

# ***The Benefits of Membership***

*Customized Analysis of Member Benefits For:*

## **New Hampshire**

***September 2009***

*Prepared by:*

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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.

# ***New Hampshire***

## ***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 New Hampshire credit unions provided \$53,952,880 in direct financial benefits to the state's 433,830 members during the twelve months ending September 2009.

**These benefits are equivalent to \$124 per member or \$236 per member household <sup>(1)</sup>.**

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

Consider this:

**Financing a \$25,000 new automobile for 60 months at a New Hampshire credit union will save members an average \$289 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.

New Hampshire credit unions excel in providing member benefits on many loan and saving products. In particular, New Hampshire credit unions offer lower average loan rates on the following accounts: new car loans, used car loans, personal unsecured loans, home equity loans, credit cards loans.

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

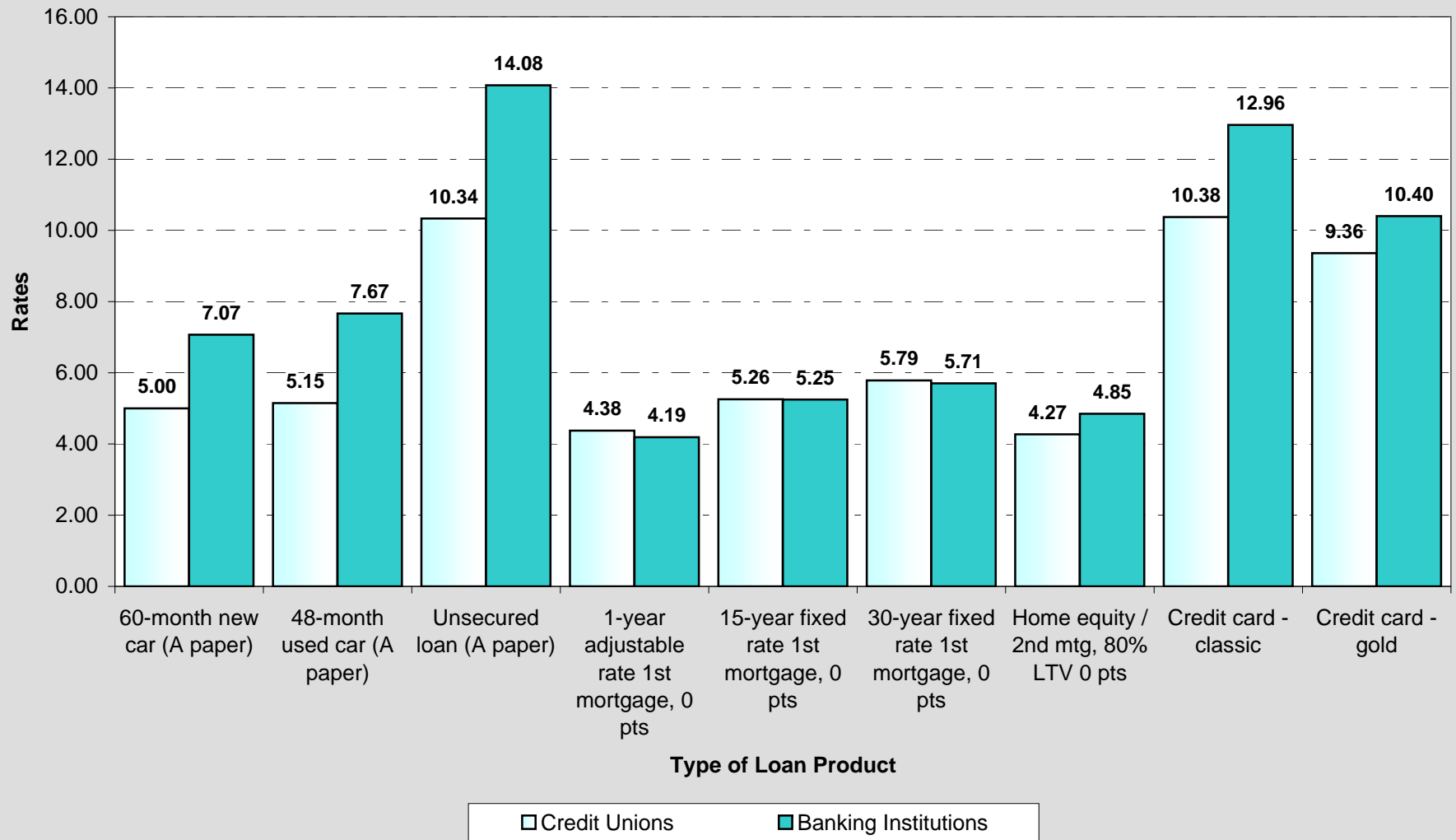


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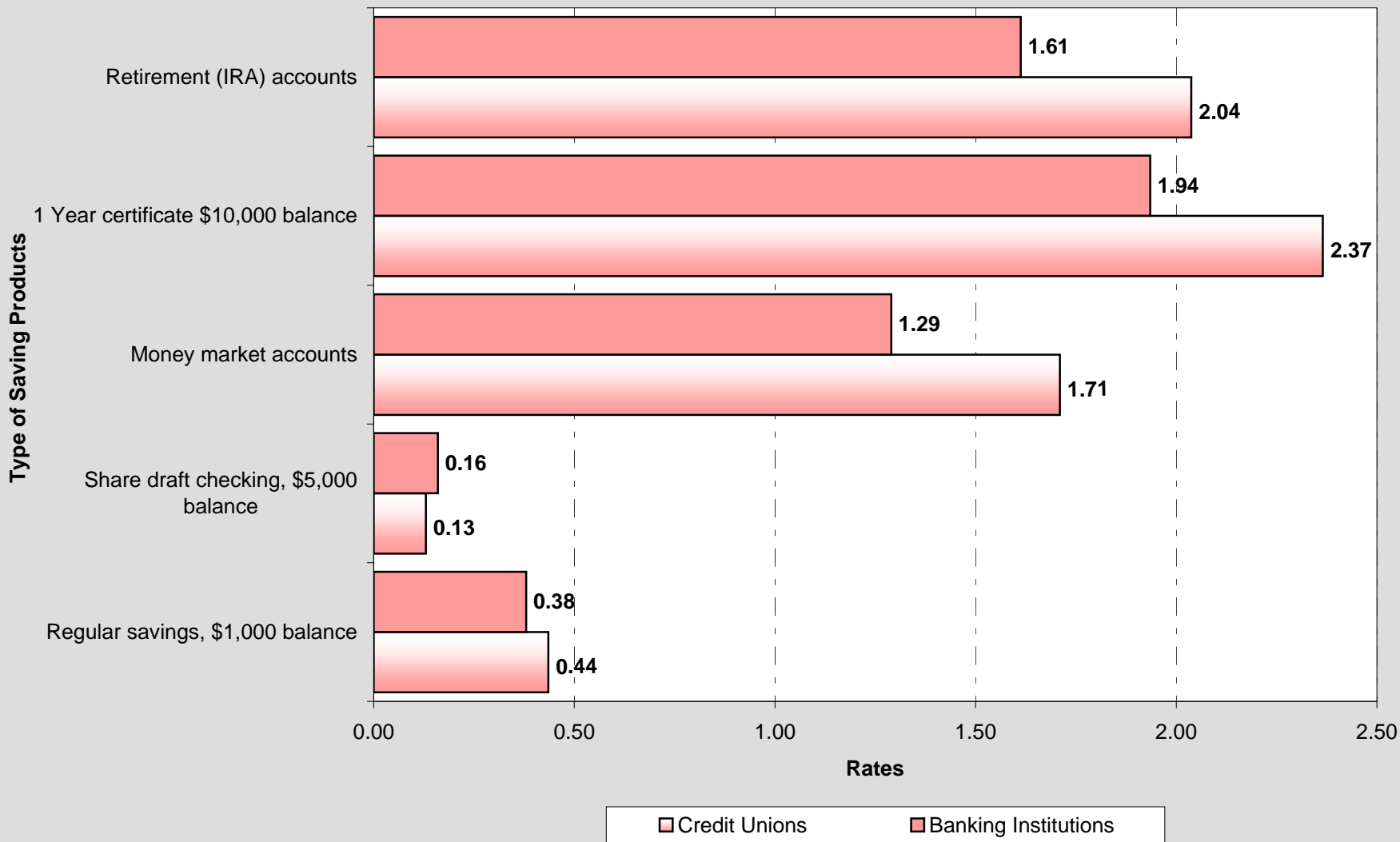
Source: Datatrac, NCUA, and CUNA.

