

The Benefits of Membership

Customized Analysis of Member Benefits For:

South Dakota

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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.

South Dakota

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 South Dakota credit unions provided \$21,576,153 in direct financial benefits to the state's 242,929 members during the twelve months ending December 2008.

These benefits are equivalent to \$89 per member or \$169 per member household ⁽¹⁾.

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

Consider this:

Financing a \$25,000 new automobile for 60 months at a South Dakota credit union will save members an average \$191 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.

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

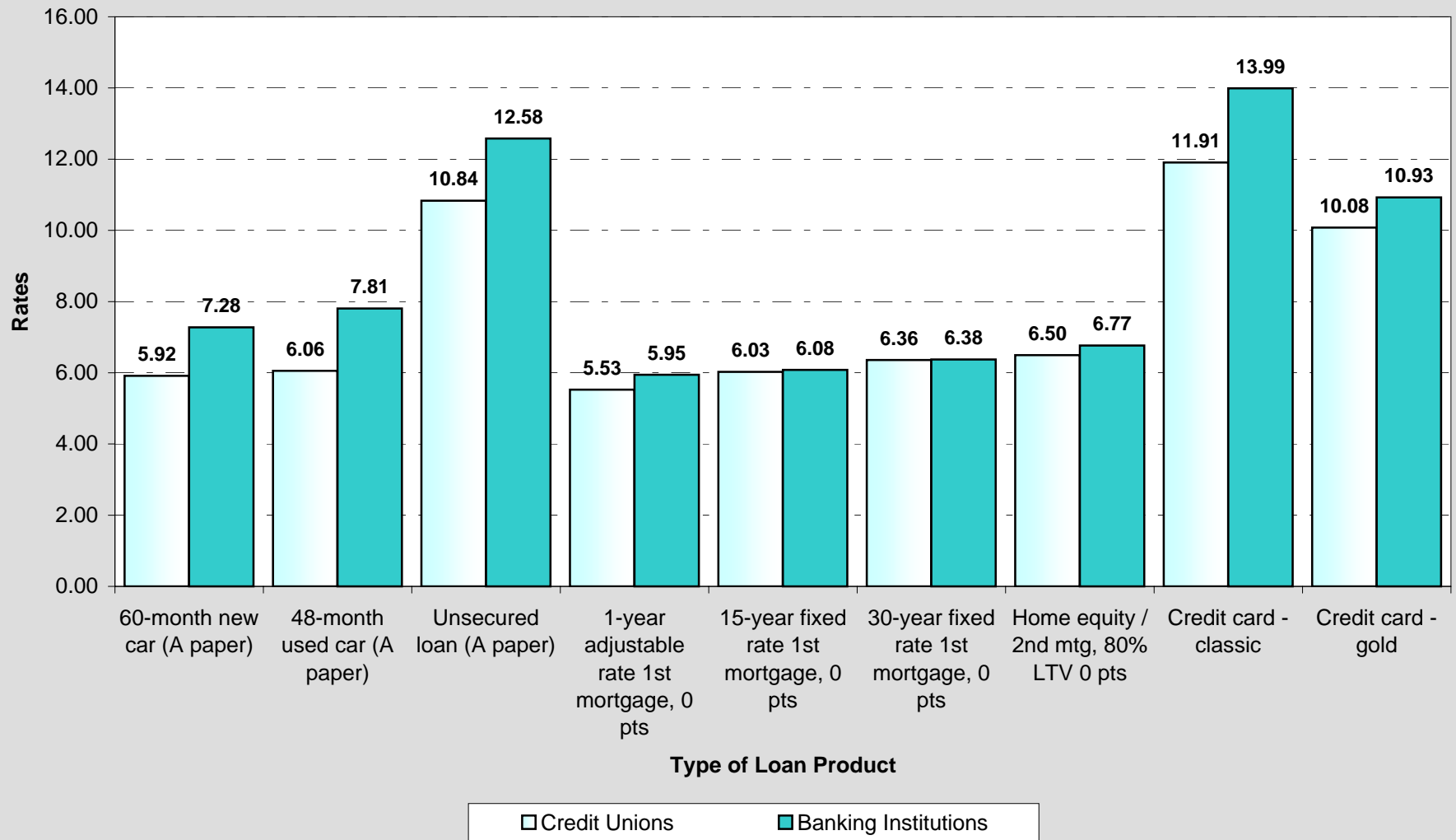
South Dakota credit unions also pay members higher average dividends on the following accounts: regular savings, money market accounts, certificate accounts, IRAs.



