

The Benefits of Membership

Customized Analysis of Member Benefits For:

Virginia

December 2007

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.

Virginia

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 Virginia credit unions provided \$999,483,419 in direct financial benefits to the state's 5,778,986 members during the twelve months ending December 2007.

These benefits are equivalent to \$173 per member or \$329 per member household ⁽¹⁾.

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

Consider this:

Financing a \$25,000 new automobile for 60 months at a Virginia credit union will save members an average \$260 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.

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

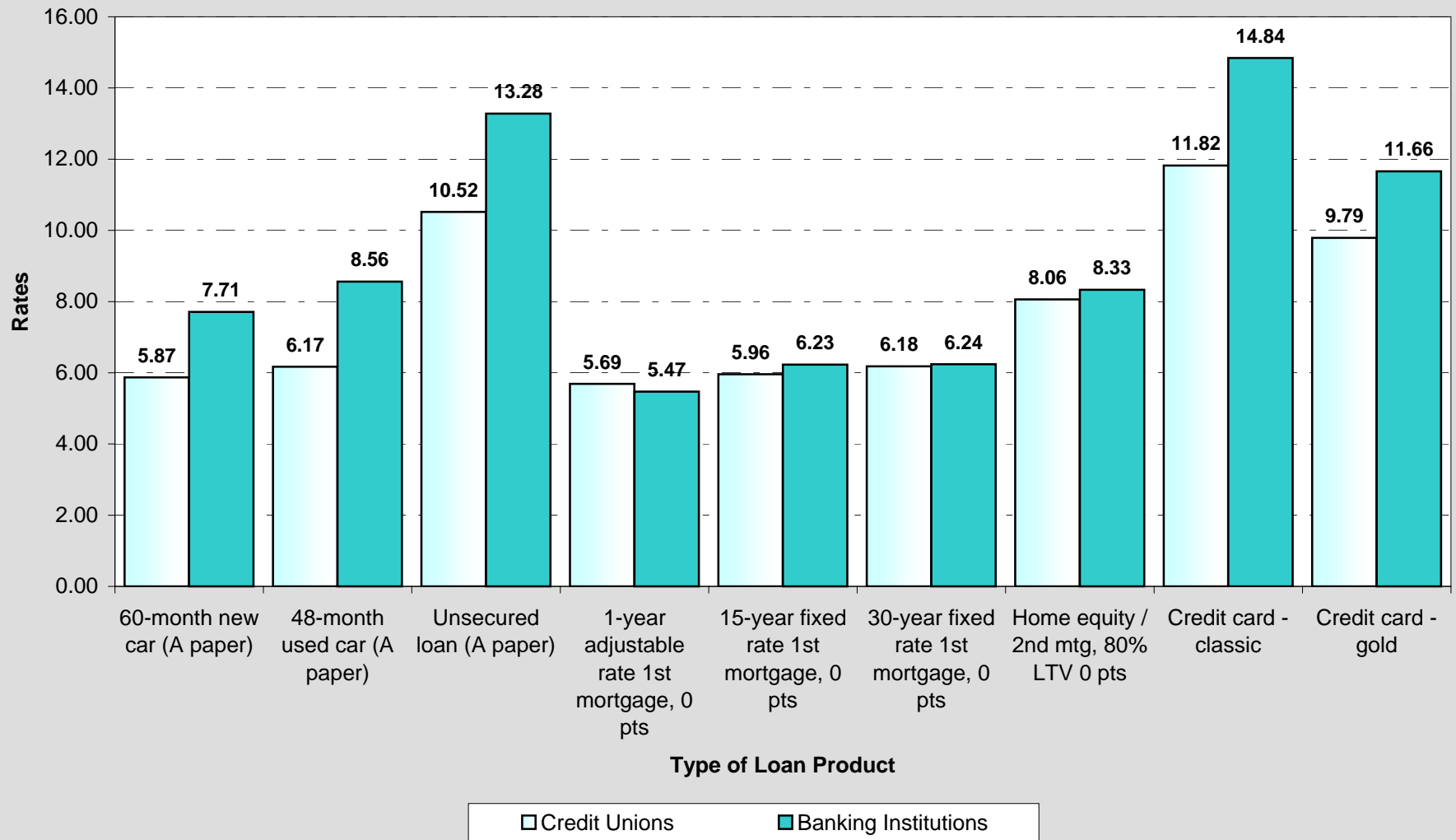
Virginia credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



