

The Benefits of Membership

Customized Analysis of Member Benefits For:

Vermont

December 2008

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 \$31,738,744 in direct financial benefits to the state's 279,250 members during the twelve months ending December 2008.

These benefits are equivalent to \$114 per member or \$216 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 \$166 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-fixed rate, first mortgage-adjustable rate, home equity loans, credit cards loans.

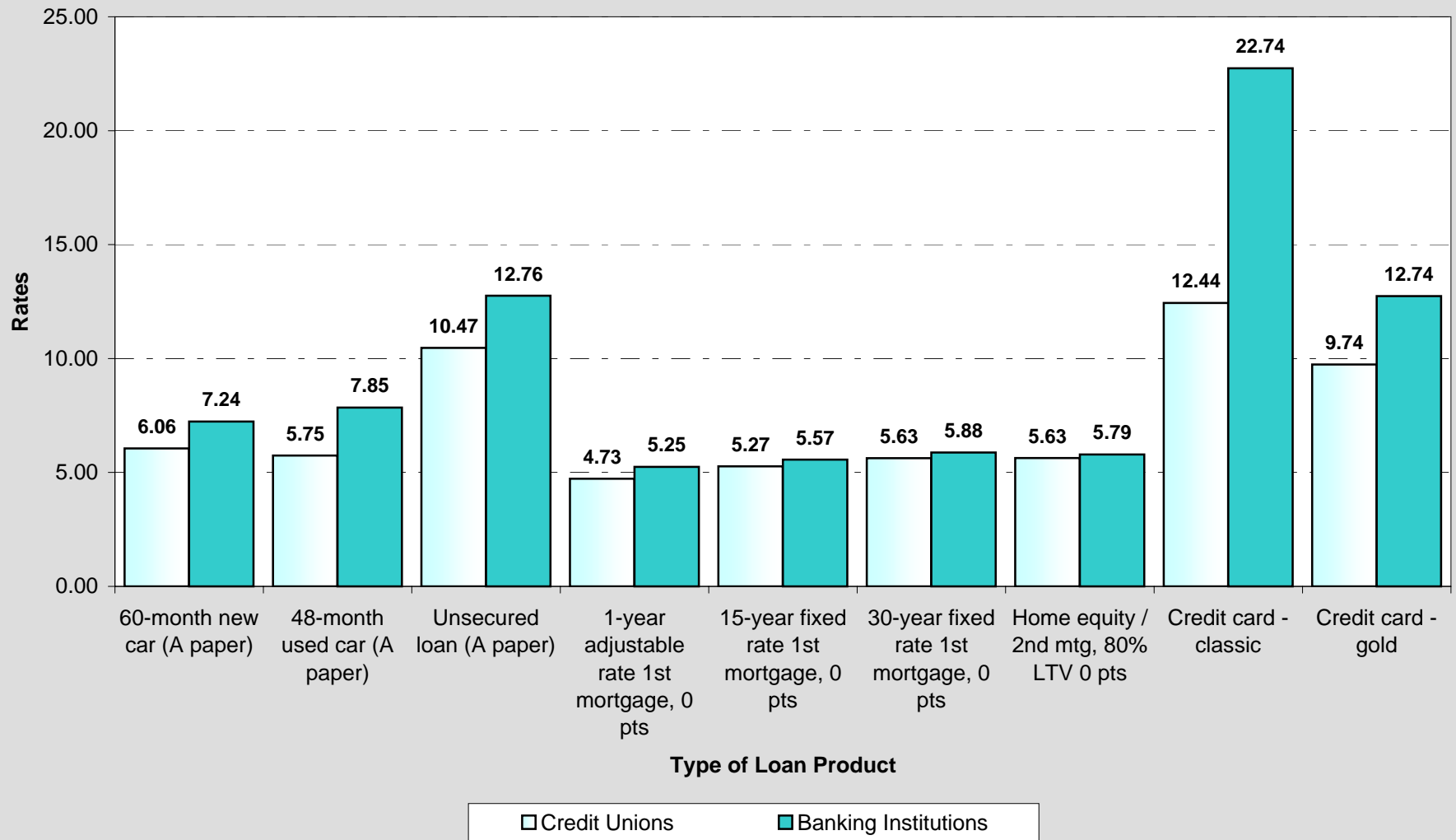
Vermont credit unions also pay members higher average dividends on the following accounts: regular savings, money market accounts, certificate accounts, IRAs.