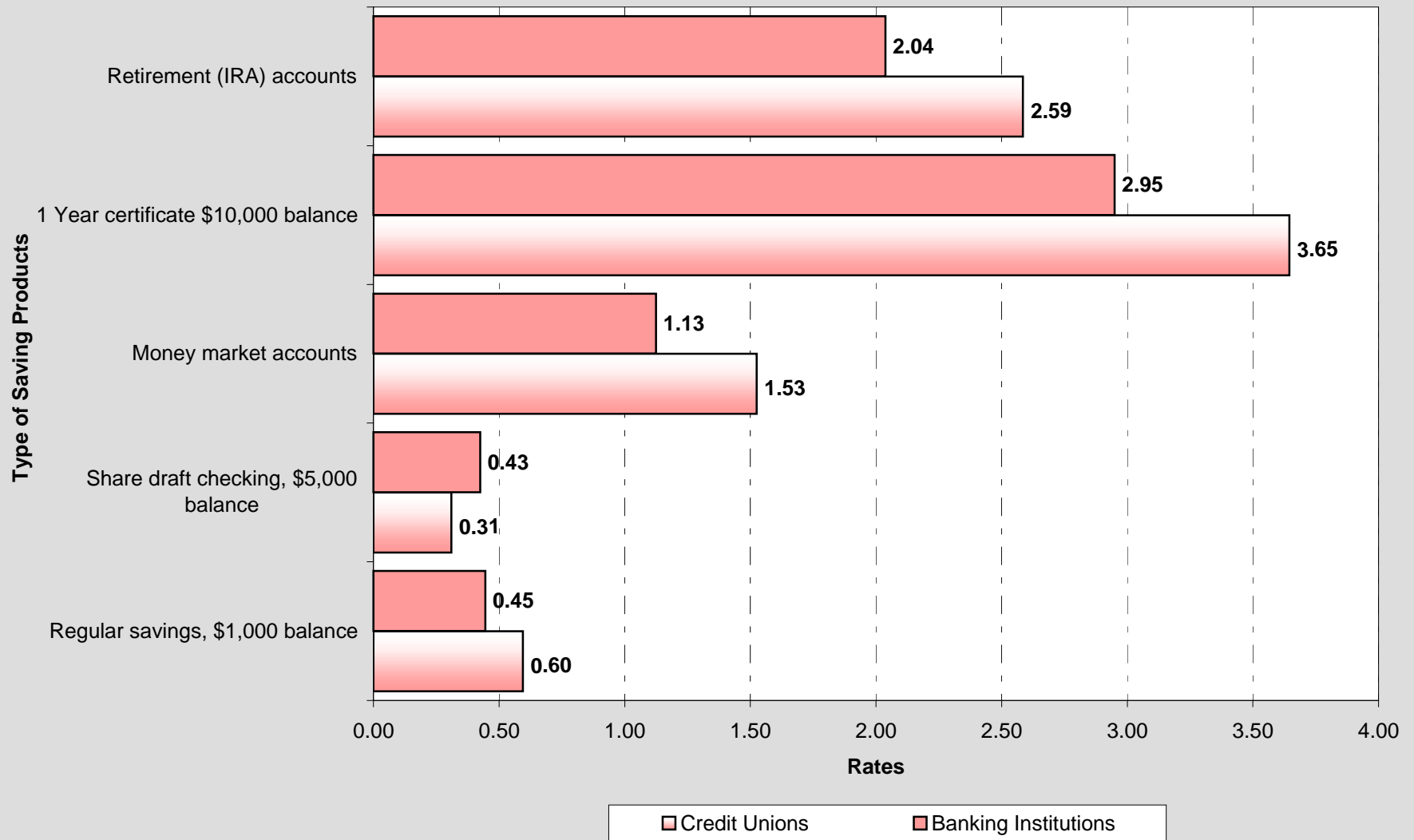
Source: Datatrac, NCUA, and CUNA.

