

The Benefits of Membership

Customized Analysis of Member Benefits For:

Montana

September 2009

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.

Montana

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 Montana credit unions provided \$25,081,251 in direct financial benefits to the state's 381,563 members during the twelve months ending September 2009.

These benefits are equivalent to \$66 per member or \$125 per member household ⁽¹⁾.

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

Consider this:

Financing a \$25,000 new automobile for 60 months at a Montana credit union will save members an average \$171 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.

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

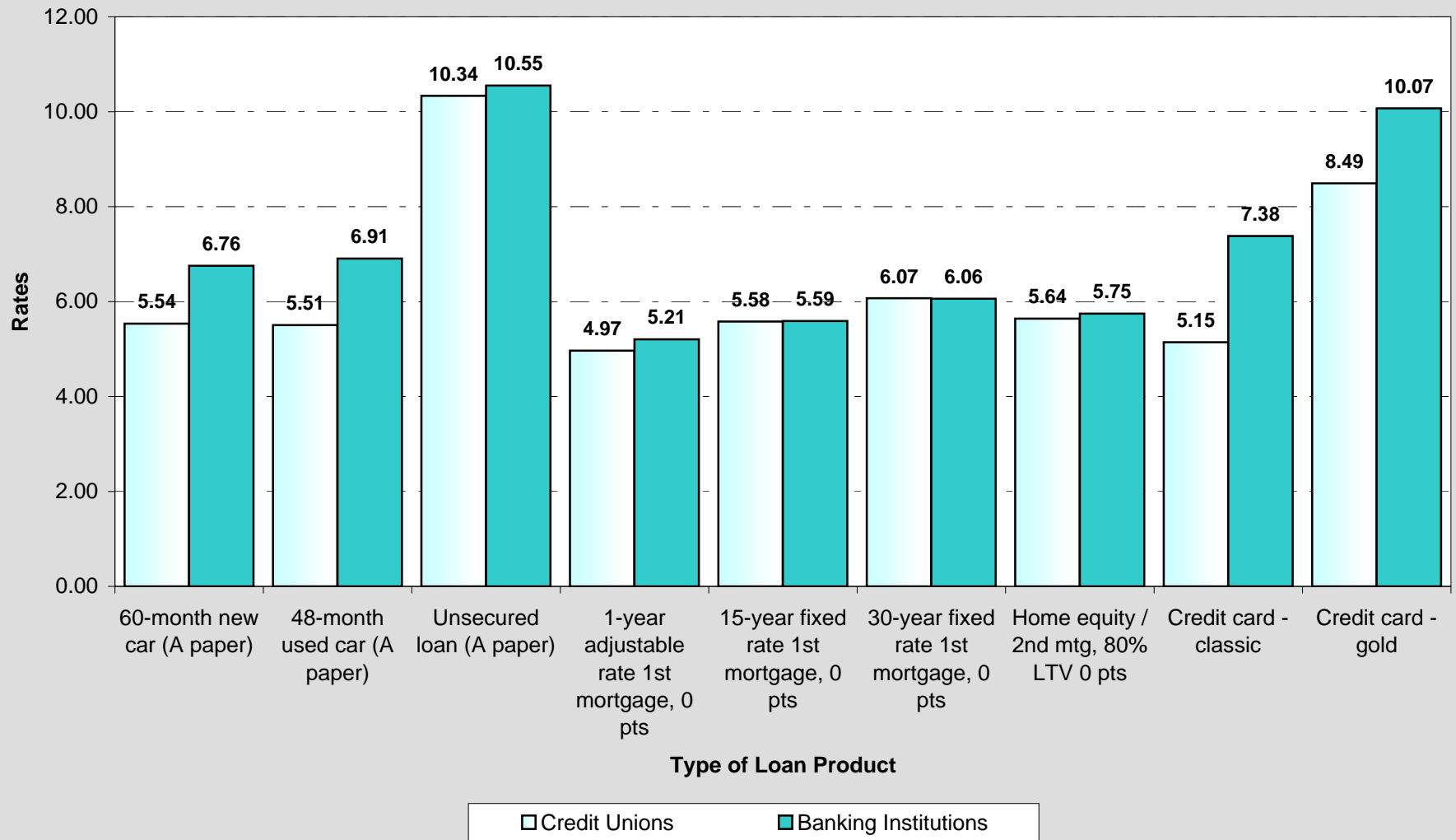
Montana credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



