

# ***The Benefits of Membership***

*Customized Analysis of Member Benefits For:*

## **West Virginia**

*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.

# West 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 West Virginia credit unions provided \$27,982,857 in direct financial benefits to the state's 396,823 members during the twelve months ending December 2007.

**These benefits are equivalent to \$71 per member or \$134 per member household <sup>(1)</sup>.**

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

Consider this:

**Financing a \$25,000 new automobile for 60 months at a West Virginia credit union will save members an average \$184 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.

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

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

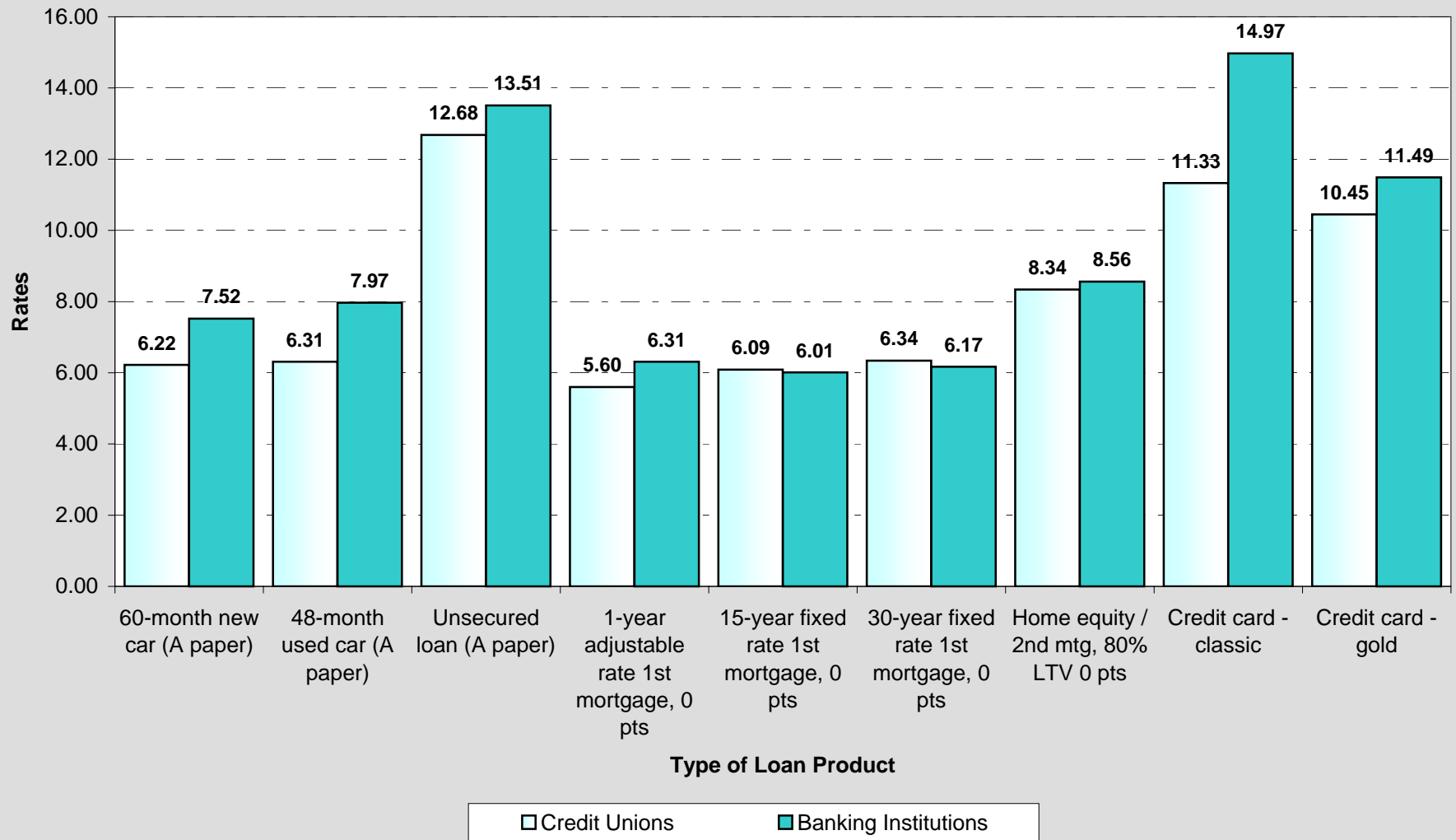


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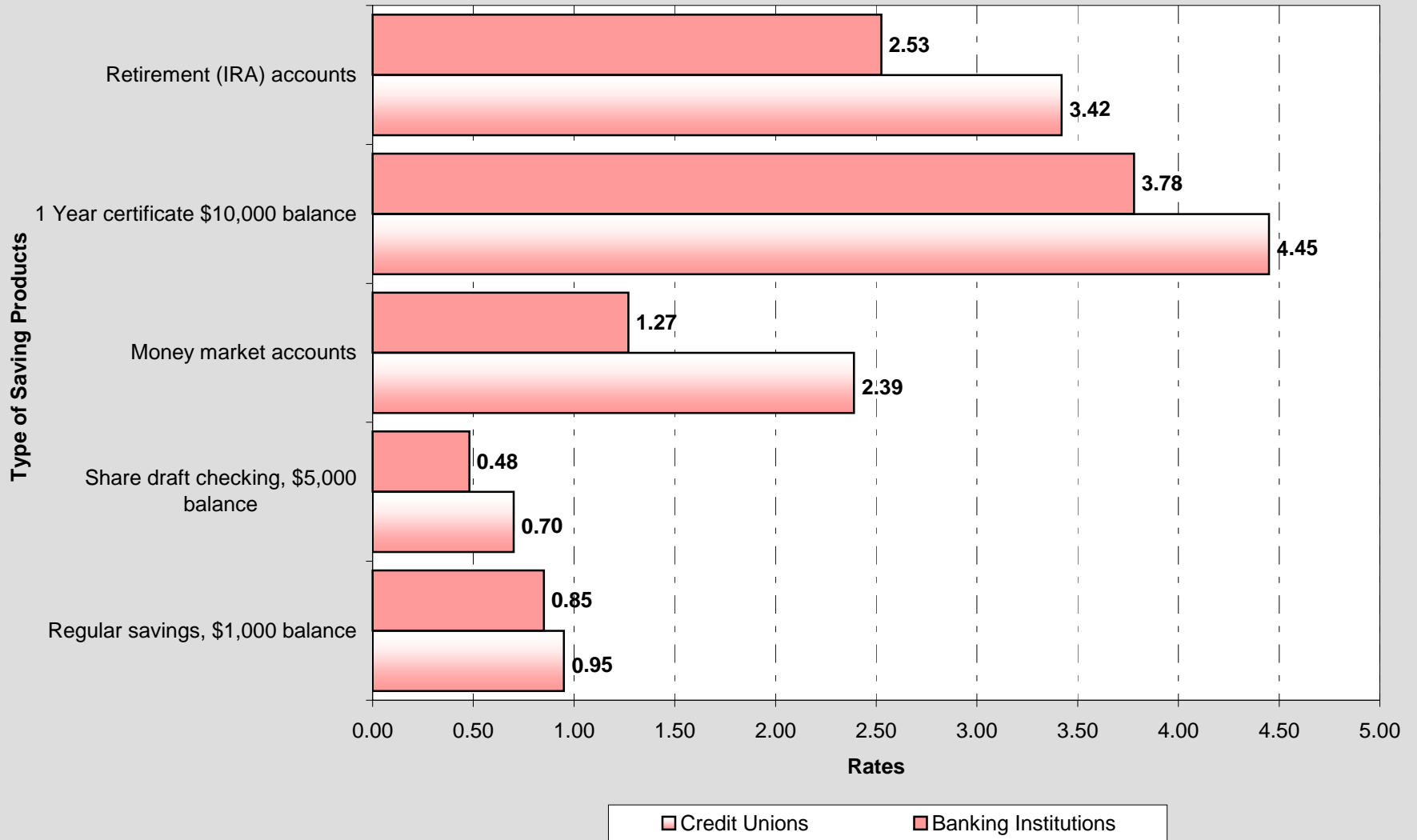
Source: Datatrac, NCUA, and CUNA.

