

# ***The Benefits of Membership***

*Customized Analysis of Member Benefits For:*

**Minnesota**

***December 2011***

*Prepared by:*

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



# Minnesota

## *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 Minnesota credit unions provided \$77,647,894 in direct financial benefits to the state's 1,490,724 members during the twelve months ending December 2011.

**These benefits are equivalent to \$52 per member or \$99 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 Minnesota 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 Minnesota credit unions.

Consider this:

**Financing a \$25,000 new automobile for 60 months at a Minnesota credit union will save members an average \$269 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.

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

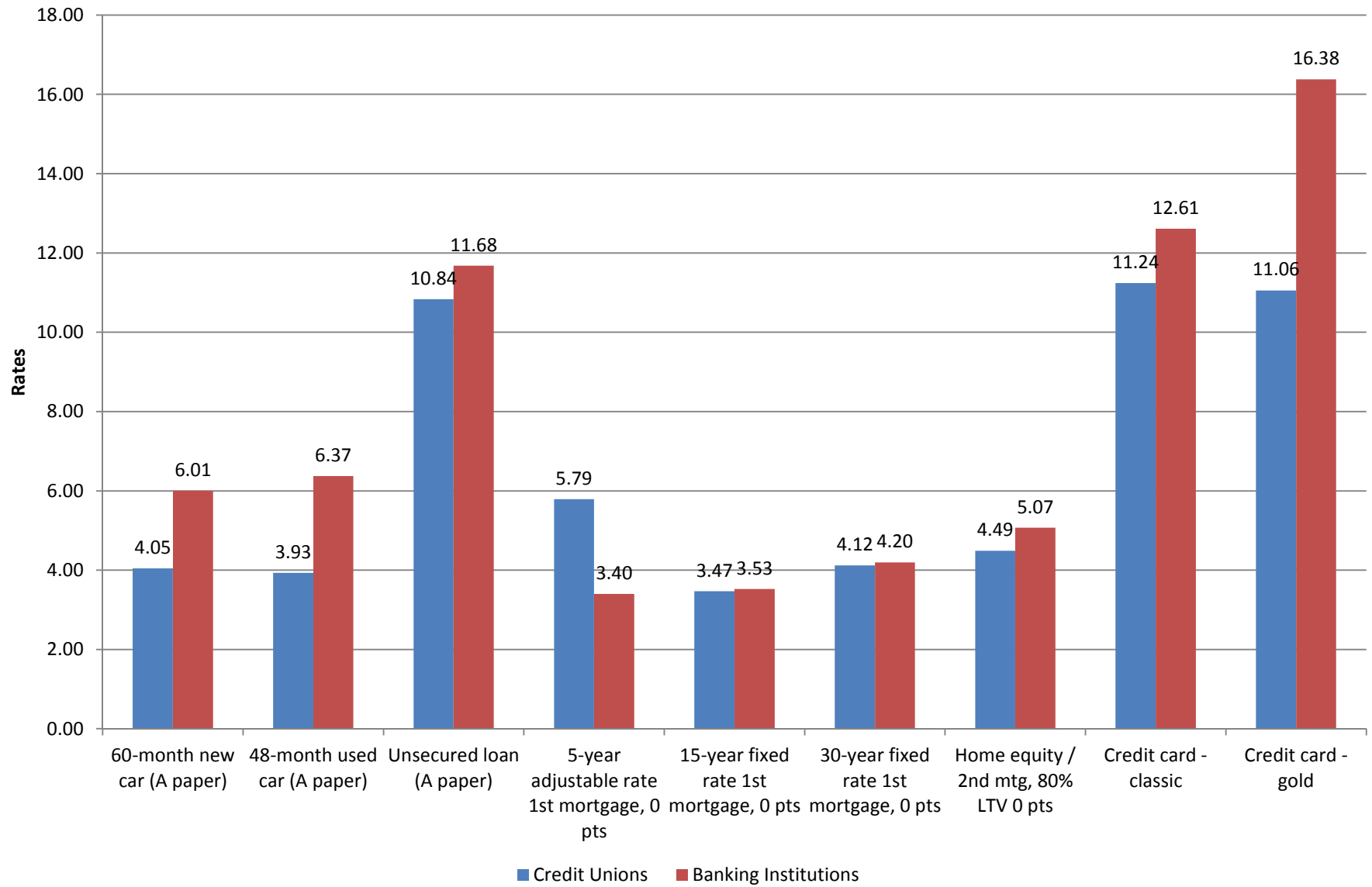
Minnesota credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