(1) Assumes 1.9 credit union members per household.

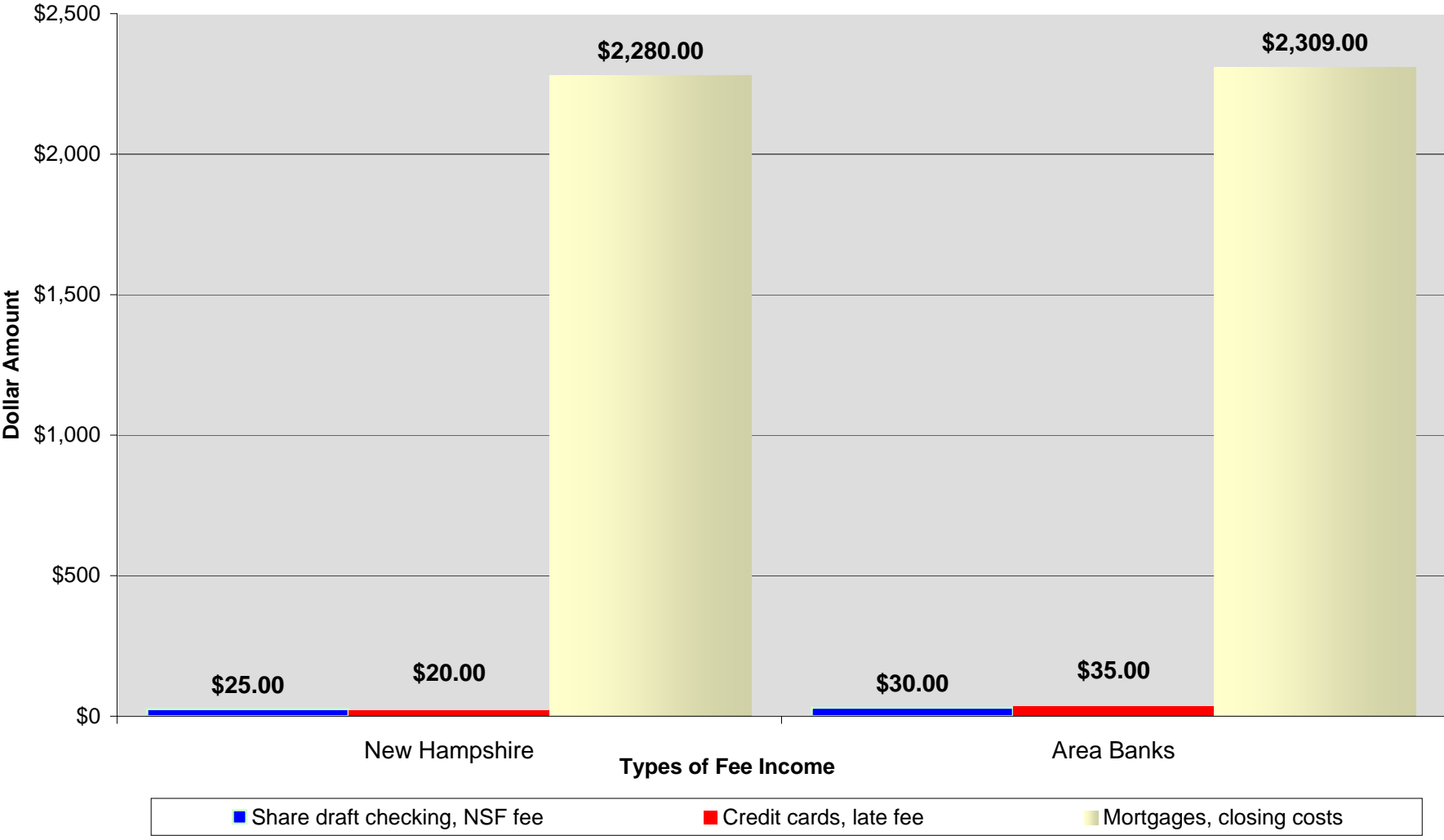
## Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



