

The Benefits of Membership

Customized Analysis of Member Benefits For:

North Carolina

December 2008

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.

North Carolina

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 North Carolina credit unions provided \$389,082,602 in direct financial benefits to the state's 3,056,948 members during the twelve months ending December 2008.

These benefits are equivalent to \$127 per member or \$242 per member household ⁽¹⁾.

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

Consider this:

Financing a \$25,000 new automobile for 60 months at a North Carolina credit union will save members an average \$201 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.

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

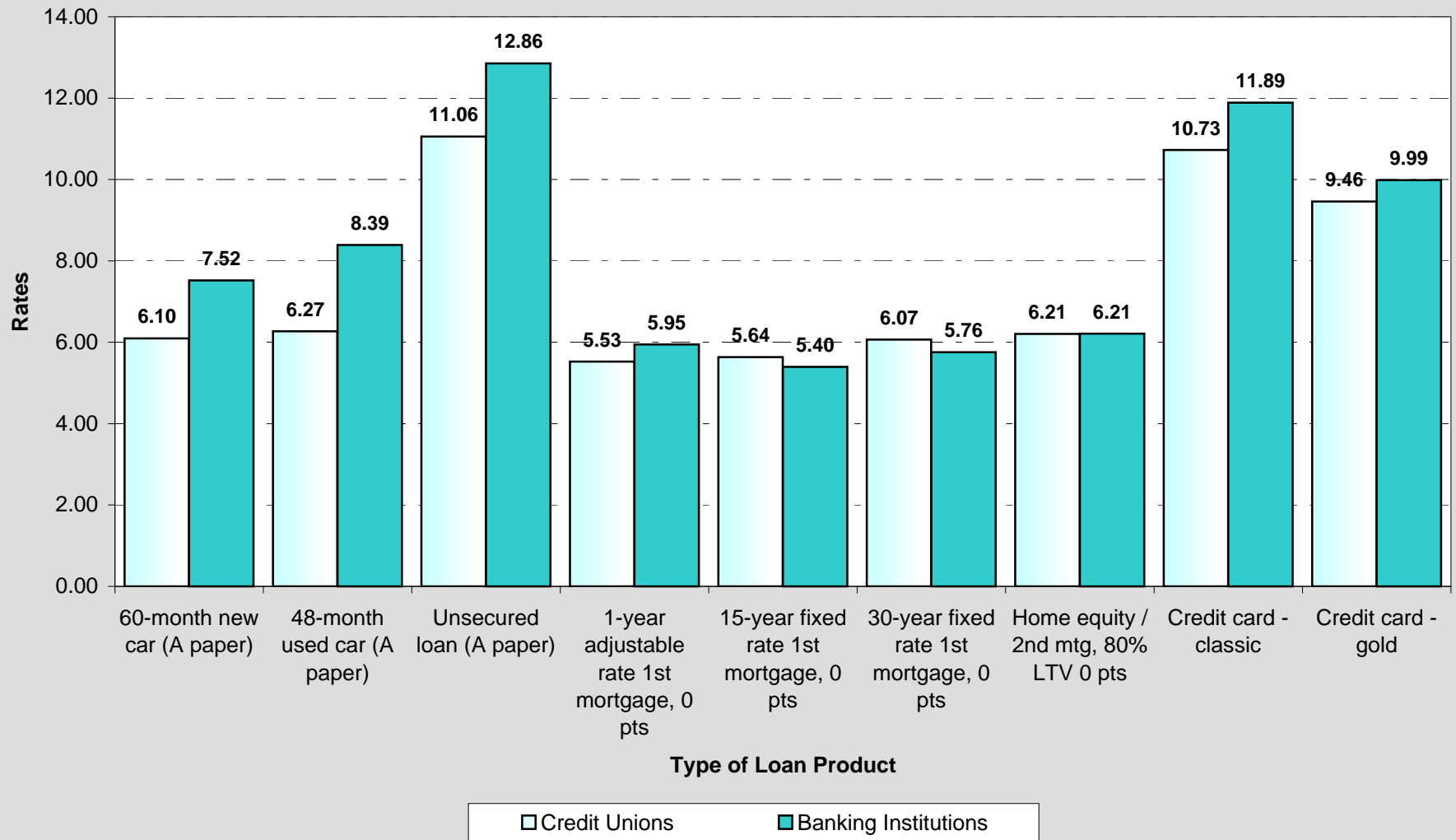
North Carolina credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



