

The Benefits of Membership

Customized Analysis of Member Benefits For:

Ohio

December 2008

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.

Ohio

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 Ohio credit unions provided \$184,358,447 in direct financial benefits to the state's 2,598,946 members during the twelve months ending December 2008.

These benefits are equivalent to \$71 per member or \$135 per member household ⁽¹⁾.

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

Consider this:

Financing a \$25,000 new automobile for 60 months at a Ohio credit union will save members an average \$127 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.

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

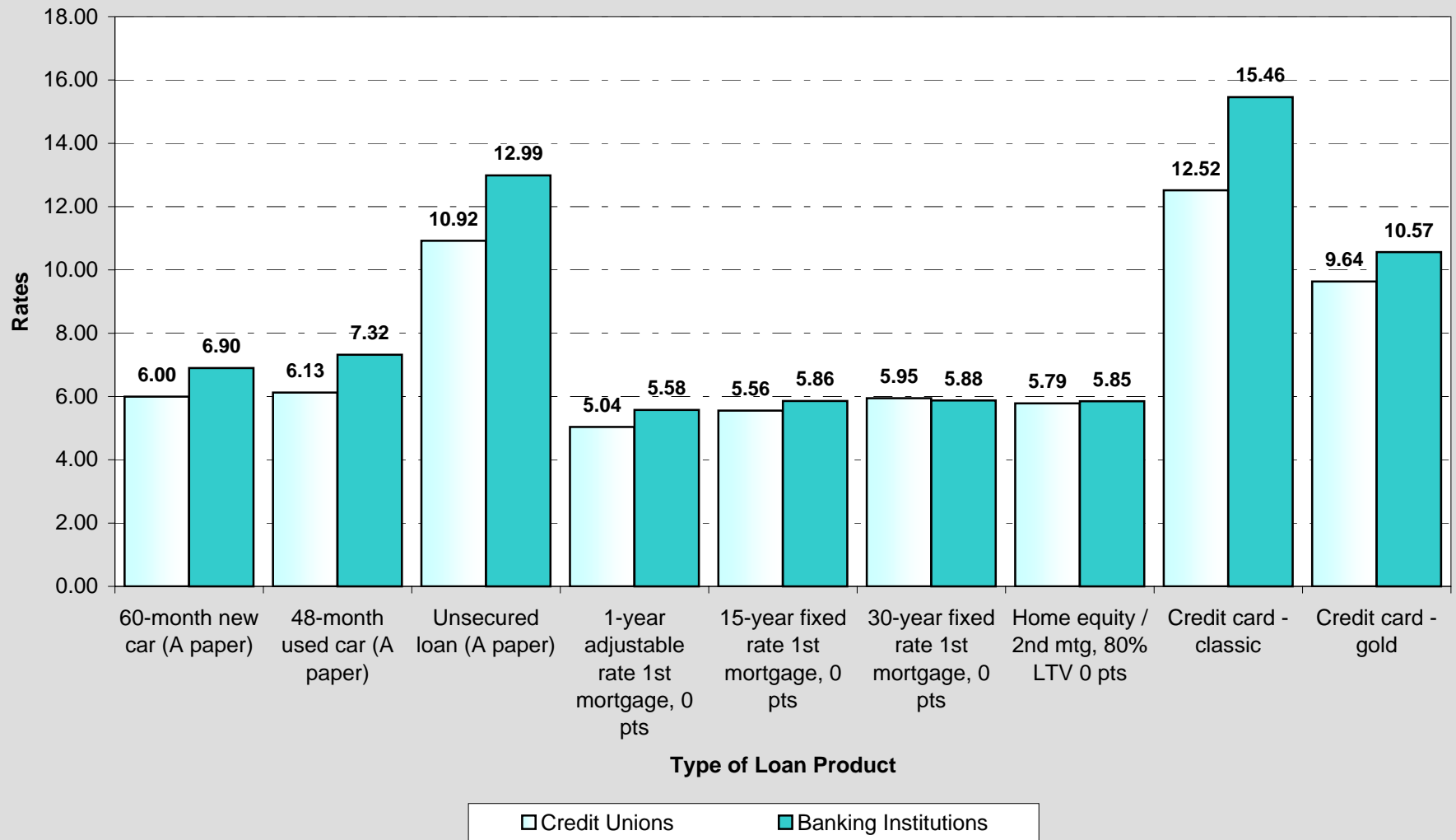
Ohio credit unions also pay members higher average dividends on the following accounts: money market accounts, certificate accounts, IRAs.



