

The Benefits of Membership

Customized Analysis of Member Benefits For:

New Jersey

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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 \$112,840,729 in direct financial benefits to the state's 1,165,768 members during the twelve months ending December 2007.

These benefits are equivalent to \$97 per member or \$184 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 \$102 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, first mortgage-adjustable rate, home equity loans, credit cards loans.

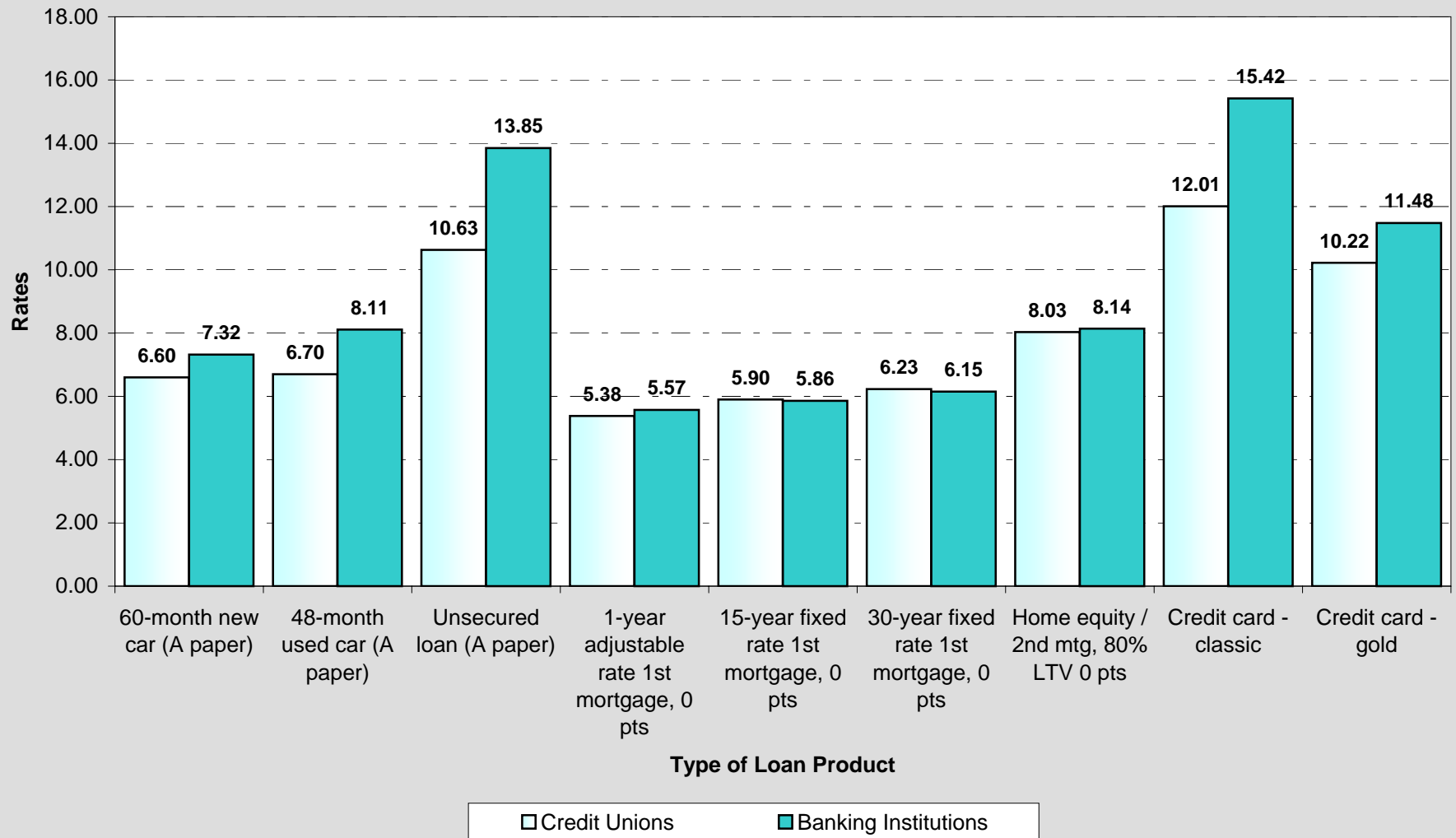
New Jersey credit unions also pay members higher average dividends on the following accounts: regular savings, money market accounts, certificate accounts, IRAs.



