

The Benefits of Membership

Customized Analysis of Member Benefits For:

Nebraska

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 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.

Nebraska

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 Nebraska credit unions provided \$19,619,683 in direct financial benefits to the state's 412,344 members during the twelve months ending September 2009.

These benefits are equivalent to \$48 per member or \$90 per member household ⁽¹⁾.

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

Consider this:

Financing a \$25,000 new automobile for 60 months at a Nebraska credit union will save members an average \$131 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.

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

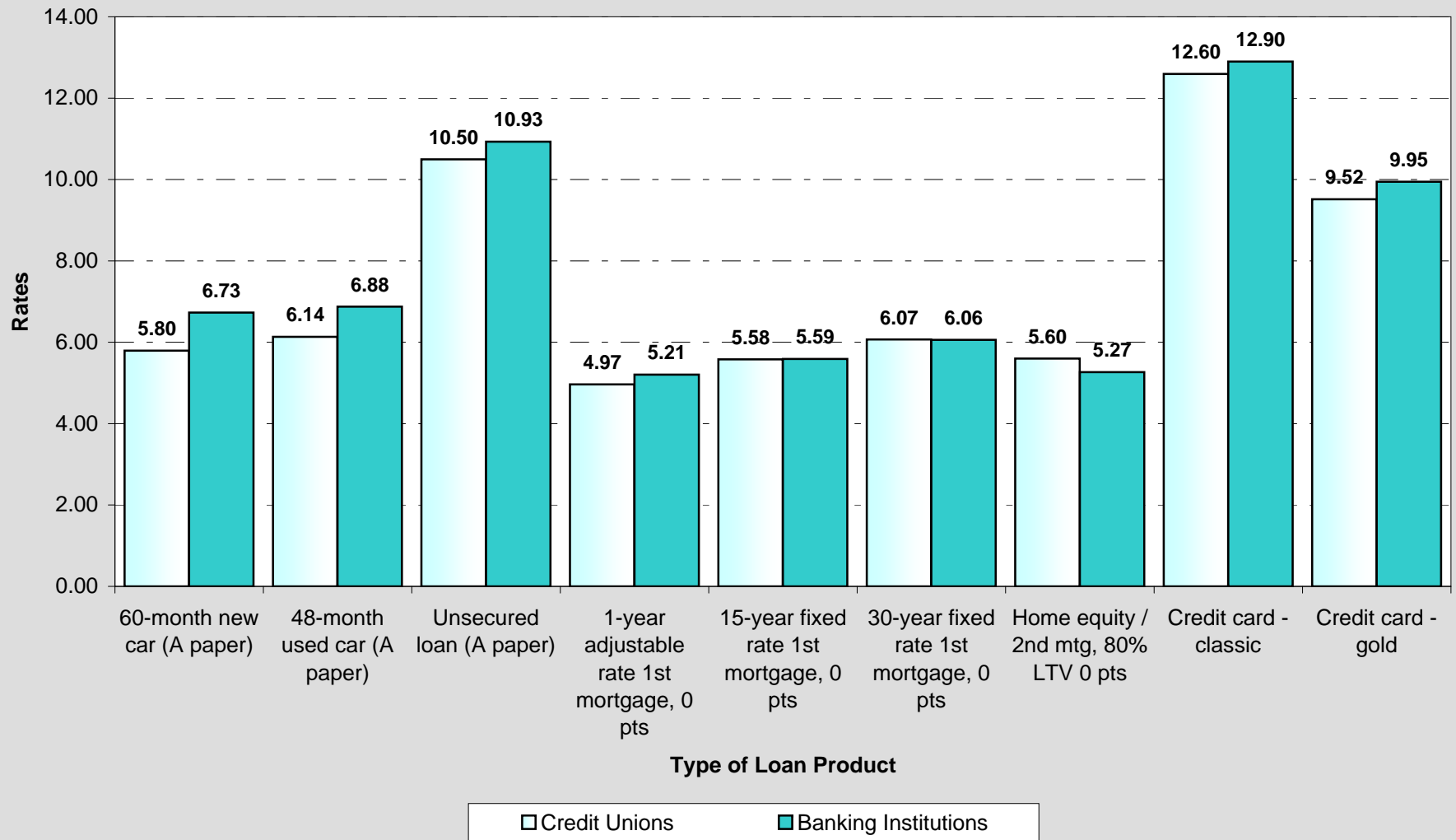
Nebraska credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



