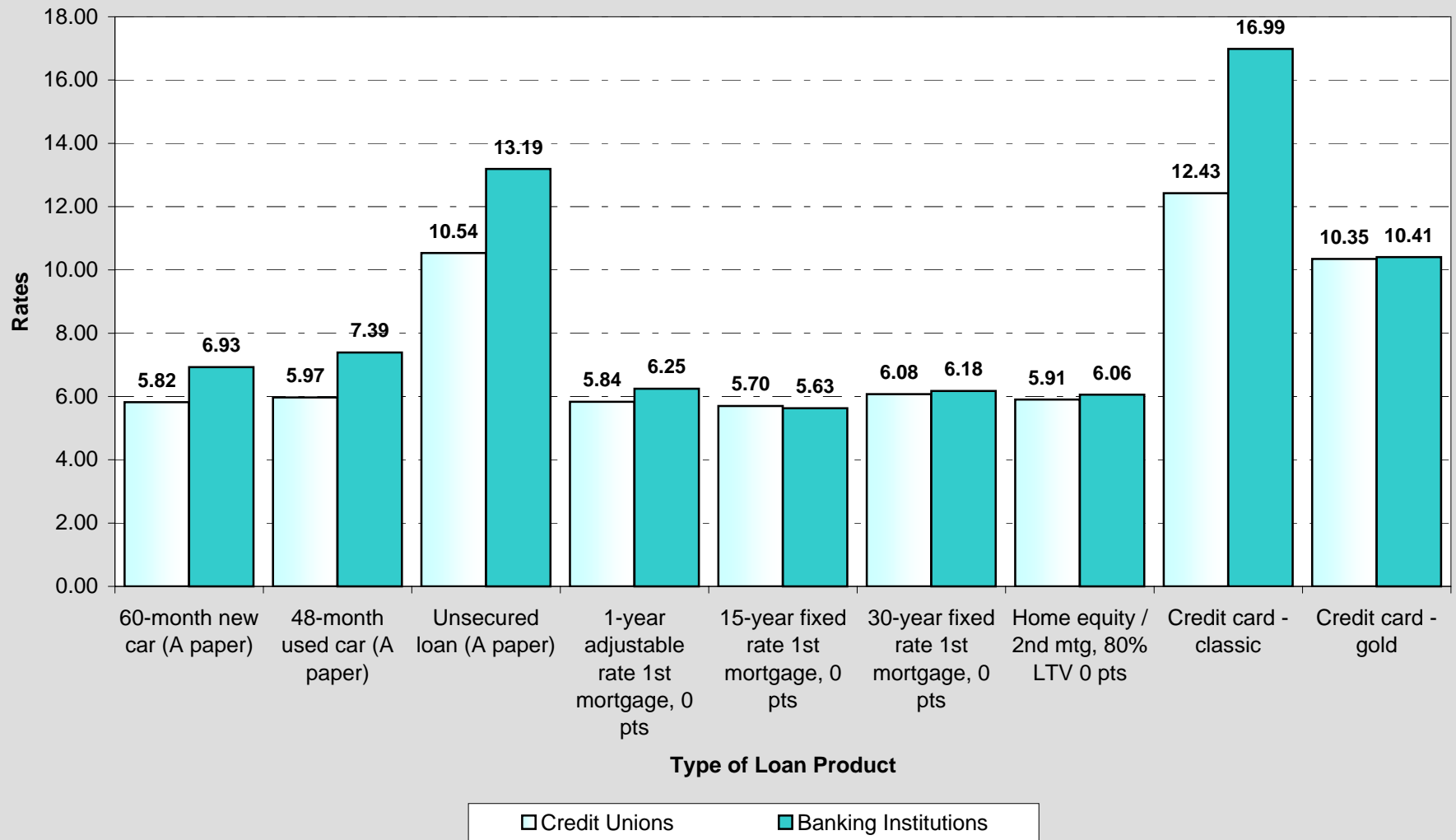


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