

The Benefits of Membership

Customized Analysis of Member Benefits For:

North Dakota

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.

North Dakota

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 Dakota credit unions provided \$16,734,168 in direct financial benefits to the state's 199,661 members during the twelve months ending December 2007.

These benefits are equivalent to \$84 per member or \$159 per member household ⁽¹⁾.

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

Consider this:

Financing a \$25,000 new automobile for 60 months at a North Dakota credit union will save members an average \$149 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 Dakota credit unions excel in providing member benefits on many loan and saving products. In particular, North Dakota 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.

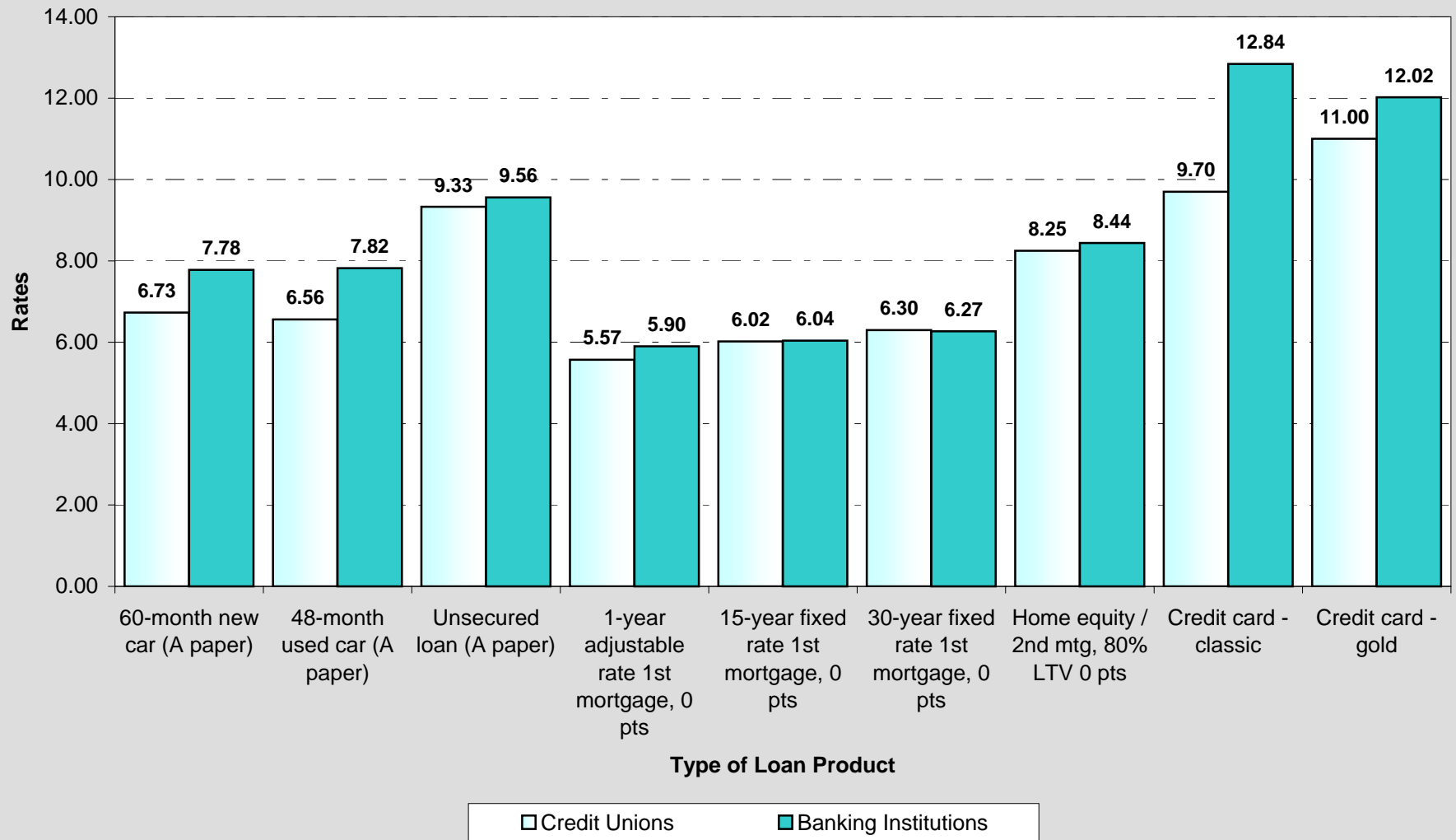
North Dakota credit unions also pay members higher average dividends on the following accounts: regular savings, money market accounts, certificate accounts, IRAs.