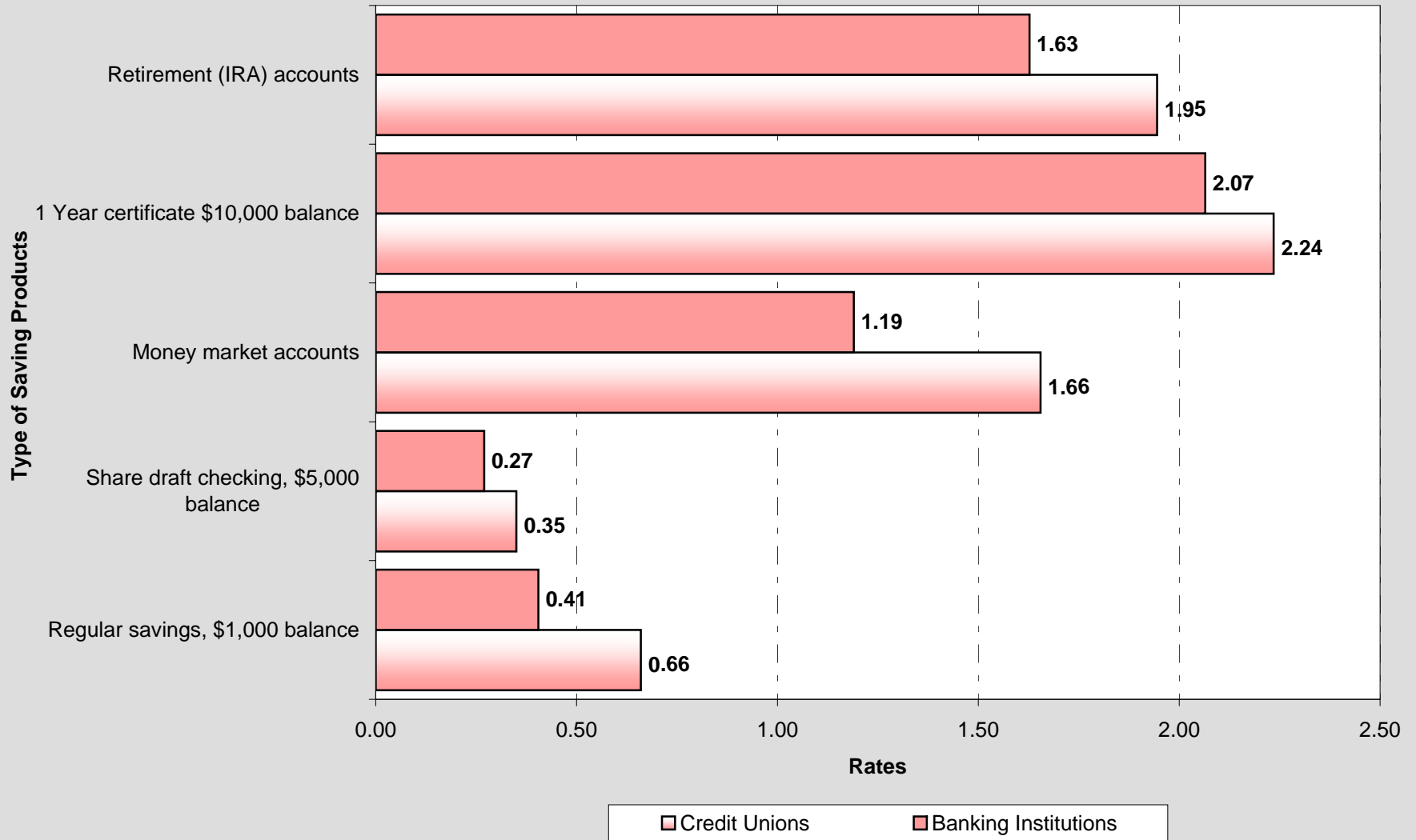
Source: Datatrac, NCUA, and CUNA.