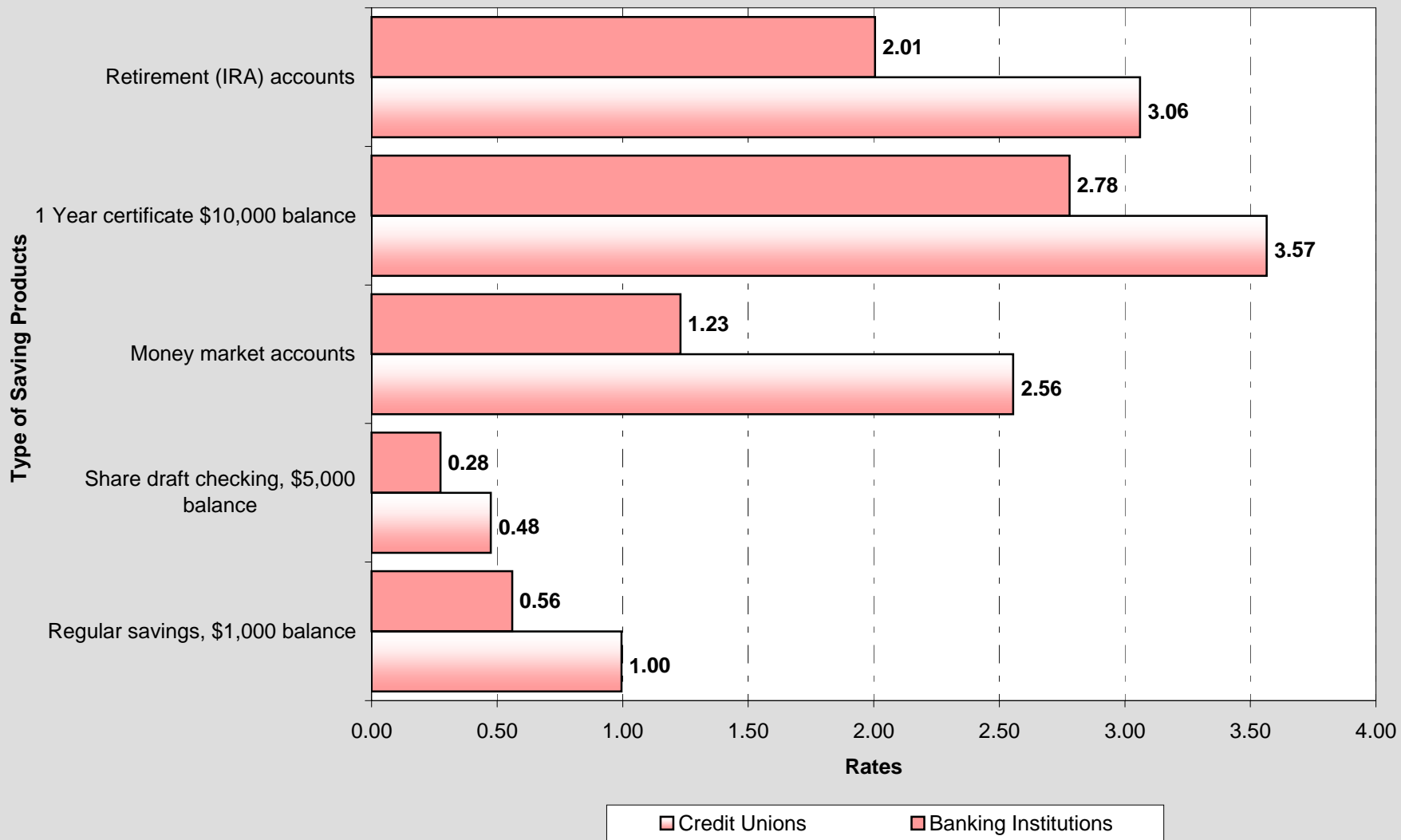
Source: Datatrac, NCUA, and CUNA.

