

The Benefits of Membership

Customized Analysis of Member Benefits For:

Tennessee

September 2009

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.

Tennessee

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 Tennessee credit unions provided \$161,992,655 in direct financial benefits to the state's 1,726,474 members during the twelve months ending September 2009.

These benefits are equivalent to \$94 per member or \$178 per member household (1).

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

Consider this:

Financing a \$25,000 new automobile for 60 months at a Tennessee credit union will save members an average \$223 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.

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

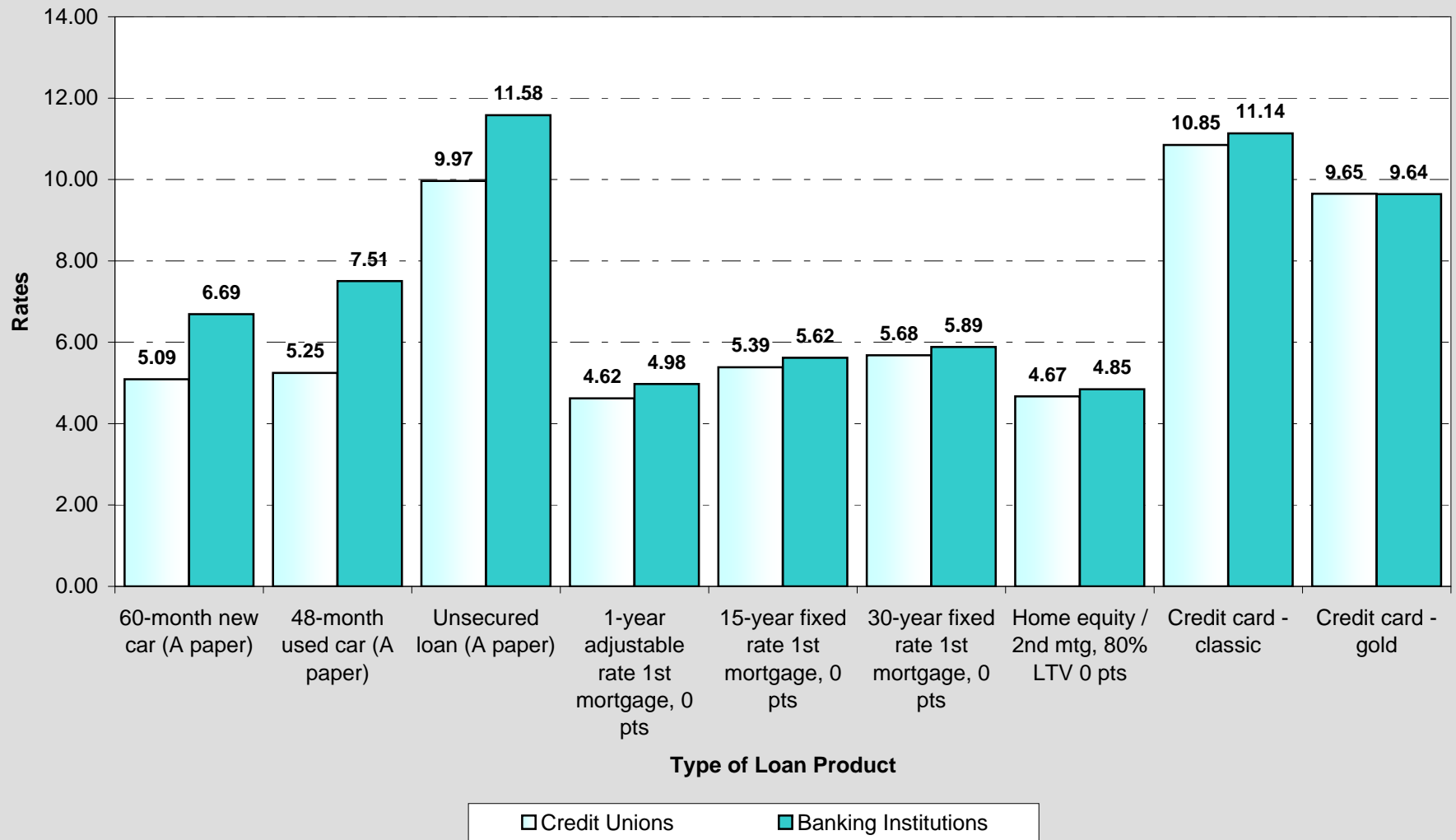
Tennessee credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