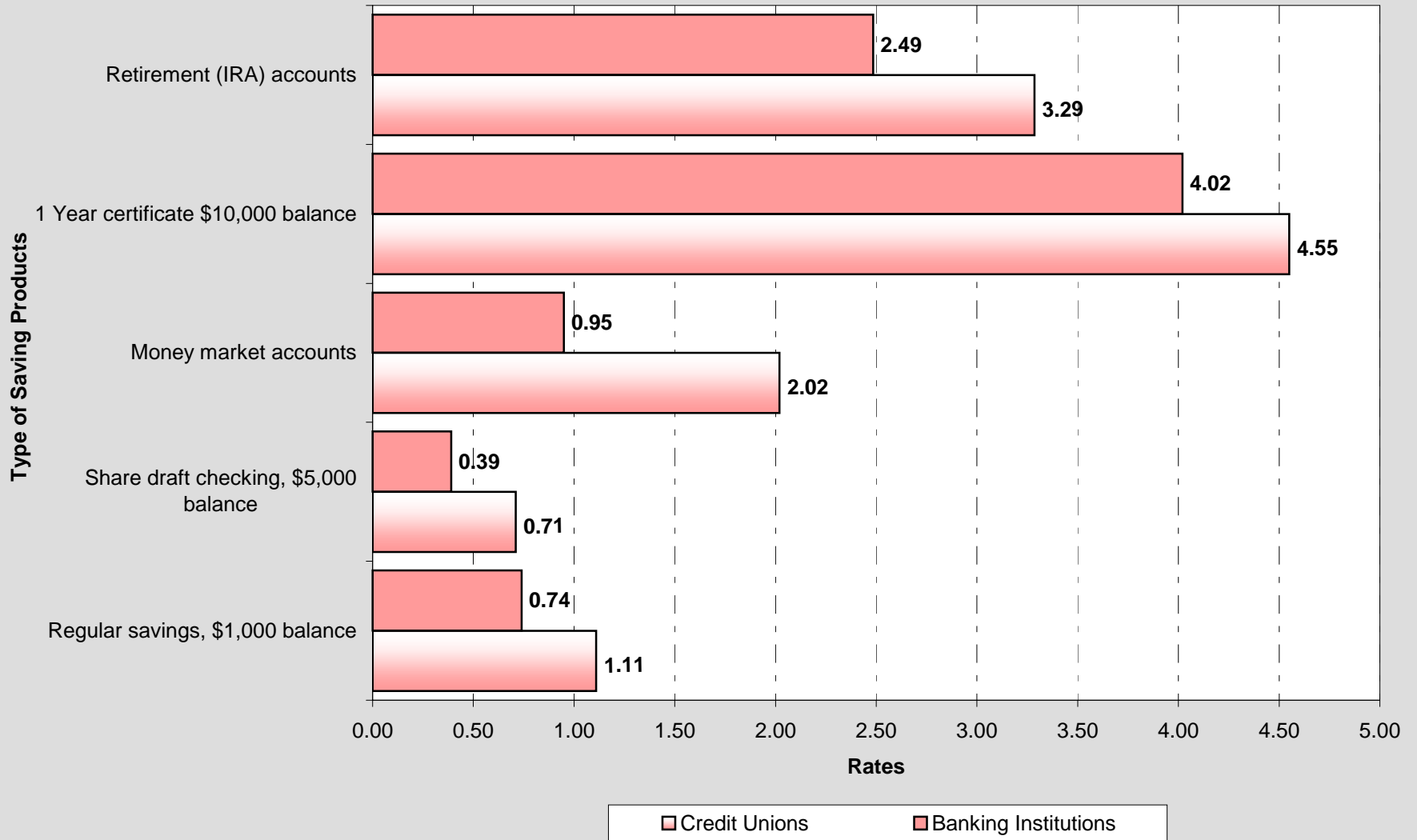
Source: Datatrac, NCUA, and CUNA.