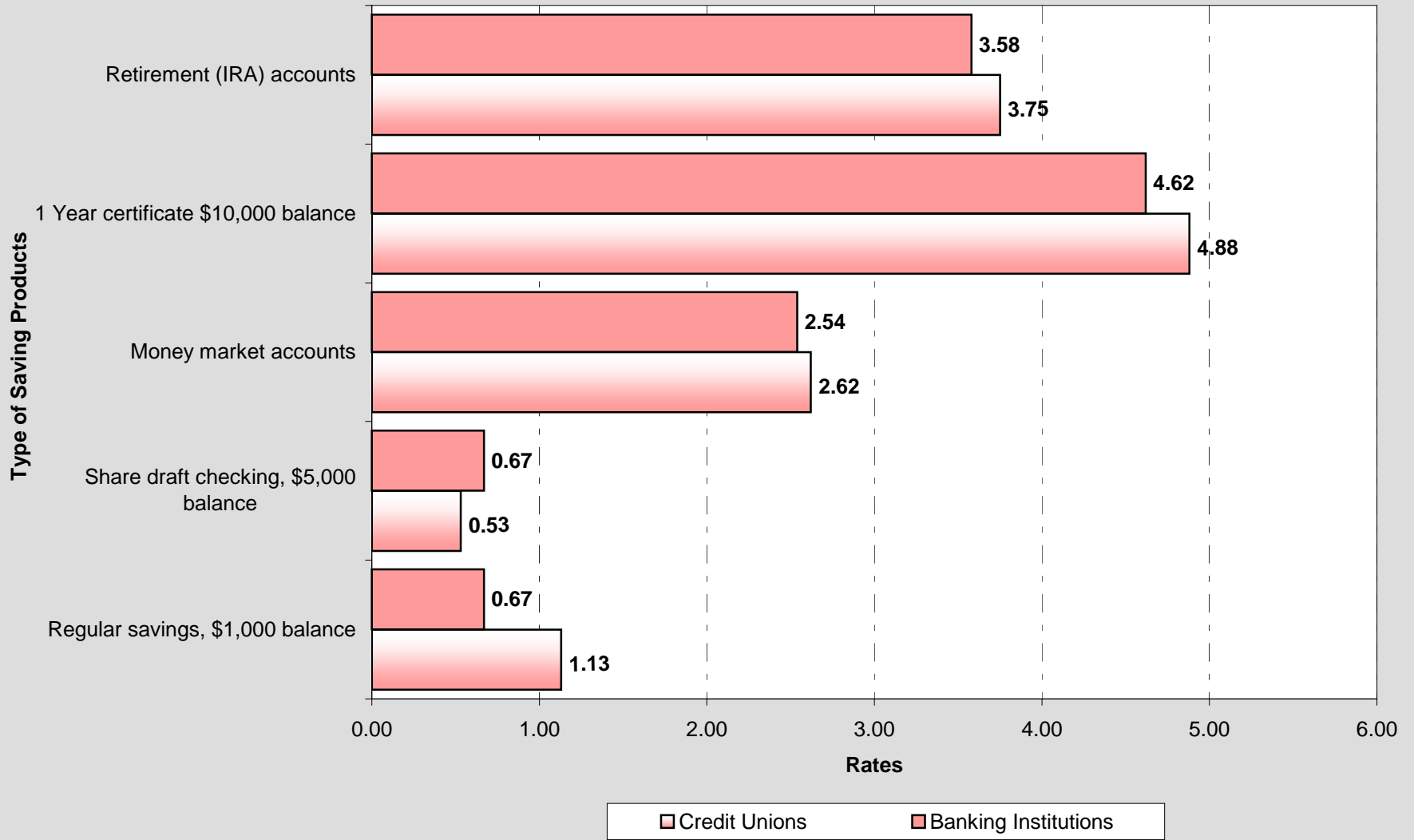
Source: Datatrac, NCUA, and CUNA.

