

# ***The Benefits of Membership***

*Customized Analysis of Member Benefits For:*

## **Pennsylvania**

***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 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.

# Pennsylvania

## 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 Pennsylvania credit unions provided \$325,988,893 in direct financial benefits to the state's 3,412,893 members during the twelve months ending December 2008.

**These benefits are equivalent to \$96 per member or \$181 per member household <sup>(1)</sup>.**

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

Consider this:

**Financing a \$25,000 new automobile for 60 months at a Pennsylvania credit union will save members an average \$208 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.

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

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

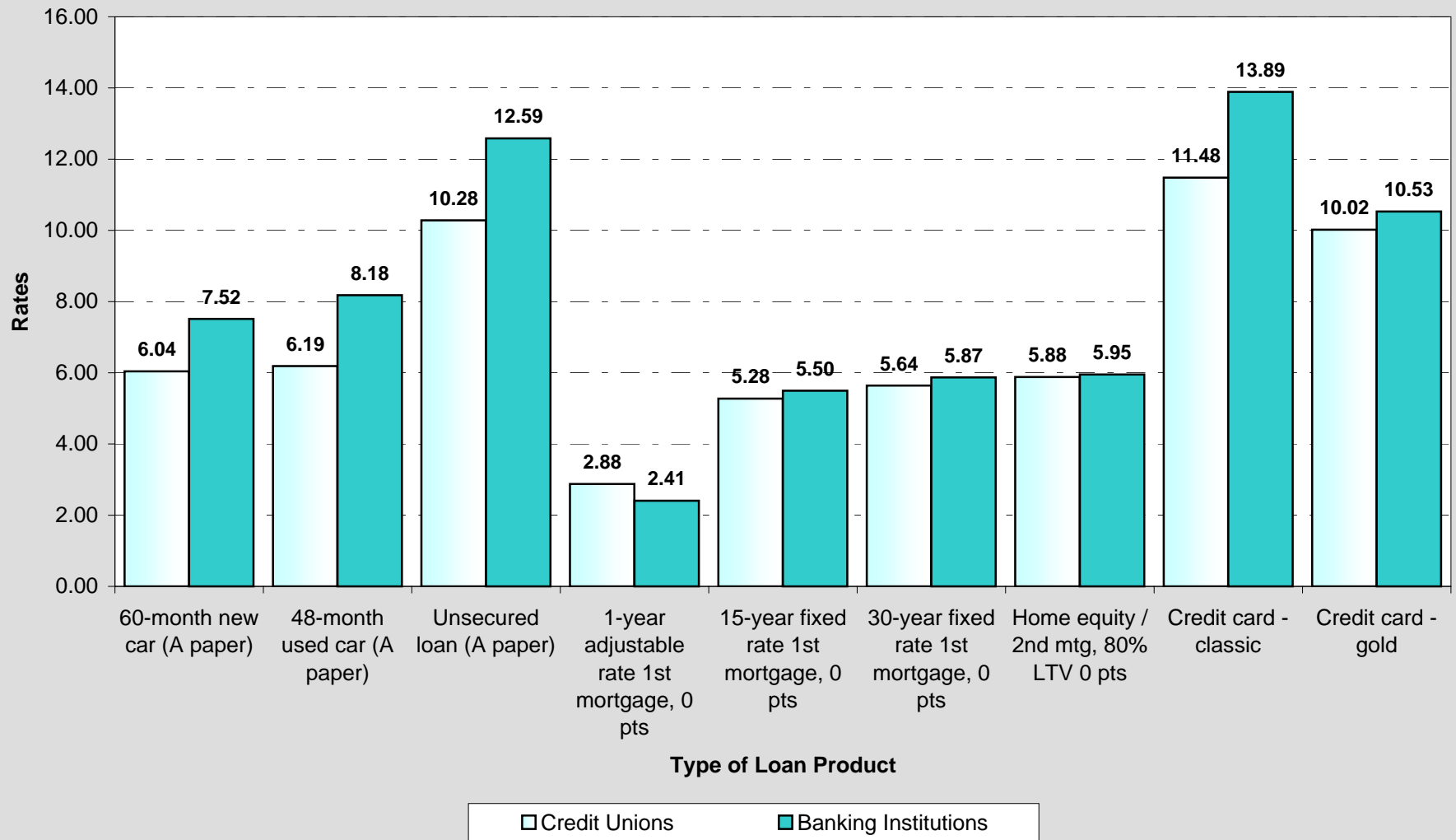


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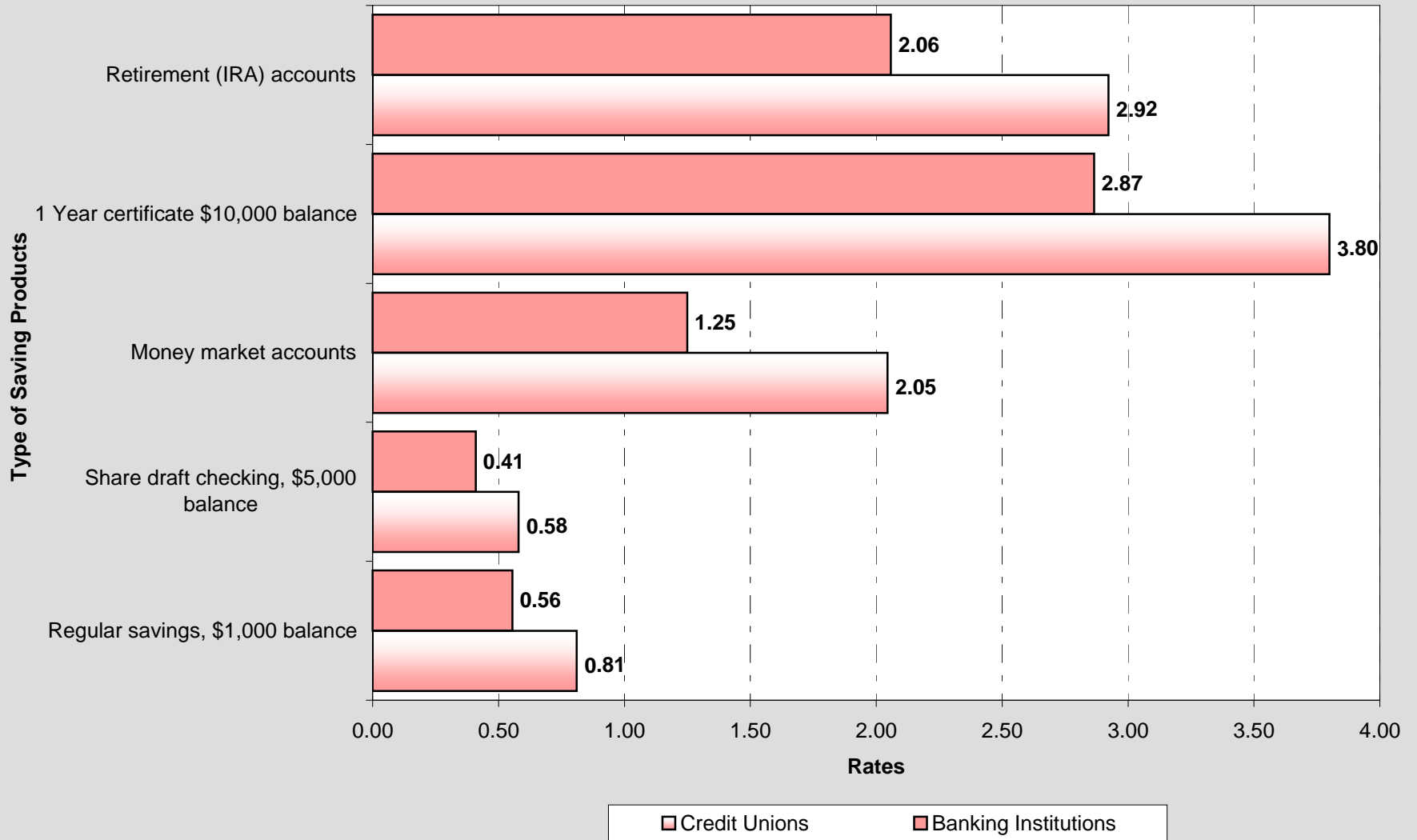
Source: Datatrac, NCUA, and CUNA.

