

# ***The Benefits of Membership***

*Customized Analysis of Member Benefits For:*

**South Dakota**

***June 2011***

*Prepared by:*

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



# South 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 South Dakota credit unions provided \$18,018,080 in direct financial benefits to the state's 243,775 members during the twelve months ending June 2011.

**These benefits are equivalent to \$74 per member or \$140 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 South 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 South Dakota credit unions.

Consider this:

**Financing a \$25,000 new automobile for 60 months at a South Dakota credit union will save members an average \$174 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.

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

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

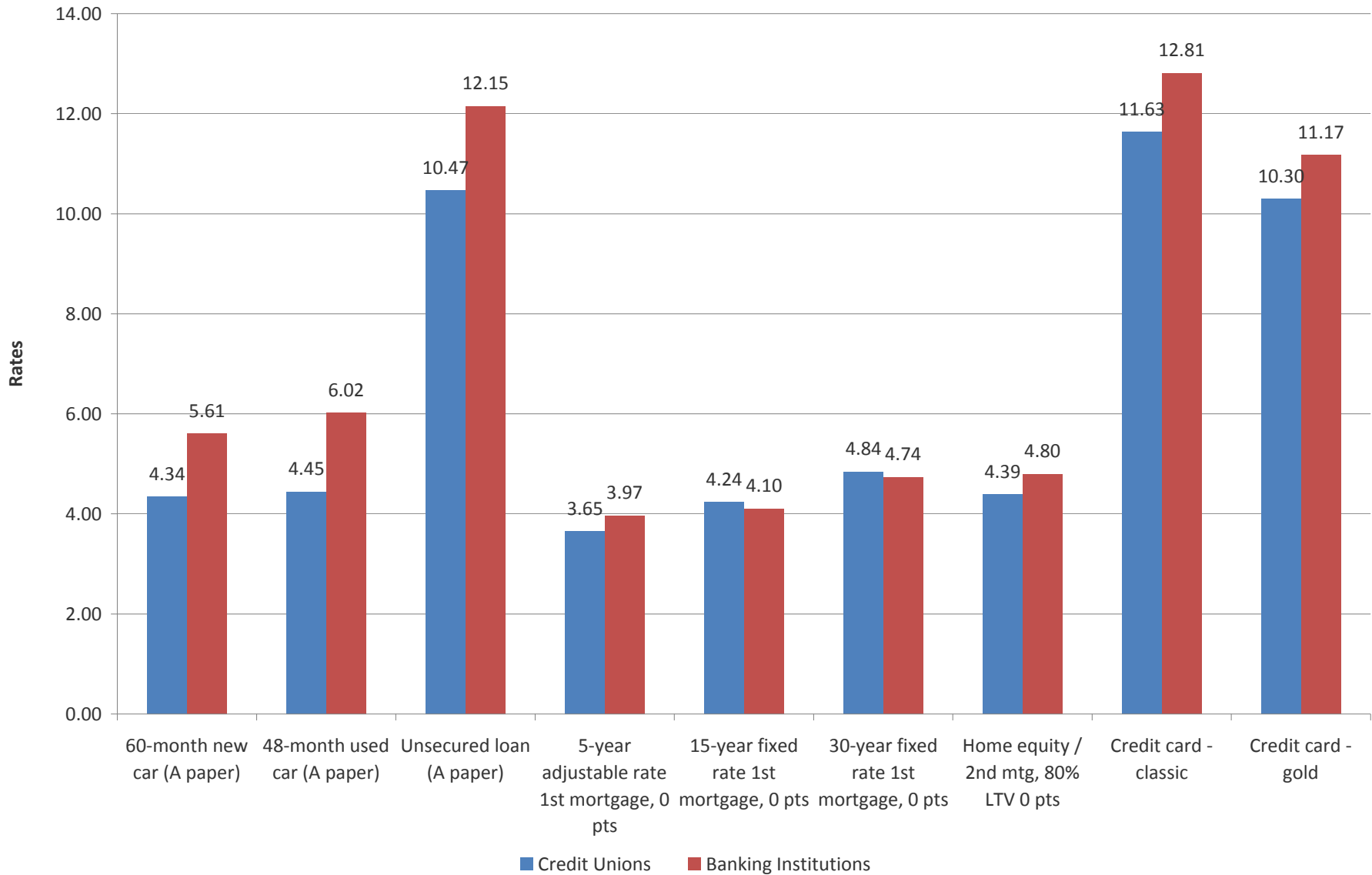


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Source: Datatrac, NCUA, and CUNA.