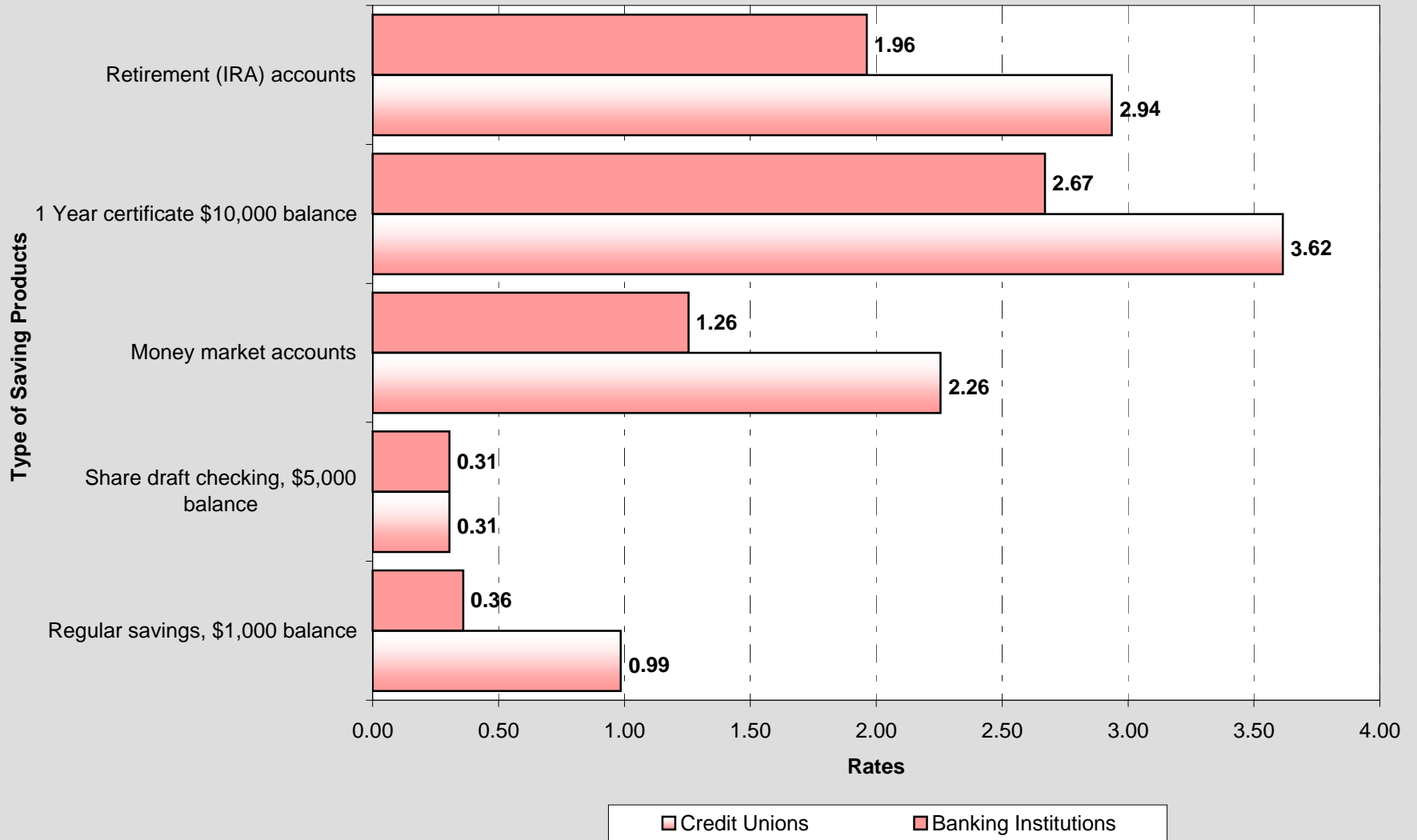
Source: Datatrac, NCUA, and CUNA.