(1) Assumes 1.9 credit union members per household.

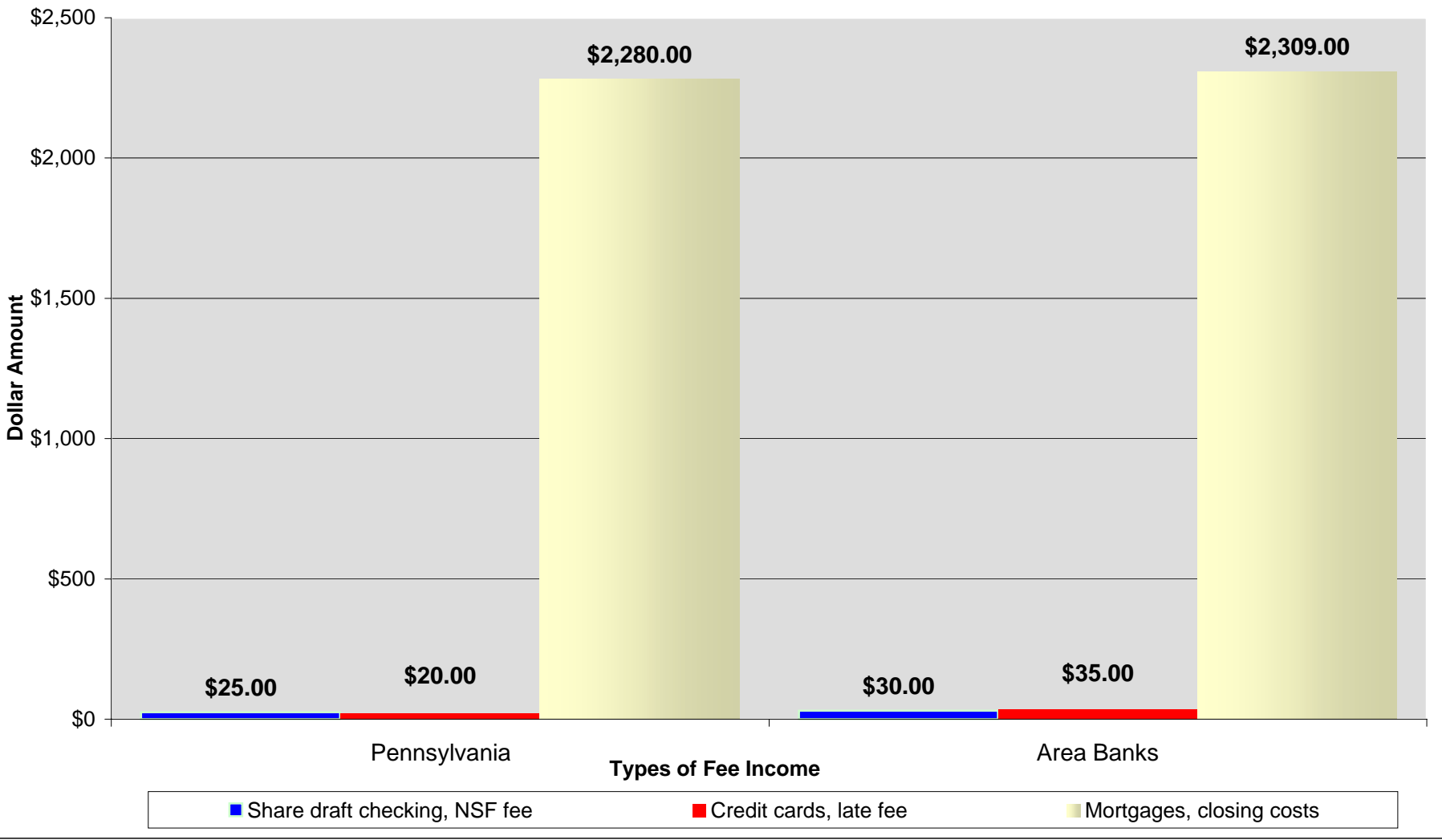
## Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