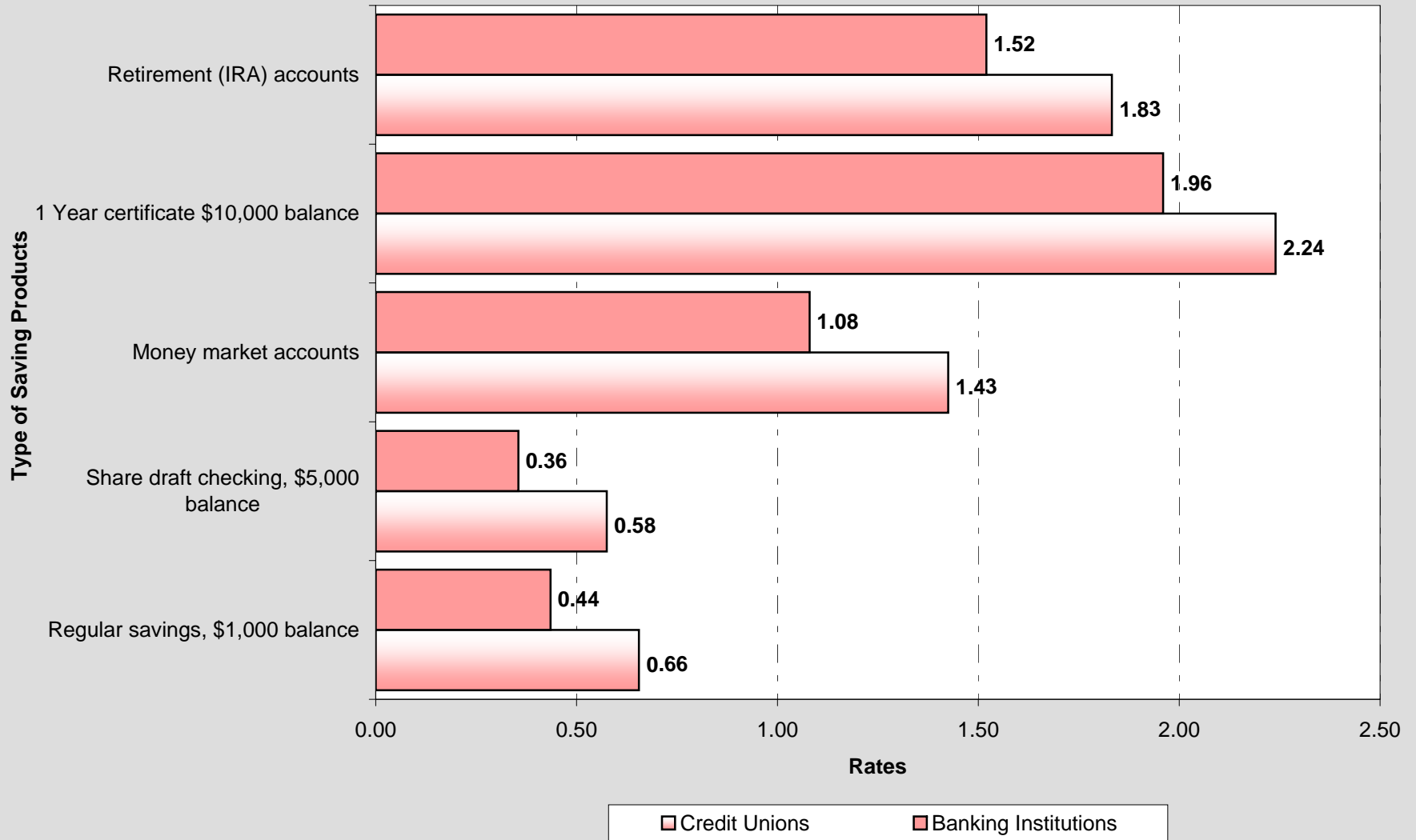
Source: Datatrac, NCUA, and CUNA.

