

The Benefits of Membership

Customized Analysis of Member Benefits For:

Rhode Island

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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.

Rhode Island

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 Rhode Island credit unions provided \$11,431,291 in direct financial benefits to the state's 346,132 members during the twelve months ending December 2008.

These benefits are equivalent to \$33 per member or \$63 per member household ⁽¹⁾.

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

Consider this:

Financing a \$25,000 new automobile for 60 months at a Rhode Island credit union will save members an average \$49 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.

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

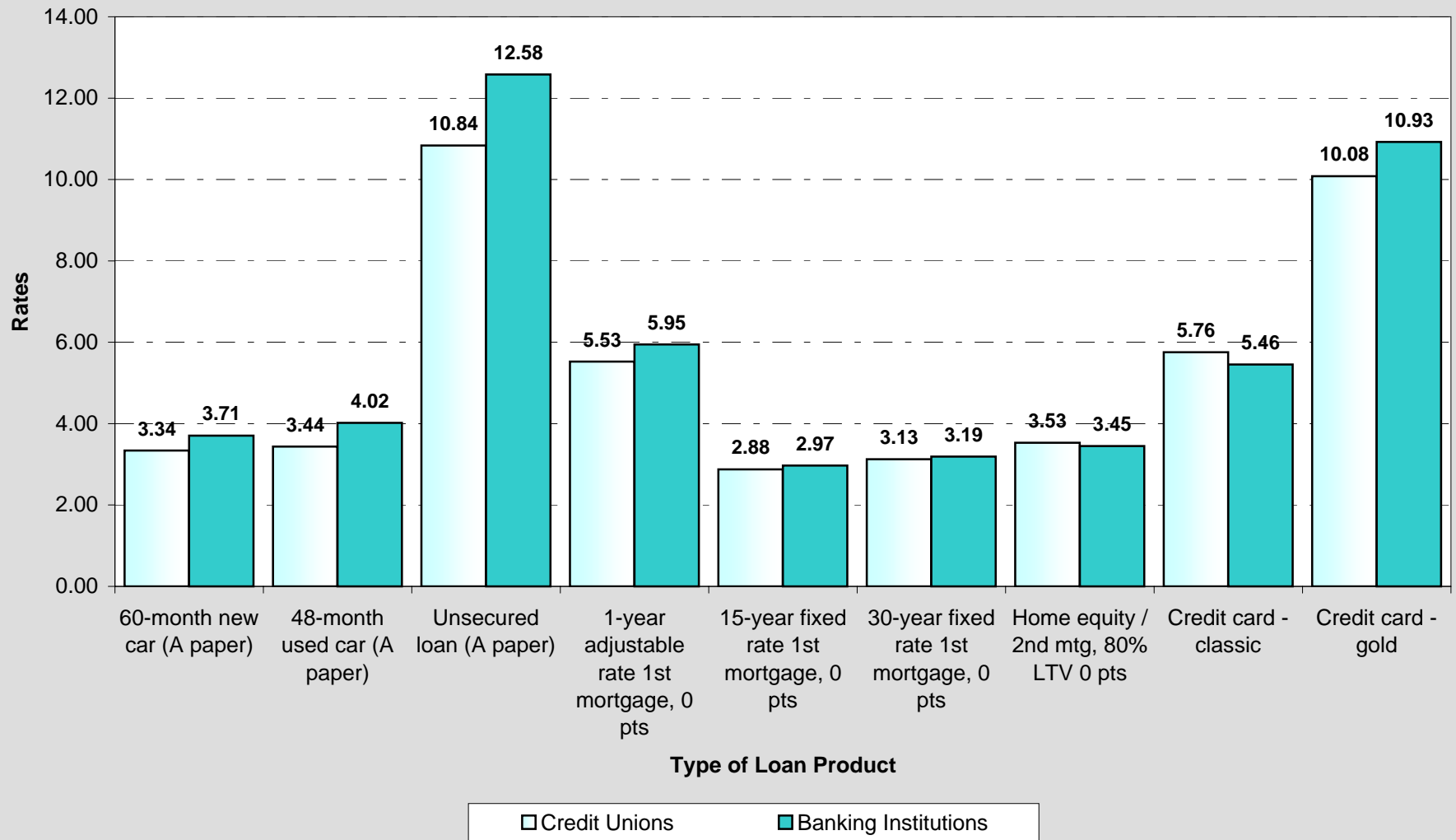
Rhode Island credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, .



