

The Benefits of Membership

Customized Analysis of Member Benefits For:

New Jersey

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.

New Jersey

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 Jersey credit unions provided \$53,952,880 in direct financial benefits to the state's 1,132,425 members during the twelve months ending September 2009.

These benefits are equivalent to \$124 per member or \$236 per member household ⁽¹⁾.

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

Consider this:

Financing a \$25,000 new automobile for 60 months at a New Jersey 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 Jersey credit unions excel in providing member benefits on many loan and saving products. In particular, New Jersey 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.

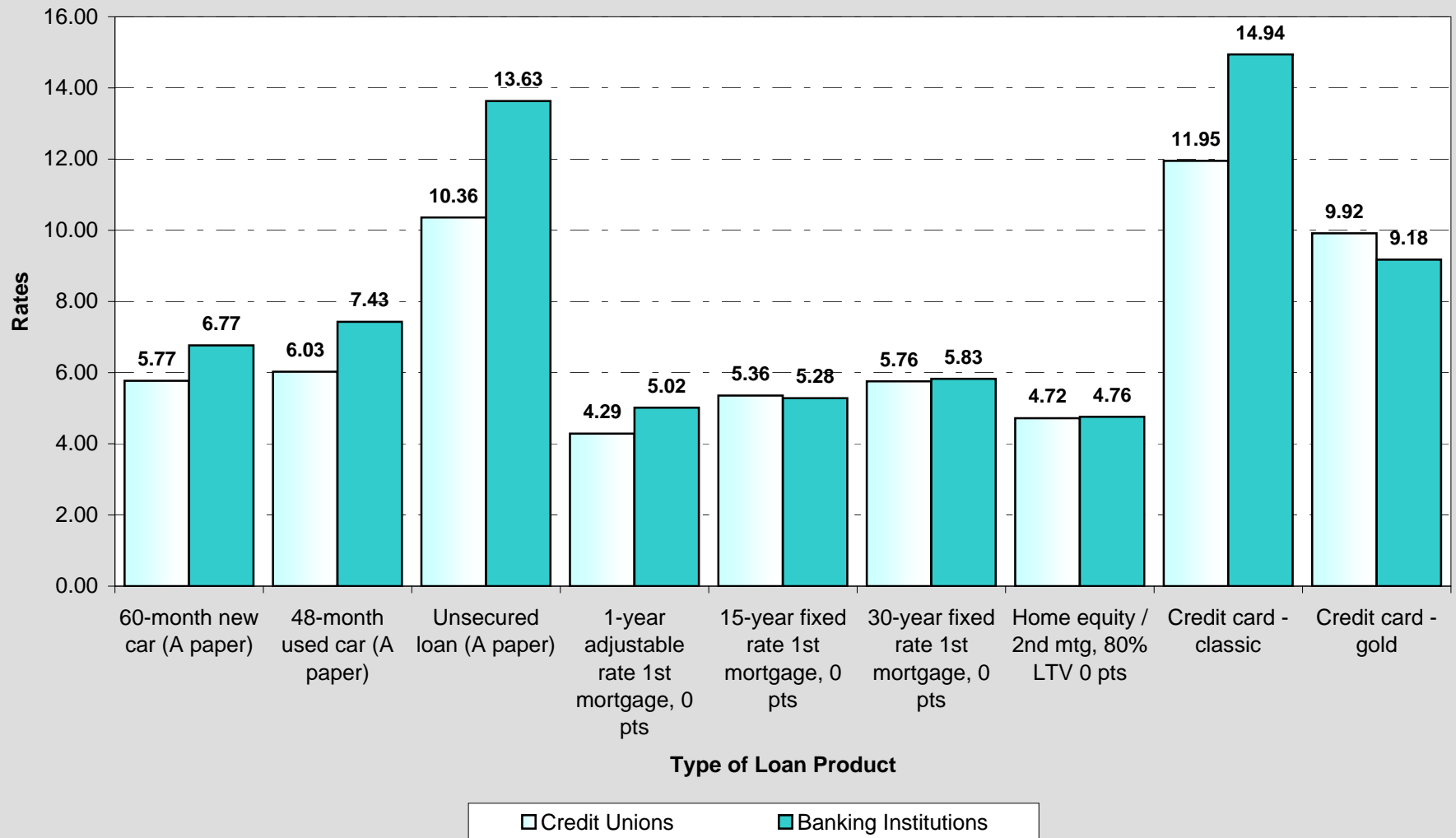
New Jersey credit unions also pay members higher average dividends on the following accounts: regular savings, money market accounts, certificate accounts, IRAs.



