

# ***The Benefits of Membership***

*Customized Analysis of Member Benefits For:*

## **Mississippi**

***December 2011***

*Prepared by:*

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Economics and Statistics Department***



# Mississippi

## 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 Mississippi credit unions provided \$39,303,065 in direct financial benefits to the state's 550,571 members during the twelve months ending December 2011.

**These benefits are equivalent to \$71 per member or \$136 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 Mississippi 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 Mississippi credit unions.

Consider this:

**Financing a \$25,000 new automobile for 60 months at a Mississippi credit union will save members an average \$197 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.

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

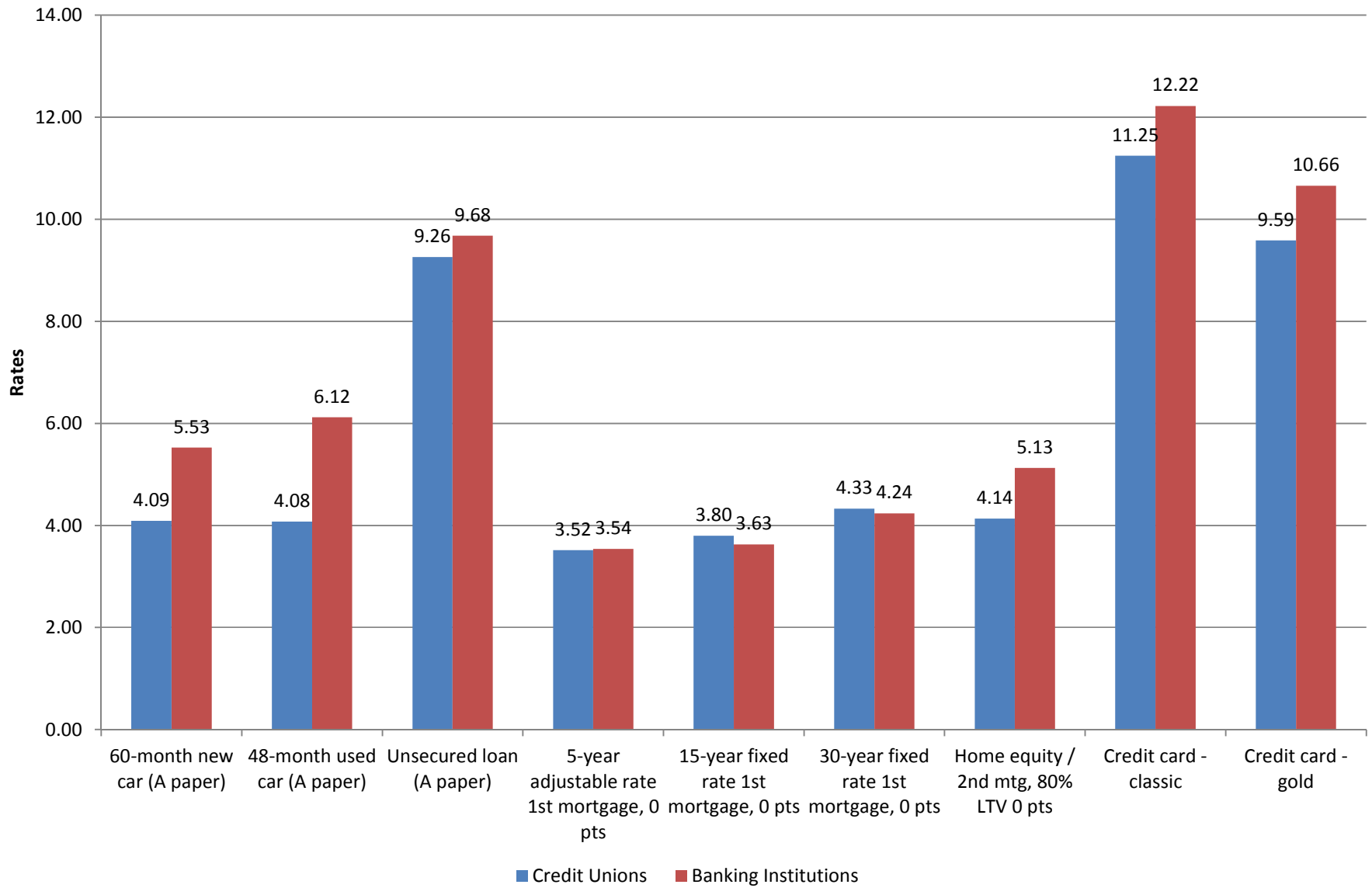
Mississippi credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



