

# ***The Benefits of Membership***

*Customized Analysis of Member Benefits For:*

**Texas**

***December 2011***

*Prepared by:*

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Economics and Statistics Department***



# Texas

## *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 Texas credit unions provided \$671,770,657 in direct financial benefits to the state's 7,613,360 members during the twelve months ending December 2011.

**These benefits are equivalent to \$88 per member or \$168 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 Texas 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 Texas credit unions.

Consider this:

**Financing a \$25,000 new automobile for 60 months at a Texas credit union will save members an average \$148 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.

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

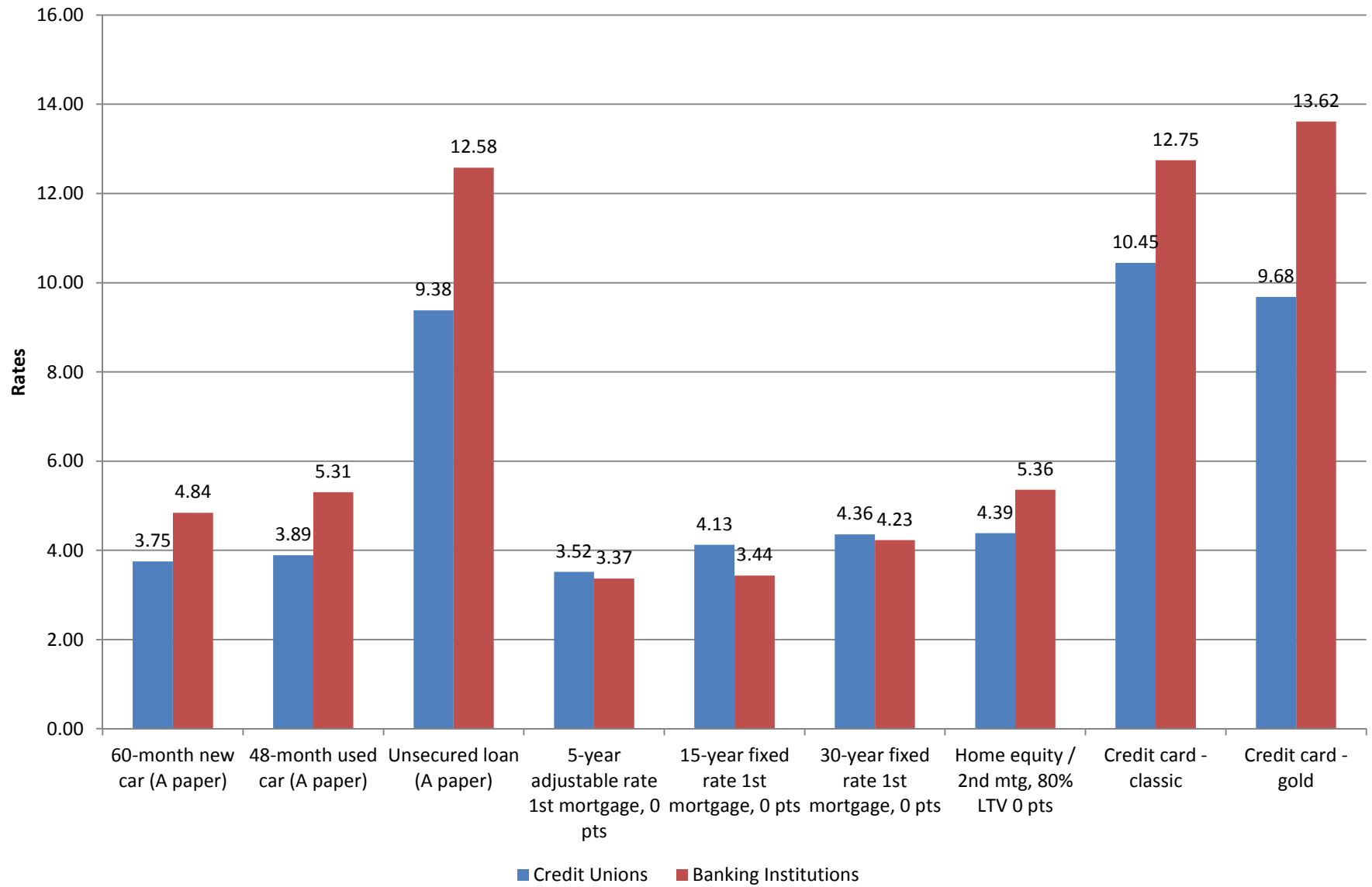
Texas credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.