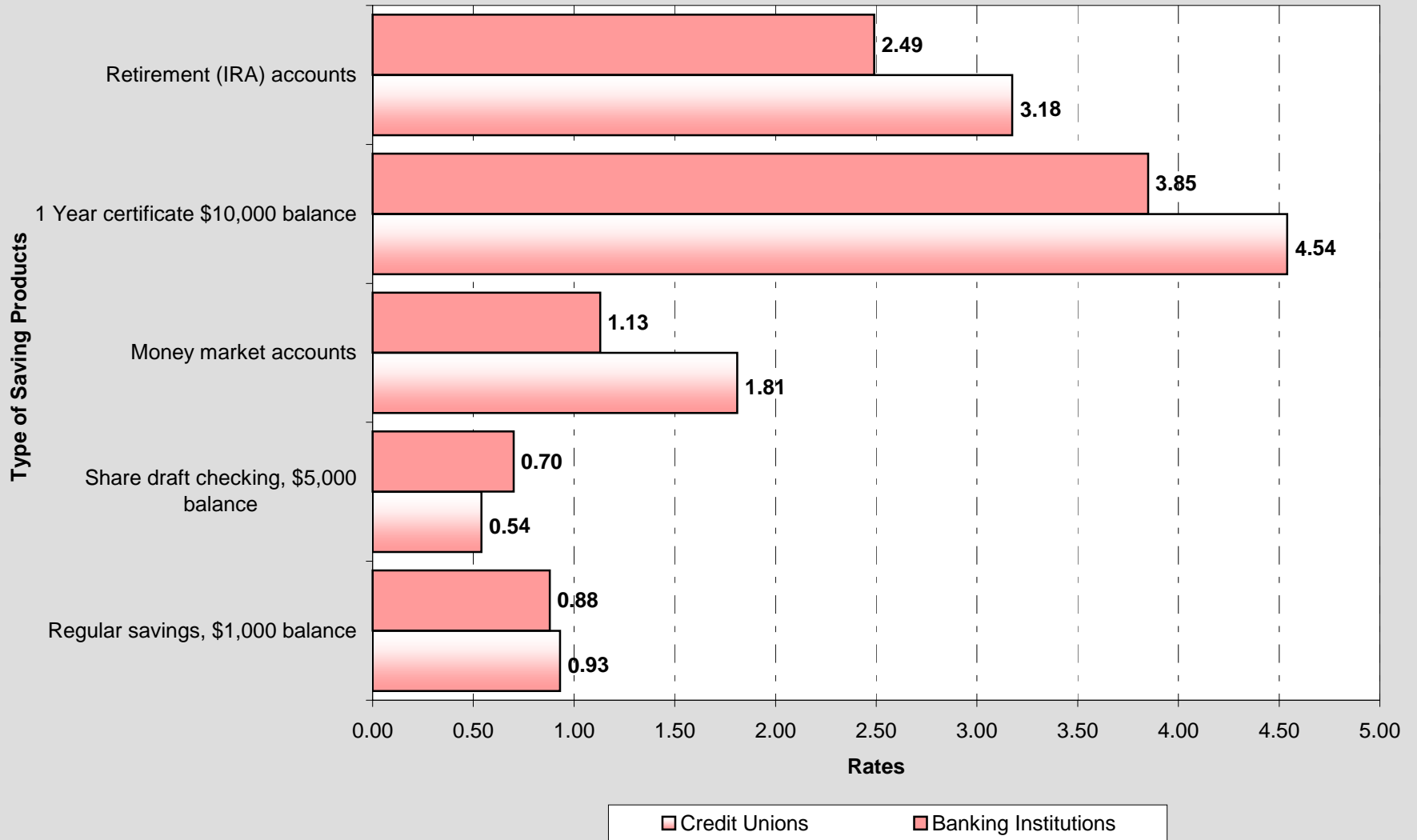
Source: Datatrac, NCUA, and CUNA.