## 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

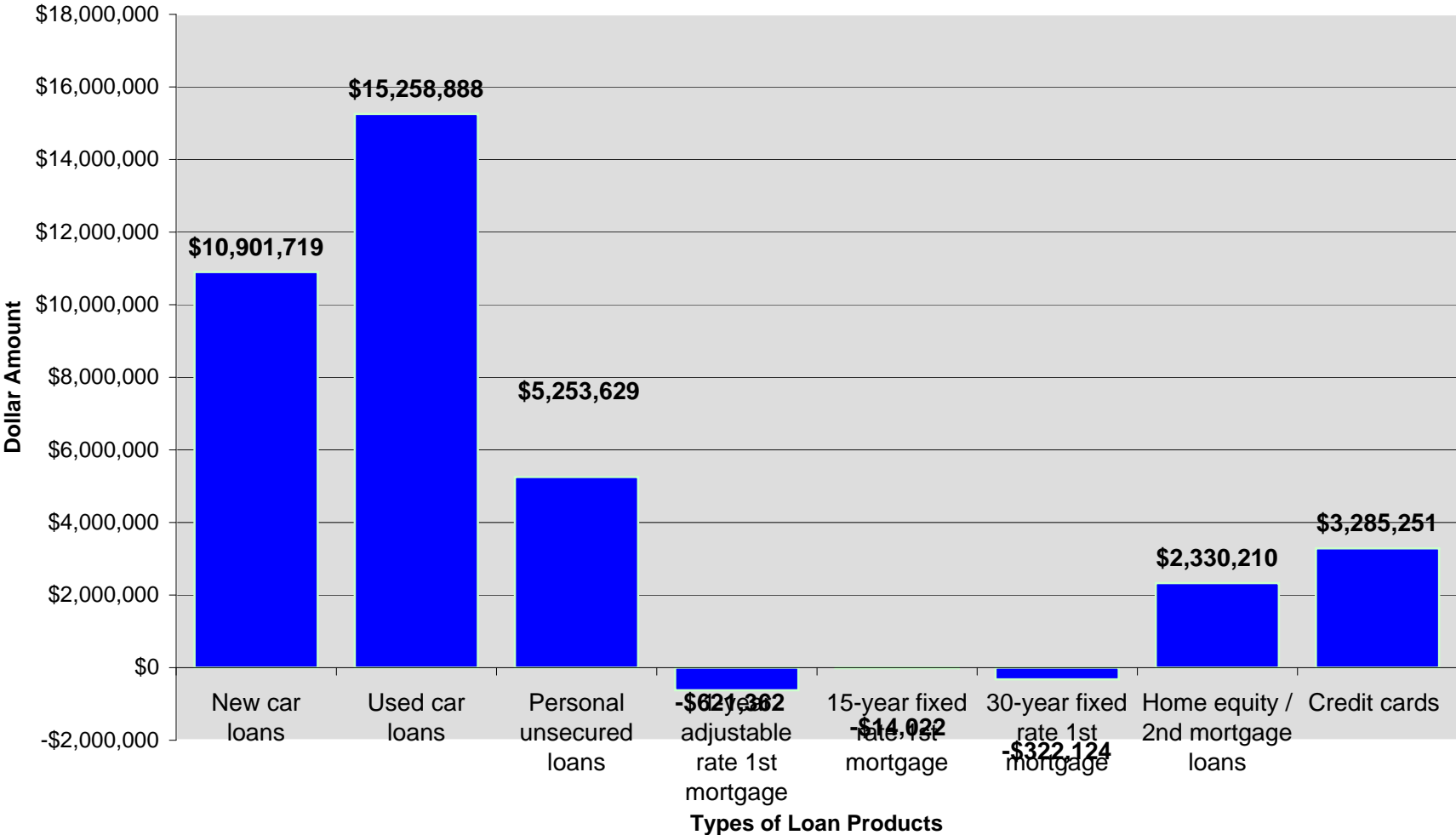


**New Hampshire**  
**Credit Union and Banking Institution**  
**Third Quarter 2009 Average Interest Rates and Fees**

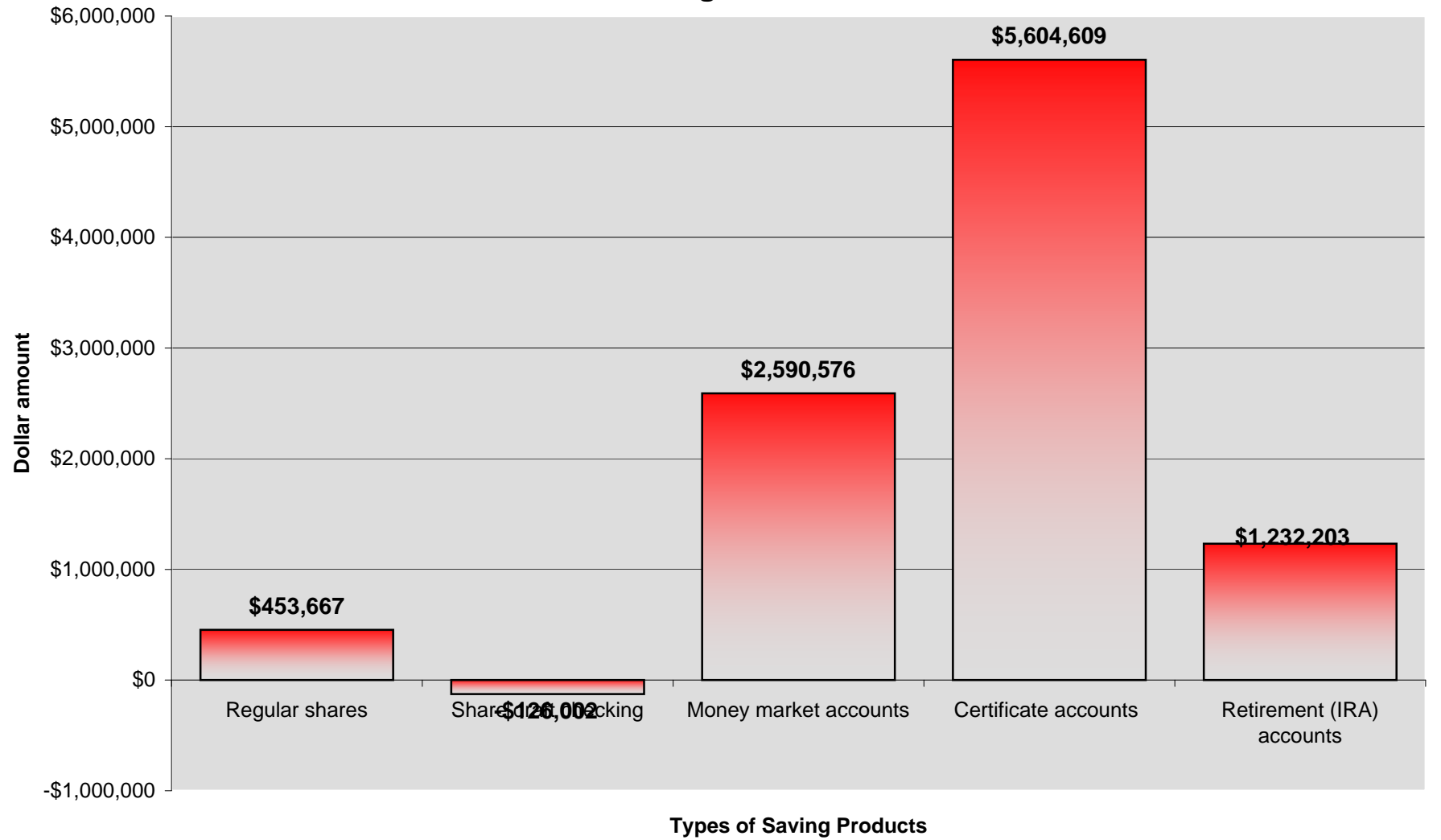
<b>Loan Products</b>	<b>Average Rate at Credit Unions (%)</b>	<b>Average Rate at Banks (%)</b>	<b>Rate Difference vs. Banks (%)</b>
60-month new car (A paper)	5.00	7.07	-2.07
48-month used car (A paper)	5.15	7.67	-2.52
Unsecured loan (A paper)	10.34	14.08	-3.74
1-year adjustable rate 1st mortgage, 0 pts	4.38	4.19	0.19
15-year fixed rate 1st mortgage, 0 pts	5.26	5.25	0.00
30-year fixed rate 1st mortgage, 0 pts	5.79	5.71	0.08
Home equity / 2nd mtg, 80% LTV 0 pts	4.27	4.85	-0.58
Credit card - classic	10.38	12.96	-2.59
Credit card - gold	9.36	10.40	-1.04
<b>Savings Products</b>			
Regular savings, \$1,000 balance	0.44	0.38	0.06
Share draft checking, \$5,000 balance	0.13	0.16	-0.03
Money market accounts	1.71	1.29	0.42
1 Year certificate \$10,000 balance	2.37	1.94	0.43
Retirement (IRA) accounts	2.04	1.61	0.43
<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 New Hampshire Credit Unions Financial Benefits Third Quarter 2009