(1) Assumes 1.9 credit union members per household.

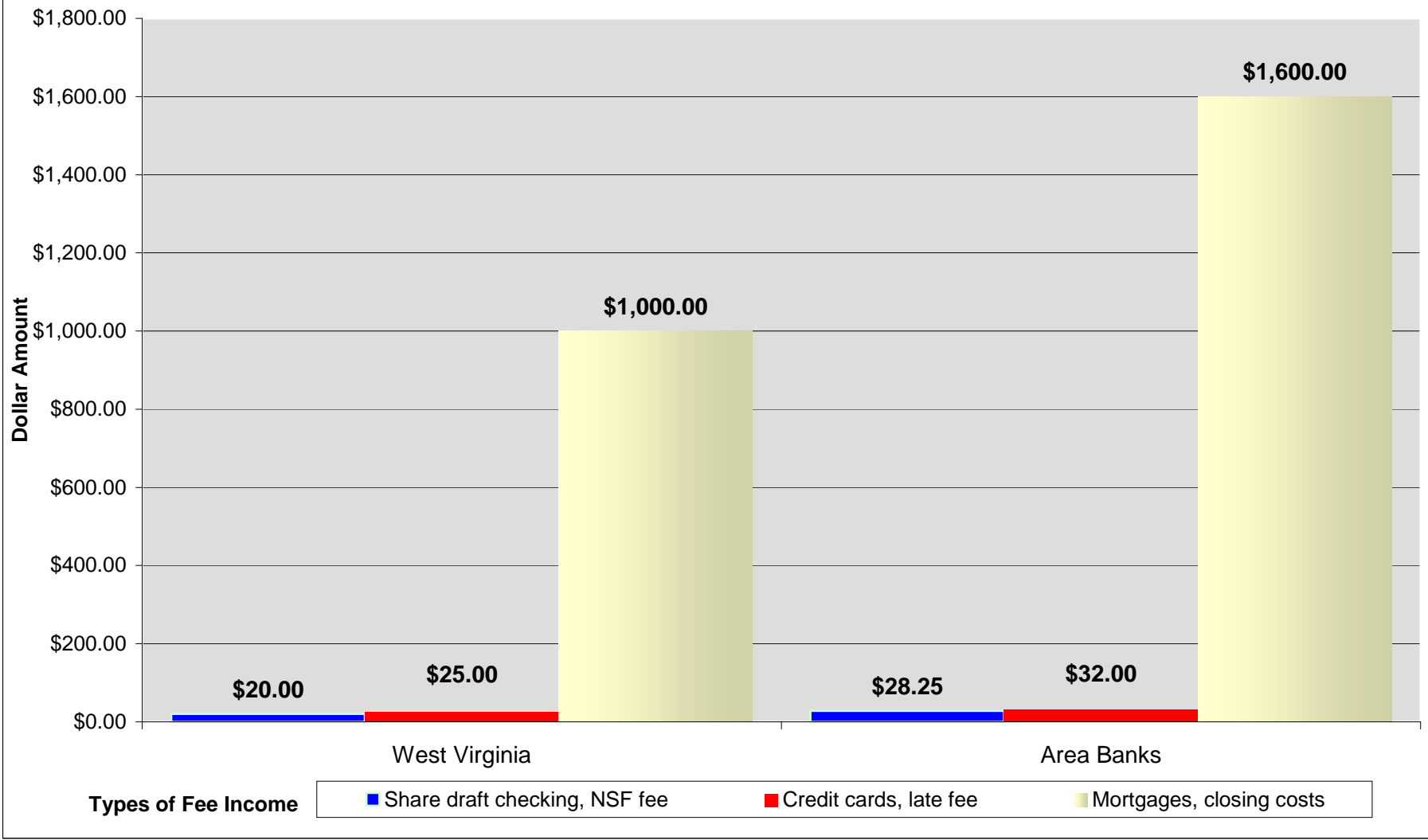
## Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