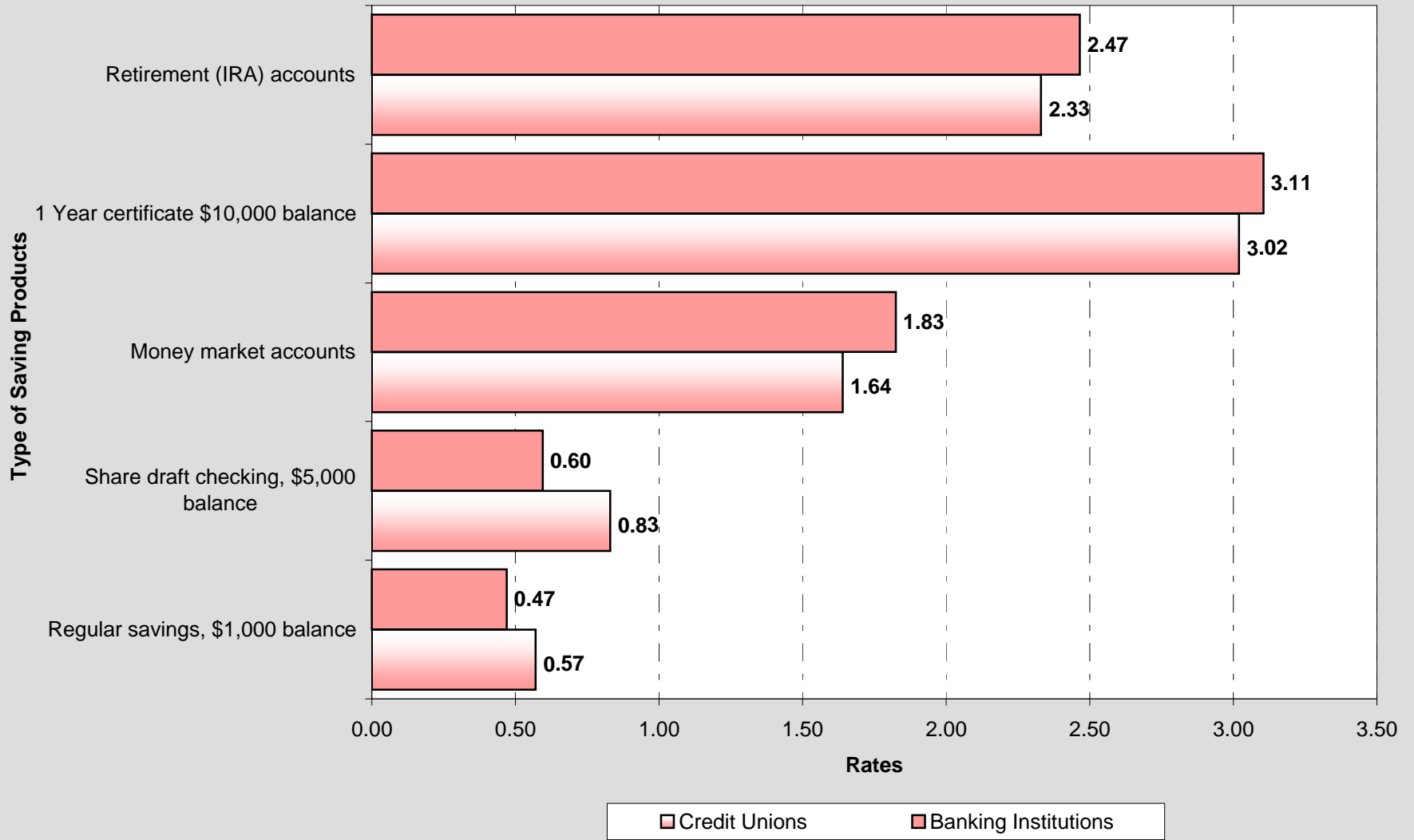
Source: Datatrac, NCUA, and CUNA.