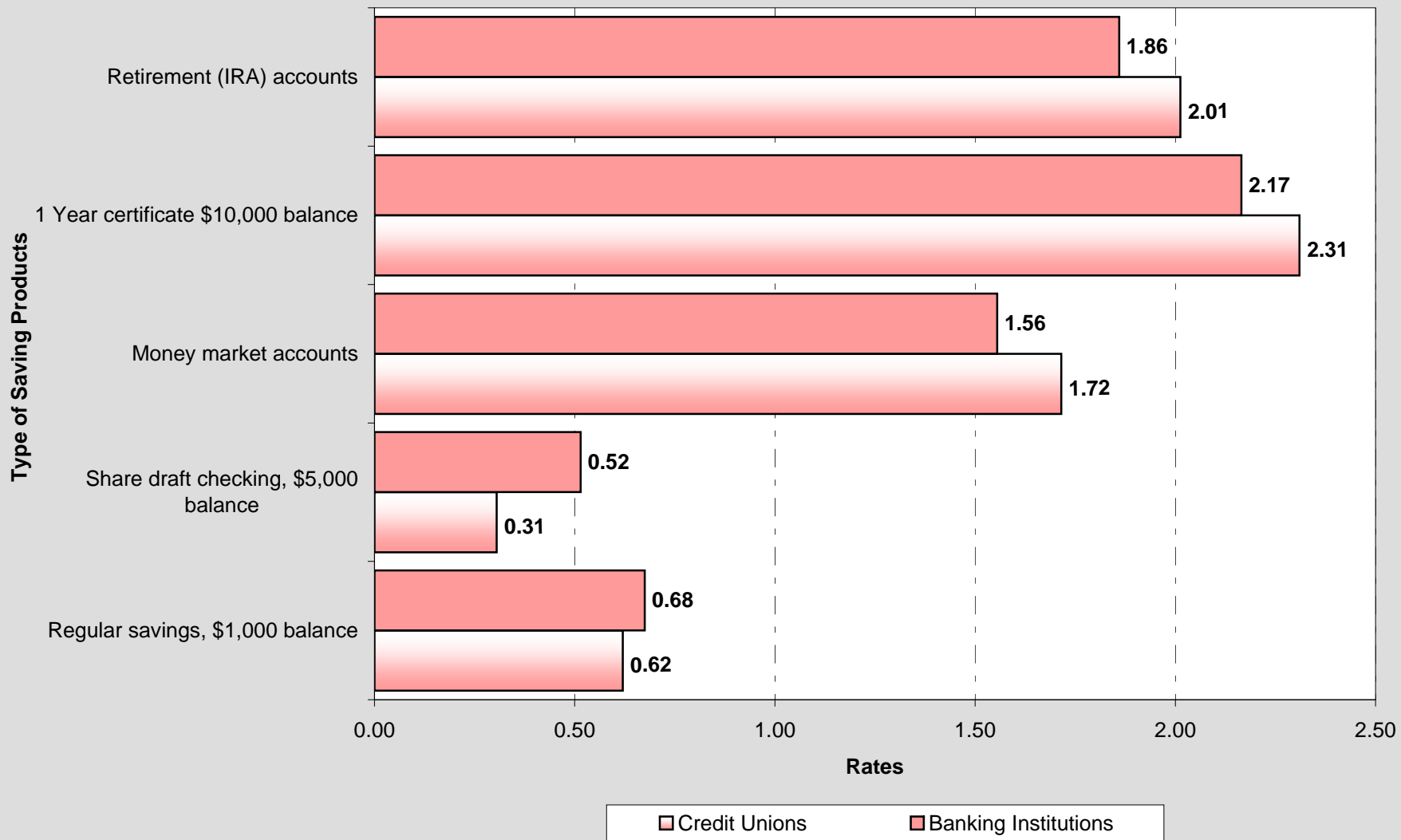
Source: Datatrac, NCUA, and CUNA.