(1) Assumes 1.9 credit union members per household.

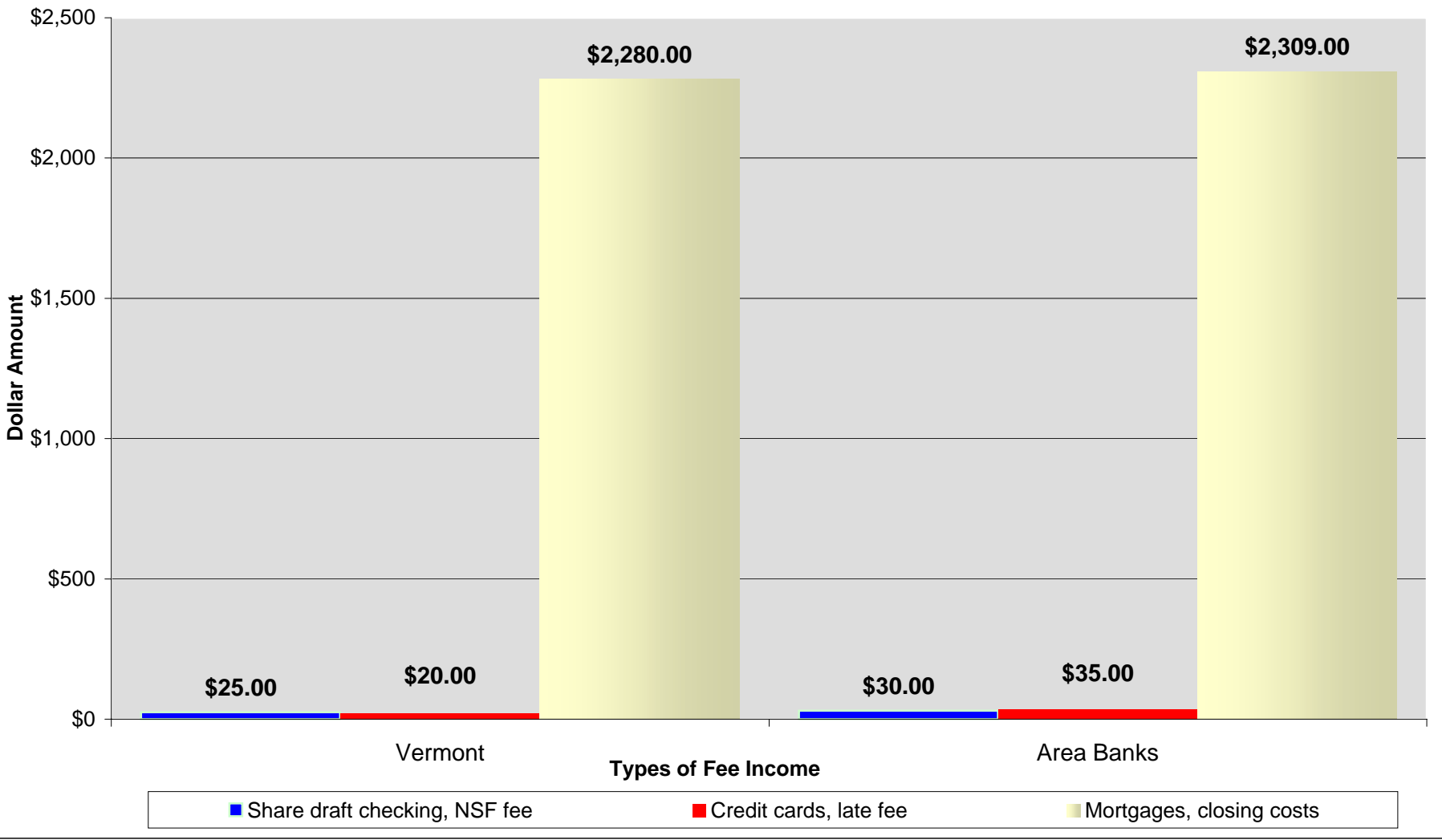
Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



