

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 \$17,295,735 in direct financial benefits to the state's 349,366 members during the twelve months ending December 2007.

These benefits are equivalent to \$50 per member or \$94 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 \$7 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, home equity loans, credit cards loans.

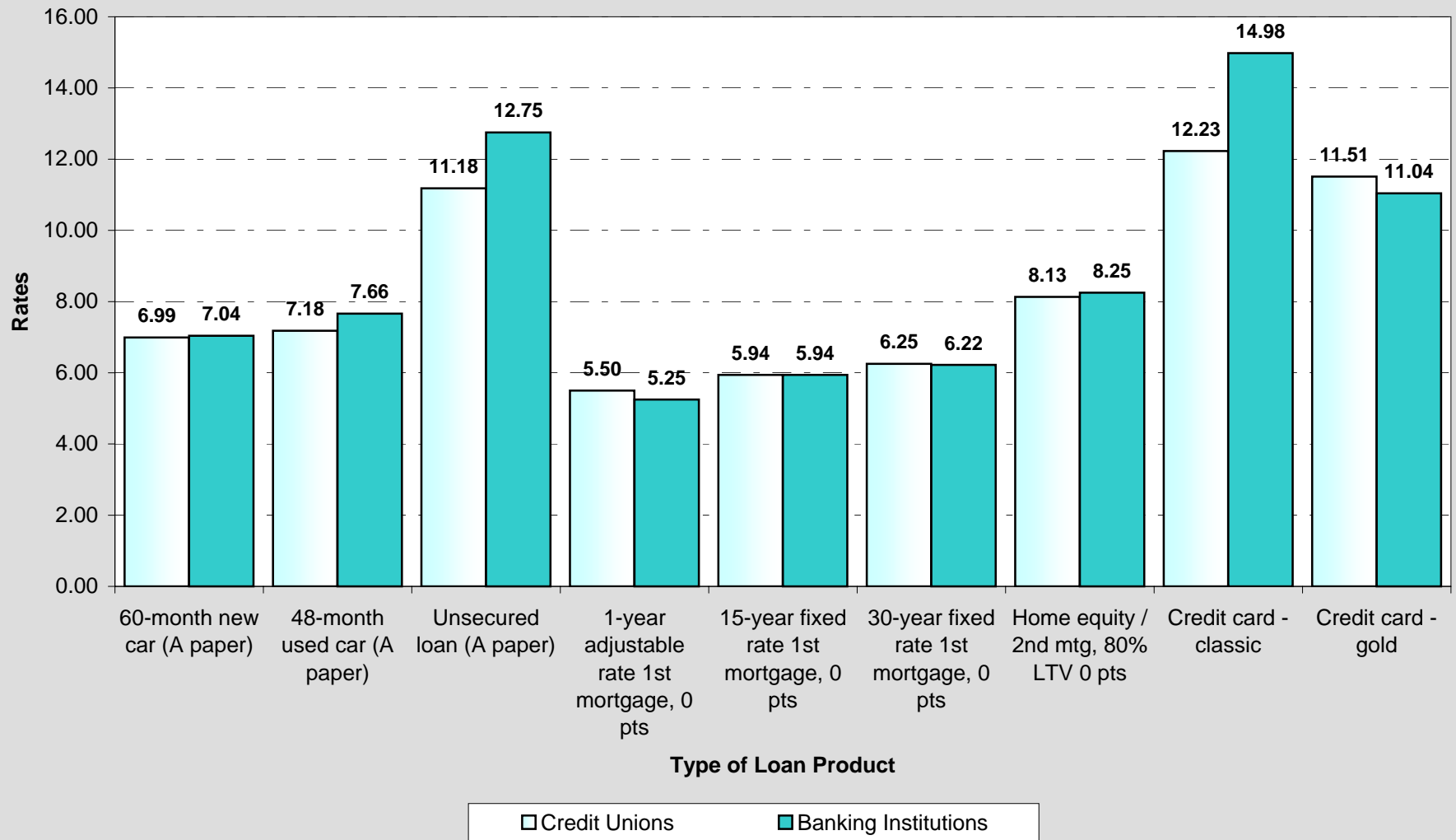
Rhode Island credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