(1) Assumes 1.9 credit union members per household.

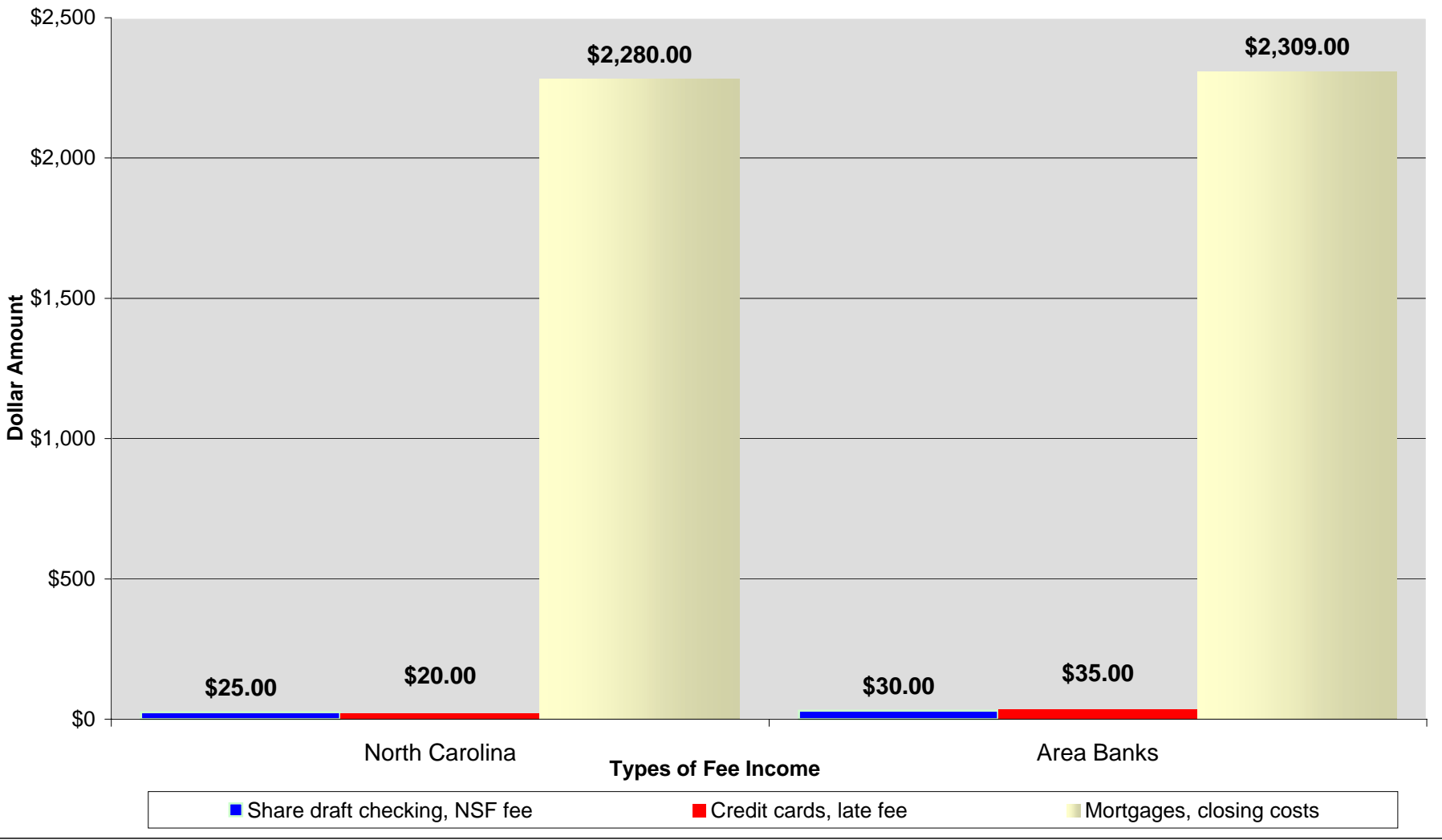
Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