(1) Assumes 1.9 credit union members per household.

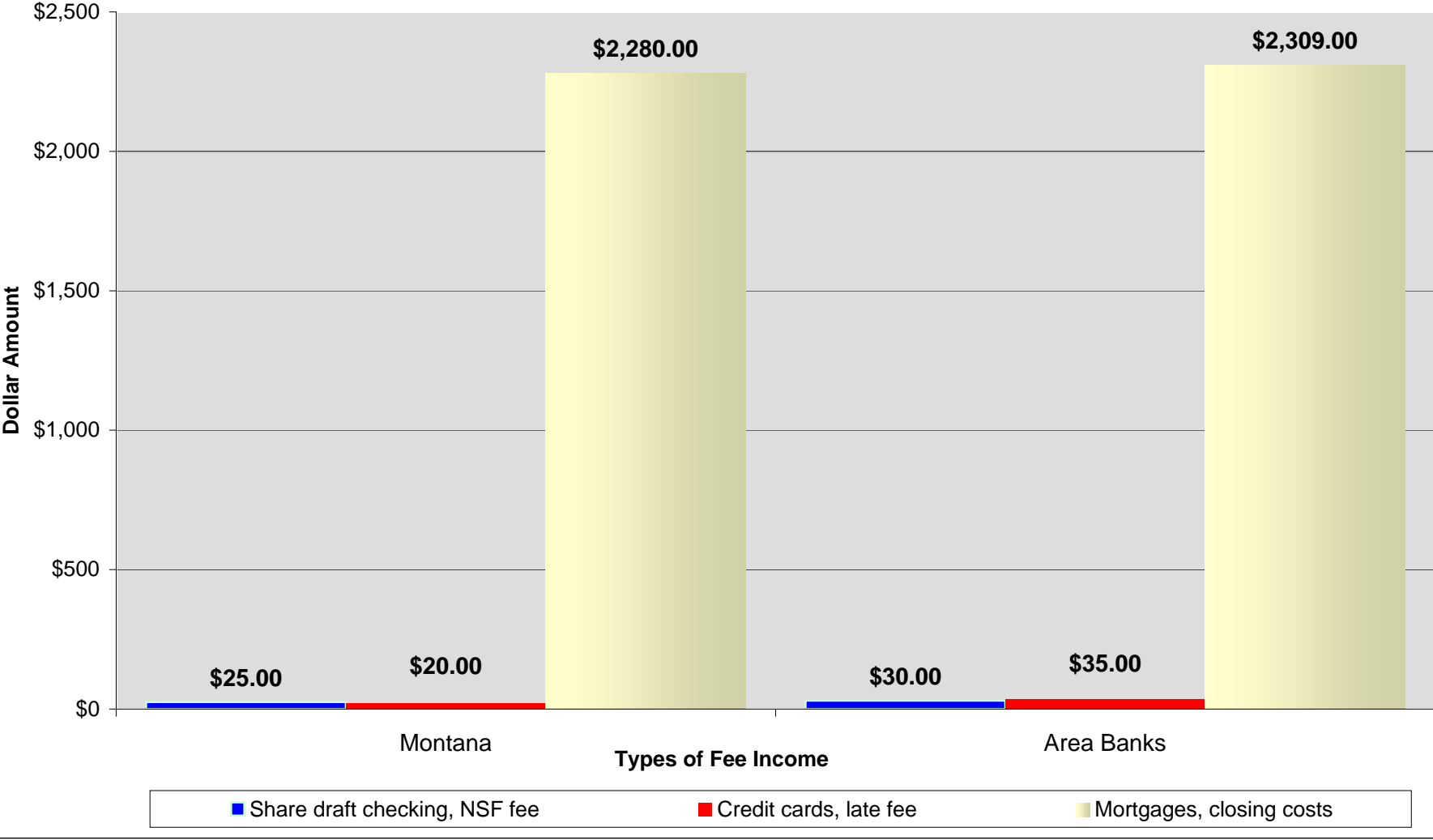
Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