(1)Assumes 1.9 credit union members per household.

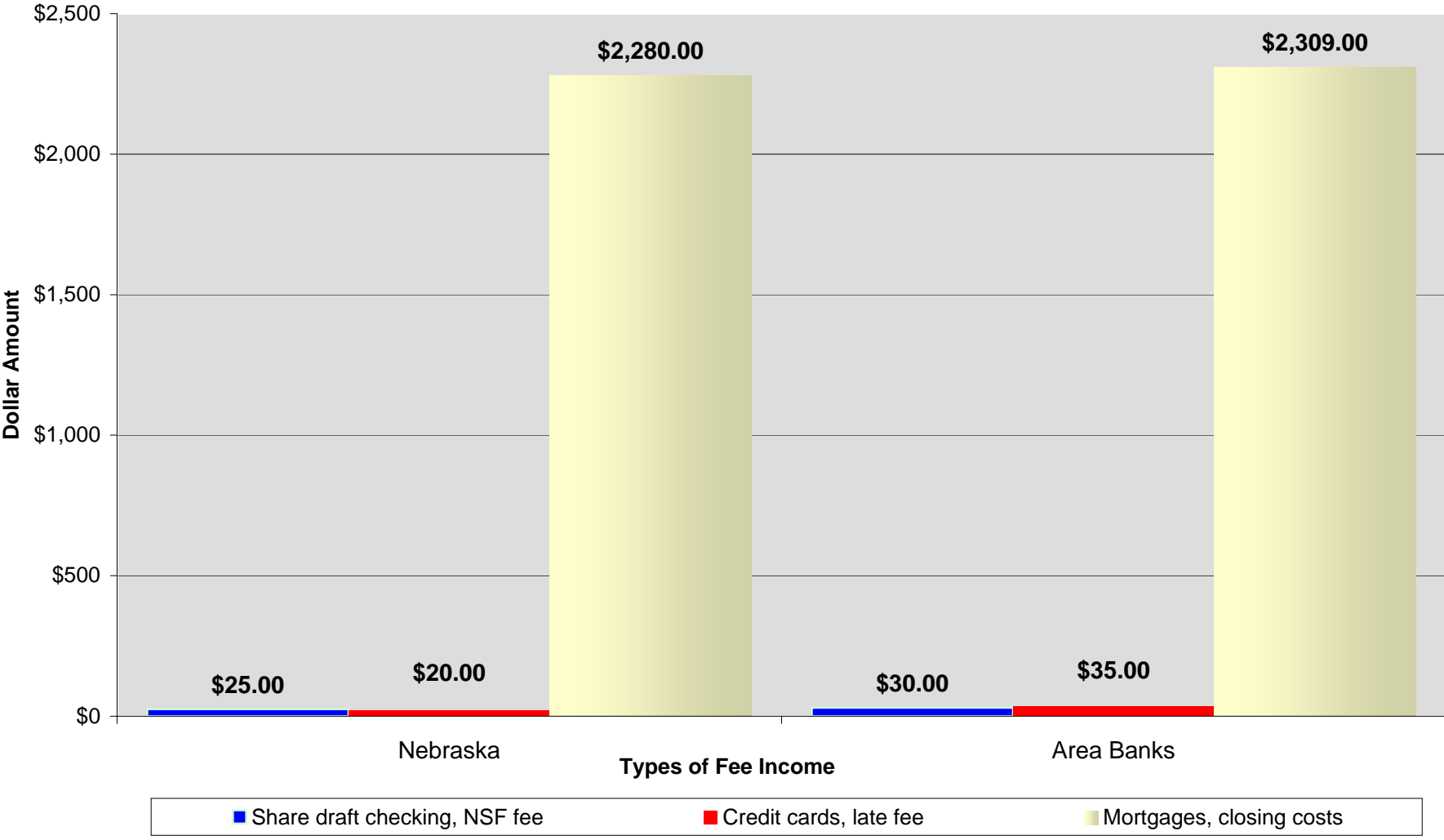
Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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

