

# ***The Benefits of Membership***

*Customized Analysis of Member Benefits For:*

**Tennessee**

*December 2007*

*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.

# 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 \$231,980,291 in direct financial benefits to the state's 1,648,333 members during the twelve months ending December 2007.

**These benefits are equivalent to \$141 per member or \$267 per member household <sup>(1)</sup>.**

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 \$236 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, home equity loans, credit cards loans.

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

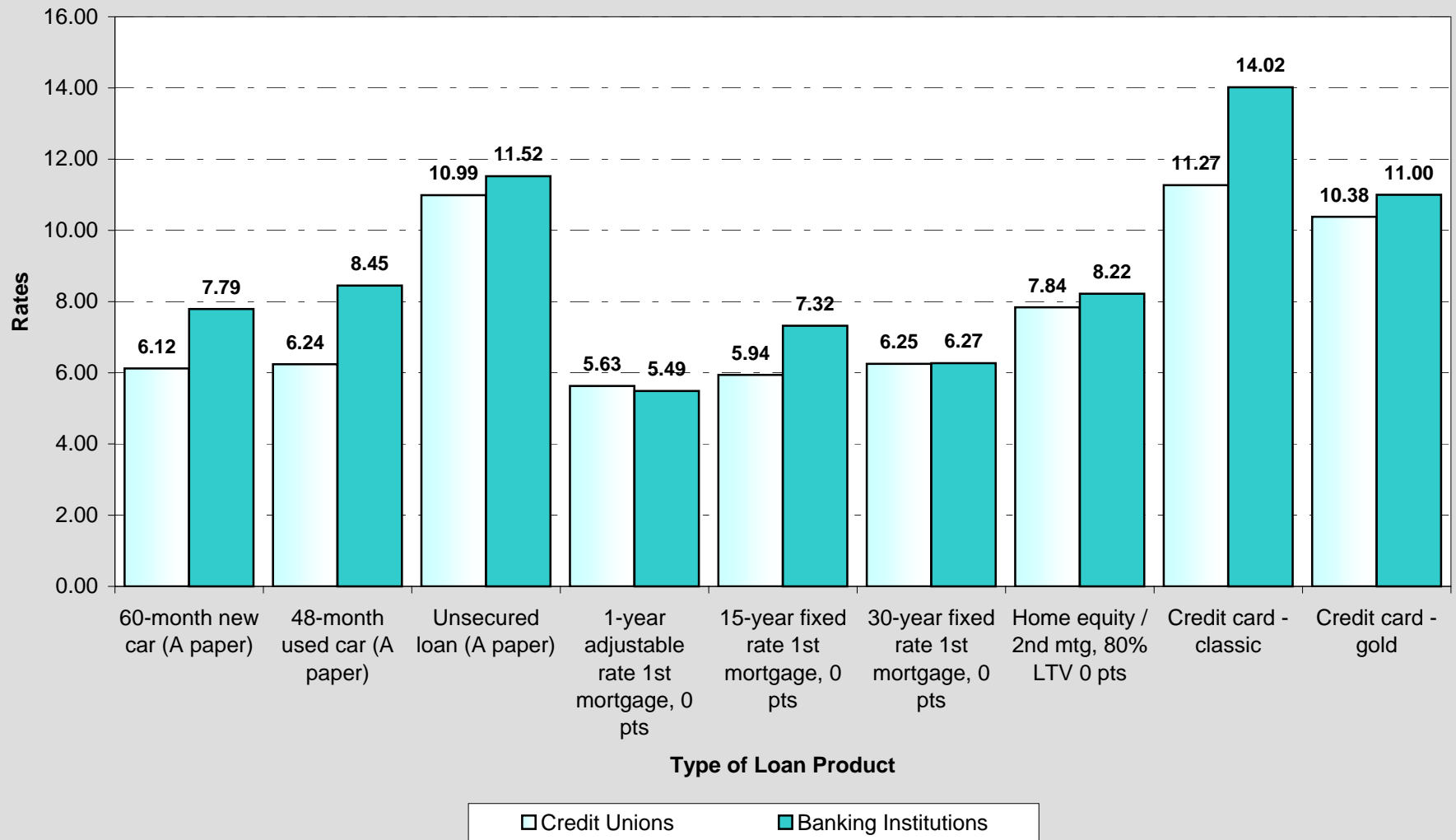


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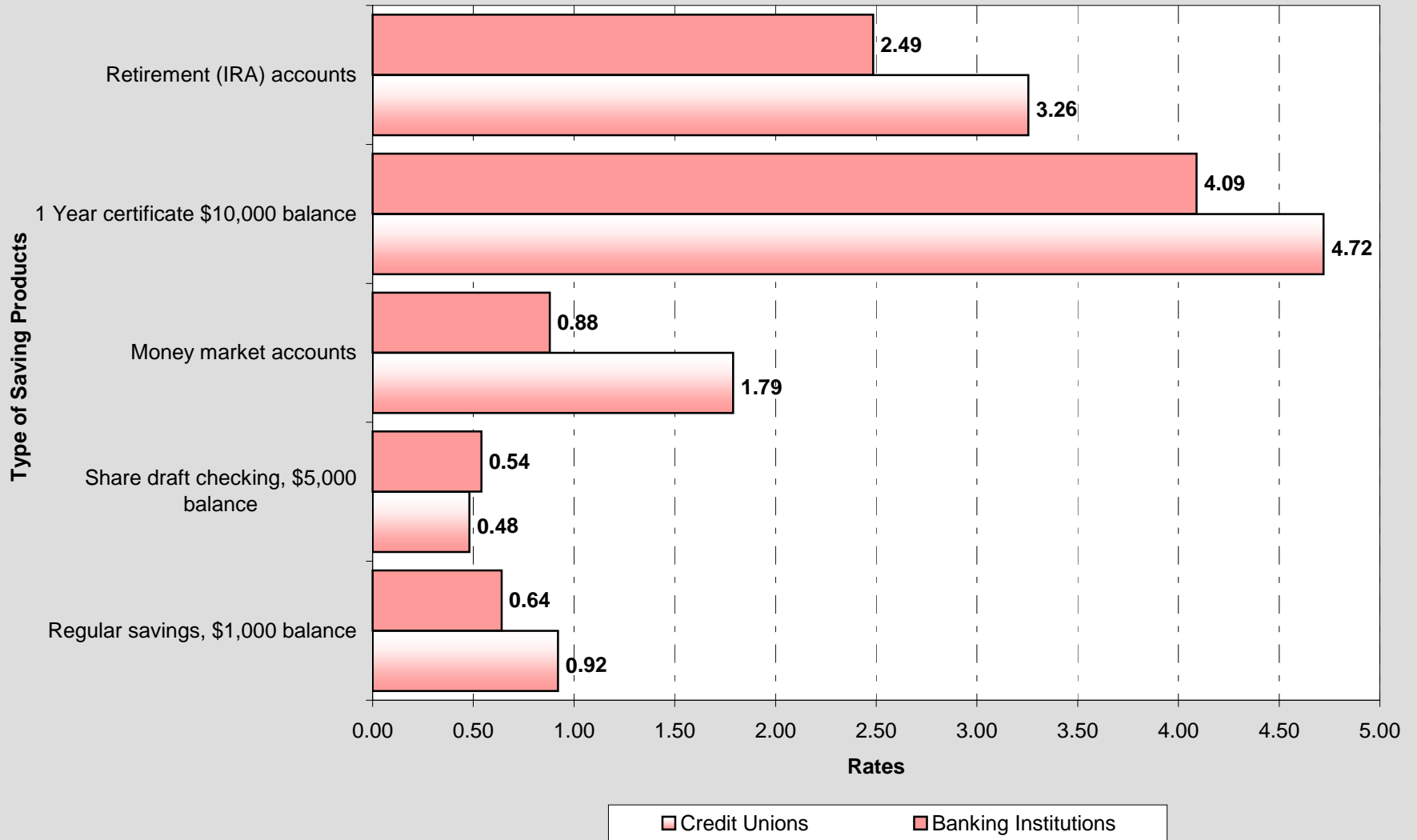
Source: Datatrac, NCUA, and CUNA.

(1)Assumes 1.9 credit union members per household.