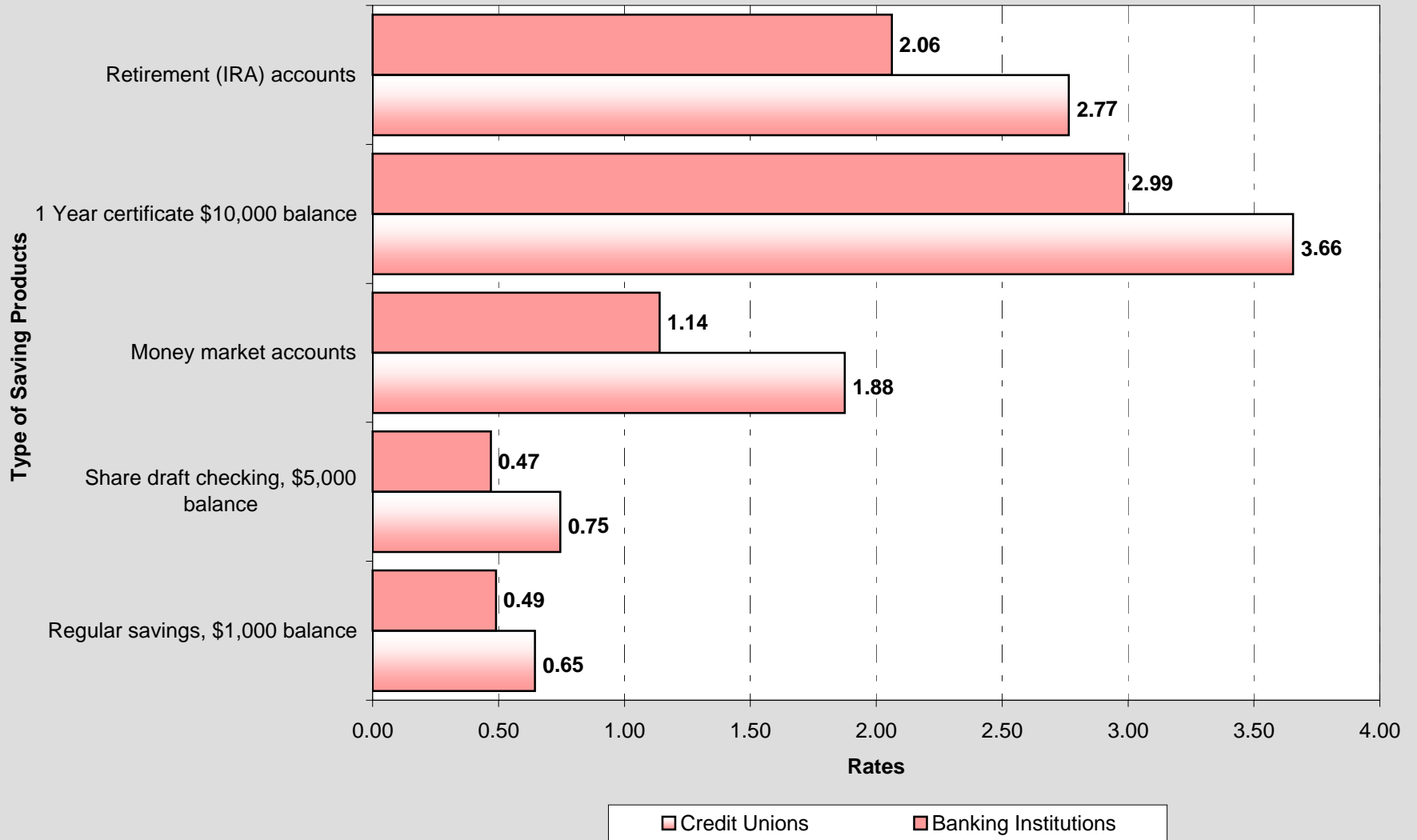
Source: Datatrac, NCUA, and CUNA.

(1) Assumes 1.9 credit union members per household.