(1)Assumes 1.9 credit union members per household.

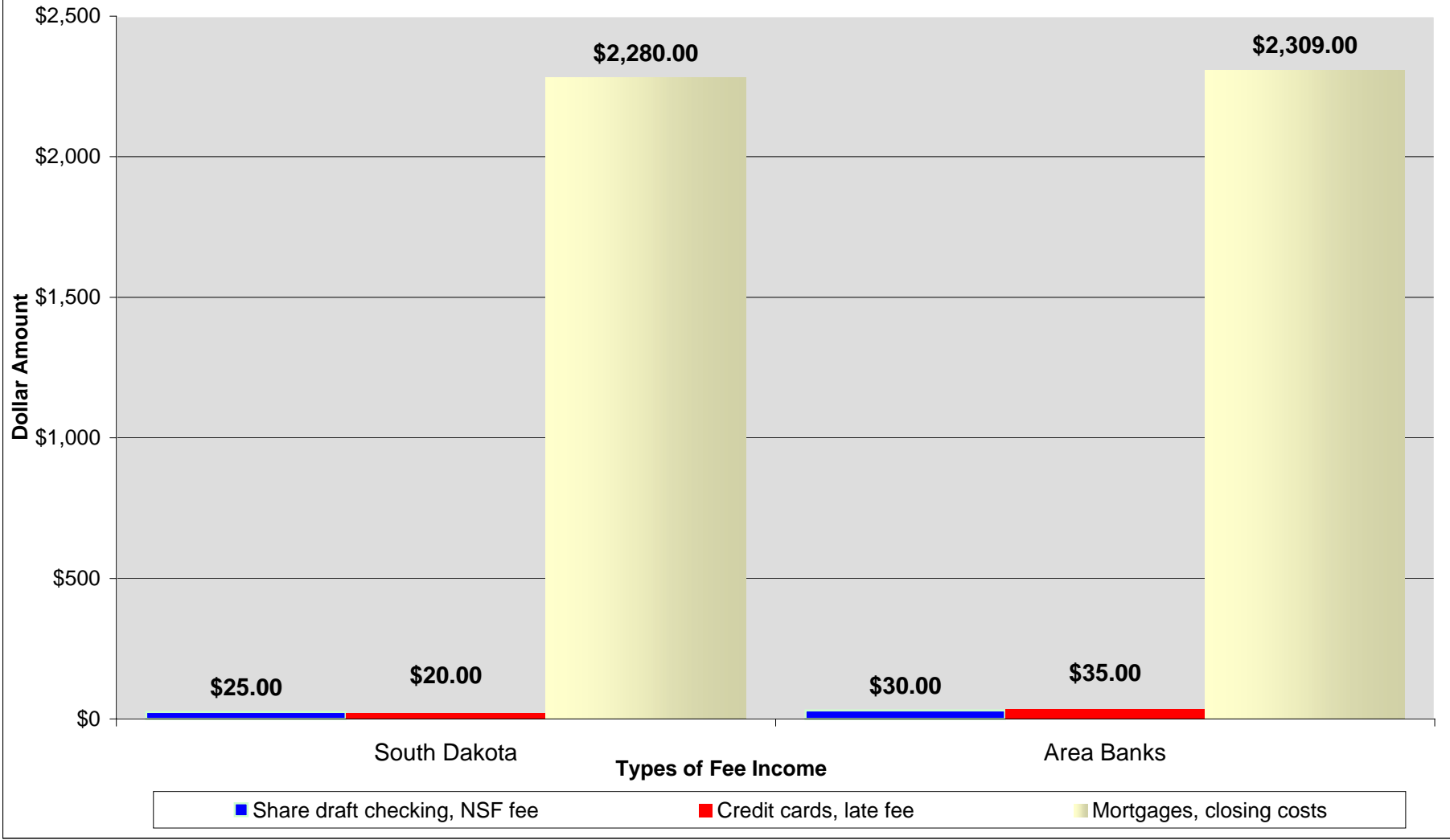
Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



