

The Benefits of Membership

Customized Analysis of Member Benefits For:

Vermont

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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.

Vermont

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 Vermont credit unions provided \$35,168,828 in direct financial benefits to the state's 276,256 members during the twelve months ending December 2007.

These benefits are equivalent to \$127 per member or \$242 per member household ⁽¹⁾.

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

Consider this:

Financing a \$25,000 new automobile for 60 months at a Vermont credit union will save members an average \$153 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.

Vermont credit unions excel in providing member benefits on many loan and saving products. In particular, Vermont credit unions offer lower average loan rates on the following accounts: new car loans, used car loans, personal unsecured loans, first mortgage-adjustable rate, home equity loans, credit cards loans.

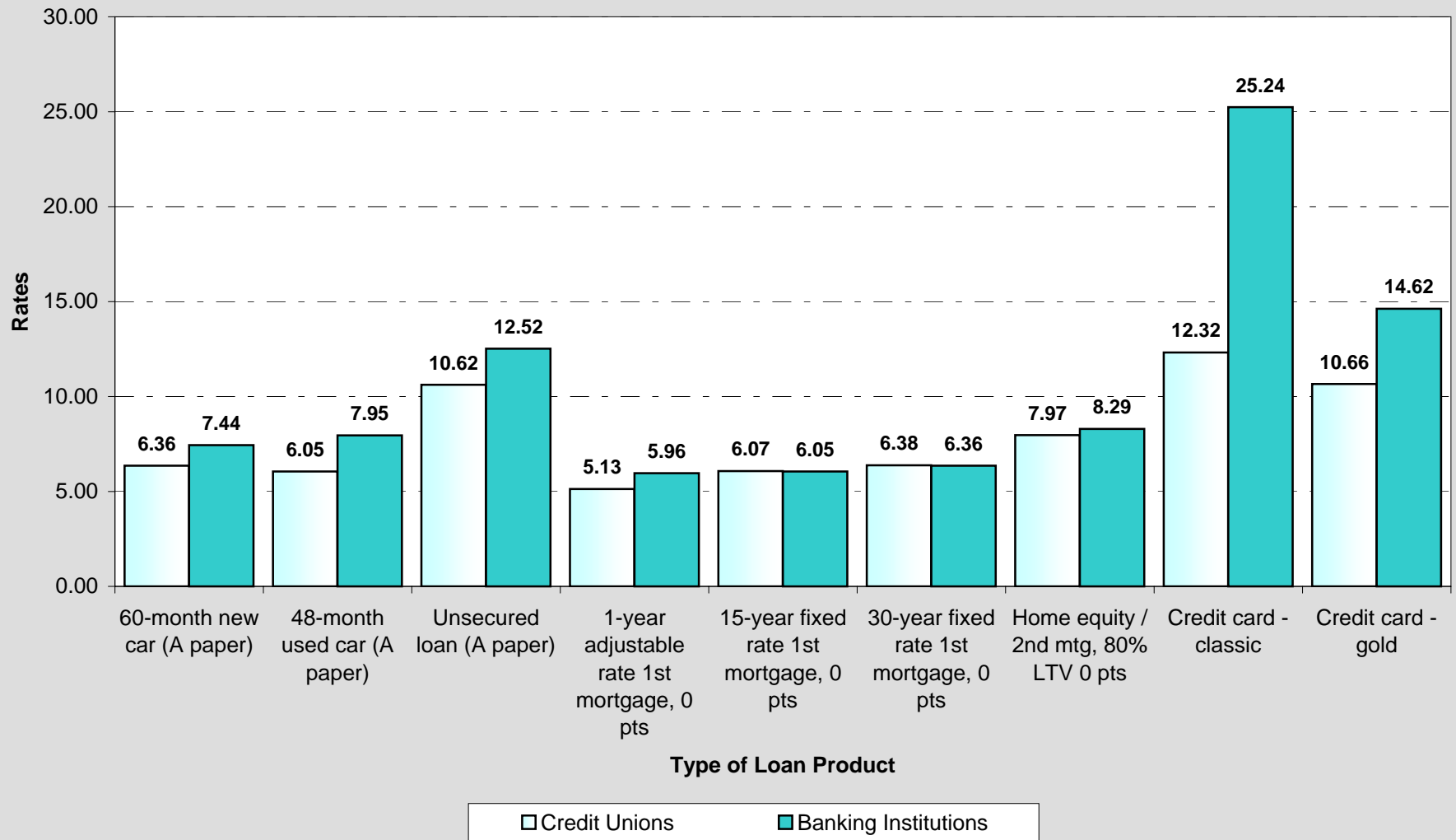
Vermont credit unions also pay members higher average dividends on the following accounts: regular savings, money market accounts, certificate accounts, IRAs.