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



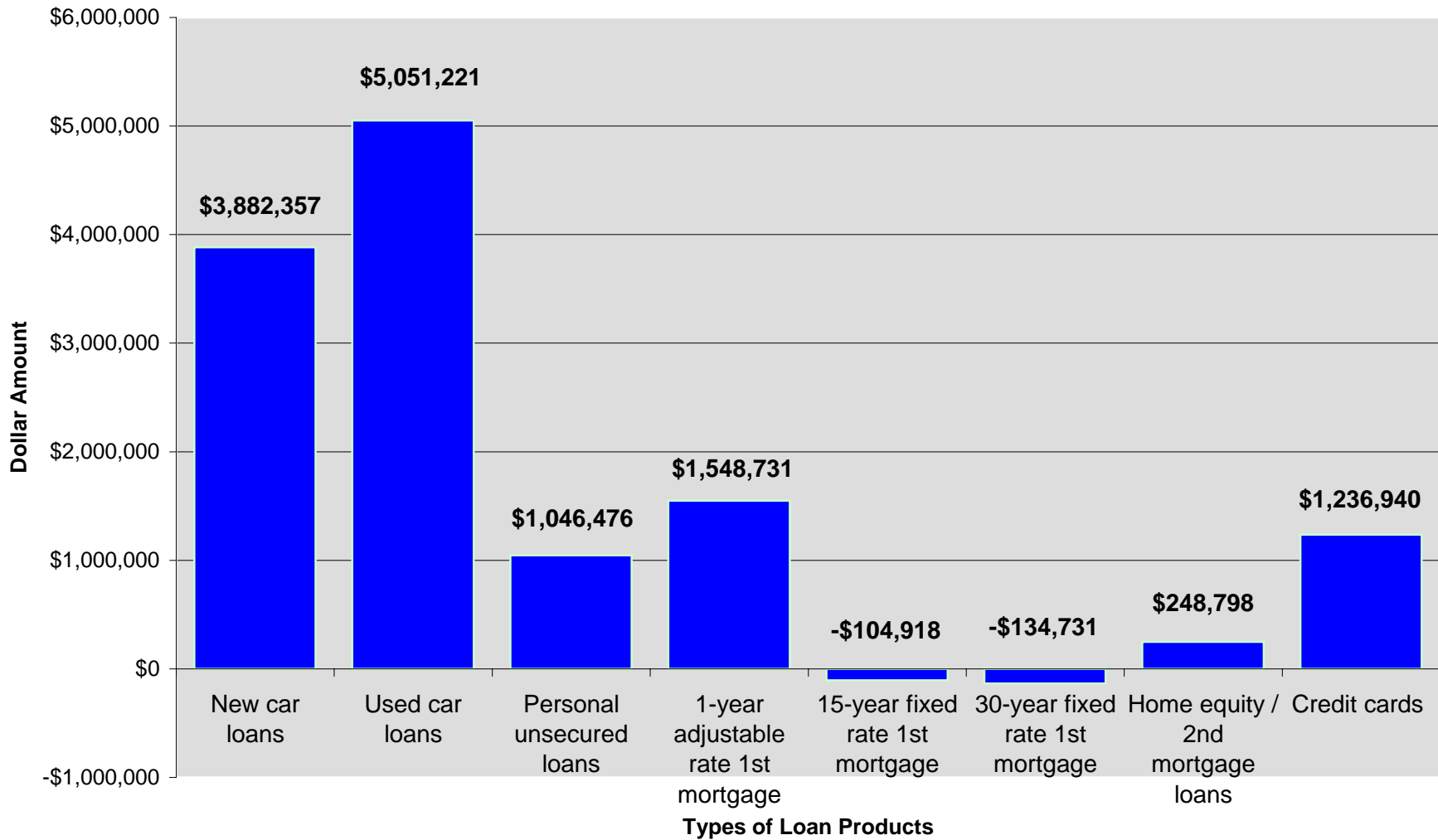
## Selected Credit Union Fees compared to Banking Institutions



