

# ***The Benefits of Membership***

*Customized Analysis of Member Benefits For:*

**Arizona**

***December 2011***

*Prepared by:*

***Credit Union National Association  
Economics and Statistics Department***



# Arizona

## ***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 Arizona credit unions provided \$70,840,128 in direct financial benefits to the state's 1,432,426 members during the twelve months ending December 2011.

**These benefits are equivalent to \$49 per member or \$94 per member household <sup>(1)</sup>.**

Estimated total benefits of credit union membership are calculated by accounting for differences in credit union and bank pricing. Specifically, average credit union savings account yields, loan interest rates and fees are compared to average bank savings account yields, loan interest rates and fees. The interest rate differences are then applied to respective average credit union loan and savings balances. Fee differences are weighted and applied to credit union non-interest income to obtain the total estimated benefits arising from fees.

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

Consider this:

**Financing a \$25,000 new automobile for 60 months at a Arizona credit union will save members an average \$112 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.

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

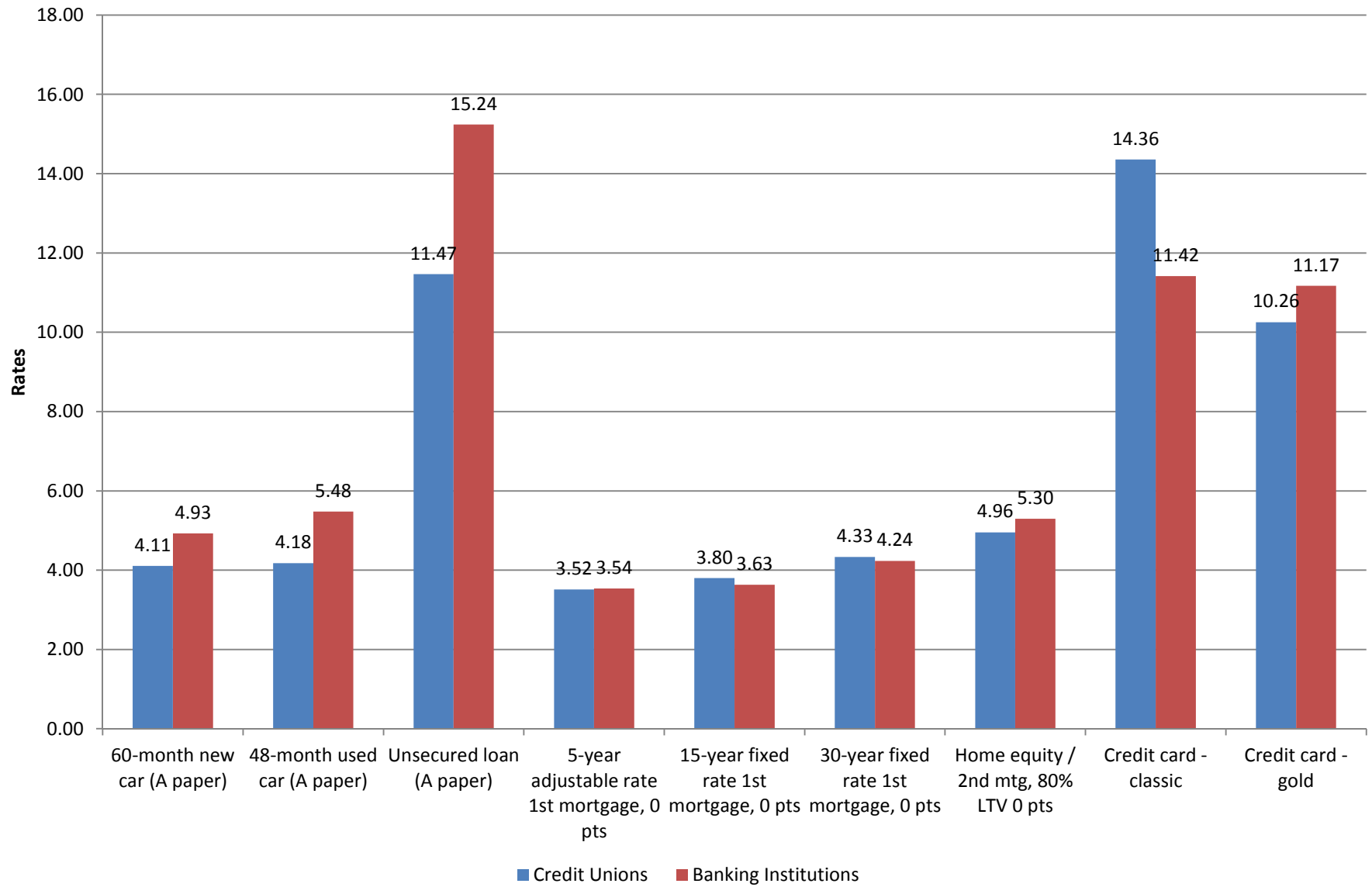
Arizona credit unions also pay members higher average dividends on the following accounts: .