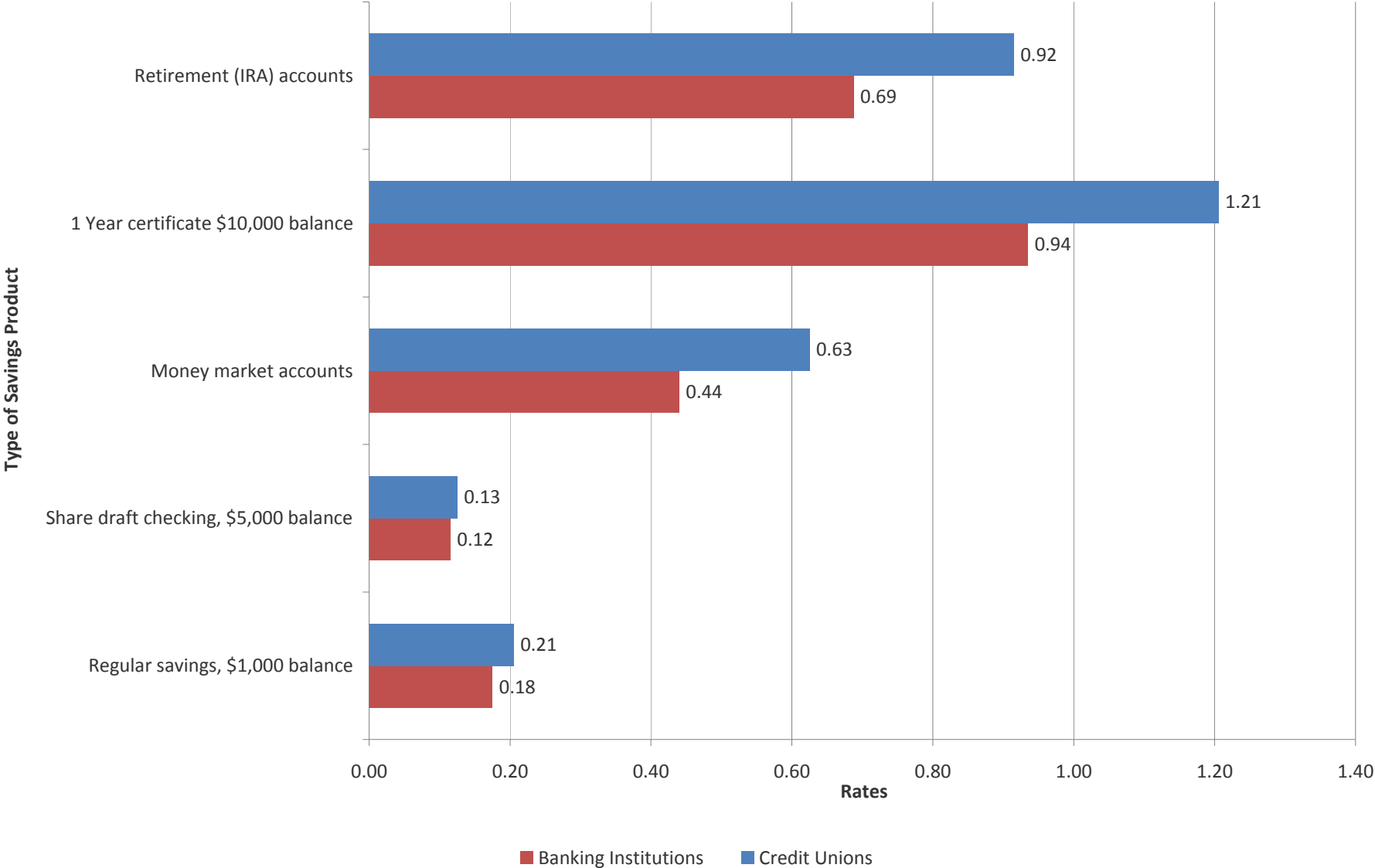
(1) Assumes 1.9 credit union members per household.