Selected 2008 Credit Union Fees compared to Banking Institutions

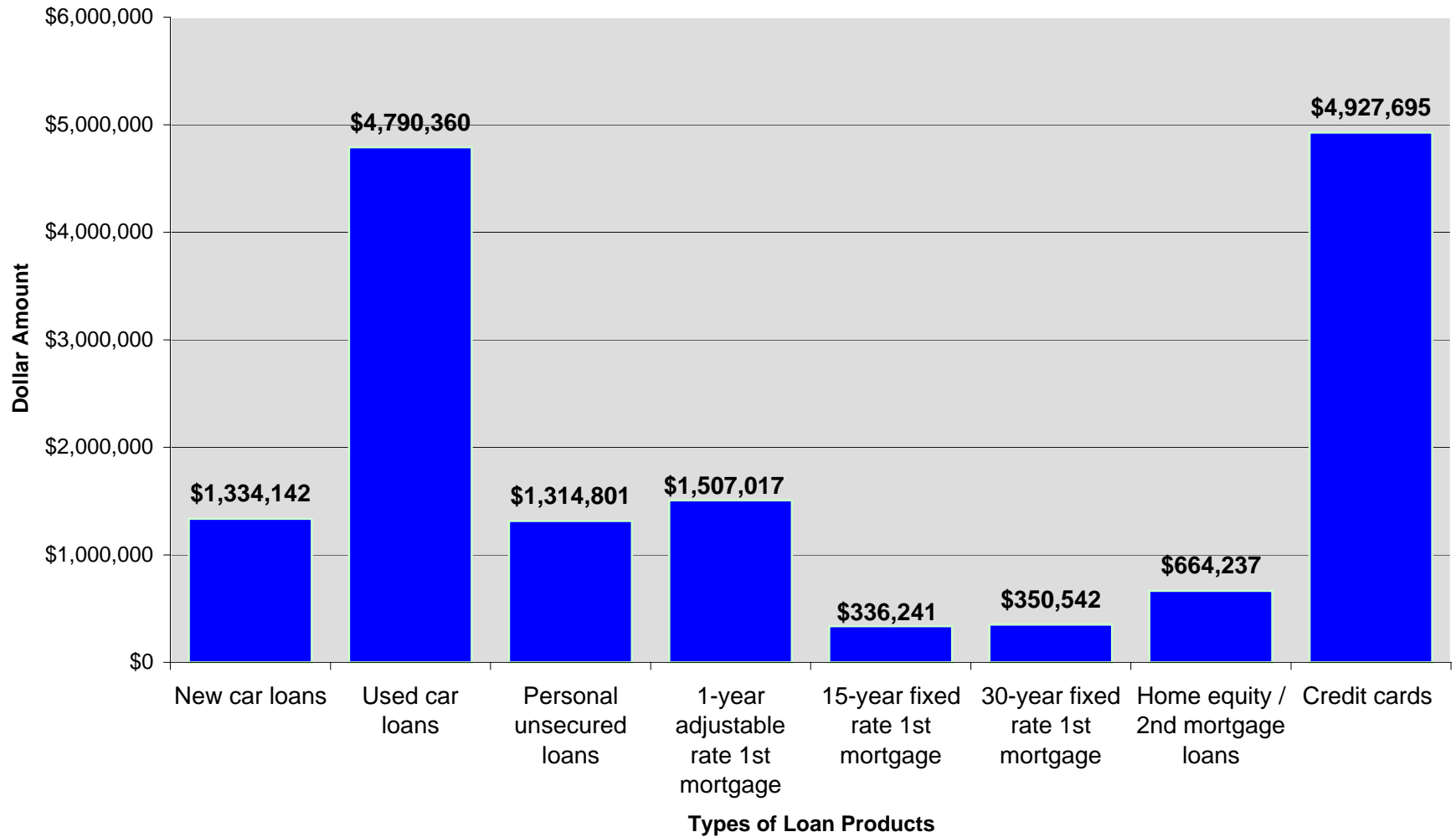


Vermont
Credit Union and Banking Institution
2008 Average Interest Rates and Fees