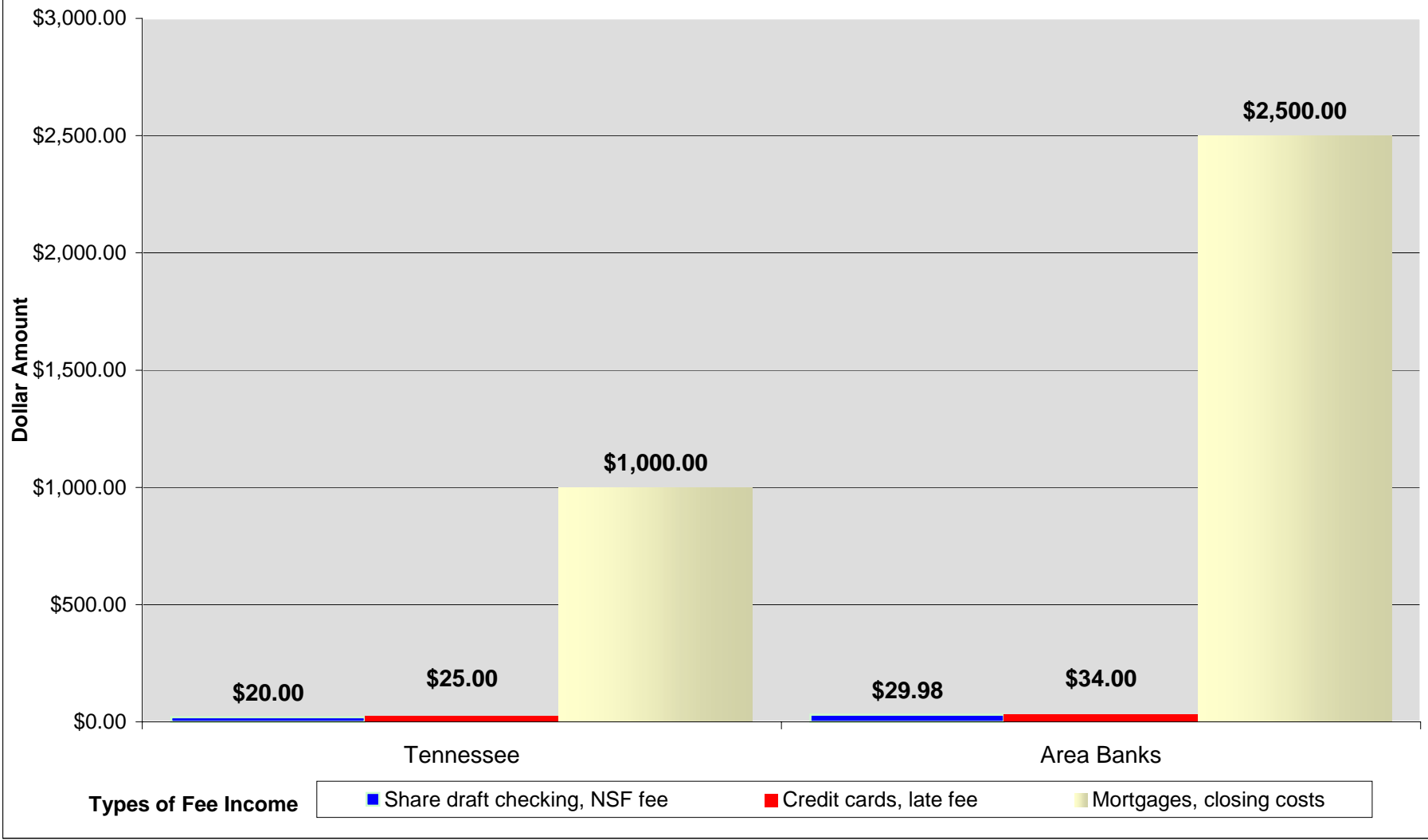
## Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