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

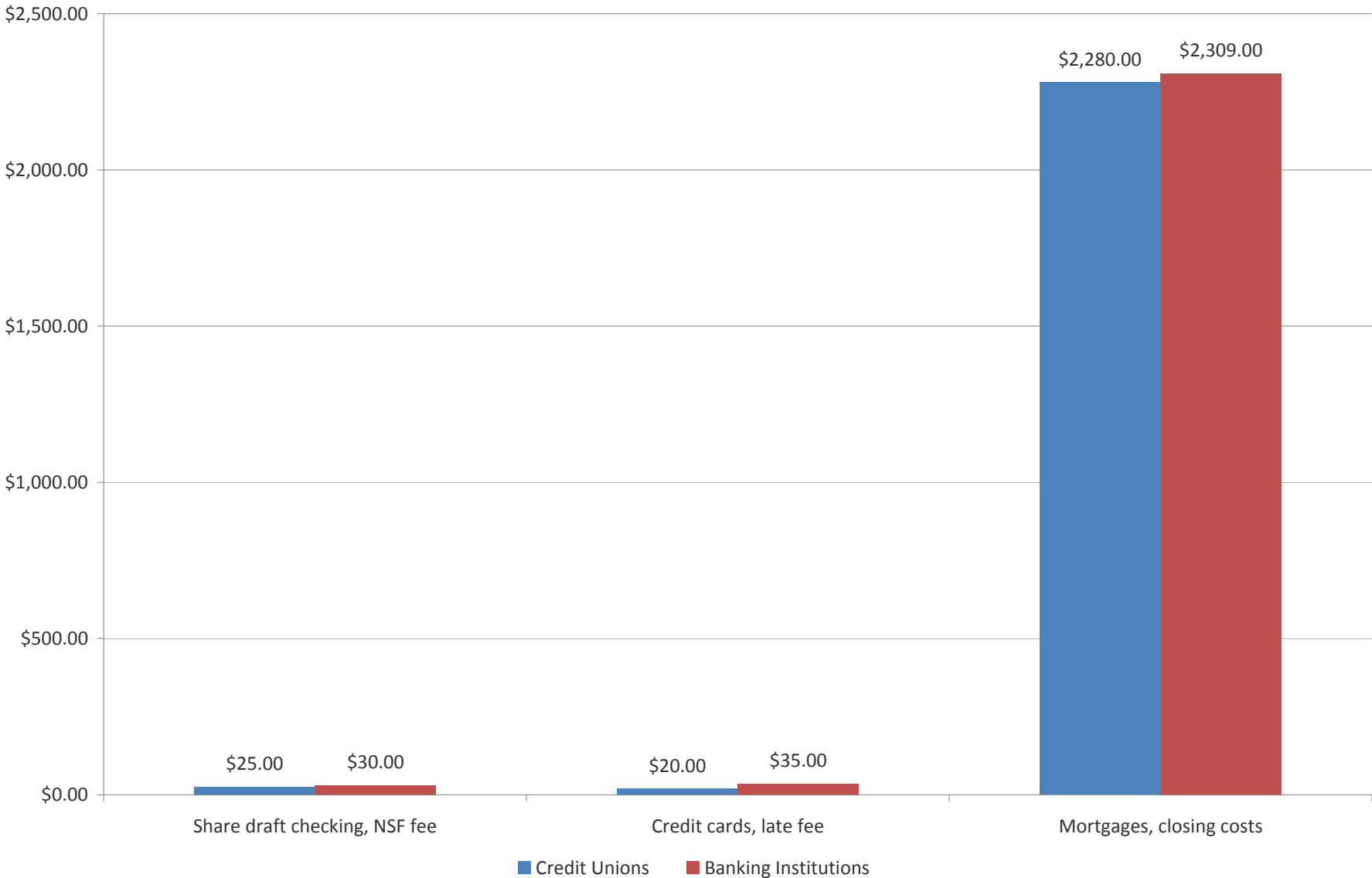


# Recent Comparative Interest Rates for Savings Products

## Credit Unions vs. Banking Institutions



# Selected June 2011 Fees Credit Unions vs Banking Institutions

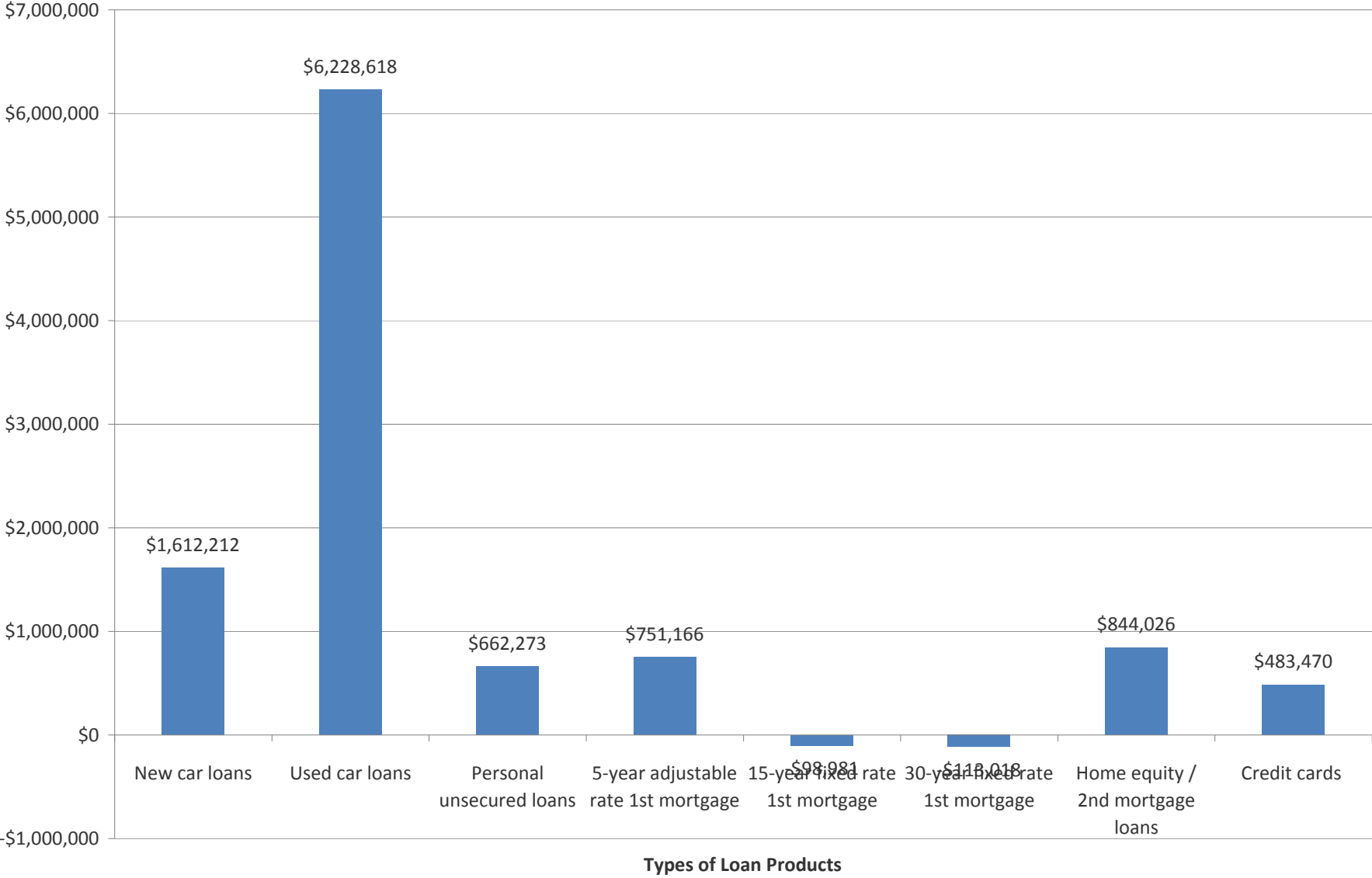


**South Dakota**  
**Credit Union and Banking Instituion**  
**Mid-Year 2011 Average Interest Rates and Fees**

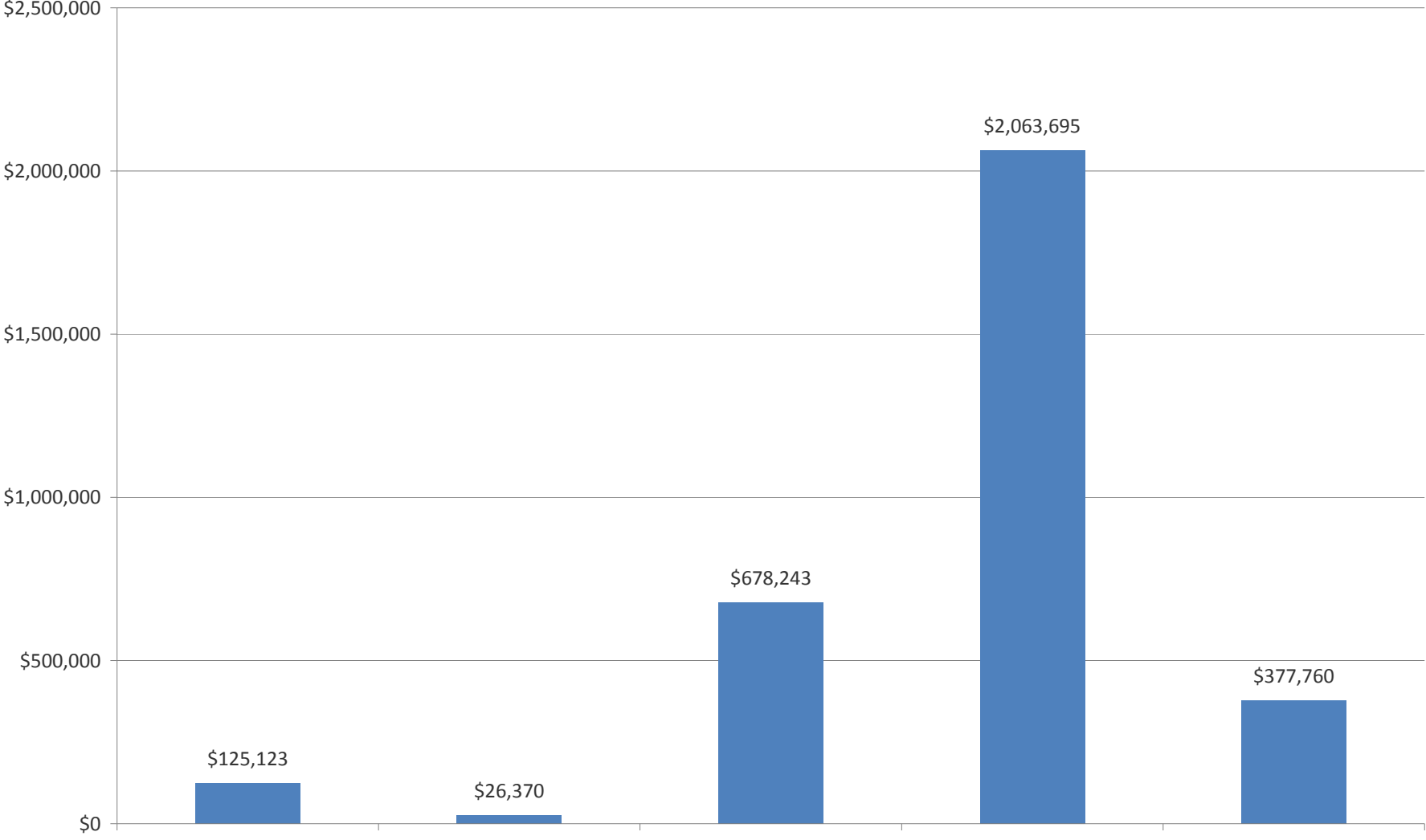
<b>Loan Products</b>	<b>Average Rate at Credit Unions (%)</b>	<b>Average Rate at Banks (%)</b>	<b>Rate Difference vs. Banks (%)</b>
60-month new car (A paper)	4.34	5.61	-1.27
48-month used car (A paper)	4.45	6.02	-1.57
Unsecured loan (A paper)	10.47	12.15	-1.69
5-year adjustable rate 1st mortgage, 0 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	4.39	4.80	-0.41
Credit card - classic	11.63	12.81	-1.18
Credit card - gold	10.30	11.17	-0.88
<b>Savings Products</b>			
Regular savings, \$1,000 balance	0.21	0.18	0.03
Share draft checking, \$5,000 balance	0.13	0.12	0.01
Money market accounts	0.63	0.44	0.19
1 Year certificate \$10,000 balance	1.21	0.94	0.27
Retirement (IRA) accounts	0.92	0.69	0.23
<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