(1) Assumes 1.9 credit union members per household.

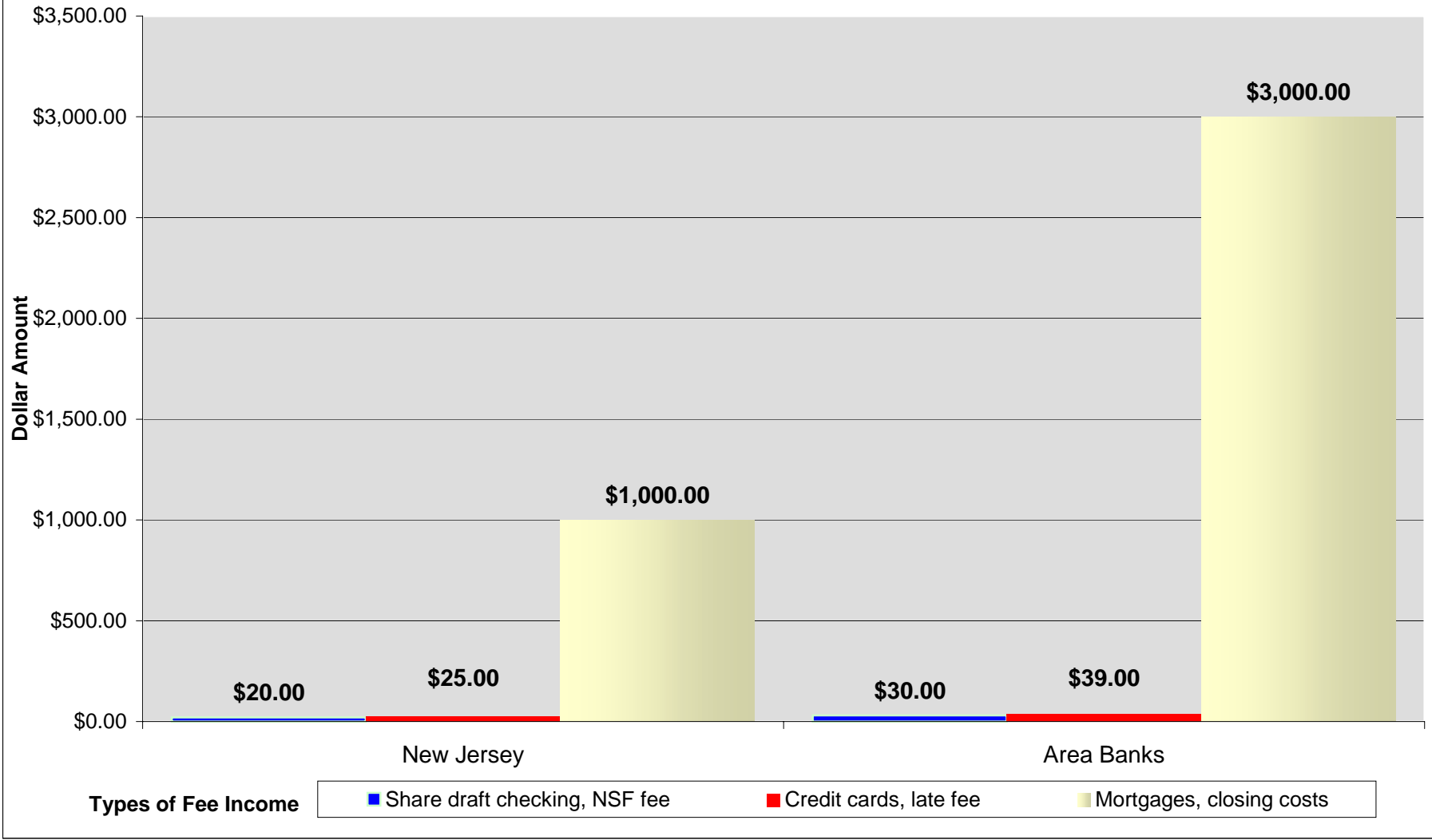
Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