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. New Hampshire Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	526,653,084	-2.07	\$10,901,719
Used car loans	606,715,245	-2.52	\$15,258,888
Personal unsecured loans	140,471,366	-3.74	\$5,253,629
1-year adjustable rate 1st mortgage	335,871,145	0.19	-\$621,362
15-year fixed rate 1st mortgage	280,430,222	0.00	-\$14,022
30-year fixed rate 1st mortgage	402,654,976	0.08	-\$322,124
Home equity / 2nd mortgage loans	401,760,303	-0.58	\$2,330,210
Credit cards	149,414,491	-2.59	\$3,285,251
Interest rebates in period			\$2,600
<b>Total CU member benefits arising from lower interest rates on loan products:</b>			<b>\$36,074,790</b>
 <u>Savings</u>			
Regular shares	824,848,459	0.06	\$453,667
Share draft checking	420,005,307	-0.03	-\$126,002
Money market accounts	616,803,817	0.42	\$2,590,576
Certificate accounts	1,303,397,543	0.43	\$5,604,609
Retirement (IRA) accounts	289,930,004	0.43	\$1,232,203
Bonus dividends in period			\$0
<b>Total CU member benefit arising from higher interest rates on saving products:</b>			<b>\$9,755,053</b>
 <u>Fee Income</u>			
<b>Total CU member benefit arising from fewer/lower fees:</b>			<b>\$8,123,037</b>
 <b>Total CU member benefit arising from interest rates on loan and savings products and lower fees:</b>			<b>\$53,952,880</b>
 <b>Total CU member benefit / member:</b>			<b>\$124</b>
<b>Total CU member benefit / member household:</b>			<b>\$236</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;

**New Hampshire  
Performance Profile**

<b>Demographic Information</b>	<b>Sep-09</b>	<b>Sep-08</b>
Number of branches	100	97
Total assets (\$ mil)	4,567	4,151
Total loans (\$ mil)	3,094	2,780
Total surplus funds (\$ mil)	1,219	1,133
Total savings (\$ mil)	3,643	3,273
Total members (thousands)	447	421
<b>Growth Rates (Year-to-date)</b>		
Total assets	8.0 %	10.0 %
Total loans	8.4 %	10.6 %
Total surplus funds	4.3 %	6.2 %
Total savings	9.6 %	7.8 %
Total members	4.8 %	5.2 %
<b>Earnings - Basis Pts.</b>		
Yield on total assets	492	539
Dividend/interest cost of assets	181	234
Fee & other income *	183	129
Operating expense	339	350
Loss Provisions	59	49
Net Income (ROA) after stabilization exp *	53	34
<b>Capital adequacy</b>		
Net worth / assets	10.5	11.3
<b>Asset quality</b>		
Delinquencies / loans	0.7	0.6
Net chargeoffs / average loans	0.6	0.6
Total borrower-bankruptcies	43	28
Bankruptcies per 1000 members	2.3	1.6
<b>Asset/Liability Management</b>		
Loans / savings	84.9	84.9
Loans / assets	67.7	67.0
Long-term assets / assets	32.8	35.8
Core deposits/shares & borrowings	33.7	32.3
<b>Productivity</b>		
Members/potential members	5.1	4.8
Borrowers/members	52.7	51.9
Members/FTE	344	320
Average shares/members (\$)	8,156	7,774
Average loan balances (\$)	13,141	12,722
Salary & Benefits/FTE	63,142	55,532

**\*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.**