(1) Assumes 1.9 credit union members per household.

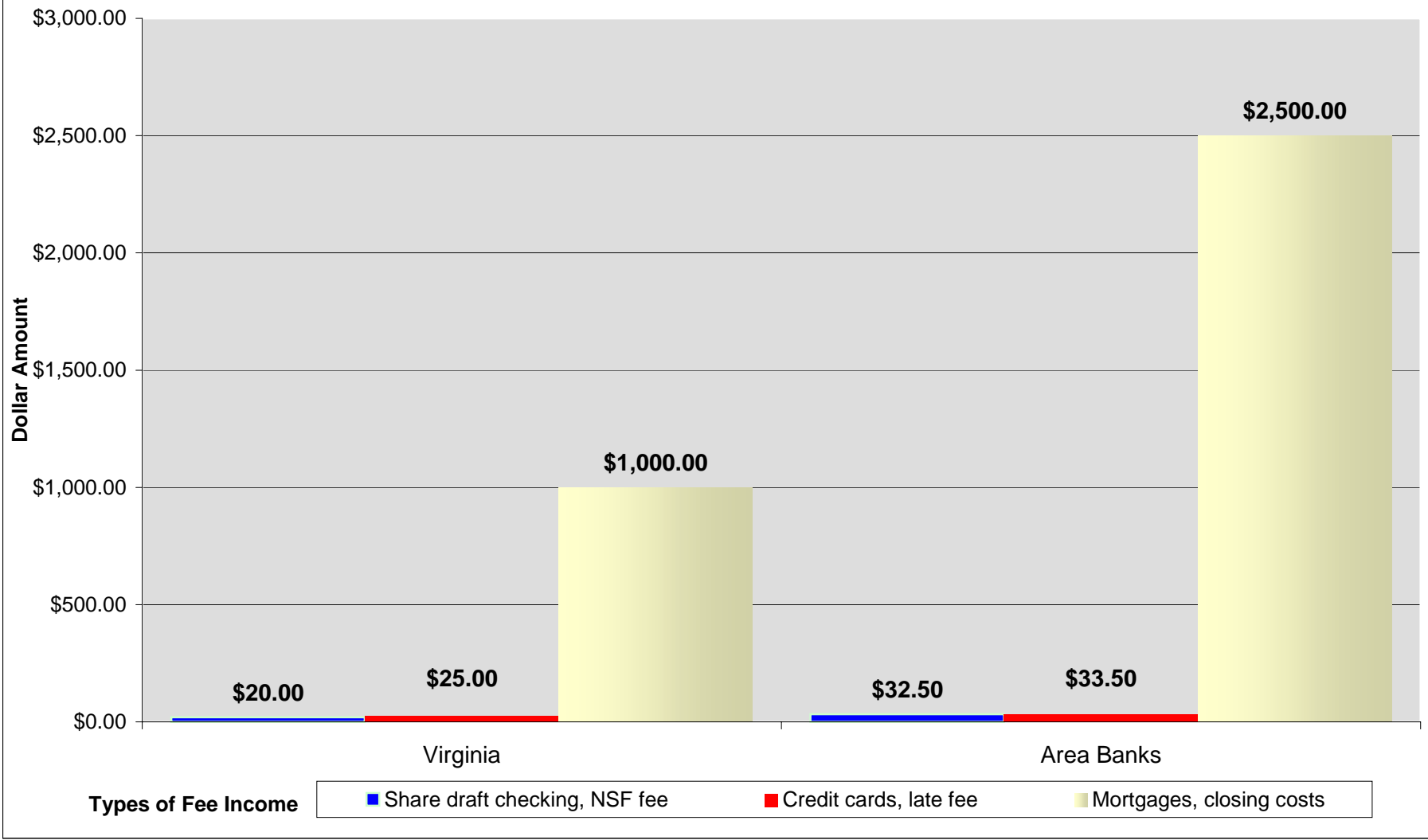
Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