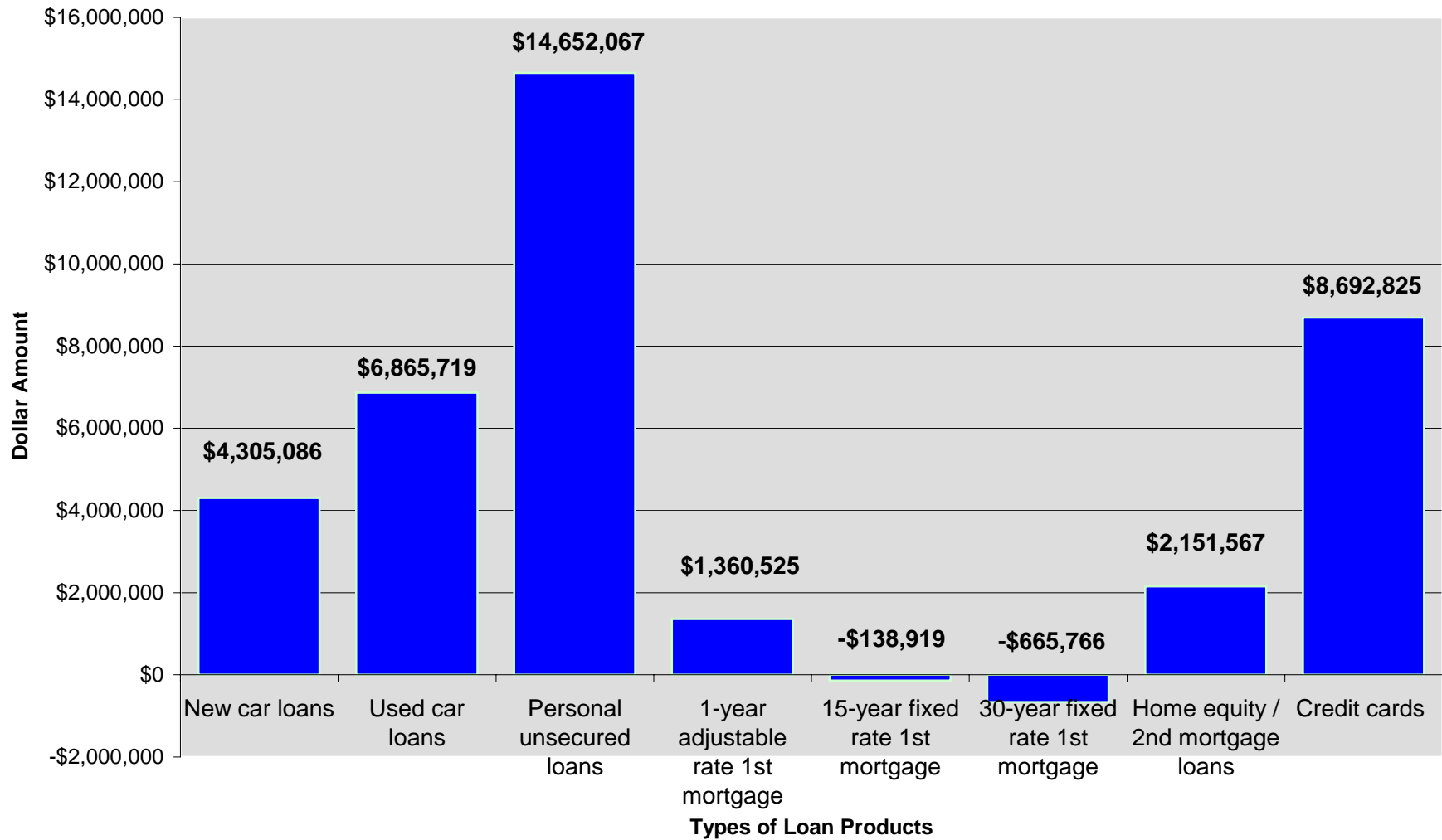
Selected Credit Union Fees compared to Banking Institutions