### Selected 2008 Credit Union Fees compared to Banking Institutions

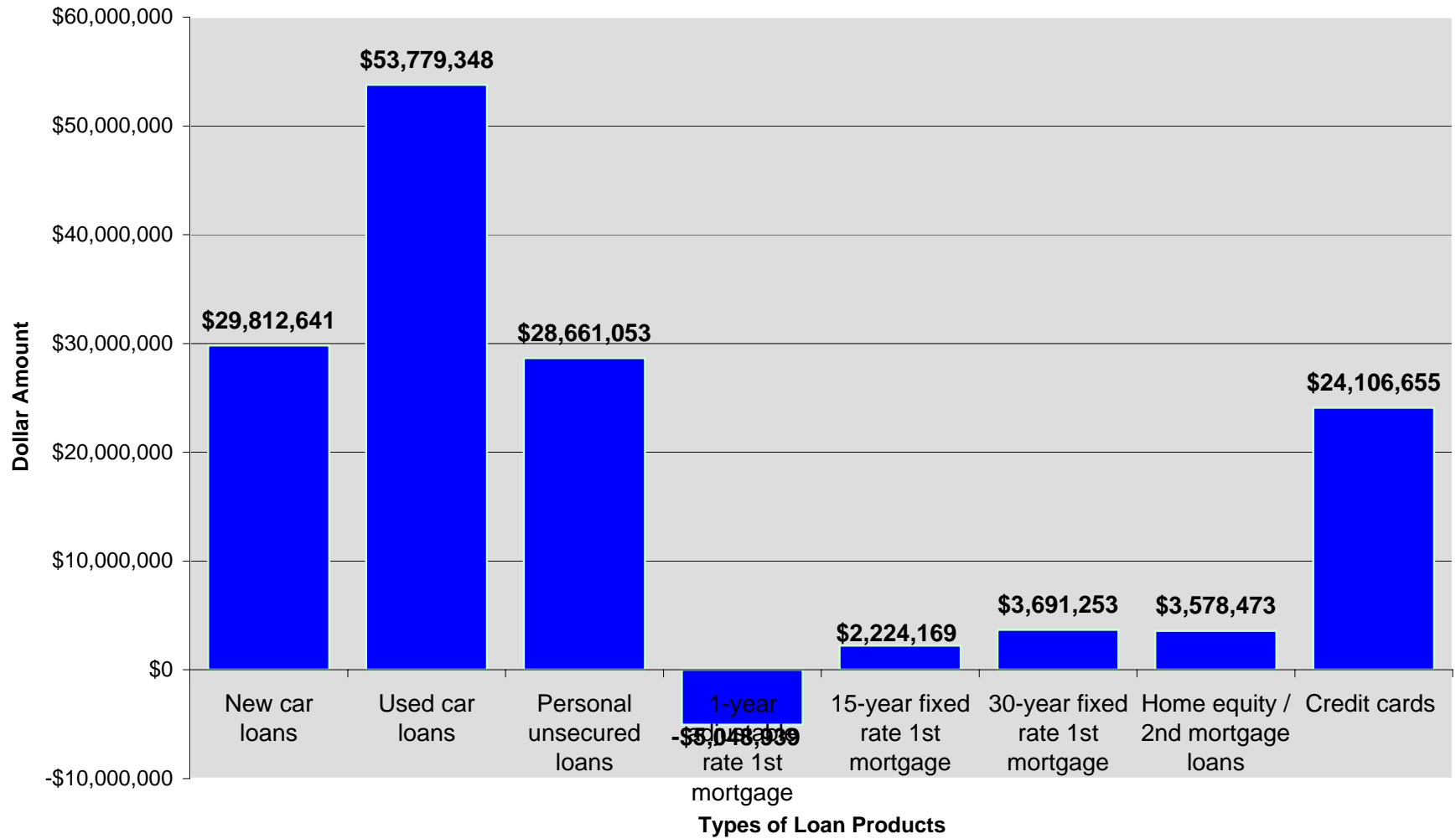


**Pennsylvania**  
**Credit Union and Banking Institution**  
**2008 Average Interest Rates and Fees**

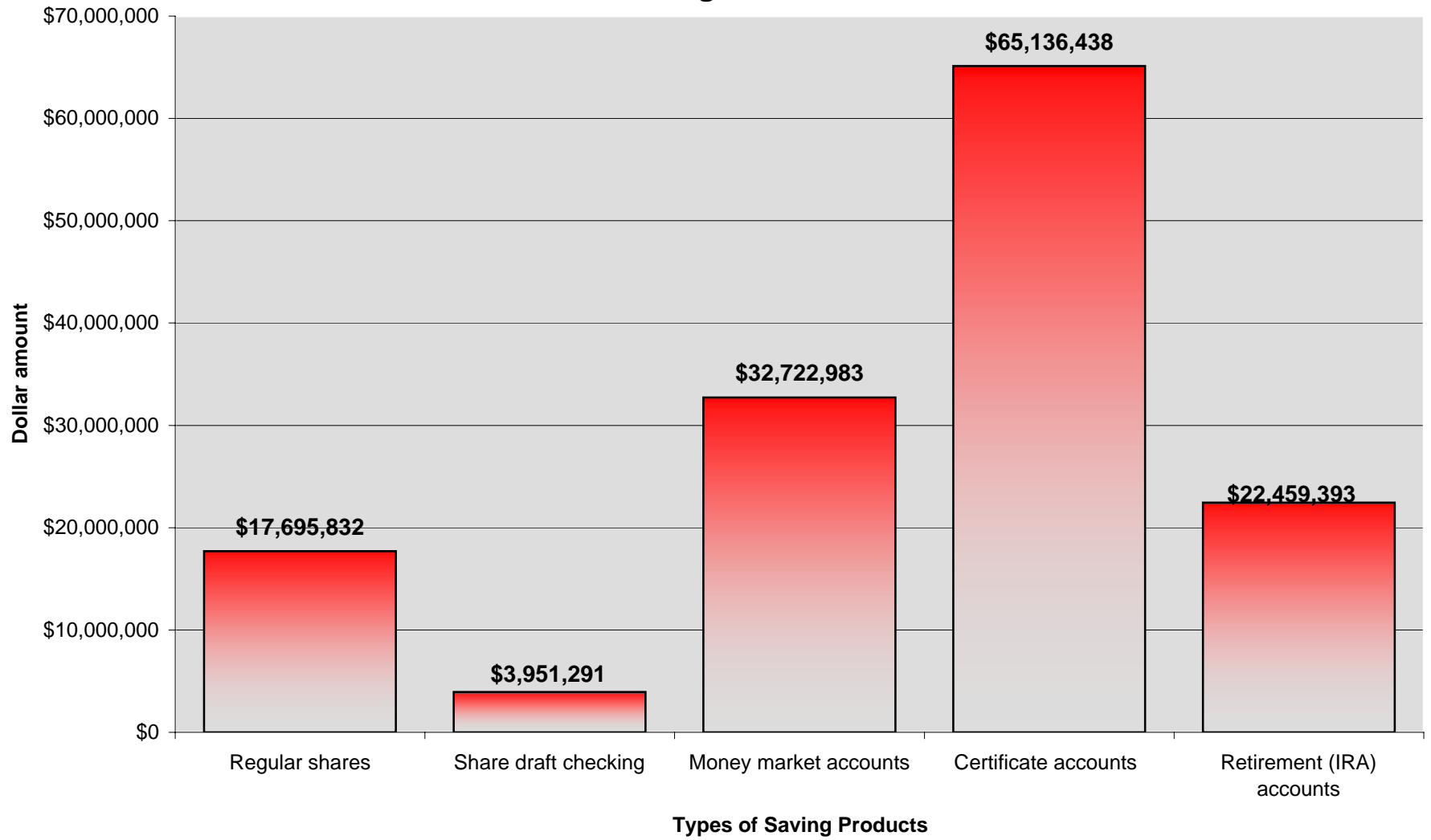
<b>Loan Products</b>	<b>Average Rate at Credit Unions (%)</b>	<b>Average Rate at Banks (%)</b>	<b>Rate Difference vs. Banks (%)</b>
60-month new car (A paper)	6.04	7.52	-1.48
48-month used car (A paper)	6.19	8.18	-1.99
Unsecured loan (A paper)	10.28	12.59	-2.31
1-year adjustable rate 1st mortgage, 0 pts	2.88	2.41	0.47
15-year fixed rate 1st mortgage, 0 pts	5.28	5.50	-0.22
30-year fixed rate 1st mortgage, 0 pts	5.64	5.87	-0.23
Home equity / 2nd mtg, 80% LTV 0 pts	5.88	5.95	-0.07
Credit card - classic	11.48	13.89	-2.41
Credit card - gold	10.02	10.53	-0.51
<b>Savings Products</b>			
Regular savings, \$1,000 balance	0.81	0.56	0.26
Share draft checking, \$5,000 balance	0.58	0.41	0.17
Money market accounts	2.05	1.25	0.80
1 Year certificate \$10,000 balance	3.80	2.87	0.94
Retirement (IRA) accounts	2.92	2.06	0.87
<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 Pennsylvania Credit Unions Financial Benefits 2008