Selected 2008 Credit Union Fees compared to Banking Institutions

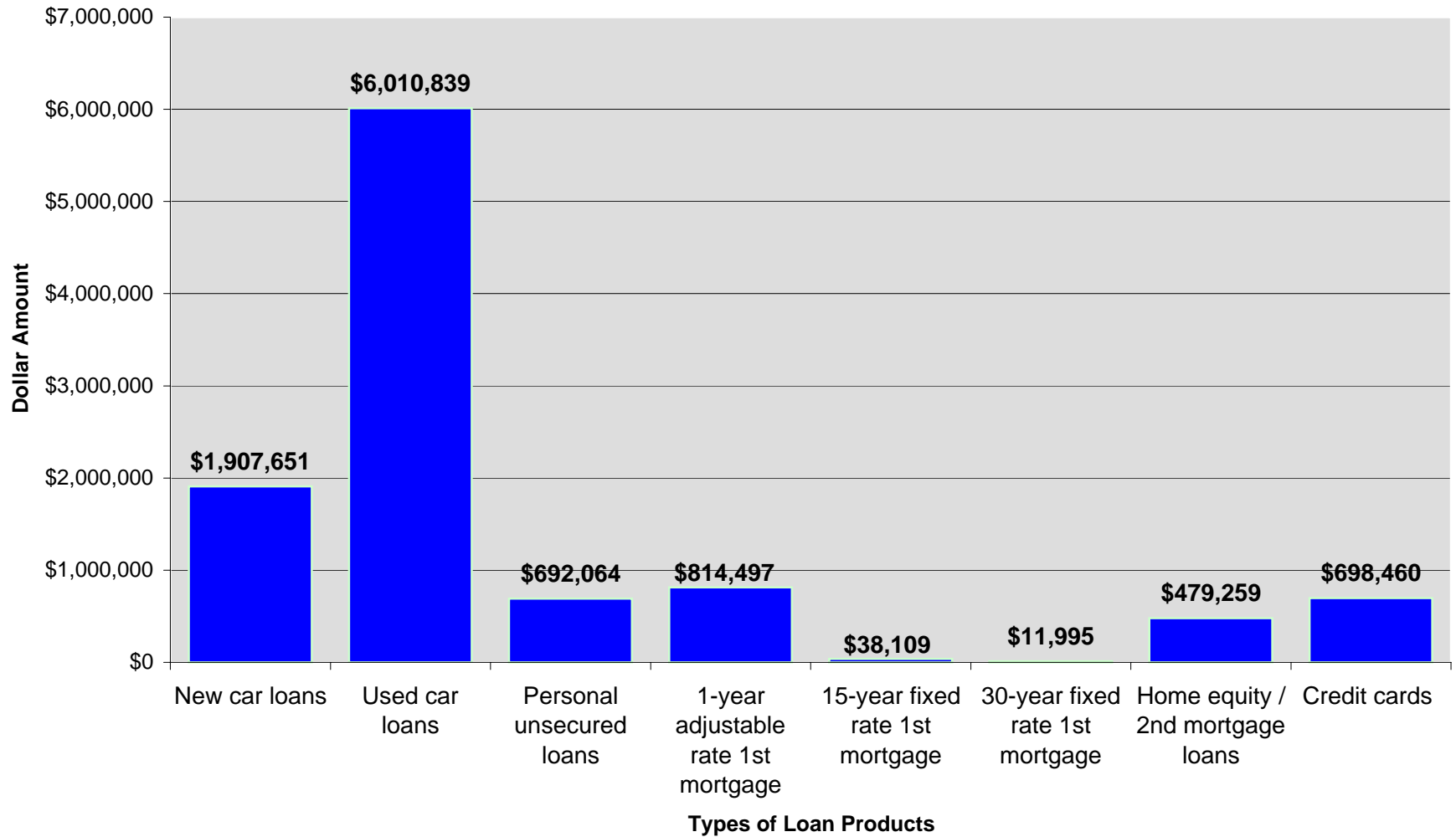


South Dakota
Credit Union and Banking Institution
2008 Average Interest Rates and Fees