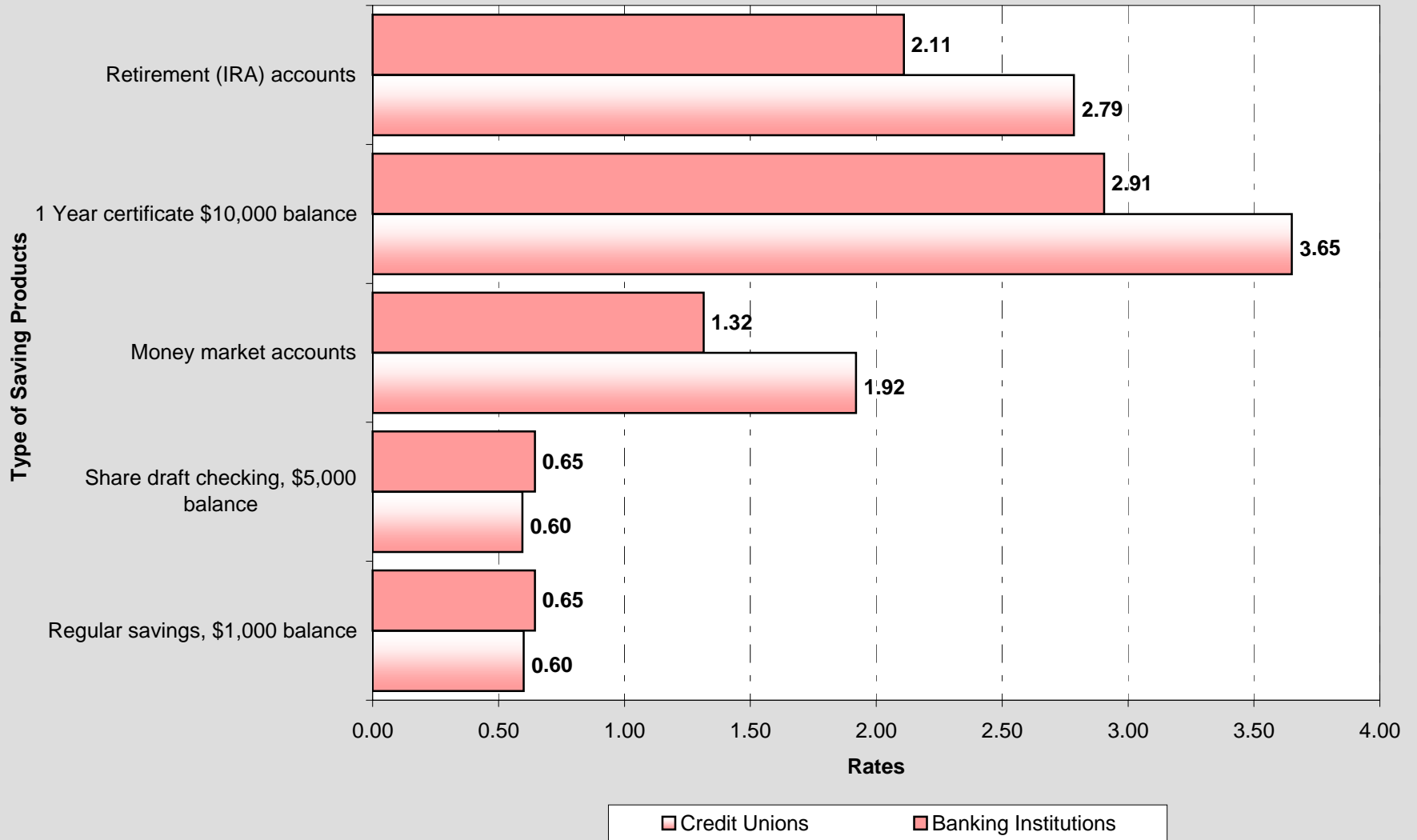
Source: Datatrac, NCUA, and CUNA.