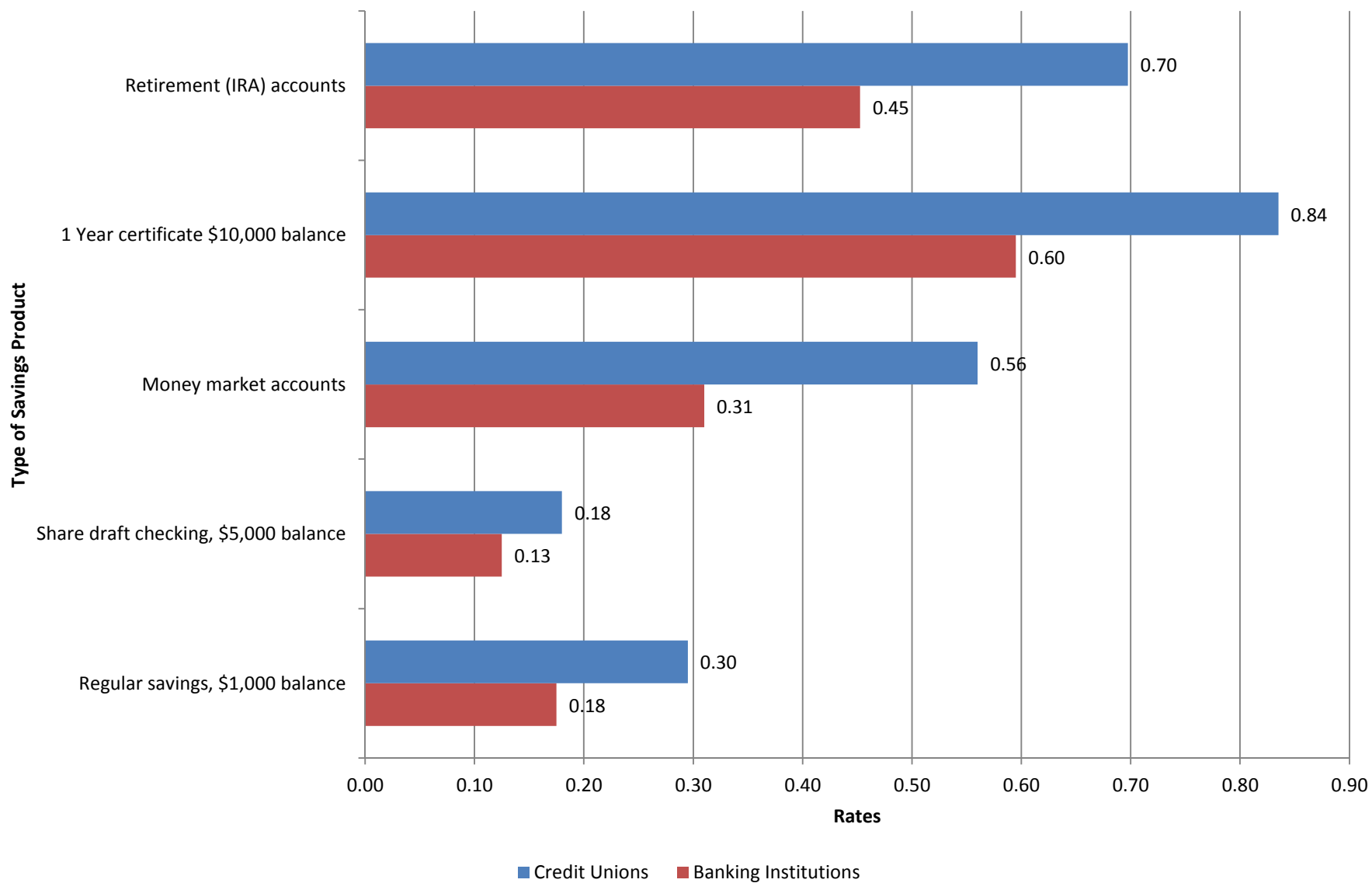
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Source: Datatrac, NCUA, and CUNA.  
(1) Assumes 1.9 credit union members per household.