(1)Assumes 1.9 credit union members per household.

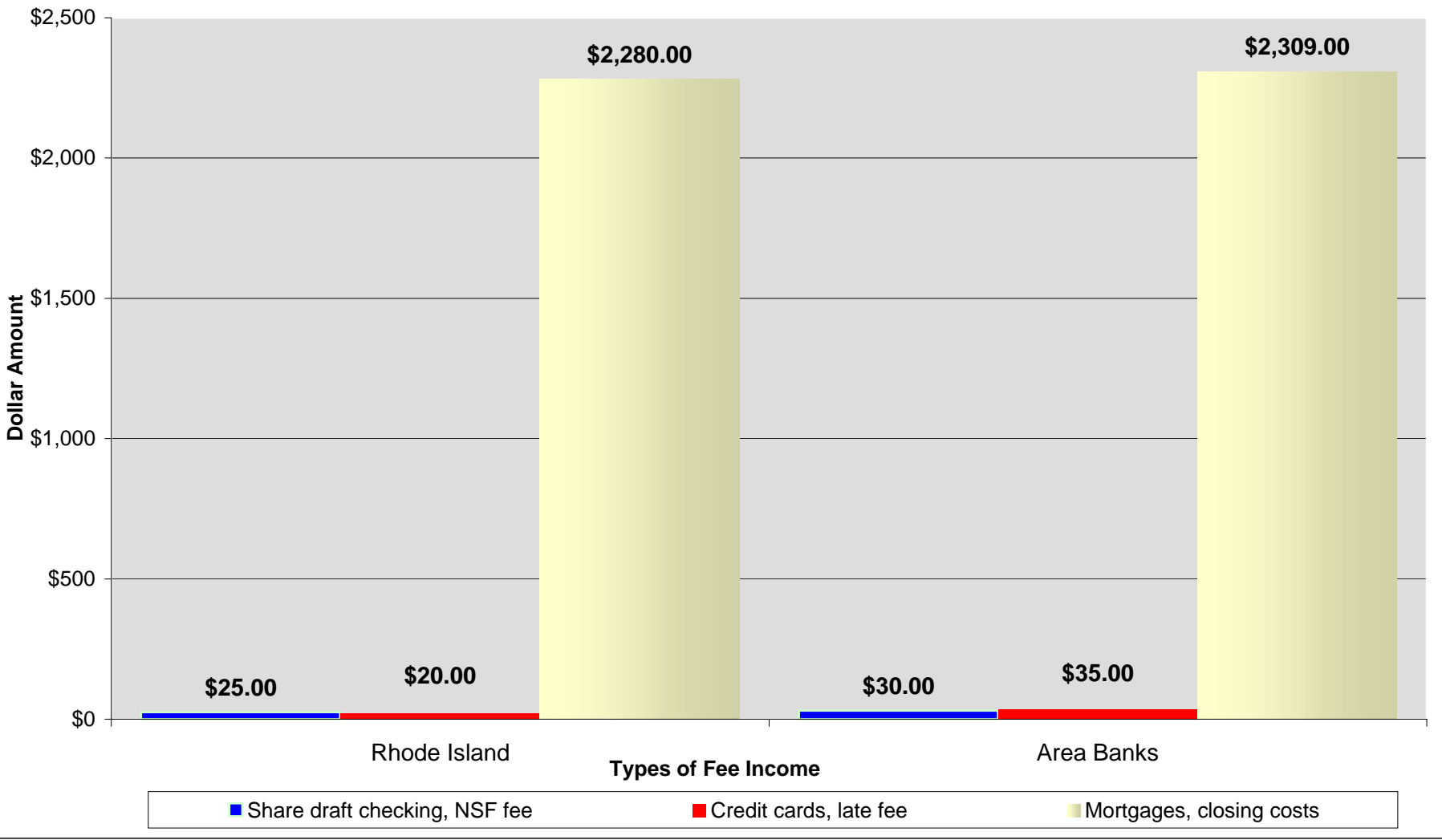
Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