Selected Third Quarter 2009 Credit Union Fees compared to Banking Institutions

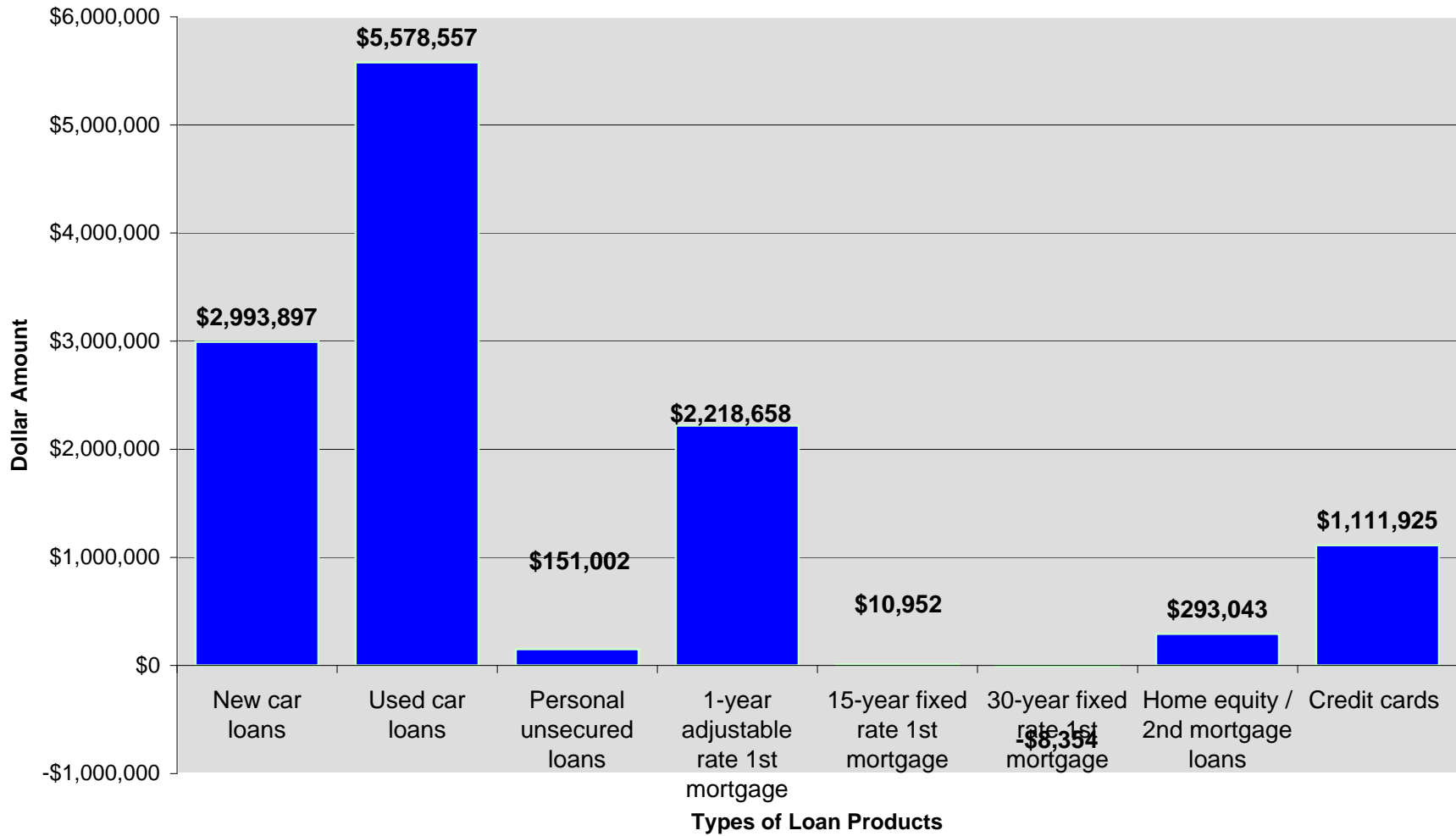


Montana
Credit Union and Banking Institution
Third Quarter 2009 Average Interest Rates and Fees