## 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

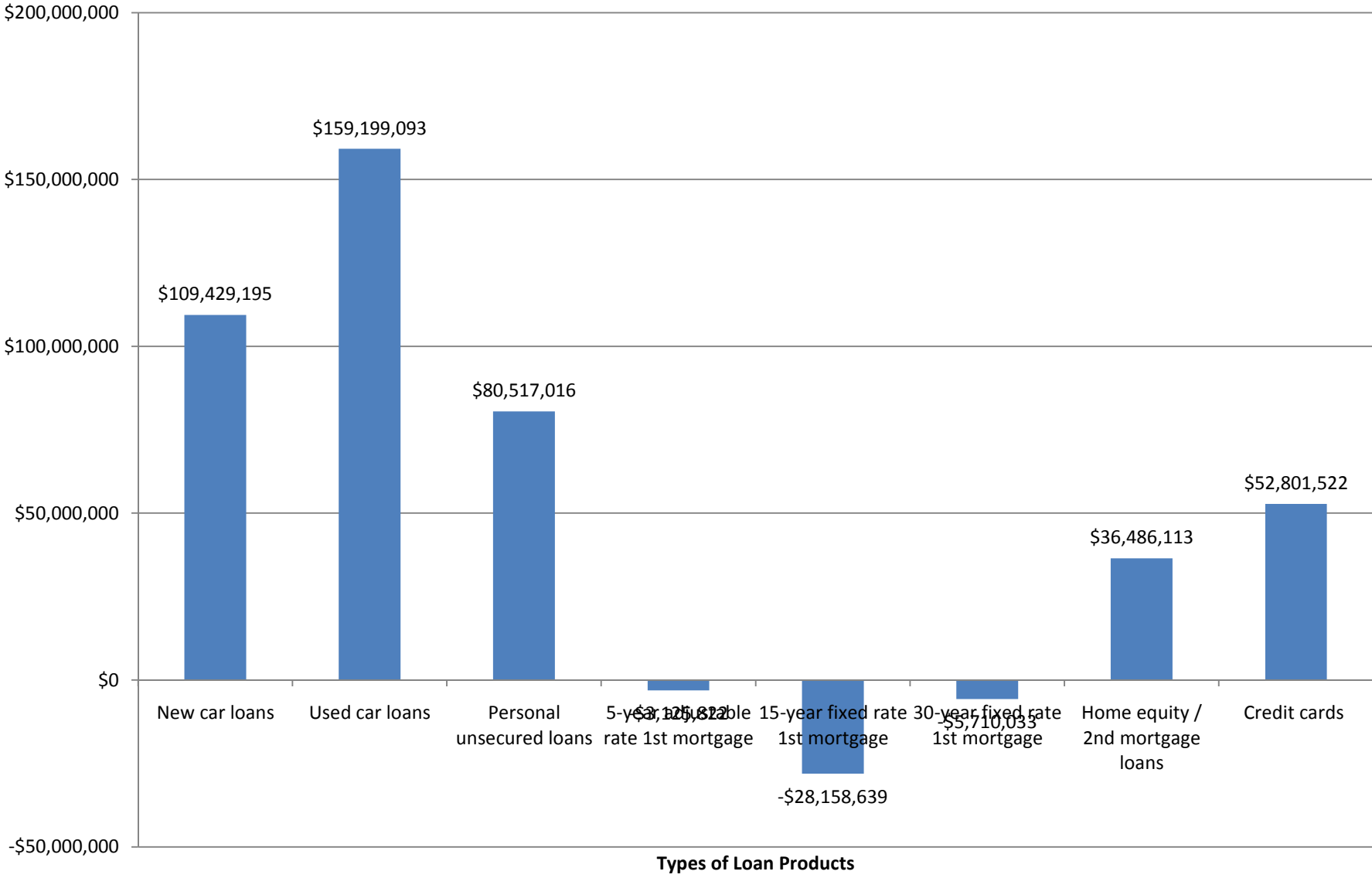


**Texas**  
**Credit Union and Banking Institution**  
**Year-end 2011 Average Interest Rates and Fees**

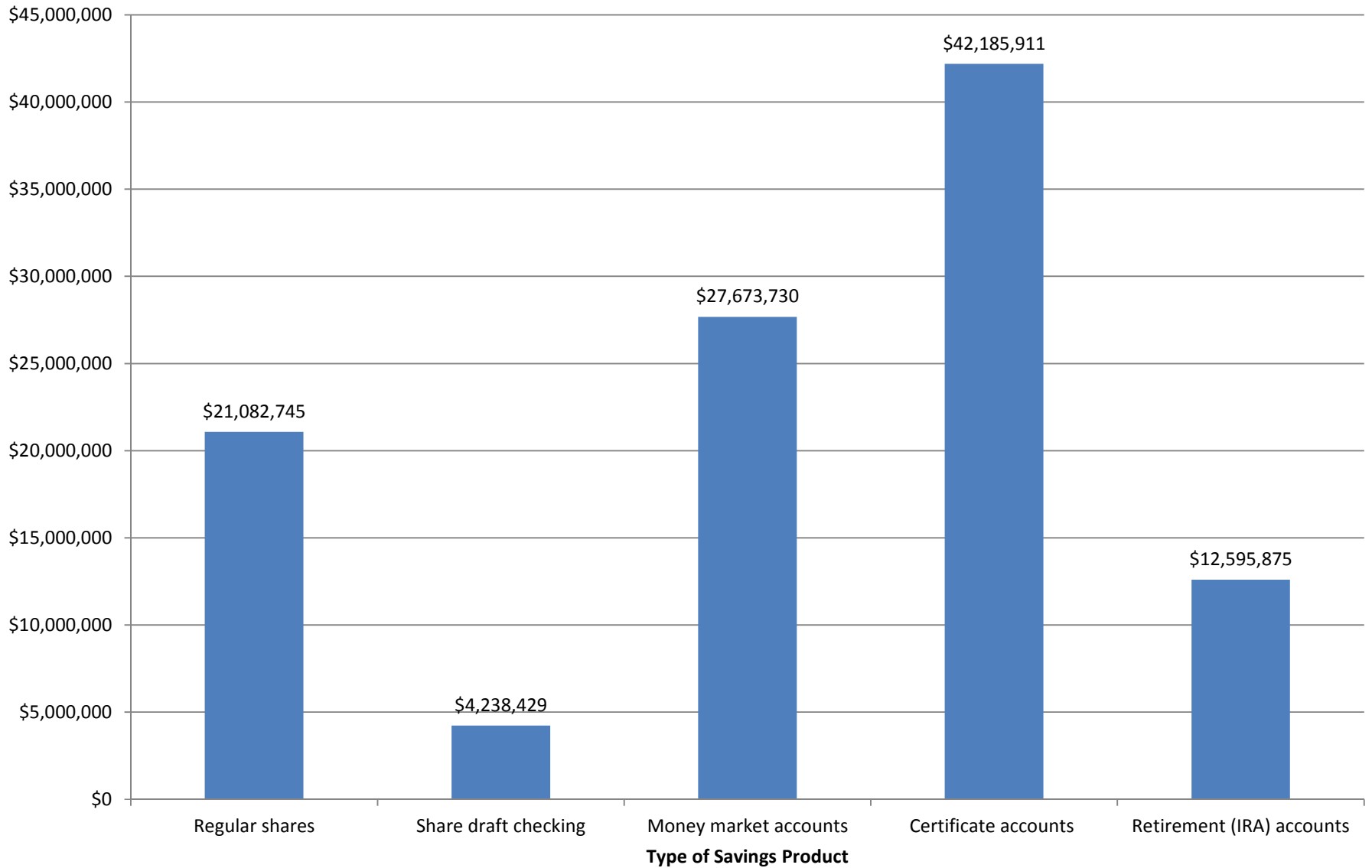
<b>Loan Products</b>	<b>Average Rate at Credit Unions (%)</b>	<b>Average Rate at Banks (%)</b>	<b>Rate Difference vs. Banks (%)</b>
60-month new car (A paper)	3.75	4.84	-1.09
48-month used car (A paper)	3.89	5.31	-1.42
Unsecured loan (A paper)	9.38	12.58	-3.20
5-year adjustable rate 1st mortgage, 0 pts	3.52	3.37	0.15
15-year fixed rate 1st mortgage, 0 pts	4.13	3.44	0.69
30-year fixed rate 1st mortgage, 0 pts	4.36	4.23	0.13
Home equity / 2nd mtg, 80% LTV 0 pts	4.39	5.36	-0.98
Credit card - classic	10.45	12.75	-2.30
Credit card - gold	9.68	13.62	-3.94
<b>Savings Products</b>			
Regular savings, \$1,000 balance	0.30	0.18	0.12
Share draft checking, \$5,000 balance	0.18	0.13	0.06
Money market accounts	0.56	0.31	0.25
1 Year certificate \$10,000 balance	0.84	0.60	0.24
Retirement (IRA) accounts	0.70	0.45	0.25
<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 Texas Credit Unions Financial Benefits Year-end 2011

