

# ***The Benefits of Membership***

*Customized Analysis of Member Benefits For:*

**North Dakota**

***June 2011***

*Prepared by:*

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# North Dakota

## *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 North Dakota credit unions provided \$6,927,514 in direct financial benefits to the state's 202,303 members during the twelve months ending June 2011.

**These benefits are equivalent to \$34 per member or \$65 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 North Dakota 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 North Dakota credit unions.

Consider this:

**Financing a \$25,000 new automobile for 60 months at a North Dakota credit union will save members an average \$80 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.

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

North Dakota credit unions also pay members higher average dividends on the following accounts: money market accounts, IRAs.

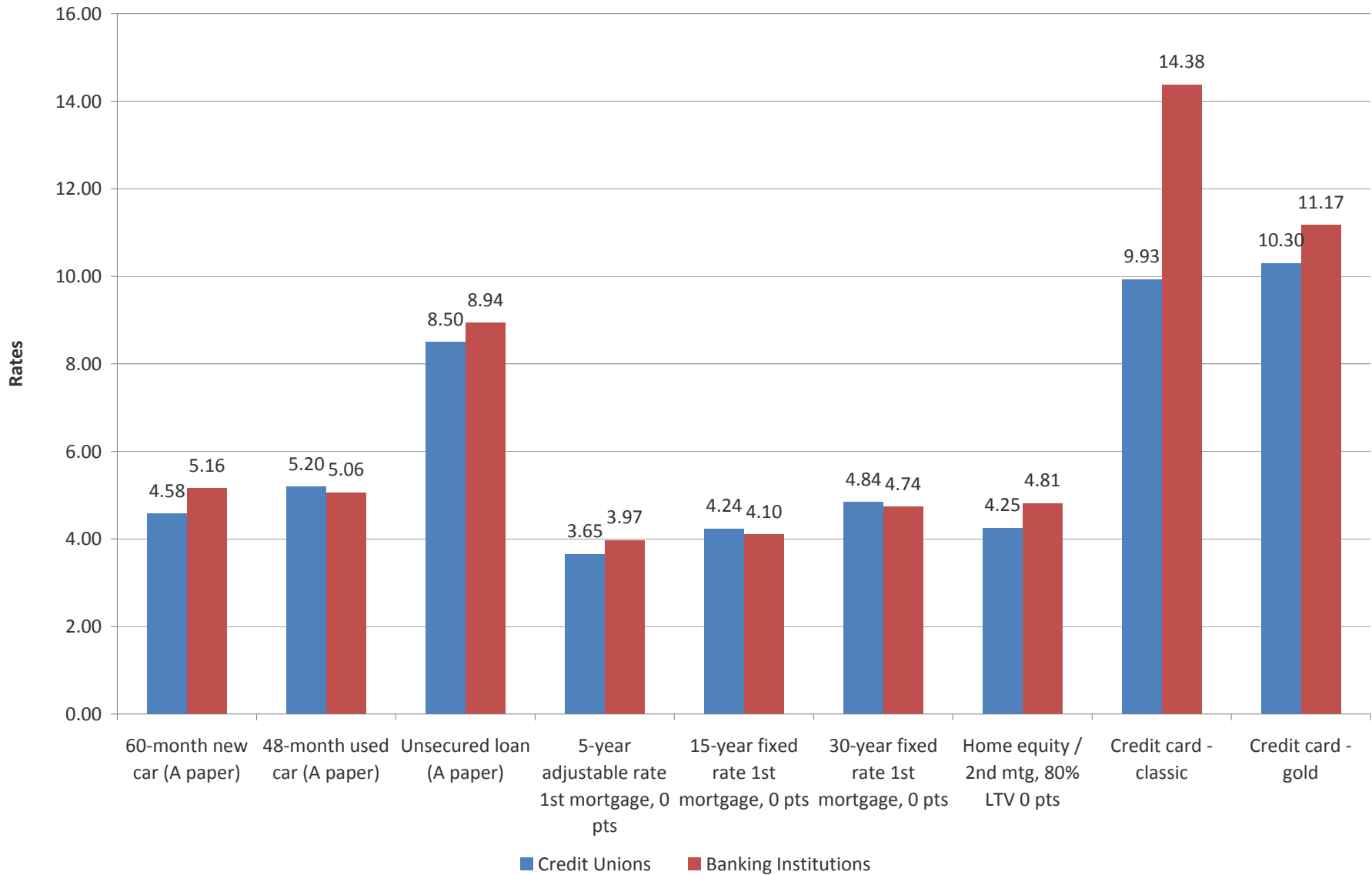


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Source: Datatrac, NCUA, and CUNA.