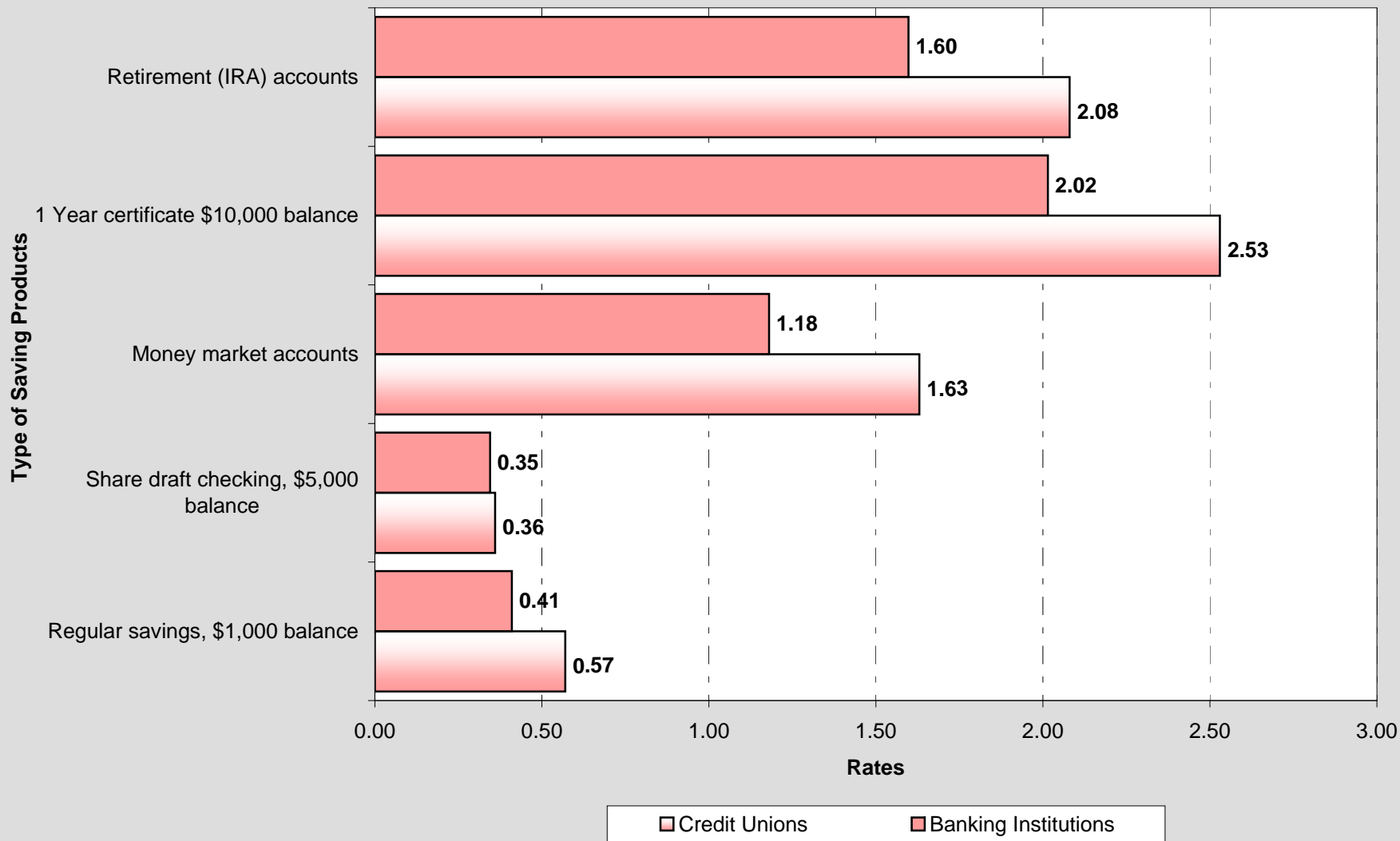
Source: Datatrac, NCUA, and CUNA.