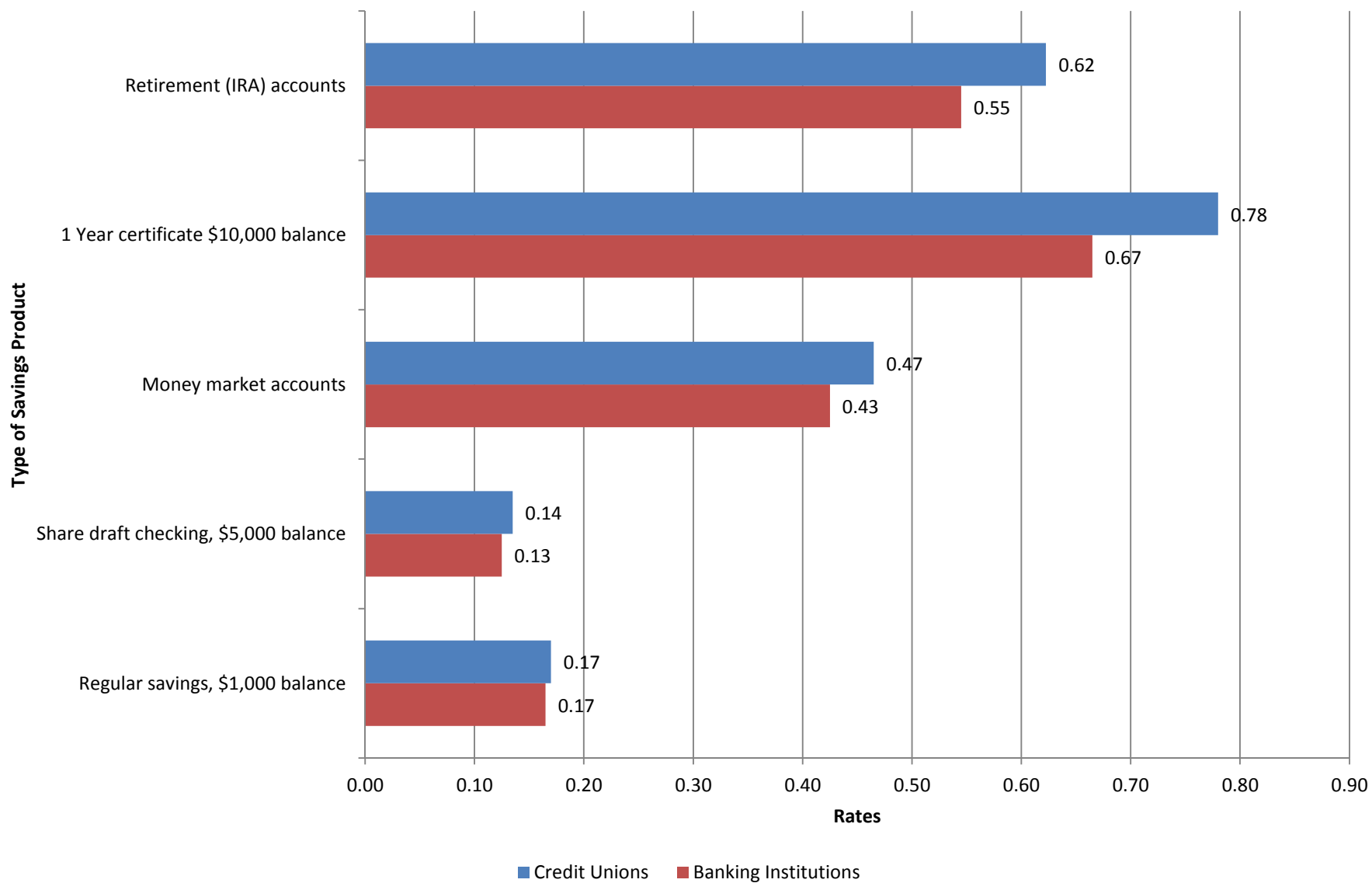
---

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

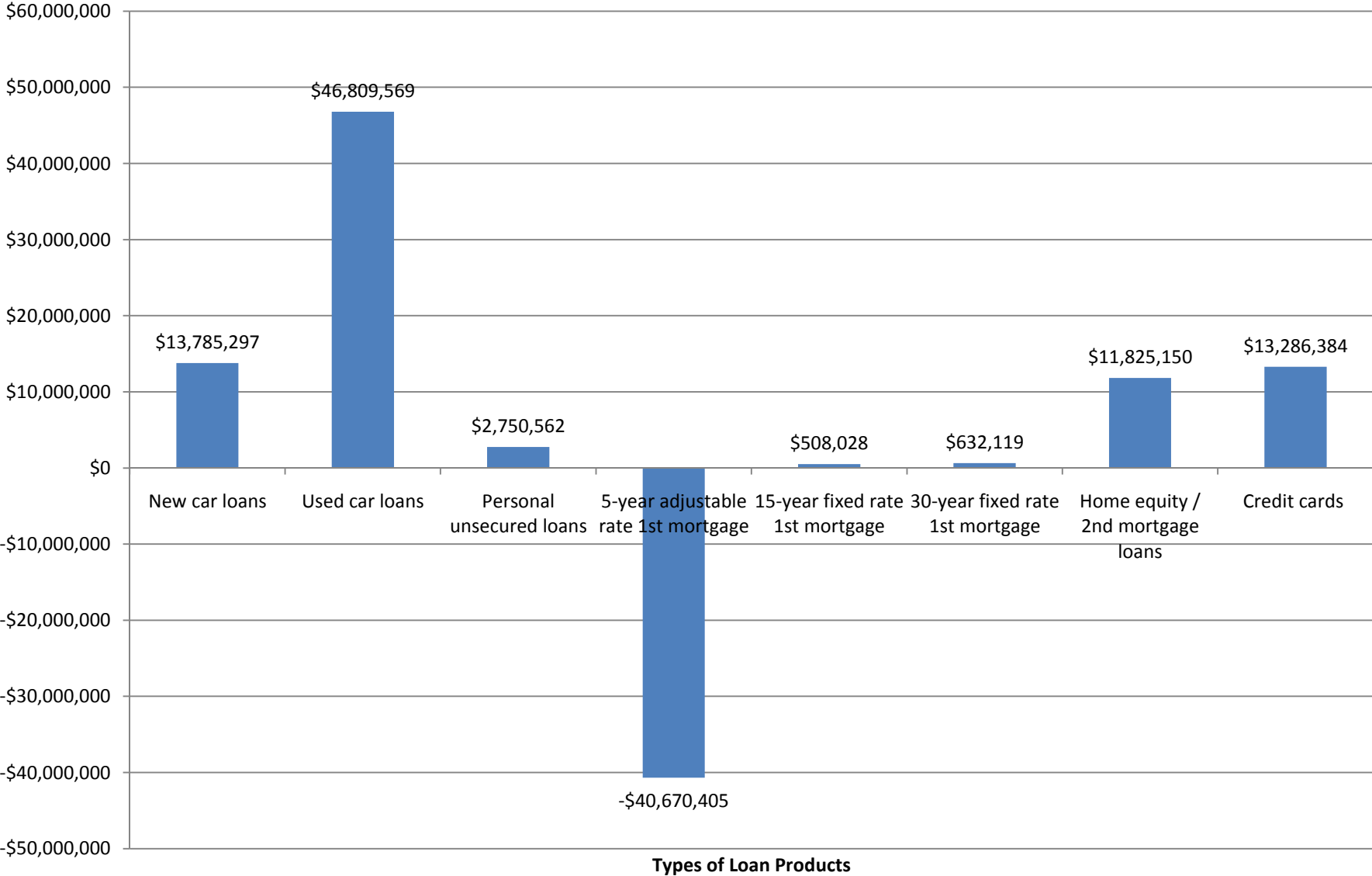


**Minnesota**  
**Credit Union and Banking Institution**  
**Year-end 2011 Average Interest Rates and Fees**

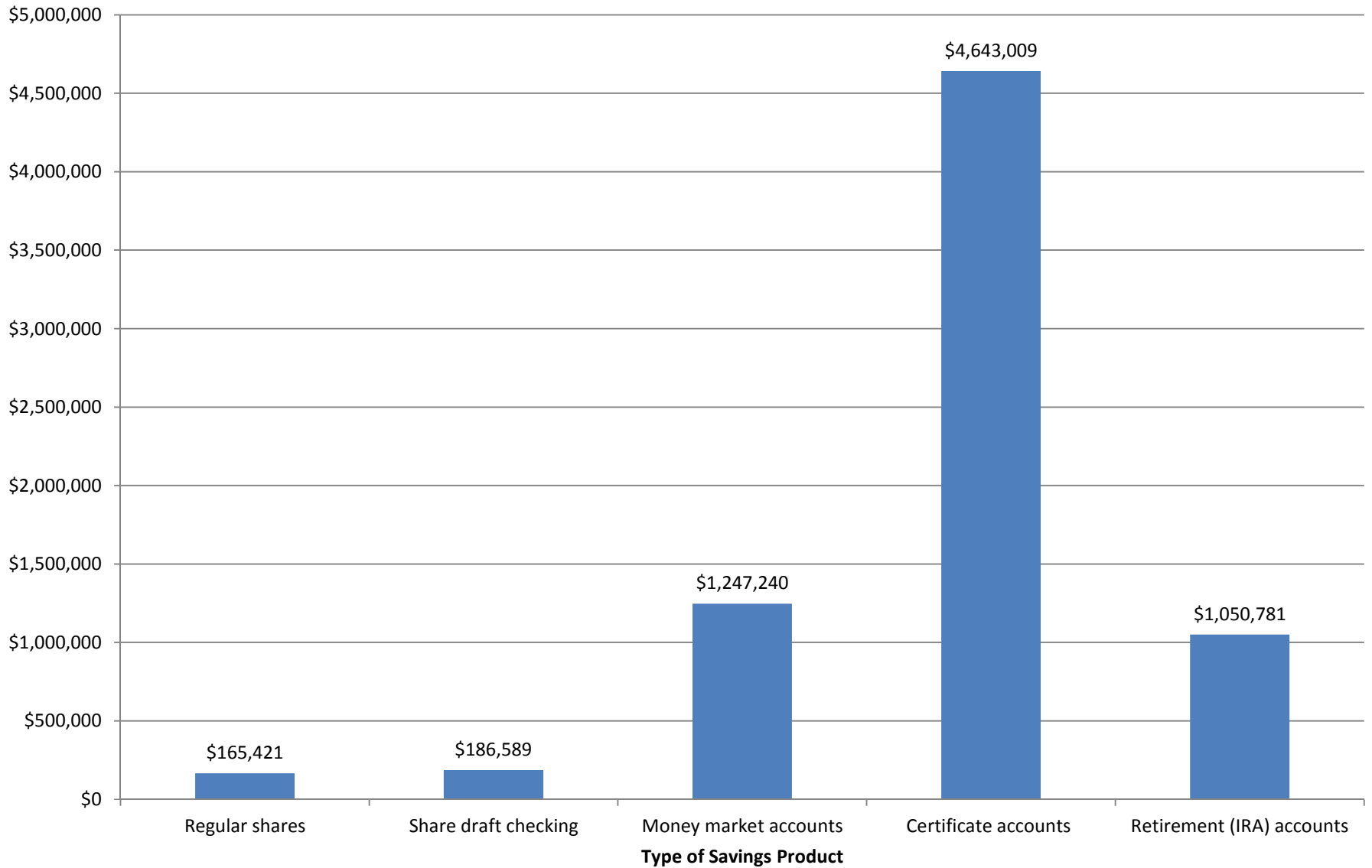
<b>Loan Products</b>	<b>Average Rate at Credit Unions (%)</b>	<b>Average Rate at Banks (%)</b>	<b>Rate Difference vs. Banks (%)</b>
60-month new car (A paper)	4.05	6.01	-1.96
48-month used car (A paper)	3.93	6.37	-2.44
Unsecured loan (A paper)	10.84	11.68	-0.84
5-year adjustable rate 1st mortgage, 0 pts	5.79	3.40	2.39
15-year fixed rate 1st mortgage, 0 pts	3.47	3.53	-0.06
30-year fixed rate 1st mortgage, 0 pts	4.12	4.20	-0.08
Home equity / 2nd mtg, 80% LTV 0 pts	4.49	5.07	-0.58
Credit card - classic	11.24	12.61	-1.37
Credit card - gold	11.06	16.38	-5.33
<b>Savings Products</b>			
Regular savings, \$1,000 balance	0.17	0.17	0.01
Share draft checking, \$5,000 balance	0.14	0.13	0.01
Money market accounts	0.47	0.43	0.04
1 Year certificate \$10,000 balance	0.78	0.67	0.12
Retirement (IRA) accounts	0.62	0.55	0.08
<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 Minnesota Credit Unions Financial Benefits Year-end 2011