Type of Savings Product

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

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. South Dakota Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	127,447,595	-1.27	\$1,612,212
Used car loans	396,727,272	-1.57	\$6,228,618
Personal unsecured loans	39,304,041	-1.69	\$662,273
5-year adjustable rate 1st mortgage	238,465,551	-0.32	\$751,166
15-year fixed rate 1st mortgage	73,319,610	0.14	-\$98,981
30-year fixed rate 1st mortgage	107,636,066	0.11	-\$113,018
Home equity / 2nd mortgage loans	205,859,963	-0.41	\$844,026
Credit cards	43,802,509	-1.18	\$483,470
Interest rebates in period			\$222,567
<b>Total CU member benefits arising from lower interest rates on loan products:</b>			<b>\$10,592,334</b>
 <u>Savings</u>			
Regular shares	417,076,993	0.03	\$125,123
Share draft checking	263,701,279	0.01	\$26,370
Money market accounts	366,617,612	0.19	\$678,243
Certificate accounts	764,331,310	0.27	\$2,063,695
Retirement (IRA) accounts	166,048,253	0.23	\$377,760
Bonus dividends in period			\$0
<b>Total CU member benefit arising from higher interest rates on saving products:</b>			<b>\$3,271,190</b>
 <u>Fee Income</u>			
<b>Total CU member benefit arising from fewer/lower fees:</b>			<b>\$4,154,557</b>
 <b>Total CU member benefit arising from interest rates on loan and savings products and lower fees:</b>			<b>\$18,018,080</b>
<b>Total CU member benefit / member:</b>			<b>\$74</b>
<b>Total CU member benefit / member household:</b>			<b>\$140</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;

**South Dakota  
Performance Profile**

<b>Demographic Information</b>	<b>June 11</b>	<b>June 10</b>
Number of branches	104	104
Total assets (\$ mil)	2,338	2,210
Total loans (\$ mil)	1,453	1,464
Total surplus funds (\$ mil)	783	646
Total savings (\$ mil)	2,094	1,967
Total members (thousands)	244	248
<b>Growth Rates (Trailing 12 months) *</b>		
Total assets	5.8 %	3.9 %
Total loans	-0.8 %	5.8 %
Total surplus funds	21.2 %	-0.4 %
Total savings	6.4 %	9.3 %
Total members	-1.9 %	0.3 %
<b>Earnings - Basis Pts. *</b>		
Yield on total assets	428	467
Dividend/interest cost of assets	111	146
Fee & other income	118	92
Operating expense	354	360
Loss Provisions	20	35
Net Income (ROA) after stabilization exp	62	-6
<b>Capital adequacy</b>		
Net worth / assets	9.4	9.4
<b>Asset quality *</b>		
Delinquencies / loans	1.1	1.0
Net chargeoffs / average loans	0.4	0.4
Total borrower-bankruptcies	498	490
Bankruptcies per 1000 members	2.0	2.0
<b>Asset/Liability Management</b>		
Loans / savings	69.4	74.4
Loans / assets	62.2	66.3
Long-term assets / assets	26.5	25.4
Core deposits/shares & borrowings	35.0	32.4
<b>Productivity</b>		
Members/potential members	8.7	9.6
Borrowers/members	59.9	59.7
Members/FTE	294	293
Average shares/members (\$)	8,589	7,918
Average loan balances (\$)	9,956	9,871
Salary & Benefits/FTE	52,795	50,375

\* 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.