

# ***The Benefits of Membership***

*Customized Analysis of Member Benefits For:*

**California**

***December 2011***

*Prepared by:*

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



# California

## *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 California credit unions provided \$817,211,630 in direct financial benefits to the state's 9,583,285 members during the twelve months ending December 2011.

**These benefits are equivalent to \$85 per member or \$162 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 California 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 California credit unions.

Consider this:

**Financing a \$25,000 new automobile for 60 months at a California 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.

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

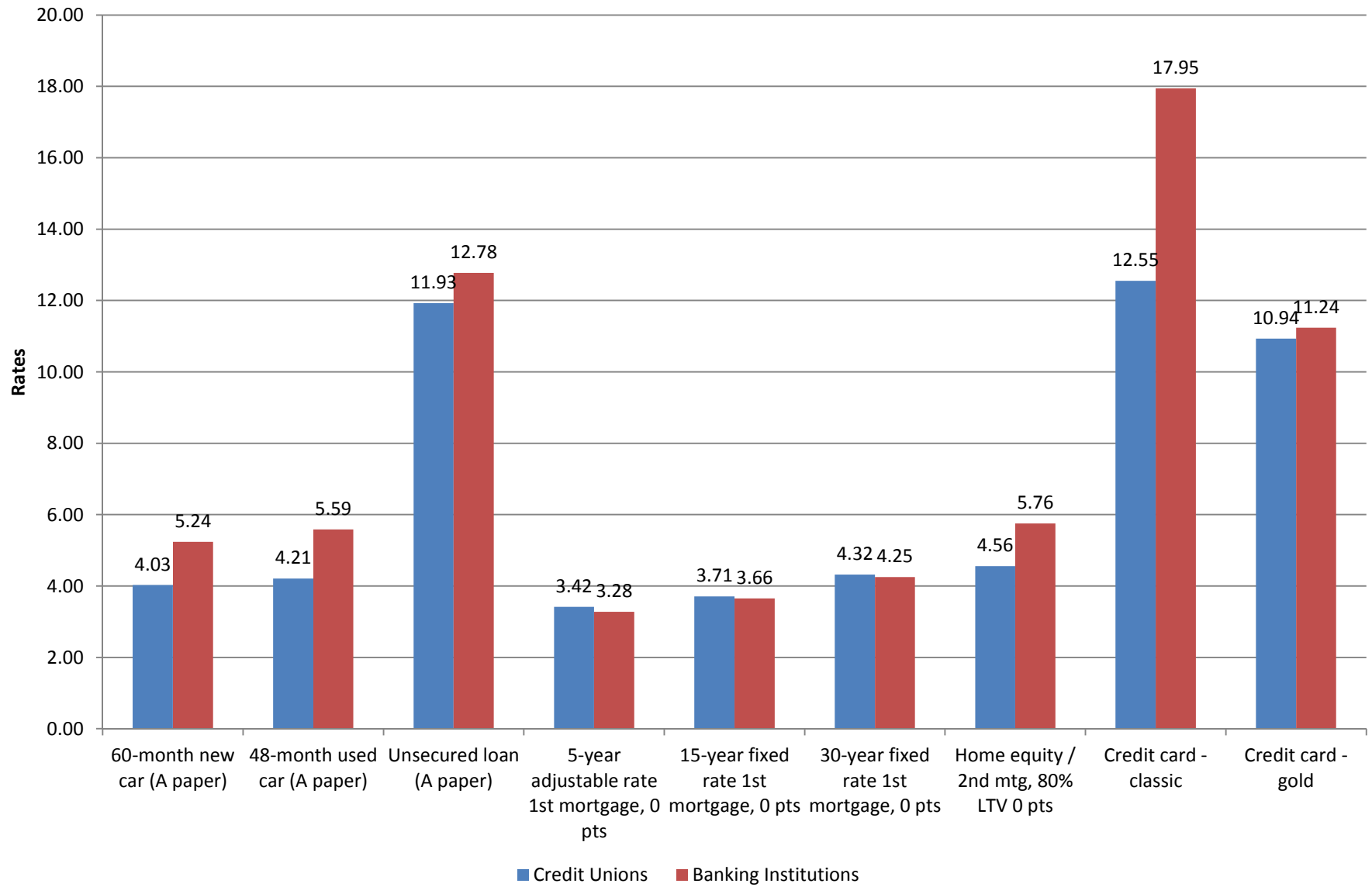
California credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