### Loans

	Avg. Balance at Credit Unions (1)	Rate Difference vs. Minnesota Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	703,331,472	-1.96	\$13,785,297
Used car loans	1,918,424,941	-2.44	\$46,809,569
Personal unsecured loans	325,510,290	-0.84	\$2,750,562
5-year adjustable rate 1st mortgage	1,701,690,601	2.39	-\$40,670,405
15-year fixed rate 1st mortgage	923,687,267	-0.06	\$508,028
30-year fixed rate 1st mortgage	842,825,231	-0.08	\$632,119
Home equity / 2nd mortgage loans	2,038,819,042	-0.58	\$11,825,150
Credit cards	563,280,720	-1.37	\$13,286,384
Interest rebates in period			\$405,116
<b>Total CU member benefits arising from lower interest rates on loan products:</b>			<b>\$49,331,819</b>

### Savings

Regular shares	3,308,418,871	0.01	\$165,421
Share draft checking	1,865,889,035	0.01	\$186,589
Money market accounts	3,118,100,705	0.04	\$1,247,240
Certificate accounts	4,037,399,512	0.12	\$4,643,009
Retirement (IRA) accounts	1,355,846,833	0.08	\$1,050,781
Bonus dividends in period			\$0
<b>Total CU member benefit arising from higher interest rates on saving products:</b>			<b>\$7,293,041</b>

### Fee Income

**Total CU member benefit arising from fewer/lower fees:** \$21,023,034

**Total CU member benefit arising from interest rates on loan and savings products and lower fees:** \$77,647,894

**Total CU member benefit / member:** \$52

**Total CU member benefit / member household:** \$99

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;

**Minnesota**  
**Performance Profile**

<b>Demographic Information</b>	<b>Dec 11</b>	<b>Dec 10</b>
Number of branches	383	387
Total assets (\$ mil)	16,405	15,636
Total loans (\$ mil)	9,975	9,785
Total surplus funds (\$ mil)	5,782	5,222
Total savings (\$ mil)	14,340	13,698
Total members (thousands)	1,510	1,506
<b>Growth Rates (Trailing 12 months) *</b>		
Total assets	4.9 %	1.7 %
Total loans	1.9 %	0.0 %
Total surplus funds	10.7 %	5.6 %
Total savings	4.7 %	2.3 %
Total members	0.3 %	-0.6 %
<b>Earnings - Basis Pts. *</b>		
Yield on total assets	422	457
Dividend/interest cost of assets	94	129
Fee & other income	117	113
Operating expense	325	335
Loss Provisions	45	66
Net Income (ROA) after stabilization exp	74	41
<b>Capital adequacy</b>		
Net worth / assets	9.9	9.7
<b>Asset quality *</b>		
Delinquencies / loans	1.5	1.9
Net chargeoffs / average loans	0.8	1.0
Total borrower-bankruptcies	27	34
Bankruptcies per 1000 members	2.6	3.4
<b>Asset/Liability Management</b>		
Loans / savings	69.6	71.4
Loans / assets	60.8	62.6
Long-term assets / assets	34.6	34.2
Core deposits/shares & borrowings	37.8	35.7
<b>Productivity</b>		
Members/potential members	2.6	4.5
Borrowers/members	56.1	55.4
Members/FTE	381	381
Average shares/members (\$)	9,496	9,094
Average loan balances (\$)	11,764	11,722
Salary & Benefits/FTE	60,783	60,984

\* 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.