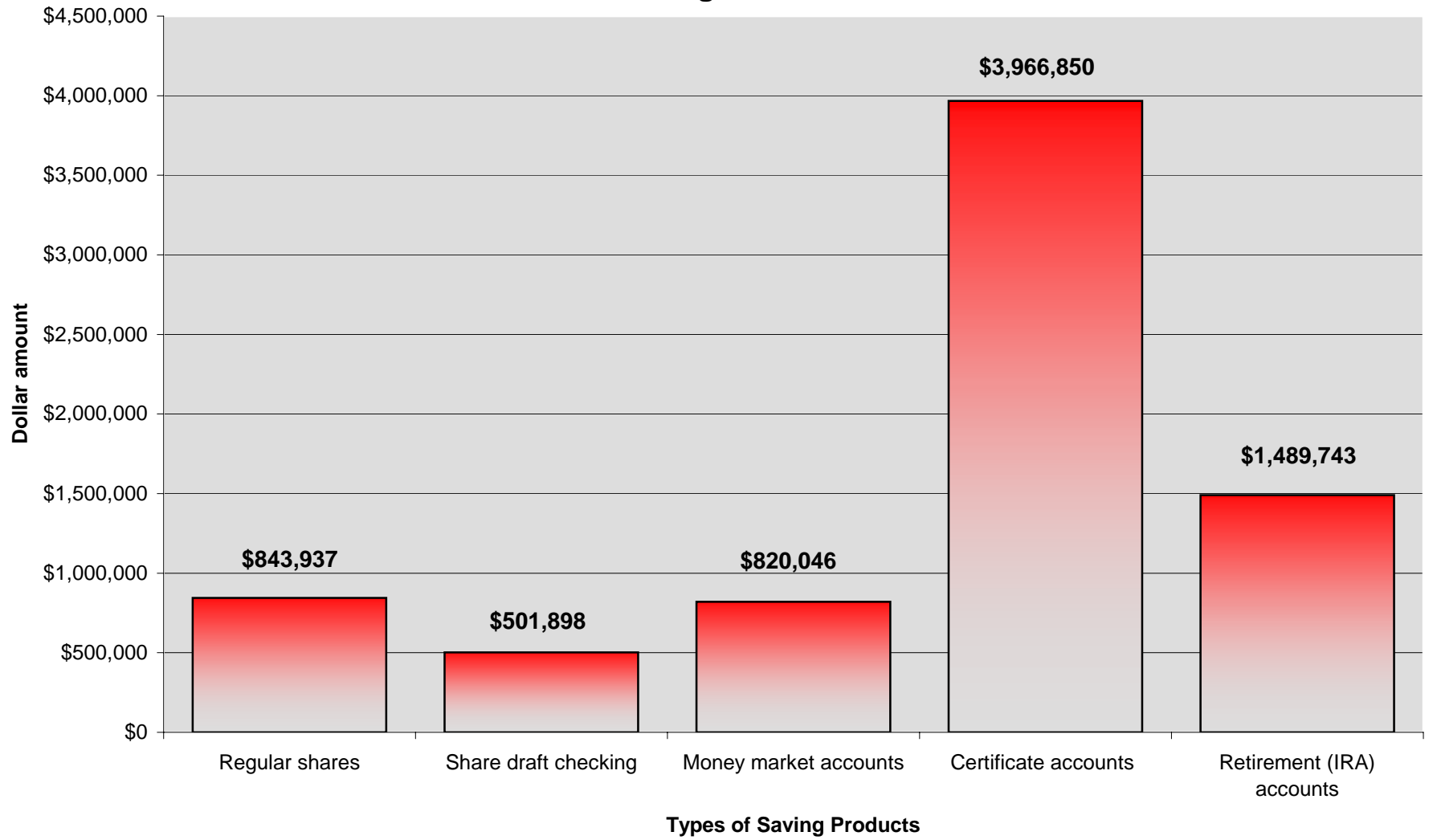
**Recent Interest Rates at Credit Unions  
and  
Banking Institutions in West Virginia**