Selected 2008 Credit Union Fees compared to Banking Institutions

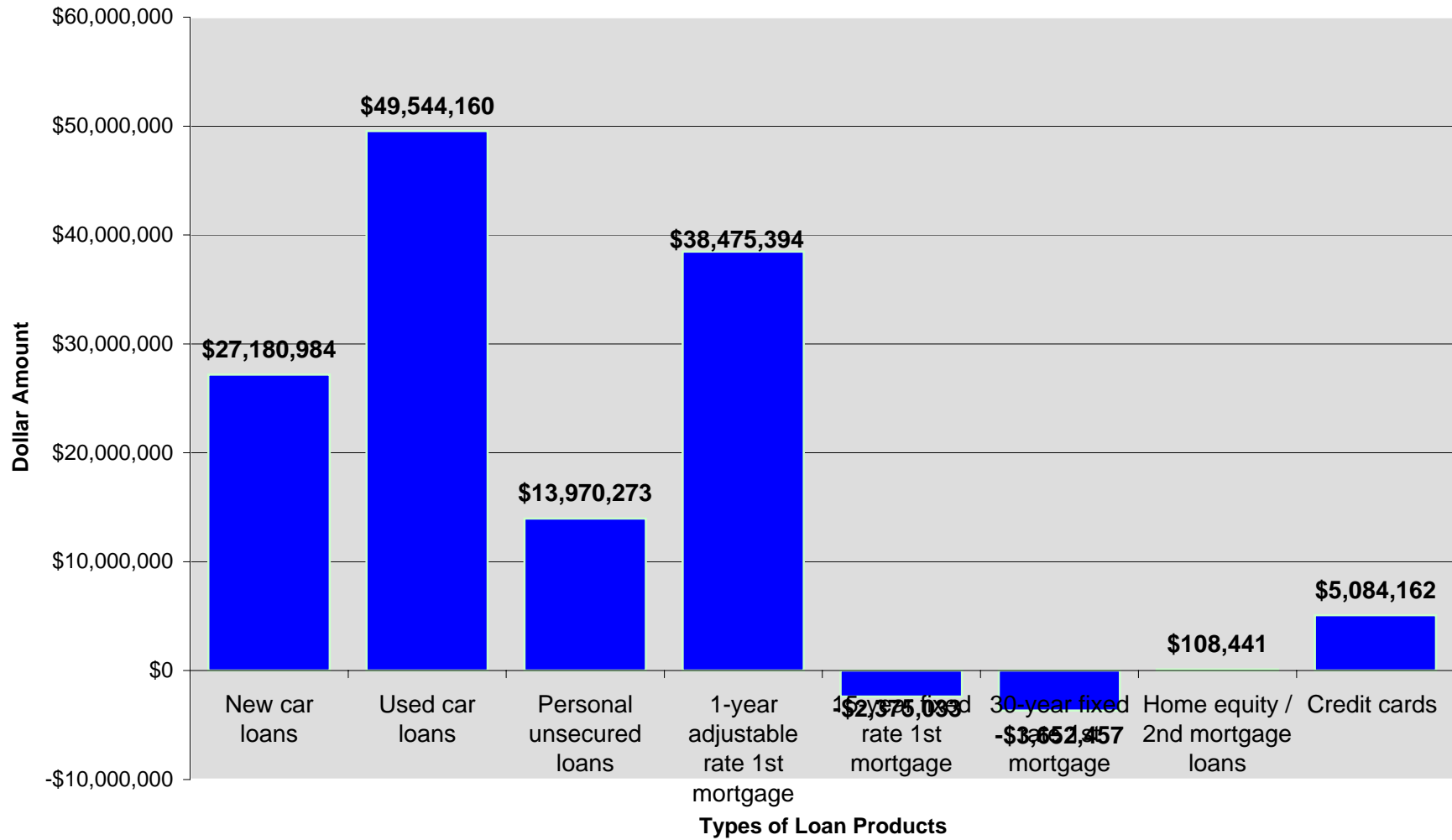


North Carolina
Credit Union and Banking Institution
2008 Average Interest Rates and Fees