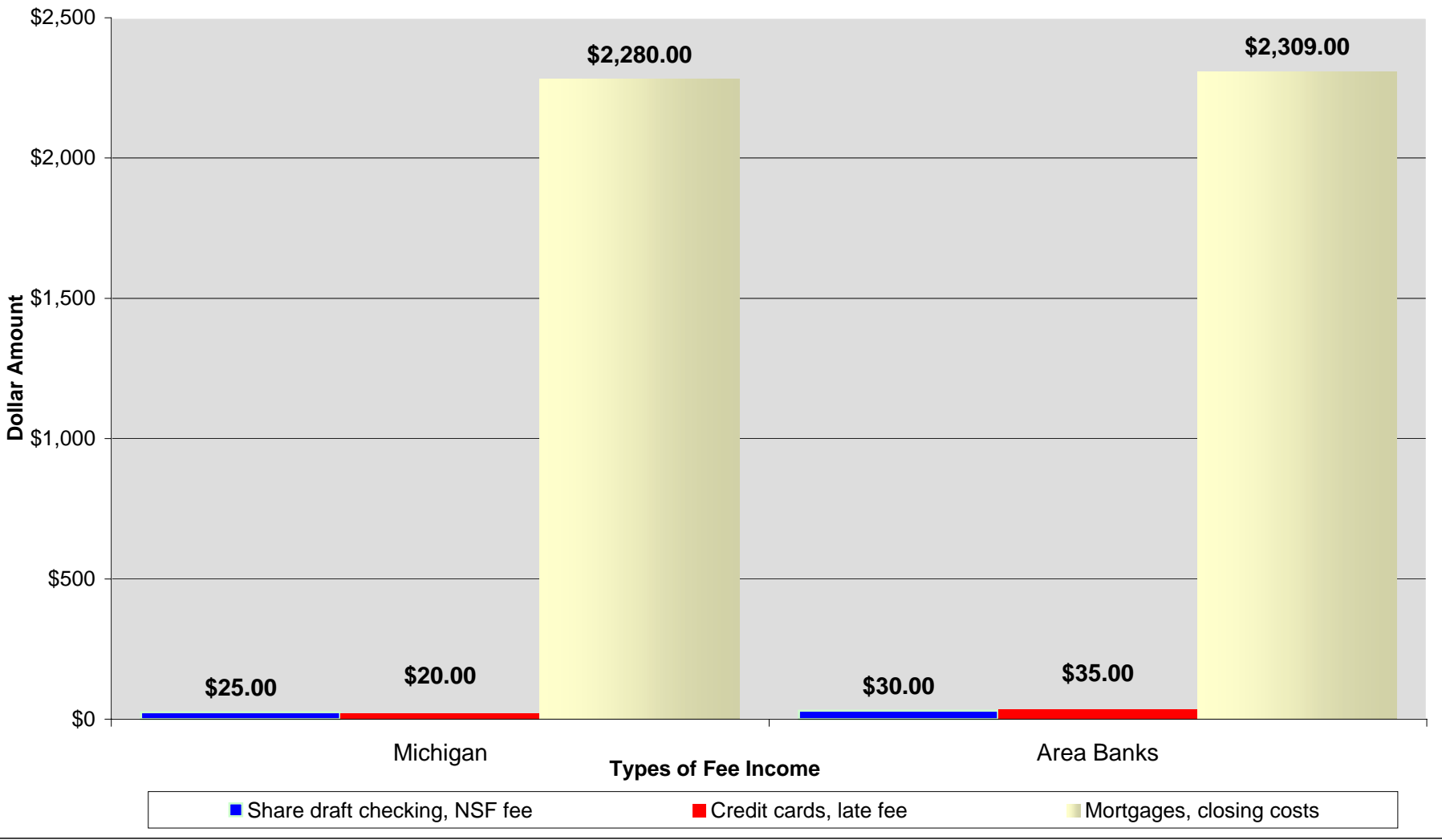
## Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



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

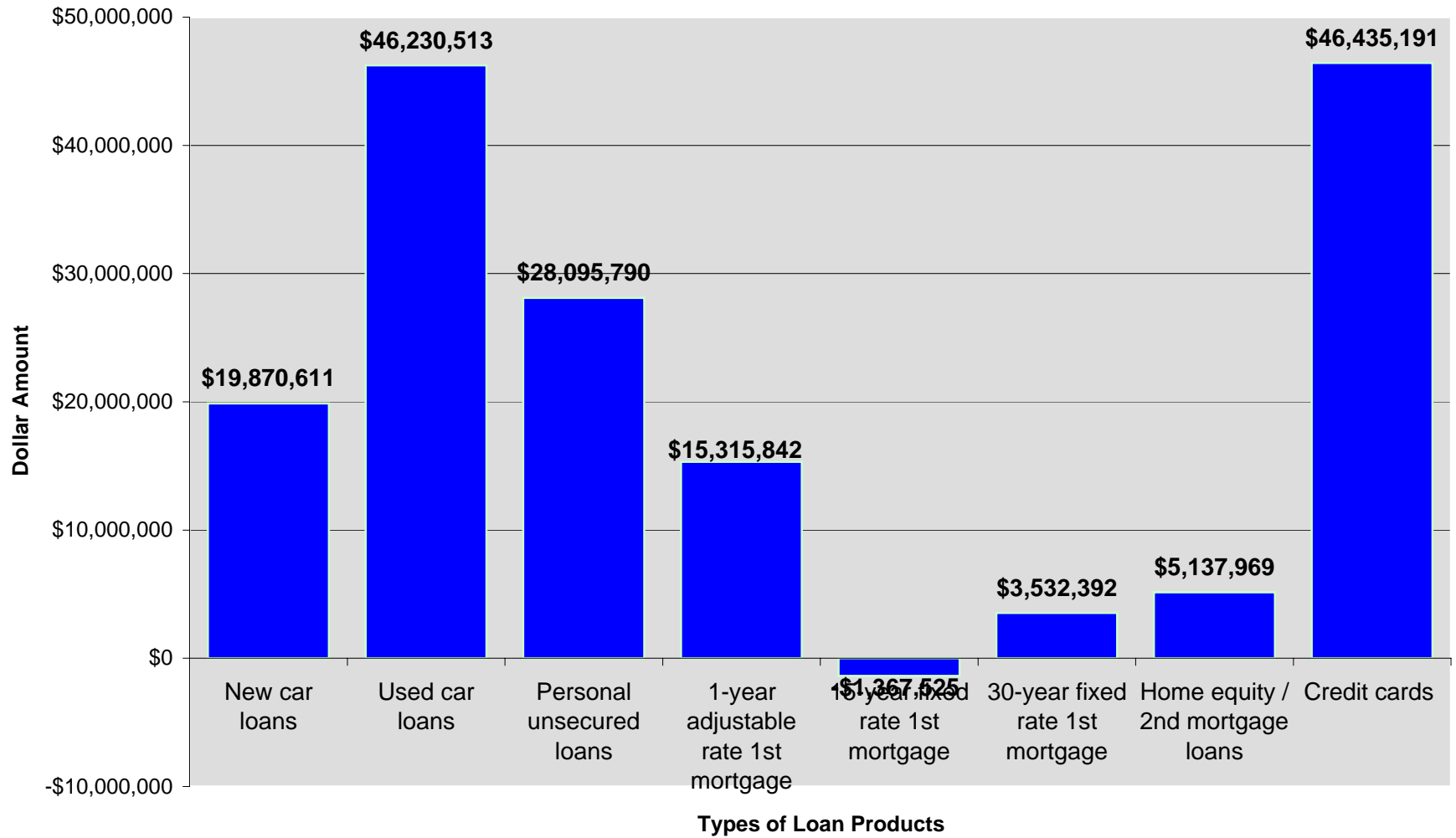


**Michigan**  
**Credit Union and Banking Institution**  
**2008 Average Interest Rates and Fees**

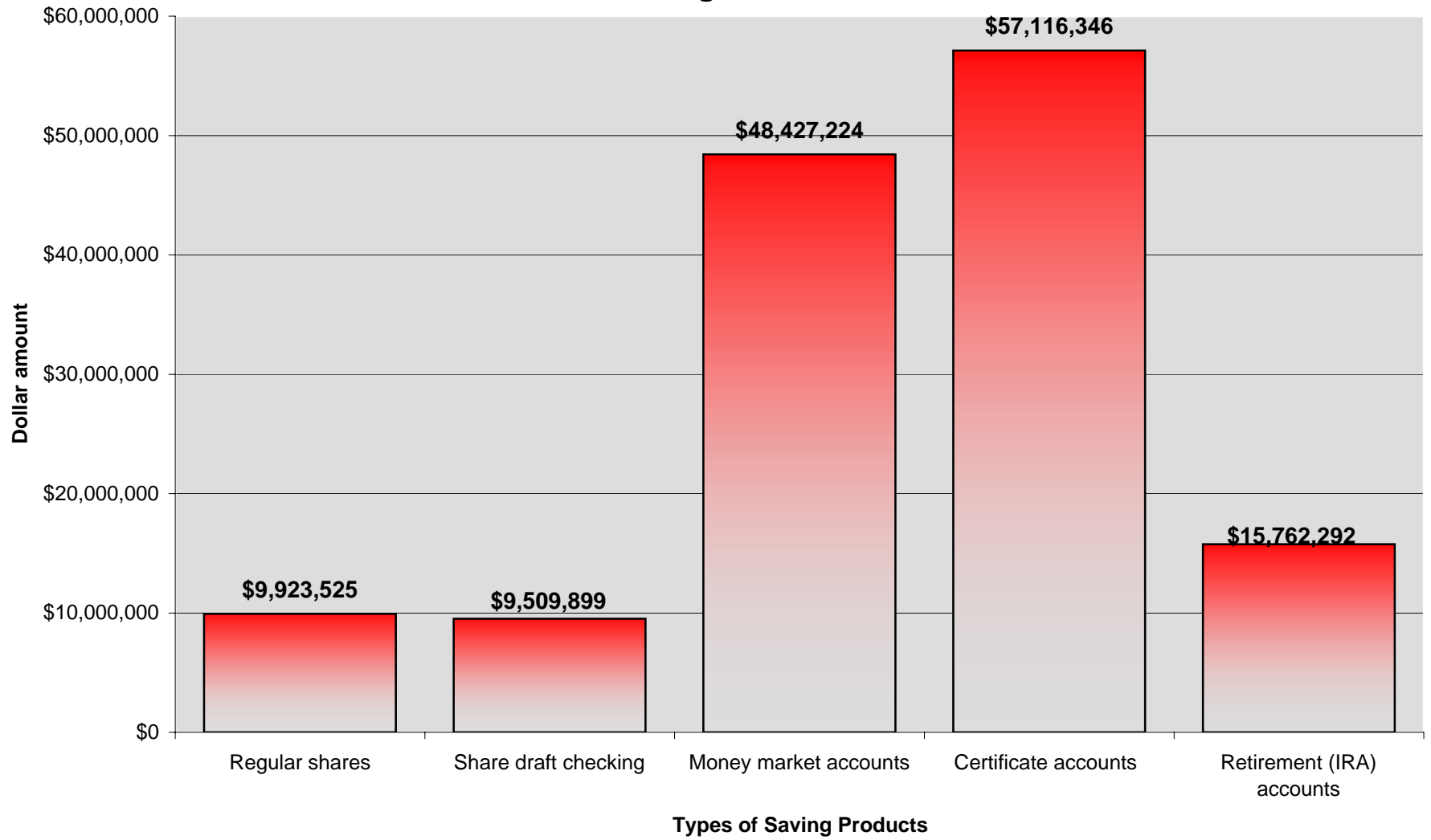
<b>Loan Products</b>	<b>Average Rate at Credit Unions (%)</b>	<b>Average Rate at Banks (%)</b>	<b>Rate Difference vs. Banks (%)</b>
60-month new car (A paper)	5.82	6.93	-1.11
48-month used car (A paper)	5.97	7.39	-1.42
Unsecured loan (A paper)	10.54	13.19	-2.66
1-year adjustable rate 1st mortgage, 0 pts	5.84	6.25	-0.41
15-year fixed rate 1st mortgage, 0 pts	5.70	5.63	0.07
30-year fixed rate 1st mortgage, 0 pts	6.08	6.18	-0.10
Home equity / 2nd mtg, 80% LTV 0 pts	5.91	6.06	-0.15
Credit card - classic	12.43	16.99	-4.56
Credit card - gold	10.35	10.41	-0.06
<b>Savings Products</b>			
Regular savings, \$1,000 balance	0.65	0.49	0.16
Share draft checking, \$5,000 balance	0.75	0.47	0.28