(1) Assumes 1.9 credit union members per household.

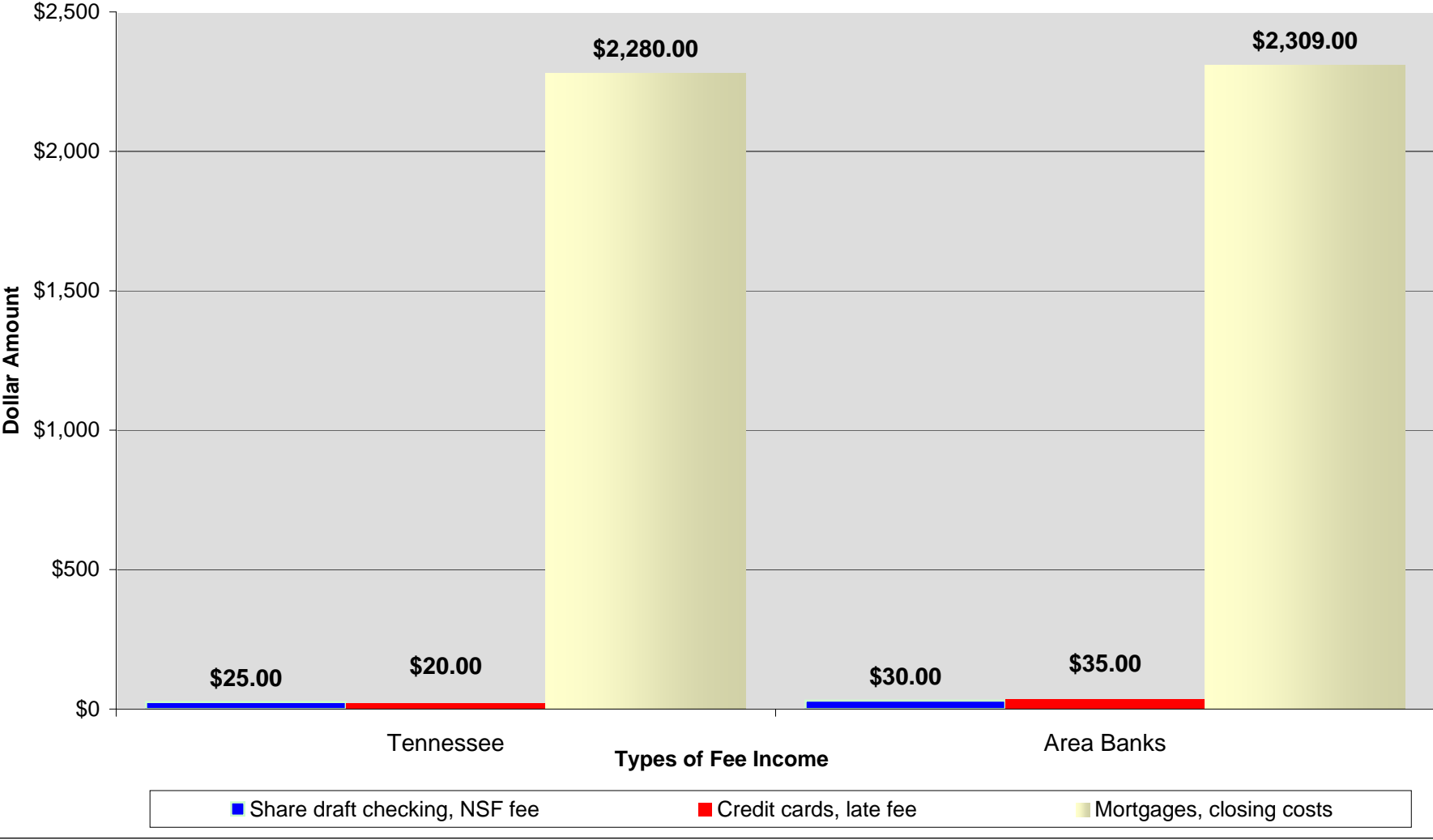
Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