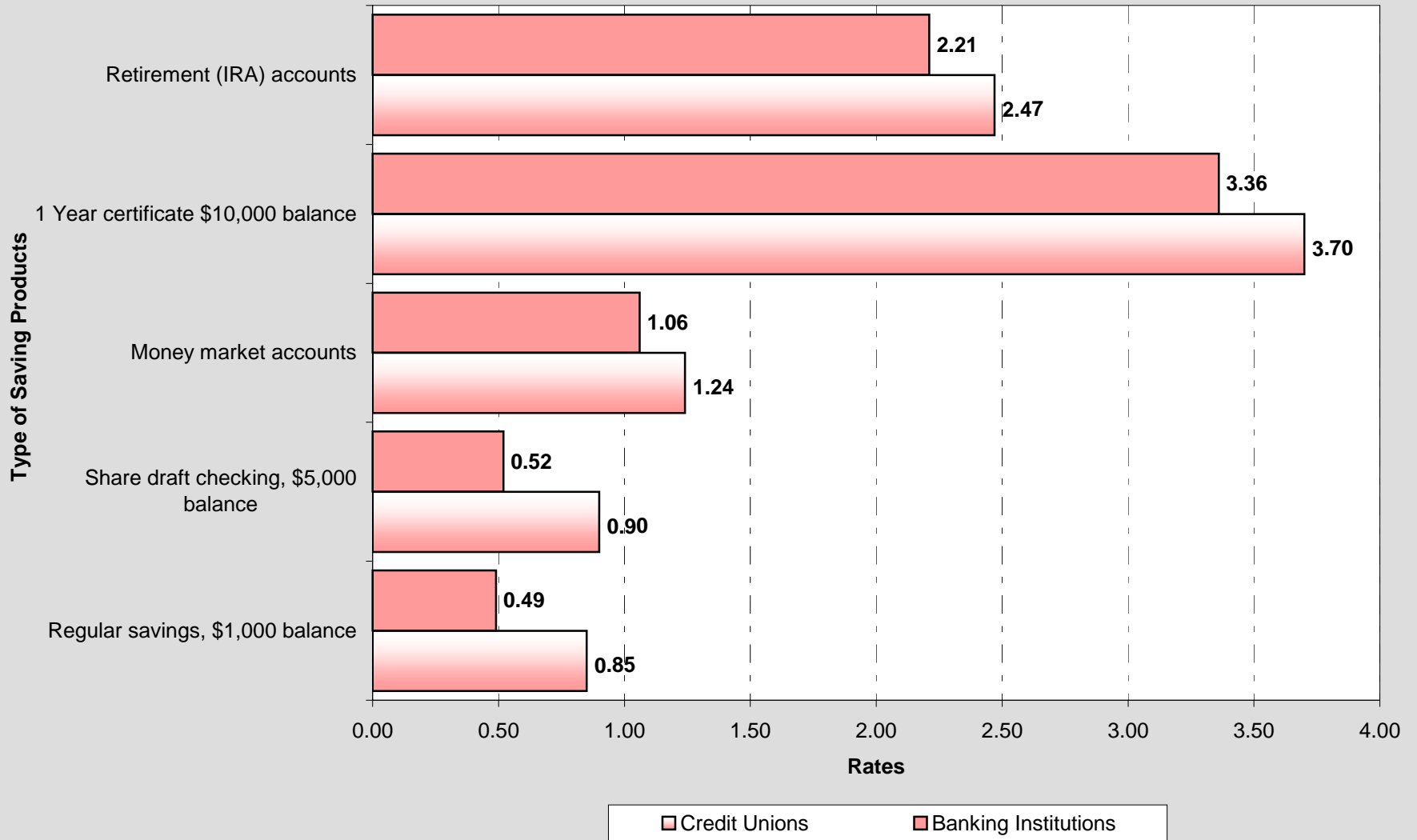
Source: Datatrac, NCUA, and CUNA.