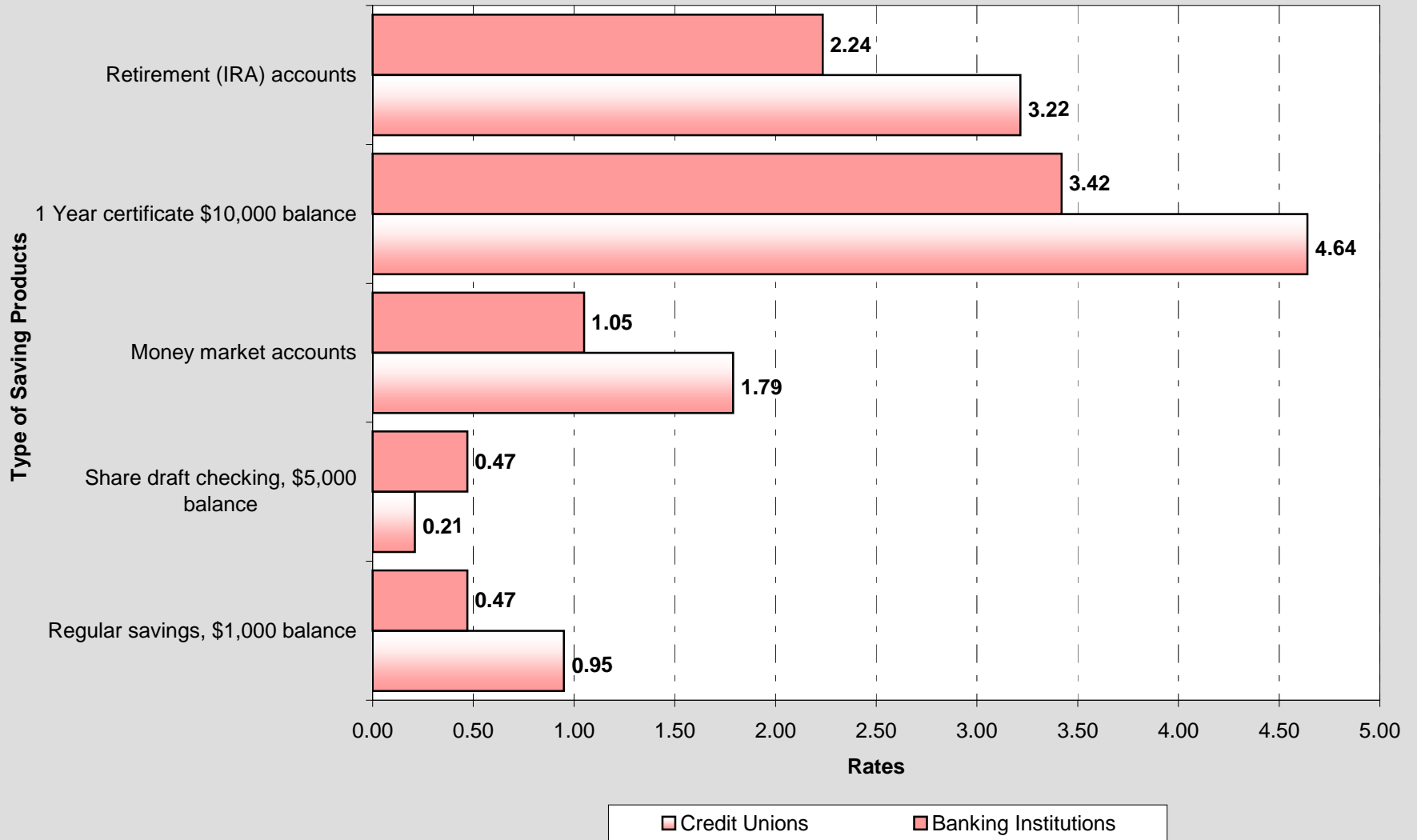
Source: Datatrac, NCUA, and CUNA.