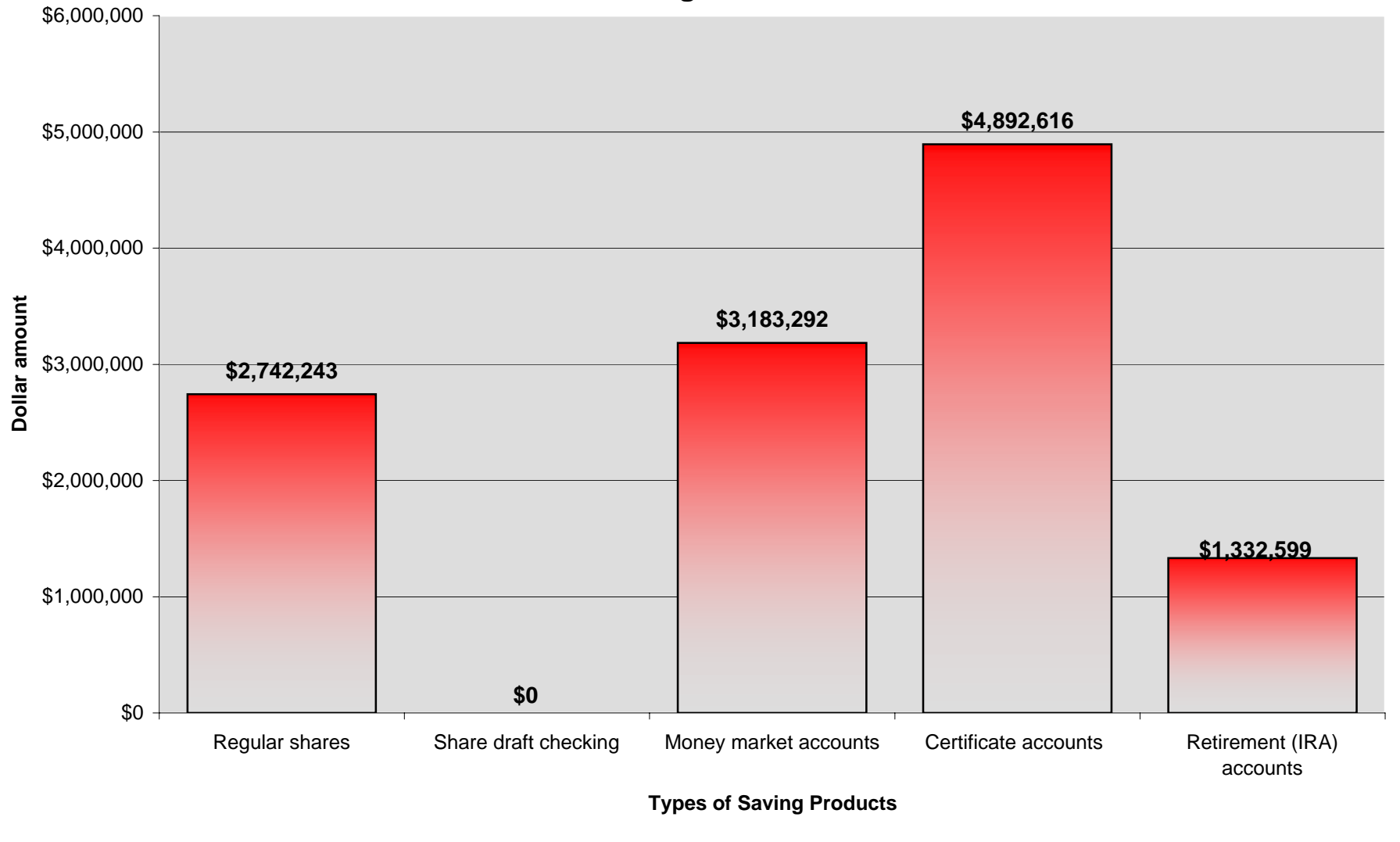
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	6.06	7.24	-1.18
48-month used car (A paper)	5.75	7.85	-2.10
Unsecured loan (A paper)	10.47	12.76	-2.29
1-year adjustable rate 1st mortgage, 0 pts	4.73	5.25	-0.52
15-year fixed rate 1st mortgage, 0 pts	5.27	5.57	-0.30
30-year fixed rate 1st mortgage, 0 pts	5.63	5.88	-0.25
Home equity / 2nd mtg, 80% LTV 0 pts	5.63	5.79	-0.16
Credit card - classic	12.44	22.74	-10.30
Credit card - gold	9.74	12.74	-3.00
Savings Products			
Regular savings, \$1,000 balance	0.99	0.36	0.63
Share draft checking, \$5,000 balance	0.31	0.31	0.00
Money market accounts	2.26	1.26	1.00
1 Year certificate \$10,000 balance	3.62	2.67	0.95
Retirement (IRA) accounts	2.94	1.96	0.97
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 Vermont Credit Unions Financial Benefits 2008