Selected 2008 Credit Union Fees compared to Banking Institutions

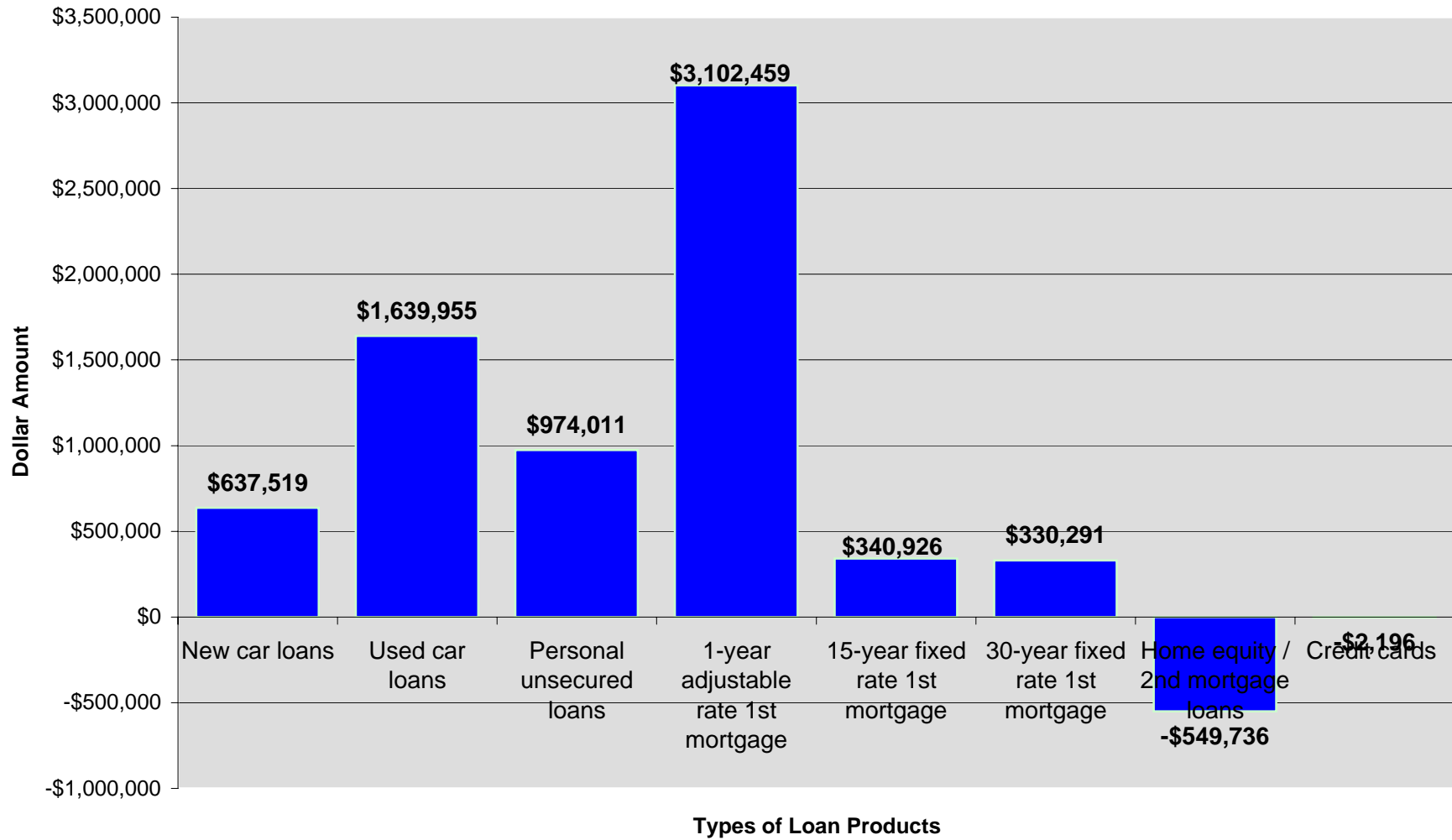


Rhode Island
Credit Union and Banking Institution
2008 Average Interest Rates and Fees