(1) Assumes 1.9 credit union members per household.

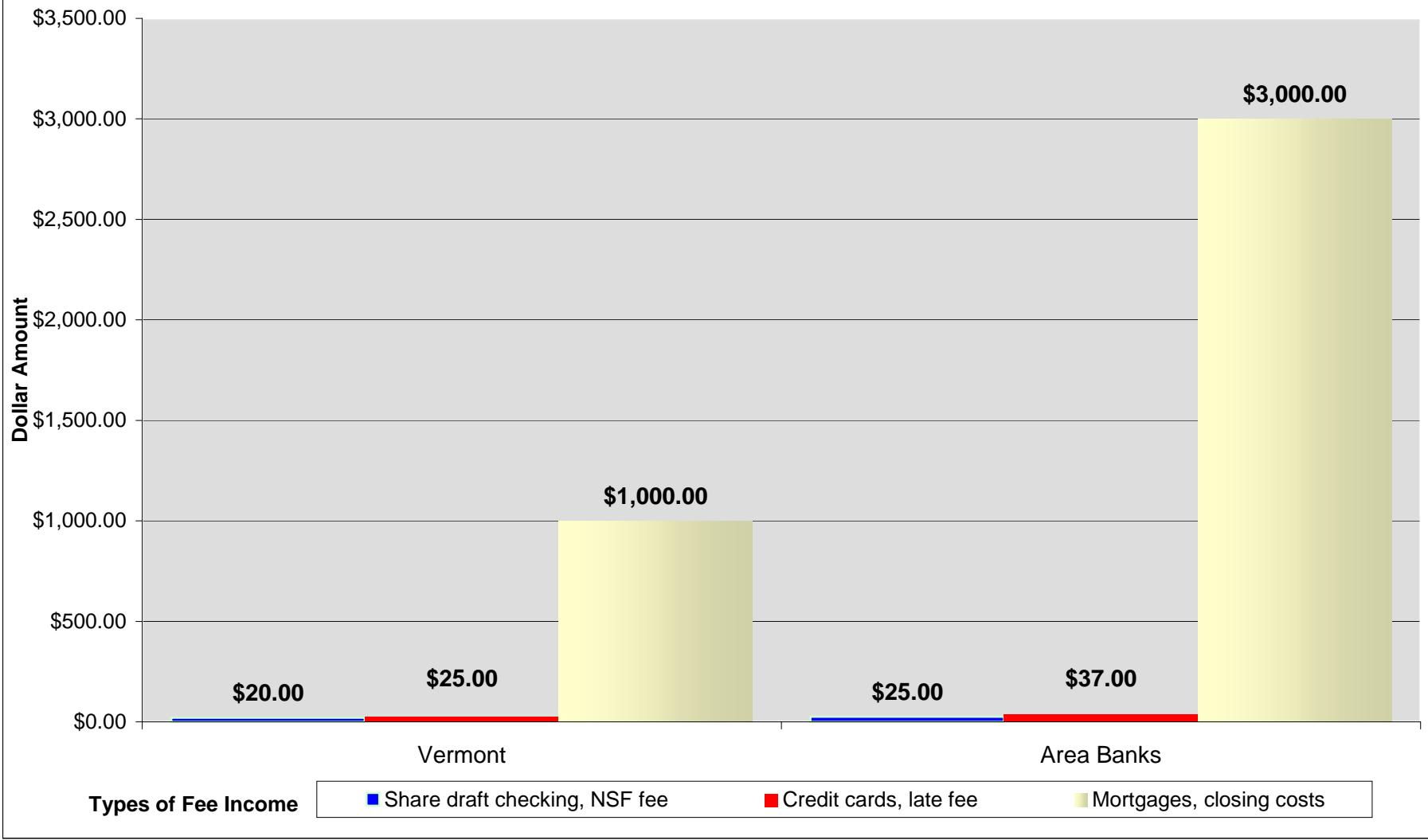
Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