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Vermont Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	113,062,856	-1.18	\$1,334,142
Used car loans	228,112,391	-2.10	\$4,790,360
Personal unsecured loans	57,414,899	-2.29	\$1,314,801
1-year adjustable rate 1st mortgage	289,811,051	-0.52	\$1,507,017
15-year fixed rate 1st mortgage	113,980,013	-0.30	\$336,241
30-year fixed rate 1st mortgage	140,216,731	-0.25	\$350,542
Home equity / 2nd mortgage loans	415,148,155	-0.16	\$664,237
Credit cards	58,143,899	-10.30	\$4,927,695
Interest rebates in period			\$0
Total CU member benefits arising from lower interest rates on loan products:			\$15,225,036
 <u>Savings</u>			
Regular shares	438,758,852	0.63	\$2,742,243
Share draft checking	222,709,242	0.00	\$0
Money market accounts	318,329,202	1.00	\$3,183,292
Certificate accounts	517,737,192	0.95	\$4,892,616
Retirement (IRA) accounts	137,028,151	0.97	\$1,332,599
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$12,150,750
 <u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$4,362,958
 Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$31,738,744
 Total CU member benefit / member:			\$114
Total CU member benefit / member household:			\$216

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;

**Vermont
Performance Profile**

Demographic Information	Dec-08	Dec-07
Number of branches	70	70
Total assets (\$ mil)	2,185	1,869
Total loans (\$ mil)	1,586	1,445
Total surplus funds (\$ mil)	512	338
Total savings (\$ mil)	1,783	1,540
Total members (thousands)	282	278
Growth Rates		
Total assets	17.0 %	7.7 %
Total loans	9.9 %	4.0 %
Total surplus funds	51.7 %	29.0 %
Total savings	15.9 %	8.3 %
Total members	1.7 %	1.2 %
Earnings - Basis Pts.		
Yield on total assets	568	604
- Dividend/interest cost of assets	244	246
+ Fee & other income	130	152
- Operating expense	378	408
- Loss Provisions	25	21
= Net Income (ROA)	51	81
Capital adequacy		
Net worth / assets	9.9	11.1
Asset quality		
Delinquencies / loans	0.8	0.7
Net chargeoffs / average loans	0.3	0.2
Total borrower-bankruptcies	10	8
Bankruptcies per 1000 members	1.1	0.9
Asset/Liability Management		
Loans / savings	88.9	93.8
Loans / assets	72.6	77.3
Long-term assets / assets	31.2	31.0
Core deposits/shares & borrowings	36.1	40.0
Productivity		
Members/potential members	17.7	17.5
Borrowers/members	50.0	49.3
Members/FTE	383	383
Average shares/members (\$)	6,333	5,540
Average loan balances (\$)	11,263	10,538
Salary & Benefits/FTE	56,551	54,227