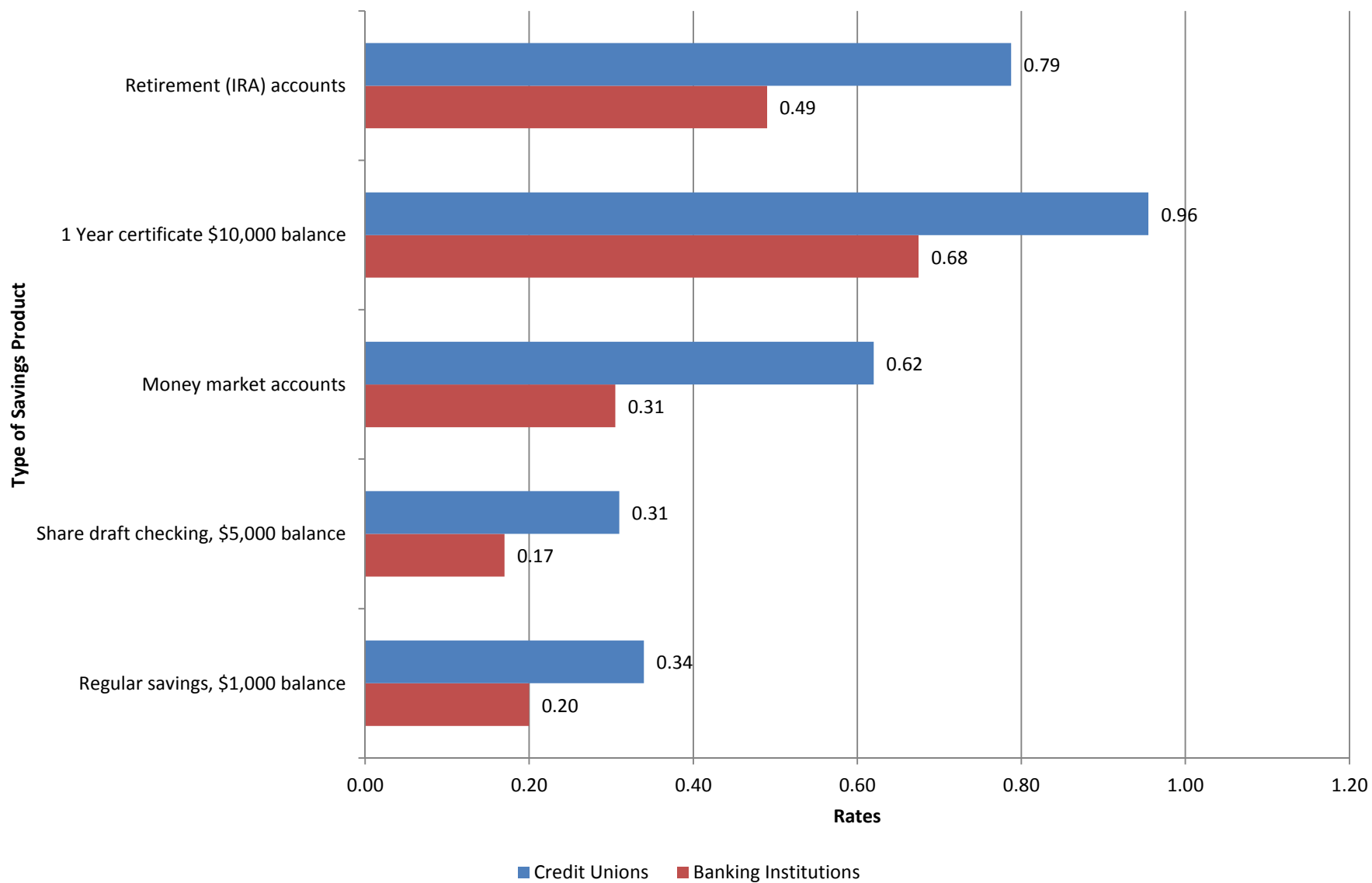
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Source: Datatrac, NCUA, and CUNA.  
(1) Assumes 1.9 credit union members per household.