(1) Assumes 1.9 credit union members per household.

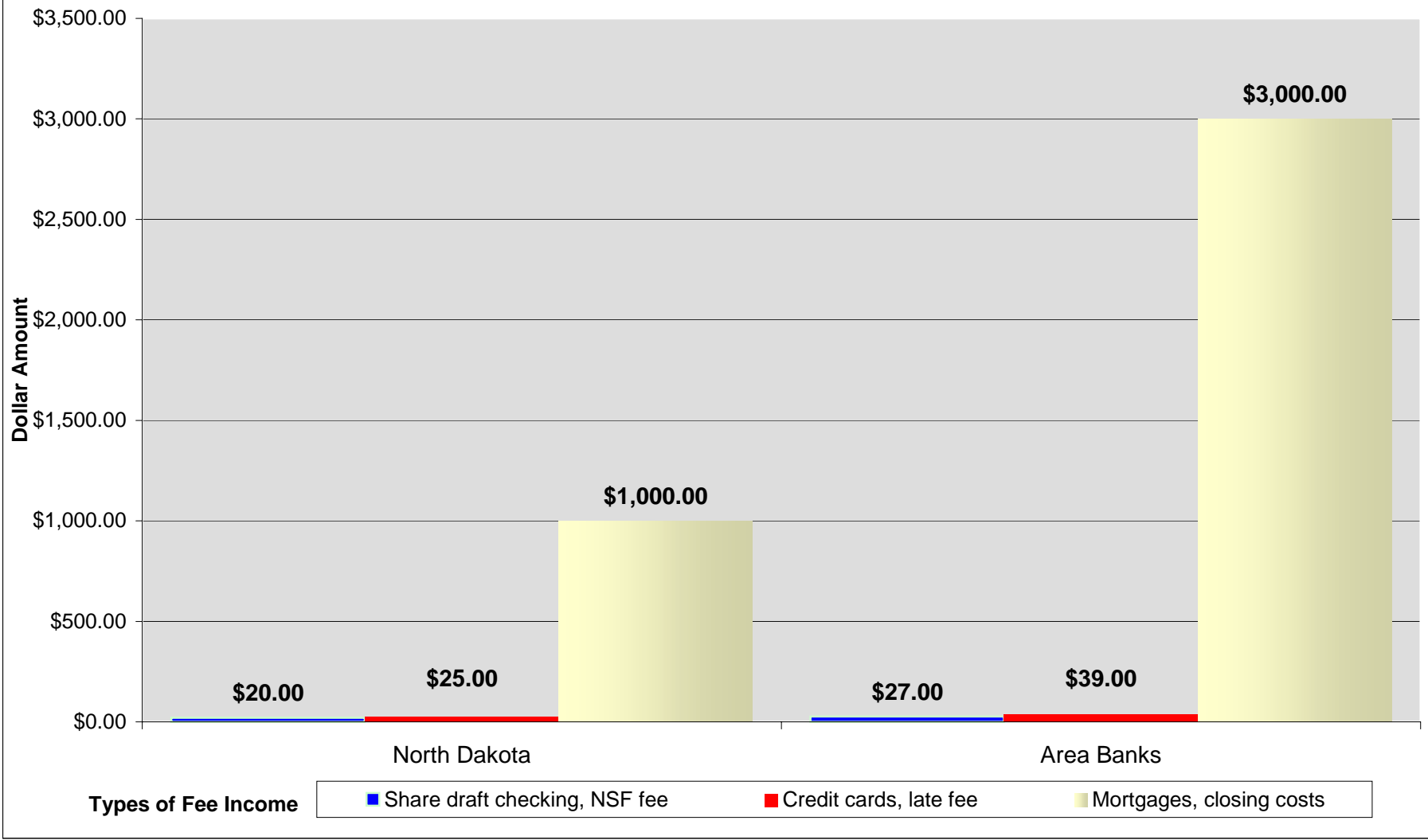
Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