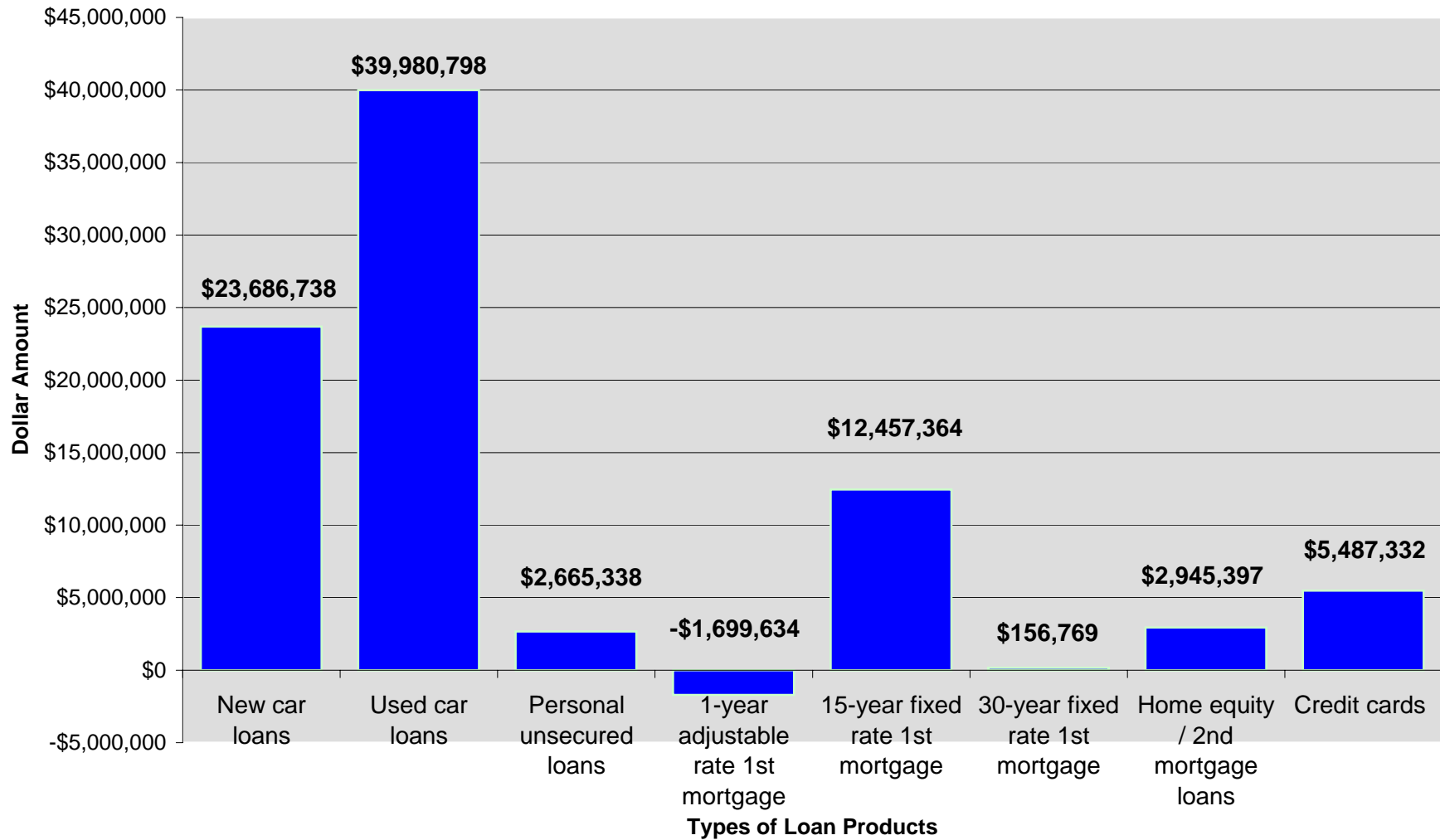
## Selected Credit Union Fees compared to Banking Institutions