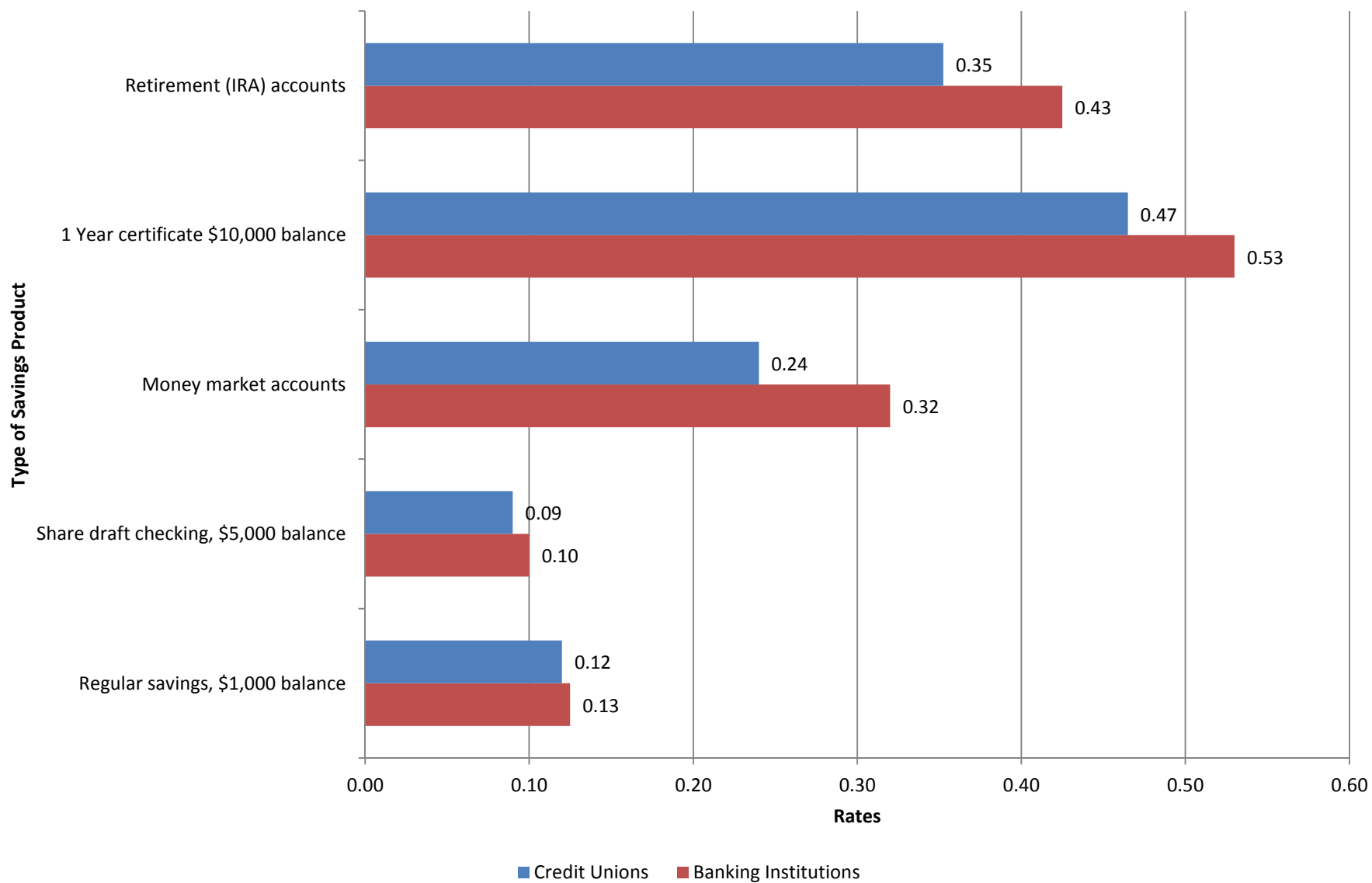
---

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 Savings Products Credit Unions vs. Banking Institutions