Selected Third Quarter 2009 Credit Union Fees compared to Banking Institutions

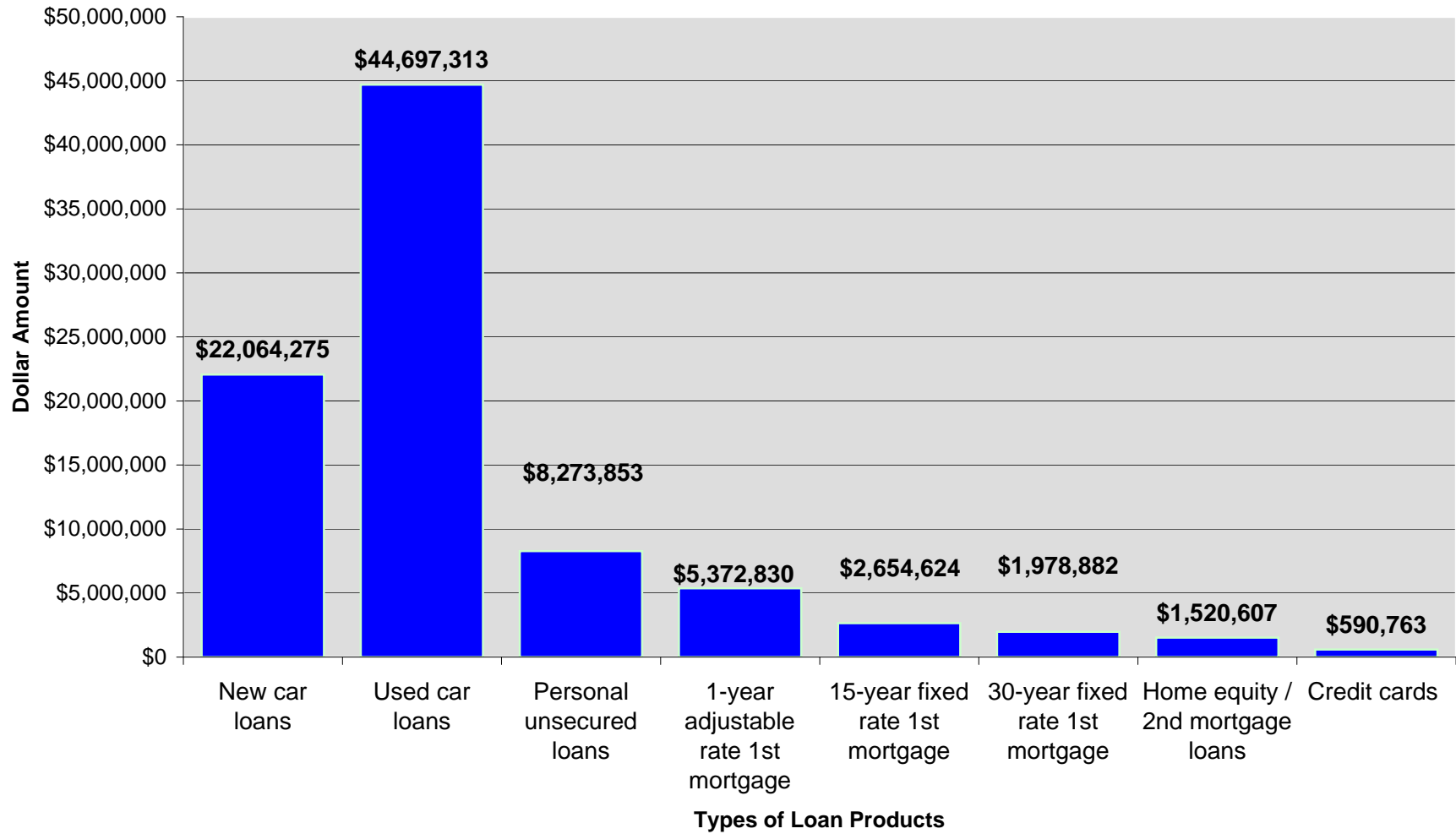


Tennessee
Credit Union and Banking Instituion
Third Quarter 2009 Average Interest Rates and Fees