Money market accounts	1.88	1.14	0.74
1 Year certificate \$10,000 balance	3.66	2.99	0.67
Retirement (IRA) accounts	2.77	2.06	0.70
<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 Michigan Credit Unions Financial Benefits 2008

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Michigan Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	1,790,145,134	-1.11	\$19,870,611
Used car loans	3,255,669,949	-1.42	\$46,230,513
Personal unsecured loans	1,058,221,864	-2.66	\$28,095,790
1-year adjustable rate 1st mortgage	3,735,571,150	-0.41	\$15,315,842
15-year fixed rate 1st mortgage	1,953,607,077	0.07	-\$1,367,525
30-year fixed rate 1st mortgage	3,532,391,870	-0.10	\$3,532,392
Home equity / 2nd mortgage loans	3,314,818,457	-0.15	\$5,137,969
Credit cards	1,351,825,079	-4.56	\$46,435,191
Interest rebates in period			\$13,591,913
<b>Total CU member benefits arising from lower interest rates on loan products:</b>			<b>\$176,842,696</b>
<u>Savings</u>			
Regular shares	6,402,274,484	0.16	\$9,923,525
Share draft checking	3,458,145,126	0.28	\$9,509,899
Money market accounts	6,588,737,997	0.74	\$48,427,224
Certificate accounts	8,524,827,728	0.67	\$57,116,346
Retirement (IRA) accounts	2,243,742,566	0.70	\$15,762,292
Bonus dividends in period			\$0
<b>Total CU member benefit arising from higher interest rates on saving products:</b>			<b>\$140,739,286</b>
<u>Fee Income</u>			
<b>Total CU member benefit arising from fewer/lower fees:</b>			<b>\$79,939,862</b>
<b>Total CU member benefit arising from interest rates on loan and savings products and lower fees:</b>			<b>\$397,521,844</b>
<b>Total CU member benefit / member:</b>			<b>\$92</b>
<b>Total CU member benefit / member household:</b>			<b>\$175</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;

**Michigan  
Performance Profile**

<b>Demographic Information</b>	<b>Dec-08</b>	<b>Dec-07</b>
Number of branches	1038	991
Total assets (\$ mil)	34,467	32,518
Total loans (\$ mil)	22,363	21,231
Total surplus funds (\$ mil)	10,452	9,675
Total savings (\$ mil)	29,016	27,292