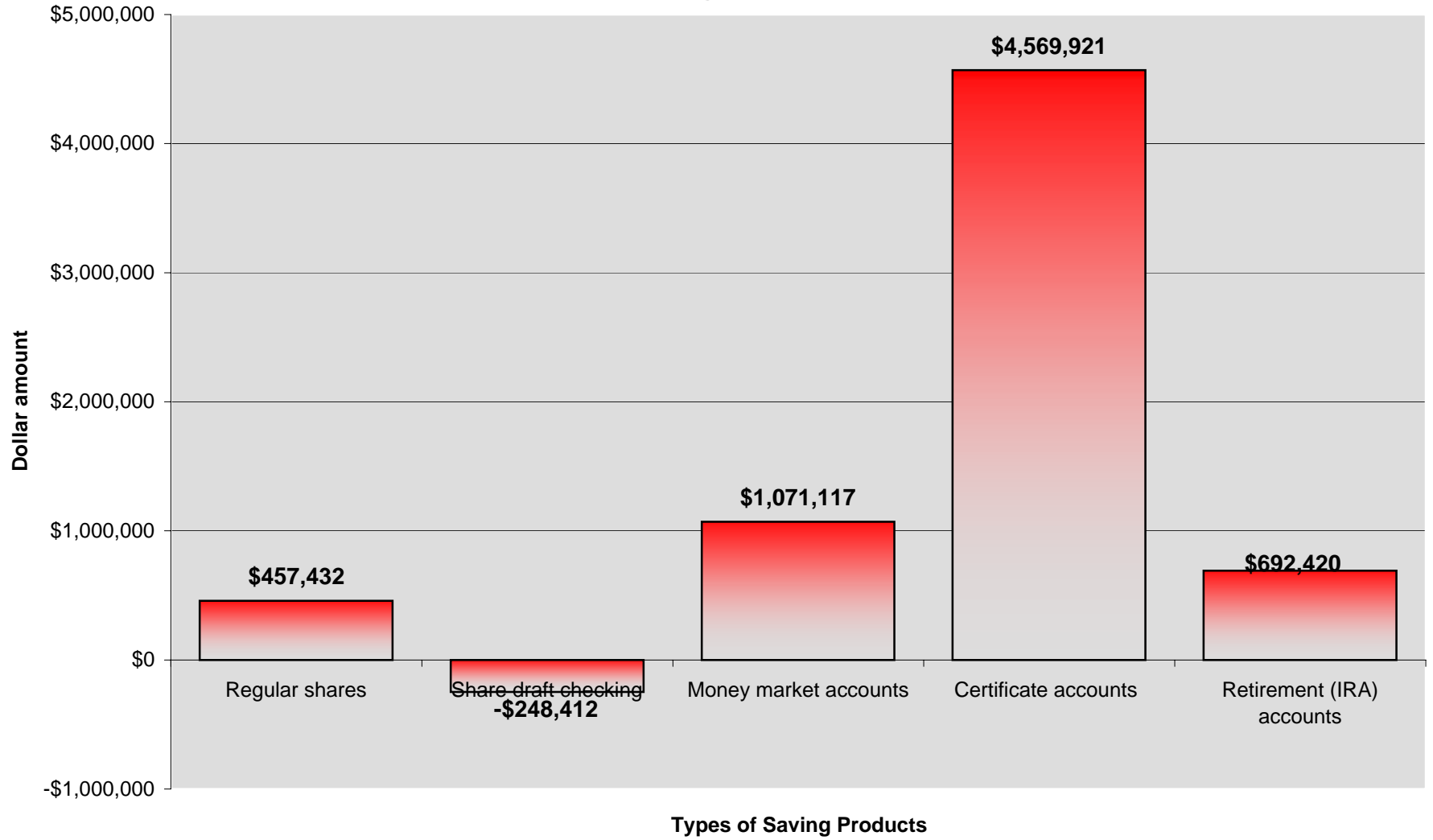
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	5.92	7.28	-1.36
48-month used car (A paper)	6.06	7.81	-1.75
Unsecured loan (A paper)	10.84	12.58	-1.75
1-year adjustable rate 1st mortgage, 0 pts	5.53	5.95	-0.42
15-year fixed rate 1st mortgage, 0 pts	6.03	6.08	-0.05
30-year fixed rate 1st mortgage, 0 pts	6.36	6.38	-0.01
Home equity / 2nd mtg, 80% LTV 0 pts	6.50	6.77	-0.27
Credit card - classic	11.91	13.99	-2.09
Credit card - gold	10.08	10.93	-0.85
Savings Products			
Regular savings, \$1,000 balance	0.60	0.45	0.15
Share draft checking, \$5,000 balance	0.31	0.43	-0.12
Money market accounts	1.53	1.13	0.40
1 Year certificate \$10,000 balance	3.65	2.95	0.70
Retirement (IRA) accounts	2.59	2.04	0.55
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 South Dakota Credit Unions Financial Benefits 2008