(1) Assumes 1.9 credit union members per household.

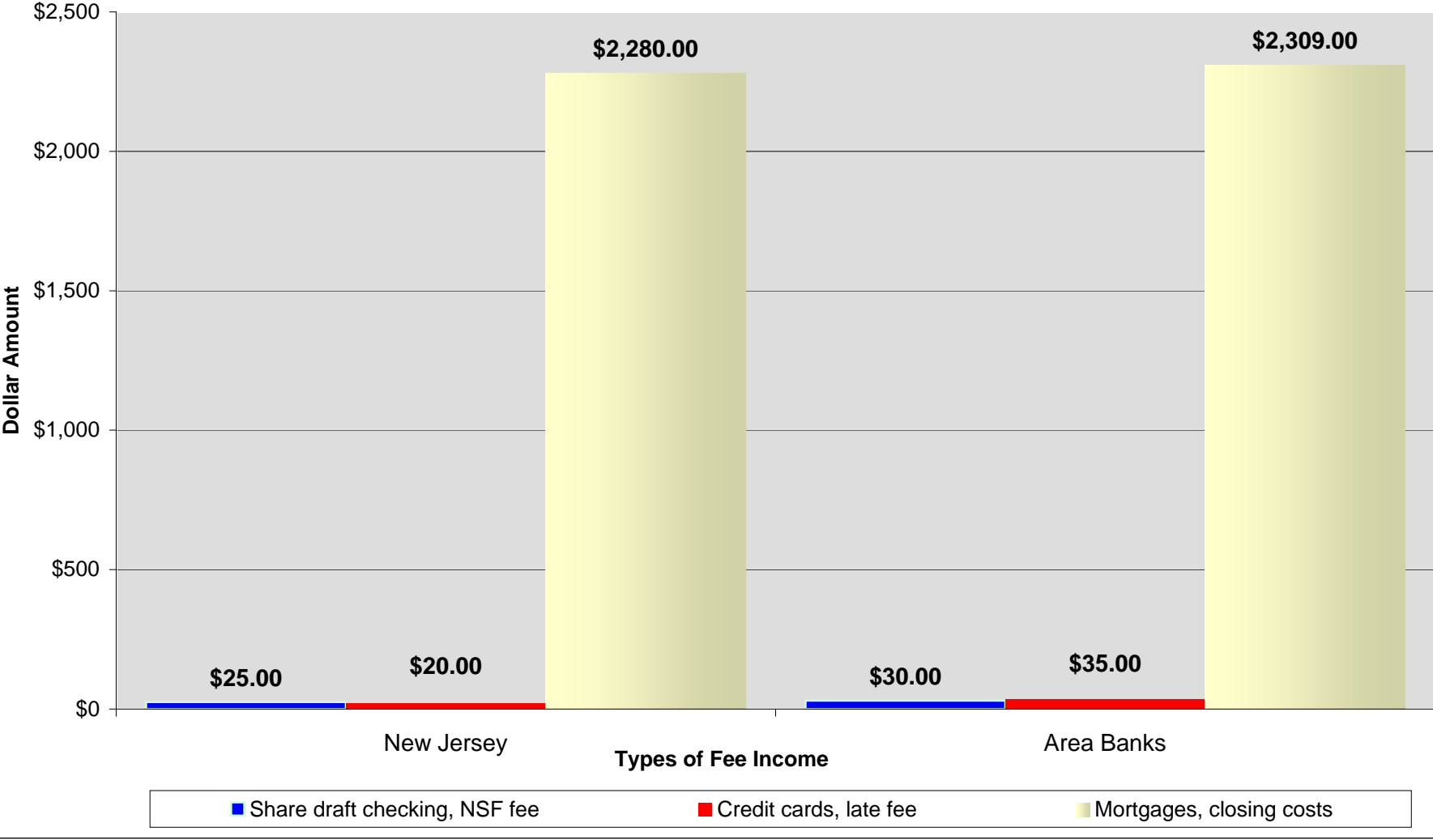
Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