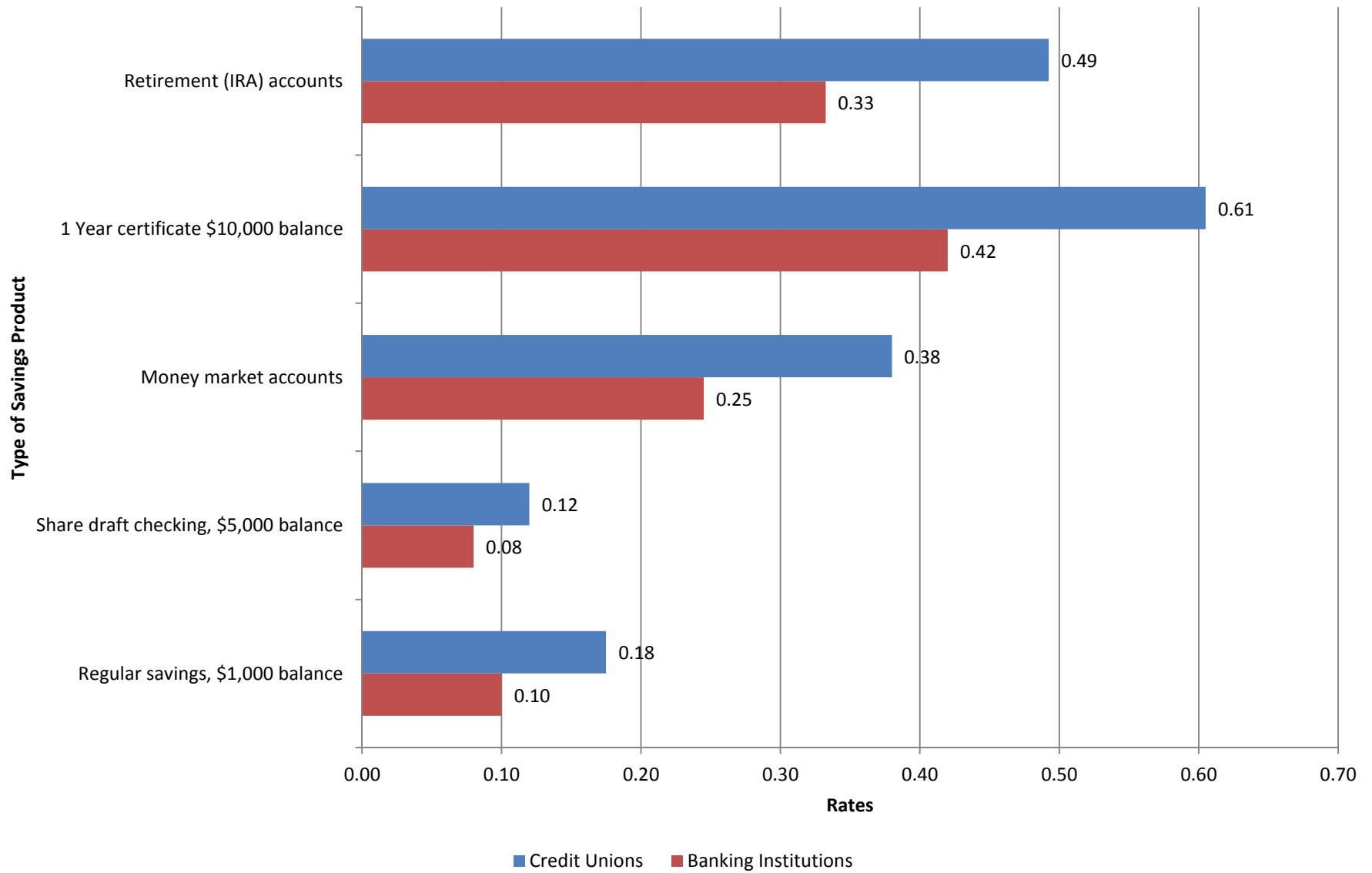
---

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 Savings Products Credit Unions vs. Banking Institutions