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Pennsylvania Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	2,021,196,033	-1.48	\$29,812,641
Used car loans	2,702,479,783	-1.99	\$53,779,348
Personal unsecured loans	1,243,429,637	-2.31	\$28,661,053
1-year adjustable rate 1st mortgage	1,074,242,385	0.47	-\$5,048,939
15-year fixed rate 1st mortgage	1,010,986,047	-0.22	\$2,224,169
30-year fixed rate 1st mortgage	1,604,892,634	-0.23	\$3,691,253
Home equity / 2nd mortgage loans	5,112,104,843	-0.07	\$3,578,473
Credit cards	1,245,821,980	-2.41	\$24,106,655
Interest rebates in period			\$1,075,771
<b>Total CU member benefits arising from lower interest rates on loan products:</b>			<b>\$141,880,425</b>
<u>Savings</u>			
Regular shares	6,939,541,904	0.26	\$17,695,832
Share draft checking	2,324,288,942	0.17	\$3,951,291
Money market accounts	4,116,098,501	0.80	\$32,722,983
Certificate accounts	6,966,463,947	0.94	\$65,136,438
Retirement (IRA) accounts	2,596,461,577	0.87	\$22,459,393
Bonus dividends in period			\$0
<b>Total CU member benefit arising from higher interest rates on saving products:</b>			<b>\$141,965,937</b>
<u>Fee Income</u>			
<b>Total CU member benefit arising from fewer/lower fees:</b>			<b>\$42,142,531</b>
<b>Total CU member benefit arising from interest rates on loan and savings products and lower fees:</b>			<b>\$325,988,893</b>
<b>Total CU member benefit / member:</b>			<b>\$96</b>
<b>Total CU member benefit / member household:</b>			<b>\$181</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;

**Pennsylvania  
Performance Profile**

<b>Demographic Information</b>	<b>Dec-08</b>	<b>Dec-07</b>
Number of branches	1008	994
Total assets (\$ mil)	28,112	25,767
Total loans (\$ mil)	17,405	16,101
Total surplus funds (\$ mil)	9,694	8,733
Total savings (\$ mil)	24,381	22,188
Total members (thousands)	3,445	3,408
<b>Growth Rates</b>		
Total assets	9.4 %	7.4 %
Total loans	8.4 %	6.6 %
Total surplus funds	11.4 %	8.4 %
Total savings	10.2 %	7.2 %
Total members	1.9 %	1.2 %
<b>Earnings - Basis Pts.</b>		
Yield on total assets	561	604
- Dividend/interest cost of assets	235	270
+ Fee & other income	109	108
- Operating expense	324	330
- Loss Provisions	45	31
= Net Income (ROA)	66	80
<b>Capital adequacy</b>		
Net worth / assets	11.6	12.0
<b>Asset quality</b>		
Delinquencies / loans	1.1	0.9
Net chargeoffs / average loans	0.6	0.5
Total borrower-bankruptcies	9	9
Bankruptcies per 1000 members	1.5	1.6
<b>Asset/Liability Management</b>		
Loans / savings	71.4	72.6
Loans / assets	61.9	62.5
Long-term assets / assets	32.4	31.5
Core deposits/shares & borrowings	38.5	40.6
<b>Productivity</b>		
Members/potential members	7.7	7.6
Borrowers/members	49.7	48.9
Members/FTE	397	425
Average shares/members (\$)	7,077	6,511
Average loan balances (\$)	10,163	9,661
Salary & Benefits/FTE	49,410	49,954