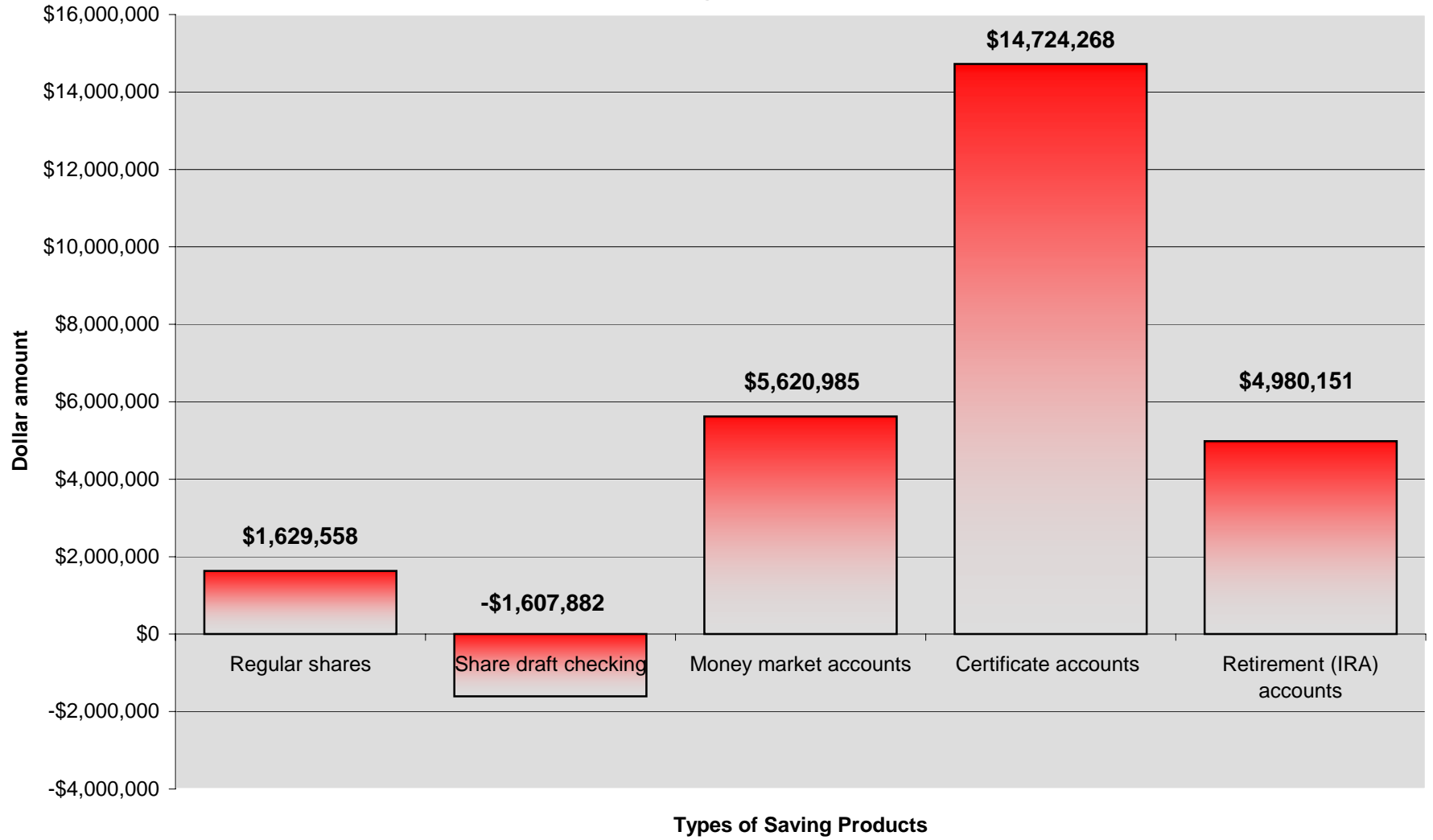
**Recent Interest Rates at Credit Unions
and
Banking Institutions in New Jersey**

Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	6.60	7.32	-0.72
48-month used car (A paper)	6.70	8.11	-1.41
Unsecured loan (A paper)	10.63	13.85	-3.22
1-year adjustable rate 1st mortgage, 0 pts	5.38	5.57	-0.19
15-year fixed rate 1st mortgage, 0 pts	5.90	5.86	0.04
30-year fixed rate 1st mortgage, 0 pts	6.23	6.15	0.08
Home equity / 2nd mtg, 80% LTV 0 pts	8.03	8.14	-0.11
Credit card - classic	12.01	15.42	-3.41
Credit card - gold	10.22	11.48	-1.26
Savings Products			
Regular savings, \$1,000 balance	0.93	0.88	0.05
Share draft checking, \$5,000 balance	0.54	0.70	-0.16
Money market accounts	1.81	1.13	0.68
1 Year certificate \$10,000 balance	4.54	3.85	0.69
Retirement (IRA) accounts	3.18	2.49	0.69
Fee Income			
Share draft checking, NSF fee	\$20.00	\$30.00	-\$10.00
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 New Jersey Credit Unions Financial Benefits Year-End 2007

<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	597,928,568	-0.72	\$4,305,086
Used car loans	486,930,459	-1.41	\$6,865,719
Personal unsecured loans	455,033,146	-3.22	\$14,652,067
1-year adjustable rate 1st mortgage	716,065,791	-0.19	\$1,360,525
15-year fixed rate 1st mortgage	347,297,099	0.04	-\$138,919
30-year fixed rate 1st mortgage	832,208,058	0.08	-\$665,766
Home equity / 2nd mortgage loans	1,955,970,030	-0.11	\$2,151,567
Credit cards	302,622,271	-3.41	\$8,692,825
Interest rebates in period			\$289,195
Total CU member benefits arising from lower interest rates on loan products:			\$37,512,299
<u>Savings</u>			
Regular shares	3,259,115,899	0.05	\$1,629,558
Share draft checking	1,004,926,154	-0.16	-\$1,607,882
Money market accounts	826,615,413	0.68	\$5,620,985
Certificate accounts	2,133,951,848	0.69	\$14,724,268
Retirement (IRA) accounts	727,029,365	0.69	\$4,980,151
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$25,347,080
<u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$49,981,350
Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$112,840,729
Total CU member benefit / member:			\$97
Total CU member benefit / member household:			\$184

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;

**New Jersey
Performance Profile**

Demographic Information	Dec-07	Dec-06
Number of branches	415	408
Total assets (\$ mil)	9,616,545,650	9,474,133,774
Total loans (\$ mil)	5,984,908,611	5,771,477,399
Total surplus funds (\$ mil)	3,325,922,371	3,401,062,233
Total savings (\$ mil)	8,177,741,384	8,158,842,597
Total members (thousands)	1,146,910	1,188,597
Growth Rates		
Total assets	1.7 %	-0.4 %
Total loans	3.9 %	5.9 %
Total surplus funds	-2.2 %	-9.0 %
Total savings	0.4 %	-1.4 %
Total members	-3.2 %	-1.0 %
Earnings - Basis Pts.		
Yield on total assets	574	537
- Dividend/interest cost of assets	242	202
+ Fee & other income	100	91
- Operating expense	355	342
- Loss Provisions	35	23
= Net Income (ROA)	41	61
Capital adequacy		
Net worth / assets	12.3	12.1
Asset quality		
Delinquencies / loans	1.2	0.8
Net chargeoffs / average loans	0.5	0.4
Total borrower-bankruptcies	5	3
Bankruptcies per 1000 members	1.0	0.6
Asset/Liability Management		
Loans / savings	73.2	70.7
Loans / assets	62.2	60.9
Long-term assets / assets	33.9	31.8
Core deposits/shares & borrowings	50.4	54.0
Productivity		
Members/potential members	7.5	8.4
Borrowers/members	37.7	36.8
Members/FTE	404	430
Average shares/members (\$)	7,130	6,864
Average loan balances (\$)	13,826	13,212
Salary & Benefits/FTE	58,961	58,316