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. South Dakota Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	140,268,488	-1.36	\$1,907,651
Used car loans	343,476,535	-1.75	\$6,010,839
Personal unsecured loans	39,659,809	-1.75	\$692,064
1-year adjustable rate 1st mortgage	193,927,946	-0.42	\$814,497
15-year fixed rate 1st mortgage	69,288,938	-0.05	\$38,109
30-year fixed rate 1st mortgage	79,968,175	-0.01	\$11,995
Home equity / 2nd mortgage loans	177,503,284	-0.27	\$479,259
Credit cards	39,349,883	-2.09	\$698,460
Interest rebates in period			\$179,426
Total CU member benefits arising from lower interest rates on loan products:			\$10,832,301
 <u>Savings</u>			
Regular shares	304,954,542	0.15	\$457,432
Share draft checking	216,010,298	-0.12	-\$248,412
Money market accounts	267,779,191	0.40	\$1,071,117
Certificate accounts	657,542,621	0.70	\$4,569,921
Retirement (IRA) accounts	126,469,408	0.55	\$692,420
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$6,542,478
 <u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$4,201,374
 Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$21,576,153
 Total CU member benefit / member:			\$89
Total CU member benefit / member household:			\$169

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;

**South Dakota
Performance Profile**

Demographic Information	Dec-08	Dec-07
Number of branches	100	94
Total assets (\$ mil)	1,932	1,782
Total loans (\$ mil)	1,322	1,220
Total surplus funds (\$ mil)	521	480
Total savings (\$ mil)	1,677	1,538
Total members (thousands)	244	241
Growth Rates		
Total assets	8.3 %	8.0 %
Total loans	8.3 %	3.2 %
Total surplus funds	8.4 %	22.5 %
Total savings	8.9 %	8.9 %
Total members	1.1 %	0.7 %
Earnings - Basis Pts.		
Yield on total assets	589	620
- Dividend/interest cost of assets	246	285
+ Fee & other income	134	135
- Operating expense	382	379
- Loss Provisions	24	15
= Net Income (ROA)	71	76
Capital adequacy		
Net worth / assets	10.9	11.1
Asset quality		
Delinquencies / loans	1.0	0.8
Net chargeoffs / average loans	0.3	0.2
Total borrower-bankruptcies	7	6
Bankruptcies per 1000 members	1.4	1.2
Asset/Liability Management		
Loans / savings	78.8	79.3
Loans / assets	68.4	68.5
Long-term assets / assets	28.8	26.6
Core deposits/shares & borrowings	31.9	32.2
Productivity		
Members/potential members	11.8	12.3
Borrowers/members	58.5	58.5
Members/FTE	306	311
Average shares/members (\$)	6,866	6,371
Average loan balances (\$)	9,259	8,631
Salary & Benefits/FTE	47,940	44,820