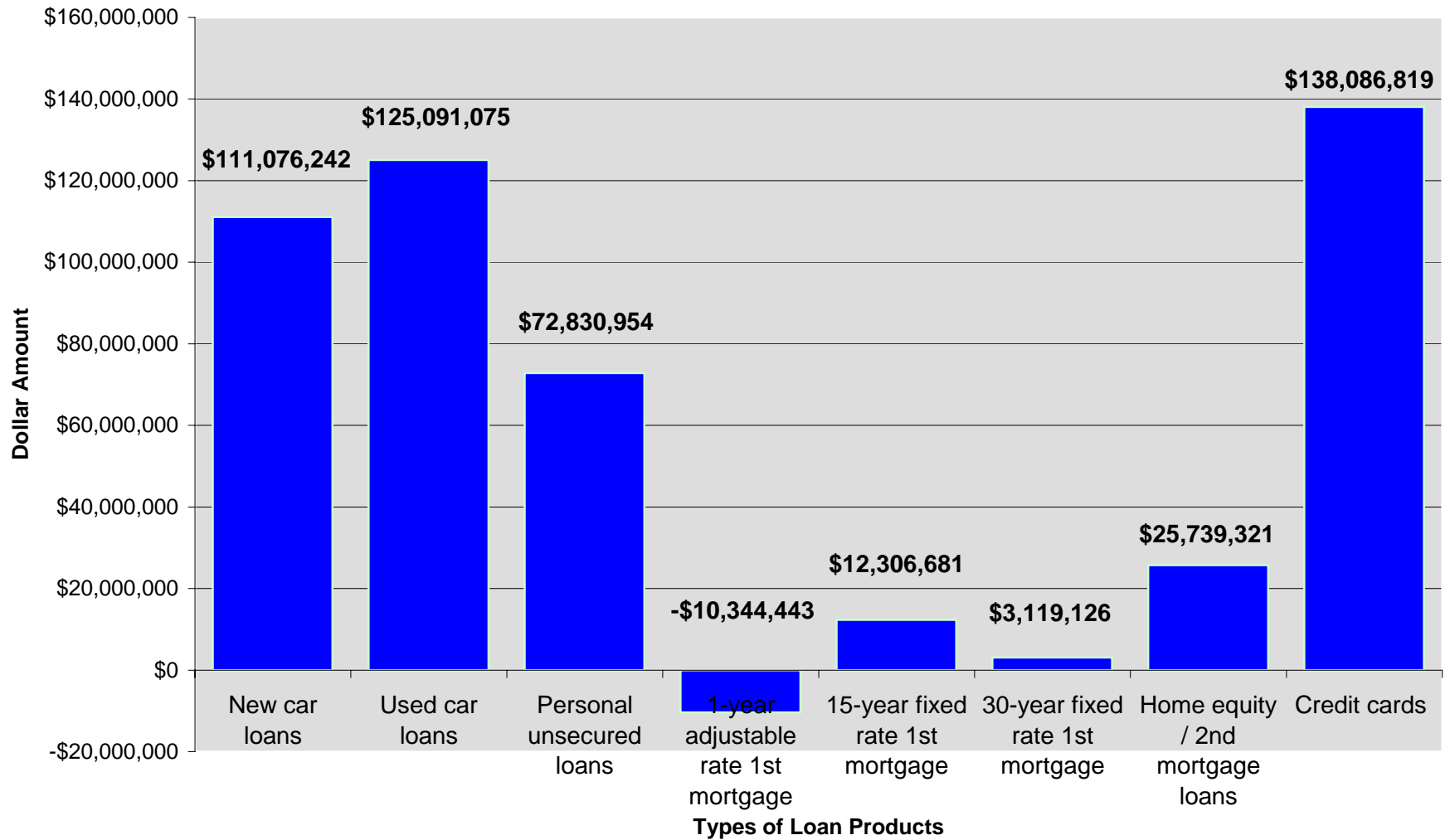
Selected Credit Union Fees compared to Banking Institutions