(1) Assumes 1.9 credit union members per household.

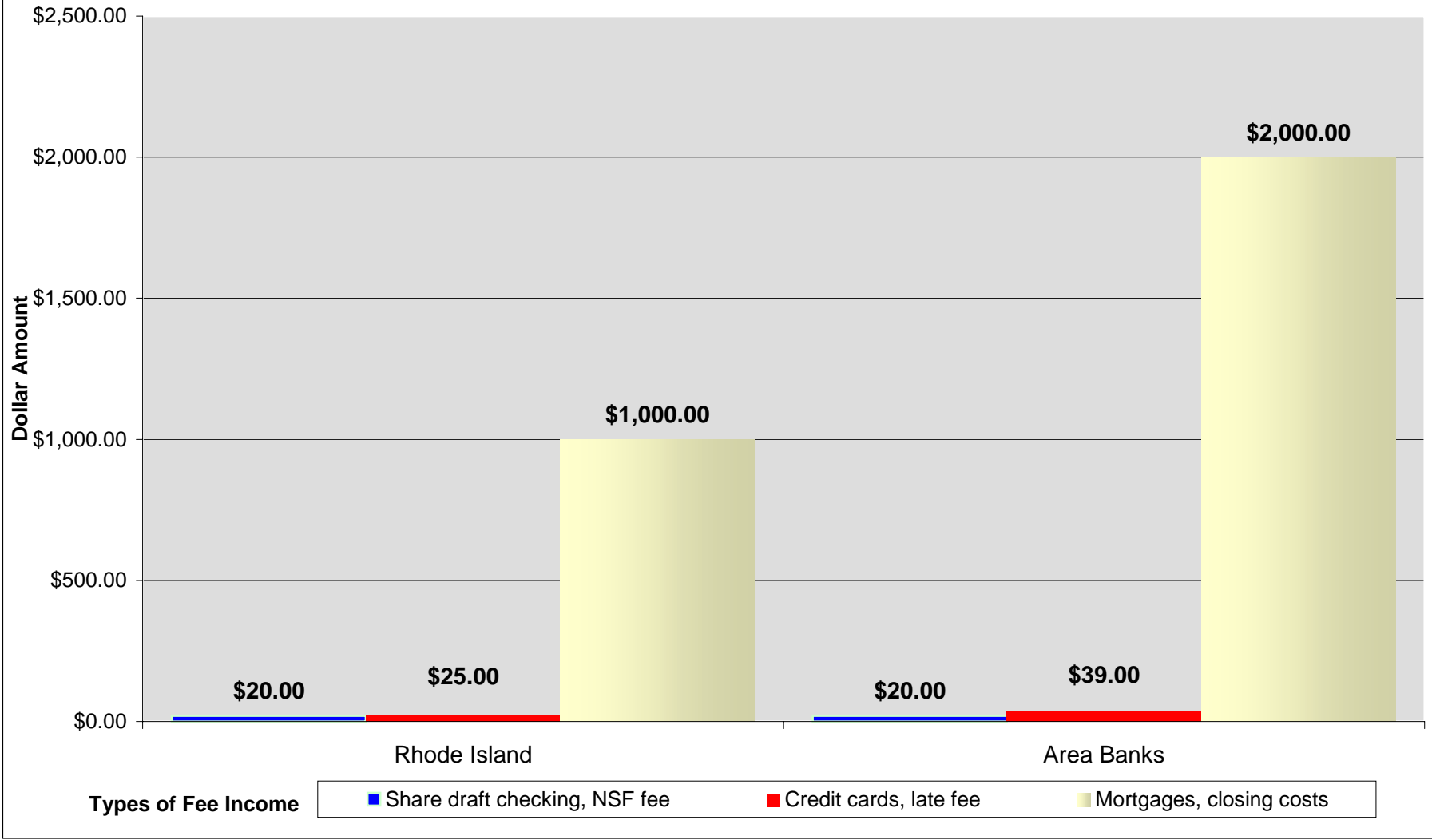
Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