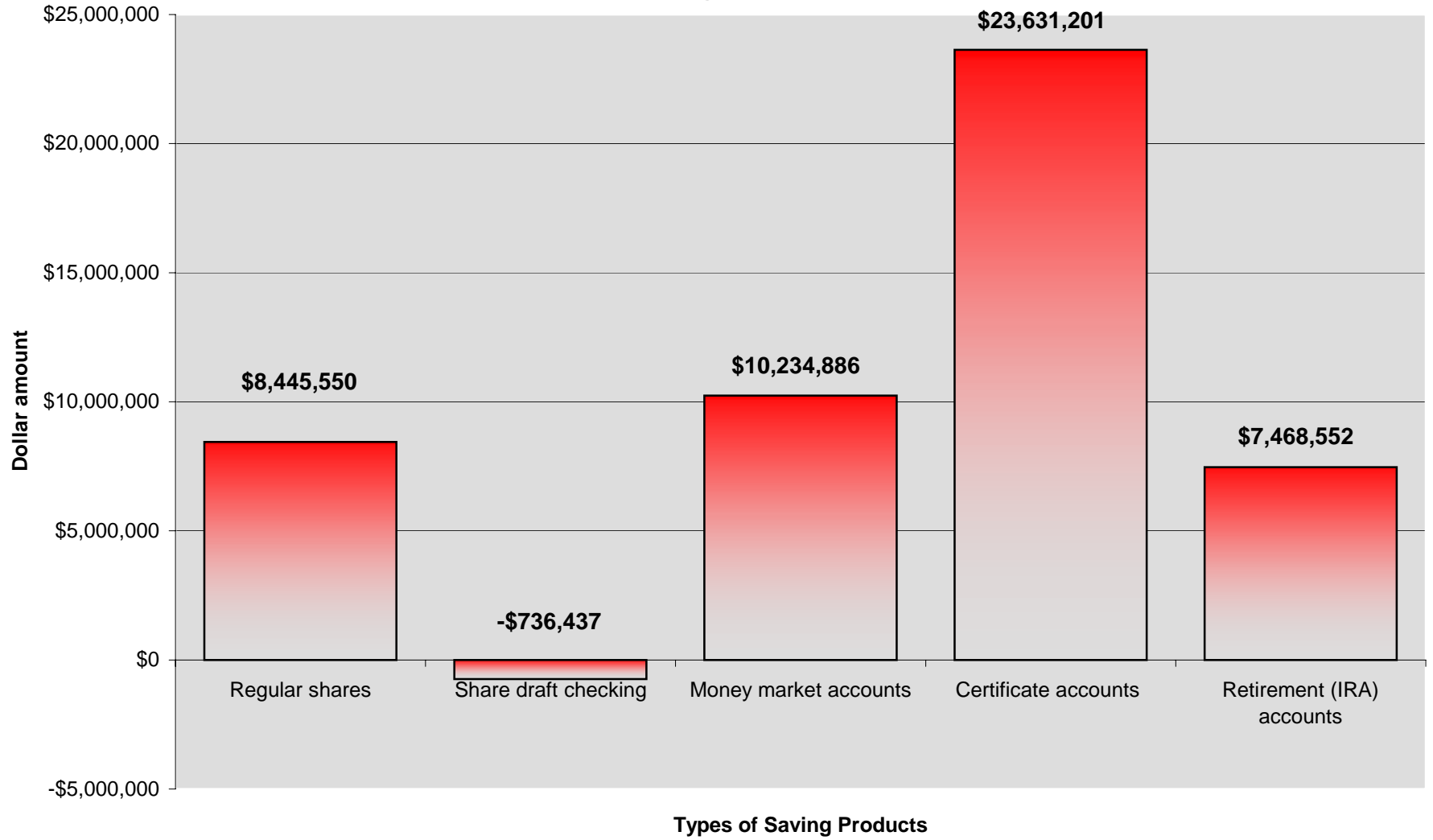
**Recent Interest Rates at Credit Unions  
and  
Banking Institutions in Tennessee**

<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)	6.12	7.79	-1.67
48-month used car (A paper)	6.24	8.45	-2.21
Unsecured loan (A paper)	10.99	11.52	-0.53
1-year adjustable rate 1st mortgage, 0 pts	5.63	5.49	0.14
15-year fixed rate 1st mortgage, 0 pts	5.94	7.32	-1.38
30-year fixed rate 1st mortgage, 0 pts	6.25	6.27	-0.02
Home equity / 2nd mtg, 80% LTV 0 pts	7.84	8.22	-0.38
Credit card - classic	11.27	14.02	-2.75
Credit card - gold	10.38	11.00	-0.62
<b>Savings Products</b>			
Regular savings, \$1,000 balance	0.92	0.64	0.28
Share draft checking, \$5,000 balance	0.48	0.54	-0.06
Money market accounts	1.79	0.88	0.91
1 Year certificate \$10,000 balance	4.72	4.09	0.63
Retirement (IRA) accounts	3.26	2.49	0.77
<b>Fee Income</b>			
Share draft checking, NSF fee	\$20.00	\$29.98	-\$9.98
Credit cards, late fee	\$25.00	\$34.00	-\$9.00
Mortgages, closing costs	\$1,000.00	\$2,500.00	-\$1,500.00