(1) Assumes 1.9 credit union members per household.

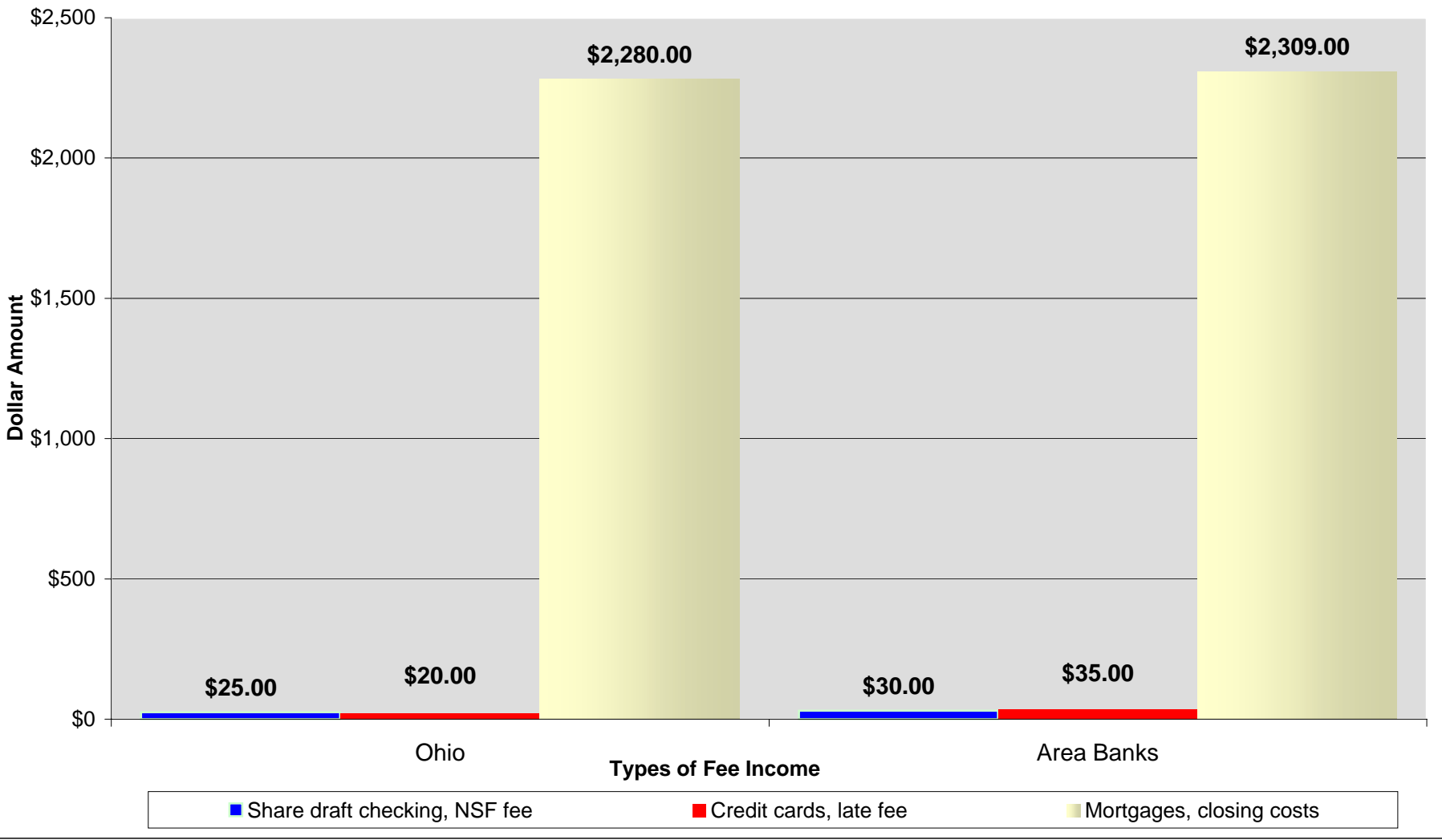
Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