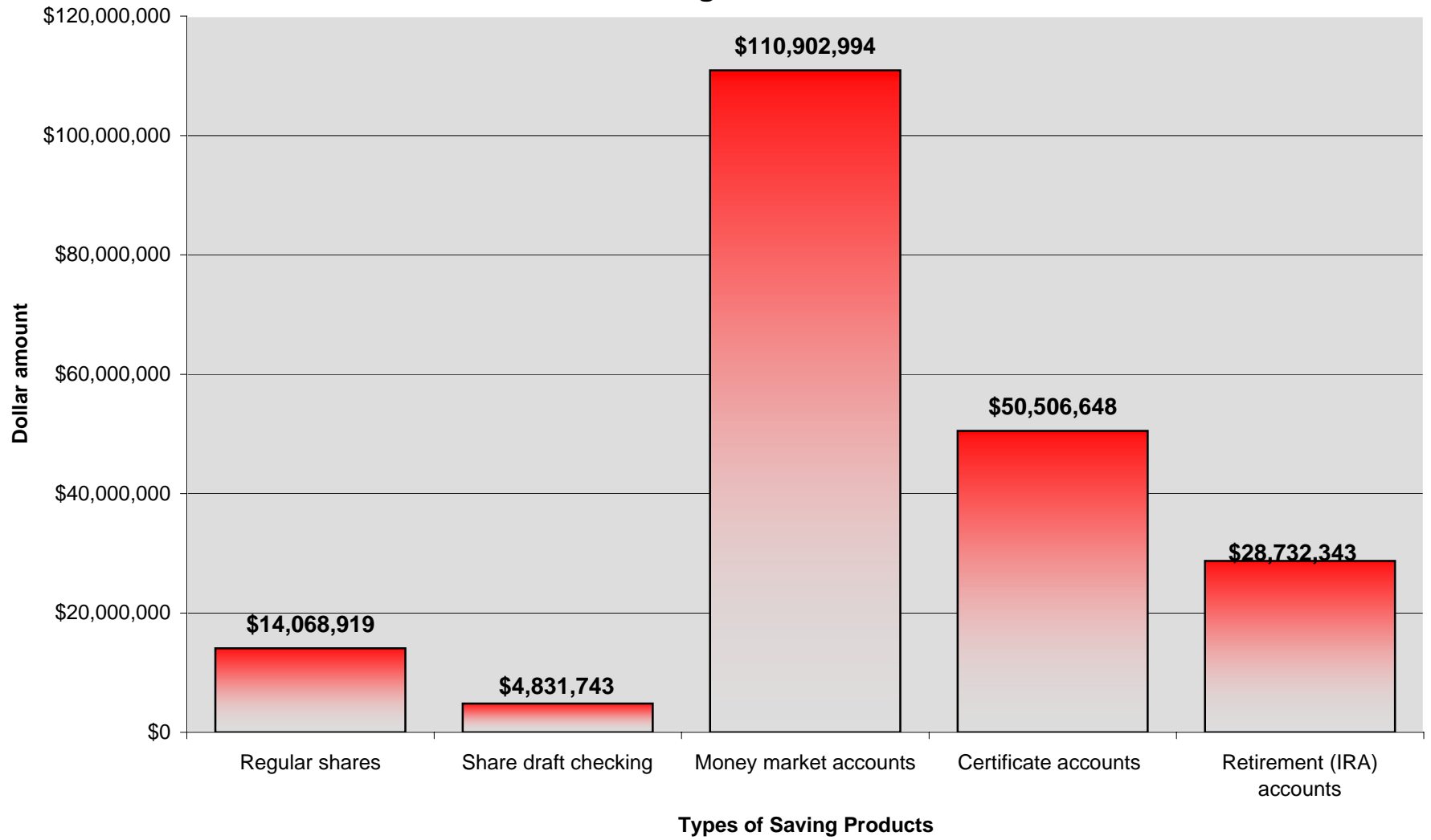
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	6.10	7.52	-1.43
48-month used car (A paper)	6.27	8.39	-2.12
Unsecured loan (A paper)	11.06	12.86	-1.80
1-year adjustable rate 1st mortgage, 0 pts	5.53	5.95	-0.42
15-year fixed rate 1st mortgage, 0 pts	5.64	5.40	0.24
30-year fixed rate 1st mortgage, 0 pts	6.07	5.76	0.31
Home equity / 2nd mtg, 80% LTV 0 pts	6.21	6.21	0.00
Credit card - classic	10.73	11.89	-1.17
Credit card - gold	9.46	9.99	-0.52
Savings Products			
Regular savings, \$1,000 balance	1.00	0.56	0.44
Share draft checking, \$5,000 balance	0.48	0.28	0.20
Money market accounts	2.56	1.23	1.33
1 Year certificate \$10,000 balance	3.57	2.78	0.79
Retirement (IRA) accounts	3.06	2.01	1.06
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 North Carolina Credit Unions Financial Benefits 2008