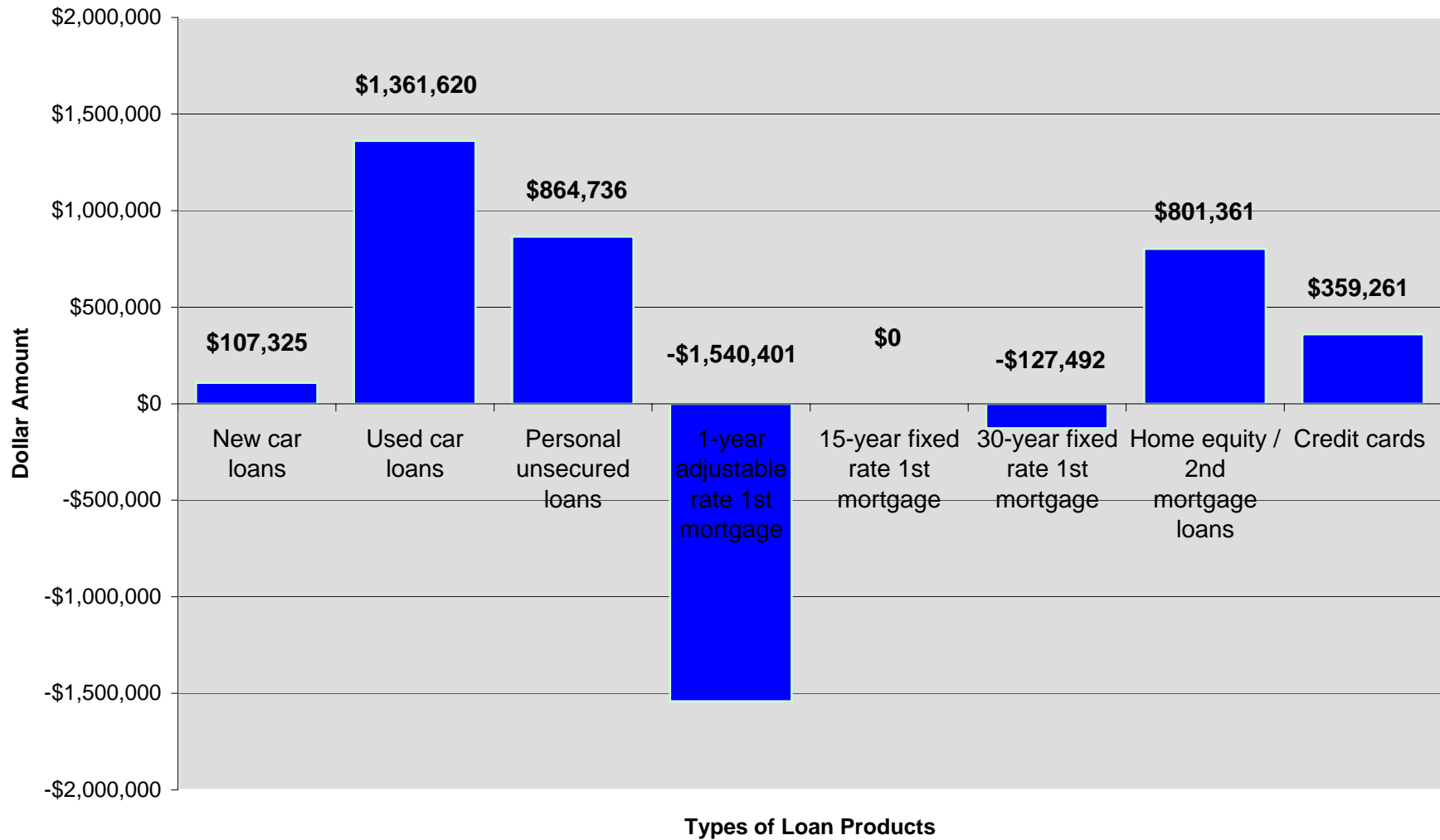
Selected Credit Union Fees compared to Banking Institutions



