

# ***The Benefits of Membership***

*Customized Analysis of Member Benefits For:*

**Missouri**

***September 2009***

*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.

# Missouri

## *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 Missouri credit unions provided \$96,555,168 in direct financial benefits to the state's 1,331,189 members during the twelve months ending September 2009.

**These benefits are equivalent to \$73 per member or \$138 per member household <sup>(1)</sup>.**

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

Consider this:

**Financing a \$25,000 new automobile for 60 months at a Missouri credit union will save members an average \$163 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.

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

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

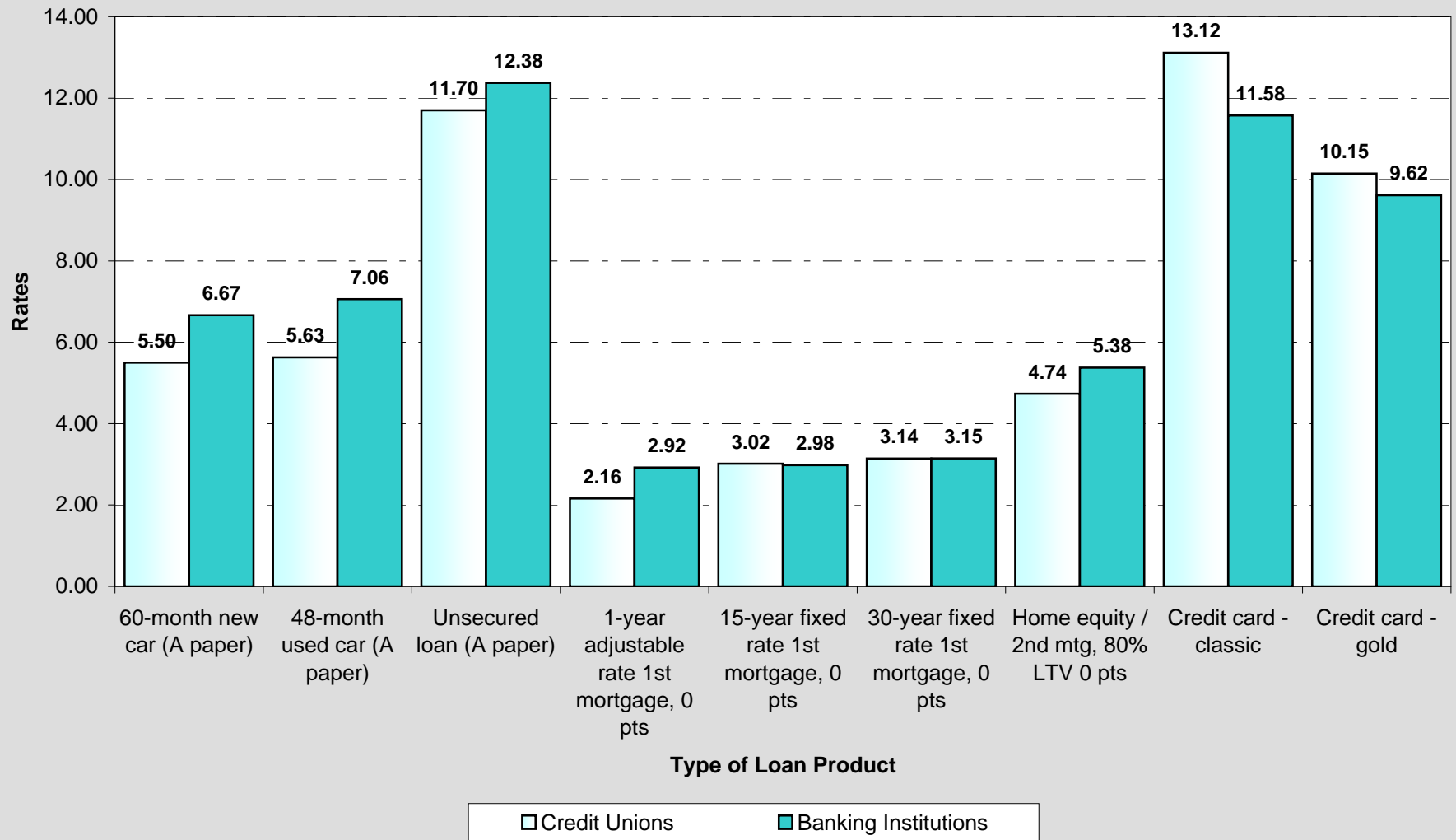


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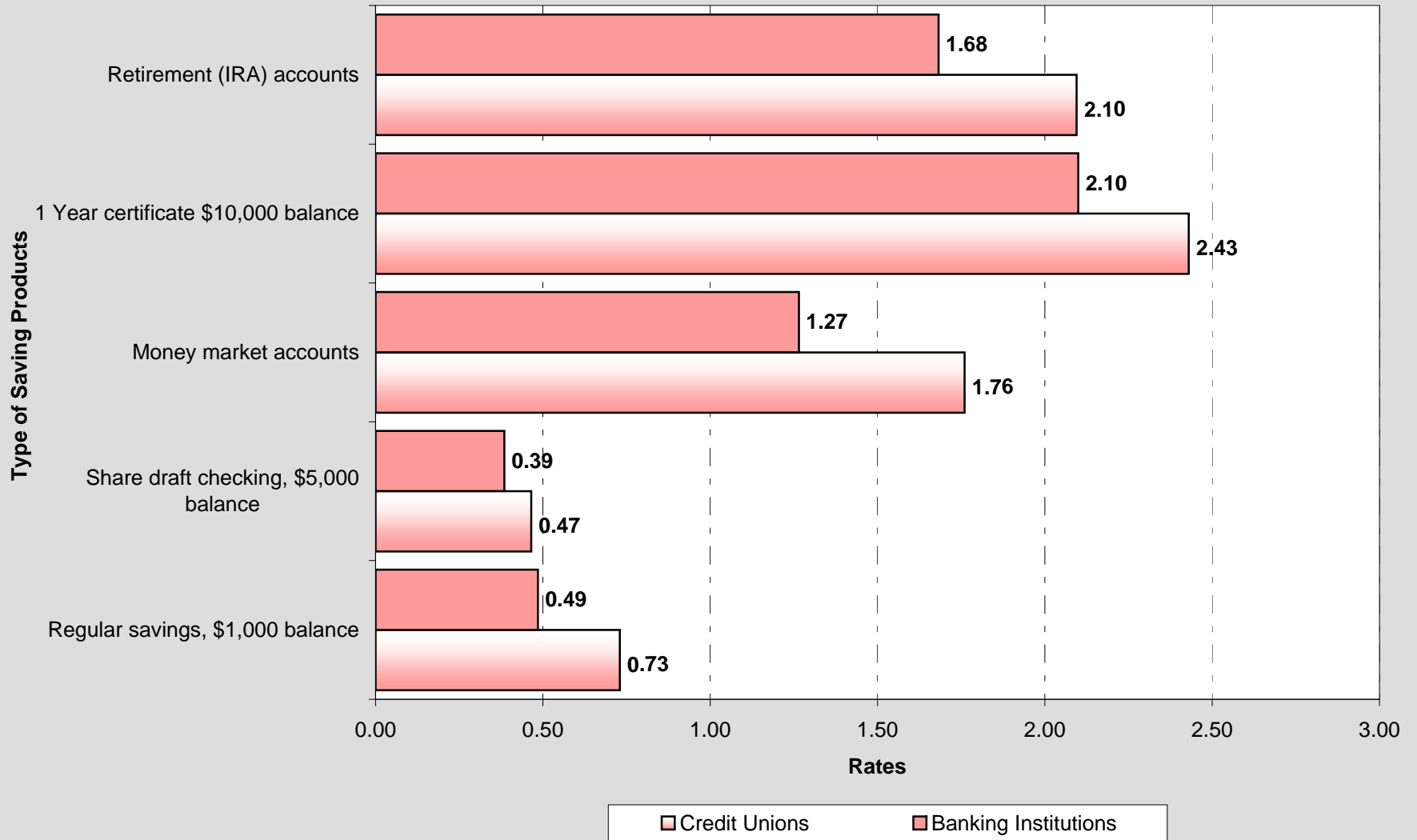
Source: Datatrac, NCUA, and CUNA.