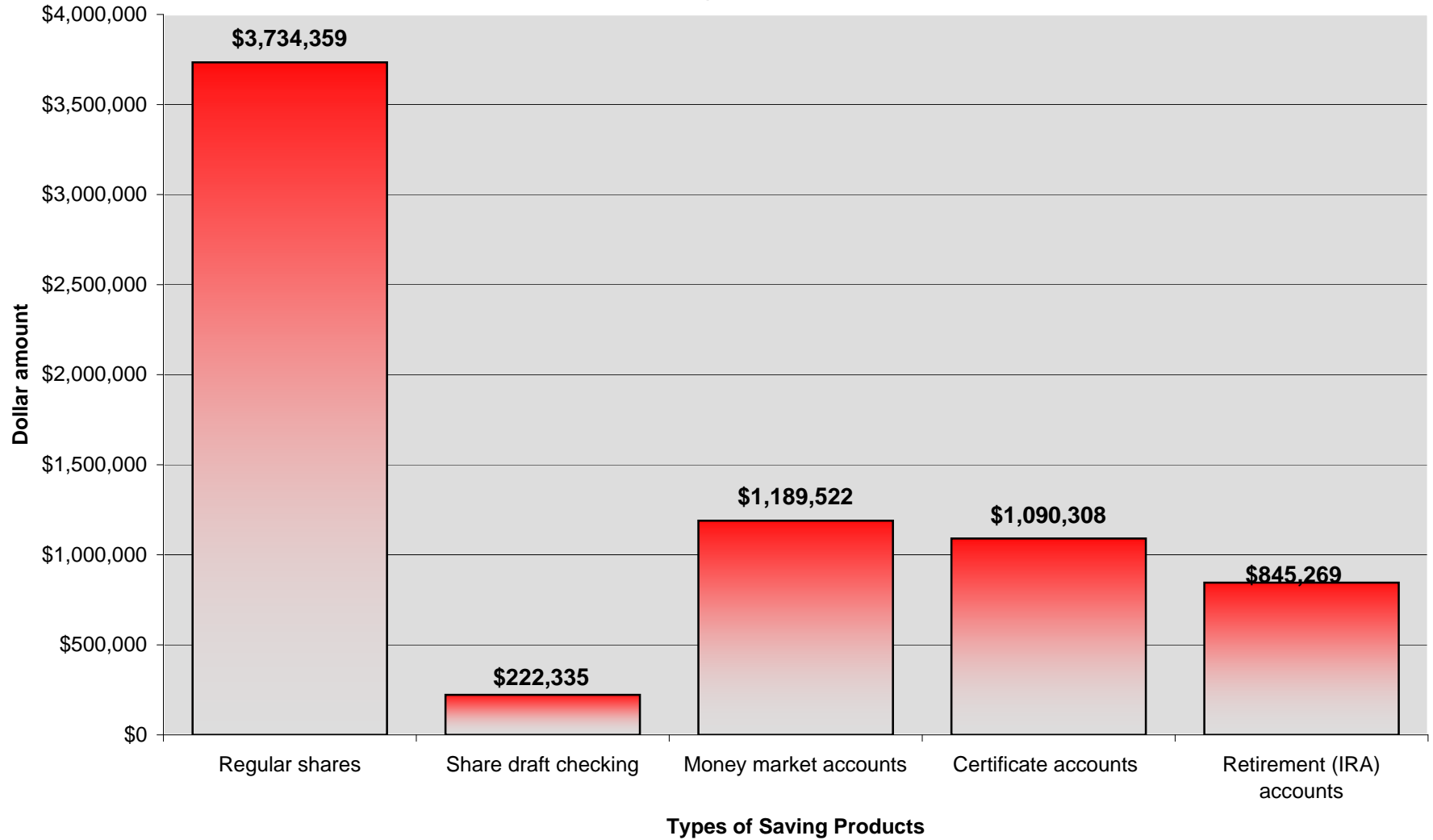
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	5.54	6.76	-1.22
48-month used car (A paper)	5.51	6.91	-1.40
Unsecured loan (A paper)	10.34	10.55	-0.22
1-year adjustable rate 1st mortgage, 0 pts	4.97	5.21	-0.24
15-year fixed rate 1st mortgage, 0 pts	5.58	5.59	-0.01
30-year fixed rate 1st mortgage, 0 pts	6.07	6.06	0.01
Home equity / 2nd mtg, 80% LTV 0 pts	5.64	5.75	-0.11
Credit card - classic	5.15	7.38	-2.24
Credit card - gold	8.49	10.07	-1.58
Savings Products			
Regular savings, \$1,000 balance	0.66	0.41	0.26
Share draft checking, \$5,000 balance	0.35	0.27	0.08
Money market accounts	1.66	1.19	0.47
1 Year certificate \$10,000 balance	2.24	2.07	0.17
Retirement (IRA) accounts	1.95	1.63	0.32
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 Montana Credit Unions Financial Benefits Third Quarter 2009