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



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



# Selected December 2011 Fees Credit Unions vs Banking Institutions

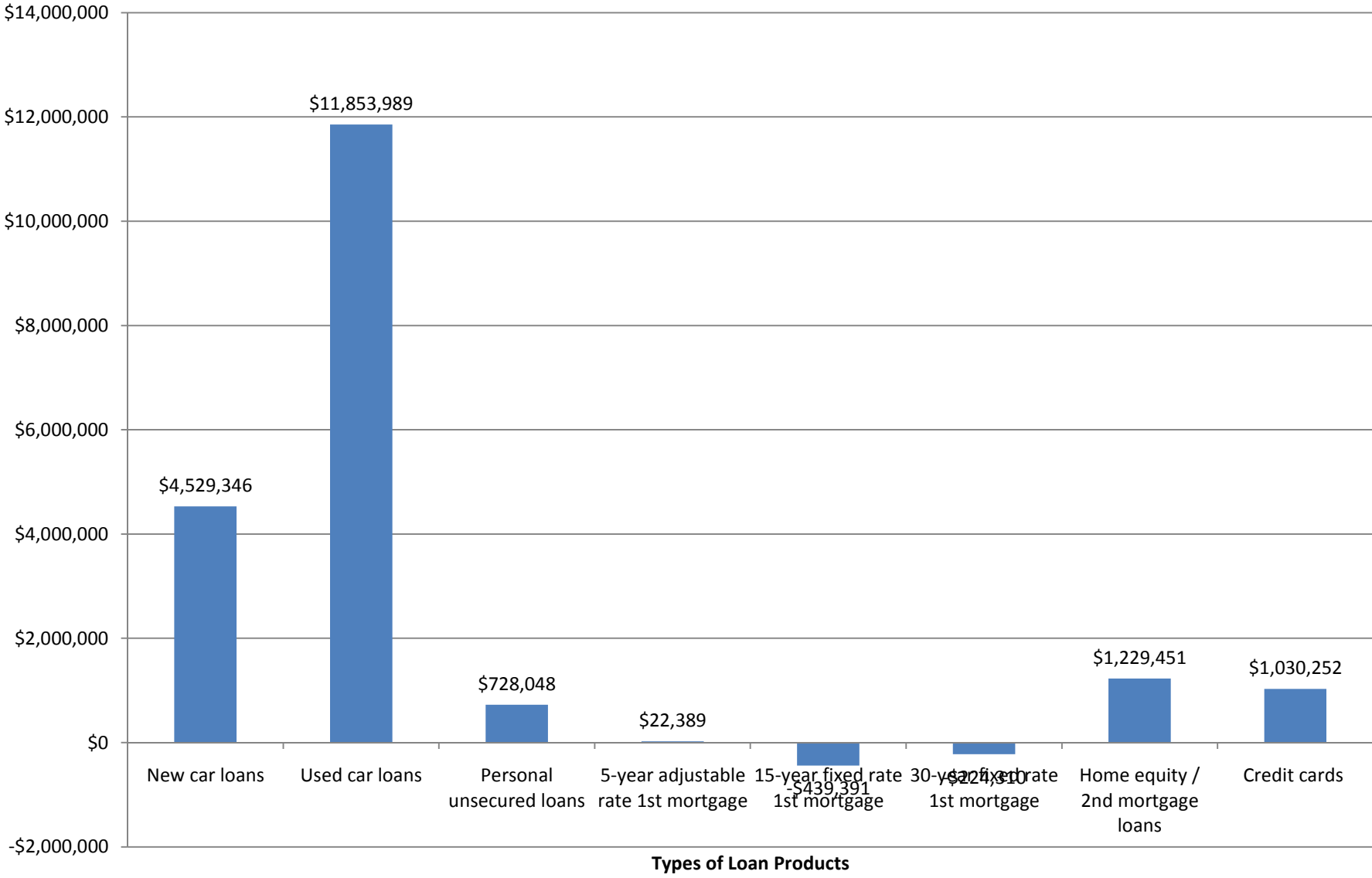


**Mississippi**  
**Credit Union and Banking Instituion**  
**Year-end 2011 Average Interest Rates and Fees**

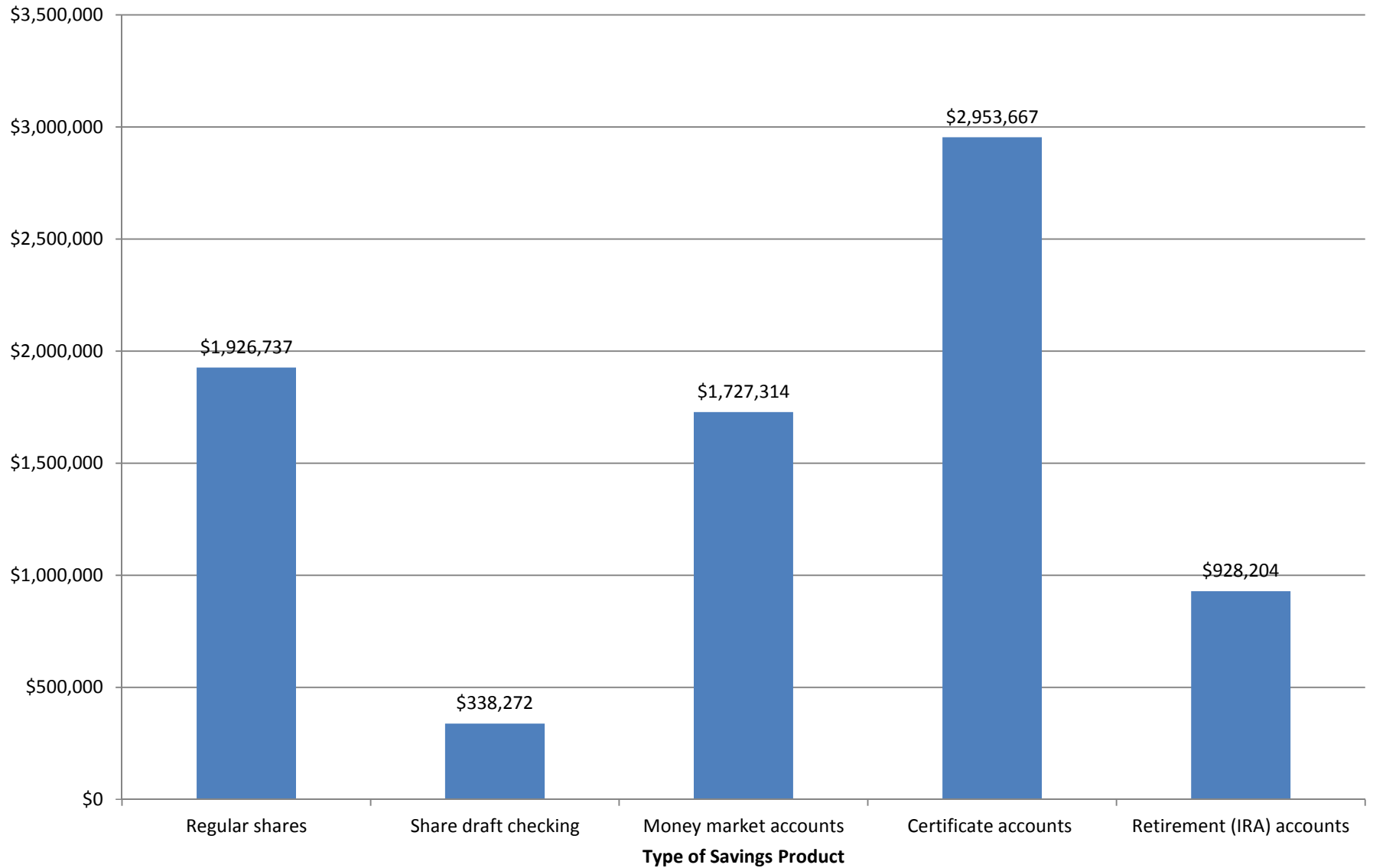
<b>Loan Products</b>	<b>Average Rate at Credit Unions (%)</b>	<b>Average Rate at Banks (%)</b>	<b>Rate Difference vs. Banks (%)</b>
60-month new car (A paper)	4.09	5.53	-1.44
48-month used car (A paper)	4.08	6.12	-2.05
Unsecured loan (A paper)	9.26	9.68	-0.42
5-year adjustable rate 1st mortgage, 0 pts	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	4.14	5.13	-0.99
Credit card - classic	11.25	12.22	-0.97
Credit card - gold	9.59	10.66	-1.07
<b>Savings Products</b>			
Regular savings, \$1,000 balance	0.34	0.20	0.14
Share draft checking, \$5,000 balance	0.31	0.17	0.14
Money market accounts	0.62	0.31	0.32
1 Year certificate \$10,000 balance	0.96	0.68	0.28
Retirement (IRA) accounts	0.79	0.49	0.30
<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 Mississippi Credit Unions Financial Benefits Year-end 2011