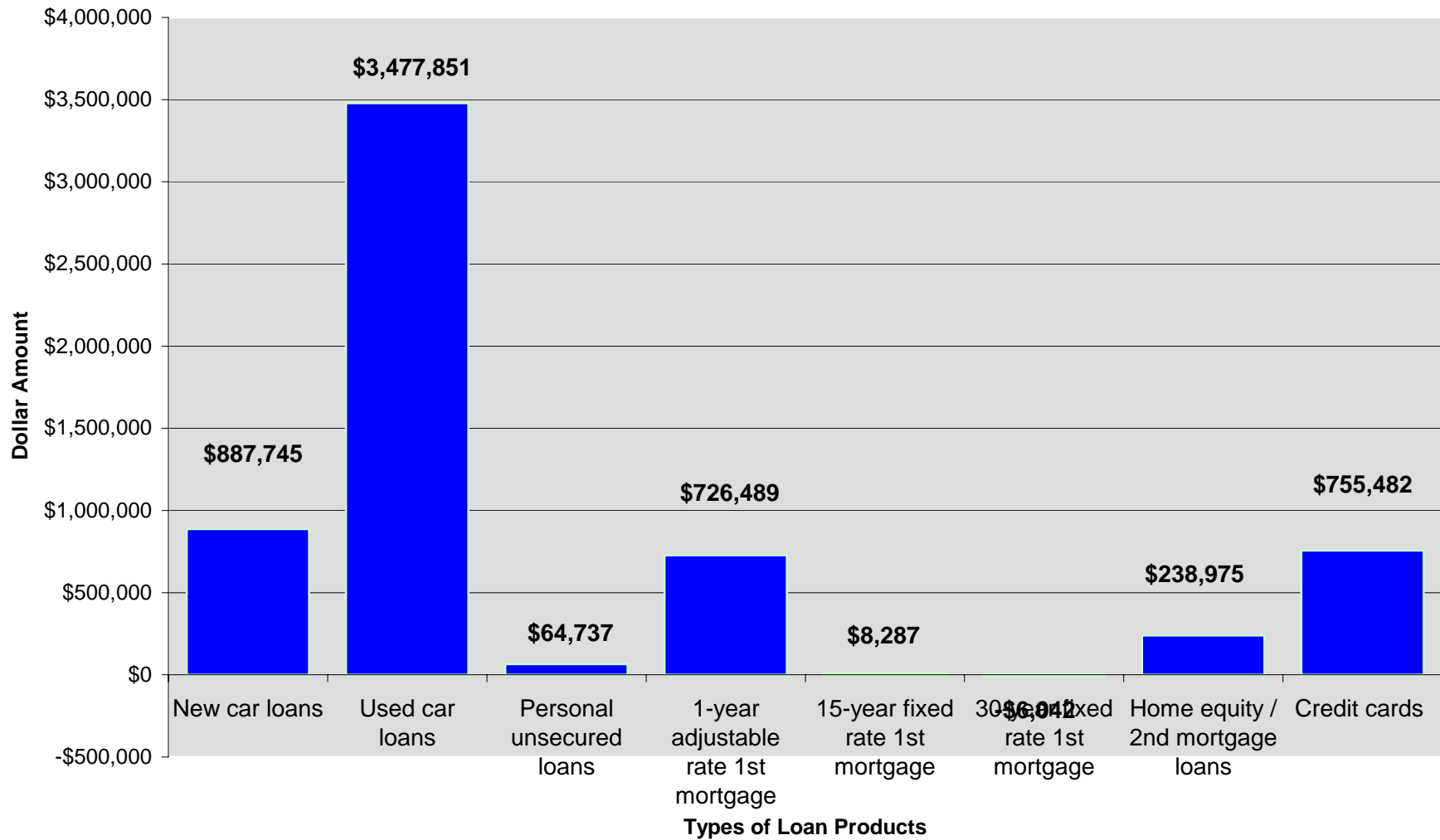
Selected Credit Union Fees compared to Banking Institutions