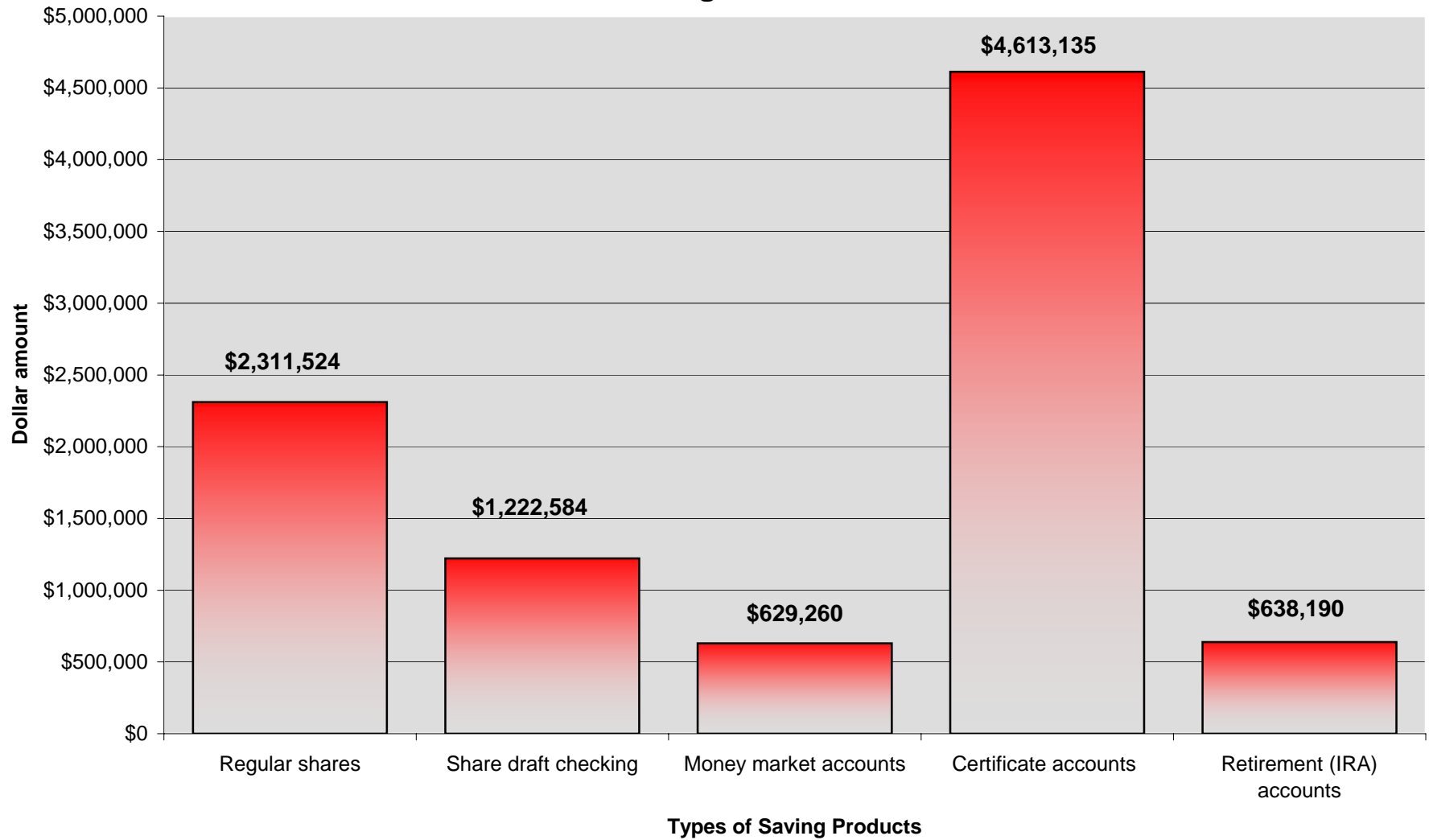
**Recent Interest Rates at Credit Unions
and
Banking Institutions in Rhode Island**

Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	6.99	7.04	-0.05
48-month used car (A paper)	7.18	7.66	-0.48
Unsecured loan (A paper)	11.18	12.75	-1.57
1-year adjustable rate 1st mortgage, 0 pts	5.50	5.25	0.25
15-year fixed rate 1st mortgage, 0 pts	5.94	5.94	0.00
30-year fixed rate 1st mortgage, 0 pts	6.25	6.22	0.03
Home equity / 2nd mtg, 80% LTV 0 pts	8.13	8.25	-0.12
Credit card - classic	12.23	14.98	-2.75
Credit card - gold	11.51	11.04	0.47
Savings Products			
Regular savings, \$1,000 balance	0.85	0.49	0.36
Share draft checking, \$5,000 balance	0.90	0.52	0.38
Money market accounts	1.24	1.06	0.18
1 Year certificate \$10,000 balance	3.70	3.36	0.34
Retirement (IRA) accounts	2.47	2.21	0.26
Fee Income			
Share draft checking, NSF fee	\$20.00	\$20.00	\$0.00
Credit cards, late fee	\$25.00	\$39.00	-\$14.00
Mortgages, closing costs	\$1,000.00	\$2,000.00	-\$1,000.00

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 Year-End 2007

<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	214,649,241	-0.05	\$107,325
Used car loans	283,670,920	-0.48	\$1,361,620
Personal unsecured loans	55,078,734	-1.57	\$864,736
1-year adjustable rate 1st mortgage	616,160,311	0.25	-\$1,540,401
15-year fixed rate 1st mortgage	358,743,640	0.00	\$0
30-year fixed rate 1st mortgage	424,972,791	0.03	-\$127,492
Home equity / 2nd mortgage loans	667,800,878	-0.12	\$801,361
Credit cards	18,470,981	-2.75	\$359,261
Interest rebates in period			\$0
Total CU member benefits arising from lower interest rates on loan products:			\$1,826,410
<u>Savings</u>			
Regular shares	642,090,081	0.36	\$2,311,524
Share draft checking	321,732,632	0.38	\$1,222,584
Money market accounts	349,588,851	0.18	\$629,260
Certificate accounts	1,356,804,548	0.34	\$4,613,135
Retirement (IRA) accounts	245,457,667	0.26	\$638,190
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$9,414,694
<u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$6,054,631
Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$17,295,735
Total CU member benefit / member:			\$50
Total CU member benefit / member household:			\$94

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;

**Rhode Island
Performance Profile**

Demographic Information	Dec-07	Dec-06
Number of branches	74	70
Total assets (\$ mil)	3,847,885,668	3,749,654,509
Total loans (\$ mil)	2,786,501,134	2,588,557,994
Total surplus funds (\$ mil)	904,770,328	1,005,637,188
Total savings (\$ mil)	3,015,446,125	3,015,268,647
Total members (thousands)	349,948	348,783
Growth Rates		
Total assets	2.6 %	4.4 %
Total loans	7.7 %	11.9 %
Total surplus funds	-10.0 %	-11.4 %
Total savings	0.0 %	3.4 %
Total members	0.3 %	2.2 %
Earnings - Basis Pts.		
Yield on total assets	560	522
- Dividend/interest cost of assets	279	235
+ Fee & other income	88	80
- Operating expense	303	295
- Loss Provisions	28	18
= Net Income (ROA)	38	54
Capital adequacy		
Net worth / assets	12.4	12.4
Asset quality		
Delinquencies / loans	0.6	0.4
Net chargeoffs / average loans	0.3	0.3
Total borrower-bankruptcies	18	8
Bankruptcies per 1000 members	1.4	0.6
Asset/Liability Management		
Loans / savings	92.4	85.9
Loans / assets	72.4	69.0
Long-term assets / assets	46.1	43.6
Core deposits/shares & borrowings	28.4	31.2
Productivity		
Members/potential members	6.9	6.9
Borrowers/members	36.1	36.2
Members/FTE	335	337
Average shares/members (\$)	8,617	8,645
Average loan balances (\$)	22,053	20,503
Salary & Benefits/FTE	57,081	53,804