<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)	6.22	7.52	-1.30
48-month used car (A paper)	6.31	7.97	-1.66
Unsecured loan (A paper)	12.68	13.51	-0.83
1-year adjustable rate 1st mortgage, 0 pts	5.60	6.31	-0.71
15-year fixed rate 1st mortgage, 0 pts	6.09	6.01	0.08
30-year fixed rate 1st mortgage, 0 pts	6.34	6.17	0.17
Home equity / 2nd mtg, 80% LTV 0 pts	8.34	8.56	-0.22
Credit card - classic	11.33	14.97	-3.64
Credit card - gold	10.45	11.49	-1.04
<b>Savings Products</b>			
Regular savings, \$1,000 balance	0.95	0.85	0.10
Share draft checking, \$5,000 balance	0.70	0.48	0.22
Money market accounts	2.39	1.27	1.12
1 Year certificate \$10,000 balance	4.45	3.78	0.67
Retirement (IRA) accounts	3.42	2.53	0.90
<b>Fee Income</b>			
Share draft checking, NSF fee	\$20.00	\$28.25	-\$8.25
Credit cards, late fee	\$25.00	\$32.00	-\$7.00
Mortgages, closing costs	\$1,000.00	\$1,600.00	-\$600.00

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



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



## Estimated West Virginia Credit Unions Financial Benefits Year-End 2007

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. West Virginia Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	298,642,872	-1.30	\$3,882,357
Used car loans	304,290,434	-1.66	\$5,051,221
Personal unsecured loans	126,081,414	-0.83	\$1,046,476
1-year adjustable rate 1st mortgage	218,131,159	-0.71	\$1,548,731
15-year fixed rate 1st mortgage	131,147,782	0.08	-\$104,918
30-year fixed rate 1st mortgage	79,253,466	0.17	-\$134,731
Home equity / 2nd mortgage loans	113,090,198	-0.22	\$248,798
Credit cards	41,369,230	-3.64	\$1,236,940
Interest rebates in period			\$8,744
<b>Total CU member benefits arising from lower interest rates on loan products:</b>			<b>\$12,783,619</b>
<u>Savings</u>			
Regular shares	843,937,278	0.10	\$843,937
Share draft checking	228,135,442	0.22	\$501,898
Money market accounts	73,218,350	1.12	\$820,046
Certificate accounts	592,067,175	0.67	\$3,966,850
Retirement (IRA) accounts	166,451,686	0.90	\$1,489,743
Bonus dividends in period			\$0
<b>Total CU member benefit arising from higher interest rates on saving products:</b>			<b>\$7,622,473</b>
<u>Fee Income</u>			
<b>Total CU member benefit arising from fewer/lower fees:</b>			<b>\$7,576,765</b>
<b>Total CU member benefit arising from interest rates on loan and savings products and lower fees:</b>			<b>\$27,982,857</b>
<b>Total CU member benefit / member:</b>			<b>\$71</b>
<b>Total CU member benefit / member household:</b>			<b>\$134</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;

**West Virginia  
Performance Profile**

<b>Demographic Information</b>	<b>Dec-07</b>	<b>Dec-06</b>
Number of branches	169	164
Total assets (\$ mil)	2,294,869,934	2,213,604,175
Total loans (\$ mil)	1,434,520,304	1,407,352,275
Total surplus funds (\$ mil)	759,683,350	709,120,455
Total savings (\$ mil)	1,947,150,433	1,880,581,241
Total members (thousands)	398,211	397,564
<b>Growth Rates</b>		
Total assets	3.9 %	1.3 %
Total loans	2.2 %	0.7 %
Total surplus funds	7.3 %	2.0 %
Total savings	3.8 %	1.2 %
Total members	0.7 %	-0.4 %
<b>Earnings - Basis Pts.</b>		
Yield on total assets	613	572
- Dividend/interest cost of assets	232	194
+ Fee & other income	110	93
- Operating expense	391	380
- Loss Provisions	24	39
= Net Income (ROA)	76	51
<b>Capital adequacy</b>		
Net worth / assets	13.6	13.4
<b>Asset quality</b>		
Delinquencies / loans	1.1	1.1
Net chargeoffs / average loans	0.4	0.6
Total borrower-bankruptcies	5	4
Bankruptcies per 1000 members	1.3	1.2
<b>Asset/Liability Management</b>		
Loans / savings	73.7	74.8
Loans / assets	62.5	63.6
Long-term assets / assets	20.1	19.0
Core deposits/shares & borrowings	54.1	57.0
<b>Productivity</b>		
Members/potential members	11.2	11.1
Borrowers/members	39.9	40.8
Members/FTE	379	386
Average shares/members (\$)	4,890	4,730
Average loan balances (\$)	9,025	8,683
Salary & Benefits/FTE	41,792	40,826