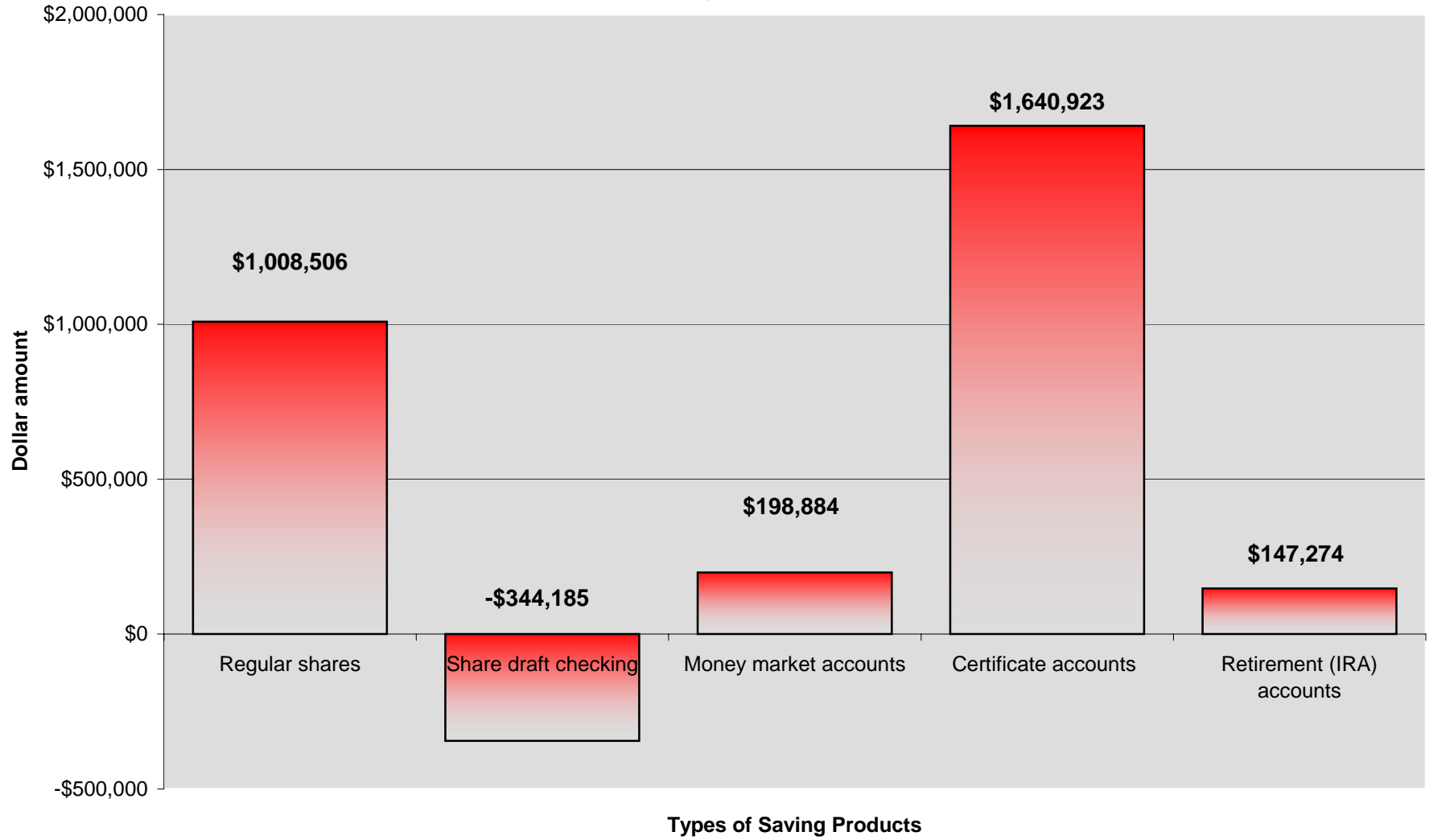
**Recent Interest Rates at Credit Unions
and
Banking Institutions in North Dakota**

Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	6.73	7.78	-1.05
48-month used car (A paper)	6.56	7.82	-1.26
Unsecured loan (A paper)	9.33	9.56	-0.23
1-year adjustable rate 1st mortgage, 0 pts	5.57	5.90	-0.33
15-year fixed rate 1st mortgage, 0 pts	6.02	6.04	-0.02
30-year fixed rate 1st mortgage, 0 pts	6.30	6.27	0.03
Home equity / 2nd mtg, 80% LTV 0 pts	8.25	8.44	-0.19
Credit card - classic	9.70	12.84	-3.14
Credit card - gold	11.00	12.02	-1.02
Savings Products			
Regular savings, \$1,000 balance	1.13	0.67	0.46
Share draft checking, \$5,000 balance	0.53	0.67	-0.14
Money market accounts	2.62	2.54	0.08
1 Year certificate \$10,000 balance	4.88	4.62	0.26
Retirement (IRA) accounts	3.75	3.58	0.17
Fee Income			
Share draft checking, NSF fee	\$20.00	\$27.00	-\$7.00
Credit cards, late fee	\$25.00	\$39.00	-\$14.00
Mortgages, closing costs	\$1,000.00	\$3,000.00	-\$2,000.00

Estimated Credit Union Loan Rate Benefits vs. Banking Institutions



Estimated Credit Union Savings Dividend Benefits vs. Banking Institutions



Estimated North Dakota Credit Unions Financial Benefits Year-End 2007

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. North Dakota Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	84,547,119	-1.05	\$887,745
Used car loans	276,019,956	-1.26	\$3,477,851
Personal unsecured loans	28,146,392	-0.23	\$64,737
1-year adjustable rate 1st mortgage	220,148,287	-0.33	\$726,489
15-year fixed rate 1st mortgage	41,432,911	-0.02	\$8,287
30-year fixed rate 1st mortgage	20,139,442	0.03	-\$6,042
Home equity / 2nd mortgage loans	125,776,210	-0.19	\$238,975
Credit cards	28,945,663	-3.14	\$755,482
Interest rebates in period			\$87,595
Total CU member benefits arising from lower interest rates on loan products:			\$6,241,119
<u>Savings</u>			
Regular shares	219,240,491	0.46	\$1,008,506
Share draft checking	245,846,705	-0.14	-\$344,185
Money market accounts	248,604,439	0.08	\$198,884
Certificate accounts	631,124,222	0.26	\$1,640,923
Retirement (IRA) accounts	86,631,977	0.17	\$147,274
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$2,651,402
<u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$7,841,648
Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$16,734,168
Total CU member benefit / member:			\$84
Total CU member benefit / member household:			\$159

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;

**North Dakota
Performance Profile**

Demographic Information	Dec-07	Dec-06
Number of branches	113	110
Total assets (\$ mil)	1,793,866,502	1,625,047,734
Total loans (\$ mil)	1,242,096,982	1,187,959,359
Total surplus funds (\$ mil)	482,157,264	374,429,259
Total savings (\$ mil)	1,560,385,896	1,418,641,385
Total members (thousands)	200,555	198,767
Growth Rates		
Total assets	10.4 %	8.3 %
Total loans	4.6 %	8.1 %
Total surplus funds	28.8 %	7.8 %
Total savings	10.0 %	9.0 %
Total members	0.9 %	3.1 %
Earnings - Basis Pts.		
Yield on total assets	633	601
- Dividend/interest cost of assets	281	239
+ Fee & other income	111	110
- Operating expense	349	355
- Loss Provisions	22	17
= Net Income (ROA)	93	101
Capital adequacy		
Net worth / assets	11.4	11.6
Asset quality		
Delinquencies / loans	1.1	1.3
Net chargeoffs / average loans	0.3	0.2
Total borrower-bankruptcies	3	3
Bankruptcies per 1000 members	0.8	0.8
Asset/Liability Management		
Loans / savings	79.6	83.7
Loans / assets	69.2	73.1
Long-term assets / assets	22.0	21.5
Core deposits/shares & borrowings	31.0	31.4
Productivity		
Members/potential members	20.8	25.2
Borrowers/members	53.1	55.3
Members/FTE	280	288
Average shares/members (\$)	7,780	7,137
Average loan balances (\$)	11,670	10,810
Salary & Benefits/FTE	45,067	43,633