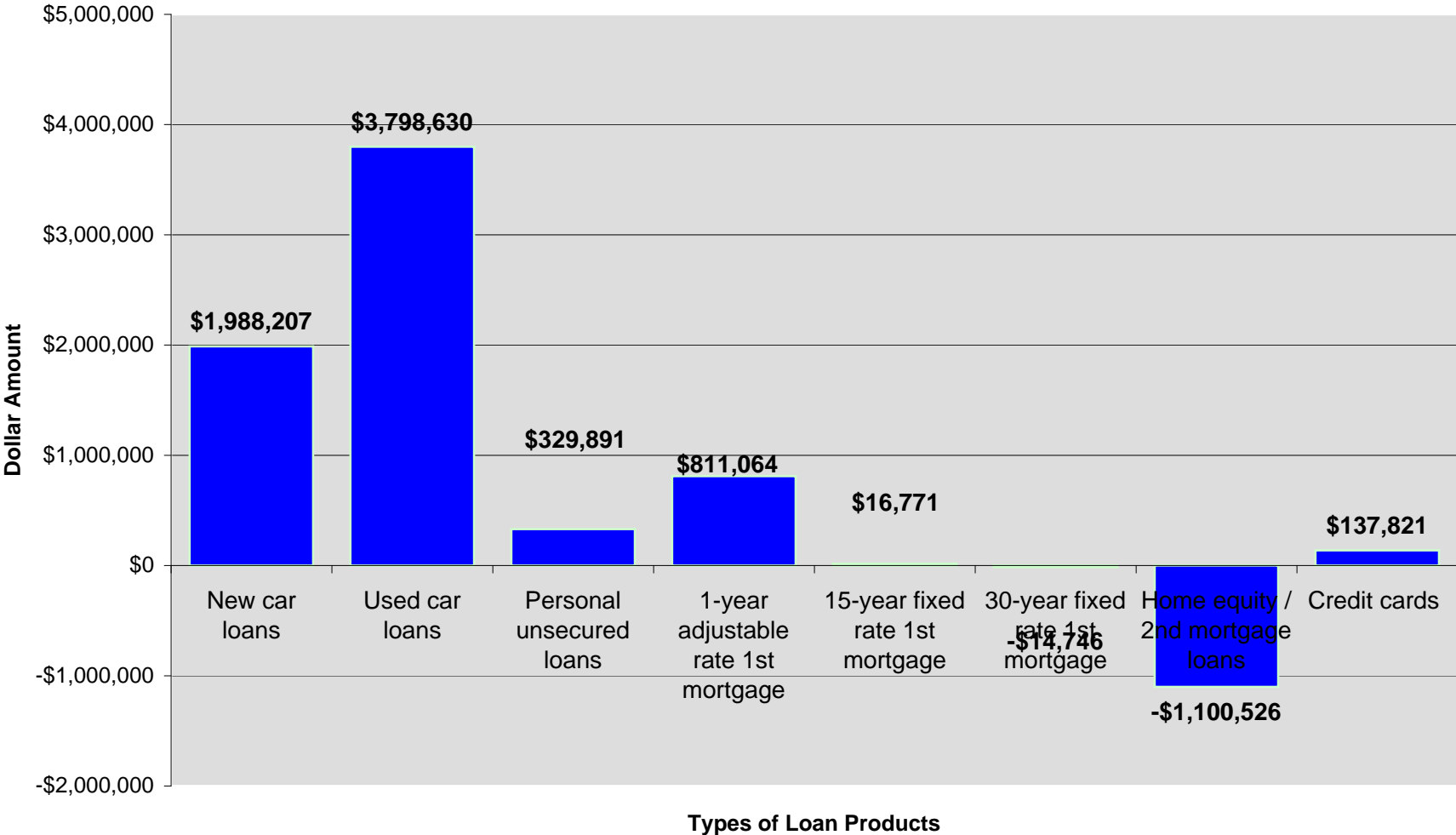


Nebraska
Credit Union and Banking Institution
Third Quarter 2009 Average Interest Rates and Fees