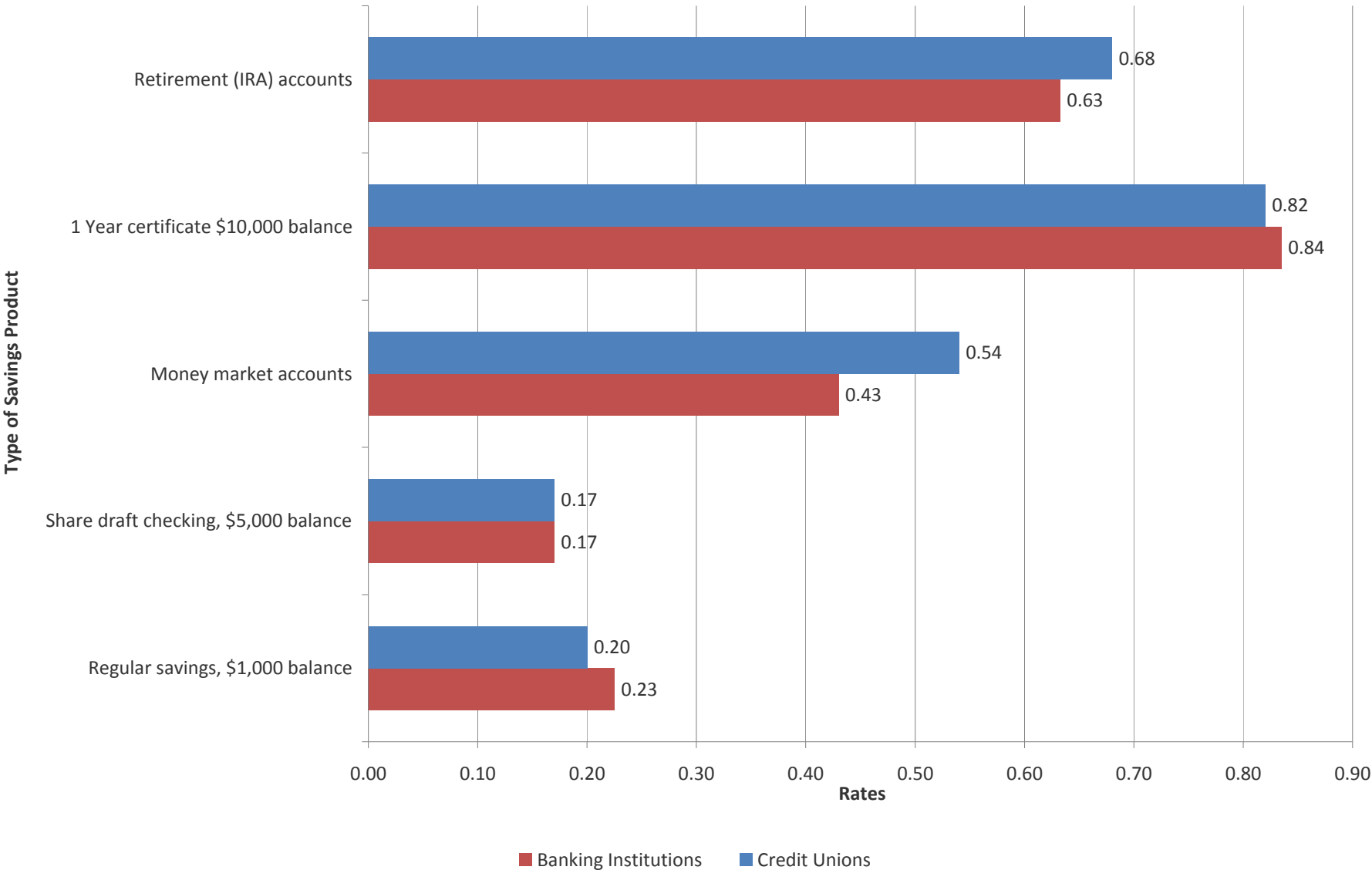
(1) Assumes 1.9 credit union members per household.

