

# MESSAGES

## *Benefits for lower income credit union members*

### Main messages

- Credit unions *offer the services that lower-income consumers use* and they provide these services on *terms that are much more favorable than those found at banking institutions*. Community-based credit unions in particular are likely to offer lower-income consumer services and to do so at substantial savings to consumers.
- In the aggregate, *lower-income consumers save over \$2 billion annually* because they have access to low-cost credit unions services and are not forced to use higher-cost banking institutions for their financial needs.
- With very few exceptions *consumer savings via a credit union pricing advantage are evident* across all product offerings studied and in all states.

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### ***SUPPORTING POINTS FOR MAIN MESSAGES ...***

- The “product usage rates” of the Federal Reserve’s *Survey of Consumer Finances* reveals credit unions save the average lower-income consumer hundreds of dollars annually:

<b>Lower Income Consumer Survey – Pricing Profile</b>			
	<b>Banking Institution Median</b>	<b>Credit Union Median</b>	<b>Credit Union Advantage</b>
Basic no-fee savings account yield (APY)	0.35%	0.95%	0.60%
Low minimum, one year certificate yield (APY)	3.21%	3.75%	0.54%
Small balance unsecured loan rate (APR)	12.76%	10.75%	2.01%
4-year used automobile loan rate (APR)	7.86%	5.90%	1.96%
Per-item cost of money order/official check	\$4.00	\$1.13	\$2.87
Per-item cost to wire \$100 to Mexico	\$35.00	\$30.00	\$5.00
Check cashing	\$10.00	\$3.00	\$7.00

Source: Datatrac. Based on pricing at the five largest banking institutions and five largest credit unions in each state. The banking institutions surveyed control 49% of total US deposits and the credit unions control 4% of US deposits (38% of credit union deposits). Just for the purposes of this study lower income is defined as the bottom two quintiles of the income distribution, accounting for roughly 23 million credit union members.

*For more detailed information including comparisons and calculation methods see the full report: US Credit Union Lower Income Financial Services Survey. October 2006. Credit Union National Association. Available at [www.cuna.org](http://www.cuna.org).*

- The median Annual Percentage Rate (APR) on 4-year used-auto loans at credit unions was 5.90% during the study period, whereas banking institutions typically charged 7.86% on these loans. This rate difference can lead to substantial interest cost savings, especially to those of lower income. For example, the annual interest cost on a \$7,500 used-auto loan would be \$590 at a banking institution versus \$443 at a typical credit union. Thus this lower-income consumer would save \$147 annually or

\$588 over the life of the loan by using the credit union car loan. For a lower income member who uses their car primarily to drive to and from work this translates into significant savings. For example, the \$588 lifetime loan cost difference is roughly equivalent to 261 gallons of gasoline (assuming an average cost of \$2.25 per gallon). Assuming an average 20 mile round-trip to work, 20 miles per gallon fuel efficiency and a 50 –week work year, the credit union loan savings amounts to a full year of “free” gasoline.

- Lower income consumers who use money orders or official checks to pay basic bills face annual fees of \$240 at the typical U.S. banking institution (assuming five checks per month x \$4 median bank cost). In contrast, the annual cost of this service for credit union members is \$67.80 – an annual savings of \$172!