## Estimated Credit Union Loan Rate Benefits vs. Banking Institutions



### Estimated Credit Union Savings Dividend Benefits vs. Banking Institutions



## Estimated Tennessee Credit Unions Financial Benefits Year-End 2007

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Tennessee Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	1,418,367,553	-1.67	\$23,686,738
Used car loans	1,809,085,899	-2.21	\$39,980,798
Personal unsecured loans	502,893,954	-0.53	\$2,665,338
1-year adjustable rate 1st mortgage	1,214,024,617	0.14	-\$1,699,634
15-year fixed rate 1st mortgage	902,707,563	-1.38	\$12,457,364
30-year fixed rate 1st mortgage	783,843,929	-0.02	\$156,769
Home equity / 2nd mortgage loans	775,104,465	-0.38	\$2,945,397
Credit cards	247,455,770	-2.75	\$5,487,332
Interest rebates in period			\$6,827,210
<b>Total CU member benefits arising from lower interest rates on loan products:</b>			<b>\$92,507,312</b>
 <u>Savings</u>			
Regular shares	3,016,267,843	0.28	\$8,445,550
Share draft checking	1,227,394,404	-0.06	-\$736,437
Money market accounts	1,124,712,781	0.91	\$10,234,886
Certificate accounts	3,750,984,358	0.63	\$23,631,201
Retirement (IRA) accounts	969,941,776	0.77	\$7,468,552
Bonus dividends in period			\$0
<b>Total CU member benefit arising from higher interest rates on saving products:</b>			<b>\$49,043,753</b>
 <u>Fee Income</u>			
<b>Total CU member benefit arising from fewer/lower fees:</b>			<b>\$90,429,226</b>
 <b>Total CU member benefit arising from interest rates on loan and savings products and lower fees:</b>			<b>\$231,980,291</b>
 <b>Total CU member benefit / member:</b>			<b>\$141</b>
<b>Total CU member benefit / member household:</b>			<b>\$267</b>

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;

**Tennessee  
Performance Profile**

<b>Demographic Information</b>	<b>Dec-07</b>	<b>Dec-06</b>
Number of branches	508	492
Total assets (\$ mil)	12,572,944,397	11,811,968,497
Total loans (\$ mil)	8,360,840,303	7,745,354,943
Total surplus funds (\$ mil)	3,669,856,271	3,587,056,388
Total savings (\$ mil)	10,554,434,652	9,929,082,894
Total members (thousands)	1,685,065	1,628,361
<b>Growth Rates</b>		
Total assets	6.9 %	6.9 %
Total loans	8.4 %	8.8 %
Total surplus funds	2.8 %	1.9 %
Total savings	6.8 %	7.1 %
Total members	4.6 %	3.3 %
<b>Earnings - Basis Pts.</b>		
Yield on total assets	588	542
- Dividend/interest cost of assets	263	223
+ Fee & other income	152	145
- Operating expense	358	348
- Loss Provisions	33	27
= Net Income (ROA)	86	89
<b>Capital adequacy</b>		
Net worth / assets	13.4	13.4
<b>Asset quality</b>		
Delinquencies / loans	0.7	0.6
Net chargeoffs / average loans	0.4	0.3
Total borrower-bankruptcies	24	18
Bankruptcies per 1000 members	2.7	2.3
<b>Asset/Liability Management</b>		
Loans / savings	79.2	78.0
Loans / assets	66.5	65.6
Long-term assets / assets	27.7	24.1
Core deposits/shares & borrowings	39.4	42.3
<b>Productivity</b>		
Members/potential members	9.4	10.9
Borrowers/members	46.1	45.7
Members/FTE	362	367
Average shares/members (\$)	6,264	6,098
Average loan balances (\$)	10,764	10,409
Salary & Benefits/FTE	48,519	45,854