# Selected December 2011 Fees Credit Unions vs Banking Institutions

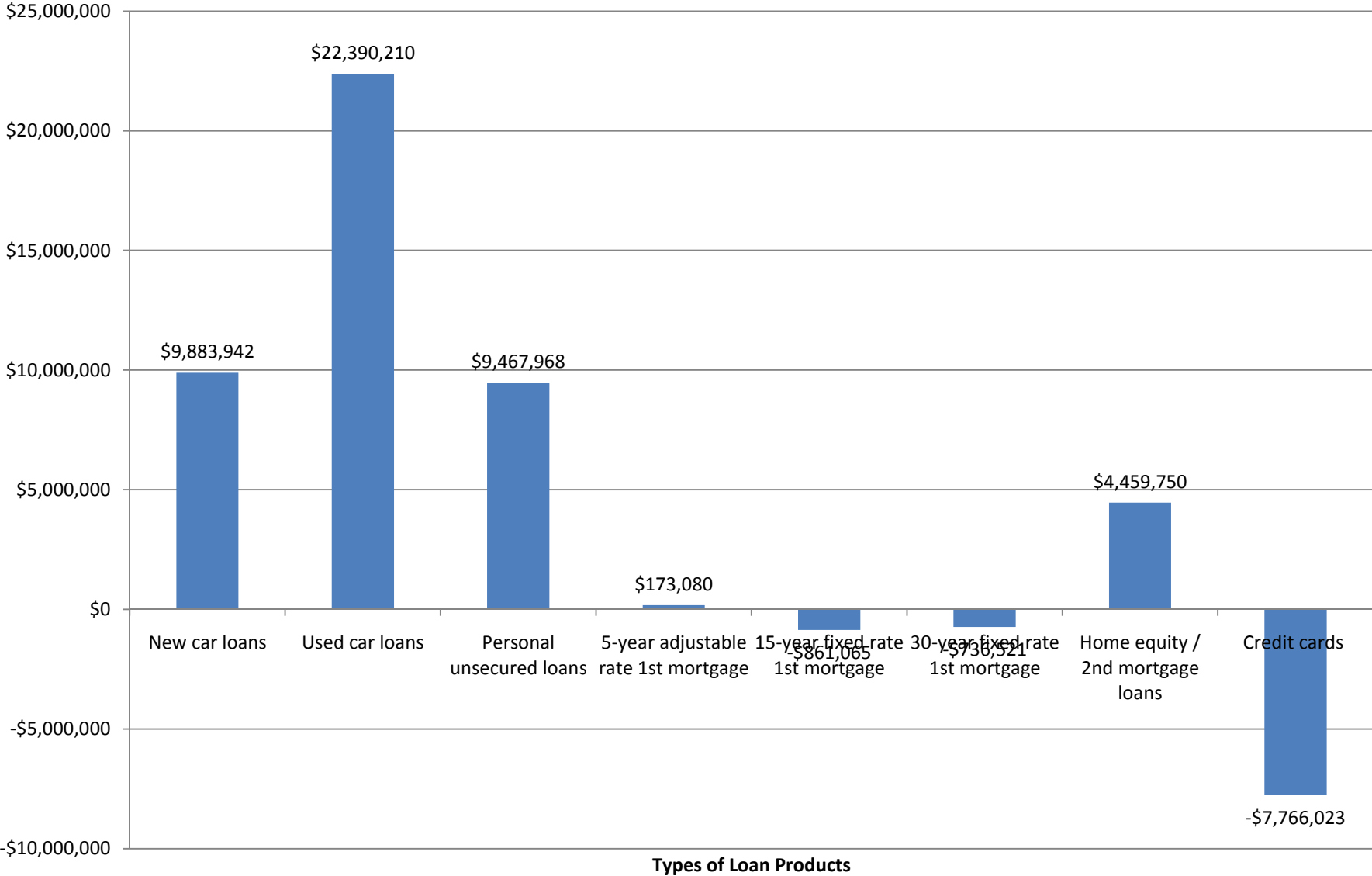


**Arizona**  
**Credit Union and Banking Institution**  
**Year-end 2011 Average Interest Rates and Fees**

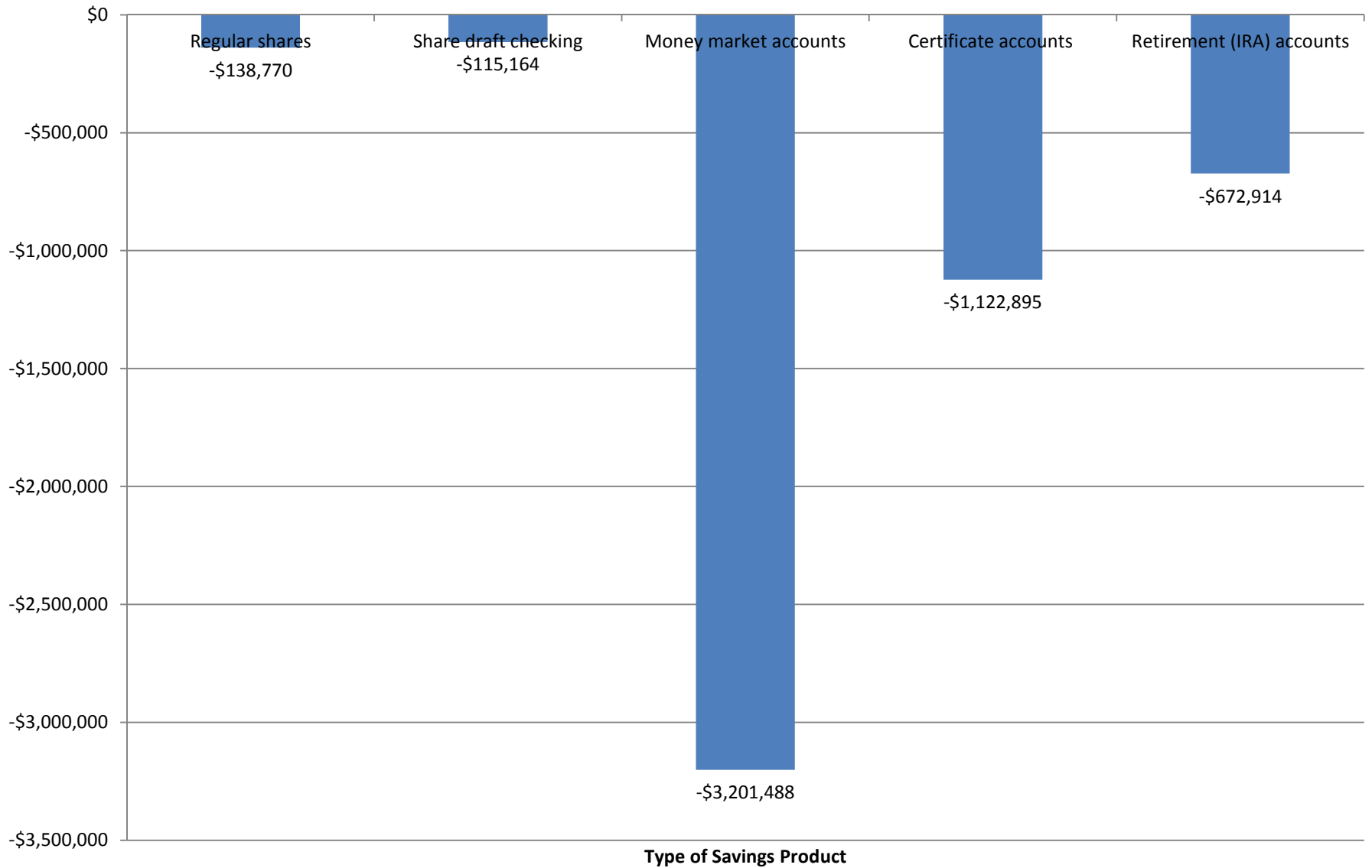
<b>Loan Products</b>	<b>Average Rate at Credit Unions (%)</b>	<b>Average Rate at Banks (%)</b>	<b>Rate Difference vs. Banks (%)</b>
60-month new car (A paper)	4.11	4.93	-0.82
48-month used car (A paper)	4.18	5.48	-1.30
Unsecured loan (A paper)	11.47	15.24	-3.78
5-year adjustable rate 1st mortgage, 0 pts	3.52	3.54	-0.02
15-year fixed rate 1st mortgage, 0 pts	3.80	3.63	0.17
30-year fixed rate 1st mortgage, 0 pts	4.33	4.24	0.10
Home equity / 2nd mtg, 80% LTV 0 pts	4.96	5.30	-0.34
Credit card - classic	14.36	11.42	2.94
Credit card - gold	10.26	11.17	-0.92
<b>Savings Products</b>			
Regular savings, \$1,000 balance	0.12	0.13	-0.01
Share draft checking, \$5,000 balance	0.09	0.10	-0.01
Money market accounts	0.24	0.32	-0.08
1 Year certificate \$10,000 balance	0.47	0.53	-0.07
Retirement (IRA) accounts	0.35	0.43	-0.07
<b>Fee Income</b>			
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 Total Loan Rate Benefit Credit Unions vs Banking Institutions