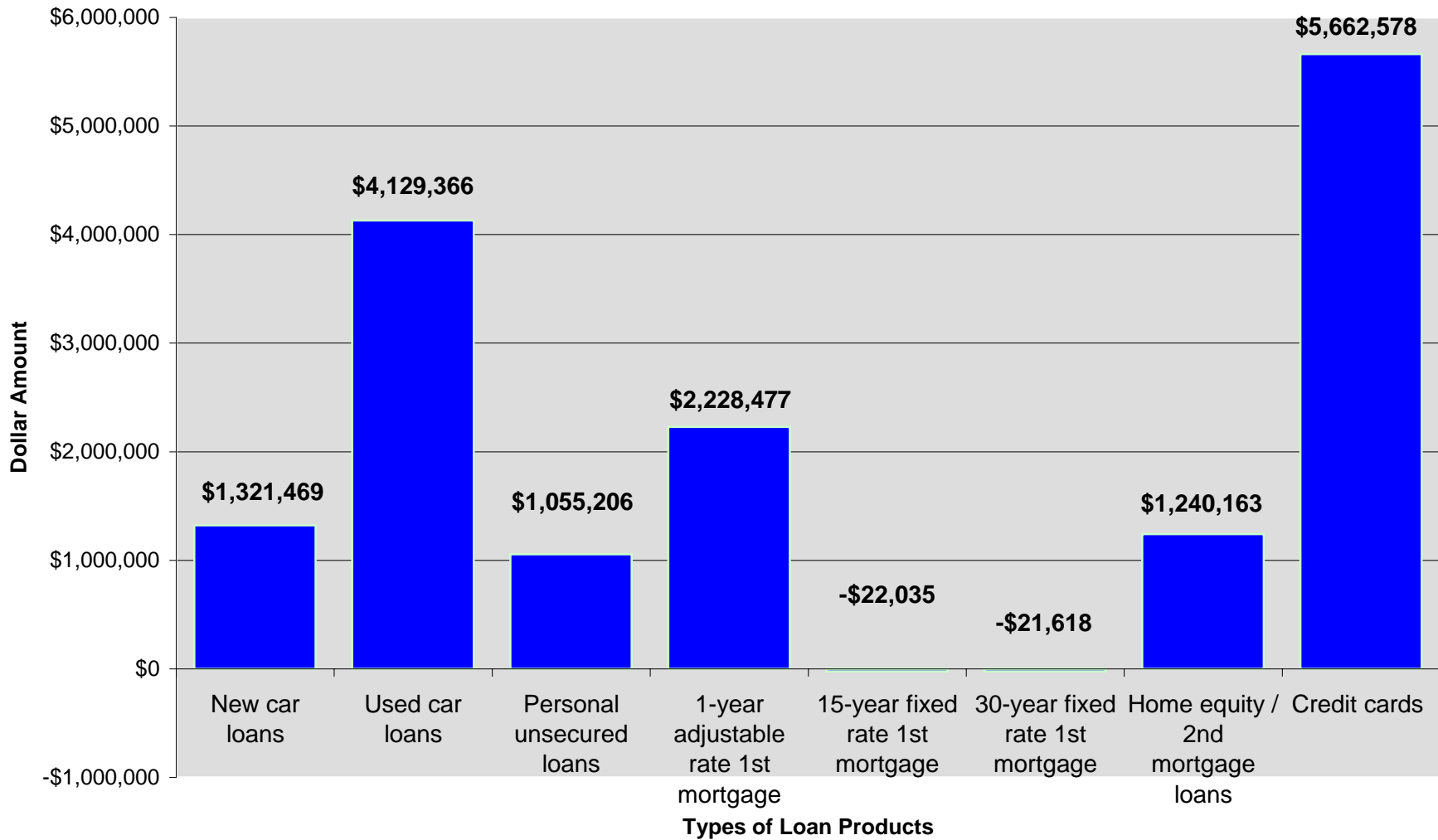
Selected Credit Union Fees compared to Banking Institutions