(1)Assumes 1.9 credit union members per household.

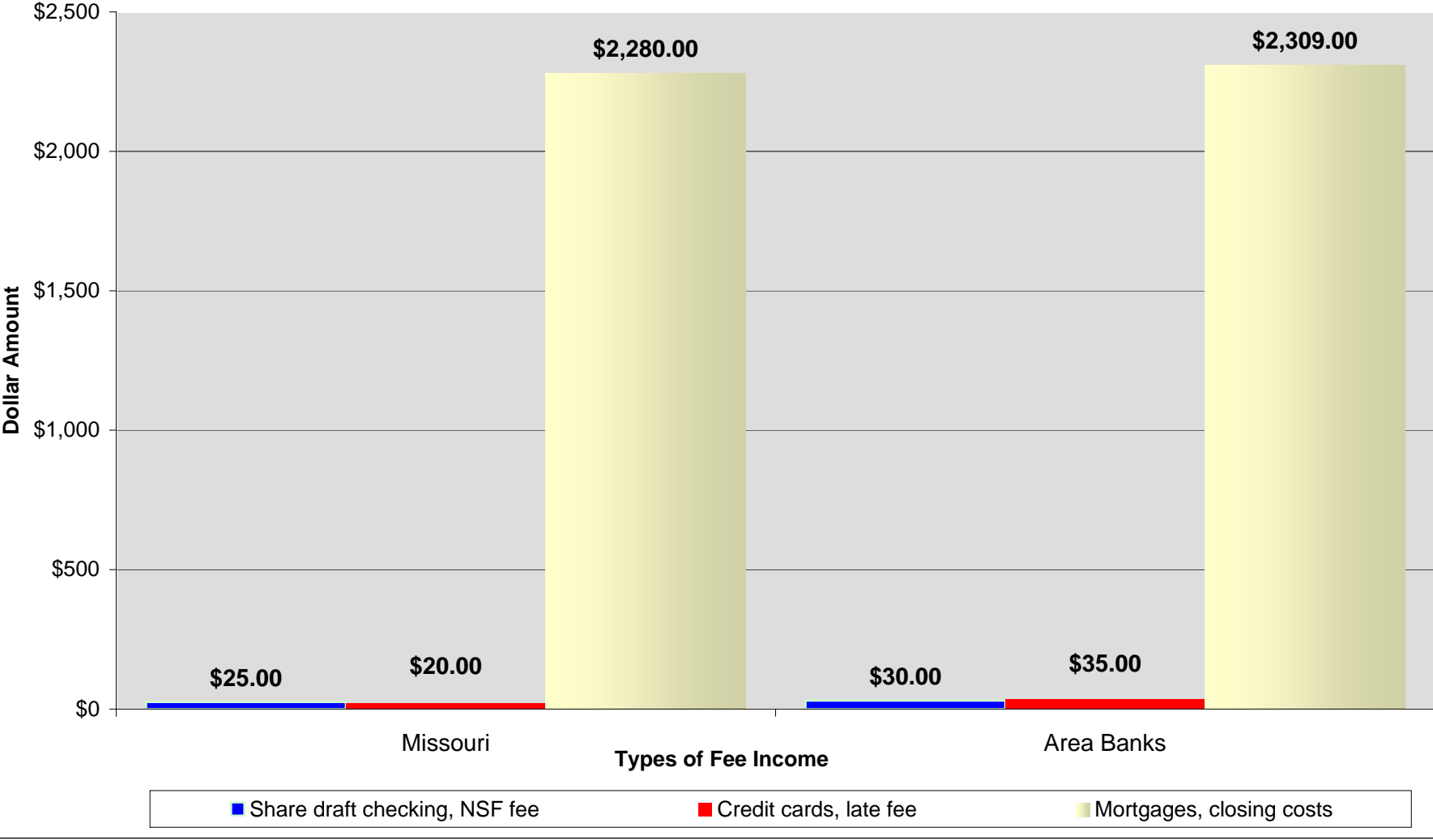
## Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