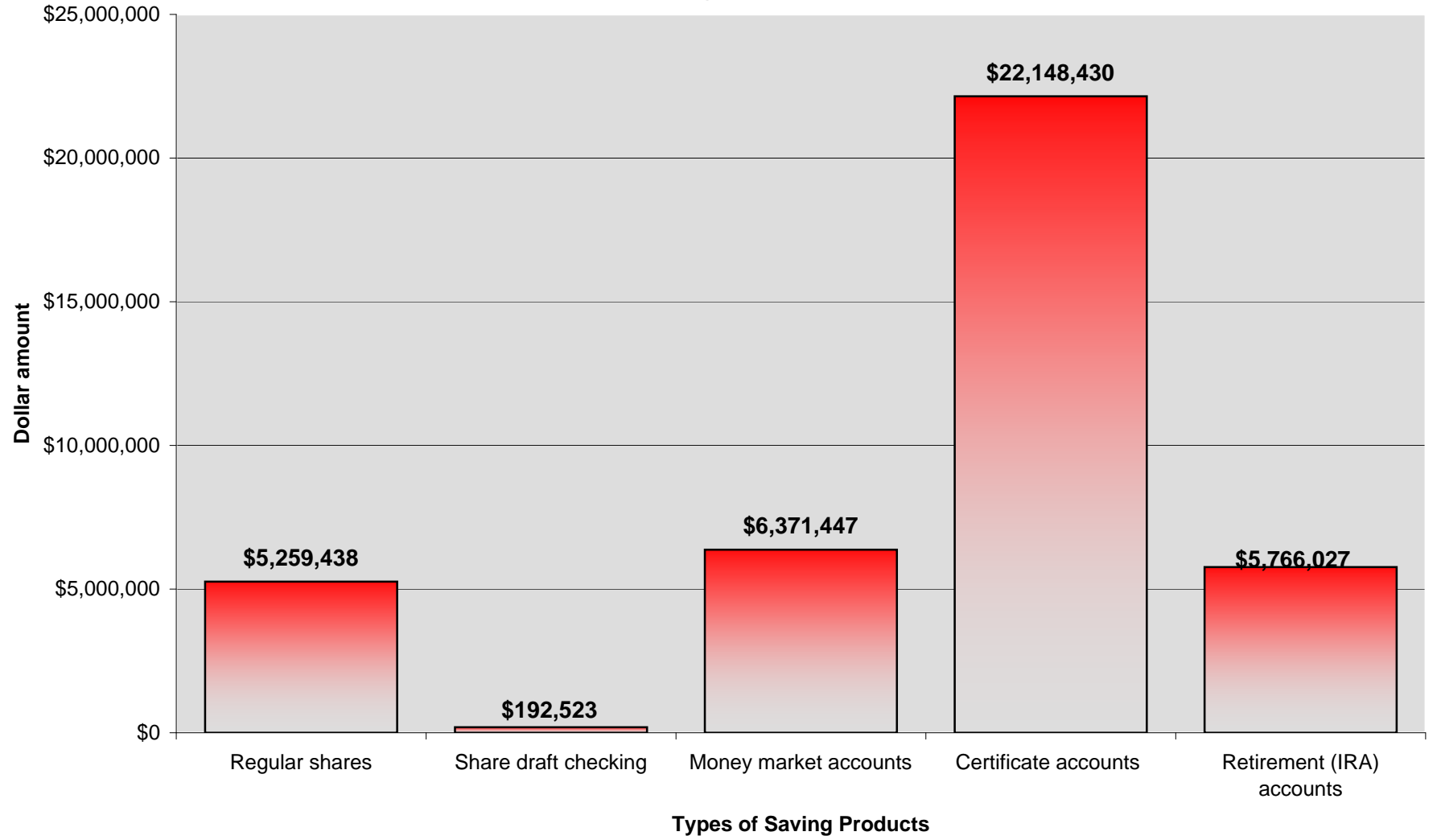
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	5.09	6.69	-1.60
48-month used car (A paper)	5.25	7.51	-2.26
Unsecured loan (A paper)	9.97	11.58	-1.62
1-year adjustable rate 1st mortgage, 0 pts	4.62	4.98	-0.36
15-year fixed rate 1st mortgage, 0 pts	5.39	5.62	-0.24
30-year fixed rate 1st mortgage, 0 pts	5.68	5.89	-0.21
Home equity / 2nd mtg, 80% LTV 0 pts	4.67	4.85	-0.18
Credit card - classic	10.85	11.14	-0.29
Credit card - gold	9.65	9.64	0.01
Savings Products			
Regular savings, \$1,000 balance	0.57	0.41	0.16
Share draft checking, \$5,000 balance	0.36	0.35	0.02
Money market accounts	1.63	1.18	0.45
1 Year certificate \$10,000 balance	2.53	2.02	0.52
Retirement (IRA) accounts	2.08	1.60	0.48
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 Tennessee Credit Unions Financial Benefits Third Quarter 2009