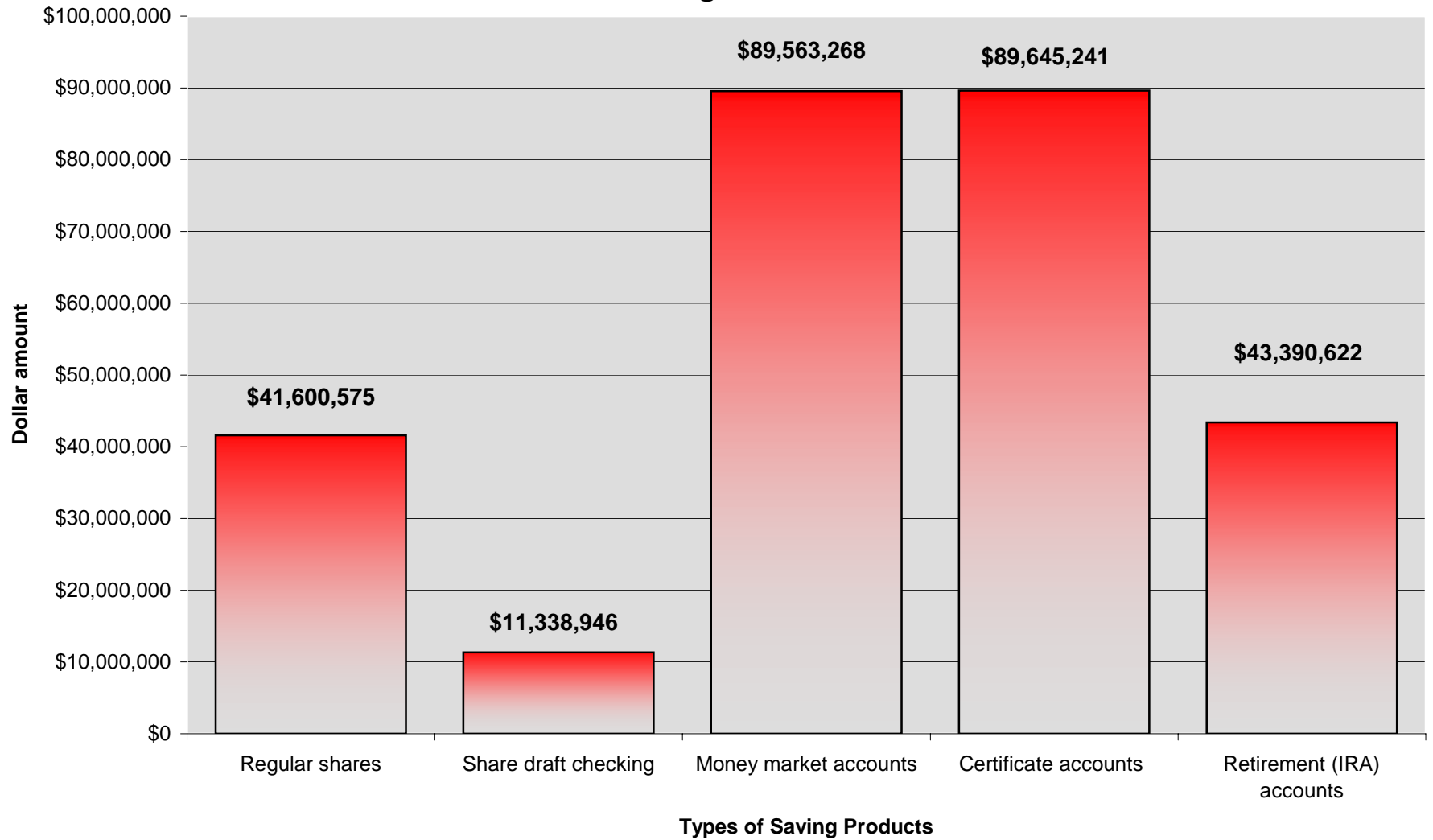
**Recent Interest Rates at Credit Unions
and
Banking Institutions in Virginia**

Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	5.87	7.71	-1.84
48-month used car (A paper)	6.17	8.56	-2.39
Unsecured loan (A paper)	10.52	13.28	-2.76
1-year adjustable rate 1st mortgage, 0 pts	5.69	5.47	0.22
15-year fixed rate 1st mortgage, 0 pts	5.96	6.23	-0.27
30-year fixed rate 1st mortgage, 0 pts	6.18	6.24	-0.06
Home equity / 2nd mtg, 80% LTV 0 pts	8.06	8.33	-0.27
Credit card - classic	11.82	14.84	-3.02
Credit card - gold	9.79	11.66	-1.87
Savings Products			
Regular savings, \$1,000 balance	1.11	0.74	0.37
Share draft checking, \$5,000 balance	0.71	0.39	0.32
Money market accounts	2.02	0.95	1.07
1 Year certificate \$10,000 balance	4.55	4.02	0.53
Retirement (IRA) accounts	3.29	2.49	0.80
Fee Income			
Share draft checking, NSF fee	\$20.00	\$32.50	-\$12.50
Credit cards, late fee	\$25.00	\$33.50	-\$8.50
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 Virginia Credit Unions Financial Benefits Year-End 2007

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Virginia Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	6,036,752,302	-1.84	\$111,076,242
Used car loans	5,233,936,212	-2.39	\$125,091,075
Personal unsecured loans	2,638,802,685	-2.76	\$72,830,954
1-year adjustable rate 1st mortgage	4,702,019,437	0.22	-\$10,344,443
15-year fixed rate 1st mortgage	4,558,029,997	-0.27	\$12,306,681
30-year fixed rate 1st mortgage	5,198,544,122	-0.06	\$3,119,126
Home equity / 2nd mortgage loans	9,533,081,713	-0.27	\$25,739,321
Credit cards	5,053,497,494	-3.02	\$138,086,819
Interest rebates in period			\$584,896
Total CU member benefits arising from lower interest rates on loan products:			\$478,490,672
<u>Savings</u>			
Regular shares	11,243,398,719	0.37	\$41,600,575
Share draft checking	3,543,420,618	0.32	\$11,338,946
Money market accounts	8,370,398,834	1.07	\$89,563,268
Certificate accounts	16,914,196,418	0.53	\$89,645,241
Retirement (IRA) accounts	5,423,827,736	0.80	\$43,390,622
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$275,538,652
<u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$245,454,095
Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$999,483,419
Total CU member benefit / member:			\$173
Total CU member benefit / member household:			\$329

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;

Virginia
Performance Profile

Demographic Information	Dec-07	Dec-06
Number of branches	664	609
Total assets (\$ mil)	61,134,525,352	52,697,398,533
Total loans (\$ mil)	48,343,328,452	40,060,044,189
Total surplus funds (\$ mil)	10,391,716,104	10,455,037,789
Total savings (\$ mil)	48,203,519,001	43,103,751,250
Total members (thousands)	5,922,495	5,647,523
Growth Rates		
Total assets	16.1 %	9.2 %
Total loans	20.7 %	17.7 %
Total surplus funds	-0.5 %	-15.6 %
Total savings	11.9 %	8.8 %
Total members	5.1 %	5.0 %
Earnings - Basis Pts.		
Yield on total assets	612	572
- Dividend/interest cost of assets	321	269
+ Fee & other income	138	135
- Operating expense	283	276
- Loss Provisions	66	36
= Net Income (ROA)	80	126
Capital adequacy		
Net worth / assets	10.4	11.2
Asset quality		
Delinquencies / loans	0.7	0.5
Net chargeoffs / average loans	0.6	0.6
Total borrower-bankruptcies	71	47
Bankruptcies per 1000 members	2.4	1.8
Asset/Liability Management		
Loans / savings	100.3	92.9
Loans / assets	79.1	76.0
Long-term assets / assets	35.6	30.6
Core deposits/shares & borrowings	29.2	35.5
Productivity		
Members/potential members	19.3	19.8
Borrowers/members	63.6	62.6
Members/FTE	443	474
Average shares/members (\$)	8,139	7,632
Average loan balances (\$)	12,828	11,337
Salary & Benefits/FTE	60,381	57,231