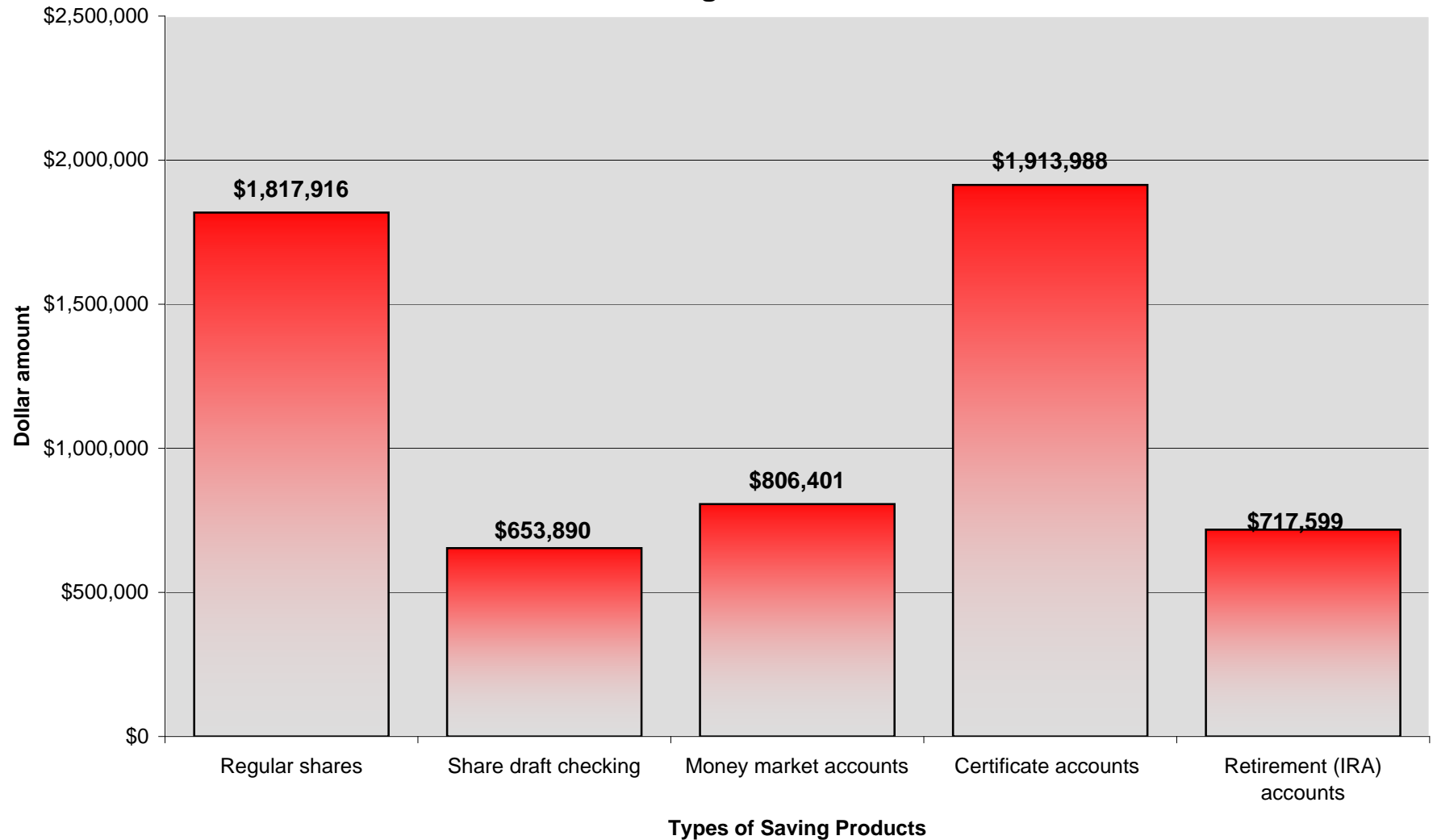
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	5.80	6.73	-0.94
48-month used car (A paper)	6.14	6.88	-0.74
Unsecured loan (A paper)	10.50	10.93	-0.44
1-year adjustable rate 1st mortgage, 0 pts	4.97	5.21	-0.24
15-year 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	5.60	5.27	0.34
Credit card - classic	12.60	12.90	-0.31
Credit card - gold	9.52	9.95	-0.43
Savings Products			
Regular savings, \$1,000 balance	0.66	0.44	0.22
Share draft checking, \$5,000 balance	0.58	0.36	0.22
Money market accounts	1.43	1.08	0.35
1 Year certificate \$10,000 balance	2.24	1.96	0.28
Retirement (IRA) accounts	1.83	1.52	0.31
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 Nebraska Credit Unions Financial Benefits Third Quarter 2009