	Avg. Balance at Credit Unions (1)	Rate Difference vs. Tennessee Banks (%) (2)	Total Financial Benefit to Your Members
<u>Loans</u>			
New car loans	1,379,017,160	-1.60	\$22,064,275
Used car loans	1,977,757,194	-2.26	\$44,697,313
Personal unsecured loans	512,312,880	-1.62	\$8,273,853
1-year adjustable rate 1st mortgage	1,513,473,216	-0.36	\$5,372,830
15-year fixed rate 1st mortgage	1,129,627,364	-0.24	\$2,654,624
30-year fixed rate 1st mortgage	965,308,524	-0.21	\$1,978,882
Home equity / 2nd mortgage loans	868,918,052	-0.18	\$1,520,607
Credit cards	279,651,005	-0.29	\$590,763
Interest rebates in period			\$36,906
Total CU member benefits arising from lower interest rates on loan products:			\$87,190,052
<u>Savings</u>			
Regular shares	3,287,148,957	0.16	\$5,259,438
Share draft checking	1,283,485,572	0.02	\$192,523
Money market accounts	1,415,877,207	0.45	\$6,371,447
Certificate accounts	4,300,666,107	0.52	\$22,148,430
Retirement (IRA) accounts	1,195,031,424	0.48	\$5,766,027
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$39,737,866
<u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$35,064,737
Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$161,992,655
Total CU member benefit / member:			\$94
Total CU member benefit / member household:			\$178

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;

**Tennessee
Performance Profile**

Demographic Information	Sep-09	Sep-08
Number of branches	516	523
Total assets (\$ mil)	14,816	13,268
Total loans (\$ mil)	9,243	8,869
Total surplus funds (\$ mil)	4,985	3,821
Total savings (\$ mil)	12,072	11,195
Total members (thousands)	1,745	1,729
Growth Rates (Year-to-date)		
Total assets	10.8 %	5.6 %
Total loans	3.2 %	6.2 %
Total surplus funds	29.3 %	4.2 %
Total savings	6.7 %	6.2 %
Total members	1.6 %	2.7 %
Earnings - Basis Pts.		
Yield on total assets	495	561
Dividend/interest cost of assets	168	236
Fee & other income *	194	159
Operating expense	333	357
Loss Provisions	71	50
Net Income (ROA) after stabilization exp *	69	77
Capital adequacy		
Net worth / assets	12.0	13.2
Asset quality		
Delinquencies / loans	1.0	0.8
Net chargeoffs / average loans	0.8	0.6
Total borrower-bankruptcies	34	24
Bankruptcies per 1000 members	3.6	2.7
Asset/Liability Management		
Loans / savings	76.6	79.2
Loans / assets	62.4	66.8
Long-term assets / assets	31.2	29.9
Core deposits/shares & borrowings	37.4	38.6
Productivity		
Members/potential members	9.0	9.3
Borrowers/members	46.0	45.6
Members/FTE	364	355
Average shares/members (\$)	6,918	6,476
Average loan balances (\$)	11,520	11,243
Salary & Benefits/FTE	52,330	49,596

***Credit unions did not uniformly report stabilization expenses or reversals of the expense. Therefore, some income and expense ratios are not comparable to previous periods. Use extreme caution when coming to conclusions from this data.**