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

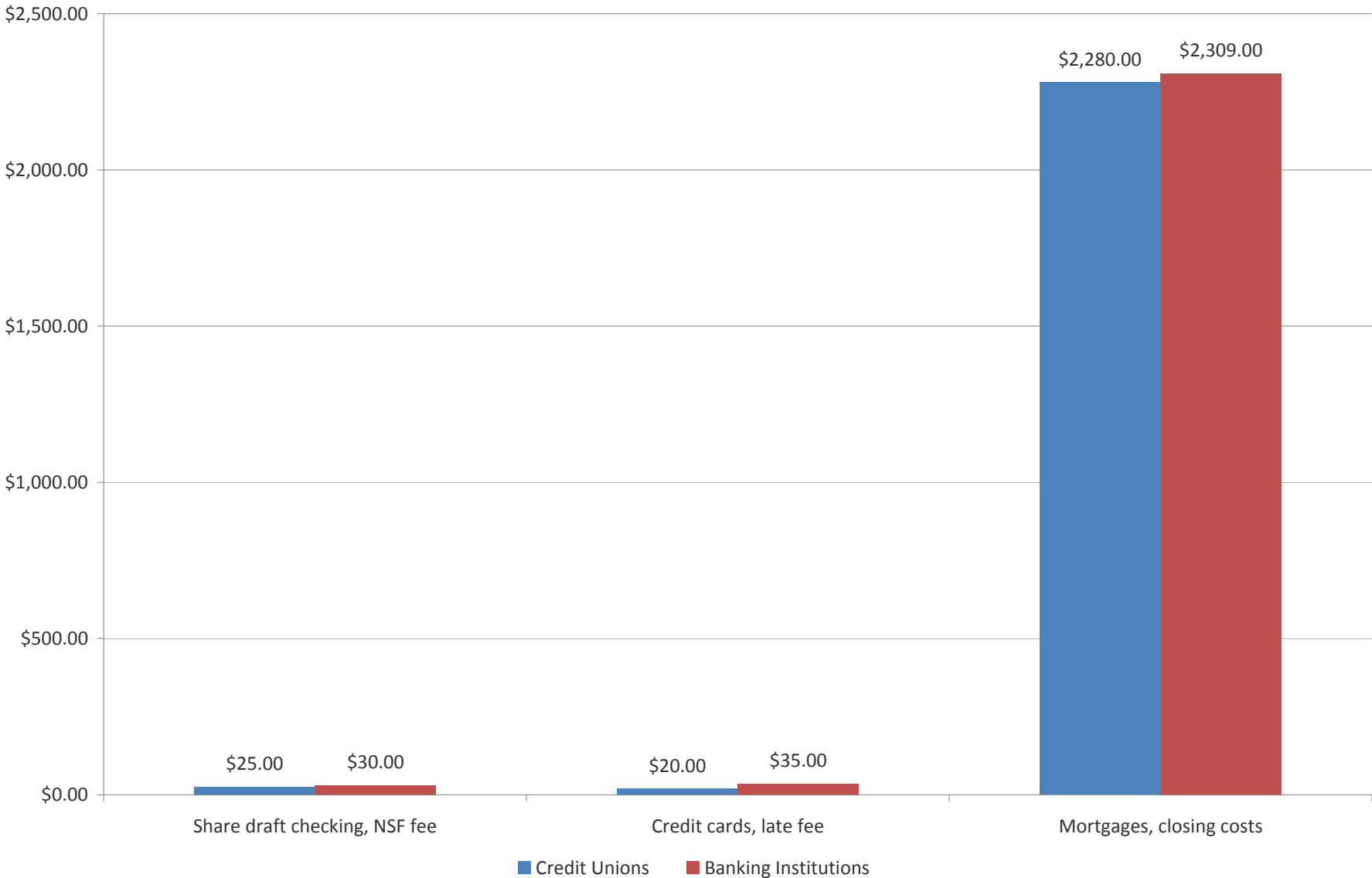


# Recent Comparative Interest Rates for Savings Products

## Credit Unions vs. Banking Institutions



# Selected June 2011 Fees Credit Unions vs Banking Institutions

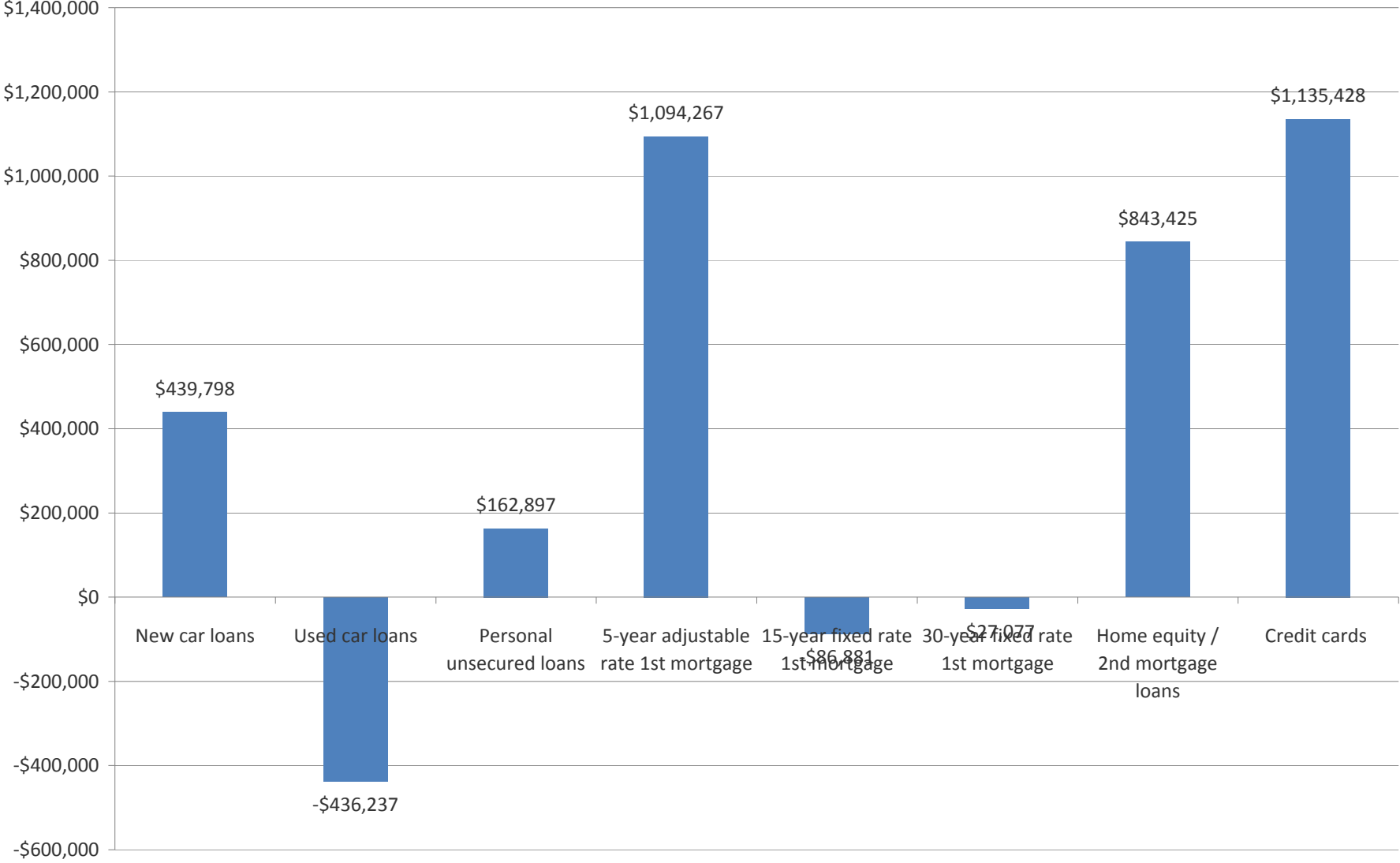


**North Dakota**  
**Credit Union and Banking Instituion**  
**Mid-Year 2011 Average Interest Rates and Fees**

<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)	4.58	5.16	-0.59
48-month used car (A paper)	5.20	5.06	0.14
Unsecured loan (A paper)	8.50	8.94	-0.44
5-year adjustable rate 1st mortgage, 0 pts	3.65	3.97	-0.32
15-year fixed rate 1st mortgage, 0 pts	4.24	4.10	0.14
30-year fixed rate 1st mortgage, 0 pts	4.84	4.74	0.11
Home equity / 2nd mtg, 80% LTV 0 pts	4.25	4.81	-0.56
Credit card - classic	9.93	14.38	-4.45
Credit card - gold	10.30	11.17	-0.88
<b>Savings Products</b>			
Regular savings, \$1,000 balance	0.20	0.23	-0.03
Share draft checking, \$5,000 balance	0.17	0.17	0.00
Money market accounts	0.54	0.43	0.11
1 Year certificate \$10,000 balance	0.82	0.84	-0.02
Retirement (IRA) accounts	0.68	0.63	0.05
<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