### Selected Third Quarter 2009 Credit Union Fees compared to Banking Institutions

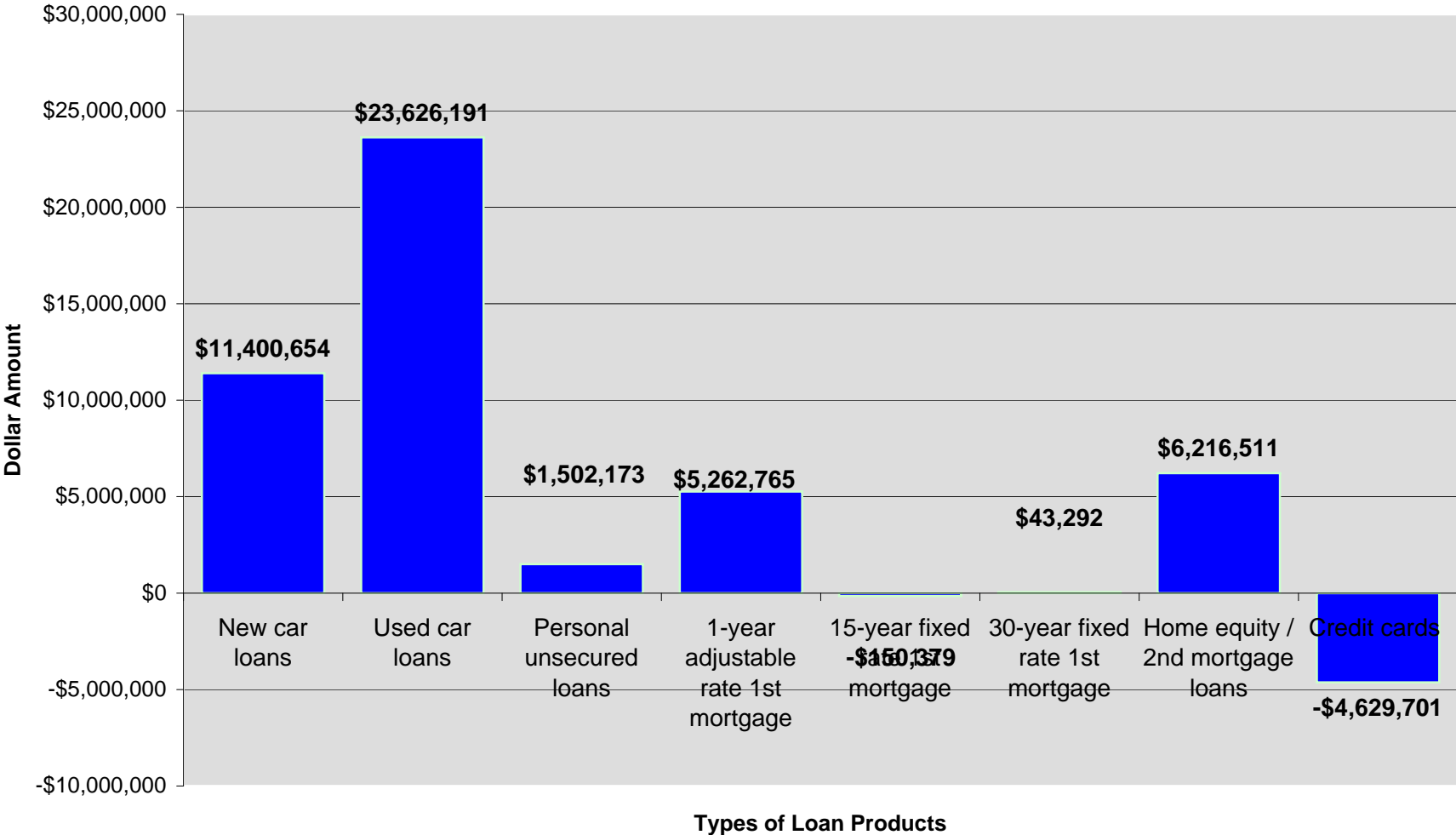


**Missouri**  
**Credit Union and Banking Instituion**  
**Third Quarter 2009 Average Interest Rates and Fees**

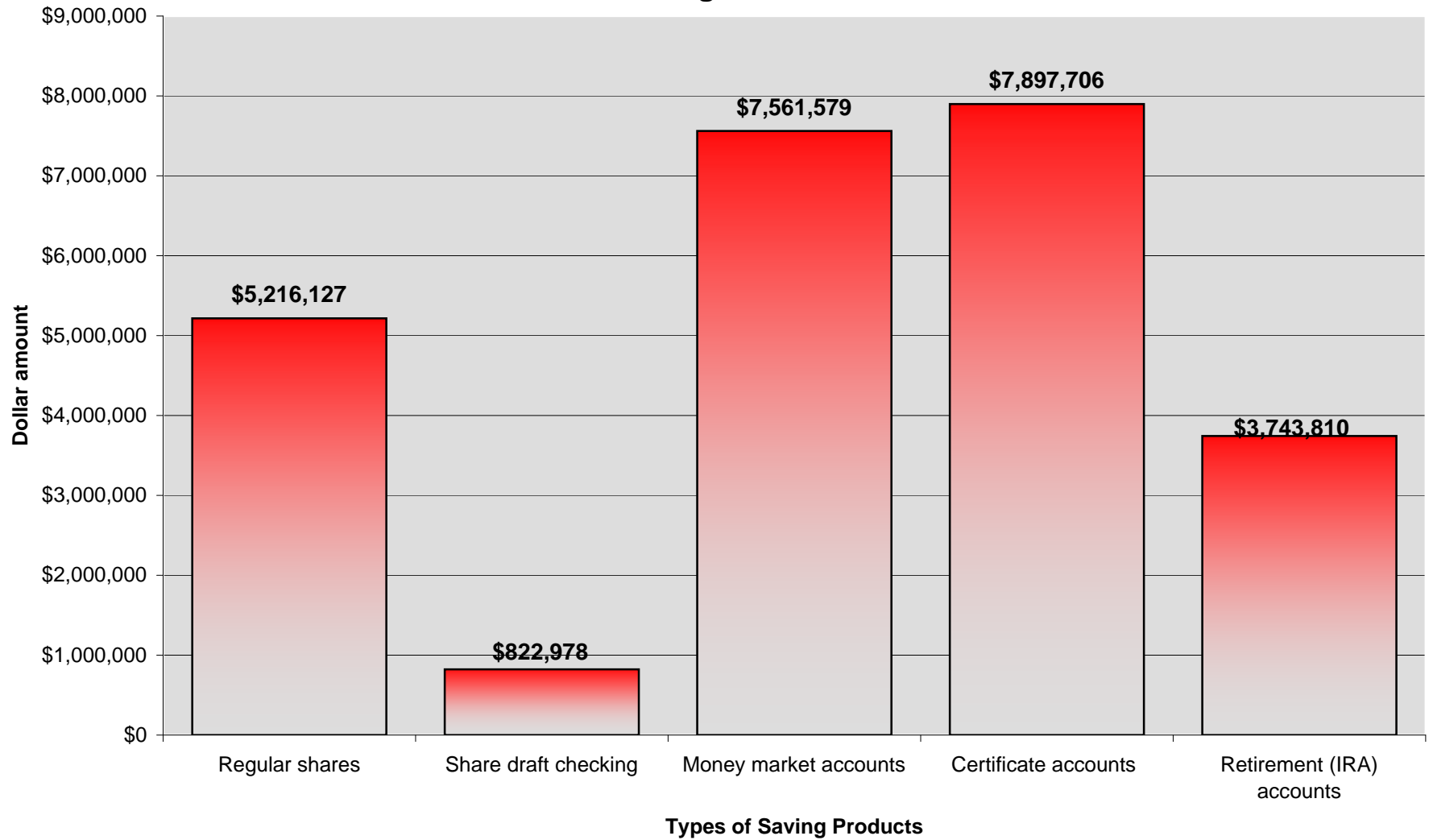
<b>Loan Products</b>	<b>Average Rate at Credit Unions (%)</b>	<b>Average Rate at Banks (%)</b>	<b>Rate Difference vs. Banks (%)</b>
60-month new car (A paper)	5.50	6.67	-1.17
48-month used car (A paper)	5.63	7.06	-1.43
Unsecured loan (A paper)	11.70	12.38	-0.68
1-year adjustable rate 1st mortgage, 0 pts	2.16	2.92	-0.76
15-year fixed rate 1st mortgage, 0 pts	3.02	2.98	0.04
30-year fixed rate 1st mortgage, 0 pts	3.14	3.15	0.00
Home equity / 2nd mtg, 80% LTV 0 pts	4.74	5.38	-0.64
Credit card - classic	13.12	11.58	1.54
Credit card - gold	10.15	9.62	0.53
<b>Savings Products</b>			
Regular savings, \$1,000 balance	0.73	0.49	0.25
Share draft checking, \$5,000 balance	0.47	0.39	0.08
Money market accounts	1.76	1.27	0.50
1 Year certificate \$10,000 balance	2.43	2.10	0.33
Retirement (IRA) accounts	2.10	1.68	0.41
<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 Missouri Credit Unions Financial Benefits Third Quarter 2009