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. North Carolina Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	1,907,437,461	-1.43	\$27,180,984
Used car loans	2,336,988,701	-2.12	\$49,544,160
Personal unsecured loans	776,126,253	-1.80	\$13,970,273
1-year adjustable rate 1st mortgage	9,160,808,051	-0.42	\$38,475,394
15-year fixed rate 1st mortgage	989,596,895	0.24	-\$2,375,033
30-year fixed rate 1st mortgage	1,178,211,920	0.31	-\$3,652,457
Home equity / 2nd mortgage loans	2,168,821,796	0.00	\$108,441
Credit cards	505,886,747	-1.17	\$5,084,162
Interest rebates in period			\$825,598
Total CU member benefits arising from lower interest rates on loan products:			\$129,161,522
<u>Savings</u>			
Regular shares	3,234,234,272	0.44	\$14,068,919
Share draft checking	2,415,871,509	0.20	\$4,831,743
Money market accounts	8,370,037,296	1.33	\$110,902,994
Certificate accounts	6,433,967,869	0.79	\$50,506,648
Retirement (IRA) accounts	2,723,444,810	1.06	\$28,732,343
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$209,042,647
<u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$50,878,433
Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$389,082,602
Total CU member benefit / member:			\$127
Total CU member benefit / member household:			\$242

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;

**North Carolina
Performance Profile**

Demographic Information	Dec-08	Dec-07
Number of branches	605	589
Total assets (\$ mil)	27,727	25,244
Total loans (\$ mil)	20,370	18,462
Total surplus funds (\$ mil)	6,352	5,844
Total savings (\$ mil)	24,463	22,295
Total members (thousands)	3,101	3,015
Growth Rates		
Total assets	9.9 %	6.8 %
Total loans	10.4 %	4.1 %
Total surplus funds	8.7 %	15.4 %
Total savings	9.8 %	6.4 %
Total members	3.0 %	3.1 %
Earnings - Basis Pts.		
Yield on total assets	526	575
- Dividend/interest cost of assets	276	331
+ Fee & other income	148	126
- Operating expense	289	294
- Loss Provisions	51	29
= Net Income (ROA)	58	47
Capital adequacy		
Net worth / assets	8.8	9.0
Asset quality		
Delinquencies / loans	1.4	0.9
Net chargeoffs / average loans	0.5	0.4
Total borrower-bankruptcies	45	35
Bankruptcies per 1000 members	1.6	1.4
Asset/Liability Management		
Loans / savings	83.3	82.8
Loans / assets	73.5	73.1
Long-term assets / assets	19.5	15.0
Core deposits/shares & borrowings	23.6	24.2
Productivity		
Members/potential members	19.0	19.3
Borrowers/members	42.0	41.9
Members/FTE	393	395
Average shares/members (\$)	7,888	7,394
Average loan balances (\$)	15,629	14,599
Salary & Benefits/FTE	49,453	48,102