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Texas Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	10,039,375,717	-1.09	\$109,429,195
Used car loans	11,250,819,294	-1.42	\$159,199,093
Personal unsecured loans	2,516,156,757	-3.20	\$80,517,016
5-year adjustable rate 1st mortgage	2,155,739,596	0.15	-\$3,125,822
15-year fixed rate 1st mortgage	4,080,962,232	0.69	-\$28,158,639
30-year fixed rate 1st mortgage	4,568,026,688	0.13	-\$5,710,033
Home equity / 2nd mortgage loans	3,742,165,448	-0.98	\$36,486,113
Credit cards	1,951,997,104	-2.30	\$52,801,522
Interest rebates in period			\$1,947,738
<b>Total CU member benefits arising from lower interest rates on loan products:</b>			<b>\$403,386,182</b>
 <u>Savings</u>			
Regular shares	17,568,953,826	0.12	\$21,082,745
Share draft checking	7,706,235,182	0.06	\$4,238,429
Money market accounts	11,069,492,024	0.25	\$27,673,730
Certificate accounts	17,577,462,915	0.24	\$42,185,911
Retirement (IRA) accounts	5,141,173,371	0.25	\$12,595,875
Bonus dividends in period			\$0
<b>Total CU member benefit arising from higher interest rates on saving products:</b>			<b>\$107,776,690</b>
 <u>Fee Income</u>			
<b>Total CU member benefit arising from fewer/lower fees:</b>			<b>\$160,607,785</b>
 <b>Total CU member benefit arising from interest rates on loan and savings products and lower fees:</b>			<b>\$671,770,657</b>
<b>Total CU member benefit / member:</b>			<b>\$88</b>
<b>Total CU member benefit / member household:</b>			<b>\$168</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;

**Texas**  
**Performance Profile**

<b>Demographic Information</b>	<b>Dec 11</b>	<b>Dec 10</b>
Number of branches	1652	1620
Total assets (\$ mil)	72,757	67,831
Total loans (\$ mil)	44,873	43,271
Total surplus funds (\$ mil)	24,865	21,634
Total savings (\$ mil)	63,470	58,912
Total members (thousands)	7,724	7,540
<b>Growth Rates (Trailing 12 months) *</b>		
Total assets	7.3 %	6.1 %
Total loans	3.7 %	2.6 %
Total surplus funds	14.9 %	12.6 %
Total savings	7.7 %	7.0 %
Total members	2.4 %	1.8 %
<b>Earnings - Basis Pts. *</b>		
Yield on total assets	416	467
Dividend/interest cost of assets	95	123
Fee & other income	138	137
Operating expense	349	359
Loss Provisions	50	65
Net Income (ROA) after stabilization exp	59	55
<b>Capital adequacy</b>		
Net worth / assets	9.7	9.8
<b>Asset quality *</b>		
Delinquencies / loans	1.2	1.2
Net chargeoffs / average loans	0.7	0.9
Total borrower-bankruptcies	26	28
Bankruptcies per 1000 members	1.8	2.1
<b>Asset/Liability Management</b>		
Loans / savings	70.7	73.4
Loans / assets	61.7	63.8
Long-term assets / assets	25.2	26.2
Core deposits/shares & borrowings	41.5	39.6
<b>Productivity</b>		
Members/potential members	6.4	7.0
Borrowers/members	48.4	48.2
Members/FTE	387	383
Average shares/members (\$)	8,218	7,814
Average loan balances (\$)	11,993	11,899
Salary & Benefits/FTE	58,058	56,239

\* 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.