Selected 2008 Credit Union Fees compared to Banking Institutions

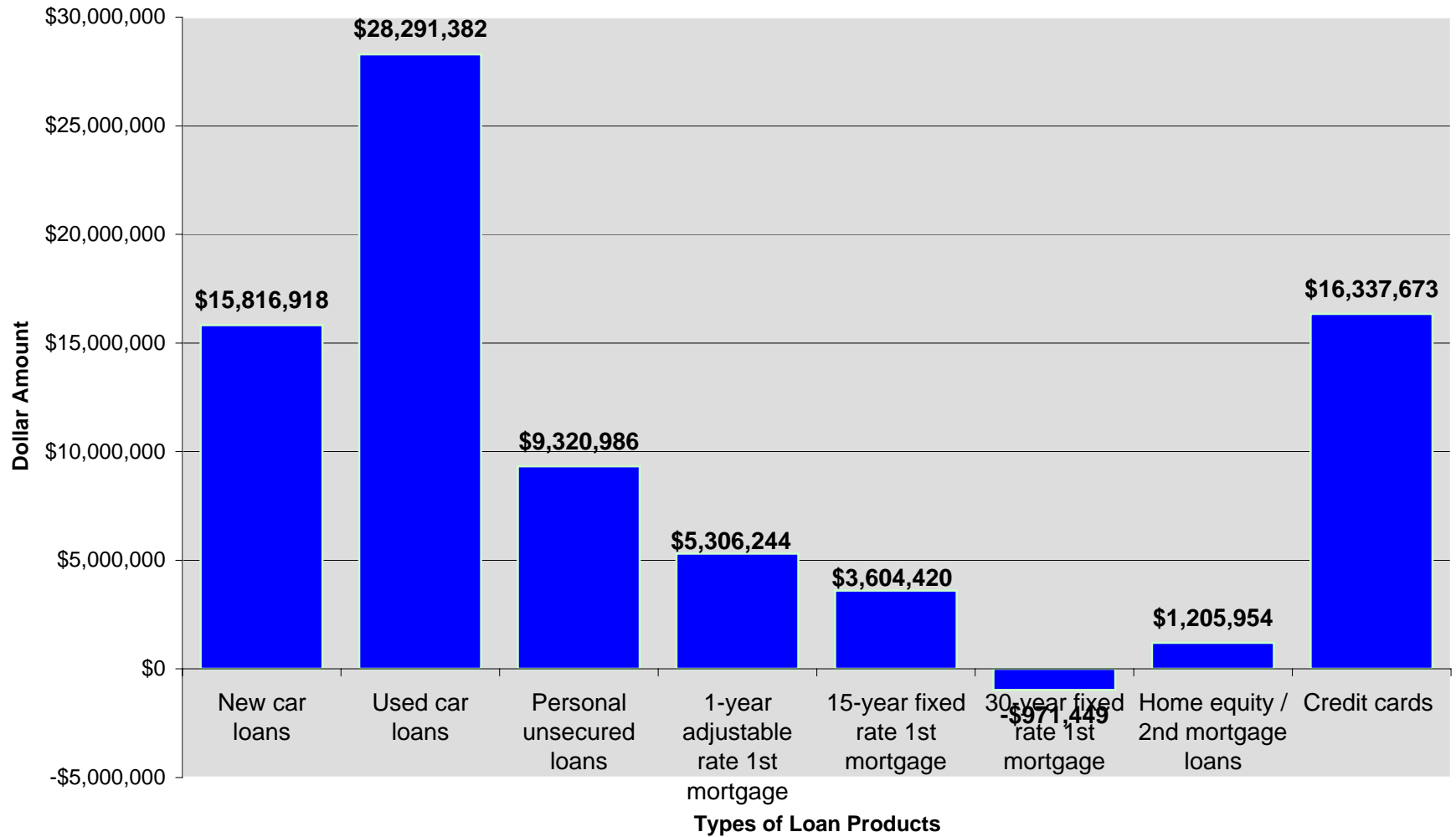


Ohio
Credit Union and Banking Institution
2008 Average Interest Rates and Fees

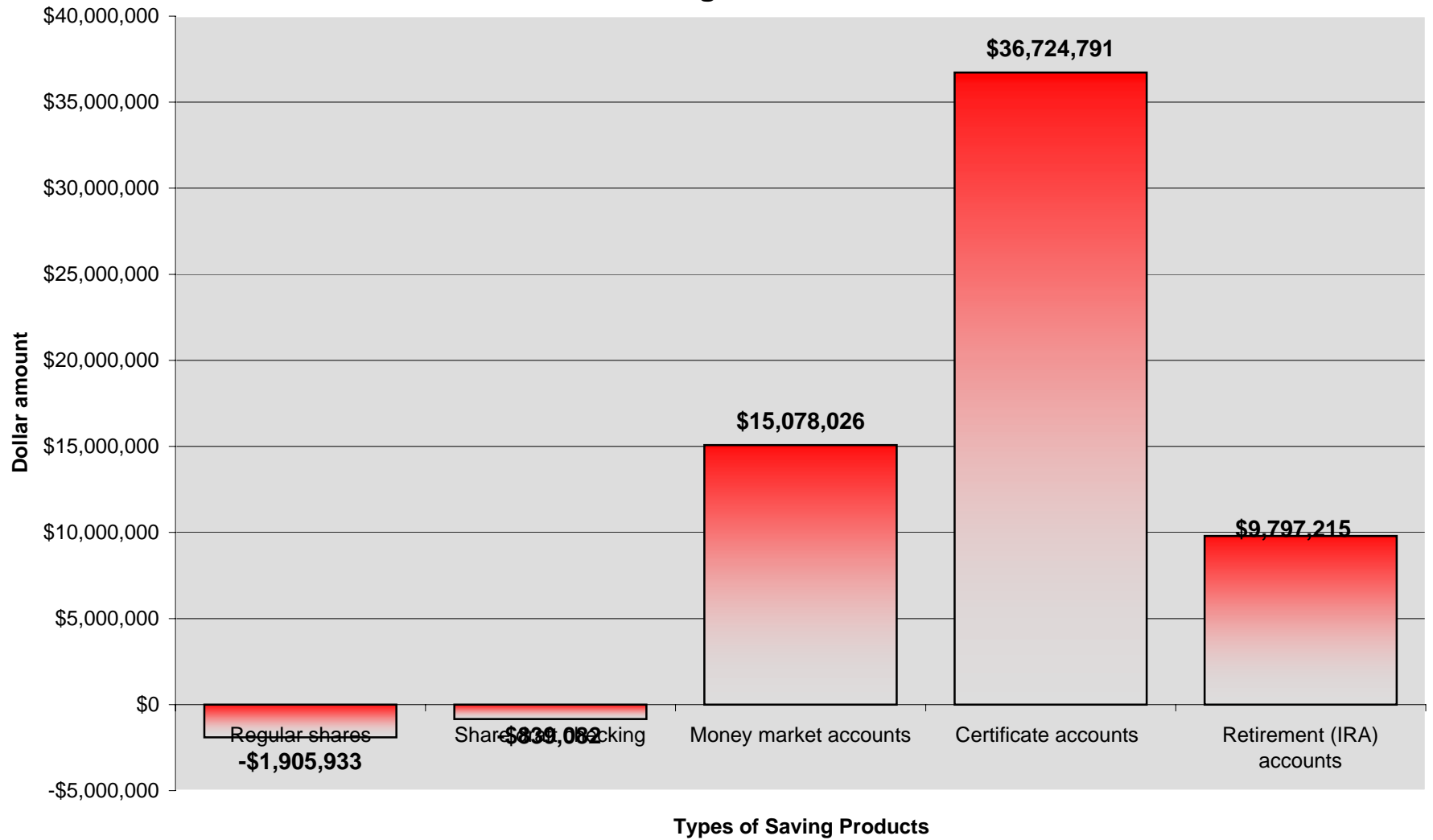
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	6.00	6.90	-0.91
48-month used car (A paper)	6.13	7.32	-1.20
Unsecured loan (A paper)	10.92	12.99	-2.07
1-year adjustable rate 1st mortgage, 0 pts	5.04	5.58	-0.54
15-year fixed rate 1st mortgage, 0 pts	5.56	5.86	-0.31
30-year fixed rate 1st mortgage, 0 pts	5.95	5.88	0.07
Home equity / 2nd mtg, 80% LTV 0 pts	5.79	5.85	-0.06
Credit card - classic	12.52	15.46	-2.95
Credit card - gold	9.64	10.57	-0.93
Savings Products			
Regular savings, \$1,000 balance	0.60	0.65	-0.05
Share draft checking, \$5,000 balance	0.60	0.65	-0.05
Money market accounts	1.92	1.32	0.61
1 Year certificate \$10,000 balance	3.65	2.91	0.75
Retirement (IRA) accounts	2.79	2.11	0.68
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 Ohio Credit Unions Financial Benefits