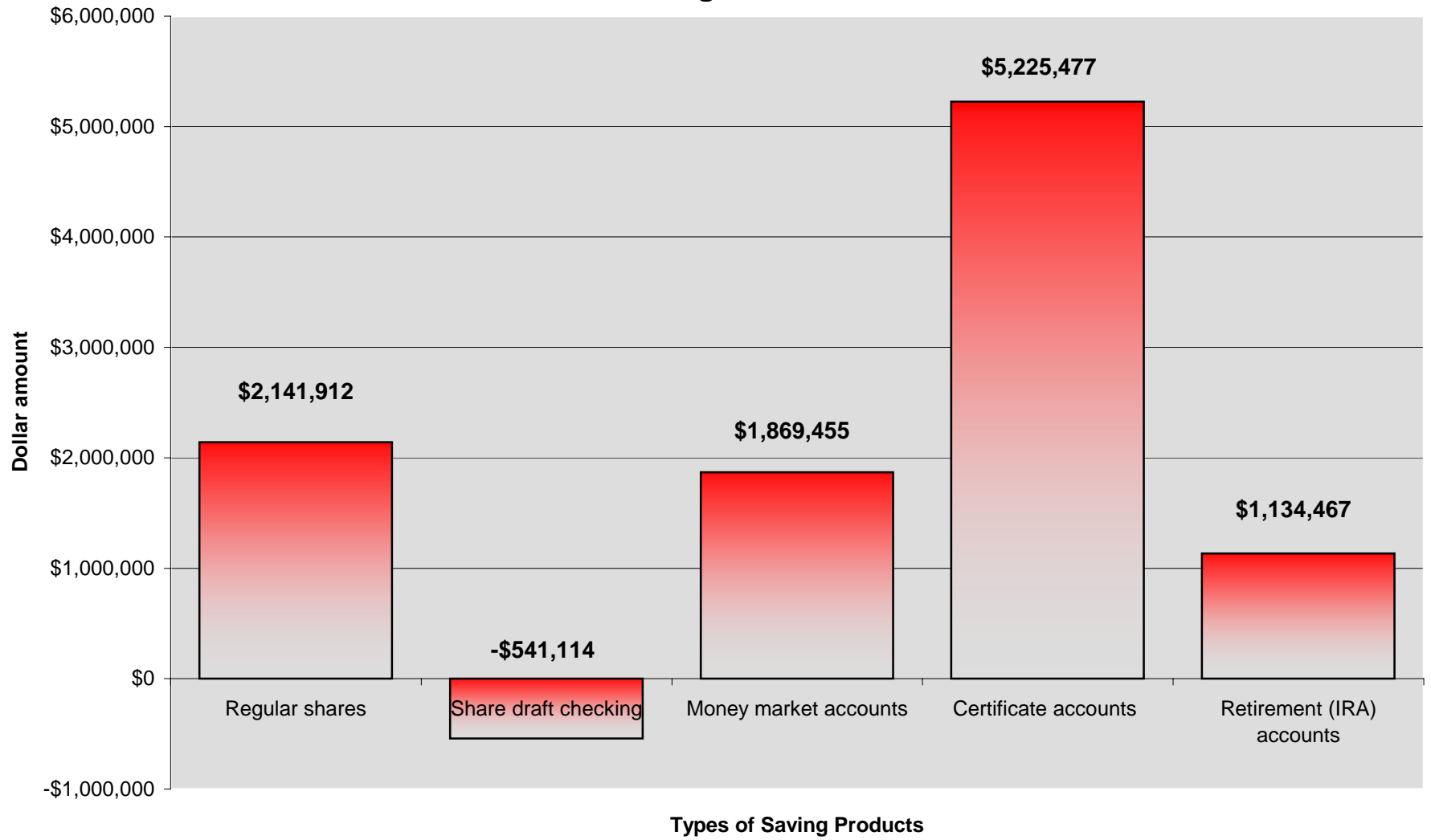
**Recent Interest Rates at Credit Unions
and
Banking Institutions in Vermont**

Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	6.36	7.44	-1.08
48-month used car (A paper)	6.05	7.95	-1.90
Unsecured loan (A paper)	10.62	12.52	-1.90
1-year adjustable rate 1st mortgage, 0 pts	5.13	5.96	-0.83
15-year fixed rate 1st mortgage, 0 pts	6.07	6.05	0.02
30-year fixed rate 1st mortgage, 0 pts	6.38	6.36	0.02
Home equity / 2nd mtg, 80% LTV 0 pts	7.97	8.29	-0.32
Credit card - classic	12.32	25.24	-12.92
Credit card - gold	10.66	14.62	-3.96
Savings Products			
Regular savings, \$1,000 balance	0.95	0.47	0.48
Share draft checking, \$5,000 balance	0.21	0.47	-0.26
Money market accounts	1.79	1.05	0.74
1 Year certificate \$10,000 balance	4.64	3.42	1.22
Retirement (IRA) accounts	3.22	2.24	0.98
Fee Income			
Share draft checking, NSF fee	\$20.00	\$25.00	-\$5.00
Credit cards, late fee	\$25.00	\$37.00	-\$12.00
Mortgages, closing costs	\$1,000.00	\$3,000.00	-\$2,000.00

Estimated Credit Union Loan Rate Benefits vs. Banking Institutions



Estimated Credit Union Savings Dividend Benefits vs. Banking Institutions



Estimated Vermont Credit Unions Financial Benefits Year-End 2007

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Vermont Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	122,358,222	-1.08	\$1,321,469
Used car loans	217,335,077	-1.90	\$4,129,366
Personal unsecured loans	55,537,178	-1.90	\$1,055,206
1-year adjustable rate 1st mortgage	268,491,183	-0.83	\$2,228,477
15-year fixed rate 1st mortgage	110,172,637	0.02	-\$22,035
30-year fixed rate 1st mortgage	108,091,877	0.02	-\$21,618
Home equity / 2nd mortgage loans	387,550,826	-0.32	\$1,240,163
Credit cards	53,020,394	-12.92	\$5,662,578
Interest rebates in period			\$316
Total CU member benefits arising from lower interest rates on loan products:			\$15,593,922
<u>Savings</u>			
Regular shares	446,231,704	0.48	\$2,141,912
Share draft checking	208,120,900	-0.26	-\$541,114
Money market accounts	252,629,020	0.74	\$1,869,455
Certificate accounts	428,317,808	1.22	\$5,225,477
Retirement (IRA) accounts	115,761,947	0.98	\$1,134,467
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$9,830,197
<u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$9,744,709
Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$35,168,828
Total CU member benefit / member:			\$127
Total CU member benefit / member household:			\$242

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;

**Vermont
Performance Profile**

Demographic Information	Dec-07	Dec-06
Number of branches	70	69
Total assets (\$ mil)	1,869,032,122	1,734,861,884
Total loans (\$ mil)	1,444,612,531	1,388,905,994
Total surplus funds (\$ mil)	337,870,682	261,919,068
Total savings (\$ mil)	1,539,526,272	1,420,950,423
Total members (thousands)	277,888	274,623
Growth Rates		
Total assets	7.7 %	5.1 %
Total loans	4.0 %	8.7 %
Total surplus funds	29.0 %	-9.8 %
Total savings	8.3 %	3.4 %
Total members	1.2 %	1.5 %
Earnings - Basis Pts.		
Yield on total assets	604	576
- Dividend/interest cost of assets	246	205
+ Fee & other income	152	141
- Operating expense	408	409
- Loss Provisions	21	21
= Net Income (ROA)	81	83
Capital adequacy		
Net worth / assets	11.1	11.1
Asset quality		
Delinquencies / loans	0.7	0.5
Net chargeoffs / average loans	0.2	0.3
Total borrower-bankruptcies	8	4
Bankruptcies per 1000 members	0.9	0.5
Asset/Liability Management		
Loans / savings	93.8	97.7
Loans / assets	77.3	80.1
Long-term assets / assets	31.0	28.0
Core deposits/shares & borrowings	40.0	44.4
Productivity		
Members/potential members	17.5	17.9
Borrowers/members	49.3	49.2
Members/FTE	383	391
Average shares/members (\$)	5,540	5,174
Average loan balances (\$)	10,538	10,286
Salary & Benefits/FTE	54,227	51,607