# Selected December 2011 Fees Credit Unions vs Banking Institutions

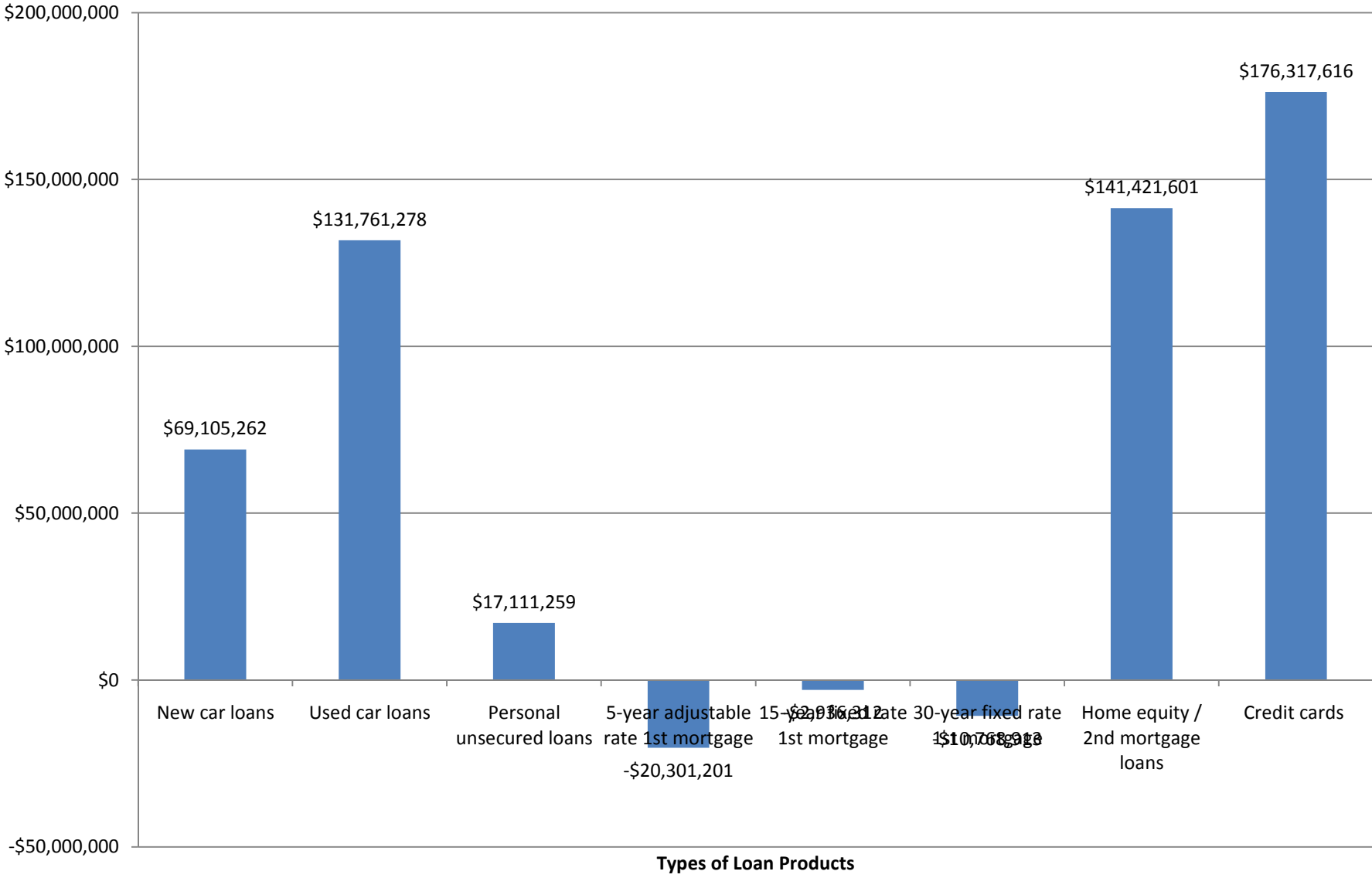


**California**  
**Credit Union and Banking Institution**  
**Year-end 2011 Average Interest Rates and Fees**

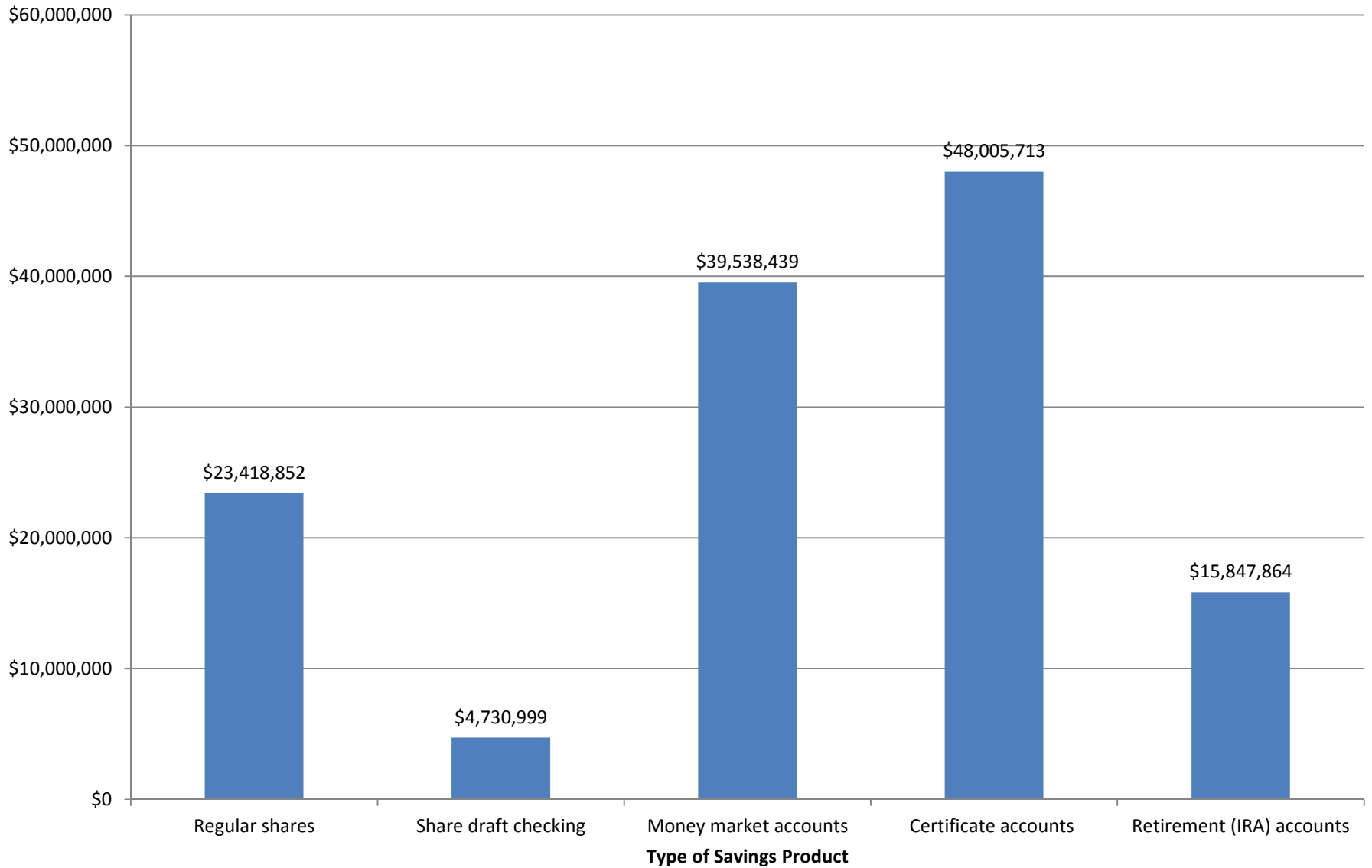
<b>Loan Products</b>	<b>Average Rate at Credit Unions (%)</b>	<b>Average Rate at Banks (%)</b>	<b>Rate Difference vs. Banks (%)</b>
60-month new car (A paper)	4.03	5.24	-1.22
48-month used car (A paper)	4.21	5.59	-1.38
Unsecured loan (A paper)	11.93	12.78	-0.85
5-year adjustable rate 1st mortgage, 0 pts	3.42	3.28	0.14
15-year fixed rate 1st mortgage, 0 pts	3.71	3.66	0.05
30-year fixed rate 1st mortgage, 0 pts	4.32	4.25	0.07
Home equity / 2nd mtg, 80% LTV 0 pts	4.56	5.76	-1.20
Credit card - classic	12.55	17.95	-5.40
Credit card - gold	10.94	11.24	-0.31
<b>Savings Products</b>			
Regular savings, \$1,000 balance	0.18	0.10	0.08
Share draft checking, \$5,000 balance	0.12	0.08	0.04
Money market accounts	0.38	0.25	0.14
1 Year certificate \$10,000 balance	0.61	0.42	0.19
Retirement (IRA) accounts	0.49	0.33	0.16
<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 California Credit Unions Financial Benefits Year-end 2011