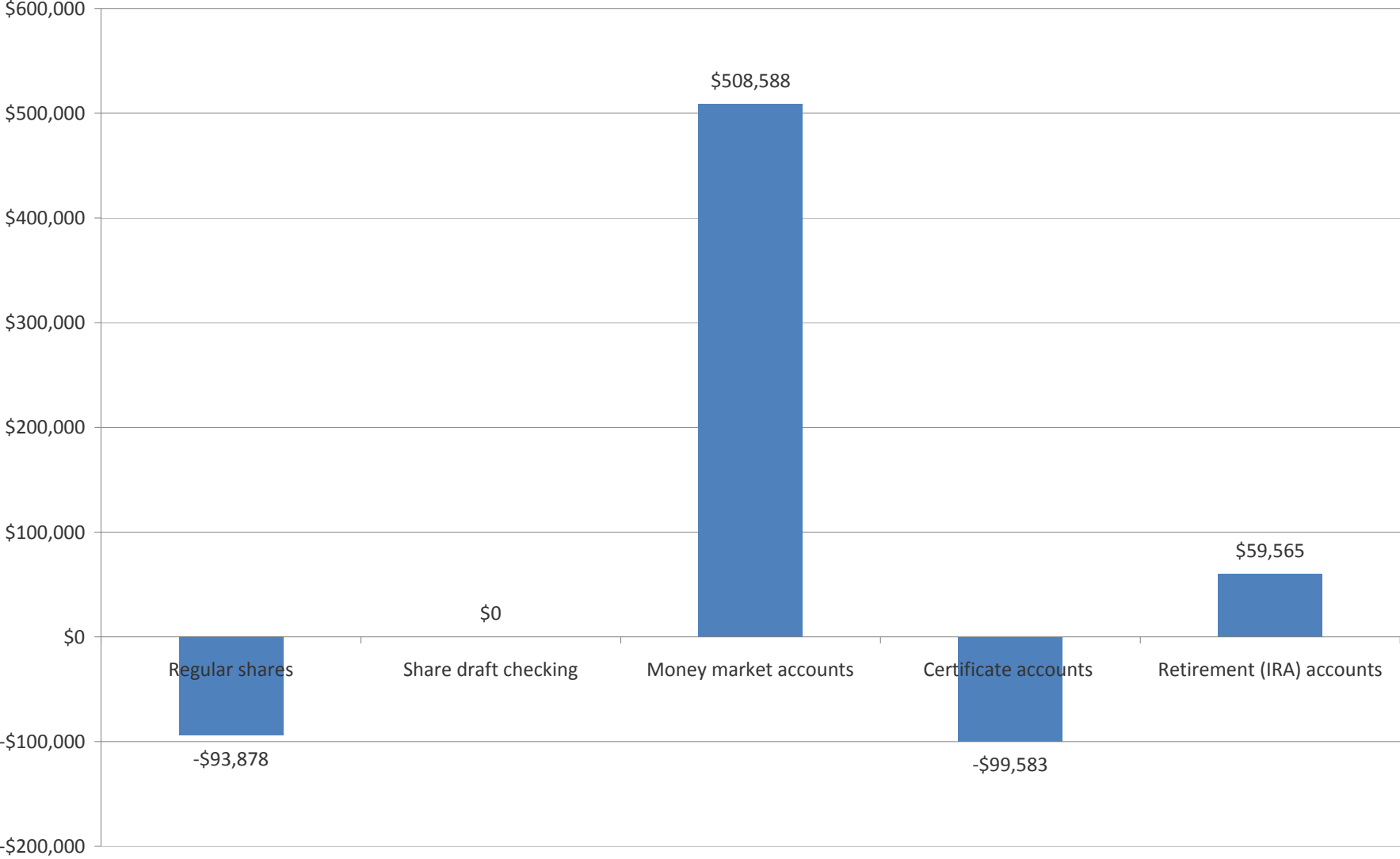
Source: Datatrac

# Estimated Total Loan Rate Benefit Credit Unions vs Banking Institutions



Types of Loan Products

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



Type of Savings Product

## Estimated North Dakota Credit Unions Financial Benefits Mid-Year 2011

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. North Dakota Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	75,179,092	-0.59	\$439,798
Used car loans	311,597,924	0.14	-\$436,237
Personal unsecured loans	37,022,039	-0.44	\$162,897
5-year adjustable rate 1st mortgage	347,386,244	-0.32	\$1,094,267
15-year fixed rate 1st mortgage	64,356,366	0.14	-\$86,881
30-year fixed rate 1st mortgage	25,787,894	0.11	-\$27,077
Home equity / 2nd mortgage loans	150,611,643	-0.56	\$843,425
Credit cards	31,927,690	-4.45	\$1,135,428
Interest rebates in period			\$4,410
<b>Total CU member benefits arising from lower interest rates on loan products:</b>			<b>\$3,130,030</b>
 <u>Savings</u>			
Regular shares	375,510,150	-0.03	-\$93,878
Share draft checking	362,702,749	0.00	\$0
Money market accounts	462,352,600	0.11	\$508,588
Certificate accounts	663,883,962	-0.02	-\$99,583
Retirement (IRA) accounts	125,400,497	0.05	\$59,565
Bonus dividends in period			\$0
<b>Total CU member benefit arising from higher interest rates on saving products:</b>			<b>\$374,693</b>
 <u>Fee Income</u>			
<b>Total CU member benefit arising from fewer/lower fees:</b>			<b>\$3,422,791</b>
 <b>Total CU member benefit arising from interest rates on loan and savings products and lower fees:</b>			<b>\$6,927,514</b>