Total members (thousands)	4,397	4,400
<b>Growth Rates</b>		
Total assets	9.8 %	5.5 %
Total loans	8.4 %	4.0 %
Total surplus funds	13.7 %	7.9 %
Total savings	10.1 %	5.6 %
Total members	3.7 %	2.5 %
<b>Earnings - Basis Pts.</b>		
Yield on total assets	559	585
- Dividend/interest cost of assets	220	252
+ Fee & other income	142	148
- Operating expense	383	380
- Loss Provisions	72	46
= Net Income (ROA)	26	55
<b>Capital adequacy</b>		
Net worth / assets	12.1	12.6
<b>Asset quality</b>		
Delinquencies / loans	1.7	1.4
Net chargeoffs / average loans	0.8	0.6
Total borrower-bankruptcies	46	32
Bankruptcies per 1000 members	3.6	2.6
<b>Asset/Liability Management</b>		
Loans / savings	77.1	77.8
Loans / assets	64.9	65.3
Long-term assets / assets	35.3	32.3
Core deposits/shares & borrowings	34.7	35.7
<b>Productivity</b>		
Members/potential members	5.8	6.8
Borrowers/members	50.0	50.2
Members/FTE	379	386
Average shares/members (\$)	6,599	6,203
Average loan balances (\$)	10,176	9,611
Salary & Benefits/FTE	53,760	52,526