### Loans

	Avg. Balance at Credit Unions (1)	Rate Difference vs. California Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	5,687,675,875	-1.22	\$69,105,262
Used car loans	9,582,638,386	-1.38	\$131,761,278
Personal unsecured loans	2,013,089,313	-0.85	\$17,111,259
5-year adjustable rate 1st mortgage	15,037,926,477	0.14	-\$20,301,201
15-year fixed rate 1st mortgage	5,338,748,520	0.05	-\$2,936,312
30-year fixed rate 1st mortgage	15,384,161,428	0.07	-\$10,768,913
Home equity / 2nd mortgage loans	11,785,133,446	-1.20	\$141,421,601
Credit cards	4,276,958,554	-5.40	\$176,317,616
Interest rebates in period			\$186,328
<b>Total CU member benefits arising from lower interest rates on loan products:</b>			<b>\$501,896,919</b>

### Savings

Regular shares	31,225,136,074	0.08	\$23,418,852
Share draft checking	11,827,497,572	0.04	\$4,730,999
Money market accounts	29,287,732,276	0.14	\$39,538,439
Certificate accounts	25,949,034,127	0.19	\$48,005,713
Retirement (IRA) accounts	9,904,914,911	0.16	\$15,847,864
Bonus dividends in period			\$0
<b>Total CU member benefit arising from higher interest rates on saving products:</b>			<b>\$131,541,867</b>

### Fee Income

**Total CU member benefit arising from fewer/lower fees:** \$183,772,844

**Total CU member benefit arising from interest rates on loan and savings products and lower fees:** \$817,211,630

**Total CU member benefit / member:** \$85

**Total CU member benefit / member household:** \$162

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;

**California**  
**Performance Profile**

<b>Demographic Information</b>	<b>Dec 11</b>	<b>Dec 10</b>
Number of branches	1673	1693
Total assets (\$ mil)	129,484	124,235
Total loans (\$ mil)	71,650	72,680
Total surplus funds (\$ mil)	54,021	48,183
Total savings (\$ mil)	111,733	106,795
Total members (thousands)	9,706	9,519
<b>Growth Rates (Trailing 12 months) *</b>		
Total assets	4.2 %	-1.9 %
Total loans	-1.4 %	-9.0 %
Total surplus funds	12.1 %	11.1 %
Total savings	4.6 %	0.2 %
Total members	2.0 %	-3.7 %
<b>Earnings - Basis Pts. *</b>		
Yield on total assets	381	421
Dividend/interest cost of assets	76	100
Fee & other income	114	120
Operating expense	299	296
Loss Provisions	54	102
Net Income (ROA) after stabilization exp	65	44
<b>Capital adequacy</b>		
Net worth / assets	10.1	9.7
<b>Asset quality *</b>		
Delinquencies / loans	2.1	2.4
Net chargeoffs / average loans	1.3	1.8
Total borrower-bankruptcies	93	115
Bankruptcies per 1000 members	4.1	5.3
<b>Asset/Liability Management</b>		
Loans / savings	64.1	68.1
Loans / assets	55.3	58.5
Long-term assets / assets	35.7	35.1
Core deposits/shares & borrowings	40.6	37.2
<b>Productivity</b>		
Members/potential members	4.2	4.3
Borrowers/members	44.7	45.7
Members/FTE	395	388
Average shares/members (\$)	11,512	11,219
Average loan balances (\$)	16,510	16,710
Salary & Benefits/FTE	73,933	71,858

\* 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.