2008

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Ohio Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	1,747,725,724	-0.91	\$15,816,918
Used car loans	2,367,479,662	-1.20	\$28,291,382
Personal unsecured loans	451,379,486	-2.07	\$9,320,986
1-year adjustable rate 1st mortgage	991,821,315	-0.54	\$5,306,244
15-year fixed rate 1st mortgage	1,181,776,997	-0.31	\$3,604,420
30-year fixed rate 1st mortgage	1,387,784,545	0.07	-\$971,449
Home equity / 2nd mortgage loans	1,855,314,018	-0.06	\$1,205,954
Credit cards	669,233,907	-2.95	\$16,337,673
Interest rebates in period			\$1,388,764
Total CU member benefits arising from lower interest rates on loan products:			\$80,300,892
 <u>Savings</u>			
Regular shares	4,235,407,638	-0.05	-\$1,905,933
Share draft checking	1,678,163,638	-0.05	-\$839,082
Money market accounts	2,492,235,717	0.61	\$15,078,026
Certificate accounts	4,929,502,150	0.75	\$36,724,791
Retirement (IRA) accounts	1,451,439,323	0.68	\$9,797,215
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$58,855,017
 <u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$45,202,538
 Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$184,358,447
 Total CU member benefit / member:			\$71
Total CU member benefit / member household:			\$135

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;

Ohio
Performance Profile

Demographic Information	Dec-08	Dec-07
Number of branches	843	838
Total assets (\$ mil)	18,408	17,146
Total loans (\$ mil)	11,878	11,046
Total surplus funds (\$ mil)	5,788	5,382
Total savings (\$ mil)	15,690	14,691
Total members (thousands)	2,624	2,625
Growth Rates		
Total assets	8.5 %	5.2 %
Total loans	8.8 %	3.1 %
Total surplus funds	8.6 %	9.2 %
Total savings	8.0 %	5.1 %
Total members	1.3 %	-0.7 %
Earnings - Basis Pts.		
Yield on total assets	556	597
- Dividend/interest cost of assets	224	256
+ Fee & other income	146	149
- Operating expense	385	393
- Loss Provisions	49	32
= Net Income (ROA)	45	65
Capital adequacy		
Net worth / assets	12.1	12.6
Asset quality		
Delinquencies / loans	1.3	1.2
Net chargeoffs / average loans	0.6	0.5
Total borrower-bankruptcies	17	14
Bankruptcies per 1000 members	2.7	2.4
Asset/Liability Management		
Loans / savings	75.7	75.2
Loans / assets	64.5	64.4
Long-term assets / assets	29.1	27.8
Core deposits/shares & borrowings	38.5	39.2
Productivity		
Members/potential members	6.1	6.2
Borrowers/members	46.3	47.7
Members/FTE	397	399
Average shares/members (\$)	5,979	5,597
Average loan balances (\$)	9,782	8,821
Salary & Benefits/FTE	50,563	48,236