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Missouri Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	978,596,878	-1.17	\$11,400,654
Used car loans	1,652,181,186	-1.43	\$23,626,191
Personal unsecured loans	222,544,100	-0.68	\$1,502,173
1-year adjustable rate 1st mortgage	692,469,107	-0.76	\$5,262,765
15-year fixed rate 1st mortgage	429,654,748	0.04	-\$150,379
30-year fixed rate 1st mortgage	865,838,041	0.00	\$43,292
Home equity / 2nd mortgage loans	971,329,897	-0.64	\$6,216,511
Credit cards	359,588,430	1.54	-\$4,629,701
Interest rebates in period			\$1,137,007
<b>Total CU member benefits arising from lower interest rates on loan products:</b>			<b>\$44,408,513</b>
 <u>Savings</u>			
Regular shares	2,129,031,263	0.25	\$5,216,127
Share draft checking	1,028,722,240	0.08	\$822,978
Money market accounts	1,527,591,658	0.50	\$7,561,579
Certificate accounts	2,393,244,370	0.33	\$7,897,706
Retirement (IRA) accounts	907,590,205	0.41	\$3,743,810
Bonus dividends in period			\$0
<b>Total CU member benefit arising from higher interest rates on saving products:</b>			<b>\$25,242,199</b>
 <u>Fee Income</u>			
<b>Total CU member benefit arising from fewer/lower fees:</b>			<b>\$26,904,457</b>
 <b>Total CU member benefit arising from interest rates on loan and savings products and lower fees:</b>			<b>\$96,555,168</b>
 <b>Total CU member benefit / member:</b>			<b>\$73</b>
<b>Total CU member benefit / member household:</b>			<b>\$138</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;

**Missouri  
Performance Profile**

<b>Demographic Information</b>	<b>Sep-09</b>	<b>Sep-08</b>
Number of branches	362	375
Total assets (\$ mil)	10,272	9,036
Total loans (\$ mil)	6,622	6,359
Total surplus funds (\$ mil)	3,196	2,247
Total savings (\$ mil)	8,560	7,527
Total members (thousands)	1,352	1,320
<b>Growth Rates (Year-to-date)</b>		
Total assets	10.6 %	3.9 %
Total loans	3.9 %	4.9 %
Total surplus funds	28.2 %	1.0 %
Total savings	9.6 %	4.1 %
Total members	2.8 %	1.5 %
<b>Earnings - Basis Pts.</b>		
Yield on total assets	501	574
Dividend/interest cost of assets	180	247
Fee & other income *	225	190
Operating expense	385	410
Loss Provisions	85	60
Net Income (ROA) after stabilization exp *	27	48
<b>Capital adequacy</b>		
Net worth / assets	10.3	11.7
<b>Asset quality</b>		
Delinquencies / loans	1.3	0.9
Net chargeoffs / average loans	1.1	0.8
Total borrower-bankruptcies	30	20
Bankruptcies per 1000 members	3.3	2.3
<b>Asset/Liability Management</b>		
Loans / savings	77.4	84.5
Loans / assets	64.5	70.4
Long-term assets / assets	30.3	31.5
Core deposits/shares & borrowings	37.1	38.1
<b>Productivity</b>		
Members/potential members	4.5	4.2
Borrowers/members	47.0	47.3
Members/FTE	382	377
Average shares/members (\$)	6,332	5,703
Average loan balances (\$)	10,417	10,175
Salary & Benefits/FTE	51,353	50,206

**\*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.**