Selected Third Quarter 2009 Credit Union Fees compared to Banking Institutions

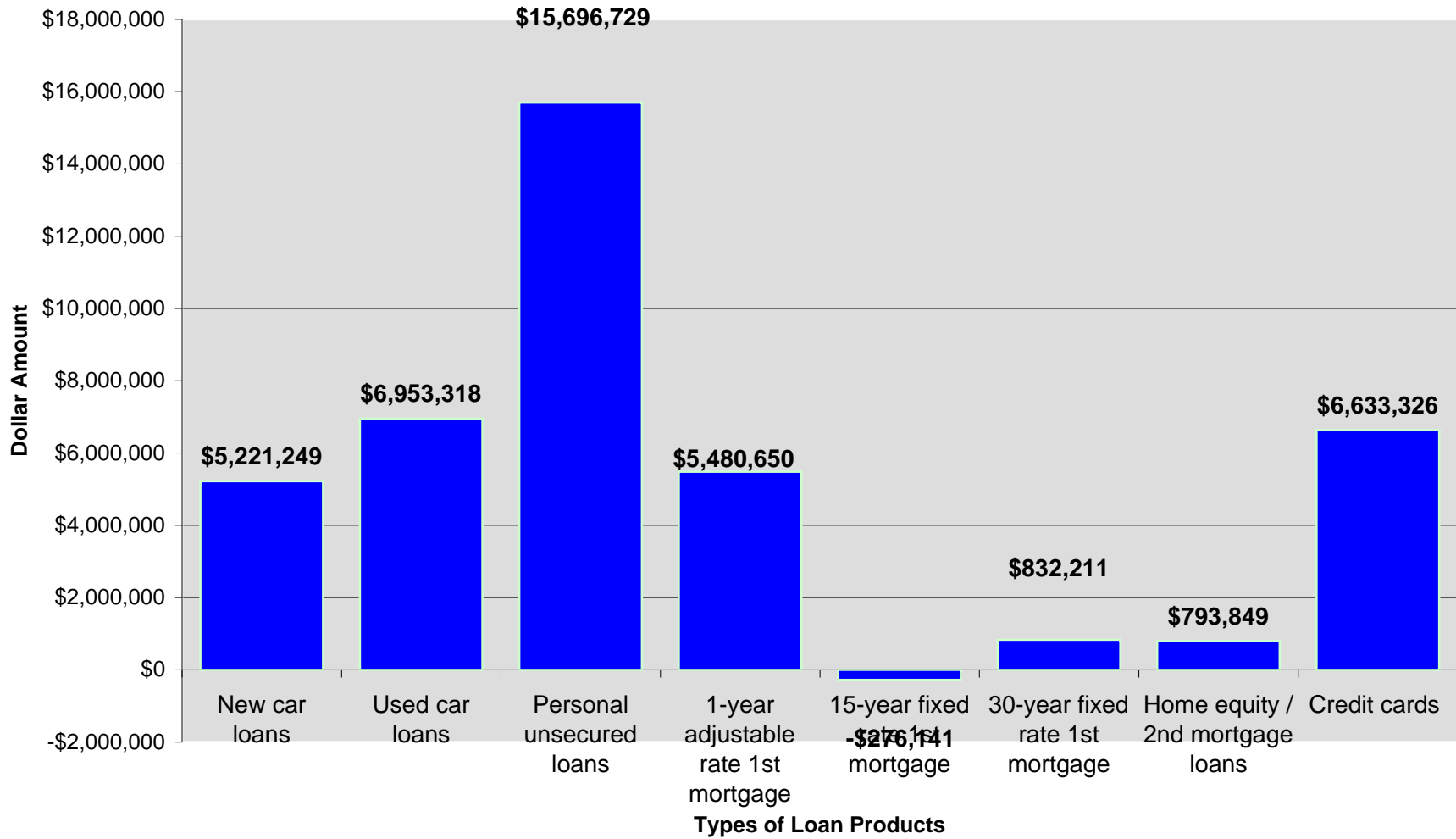


New Jersey
Credit Union and Banking Institution
Third Quarter 2009 Average Interest Rates and Fees