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Mississippi Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	315,633,875	-1.44	\$4,529,346
Used car loans	579,657,182	-2.05	\$11,853,989
Personal unsecured loans	175,433,211	-0.42	\$728,048
5-year adjustable rate 1st mortgage	89,557,443	-0.02	\$22,389
15-year fixed rate 1st mortgage	258,465,058	0.17	-\$439,391
30-year fixed rate 1st mortgage	236,115,904	0.10	-\$224,310
Home equity / 2nd mortgage loans	124,187,002	-0.99	\$1,229,451
Credit cards	103,154,138	-0.97	\$1,030,252
Interest rebates in period			\$4,890
<b>Total CU member benefits arising from lower interest rates on loan products:</b>			<b>\$18,734,665</b>
 <u>Savings</u>			
Regular shares	1,376,241,046	0.14	\$1,926,737
Share draft checking	241,622,734	0.14	\$338,272
Money market accounts	548,353,784	0.32	\$1,727,314
Certificate accounts	1,054,881,138	0.28	\$2,953,667
Retirement (IRA) accounts	312,001,269	0.30	\$928,204
Bonus dividends in period			\$0
<b>Total CU member benefit arising from higher interest rates on saving products:</b>			<b>\$7,874,195</b>
 <u>Fee Income</u>			
<b>Total CU member benefit arising from fewer/lower fees:</b>			<b>\$12,694,205</b>
 <b>Total CU member benefit arising from interest rates on loan and savings products and lower fees:</b>			<b>\$39,303,065</b>
<b>Total CU member benefit / member:</b>			<b>\$71</b>
<b>Total CU member benefit / member household:</b>			<b>\$136</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;

**Mississippi  
Performance Profile**

<b>Demographic Information</b>	<b>Dec 11</b>	<b>Dec 10</b>
Number of branches	175	174
Total assets (\$ mil)	4,221	4,026
Total loans (\$ mil)	2,049	2,119
Total surplus funds (\$ mil)	2,014	1,746
Total savings (\$ mil)	3,640	3,488
Total members (thousands)	557	548
<b>Growth Rates (Trailing 12 months) *</b>		
Total assets	4.8 %	5.7 %
Total loans	-3.3 %	-1.4 %
Total surplus funds	15.3 %	15.5 %
Total savings	4.4 %	6.0 %
Total members	1.7 %	-0.8 %
<b>Earnings - Basis Pts. *</b>		
Yield on total assets	394	433
Dividend/interest cost of assets	91	125
Fee & other income	173	177
Operating expense	362	366
Loss Provisions	19	64
Net Income (ROA) after stabilization exp	94	55
<b>Capital adequacy</b>		
Net worth / assets	12.5	12.1
<b>Asset quality *</b>		
Delinquencies / loans	1.4	1.2
Net chargeoffs / average loans	0.6	1.0
Total borrower-bankruptcies	13	12
Bankruptcies per 1000 members	2.1	2.1
<b>Asset/Liability Management</b>		
Loans / savings	56.3	60.8
Loans / assets	48.5	52.6
Long-term assets / assets	31.6	28.0
Core deposits/shares & borrowings	45.9	44.8
<b>Productivity</b>		
Members/potential members	16.7	16.1
Borrowers/members	43.7	43.7
Members/FTE	416	406
Average shares/members (\$)	6,533	6,364
Average loan balances (\$)	8,425	8,850
Salary & Benefits/FTE	51,163	49,735

\* 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.