 <b>Total CU member benefit / member:</b>			<b>\$34</b>
<b>Total CU member benefit / member household:</b>			<b>\$65</b>

Source: Datatrac, NCUA, and CUNA

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

**North Dakota  
Performance Profile**

<b>Demographic Information</b>	<b>June 11</b>	<b>June 10</b>
Number of branches	117	116
Total assets (\$ mil)	2,440	2,243
Total loans (\$ mil)	1,644	1,529
Total surplus funds (\$ mil)	710	633
Total savings (\$ mil)	2,154	1,966
Total members (thousands)	203	202
<b>Growth Rates (Trailing 12 months) *</b>		
Total assets	8.8 %	8.7 %
Total loans	7.5 %	5.9 %
Total surplus funds	12.2 %	16.6 %
Total savings	9.6 %	9.8 %
Total members	0.5 %	-0.1 %
<b>Earnings - Basis Pts. *</b>		
Yield on total assets	418	452
Dividend/interest cost of assets	81	118
Fee & other income	98	88
Operating expense	336	331
Loss Provisions	12	18
Net Income (ROA) after stabilization exp	88	50
<b>Capital adequacy</b>		
Net worth / assets	10.6	10.5
<b>Asset quality *</b>		
Delinquencies / loans	0.7	1.2
Net chargeoffs / average loans	0.1	0.2
Total borrower-bankruptcies	250	330
Bankruptcies per 1000 members	1.2	1.6
<b>Asset/Liability Management</b>		
Loans / savings	76.3	77.8
Loans / assets	67.4	68.1
Long-term assets / assets	41.2	35.8
Core deposits/shares & borrowings	37.9	33.6
<b>Productivity</b>		
Members/potential members	17.3	19.1
Borrowers/members	55.1	55.3
Members/FTE	264	269
Average shares/members (\$)	10,622	9,741
Average loan balances (\$)	14,715	13,694
Salary & Benefits/FTE	54,356	52,901

\* 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.