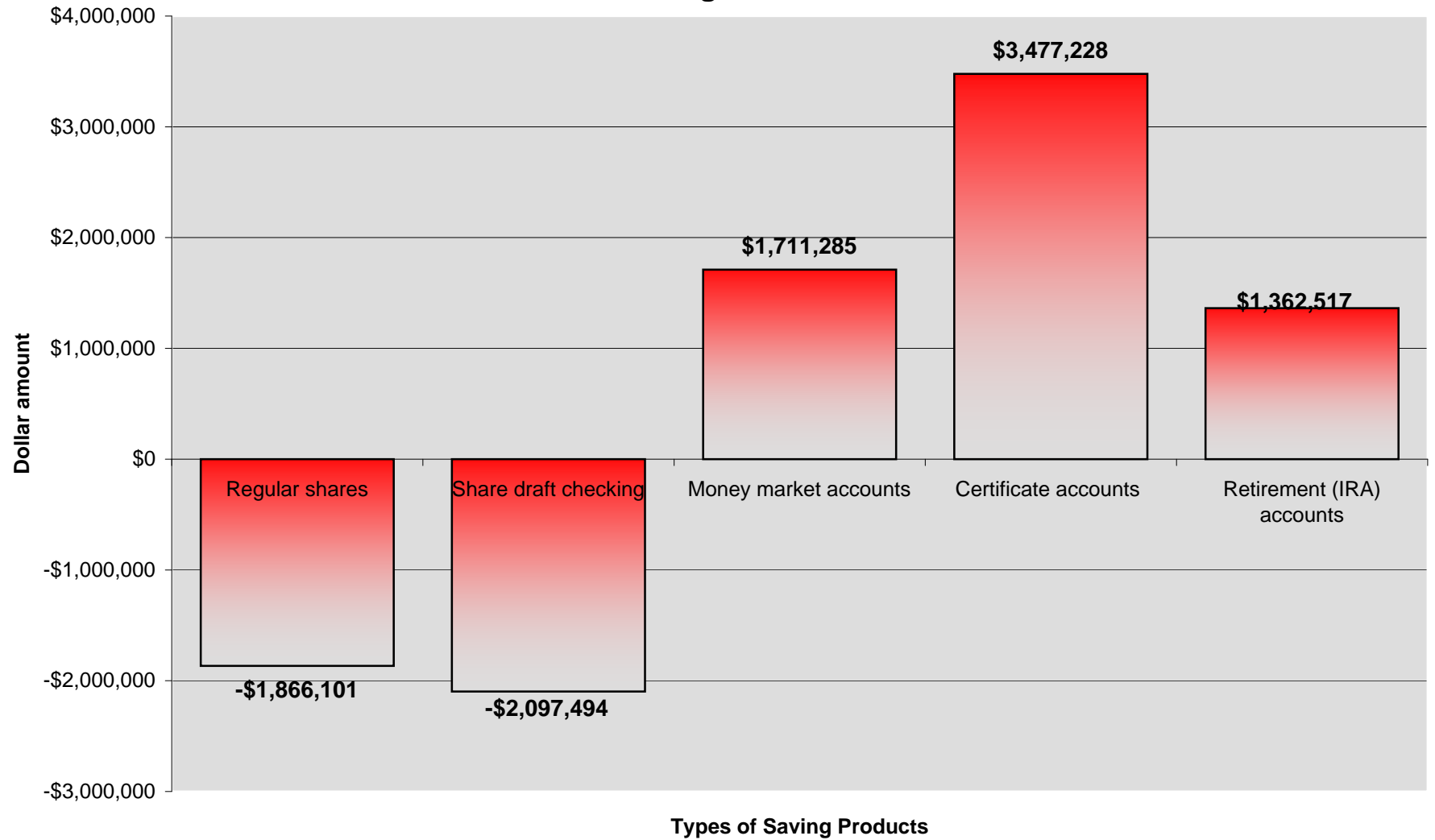
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	5.77	6.77	-1.00
48-month used car (A paper)	6.03	7.43	-1.41
Unsecured loan (A paper)	10.36	13.63	-3.27
1-year adjustable rate 1st mortgage, 0 pts	4.29	5.02	-0.73
15-year fixed rate 1st mortgage, 0 pts	5.36	5.28	0.08
30-year fixed rate 1st mortgage, 0 pts	5.76	5.83	-0.07
Home equity / 2nd mtg, 80% LTV 0 pts	4.72	4.76	-0.04
Credit card - classic	11.95	14.94	-2.99
Credit card - gold	9.92	9.18	0.74
Savings Products			
Regular savings, \$1,000 balance	0.62	0.68	-0.06
Share draft checking, \$5,000 balance	0.31	0.52	-0.21
Money market accounts	1.72	1.56	0.16
1 Year certificate \$10,000 balance	2.31	2.17	0.15
Retirement (IRA) accounts	2.01	1.86	0.15
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 New Jersey Credit Unions Financial Benefits Third Quarter 2009