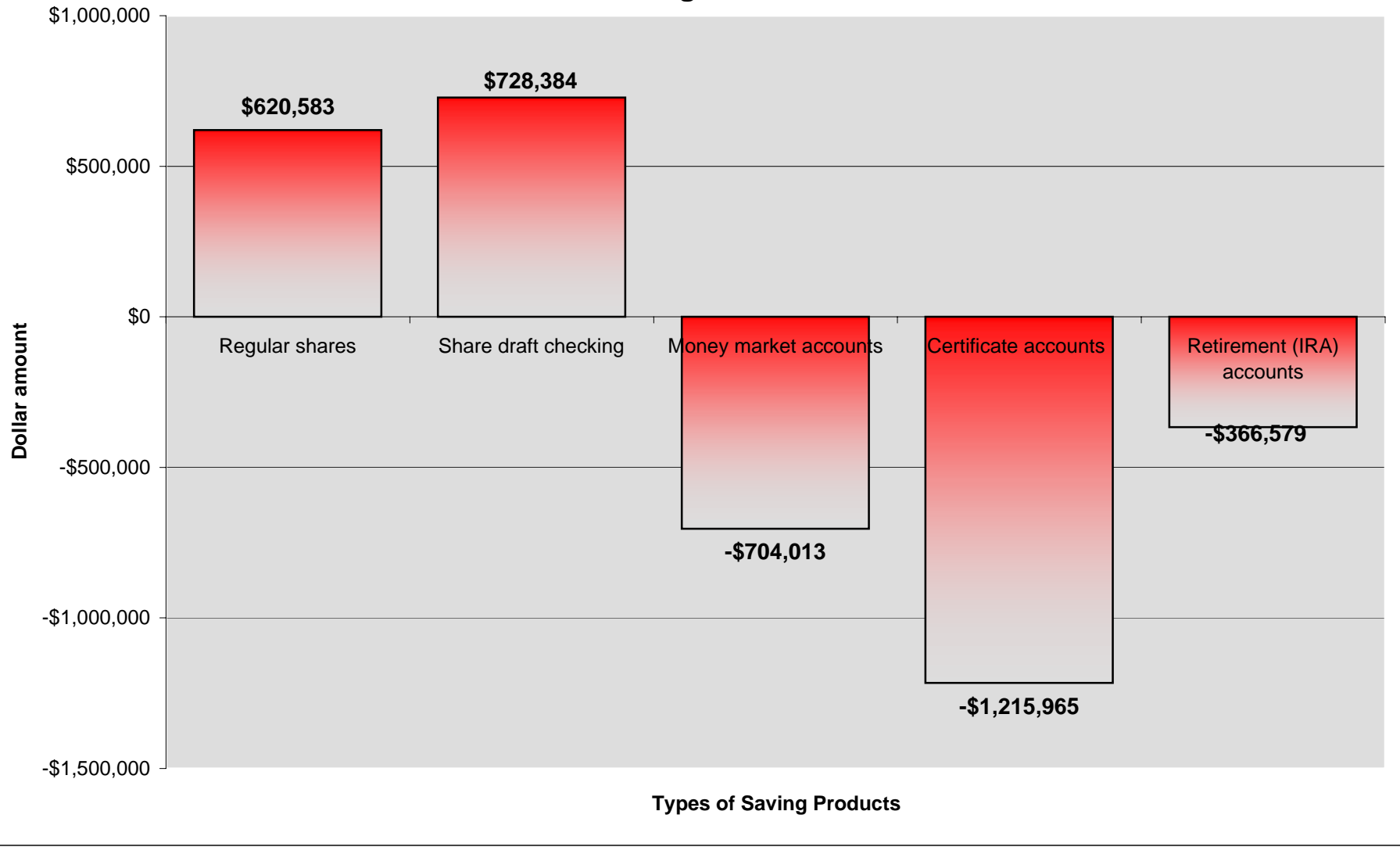
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	3.34	3.71	-0.37
48-month used car (A paper)	3.44	4.02	-0.59
Unsecured loan (A paper)	10.84	12.58	-1.75
1-year adjustable rate 1st mortgage, 0 pts	5.53	5.95	-0.42
15-year fixed rate 1st mortgage, 0 pts	2.88	2.97	-0.10
30-year fixed rate 1st mortgage, 0 pts	3.13	3.19	-0.06
Home equity / 2nd mtg, 80% LTV 0 pts	3.53	3.45	0.08
Credit card - classic	5.76	5.46	0.30
Credit card - gold	10.08	10.93	-0.85
Savings Products			
Regular savings, \$1,000 balance	0.57	0.47	0.10
Share draft checking, \$5,000 balance	0.83	0.60	0.24
Money market accounts	1.64	1.83	-0.19
1 Year certificate \$10,000 balance	3.02	3.11	-0.09
Retirement (IRA) accounts	2.33	2.47	-0.14
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 Rhode Island Credit Unions Financial Benefits 2008