## Estimated Total Savings Dividend Benefit Credit Unions vs. Banking Institutions



## Estimated Arizona Credit Unions Financial Benefits Year-end 2011

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Arizona Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	1,205,358,838	-0.82	\$9,883,942
Used car loans	1,722,323,840	-1.30	\$22,390,210
Personal unsecured loans	250,807,111	-3.78	\$9,467,968
5-year adjustable rate 1st mortgage	692,320,446	-0.02	\$173,080
15-year fixed rate 1st mortgage	506,508,599	0.17	-\$861,065
30-year fixed rate 1st mortgage	775,284,763	0.10	-\$736,521
Home equity / 2nd mortgage loans	1,311,691,235	-0.34	\$4,459,750
Credit cards	392,967,665	2.94	-\$7,766,023
Interest rebates in period			\$500
<b>Total CU member benefits arising from lower interest rates on loan products:</b>			<b>\$37,011,842</b>
 <u>Savings</u>			
Regular shares	2,775,402,204	-0.01	-\$138,770
Share draft checking	1,151,636,265	-0.01	-\$115,164
Money market accounts	4,001,859,748	-0.08	-\$3,201,488
Certificate accounts	1,727,531,247	-0.07	-\$1,122,895
Retirement (IRA) accounts	928,156,763	-0.07	-\$672,914
Bonus dividends in period			\$0
<b>Total CU member benefit arising from higher interest rates on saving products:</b>			<b>-\$5,251,230</b>
 <u>Fee Income</u>			
<b>Total CU member benefit arising from fewer/lower fees:</b>			<b>\$39,079,516</b>
 <b>Total CU member benefit arising from interest rates on loan and savings products and lower fees:</b>			<b>\$70,840,128</b>
 <b>Total CU member benefit / member:</b>			<b>\$49</b>
<b>Total CU member benefit / member household:</b>			<b>\$94</b>

Source: Datatrac, NCUA, and CUNA

(1) Average balance as of September 2011 and September 2010, according to the NCUA call report.; (2) Source for rates and fees: Datatrac;

**Arizona**  
**Performance Profile**

<b>Demographic Information</b>	<b>Dec 11</b>	<b>Dec 10</b>
Number of branches	278	293
Total assets (\$ mil)	12,071	11,954
Total loans (\$ mil)	6,825	7,591
Total surplus funds (\$ mil)	4,726	4,028
Total savings (\$ mil)	10,762	10,869
Total members (thousands)	1,424	1,467
<b>Growth Rates (Trailing 12 months) *</b>		
Total assets	1.0 %	-6.0 %
Total loans	-10.1 %	-14.2 %
Total surplus funds	17.3 %	14.8 %
Total savings	-1.0 %	-4.6 %
Total members	-3.0 %	-7.0 %
<b>Earnings - Basis Pts. *</b>		
Yield on total assets	431	494
Dividend/interest cost of assets	46	74
Fee & other income	220	207
Operating expense	418	417
Loss Provisions	80	254
Net Income (ROA) after stabilization exp	106	-44
<b>Capital adequacy</b>		
Net worth / assets	8.6	7.7
<b>Asset quality *</b>		
Delinquencies / loans	3.2	5.0
Net chargeoffs / average loans	3.4	3.7
Total borrower-bankruptcies	113	164
Bankruptcies per 1000 members	3.8	5.8
<b>Asset/Liability Management</b>		
Loans / savings	63.4	69.8
Loans / assets	56.5	63.5
Long-term assets / assets	31.7	33.5
Core deposits/shares & borrowings	38.1	34.9
<b>Productivity</b>		
Members/potential members	4.2	4.2
Borrowers/members	45.1	46.0
Members/FTE	348	357
Average shares/members (\$)	7,557	7,407
Average loan balances (\$)	10,622	11,255
Salary & Benefits/FTE	59,820	59,706

\* Earnings, net chargeoffs, and bankruptcies are year-to-date numbers annualized. Due to significant seasonal variation, balance sheet growth rates are for the trailing 12 months.