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. New Jersey Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	524,748,688	-1.00	\$5,221,249
Used car loans	494,898,103	-1.41	\$6,953,318
Personal unsecured loans	480,022,284	-3.27	\$15,696,729
1-year adjustable rate 1st mortgage	750,773,951	-0.73	\$5,480,650
15-year fixed rate 1st mortgage	368,188,083	0.08	-\$276,141
30-year fixed rate 1st mortgage	1,188,872,925	-0.07	\$832,211
Home equity / 2nd mortgage loans	1,984,621,327	-0.04	\$793,849
Credit cards	322,397,397	-2.99	\$6,633,326
Interest rebates in period			\$25,784
Total CU member benefits arising from lower interest rates on loan products:			\$41,360,975
 <u>Savings</u>			
Regular shares	3,392,910,884	-0.06	-\$1,866,101
Share draft checking	998,806,691	-0.21	-\$2,097,494
Money market accounts	1,069,553,310	0.16	\$1,711,285
Certificate accounts	2,398,088,080	0.15	\$3,477,228
Retirement (IRA) accounts	893,453,690	0.15	\$1,362,517
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$2,587,435
 <u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$14,409,615
 Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$58,358,025
 Total CU member benefit / member:			\$52
Total CU member benefit / member household:			\$98

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 Jersey
Performance Profile**

Demographic Information	Sep-09	Sep-08
Number of branches	412	423
Total assets (\$ mil)	11,182	10,080
Total loans (\$ mil)	6,455	6,228
Total surplus funds (\$ mil)	4,333	3,506
Total savings (\$ mil)	9,637	8,423
Total members (thousands)	1,128	1,140
Growth Rates (Year-to-date)		
Total assets	9.4 %	5.3 %
Total loans	3.7 %	4.7 %
Total surplus funds	18.1 %	5.8 %
Total savings	12.0 %	3.5 %
Total members	0.1 %	0.4 %
Earnings - Basis Pts.		
Yield on total assets	474	546
Dividend/interest cost of assets	175	224
Fee & other income *	129	105
Operating expense	330	355
Loss Provisions	58	34
Net Income (ROA) after stabilization exp *	-8	38
Capital adequacy		
Net worth / assets	10.5	12.0
Asset quality		
Delinquencies / loans	1.7	1.2
Net chargeoffs / average loans	0.6	0.5
Total borrower-bankruptcies	7	6
Bankruptcies per 1000 members	1.4	1.1
Asset/Liability Management		
Loans / savings	67.0	74.0
Loans / assets	57.7	61.8
Long-term assets / assets	40.5	38.2
Core deposits/shares & borrowings	47.1	49.7
Productivity		
Members/potential members	7.4	7.8
Borrowers/members	37.7	37.1
Members/FTE	411	402
Average shares/members (\$)	8,540	7,390
Average loan balances (\$)	15,170	14,752
Salary & Benefits/FTE	63,917	61,894

***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.**