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Rhode Island Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	174,662,703	-0.37	\$637,519
Used car loans	280,334,202	-0.59	\$1,639,955
Personal unsecured loans	55,817,247	-1.75	\$974,011
1-year adjustable rate 1st mortgage	738,680,704	-0.42	\$3,102,459
15-year fixed rate 1st mortgage	358,869,693	-0.10	\$340,926
30-year fixed rate 1st mortgage	508,139,628	-0.06	\$330,291
Home equity / 2nd mortgage loans	687,169,715	0.08	-\$549,736
Credit cards	15,969,271	0.30	-\$2,196
Interest rebates in period			\$0
Total CU member benefits arising from lower interest rates on loan products:			\$6,473,229
 <u>Savings</u>			
Regular shares	620,583,480	0.10	\$620,583
Share draft checking	309,950,688	0.24	\$728,384
Money market accounts	380,547,661	-0.19	-\$704,013
Certificate accounts	1,430,547,017	-0.09	-\$1,215,965
Retirement (IRA) accounts	271,539,734	-0.14	-\$366,579
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			-\$937,589
 <u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$5,895,651
 Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$11,431,291
 Total CU member benefit / member:			\$33
Total CU member benefit / member household:			\$63

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;

**Rhode Island
Performance Profile**

Demographic Information	Dec-08	Dec-07
Number of branches	75	74
Total assets (\$ mil)	4,201	3,848
Total loans (\$ mil)	2,991	2,787
Total surplus funds (\$ mil)	1,035	905
Total savings (\$ mil)	3,219	3,015
Total members (thousands)	347	350
Growth Rates		
Total assets	10.2 %	2.6 %
Total loans	8.1 %	7.7 %
Total surplus funds	16.1 %	-10.0 %
Total savings	7.8 %	0.0 %
Total members	0.7 %	0.3 %
Earnings - Basis Pts.		
Yield on total assets	533	560
- Dividend/interest cost of assets	244	279
+ Fee & other income	79	88
- Operating expense	297	303
- Loss Provisions	46	28
= Net Income (ROA)	26	38
Capital adequacy		
Net worth / assets	11.5	12.4
Asset quality		
Delinquencies / loans	1.2	0.6
Net chargeoffs / average loans	0.5	0.3
Total borrower-bankruptcies	36	18
Bankruptcies per 1000 members	2.6	1.4
Asset/Liability Management		
Loans / savings	92.9	92.4
Loans / assets	71.2	72.4
Long-term assets / assets	49.4	46.1
Core deposits/shares & borrowings	26.0	28.4
Productivity		
Members/potential members	7.6	6.9
Borrowers/members	34.0	36.1
Members/FTE	329	335
Average shares/members (\$)	9,269	8,617
Average loan balances (\$)	25,352	22,053
Salary & Benefits/FTE	58,649	57,081