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Montana Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	245,401,415	-1.22	\$2,993,897
Used car loans	398,468,324	-1.40	\$5,578,557
Personal unsecured loans	70,233,696	-0.22	\$151,002
1-year adjustable rate 1st mortgage	924,440,681	-0.24	\$2,218,658
15-year fixed rate 1st mortgage	109,523,028	-0.01	\$10,952
30-year fixed rate 1st mortgage	83,542,860	0.01	-\$8,354
Home equity / 2nd mortgage loans	279,088,238	-0.11	\$293,043
Credit cards	53,683,759	-2.24	\$1,111,925
Interest rebates in period			\$0
Total CU member benefits arising from lower interest rates on loan products:			\$12,349,679
 <u>Savings</u>			
Regular shares	1,464,454,589	0.26	\$3,734,359
Share draft checking	277,918,338	0.08	\$222,335
Money market accounts	255,811,285	0.47	\$1,189,522
Certificate accounts	641,357,723	0.17	\$1,090,308
Retirement (IRA) accounts	266,226,575	0.32	\$845,269
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$7,081,794
 <u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$5,649,778
 Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$25,081,251
 Total CU member benefit / member:			\$66
Total CU member benefit / member household:			\$125

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;

**Montana
Performance Profile**

Demographic Information	Sep-09	Sep-08
Number of branches	123	123
Total assets (\$ mil)	3,667	3,237
Total loans (\$ mil)	2,520	2,329
Total surplus funds (\$ mil)	989	758
Total savings (\$ mil)	3,160	2,783
Total members (thousands)	387	384
Growth Rates (Year-to-date)		
Total assets	11.9 %	9.7 %
Total loans	8.2 %	9.5 %
Total surplus funds	23.3 %	8.4 %
Total savings	11.5 %	9.0 %
Total members	3.6 %	4.7 %
Earnings - Basis Pts.		
Yield on total assets	493	583
Dividend/interest cost of assets	178	259
Fee & other income *	168	103
Operating expense	289	304
Loss Provisions	77	32
Net Income (ROA) after stabilization exp *	59	91
Capital adequacy		
Net worth / assets	10.4	11.2
Asset quality		
Delinquencies / loans	2.2	0.9
Net chargeoffs / average loans	0.4	0.4
Total borrower-bankruptcies	7	5
Bankruptcies per 1000 members	1.1	0.8
Asset/Liability Management		
Loans / savings	79.7	83.7
Loans / assets	68.7	72.0
Long-term assets / assets	41.2	28.9
Core deposits/shares & borrowings	57.4	59.3
Productivity		
Members/potential members	14.5	13.8
Borrowers/members	44.8	44.3
Members/FTE	347	348
Average shares/members (\$)	8,158	7,255
Average loan balances (\$)	14,536	13,713
Salary & Benefits/FTE	46,864	44,673

***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.**