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Nebraska Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	212,642,413	-0.94	\$1,988,207
Used car loans	513,328,359	-0.74	\$3,798,630
Personal unsecured loans	75,837,090	-0.44	\$329,891
1-year adjustable rate 1st mortgage	337,943,160	-0.24	\$811,064
15-year fixed rate 1st mortgage	167,713,453	-0.01	\$16,771
30-year fixed rate 1st mortgage	147,459,447	0.01	-\$14,746
Home equity / 2nd mortgage loans	328,515,290	0.34	-\$1,100,526
Credit cards	40,987,746	-0.31	\$137,821
Interest rebates in period			\$600,603
Total CU member benefits arising from lower interest rates on loan products:			\$6,567,715
 <u>Savings</u>			
Regular shares	826,325,347	0.22	\$1,817,916
Share draft checking	297,222,695	0.22	\$653,890
Money market accounts	233,739,436	0.35	\$806,401
Certificate accounts	683,567,214	0.28	\$1,913,988
Retirement (IRA) accounts	229,631,573	0.31	\$717,599
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$5,909,794
 <u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$7,142,174
 Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$19,619,683
 Total CU member benefit / member:			\$48
Total CU member benefit / member household:			\$90

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;

**Nebraska
Performance Profile**

Demographic Information	Sep-09	Sep-08
Number of branches	152	140
Total assets (\$ mil)	2,905	2,636
Total loans (\$ mil)	2,026	1,909
Total surplus funds (\$ mil)	759	617
Total savings (\$ mil)	2,435	2,185
Total members (thousands)	419	408
Growth Rates (Year-to-date)		
Total assets	7.6 %	4.0 %
Total loans	4.9 %	2.6 %
Total surplus funds	16.1 %	11.1 %
Total savings	8.3 %	4.5 %
Total members	2.4 %	0.5 %
Earnings - Basis Pts.		
Yield on total assets	526	587
Dividend/interest cost of assets	166	232
Fee & other income *	162	130
Operating expense	396	399
Loss Provisions	47	58
Net Income (ROA) after stabilization exp *	31	28
Capital adequacy		
Net worth / assets	11.6	12.4
Asset quality		
Delinquencies / loans	1.3	1.2
Net chargeoffs / average loans	0.6	0.7
Total borrower-bankruptcies	13	11
Bankruptcies per 1000 members	2.2	2.0
Asset/Liability Management		
Loans / savings	83.2	87.3
Loans / assets	69.7	72.4
Long-term assets / assets	32.1	28.0
Core deposits/shares & borrowings	47.2	46.9
Productivity		
Members/potential members	5.6	5.5
Borrowers/members	43.2	42.1
Members/FTE	366	363
Average shares/members (\$)	5,816	5,355
Average loan balances (\$)	11,210	11,112
Salary & Benefits/FTE	50,765	48,682

***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.**